



AUDIT EXPERT S.R.L.

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Chamber of Financial Auditors of Romania certificate no. 50/ 2001

To,
PREFAB S.A. BUCURESTI

Mr. Marian Petre Milut
Chairman of the Board



REPORT OF FACTUAL FINDINGS

We have performed the agreed-upon procedures listed below, on the beneficiary's transactions and legal acts, between PREFAB S.A. and commercial companies in which it holds shares in the share capital, and the cumulative trading value represent at least the equivalent of 50.000 euro. These transactions have been reported by PREFAB S.A. by current Report No 3497/30.04.2015 and current Report No 4014/14.05.2015 which have been submitted to A.S.F. and B.V.B.

In accordance with Article 113, paragraph (6) of letter G., C.N.V.M. Regulation No 1/2006 and the terms of reference from the Engagement Letter no. 409 dated 24.06.2015, the purpose of the Report of Factual Findings, which was carried out in accordance with the agreed-upon procedures, is to analyze transactions reported by the company on the basis of Article 225 of Law No 297/2004 and to specify if the prices specified in the contracts concluded with related parties, in conjunction with the rights and obligations of the parties, are correct, by reference to other offers available on the market.

Establishing the criteria

-In accordance with Article 225 of Law No 297/2004, with subsequent amendments and additions, the administrators of companies whose shares are admitted to trading on a regulated market shall be obliged to report as soon as possible, to the Stock Exchange and A.S.F. to be published in the Bulletin of information for the A.S.F. regarding any legal act concluded by the company with the administrators, the employees, the shareholders who hold control, as well as with the persons concerned with them, whose aggregate value represents at least the equivalent of 50.000 euro. Also, in accordance with the Article 225 of the law above, in these situations, the management of the company has the obligation to compliance with entity interests which they represent, by reference to similar offers available on the market.

- In accordance with the Law No 571/2003 on Fiscal Code, Article 19, paragraph 5, the transactions between related parties must be carried out under conditions which do not differ from commercial or financial relations established between independent entities.

Management's Responsibility

The company's management is responsible for the information presented in the reports transmitted to A.S.F. and B.V.B., through current reports, for the compliance with the conditions concerning the selection of offers and comparative prices envisaged for the conclusion of

contracts, as well as for the way the transactions to which reference is made in this report are entered in his books.

The company's management is also responsible for the information included in this report and for making available to us the requested documents needed to carry out the agreed-upon procedures. The purpose and the sufficiency of the agreed-upon procedures have been set with the company's management and, therefore, they are the sole responsibility of company's management.

Auditor's Responsibility

Our engagement was undertaken in accordance with:

- the International Standard on Related Services ('ISRS') 4400 Engagements to perform Agreed-upon Procedures regarding Financial Information as promulgated by the IFAC;
- the Code of Ethics for Professional Accountants issued by the IFAC.

Our work is limited to the agreed-upon procedures regarding only the financial information presented and our Report of Factual Findings doesn't include any other comments or evaluations on other factual findings.

Procedures Performed

Our procedures were performed to report factual findings as a result of agreed-upon procedures.

As requested, we performed only the procedures agreed in the Engagement Letter. Due to the fact that this report shall relate only to items and financial information specified above and does not extend to entity's financial statements, our agreed-upon procedures do not constitute a financial audit made in accordance with International Standards on Auditing.

Procedures performed and factual findings:

1. Based on our discussion with the management of the company and other relevant information, we have requested contracts concluded with the companies of the group in order to establish their purpose, as well as the data on which they are based and the way in which they are recorded in the company's books at the date on which company's current reports are completed, with the following details:

- a. Names of parties, nature of the contract (sale/purchase, distribution);
- b. Date;
- c. Exhaustive description of the contract, including and non-exclusive, the description of the products which are the subject of the contract (if they concern some real transfer rights);
- d. The price and a clear statement of the method of payment, as set out in the contract;
- e. Duration of the contract;
- f. Methods for the enforcement of contractual obligations, including terms and conditions of payment, terms and conditions for delivery of the products, as they are referred to in the contract;
- g. Guarantees and penalties;
- h. Persons who have approved and those which have signed contracts.

On these issues, we obtained the following documents:

I. **The sale-purchase contract No 05/14.05.2014** between PREFAB S.A. as *seller* and PREFAB INVEST S.A. with its registered office in Bucharest, sector 1, Str. Dr. Iacob Felix, no. 17-19, et. 2,

room 2, registered in the Commercial Register under number RC J40/4401/2000, CUI RO 12992050, as **buyer**, with the contract value for the year 2014 of 58.000.000 lei without VAT.

Object of this commercial contract is:

1. sale of BCA for the purpose of resale at the price fixed by negotiation and under the conditions provided for in this contract;
2. the seller will provide services for the transport of the goods, to the locations specified by the Buyer, within the limits of possibilities.

Duration of the contract is 1 year from the date of signing, from 14.05.2014 to 14.05.2015.

Payment methods: payment order, cash.

The amendment no. 1 to the Contract of sale-purchase no. 5/14.05.2014 concluded between PREFAB S.A. as seller and PREFAB INVEST S.A. as buyer, in which the duration of the initial contract is extended with 8 months, until the date of 31.12.2015. Other contractual clauses remain intact.

II. The sale-purchase contract No 06/14.05.2014 between PREFAB INVEST S.A. with its registered office in Bucharest, sector 1, Str. Dr. Iacob Felix, no. 17-19, et. 2, room 2, registered in the Commercial Register under number RC J40/4401/2000, CUI RO 12992050, as **provider** and PREFAB S.A. Bucharest, as **beneficiary**, with the contract value of 4.000.000 lei without VAT.

Object of this contract is "organizing selling activities for PREFAB type products, market study, intermediary activities, as well as other services, jointly for obtaining the desired activity objectives referred to in the certificates of incorporation of the two companies".

Duration of the contract is 1 year from the date of signing.

Payment methods: payment order, cash.

The amendment no. 1 to the Contract of sale-purchase no. 6/14.05.2014 concluded between PREFAB INVEST S.A. as **provider** and PREFAB S.A. Bucharest, as **beneficiary**, in which the duration of the initial contract is extended with 8 months, until the date of 31.12.2015. Other contractual clauses remain intact.

III. The supply of services contract No 07/14.05.2014 between PREFAB INVEST S.A. with its registered office in Bucharest, sector 1, Str. Dr. Iacob Felix, no. 17-19, et. 2, room 2, registered in the Commercial Register under number RC J40/4401/2000, CUI RO 12992050, as **beneficiary** and PREFAB S.A. Bucharest, as **provider**, with the contract value of 3.000.000 lei.

Object of this contract is "placing at the disposal of the client of the base materials necessary for the conduct of business on the basis of specific".

Duration of the contract is 1 year from the date of signing, from 14.05.2014 to 14.05.2015.

Payment methods: payment order, cash.

The amendment no. 1 to the supply of services contract no. 7/14.05.2014 concluded between PREFAB INVEST S.A. as **beneficiary** and PREFAB S.A. Bucharest, as **provider**, in which the duration of the initial contract is extended with 8 months, until the date of 31.12.2015. Other contractual clauses remain intact.

IV. The supply of services contract No 07/30.04.2015 between PREFAB S.A. Bucharest, as **beneficiary** and ROMERICA INTERNATIONAL S.R.L. with its registered office in Bucharest, sector 1, Str. Dr. Iacob Felix, no. 17-19, et. 2, room 1, registered in the Commercial Register under number J40/2294/1994, CUI 5205481, as **provider**, with the contract value of 1.000.000 lei (VAT included).

Object of this contract is providing services of information technology support and other services and resources jointly for obtaining the desired activity objectives referred to in the certificates of incorporation of the two companies.

Payment methods: payment order, cash.

2. Obtaining from the management of the company of the documentations and other relevant information about the way in which the prices are established and the way these are reconciled with the contracts between the contracting parties and bills.

Based on the documents obtained from the society, we conducted following procedures:

- a) we've obtained the invoices relating to the above mentioned contracts and we compared the price specified therein to prices in transactions with other partners, where appropriate;
- b) we've selected a sample of invoices and documents relating to each contract and we've compared it with contract details;
- c) we have identified the registration of the selected invoices in accounting records;
- d) we've documented the method of bills' settlement for selected contracts and we've done the reconciliation of payments with extracts of account

Regarding the analyzed aspects analyzed, we concluded that:

PREFAB S.A. carry out the activity of distribution of its products on the basis of their own policy established at group level. From the discussions with the company's management it has emerged that the option to carry out a part of deliveries of products through PREFAB INVEST S.A., under the **contract no. 5/14.05.2014 and the amendment no. 1/13.05.2015** for BCA, is due to the fact that PREFAB INVEST S.A. is specialized in delivering the best services for marketing and prospecting of the market.

We found that, up to the date of 30.06.2015 PREFAB S.A. has carried out deliveries and recorded invoices worth 39.745.913 lei with VAT included, such as:

- under the terms of the contract No 5/14.05.2014 worth 36.466.357 lei, with VAT included;
- under the amendment no 1/13.05.2015 worth 3.279.556 lei, with VAT included.

For the period between 14.05.2014 and 30.06.2015 was collected from PREFAB INVEST S.A. a total of 36.823.473 lei with VAT included.

Recording in the accounts has been done properly based on bills drawn up, their settlement occurs at the due dates of contracts, or in advance, depending on the time PREFAB INVEST S.A. receive his payment from its clients.

For the services of market study, intermediary activities, organizing selling activities for PREFAB type products, has been concluded **contract no. 6/14.05.2014** and **amendment no. 1/13.05.2015** on the basis of which PREFAB INVEST S.A. as a service provider, ensures, in the best possible conditions, the contracts for delivery of the products PREFAB S.A.

The contract value of 4.000.000 lei without VAT has been determined by taking into account the estimated volume of finished products sold (BCA) produced by PREFAB INVEST S.A., on the basis

of an average unit product price (lei/cubic meter) which has been calculated considering the level of storage expenditure, marketing expenditure, expenditure for staff involved in the activity of sale and resale expenditure, as well as other types of expenses on activities carried out.

From our verifications resulted that during the period from 14.05.2014 to 30.06.2015 has been received services and registered invoices in accordance with the contract with a value of 3.220.000 lei, with VAT included. Invoices received from PREFAB INVEST S.A. and registered by PREFAB S.A. for the period between 14.05.2014 and 30.06.2015 have been paid up to the date of the report.

Until the date of 30.06.2015 were received services and registered invoices, so:

- under the terms of the contract No 6/14.05.2014 worth 3.220.000 lei, with VAT included;
- under the amendment no 1/13.05.2015 worth 0 lei, with VAT included.

For the period between 14.05.2014 and 30.06.2015 has been paid to PREFAB INVEST S.A. sum of 3.220.000 lei with VAT included.

PREFAB INVEST S.A. transmits regularly to the PREFAB S.A. prices ex-works grilles valid for certain periods, for the various products made by PREFAB S.A.

Prices set by contracts presented in these reports are prices accepted by the final beneficiaries of PREFAB INVEST S.A. and ensure a profit margin for deliveries carried out by PREFAB S.A. as producer.

From the application of agreed-upon procedures resulted that cashing of the bills emitted by PREFAB S.A. for PREFAB INVEST S.A. for the products delivered, was made in accordance with the time limits settled down, on the basis of the invoices issued by the seller.

Regarding the **supply of services contract no. 7/30.04.2015** concluded between PREFAB S.A. Bucharest, as **beneficiary** and ROMERICA INTERNATIONAL S.R.L. as **provider**, with the value of 1.000.000 lei (VAT included), up to the date of 30.06.2015 have been issued two invoices amounting to 237.800 lei (VAT included) for services of information technology support in accordance with the estimate of works drawn up by provider, including the provision and installation of consumables for printers and plotters. The invoices have been paid up to the date of the report.

By checking the accountancy data and talking with the persons responsible, resulted that the company has no contracts for the services on maintenance and operation of information technology support with third parties. The entity's management has decided to contract these services, with qualified personnel, inside of the Group, within the framework of measures undertaken for the restructuring administrative tasks and for their effectiveness and to ensure that information services are prompt and high quality.

3. Procedure for the approval of contracts/ agreements between mother company and the related parties and analyze of the way in which they have complied with these procedures.

Verifying the competences granted by the delegated bodies of the company, respectively, by the general meeting of the shareholders, to the persons who represents the company in these transactions, those who shall sign on behalf of the company, of the company in dealings with third parties, have been transmitted by the judgment A.G.A. no. 7 of 28.04.2015 to:

1. Milut Petre Marian – General Director – Chairman of the Board;
2. Boitan Daniela - Economic Director, with responsibilities of Deputy Director-General,
3. Zotescu Marian - B.C.A. Branch Director, with responsibilities of Deputy Director-General,
4. Tonciu Gheorghe - Energy and Logistics Director.

The General Director is **empowered with full powers to represent PREFAB S.A. interests** in relations with third parties, for any issue regarding the entity's activity.

The Economic Director and the B.C.A. Branch Director, both with responsibilities of Deputy Director-General, are empowered to represent the entity's interests in relations with third parties, for issues according to their job description.

From the verification of the documents made available by the management of the company has resulted in that the persons designated for the approval and signature of the contracts respects their job terms.

4. Analysis of prices, of the facilities and the conditions for carrying out the contracts of the same type concluded by PREFAB S.A. with various beneficiaries, as compared with those concluded inside the group.

Regarding these aspects, we found that the prices are set at group level of and are transmitted at regular intervals, through the grid of prices, to the management of PREFAB S.A. commercial compartment. The expertise of the group specialists is used both in the case of transactions with companies in the group as well as, for the background information for the contracts with customers outside the group.

After ours verification, resulted that both for sale-purchase contracts of the products and work concluded by PREFAB S.A. **directly with the beneficiaries**, as well as in the case of contracts concluded **through PREFAB INVEST S.A.** as buyer/distributor, for the same type of product, the price conditions are established following negotiations with the beneficiary on the basis of the same tariffs and rules of price. Regarding the contract no 6/14.05.2014, we have found that this type of contract is carried out only with PREFAB INVEST S.A., without any other contracts of this type. The company relies on expertise and results from the specialists inside the group for the contracts with customers inside or outside of the group.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the financial statements of the entity as a result of the agreed procedures.

Therefore, the report in accordance with ISRS 4400 applicable to agreed-upon procedures engagements, relates only to the accounts and items specified above and does not extend to any financial statements of PREFAB S.A., taken as a whole or as a part.

Had we performed an audit or review of the financial statements in accordance with International Standards on Auditing or International Standards on Review, other matters might have come to our attention that would have been reported to you.

Our activity is limited to the agreed-upon procedures, and our report regards factual findings. Our report is solely for the purpose of the agreed procedures and is not to be used individually for any other conclusions.

We believe that the evidences we have obtained are sufficient and appropriate to provide a basis for our conclusions.

Sources of information

The Report is based on the information supplied by the entity's management regarding the specific questions or those obtained from the financial recordings of PREFAB S.A., Bucharest.

Conclusions

Based on the agreed-upon procedures, we report our findings below:

- Details of contracts, as reported by the managers of the company to A.S.F. are in accordance with the contracts signed;
- Contracts have been correct authorized by the contracting parties
- Contracts contain information concerning: the parties who have concluded the legal act, the date of completion and the nature of the document, the description of the object, the total amount of legal act, the terms and conditions of payment;
- Prices agreed between the parties have been accepted by mutual agreement on the basis of the type of products/services and other terms and conditions stipulated in the contracts between the parties. These prices are correct and they comply with interests of the company, on the basis of the tenders of the same type available on the market.

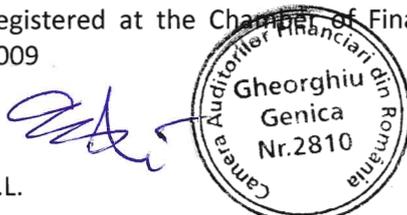
Use of the report

Our report, addressed to the management of the entity and its shareholders, has been drawn up on the basis of current Report No 3497/30.04.2015, current Report No 4014/14.05.2015 and the documents presented by the company, is going to be submitted by the management to A.S.F. and B.V.B. to be published in the Bulletin of information for the A.S.F.

Ploiesti, 30 July 2015

Financial Auditor,

Gheorghiu Genica - registered at the Chamber of Financial Auditors of Romania with certificate no. 2810/ 2009



S.C. AUDIT EXPERT S.R.L.

Audit Firm - registered at the Chamber of Financial Auditors of Romania with certificate no. 50/ 2001

General Director,

Constantin Maria – C.A.F.R. certificate no. 184/ 2001

