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## THE INDEPENDENT AUDITOR'S REPORT

### TO S.C. T.M.K.-ARTROM S.A. SHAREHOLDERS

#### Report on financial statements

1. We have audited the accompanying financial statements of S.C. T.M.K.-ARTROM S.A., which include: the Balance Sheet, the Income Statement, the Statement of Changes in Equity, the Cash-Flow Statement and a summary of significant accounting policies and the Explanatory Notes of the financial statements.

The financial statements refer to:

- Total equity: 295.203.976 lei
- Total revenues: 757.419.488 lei
- Total expenses: 768.284.574 lei
- The net income of the financial year ended: - 10.897.336 lei.

#### Management's responsibility for the financial statements

2. The Management of S.C. T.M.K.-ARTROM S.A. is responsible for preparation and fair presentation of these financial statements in accordance with the Order of the Public Finance Ministry no. 3055/2009 updated with the subsequent changes and with the accounting policies presented in the notes to these financial statements. This responsibility includes: designing, implementing and maintaining a relevant internal control for the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

#### Auditor's responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the audit standards adopted by the Romanian Chamber of Financial Auditors. Those standards require compliance with ethical requirements in planning and performing our audit in order to obtain reasonable assurance that the financial statements are free from material misstatement.



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4. An audit involves performing procedures to obtain audit evidence about the values and disclosures in the financial statements. The selected procedures depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. S.C. T.M.K.-ARTROM S.A. has organized the activity of internal audit in accordance with art. 20 of Government Emergency Ordinance no. 75/1999, modified, on the activity of financial audit.

In order to establish the audit opinion for the financial year 2010 we did not based on the Reports performed by the Internal Audit Service of the Company.

An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Other issues**

6. Our audit was conducted in order to report to the Shareholders of S.C. T.M.K.-ARTROM S.A. and third parties those issues that we must report in a statutory audit report, and for no other purposes. As long as it is permitted by the law, we do not accept and do not take our responsibility towards other party than the Company and its Shareholders, on the whole, for our report, for this report or for our opinion expressed.

7. The accompanying financial statements are not intended to present the financial position, the result of the operations and a complete set of notes to the financial statements in accordance with standards and accounting policies accepted in other countries and jurisdictions than Romania. For this reason, the accompanying financial statements are not prepared for the use of individuals which are not familiar with the accounting and legal standards from Romania, including the Order of the Public Finance Ministry no. 3055/2009 updated with the subsequent changes.

#### **Report on conformity of the Administrators' Report with financial statements**

8. In accordance with Order of the Public Finance Ministry no.3055/2009, article 320, point (e), we have read the accompanying Administrators' Report for the financial year 2010.



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The Administrators' Report is not a part of the financial statements.

The Administrator's Report contains a fair presentation of the developing and performance of the Company's activity and its financial position, together with a describing of the main risks and incertitude which T.M.K.-ARTROM S.A. may confront.

In the Administrator's Report we have not identified disclosures which could be significantly different from the disclosures presented in the accompanying financial statements for the financial year 2010.

### Going concern

9. Expressing our opinion without reserves, we draw to your attention the following issues:

As presented in Note no. 12 "Transactions with affiliated and related persons" to the financial statements as of 31 December 2010, mostly of sales, 79,77% respectively, and significant purchases are made in relation with other companies being under the common control with S.C. T.M.K.-ARTROM S.A.

The debts on companies within the Group, in amount of 133.967.749 lei, represent 74,1% of the Company's total debts and the liabilities, consisting in loans from the companies within the Group, in amount of 331.984.573 lei, represent 67,7% of the Company's total liabilities as of 31 December 2010.

In this situation, the continuing of T.M.K.-ARTROM S.A. activity is significantly conditioned by the continuing of relations with the companies within the Group.

### Presentation of the opinion

10. In our opinion, the financial statements present fairly, in all significant respects, the financial position of S.C. T.M.K.-ARTROM S.A. as of 31 December 2010 and the operating income, as well as the cash flow for the year ended, in accordance with the Order of the Public Finance Ministry no. 3055/2009 updated with all subsequent changes, and with the accounting policies presented in the notes to these financial statements.

SLATINA  
11.04.2011

S.C. EVCON EXPERT AUDIT S.R.L.  
Registered at the Financial Auditors Chamber from Romania  
with no. 425/08.09.2003

