

“INTEGRAL AUDIT” SRL

Cluj-Napoca, str. Cal. Dorobantilor 14-16, ap. 33

Share Capital: RON 200, J12/741/25 March 2011, Tax Registration Number 28244862

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INDEPENDENT AUDITOR'S REPORT

To the CARBOCHIM SA Stockholders

Report on the Financial Statements Audit

Opinion

1. We have audited the enclosed Financial Statements of CARBOCHIM SA (the "Company") with registered office in Romania, CLUJ-NAPOCA CITY, Piata 1 Mai nr. 3, identified with Tax Registration Number and VAT Code RO 201535, which comprise the Statement of Revenue and Expenditure, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement and Notes to the Financial Statements (including a summary of the significant accounting policies and other explanatory notes), prepared as at 31 December 2018. The aforementioned Financial Statements include:

| | |
|---------------------------|----------------|
| ● Total Assets: | RON 97,896,841 |
| ● Equity | RON 79,116,393 |
| ● Debts | RON 18,780,448 |
| ● Net profit for the year | RON 2,667,588 |

2. In our opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance, and its cash flows for the year closed on that date, in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

3. We conducted our audit in accordance with the International Standards on Auditing (ISAs), EU Regulation no. 537 of the Parliament and of the European Council (hereinafter "the Regulation") and Law 162/2017 (the "Law"). Our responsibilities under these standards are described in detail in the Auditor's Responsibilities section, in a Financial Statements audit in our report. We are independent of the Company, according to the Ethical Code of Professional Professionals issued by the International Ethics Standards Board for Accountants (IESBA Code), according to the requirements of professional ethics relevant to the Financial Statements audit from Romania and we fulfilled the other responsibilities of professional ethics according to these requirements and the IESBA Code. We reckon that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Issues

4. The key audit issues are those issues that, in our professional reasoning, had the greatest importance to the Financial Statements audit of the current period. These issues were addressed in the context of the overall financial statement audit and forming our opinion on them and do not provide a separate opinion on these issues.

5. Assessment of Inventories

The information provided by CARBOCHIM SA regarding inventories, including inventory depreciation adjustments, is presented in the Financial Statements in Note 9.

As at 31 December 2018, the Company held inventories of RON 15,144,119 for which there were adjustments of RON 185,772, as per Note 10 of the Financial Statements.

Where required, adjustments are recorded for inventories that are used morally and slow-moving inventories. Individually identified morally-used inventories are adjusted to full value or removed from the balance sheet. For slow-moving inventories, an age estimate is made on each main category based on the inventory turnover.

Identifying and establishing adjustments for inventory depreciation involves conducting analyses, judgments, and assumptions that involve a high level of uncertainty.

Due to the significant value of the stock balance, the age of inventories and uncertainties about the assumptions used to determine the adjustments, this is considered a key audit issue.

Method of approaching this key audit issue:

We conducted a sample-based additional inventory of inventories over one year for which no impairment adjustments were recorded by the Company to insure and observe the physical condition of inventories.

We have requested and obtained additional analysis of slow-moving inventories performed and assumed by the Company's technical service.

We have carried out comparative calculations and analyses on how slow-moving inventories evolve over time.

We have found that inventories older than one year are consistent in terms of quality and are sold in a slow-moving mode and raw materials are used in the manufacturing process with a slower movement due to changes in the production structure.

Other Information

6. Other information includes the Directors' Report but does not include the Financial Statements and the Auditor's Report thereon. Management is responsible for further information.

7. Our opinion on the Financial Statements does not cover this other information and does not express any reassurance conclusion on them.

8. In connection with the Financial Statements audit for the financial year closed on 31 December 2018, our responsibility is to read this other information and, in doing so, to assess whether the other information is significant inconsistent with the Financial Statements or knowledge that we have obtained during the audit, or they seem to be materially misstated. Should we conclude, based on the work performed, that there is a material misstatement of the other information, we are required to report it. In this respect, we have nothing to report.

Responsibilities of Management and Persons Charged with Governance to the Financial Statements

9. Company Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with IFRSs and for such internal control as the Management considers necessary to enable the preparation of financial statements free of material misstatement, whether due to fraud or error.

10. In preparing the Financial Statements, the Management is responsible for assessing the Company's ability to continue in operation, showing, if any, the aspects of business continuity and using the accounts on a going concern basis unless the Management either intends to liquidate the Company or close down operations, or has no realistic alternative beyond.

11. Persons responsible with the governance are responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities in a Financial Statements Audit

12. Our goals are to obtain reasonable assurance on whether the Financial Statements, as a whole, are free from material misstatement, whether due to fraud or error, as well as issuing an Auditor's Report which includes our opinion. The reasonable assurance has a high level of assurance, but there is no guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement, if any. Misstatements can be caused either by fraud or error and are deemed significant if it can be reasonably expected that they will influence, individually or in aggregate, the economic decisions of users taken on the basis of these Financial Statements.
13. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. Moreover:
 - We identify and assess the risks of material misstatement of the Financial Statements, due either to fraud or error, design and execute audit procedures in response to such risks and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of failing to detect a significant misstatement due to fraud is higher than the one of failing to detect a material misstatement due to error because fraud may involve collusion, forgery, deliberate omissions, misrepresentations and avoiding internal control.
 - We acknowledge the internal control relevant to the audit, in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Company.
 - We assess the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
 - We draw a conclusion on the appropriateness of the use by the Management of accounts on a going concern basis and determine, based on the audit evidence obtained, whether a material uncertainty exists regarding events or conditions that may cast significant doubt on the ability of the Company to continue its operations. If we conclude that there is significant uncertainty, we must draw the attention in the Auditor's Report on the presentations related to the Financial Statements or, if these disclosures are inadequate, to alter our opinion. Our conclusions are based on the audit evidence obtained until the Auditor's Report. However, future events or conditions may cause the Company may not carry on business in a going concern basis.
 - We assess the presentation, structure and general content of the Financial Statements, including disclosures, and whether the Financial Statements reflect transactions and events based in a manner that achieve fair presentation.
14. We communicate, among other things, the planned scope and timing of the audit and the main audit findings to those responsible for governance, including any significant deficiencies in the internal control that we identified during the audit.
15. We also provide those responsible for governance a statement that we complied with the ethical requirements relevant to the independence, and that we communicated all relationships and other matters which might be reasonably assumed to affect our independence, and, where appropriate, the related protective measures.
16. We determine, among the matters communicated with those charged with the governance, which are the most important for the audit of the Financial Statements for the current period and which are therefore key audit issues. We describe these issues in the Auditor's Report, unless laws or regulations prohibit public disclosure of this matter or where, in extremely rare circumstances, we believe that they should not be communicated in our Report as it is reasonably predicted that public interest benefits would overcome the negative consequences of this communication.

Report on Other Legal and Regulatory Provisions

Reporting on information other than Financial Statements and our report thereon

17. In addition to our reporting responsibilities under ISA and described in the "Other Information" on the Directors' Report, we have read the Directors' report attached to the individual Financial Statements and disclosed from page 1 to 15 and report that:

a) we did not identify information in the Directors' Report that is not consistent in all material respects with the disclosures in the accompanying individual Financial Statements;

b) the Directors' Report identified above includes, in all material respects, the information required by Order of the Minister of Public Finance no. 2844/2016, sections 15-18 (Accounting Regulations in accordance with International Financial Reporting Standards)

c) based on our knowledge and understanding acquired during the audit of the Financial Statements for the year closed on 31 December 2018 on the Company and its environment, we have not identified any information contained in the Directors' Report to be significantly flawed.

18. We have been appointed by the General Meeting of Shareholders on 26 April 2017 to conduct an audit on the Financial Statements of CARBOCHIM SA for the financial year closed on 31 December 2018. The uninterrupted total duration of our commitment is 8 years, covering the financial years closed on 31 December 2011 until 31 December 2018.

We confirm that:

- Our audit opinion is in line with the additional report submitted to the Company's Audit Committee, which we issued the same date when we also issued this report. Furthermore, in conducting our audit, we have retained our independence from the audited entity.
- We did not provide for the Company the forbidden non-audited services referred to in Article 5 (1) of EU Regulation no. 537/2014.

For and on behalf of the Company INTEGRAL AUDIT SRL

PERȘA ALEXANDRINA

Financial Auditor registered with the Chamber
Financial Auditors of Romania under
number 4693/31 March 2014

INTEGRAL AUDIT SRL

registered with the Chamber
Financial Auditors of Romania under
number 1052/2011

Cluj-Napoca, 20 March 2019

