CONTELLO

AUDIT S.R.L.

Activităţi de Audit financiar,
C.I.F. 35444146, Nr. Reg. Comerţului J40/622/2016
Aut. CAFR 4286 / 2012,
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THE INDEPENDENT AUDIT REPORT

To the Shareholders of ELECTROAPARATAJ S.A.

Report on the Audit of Individual Financial Statements from 31.12.2020

Opinion with reservations

1. I audited the attached individual financial statements of ELECTROAPARATAJ S.A. ("The Company"), headquartered in Dâmbovița County, Târgoviște, Calea Câmpulung , no. 121, C7, identified by the unique fiscal registration code: 51, which include the balance sheet at December 31, 2020 and the profit and loss account, the statement of changes in equity and the statement of cash flows for the financial year ended, and the notes to financial statements, including a summary of significant accounting policies

2. The individual financial statements mentioned above are identified as follows:

Net assets / Total equity: 8,822,842 Lei

Net loss for the financial year: 567,954 Lei

3. In our opinion, with the exception of the effects of the issues described in the "Basis for Opinion" section of our report, the accompanying financial statements provide a true and fair view of the Company's financial position as at 31 December 2020 as well as its financial performance and cash flows. treasury for the financial year ended on this date, in accordance with Order no. 2844/2016 for the approval of the accounting regulations compliant with the International Financial Reporting Standards.

Basis of opinion with reservations

4. We have been appointed auditors of the Company at a date subsequent to the closing date of the financial statements as of 31.12.2020 and consequently we could not attend the inventory of physical stocks for the period ended 31.12.2020 nor could we provide in an appropriate manner, by other alternative means, regarding the quantities of stocks held by the Company. As initial stocks affect the determination of operating results, we have not been able to determine whether adjustments to operating results and initial carry-over may be needed by 2020. Our audit opinion on the financial statements for the period ended 31.12.2020 has been amended accordingly.

5. During 2020, the Company conducted a number of related party transactions. We have not been able to reasonably ascertain whether the prices used in the conduct of these transactions are determined objectively, nor have we been able to adequately determine the potential impact it could have on the Company's financial statements as a whole.

6. We conducted our audit in accordance with International Standards on Auditing (ISAs), EU Regulation no. 537 of the European Parliament and of the Council (hereinafter "the Regulation") and Law no.162 / 2017 ("the Law"). Our responsibilities under these standards are described in detail in the "Auditor's Responsibilities in an Audit of Financial Statements" section of our report. We are independent of the Company, according to the Code of Ethics for Professional Accountants issued by the Council for International Standards of Ethics for Accountants (IESBA code), according to ethical requirements that are relevant for auditing financial statements in Romania, including the Regulation and Law, and we have met ethical responsibilities according to these requirements and according to the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion with reservations.

Significant uncertainty related to business continuity

7. We draw attention to Note 1 to the financial statements, according to which the Company recorded a net loss of 567,954 lei during the year ended 31.12.2020 and, at that date, the cumulative loss was 16,638,363 lei. This indicates that there is significant uncertainty that could raise significant doubts about the Company's ability to continue operating. Our opinion is not changed as a result.

Other aspects

8. The financial statements as of 31.12.2019 were audited by another auditor, the opinion on this set of financial statements was unchanged.

Key audit issues

9. The key audit aspects are those that, based on our professional judgment, were of the greatest importance for auditing the financial statements of the current period. These issues have been addressed in the context of the audit of the financial statements as a whole and in the formation of our opinion on them, and we do not provide a separate opinion on these key issues.

9.1. Revenues and their valuation

The revenues and their valuation method imply from the management of the audited Company, a significant reasoning, related to the estimation of the importance of risks, considering the nature, size and complexity of the Company's activity, respectively the production of low voltage electrical appliances.

Revenues include the fair value of sales of goods and services at net value less taxes, value added tax and other sales taxes, rebates and trade discounts.

Revenue is recognized when it is possible that the economic benefits associated with the transaction will be generated for the Company and the amount of revenue can be measured reliably.

The characteristics that must be considered before revenue is recognized are whether the entity:

Has the main responsibility to provide goods or services
Supports stock risks
Supports credit risk
Sales of goods are recognized when the delivery has taken place and the transfer of risks and benefits has been completed;
Revenues from the provision of services are recognized when the services have been provided.

Discounts granted to stimulate early receivables are included in "financial costs" as financial incentives (in order to improve cash flows and reduce the Company's financial costs) and are not considered sales incentives.

International Financial Reporting Standard 15 - "Revenue from Contracts with Customers" (IFRS 15) sets out the principles for reporting useful information to users of financial statements about the nature, value, timing and uncertainty of revenue and cash flows from a contract. entities with customers.
In accordance with the Financial Statements, the turnover was diminished in 2020, respectively by 1,592,501 lei from 11,926,477 lei to 10,333,976 lei.

How to approach the key issue during the audit mission

Our audit procedures for addressing significant revenue risk assessment included:

Interviews of the executive management, of the internal auditor, of the personnel involved in the internal control,
Background analytical procedures, detailed tests, in order to obtain sufficient and adequate audit evidence
Assessments of internal control over revenue,
Physical observation and inspection for a sample of items from sales journals, invoices, customer confirmations, sales contracts,
Evaluation of accounting policies used in the field of revenue recognition, s.a.

9.2. Stocks and their evaluation method

Stocks including finished products, semi-finished products, raw materials, materials are valued the minimum between the cost and the net realizable value.
The net realizable value is the estimated selling price to be obtained, usually, less the costs of completion, marketing and distribution.
The cost of inventories includes the acquisition cost and other costs incurred to bring inventories to their present location and condition and is calculated using the weighted average cost method for all inventories.

In total, the stocks registered a decrease by 59.56% in 2020 compared to the previous year, the difference registering on all groups. It should be mentioned that in 2020 an accounting registration error from 2019 was corrected, which influenced the stock of finished products, decreasing in 2020 by 89%.
Also, the production in progress decreased by approximately 62.37%.

At the same time, the company holds significant stocks of finished products, some of which are stocks without sales, which required the establishment of provisions in the amount of 151,888 lei, which represents 14% of total stocks finished product.

How to approach the key issue during the audit mission

Our audit procedures for addressing significant inventory risk assessment included:

We have extended the audit procedures to establish whether the registration of the ongoing production is based on information which justifies the size of these stocks

We applied a high level of skepticism throughout the audit
We analyzed the management's evaluations and estimates regarding this balance sheet item.
Assessments on internal control in relation to stocks

Other information - Directors' Report

10. The administrators are responsible for the preparation and presentation of other information. That other information includes the Directors' Report, but does not include the financial statements and the auditor's report thereon.

Our opinion on the financial statements does not cover this other information and, unless explicitly stated in our report, we do not express any assurance about it.

In connection with the audit of the financial statements for the financial year ended 31 December 2020, it is our responsibility to read that other information and, in doing so, to assess whether that other information is significantly inconsistent with the financial statements, or with the knowledge that we have. we obtained during the audit, or if they appear to be significantly distorted.

Regarding the Directors' Report, numbered from page 1 to page 13, we have read and report whether it has been prepared, in all material respects, in accordance with the requirements of Order no. 2844/2016 for the approval of the accounting regulations compliant with the International Financial Reporting Standards.

Based exclusively on the activities to be carried out during the audit of the financial statements, in our opinion:

a) The information presented in the Directors' Report for the financial year for which the financial statements have been prepared is consistent, in all material respects, with the financial statements;

b) The report of the administrators was prepared, in all significant aspects, in accordance with the provisions of Annex 1, chapter 3, points 15-20 of Order no. 2844/2016 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards, with subsequent amendments and completions.

In addition, based on our knowledge and understanding of the Company and its environment, acquired during the audit of the financial statements for the year ended December 31, 2020, we are required to report whether we have identified material misstatements in the Directors' Report. We have nothing to report on this issue

Responsibilities of management and those responsible for governance for financial statements

11. The Company's management is responsible for preparing financial statements that provide a true and fair view in accordance with Order no. 2844/2016 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards, with subsequent amendments and completions and for that internal control that the management deems necessary to allow the preparation of financial statements free from material misstatement, caused either by fraud or error.

12 In preparing the financial statements, management is responsible for assessing the Company's ability to continue to operate, for presenting, where appropriate, business continuity issues and for using accounting based on business continuity, unless management intends to do so. to liquidate the Company or to cease operations, or has no other realistic alternative outside of them.

13 The persons responsible for governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities in an audit of financial statements

14. Our objectives are to obtain reasonable assurance as to the extent to which 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 there is no guarantee that an audit conducted in accordance with the ISA will always detect a significant misstatement, if any. Distortions may be caused by either fraud or error and are considered significant if it can reasonably be expected that they, individually or cumulatively, will influence users' economic decisions based on these financial statements.

15. As part of an audit in accordance with the ISA, we exercise professional judgment and maintain professional skepticism during the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a significant misstatement caused by fraud is higher than the risk of not detecting a significant misstatement caused by error, as fraud may involve secret agreements, falsehoods, intentional omissions, false statements and circumvention of internal control;
- We understand the internal control relevant to the audit, in order to design audit procedures appropriate to the circumstances, but without the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the adequacy of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We formulate a conclusion on the adequacy of management's use of accounting based on business continuity and determine, based on the audit evidence obtained, whether there is significant uncertainty about events or conditions that could raise significant capacity concerns. The company to continue its activity. If we conclude that there is significant uncertainty, we must draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, change our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to discontinue its business based on the principle of business continuity;
- We evaluate the presentation, structure and content of financial statements, including disclosures, and the extent to which financial statements reflect the underlying transactions and events in a manner that results in a fair presentation.
- We communicate to those responsible for governance, among other things, the planned area and timing of the audit, as well as the main findings of the audit, including any deficiencies in internal control that we identify during the audit.

16. We communicate to those responsible for governance, among other things

17. The planned area and timing of the audit, as well as the main findings of the audit, including any significant deficiencies in internal control, which we identify during the audit.

18. We also provide the persons responsible for governance with a statement that we have complied with the relevant ethical requirements regarding independence and that we have communicated to

them all relationships and other matters that could reasonably be assumed to affect our independence and, there where applicable, the related protection measures.
Among the aspects communicated with the persons responsible for governance, we establish which are the most important aspects for the audit of the individual financial statements of the current period and which represent key audit aspects. We describe these issues in the auditor's report, unless laws or regulations prohibit the public disclosure of the issue or the case in which, in extremely rare circumstances, we determine that an issue should not be disclosed in our report because it is reasonably expected that the benefits of the public interest be outweighed by the negative consequences of this communication

Report on other legal and regulatory provisions

In accordance with Article 10 paragraph (2) of Regulation (EU) no. 537/2014, we provide the following information in our independent audit report, which is required in addition to the requirements of International Auditing Standards:

Appointment of the auditor and duration of the engagement:

The Company's auditors have been appointed by the General Meeting of Shareholders ("GMS") to audit the individual and consolidated financial statements of the Company for the financial year 2020.

Consistency with the Supplementary Report submitted to the Audit Committee:

We confirm that our audit opinion on the individual financial statements expressed in this report is consistent with the additional report submitted to the Company's Audit Committee.

Providing non-audit services:

We declare that we have not provided for the Company prohibited services that are not similar to the audit, mentioned in art. 5 paragraph (1) of Regulation (EU) no. 537/2014. In addition, we did not provide for the Company or for the entities it controls other services that are not audited and that were not presented in the individual financial statements.

In the name

SC Contello Audit S.R.L.

Headquarters: Bucharest, Calea Mosilor, no. 288, sector 2
Registered in the Electronic Public Register with number FA1309

Through
Financial Auditor
Simbotin Adriana

Registered in the Electronic Public Register with number AF4286

Bucharest, 29.03.2021