

**Opinion of the Audit Committee**  
**regarding the annual accounts of RĪGAS ELEKTROMAŠĪNBŪVES RŪPNĪCA, AS**  
**for 2019**

Fulfilling the requirements of part 2 of Article 41 “Audit Committee” of Directive No 2006/43/EC of the European Parliament and the requirements of Section 55.3 of the law of the Republic of Latvia “Law on the Market of Financial Instruments”, and according to the provisions of part 1 of the above Section, the Audit Committee carries out the tasks specified in the Law on the Market of Financial Instruments.

The Audit Committee has verified:

- whether remuneration for the auditing services is a “contingent fee” (part one of Article 4 of Regulation No 537/2014 “Audit Fees”, i.e., fees for audit engagements calculated on a predetermined basis relating to the outcome of a transaction or the result of the work performed);
- whether the audit firm provides non-audit services to the Company or undertakings controlled by the Company (part one of Article 5 of Regulation “Prohibition of the Non-audit Services”);
- whether the total fees received by the audit firm for the auditing services in each of the last three consecutive financial years are more than 15% of the total fees received by the audit firm in each of those financial years (part three of Article 4 of Regulation No 537/2014).

It has been established that the statutory auditor selected by the Company, both prior to carrying out the audit of the annual financial statements of the Company and during the audit, complied with the independence and impartiality requirements laid down in the Law on Auditing Services, with the provisions of Article 6 of Regulation No 537/2014 regarding preparation for the audit and assessment of threats to independence, and with the prohibition to provide non-audit services established in Article 5 of the Regulation.

The Audit Committee has also checked independence of the statutory auditor selected by the Company, i.e., commercial company Grant Thornton Baltic Audit Ltd, as construed by the Law on Auditing Services (Section 26 “Circumstances creating a threat to the independence and impartiality of a statutory auditor or a commercial company of statutory auditors) and has not identified any threats to independence and impartiality.

The tasks of the Audit Committee are as follows:

- 1) Monitoring the progress of the auditing of the Annual Account of the Company;
- 2) Monitoring the effectiveness of internal control, risk management and internal audit in order to ensure the reliability and credibility of the Annual Account;
- 3) Control of the preparation of the Annual Account of the Company that is to be prepared in accordance with the following laws of the Republic of Latvia: Law on Accounting, and Law on Annual Accounts and Consolidated Annual Accounts, as well as regulation of the Cabinet of Ministers No 775 dated 22 December 2016 “Regulation on Application of the Law on Annual Accounts and Consolidated Annual Accounts”, and control of the preparation of consolidated financial statements compiled in accordance with the International Financial Reporting Standards adopted by the European Union.

The Audit Committee hereby confirms that it has fulfilled its tasks, and sufficient and timely information has been provided by the management and the auditor, allowing the Committee to fulfil its tasks in an efficient manner.

The Audit Committee has familiarized itself with the work of the internal control and risk management system. No significant flaws or breaches have been found. Nonetheless, the Audit Committee stresses the necessity of clear regulation of the system and introduction of local rules and regulations. In general, the internal control and risk management system is effective and is arranged in such a way as to provide the management with reasonable assurance that:

- assets of the Company are indemnified against losses and misuse;
- risks related to activities of the Company are identified in a timely fashion and monitored, and transactions are carried out according to the procedure established by the Company;
- the Company carries out its activities efficiently, exercising reasonable prudence and fully complying with laws and regulations of the Republic of Latvia and requirements of the European Union.

In the Audit Committee's opinion, the preparation of the Financial Account of the Company for 2019, which was compiled in accordance with the law of the Republic of Latvia Law on Accounting, and the law of the Republic of Latvia Law on Annual Accounts and Consolidated Annual Accounts, and the preparation of the Consolidated Financial Account for 2019, which was compiled in accordance with the International Financial Reporting Standards adopted by the European Union, was carried out in compliance with the applicable statutory regulations. Any errors found during the audit were promptly corrected.

Overseeing the preparation of financial statements and the process of auditing thereof, we became certain that the audit conducted helps recognize the objectivity of the financial statements compiled by the Company.

The Audit Committee hereby states that the Financial Account and Consolidated Financial Account of the Company provide a fair and clear picture of the financial standing of the Company as of 31 December 2019, of its financial performance and cash flows in 2019 as required by the law of the Republic of Latvia Law on Annual Accounts and Consolidated Annual Accounts and the International Financial Reporting Standards adopted by the European Union.

The commercial company of statutory auditors Grant Thornton Baltic Audit has been providing the Company with high quality auditing services for four consecutive years.

With this note, the Audit Committee states that it does not object to further cooperation with the aforementioned statutory auditor and suggests that commercial company of statutory auditors Grant Thornton Baltic Audit is selected for auditing the Company's financial statements for 2020.

In 2020, the Audit Committee will continue fulfilling its tasks specified by applicable law and will focus its main efforts on further improvement of the Company's liquidity and financial stability, improvement of the quality composition of inventories, as well as improvement of the existing internal control system to ensure more efficient risk management.

Moscow, 09 June 2020

Members of the Audit Committee:

\_\_\_\_\_ /Karim Tuzani/

\_\_\_\_\_ /Lubov Akimova/

\_\_\_\_\_ /Victor Dobrov/