

Company 'INTEGRAL AUDIT' SRL

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

Share capital: RON 200, Trade Register No. J12/741/March 25, 2011, Tax Reference Number 28244862

Phone 0725 068012, fax 0264 599589, email: neliagoia@yahoo.com

INDEPENDENT AUDITOR'S REPORT

To CARBOCHIM SA Shareholders

Report on the audit of the Financial Statements

Opinion

1. We have audited the enclosed Financial Statements of CARBOCHIM SA (the 'Company'), with registered office in Romania, CLUJ-NAPOCA, Piata 1 Mai nr.3, identified by Tax Reference Number and VAT Code RO 201535, comprising the Income Statement, Statement of Comprehensive Income, Statement of financial position, Statement of changes in equity, Cash Flow Statement, and the Notes to the Financial Statements (which include a summary of significant accounting policies and other Notes), drawn up for December 31, 2019. The Financial Statements referred to relate to:
 - Total assets RON 94,729,537
 - Owners' equity RON 77,826,101
 - Payables RON 16,903,436
 - Net profit for the year RON 68,588
2. In our opinion, the attached Financial Statements give a fair presentation, in all material respects, of the Company's financial position as at December 31, 2019, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs) adopted by the European Union.

Basis for opinion

3. We have carried out our audit in accordance with International Audit Standards (ISAs), EU Regulation No 537 of the European Parliament and of the 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 an audit of the Financial Statements in our Report. We are independent of the Company, according to the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code), according to ethical requirements relevant for the audit of Financial Statements in Romania, including the Regulation and the Law, and have fulfilled our 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.

Key audit issues

4. Key audit aspects are those aspects which, based on our professional judgement, were of the utmost importance for the audit of the Financial Statements of the current period. These issues have been addressed in the context of auditing the Financial Statements as a whole and forming our opinion on them, and we do not give a separate opinion on these issues.

Assessment of inventories

5. The information submitted by CARBOCHIM SA regarding inventories, including adjustments for impairment of inventories, is disclosed in the Financial Statements in Note 10.

On December 31, 2019, the Company held inventories amounting to RON 14,859,175 for which adjustments amounting to RON 156,996 were recorded, according to Note 10 of the Financial Statements.

Where necessary, adjustments for obsolete inventories and slow moving are recorded. Obsolete inventories identified individually are adjusted at full value or derecognised. For slow moving inventories, estimation of the age is performed by each major category, based on inventory turnover.

Identification and establishment of adjustments for inventory impairment requires the management to carry out analyses, reasoning and assumptions involving a high level of uncertainty.

Due to the significant value of the inventory balance, the age of stocks and the uncertainties in the assumptions used to determine the adjustments, this is considered a key audit issue.

Key audit issue approach:

We have carried out an additional inventory, on a sample basis, of inventories older than one year for which no impairment adjustments have been recorded by the Company, in order to ensure and take note of the physical condition of the inventories.

We have requested and obtained additional analysis on slow moving inventories carried out and undertaken by the Company's technical division.

We have performed additional calculations and comparative analyses on how the amount of slow moving inventories evolves over time.

We have found that inventories older than one year are consistent in terms of quality and are saleable in slow motion status and the raw materials are used in the manufacturing process with slower movement due to the change in the production structure.

Economic and social uncertainty

6. Considering the social events subsequent to the Balance Sheet date, namely the restrictions imposed by the emergence of the new virus, at the date of issuing the audit opinion (March 20, 2020), it cannot be estimated what impact these events will have in the future on the economic activity of the audited Company, nor on the values disclosed in the Financial Statements prepared for December 31, 2019.

Other information

7. Other information includes the Management Report but does not include the Financial Statements and the Auditor's Report thereon. Management is responsible for other information.
8. Our opinion on the Financial Statements does not cover that other information and we do not express any reassuring conclusion thereon.
9. In connection with the audit of the Financial Statements for the year ended December 31st, 2019, 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 knowledge that we acquired during the audit, or whether it appears to be significantly distorted. Where, on the basis of the work performed, we conclude that there is a significant distortion of this other information, we are required to report this fact. In this regard, we have nothing to report.

Responsibilities of Management and persons responsible for the governance for the Financial Statements

10. The Management of the Company is responsible for the preparation and fair presentation of the Financial Statements IFRSs-compliant and for such internal control as the Management deems necessary to enable the preparation of Financial Statements free from material misstatement, caused either by fraud or error.
11. In preparing the Financial Statements, the Management is responsible for assessing the Company's ability to continue its business, disclosing, where appropriate, the going concern issues and using going concern accounting, unless the Management either intends to wind up the Company or stop operations, or has no realistic alternative other than to do so.
12. The persons responsible for the governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities in any audit of the Financial Statements

13. Our objectives consist in obtaining reasonable assurance as to the extent to which the Financial Statements, as a whole, are free from material misstatement, caused either by fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit carried out in accordance with ISAs shall always detect significant distortion, if any. Distortion may be caused either by fraud, or error, and shall be considered material if they can reasonably be expected to influence, individually or cumulatively, the economic decisions of the users taken on the basis of these Financial Statements.
14. As part of any audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism during the audit. Likewise:
 - We identify and assess the risks of material misstatement of the Financial Statements, caused either by fraud or error, design and carry out audit procedures in response to such risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting material misstatement caused by fraud is higher than that of not detecting material misstatement caused by error, as fraud may involve secret covenants, forgery, intentional omissions, false statements and evading 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.
 - We assess the appropriateness of the Accounting Policies used and the reasonableness of the accounting estimates and related disclosures made by Management.
 - We draw a conclusion as to the suitability of the Management's use of the going concern accounting and determine, on the basis of the audit evidence obtained, whether there is significant uncertainty as to the events or conditions that could give rise to significant doubts as to the Company's ability to continue its business. Where 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, where these disclosures are inappropriate, 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 cease operating on a going concern basis.
 - We assess the presentation, structure and general content of the Financial Statements, including disclosures, and the extent to which the Financial Statements reflect the transactions and events underlying them in a manner that achieves fair disclosure.
15. We communicate to the persons responsible for the governance, among other aspects, the planned area and timing of the audit, as well as the main audit findings, including any significant deficiencies in the internal control, that we identify during the audit.
16. We also provide the persons responsible for governance with a statement that we have complied with the relevant ethical requirements on independence and that we have communicated to them all relationships and other matters that could reasonably be assumed to affect our independence and, where applicable, the related safeguards.

17. Among the aspects communicated with the persons responsible for governance, we determine which aspects are of the utmost importance for the audit of the Financial Statements of the current period and which are, therefore, key audit aspects. We describe these issues in the Auditor's Report unless laws or regulations prohibit the disclosure of the issue to the public or if, in extremely rare circumstances, we consider that an issue should not be communicated in our Report as the public interest benefits are reasonably expected to outweigh the negative consequences of this communication.

Report on other legal and regulatory provisions

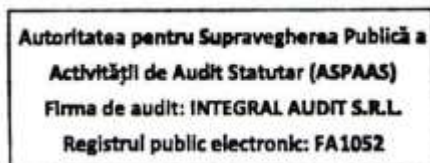
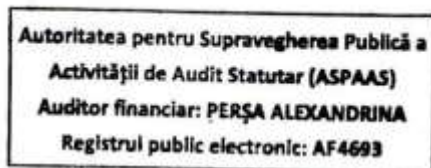
Reporting on information other than Financial Statements and our Audit Report thereon

18. In addition to our reporting responsibilities according to ISA standards and described in the 'Other information' section regarding the Management Report, we have read the Management Report attached to the Separate Financial Statements and presented on pages 1 to 16 and we report that:
- a) we have not identified information in the Management Report that is inconsistent, in all material respects, with the information disclosed in the attached Separate Financial Statements;
 - b) the Management Report identified above includes, in all material respects, the information required by Order of the Minister of Public Finance no. 2844/2016, paragraphs 15-18 (International Financial Reporting Standards compliant accounting regulations)
 - c) based on our knowledge and understanding acquired during the audit of the Separate Financial Statements for the Financial Year ended December 31, 2019 with respect to the Company and its environment, we have not identified information included in the Management Report that is materially misstated.
19. We were appointed by the General Meeting of Shareholders on April 26, 2017 to audit the Financial Statements of CARBOCHIM SA for the financial year ended December 31, 2019. The total uninterrupted duration of our engagement is 9 years, covering financial years ended December 31, 2011 until December 31, 2019.

We acknowledge that:

- Our audit opinion is consistent with the Additional Report submitted to the Company's Audit Committee, which we issued on the same date as this Report. Furthermore, in conducting our audit, we retained our independence against the audited entity.
- We have not provided to the Company the prohibited non-audit services referred to in Article 5 (1) of EU Regulation No 537/2014.

PERȘA ALEXANDRINA, Statutory Auditor
Registered in the Electronic Public Register of
Financial Auditors and
Audit Companies with no. AF4693



On behalf of:
INTEGRAL AUDIT SRL
Registered in the Electronic Public Register of
Financial Auditors and
Audit Companies with no. FA1052

Cluj-Napoca, Calea Dorobanților nr. 14-16, ap.33

March 20, 2020