



AUDIT EXPERT S.R.L.

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Nr. 27 / 23.01.2023

Nr. PREFAB 413 / 23.01.2023

To,
PREFAB S.A. BUCURESTI

Mr. Marian Petre Milut
Chairman of the Board

REPORT OF FACTUAL FINDINGS

We have performed the procedures we have agreed with you and listed below, in connection with the transactions and legal acts reported by PREFAB S.A. to the Financial Supervisory Authority (ASF) and the Stock Exchange in the current Report no. 5498 dated 13.10.2022.

According to the provisions of Law no.24 / 2017 completed and updated, and the terms of reference agreed in the Letter of Commitment, the purpose of the Report of effective findings, made according to the procedures agreed with you, is to analyze the transactions reported by the company under Law no 24/2017 and to specify whether they are correct and justified from the point of view of the issuer and non-affiliated shareholders, including minority shareholders, if the prices specified in the contracts concluded with the affiliated parties, corroborated with the rights and obligations assumed by parts, are correct, by referring to the other existing offers on the market.

Establishing the criteria based on which the problem was identified

According to the provisions Art. 108, paragraph (5) of Law no.24 / 2017, completed and updated, the issuers have the obligation to prepare and publish a report on significant transactions with related parties, after their approval and the latest at the time of their conclusion.

According to the paragraph (3) of the same article, "significant transaction" means any transfer of resources, services or obligations, whether or not it involves the payment of a price, the individual or cumulative value of which represents more than 5% of the net assets of the issuer, according to the latest individual financial reports published by the issuer.

As specified in art.108, paragraph (4) of Law no.24 / 2017 completed and updated, when the issuer concludes "significant transactions" with affiliated parties, they must respect the interests of the issuer, in relation to existing offers of the same type on market.

If significant transactions of this type have been concluded, according to the provisions of art.108, paragraph (5) of Law no. 24/2017 completed and updated, at the end of each semester, the financial auditor / audit firm analyzes the transactions reported during the respective semester according to par. (1) and draws up, within a maximum of 30 days from the end of the reporting period, a report assessing whether the transaction is correct and justified from the point of view of the issuer and non-affiliated shareholders, including minority shareholders, and explains the assumptions on which they are based and the methods used.

In accordance with the Law No 227/2015 on Fiscal Code, with subsequent changes, 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 ethical code by IESBA (International Ethics Standards Board for Accountants).

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.

We mention that our work is limited to the agreed procedures regarding only the financial information presented and our report of factual findings does not include any comment or an evaluation on other reported findings.

Procedures Performed

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

As requested, we have only completed the procedures set out in the Letter of Commitment. Due to the fact that this report refers only to the financial elements and information specified above and does not extend to the financial statements of the entity considered as a whole, the procedures undertaken by us do not constitute a financial audit 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.

The current report no. 5498 of 13.10.2022, drawn up based on the provisions of art. 108, paragraph (2) of Law no. 24/2017 completed and updated regarding the issuers of financial instruments and market operations regarding the issuers and operations with securities, with the subsequent modifications and completions refer to the sale-purchase contract no. 33 / 12.10.2022 concluded between PREFAB S.A. as Seller and PREFAB INVEST S.A. with headquarters in Bucharest, sector 1, Str.Dr. Iacob Felix, no.17-19, et.2, room 2, sector 1, registered at the Trade Register under RC number J40 / 4401/2000, CUI RO 12992050, as Buyer, with the contract value of 55,000,000 lei, (VAT included) for a quantity of 150,000 cubic meters of BCA.

Object of this contract is

"1. Sale of BCA for resale, at the prices established by negotiation and under the conditions stipulated in the present contract;

2. The seller will provide goods transport services at the locations established by the Buyer, within the limits of the means at his disposal. "

Duration of the contract is 1 year from the date of signing, from 01.10.2022-30.09.2023.

Methods of payment: by payment order in the current account provided in the contract as well as in cash, within 30 days from the issuance of the invoice.

The payments made by the buyer extinguish the balance of the invoices issued in the chronological order of their issuance.

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*

PREFAB S.A. carries out the sale of its products based on a group-based policy, PREFAB INVEST S.A. specializing in providing competitive marketing services and market prospecting can ensure the disposal of significant quantities of BCA products to important clients in the construction materials market. From the checks carried out by us, it resulted that in 2022 there were transactions of the type specified in the object of the Purchase Contract no. 33/12.10.2022 concluded between PREFAB S.A. as Seller and PREFAB INVEST S.A. at prices comparable to those practiced with other customers for similar products.

- *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 G.M.S. no. 5 of 27.04.2021 to:

1. Milut Petre Marian – General Director – Chairman of the Board;
2. Boitan Daniela - Economic Director, with responsibilities of Deputy Director-General,
3. Buta Adrian – Energy Director and Logistics

The General Manager and the Deputy General Manager represent the company in relation to third parties and in court according to art. 19 of the Articles of Incorporation of the company. The Director of Energy and Logistics represents the company according to the Decision of the Board of Directors no. 3 / 29.04.2020. Mr. Buta Adrian, having the position of Energy Director, member of the Executive

Management according to the Decision of the Ordinary General Meeting of Shareholders no. 6 / 29.04.202, signs on behalf of the General Manager, if the Deputy General Manager is not available, in order to exercise any acts regarding the management of the company with certain exceptions.

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.***

As a result of the verifications carried out, the alternative offers on the BCA market for similar transactions and prices were comparable to the prices included in the contract concluded with PREFAB INVEST S.A. In total sales, the volume of sales to PREFAB INVEST S.A. is the most important compared to the other clients, thus ensuring a cash flow rate and constant liquidity in the society. The type of sale practiced by PREFAB INVEST S.A. is door to door and addresses customers located around Bucharest.

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 sale-purchase BCA, have prices comparable to the prices included in the contract concluded with PREFAB INVEST S.A. The volume of sales to PREFAB INVEST S.A. is relatively higher than that of disposals to other clients, ensuring revenue rhythm and constant liquidity in society.

Use of the report

The report is addressed to the management and shareholders of the Company, it was prepared based on the current Report no. 5498/ 13.10.2022 and the documents submitted by the company, to be sent to the market operator (B.V.B.) and A.S.F. for publication in the A.S.F.

Ploiesti, January 23, 2023

On behalf and by charge of the company,

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

Audit Firm - Registered with the ASPAAS Electronic Public Registry –FA 50

General Director,

Constantin Maria – Registered with the ASPAAS Electronic Public Registry –AF 184

Financial Auditor,

Roman Ileana - Registered with the ASPAAS Electronic Public Registry –AF 1199