



CRAIOVA, A.I. CUZA, NR.42, BL. 6A, APT.15, JUDEȚUL  
DOLJ, ÎNREGISTRATĂ LA OFICIUL REGISTRULUI COMERȚULUI SUB NR. J16/410/2003, COD  
UNIC DE ÎNREGISTRARE RO15313758, TELEFON 0251411446, 0351442446, FAX 0251406697,  
AUTORIZATIE CAFR 351/2003

*Independent auditor report*

*Addressed to: The Shareholders and Management of “Electroputere S.A.”*

***Opinion***

[1] We have audited the accompanying financial statements of ELECTROPUTERE S.A., which comprise the Statement of Financial Position as at 31 December 2020, the Statement of Comprehensive Income, the Statement of changes in equity and the Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

[2] The aforementioned financial statements refer to:

- Net turnover 2.700.355 Lei
- Net result of the year 34.454 Lei, profit
- Net assets / Total equity -274.341.365 Lei, negative

[3] In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2020 and its financial performance and cash flows for the year then ended, in accordance with the Ministry of Public Finance Order no. 2844/2016 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards as adopted by the European Union, with subsequent changes (“MoFP Order no. 2844/2016”).

**Basis for qualified opinion**

[4] We conducted our audit in accordance with the International Standards on Auditing (ISA), EU Regulation no. 537 of the European Parliament and of the Council (“the Regulation”) and Law no. 162/2017 (“the Law”). Our responsibilities based on these standards and regulations are described, in detail, in the Auditor's Responsibilities section in the *Auditor's Responsibility in an Audit of the Financial Statements* in our Report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for

Professional Accountants (IESBA code) together with the ethical requirements that are relevant to our audit of the financial statements in Romania included with the Regulation and the Law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### **Significant uncertainty related to going concern**

[5] Without changing our opinion, we draw attention to Note 3 Basic accounting principles – Going concern - to the accompanying financial statements, stating that the financial position and operating results of the Company depend on the financial and operational support of shareholders and related party companies, not being exclusively under the control of the Company's management. During the financial year 2020 the Company did not carry out operational (production) activity, the preponderant revenues being realized from rents, sales of assets and the reversal of some provisions / value adjustments previously established. According to the information presented in the financial statements concluded on 31.12.2020, the Company registers negative equity of – 234.741.204 lei and unfavorable key financial indicators. All of these represent significant uncertainties that could significantly put in doubt the Company's ability as a going concern.

#### **Emphasis of matters**

[6] We draw attention to Note [3] Basic accounting policies - Going concern - to the accompanying financial statements, which states that the production activity of the Company has been discontinued since December 2019. During the financial year 2020, the Company generated revenues mainly from rents, sales of patrimonial assets and the reversal of some provisions / value adjustments, having an average number of 18 employees. Under these conditions, historical information may not be adequate for forecasts of future financial results.

[7] In Note [27] Subsequent events - The impact of the COVID-19 virus, details are provided in connection with an important event that took place in 2020 and which is ongoing at this time as well: < the COVID 19 pandemic>. The Company has already taken specific measures to ensure the health and safety of its employees. The company's management has taken into account and constantly monitors the risks generated by the impact of this phenomenon (market, operational, liquidity risks, personnel risks), giving increased importance to the analysis of exposure to business risk and implications on financial statements.

[8] In Note [25] on Litigation it is stated that the Company is involved in a number of litigations with business partners or other third parties, the final results of some of are currently unknown. The management analyzed the exposure to potential losses from litigation in order to identify situations that require the presentation of contingent liabilities or the establishment of additional provisions.

Our opinion is not further modified in respect of this matter.

#### **Other matters**

[9] This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

### Key audit matters

[10] Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matters   | The approach in the audit mission   |
|---|---|
| <b>Litigation and disputes</b>  |   |
| <p>Following the performed procedures, we found that the Company is exposed to potential losses as a result of litigation pending before the courts. As presented in Note 25 to the individual financial statements, the company is involved in a series of disputes with business partners or other third parties. The recognition of a debt in the financial statements or the presentation as a contingent debt, inherently implies the performance of professional judgments based on a series of hypotheses and evaluations with significant impact.</p> | <p>The audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>-reading the minutes of the company's shareholders' meetings;</li> <li>- obtaining and evaluating letters received from lawyers in connection with the stage of litigation and potential exposures;</li> <li>- evaluation of the Company's estimates in relation to litigations and disputes, including debts, provisions or contingent debts;</li> <li>- the evaluation of the extent to which the information in the explanatory notes regarding the litigations, adequately presents the potential debts of the Company.</li> </ul> |
| <b>Going concern</b>  |   |
| <p>The Company's management is responsible for the evaluation and appreciation of the continuity premises for the preparation of the financial statements. The Company's activity was significantly reduced. Thus, during the financial year 2020, the Company did not carry out operational (production) activity, mainly generating revenues from rents and sales of assets, with an average number of 18 employees. At the end of the year, the</p>  | <p>Our response was to understand the risks of material misstatement in connection with the management's assertions about business continuity in the foreseeable future (for at least twelve months from the date of the financial statements). The audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>- reading the Decisions of the company's shareholders' meetings;</li> <li>-reading the clauses of the loan agreements, in order to establish if any of them have been violated;</li> </ul>  |

|   |  |
|---|--|
| <p>Company achieved unfavorable key financial indicators.</p>   | <p>-reading lawyers' letters in connection with litigation and claims;<br/>         -performing the procedures regarding the subsequent events, in order to identify those that can significantly affect the Company's capacity to continue its activity;<br/>         -analysis of the main financial indicators of the activity.</p> |
| <p><b>Sales of assets</b></p>   |  |
| <p>During the financial year 2020, commercial transactions representing sales of patrimonial assets took place. The risks that may occur in asset sales operations are mainly those related to: authorization of operations, fair value of transactions, correct recording of income in accounting, discharge, proper allocation of income and expenses to the periods to which they belong, cancellation of related value adjustments.</p> | <p>Our audit procedures included, among others: -analysis of commercial contracts;<br/>         -analysis of the supporting documents (including the GMS decisions for approval) in connection with the operations of sale of assets as well as of the accounting notes prepared by the company on this occasion.</p>                  |

**Other information - Administrators' report**

[11] The administrators are responsible for preparation and presentation of other information.

The other information comprises the Administrator's Report but does not include the financial statements and our auditor's report thereon, neither the non-financial statement, which is presented in a separate report.

Our opinion on the financial statements does not cover this other information and we do not express any form of assurance conclusion thereon.

[12] In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With regards to the Administrator's Report, we have read and report whether it was prepared, in all material respects, in accordance with the MoPF Order no. 2844/2016, articles 15-19 of the Accounting Regulations in line with International Financial Reporting Standards.

[13] Based exclusively on the activities that should be done during the audit of the financial statements, in our opinion:

[a] Information presented in the Administrators' Report for the financial period for which the financial statements have been prepared, is in accordance, in all material respects, with financial statements;

[b] The Administrators' Report has been prepared, in all material respects, in accordance with MoPF Order no. 2844/2016, articles 15-19 of the Accounting Regulations in line with International Financial Reporting Standards.

[14] Besides this, based on our knowledge and understanding of the Company and its environment gained during the audit of financial statements for the year ended at December 31, 2020, we shall report whether we identified any information included into Administrators' Report that is material misstated. We have nothing to report in this regard.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

[15] Management is responsible for the preparation and fair presentation of the financial statements in accordance with MoPF Order no. 2844/2016, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

[16] In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

[17] Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

[18] Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

[19] As part of an audit in accordance with the auditing standards as adopted by Chamber of Financial Auditor's from Romania, which are based on International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

[a] Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

[b] Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

[c] Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

[d] Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

[e] Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying deficiencies in internal control that we identify during our audit.

[20] We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[21] Also, we provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

[22] From the matters communicated with those charged with governance, we determine those matters that were of more significance in the audit of the financial statements of the current period and therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should be communicated in our report

because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the other legal and regulatory provisions**

[23] We were appointed by the Ordinary General Meeting of Shareholders by Decision no. 94 of August 31, 2020 to audit the financial statements of **Electroputere S.A.** for the financial year ended December 31, 2020. The uninterrupted total period of our commitment is one year, covering the financial year ended December 31, 2020.

We confirm that:

- In conducting our audit, we have retained our independence from the audited entity;
- The prohibited non-audit services referred to in Article 5(1) of EU Regulation no. 537/2014 were not provided.

**On behalf of,**

**SC AUDIT CONSULTING SRL, CAFR authorization: 351/2003**

Address: Craiova, str. AI Cuza nr.42, block 6 A, ap.14-15

Registered with ASPAAS under no. FA 351/2003

**Auditor: PETRESCU SIMONA**

Registered with ASPAAS under no: AF 2786/2009

**Date: 20.04.2021**