

SC LEOCONT EXPERT SRL

Oradea, Str. P-ta 1 December No. 15, ap.3

CUI: RO12767350; Nr. Inreg. ORC: J05 / 185/2000

Phone: 0746976854; Fax: 0359/407113

E-Mail: leocontexpert@yahoo.com; Web: www.leocont.ro

INDEPENDENT AUDITOR'S REPORT
U.A.M.T. S.A. Oradea
31.12.2016

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15 / 23.03.2017

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of U.A.M.T. S.A. Oradea

Audit Report on the Annual Financial Statements

Opinion on the individual financial statements

1. We have audited the individual financial statements of the company U.A.M.T. SA (Company) issued on December 31st 2016, comprising of the statement of financial position as of December 31st 2016, the income statement, the statement of changes in equity and the cash flow statement for the year ended on that date, and the notes to the individual financial statements for the year then ended, including a summary of significant accounting policies. The main elements which characterize the financial statements are:

- Turnover: 121.964.833 lei
- The net result: 5.726.929 lei
- Equity: 87.028.200 lei

2. In our opinion, the individual financial statements of U.A.M.T. SA present fairly, in all material respects, the financial position of the company as of December 31st 2016, its financial performance and its cash flows for the year ended on that date, in accordance with Accountancy Law no. 82/1991, republished, as amended and supplemented, the Order of the Minister of Public Finance no. 881/2012 on the application by companies whose securities are admitted to trading on a regulated market of the International Financial Reporting Standards and the Order of the Minister of Public Finance no. 2844/2016 for the approval of accounting regulations compliant with International Financial Reporting Standards, as amended and supplemented.

The basis for our opinion

3. We conducted our audit in accordance with the International Auditing Standards (IAS). Our responsibilities under these standards are described in detail in the section *Auditor's Responsibilities for the audit of financial statements* from our report. We are independent of the company, in accordance



with the Code of Ethics for Professional Accountants (the Code IESBA) issued by the Council for International Standards of Ethics for Accountants in conjunction with the ethical requirements relevant to the audit of financial statements from Romania and we met the ethical responsibilities under these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key aspects of the audit

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

The main aspects to be considered were:

i) Assessment of tangible assets

(Note 1 to the financial statements)

Risk: assertions regarding the evaluation of tangible assets may be at risk of significant distortions that manifest in the non-application accounting regulations applicable to the valuation of tangible assets under IAS 16 Tangible assets, at the reporting date.

Our response to these risks of material misstatement regarding the valuation of tangible assets meant that we performed tests by which we observed the nature of expenses capitalized in the cost of modernized assets in 2016. We considered the risks identified with the accounting treatments presented by the company in previous years in connection with the modernization of tangible assets existing at the reporting date and performed procedures by which we obtained reasonable assurance that there are no material misstatements regarding these assertions.

ii) Assessment of inventories

(Note 4 to the financial statements)

Risk: Management assertions on stock assessments may present risks of material misstatement which may manifest in the sense of non-application of applicable accounting inventory valuation regulations at the reporting date, at the lower of cost and net realizable value.

Our response to the risks of material misstatement in the stock assessments assumed tests by which we noticed the nature of expenses capitalized in the cost of production. We tested the impairment of inventories estimated by the company's management taking as baseline the net realizable value and we performed procedures that provided reasonable assurance that there are no significant distortions on these assertions.



iii) Assessment of receivables

(Note 5 and 6 to the financial statements)

Risk: As required by applicable accounting regulations, management assertions made on the assessment of filed claims at the reporting date by presenting them at the amount they are expected to be obtained.

Our answer to the risks of material misstatement related to assertions of the Company's management on the evaluation of these receivables at the reporting date, resulted in audit procedures in which we tested the recognition of doubtful receivables and tests of recalculation of the impairment for those receivables whose maturity has been exceeded by more than a year, respectively disputed claims, and there was no material misstatement. It is worth mentioning that the company has one significant customer, with whom they have contracts and firm commitments.

iv) Continuity of the activity

(Note 25 and 26 to the financial statements)

Risk: The entity's management is responsible for assessing the assumptions of the company's operations' continuity for the preparation of the financial statements.

Our response focused on understanding the risks of material misstatement regarding the management's assertions on continuity and we analyzed issues relating to the evolution of the company, the income and expense budget approved for the financial year 2017, we examined the reports and minutes of the Board of directors' meetings and of the General meetings of Shareholders, as well as contracts engaged for the financial year 2017.

All these risks have led us to the conclusion that:

- the presumption of continuity in the preparation of annual financial statements, assumed by the management of the Company, is appropriate;
- we have not identified any material uncertainty that may question the ability of the Company to continue its activity in the foreseeable future.

Other matters

a) We note that our mandate was limited exclusively to achieving the statutory audit in relation to the individual financial statements of the Company, issued on December 31st 2016, we were not appointed to the audit of consolidated financial statements, if it were the case for the company.

b) The independent auditor's report is addressed solely to the shareholders of the company. Our audit work has been undertaken to report to the Company's shareholders those matters we are required to report in the auditor's report and for no other purpose. To the extent permitted by law, we do not accept



or assume responsibility to anyone other than the Company and the shareholders as a whole, for our audit work, for this report, or for the opinions we have formed.

c) The financial statements accompanying the audit report are not intended to present the financial position, results of operations and a complete set of notes to the financial statements, according to regulations and accepted accounting principles in other countries and jurisdictions other than Romania. Therefore, the accompanying financial statements are not designed for those who do not know the legal and accounting regulations in Romania.

Responsibilities of management and those charged with governance for the financial statements

5. Management is responsible for the preparation and the true and fair presentation of the individual financial statements in accordance with Accountancy Law no. 82/1991, republished, as amended and supplemented, Order of the Minister of Public Finance no. 881/2012 on the application by companies whose securities are admitted to trading on a regulated market of the International Financial Reporting Standards and the Order of the Minister of Public Finance no. 2844/2016 for the approval of accounting regulations compliant with International Financial Reporting Standards, as amended and supplemented.

6. This responsibility includes:

- a) Designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements free from material misstatement, whether due to fraud or error;
- b) Selection and application of appropriate accounting policies;
- c) Making accounting estimates that are reasonable in the circumstances.

7. In preparing the financial statements, Management is responsible for assessing the company's ability to continue its activity, presenting, where appropriate, issues relating to the principle of continuity and its application, unless management either intends to liquidate the company or down operations, or has no realistic alternative beyond. Those charged with governance are responsible for overseeing the financial reporting process of the company.

Auditor's Responsibilities in an audit of financial statements

8. Our objective is 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. Reasonable assurance is a high level of assurance, but there is no guarantee that an audit conducted in accordance with IAS will always detect a material misstatement, if



there is one. Distortions can be caused either by fraud or error and are considered significant if it can be expected, reasonably, that they, individually or together, will influence the economic decisions of users taken based on these financial statements.

9. As part of an audit in accordance with IAS, we exercise professional judgment and we maintain professional scepticism throughout the audit. We also:

- identify and assess risks of material misstatement of the financial statements, whether due to fraud or error, and design audit procedures in response to such risks and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Detection risk that a material misstatement is due to fraud is higher than the detection of a material misstatement due to error because fraud may involve collusion, forgery, deliberate omissions, misrepresentations and avoiding internal control.
- understand internal control relevant to the audit, for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Company.
- assess the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- draw a conclusion on the appropriateness of the use by management of accounting based on the principle of continuity and determine, based on the audit evidence obtained, whether a material uncertainty exists regarding events or conditions that may cast significant doubt on the company's ability to continue its activity. If we conclude that there is significant uncertainty, we must take note in the auditor's report of the presentation of the financial statements or, if these disclosures are inadequate, to change our opinion. Our conclusions are based on the audit evidence obtained up until the date of the auditor's report. However, future events or conditions may cause the company to no longer operate under the principle of continuity.
- assess the presentation, structure and general content of the individual financial statements, including disclosures, and whether the financial statements reflect the main transactions and events in a manner that achieves fair presentation. We communicate to those charged with governance, among other issues, the audit plan and timing of the audit and the main audit findings, including any significant deficiencies in internal control that we identified during the audit. Moreover, we provide those responsible for governance a statement that we comply with ethical requirements relevant to independence and that we communicate all relationships and other matters which might assume, reasonably, that affect our independence, and if appropriate, the related safeguards. Among the issues communicated with those charged with governance, we determine which are the most important to the audit of the financial statements of the current period and are therefore key audit issues. We describe these issues in the auditor's report, unless laws or regulations prohibit public disclosure of the issue or



when, in extremely rare circumstances, we believe that a matter should not be presented in our report because it is reasonably expected that the benefits of public interest are outweighed by the negative consequences of this communication.

Report on other legal and regulatory requirements

10. The directors are responsible for preparing and presenting the directors' report in accordance with the requirements of the Order of the Minister of Public Finance no. 2844/2016 for the approval of accounting regulations compliant with International Financial Reporting Standards, Chapter III, points 15-20, which does not contain material misstatements and for such internal control as management considers necessary to enable the preparation of the directors' report that does not contain material misstatement, whether due to fraud or error.

Directors' Report, presented over 29 pages, is not a part of the individual financial statements. Our opinion on the individual financial statements does not cover the directors' report and we do not express any assurance conclusion thereof.

In connection with our audit of the individual financial statements, we have read the directors' report accompanying the individual financial statements and we report that:

- a) the directors' report did not identify information that is not consistent in all material respects with disclosures in the accompanying individual financial statements;
- b) the Directors' Report identified above includes, in all material respects, the information required by the Order of the Minister of Public Finance no. 2844/2016 for the approval of accounting regulations compliant with International Financial Reporting Standards, Chapter III, points 15-20;
- c) Based on our knowledge and understanding acquired during the audit of financial statements for the year ended on December 31st 2016 of the company and its environment, we have not identified any information contained in the Directors' report to be significantly flawed.

Oradea, March 23rd 2017

Independent auditor,

S.C. LEOCONT EXPERT SRL

Registered with the Chamber of Financial Auditors of Romania (CAFR) no. 164
represented by,

ec. **Bochiş Leonica**

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