



No.225/19.07.2019

Prefab No.5363/22.07.2019

**To,
PREFAB S.A. BUCURESTI**

**Mr. Marian Petre Milut
Chairman of the Board**

REPORT OF FACTUAL FINDINGS

We have performed the agreed-upon procedures agreed with you and listed below, in relation to the transactions and legal acts reported by PREFAB S.A. to the Financial Supervisory Authority (ASF) and the Stock Exchange in its current report no. 2421 dated 03.04.2019.

According to the provisions of art.225 of the Law no. 297/2004 regarding the capital market, provisions taken in part by Art.82 of Law no.24 / 2017 and of Regulation no. 1 / 2006 of CNVM, the administrators of companies whose shares are admitted to trading on a regulated market are obliged to report as soon as possible, 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.

In accordance with Article 113, paragraph (6), letter G., CNVM Regulation No 1/2006 and the terms of reference from the Engagement Letter, 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

According to the provisions of art.225 of the Law no. 297/2004 regarding the capital market, provisions taken in part by art. 82 of the Law no. 24/2017 and the Regulation no. 1/2006 of CNVM, the administrators of companies whose shares are admitted to trading on a regulated market are obliged to report as soon as possible, 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 comply with entity interests which they represent, by reference to similar offers available on the market.

In accordance with the Law No 227/2015 on Fiscal Code, Article 19, paragraph 6, the transactions between related parties are carried out according to the market value price. When determining the taxable income of related parties, it is taken account of the transfer pricing regulations provided by the Fiscal Procedure Code.

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., by current reports, to comply to 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 hold the sole responsibility of company's management.

Auditor's Responsibility

Our responsibility is to examine the transactions reported and presented by the company and to report, based on the evidence obtained, an independent conclusion.

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.

These procedures were performed only to assist the Company in assessing the transactions with related parties. The sufficiency of the procedures is solely the responsibility of the users specified in this report. Considering these, we will not provide any representation about the sufficiency of our agreed procedures for the purpose for which the report was issued or for any other purpose.

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 result of following these agreed-upon procedures.

As requested, we performed only the procedures agreed in the Engagement Letter. Since 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.

We have performed the following procedures:

1. Obtaining the contracts included in the current Report;
2. Reconciliation of the information presented in the chapters and sub-chapters of the contracts according with those from the contracts obtained under procedure 1.

3. Discussions with the management of the company related to:

- The nature and prices of the services mentioned in the contracts included in the current Report,
- The procedure for approving contracts / agreements between parent company and related parties and analyzing how these procedures have been followed;
- Obtaining some alternative from the company's offers from the market, for similar transactions, comparing them with the prices of the services mentioned in the contracts included in the current Report and reporting if the transaction prices mentioned in the current Report are comparable to the prices of the similar transactions.

We report our procedures and findings as follows:

1. Regarding procedure 1, we obtained the contracts concluded with the companies of the group 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.

Current report no.2421 dated 03.04.2019, drawn up based on the provisions of art. 82 of the Law no. 24 / 2017 regarding the issuers of financial instruments and market operations and of the Regulations no.1 / 2006 of CNVM on issuers and securities operations, with subsequent amendments and additions, refers to the Service Contract no. 4 / 03.04.2019 concluded between PREFAB S.A. as Beneficiary and ROMERICA INTERNATIONAL S.R.L. headquartered in Bucharest, sector 1, Str.Dr.Iacob,no. 17-19, 2nd floor, room 1, registered in the Trade Register under RC J40 / 2294/1994, CUI RO 5205481, as Provider, with the value of the contract of 714.000 lei (VAT included).

Object of this contract is the provision of IT services, namely:

- IBM X-series 236 server administration;
- Linux server administration connected to the RDS-RCS network (prefab.ro domain);
- Maintenance workstations, printers, plotters;
- Application server administration Charisma ERP 2015;
- Consultation as well as other service activities and joint resources that allow the fulfilment of the objects of activity stipulated in the Articles of Association of the two companies.

Duration of the contract is 1 year from the date of signing, from 01.03.2019-31.03.2020.

Payment methods:by payment order in the current account specified in the contract and cash;

We have also obtained other relevant documentation and information on how prices are set and how they are reconciled with contracts between the Contracting Parties and related bills.

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

- a) we have 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 have selected a sample of invoices and documents relating to each contract and we have compared it with contract details;
- c) we have identified the registration of the selected invoices in accounting records;
- d) we have documented the method of bills' settlement for selected contracts and we've done the reconciliation of payments with extracts of account

2. Regarding procedure 2, we have reconciled the above-mentioned information to the contracts obtained under procedure 1. We have not found any differences following this reconciliation.

3. Discussions with the management of a company regarding the nature and prices of the services and goods mentioned in the contracts included in the current Report. According to the discussions with the management of the Company, we found that:

• The nature and prices of the services mentioned in the contracts included in the current Report

For the provision of computer assistance aservices subject to this contract, invoices issued by Romeric were received from 1 January 2019 to 30 June 2019 in the amount of 256.500 lei (VAT included) of wich related to the Service Contract no.4/03.04.2019, amounting to 100.000 lei.

The invoices have attached valuations of works signed by the contractor and received by the beneficiary. Until 30.06.2019, invoices were paid amount of 250.500 lei, remaining in the balance of 9.000 lei as unpaid invoices.

The management of the entity decided to contract these services with qualified staff from the Group as part of the measures taken to restructure the administrative activities and make them more efficient and provide prompt and quality information services.

For the provision of other IT services, the company has signed the contract no 4855/24.11.2016 with a specialized company wich, besides consulting the exploitation of the Charisma ERP system modules, also provides other services related to this software, installation/configuration of database server, training IT staff on installing and configuring workstations and database servers, etc.

- Procedure for the approval of contracts/ agreements between mother company and 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. 6 of 18.04.2019 to:

1. Milut Petre Marian – General Director – Chairman of the Board;
2. Boitan Daniela - Economic Director, with responsibilities of Deputy Director-General,
3. Macovei Olimpian - Commercial 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 with responsibilities of Deputy Director-General, is empowered to represent the entity's interests in relations with third parties, for issues according to his 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.

- ***Obtaining from the company of some alternative offers from the market, for similar transactions, comparing them with the prices of the services mentioned in the contracts included in the current Report and reporting if the transaction prices mentioned in the current Report are comparable to the prices of the similar transactions.***

Of the verifications made resulted that the alternative offers existing on the similar transaction market, respectively IT service provision, have prices comparable to the prices included in the contract concluded with ROMERICA INTERNATIONAL S.R.L.

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.

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 described in this report, we have the following conclusions:

- 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 contract and respects the interests of the company, in relation to the same offers existing on the market.
- Other alternative offers on the market of similar transactions, respectively IT service provision, have prices comparable to the prices included in the contract concluded with ROMERICA INTERNATIONAL S.R.L..

Use of the report

Our report is addressed to the management of the entity and its shareholders, has been drawn up based on current Report no 2421 from 03.04.2019 and the documents presented by the company and it's going to be submitted, in accordance with Article 113, letter G, paragraph 6 of Regulation No 1/2006 of CNVM – consolidated form, to B.V.B. and A.S.F. to be published in the Bulletin of information of A.S.F.

Ploiesti, July 19, 2019

On behalf and by charge of the company,

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

Financial Auditor,

Roman Ileana - registered at the Chamber of Financial Auditors of Romania with certificate no. 1199/2001