

RAPORTUL AUDITORULUI INDEPENDENT

INDEPENDENT AUDITOR'S REPORT

Catre asociatii Harsha Engineers Europe SRL

To the Shareholders of Harsha Engineers Europe SRL

Raport asupra auditului situatiilor financiare

Report on the Audit of the Financial statements

Opinia

Opinion

1. Am auditat situatiile financiare ale societatii Harsha Engineers Europe SRL („Societatea”) pentru perioada de douasprezece luni incheiata la data de 31 decembrie 2023, intocmite in conformitate cu Ordinul Ministrului Finantelor Publice nr. 1802/2014, cu modificarile si clarificarile ulterioare. Situatiile financiare sunt semnate de noi pentru identificare si prezinta la data de 31 decembrie 2023 capitaluri proprii pozitive in valoare de 424 mii Ron si un rezultat net al perioadei de douasprezece luni incheiate la 31 decembrie 2023 de 6,514 mii RON, pierdere.

We have audited the accompanying financial statements of Harsha Engineers Europe SRL (the Company), for the twelve months period ended December 31, 2023, concluded in accordance with the Order of the Minister of Public Finance no. 1802/2014 with all subsequent modifications and clarifications. The financial statements are signed by us for identification purposes and presents at 31 December 2023 a positive own capital in amount of 424 thousand Ron and net result for the twelve months period ended 31 December 2023 in amount of 6,514 thousand Ron, loss.

2. In opinia noastra situatiile financiare anexate ofera o imagine fidela si justa a pozitiei financiare a Societatii la data de 31 decembrie 2023, ca si a performantei financiare si a fluxurilor de numerar ale acesteia pentru exercitiul financiar incheiat la aceasta data, in conformitate cu Ordinul Ministrului Finantelor Publice nr. 1802/2014, cu modificarile si clarificarile ulterioare.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 1802/2014 with all subsequent modifications and clarifications.

Bazele opiniei

Basis for opinion

3. Noi am efectuat auditul conform Standardelor Internationale de Audit (ISA). Responsabilitatile noastre conform acestor standarde sunt descrise mai detaliat in sectiunea „Responsabilitatile auditorului pentru auditul situatiilor financiare” din raportul nostru.

Suntem independenti fata de Societate conform Codului etic al profesionistilor contabili emis de Consiliul pentru Standarde Internationale de Etica pentru Contabili (codul IESBA) si conform cerintelor etice care sunt relevante pentru auditul situatiilor financiare in Romania si ne-am indeplinit responsabilitatile etice conform acestor cerinte si conform Codului IESBA. Consideram ca probele de audit pe care le-am obtinut sunt suficiente si adecvate pentru a constitui baza pentru opinia noastra.

Traducerea in limba engleza are doar scop informativ. Traducerea raportului trebuie citita impreuna cu situatiile financiare, luate in ansamblu. In situatiile in care informatiile, punctele de vedere si opiniile sunt susceptibile de interpretare, versiunea originala in limba romana a raportului nostru prevaleaza acestei traduceri.
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We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, and we have fulfilled our other ethical responsibilities in accordance with 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 opinion.

Paragraf de observatii
Emphasis of matter

Fara a califica opinia noastra, atragem atentia asupra urmatoarelor aspecte:
Without qualifying our opinion, we draw attention on the following matters:

4. Societatea inregistrata la 31 decembrie 2023 capitaluri proprii pozitive in suma 424 mii Ron (capital social in suma de 29,865 mii Ron, rezerve legale in suma de 121 mii Ron, pierderi legate de instrumentele de capitaluri proprii in suma de 4,170 mii Ron si rezultat reportat negativ (inclusiv rezultatul perioadei de douasprezece luni incheiate la 31 decembrie 2023) in suma de 25,392 mii Ron). Conform legislatiei romanesti, Activele nete trebuie sa fie mai mari sau egale cu 50% din valoarea Capitalului Social. In cazul unei solicitari de conformare cu acest aspect, Societatii i se va comunica o perioada de timp determinata, in care sa isi majoreze Activele nete conform limitei stipulate de legislatia romana.

In acest sens am obtinut de la Harsha Engineers International Limited India, entitatea care detine Societatea, o scrisoare de suport financiar prin care aceasta in numele Grupului Harsha se declara pregatita sa sprijine financiar Harsha Engineers Europe SRL pentru urmatoarele douasprezece luni daca aceasta masura se va impune. Ca si auditori ne-am bazat opinia pe aceasta scrisoare in ceea ce priveste abilitatea Harsha Engineers Europe SRL de a-si continua activitatea in urmatoarele douasprezece luni.

As of 31 December 2023, the Net assets of the Company amount to 424 thousand Ron, positive (Share capital in amount of 29,865 thousand Ron, legal reserves in amount of 121 thousand Ron, losses related to own equity in amount of 4,170 thousand Ron and negative retained earnings (including the impact of the result of the twelve months period ended 31 December 2023) in amount of 25,392 thousand Ron). According to the Romanian Legislation the Net assets of a Company must be higher or equal to 50% from Equity. If a formal request in this respect will be received, the Company will have to resolve this matter in a given period of time, meaning to increase the Net Assets to the limit stipulated by the Romanian legislation.

In this respect we have obtained from Harsha Engineers International Limited India, the Holding Entity of the Company, a Letter of financial support that reflects the Harsha Group commitment to support financially Harsha Engineers Europe SRL for the next twelve months, if will be the case. We have based our opinion on this Letter of financial support, regarded the ability of Harsha Engineers Europe SRL to continue its operations for the next twelve months.

Aspecte cheie de audit **Key audit areas**

5. Aspectele cheie de audit sunt acele aspecte care, in baza rationamentului nostru profesional, au avut cea mai mare importanta pentru auditul situatiilor financiare in perioada curenta. Aceste aspecte au fost abordate in contextul auditului situatiilor financiare in ansamblu si in formarea opiniei noastre asupra acestora si nu oferim o opinie separata cu privire la aceste aspecte.

The key audit aspects are those that based on our judgement had the most importance for the audit of the financial statements audit in the current reporting period. These aspects were analyzed by us as part of the financial statements as a whole, with the purpose on forming the Audit opinion of the financial statement. Therefore, we do not express a separate opinion on them.

Aspecte cheie de audit Key audit areas	Abordarea auditului cu privire la aspectele cheie de audit Audit work on key audit areas
Recunoasterea veniturilor Revenue recognition Principalele surse de venit ale Societatii provin din activitatea de productie si vanzare a carcaselor pentru rulmenti de precizie. <i>Revenues are obtained mainly from the manufacturing activity of precision bearing cages.</i>	Cu privire la activitatea de vanzare a productiei, prin testele de audit efectuate, am urmarit ca veniturile recunoscute sa corespunda cu veniturile la care Societatea este indreptatita conform livrarilor efectuate si contractelor comerciale incheiate. <i>Related to the sales process, through the audit tests performed we have followed that the registered incomes to correspond with the revenues that the Company is entitled to, in accordance with the deliveries performed and with the concluded Commercial Agreements.</i>
Existenta si evaluarea stocurilor Inventory existence and valuation Societatea are recunoscute la 31 Decembrie 2023 stocuri in valoare de 11,464,994 Ron. <i>The Company registers inventory at 31 December 2023 in amount of 11,464,994 Ron.</i>	Prin procedurile noastre de audit am urmarit existenta stocurilor, evaluarea lor si daca se impune constituirea de provizioane pentru riscurile de depreciere. <i>Through our audit procedures, we have followed the inventory existence and valuation and if the provisions for stock obsolescence risk are reasonable.</i>

Alte informatii **Other information**

6. Alte informatii includ Raportul administratorilor, dar nu includ situatiile financiare si raportul nostru de audit cu privire la acestea. Conducerea raspunde pentru celelalte informatii.

The other information comprises the Administrators' Report but does not include the financial statements

Traducerea in limba engleza are doar scop informativ. Traducerea raportului trebuie citita impreuna cu situatiile financiare, luate in ansamblu. In situatiile in care informatiile, punctele de vedere si opiniile sunt susceptibile de interpretare, versiunea originala in limba romana a raportului nostru prevaleaza acestei traduceri.
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and our auditors' report thereon. Management is responsible for the other information.

7. Opinia noastra de audit asupra situatiilor financiare nu acopera alte informatii si nu exprimam nicio forma de concluzie de asigurare asupra acestora.

Our audit opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

8. In legatura cu auditul efectuat de noi asupra situatiilor financiare, responsabilitatea noastra este de a citi celelalte informatii si, facand acest lucru, de a analiza daca acestea nu sunt in concordanta, in mod semnificativ, cu situatiile financiare sau cunostintele pe care le-am obtinut in urma auditului sau daca consideram ca acestea contin erori semnificative. Daca, in baza activitatii desfasurate, ajungem la concluzia ca exista erori semnificative cu privire la aceste alte informatii, noi trebuie sa raportam acest lucru. Nu avem nimic de raportat in acest sens.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsabilitatile conducerii si ale persoanelor responsabile cu guvernanta pentru situatiile financiare
Responsibilities of Management and those charged with governance for the financial statements

9. Situatiile financiare au fost pregatite in accord cu prevederile Ordinului Ministrului Finantelor Publice nr. 1802/2014, care reprezinta standardele contabile statutare in Romania. Ajustari asupra acestora ar putea fi necesare pentru a fi in acord cu standarde statutare ale unei alte tari in afara de Romania. Informatia continuta in situatiile financiare nu este suficienta pentru a efectua consolidarea situatiilor financiare ale grupului Harsha. Este responsabilitatea managementului de a furniza informatii cu privire la debite si credite in sold la 31 decembrie 2023 si tranzactii efectuate in perioada raportata cu companii din cadrul grupului si de a face ajustarile necesare cu ocazia intocmirii situatiilor financiare consolidate.

The accompanying financial statements has been prepared in accordance with the Order of the Minister of Public Finance no. 1802/2014, that represents the accounting standards applicable in Romania. Adjustments might be required to the accompanying financial statements, in order to comply with a local GAAP applicable in a country different than Romania. The information contained by the financial statements is not sufficient for being considered alone in the consolidation process of Harsha Group. It is the management responsibility to supply the balances outstanding at the reporting date and transactions performed during the reporting period with related parties and to perform the necessary adjustments required with the occasion of the Harsha Group financial statements consolidation process.

10. Conducerea Societatii are responsabilitatea intocmirii si prezentarii fidele a situatiilor financiare in conformitate cu Ordinul Ministrului Finantelor Publice nr. 1802/2014, cu modificarile si clarificarile ulterioare, si pentru acel control intern pe care conducerea il considera necesar pentru a permite intocmirea de situatii financiare care sunt lipsite de denaturari semnificative, cauzate fie de fraudă, fie de eroare.

Management is responsible for the preparation and fair presentation of the trail balance in accordance with the Order of the Minister of Public Finance no. 1802/2014 with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

11. La întocmirea situațiilor financiare, conducerea este responsabilă să evalueze abilitatea Societății de a-și desfășura activitatea conform principiului continuității activității și să prezinte, dacă este cazul, aspectele referitoare la continuitatea activității și folosirea principiului continuității activității, mai puțin în cazul în care conducerea intenționează să lichideze Societatea sau să îi înceteze activitatea sau nu are nicio alternativă reală decât să procedeze astfel.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

12. Persoanele responsabile cu guvernanta au responsabilitatea supravegherii procesului de raportare financiară a Societății.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsabilitățile auditorului pentru auditul situațiilor financiare **Auditor's Responsibilities for the Audit of the Financial Statements**

13. Obiectivele noastre constau în obținerea unei asigurări rezonabile privind măsura în care situațiile financiare, luate în ansamblu, nu conțin denaturări semnificative cauzate de eroare sau fraudă și de a emite un raport de audit care să includă opinia noastră. Asigurarea rezonabilă reprezintă un nivel ridicat de asigurare, însă nu este o garanție că un audit desfășurat în conformitate cu standardele ISA va detecta întotdeauna o denaturare semnificativă, dacă aceasta există. Denaturările pot fi cauzate fie de fraudă fie de eroare și sunt considerate semnificative dacă se poate preconiza, în mod rezonabil, că acestea, atât la nivel individual sau luate în ansamblu, vor influența deciziile economice ale utilizatorilor, luate în baza acestor situații financiare.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

14. Ca parte a unui audit în conformitate cu standardele ISA, ne exercităm raționamentul profesional și ne menținem scepticismul profesional pe întreg parcursul auditului. De asemenea:
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identificam si evaluam riscurile de denaturare semnificativa a situatiilor financiare, cauzate fie de fraudă fie de eroare, stabilim si efectuam proceduri de audit care sa raspunda acestor riscuri si obtinem probe de audit suficiente si adecvate pentru a constitui o baza pentru opinia noastra. Riscul de nedetectare a unei denaturari semnificative cauzate de fraudă este mai ridicat decat cel de nedetectare a unei denaturari semnificative cauzate de eroare, deoarece fraudă poate include complicitate, falsuri, omisiuni intentionate, declaratii false sau evitarea controlului intern.
- *Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.*
- Intelegem controlul intern relevant pentru audit pentru a stabili procedurile de audit adecvate in circumstantele date, dar nu si in scopul exprimarii unei opinii asupra eficacitatii controlului intern al Societatii.
- *Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.*
- Evaluam gradul de adecvare a politicilor contabile utilizate si rezonabilitatea estimarilor contabile si a prezentarilor aferente de informatii realizate de catre conducere.
- *Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.*
- Concluzionam asupra caracterului adecvat al utilizarii de catre conducere a principiului continuitatii activitatii si determinam, pe baza probelor de audit obtinute, daca exista o incertitudine semnificativa cu privire la evenimente sau conditii care ar putea genera indoilei semnificative privind capacitatea Societatii de a-si continua activitatea. In cazul in care concluzionam ca exista o incertitudine semnificativa, trebuie sa atragem atentia, in raportul de audit, asupra prezentarilor aferente din situatiile financiare sau, in cazul in care aceste prezentari sunt neadecvate, trebuie sa ne modificam opinia. Concluziile noastre se bazeaza pe probele de audit obtinute pana la data raportului nostru de audit. Cu toate acestea, evenimente sau conditii viitoare pot determina ca Societatea sa nu isi mai desfasoare activitatea in baza principiului continuitatii activitatii.
- *Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.*
- Evaluam prezentarea, structura si continutul general al situatiilor financiare, inclusiv al prezentarilor de informatii, si masura in care situatiile financiare reflecta tranzactiile si evenimentele de baza intr-o maniera care realizeaza prezentarea fidela
- *Evaluate the overall presentation, structure and content of the financial statements, including the*

disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Comunicam persoanelor responsabile cu guvernanta, printre alte aspecte, obiectivele planificate si programarea in timp a auditului, precum si constatarile semnificative ale auditului, inclusiv orice deficiente semnificative ale controlului intern, pe care le identificam pe parcursul auditului nostru.
- *We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.*

Raport asupra altor cerinte legale si de reglementare **Report on Other Legal and Regulatory Requirements**

Raportare asupra unor informatii, altele decat situatiile financiare si raportul nostru de audit asupra acestora **Reporting on Information Other than the Financial Statements and Our Auditors' Report Thereon**

15. Pe langa responsabilitatile noastre de raportare conform standardelor ISA si descrise in sectiunea „Alte informatii”, referitor la Raportul administratorilor, noi am citit Raportul administratorilor si raportam urmatoarele:

- a) in Raportul administratorilor nu am identificat informatii care sa nu fie consecvente, sub toate aspectele semnificative, cu informatiile prezentate in situatiile financiare la data de 31 decembrie 2023, atasate;
- b) Raportul administratorilor, identificat mai sus, include, sub toate aspectele semnificative, informatiile cerute de Ordinul Ministrului Finantelor Publice nr. 1802/2014, cu modificarile ulterioare, punctele 489-492. Astfel Raportul administratorilor include o analiza care sa cuprinda printre altele si prezentarea de indicatori-cheie de performanta financiari si nefinanciari care sa faciliteze intelegerea dezvoltarii, performantei si pozitiei Societatii la sfarsitul exercitiului financiar. Deasemenea, Raportul administratorilor nu ofera informatii referitoare la dezvoltarea previzibila a entitatii, conform prevederilor Ordinul Ministrului Finantelor Publice nr. 1802/2014, cu modificarile ulterioare.
- c) pe baza cunostintelor noastre si a intelegerii dobandite in cursul auditului situatiilor financiare intocmite la data de 31 decembrie 2023 cu privire la Societate si la mediul acesteia, nu am identificat informatii eronate semnificative prezentate in Raportul administratorilor.

In addition to our reporting responsibilities according to ISAs described in section “Other information”, with respect to the Administrators’ Report, we have read the Administrators’ Report and report that:

- a) *in the Administrators’ Report we have not identified information, which is not consistent, in all material respects, with the information presented in the accompanying financial statements as at 31 December 2023;*
- b) *the Administrators’ Report identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 1802/2014 and subsequent amendments, points 489-492; The Administrators’ Report includes among other aspects, the indicators reflecting financial and non-financial performance in order to*

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facilitate the understanding of the Company's performance and financial position at the end of the financial year. Moreover, the Administrators' Report includes information regarding the future development of the Company as required by the Ministry of Public Finance Order no. 1802/2014 and subsequent amendments.

- c) *based on our knowledge and understanding concerning the entity and its environment gained during our audit of the financial statements as at 31 December 2023, we have not identified information included in the Administrators' Report that contains a material misstatement of fact.*

In numele

On behalf of

Diligent Consult SRL

Inregistrat la Autoritatea pentru Supravegherea Publica a Activitatii de Audit Statutar

Autorizatie nr. 138327

Registered with The Public Audit Authority for Statutory Audit

Authorisation nr. 138327

Numele semnatarului: Grigorescu Razvan Alexandru

Name of signing person: Grigorescu Razvan Alexandru

Inregistrat la Autoritatea pentru Supravegherea Publica a Activitatii de Audit Statutar

Autorizatie nr. 138331

Registered with The Public Audit Authority for Statutory Audit

Authorisation nr. 138331

**Razvan-
Alexandru
Grigorescu**

Digitally signed by Razvan-
Alexandru Grigorescu
Date: 2024.02.28 15:33:42
+02'00'

Brasov, Romania


28 februarie 2024

Brasov, Romania

28 February 2024

STATEMENT OF CASH FLOWS

	The financial year ended on <u>December</u> <u>31st, 2022</u> (lei)	The financial year ended on <u>December</u> <u>31st, 2023</u> (lei)
Operational activities:		
Net profit	(3,418,654)	(6,514,088)
Adjustment of tangible and intangible assets	4,287,926	3,410,830
Adjustments on provisions for risks and expenses	82,084	(57,824)
Adjustments on provisions for inventories	373,647	(70,662)
Gain/(loss) from the sale of tangible and intangible assets	(9,000)	-
Income tax	-	-
Interest income	-	-
Interest expenses	<u>629,563</u>	<u>1,560,489</u>
Increase in operating flow before changes in working capital	1,945,566	-1,751,667
Changes in working capital:		
Decrease in balances of trade receivables and other receivables	854,970	7,936,786
(Increase)/Decrease in balances of inventories	334,956	6,726,880
Decrease in balances of commercial debts and other debts	<u>(4,644,393)</u>	<u>(4,012,005)</u>
Cash flow generated by operational activities	<u>(1,508,901)</u>	<u>8,899,994</u>
Paid interest	(629,563)	(1,560,489)
Paid income tax	-	-
Net cash from operating activities	<u>(2,138,464)</u>	<u>7,339,505</u>
Cash flows from investment activities:		
Payment in cash for purchasing property, plant and equipment, intangible assets and other non-current assets	(774,235)	(2,530,033)
Cash collection from the sale of property and buildings, plant and equipment, intangible assets and other non-current assets	9,000	78,288
Interest collection	-	-
Correction of plant and equipment value	-	-
Net cash from investment activities	(765,235)	(2,451,745)
Cash flows from financing activities:		
Redemption of leasing	(816,417)	(801,988)
Loan collected by Harsha Buc	-	-
Increase in share capital	-	3,480,680
Granting of loans in groups	-	-
Redemption of loans granted in groups	16,668	-
Redemption of bank loans	-	-
Short-term loans, new leasing	4,780,358	(8,370,535)
Paid dividends	-	-
Net cash from financing activities	<u>(3,980,606)</u>	<u>(5,691,843)</u>




STATEMENT OF CASH FLOWS

Impact on merger reserves

=

Total cash flow

Liquid assets at the beginning of the period
Liquid assets at the end of the period

1,076,910	(804,083)
323,750	1,400,660
1,400,660	596,577

ADMINISTRATOR

DRAWN UP,

Signature



Stamp of unit

Signature



HARSHA ENGINEERS EUROPE SRL

STATEMENT OF CHANGES IN EQUITY

Equity item	Balance on January 1 st , 2022 (lei)	1	Increases (lei)	2	Deductions/ Distributions (lei)	3	Balance on December 31 st , 2022 (lei)	4	Increases (lei)	6	Deductions/ Distributions (lei)	7	Balance on December 31 st , 2023 (lei)	8
Subscribed capital (note 7)	26.383.970		-		-		26.383.970		3.480.680		-		29.864.650	
Premium relate to capital	3		-		-		3		-		-		3	
Legal reserves	102.755		-		-		120.755		-		-		120.755	
Profit/loss carried forward														
Profit appropriation	-		-		-		-		-		-		-	
Losses related to equity instruments	-4.169.908		-		-		-4.169.908		-		-		-4.169.908	
Profit or loss carried forward														
Debit balance	-9.629.771		-		5.828.691		-15.458.462		-		3.418.653		-18.877.116	
Profit or (loss) of the financial year														
Credit balance	-5.282.691		-3.418.653		-5.828.691		-3.418.653		-6.514.088		3.418.653		-6.514.088	
Total equity	6.876.358		-3.418.653		0		3.457.704		-2.875.009		0		424.296	

ADMINISTRATOR

Signature

DRAWN UP,

Signature

HARSHA ENGINEERS EUROPE SRL

NOTES TO INDIVIDUAL ANNUAL FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31st, 2023

REPORTING ENTITY

These financial statements are submitted by HARSHA ENGINEERS EUROPE SRL (the "Company").
The company does not own equity investments in subsidiaries and affiliated enterprises.

1 FIXED ASSETS

a) Intangible assets

**Concessions, patents, licenses,
trademarks, similar rights and assets and
other intangible assets
(lei)**

Gross value

The balance on January 1 st , 2023	1.962.311
Increases	38.008
Deductions	-
The balance on December 31 st , 2023	<u>2.000.319</u>

Cumulated value adjustments

The balance on January 1 st , 2023	1.935.284
Adjustments recorded during the year	37.526
Deductions	-
The balance on December 31 st , 2023	<u>1.972.810</u>

**Net accounting value on January 1st,
2023**

27.027

**Net accounting value on December
31st, 2023**

27.509



HARSHA ENGINEERS EUROPE SRL

NOTES TO INDIVIDUAL ANNUAL FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31st, 2023

b) Tangible assets

	<u>Land and buildings</u> (lei)	<u>Plant and machinery</u> (lei)	<u>Other plants, equipment and furniture</u> (lei)	<u>Tangible assets in progress</u> (lei)	<u>Advance payment s</u> (lei)	<u>Total</u> (lei)
Gross value						
The balance on January 1 st , 2023	2.485.119	70.267.954	941.336	-	8.184	73.702.593
Increases	61.125	894.947	50.053	1.479.479	6.417	2.492.021
Correction of tangible asset value						
Disposal, transfers and other deductions	-	-769.248	-17.184	-	-	-786.432
The balance on December 31 st , 2023	2.546.244	70.393.653	974.206	1.479.479	14.601	75.408.182
Cumulated value adjustments						
The balance on January 1 st , 2023	1.764.323	59.546.635	746.161	-	-	62.057.120
Adjustments recorded during the year	118.988	3.210.952	43.362	-	-	3.373.302
Correction of tangible assets depreciation	-	-	-	-	-	-
Deductions or reversal	-	-763.723	-15.084	-	-	-778.807
The balance on December 31 st , 2023	1.883.312	61.993.864	774.439	-	-	64.651.615
Net accounting value on January 1st, 2023	<u>720.796</u>	<u>10.721.319</u>	<u>195.176</u>	<u>0</u>	<u>8.184</u>	<u>11.645.475</u>
Net accounting value on December 31st, 2023	<u>662.931</u>	<u>8.399.789</u>	<u>199.767</u>	<u>1.479.479</u>	<u>14.601</u>	<u>10.756.567</u>

NOTES TO INDIVIDUAL ANNUAL FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31st, 2023

c) Financial assets

	(lei)
Gross value	
The balance on January 1 st , 2023	1.235
Increases	-
Deductions	-
The balance on December 31 st , 2023	<u>1.235</u>

2 PROVISIONS FOR RISKS AND EXPENSES

Name of provision	Balance at the beginning of the financial year	Transfers to the account	from the account	Balance at the end of the financial year
I. PROVISIONS FOR RISKS AND EXPENSES (rows 2-6)	289.153	1.071.662	1.129.486	231.329
Provisions for litigation (account 1511)	0	0	0	0
Provisions for guarantees to customers (account 1512)	0	0	0	0
Provisions for the decommissioning of tangible non-current assets (account 1513)	0	0	0	0
Provisions for restructuring costs (account 1514)	0	0	0	0
Other provisions for risks and expenses (account 1518)	289.153	1.071.662	1.129.486	231.329
II. PROVISIONS FOR DEPRECIATION OF INVENTORIES AND WORK IN PROGRESS	1.083.383	201.959	282.372	1.002.970
Raw materials (acc. 391)	0	0	0	0
Consumables (acc. 392)	208.048	213.377	0	421.425
Work in progress (acc. 393)	0	0	0	0
Goods (acc. 394)	875.335	-11.418	282.372	581.546
Inventories held at third parties (acc. 395)	0	0	0	0
Animals (acc. 396)	0	0	0	0
Goods purchased for resale (acc. 397)	0	0	0	0
Packaging materials (acc. 398)	0	0	0	0
III. PROVISIONS FOR DOUBTFUL DEBTS	185.848	0	0	185.848
Customers (acc. 491)	0	0	0	0
Debts from group companies and shareholders/associates (acc. 495)	0	0	0	0
Sundry debtors (acc. 496)	185.848	0	0	185.848
IV. PROVISIONS FOR DEPRECIATION OF TREASURY ACCOUNTS	0	0	0	0
Provisions for depreciation of financial investments in group companies (acc. 591)	0	0	0	0
Other provisions for treasury accounts (acc. 592+595+596+598)	0	0	0	0
		1.273.621		
GRAND TOTAL (rows 01+07+16+20)	1.558.384	1	1.411.858	1.420.147

NOTES TO INDIVIDUAL ANNUAL FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31st, 2023

The provisions for risks and expenses include also the provision for annual leave not taken on 31.12.2023.

Provisions for finished products and materials were calculated according to their age of over 2 years according to the company's accounting policies.

3 PROFIT APPROPRIATION

The appropriation below was carried out by the Company according to the regulations in force on mandatory appropriation under Law 31/1990 on trading companies.

<u>Destination</u>	<u>The financial year ended on December 31st, 2022 (lei)</u>	<u>The financial year ended on December 31st, 2023 (lei)</u>
Profit appropriation at:	0	0
- share capital	0	0
- legal reserve	0	0
- loss coverage from previous years	0	0
- loss carried forward to be recovered in future years	3.418.654	6.514.088

The year 2023 ended with a loss of 6.514.088 lei, which will be recovered from the profit in future years.

4 ANALYSIS OF OPERATING EARNINGS

Name of indicator	Financial year	
	Previous	Current
0	1	2
1. Net turnover	142,201,599	131,207,175
2. Cost of sold goods and provided services (3 + 4 + 5)	132,352,395	118,291,468
3. Costs of basic activity	82,421,127	73,842,656
4. Expenses of auxiliary activities	40,532	38,383
5. Indirect production costs	49,890,736	44,410,438
6. Gross earnings related to net turnover (1 - 2)	9,849,204	12,915,706
7. Sale costs	3,157,905	2,820,217
8. General administration costs	11,706,814	12,675,310
9. Other operating income	2,260,382	-2,155,658
10. Operating earnings (6 - 7 - 8 + 9)	-2,755,134	-4,735,479

5 STATEMENT OF DEBTS

On December 31st, 2023, the Company did not have debts with a maturity date above 5 years.

6 ACCOUNTING PRINCIPLES, POLICIES AND METHODS

The main accounting policies adopted for drafting these financial statements are presented below.

A Bases for drafting the financial statements

(1) General information

The financial statements were drafted according to:

- (i) The Accounting Law 82/1991 republished in November 2012 („Law 82”);
- (ii) The accounting regulations on individual annual financial statements and annual consolidated financial statements, approved by the Order of the Minister of Public Finances from Romania 1802/2014 with subsequent amendments („OMF 1802”).

The financial statements related to the previous financial year were drafted according to the provisions of OMF 1802/2014.

These financial statements were drafted based on the historical cost convention, with the exceptions presented further in the accounting policies.

(2) Use of estimates

The preparation of financial statements requires the company management to carry out estimates and hypotheses that affect the values reported for assets and liabilities and to present the contingent liabilities and assets on the drafting date of financial statements and the income and expenses reported for that period. Although these estimates are made by the Company management based on the best available information on the date of financial statements, the results obtained may be different from these estimates.

(3) Going concern

These financial statements were drafted based on the going concern principle implying that the Company will continue its activity in the predictable future. To assess the applicability of this presumption, the management analyses the forecasts related to future cash inflows.

Based on these analyses, the management considers that the Company will be able to continue its activity in the predictable future and therefore the application of the going concern principle in drafting the financial statements is justified.

(4) The currency of financial statements



HARSHA ENGINEERS EUROPE SRL

NOTES TO INDIVIDUAL ANNUAL FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31st, 2023

Accounting is kept in the Romanian language and national currency. The items included in these financial statements are expressed in Romanian lei.

B Translation of transactions into foreign currency

The company transactions in foreign currency are recorded at the exchange rates communicated by the National Bank of Romania („BNR”) for the date of transactions. At the end of each month, the monetary balances in foreign currency are translated into lei at the exchange rates communicated by BNR for the last banking day of the month. The gains and losses resulting from the settlement of transactions in foreign currency and translation of monetary assets and liabilities expressed in foreign currency are recognized in the profit and loss account within the financial statement.

C Intangible assets

(i) Concessions, patents, licenses, trademarks, similar rights and assets

The licenses related to the use rights of computer programs are recognized at the purchase cost. The intangible assets are not revalued. The licenses related to the use rights of computer programs are amortized using the linear method for a period of up to 3 years.

D Tangible assets

(1) Cost

The tangible assets are initially evaluated at the purchase cost.


The service and repair of tangible assets are recorded as expenses when occurring and the significant improvements brought to tangible assets, that increase their value of life period or significantly increase their capacity to generate economic benefits, are capitalized.

(2) Amortization

Amortization is calculated at the initial value, using the linear method during the estimated useful life of the assets, as follows:

<u>Asset</u>	<u>Years</u>
Buildings	1 – 24
Plant and machinery	3 - 30
Other plants, machinery and furniture	3 - 16

The amortization of tangible assets is calculated starting with the month after commissioning and until the full recovery of their initial value.



(3) Sale/discarding of tangible assets

The tangible assets that are discarded or sold are removed from the balance sheet along with the corresponding cumulated amortization. Any profit or loss resulting from the difference between the revenues generated by derecognition and its unamortized value, including the expenses incurred by such operation, is included in the profit and loss account, in „Other operating revenues” or „Other operating expenses”, depending on the case.

E Depreciation of tangible and intangible assets

At the end of the financial year, the value of items of tangible and intangible assets is harmonized with the inventory results. For this purpose, the net accounting value is compared to the value established based on the inventory, called inventory value. The minus differences between the inventory value and net accounting value of items of assets are entered in the accounts based on the additional depreciation, in the case of depreciable assets for which the depreciation is irreversible or the impairment is carried out when the depreciation is reversible. The inventory value is established depending on the good utility, its state and market price.

F Inventories

The inventories are recorded at the lowest value between cost and net realizable value. The cost is determined based on the average weighted cost (AWC). The cost of finished products and work in progress includes consumables, workforce and indirect production costs. Wherever necessary, provisions for slow-moving, physically and morally outdated inventories. The net realizable value is estimated based on the sale price minus the completion costs and sale expenses.

The trade discounts granted by suppliers reduce the purchase cost of inventories if these are still recorded into inventory.

Due to the repeatability of orders, the change in the product mix requested by customers and the frequency of receiving orders in the last 5 years, it was decided that the provisions for inventories should be recognized only for inventories older than 2 years.

G Trade receivables

The trade receivables are recorded at the invoiced value, except for the provision for doubtful debts. The provision for doubtful debts is created if there are objective records of the fact that the Company will not be able to collect all the amounts at the initial terms.

H Cash and cash equivalents



The cash and cash equivalents are emphasized in the balance sheet at cost. For the cash flow statement, the cash and its equivalents include the cash on hand, bank accounts, short-term financial investments (overnight deposits) and cash advances.

I Share capital

Ordinary shares are classified in equity.

J Dividends

The dividends related to ordinary shares are recognized in equity in the period in which they are declared.

K Loans

The short and long-term loans are initially recorded at the amount received, net of the costs related to the procurement of loans. In the following periods, the loans are recorded at the depreciated cost using the method of actual yield, the differences between the amounts received (net of procurement costs) and the normal redemption value being recognized in the profit and loss account during the loan contract.

The short-term portion of long-term loans is classified as "Debts: amounts to be paid within a maximum of one year".

L Accounting of leasing contracts in which the Company is a lessee

(1) Financial leasing contracts

The leasing contracts for tangible assets in which the Company assumes all the risks and benefits related to the property are classified as financial leasing contracts. The financial leasing is capitalized at the estimated updated value of payments. Each payment is divided between the capital and interest item to obtain a constant interest rate during reimbursement. The owed amounts are included in the short or long-term debts. The interest item is recorded in the profit and loss account during the contract. The assets owned within the financial leasing contracts are capitalized and amortized during their useful life.

M Commercial debts

The commercial debts are recorded at the value of amounts to be paid for the goods or services received.



N Provisions

The provisions are recognized when the Company has a legal or implicit obligation generated by a previous event, when the outflow of resources may be needed to settle the obligation and when the credible estimation of the obligation value can be carried out.

O Benefits of employees

Pensions and other benefits after retirement

During the normal course of activity, the Company makes payments to the health, pension and unemployment funds on behalf of its employees, at the statutory rates. All the Company employees are members of the Romanian pension scheme. These costs are recognized in the profit and loss account along with the recognition of salaries.

The company does not have any other pension scheme or benefit plan after retirement and thus no other type of obligations related to pensions.

P Taxation

The current income tax

The company records the current income tax based on the taxable profit from fiscal reporting, according to the relevant fiscal law.

Q Recognition of revenues

Revenues refer to sold goods.

The revenues from the sale of goods are recognized when the Company transferred the main risks and benefits related to the ownership of goods to the buyer.

The revenues from interests are periodically and proportionally recognized as the revenue is generated, according to accrual accounting.

In these financial statements, the revenues and expenses are presented at gross value. In the accounting balance, the debts and receivables from the same partners are presented at net value when there is a compensation right.

R Turnover

The turnover refers to the amounts invoiced and to be invoiced, net of VAT and commercial rebates, for goods delivered or services provided to third parties.



HARSHA ENGINEERS EUROPE SRL

NOTES TO INDIVIDUAL ANNUAL FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31st, 2023

S Operating expenses

The operating expenses are recognized in the period to which they refer.

T Financial expenses

The financial expenses are recognized in the period to which they refer.



7 CONTRIBUTIONS AND FINANCING SOURCES

a) Profit certificates, transferable securities, convertible bonds

The company did not issue profit certificates, bonds or other transferable securities, except own ordinary shares.

b) Share capital

The value of subscribed capital on December 31st 2023 was 29.864.650 lei lei (December 31st 2022: 26.383.970 lei) representing 2.986.465 shares (December 31st 2022: 2.638.397 shares). All shares are ordinary, subscribed and paid in full on December 31st 2023. All shares have the same voting right and a nominal value of 10 lei/share (December 31st 2022: 10 lei/share).

The shareholding structure on December 31st 2023 is the following:

	Number of shares	Amount (lei)	Percentage (%)
Harsha Engineers International Limited	2.986.465	29.864.650	100

The registration of the changes regarding the share capital at the Brasov Trade Register was made in December 2023.

The shareholding structure on December 31st 2022 is the following:

	Number of shares	Amount (lei)	Percentage (%)
Harsha Engineers International Limited	2.638.397	26.383.970	100

8 INFORMATION ON EMPLOYEES AND MEMBERS OF ADMINISTRATION, MANAGEMENT AND SUPERVISION BODIES AND OTHER KEY-PERSONS

a) Allowances granted to members of administration, management and supervision bodies and other key-persons

	<u>December 31st, 2022</u> (lei)	<u>December 31st, 2023</u> (lei)
<i>Salary and benefit expenses (*):</i>		
Administrators	915.619	938.425
Managers	<u>1.560.146</u>	<u>1.650.059</u>
	<u>2.475.765</u>	<u>2.588.484</u>

	<u>December 31st, 2022</u> (lei)	<u>December 31st, 2023</u> (lei)
<i>Salaries to be paid at the end of the period:</i>		
Administrators	74.360	83.452
Managers	<u>175.401</u>	<u>165.101</u>
	<u>249.761</u>	<u>248.553</u>

b) Commitments on pensions granted to the former members of administration, management and supervision bodies

c) During the financial years ended on December 31st, 2022 and December 31st, 2023, the Company did not have commitments on pensions granted to the former members of administration, management and supervision bodies.

d) Advance payments and loans granted to the members of administration, management and supervision bodies and other key-persons

During the financial years ended on December 31st, 2022 and December 31st, 2023, advance payments and loans were not granted to the managers and administrators of the Company, except for the advance payments and business trips.

NOTES TO INDIVIDUAL ANNUAL FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31st, 2023**e) Employees**

The average number of employees during the year was as follows:

	<u>December 31st, 2022</u>	<u>December 31st, 2023</u>
Administrative staff	46	40
Production staff	<u>182</u>	<u>174</u>
	<u>228</u>	<u>214</u>

Staff expenses include the following:

	<u>December 31st, 2022</u>	<u>December 31st, 2023</u>
Social security expenses	856.471	923.079
Pension expenses	-	-

9 ECONOMIC – FINANCIAL INDICATORS

Name of indicator	Amount
1. Liquidity indicators	
a) Current liquidity indicator	0.73
b) Current liquidity indicator	0.45
2. Risk indicators:	
a) Degree of indebtedness indicator	35.65
b) Interest coverage indicator	-3.03
3. Activity indicators (management indicators)	
a) Inventory turnover	8.99
b) Inventory turnover (days on hand)	40.60
c) Days' sales outstanding ratio	67.58
d) Days' payable outstanding ratio	36.49
e) Fixed asset turnover	12.17
f) Total asset turnover	3.32
4. Profitability indicators	
a) Return on capital employed	-0.15
b) Gross sales margin	-0.03




10 OTHER INFORMATION

a) Information on the Company presentation

HARSHA ENGINEERS EUROPE SRL is a Romanian legal entity, a limited liability company, with a registered office in Braşov, Braşov-Ghimbav Industrial Park, County Road 103 C, Hall 4, Braşov County.

The main activity of the company is the manufacture of bearings, gears, gearboxes and mechanical transmission elements.

The company has a single foundry in Braşov.

HARSHA ENGINEERS EUROPE SRL is 100% owned by Harsha Engineers International Limited with registered office at NH-8a, Sarkhej-Bavla Highway, Changodar, Ahmedabad-382213, Gujarat, CIN: U29307GJ2010PLC063233.

b) Information on entity relations with subsidiaries, associated entities or other entities in which it owns shares

The information on subsidiaries, associated entities and businesses under common control is presented in Note 10 g).

c) Turnover

The company has one segment of activity and the entire production is sold mostly on the territory of the European Union.

d) Events after the balance sheet date.

None.

e) Fees paid to auditors/censors

The company paid fees for the statutory audit according to the contract concluded between the parties in 2022 and 2023.

f) Probable debts and granted commitments

The current value of obligations from financial leasing can be presented as follows:



HARSHA ENGINEERS EUROPE SRL**NOTES TO INDIVIDUAL ANNUAL FINANCIAL STATEMENTS****FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31st, 2023**

	<u>December 31st, 2022</u>	<u>December 31st, 2023</u>
	(lei)	(lei)
Below 1 year	817.957	811.149
Between 1 year and 5 years	<u>1.118.048</u>	<u>322.868</u>
	<u>1.936.005</u>	<u>1.134.017</u>

The commitments granted refer to the office and warehouse rental contracts.

	<u>December 31st, 2022</u>	<u>December 31st, 2023</u>
	(lei)	(lei)
Below 1 year	3.767.594	3.788.078
Between 1 year and 5 years	15.070.154	15.152.312
Over 5 years	5.023.154	1.578.365
	<u>23.861.124</u>	<u>20,518,755</u>

g) Transactions with related parties

<u>Name of Company</u>	<u>Type of relation</u>	<u>Type of transaction</u>	<u>Country of origin</u>
Harsha Engineers International Limited	Mother-company	Purchase/sale of goods	India
HASPL Americas Corporations	Related company	Without transactions	USA
Harsha Precision Bearing Components (China) Co. Ltd	Related company	Purchase of goods	China
Sunstream Green Energy One Pvt Ltd	Related company	Without transactions	India
Cleanmax Harsha Solar LLP	Related company	Without transactions	India
Goldi Harsha Ventures LLP	Related company	Without transactions	India

(1) Sale of goods and services

	<u>December 31st, 2022</u>	<u>December 31st, 2023</u>
	(lei)	(lei)
Sale of services		
a) mother-company		22.281
b) other related parties	-	-
Total	=	<u>22.281</u>



NOTES TO INDIVIDUAL ANNUAL FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31st, 2023

Sale of goods		
a) mother-company	13.068	32.832
b) other related parties	=	=
Total	<u>13.068</u>	<u>32.832</u>

(2) Purchase of goods and services

	<u>December 31st, 2022</u>	<u>December 31st, 2023</u>
	(lei)	(lei)
Purchase of services		
a) mother-company	304.364	199.056
b) entities with common control or significant influence on the Company	-	-
g) other related parties	=	=
Total	<u>304.364</u>	<u>199.056</u>

(2) Purchase of goods and services

	<u>December 31st, 2022</u>	<u>December 31st, 2023</u>
	(lei)	(lei)
Purchase of goods		
a) mother-company	9.739	0
b) other related parties	=	0
Total	<u>9.739</u>	<u>0</u>

(3) Balances resulted from the sale/purchase of goods/services

	<u>December 31st, 2022</u>	<u>December 31st, 2023</u>
	(lei)	(lei)
Receivables		
a) mother-company	13.068	32.832
g) other related parties	=	-
Total	<u>13.068</u>	<u>32.832</u>

	<u>December 31st, 2022</u>	<u>December 31st, 2023</u>
	(lei)	(lei)
Debts		
a) mother-company	314.383	0




HARSHA ENGINEERS EUROPE SRL

NOTES TO INDIVIDUAL ANNUAL FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31st, 2023

b) entities with common control or significant influence on the Company

g) other related parties

Total

-

-

314.383

-

0

0

(4) Loans from related parties

December 31st, 2022
(lei)

December 31st, 2023
(lei)

Interest to be paid

a) mother-company

Total

0

0

0

0

(5) Loans to related parties

December 31st, 2022
(lei)

December 31st, 2023
(lei)

Loan:

a) mother-company

Total

0

0

0

Interest:

a) mother-company

Total

0

0

0

0

Environmental aspects

The company has incurred expenses related to environmental protection, wastewater management, waste management, soil, groundwater and surface water protection.

Financial risks

Foreign exchange risk

The company has transactions and loans in a currency other than the functional currency (RON). As the Company has both debts and receivables in EUR, it protects itself in this way against foreign exchange risk.



Credit risk

The company is involved in commercial relationships with only recognized third parties, which justifies credit financing. The Company's policy is that all customers who wish to be involved in commercial relationships under credit terms are subject to verification procedures. Moreover, the balances of receivables are constantly monitored, resulting in an insignificant exposure of the Company to the risk of uncollectible receivables.

Subsequent events

The company does not estimate major consequences for its employees or activity due to the pandemic caused by COVID-19.

The company has taken all measures to facilitate the safety of its employees. The company provided employees with masks, disinfectants and implemented social distancing measures (including teleworking where possible).

At the same time, the company analysed the potential implications due to the conflict situation in Ukraine and concluded that there are no major consequences on its activity, having no commercial or other exposure with the parties involved. A potential risk related to the increase in utility and raw material prices will be discussed with customers during scheduled negotiations to increase selling prices.

Following the internal analyses performed (analysis of the 2023 budget as well as projections related to cash inflows and outflows for 2023), the management concluded that the Company has the necessary resources to continue its activity for the next 12 months.

11 CONTINGENCIES

(a) Taxation

The Romanian taxation system suffered multiple modifications in the last years and it is in a continuous update and modernization process. Therefore, there are different interpretations of fiscal law. In certain situations, the fiscal authorities can differently treat certain aspects, calculating additional taxes and fees and related late payment interests and penalties (with the total value of 0.03% per day of delay in the present). The fiscal year remains open for fiscal verification for 5 years in Romania. The company management considers that the fiscal obligations included in these financial statements are adequate.

(b) Transfer price

The fiscal law from Romania includes the principle of "market value", according to which the transactions between the affiliated parties must be carried out at market value. The



taxpayers who carry out transactions with affiliated parties must draw up and make available the file of transfer prices to the Romanian fiscal authorities, at their written request. The failure to submit the file of transfer prices or submission of an incomplete file can lead to penalties for unconformity; moreover, the fiscal authorities can interpret the transactions and circumstances differently from the management interpretation, concerning the content of the transfer price file, and therefore, can impose additional fiscal obligations resulted from the adjustment of transfer prices. The company management considers that it will not suffer losses in the case of fiscal control for the verification of transfer prices. However, the impact of different interpretations of the fiscal authorities cannot be credibly estimated. It can be significant for the financial position and/or company operations.

ADMINISTRATOR

Signature

Stamp of unit

DRAWN UP,

Signature