

**Report of the Board of Directors on the individual financial statements of  
COMELF SA prepared in accordance with the Order of the Ministry of Public Finance no.  
2844/2016**

**For the financial year: 2018**

**Company name: COMELF S.A.**

**Registered Office: Bistrita, Strada Industriei nr. 4**

**Phone / fax number: 0263 234462 ; Fax : 0263 238092**

**VAT Code: 568656**

**Registered business number : J06/02/1991**

**Subscribed and paid-up share capital: 13.036.325,34 lei**

**The regulated market on which the issued securities are traded: Bucharest Stock Exchange**

**Main characteristics of the securities issued by the company:**

-Uncertificated registered shares in the amount of 22,476,423 with a nominal value of 0.58 lei / share.

The Board of Directors of Comelf SA Bistrita, appointed by the General Assembly of Shareholders, has prepared for the financial year 2018 the present report on the balance sheet, the profit and loss account, the statement of changes in equity, the cash flow statement, the accounting policy and explanatory notes included in the individual financial statements of 2018.

These financial statements are presented together with the Audit Report and this Administrator Report and refer to:

|                              |                        |
|------------------------------|------------------------|
| <b>Equity:</b>               | <b>71.937.578 RON</b>  |
| <b>Total Income :</b>        | <b>153.266.065 RON</b> |
| <b>Profit of the period:</b> | <b>2.815.330 RON</b>   |

The financial statements were prepared in accordance with:

- (i) Accounting Law 82/1991 republished in June 2008 (Law 82);
- (ii) The provisions of Order no. 2844/2016;

Starting with 2012 our Company presents individual financial statements drawn up in accordance with the provisions of Order 2844/2016 (formerly Order 1286/2012) for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a market regulated, with the subsequent modifications and clarifications required by Order 881/2012.

COMELF was audited by the independent auditor G5 Consulting SRL The results of the Company's audit are presented in the Independent Auditor's Report G5 Consulting SRL

## **1. Review of the Company's activity:**

### **i. Description of the Company's core business:**

The Company operates on the basis of the Companies Law no. 31/1990 (with subsequent modifications and amendments)

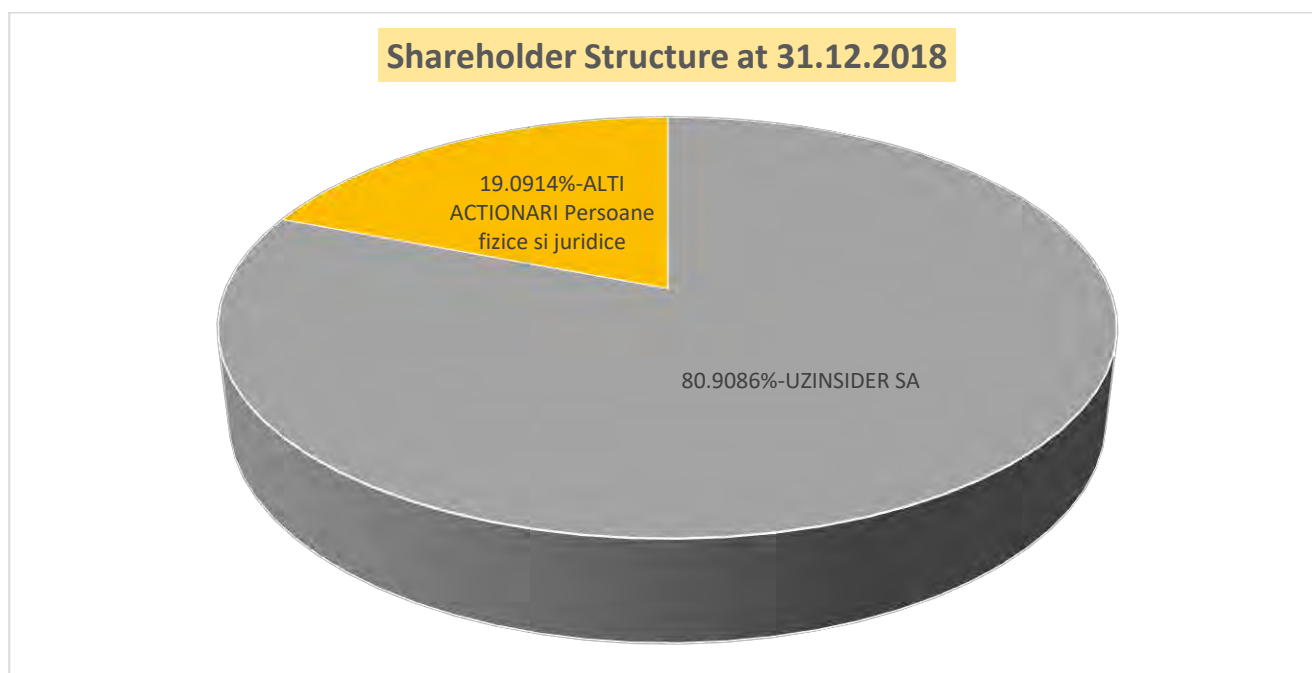
, Capital Market Law no. 297/2004 and Law 24/2017 on issuers of financial instruments and market operations. According to Article 6 of the Articles of Incorporation, updated in December 2018, the object of the Company's activity is **"Manufacture of machinery and equipment for earth-moving works, for power stations and environmental protection, lifting and transport equipment, including their subassemblies"**.

**ii. Date of establishment of the Company:**

COMELF SA is a joint-stock company established in Romania in 1991 on the structure of Bistrita Technology Equipment Enterprise.

**iii. Changes in company shares, significant mergers or reorganisations of the Company or the controlled companies during the financial year:**

COMELF is a Company with a majority Romanian capital and since 1995 COMELF has been listed on the Bucharest Stock Exchange, being part of the 12 founding societies. The subscribed and paid-up share capital at the end of the financial year 2018 is RON 13,036,325.34. The shareholder structure at the end of the period reviewed is ( *Source: Depozitarul Central on December 31, 2018* ):



COMELF is a manufacturing company in the field of machine building industry and has as object the manufacture of equipment for power stations and for environmental protection, metallic structures in the field of renewable energy (source: water, wind and sun), earth-moving machinery or subassemblies of such, lifting and transport equipment, including components of such. In order to carry out the activity, the company owns and operates a total of 16 buildings with a total area of 89,849 sq. m., of which the main production activity is carried out in 6 production halls equipped with machines, installations, machine tools for machining, laboratories and utilities networks for carrying out the production processes.

On November 21, 2018, the Ordinary General Meeting of the Associates approved adding a new activity to the company's business scope, CAEN code 9601 - Washing and (dry) cleaning of textile articles and fur products. This activity was previously carried out by Comelf Energy SRL until its liquidation on 17.09.2018, when the activity that was taken over by Comelf SA both for its own purposes (washing employees work and protection equipment) and the sale of such services to third parties.

On 17.09.2018, the OGMS of Comelf Energy SRL decided to liquidate the company, the procedure whereby Comelf SA, which owned 45% of the share capital of Comelf Energy SRL, cashed the sum of RON 201,320.66.

On December 31, 2018, COMELF SA does not own shares in other companies and does not own Subsidiaries.

**iv. Description of acquisitions and / or transfers of assets:**

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Str. Industriei, Nr.4 420063, Bistrita-Romania  
Phone: +40/263/23.44.62; +40/263/23.80.98  
Fax: +40/263/23.80.92;  
E-mail: comelf@comelf.ro  
Web page: www.comelf.ro



The total value of the asset as of 31 December 2018 was 165,407,657 LEI, 3,460,350 LEI lower than the value registered at the beginning of the year, the difference resulting from the decrease of the fixed assets of the company, mainly due to the amortization (RON 5,517,411) . On the other hand, the current assets registered an increase at the end of 2018 by 2,057,061 LEI, mainly due to the increase in receivables;

**v. The main results of the evaluation of the company's activity:**

The profit and loss account, respectively the income and expenses grouped by their origin in the year 2018, are as follows:

| <b>The Profit and Loss Account (Thousand RON)</b>                               | <b>Year 2018</b> | <b>Year 2017</b> | <b>Differences</b> |
|---|------------------|------------------|--------------------|
| <b>Turnover</b>   | <b>151767</b>    | <b>175174</b>    | <b>(23407)</b>     |
| Other operating income, TOTAL-of which:   | 4232             | 4070             | 162                |
| Changes in stored production (+/-)  | 1499             | 1316             | 183                |
| Income from operating grants  | 88               | 111              | (23)               |
| Revenues from investment grants   | 1580             | 1966             | (386)              |
| Other operating revenues  | 1065             | 677              | 388                |
| <b>Operating Income - TOTAL</b>   | <b>155998</b>    | <b>179244</b>    | <b>(23246)</b>     |
| Expenditure on raw materials, consumables, utilities, commodities               | 72334            | 84028            | (11694)            |
| Staff costs   | 47595            | 53139            | (5544)             |
| Provisions expenses, depreciation and amortization adjustments, TOTAL-of which: | 1600             | 10220            | (8620)             |
| Expenses due to amortization  | 7721             | 10472            | (2751)             |
| Provision expenditure on current assets depreciation                            | 37               | (11)             | (48)               |
| Adjustments for risk and expense provisions                                     | (6178)           | (241)            | (5876)             |
| Other operating expenses  | 30903            | 26378            | 4525               |
| <b>Operating Expenses-TOTAL</b>   | <b>152131</b>    | <b>173765</b>    | <b>(21634)</b>     |
| <b>Operating profit-TOTAL</b>   | <b>3867</b>      | <b>5479</b>      | <b>(1612)</b>      |
| Financial income  | 2001             | 2905             | (904)              |
| Financial expenses  | 2646             | 4630             | (1984)             |
| <b>Financial result</b>   | <b>(645)</b>     | <b>(1725)</b>    | <b>1080</b>        |
| <b>Total revenue</b>  | <b>158459</b>    | <b>183375</b>    | <b>(24916)</b>     |
| <b>Total expenses</b>   | <b>155238</b>    | <b>179621</b>    | <b>(24383)</b>     |
| <b>The Profit and Loss Account (Thousand RON)</b>                               | <b>Year 2018</b> | <b>Year 2017</b> | <b>Differences</b> |
| <b>Gross result</b>   | <b>3221</b>      | <b>3754</b>      | <b>(533)</b>       |
| <b>Net result</b>   | <b>2815</b>      | <b>3341</b>      | <b>(526)</b>       |
| <b>EBITDA</b>   | <b>11313</b>     | <b>14578</b>     | <b>(3265)</b>      |

**EBITDA was determined as follows:**

| <b>Indicators (thousand lei)</b>         | <b>2018</b> | <b>2017</b> | <b>Differences</b> |
|--|-------------|-------------|--------------------|
| Net Profit                               | 2815        | 3341        | (530)              |
| Interest expense                         | 330         | 361         | (31)               |
| Depreciation charge                      | 7721        | 10472       | (2751)             |
| <b>Indicators (thousand lei) -EBITDA</b> | <b>2018</b> | <b>2017</b> | <b>Differences</b> |

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Str. Industriei, Nr.4 420063, Bistrita-Romania  
Phone: +40/263/23.44.62; +40/263/23.80.98  
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Web page: www.comelf.ro



|                                      |              |              |               |
|--------------------------------------|--------------|--------------|---------------|
| Fixed and current asset depreciation | 37           | (11)         | <b>48</b>     |
| Current and deferred tax expense     | 406          | 414          | <b>(8)</b>    |
| <b>EBITDA</b>                        | <b>11309</b> | <b>14578</b> | <b>(3269)</b> |

Changes in the asset are as follows:

| <b>Asset (Thousand Lei)</b>                                   | <b>Year 2018</b> | <b>Year 2017</b> | <b>Differences</b> |
|---|------------------|------------------|--------------------|
| <b>1.1. Fixed Assets TOTAL of which:</b>                      | <b>92125</b>     | <b>97642</b>     | <b>(5517)</b>      |
| 1.1.1. Tangible assets  | 39154            | 41707            | <b>(2553)</b>      |
| 1.1.2. Real estate fixed assets                               | 52379            | 54842            | <b>(2463)</b>      |
| 1.1.3. Intangible fixed assets                                | 592              | 893              | <b>(301)</b>       |
| <b>Asset (Thousand Lei)</b>                                   | <b>Year 2018</b> | <b>Year 2017</b> | <b>Differences</b> |
| 1.1.4. Capital assets   | -                | 200              | <b>(200)</b>       |
| <b>1.2. Current assets TOTAL, out of which:</b>               | <b>73283</b>     | <b>71226</b>     | <b>2057</b>        |
| 1.2.1. Stocks of raw materials and materials                  | 7355             | 7297             | <b>58</b>          |
| 1.2.2. Stocks of finished products and production in progress | 23614            | 22118            | <b>1496</b>        |
| 1.2.3. Total commercial and similar receivables, of which:    | 35708            | 34547            | <b>1161</b>        |
| -Trade Receivables  | 43149            | 43803            | <b>(654)</b>       |
| 1.2.4. Profit Tax to be recovered                             | -                | -                | -                  |
| 1.2.5. Other receivables and advances for immobilizations     | 2868             | 1934             | <b>934</b>         |
| 1.2.6. Cash and cash equivalents                              | 3738             | 5330             | <b>(1592)</b>      |
| <b>Total Assets</b>   | <b>165408</b>    | <b>168868</b>    | <b>(3460)</b>      |

The liability structure of the company's balance sheet at 31 December 2018 is as follows:

| <b>Liabilities (thousand lei)</b>          | <b>Year 2018</b> | <b>Year 2017</b> | <b>Differences</b> |
|--|------------------|------------------|--------------------|
| <b>1.1. Total share capital, of which:</b> | <b>13036</b>     | <b>13036</b>     | -                  |
| 1.1.1. Subscribed share capital            | 13036            | 13036            | -                  |
| 1.1.2. Adjustments to the share capital    | 8812             | 8812             | -                  |
| 1.1.3. Other capital items                 | -                | 133              | <b>(133)</b>       |
| 1.2. Revaluation reserves                  | 36135            | 38304            | <b>(2169)</b>      |
| 1.3. Legal reserves                        | 2607             | 2607             | -                  |
| 1.4. Other reservations                    | 12125            | 10502            | <b>1622</b>        |
| 1.5. Company owned shares                  | -                | -                | -                  |
| <b>Liabilities (thousand lei)</b>          | <b>Year 2018</b> | <b>Year 2017</b> | <b>Differences</b> |
| 1.6. Reported result                       | (3593)           | (5786)           | <b>2193</b>        |
| 1.7. The result of the fiscal year         | 2815             | 3341             | <b>(526)</b>       |
| 1.8. Distribution of profit                | -                | (97)             | <b>97</b>          |
| <b>Total equity</b>                        | <b>71938</b>     | <b>70854</b>     | <b>1084</b>        |
| <b>1.2. Long-term debt</b>                 | <b>20922</b>     | <b>19659</b>     | <b>1263</b>        |
| 1.2.1. Loans and interest-bearing debt     | 3553             | -                | <b>3553</b>        |
| 1.2.2. Deferred tax liabilities            | 9692             | 10519            | <b>(827)</b>       |
| 1.2.3. Provisions for risks and expenses   | 190              | 382              | <b>(192)</b>       |
| <b>Liabilities (thousand lei)</b>          | <b>Year 2018</b> | <b>Year 2017</b> | <b>Differences</b> |
| 1.2.4. Deferred income liabilities         | 7487             | 8757             | <b>(1270)</b>      |
| <b>1.3. Current debts</b>                  | <b>72548</b>     | <b>78354</b>     | <b>(5806)</b>      |

|   |               |               |               |
|---|---------------|---------------|---------------|
| 1.3.1 Trade and similar payables, of which: | 35398         | 31454         | 3944          |
| Trade Payables                              | 28931         | 26270         | 2661          |
| 1.3.2. Loans and interest-bearing loans     | 33830         | 37042         | (3212)        |
| 1.3.3. Other debt                           | 6463          | 5184          | 1279          |
| 1.3.4. Provisions for risks and expenses    | 1316          | 8238          | (6922)        |
| 1.3.5. Deferred income tax liabilities      | 1595          | 1620          | (25)          |
| 1.3.6. Deferred tax liabilities             | 413           | -             | 413           |
| <b>Total debt</b>                           | <b>93470</b>  | <b>98013</b>  | <b>(4543)</b> |
| <b>Total equity and debt</b>                | <b>165408</b> | <b>168868</b> | <b>(3460)</b> |

The Company's **equity** increased in the financial year 2018 by 1084 thousand lei.

The **legal reserve** is 2607 thousand lei and represents 20% of the share capital.

The **total debts** of the Company decreased by 4543 thousand lei, mainly due to the repayment of the loan for Investments (3212 thousand lei).

The **provisions of the Company** decreased by 6922 thousand lei, being influenced by the reduction of provisions for employees' retirement benefits by 192 thousand lei (in 2018 the number of pensioners was significant and the related sums were actually paid generating the decrease of the provision and additionally changed the indicator taken into account in calculating these benefits in line with the provisions of IAS 19, namely the fluctuation of the staff calculated as the average of the indicator in the last 5 years), and cancellation of provisions for the amounts owed in the DIICOT file in the amount of 5,573 thousand lei. The difference is reversal provisions constitute commercial penalties at the end of 2017 and transferred to operating expenses of the interval.

The evolution of current assets and current liabilities is as follows:

| Indicators (thousand lei) | 2018  | 2017  |
|---------------------------|-------|-------|
| <b>Current assets</b>     | 73283 | 71226 |
| <b>Current debts</b>      | 72548 | 78354 |
| <b>Net current assets</b> | 735   | -7128 |

The organization of the accounting was done through the Economic Departments of the factories, under the coordination and control of the Centralized Economic Department, at the company level, through which the correct and up-to-date keeping of the accounting operations, the observance of the accounting principles and of the accounting rules and methods provided in the regulations in force. The balance sheet was drawn up on the basis of the trial balance, the synthetic accounts and the observance of the methodological norms and of the rules for drawing up the balance sheet, the items entered in the balance sheet with the data recorded in the accounting being agreed with the real situation of the patrimonial items based on inventories.

The profit and loss account reflects actual earnings, expenses and financial results for the year 2018. The company carried out the inventory of the entire patrimony, the inventory results being recorded in the accounting and in the balance sheet. The Company has organized the preventive financial control activity.

The internal audit activity was carried out in the financial year 2018 by G2 Expert SRL.

## General evaluation elements

### a). Profit / (loss):

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Str. Industriiei, Nr.4 420063, Bistrita-Romania  
Phone: +40/263/23.44.62; +40/263/23.80.98  
Fax: +40/263/23.80.92;  
E-mail: comelf@comelf.ro  
Web page: www.comelf.ro



| Indicators (thousand lei)  | Achieved 2018 | Achieved 2017 |
|----------------------------|---------------|---------------|
| <b>Gross profit (loss)</b> | 3221          | 3754          |
| <b>Net profit (loss)</b>   | 2815          | 3341          |

**Net profit:** decreased in 2018 compared to the one realized in 2018, mainly influenced by: (i) the evolution of the company's turnover and revenue; (ii) wage costs, especially those related to direct productive staff, which grew in line with the evolution of the labour market and their average growth was above turnover (+ 3.8% at company level).

**b). Turnover:**

| Indicators (thousand lei) | Achieved 2018 | Budget 2018 | Achieved 2017 | Δ% vs. 2017 | Δ% vs. Budget |
|---------------------------|---------------|-------------|---------------|-------------|---------------|
| <b>Turnover</b>           | 151767        | 174720      | 175174        | -13,36%     | -13,13%       |

**Turnover** declined in 2018 compared to 2017, mainly due to a reduction in the number of direct productive staff (on average by 15.69%), but also due to the change of the manufacturing structure by assimilation of new products from customers which involve higher initial manufacturing costs up to assimilation into a repetitive production.

**c). Export:**

| Indicators (thousand lei)         | Achieved 2018 | Achieved 2017 | Δ% vs. 2017 |
|-----------------------------------|---------------|---------------|-------------|
| <b>Turnover</b>                   | 151767        | 175174        | -13,36%     |
| <b>Export/EUR</b>                 | 32,255        | 36426         | -11,45%     |
| <b>Export (equivalent in LEI)</b> | 150,098       | 166398        | -9,80%      |

In 2018, the volume of revenues from export operations decreased by 9.80%, compared to the previous year.

**d). Costs:**

| Expenses (thousand RON)                              | 2018         | 2017         |
|--|--------------|--------------|
| <b>Raw materials, consumables and merchandise</b>    |              |              |
| Expenditure on raw materials                         | 56232        | 64435        |
| Expenditure on consumables                           | 11542        | 12691        |
| Expenditure on goods                                 | 625          | 2919         |
| <b>TOTAL</b>   | <b>68399</b> | <b>80045</b> |
| <b>Employee Benefits Expenditures</b>                |              |              |
| Wages  | 43044        | 40038        |
| Contributions to the National Social Insurance Fund  | 1977         | 10327        |
| Other taxes and contributions related to salaries    | -            | 487          |
| Meal tickets   | 2162         | 2333         |
| Other benefits related to wages                      | 504          | 536          |
| <b>Expenses (thousand RON)</b>                       | <b>2018</b>  | <b>2017</b>  |
| Revenues from operating grants for. personal payment | (88)         | (111)        |
| <b>TOTAL</b>   | <b>47599</b> | <b>53610</b> |
| <b>Other expenses</b>                                |              |              |
| Transport costs                                      | 7294         | 8282         |

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Str. Industriei, Nr.4 420063, Bistrita-Romania  
Phone: +40/263/23.44.62; +40/263/23.80.98  
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|  |              |              |
|--|--------------|--------------|
| Utilities expenses                                 | 4002         | 4149         |
| Expenditure on services performed by third parties | 11679        | 11588        |
| Expenses with damages, fines, penalties            | 6887         | 454          |
| Protocol, advertising and publicity expenses       | 120          | 156          |
| Other general expenses                             | 1248         | 1989         |
| Expenses with other taxes and fees                 | 1443         | 702          |
| Repairs expenses                                   | 839          | 882          |
| Travel expenses                                    | 303          | 405          |
| Rental rents                                       | 546          | 792          |
| Postal and telecommunication charges               | 85           | 102          |
| Expenditure on insurance premiums                  | 460          | 318          |
| <b>TOTAL</b>                                       | <b>34906</b> | <b>29819</b> |

**e). Market share:**

Given that the company's products are diversified, a global market share can not be determined.

**f). Available Cash:**

As of 31 December 2018 the Company held in the accounts the amount of RON 3,738 thousand.

**2. Review of the technical level and the sales activity of the Company**

The COMELF range of products is structured on five main lines, as follows: (1) Machinery for power-generation industry and components; (2) Machinery and parts for Earth-moving works (3) Environmental protection equipment; (4) Lifting and handling equipment; (5) Other Industrial equipment; The products are sold as such or as part of projects to the client through the Centralized Commercial Department, by project managers specialized on product and customer types. Comelf products are delivered mainly for export to countries like Italy, France, England, Netherlands, Sweden, Austria, Norway, Germany, Belgium, Switzerland, Hungary, USA.

The manufacturing activity of the Company takes place within the factories, organized as business units:

- ❖ Stainless Steel Products Factory ("FPI")
- ❖ Factory for Earth-Moving Machinery and Parts, Bag-Filters and Electrostatic Precipitators ("FUET")
- ❖ Factory for Earth-Moving Machines and Components ("TERRA")

In 2018 the activity of the company was carried out without interruption. In 2018, new products and new clients were brought into the portfolio of the company as follows:

| Business Unit | Customer       | Product                    |
|---------------|----------------|----------------------------|
| <b>FPI</b>    | MFT Germany    | Tanks                      |
|               | Howden Germany | Base frames                |
|               | Almig Germany  | Compressor base frames     |
|               | Haba Germany   | Stainless steel components |

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Str. Industriei, Nr.4 420063, Bistrita-Romania  
Phone: +40/263/23.44.62; +40/263/23.80.98  
Fax: +40/263/23.80.92;  
E-mail: comelf@comelf.ro  
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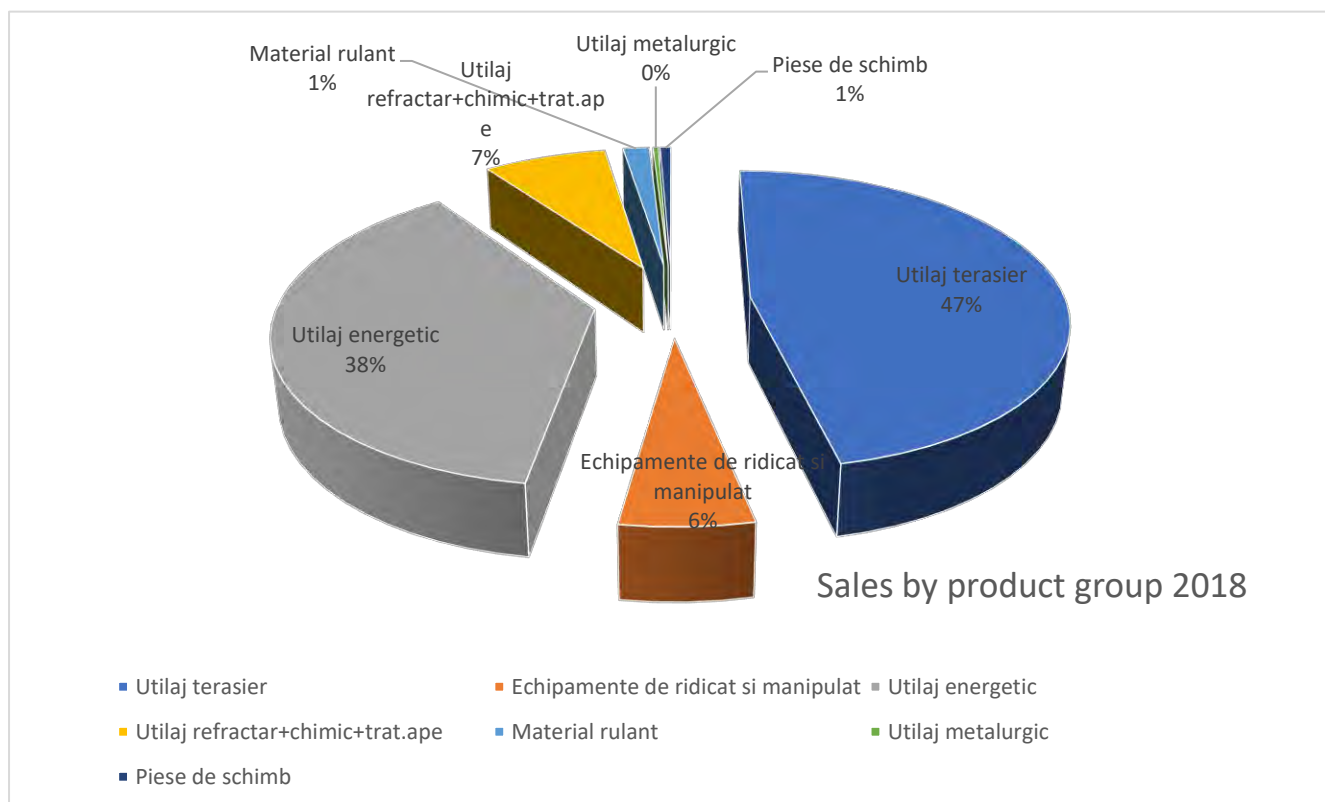
|             |                             |  |
|-------------|-----------------------------|--|
|             | Rockfin Poland              | Gas Turbine Base Frames                        |
|             | Camfil Hungary              | Components for turbines                        |
|             | Siemens AG Mobility         | Components for railway equipment               |
|             | Tekhnint Switzerland        | Components for turbo cranes SK415 and CTT 332  |
|             | GE Hungary                  | Turbine oil tanks                              |
|             |                             |  |
| <b>FCT</b>  | Rockster Austria            | Crushers                                       |
|             | Michelin France             | PAP machines                                   |
|             | Hartl Engineering           | Electrical skid, Electric Crushers             |
|             | HCE                         | R12 type Chassis                               |
|             |                             |  |
| <b>FUET</b> | Tesmec Service Italy        | Components for railway Equipment undercarriage |
|             | Wasserkraft Austria         | Components of turbine parts                    |
|             | SHM Norway                  | Comp. for marine equipment                     |
|             | Doosan Skoda Czech Republic | Stator supports                                |
|             | Focus Bioenergy             | Sawdust Container                              |

Share of operating revenues by main operational lines in total revenues for 2018:

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Str. Industriei, Nr.4 420063, Bistrita-Romania  
Phone: +40/263/23.44.62; +40/263/23.80.98  
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The Company's commercial policy is to avoid significant dependence on a single Customer (no more than 35% exposure per customer). During 2018, the largest share of sales per customer was 26.60% of the total turnover, as follows:

| Partner | Share in revenue (> 10%) | Income     | Revenue pertaining to Segment                                       |
|---------|--------------------------|------------|---|
| Siemens | 19,51%                   | 29,605,492 | Equipment and parts for power-generation industry: FPI-FUET-FCT-FFE |
| Komatsu | 17,56%                   | 26,653,446 | Earth-Moving Machines and parts: FUET                               |
| Tesmec  | 7,12%                    | 10,800,015 | Components for earth-moving equipment and railway vehicles          |
|         |                          |            |   |

### 3. Assessment of the technical-material procurement activity:

The procurement activity has as an objective to provide at all times and in the most advantageous conditions the raw materials required for carrying out the company's manufacturing activities.

Starting with June 2018, the activity of providing the material base is done centrally by merging, all procurement departments in Comelf within the DEPARTMENT FOR PROCUREMENT AND LOGISTICS (DPL) Within the newly established department, the purchasing departments, the warehouse sector and supplier control, external collaboration and logistics carry out their activities.

Organizing such Department (DPL) has the following advantages:

1. Building large quantities of materials allows us to obtain a more attractive price from suppliers;
2. Procurement of larger quantities means that the supplier handles such orders more carefully;

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Str. Industriei, Nr.4 420063, Bistrita-Romania  
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3. Centralized procurement allows standardization of purchased products and therefore guarantees a constant quality of products;

4. Greater specialization of staff such as one person becomes well acquainted with plates, another with pipes, another with paints etc., leads to a higher competence and a lower cost of the materials;

5. The consolidation of several smaller orders reduces the administrative costs, the time needed for negotiation and obtaining of favourable conditions for the buyer such as payment term, etc.;

6. Relationship with suppliers is simplified because there are fewer persons involved;

7. Lower transport costs as orders are transported in larger quantities;

8. Lowering the risk of excessive stocks for some materials, for example in the current situation, there is a risk that each factory will have stock of materials that instead of being used by other factories remain stuck, implicitly freezing financial resources.

The management of the procurement activity is carried out on the basis of the requests for materials issued by the technical departments, requests prepared for each client based on the orders they have placed with us.

Procurement departments and the warehouse sector are required to permanently check inventory material and then issue purchase orders to keep stocks under control at all times in order to avoid financial bottlenecks.

According to Comelf procedures there is a database for suppliers selected and evaluated based on quality criteria, price, delivery term.

Moreover, through the supplier control department, periodic plans for supplier auditing are set up to maintain the supply chain to a high standard correlated with the requirements of Comelf customers.

The purchase orders are issued after reviewing the offers received from at least 2 suppliers, selecting the supplier that provides the best conditions at least regarding the quality of the products, the price, the delivery term, the payment conditions etc.

#### 4. Reviewing aspects pertaining to Company Employees:

The average number of staff dropped during 2018 from 1024 in 2017 to 878 employees in 2018. The staff structure was as follows:

|  | 2018       | 2017         |
|--|------------|--------------|
| Executive Managers                     | 7          | 8            |
| Blue collars                           | 548        | 650          |
| White Collars and Administration Staff | 323        | 366          |
| <b>Total</b>                           | <b>878</b> | <b>1,024</b> |

According to the Labour Code, within COMELF, the minimum wage may not be lower than the gross minimum wage. In addition, within the Company, besides the basic salary of actual working time or working norm (in case of blue collars paid in individual agreement), the following categories of bonuses are granted: night shift increment, overtime bonus, bonuses for work on weekly rest periods, for work in the environment with noxious matter, for the head of the micro-teams / teams.

Also, the Company has implemented a reward system for its employees at the time of retirement, with the equivalent of a fixed amount, which evolves in an increasing number depending on the number of years of work done within the company. The Company registered provisions for these payments. In 2018, a new Collective Labour Agreement was started at the company level with the employees' union, which was signed and deposited at ITM Bistrita-Nasaud on 29.01.2019, valid until 31.01.2021.

#### 5. Reviewing aspects related to the impact of the Company's core activity on the environment

##### ADRESA

Str. Industriiei, Nr.4 420063, Bistrita-Romania  
Phone: +40/263/23.44.62; +40/263/23.80.98  
Fax: +40/263/23.80.92;  
E-mail: comelf@comelf.ro  
Web page: www.comelf.ro



COMELF's activity has inherent effects on the environment. In order to minimize these effects, there is a preventive approach at the company level and a permanent monitoring of the entire activity by dedicated and specialized people on environmental issues. The main objectives of the company's management on environmental protection are to keep fugitive emissions within the legal limits, below 20% relative to the annual consumption of corrosion protection materials, to reduce the quantities of waste from the activities carried out in the anticorrosive protective workshops and to continue the training of to all employees in terms of selective waste collection.

For the production processes, Comelf has obtained:

- Water Management Permit no.261 / 17.05.2016, issued by the National Administration "Apele Romane" Somes Tisa Water Department, valid until 17.05.2019;
- Environmental permit for operation no. 127 / 08.08.2011, revised on 06.12.2016, issued by MMGA-Environmental Protection Agency BN, valid until 08.08.2021
- Certification of Integrated Quality, Environment, Health and Safety Management System in accordance with ISO 9001: 2015, ISO 14001: 2015, and ISO 45001: 2018;

## 6. Reviewing R & D aspects:

Taking into account the specificity of the company's activity and the fact that the Company's activity is a specialized one, requiring superior technical knowledge, there is at the company level a Design Department that has besides the specific activity and concerns related to the preparation of the production on 3D models of new products and solutions , specific to the domain in which we operate. Moreover, the market on which we operate and the increasingly specialized requirements of our clients impose a permanent activity of improving the existing products in the portfolio. In addition, the company has developed partnerships with Technical Universities in Romania and England, with which it constantly makes an exchange of experience on the identification of new technical solutions and new product development.

## 7. Evaluating the company's risk management activity:

### (a) Credit risk

Credit risk refers to the risk that a third party will not comply with its contractual obligations, causing financial losses to the Company. Company exposure and credit ratings of third parties are carefully monitored by management. There is a policy implemented in terms of assessing both potential and existing clients, assessing the credit limit and the settlement method. However, we believe that the Company is exposed to credit risk as a result of trade receivables with terms to pay up to 120 days. In 2018, the company will resort to commercial credit insurance to reduce credit risk, especially for new clients but also for those in the portfolio.

### (b) Cash-flow risk

The ultimate responsibility for managing liquidity risk lies with senior executives, in particular the Chief Financial Officers of the factories and that of Comelf, who have built an appropriate liquidity risk management framework for securing the Company's short, medium and long-term funds and requirements on liquidity management. There is a continuous monitoring of the projected cash flows (3 months) and real flows by matching the maturities of financial assets and liabilities. The additional

liquidity need can be covered by the company including by accessing credit facilities, the company being at a satisfactory level of indebtedness.

### **(c) Currency risk**

Currency risk is the risk of loss or loss of earnings as a result of unfavourable fluctuations in the exchange rate. Most of the Company's financial assets and liabilities are denominated in the national currency, the other currencies in which operations are conducted, EUR, USD and GBP.

Most current assets are denominated in foreign currency (86%) and the financial liabilities of the Company are denominated in foreign currency (55%) and national currency (45%) and hence exchange rate fluctuations do not significantly affect the Company's activity. Exposure to exchange rate fluctuations is mainly due to the current currency conversion transactions required for current payments in LEI.

### **(d) Interest rate risk**

On 31 December 2018, most of the Company's assets and liabilities are not interest-bearing, except for contracted loans and leases. As a result, the Company is not significantly affected by the risk of interest rate fluctuations.

The Company does not use derivative financial instruments to protect itself against interest rate fluctuations.

### **(e) Market risk**

Market risk is defined as the risk of loss or failing to achieve envisaged profit, as a result of price fluctuations, interest rates and currency exchange rates. The company's management continuously monitors its exposure to risks. However, the use of this approach does not protect the Company from the occurrence of possible losses beyond the foreseeable limits in case of significant market fluctuations. The company is exposed to the following market risk categories:

### **(f) Price risk**

In order to cover the price risk generated by the increase of the basic raw material, the metal, the company has entered in the commercial contracts with the clients a protection clause which allows it to update the sale price if the price of the basic raw material increases. In the current economic context marked by a significant fluctuation, especially of the direct productive staff, for the newly concluded contracts and for a part of the ongoing contracts, the company succeeded in completing the protection clause and updating the price of the products taking into account the evolution of the cost the labour force, based mainly on the statistical salary developments, public on the Romanian labour market.

*The risk of interest rates and foreign exchange risk were detailed above.*

### **(g) The risk pertaining to the economic environment**

The Romanian economy continues to show the characteristics of an emerging economy and there is a significant degree of uncertainty regarding the development of the political, economic and social environment in the future. The Management of the Company is concerned to estimate the nature of the changes that will take place in the Romanian economic environment and what will be their effect on the financial situation and the Company's operating and treasury outcome. The main concerns are mainly related to ensuring the human resources needed for the production process. Starting from this important aspect for the company, it implements different approaches both at the level of the local authorities and at the level of the central authorities through partner organizations, in order to elaborate measures for qualification of labour force, incentives for employment , etc.

However, the management of the Company can not predict all the effects of the overall economic situation that will impact on the Romanian financial sector and their potential impact on the present financial statements. The Company's management believes that it has adopted the necessary measures for the sustainability and development of the Company under the current market conditions. The main challenge at this moment for the Company is the lack of qualified workforce for which the Company identified as the first solution the import of skilled labour from India.

#### **(h) The fair value of financial instruments**

As of December 31st, 2018, the company no longer owns financial instruments.

### **8. Prospective elements of COMELF's activity:**

The probable evolution of the company is found in the Revenue and Expense Budget Project for 2019, which provides for the following:

- Turnover: 156,438 thousand lei;
- Total income, of which: 159,431 thousand lei;
- Revenues from the production sold 157,431 thousand lei;
- Income from sale of goods + services 3,230 thousand lei;
- Income from the subsidies for the exploitation 111 thousand lei;
- Revenues from investment subsidies 1,567 thousand lei;
- Financial incomes (interest, favourable exchange rate differences) 1,426 thousand lei;
- Total expenses: 155,565 thousand lei;
- Gross profit: 3,866 thousand lei;

Comelf has proposed for 2019 an investment budget of 5,418,395 lei . These investments are designed to automate processes (welding) to increase production capacity for certain operations, to reorganize the production flow for repetitive products, to improve product quality, etc. Of the total investment program for the year 2019, mentioned above, company's own resources will be used, amounting to 2,612,523, out of which 114,259 represents leasing rates, the rest of the payments to be made in the following years, starting with 2020 by using leasing type financing.

In addition, in 2019 the company will support the reimbursement of EUR 750,000, part of the existing working capital loan, amounting to EUR 8,000,000 at 31.12.2018.

### **Company's tangible assets:**

#### **1.COMELF SA held at the end of 2018 the following production capacities:**

- ❖ **Earth-Moving Machinery and Equipment Factory (FUET):** which manufactures **shipborne** equipment, telescopic cranes, components for excavators and components for earth-moving machines (arms), engine housings, electrical generator enclosures, turbine chassis, industrial gas dedusting equipment, filters for asphalt plants, gas turbine power plant equipment, sewage treatment and purification equipment, hydropower equipment, technological equipment. The FUET activity is carried out in two productive units, one of which has a built surface of 16,128 sqm and another has a built surface of 18,827 sqm;

#### **ADRESA**

Str. Industriei, Nr.4 420063, Bistrita-Romania  
Phone: +40/263/23.44.62; +40/263/23.80.98  
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E-mail: comelf@comelf.ro  
Web page: www.comelf.ro



- ❖ **Earth-moving Machines and Components (FCT):** manufactures “turn-key” earth-moving machines (crushers, asphalt pavers), components for earth-moving machines (chassis, arms, frames), mobile presses for compaction of car bodies, fixed presses and components for compaction of metal waste; telescopic cranes, sub-assemblies for heavy-duty dumpers. Built area 17,322 sqm;
- ❖ **Stainless Steel Products Factory (FPI):** manufactures stainless-steel equipment (equipment for gas turbine power plants, wind turbine components, components for freight wagons, combustion air filter components) and carbon steel (equipment for gas turbine power plants, turbine chassis, compressors, generators, conveyor belts, components for transport, assembly, components for transport-containers handling machines);  
Built area 28,547 sqm;

All of these factories are located in Bistrita, no. 4, Industriei Street, Bistrita-Nasaud County.

Also, the company owns administrative buildings and its own material warehouses, all located in Bistrita, no. 4, Industriei Street.

The total land area owned by the company is 175,250 sqm.

The buildings have been built since 1971 but have undergone modernization works to meet current standards. All the company's buildings are insured.

The machines, equipment and installations used by Comelf in the production activity were acquired, a significant part, during the period 2014-2015, when the company implemented the project "Fundamental change of the production flows and introduction of new technologies with the aim of increasing productivity and competitiveness on the internal and external market of COMELF "according to the financing contract signed with the Ministry of Economy as the managing authority for POS-CCE.

## 2. Market of securities issued by the Company

2.1. Starting 20.11.1995, Comelf is listed on the Bucharest Stock Exchange. The Company's shares are ordinary, nominative, uncertificated and indivisible shares.

2.2. The unpaid profit for 2018 will be used for; a). payment of dividends and b). other reserves;

2.3. The share capital of the Company did not change in 2018, it is in the amount of 13,036,325, 34 RON equivalent of 22,476,423 shares, nominal value 0.58 lei / share.

2.4. As of December 31, 2017, COMELF SA did not hold participations in other companies. COMELF SA does not own subsidiaries.

## 3. Company Management

### 3.1. Board of Directors

Comelf SA is managed in a unitary system by the Board of Directors consisting of five members elected by the General Meeting of Shareholders by secret vote. The term of office of the members of the Board of Directors is 4 years and can be re-elected.

At the date of this report the structure of the Board of Directors is the following:

Savu Constantin chairman  
Babici Emanuel member  
Mustata Costica member  
Maistru Ion member  
Parvan Cristian member

#### ADRESA

Str. Industriei, Nr.4 420063, Bistrita-Romania  
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Members of the Board of Directors are elected at the General Meeting of Shareholders on the basis of shareholders' voting in accordance with legal requirements. Therefore there are no conventions and agreements to report in this respect.

List of persons affiliated to the company:

| Affiliated part                 | Activity   | Description of affiliation type        |
|---------------------------------|--|--|
| Uzinsider SA                    | Consulting services                                | Uzinsider SA is a majority shareholder |
| Uzinsider Techo SA              | Acquisition of steel sheets and sections           |  |
| Uzinsider General Contractor SA | Sale of central heating products                   |  |
| Promex SA                       | Collaboration on turnkey jobs                      |  |
| 24 Ianuarie SA                  | Collaborations in the manufacture of subassemblies |  |
| Uzinsider Engineering SA        | Collaborations in the manufacture of subassemblies |  |
|                                 | Providing services                                 |  |

The other companies are related to Comelf SA due to a combination of joint management and / or persons who are also shareholders of other companies.

### 3.2. Executive management

The executive management of Comelf is appointed by the Board of Directors. The managers manage the daily business of the company and have an obligation to ensure a correct circuit of corporate information.

- Members of the Executive Board of the Company:

Cenusa Gheorghe General Manager  
Pop Mircea Deputy General Manager  
Tatar Dana Financial Manager  
Marica Ioan AQM Manager  
Oprea Paul Managing Director of the factory  
Barbuceanu Florentin Managing Director of the factory  
Viski Vasile Managing Director of the factory

Members of the executive management are elected by the Board of Directors and there are no conventions, agreements or family relationships between members of the Board of Directors and the managers that might be reported in this report.

For the members of the Board of Directors and the members of the Executive Management we specify that there are no administrative litigations or administrative procedures in which they have been involved in the last 5 years regarding their activity within the Company and others concerning the person's ability to fulfill their attributions within the company.

### 3.3. Corporate Governance

Regarding the state of compliance with the provisions of the Corporate Governance Code (CGC) of the BSE at the end of 2018 of the 41 provisions to be observed were fulfilled 20 and 2 considered as

**ADRESA**

Str. Industriiei, Nr.4 420063, Bistrita-Romania  
Phone: +40/263/23.44.62; +40/263/23.80.98  
Fax: +40/263/23.80.92;  
E-mail: comelf@comelf.ro  
Web page: www.comelf.ro



partially fulfilled. It should be noted that out of the 19 provisions that appear to be unfulfilled, one does not regard the company because COMELF is in the standard category, and 18 are in Section B that is respected on the merits, through the activity of the internal audit firm outside the company, and by the employee COMELF which has the exclusive "internal control" task. Provision of Section C not accomplished is in fact regulated by internal provisions and the requirements of Section D (Investor Relations) are fulfilled by 2 nominee employees and posted on the company's website to the "Information to Date" position of the information which interests investors. It was not considered necessary to hold meetings with investors (D 9 ) as these have the necessary information available from the current and periodical reports published, which ensure a high degree of transparency that allows shareholders and potential investors to make informed decisions.

All the provisions regarding the summons of general meetings are strictly observed, and the Reports regarding their occurrence, the adopted decisions, including those regarding the payment of dividends or other special events, are published through the BSE Reports in Romanian and English and posted on [www.comelf.ro](http://www.comelf.ro). In order to support the above mentioned, including the explanations regarding the status as at 31.12.2018 regarding the compliance with the new CGC, we attach to this report the status, on each section, as follows:

Annex: State of compliance with the provisions of the new Corporate Governance Code (CGC) of the BSE on 31.12.2018

|                                     | Provisions to be observed   | conformation<br>Yes/No | Explanations  |
|-------------------------------------|---|------------------------|---|
| <b>SECTION A - Responsibilities</b> |   |                        |   |
| A.1.                                | All companies must have an internal regulation of the Council which includes the reference terms / responsibilities Of the Board and key management positions of the company, and which apply, inter alia, the General Principles of Section A. | Yes                    | The Regulation has been developed Board of Directors according CGC of BVB           |
| A.2.                                | Provisions for managing conflicts of interest must be included in the Board Regulation. In any case, members  | Yes                    | The Board Regulation includes provisions on how to manage the conflict of interest. |

|      |  |     |  |
|------|--|-----|--|
|      | the Board must notify the Board of any conflicts of interest that have arisen or may arise<br><br>occurred and abstain from participating in discussions (including through non - attendance, except for in which case the failure would prevent the formation of the quorum) and from voting for a decision on the matter<br><br>which gives rise to that conflict of interest.   |     |  |
| A.3. | The Board of Directors must consist of at least 5 members.   | Yes |  |
| A.4. | The majority of the members of the Board of Directors must not hold an executive position. In the case of Premium Category companies, no less than two non-executive members of the Board of Directors must be independent. Each independent member of the Board of Directors must file a statement at the moment of his nomination for election or re-election, as well as when any change of status occurs, indicating the elements on the basis of which it is considered to be independent in terms of his/her character and judgment. | Yes | COMELF is in the Standard category.<br><br>No member of the Board of Administration does not hold executive position in<br><br>COMELF. |
| A.5. | Other relatively permanent commitments and obligations of a member of the Board, including executive and non-executive positions on the Board of any non-profit organizations and institutions, must be disclosed to shareholders and potential investors before the nomination and in the course of his/her mandate.  | Yes |  |
| A.6. | Any member of the Board must report to the Board information on any report with a shareholder who directly or Indirectly owns shares representing more than 5% of all voting rights. This obligation refers to any kind of report that may affect the position of the member on matters decided by the Board.  | Yes |  |

**ADRESA**

Str. Industriiei, Nr.4 420063, Bistrita-Romania  
Phone: +40/263/23.44.62; +40/263/23.80.98  
Fax: +40/263/23.80.92;  
E-mail: comelf@comelf.ro  
Web page: www.comelf.ro



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|-------|---|-----|--|
| A.7.  | The company must designate a Board Secretary responsible for supporting the work of the Board.  | Yes |  |
| A.8.  | The corporate governance statement will inform whether an assessment has taken place<br><br>by the Board under the leadership of the Chairman the nomination committee and, if so, summarize the key measures and the resulting changes. The Company must have a policy / guidelines on the Board's evaluation purpose, criteria and frequency of the evaluation process. | No  | In 2019, the Company will develop a policy / guide on the Board's assessment of the purpose, criteria and frequency of the evaluation process.   |
| A.9.  | The corporate governance statement must contain information on the number of meetings of the Board and committees in<br><br>During the last year, administrators' participation (in person and in absence) and a report by the Board and committees on their activities.  | Yes | In 2018, the Board of Directors met eight times with the participation of the majority<br><br>Of the administrators at each meeting.<br><br>the OGMS in April 2019 shows the BD report for 2019. |
| A.10. | The corporate governance statement should include information on the exact number of independent members in Board of Directors.   | No  | Through the Articles of Incorporation or the OGMS decision the number of BD members is not established who must be independent.  |
| A.11. | The Board of Premium Companies must set up a nomination committee made up of people without an executive position, who will lead the procedure for new nominations Of Board Members and make recommendations to the Board. Most members of the nomination committee must be independent.  | No  | COMELF is in the Standard category.  |

**SECTION B - Risk management and internal control system**

|      |   |    |  |
|------|---|----|--|
| B.1. | The Board should set up an audit committee in which at least one<br><br>a member must be an independent, non-executive administrator. Most members, including the president, must prove | No | The internal audit is carried out by an independent company.<br>2 candidates were nominated, BD members who formed the audit committee. None of these two people is a financial auditor. |
|------|---|----|--|

**ADRESA**

Str. Industriiei, Nr.4 420063, Bistrita-Romania  
Phone: +40/263/23.44.62; +40/263/23.80.98  
Fax: +40/263/23.80.92;  
E-mail: comelf@comelf.ro  
Web page: www.comelf.ro



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|      | to have appropriate qualifications relevant to their positions and responsibilities in the Committee. At least one member of the audit committee must have audit or accounting experience verifiable and appropriate. For companies in Category Premium, the audit committee must consist of at least three members and most members of the audit committee must be independent.  |    |  |
| B.2. | The chair of the audit committee must be a independent Non-executive member.  | No | The internal audit is carried out by a independent company.  |
| B.3. | Within its responsibilities, the audit committee must carry out an annual assessment of the internal control system.  | No | Internal auditing is carried out by an independent company. It provides independent reports to BD members on operational procedures and activities.  |
| B.4. | The evaluation should take into account the effectiveness and coverage the internal audit function, the adequacy of the reports risk management and internal control presented to the Committee the Council's audit, the promptness and effectiveness with which executive management resolves deficiencies or weaknesses identified following internal control and reporting relevant to the attention of the Council. | No | The internal audit is carried out by an independent company. It provides independent reports to CA members on the risks identified in the audit activity, how the executive management respects, manages and resolves the deficiencies and risks identified in the operational activity. |
| B.5. | The Audit Committee should assess conflicts of interest in related to the transactions of the company and its subsidiaries with the parties affiliated companies.   | No | The internal audit is carried out by an independent company.   |
| B.6. | The Audit Committee should evaluate the effectiveness of the internal control and risk management system.   | No | The internal audit is carried out by an independent company.   |
| B.7. | The audit committee should monitor the application  | No | The internal audit is carried out by an independent company, which reports to MB members   |

**ADRESA**

Str. Industriei, Nr.4 420063, Bistrita-Romania  
Phone: +40/263/23.44.62; +40/263/23.80.98  
Fax: +40/263/23.80.92;  
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|       |  |     |   |
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|       | legal standards and general internal audit standards accepted.<br>The audit committee must receive and evaluate reports of the internal audit team.  |     |   |
| B.8.  | Whenever the Code lists reports or reviews initiated by the Audit Committee, these should be followed by periodic (at least annual) or ad hoc reports later submitted to the Council.  | No  | The internal audit is carried out by an independent company.  |
| B.9.  | No shareholder may be granted preferential treatment against other actresses in connection with transactions and agreements concluded by the company with shareholders and their affiliates.   | Yes |   |
| B.10. | The Council must adopt a policy to ensure as any company transaction with any of the companies with who has close relationships whose value is equal to or more 5% of the company 's net assets (acc last financial report) is approved by the Council a binding opinion of the Council 's audit committee and properly disclosed to shareholders and potential investors to the extent that these transactions fall into the category events subject to reporting requirements. | No  | The Board of Directors did not adopt a policy in this regard. |
| B.11. | Internal audits should be performed by a separate division structurally (internal audit department) within the or by employing an independent third party.   | Yes | The internal audit is carried out by an independent company.  |
| B.12. | In order to ensure the fulfillment of the main functions of the internal audit department must report from a functional point of view to the Council through audit committee. For administrative purposes and within management's obligations to monitor and reduce risks, it must report directly to the Director General.  | No  | The internal audit is carried out by an independent company.  |

**ADRESA**

Str. Industriei, Nr.4 420063, Bistrita-Romania  
Phone: +40/263/23.44.62; +40/263/23.80.98  
Fax: +40/263/23.80.92;  
E-mail: comelf@comelf.ro  
Web page: www.comelf.ro



## SECTION C - Justa reward and motivation

|  |  |    |  |
|--|--|----|--|
| C.1.   | <p>The company must publish on its policy website and to include a statement in the annual report on the implementation of remuneration policy during the period which are subject to analysis. The remuneration policy should be formulated in such a way as to allow shareholders understanding the principles and the arguments that stand on the basis of the remuneration of the members of the Board and the Director General . This must describe how to drive a process and decision-making on remuneration, its detail the components of executive management remuneration (such as wages, annual bonuses, long-term incentives related to the value of shares, benefits in kind, pensions and others) and to describe the underlying purpose, principles and presumptions each component (including general performance criteria related to any form of variable remuneration). In addition, the remuneration policy must specify the duration of the contract the Executive Director and the period of notice provided in contract, and any compensation for revocation without the just cause [...]. Any essential change in the remuneration policy must be published in a timely manner on the page internet of the company.</p> | No | <p>Remuneration of Council Members of the Administration is compliant the OGM decision. The company is defined by decision internal award criteria salaries and incentives in office of performance . The General Director's contract is on indefinite duration and includes clauses of its cessation.</p> |
| <b>SECTION D - Adding Value through Relationships with Investors</b> |  |    |  |
| D.1.   | <p>The company must organize a Relationship with Investors - made known to the general public by person (s) responsible or as an organizational unit. Besides the information</p>  | No | <p>Information required according to the provisions legal information is posted on the website to the "Up-to-date" position.</p>   |

|        |   |     |  |
|--------|---|-----|--|
|        | imposed by legal provisions, the company must include the its website dedicated to Investor Relations, in the Romanian and English languages, with all relevant information of interest for investors, including:   |     |  |
| D.1.1. | Main corporate regulations: constitutive act, procedures on general shareholders meetings;  | Yes | Posted on <a href="http://www.comelf.ro">www.comelf.ro</a>                             |
| D.1.2. | Professional CVs of members of the governing bodies of other professional commitments of the members of the Council, including executive and non-executive positions on board of directors from non-profit societies or institutions;   | Yes | Posted on <a href="http://www.comelf.ro">www.comelf.ro</a>                             |
| D.1.3. | Current reports and periodical reports (quarterly, semestrial and annual) - at least those under D.8 - inclusive current reports with detailed information about non-compliance with this Code;   | Yes | Posted on <a href="http://www.comelf.ro">www.comelf.ro</a> and transmitted on the BVB. |
| D.1.4. | Information on general shareholders meetings: order day and informative materials; the procedure for electing members Council; the arguments that support the proposals for candidates for election to the Council, together with their professional CVs; shareholders' questions about the items on the agenda and the company's responses, including the adopted decisions; | Yes | Posted on <a href="http://www.comelf.ro">www.comelf.ro</a>                             |
| D.1.5. | Information on corporate events, such as pay dividends and other distributions to shareholders, or other events which lead to the acquisition or limitation of the rights of a shareholder, including deadlines and principles applied to these operations. Such information will be published within a time limit allow investors to make investment decisions;              | Yes | Posted on <a href="http://www.comelf.ro">www.comelf.ro</a>                             |
| D.1.6. | Name and contact details of a person who can  | No  | In AGA conventions one mentions who  |

**ADRESA**

Str. Industriiei, Nr.4 420063, Bistrita-Romania  
Phone: +40/263/23.44.62; +40/263/23.80.98  
Fax: +40/263/23.80.92;  
E-mail: [comelf@comelf.ro](mailto:comelf@comelf.ro)  
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|        |   |         |  |
|--------|---|---------|--|
|        | provide on request relevant information;  |         | can give extra relationships as well phone and contact email address.  |
| D.1.7. | Presentations of the company (eg, presentations to investors, quarterly results, etc. ), financial situations (quarterly, semestrial, annual), audit reports and reports yearly.  | Partial | Financial statements (quarterly, semestrial, annual), audit reports and annual reports are posted on <a href="http://www.comelf.ro">www.comelf.ro</a> .  |
| D.2.   | The company will have a policy on the annual distribution of dividends or other benefits to shareholders, as proposed by the Chief Executive Officer adopted by the Council in the form of a set of guidelines on which the company plans to follow on distribution net profit. Principles of annual distribution policy to shareholders will be published on the company's website.  | No      | The company is considering developing a policies in this area. Until the present each time after approval by OGG of dividends, posted on company site distribution procedure The company regularly distributes at least 50% of the net profit of the financial year and dividends are paid through the Central Depository. |
| D.3.   | The company will adopt a forecasting policy, either they are made public or not. Forecasts refer to quantified conclusions of studies on impact assessment global of a number of factors for a future period (as called hypotheses): by its nature, this projection has a level high uncertainty, the actual results may differ in the way significantly from the initial forecasts. Policy on forecasts to determine the frequency, the period considered and the content of the forecasts. If published, the predictions can be included only in the annual, half-yearly or quarterly reports. The forecasting policy will be published on the website society. | No      | The company is considering developing a policies in this area.   |
| D.4.   | The rules of general shareholders' meetings should not be limited shareholder participation in general meetings and exercise their rights. Changes to the rules will come into force, the one   | Yes     |  |

**ADRESA**

Str. Industriei, Nr.4 420063, Bistrita-Romania  
Phone: +40/263/23.44.62; +40/263/23.80.98  
Fax: +40/263/23.80.92;  
E-mail: [comelf@comelf.ro](mailto:comelf@comelf.ro)  
Web page: [www.comelf.ro](http://www.comelf.ro)



|       |   |         |  |
|-------|---|---------|--|
|       | earlier, starting with the next shareholders' meeting.  |         |  |
| D.5.  | External auditors will be present at the general meeting of actresses when their reports are presented at these meetings.   | Yes     |  |
| D.6.  | The Board will brief the shareholders' annual general meeting appreciation of the internal control and management systems significant risks, and views on issues subject to the decision of the general meeting.  | Yes     |  |
| D.7.  | Any specialist, consultant, expert or financial analyst can attend the shareholders' meeting on the basis of a prior invitation from the Council. Accredited journalists can also participate in the general meeting of shareholders, except in which the President of the Council decides otherwise. | Yes     |  |
| D.8.  | The quarterly and half-yearly financial reports will include information both in Romanian and in English on key factors influencing changes in sales, al operating profit, net profit and other financial indicators relevant, from one quarter to another and from one year to another.              | Yes     |  |
| D.9.  | A company will hold at least two meetings / teleconferences with analysts and investors every year. The information presented with these occasions will be published in the Investor Relations section of the Internet of the company at meetings / teleconferences.                                  | No      | In 2018, the company does not organized meetings with investors.<br><br>Society considers the information published in the reports current and periodicals provide a degree high transparency that allows shareholders and potential investors to make good investment decisions grounded. |
| D.10. | If a society supports different forms of expression artistic and cultural activities, sports activities, educational activities or and consider their impact on character innovation and the competitiveness of society are part of the mission   | Partial | The company has financially supported various<br><br>cultural, artistic, sports, educational, olympic games of the students.<br><br>The company is considering developing a  |

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Phone: +40/263/23.44.62; +40/263/23.80.98  
Fax: +40/263/23.80.92;  
E-mail: comelf@comelf.ro  
Web page: www.comelf.ro



|  |  |  |                        |
|--|--|--|------------------------|
|  | its development strategy, will publish<br>its policy on<br>its activity in this field. |  | policies in this area. |
|--|--|--|------------------------|

## NON-FINANCIAL DECLARATION:

### ✓ **Description of the business model of the company:**

The company's activity is organized in three factories that act as profit centres:

- FUET -Factory for industrial machinery, earth-moving machines, bag-filters, electrostatic precipitators and technological equipment;
- FPI -Stainless steel products factory;
- FCT - Earth-moving Machines and Components Factory;

Each factory has its own Departments for the following activities: Production, Technical, Commercial Sales and Economic. They act as profit centres with their own revenue and expenditure budget, so each entity independently manages its activity starting from a portfolio of clients specific to each profit centre followed by technological product design, manufacturing technology, actual launch in manufacturing, production, delivery and cashing-in. The sales activity, although having specialized trade referents on profit and customer centers, is coordinated by the Deputy General Manager, which has the attributions including the coordination of Fabrici Sales Directorates.

#### ADRESA

Str. Industriei, Nr.4 420063, Bistrita-Romania  
Phone: +40/263/23.44.62; +40/263/23.80.98  
Fax: +40/263/23.80.92;  
E-mail: comelf@comelf.ro  
Web page: www.comelf.ro



Starting with 2019, the activity of the Technical and Production Divisions at the level of the factories was centralized in a centralized Technical and Production Management at Comelf SA, under the direction of a new Deputy Technical and Production Manager, in order to optimize the manufacturing technologies, the reorganization of the production activity and, in general, of the two processes that have the greatest impact on the activity of the company and implicitly in its results. The profit centers offer mutual services and collaborate, being in constant interaction.

Starting with the year 2019, although the economic management will also be done on profit centers, the activity of the Economic Directorate at Comelf SA was centralized, divided into 4 services, as follows: Controlling Service, Controlling Service, Financial Service, Accounting Service and Payroll Service.

The following departments have carried out their centralized activity in 2018 at the company level: Quality Management Department, Integrated Management Department, Material Supply Department, Warehouses and Logistics Division, Chief Service Engineer with Production Preparation, Services and Utilities Section, Human Resources, Information Service, Marketing Service, Investments-Modernization-Maintenance Service, Environmental Service, Safety and Health at Work; All centralized activities at the company level support the activity of profit centers, thus trying to optimize and harmonize of certain processes at the Company level but also for observing the principle of independence (see the case of the Quality Management Department).

The profit centers offer mutual services and collaborate, being in constant interaction.

✓ **Company's environmental protection activity:**

**In 2018**, the following actions were taken:

- continuation of the implementation process of the environmental management system according to the SR ISO 14001: 2015 standard;
- the continuation of the program on selective waste collection, including the inclusion of selective collection issues and the use of hazardous substances in training manuals;
- have updated the materials in the environmental education manuals, emergency situations, for job managers (production managers, workshops, service managers, etc.);
- continued the program of inspections in the sectors of activity regarding compliance with legal requirements on environment;
- instruction of all Comelf employees regarding hazardous substances and selective collection of waste, within the periodic monthly training;
- a simulation exercise was conducted on employee intervention in case of accidental water pollution in the PMG-FPI workshop;
- Succeeded in maintaining fugitive emissions within legal limits below 20%;

**Perspectives 2019:**

- increase of recycling index by recycling of packaging waste against legally imposed targets, cardboard -60%, plastic -22,50%, wood-15%, metals -50% with 10% for metal, 10% paper, 5% for wood, 5% for plastic;
- Reduction of waste quantities of all employees regarding the selective collection of waste, within the periodic monthly breaks;
- maintaining fugitive emissions within legal limits - below 20% relative to the annual consumption of corrosion protection materials;

✓ **Company's Work in Safety and Health at Work:**

During the **year 2018 the** following actions were carried out:

- the implementation of the OSH management system according to the SR OHSAS 18001: 2008 standard was continued;
- the promotion campaign started in 2014, the importance of the SSM on the occasion of the International Day of OSH - April 28, 2018, through the editing and printing of a safety and health magazine in work (3rd edition / April 2018);
- have updated the materials in the training manuals on safety and health at work for job managers;
- the program for the purchase of the individual protective equipment has been continued to provide safety and comfort in use;
- have been reviewed the risks of injury and occupational disease, operational procedures and instructions, depending on changing working conditions and risk assessment;
- continued the program of inspections in the sectors of activity regarding the compliance with the legal requirements on SSM, PSI-SU;
- the program started in 2015 regarding employee health monitoring, in collaboration with a company specialized in medical services;

In 2018 there were 400 ITM days from 3 work accidents, the performance indicator of the number of workplace events reported for the number of people employed in Comelf is SSMev, respectively the performance indicator on the number of days of temporary incapacity work due to workplace accidents reported to the number of people employed in COMELF is SSMcb, as follows:

SSMcb 2018-0,453;

SSMev 2018- 0.0033

**Perspectives 2019:**

- recertification of the health and safety management system according to the SR iso 45001/2018 standard; continuous improvement and maintenance of the management system according to SR ISO 45001/2018;
- reducing the number of days of temporary incapacity for work from serious work accidents by 5%;

-continuing the campaign to promote the importance of SSM on the occasion of the International Day of OSH (April 28, 2019);

- continuation of the employee health monitoring program; consultation of employees on safe and healthy working conditions, participation of employees in the identification of risks specific to activities and jobs;

✓ **Company Activity in Fire Prevention and Extinction:**

During the **year 2018 the** following actions were carried out:

- Execution plans have been revised, all extinguishers in the activity sectors have been checked,
- updating intervention teams in each sector of activity; each has been rebuilt to intervene in the event of emergencies on alarm, the use of fire extinguishers, interruption of electricity and technical gas, first aid and evacuation of material goods;
- have purchased and installed doors designed for emergency exit with doors equipped with anti-panic bar system at FPI-SPOC, FPI-Service Center, TERRA;

**Perspectives 2019:**

- Obtaining authorization for FCT mechanized blasting / dyeing hall in terms of PSI according to Law 307/2006 art 30.1;
- continuation of the program for changing and upgrading the door escape doors with an antipanic bar system, according to the fire safety regulations of the P-118/2013 constructions;

✓ **Company's human resource policy:**

In 2018 the human resources activity focused on the following main directions:

- diminishing the fluctuation by creating possibilities for motivating gains, reflected by the average salary income that in the year 2018 increased by 4.5% compared to the previous year;
- qualification and professional development of employees. The company is from 16.12.2015 accredited as a provider of training for welding trade;
- rejuvenating the workforce;
- training and support of the students from the partner school groups and the students from the Technical University of Cluj-Napoca, the Bistrita Branch in order to be employed in COMELF;
- All the steps to enter the DUAL education system have been made, we are the only Bistrita company that has set up a class of mechanical locks to learn in a dual system.

In the past year, 113 people, mainly young people from the ranks of former students and students who have practiced in society, and the labor market, were employed, while 245 people were left. The fluctuation indicator for staff was 2018 at 28%.

On 31.12.2018, the COMELF staff, by skill levels, was as follows:

- 
- higher education: 250 people
  - secondary education: 160 people
  - vocational school: 447 people
  - unqualified workers: 56 people

Recruiting, initiating and qualifying the company's person:

In order to ensure the medium and long-term workforce, the partnerships with the Technical University of Cluj-Napoca Bistrita Extension and with 4 school groups continued (Grigore Moisil Technical College from Bistrita and Technological High Schools in Lechinta, Tirlisua and Telciu) that qualify locks metal constructions, welders and CNC operators. A training room with 100 seats and 4 laboratories was set up and made available to the Technical University of Cluj-Napoca and we receive students in practice each year. We currently have employees who are also students whose company has accepted a flexible program to be able to prepare and frequent faculty and who will mostly work in the company after graduation. Of the four partner school groups, 259 students are practicing in the society, providing them with work and safety equipment and a warm meal. In this way, besides the concrete problems we have solved with students and students, they adapt to the industrial environment and integrate into our collective. This involves additional costs and effort in terms of supervision, equipment, practical coordination, but it is a sure method of attracting future employees and addressing gaps in professional training.

The recruitment of the staff is done throughout the county of Bistrita-Nasaud, aiming at ensuring all the conditions for the transportation of employees to and from the workplace, by collaborating with an important person transporting the county from the most important routes.

Additionally, the company has taken steps to import labor and have been tested by qualified personnel in India. The company's intention is to import a total of 35 skilled workers in the welding and CNC operator.

Recruitment is now also on online platforms like E-jobs and OLX.

President of BD-eng. Savu Constantin

**ADRESA**

Str. Industriiei, Nr.4 420063, Bistrita-Romania  
Phone: +40/263/23.44.62; +40/263/23.80.98  
Fax: +40/263/23.80.92;  
E-mail: comelf@comelf.ro  
Web page: www.comelf.ro



**COMELF SA**

INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018 ACCORDING TO IFRS

*(All amounts are expressed in RON, unless otherwise indicated)*

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**FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2018****COMELF SA  
RO 568656  
J06/2/1991  
Str.Industriei nr.4  
420063, Bistrita  
Romania**

|   |          |
|---|----------|
| <b>Financial statements</b>                                   | <b>1</b> |
| <b>Profit and loss account and other comprehensive income</b> | <b>2</b> |
| <b>Statement of changes in equity</b>                         | <b>3</b> |
| <b>Cash flow statement</b>                                    | <b>5</b> |
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**COMELF SA****INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018 ACCORDING TO IFRS***(All amounts are expressed in RON, unless otherwise indicated)***SITUATION OF THE FINANCIAL POSITION AT 31 DECEMBER**

|   | Nota | 2018               | 2017               |
|---|------|--------------------|--------------------|
| <b>Assets</b>                                     |      |                    |                    |
| Intangible assets                                 | 5    | 591,703            | 892,863            |
| Tangible assets                                   | 5    | 91,532,890         | 96,549,169         |
| Financial assets available for sale               | 6    | -                  | 199,972            |
| <b>Total non-current assets</b>                   |      | <b>92,124,593</b>  | <b>97,642,004</b>  |
| Advance payments for tangible assets              |      | 670,205            | 124,607            |
| Stocks  | 7    | 7,354,769          | 7,297,460          |
| Receivables from contracts with customers         | 8    | 59,321,959         | 56,674,644         |
| Trade receivables and other receivables           | 9    | 2,198,146          | 1,799,148          |
| Current tax receivables                           |      | -                  | -                  |
| Cash and cash equivalents                         | 11   | 3,737,985          | 5,330,144          |
| <b>Total Current Assets</b>                       |      | <b>73,283,064</b>  | <b>71,226,003</b>  |
| <b>Total Assets</b>                               |      | <b>165,407,657</b> | <b>168,868,007</b> |
| Share capital                                     | 12   | 13,036,325         | 13,036,325         |
| Share capital adjustments                         | 12   | 8,812,271          | 8,812,271          |
| Other elements of equity                          | 12   | -                  | 133,372            |
| Reserves  | 12   | 50,867,018         | 51,414,671         |
| Own shares  | 12   | -                  | -                  |
| Reported outcome                                  | 12   | (3,593,366)        | (5,882,801)        |
| Financial year outcome                            | 25   | 2,815,330          | 3,341,131          |
| <b>Total Equity</b>                               |      | <b>71,937,578</b>  | <b>70,854,969</b>  |
| <b>Debts</b>                                      |      |                    |                    |
| Long-term bank loans                              | 13   | 3,497,925          | -                  |
| Other loans and debts-leasing                     | 13   | 54,840             | -                  |
| Deferrend tax liabilities                         | 22   | 9,692,465          | 10,519,009         |
| Provisions for risks and expenses                 | 21   | 190,059            | 382,300            |
| Deferrend income liabilities                      | 23   | 7,486,647          | 8,757,431          |
| <b>Total long-term debts</b>                      |      | <b>20,921,936</b>  | <b>19,658,740</b>  |
| Overdrafts  | 13   | 33,813,275         | 32,617,900         |
| The current part related to long-term loans       | 13   | -                  | 4,424,275          |
| Deferrend tax liabilities                         | 22   | 413,272            | -                  |
| The current other loans and liabilities - leasing | 11   | 16,293             | -                  |
| Commercial debts and other debts                  | 14   | 35,394,366         | 31,453,709         |
| Provisions for risks and expenses                 | 21   | 1,316,293          | 8,237,580          |
| Deferrend tax liabilities                         | 23   | 1,594,644          | 1,620,834          |
| <b>Total current debts</b>                        |      | <b>72,548,143</b>  | <b>78,354,298</b>  |
| <b>Total Debts</b>                                |      | <b>93,470,079</b>  | <b>98,013,038</b>  |
| <b>Total equity and debts</b>                     |      | <b>165,407,657</b> | <b>168,868,007</b> |

Cenusa Gheorghe  
General Manager

Tatar Dana  
Financial Manager

**COMELF SA**

INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018 ACCORDING TO IFRS  
(All amounts are expressed in RON, unless otherwise indicated)

**SITUATION OF THE PROFIT OR LOSS ACCOUNT  
AND OTHER ELEMENTS OF THE GLOBAL RESULT**

|   | Nota | 2018                 | 2017                 |
|---|------|----------------------|----------------------|
| <i>Continuous operations</i>  |      |                      |                      |
| <b>Revenues</b>   |      |                      |                      |
| Revenue from contracts with customers                                   | 15   | 144,456,906          | 166,927,253          |
| Revenues from sales of goods  |      | 630,464              | 3,073,066            |
| Other elements related to the turnover                                  |      | 8,178,695            | 6,489,722            |
| <b>Total revenues</b>   |      | <b>153,266,065</b>   | <b>176,490,041</b>   |
| <i>of which turnover</i>  | 3    | 151,767,209          | 175,173,913          |
| <b>Other revenues</b>   | 16   | <b>2,732,094</b>     | <b>2,754,217</b>     |
| <b>Expenses</b>   |      |                      |                      |
| Raw material costs and other expenses                                   |      | (67,707,606)         | (76,959,181)         |
| Electricity and water costs   |      | (4,001,996)          | (4,149,338)          |
| Commodity expenses  |      | (624,568)            | (2,919,082)          |
| Employment charges  | 17   | (47,595,285)         | (53,138,734)         |
| Transport costs   | 18   | (7,293,618)          | (8,281,529)          |
| Other expenses related to revenues                                      | 19   | (16,372,634)         | (17,422,022)         |
| Cost depreciaton charge   | 5    | (7,721,176)          | (10,472,302)         |
| Financial costs , net   | 25   | (645,039)            | (1,724,683)          |
| Ajustments related to current assets depreciation ,net                  | 8    | (37,297)             | 10,985               |
| Provision costs for risks and expenses, net                             | 21   | 6,158,021            | 241,431              |
| <b>Other expenses</b>   | 19   | <b>(6,935,466)</b>   | <b>(674,985)</b>     |
| <b>Total expenses</b>   |      | <b>(152,776,664)</b> | <b>(175,489,440)</b> |
| <b>Pre-tax profit</b>   |      | <b>3,221,495</b>     | <b>3,754,818</b>     |
| Profit tax  | 20   | (406,165)            | (413,687)            |
| Profit from continuous operations                                       |      | 2,815,330            | 3,341,131            |
| Profit from discontinuous operations                                    |      | -                    | -                    |
| <b>PROFIT OF THE PERIOD</b>   |      | <b>2,815,330</b>     | <b>3,341,131</b>     |
| <b>Other comprehensive income</b>                                       |      |                      |                      |
| <i>Items that will not be reclassified to expenses and revenues</i>     |      |                      |                      |
| Value changes of the used assets as a result of revaluation ,net of tax |      | -                    | -                    |
| <i>Items that can be reclassified to expenses and revenues</i>          |      |                      |                      |
| Value changes of securities available for sale                          | 3    | -                    | 3,863                |
| <b>Total profit and loss account and other comprehensive income</b>     |      | <b>2,815,330</b>     | <b>3,344,994</b>     |
| <b>Outcome per share</b>  |      |                      |                      |
| From continuous and discontinuous operations                            |      |                      |                      |
| Outcome per basic share (lei per share)                                 | 24   | 0.13                 | 0.14                 |
| Diluted outcome per share (lei per share)                               | 24   | 0.13                 | 0.14                 |

Cenusa Gheorghe,  
General Manager

Tatar Dana,,  
Financial Manager

**COMELF SA**

INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 CONFORM TO IFRS

*(All amounts are expressed in LEI, unless otherwise indicated)*

| <b>SITUATION OF CHANGING OWN CAPITAL</b>   | <b>Capital<br/>Social</b> | <b>Adjustments<br/>of<br/>Share<br/>capital</b> | <b>Differences<br/>and reserves<br/>from<br/>revaluation</b> | <b>Reserves<br/>legal</b> | <b>Other<br/>reserves</b> | <b>The outcome<br/>withheld</b> | <b>Total<br/>equity</b> |
|--|---------------------------|---|--|---------------------------|---------------------------|---------------------------------|-------------------------|
| <b>Balance on January 1, 2018</b>  | <b>13.036.325</b>         | <b>8.812.271</b>                                | <b>38.438.295</b>  | <b>2.607.265</b>          | <b>10.502.483</b>         | <b>-2.541.670</b>               | <b>70.854.969</b>       |
| <i>Profit or loss account and other items of comprehensive income</i>                          |                           |   |  |                           |                           |                                 |                         |
| Profit or loss   |                           |   |  |                           |                           | 2.815.330                       | 2.815.330               |
| <i>Other elements of the overall result</i>  |                           |   |  |                           |                           |                                 |                         |
| Net change in fair value of available-for-sale financial assets                                |                           |   | 0  |                           |                           |                                 | 0                       |
| Changes in value of assets used  |                           |   |  |                           |                           |                                 | 0                       |
| <i>Movements within the profit or loss account and other items of the comprehensive income</i> |                           |   |  |                           |                           |                                 |                         |
| Revaluation differences achieved transferred to the current retained result                    |                           |   | -2,303,045   |                           |                           | 2,169,673                       | -133,372                |
| Other equity items   |                           |   | 0  |                           | 1,622,019                 | -1,622,019                      | 0                       |
| Established legal reserves   |                           |   |  | 0                         |                           | 0                               | 0                       |
| <b>Total profit or loss account and other items of comprehensive income</b>                    | <b>0</b>                  | <b>0</b>  | <b>-2,303,045</b>  | <b>0</b>                  | <b>1,622,019</b>          | <b>3,362,984</b>                | <b>2.681..958</b>       |
| Other Retained Elements - Correction of Accounting Errors                                      | 0                         | 0   | 0  | 0                         |                           | 22,651                          | 22,651                  |
| <b>Other Retained Elements - Correction of Accounting Errors</b>                               | <b>0</b>                  | <b>0</b>  | <b>0</b>   | <b>0</b>                  | <b>0</b>                  | <b>22,651</b>                   | <b>22,651</b>           |
| Transactions with shareholders, registered directly in equity                                  | 0                         | 0   | 0  | 0                         | 0                         | 0                               | 0                       |
| Contributions from and distributions to shareholders / employees                               | 0                         | 0   | 0  | 0                         | 0                         | -1,622,000                      | -1,622,000              |
| Total transactions with shareholders   | 0                         | 0   | 0  | 0                         | 0                         | -1,622,000                      | -1,622,000              |
| <i>Profit or loss account and other items of comprehensive income</i>                          |                           |   |  |                           |                           |                                 |                         |
| <b>Balance at December 31, 2018</b>  | <b>13,036,325</b>         | <b>8,812,271</b>                                | <b>36,135,250</b>  | <b>2,607,265</b>          | <b>12,124,502</b>         | <b>-778,035</b>                 | <b>71,937,578</b>       |

*Continue on the next page*

**COMELF SA**

INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 CONFORM TO IFRS

*(All amounts are expressed in LEI, unless otherwise indicated)*




| <b>SITUATION OF CHANGING OWN CAPITAL</b>  | <b>Capital<br/>social</b> | <b>Adjustments<br/>of<br/>Share<br/>capital</b> | <b>Differences<br/>and reserves<br/>from<br/>revaluation</b> | <b>Reserves<br/>legal</b> | <b>Other<br/>reserves</b> | <b>The outcome<br/>withheld</b> | <b>Total<br/>equity</b> |
|---|---------------------------|---|--|---------------------------|---------------------------|---------------------------------|-------------------------|
| <b>Balance on January 1, 2017</b>   | <b>13,036,325</b>         | <b>8,812,271</b>                                | <b>38,438,295</b>  | <b>2,607,265</b>          | <b>10,502,483</b>         | <b>-2,541,670</b>               | <b>70,854,969</b>       |
| <b><i>Profit or loss account and other items of comprehensive income</i></b>                          |                           |   |  |                           |                           |                                 |                         |
| Profit or loss  |                           |   |  |                           |                           | 3,341,131                       | 3,341,131               |
| <b><i>4. Other elements of the overall result</i></b>   |                           |   |  |                           |                           |                                 |                         |
| Net change in fair value of available-for-sale financial assets                                       |                           |   | 3,863  |                           |                           |                                 | 3,863                   |
| Changes in value of assets used   |                           |   |  |                           |                           |                                 | 0                       |
| <b><i>Movements within the profit or loss account and other items of the comprehensive income</i></b> |                           |   |  |                           |                           |                                 |                         |
| Revaluation differences achieved transferred to retained result                                       |                           |   | -2,169,672   |                           |                           | 2,169,672                       | 0                       |
| Established legal reserves  |                           |   |  | 97,112                    |                           | -97,112                         | 0                       |
| <b>Total profit or loss account and other items of comprehensive income</b>                           | <b>0</b>                  | <b>0</b>  | <b>-2,165,809</b>  | <b>97,112</b>             | <b>0</b>                  | <b>5,413,691</b>                | <b>3,344,994</b>        |
| Other resultant items - correction of accounting errors   |                           |   | 0  | 0                         | 0                         | -485,254                        | -485,254                |
| <b>Other result items carried forward</b>   | <b>0</b>                  | <b>0</b>  | <b>0</b>   | <b>0</b>                  | <b>0</b>                  | <b>-485,254</b>                 | <b>-485,254</b>         |
| <b>Transactions with shareholders, registered directly in equity</b>                                  | <b>-543,180</b>           |   |  |                           | <b>-1,985,416</b>         | <b>2,528,596</b>                | <b>0</b>                |
| <b>Contributions from and distributions to shareholders / employees</b>                               | <b>0</b>                  | <b>0</b>  | <b>0</b>   | <b>0</b>                  | <b>0</b>                  | <b>-3,867,447</b>               | <b>-3,867,447</b>       |
| <b>Total transactions with shareholders</b>   | <b>-543,180</b>           | <b>0</b>  | <b>0</b>   | <b>0</b>                  | <b>-1,985,416</b>         | <b>-1,338,851</b>               | <b>-3,867,447</b>       |
| <b>Balance at 31 December 2017</b>  | <b>13,036,325</b>         | <b>8,812,271</b>                                | <b>38,438,295</b>  | <b>2,607,265</b>          | <b>10,502,483</b>         | <b>-2,541,670</b>               | <b>70,854,969</b>       |

**COMELF SA**

NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN  
ACCORDANCE WITH IFRS

(All amounts are expressed in LEI, unless otherwise indicated)

### Cash flow statement

|                                      | 31.12.2018   | 31.12.2017 |
|--------------------------------------|--|------------|
| Pre-tax profit                       | 2.815.330  | 3.341.131  |
| Depreciation of fixed assets         | 7.721.176  | 10.220.144 |
| Cash operational brut                | 10.532.675   | 13.561.275 |
| <b>Working Capital Variation</b>     |  |            |
| Variation receivables                | 1.199.295  | -5.313.635 |
| Variation stocks                     | 57.309   | -1.528.790 |
| Variation in other current assets    | 326.778       | -151.902   |
| Variation Income/Expenses in adv     | 72.220   | -          |
| Variation suppliers                  | 2.660.813  | -6.418.228 |
| Variation customer advances          | -1.448.020   | 353.922    |
| Variation employees and assimilated  | 807.190      | -498.933   |
| <b>Net operating cash</b>            | 10.897.055   | 13.992.364 |
| <b>Cash flow from net investment</b> | 2.749.363  | 4.317.150  |
| <b>Debts change</b>                  |  |            |
| Variation of short-term loans        | -3.228.900   | 5.233.287  |
| Variation of long-term loans         | 3.497.925  | -8.670.736 |
| Variation of associated debts        | 134.347  | 313.413    |
| Variation of other liabilities       | -  | -          |
| Variation of capitalluri             | -10.147.054  | -6.556.563 |
| <b>Cash flow from financing</b>      | -9.743.682   | -9.680.598 |
| <b>Total cash variation between</b>  | -1.592.159  | -5.384     |
| Initial Cash                         | 5.330.144  | 5.335.528  |
| <b>Net Cash at end of period</b>     | 3.737.985  | 5.330.144  |

Cenusa Gheorghe  
General Manager Financial Manager

Tatar Dana

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

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**OPIS NOTE**

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|---|---|
| 1. The reporting entity                         | 17. Staff costs                         |
| 2. Basics of drawing up                         | 18. Transport costs                     |
| 3. Significant accounting policies              | 19. Other operating expenses            |
| 4. Managing significant risk                    | 20. Profit tax                          |
| 5. Tangible and intangible assets               | 21. Provisions for risks and expenses   |
| 6. Financial assets available for sale          | 22. Deferred tax liabilities            |
| 7. stocks                                       | 23. Deferred income                     |
| 8. Claims arising from construction contracts   | 24. Output per share                    |
| 9. Commercial receivables and other receivables | 25. Financial elements                  |
| 10. Value adjustments                           | 26. Assets and contingent liabilities   |
| 11. Cash and cash equivalents                   | 27. Affiliated parties                  |
| 12. Equity                                      | 28. Capital commitments                 |
| 13. loans                                       | 29. Reporting on business segments      |
| 14. Trade and other debt                        | 30. Events after the balance sheet date |
| 15. Revenue from construction contracts         | 31. Approval of financial statements    |
| 16. Other incomes                               |   |

## **NOTES TO FINANCIAL SITUATIONS ACCORDING TO IFRS**

### **1. The reporting entity**

COMELF SA (the "Company") is a joint stock company operating in Romania in accordance with the provisions of Law 31/1990 on commercial companies and Law 297/2004 on the capital market, with subsequent amendments and amendments. The company has its headquarters in Bistrita, 4 Industriale Street, Bistrita Nasaud county, Romania.

The company was established as a trading company in 1991 following the reorganization of the former Bistrita Technology Facility.

The shares of the Company are quoted on the Bucharest Stock Exchange, the regulated market, with the reference of CMF, starting with November 20, 1995. The record of the shares and the shareholders is kept under the law by SC Depozitarul Central S.A. Buchaest.

The individual financial statements in accordance with International Financial Reporting Standards have been prepared for the financial year ended December 31, 2018.

The main activity of the Company is the manufacture of engines and turbines (except for aircraft, motor vehicles and motorcycles). The company also has the object of manufacturing installations, subassemblies and components for power plants and environmental protection, equipment for terraces, equipment for lifting and transporting, including their subassemblies, metal constructions.

In 2018, the Company carried on its activity in terms of continuity, without interruptions of activity and there are no suspicions and information that will affect in the future the continuity of the activity of the company in 2019.

### **2. Basics of drafting**

#### **a. Declaration of conformity**

The financial statements have been prepared by the *Company* in accordance with:

- International Financial Reporting Standards adopted by the European Union ("IFRS");  
These financial statements of the Company are prepared in accordance with the requirements of the Ministry of Finance Order 2844 of 2016 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market which abrogates the Order 1286/2012. International Financial Reporting Standards are the standards adopted under the procedure laid down in Regulation (EC) No. 1.606 / 2002 of the European Parliament and of the Council of 19 July 2002 on the application of International Accounting Standards. The transition date to the International Financial Reporting Standards was 1 January 2011;
- Law 82 of 1991 on Accounting, republished and updated.

The financial statements were authorized for issue by the Board of Directors on 18 March 2019.

#### **b. Basics of evaluation**

The financial statements have been prepared on the historical cost basis, except as noted in these Explanatory Notes.

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

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**c. Functional and presentation currency**

These financial statements are presented in RON, which is also the functional currency of the Company. All financial information is presented in lei, rounded, without decimals.

**d. Using professional estimates and judgments**

The preparation of financial statements in accordance with IFRS requires management to use professional judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. The actual results may differ from the estimated values.

**e. Changes in accounting policies****General presentation**

The financial year ended December 31, 2012 represents the first exercise for adoption by the Company of International Financial Reporting Standards under IFRS 1, which entered into force on 1 July 2009.

(i) The Company applies the following International Financial Reporting Standards, with implicit changes to the Company's accounting policies, in the financial year 2018 for the comparability of the information for the financial year 2017.

|        |   |  |
|--------|---|--|
| IAS 1  | Presentation of financial statements                            | Fundamental accounting principles, structure and content of financial statements, mandatory posts and the notion of true image.  |
| IAS 2  | stocks  | Definition of bookkeeping applicable to stocks in the historical cost system: evaluation (first entered - first out, weighted average cost and net realizable value) and permissible cost perimeter. |
| IAS 7  | Statement of Treasury Flows                                     | Analysis of treasury variations, classified into three categories: operating flows, investment flows, financing flows.   |
| IAS 8  | Accounting Policies, Changes in Accounting Estimates and Errors | Defining the classification, information to be provided, and the accounting treatment of certain items in the income statement.  |
| IAS 10 | Events after the balance sheet date                             | Provisions relating to the retention of the back end elements: definitions, terms and conditions of application, particular cases (dividends).   |
| IAS 12 | Profit tax  | Defining the accounting treatment of taxes on the result and detailed provisions on deferred taxes.  |
| IAS 16 | Tangible assets   | Principles and date of asset accounting, determination of their accounting value and principles related to the accounting of depreciation.   |

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN  
ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

|        |   |   |
|--------|---|---|
| IAS 17 | Leasing contracts   | Define, for the lessee and locator, the bookkeeping in the name of location-financing and location-based contracts.   |
| IAS 19 | Employee Benefits   | Principles of accounting and disclosure of employee benefits: short and long-term benefits, post-employment benefits, equity advantages and termination benefits.   |
| IAS 20 | Accounting for government subsidies and disclosure of government assistance information | Principles of accounting and publication of direct or indirect public aid (clear identification, notion of fair value, connection to the subsidized asset, etc.).   |
| IAS 21 | The Effects of Exchange Rate Changes  | Definition of accounting processing of foreign activities, foreign currency transactions and conversion of financial statements of a foreign entity.  |
| IAS 23 | The costs of indebtedness   | The definition of the accounting treatment of borrowing costs: the notion of qualifying asset, the ways of incorporating the cost of borrowing into the value of the qualifying assets.                   |
| IAS 24 | Submission of related party information   | Detailed information on relationships and transactions with related parties (legal and natural persons), which exercise a significant control or influence on one of the group's or management companies. |
| IAS 26 | Accounting and reporting of pension plans   | Defining the principles of assessment and information on retirement schemes (retirement schemes), distinguishing between defined and defined benefit schemes.   |
| IAS 27 | Consolidated and individual financial statements  | Principles relating to presentation of consolidated accounts, definition of consolidation obligation and notion of control, convergence of accounting rules within the group, other principles.           |
| IAS 31 | Interests in joint ventures   | Principles and policies of accounting for the joint venture, operations carried out, or assets or participations held within a joint venture.   |
| IAS 32 | Financial instruments: presentation   | Presentation Rules (Debt / Equity Classification, Expenses or Income / Equity).   |
| IAS 33 | Output per share  | Principles of determining and representing earnings per share.  |
| IAS 36 | Impairment of assets  | Key Definitions (recoverable amount, fair value less costs to sell, utility value, treasury generating units), depreciation test time, impairment accounting, goodwill.                                   |

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

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|         |   |   |
|---------|---|---|
| IAS 37  | Provisions, contingent liabilities and contingent assets                | Definition of provisions and estimation methods, particular cases analyzed (among which the issue of restructuring).  |
| IAS 38  | Intangible assets   | Definition and accounting of intangible assets, recognition and evaluation policies on the processing of research and development expenditure, etc.   |
| IAS 40  | Real estate investments   | Choice between two valuation methods: fair value or amortized cost, transfers between different asset classes, etc.   |
| IFRS 1  | Adopting International Financial Reporting Standards for the First Time | Procedures to be followed for the publication of financial statements in accordance with IAS / IFRS, optional exceptions and mandatory exceptions from the retrospective application of IAS / IFRS.   |
| IFRS 5  | Fixed Assets Held for Sale and Discontinued Operations                  | Defining an asset for trading and dropping out of business, assessing these items.  |
| IFRS 7  | Financial Instruments: Information to Provide                           | Financial information related to financial instruments mainly concerns: (i) information on the significance of financial instruments; and (ii) information on the nature and extent of the risks arising from the financial instruments.  |
| IFRS 9  | Financial instruments   | It establishes the principles for financial reporting of financial assets and financial liabilities, valuation of time, placement, and uncertainty of an entity's future cash flows in order to present relevant and useful information. This Standard came into force on 01.01.2018 and replaces, for the most part, IAS 39. |
| IFRS 13 | Valuation at fair value   | Applying fair value in the case of non-financial assets, disclosing information about the fair value .  |
| IFRS 15 | Income from contracts with clients                                      | Principles applicable by a company for determining the nature, value, timing, and uncertainty of revenue and cash flows generated by a contract with a client; IFRS 15 is effective from January 1, 2018 and replaces IAS 11 and IAS 18;  |

Starting January 1, 2018, IFRS 15 and IFRS 9 have entered into force.

IFRS 15 - Revenue from Client Contracts - The objective of this Standard is to establish the principles that an entity should apply in relation to the nature, value, timing, and uncertainty of cash flows and income generated by a customer contract. In assessing revenues from customer contracts, account was taken of: the existence and provisions of the commercial contracts concluded between the parties, the moment when the entity fulfils its execution obligations, ie the placement in time of the execution obligations, the payment terms, the nature and the time of the final delivery the goods and services the unit has promised to transfer, guarantees and related obligations, the right of return and remediation, the transaction price and the amounts allocated to the execution obligations, the quantitative information and the qualities related to the goods.

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

The restatement of the financial statements for the year 2017 based on IFRS 15 did not result in adjustments.

Starting with 2019, IFRS 16-Lease, applicable to Comelf SA, will also be in force, given the ongoing leasing contracts. The impact on the financial statements is estimated to not be significant due to the value of these contracts.

**3. Significant accounting policies**

Accounting policies have been applied consistently to all periods presented in the financial statements prepared by the Company.

The individual financial statements are based on the assumption that the Company will continue its business in the foreseeable future. In assessing the applicability of this assumptions, management examines the projections of future cash inflows.

**Transactions in foreign currency**

Operations denominated in foreign currency are recorded in RON at the official exchange rate from the settlement date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the date of the statement of financial position are translated into the functional currency at the exchange rate of that day.

Gains or losses on settlement and conversion using the exchange rate at the year-end of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income or other comprehensive income.

The exchange rates of the main foreign currencies were:

| Currency        | December 31,<br>2018 | December 31, 2017 |
|-----------------|----------------------|-------------------|
| Euro (EUR)      | 1: LEU 4,6639        | 1: LEU 4,6597     |
| US Dollar (usd) | 1: LEU 4,0736        | 1: LEU 3,8915     |

**Accounting for the effect of hyperinflation**

In accordance with IAS 29, "Financial Reporting in Hyperinflationary Economies" ("IAS 29"), the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy should be presented in the current measurement unit at the end of the financial position restated using a general price index from the date of acquisition or contribution).

According to IAS 29, an economy is considered to be hyperinflationary if, in addition to other factors, the cumulative inflation rate over a three year period exceeds 100%.

The continued decrease in inflation rate and other factors related to the economic environment in Romania indicate that the economy whose functional currency was adopted by the Company has ceased to be hyperinflationary with effect on the financial periods starting with January 1, 2004. Therefore, the provisions of IAS 29 were adopted in the preparation of the financial statements starting with 2012 for the periods prior to December 31, 2003.

Thus, the amounts expressed in the current measurement unit for the periods prior to 31 December 2003 are treated as the basis for the carrying amounts reported in the financial statements and are not valued,

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS**

*(All amounts are expressed in LEI, unless otherwise indicated)*

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replacement cost or any other measurement of the current value of the assets or prices to which transactions would take place at this time.

For the purpose of preparing the financial statements, the Company adjusts the following non-monetary items to be expressed in the current measurement unit for the periods prior to December 31, 2003:

- Social capital;
- reserves;
- tangible assets other than land and buildings

Land and buildings are stated at their revalued amount on 1 January 2011, 31 December 2011, 31 December 2012 and 31 December 2015.

The latest reassessment was made by the Company on 31 December 2015.

**stocks**

Inventories are measured at cost in accordance with IAS 2, and the cost formula used is the weighted average cost. This method does not apply to production under construction and to finished production for which the provisions of IFRS 15 "Revenue from contracts with customers" apply.

The production under execution is found in the receivables position of the clients contracts as the company applies IFRS 15 "Revenue from contracts with customers". According to this standard, revenue from customer contracts is evaluated on the basis of the company's inputs and efforts to meet the execution obligations in relation to the total expected inflows to meet the execution obligation. In determining revenue from contracts with customers, the entity evaluates permanently the actual costs compared to the initial cost, pre-calculated and recognizes revenue only to costs that contribute to the profitability of the entity progress entity and which were reflected in the contract price, weighted by quantity conatitatea and the physical execution stage of the contract.

**Cash and cash equivalents**

Cash and cash equivalents include: cash, current accounts, deposits with short-term banks and other amounts (meal vouchers)

**Financial assets and liabilities*****(i) Classification***

The Company classifies the financial instruments held in the following categories :

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market other than those that the Company intends to sell immediately or in the near future.

***Financial assets available for sale***

Financial assets available for sale are those financial assets that are not classified as loans and receivables.

For available-for-sale financial assets for which an active market exists or can be valued using valuation methods, after initial recognition, equity instruments are measured at fair value and changes in fair value other than impairment losses are recognized directly in equity own.

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS**

*(All amounts are expressed in LEI, unless otherwise indicated)*

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When the asset is derecognised, the cumulative gain or loss is transferred to the income statement.

***(ii) Recognition***

Assets and liabilities are recognized on the date when the Company becomes a party to the terms of that instrument. Financial assets and liabilities are measured at the initial recognition at fair value plus directly attributable trading costs, except for investments in equities whose fair value could not be reliably determined and are initially recognized at cost.

***(iii) Rating at amortized cost***

The amortized cost of an asset or financial liability is the amount at which the asset or financial liability is measured (a) on initial recognition, less principal payments, to which is added or deducted cumulative depreciation up to that point using the method effective interest, less impairment losses.

***(iv) Valuation at fair value***

Fair value is the amount at which an asset can be traded or a liability settled, between the parties concerned and knowledgeable, in a transaction conducted on objective terms at the valuation date.

For available-for-sale financial assets, fair value was determined using unobservable input data (level 3), with no entry level 1 and 2 input data available. In this respect, the best available information used was the accounting net asset (IFRS 13).

***(v) Identification and valuation of impairment******Financial assets measured at amortized cost***

The Company analyzes at each reporting date whether there is any objective indication that a financial asset is impaired. A financial asset is impaired if and only if there are objective indications of impairment arising as a result of one or more events that occurred after the initial recognition of the asset (the "loss event") and the event or events generating loss have an impact on the future cash flows of the financial asset or group of financial assets that can be estimated reliably.

If there is objective evidence that an impairment loss has been measured at amortized cost, then the loss is measured as the difference between the carrying amount of the asset and the present value of future cash flows using the effective interest rate of the financial asset at its original date.

The carrying amount of an asset is diminished by the Company using a provisioning account. Impairment losses are recognized in profit or loss and other comprehensive income .

If, in a subsequent period, an event that occurred subsequent to the recognition of impairment results in a reduction in the impairment loss, the previously recognized impairment loss is restated by adjusting the provisioning account. Impairment loss is recognized in the income statement and other items of comprehensive income.

***Financial assets available for sale***

In the case of available-for-sale financial assets, when a decrease in the fair value of an available-for-sale financial asset was recognized directly in equity, and there is objective evidence that the asset is impaired, the cumulative loss that was recognized directly in equity will be resumed from equity and recognized in the statement of comprehensive income even if the financial asset has not yet been derecognised.

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS**

*(All amounts are expressed in LEI, unless otherwise indicated)*

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The amount of the cumulative loss that is recovered from equity accounts in the statement of comprehensive income will be the difference between the acquisition cost (net of principal repayments and amortization) and the fair value less any impairment loss on that previously recognized asset in the statement of comprehensive income .

Impairment losses on assets recognized in profit or loss and other comprehensive income on equity investments classified as available for sale may not be restated in profit or loss. If, in a subsequent period, the fair value of an impaired holding increases, the increase in value will be recognized directly in other comprehensive income.

Given the intrinsic limitations of applied methodologies and the significant uncertainty of asset valuation on international and local markets, the Company's estimates can be significantly revised after the date of approval of the financial statements.

***(vi) derecognition***

The Company derecognizes a financial asset when the rights to receive cash flows from that financial asset expire or when the Company has transferred the rights to receive the contractual cash flows of that financial asset in a transaction in which it has transferred substantially all the risks and benefits of the property right.

The Company recognizes a financial liability when the contractual obligations are terminated or when the contractual obligations are canceled or expire.

On the derecognition of a financial asset in its entirety, the difference between:

- its accounting and accounting value
- the amount of (i) the amount of the consideration received (including any new asset less any new liability assumed) and (ii) any cumulative gain or loss (a) that has been recognized in other comprehensive income is recognized in profit or loss.

**Other financial assets and liabilities**

Other financial assets and liabilities are measured at amortized cost using the effective interest method less any impairment losses.

**Tangible and intangible assets*****(i) Recognition and evaluation***

Tangible assets recognized as assets are initially measured at cost by the Company. The cost of an item of property, plant and equipment consists of the purchase price, including irrecoverable charges, after deduction of any price reductions of a commercial nature and any costs attributable directly to bringing the asset to the location and to the extent necessary for it to be used in the desired management goal, such as: employee costs directly resulting from the construction or acquisition of the asset, site fitting costs, initial delivery and handling costs, installation and assembly costs, professional fees.

The value of the Company's tangible and intangible assets at 31 December 2018 and 31 December 2017 is detailed in note 5.

Tangible assets are classified by the Company in the following classes of assets of the same nature and with similar uses:

- land;
- Buildings;

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- Equipment, technical installations and machines;
- Means of transport;
- Other tangible assets.

Fair value is based on market quotes, adjusted if necessary to reflect differences in the nature, location or conditions of that asset.

All the assets of the company's assets were used for the purpose of achieving the main object of activity, respectively the production contracted with the clients for the year 2018 or for the purpose of realizing the secondary object of activity (for a reduced share of assets). They are recorded at fair value, ranked in level 2 in the hierarchy of fair value.

During 2018 there were no transfers between the hierarchy of values.

Re-evaluations are carried out by specialized assessors, ANEVAR members. The frequency of revaluation is dictated by the dynamics of the markets to which the land and the buildings owned by the Company belong .

The other categories of property, plant and equipment are stated at cost, less cumulative depreciation and provision for impairment.

Expenses with the maintenance and repair of tangible assets are recorded by the Company in the statement of comprehensive income when they occur and significant improvements to tangible assets that increase their value or life span, or which significantly increase the ability to generate economic benefits by they are capitalized.

***(ii) amortization***

Depreciation is calculated using the straight-line method over the estimated useful life of the assets as follows:

|                                     |             |
|-------------------------------------|-------------|
| construction                        | 40-50 years |
| equipment                           | 2-15 years  |
| Means of transport                  | 3-6 years   |
| Furniture and other tangible assets | 2-10 years  |

The land is not subject to depreciation.

Intangible assets that meet the IFRS recognition criteria are recorded at cost less cumulative depreciation. Amortization of intangible assets is recorded in the income statement on a straight-line basis over an estimated period of up to 4 years.

Depreciation methods, estimated useful lives and residual values are reviewed by the Company's management at each reporting date.

***(iii) Sale / disposal of tangible and intangible assets***

Tangible assets that are scrapped or sold are eliminated from the statement of financial position together with the appropriate cumulative depreciation. Any profit or loss resulting from such an operation is included in the current income statement. Disposal of tangible assets is carried out annually, following their inventory and is approved by the Board of Directors.

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS**

*(All amounts are expressed in LEI, unless otherwise indicated)*

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**Impairment of non-financial assets**

The carrying amount of the Company's non-financial assets, other than deferred tax assets, is reviewed at each reporting date to determine the existence of impairment. If such indices exist, the recoverable amount of those assets is estimated.

An impairment loss is recognized when the carrying amount of the asset or its cash-generating unit exceeds the recoverable amount of the asset or cash-generating unit. A cash-generating unit is the smallest identifiable group that generates cash and which, independently of other assets and other asset groups, has the ability to generate cash flows. Impairment losses are recognized in the statement of comprehensive income.

The recoverable amount of an asset or a cash-generating unit is the maximum of the amount of use and its fair value less costs to sell that asset or units. For the determination of the amount of use, future cash flows are updated using a pre-tax discount rate that reflects the current market conditions and the risks specific to that asset.

Impairment losses recognized in prior periods are measured at each reporting date to determine whether they have decreased or are no longer present. Impairment loss is resumed if there has been a change in the estimates used to determine the recoverable amount. Impairment loss is resumed only if the carrying amount of the asset does not exceed the carrying amount that would have been calculated net of depreciation and amortization if the impairment loss had not been recognized.

**Investment grants**

The company has investment grants. The policies adopted for the recognition and presentation of investment grants received are the following: a grant is recognized only when there is reasonable assurance that the entity will comply with the conditions attached to its grant and that the grant will be received. The Company recognized these receivables at the time of collection or at a date close to the date of collection, together with the recognition of deferred income.

Deferred income is recognized as income from subsidies (Other income) as assets are amortized. See Remark Other Income.

**Social capital**

Ordinary shares are recognized in equity. Incremental costs directly attributable to a share issue are deducted from equity, net of the effects of taxation.

**Revaluation reserves**

Revaluations have been made for the carrying amount to be substantially different from that that would have been determined using the fair value at the balance sheet date.

If the result of a revaluation is an increase from net book value, then it is treated as: an increase in the revaluation reserve presented within equity if there has been no prior decrease recognized as an expense related to that asset or as income to offset the expense previously recognized for that asset.

If the result of a revaluation is a decrease in net book value, it is treated as an expense with the full amount of impairment when no revaluation surplus is recorded in the revaluation reserve or as a decrease in the revaluation reserve with the minimum between the value of that reserve and the value of the decrease, and any uncovered remaining difference is recorded as an expense.

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The revaluation surplus included in the revaluation reserve is transferred to retained earnings when that surplus represents a gain. The gain is considered to be made when the asset for which the revaluation reserve was created.

Starting May 1, 2009, as a result of changes in tax legislation, revaluation reserves recorded after January 1, 2004 become taxable as amortization of that fixed asset.

**Legal reserves**

According to the legal requirements, the Company has already constituted legal reserves in the amount of 5% of the registered gross profit, but not more than 20% of the share capital valid at the date of constitution of the reserve. These reserves are deductible when calculating the income tax.

**Dividends to be distributed**

Dividends are treated as a distribution of profit during the period in which they were declared and approved by the General Meeting of Shareholders.

**Provisions for risks and expenses**

Provisions are recognized in the statement of financial position when an obligation is incurred for the Company in relation to a past event and it is probable that in the future it will be necessary to consume some economic resources that will put an end to this obligation and a reasonable estimate of the value of the obligation can be made. For the determination of the provision, future cash flows are updated using a pre-tax discount rate that reflects current market conditions and specific debt-specific risks.

**Income from customer contracts**

Revenue from customer contracts is recognized on a periodic basis and is evaluated on the basis of the company's inputs and efforts to meet its execution obligations in relation to the total expected inflows to meet the execution obligation. In determining revenue from customer contracts, the entity continually assesses the level of actual costs compared to original costs, previously calculated, and recognizes revenue only at the level of costs that contribute to the entity's progress and which were reflected in the contract price, weighted by the amount and physical execution of the contract. The company transfers in time (by phases) to the client the control over the goods fulfilling an enforcement obligation, thus recognizing revenues in time, at each execution stage. In time revenue recognition, the company analyzes the terms of the contract relating to the obligation to pay, guarantees, remediation costs and any other costs that may affect the performance of the contract and adjust the contract revenue accordingly.

**Interest income**

Interest income and expense are recognized in the statement of income or other comprehensive income using the effective interest method. The effective interest rate is the rate that accurately updates payments and cash receipts expected in the future over the expected life of the asset or financial liability (or, where appropriate, shorter) at the carrying amount of the asset or financial liability.

**Revenue from dividends**

Dividend income is recognized in profit or loss at the date when the Company's right to receive such income is determined.

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS**

*(All amounts are expressed in LEI, unless otherwise indicated)*

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In the case of dividends received in the form of shares as a cash alternative, dividend income is recognized at the amount of cash that would have been received, in proportion to the increase in the related share. The Company does not receive dividend income from the shares received free of charge when distributed proportionally to all shareholders.

The company records dividend income at the gross amount that includes dividend tax, which is recognized as current tax expense.

**Employee Benefits*****(i) Short-term benefits***

Obligations with short-term employee benefits are not updated and are recognized in the statement of income or other comprehensive income as a related service is provided.

The short-term employee benefits include wages, premiums and social security contributions. Short-term employee benefits are recognized as expense when services are rendered. The Company recognizes a provision for the amounts expected to be paid in the form of short-term cash bonuses or employee participation schemes, provided that the Company currently has a legal or constructive obligation to pay those amounts as a result of past service provided by employees and whether that obligation can be estimated reliably.

***(i) Contribution plans determined***

The company carries out payments on behalf of its own employees to the Romanian pension system, health insurance and unemployment fund, during the normal activity.

All employees of the Company are members and also have the legal obligation to contribute (through social contributions) to the Romanian State Pension Scheme (a defined contribution plan of the State). All related contributions are recognized in the income statement for the period when incurred. The Company has no additional obligations.

The company is not employed in any independent pension scheme and therefore has no other obligations in this respect. The company is not engaged in any other retirement benefit scheme. The Company is not required to provide post-employment services to former or current employees.

***(ii) Long-term employee benefits***

The Company's net liability for long-term service benefits is the amount of future benefits that employees have earned in exchange for services rendered by them during the current period and prior periods.

**Gains and losses from exchange rate differences**

Foreign currency transactions are recorded in the functional currency (leu) by converting the amount in foreign currency to the official exchange rate communicated by the National Bank of Romania valid on the date of the transaction.

At the reporting date, monetary items denominated in foreign currency are converted using the closing exchange rate.

Exchange differences arising on the settlement of monetary items or the conversion of monetary items to rates other than those to which they were converted to initial recognition (during the period) or previous financial statements are recognized as a loss or gain in the profit or loss account; or loss and other elements of the overall result in the period in which they occur.

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*(All amounts are expressed in LEI, unless otherwise indicated)*

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**Profit tax**

The tax on profit for the year includes current tax and deferred tax. Current income tax includes income tax on dividends recognized at gross value.

Income tax is recognized in the statement of profit or loss, other comprehensive income or directly in equity, taking into account how the items to which it relates affect one or other of these items.

Current tax is the tax payable for the profit realized in the current period, determined on the basis of the percentages applied at the reporting date and of all adjustments relating to the previous periods.

For the period January 1st-December 31st, 2018, the corporate tax rate was 16%.

Deferred tax is not recognized for the following temporary differences: initial recognition of goodwill, initial recognition of assets and liabilities arising from transactions that are not combinations of enterprises and that do not affect either the accounting profit or the tax and the differences arising from investments in subsidiaries, provided they are not resumed in the near future.

Deferred tax is calculated on the basis of the tax rates that are expected to apply to temporary differences upon their resumption, based on the legislation in force at the reporting date. Deferred tax assets and liabilities are offset only if there is a legal right to offset current tax liabilities and receivables with tax and whether they are related to the tax collected by the same tax authority for the same taxable entity or for different tax authorities but who wish to settle debts and current tax liabilities using a net basis, or the related assets and liabilities will be realized simultaneously.

The deferred tax asset is recognized by the Company only to the extent that future profits are likely to be used to cover the tax loss. The receivable is reviewed at the close of each financial exercise and is diminished to the extent that the related tax benefit is unlikely to occur. Additional taxes arising from the distribution of dividends are recognized on the same date as the dividend payment obligation.

**Output per share**

The company presents the earnings per share base and diluted for ordinary shares. The basic share result is determined by dividing the profit or loss attributable to ordinary shareholders of the Company to the weighted average number of ordinary shares for the reporting period. The diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares with the dilutive effects generated by the potential ordinary shares.

**Leasing payments**

Operating lease payments are recognized in the income statement on a straight-line basis over the lease term. Leasing facilities received are recognized as an integral part of the total lease expense over the lease term. Operating lease expense is recognized as a component of operating expenses. Minimum lease payments under finance leases are divided proportionally between lease expense and the lease. Lease expense is allocated to each lease period so as to produce a constant interest rate for the remaining lease liability.

**Reporting on segments**

A segment is a distinct component of the Company that provides certain products or services (segment of activity) or provides products and services in a particular geographical environment (geographical segment) and is subject to risks and benefits different from those of other segments.

**4. Managing significant risks**

The Company's management believes that risk management should be carried out in a consistent methodological framework and that their management is an important component of the strategy to maximize returns, obtain a desired level of profit by maintaining acceptable risk exposure and complying with legal regulations. The formalization of the risk management procedures decided by the Company's management is an integral part of the Company's strategic objectives.

The investment activity leads to the Company's exposure to a variety of risks associated with the financial instruments held and the financial markets on which it operates. The main risks to which the Company is exposed are:

- market risk (price risk, interest rate risk and currency risk);
- credit risk;
- the risk to the economic environment;
- operational risk.
- capital adequacy

The overall risk management strategy seeks to maximize the Company's profit on the level at which it is exposed and minimize potential adverse variations on the Company's financial performance.

The company has implemented risk management policies and procedures to which it is exposed. These policies and procedures are presented in the section devoted to each type of risk.

**(a) Market risk**

Market risk is defined as the risk of loss or non-profit, as a result of price fluctuations, interest rates, and currency exchange rates.

The company is exposed to the following market risk categories:

**(i) Price risk**

The company is exposed to the price risk and there is the possibility that the value of the costs for the execution of the projects is higher than the estimated value so that the contracts run at a loss.

In order to cover the price risk generated by the increase of the basic raw material, the metal, the company has entered in the commercial contracts with the clients a protection clause which allows it to update the sale price if the price of the basic raw material increases. In the current economic context marked by a significant fluctuation, especially of the direct productive staff, for the newly concluded contracts and for a part of the ongoing contracts, the company succeeded in completing the protection clause and updating the price of the products taking into account the evolution of the cost the labor force, based mainly on the statistical salary developments, public on the Romanian labor market.

The carrying amount of financial assets and liabilities with a maturity of less than one year is approximated to their fair value.

|   | December 31, 2018 |            | December 31, 2017 |            |
|---|-------------------|------------|-------------------|------------|
|   | Book value        | Fair value | Book value        | Fair value |
| Receivables from contracts with clients | 59,321,959        | 59,321,959 | 56,674,644        | 56,674,644 |

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

|  |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|
| Commercial receivables and other receivables | 2,198,146         | 2,198,146         | 1,799,148         | 1,799,148         |
| Advance payments for tangible assets         | 670,205           | 670,205           | 124,607           | 124,607           |
| Cash and cash equivalents                    | 3,737,985         | 3,737,985         | 5,330,144         | 5,330,144         |
| Short term bank credit                       | (33.813.275)      | (33.813.275)      | (32.617.900)      | (32.617.900)      |
| Current part-leasing contract                | (16.293)          | (16.293)          |                   |                   |
| Deferred tax liabilities (current portion)   | (413.272)         | (413.272)         | -                 | -                 |
| The current part of long-term loans          | -                 | -                 | (4.424.275)       | (4.424.275)       |
| Trade and other debt                         | (35.394.366)      | (35.394.366)      | (31.453.709)      | (31.453.709)      |
| <b>Total</b>                                 | <b>-3.708.944</b> | <b>-3.708.944</b> | <b>-4,567,341</b> | <b>-4,567,341</b> |

*(ii) The risk of interest rate*

On 31 December 2018, most of the Company's assets and liabilities are not interest-bearing, except for contracted loans and leases. As a result, the Company is not significantly affected by the risk of interest rate fluctuations.

The Company does not use derivative financial instruments to protect itself against interest rate fluctuations.

The following tables show the Company's exposure to interest rate risk.

| Fixed-rate financial instruments                   | 2018           | 2017          |
|--|----------------|---------------|
| <i>Financial assets</i>                            |                |               |
| Credit for working capital                         | 37,311,200     | 32,617,900    |
| interest rate:                                     | Eur1M + 0.78%  | Eur1M + 0.78% |
| Medium-term loans (including part due over 1 year) |                | 4,424,275     |
| interest rate:                                     | - Eur3M + 1.6% |               |
| Lease Contracts 71.133 -                           |                |               |
| Interest rate:                                     | Eur3M + 1.99%  |               |
| - -  |                |               |

*Currency risk*

Currency risk is the risk of loss or loss of earnings as a result of unfavourable fluctuations in the exchange rate. Most of the Company's financial assets and liabilities are denominated in the national currency, the other currencies in which operations are conducted, EUR, USD and GBP.

Most current assets are denominated in foreign currency (86%) and the financial liabilities of the Company are denominated in foreign currency (55%) and national currency (45%) and hence exchange rate fluctuations do not significantly affect the Company's activity. Exposure to exchange rate fluctuations is mainly due to the current currency conversion transactions required for current payments in LEI.

**(b) Credit risk**

The Company is exposed to credit risk related to financial instruments arising from possible non-fulfillment of payment obligations that a third party has towards the Company. The Company is exposed to credit risk as a result of trade receivables with payment terms of up to 120 days.

**COMELF SA**

NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN  
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(All amounts are expressed in LEI, unless otherwise indicated)

The maximum exposure to the credit risk of the Company is 59,438,003 lei at 31 December 2018 and in the amount of 61,523,043 lei at 31 December 2017 and can be analyzed as follows:

**Debtors and commercial receivables**

The maturity of the receivables at the date of the financial statements was:

|                           | <b>Gross value at<br/>December 31,<br/>2018</b> | <b>Impairment<br/>adjustments</b> | <b>Gross value at<br/>December 31,<br/>2017</b> | <b>Impairment<br/>adjustments</b> |
|---------------------------|---|-----------------------------------|---|-----------------------------------|
| On time                   | 41,109,464                                      | -                                 | 26,593,732                                      | -                                 |
| Between 0 to 30 days      | 13,952,688                                      | -                                 | 12,787,517                                      | -                                 |
| Between 31 to 90<br>days  | 4,329,028                                       | -                                 | 16,160,416                                      | -                                 |
| Between 91 to 120<br>days | 413,864   | -                                 | 4,096,424                                       | -                                 |
| Between 121-365<br>days   | 2,356,223                                       | -                                 | 1,884,954                                       | -                                 |
| Peste 365 de zile         | 2,781,352                                       | 2,752,309                         | 2,752,308                                       | 2,752,308                         |
| <b>Total:</b>             | <b>64,942,619</b>                               | <b>2,752,309</b>                  | <b>64,275,351</b>                               | <b>2,752,308</b>                  |
| <b>Total net:</b>         | 62.190.310                                      |                                   | 61.523.043                                      |                                   |

Receivables between 31-120 days are in contractual terms. See note 8, 9 and 10. A total amount of overdue receivables exceeding 365 days has been provided with provisions, less the amount of 29.044 lei which constitutes a guarantee for deliveries from 2017 to be collected up to 30.06 .2019.

**(c) The risk to the economic environment**

The Romanian economy continues to show the characteristics of an emerging economy and there is a significant degree of uncertainty regarding the development of the political, economic and social environment in the future. The Management of the Company is concerned to estimate the nature of the changes that will take place in the Romanian economic environment and what will be their effect on the financial situation and the Company's operating and treasury outcome.

Among the features of the Romanian economy are the existence of a currency that is not fully convertible across borders and a low liquidity of the capital market.

The management of the Company can not predict all the effects of the overall economic situation that will impact the Romanian financial sector and their potential impact on the present financial statements. The Company's management believes that it has adopted the necessary measures for the sustainability and development of the Company under the current market conditions. The main challenge at this moment for the Society is the lack of qualified workforce for which the Company identified as the first solution the import of skilled labor from India.

**(d) Operational risk**

Operational risk is defined as the risk of loss or non-realization of estimated profits due to internal factors such as inadequate performance of internal activities, the existence of inadequate personnel or systems or due to external factors such as economic conditions, changes on the capital market, technological advances. Operational risk is inherent to all the Company's activities.

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN  
ACCORDANCE WITH IFRS**

*(All amounts are expressed in LEI, unless otherwise indicated)*

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Defined policies for managing operational risk have taken into account each type of event that can generate significant risks and their modalities to eliminate or mitigate financial or reputational losses.

**(e) Capital adequacy**

Capital management policy focuses on maintaining a sound capital base in order to sustain the Company's continued development and investment objectives.

The Company's equity includes the share capital, various types of reserves and the retained earnings. The Company is not subject to legal capital adequacy requirements.

**(f) Determination of fair value**

Certain Company accounting policies and disclosure requirements require fair value to be determined for both financial assets and non-financial assets. Fair values have been determined for the purpose of evaluating and / or presenting information based on the methods described below. Where appropriate, additional information on assumptions used to determine fair value is disclosed in the notes to the asset or liability.

**COMELF SA**

NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS

*(All amounts are expressed in LEI, unless otherwise indicated)***5. Tangible and intangible assets**

At December 31, 2018 and December 31, 2017, tangible and intangible assets have evolved as follows:

|  | <b>Intangible<br/>assets</b> | <b>lands</b>      | <b>Buildings</b>  | <b>Technical<br/>installations<br/>and<br/>machines</b> | <b>Other<br/>installations<br/>and<br/>furniture</b> | <b>Tangible<br/>Assets in<br/>progress</b> | <b>Total</b>       |
|--|------------------------------|-------------------|-------------------|---|--|--|--------------------|
|  | <b>205</b>                   | <b>211</b>        | <b>212</b>        | <b>213</b>  | <b>214</b>   | <b>231</b>                                 |                    |
| <b>Balance at 01 January 2018</b>                | <b>1,451,707</b>             | <b>21,247,075</b> | <b>39,915,606</b> | <b>88,965,112</b>                                       | <b>457,326</b>                                       | <b>878,284</b>                             | <b>152,915,110</b> |
| Acquisitions                                     | 311,362                      | 0                 | 0                 | 500,856   | 0  | 1,085,645                                  | 1,897,863          |
| Internal production                              | 0                            | 0                 | 0                 | 0   | 0  | 505,873                                    | 505,873            |
| Write-offs                                       | -904,322                     | 0                 | 0                 | -686,965  | -8,320   | 0  | -1,599,607         |
| Internal transfers                               | 0                            | 0                 | 130,463           | 189,498   | 0  | -316,327                                   | 3,634              |
| Internal transfers                               | 0                            | 0                 | 0                 | 0   | 0  | 0  | 0                  |
| <b>Balance at December 31, 2018</b>              | <b>858,747</b>               | <b>21,247,075</b> | <b>40,046,069</b> | <b>88,968,501</b>                                       | <b>449,006</b>                                       | <b>2,153,475</b>                           | <b>153,722,873</b> |
| <b>Cumulated Amortization</b>                    |                              |                   |                   |   |  |  |                    |
| <b>Balance at 01 January 2018</b>                | <b>558,844</b>               | <b>0</b>          | <b>6,320,463</b>  | <b>48,396,139</b>                                       | <b>197,632</b>                                       | <b>0</b>                                   | <b>55,473,078</b>  |
| Depreciation charge in year                      | 612,522                      | 0                 | 2,593,599         | 4,482,333   | 32,721   | 0  | 7.721.176          |
| Cumulative depreciation of outflows              | -904,323                     | 0                 | 0                 | -683,331  | -8,319   | 0  | -1,595,973         |
| Canceling amortization for revalued fixed assets | 0                            | 0                 | 0                 | 0   | 0  | 0  | 0                  |
| <b>Balance at 31 December 2018</b>               | <b>267,043</b>               | <b>0</b>          | <b>8,914,062</b>  | <b>52,195,141</b>                                       | <b>222,034</b>                                       | <b>0</b>                                   | <b>61,598,281</b>  |

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

|  |                  |                   |                   |                   |                |                  |                    |
|--|------------------|-------------------|-------------------|-------------------|----------------|------------------|--------------------|
| <b>Balance at 01 January 2017</b>                | <b>1,568,171</b> | <b>21,247,075</b> | <b>39,773,334</b> | <b>85,618,693</b> | <b>298.264</b> | <b>2,054,164</b> | <b>150,562,701</b> |
| Acquisitions                                     | 174,477          | 0                 | 0                 | 981,586           | 0              | 2,067,879        | 3,223,942          |
| Internal production                              | 0                | 0                 | 0                 | 0                 | 0              | 1,226,290        | 1,226,290          |
| Write-offs                                       | -746,234         | 0                 | 0                 | -1,348,317        | -3,272         | 0                | -2,097,823         |
| Internal transfers                               | 455,293          | 0                 | 142,272           | 3,710,150         | 162,334        | -4,470,049       | 0                  |
| Internal transfers                               | 0                | 0                 | 0                 | 0                 | 0              | 0                | 0                  |
| <b>Balance at December 31, 2017</b>              | <b>1,451,707</b> | <b>21,247,075</b> | <b>39,915,606</b> | <b>88,965,112</b> | <b>457,326</b> | <b>878,284</b>   | <b>152,915,110</b> |
| <b>Cumulated Amortization</b>                    |                  |                   |                   |                   |                |                  |                    |
| <b>Balance at 01 January 2017</b>                | <b>661.221</b>   | <b>0</b>          | <b>3,098,368</b>  | <b>43,155,127</b> | <b>183.884</b> | <b>0</b>         | <b>47,098.600</b>  |
| Depreciation charge in year                      | 643,857          | 0                 | 3,222,095         | 6,589,323         | 17,020         | 0                | 10,472,295         |
| Cumulative depreciation of outflows              | -746,234         | 0                 | 0                 | -1,348,311        | -3,272         | 0                | -2,097,817         |
| Canceling amortization for revalued fixed assets | 0                | 0                 | 0                 | 0                 | 0              | 0                | 0                  |
| <b>Balance at 31 December 2017</b>               | <b>558,844</b>   | <b>0</b>          | <b>6,320,463</b>  | <b>48,396,139</b> | <b>197,632</b> | <b>0</b>         | <b>55,473,078</b>  |
| <b>Net book value</b>                            |                  |                   |                   |                   |                |                  |                    |
| <b>December 31, 2018</b>                         | <b>591.703</b>   | <b>21,247,075</b> | <b>31,132,007</b> | <b>36,773,360</b> | <b>226.973</b> | <b>2,153,475</b> | <b>92,124,593</b>  |
| <b>As of December 31, 2017</b>                   | <b>892,863</b>   | <b>21,247,075</b> | <b>33,595,143</b> | <b>40,568,973</b> | <b>259,694</b> | <b>878,284</b>   | <b>97,442,032</b>  |

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

The company has previously valued land and construction at fair value. The last revaluation of the buildings was made on 31 December 2015. The Company carried out the revaluation of tangible assets with independent assessors.

During 2018 the Company made investments amounting to 2,403.73 lei financed from the surplus of the current activity of the period and of the subsidies in the amount of 45,051 lei within a project with non-reimbursable financing POIM6.2SMIS117803.

The increase in tangible assets in the reference year is mainly reflected in:

|                            |             |
|----------------------------|-------------|
| a) Pivoting cranes:        | 295,000 lei |
| b) Robotic welding system: | 530,754 lei |
| c) Robot MOTOMAN YR-UP50N: | 126,158 lei |
| d) Licens Metalix CNC KAD: | 205.292 lei |

The method of amortization was the linear one throughout the financial year, the total amount of which amounted to RON 7,721,176. In the same period, the value of 1,579,730 lei resumed to the investment subsidies .

The company owns title deeds for land and buildings. The situation of mortgage guarantees is presented in note 14.

**6. Financial assets available for sale**

At 31.12.2018 Comelf SA no longer has financial assets available for sale. On September 17, 2018 it was decided to liquidate Comelf Energy SRL, a company to which the Company held participations. Following the liquidation, Comelf SA received the amount of 201,320.66 LEI, out of which the value was just RON 199,972 at the time of the liquidation of Comelf Energy. The initial acquisition cost of Comelf SA's stake in Comelf Energy was 66,600 LEI . The difference between the amount received and the fair value was recognized as income.

The evolution of the share held by the Company in Comelf Energy was as follows:

|               | 2018                                      |                    | 2017                                      |                    |
|---------------|---|--------------------|---|--------------------|
|               | Stake<br>(at actual<br>value - Note<br>6) | %<br>participation | Stake<br>(at actual<br>value - Note<br>6) | %<br>participation |
| Comelf Energy | 0   | 45%                | 199,972                                   | 45%                |
| <b>Total</b>  | <b>0</b>                                  | <b>45%</b>         | <b>199,972</b>                            | <b>45%</b>         |

**7. stocks**

On December 31, 2018 and December 31, 2017, inventory records the following balances:

|               | December 31, 2018 | December 31, 2017 |
|---------------|-------------------|-------------------|
| Raw materials | 6,868,095         | 6.030864          |

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

|   |                  |                  |
|---|------------------|------------------|
| Auxiliary materials                           | 44,531           | 58,284           |
| Fuel  | 8,622            | 37,095           |
| Inventory items                               | 391,504          | 377,522          |
| Other   | 134,179          | 884,517          |
| Adjustments for depreciation of raw materials | -92,162          | -90,822          |
| <b>Total</b>                                  | <b>7,354,769</b> | <b>7,297,460</b> |

The Company recorded a difference for value adjustments for the depreciation of inventories at 31 December 2018 amounting to 1,340 lei as compared to the value recorded on December 31, 2017, as of 31 December 2017, amounting to 90,822 lei.

In 2018, the expenses related to the above mentioned positions in the cost of sales amounted to 67.707.606 lei (2017: 76.959.181 lei).

The accounting policies for inventory valuation are presented in Note 3.

No stocks were pledged for contracted credits.

**8. Receivables from commercial contracts**

On 31 December 2018 and 31 December 2017, receivables from commercial contracts are as follows:

|   | <b>December 31,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|---|------------------------------|------------------------------|
| Receivables from contracts with invoiced customers                    | 37,996,939                   | 38,277,397                   |
| Receivables from contracts with non-invoiced customers                | 23,066,342                   | 20,138,569                   |
| Value adjustments on receivables from invoiced construction contracts | (1.741.322)                  | (1.741.322)                  |
| <b>Total</b>  | <b>59,321,959</b>            | <b>56,674,644</b>            |

Receivables from contracts with clients are presented net of advances received in the amount of 531 .094 lei (December 31, 2017: 1.979.114).

The age distribution was presented under point 4 "Significant Risk Management."

The state of the maturity of the receivables impaired at the date of the financial statements was:

|                         | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|-------------------------|--------------------------|--------------------------|
| Between 181 to 365 days | -                        | -                        |
| Over 365 days           | 1,741,322                | 1,741,322                |
| <b>Total</b>            | <b>1,741,322</b>         | <b>1,741,322</b>         |

Below is an analysis of the seniority of receivables from contracts with clients that are past due on 31.12.2018 but are not impaired:

| <b>December 31, 2018</b>                | <b>Total</b>      | <b>On time</b> | <b>Arrears<br/>&lt;30 days</b> | <b>Arrears<br/>30-90 days</b> | <b>Arrears<br/>&gt; 90 days</b> |
|---|-------------------|----------------|--------------------------------|-------------------------------|---------------------------------|
| <b>DEBT</b>                             |                   |                |                                |                               |                                 |
| Receivables from contracts with clients | <b>59,321,959</b> | 38,241,114     | 13,952,688                     | 4,329,028                     | 2,799,129                       |

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

The customer rotation speed (the debt recovery period) expresses the number of days until the debtors pay their debts to the company and thus shows the company's effectiveness in collecting its receivables. For 2018 (Average Customer Balance / Turnover) x 365 days = 86 days, for 2017 is 75 days. In general, penalties are treated according to the contracts with each client and are solved by punctual negotiation of each case. The acceptance procedure for new clients is done in accordance with the procurement procedures - contracting procedures in the manual of procedures, these procedures are reviewed periodically.

**9. Commercial receivables and other receivables**

On 31 December 2018 and 31 December 2017, trade receivables and other receivables are as follows:

|  | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|--|--------------------------|--------------------------|
| Receivables from sales of goods  | -                        | -                        |
| VAT to be recovered  | 874,791                  | 811,882                  |
| Advances paid to domestic suppliers<br>(excluding those for immobilizations) | 284,228                  | 225,843                  |
| Advances paid to external suppliers  | 27,286                   | 28,434                   |
| Advances paid to asset providers   | 670,205                  | 124,607                  |
| Different debtors  | 92,396                   | 63,232                   |
| Other claims   | 1,930,432                | 1,680,744                |
| Value adjustments  | -1,010,987               | -1,010,987               |
| <b>Total</b>   | <b>2.868.351</b>         | <b>1.923.755</b>         |

Below is an analysis of the length of trade receivables and other receivables that are past due on 31.12.2018 but are not impaired:

**December 31, 2018**

| <b>DEBT</b>                                  | <b>Total</b>     | <b>On time</b> | <b>Arrears<br/>&lt;30 days</b> | <b>Arrears<br/>30-90 days</b> | <b>Arrears<br/>&gt; 90 days</b> |
|--|------------------|----------------|--------------------------------|-------------------------------|---------------------------------|
| Commercial receivables and other receivables | <b>2,868,351</b> | 2,868,351      | -                              | -                             | -                               |

Exposure to credit risk and foreign currency risk, as well as impairment losses related to trade and other receivables, excluding construction contracts in progress, are presented after the Note on Borrowers.

**10 . Value adjustments for depreciation of current assets**

The evolution of value adjustments for depreciation of current assets in 2018 was as follows:

|  | <b>Balance at 01<br/>January 2018</b> | <b>increases</b> | <b>Decrease</b> | <b>Balance at 31<br/>December 2018</b> |
|--|---------------------------------------|------------------|-----------------|--|
| Value adjustments on receivables from contracts with clients | 1,741,322                             | -                | -               | 1,741,322                              |
| Value adjustments on various borrowers                       | 1,010,987                             | -                | -               | 1,010,987                              |
| <b>Total</b>   | <b>2,752,309</b>                      | -                | -               | <b>2,752,309</b>                       |

The adjustment of 1.010.987 lei represents an adjustment of 100% of the value of a long-standing debt that is in dispute.

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

Value adjustments for the amount of RON 1,741,322 are for a total of 8 clients, of which one in dispute for the amount of 949,436 lei.

Reasons for which the entity considered current assets to be impaired are mainly related to revenue delays and / or non-conformities with customers.

**11 . Cash and cash equivalents**

On December 31, 2018 and December 31, 2017, cash and cash equivalents are as follows:

|  | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|--|--------------------------|--------------------------|
| Available in bank accounts in local currency   | 1,061,707                | 1,379,012                |
| Available in bank accounts in foreign currency | 2,650,928                | 3,927,794                |
| Cash   | 25,053                   | 23,338                   |
| Other available                                | 297                      | -                        |
| <b>Total</b>                                   | <b>3,737,985</b>         | <b>5,330,144</b>         |

Current accounts opened with banks are permanently available to the Company and are not restricted.

**Liquidity management**

Liquidity risk is accountable to the Board of Directors and Comelf Executive Board, which establishes liquidity management through BVC and cash flow, compiled for the entire company and for each sub-unit.

**December 31, 2018****DEBT**

|  | <b>Total</b>      | <b>&lt;1 Month</b> | <b>1 to 3 months</b> | <b>3 months - 1 year</b> | <b>&gt; 1 year</b> |
|--|-------------------|--------------------|----------------------|--------------------------|--------------------|
| Receivables from contracts with clients      | <b>59,321,959</b> | 26,608,243         | 25,792,724           | 6,687,353                | 233,639            |
| Commercial receivables and other receivables | <b>2,868,351</b>  | 874,791            | 946,731              | 954,433                  | 92,396             |
| Current tax receivables                      | <b>0</b>          | 0                  | 0                    | 0                        | 0                  |
| Cash and cash equivalents                    | <b>3,737,985</b>  | 3,737,985          |                      |                          |                    |
| <b>TOTAL</b>                                 | <b>65,928,295</b> | <b>31,221,019</b>  | <b>26,739,455</b>    | <b>7,641,786</b>         | <b>326,035</b>     |

**December 31, 2018****LIABILITIES**

|                                     | <b>Total</b>      | <b>&lt;1 Month</b> | <b>1 to 3 months</b> | <b>3 months - 1 year</b> | <b>&gt; 1 year</b> |
|-------------------------------------|-------------------|--------------------|----------------------|--------------------------|--------------------|
| Trade and other debt                | <b>35,394,366</b> | 25,590,526         | 5,487,030            | 3,240,838                | 1,075,972          |
| Current portion - leases            | <b>16,293</b>     | 16,293             |                      |                          |                    |
| Debt tax liabilities (current part) | <b>413,272</b>    | 0                  | 0                    | 413,272                  | 0                  |
| Overdraft account (current part)    | <b>33,813,275</b> | 0                  | 0                    | 33,813,275               | 0                  |
| <b>TOTAL</b>                        | <b>69,637,206</b> | <b>25,606,819</b>  | <b>5,487,030</b>     | <b>37,467,385</b>        | <b>1,075,972</b>   |

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)***December 31, 2017****DEBT**

|  | <b>Total</b>      | <b>&lt;1 Month</b> | <b>1 to 3 months</b> | <b>3 months - 1 year</b> | <b>&gt; 1 year</b> |
|--|-------------------|--------------------|----------------------|--------------------------|--------------------|
| Receivables from contracts with clients      | <b>62,351,596</b> | 25,781,850         | 21,935,299           | 12,893,125               | 1,741,322          |
| Commercial receivables and other receivables | <b>1,923,755</b>  | 811,882            | 236,065              | 812,576                  | 63,232             |
| Current tax receivables                      | <b>0</b>          | 0                  | 0                    |                          |                    |
| Cash and cash equivalents                    | <b>5,330,144</b>  | 5,330,144          |                      |                          |                    |
| <b>TOTAL</b>                                 | <b>69,605,495</b> | <b>31,923,876</b>  | <b>22,171,364</b>    | <b>13,705,701</b>        | <b>1,804,554</b>   |

**December 31, 2017****LIABILITIES**

|                                      | <b>Total</b>      | <b>&lt;1 Month</b> | <b>1 to 3 months</b> | <b>3 months - 1 year</b> | <b>&gt; 1 year</b> |
|--------------------------------------|-------------------|--------------------|----------------------|--------------------------|--------------------|
| Trade and other debt                 | <b>31,453,709</b> | 23,592,343         | 3,810,883            | 3,174,511                | 875,972            |
| Bank Loans (Other than Overdraft)    | <b>4,424,275</b>  | 0                  | 0                    | 4,424,275                | 0                  |
| Overdraft Account (Prolonged Yearly) | <b>32,617,900</b> | 0                  | 0                    | 32,617,900               | 0                  |
| <b>TOTAL</b>                         | <b>68,495,884</b> | <b>23,592,343</b>  | <b>3,810,883</b>     | <b>40,216,686</b>        | <b>875,972</b>     |

**12. Equity****(a) Share capital**

In 2018 no changes were made on the value of the share capital (13,036,325.34 LEI) and on the number of shares (22,476,423 shares).

On December 31, 2018 and December 31, 2017 the structure of the *Company* 's shareholding is:

|                    | <b>2018</b>             |                            |             | <b>2017</b>             |                            |             |
|--------------------|-------------------------|----------------------------|-------------|-------------------------|----------------------------|-------------|
|                    | <b>Number of shares</b> | <b>Total nominal value</b> | <b>%</b>    | <b>Number of shares</b> | <b>Total nominal value</b> | <b>%</b>    |
| Uzinsider SA       | 18,185,356              | 10,547,506                 | 80,91%      | 18,171,045              | 10,546,739                 | 80,92%      |
| Other shareholders | 4,291,067               | 2,488,819                  | 19,09%      | 5,241,895               | 2,489,586                  | 19,08%      |
| <b>Total</b>       | <b>22,476,423</b>       | <b>13,036,325</b>          | <b>100%</b> | <b>23,412,940</b>       | <b>13,579,505</b>          | <b>100%</b> |

All shares are ordinary, subscribed, have the same voting right and have a nominal value of 0.58 lei / share.

The restated social capital includes the following components:

|                                       | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|---------------------------------------|--------------------------|--------------------------|
| Share capital                         | 13,036,325               | 13,036,325               |
| Adjustments to share capital - IAS 29 | 8,812,271                | 8,812,271                |
| <b>Restated Share capital</b>         | <b>21,848,596</b>        | <b>21,848,596</b>        |

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

The effect of hyperinflation on the share capital in the amount of 8,812,271 lei was recorded by the decrease of the retained earnings.

**b) Reserves and retained earnings**

Below is the breakdown of the financial position statement representing reserves and retained earnings. The marked ranges are found both in the financial position and in the situation of the capital change, where the variation from 31.12.2018 to 31.12.2017 is explained.

|   | Financial year ended 31<br>December 2018 | Financial year ended 31<br>December 2017 |
|---|--|--|
| <b>Legal reserves</b>   | <b>2,607,265</b>                         | <b>2,607,265</b>                         |
| <b>Reserves and differences in revaluation</b>                                  | <b><u>36,135,251</u></b>                 | <b><u>38,438,295</u></b>                 |
| Differences from Fixed Assets Revaluation                                       | 45,318,386                               | 41,515,471                               |
| Temporary differences in deferred tax recognized on capital                     | -9,183,135                               | -3,210,347                               |
| Revaluation reserves of available-for-sale financial instruments                | -  | 133,172                                  |
| <b>Other reserves (account 1068)</b>  | <b>12,124,502</b>                        | <b>10,502,483</b>                        |
| <b>Reported result and profit (retained result)</b>                             | <b><u>-778,035</u></b>                   | <b><u>-2,541,670</u></b>                 |
| The reported result representing the surplus from the revaluation reserves      | 7,300,637                                | 5,130,964                                |
| Retained earnings arising from the transition to IFRS except IAS 29             | -11,176,457                              | -11,176,457                              |
| The retained earnings represents the undistributed profit or the uncovered loss | 0  | 146,028                                  |
| Account 118 Retained earnings from the adoption of IAS 29 for the first time    | 113,776                                  | 113,776                                  |
| Profit  | 2,815,330                                | 3,341,131                                |
| Profit distribution   | <u>0</u>                                 | <u>-97,112</u>                           |
| <b>Total Reserves and Retained Result</b>                                       | <b><u>50,088,983</u></b>                 | <b><u>49,006,373</u></b>                 |

**Capital management****(a) Legal reserves**

According to legal requirements, the Company provides legal reserves in the amount of 5% of the gross profit recorded under IFRS in 2018 but not more than 20% of the share capital valid at the date of the provision of the reserve.

Legal reserves can not be distributed to shareholders but can be used to cover cumulative losses. On December 31, 2018 the Company had already constituted the legal reserve up to the amount of these limits.

**(b) Revaluation reserves**

The revaluation reserve is fully associated with the revaluation of the Company's tangible assets.

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)***(c.) dividends**

In 2017, In accordance with the Ordinary General Shareholders' Ordinance, the Company decided to distribute dividends from the result of the financial year ended December 31, 2017. The company declared dividends amounting to RON 1,622,000 (representing 0.072 lei / share) and paid in 2018 the amount of 1,486.053 lei representing dividends distributed from current and previous years. As of December 31, 2018, the balance of payment dividends is 1,466,250 lei

In the last two years, the evolution of gross dividends was the following:

|             | 2017      | 2016      |
|-------------|-----------|-----------|
| Dividend    | 1,622,000 | 3,867,447 |
| lei / share | 0,072     | 0,165     |

From the profit of 2018 in the amount of 2,815,330 lei, according to the proposal of the Board of Directors, the amount of 1,405,750 lei will be distributed as dividends. The gross dividend that would be granted in 2018 would be 0.0625 lei / share, the difference of 1.409.580 lei remains unpaid profit.

**13. loans****a) Credit line**

On December 31, 2018, the Company has a working capital credit contract concluded with ING Bank Romania - contract no. 11438 / 09.11.2011, with a maturity of one year, is renewed in November of each year. The object of the contract is a credit facility amounting to EUR 8,000,000 for the provision of working capital to cover the financial needs of the Company's current needs and potential commitments in the form of guarantee letters with a maturity of up to 12 months. This credit facility is structured as follows: EUR 6,500,000 remains a credit for UFN working capital and the difference up to the amount of EUR 1,500,000 has been rescheduled at the request of the company to be repaid in monthly installments égale within 24 months.

For the facility granted, the Company will pay interest at the rates specified below:

- for the euro amounts used in the Facility, the annual interest rate is EURIBOR 1M plus a margin of 0,78% per year;

On December 31, 2018, the Company records a credit line balance of RON 37,311,200 (December 31, 2017: 32.619.900 lei).

**b). Credit for investments**

As of December 31, 2018, the Company does not have loans for investments. The previous credit for investments in the balance at 31 December 2017 was fully reimbursed in the year 2018.

**c). Leasing contracts**

During the year 2018, the Company hired the purchase of a vehicle for the transport of persons, in leasing. Lease contract no. 30154891 was closed on February 16, 2018, funded by Unicredit Leasing Corporation IFN, amounting to EUR 18,110.40, payable in 60 monthly installments;

**The main mortgages in favor of ING BANK, related to the loans are:**

- Land with an area of 13,460 sqm and constructions with 12,600 sqm land surface, having the topographical number 8118/1/6, recorded in CF 8685 of Bistrita locality, inventory value = 2,780,904 lei.

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

- Land surface of 20,620 sqm and constructions with a surface built on the ground of 17,894 sqm, having topographical number 8118/1/15, registered in CF 8694 of Bistrita locality, inventory value = 4,673,623 lei.
- Land with an area of 581 sqm and constructions with a surface built on the ground of 572.93 sqm, with topographical number 6628/2/2/1/2, registered in CF 8697 of Bistrita locality and no. topographic 6628/2/2/1/2 / I, recorded in CF 8697 / I of Bistrita, inventory value = 1,217,062 lei
- CF 55054 topo 8118/1/5: land with an area of 16820 sqm, cad.C1 top: 8118/1/5: SIDUT monobloc hall.

**14. Trade and other debt**

As of December 31, 2018 and December 31, 2017, trade payables and other payables are as follows:

|                                   | December 31, 2018 | December 31, 2017 |
|-----------------------------------|-------------------|-------------------|
| Commercial debt                   | 28,931,059        | 26,270,246        |
| Debt to budgets                   | 2,039,234         | 1,558,059         |
| Debt to staff                     | 2,853,647         | 2,247,654         |
| Payment Dividends                 | 1,466,250         | 1,330,302         |
| Other loans and assimilated debts | 104.176           | 47.448            |
| <b>Total</b>                      | <b>35,394,366</b> | <b>31,453,709</b> |

Commercial debts in the amount of 28,931,059 lei (31 December 2018, 2017: 26,270,474 lei) are in accordance with the contracts concluded with the suppliers.

The rate of rotation of supplier loans approximates the number of credit days the company obtains from its suppliers. For 2018 (Average Supplier Balance / Turnover) x 365 days = 66 days, for 2017 is 61 days.

At 31 December 2018 and 2017, debts to budgets mainly include salary-related contributions.

**15. Income from contracts with clients**

|  | 31st of December<br>2018 | 31st of December<br>2017 |
|--|--------------------------|--------------------------|
| Income from contracts with customers related to the delivered goods, for which the full transfer of the ownership right to the client was made (ct 701)  | 142,958,050              | 165,611,124              |
| Revenue from customer contracts recognized in execution phases, estimated at the level of the income received under contracts, in proportion to the actual expenditure related to the planned expenditure for the same execution phase (balance 71150) | 1.498.856                | 1,543,536                |
| <b>TOTAL</b>   | <b>144,456,906</b>       | <b>166,927,253</b>       |

In determining revenue from customer contracts, the entity continually assesses the level of effective costs compared to initial costs, antecalculated, and recognizes revenue on execution phases in proportion to the level of costs that contribute to the entity's profitability and which were reflected in the contract price weighted by the amount and the physical execution stage of the contract. The company transfers time (phases) to the customer, controlling the goods, fulfilling an obligation to execute over time, thus recognizing revenue in each execution phase. The company executes goods based on specific projects for each individual client, only upon request, based on firm orders.

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

The valuation of revenues from contracts with clients, on execution phases, is made taking into account the physical execution stage of contracts that is set at the end of each month by physical inventory, by the actually accumulated costs corresponding to the physical stage, which compares and weighs with the costs budgeted specific stage of physical execution determined. Depending on the evolution of the actual costs compared to the budgeted costs, without taking into account the possible unfavorable evolutions of the actual costs, the Company recognizes an income based on the total income obtained on the weighted contract with the evolution of the cost effectively corrected (without negative deviations) execution of the contract.

**16a. Other revenue related to turnover**

The position includes:

|  | <b>2018</b>      | <b>2017</b>      |
|--|------------------|------------------|
| Income from rents                          | 2,793            | 2,743            |
| Income from various activities             | 2,758,511        | 2,455,493        |
| Revenue from the sale of residual products | 3,509,195        | 2,318,753        |
| Revenue from services rendered             | 1,908,196        | 1,712,733        |
| <b>Total</b>                               | <b>8,178,695</b> | <b>6,489,723</b> |

**16b. Other incomes**

The position includes:

|                                      | <b>2018</b>      | <b>2017</b>      |
|--------------------------------------|------------------|------------------|
| Revenue from investment grants       | 1,579,729        | 1,966,292        |
| Income from operating grants         | 87,807           | 111,164          |
| Income from fixed assets disposed of | 135,355          | 22,719           |
| Other incomes                        | 929,203          | 654,042          |
| <b>Total</b>                         | <b>2,732,094</b> | <b>2,754,217</b> |

The revenues from the production of tangible assets of 2018 were offset by the related expenses in accordance with the provisions of the Order 2844/2016 as follows: expenses with raw materials and other material expenses in the amount of 66,665 lei, staff expenses in the amount of 92,424 lei, other expenses related to the incomes worth 301,539 lei. Therefore, the value recorded in the item "Other Income" in the amount of 2,732,094 lei does not include the revenues from the immobilized production in the total amount of 460,628 lei

The revenues from the production of tangible assets of 2017 were offset by the related expenses according to the provisions of Order 2844/2016 as follows: expenditures on raw materials and other material expenses in the amount of 168,601 lei, staff expenses in the amount of 94,806 lei, other expenses related to the income amounting to 962,883 lei. Therefore, the value recorded in the item "Other incomes", amounting to 2,754,217 lei, does not include the income from the immobilized production in the total amount of 1,226,290 lei

Turnover at 31 December 2018 is 151,767,209 lei (December 31, 2017: 175.173.913 lei).

**17. Staff costs**

The average number of employees at 31 December 2018 and 31 December 2017 was as follows:

| <b>2018</b> | <b>%</b> | <b>2017</b> | <b>%</b> |
|-------------|----------|-------------|----------|
|-------------|----------|-------------|----------|

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

|               |            |             |              |             |
|---------------|------------|-------------|--------------|-------------|
| Blue Collars  | 506        | 60%         | 650          | 63%         |
| White Collars | 336        | 40%         | 374          | 37%         |
| <b>Total</b>  | <b>842</b> | <b>100%</b> | <b>1,024</b> | <b>100%</b> |

Staff costs were as follows:

|  | <b>2018</b>       | <b>2017</b>       |
|--|-------------------|-------------------|
| Expenditure on staff salaries                  | 42,951,820        | 39,943,542        |
| Spending on meal vouchers                      | 2,666,672         | 2,868,458         |
| Expenditure on insurance and social protection | 1,976,793         | 10,326,734        |
| <b>Total</b>                                   | <b>47,595,285</b> | <b>53,138,734</b> |

As of December 31, 2018, out of the total amount of 47,595,285 were deducted the salary expenses related to the proceeds from the production of immobilizations, according to the provisions of the Order 2844/2016, for the amount of 92,424 lei. See also the note on other income.

As at 31 December 2017, out of the total amount of 53,138,734 were deducted the salary expenses related to the proceeds from the production of immobilizations, according to the provisions of Order 2844/2016, for the amount of 94,806 lei. See also the note on other income.

Amounts granted to key management personnel, CA members and directors were as follows (gross amounts) and are included in the amounts presented above:

|                                | <b>2018</b>      | <b>2017</b>      |
|--------------------------------|------------------|------------------|
| Wages and salaries - directors | 2,086,440        | 2,284,725        |
| Other long-term benefits       | -                | 33,396           |
| BD indemnity                   | 238,595          | 194,350          |
| <b>Total</b>                   | <b>2,325,035</b> | <b>2,512,471</b> |

The Company did not grant credits or advances to members of the administration, management or supervisory bodies in 2018 and 2017.

On December 31, 2018, the management of COMELF SA had the following composition:

- Members of the Board of Directors of the Company:

Savu Constantin chairman  
 Babici Emanuel member  
 Mustata Costica member  
 Maistru Ion, member  
 Parvan Cristian member

- Members of the Executive Board of the Company:

Cenusa Gheorghe General Manager  
 Pop Mircea Deputy General Manager  
 Tatar Dana Financial Manager  
 Marica Ioan AQE Manager  
 Barbuceanu Florentin Managing Director of the factory  
 Viski Vasile Managing Director of the factory

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

Oprea Paul Managing Director of the factory

On December 31, 2017, the management of COMELF SA had the following composition:

- Members of the Board of Directors of the Company:
  - Savu Constantin chairman
  - Babici Emanuel member
  - Mustata Costica member
  - Maistru Ion, member
  - Parvan Cristian member
- Members of the Executive Board of the Company:
  - Cenusa Gheorghe General Manager
  - Pop Mircea Deputy General Manager
  - Tatar Dana Financial Manager
  - Souca Nicoleta AQE Manager
  - Barbuceanu Florentin Managing Director of the factory
  - Timofte Antoniu Managing Director of the factory
  - Viski Vasile Managing Director of the factory
  - Oprea Paul Managing Director of the factory

**18. Transport costs.**

This position includes:

|   | <b>2018</b>      | <b>2017</b>      |
|---|------------------|------------------|
| Raw materials transport costs                     | 843,743          | 1,269,078        |
| Expenditure on the transport of finished products | 5,926,893        | 6,808,686        |
| Expenditure on employees shuttling                | 519,735          | 197,784          |
| Other transport costs                             | 3,248            | 5,981            |
| <b>Total</b>                                      | <b>7,293,619</b> | <b>8,281,529</b> |

**19a. Other expenditure related to income**

|   | <b>2018</b>       | <b>2017</b>       |
|---|-------------------|-------------------|
| Maintenance and repair costs                            | 839,005           | 882,165           |
| Rental expenses   | 545,921           | 792,204           |
| Expenditure on insurance                                | 460,370           | 317,732           |
| Expenses contributors                                   | 25,645            | -                 |
| Expenditure on commissions and fees                     | 947,365           | 1,789,524         |
| Protocol expenses                                       | 119,744           | 156,477           |
| Expenditure on travel, postings and transfers           | 302,667           | 405,012           |
| Postage and telecommunication charges                   | 85,076            | 102,165           |
| Expenditure on banking and similar services             | 226,454           | 199,636           |
| Other expenditure on services rendered by third parties | 11,377,304        | 11,588,343        |
| Expenses with other taxes and fees                      | 1,443,083         | 1,188,764         |
| <b>Total</b>  | <b>16,372,634</b> | <b>17,422,022</b> |

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

Of the total amount of 16,372,634 lei (December 2018), other expenditures on services rendered by third parties related to the proceeds from the production of immovable assets, according to the provisions of Order 2844/2016, were reduced for the amount of 301,539 lei. See also the note on other income.

Of the total amount of RON 17,422,022 (December 2017), other expenditures on services rendered by third parties related to the proceeds from the production of immovable assets, according to the provisions of Order 2844/2016, were reduced for the amount of 962,883 lei. See also the note on other income.

**19b. Other expenses**

|              | <b>2018</b>      | <b>2017</b>    |
|--------------|------------------|----------------|
| <b>Total</b> | <b>6,935,466</b> | <b>674,985</b> |

As at 31.12.2018 the position includes: damages worth RON 5,573,477 paid by the Company in the DIICOT file, amounts previously provided and which, at the moment of actual payment, at the initiative of the Company (February 2018) were recognized as Expenditures with indemnities, in while the provision made was reversed; 1,311,935 lei represents commercial penalties, some of them being provided at the end of 2017, part for which the provision was reversed and their recognition in penalties of the period; 47,558 lei represents donations and sponsorship expenses; 3,634 MDL represents expense with ceded assets.

At 31.12.2017 the position includes the amount of 452,067 lei, representing commercial penalties; 188,477 lei represent donations and sponsorships; the difference is other current operating expenses.

**20. Profit tax**

The Company's current income tax at 31 December 2018 is determined at a statutory 16% rate based on IFRS profit.

The income tax expense for the year ended 31 December 2018 and the year ended December 31, 2017 is detailed as follows:

|   | <b>2018</b>    | <b>2017</b>    |
|---|----------------|----------------|
| Current tax on current income tax       | 406,165        | 413,687        |
| (Income) / deferred tax expense expense | -              | -              |
| <b>Total</b>                            | <b>406,165</b> | <b>413,687</b> |

Reconciliation of profit before tax with the expense charge with the income statement in the income statement:

| <b>Reconciliation of profit tax</b>                                | <b>2018</b>      | <b>2017</b>      |
|--|------------------|------------------|
| Profit of the period   | 2,815,330        | 3,341,131        |
| Total corporate income tax expense                                 | 406,165          | 413,687          |
| Profit before tax  | <b>3,221,495</b> | <b>3,754,818</b> |
| The local tax rate of the entity                                   | 16%              | 16%              |
|  | <b>515,439</b>   | <b>600,771</b>   |
| <b>The profit tax calculated using the entity's local tax rate</b> |                  |                  |
| Influence of deductible legal reserves created during the period   | -                | -15,538          |

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

|  |                |                |
|--|----------------|----------------|
| Influence of reserves created on the reinvested income tax-exempt                              | -              | -              |
| Influence of non-taxable income  | -1,152,836     | -182,193       |
| Influence of items similar to income: revaluation differences became taxable                   | 413,271        | 413,271        |
| Influence of non-deductible expenses   | 1,091,896      | 217,386        |
| Minus amounts representing sponsorship   | -44,503        | -206,739       |
| <b>Profit tax calculation for the period, of which:</b>  | <b>819,436</b> | <b>826,958</b> |
| Income tax directly recorded in equity, related to revaluation differences that became taxable | 413,271        | 413,271        |
| Profit tax recorded on expense   | 406,165        | 413,687        |

**21. Provisions for risks and expenses**

As of December 31, 2018, the Company has provisions for risks and expenses amounting to RON 1,506,352 (RON 8,619,880 at 31 December 2017). Their synthetic situation is presented below:

|                                      | Provision<br>for<br>warranties | Pension<br>provision | Provision<br>for<br>litigation | Other<br>Provisions | Total            |
|--------------------------------------|--------------------------------|----------------------|--------------------------------|---------------------|------------------|
| <b>Balance at 01 January 2018</b>    | <b>0</b>                       | <b>382,300</b>       | <b>0</b>                       | <b>8,237,580</b>    | <b>8,619,880</b> |
| Established during the period        | 0                              | 0                    |                                | 2,336               | 2,336            |
| Used during the period               | 0                              | 192,241              | 0                              | 0                   | 192,241          |
| Claims on debt receivables (ct 2968) | 0                              |                      |                                |                     | 0                |
| Resumed during the period            | 0                              | 0                    | 0                              | 6,923,623           | 6,933,375        |
| <b>Balance at December 31, 2018</b>  | <b>0</b>                       | <b>190,059</b>       | <b>0</b>                       | <b>1,316,293</b>    | <b>1,506,352</b> |

|            |   |         |   |           |           |
|------------|---|---------|---|-----------|-----------|
| Long-term  | 0 | 190,059 | 0 | 0         | 190,059   |
| short term | 0 | 0       | 0 | 1,316,293 | 1,316,293 |

- **Pension provisions amounting to 190.059 lei (31 December 2017: 382.300 lei).**

Under the collective labor contract, the Company provides cash benefits based on seniority in working for retirement for employees. The provisioned amount was calculated taking into account the amount to be retired according to the age of the company, the time to retirement for each employee adjusted with the average turnover of the Company's personnel during the last 5 years and 19.33% respectively.

- **Other provisions amounting to RON 1,316,293 (December 31, 2017: 8.237.580 lei) comprise :**
  - The provision for the redemption of pension insurance policies for the amount of 1,313,957 lei, are loyalty retirement rights of the COMELF employees, granted on the basis of the law and the Collective Labor Agreement, to be paid to the employees (short term) .

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

Deferred tax liabilities at 31 December 2018 are derived from the items detailed in the following table:

|   | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|---|--------------------------|--------------------------|
| Deferred tax receivables  | -                        | -                        |
| Deferred tax liabilities for reserves made from reinvested earnings                               | (922.602)                | (1.132.973)              |
| Deferred tax liabilities related to the revaluation differences of property, plant and equipment. | (9.183.135)              | (9.386.036)              |
| <b>Deferred tax, net</b>  | <b>(10.105.737)</b>      | <b>(10.519.009)</b>      |

**23. Deferred income**

1) In 2010, the Company concluded with the Ministry of Economy, Commerce and Business Environment ("the Ministry") the financing contract no. 3131/230303, the object of which is the granting of the non-reimbursable financial aid from the state budget through the "Program for increasing the competitiveness of industrial products" administered by the Ministry for the implementation of the project "Assimilation of advanced technologies for processing of wind carcasses, turbines and compressor units, process chambers in the photovoltaic cell line manufacturing lines with state-of-the-art numerical control equipment using CNC boring machine with continuously indexable machining head in SC Comelf SA." The total cost of the project was 1,991,488 lei, out of which the state aid was 836,760 lei. The State aid amount was recognized by the Society as a government subsidy and amortized over a period of approximately 11 years.

The objectives of state aid were to modernize existing products, to achieve new products, to increase productivity, to reduce energy consumption, to reduce consumption of materials, to optimize the decision, to protect the environment, to ensure quality, to achieve the objectives of the Company.

2) The company received a government subsidy in 2013 in the amount of 16,848,613 lei within the project "Fundamental change of the production flows and the introduction of new technologies with the aim of increasing the productivity and competitiveness on the internal and external market of SC COMELF SA". The Government grant was conditioned by the contribution of the Beneficiary amounting to 27,635,774 lei out of which the eligible value was 16,848,613 lei, the difference being an ineligible value, including VAT under the project, during the implementation period of the project that was 24 months from on 04.02.2013.

In 2018, the Company resumed the amount of 1,579,729 lei (2017: 1,966,292 lei) representing subsidy amortization.

2) The company signed in 2018 (03.05.2018) a financing contract within POIM, with the purpose of granting a non-reimbursable grant to AM POIM for the implementation of the project "Smart Metering Utilities Applications", total value of the financing contract is 1,072,188.43 lei, of which the non-reimbursable financing is worth 900,988.68 lei. During the year 2018, subsidies amounting to 282,755 lei were collected, of which one is found in immovable assets in the course of 45.051 lei and one part is found in receivables, respecting the advance payment of immovable property providers 237,703 lei. During 2018, there was no income from subsidies under this project because the investment was not completed and thus does not generate any costs.

The accounting policies adopted are presented in Note 3.

**24. Output per share**

The calculation of the earnings per share base was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares:

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

|  | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|--|--------------------------|--------------------------|
| Profit attributable to ordinary shareholders | 2,815,330                | 3,341,131                |
| Weighted average number of ordinary shares   | 22,476,423               | 22,476,423               |
| <b>The result per basic action</b>           | <b>0.13</b>              | <b>0.15</b>              |

The diluted earnings per share is equal to the earnings per share, as the Company has not registered potential ordinary shares.

**25. Net financial expenses**

The financial elements are as follows:

|  | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|--|--------------------------|--------------------------|
| Interest income                        | 8,471                    | 5,620                    |
| Income from exchange rate fluctuations | 1,857,332                | 2,899,674                |
| Other items of financial income        | 134,721                  | -                        |
| <b>Total financial income</b>          | <b>2,000,524</b>         | <b>2,905,294</b>         |
| Interest expenses                      | (330.242)                | (360.546)                |
| Exchange rate differences              | (2.213.287)              | (3.785.780)              |
| Other items of financial expenses      | (102.034)                | (483.651)                |
| <b>Total financial expenses</b>        | <b>(2.645.563)</b>       | <b>(4.629.977)</b>       |

Income and expenses from foreign exchange differences refer to the following positions in the financial statements: short-term and long-term loans: net amount of - RON 204,093 (expense), clients: net amount of expenses - 277,331 lei, available: net amount income of 125,469 lei, and other smaller amounts for other positions.

Other items of income and financial expenses represent revenues from the liquidation of Comelf Energy, respectively 134,721 lei (historical cost 66,600 lei) and other financial expenses include expenses with discounts granted for receipts from clients before the contractual term

**26. Commitments and contingent liabilities****(a) Environmental contingencies**

Environmental regulations are under development in Romania, and the Company has not made any commitments on 31 December 2018 for any anticipated costs, including legal fees and consultancy, site studies, design and implementation of remediation plans, concerning environmental elements.

The Company's management does not consider the costs associated with potential environmental problems to be significant.

**(b) Transfer price**

According to Order 442/2016 the category of large taxpayers that exceed the following value thresholds in the transactions with related parties:

- EUR 200,000 in the case of interest received / paid for financial services, calculated at the exchange rate communicated to the National Bank of Romania valid for the last day of the fiscal year;

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

- EUR 250,000 in the case of transactions for services rendered / rendered, calculated at the exchange rate communicated by the National Bank of Romania valid for the last day of the fiscal year;
- EUR 350,000 in the case of purchases / sales of tangible or intangible assets, calculated at the exchange rate communicated by the National Bank of Romania valid for the last day of the fiscal year.

have the obligation to prepare the transfer price file and to make it available to tax authorities upon request within 10 days from the date of request by the authorized tax authority.

Comelf SA has prepared the transfer pricing dossier for 2017, and will make an update for 2018.

**27. Transactions and balances with affiliated parties**

Affiliated parties as well as a brief description of their activities and their relationship with the Society are as follows:

Transactions with the companies within the group are made on the basis of commercial framework contracts in which the rights and obligations of each party are stipulated, specifying the type of contract:

- commission contract, consulting contract.

The rights and obligations of the parties are well defined by the contractual clauses, and the possible litigation is within the competence of the International Arbitraj Court adjacent to the Chamber of Commerce and Industry of Romania.

Transactions between parties will be based on the principle of uncontrolled competition.

Under the framework contract, firm orders are issued, the finality of which is monitored in order to fully respect the contact clauses.

| <b>Affiliate part</b>           | <b>Activity</b>  | <b>Description of affiliation type</b> |
|---------------------------------|--|--|
| Uzinsider SA                    | Consulting services  | Uzinsider SA is a majority shareholder |
| Uzinsider Techo SA              | Acquisition of steel plates and sections<br>Sale of central heating products |  |
| Uzinsider General Contractor SA | Collaboration on turnkey jobs  |  |
| Promex SA                       | Collaborations in subassembly manufacturing                                  |  |
| 24 Ianuarie SA                  | Collaborations in subassembly manufacturing                                  |  |
| Uzinsider Engineering SA        | Providing services   |  |

The other companies are related to Comelf SA due to a combination of joint management and / or persons who are also shareholders of other companies.

**a) Claims and debts with affiliated parties**

On December 31, 2018 and December 31, 2017, receivables from affiliated parties are as follows:

| <b>Claims to</b>   | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|--------------------|--------------------------|--------------------------|
| Uzinsider Techo SA | 2,573,570                | 2,558,746                |

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

|                                 |                  |                  |
|---------------------------------|------------------|------------------|
| Uzinsider General Contractor SA | 366,790          | 328,725          |
| Promex SA                       | 322,066          | 468,918          |
| 24 Ianuarie SA                  | 31,481           | -                |
| <b>Total</b>                    | <b>3,293,907</b> | <b>3,356,389</b> |

On 31 December 2018 and 31 December 2017, debts to affiliated parties are as follows :

| <b>Debt to</b>                  | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|---------------------------------|--------------------------|--------------------------|
| Uzinsider SA                    | 425,171                  | 243,103                  |
| Uzinsider Techo SA              | 167,945                  | 189,820                  |
| Uzinsider General Contractor SA | 310,582                  | 18,910                   |
| Promex SA                       | -                        | -                        |
| 24 Ianuarie SA                  | -                        | -                        |
| Uzinsider Engineering SA        | -                        | -                        |
| <b>Total</b>                    | <b>903,698</b>           | <b>451,833</b>           |

**b) Transactions with affiliated parties**

Sales of goods and services to affiliated parties are made at prices similar to those in contracts with external beneficiaries, as follows:

| <b>Sales in year ended at:</b>  | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|---------------------------------|--------------------------|--------------------------|
| Uzinsider Techo SA              | 4,275,779                | 14,245,485               |
| Uzinsider General Contractor SA | 2,273,202                | 434,849                  |
| Promex SA                       | 514,267                  | 602,140                  |
| 24 Ianuarie SA                  | 26,454                   | 436,082                  |
| Uzinsider Engineering SA        | -                        | -                        |
| <b>Total</b>                    | <b>7,089,702</b>         | <b>15,718,556</b>        |

Acquisitions from affiliated parties were made at the acquisition value according to the contracts, as follows:

| <b>Acquisitions in year ended at:</b> | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|---------------------------------------|--------------------------|--------------------------|
| Uzinsider SA                          | 817,152                  | 817,152                  |
| Uzinsider Techo SA                    | 340,937                  | 2,564,714                |
| Uzinsider Engineering Galati          | 11,598                   | -                        |
| Uzinsider General Contractor SA       | 2,094                    | -                        |
| Promex SA                             | 339,240                  | -                        |
| 24 Ianuarie SA                        | -                        | -                        |
| <b>Total</b>                          | <b>1,511,021</b>         | <b>3,381,866</b>         |

The payment of the dividends due to Uzinsider SA Bucharest was carried out in full during the year 2018 (Note 12 (c))

There were no excesses of the contract deadlines, no impairment of these transactions during the exercise was recognized.

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS**

*(All amounts are expressed in LEI, unless otherwise indicated)*

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The general terms and conditions set out in the dealings with affiliated parties are as follows: payment terms 60-90 days, methods of payment with payment orders and compensation, no guarantees are lodged, and there are no penalties for their non-payment.

**28. Capital commitments**

Procurement commitments for 2018 are limited to their own sources of funding and are estimated at € 0.75 million.

**29. Reporting on business segments**

The productive activity of the Company takes place within the factories organized on profit centers:

- Stainless Steel Products Factory ("FPI")
- Factory Equipment and Terrain Equipment, Filters and ElectroFilters ("FUET")
- Component and Terrain Factory ("TERRA")

The Company's activity involves exposure to a number of inherent risks. These include economic conditions, changes in legislation or tax rules. A variety of measures are taken to manage these risks. At the Company level, a risk reporting system is in place to identify current and potential obligations and to facilitate timely action. Insurance and taxation are also managed at Company level.

The Company regularly carries out actions to identify and monitor ongoing litigation and lawsuits.

The essential decisions are taken by the Board of Directors. Operating segments are managed independently, as each is a strategic unit with different products:

- FPI - the most important products are: stainless steel (equipment for gas turbine power plants, wind turbine components, components for freight wagons, combustion air filter components) and carbon steel (equipment for gas turbine power plants, turbine chassis, compressors, generators, conveyor belts, components for transport, installation and equipping of wind installations, components for handling machines for transcontainers);
- FUET - the most important products are: shipbuilding equipment, asphalt station filters, freight wagon components, asphalt cutter components, excavator components, engine carcasses and electric generators, industrial gas desulphurisation equipment, power plant equipment with gas turbines, sewage treatment and purification equipment, hydromechanical and hydropower equipment, technological equipment;
- TERRA - the most important products are: (crushers, asphalt pavers), components for terrestrial machines (chassis, arms, frames), mobile presses for compaction of car bodies, fixed presses and components for compaction of metal waste, telescopic cranes, subassemblies for dumpers great tonnage.

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)***Reporting on operating segments**

|                                    | FPI               |                   | FFE*     |                   | FUET*             |                   | TERRA             |                   | Center           |                  | Total              |                    |
|------------------------------------|-------------------|-------------------|----------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|--------------------|--------------------|
|                                    | 2018              | 2017              | 2018     | 2017              | 2018              | 2017              | 2018              | 2017              | 2018             | 2017             | 2018               | 2017               |
| External revenue to the segment    | 49,460,240        | 54,713,421        | -        | 27,808,012        | 66,609,819        | 61,022,454        | 32,935,332        | 29,255,730        | 7,453,396        | 7,670,931        | 156,458,787        | 180,470,548        |
| <b>Total segment revenue</b>       | <b>49,460,240</b> | <b>54,713,421</b> | <b>-</b> | <b>27,808,012</b> | <b>66,609,819</b> | <b>61,022,454</b> | <b>32,935,332</b> | <b>29,255,730</b> | <b>7,453,396</b> | <b>7,670,931</b> | <b>156,458,787</b> | <b>180,470,548</b> |
| Net financial costs                | -277,610          | -695,857          | -        | -125,372          | -244,254          | -216,293          | -79,027           | -160,794          | -44,148          | -526,364         | -645,039           | -1,724,683         |
| Depreciation and depreciation      | 1,813,559         | 2,693,855         | -        | 1,325,533         | 2,994,538         | 2,719,131         | 1,875,963         | 2,486,058         | 1,040,116        | 1,247,725        | 7,721,176          | 10,472,302         |
| Profit tax expense                 | -                 | -17,413           | -        | -79,989           | -                 | -344,823          | -                 | -                 | -406,165         | 28,538           | -406,165           | -413,687           |
| Net result of the period           | -597,110          | 448,329           |          | 459,098           | 431,195           | 2,027,820         | -398,349          | -1,231,284        | 3,379,594        | 1,637,168        | 2,815,330          | 3,341,131          |
| Segment assets                     | 45,375,206        | 43,792,467        | -        | 28,002,673        | 71,298,217        | 56,038,938        | 39,282,885        | 36,363,184        | 9,451,352        | 4,670,745        | 165,407,657        | 168,868,007        |
| Investments in Associated Entities |                   |                   |          |                   |                   |                   |                   |                   | 0                | 199,972          | 0                  | 199,972            |
| Segment debts                      | 32,300,112        | 29,907,442        | -        | 18,771,031        | 42,831,942        | 36,000,827        | 28,370,002        | 26,283,238        | -10,031,976      | -12,949,500      | 93,470,080         | 98,013,038         |

\* In 2018, as of 01.06.2018, the FFE factory merged with the FUET plant, the new entity named FUET. In the above situation, the FFE independently reported the results of 2017 and the results of 2018 made by FFE are cumulative with those of the entity that absorbed it, respectively FUET.

All amounts presented as a total correspond to the amounts presented in the financial statements, without the need for conciliation.

The total revenue of the segment corresponds to the position of income plus other income, and other positions with similar positions in the financial statements.

**COMELF SA****NOTES TO INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31 DECEMBER 2018 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

In the total operating revenues of the segment in the amount of 156,458,787 lei (year 2018) and 180,470,548 lei (year 2017) the major types of products and services are the following:

|   | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|---|--------------------------|--------------------------|
| Equipment energy industry and components                              | 58,946,296               | 106,477,623              |
| Terrain equipment and components                                      | 73,018,357               | 57,750,576               |
| Environmental protection equipment<br>(Ut.refractor, water, chemical) | 11,570,361               | 5,414,117                |
| Lifting and handling equipment  | 8,912,305                | 9,023,527                |
| Technological equipment (metallurgy)                                  | 469,069                  | -                        |
| Manufacture of rolling stock  | 2,501,700                |                          |
| Other types   | 1,037,699                | 1,804,705                |
| <b>TOTAL</b>  | <b>156,458,787</b>       | <b>180,470,548</b>       |

The company's total revenue can be broken down by geographic area as follows:

|                             | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|-----------------------------|--------------------------|--------------------------|
| Income from Romania         | 10,726,945               | 14,072,642               |
| Venituri din afara Romaniei | 145,731,842              | 166,397,906              |
| <b>TOTAL</b>                | <b>156,458,787</b>       | <b>180,470,548</b>       |

By contracting policy we avoided being significantly addicted to a single beneficiary. Our clients are world-renowned firms, the company's policy is to develop business relationships with strong firms that provide the basis for a secure and forward-looking collaboration. The main countries of origin of these clients are: ITALY, GERMANY, SWEDEN, NORWAY, AUSTRIA, NETHERLANDS, SWITZERLAND, ENGLAND, FRANCE.

The main clients with a turnover in excess of 10% of the related revenues and the segment of activity where these revenues are included are the following:

| Partner | Share in revenue<br>(> 10%) | Income     | Segment including revenue  |
|---------|-----------------------------|------------|--|
| Siemens | 19,51%                      | 29,605,492 | Equipment and components for power-generating industry: FPI-FUET-FCT-FFE |
| Komatsu | 17,56%                      | 26,653,446 | Earth-moving machines and components: FUET                               |

**30. Events after the date of the financial position statement:**

There are no significant events to report.

**31. Approval of financial statements**

The financial statements were approved by the CA and published on the website on 19.03.2019.

Cenusa Gheorghe  
General Manager Financial Manager

Tatar Dana

## Declaration

We, the writers of this Declaration Mr. Gheorghe Cenusa –general manager and Mrs.Dana Tatar – financial manager, declare that the financial reports for 2018 have been prepared according to the applicable accounting standards, they offer an accurate and true image regarding the assets, liabilities, financial position and the comprehensive income.

The Report of COMELF SA Managing Board presents an accurate review of the Company's development and performance, as well as an outline of the main risks and uncertainties specific to the activities we perform.

General manager,  
eng. Gheorghe Cenusa

Financial manager,  
ec. Dana Tatar

**COMELF SA  
BISTRITA**

# **INDEPENDENT AUDITOR'S REPORT**

**AS AT DECEMBER 31, 2018**

**G5 CONSULTING (LTD)**

Registered at the Financial Auditors Chamber of Romania

Authorization no. 223/02.07.2002



**Sediu:** Dej, str. A. Russo, nr. 24/2  
T./F. +40 264 214434

**Punct de lucru:** Cluj-Napoca, str. Horea 6/15  
T./F. +40 264 433611

email: office.g500@yahoo.com  
web: www.proceduriamit.ro

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of COMELF S.A.

Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of the company COMELF SA, which comprise the statement of financial position as at December 31, 2018 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year that ended, and notes to the financial statements, including a summary of significant accounting policies.

The individual financial statements mentioned refer to:

|                                       |                        |
|---------------------------------------|------------------------|
| Total assets                          | <b>165.407.657 lei</b> |
| Total liabilities and equity          | <b>71.937.578 lei</b>  |
| Profit and other comprehensive income | <b>2.815.330 lei</b>   |

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company COMELF S.A. as at December 31, 2018 and its financial performance and its cash flows for the year that ended, in accordance with Order no. 2844 from December 12, 2016 for approval of accounting regulations in accordance with International Financial Reporting Standards (IFRS) applicable to companies whose securities are admitted to trading on a regulated market and the requirements of the Law. 82/1991.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole. Our

opinion on the financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.

In accordance with ISA 701, at least one key audit matter must be identified in an audit of annual financial statements of a listed company. Within our audit for the company COMELF S.A. for the year that ended December 31, 2018, the key audit matters that we took into consideration were those situations that required complex management estimates and increased attention from us:

- Provisions for retirement;
- Recognition of revenue.

The above mentioned items do not represent all the risks we identified.

In the following we have established also how we have adapted our audit to address these specific areas in order to provide an opinion on the financial statements as a whole.

## Key audit matters

## The way our audit addressed the key audit matters

### *Provisions for retirement*

Under the collective labour agreement, the company has stipulated that, upon retirement, employees who meet certain seniority conditions and who retire from the company are entitled to a fixed amount of money that is granted only once.

According to IAS 19 *Employee Benefits* and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, for these amounts, which are considered as post-employment benefits, the amount that will result in resource outflows at a later date **should be estimated**.

The company updated the rate for the estimation and used the staff turnover fluctuation factor. In accordance with IAS 8 this is a change in accounting estimates. Due to these facts, we considered this to be a key aspect of the audit at 31.12.2018.

In order to address the risk of estimating the amount of provisions that must be created, our procedures have included the following:

- we requested and consulted the updated collective labour agreement;
- we asked for the fluctuation of personnel from the human resources department over the past 5 years;
- we reviewed the table with existing employees as of December 31, 2018, prepared by the finance and accounting department, which includes the calculation method;

### *Recognition of revenues from construction contracts*

Starting January 1, 2018, the company applies IRFS 15 "Revenue from Customer Contracts". Under the new standard, revenue recognition principles change, and the

To address this key issue, our procedures consisted of:

- we have requested consultations of the contracts with clients to establish recognition conditions in accordance with IFRS 15;

impact can be significant.

At 31 December 2018, in addition to the accounts representing the company's turnover, there were material revenue accounts 7584 "Subsidy income" and 7812 "Income from provisions".

Due to the reasoning that the management of the company needed to apply in the above mentioned situations we consider that this are key audit matters.

- we identified the typology of execution obligations at Comelf S.A. these are time-bound execution obligations, and they are firm and specific contracts for each client, so implementation of the new standard did not have a strong impact on revenue recognition in customer contracts.

- for revenue recognition of 7548 and 7812 we have conducted analytical procedures and detailed tests; we requested the status of the fixed assets purchased from the project and for which amortization is recorded resulting in the recording of income from account 7584; We requested supporting documents for the recording of revenue from provisions.

We addressed these key audit matters through appropriate testing and expanding investigations on the topics presented, through discussion with the management and the finance and accounting department.

### **Other information**

Management is responsible for other information. These include information regarding the administrators' report and the non-financial statement.

The administrators are responsible for preparing and presenting the administrators' report in accordance with the requirements of Order 2844/2016 for the approval of Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, Section 3, Chapter 6, paragraphs 34-36, which are free from material misstatements and for such internal control as management determines is necessary to enable the preparation of an administrators' report free from material misstatement, whether due to fraud or error.

According to point 39 from OMFP 2844/2016, entities whose average number of employees exceeds 500 include a non-financial statement in the administrators' report.

The administrators' report including the non-financial statement is presented on pages 1 to 30 and is not part of the individual financial statements.

Our opinion on the individual financial statements does not cover administrators' report.

With respect to our audit of the individual financial statements, we have read the administrators' report attached to the individual financial statements and presented on pages 1 to 30 and we report that:

- a) The administrators' report does not contain information that is not consistent, in all material respects, with the information presented in the accompanying individual financial statements. However, we note that the differences between the revenue reported through the profit and loss statement and the revenue reported in the administrator's report are due to the requirements of Order 2844/2016, as financial statements to offset the revenue amounts related to the production of property to

related expenses. The administrator's report presents this revenue without being offset.

- b) The administrators' report identified above includes, in all material respects, the information required by the Order 2844/2016, Section 3, Chapter 6, paragraphs 34-37.
- c) Based on our knowledge and understanding acquired during the audit of the individual financial statements for the year ended December 31, 2018 on COMELF S.A. and its environment, we have not identified information in the administrators' report to be significantly altered.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Order no. 2844 of December 12, 2016 for the approval of Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market and the requirements of the Law 82/1991 and for such internal control as management determines is necessary to enable the preparation of financial statements free of material misstatement, whether due to fraud or error.

In preparing financial statements, management is responsible for assessing the Company's ability to carry on its business, presenting, if any, aspects regarding business continuity and using business continuity accounting, unless management either intends to liquidate the Company or shut down operations, or has no realistic alternative outside of those.

The persons responsible with governance are responsible for overseeing the financial reporting of the Company.

### **Auditor's Responsibilities for the Audit of Financial Statements**

The objectives of our audit 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 auditor's 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 on the basis of these financial statements.

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

- ✓ 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.

- ✓ 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 entity's internal control.
  - ✓ Evaluate 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 management's use of business continuity accounting and determine, based on the audit evidence we 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 a material uncertainty exists, we should draw attention in the auditor's report on related financial statement presentations or, if such disclosures are inadequate, to change our opinion. Our conclusions are based on the audit evidence obtained until the auditor's report. However, future events or circumstances may cause the Company to no longer operate by the continuous activity principle.
  - ✓ 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.
- ✗ We are required to communicate with those responsible for 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.

We are also required to provide those responsible for governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Among the issues communicated to those responsible for governance, we establish what are the most important issues for the audit of the current financial statements and which are therefore key audit matters. We describe these issues in the auditor's report, unless there are laws or regulations prohibiting public disclosure of appearance, or where, in extremely rare circumstances, we consider that it should not be communicated in our report because it is reasonably expected that public interest benefits may be overcome by the negative consequences of this communication.

### **Other aspects**

This Independent Auditor's Report is addressed solely to the Company's shareholders as a whole. Our audit was conducted in order to report to the Company's shareholders those matters that we need to report in a financial audit report and not for other purposes. To the extent permitted by the law, we do not accept or assume responsibility only to the Company and its shareholders as a whole, regarding our audit, for this report and for our opinion.

Audit engagement partner having completed the independent auditor's report is:

Mr. POPA Ioan, financial auditor

Registered at the Financial Auditors Chamber of Romania under no.1014/2001

for and on behalf of S.C. G5 CONSULTING S.R.L.

Registered at the Financial Auditors Chamber of Romania, authorization no. 223/02.07.2002

Auditor's address:

G5 CONSULTING S.R.L.

24 Alecu Russo St. Apt. 2

Dej CJ 405200

Romania

Reg. Com.: J12/943/2002; TIN: RO14650690

Tel/Fax: +(40) 264 214434

Mobile: +(40) 744 583031

Email:office.g500@yahoo.com



Cluj-Napoca, 25.03.2019