

**Q3 2019 REPORT**  
(according to ASF Regulation no. 5/2018, Annex 13B)

Report date: **November 15, 2019**

Company name: **S.C. RETRASIB S.A.**

Registered Office: **Sibiu, 156 Ștefan cel Mare Street, Sibiu County**

Telephone number: **0269253269; Fax 0269253279**

Unique taxpayer reference from the Trade Registry Office: **RO 3906360**

Registration number at the Trade Registry: **J 32/16/1993**

Subscribed and paid share capital: **10.001.205,40 lei, nominal value 0,10 lei**

Regulated market where issued securities are traded: **Bucharest Stock Exchange, ticker symbol RTRA**

## Introduction

S.C. RETRASIB S.A. Sibiu Company was established under the Government Decision 322/92 by detaching from RENEL-FRE Sibiu the department of equipment repairs and manufacturing of specific products for the electrical energy sector. It operates as joint stock company according to the Law no. 31/1990 republished, as subsequently amended and supplemented. The core business is provided in art. 6 of the Company's Articles of Incorporation and as per NACE Classification, the main business is "Manufacture of electric motors, generators and transformers" – NACE Code 2711.

Within S.C. RETRASIB S.A. Sibiu, the accounting is organized into a distinct department and is compliant with the provisions of the Accounting Law no. 82/1991, the Order of the Ministry of Public Finance no. 881/2012 on application by companies whose securities are admitted for trading on a regulated market of the International Financial Reporting Standards and the Order of the Ministry of Public Finance no. 1286/2012 for approving the Accounting Regulations in accordance with the International Financial Reporting Standards applicable to companies whose securities are admitted for trading on a regulated market.

### I. ECONOMIC-FINANCIAL STATEMENT

#### a) Balance sheet elements

- lei-

	01.01.2019	30.09.2019	Δ% 30.09.2019/ 01.01.2019
<b>FIXED ASSETS</b>	<b>38.976.089</b>	<b>42.840.885</b>	<b>9,92%</b>
CURRENT ASSETS			
INVENTORIES	11.776.524	10.479.662	-11,01%
ACCOUNTS RECEIVABLES	41.352.629	68.849.738	66,49%
SHORT TERM FINANCIAL INVESTMENTS	-	-	-
CASH AND CASH EQUIVALENTS	212.503	67.759	-68,11%
<b>TOTAL CURRENT ASSETS</b>	<b>53.341.656</b>	<b>79.397.159</b>	<b>48,85%</b>
ADVANCE PAYMENTS	85.390	281.703	229,90%
<b>DEBTS DUE WITHIN ONE YEAR</b>	<b>103.957.460</b>	<b>133.780.320</b>	<b>28,69%</b>
NET CURRENT ASSETS, RESPECTIVELY CURRENT LIABILITIES	-50.530.414	-54.101.458	7,07%
<b>TOTAL ASSETS MINUS CURRENT LIABILITIES</b>	<b>-11.554.325</b>	<b>-11.260.573</b>	<b>-2,54%</b>
<b>DEBTS DUE IN A PERIOD GREATER THAN 12 MONTHS</b>	<b>4.468.164</b>	<b>7.986.678</b>	<b>78,75%</b>
PROVISIONS FOR RISKS AND CHARGES	2.050.644	1.475.052	-28,07%
UNEARNED REVENUE	-	-	-
CAPITAL	29.287.757	29.287.757	0,00%
SHARE PREMIUM ACCOUNT	-	-	-
REVALUATION RESERVES	10.661.560	10.661.560	0,00%
RESERVES	4.730.542	4.730.542	0,00%
REPORTED RESULT EXCEPT THAT ARISEN FROM THE ADOPTION OF IAS 29	-31.981.955	-41.550.915	
REPORTED RESULT ARISEN FROM THE ADOPTION OF IAS 29	-21.202.077	-21.202.077	0,00%
NET PROFIT	-9.568.960	-2.649.170	
PROFIT ALLOCATION	-	-	-
OWNERS' EQUITY – TOTAL	-18.073.133	-20.722.303	
<b>TOTAL CAPITAL</b>	<b>-18.073.133</b>	<b>-20.722.303</b>	

By analysing the elements of the accounting balance sheet in comparison with the early 2019, the following can be observed:

- As at September 30, 2019 the company has in its patrimony fixed assets whose value amounts to 42,84 mill. lei, with an increase of 9,92% comparing with early 2019 (39 mil lei at 01.01.2019). During the first 9 months of 2019, fixed assets amounting to 5,47 mil lei have been put in operation. The share of fixed assets in total assets as at 30 September 2019 is 34,97%.
- The stocks recorded a decrease of 11,01% (10,48 mill. lei at 30.09.2019 vs. 11,78 mil lei at 01.01.2019), a decrease in stocks of raw materials and materials. The share of stocks in total assets as at 30 September 2019 is 8,55%.
- The receivables amount to 68,85 million lei, representing 56,19% of the total assets, while at the beginning of the year they amounted to 41,35 million lei, with an increase of 66,49% in first 9 month of the year. The Company applies "Percentage of completion" method, according to IAS 11. Of the total customers balance on September 30, 2019, 82,29% represents not due bills, while 8,37% exceeded 90 days.
- Cash and cash equivalents on September 30, 2019 amount to 0,07 mill. lei vs. 0,21 mill. lei at 01.01.2019. The highest share in this category is the current accounts in RON and in foreign currency.
- Advance expenses on September 30, 2019 amount to 282 thousand lei, compared to 85 thousand lei on January 01, 2019, the most important share is held by the Auto insurance, maintenance fee for BSE, taxes on buildings, land, car.
- Total current assets at 30.09.2019           79.397.159 lei  
Total current assets at 01.01.2019       53.341.656 lei.  
On September 30, 2019 the total current assets increase by 48,85% compared to the total current assets on January 01, 2019.
- Total current liabilities on 30.09.2019   133.780.320 lei  
Total current liabilities on 01.01.2019   103.957.460 lei.  
On September 30, 2019, the total current liabilities increased by 28,69% compared to the total of current liabilities on January 01, 2019.

Company's liabilities compared to the beginning of the year:

- lei-

Type of liability	Balance on January 01, 2019	Balance on September 30, 2019
1. Long- and medium-term leasing	4.468.164	7.986.678
2. Short-term bank loans	29.372.620	32.440.348
3. Bank interests	-	-
4. Other loans and financial liabilities	-	-
5. Debts towards companies within the group	23.972.446	24.420.654
6. Corporate tax	-	-
7. Commercial liabilities and advance payments	45.588.021	67.340.072
8. Personnel obligations and similar accounts	415.422	816.685
9. State budget obligations (salary tax, special funds, penalties, other liabilities) and social contributions	759.189	657.700
10. Other liabilities	3.849.762	8.104.861
<b>TOTAL</b>	<b>108.425.624</b>	<b>141.766.998</b>

- Total debts increased by 30,75% (141,8 mill.lei 30.09.2019 vs. 108,43 mill.lei as at 01.01.2019)
- The debts to suppliers represent 40,64 % out of the total debts and the advance payments from customers represent 6,86% out of the total debts. The balance of trade debts registered an increase of 47,71%, from 45,58 mill. lei on 01.01.2019, to 67,34 mill. lei on 30.09.2019.
- Provisions for risks and charges have been established, the balance on September 30, 2019 being 1,48 mil lei.
- Share capital equals 10 mill. lei, Adjustments to the share capital amount to 21 mill. lei and Other elements of capital are 1,75 mill. lei.

- Revaluation reserves add up to 10,66 mil lei, the last revaluation having been performed on December 31, 2017.
- The reserves amounting to 4,73 mil lei are composed of: revaluation of sold land 220 thousand lei, allocation of profit for 2009, 2010, 2011 and 2013 in amount of 4,51 mill. lei.
- At the end of the 9th month of 2019, a loss of 2,65 mill. lei has been recorded, whereas on January 01, 2019 the recorded loss amounted to 9,57 mill. lei.

#### b) Profit and loss account

	30.09.2018	30.09.2019	Δ% 2019/2018
<b>1. TURNOVER</b>	<b>90.018.658</b>	<b>109.071.638</b>	<b>21,17%</b>
<b>2. TOTAL REVENUES, OF WHICH:</b>	<b>92.107.937</b>	<b>111.912.584</b>	<b>21,50%</b>
OPERATING REVENUES	91.506.716	111.912.302	22,30%
FINANCIAL REVENUES	601.221	282	-99,95%
EXTRAORDINARY REVENUES	-	-	-
<b>3. TOTAL EXPENSES, OF WHICH:</b>	<b>95.712.026</b>	<b>114.561.754</b>	<b>19,69%</b>
OPERATING EXPENSES	93.143.213	112.320.456	20,59%
FINANCIAL EXPENSES	2.568.813	2.241.298	-12,75%
EXTRAORDINARY EXPENSES	-	-	-
<b>4. GROSS PROFIT OR LOSS(A) OF WHICH:</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>GROSS LOSS</b>	<b>3.604.089</b>	<b>2.649.170</b>	<b>-26,50%</b>

By reviewing the profit and loss account, the following can be observed:

- The turnover on September 30, 2019 amounts to 109,07 mill. lei, representing an increase by 21,17% compared to the corresponding period from the previous year.
- Total revenues amounted to 111,91 mill. lei, 21,50% more than in the similar period of 2018 (92,11 mill. lei). The highest share in total revenues is the operating income, namely 99,99%.
- Total expenditures registered an increase of 19,69% compared to the 9<sup>th</sup> month of 2018 (114,56 mill. lei in the year 2019 vs 95,71 mill. lei in the Q3 2018). Operating expenses represent 98,04% of total expenses.
- Financial income, mainly representing interests on bank accounts, decreased by 99,95%, from 601,22 thousand lei in Q3 2018, to 0,28 thousand lei in Q3 2019.
- Financial expenses decreased by 12,75% to 2,24 mill. lei at the end of the reporting period (2,57 mill. lei in the similar period of 2018)
- No extraordinary revenues and expenses have been recorded.
- The loss recorded at the end of the reporting period is of 2,65 mill. lei, 26,50% lower than on September 30, 2018 (3,60 mill. lei). The loss stems from the increase in the price of materials and the failure to cover all production capacity.

#### c) Cash-flow

In the first 9 months of 2019, compared to the beginning of the year, cash-flow has decreased with 0,145 mill. lei, liquid assets amounting to 0,21 mill. lei at the beginning of the year, and to 0,068 mill. lei on September 30, 2019.

## II. ANALYSIS OF COMPANY'S ACTIVITY

### 2.1. Uncertainty tendencies, elements, events or factors which influence or may influence the liquidity of the company, compared to the corresponding period from the previous year

In the first 9 months of 2019, the company's ability to cover current liabilities from current assets has been positive, the current liquidity ratio recording the 0,59 value, a relatively good value considering that the company's products have a long manufacturing cycle.

No uncertainty factors that could influence the company's liquidity have been identified.

### 2.2. Effects of capital expenses, current or anticipated, on the company's financial statement

In the first 9 months of 2019, investments for tangible fixed assets were made in the amount of 5,47 mill. lei, the source of financing being its own sources and bank loans.

The company has investments in progress on 30.09.2019 amounting to 1,99 mill. lei.

### 2.3. Economic events, transactions, economic changes which influence core activity revenues significantly

The main activity object of the company is the manufacture of electrical power transformers and of products specific to the energy sector.

Important project categories for 9 months of 2019:

- new transformers and components	-	106,54 mill. lei
- Services & and other revenues	-	2,53 mill. lei

Factors which influence core activity revenues significantly are:

- increase of prices for raw materials and materials
- competitors from the activity sector
- absence of orders on the entire production capacity
- financial strangling of the economy

### III. CHANGES INFLUENCING CAPITAL AND THE COMPANY'S MANAGEMENT;

3.1. There were no situations in which the company was faced to the impossibility of meeting its financial obligations.

3.2. On 30.09.2019 the shareholding structure was presented as follows:

Shareholder	Share number	%
SGB SMIT INTERNATIONAL GMBH	93.657.812	93,6465%
Natural persons	6.316.762	6,316%
Legal entities	37.480	0,0375%
<b>TOTAL</b>	<b>100.012.054</b>	<b>100%</b>

The company has concluded a Registry services agreement with SC Depozitarul Central SA Bucharest.

### IV. SIGNIFICANT TRANSACTIONS

By 30<sup>th</sup> of September 2019 the Company performed significant transactions with affiliated companies as follows:

	Purchase (RON)	Sales (RON)
STARKSTROM SGB	1.402.279	46.350.713
SGB - Smit Management GmbH	752.142	-
SGB – Smit GmbH	956.018	-
Royal TRANSFORMATOREN Smit BV	-34.707	250.889
TrafoProject	-	-
<b>Total from sales/purchases of goods and services</b>	<b>3.075.732</b>	<b>46.601.602</b>

We specify that the financial statements of SC RETRASIB SA on September 30, 2019 are not audited.

General manager,  
Gherghel-Diaconeasa Claudia-Adela

Financial manager,  
Panaitescu Roxana-Laura

**FINANCIAL AND ECONOMIC INDICATORS AT 30.09.2019**  
**According to Annex 13A of ASF 5/2018 Regulation**

$$1. \text{ Current liquidity asset} = \frac{\text{Current assets}}{\text{Current debts}} = 79.397.159 / 133.780.320 = 0,59$$

$$\text{Current liquidity indicator} = \frac{\text{Current assets}}{\text{Current debts}} = 79.397.159 / 121.630.320 = 0,65$$

Current liquidity is defined by ratio between the current assets and the current debts. To insure the possibility to payback the debts, the current liquidity must register high values. The value resulted (0,59), if we consider that the General Extraordinary Assembly Meeting from January 2017 has approved the capital increase where the resulted value is 0,65, so there is a corresponding degree of safety of payment of the debts, both for the banks and for the suppliers and for the state budget, considering the fact that company's products have a long manufacturing cycle.

$$2. \text{ Indebtedness indicator} = \frac{\text{Borrowed capital}}{\text{Own capital}} \times 100 = 7.986.678 / -20.722.303 \times 100 = -38,54\%$$

$$= \frac{\text{Borrowed capital}}{\text{Own capital}} \times 100 = 7.986.678 / -8.572.303 \times 100 = -93,17\%$$

The indebtedness value before capital increase is of -38,54%, where if considering the ongoing procedure of capital increase, the value resulted of -93,17% shows that the company relies more on own financing sources and may use borrowed resources for investments.

3. Rotation speed for client debit items =

$$\frac{\text{Client medium balance}}{\text{Turnover}} \times 270 = \frac{\left( \frac{\text{Balance beginning year} + \text{September balance}}{2} \right)}{\text{Turnover}} \times 270 =$$

$$= 23.014.305 / 109.071.638 \times 270 = 57 \text{ days}$$

Rotation speed for client debit items of 57 days shows that the company has greatly improved the collection of receivables.

$$4. \text{ Rotation speed for fixed assets} = \frac{\text{Turnover}}{\text{Fixed assets}} = 109.071.638 / 42.840.885 = 2,55$$

Rotation speed of fixed assets of 2,55 shows an efficient management of fixed assets, considering that the turnover considered is only for the first three quarters.

The company's financial statements at 30.09.2019 have not been audited.

General Manager,  
 Gherghel-Diaconeasa Claudia-Adela

Financial Manager,  
 Panaitescu Roxana-Laura

Entity: **RETRASIB SA**

County: Sibiu Locality: Sibiu Street: Ștefan cel Mare No.156 Telephone 0269253269

Trade Register Number: J 32/16/1993 Sole registration code: 3906360

Ownership: 34-Joint stock companies

Main activity (NACE code and name): 2711 – Manufacture of engines, generators and power transformers

<b>SITUATION OF ASSETS, DEBTS AND OWN EQUITY</b>			
on 30.09.2019			
Code 10			- lei -
Element description	Row no.	Balance on:	
		01.01.2019	30.09.2019
<b>A</b>	<b>B</b>	<b>1</b>	<b>2</b>
<b>A. IMMOBILIZED ASSETS</b>			
<b>I. INTANGIBLES</b>			
1. Development expenses (acc. 203-2803-2503)	01		
2. Concessions, patents, licenses, trade marks, rights and similar assets and other intangibles (acc. 205 + 208-2805 - 2808-2905-2906-2908)	02	843.572	737.785
3. Commercial fund (acc. 2071)	03		
4. Intangibles in progress (acc. 233-2933)	04		
<b>TOTAL (row 01 to 04)</b>	<b>05</b>	<b>843.572</b>	<b>737.785</b>
<b>II. TANGIBLES</b>			
1. Lands and buildings (acc. 211 + 212 - 2811 - 2812 - 2911 - 2912)	06	14.272.684	14.203.280
2. Technical installations and machineries (acc. 213+223 - 2813 - 2913)	07	9.120.377	12.779.374
3. Other installations, machineries and furniture(acc214+224-2814-2914)	08	98.015	70.318
4. Real estate investments (acc. 215 - 2815 - 2915)	09	10.405.161	10.405.161
5. Tangibles in progress (acc. 231 - 2931 )	10	1.517.842	1.988.637
6. Advance payments (acc.4093)	11		15.504
<b>TOTAL (row 06 to 11)</b>	<b>12</b>	<b>35.414.079</b>	<b>39.462.274</b>
<b>III. BIOLOGIC ASSETS (acc. 241 -284-294)</b>			
<b>IV. FINANCIAL IMMOBILISATIONS</b>			
1. Shares held in subsidiaries (acc. 261 - 2961)	14		
2. Loans granted to entities within the group (acc. 2671 + 2672-2964)	15		
3. Shares held in associated entities and entities jointly controlled (acc. 262 + 263 - 2962)	16		
4. Loans granted to associated entities and entities jointly controlled (acc. 2673 + 2674 - 2965)	17		
5. Other immobilised titles (acc. 265 + 266-2963)	18	1.049.797	1.049.797
6. Other loans (acc. 2675* + 2676* + 2677 + 2678* + 2679* - 2966* - 2968*)	19	1.668.641	1.591.029
<b>TOTAL (row 14 to 19)</b>	<b>20</b>	<b>2.718.438</b>	<b>2.640.826</b>
<b>IMMOBILISED ASSETS - TOTAL (row 05+12+13+20)</b>	<b>21</b>	<b>38.976.089</b>	<b>42.840.885</b>
<b>B. CURRENT ASSETS</b>			
<b>I. STOCKS</b>			
1. Raw materials and consumables (acc. 301 + 302 + 303 +/- 308 + 321 + 322 + 323 + 328 + 351 + 358 - 381 +/- 388 - 391 - 392 - 3951 - 3958 - 398)	22	9.116.608	7.342.249
2. Immobilised assets held and intended for sale Active (acc. 311)	23		
3. Production in progress (acc. 331 + 341 +/- 348* - 393 - 3941 - 3952)	24	2.310.348	2.821.462
4. Finite products and freight (acc. 327 + 345 + 346 + 347 +/- 348* + 354 + 357 + 371 +/- 378 - 3945 - 3946 - 3953 - 3954 - 3957 - 397 - 4428)	25		
5. Advanced payments (acc. 4091)	26	349.568	315.951
<b>TOTAL (row 22 to 26)</b>	<b>27</b>	<b>11.776.524</b>	<b>10.479.662</b>
<b>II. RECEIVABLES</b> (Amounts to be collected after a period exceeding one year shall be presented separately for each item.)			
1. Trade receivables (acc. 2675* + 2676* + 2678* + 2679* - 2966* - 2968* + 411 + 413 + 418-491)	28	40.540.416	67.459.061
2. Advanced payments (acc. 4092)	29	115.213	11.691
3. Amounts to collect from the entities within the group (acc. 451** -495*)	30		
4. Amounts to collect from associates entities and jointly controlled entities (acc. 453 - 495*)	31		
5. Receivables resulting from operations with derivative instruments (acc. 465)	32	241.740	241.740
6. Other receivables (acc. 425 + 4282 + 431** + 437**+4382+441** + 4424+4428**+444**+445+446**+447**+4482+4582+461+473** -496+5187)	33	455.260	1.137.246

7. Subscribed and unpaid capital (acc. 456 - 495*)	34		
TOTAL (row 28 to 33)	35	41.352.629	68.849.738
III. SHORT TERM INVESTMENTS (acc. 505 + 506 + 507 + 508 - 595 - 596 - 598 + 5113 + 5114)	36		
IV. PETTY CASH AND BANK ACCOUNTS (acc. 5112 + 512 + 531 + 532 + 541 + 542)	37	212.503	67.759
CURRENT ASSETS - TOTAL (row 27+ 33 + 35 + 37)	38	53.341.656	79.397.159
C. ADVANCED EXPENSES (acc. 471)	39	85.390	281.703
D. DEBTS: AMOUNTS TO BE PAID WITHIN MAXIMUM ONE YEAR			
1. Loans from bond emission, presented separately from the loans from convertible bond emissions (acc. 161 + 1681 - 169)	40		
2. Amounts due to credit institutions (acc. 1621 + 1622 + 1624+ 1625 + 1627 + 1682 + 5191 +5192 + 5198)	41	29.372.620	32.440.348
3. Advanced payments collected for orders (acc. 419)	42	5.362.092	9.718.922
4. Commercial debts - suppliers (acc. 401 + 404 + 408)	43	40.225.929	57.621.150
5. Commercial effects payable (acc. 403 + 405)	44		
6. Debts from financial leasing operations (acc. 406)	45		
7. Amount due to entities within the group (acc.1661+1685+2691+451***)	46	23.972.446	24.420.654
8. Amounts due to associated entities and jointly controlled entities (acc. 1663+1686+2692+ 453***)	47		
9. Debts from operations with derivative instruments (acc. 465)	48	693.705	693.705
10. Other debts, including tax debts and debts for social securities (acc. 1623 + 1626+ 167 + 1687 + 2693 + 421 +422 + 423 + 424 + 426 + 427 + 4281 + 431*** +437*** + 4381 + 441**» + 4423 +4428*** + 444*** + 446*** + 447*** + 4481 + 455 + 456*** + 457 + 4581 + 462 + 473*** + 509 + 5186 + 5193 + 5194 + 5195 + 5196 + 5197)	49	4.330.668	8.885.541
TOTAL (row 41 to 49)	50	103.957.460	133.780.320
E. NET CURRENT ASSETS / NET CURRENT DEBTS (row 38+39-50-69)	51	-50.530.414	-54.101.458
F. TOTAL ASSETS MINUS CURRENT DEBTS (row 21+51)	52	-11.554.325	-11.260.573
G. DEBTS: AMOUNTS TO BE PAID WITHIN MORE THAN ONE YEAR			
1. Loans from bond emission, presented separately from the loans from convertible bond emissions (acc. 161 + 1681 -169)	53		
2. Amounts due to credit institutions (acc. 1621 + 1622+ 1624 + 1625 + 1627 + 1682 + 5191 +5192 + 5198)	54		
3. Advanced payments collected for orders (acc. 419)	55		
4. Commercial debts - suppliers (acc. 401 + 404 + 408)	56		
5. Commercial effects payable (acc. 403 + 405)	57		
6. Debts from financial leasing operations (acc. 406)	58		
7. Amount due to entities within the group (acc. 1661 + 1685 + 2691 + 451***)	59		
8. Amounts due to associated entities and jointly controlled entities (acc. 1663+1686+2692+ 453***)	60		
9. Debts from operations with derivative instruments (acc. 465)	61		
10. Other debts, including tax debts and debts for social securities (acc. 1623 + 1626+ 167+ 1687 + 2693 + 421 +422 + 423 + 424 + 426 + 427 + 4281 + 431 *** + 437*** + 4381 + 441 *** + 4423 + 4428*** + 444*** + 446*** + 447*** + 4481 + 455 + 456***+ 4581 + 462 + 473*** + 509 + 5186+5193 + 5194 + 5195 + 5196 + 5197)	62	4.468.164	7.986.678
TOTAL (row 53 to 62)	63	4.468.164	7.986.678
H. PROVISIONS			
1. Provisions for employee benefits (acc. 1517)	64		
2. Other provisions (acc. 1511 + 1512 + 1513 + 1514+1518)	65	2.050.644	1.475.052
TOTAL (row 64 to 65)	66	2.050.644	1.475.052
I. ADVANCED REVENUES			
1. Subsidies for investments (acc. 475)	67		
2. Revenues recorded in advance (acc. 472) - total (row 68+69) , of which:	68		
Amounts to resume within maximum one year (acc. 472*)	69		
Amounts to resume within more than one year (acc. 472*)	70		
3. Advanced revenues afferent to assets from client transfers (acc. 478)	71		
TOTAL (row 66+67+70)	72		
J. CAPITAL AND RESERVES			



I. CAPITAL			
1. Subscribed and paid up capital (acc. 1012)	73	10.001.205	10.001.205
2. Subscribed and unpaid capital (acc. 1011)	74		
3. Subscribed capital representing financial debts <sup>2</sup> (acc. 1027)	75		
4. Shared capital adjustments (acc. 1028)	BALANCE C 76	21.036.792	21.036.792
	BALANCE D 77		
5. Other elements in own equity (acc. 103)	BALANCE C 78	1.750.240	1.750.240
	BALANCE D 79		
TOTAL (row 73+74+75 +76 -77+78-79)	80	29.287.757	29.287.757
II. CAPITAL PREMIUMS (acc. 104)			
III. REVALUATION RESERVES (acc. 105)			
IV. RESERVES			
1. Legal reserves (acc. 1061)	83	584.728	584.728
2. Statutory and contractual reserves (acc. 1063)	84		
3. Other reserves (acc. 1068)	85	4.145.814	4.145.814
TOTAL (row 83 to 85)	86	4.730.542	4.730.542
Differences from currency exchange rate for the conversion of individual annual financial statements in a currency other than the operational currency (acc. 1072)	87		
	BALANCE C (acc.1072) BALANCE D (acc.1072) 88		
Own shares (acc. 109)	89		
Revenues from own equity instruments (acc. 141)	90		
Losses from own equity instruments (acc. 149)	91		
V. REPORTED RESULT, EXCEPT FOR THE REPORTED RESULT FROM THE FIRST ADOPTION OF IAS 29	BALANCE C (acc.117) 92		
	BALANCE D (acc.117) 93	31.981.955	41.550.915
VI. REPORTED RESULT FROM THE FIRST ADOPTION OF IAS 29	BALANCE C (acc.118) 94		
	BALANCE D (acc.118) 95	21.202.077	21.202.077
VII. PROFIT OR LOSS AT THE END OF THE REPORTING PERIOD	BALANCE C (acc.121) 96		
	BALANCE D (acc.121) 97	9.568.960	2.649.170
Profit distribution (acc. 129)	98		
OWN EQUITY - TOTAL (row 80+81+82+86+87-88-89+90-91+92-93+94-95+96-97-98)	99	-18.073.133	-20.722.303
Public assets (acc. 1026)	100		
CAPITALS - TOTAL (row 99+100)	101	-18.073.133	-20.722.303

**ADMINISTRATOR,**

Gherghel-Diaconeasa Claudia-Adela

Signature \_\_\_\_\_

Official stamp

**Prepared by,**

Panaitescu Roxana-Laura

As: FINANCIAL MANAGER

Signature \_\_\_\_\_

Entity: **RETRASIB SA**  
 County: Sibiu Locality: Sibiu Street: Ștefan cel Mare No.156 Telephone 0269253269  
 Trade Register Number: J 32/16/1993 Sole registration code: 3906360  
 Ownership: 34-Joint stock companies  
 Main activity (NACE code and name): 2711 – Manufacture of engines, generators and power transformers

F20 – page 1

**SITUATION OF REVENUES AND EXPENSES**

on 30.09.2019

Code 20

- lei -

Index description	Row no.	To:	
		30.09.2018	30.09.2019
<b>A</b>	<b>B</b>	<b>1</b>	<b>2</b>
1. Net turnover (row.02+03-04+05)	01	90.018.658	109.071.638
Production sold (acc. 701 + 702 + 703 + 704 + 705 + 706 + 708)	02	90.018.658	108.860.174
Revenues from freight sold (acc. 707)	03		211.464
Commercial discounts granted (acc. 709)	04		
Revenues from operational subsidies afferent to the turnover (acc. 7411)	05		
2. Revenues afferent to product stock costs (acc. 711)			
Balance C	06	1.474.985	515.483
Balance D	07		
3. Revenues from the production of immobilisations and real estate investments (row 09+10)	08		2.252.166
4. Revenues from the production of tangibles and intangibles (acc.721+722)	09		2.252.166
5. Revenues from the production of real estate investments (acc. 725)	10		
6. Revenues from immobilised assets (or groups intended for assignment) held and intended for sale (acc. 753)	11		
7. Revenues from the revaluation of tangibles and intangibles (acc. 755)	12		
8. Revenues from real estate investments (acc. 756)	13		
9. Revenues from biologic assets and agricultural products (acc. 757)	14		
10. Revenues from operational subsidies in case of disasters and other similar events (acc. 7417)	15		
11. Other operational revenues (acc. 758 + 7419)	16	13.073	73.015
<b>OPERATIONAL REVENUES – TOTAL (row 01+06-07+08+11+12+13+14+15+16)</b>	<b>17</b>	<b>91.506.716</b>	<b>111.912.302</b>
12. a) Expenses with raw materials and consumables (acc.601+ 602-7412)	18	73.503.447	86.860.367
Other material expenses (acc. 603 + 604 + 608 )	19	613.129	23.094
b) Other external expenses (energy and water) (acc. 605 - 7413)	20	914.980	1.054.838
c) Expenses with freight (acc. 607)	21		
Commercial discounts received (acc. 609)	22	145.853	227.770
13. Personnel expenses (row 24 + 25) of which	23	10.208.419	12.723.130
a) Salaries and compensations (acc. 641 + 642 + 643 + 644 - 7414)	24	9.921.692	12.418.275
b) Expenses regarding insurances and social security (acc. 645 - 7415)	25	286.727	304.855
14. a) Value adjustments regarding tangibles and intangibles, real estate investments and biologic assets to cost (row 27 - 28)	26	2.143.888	2.021.426
a.1) Expenses (acc. 6811 + 6813 + 6816 + 6817)	27	2.143.888	2.021.426
a.2) Revenues (acc. 7813 + 7816)	28		
b) Value adjustments regarding current assets (row 30 - 31)	29		
b.1) Expenses (acc. 654 + 6814)	30		
b.2) Revenues (acc. 754 + 7814)	31		
15. Other operational expenses (row 33 to 41)	32	7.790.634	12.597.267
15.1 Expenses regarding external services (acc. 611 + 612 + 613 + 614 + 621 + 622 + 623 + 624 + 625 + 626 + 627 + 628 - 7416)	33	6.805.147	7.854.295
15.2 Expenses with taxes, fees and assimilated payments (acc. 635)	34	548.889	587.418
15.3 Expenses with environmental protection (acc. 652)	35		
15.4 Expenses related to immobilised assets (or groups intended for assignment) held and intended for sale (acc. 653)	36		
15.5 Expenses from the revaluation of tangibles and intangibles (acc. 655)	37		
15.6 Expenses with real estate investments (acc. 656)	38		

15.7 Expenses with biologic assets and agricultural products (acc. 657)	39		
15.8 Expenses with disasters and other similar events (acc. 6587)	40		
15.9 Other expenses (acc. 6581 + 6582 + 6585 + 6588)	41	436.598	4.155.554
Adjustments regarding provisions (row 43 - 44)	42	-1.885.431	-2.731.896
- Expenses (acc. 6812)	43	-1.885.431	-2.731.896
- Revenues (acc. 7812)	44		
<b>OPERATIONAL EXPENSES – TOTAL (row 18 to 21-22+23+26+29+32+42)</b>	<b>45</b>	<b>93.143.213</b>	<b>112.320.456</b>
<b>OPERATIONAL PROFIT OR LOSS:</b>			
- Profit (row.17-45)	46		0
- Loss (row 45-17)	47	1.636.497	408.154
16. Revenues from shares held in subsidiaries (acc. 7611)	48		
17. Revenues from shares held in associated entities and jointly controlled entities (acc. 7613)	49		
18. Revenues from operations with titles and other financial instruments (acc. 762)	50		
19. Revenues from operations with derivative instruments (acc. 763)	51		
20. Revenues from currency exchange rates (acc. 765)	52	601.221	
21. Revenues from interests (acc. 766*)	53		282
- of which, revenues from entities within the group	54		
22. Other financial revenues ( ct 7615 + 764 + 767 + 768)	55		
<b>FINANCIAL REVENUES – TOTAL (row 48+49+50+51+52+53+55)</b>	<b>56</b>	<b>601.221</b>	<b>282</b>
23. Value adjustments regarding financial immobilisations and financial investments held as current assets (row 58 - 59)	57		
- Expenses (acc. 686)	58		
- Revenues (acc. 786)	59		
24. Expenses with operations with titles and other financial instruments (acc. 661)	60		
25. Expenses with operations with derivative instruments (acc. 662)	61		
26. Expenses regarding interests (acc. 666*-7418)	62	1.723.107	2.026.537
- of which expenses regarding the relation to entities within the group	63		
27. Other financial expenses (acc. 663 + 664 + 665 + 667 + 668)	64	845.706	214.761
<b>FINANCIAL EXPENSES – TOTAL (row 57+60+61+62+64)</b>	<b>65</b>	<b>2.568.813</b>	<b>2.241.298</b>
<b>FINANCIAL PROFIT OR LOSS:</b>			
- Profit (row 56-65)	66		
- Loss (row 65-56)	67	1.967.592	2.241.016
<b>TOTAL REVENUES (row 17+56)</b>	<b>68</b>	<b>92.107.937</b>	<b>111.912.584</b>
<b>TOTAL EXPENSES (row 45+65)</b>	<b>69</b>	<b>95.712.026</b>	<b>114.561.754</b>
<b>28. GROSS PROFIT OR LOSS</b>			
- Profit (row 68-69)	70	0	0
- Loss (row 69-68)	71	3.604.089	2.649.170
29. Tax per current profit (acc. 691)	72		
30. Tax per deferred profit (acc. 692)	73		
31. Revenues from the tax per deferred profit (acc. 792)	74		
32. Other taxes not presented within the elements above (acc. 698)	75		
<b>33. NET PROFIT OR LOSS FOR THE REPORTING PERIOD</b>			
- Profit (row.70-72-73+74-75)	76	0	0
- Loss (row 71+72+73-74+75) (row 72+73+75-70-74)	77	3.604.089	2.649.170

**ADMINISTRATOR,**Gherghel-Diaconeasa Claudia-Adela  
Signature \_\_\_\_\_

Official stamp

**Prepared by,**Panaitescu Roxana-Laura  
As: FINANCIAL MANAGER

Signature \_\_\_\_\_

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

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**SC RETRASIB SA**

**FINANCIAL STATEMENTS**

**FOR 9 MONTHS 2019**

***Prepared according with the Order of the Minister of Public Finance  
no. 2844/2016 for Approval of Accounting Regulations in accordance  
with International Financial Reporting Standards***

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

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***Contents:***

Statement of financial position	4
Statement of comprehensive income	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8 -61

## **General Information**

RETRASIB SA (" Company ") is a joint stock company which operates in accordance with Romanian Law No. 31/1990 on trading companies.

The company is headquartered in Sibiu, Stefan cel Mare Street, no. 156, county of Sibiu.

The main activity of the company is producing and selling the following products:

- parts for and power transformers and autotransformers with powers up to 400 MVA and voltages up to 440 kV.
- Special transformers for:
  - Mobile substation
  - Rail- and subway substations
  - Industrial sector
- Engineering, production, delivery, on-site erection, site acceptance tests, commissioning , after market services, trainings for operating staff
- Diagnostics, maintenance, repairing and refurbishments of transformers at producers facility and on-site.

The average number of employees of company at September 2019 was 197 employees (at September 2018: 182 employees). At 30/09/2019 the company had 232 employees (at 30/09/2018: 195 employees)

The company shares are listed on the Bucharest Stock Exchange, indicative RTRA since June 2011.

On 30 June 2019, the Company is owned in proportion of:

Shareholder	Shares	Percentage
SGB SMIT INTERNATIONAL GMBH	93.657.812	93,6465%
Natural persons	6.316.762	6,316%
Legal entities	37.480	0,0375%
<b>TOTAL</b>	<b>100 012 054</b>	<b>100%</b>

Evidence of shares and shareholders is held according to the law by the Central Depository Bucharest.

The ultimate parent is an investment fund called One Equity Partners.

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

**STATEMENT OF FINANCIAL POSITION**

		<b>30/09/2019</b>	<b>31/12/2018</b>	<b>30/09/2018</b>
<b>ASSETS</b>	<b>Note</b>			
Tangible assets	3	29.041.609	25.008.918	24.035.809
Investment property	6	10.405.161	10.405.161	10.064.020
Intangible assets	5	737.785	843.572	897.462
Financial assets	8	1.591.029	1.668.641	3.251.715
Deferred tax asset	17	1.049.797	1.049.797	2.990.790
<b>Total fixed assets</b>		<b>42.825.381</b>	<b>38.976.089</b>	<b>41.239.796</b>
Inventories	7	10.479.662	11.776.524	11.037.811
Trade receivables	8	26.729.764	24.636.227	35.485.509
Contract assets	8	40.729.297	15.904.189	-
Hedge receivables		241.740	241.740	915.181
Prepaid expenses		281.703	85.390	211.327
Cash and cash equivalents	9	67.759	212.503	1.424.482
Other receivables	10	1.137.246	455.260	1.092.051
<b>Total current assets</b>		<b>79.667.171</b>	<b>53.311.833</b>	<b>50.166.361</b>
<b>TOTAL ASSETS</b>		<b>122.492.552</b>	<b>92.287.922</b>	<b>91.406.158</b>
<b>EQUITY</b>				
Share capital	11	31.037.997	31.037.997	10.001.205
Revaluation reserves	12	9.290.970	9.290.970	8.912.344
Reserves	12	4.350.892	4.350.892	5.417.099
Retained earnings		-65.402.161	-62.752.992	-35.304.378
<b>Equity</b>		<b>-20.722.302</b>	<b>-18.073.133</b>	<b>-10.973.730</b>
<b>LIABILITIES</b>				
Long-term intra-group loans	15	3.800.880	-	-
Lease liability, long term	25	2.673.869	2.956.234	3.067.451
Long-term provisions	16	1.251.677	1.151.678	1.174.596
Other long-term liabilities		64.129	64.129	
Deferred tax liabilities	17	1.447.801	1.447.801	
<b>Total liabilities on long term</b>		<b>9.238.356</b>	<b>5.619.842</b>	<b>4.242.047</b>
Short-term trade payables	13	54.089.564	38.245.423	44.390.028
Contract liabilities	13	13.223.312	7.227.385	-
Short term bank loans	15	32.440.348	29.372.620	23.875.667
Lease liability, short term	25	416.870	398.560	393.604
Hedge liabilities		693.705	693.705	113.803
Short-term intra-group loans	15	24.420.654	23.972.446	23.971.418
Provisions	16	223.375	898.966	1.228.836
Other liabilities	14	8.468.670	3.932.108	4.164.485
<b>Total current liabilities</b>		<b>133.976.498</b>	<b>104.741.213</b>	<b>98.137.841</b>
<b>TOTAL LIABILITIES</b>		<b>143.214.853</b>	<b>110.361.055</b>	<b>102.379.888</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>122.492.552</b>	<b>92.287.922</b>	<b>91.406.158</b>

CEO  
Gherghel-Diaconeasa Claudia-Adela

CFO  
Panaitescu Roxana-Laura

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

**STATEMENT OF COMPREHENSIVE INCOME**

	Nota	Jan-Sep 2019	2018	Jan-Sep 2018
Revenue	18	109.071.638	116.874.278	90.018.658
Other incomes	19	73.015	15.649	13.073
Changes in inventories of finished goods and work in progress		515.483	-1.202.339	1.474.984
Own work capitalized		2.252.166	1.491.992	
Raw material costs and consumables	20	-87.710.529	-94.452.458	-74.886.189
Merchandise sold		0	-	0
Expenditure on services provided by third parties	21	-7.854.295	-8.711.694	-6.805.147
Personnel expenses	23	-12.723.130	-14.055.808	-10.208.419
Depreciation and amortization and impairment of tangible assets	4,5	-2.021.426	-2.843.206	-2.143.888
Net income (expense) from provisions	16	2.731.896	2.238.219	1.885.431
Other expenses	22	-4.742.972	-2.736.879	-985.486
Net gain from fair value adjustment on investment property		-	341.141	-
<b>Operating result</b>		<b>-408.154</b>	<b>-3.041.105</b>	<b>-1.636.983</b>
Financial income	24	282	760	601.707
Financial charges	24	-2.241.298	-2.353.554	-2.568.813
<b>Financial result</b>		<b>-2.241.016</b>	<b>-2.352.794</b>	<b>-1.967.106</b>
<b>Profit (loss) before tax</b>		<b>-2.649.170</b>	<b>-5.393.899</b>	<b>-3.604.089</b>
Income tax, current and deferred	17	-	-4.175.061	-
<b>Profit (loss) for the year</b>		<b>-2.649.170</b>	<b>-9.568.960</b>	<b>-3.604.089</b>
<b>Other comprehensive income</b>				
Increase (decrease) in tangible assets revaluation reserve			-	-
Revaluation reserve, realized			-100.312	-
Hedge effect net of deferred tax			-1.066.207	-
<b>Total comprehensive income for the Year</b>		<b>-2.649.170</b>	<b>-10.735.479</b>	<b>-3.604.089</b>
<b>Result per share</b>				
Profit (loss) attributable to ordinary shareholders		-2.649.170	-9.568.960	-3.604.089
The weighted average number of ordinary shares		100.012.054	100.012.054	100.012.054
<b>Loss per share</b>		<b>-0,026</b>	<b>-0,095</b>	<b>-0,036</b>

CEO  
Gherghel-Diaconeasa Claudia-Adela

CFO  
Panaitescu Roxana-Laura



**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

**STATEMENT OF CHANGES IN EQUITIES**

	Share capital	Legal reserve	Other reserves	Hedge reserves	Revaluation reserves	Retained earnings	<b>Total equity</b>
<b>Balances</b>							
<b>31/12/2017</b>	<b>31.037.997</b>	<b>584.728</b>	<b>4.145.814</b>	<b>686.557</b>	<b>8.912.344</b>	<b>-52.737.080</b>	<b>-7.369.641</b>
<b>retrated</b>							
Result 2018	-	-	-	-	-	-9.568.960	-9.568.960
IFRS 9 first application effect	-	-	-	-	-	-547.264	-547.264
Correction of deferred tax on land revalued	-	-	-	-	478.939	-	478.939
Realized revaluation reserve	-	-	-	-	-100.312	100.312	-
Hedge effect	-	-	-	1.066.207	-	-	-1.066.207
<b>Balances</b>							
<b>31/12/2018</b>	<b>31.037.997</b>	<b>584.728</b>	<b>4.145.814</b>	<b>-379.650</b>	<b>9.290.970</b>	<b>-62.752.992</b>	<b>-18.073.133</b>
Result Sem 1 2019	-	-	-	-	-	-1.112.165	-1.112.165
<b>Balances</b>							
<b>30/09/2019</b>	<b>31.037.997</b>	<b>584.728</b>	<b>4.145.814</b>	<b>-379.650</b>	<b>9.290.970</b>	<b>-63.865.158</b>	<b>-19.185.297</b>

CEO  
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CFO  
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**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

**STATEMENT OF CASH FLOWS**

	Note	Jan-Sep 2019	2018	Jan-Sep 2018
Gross profit		-2.649.170	-5.393.899	-3.604.089
Depreciation, amortization	4	2.021.170	2.843.206	2.143.888
The net effect of fixed asset outflows		-	-	-
Rate differences on loans		616.869	196.483	69.541
Interest expense		2.026.537	2.331.965	1.723.107
Variation of provisions	14	-575.592	-2.238.219	-1.787.966
Variation in provisions for receivables and construction contracts		86.654	-279.166	-
Variation in provisions for inventories		-87.500	-330.866	-
Income from fair value adjustment of investment properties and derivatives		-	1.034.617	-
Adjustment to the provision of immobilizers		11.834	-	-
Income from fair value adjustment of investment properties and derivatives		-	-390.620	-
<b>Variation in working capital</b>				
Receivables and other assets		-27.782.761	-2.975.837	364.668
Stocks		1.296.862	-3.998.375	-3.590.528
Suppliers and other liabilities		25.450.308	14.901.775	14.770.389
Interest paid		-1.303.932	-1.407.463	-811.275
<b>Cash flows from operating activities</b>		<b>800.966</b>	<b>4.293.601</b>	<b>9.277.735</b>
Acquisitions of intangible assets	4	8.975	-36.192	-35.259
Acquisitions of financial assets		0	-	0
Acquisitions tangible	4	-5.939.355	-2.017.617	-400.014
Proceeds from sale of property		-	-	-
<b>Cash flow from investments</b>		<b>-5.948.330</b>	<b>-2.053.809</b>	<b>-435.273</b>
Drawn Intercompany loans	13	3.800.880	-	-
Reimbursements Intercompany loan		-	-	-
Financial lease payments	24	-264.056	-424.998	-318.737
Variation in bank credit lines	13	1.619.023	-474.111	5.425.243
Interest paid		-	-	-
<b>Cash flows Financial</b>		<b>5.141.847</b>	<b>-899.109</b>	<b>5.743.980</b>
<b>Net cash flow</b>		<b>-1.593.499</b>	<b>1.340.683</b>	<b>3.098.482</b>
Cash and cash equivalents at beginning of period		-333.317	-1.674.000	-1.674.000
Cash and cash equivalents at end of period		-1.926.766	-333.317	1.424.482

CEO  
Gherghel-Diaconeasa Claudia-Adela

CFO  
Panaitescu Roxana-Laura

## **1 Basis of preparation**

The individual financial statements (“financial statements”) of the Company are presented in RON (“Romanian Leu”), using going concern principles.

The financial statements have been prepared using the significant accounting policies and measurement bases that are in effect at 31 December 2018, as summarised below. These policies have been consistently applied in preparing the financial statements for the year ended 31 December 2018 and for the comparative information presented in these financial. An overview of standards, amendments and interpretations to International Financial Reporting Standards (“IFRS”) issued, but not yet effective, and which have not been early adopted by the Company are presented in note 1.4.

The financial statements have been prepared on a historical cost basis, except buildings and land which are evaluated using market revaluation model, and investment property held at fair value.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 1.7.

### **1.1 Statement of Compliance**

Financial statements are prepared in accordance with the Order of the Minister of Public Finance no. 2844/2016 for Approval of Accounting Regulations in accordance with International Financial Reporting Standards, applicable to trading companies whose securities are admitted to trading in a market which is regulated, as amended subsequently. International Financial Reporting Standards represent standards adopted under the procedure laid down by Regulation (EC) No. 1606/2012 of the European Parliament and of the Council of 19 July 2002 on the application of International Accounting Standards.

### **1.2 Going concern**

These financial statements have been prepared on a going concern basis which assumes that the Company will continue trading in the foreseeable future.

For the year ended 31 December 2018, the Company incurred a loss of RON 9.568.960 (RON 964.569 for the year ended 31 December 2017), and as of that date its current liabilities exceed its current assets by RON 51.429.380 (RON 43.793.379 at 31 December 2017) and the Company has accumulated losses of RON 62.752.992 (RON 52.737.081 at 31 December 2017), both 2018 and 2017 these amounts include the negative effect of RON 21.036.792 coming from the adjustment of hyperinflation on the share capital according to IAS 29 requirements. Also, as at 31 December 2018 the net assets of the Company, determined as the difference between total assets and total liabilities are negative (RON 18.073.133) and therefore amount to less than half of its share capital.

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

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In such circumstances, in accordance with the Companies' Law 31/1990 and related amendments, a shareholders' meeting should be organized to decide on the measures to be implemented as required by the legislation in force.

**a) Losses and negative equity**

The reasons of losses have to do with market price deterioration and the company entry into new markets. Operationally, the Company is in a continuous process of integration within the SGB group, aligning procedures and standards. Retrasib has been included in Group Frame contracts benefiting from savings applied at Group level

As a measure of correcting the negative equity of 2016, it was decided in 2017 to perform a capital increase of EUR 4 million (18 million RON) of which 12.15 million RON by converting an existing Group loan into share capital. The procedure will resume during 2019 being interrupted due to pre-emption issues.

**b) Short term liabilities**

The significant level of short term liabilities of RON 104.7 million, in excess of the current assets of RON 43.3 million at 31 December 2018, where the ability of the company to fulfil repayments under 1 year may represent a challenge, are handled as follows:

- The bank liabilities, i.e. the RON 29.4 million credit line, is in process of being extended in 2019.
- Besides credit line, withdrawals from Global Ceiling are correlated with company's receivables on a „borrowing base” system.
- From the Group loan of RON 23.9 million, an amount of 12.15 million is in process of being converted in share capital in 2019.

Based on these factors, management believes that the Company will be able to continue in the foreseeable future and therefore the application of the going concern assumption in the preparation of these financial statements.

**1.3 New and amended Standards adopted by the Company**

The accounting policies adopted for the preparation of the consolidated financial statements are in line with those applied for the preparation of the annual consolidated financial statements of the Company for the year ended 31 December 2017, except new standards with effect from 1 January 2018. The Company has previously adopted any other standard, interpretation or amendment that has been issued but is not yet in force.

• ***IFRS 15 Revenue from contracts with customers***

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

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for revenue arising from contracts with customers (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g.: sales of property, plant and equipment or intangibles). Extensive disclosures are required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates.

Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company adopted IFRS 15 Revenue from contracts with customers using the modified retrospective method of adoption with initial date of application of 1 January 2018, limiting the application of the new standard to contracts that have not yet been completely fulfilled at the date of initial application. Contracts that have not been yet completely fulfilled as of 1 January 2018 are accounted for, as if the requirements of the new standard would have applied since the beginning of the contract.

The impact of initial application of IFRS 15 consist solely of reclassifications and a more disaggregated presentation of revenues by categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors (for details, please see the disaggregated presentation of revenues, included in Note 17). Thus, there was no cumulative effect arising from transition to be recognized as an adjustment to the opening balance of retained earnings in the year of initial application. Prior year comparatives were not adjusted in order to reflect the effect of reclassification in the consolidated statement of financial position.

Instead, the Company presents the adjustments made to items in the consolidated statement of financial position as at 1 January 2018 attributable to IFRS 15 as follows:

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

	Carrying amount in accordance with IAS 18 / IAS 11	Reclassificatio n	Carrying amount in accordance with IFRS 15
	31 December 2017		1 January 2018
<b>Assets</b>			
<b>Current assets</b>			
Trade receivables	38.453.676	(14.550.252)	23.903.424
Contract assets	-	17.146.913	17.146.913
<b>Total</b>	<b>38.453.676</b>	<b>2.596.661</b>	<b>41.050.337</b>
<b>Current liabilities</b>			
Trade payables	28.515.851	-1.378.607	27.137.244
Contract liabilities	-	3.975.268	3.975.268
<b>Total</b>	<b>28.515.851</b>	<b>2.596.661</b>	<b>31.112.512</b>

The overview presented above contains only those items of the consolidated statement of financial position that are affected by the first-time application of IFRS 15. The carrying amounts as of 1 January 2018 are shown before the effect of impairment losses on contract assets recognized in accordance with the initial application of IFRS 9. Please refer to the section below, for the impact of initial application of IFRS 9.

The reclassifications mainly concern the following items:

- the unbilled amounts from long-term construction contracts, (RON 17.146.913), that, under IAS 11 were recognized under trade and other receivables as of 31 December 2017, are reclassified as contract assets under IFRS 15;
- advances from construction contracts and progress billings exceeding costs, of RON 1.378.607, which were previously presented under trade and other payables, are recognized as contract liabilities under IFRS 15;

- **IFRS 15: Revenue from contracts with customers (Clarifications)**

The purpose of the clarifications is to clarify the IASB's regarding the preparation of the requirements intentions of IFRS 15 Revenues from contracts with customers, specially the accounting for performance identification obligations that alter the wording "identifiable separately", the main situation versus agent, including the assessment of the quality of an entity, whether it is principal or agent, as well as the application of the principle of control and licensing, providing guidance for the accounting of intellectual property and royalties. Clarifications also provide additional practical utility information for entities that either apply IFRS 15 in hindsight or choose to apply the modified retrospective approach. The Impact of clarifications on the consolidated financial statements of the Company was not significant.

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

• **IFRS 9 Financial Instruments**

The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

The Company adopted the new standard on the required effective date and utilized the option of simplified initial application. The cumulative effect arising from the transition is recognized as an adjustment to the opening balance of retained earnings in the year of initial application. Prior year comparative information were not restated and continues to be reported under IAS 39. The Company provides the explanation of the reasons for changes in items in the consolidated statement of financial position and the consolidated statement of comprehensive income.

The impact from transition to IFRS 9 as of 1 January 2018 results in the following cumulative changes to retained earnings:

Increase in impairment losses on trade receivables	(a) (b)	256.833
Impairment losses on contract assets recognized in accordance with IFRS 15	(a) (b)	394.671
Deferred tax asset	(c)	(104.241)
Retained earnings	(b)	547.263
<b>Total adjustment to equity</b>		<b>547.263</b>

*a) Classification and measurement*

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have an impact on the Company's consolidated financial statements. In particular, there are no significant factoring arrangements in place and no significant sales of receivables have occurred in the past. Also, the Company has determined that the trade receivables do not include a significant financing component and, hence, the time value of money component was considered insignificant and ignored in the SPPI assessment. All trade receivables and contract assets of the Company are held to collect contractual cash flows and give rise to cash flows representing solely payments

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

of principal and interest. The Company has not designated any financial assets or financial liabilities as at fair value through profit or loss.

*a) Impairment*

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon adoption of IFRS 9 the Company recognised additional impairment on the Company's Trade receivables and contract assets of RON 256,833 and RON 394,671, respectively, which resulted in a decrease in Retained earnings of RON 547.263 (net of tax) as at 1 January 2018.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

	<b>Allowance for impairment under IAS 39 as at 31 December 2017</b>	<b>Remeasurement</b>	<b>ECL allowance under IFRS 9 as at 1 January 2018</b>
Loans and receivables under IAS 39/Financial assets at amortized cost under IFRS 9	140.627	256,833	397.460
Loans and receivables under IAS 39/ Contract assets under IFRS 9	-	394,671	394,671
	<b>140.627</b>	<b>651.504</b>	<b>792.131</b>

*b) Deferred taxes*

Due to the remeasurement of the impairment allowance as described under b) above, deferred taxes were also adjusted against retained earnings as at 1 January 2018.

**1.4 Standards amendments and interpretation of new standards**

**Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor



**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

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and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The standard has not been yet endorsed by the EU. Management has assessed that this amendment will not have an impact on the financial position or performance of the Group.

**IFRS 9: Prepayment features with negative compensation (Amendment)**

The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income.

Management has assessed that the application of this amendment will not have any impact on the financial position or performance of the Group.

**IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)**

The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. The standard has not been yet endorsed by the EU. Management has assessed that the application of these amendments will not have any impact on the financial position or performance of the Group.

**IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. These Amendments have not yet been endorsed by the EU. Management has assessed that the application of these amendments will not have any impact on the financial position or performance of the Group.

**IFRIC Interpretation 23: Uncertainty over Income Tax Treatments**

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

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Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. Management has assessed that the application of this interpretation will not have an impact on the financial position or performance of the Group, as it already followed an approach aligned with these requirements.

**Conceptual Framework in IFRS standards**

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

**The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. These annual improvements have not yet been endorsed by the EU. Management has assessed that the application of these improvements will not have a significant impact on the financial position or performance of the Group.

**IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

**IAS 12 Income Taxes:** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.

**IAS 23 Borrowing Costs:** The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

## **1.5 Segmental reporting**

The Company carries out two types of contracts:

- transformer production as a whole;
- production of parts for transformers for the mother company in Germany.

According to IFRS 8, both production lines meet the criteria for aggregation to report together with similar economic characteristics:

- the type of product: it is the same, both are transformers;
- the type of the production processes: it is the same, being made with the same employees, equipment, knowledge and resources;
- the customer type: it is similar, belong to the same market;
- the distribution method: it is not fundamentally different, both are based on orders;
- the regulatory environment it is absolutely similar.

As a result, segmental reporting is not applicable.

## **1.6 Hyperinflation**

The Romanian Economy went through periods of high inflation and was considered hyperinflationary according to IAS 29 "Financial Reporting in Hyperinflationist Economies" ("IAS 29") from 1993 to December 2003.

IAS 29

According OMFP 2844/2016 art. 178 the remeasurement surplus from share capital hyperinflationary restatement can be used to cover the accounting loss.

The effect of hyperinflation upon nonmonetary assets has been adjusted as follows:

- Land and buildings have been revalued every three years to market values, both in the hyperinflation period (until 2004) and afterwards until present.
- Equipment has been restated last time in December 2003. This revaluation is considered to have captured the general increase in value caused by hyperinflation.

## **1.7 Use of estimates and judgement**

### **Use of estimates**

The preparation of the financial statements requires the performance of estimates and judgments by the management, which affects the reported amounts of assets and liabilities and the presentation of potential assets and liabilities at the balance sheet date, as well as the reported amounts of revenues and expenses during the reporting period. Actual results may be different from these estimates.

### **Judgements**

In the process of applying the Company accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

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- The company has business judgments upon the company's ability to continue as going concern, based on budget projections, optimizations implemented and other criteria described in the Going Concern note.
- Further judgments linked to the company's future performance refer to:
  - the judgment that the negative results obtained in the last two years are not related to equipment performance or building performance, and that the indication of impairment given by the past negative results does not lead to need for impairment allowances on equipment and buildings, based on the assumption that the forecasted EBITDA in the next years, will be sufficient as to sustain the value of equipment and buildings
  - the assumptions made by the management in relation with the past events and their potential future risks as described in the Contingent liabilities note
  - the company has business judgments upon the adequacy of performance that will enable collection of performance guarantees.

### **Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

- Valuation of receivables: for the overdue receivables where the management believes there are indications of recoverability doubts, allowances are booked based on the assessed risk of no recoverability
- Valuation of land and buildings: the company uses external valuator reports for recurrent market valuations on land and buildings as described in the policies on Tangible assets and Revaluation Reserves
- Valuation of Investment Property: the company uses external valuator reports for recurrent fair value valuations on Investment Property based on capitalized rent as described in the policies on Investment Property
- The Company recorded accrued liabilities for estimated costs on untaken holiday, bonuses planned and overtime performed (including social contributions) as well as pension provision for estimated present value of contractual pension payments.
- It also records provisions for risks and costs anticipated for penalties for delay in delivery and/or other penalty types.
- The provision of warranty is determined based on sales of the last 4 years and a percentage determined based on the Group experience. The standard warranty is 24 months but there are contracts with warranty terms of 5 years, thus management determined a period of 4 years to be adequate for the warranty provision.
- The most significant allowances are the estimated losses on contracts in progress which are to be considered in correlation with the volume of work in progress. The level of provisions for imminent loss on contracts is being evaluated particularly for each and every ongoing contract during the procedure of each month-end-closing while

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

analyzing base budget the occurred/forecasted events which have/might generate(d) not foreseen costs. Provisions are booked based on the foreseeable margin at project closing.

- Estimates of percentage of completion of contracts based on the costs incurred are used to calculate the income.

### **1.8 Functional currency, presentation currency, transactions in foreign currency**

Management considers that functional currency, as it is defined by the IAS 21 " Effects of the variation of exchange rate " , is the Romanian Leu (RON).

Presentation currency is the Romanian leu RON, rounded to the nearest Leu, unless otherwise specifically stated.

For the preparation of the Company's financial statements, transactions in other currencies (foreign currencies) than the functional one are registered at the exchange rate in force at the date of transaction. Each month, and at each balance sheet date, monetary items denominated in foreign currency are translated at the exchange rate in force at those dates.

Monetary assets and liabilities expressed in foreign currency at the end of the year are translated into RON at the exchange rate valid at the end of the year.

The RON exchange rate for 1 unit of the foreign currency:

	<u>30 sep. 2019</u>	<u>31 december 2018</u>
EUR 1	4.7511	4.6639
USD 1	4.3488	4.0736

Non-monetary items which are measured at historic cost in a foreign currency are not translated back.

Exchange rate differences are recognized in the profit and loss statement in the period in which they arise.

## **2 Significant accounting policies**

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

### **a) Tangible assets**

Tangible assets, less land and buildings, are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

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Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major repair is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognized at the date of revaluation. Accumulated depreciation as of the revaluation date is eliminated from the gross carrying amount of the asset and the net amount is restated at the revaluated value of the asset. Revaluations are only booked based on external valuers' report.

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in the profit or loss of the period, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

Any revaluation reserve relating to the asset being sold is transferred to retained earnings in line with its depreciation, and entirely upon disposal.

A tangible asset item and any significant part recognized initially are derecognized upon disposal or when no economic benefits are expected from their use or disposal. Any gain or earning resulting from the derecognition of an asset (calculated as the difference between net disposal proceeds and the carrying amount of the asset) is included in profit and loss when the asset is derecognized.

Depreciation is registered so as to decrease the cost of the asset to its residual value other than the land, along their estimated useful life, using the straight line basis. The estimated useful lives, the residual values and the depreciation method are reviewed at the end of each year, having as effect changes in future accounting estimates.

Maintenance and repairs of tangible assets are included as expenses when they occur and significant improvements to tangible assets which increase their value or useful life or which significantly increase their capacity to generate economic benefits, are capitalized.

The following useful lives are used for the computation of depreciation:

Buildings	10 - 54
Plant and machinery	3 - 40
Measurement and control devices	3 - 16
Vehicles	3 - 19
Other systems, equipment and furniture	3 - 10

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

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Land is not depreciated.  
Depreciation is recognized in the income statement.

**b) Investment properties**

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on evaluations performed by accredited external independent valuator.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal.

The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

**c) Intangible assets**

Intangible assets purchased separately are reported at cost minus accumulated amortization losses. Amortization is computed through the straight-line basis over the useful life. The estimated useful lives, the residual values and the amortization method are reviewed at the end of each year, having as effect changes in future accounting estimates.

The following useful lives are used for the computation of amortization:  
Licenses 2 – 10 years

**d) Impairment of non-financial assets**

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If there is such an indication, the recoverable amount of the asset is estimated to determine the size of the impairment loss. When it is impossible to assess the recoverable amount of an individual asset, the Company assesses the recoverable amount of the cash generating unit which the asset belongs to. Where a consistent distribution basis can be identified, the company's assets are also allocated to other separate cash generating units or to the smallest group of cash generating units for which a consistent allocation basis can be identified.

Intangible assets having indefinite useful lives and intangible assets which are not yet available to be used are tested for impairment annually and whenever there is an indication that it is possible for the asset to be impaired.

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

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An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. When measuring the value in use, the future estimated cash flows are settled at the current value using a discount rate prior to taxation which reflects current market assessments of the temporary value of money and the specific risks of the asset, for which future cash flows have not been adjusted.

If the recoverable value of an asset (or of a cash generating unit) is estimated as being lower than its carrying amount, the carrying amount of the asset (of the cash generating unit) is reduced to the recoverable value. An impairment loss is recognized immediately in profit and loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (of the cash generating unit) is increased to the reviewed estimation of its recoverable value, but so as the reviewed carrying amount does not exceed the carrying amount which would have been determined had any impairment loss not been recognized for the respective asset (cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit and loss.

**e) Inventories**

Inventories are valued at minimum between cost and net realizable value.

The cost of inventories is based on weighted average price method and includes expenses incurred for the purchase of inventories, production and processing costs and other costs incurred in bringing the inventories to the form and present location.

Costs, including a portion related to fixed and variable indirect costs are allocated to inventories held through the method most appropriate for the respective class of inventories, the majority being assessed based on the weighted average cost.

Finished products, semi-finished goods and production in progress are measured at actual cost.

**Allowance adjustments for inventories**

Allowances are booked for raw materials and consumables where there is indication of economic value being depreciated due to their age and slow movement. The Company uses its judgement, based on raw materials prices in the market, manufacturing planning, movement days and quality of the inventories in order to estimate the level of the allowance required. In this process, usually, the Company consider the following factors: development of the raw material prices in the market and sales planning, months in inventory and quality of the inventories

To finished goods inventory allowances are not likely because the company does not produce stock, all finished products are customized based customer requirements with firm delivery terms specified.

Production in progress booked at cost is analyzed by contracts performance, under the methodology of onerous contracts, and for those contracts where losses are anticipated, allowances are booked in conjunction with Construction Contracts receivables adjustments. (see note 2.r, Revenue).



**f) Financial assets and liabilities**

A financial instrument is any contract that generates a financial asset for a company and a financial liability or equity instrument for another company.

**i) Financial assets**

Initial recognition and evaluation

Financial assets are classified at initial recognition, as valued at amortised cost, fair value through other global income (SRG) and fair value through profit and loss account. The classification of financial assets to initial recognition depends on the characteristics of the contractual cash flow of the financial asset and the Company's business model for their management. With the exception of commercial claims which do not contain a significant financing component or for which the Company has applied the practical opportunity, the Company initially evaluates a financial asset at its fair value plus, in the case of an asset which is not measured at fair value through profit or loss, transaction costs. Trade receivables which do not contain a significant financing component or for which the Company has applied the practical opportunity shall be valued at the transaction price determined according to IFRS 15.

In order for a financial asset to be classified and evaluated on the basis of the amortised cost or fair value through the SRG, it must generate cash flows which are 'exclusively payments of the principal amount and interest (EPPD) of the remaining principal amount. This assessment is called the EPPD test and is performed at the instrument level.

The Company's business model for financial asset management refers to how it manages its financial assets to generate cash flows. The business model determines whether the cash flows will result from the collection of contractual cash flows, the sale of financial assets or both.

The financial assets of the Company are represented by receivables (trade receivables, contractual assets, other receivables, cash and cash equivalents and restricted cash), and derivatives (interest rate CAP).

Purchases or sales of financial assets requiring the delivery of assets within a time limit set by regulation or convention at market level (standard transactions) shall be recognised at the trading date, i.e. the date on which the Company undertakes to acquire or sell the asset.

Subsequent evaluation

For the purposes of the subsequent evaluation, financial assets are classified into four categories:

- Financial assets at amortised cost (debt securities)
- Financial assets at fair value through SRG with recycling of accumulated gains and losses (debt securities)

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

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- Financial assets designated at fair value through SRG without recycling accumulated gains and losses at the time of derecognition (equity instruments).
- Financial assets at fair value through profit or loss.

**Financial assets at amortised cost (debt securities)**

The Company evaluates financial assets at amortised cost if the following two conditions are met:

- Financial assets are held in a business model with the objective of holding financial assets to collect contractual cash

And

- The contractual terms of the financial asset give rise, on specified dates, to cash flows which are exclusively payments of principal amounts and interest from the principal amount remaining

Financial assets at amortised cost are subsequently evaluated using the effective interest method (RED) and are subject to depreciation. Gains and losses shall be recognised in the profit or loss account when the asset is derecognised, altered or impaired.

The financial assets of the Company at amortised cost include trade receivables and other receivables, contractual assets, restricted cash and banks balances (short-term deposits and current accounts).

For more information on receivables and contractual assets, see Note 7. Receivables due in less than 12 months are not updated.

***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss include the financial assets held for trading, the financial assets designated at the time of initial recognition at fair value through the profit and loss account or the assets financial instruments that need to be legally evaluated at fair value.

Financial assets are classified as held for trading if purchased for sale or redemption in the short term. Derivatives instruments, including separately incorporated derivatives, are also classified as held for trading, unless they are designated as effective coating instruments. Financial assets with cash flows that are not only payments of the principal amount and interest are classified and valued at fair value through the profit or loss account, indifferent of the business model. Without prejudice to the classification criteria of debt securities at amortised cost or fair value through SRG as described above, debt securities may be designated at fair value through the profit and loss account at the time of initial recognition, if this eliminates or significantly reduces an accounting discrepancy.

Financial assets at fair value through the profit and loss account shall be recorded in the statement of financial position at fair value with net changes in fair value recognised in the profit or loss account.

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

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The Company's financial assets at fair value through the profit and loss account include derivatives (interest rate CAP, which have not been designated by the Company in an official coverage accounting relationship).

#### Derecognition

A financial asset (or, where appropriate, part of a financial asset) is derecognized when:

The rights to receive cash flows from assets expire

The Company has transferred its rights to receive cash flows from that asset or has assumed the obligation to pay the cash flows wholly received without substantial delay to a third party, under a transfer agreement and either

(a) the Company substantially transferred all risks and benefits related to the asset, either

(b) the Company has neither transferred nor substantially retained all the risks and benefits of the asset, but has transferred control over the asset.

When the Company has transferred its rights to receive cash flows from an asset or has concluded a transfer agreement, it must assess whether it has relinquished control of the asset or not. Where it has neither transferred nor substantially retained all the risks and benefits of the asset, nor has it transferred its control, the asset shall be recognized in so far as its continuous involvement in that asset. In this case, the Company also recognizes an associated debt. The transferred asset and the associated debt are evaluated on a basis reflecting the rights and obligations that the Company has retained.

The continuing involvement that takes the form of a security of the transferred asset is measured at the smallest value of the value that the asset initially wore and the maximum amount of payment that the Company might require to repay.

#### ii) Depreciation of financial assets

Information on the depreciation of financial assets shall be summarised in the following notes:

Risk management of financial instruments    Note 29

Trade receivables and contractual assets    Note 7

The Company recognizes a provision for expected credit losses (PCP) for debt securities that are not held at fair value through the profit and loss account. The PCP is based on the difference between contractual cash flows due in accordance with the contract and all cash flows that the Company expects to receive, updated with an approximation of the actual initial interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements which are an integral part of the contractual clauses.

#### Trade receivables and contractual assets

For trade receivables and contractual assets, the Company applies a simplified approach to the calculation of the PCP. Therefore, the Company does not pursue changes in credit risk, but

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

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instead recognises a provision for loss based on the PCP throughout its lifetime at each reporting date.

The depreciation model, according to IFRS 9, provides that adjustments are recognised according to expected credit losses and not according to the model of actual losses in receivables provided by IAS 39. The application of the model for expected credit losses implies early registration of losses and leads to increased depreciation adjustment for these elements. Depreciation losses shall be calculated on the basis of the probability of non-payment adjusted according to the nature and seniority of the balance receivable. The probability of non-payment, being a complex indicator, is preferred to obtain it from external sources, specializing in such calculations.

Depending on the nature of the receivable, this indicator is adjusted in the following way: 0.2 for construction contracts in the production process; 1 for invoiced and non-payment receivable or with a maturity exceeding 30 days; 1.1 for receivables with deferred maturity between 31 and 60 days; 1.25 for debts with a deferred maturity of between 61 and 90 days; 1.5 for receivables with deferred maturity between 91 and 120 days.

The retrospective impact of the application of IFRS 9 was recorded by adjusting the initial balances for depreciation of claims. The impact of IFRS 9 on claims on 1st January 2018 was RON 651,504 and 31 December 2018 to RON 985,936.

### **iii) Financial liabilities**

#### Initial recognition and evaluation

Financial liabilities shall be classified, at initial recognition, as financial liabilities subsequently valued at amortised cost, excluding financial liabilities at fair value by profit or loss account, of financial liabilities occurring when a transfer of a financial asset does not qualify for derecognition or when the approach to continuous involvement, financial collateral agreements or contingent consideration recognised by the Company as a purchaser in a combination of undertakings for which IFRS 3 applies.

All financial liabilities are initially recognised at fair value and, in the case of financial liabilities which are not recorded at fair value through profit or loss, after deduction of transaction costs attributable directly, to the transaction date to which the Company becomes a part to the contractual provisions of the instrument.

The Company's financial liabilities valued at amortised cost include financial liabilities valued at amortised cost (commercial liabilities and other liabilities, contractual liabilities and loans), and financial liabilities valued at the value of profit and loss include financial derivatives(interest rate swaps).

#### Subsequent evaluation

Interest-bearing loans as well as trade liabilities and other liabilities are subsequently evaluated at amortised cost using the actual interest rate method. Gains and losses are

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

---

recognised at profit or loss when debts are derecognised, as well as through the depreciation process using the actual interest rate method (RED).

The amortised cost is determined taking into account any discount or purchase premium and the tariffs or costs that are part of the RED. RED Depreciation is included in the financial costs of profit or loss.

For more information about interest-bearing loans, see Note 14. For more information about trade liabilities and other liabilities, see Note 12. Trade liabilities and other short-term liabilities are not updated.

Derivatives which are not designated as hedge instruments if the instrument is expected to be effective are subsequently evaluated at fair value through the profit and loss account. The Company has not designated interest rate swaps in an official cover relationship.

#### Derecognition

A financial liability is derecognised when and only when the Company's obligations are paid, cancelled or expired. Where an existing financial liability is replaced by another from the same creditor with substantially different conditions or if the terms of an existing obligation change substantially, such exchange or modification will be treated as a recognition of the initial liability and the recognition of a new liability. The difference between the carrying amount of the derecognised financial debt and the paid and payable consideration shall be recognised in profit or loss.

#### **iv) Compensation of financial instruments**

Financial assets and liabilities are presented net in the statement of financial position if there is a legal right to allow net settlement and whether there is intent to do so, and to achieve assets and to settle debts at the same time

#### **g) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet. For the purpose of cash flow only, the overdrafts are deducted from cash and cash equivalents.

#### **h) Trade and Other Receivables**

Receivables are recognized at invoiced value less allowances calculated according the policies set in the Estimates paragraph above.

Receivables in foreign currency are revalued at the balance sheet date through the profit and loss.

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

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Client retentions from receivables, based on performance warranty, are presented as long term receivables, not discounted. Also, the guarantee cash deposits are presented as long term receivables.

**i) Borrowings**

Loans are recognized at the values actually used from the loan facilities, according the policies described on f).

Loans in foreign currency are revalued at the balance sheet date through the profit and loss.

**j) Trade payables**

Trade and other Payables are recognized based on the accrual principle. These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value. Payables in foreign currency are revalued at the balance sheet date through the profit and loss.

**k) Impairment of financial assets**

Financial assets are measured for impairment at each reporting date as described in note 1.3 or point f), in accordance with IFRS 9 Financial Instruments.

**l) Derecognition of assets and liabilities**

The Company derecognizes financial assets only when the contractual rights over the cash flows related to the assets expire or it transfers to another entity the financial asset and, substantially, all risks and benefits related to the asset.

The Company derecognizes financial liabilities only if the Company's liabilities have been paid, canceled or they have expired.

**m) Fair value measurement**

An entity measures financial instruments and non-financial assets, such as investment property, land and buildings, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

In the principal market for the asset or liability, or

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

---

In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

An entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as land, buildings, and investment property.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

**n) Lease**

Lease is classified as finance lease when at least one of the following criteria is met:

- the lease transfers ownership of the asset to the lessee by the end of the lease term
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

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- the lease term is for the major part of the economic life of the asset, even if title is not transferred
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset
- the lease assets are of a specialized nature such that only the lessee can use them without major modifications being made

All other leases are classified as operating lease.

Assets held through financial lease are initially recognized as Company assets at the fair value from the initial lease phase or, if lower, at the value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as finance lease liability.

Lease payments are divided between finance costs and the reduction of the lease liability, so as to obtain a constant rate of the interest related to the remaining liability balance. Finance costs are registered directly into profit and loss.

Operating lease payments are recognized as expense through the straight line method, during the lease term. Potential operating leases are recognized as expense as incurred.

**o) Legal reserves**

Legal reserves are contained within 5% of gross profit from year end until the total legal reserves reach 20% of the nominal capital paid in accordance with the law. These reserves are deductible for income tax and are not shared until the liquidation of the Company.

**p) Employee benefits**

**Short-term benefits**

Short-term employee benefits are represented mainly salaries. Obligations Short-term employee benefits are accrued for and are recognized as expenses when services are rendered

**Contribution plans**

The company makes payments on behalf of their employees, to the Romanian State pension system, the health insurance and unemployment fund, over the lifetime of employment.

All employees of the Company are members and also have a legal obligation to contribute, through social contributions to the pension system of the Romanian state. All relevant contributions are recognized in profit or loss when incurred, the Company has no further obligations. Society is not engaged in any independent pension scheme and consequently, has no other obligations in this regard. The Company is not engaged in any post-retirement benefits, besides the provisions set forth in the Collective Working Contract in force and has no obligation to provide further services to former employees.

The long-term benefits of employees



**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

---

The company's net obligation in terms of long-term benefits related services is the amount of future benefit that employees have earned in return for services rendered by them in the current and prior periods.

Company must award bonuses to employees at maturity of a specific number of uninterrupted years in the company and at retirement, all depending on uninterrupted seniority in the company, according to the collective labor agreement. These are recognized as long term provisions.

**q) Provisions**

A provision is recognized if, as a result of a past or a foreseeable event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits not considered will be required to settle the obligation.

The amount recognized as a provision is the best estimate of the amount necessary to settle the current obligation as of the balance sheet date, considering the risks and uncertainties related to the obligation. If a provision is measured using the estimated cash flows necessary for settling the present obligation, the carrying amount is the present value of the respective cash flows.

Particulars on provisions policy are presented in the note 1.7 Use of estimates and judgement.

**r) Revenue**

Revenue is the gross inflow of economic benefits during the period arising in the course of normal activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants.

Revenue includes only the gross inflows of economic benefits received and receivable by the entity on its own.

Amounts collected on behalf of third parties such as sales taxes, goods and services taxes and value added taxes are not economic benefits which flow to the entity and do not result in increases in equity. Therefore, they are excluded from income.

Revenue refers goods sold and the services provided under contracts.

Revenue from contracts with customers shall be recognized when the control of the goods or services is transferred to the customer for an amount to which the Company expects to be entitled in exchange for the goods or services. The Company concluded that it is the principal in all its income arrangements, as it controls the goods or services before transferring it to the customer.

Information on significant reasoning, estimates and accounting assumptions related to revenue from contracts with customers are presented in Note 28.

The following specific recognition criteria must also be met before income recognition:

*Service sales - Construction contract*

The company is producing mostly transformers with several months cycle of production.

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

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Services are generally provided in the form of fixed-price contracts, with terms of contract which generally varies from less than one year to two or three years.

These contracts, usually, include the design, delivery of customized components and equipment and their installation. The Company does not consider the various elements of these arrangements as separate implementing obligations. When determining the transaction price, the Company shall consider the effects of a variable counter-service, the existence of significant financing components, non-pecuniary counter-service and counter-service payable to the client (if applicable).

For fixed-price contracts, the Company recognises revenue by evaluated the completion of the project when the Company usually fulfils its implementing obligations.

The Company transfers control of a good or service over time and therefore fulfils an obligation to execute and recognises revenue over time, as the execution of the Company creates or improves an asset that the customer controls, as the asset is created or improved. This is determined, using a method of introduction, depending on the contractual costs encountered until the end of the reporting period, in the form of a percentage of the total estimated cost for each contract. The costs incurred during the year in connection with the future activity under a contract shall be excluded from the contractual costs when determining the stage of completion. The costs incurred during the year in relation to future activity are presented in the form of stocks, advance payments or other assets, depending on their nature.

Every individual project involves specific variable costs generated by the purchases of products or services, as well as costs generated by the teams directly involved in the implementation of the project.

Where the outcome of a fixed-price service contract cannot be reliably estimated, the contract revenue shall be recognized only in line with the costs of the contract which is likely to be recoverable.

Where the result of a fixed-price service contract can be reliably estimated and the contract is likely to be profitable, the expected profit shall be recorded during the duration of the contract. Where the total contract costs are likely to exceed the total revenue of the contract, the estimated loss shall be recorded as an expense in accordance with IAS 37 Provisions, contingent liabilities and contingent assets.

The Company shall present as contractual assets gross amounts owed by customers, relating to fixed-price contracts which are under way, for which the costs incurred and the profits recognized (minus the recognized losses) exceed the total amount value invoiced in that contract. If the invoices issued exceed the costs incurred plus the recognized profits (less recognized losses), the gross amounts owed to the customers are presented as liabilities relating to contracts.

Intermediate invoices that have not yet been paid by customers (including guarantees that are retained by customers) are included in "trade receivables and other claims".

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

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*(i) Variable counter-service*

Where the counter-service under a contract includes a variable amount, the Company shall estimate the amount of counter-service to which it will be entitled in exchange for the transfer of goods to the customer. The variable counter-service is estimated at the beginning of the contract and is limited until it is highly probable that a significant reversal of revenues in the aggregate value of recognised revenue will not occur when the uncertainty associated The variable counter-service is subsequently resolved. Variations in payments for contract-based work, receivables and incentives are included in the contract revenue, insofar as they have been agreed with the customer.

*(ii) Significant financing component*

Usually, the Company receives short-term advance payments from its customers. Using the practical opportunity provided in IFRS 15, the Company does not adjust the promised value of counter-service for the effects of a significant financing component if it is estimated, at the beginning of the contract, that the period between the transfer of the goods or service promised to the customer and when the customer pays that good or service will be one year or less.

Payment terms for services sales in construction contracts are generally between 30 and 90 days after fulfilment of the execution obligation. Advance payments from customers, representing between 5% and 30% of the amount of each invoice issued to customers, shall be settled within one year between the transfer of the promised goods or service to the customer and the date on which the customer pays that good or service.

Revenues from rent is recognized based on contractual rental fees invoiced monthly.

Interest income is recognized periodically, proportionally, the respective revenue is generated on an accrual basis.

In these financial statements, income and expenses are presented on a gross basis. In the balance sheet, liabilities and claims the same partners are presented on a net basis when there is a right to compensation.

Revenues are measured at fair value sums received or receivable net of VAT. Revenues are reduced by returns, trade discounts and other similar costs.

**s) Balances contracts**

*Contractual assets*

A contractual asset is the right to counter-service in exchange for the goods or services transferred to the customer. If the Company executes the transfer of goods or services to a customer before the customer pays a counter-service or before the maturity of the payment, an asset shall be recognized for the counter-service acquired which is conditional.

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

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*Commercial receivables*

A receivable is the right of the Company to an amount of unconditional counter-service (it is only necessary to pass the time for that counter-service to become due). See the accounting policies related to financial assets included in section f) financial Instruments.

*Contractual liabilities*

A contractual liability is the obligation to transfer goods or services to a customer for which Company has received a counter-service (or a sum of the counter-service is due) from the customer. If a customer pays counter-service before the Company transfers the goods or services to the customer, a contractual liability is recognized when the payment is made or the payment is due (any of these deadlines occurs earlier). Contractual liabilities shall be recognized as income when the Company fulfils its obligations under the contract.

**t) Financial income and expenses**

Financial income comprises interest income on funds invested and other financial income. Interest income is recognized in profit or loss under accounting them the friendly approach, using the effective interest method.

Financial expenses comprise interest expense for the loans and other financial expenses.

All borrowing costs that are not directly attributable to the acquisition, production construction or production of qualifying assets are recognized in profit or loss using the effective interest method.

Gains and losses on exchange differences on loans are reported on a net basis as either finance income or as financial expenditure by currency fluctuations: the net gain or net loss.

Gains or losses from foreign exchange attributable to commercial transactions are reported as other operating expense/income on a net basis.

**u) Taxation**

Income tax expense represents the single sum of current tax and deferred tax.

**Current tax**

Current tax is based on taxable profit for the year. Taxable profit differs to the profit reported in the income statement because it excludes items of income and expenses that are never taxable or deductible or where the tax deductibility is deferred. Company's debt on current tax is calculated using tax rates in force or under substantially role in force at the balance sheet date .

**Deferred tax**

Deferred tax is recognized over the difference between the carrying amount of assets and liabilities in the financial statements and the corresponding fiscal bases used in the

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

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computation of taxable income and it is determined by using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets are recognized in the extent in which it is likely to have taxable income over which to use those temporary deductible differences. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from initial recognition (other than from a business combination) of other assets and liabilities in a transaction that affects neither the taxable income, nor the accounting income.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and it is decreased to the extent in which it is not likely for sufficient taxable income to exist to allow the full or partial recovery of the asset.

Deferred tax assets and liabilities are measured at the taxation rates estimated to be applied during the period when the liability is settled or the asset realized, based on the taxation rates (and tax laws) in force or entering into force substantially until the balance sheet date. The measurement of deferred tax assets and liabilities reflects the tax consequences of the manner in which the Company estimates, as of the balance sheet date, that it will recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority and the Company intends to offset its deferred tax assets with its deferred tax liabilities on a net basis.

**Current tax and deferred tax related to the period**

Current tax and deferred tax is recognized as revenue or expense in profit and loss, except for the cases which refer to items credited or debited directly in other comprehensive income

**v) Earnings per share**

The Group presents earnings per share basic and diluted common shares. Basic earnings per share is determined by dividing the profit or loss of the Group attributable ordinary shareholders by the weighted average number of ordinary shares over the reporting period. Diluted earnings per share is determined by adjusting the profit or loss attributable ordinary shareholders and the weighted average number of ordinary shares with dilution effects arising from potential ordinary shares.

**w) Related parties**

Parties are considered related if one party has the ability to control directly or indirectly or significantly influence the other, by holding or under contractual rights, family relationship or otherwise, as defined by IAS 24 "Related party affiliate".

**x) Subsequent events**

The financial statements reflect subsequent events year-end events that provide additional information about the Group's position at the reporting date or those that indicate a possible violation of a going concern (events that cause adjustments). Events after the end of the year does not constitute events that determine adjustments are disclosed when they are considered significant.

**y) Comparatives**

Statement of financial position for the year ended December 31, 2018 shows the comparability with the statement of financial position for the period ended 31 December 2017.

Statement of Comprehensive Income for the year ended December 31, 2018 shows the comparability with the statement of comprehensive income at December 31, 2017.

**z) Changes of accounting policies and changes in presentation**

Except the changes mentioned in note 1.3 affecting the current period, the accounting policies adopted are consistent with the previous financial year.

Without qualifying as changes in accounting policies, there have been presentation repositionings in statement of comprehensive income, travel and protocol expenses were reclassified from service to other income / expenses.

For these positions, whose presentation was amended in 2018, comparative statements have not changed.

**aa) Derivatives**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges)

The Company documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 29. Movements in the hedging reserve in shareholders' equity are shown in the statement in changes of equity. The full fair value of a hedging derivative is classified as a

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

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a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within 'sales'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

**3 Tangible assets**

	Land	Buildings	Equipment and vehicles	Furniture and other	Fixed assets in progress	Total
	RON	RON	RON	RON	RON	RON
<b>At 31 December 2017</b>						
Cost	3.037.500	11.609.581	21.296.865	267.575	-	36.211.521
Accumulated depreciation	-	-	-10.462.900	-156.520	-	-10.619.420
<b>Net book value</b>	<b>3.037.500</b>	<b>11.609.581</b>	<b>10.833.965</b>	<b>111.055</b>	<b>-</b>	<b>25.592.101</b>
Increase	-	-	358.916	16.800	1.645.465	2.021.181
Transfers	-	114.199	-	13.424	-127.623	-
Revaluation	-	-	-	-	-	-
Disposals	-	-	-9.229	-9.735	-	-18.964
Depreciation charge	-	-488.596	-2.072.504	-39.701	-	-2.600.801
Elimination of accumulated depreciation of revalued assets	-	-	-	-	-	-
Disposals	-	-	9.229	6.172	-	15.401
<b>At 31 December 2018</b>						
Cost	3.037.500	11.723.780	21.646.552	288.064	1.517.842	38.213.738
Accumulated depreciation	-	-488.596	-12.526.175	-190.049	-	-13.204.820
<b>Net book value</b>	<b>3.037.500</b>	<b>11.235.184</b>	<b>9.120.377</b>	<b>98.015</b>	<b>1.517.842</b>	<b>25.008.918</b>
Increase	-	91.376	1.245.890	-	4.003.703	5.340.969
Transfers	-	-	-	-	-255.215	-255.215
Elimination of accumulated depreciation of disposals assets	-	-	-	-	-	-
Disposals	-	-	-13.821	-	-	-13.821
Depreciation charge	-	-241.450	-998.744	-21.491	-	-1.261.685
<b>At 30 September 2019</b>						
Cost	3.037.500	12.017.299	26.814.141	291.417	1.988.637	44.162.815
Accumulated depreciation	-	-815.519	-14.034.766	-211.100	-	-15.121.205
<b>Net book value</b>	<b>3.037.500</b>	<b>11.165.780</b>	<b>12.799.375</b>	<b>70.318</b>	<b>1.988.637</b>	<b>29.041.610</b>



**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

**Tangible assets**

As at 31 December 2018, in accordance with the accounting policy, land and buildings measured at revalued cost were revalued based on the valuation report prepared by external valuer, member of the Romanian Association of Valuers. The valuation method used for land was market value while for buildings the income approach was applicable. The revaluation performed at 31 December 2018 resulted in a decrease of the value of buildings against the revaluation reserve.

The revaluation booking was made including an elimination of the accumulated depreciation. The revaluation booking was made including an elimination of the accumulated depreciation. Valuations were made on the basis of recent market transactions on arm's length terms. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and shown as revaluation reserves in shareholders' equity. Decreases that offset previous increases of the same asset were charged in other comprehensive income and debited against revaluation reserves directly in equity.

All tangible assets are pledged for the loans disclosed in the note 14 Loan.

The gross value and accumulated depreciation of equipment held in financial lease are disclosed on note 24 Leases.

**4 Intangible assets**

	<b>RON</b>
<b>At 31 December 2017</b>	
Cost	1.616.008
Accumulated depreciation	-566.222
<b>Net book value 31 December 2017</b>	<b>1.049.786</b>
Additions	36.192
Depreciation charge	-242.406
<b>At 31 December 2018</b>	
Cost	1.652.200
Accumulated depreciation	-808.628
<b>Net book value 31 December 2018</b>	<b>843.572</b>
Additions	8.975
Depreciation charge	-77.264
<b>At 30 September 2019</b>	
Cost	1.661.175
Accumulated depreciation	-923.390
<b>Net book value 30 June 2019</b>	<b>737.785</b>

Included in the intangible assets as of 31 December 2018 is an amount of 1,070,313 RON at cost value (31 December 2017: 1.070.313 RON) that represents the SAP accounting program acquired by the Company during 2016.

## 5 Investment property

	<b>September 2019</b>	<b>December 2018</b>
	<b>RON</b>	<b>RON</b>
<b>Balance at 1 January</b>	<b>10.405.161</b>	<b>10.064.020</b>
Additions	-	-
Revaluation surplus	-	<b>341.141</b>
<b>Balance at 31 december</b>	<b>10.405.161</b>	<b>10.405.161</b>

The Company owns one building located in Cluj from which the Company earns rent income. As at 31 December 2018 and 31 December 2017, the fair value of the investment property is based on the valuation report prepared by an independent valuator. The impact of this valuation was charged to the current result as change in the fair value. The valuation method used is compliant with the International Valuation Standards.

The investment property is pledged for the loans disclosed in the note 14 Loan.

## 6 Inventories

	<b>30.sept.19</b>	<b>31.dec. 2018</b>
Raw materials	5.874.251	9.106.361
Consumables	2.024.198	478.946
Work in progress	2.821.462	2.310.348
Merchandise	70.116	70.116
Downpayment for stocks	315.951	349.568
Adjustments for raw materials	-626.315	-538.815
<b>Total</b>	<b>10.479.662</b>	<b>11.776.524</b>

The main category, work in progress, represents transformers components which are in various manufacturing stages. Starting 2017, the company applies the IAS11, and measures the turnover and the related receivables and payables based on the long term contracts percentage of completion. Starting 2018, the company applies IFRS 15, and there are no changes in the accounting treatment compared to the previous period, there is only changes in the presentation, presented in note 1.3.

The adjustment for raw materials is related to inventories with slow movement rate or for which there is uncertainty in future use.

The inventories are set as pledge for the bank loans disclosed in the note 14 Loans.

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

**7 Trade receivables**

	<b>30.sept.19</b>	<b>31.dec.18</b>
Trade receivables Non-group	25.012.353	23.903.290
Trade receivables Group	2.631.926	1.547.452
Allowances of trade receivables	-914.514	-814.515
	<b>26.729.764</b>	<b>24.636.227</b>
Contractual assets	40.900.718	16.075.610
Allowances of contractual assets	-171.421	-171.421
<b>Total current Accounts receivable</b>	<b>67.459.062</b>	<b>40.540.416</b>
<b>Noncurrent receivables</b>		
Deposits for performance warranty	91.546	160.881
Retentions	1.499.483	1.507.760
<b>Total current Accounts receivable</b>	<b>1.591.029</b>	<b>1.668.641</b>

As at 31 December 2018 the company is applying IFRS 15 and records receivables based on the „percentage-of-completion method” to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. On the balance sheet, the Company reports the gross contract position for each contract as either an asset - Contractual assets or a liability – Contractual payables. A contract represents an asset where costs incurred plus recognized profits (less recognized losses) exceed progress billings; a contract represents a liability where the opposite is the case.

The impact of applying IFRS 15 starting January 2018 is presented in note 1.3.

Noncurrent receivables represent retentions related to construction contracts and will be cashed by the company according to the contractual terms agreed with the clients.

As of 30 September 2019, trade receivables were impaired with RON 914.514 (2018: RON 814.515), the mainly part is related to one client who went to bankruptcy.

The receivables open at 30/06/2019 as well as future receivables are set as pledge to the loans as described in note 14 Loans.

## **8 Cash, cash equivalents and restricted cash**

	<b>30.sept.19</b>	<b>31.dec.18</b>
Cash in bank	66.246	210.881
Restricted cash	-	-
Petty cash	1.514	1.622
<b>Total cash and cash equivalents</b>	<b>67.760</b>	<b>212.503</b>

The cash accounts are set as pledge to the loans as described in note 14 loans.

### **Reconciliation to cash flow statement**

	<b>30.sept.19</b>	<b>31.dec.18</b>
Balances as above	67.759	212.503
Bank overdraft	-1.994.526	-545.820
<b>Balances per statement of cash flows</b>	<b>-1.926.767</b>	<b>-333.317</b>

## **9 Other receivables**

	<b>30.sept.19</b>	<b>31.dec.18</b>
Other receivables related to personnel	141.470	90.370
VAT under settlement	78.235	29.218
VAT to be recovered	515.851	
Advances paid to suppliers	14.682	-
Income tax recoverable	327.563	327.563
Other receivables	59.445	8.109
<b>Total other receivables</b>	<b>1.137.246</b>	<b>455.260</b>

## **10 Share capital**

Shareholders structure at 30/09/2019 and at 31/12/2018 is as follows:

<b>No.</b>	<b>Shareholders</b>	<b>No. of shares</b>	<b>%</b>
1.	SGB SMIT International GMBH	93.657.812	93,6465
2.	Natural persons	6.316.762	6,316
3.	Legal entities	37.480	0,0375
	<b>TOTAL</b>	<b>100.012.054</b>	<b>100</b>

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

	<b>30.sept.19</b>	<b>31.dec.18</b>
Share capital	10.001.205	10.001.205
Impact of IAS 29 on share capital	21.036.792	21.036.792
<b>Total share capital</b>	<b>31.037.997</b>	<b>31.037.997</b>

In May 2018, following the completion of the takeover bid initiated by SGB-SMIT International GMBH, the shareholding structure of Retrasib SA changed with the acquisition by SGB-SMIT International GMBH of an additional volume of 26.198.199 shares, thus achieving 93,6465% of the Company's capital.

During the Extraordinary Shareholder's Assembly from January 30th 2017 it was decided a capital increase up to a maximum of 18.013.343,20 Ron from 10.001.205,40 Ron to 28.014.548,60 for correcting company's net assets.

The Company decided to reflect the impact of applying IAS 29 in the financial statements from 31 December 2018 and the recalculation of the amounts disclosed as at 31 December 2017. The share capital was valued at historical cost, by applying the provisions of this Standard and consequently amended on the basis of the retained earnings. The effect of hyperinflation on the share capital of RON 177.697 is estimated at RON 21.036.792, a surcharge on the value of share capital booked in the retained earnings.

## **11 Reserves and revaluation reserves**

Related to the reserves disclosed in the Statement of Changes in Equities, the following notes are relevant:

	<b>30.sept.19</b>	<b>31.dec.18</b>
Revaluation reserves	9.290.970	9.290.970
Reserves	4.145.814	4.145.814
Hedge reserves	-379.650	-379.650
Legal reserves	584.728	584.728
<b>Total reserves</b>	<b>13.641.862</b>	<b>13.641.862</b>

Revaluation reserves : comprise the cumulative net changes in fair value of land, buildings. The revaluation reserves are shown net of the related deferred tax (16%).

Other reserves: The Company's reserves are represented by the reinvested profit obtained in prior years. There were no changes in Reserves during 2017 and 2018.

Hedge reserves: the company books in 2018 the effects in equity of the hedge contracts on copper and foreign exchange, disclosed in note 29.

Legal reserves: As required by law, the Company creates legal reserves in the amount of 5% of the profit recorded untp to the level of 20% of the share capital. Legal reserves are not distributable to shareholders.

## 12 Trade payables

The company's trade payables are as follows:

<b>Trade payables</b>	<b>30.sept.19</b>	<b>31.dec.18</b>
Trade payables Nongroup	53.233.431	34.941.023
Trade payables Group	761.439	3.346.543
Contractual payables	3.504.391	1.865.293
Cashed advances from customers	6.924.574	5.362.092
Cashed advances from Group	2.794.348	-
Prepayments to suppliers	-27.196	-115.213
Fixed assets suppliers Group	-	-
Fixed assets suppliers	3.884	3.884
Accrued payables	118.007	69.186
<b>Total trade payables</b>	<b>67.312.877</b>	<b>45.472.808</b>

Trade payables are unsecured and are usually paid within 90 days of recognition. The carrying amount of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

As at 31 December 2018 the company records receivables based on the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. On the balance sheet, the Company reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognized profits (less recognized losses) exceed progress billings; a contract represents a liability where the opposite is the case.

More details on related parties payables are presented in note 27

## 13 Other payables

	<b>30.sept.19</b>	<b>31.dec.18</b>
Social contributions	592.735	574.955
Income tax wages	100.264	93.264
VAT	-	146.003
Dividends to be paid	13.924	13.924
Liabilities to employees	1.449.296	1.040.134
Taxes	3.526.019	-
Interest payable to Group	2.786.433	2.063.828
<b>Total other payables</b>	<b>8.468.670</b>	<b>3.932.108</b>

The Company's liabilities to employees includes salaries for September 2019 that will to be paid in October 2019 (RON 464.196), employees overtime performed until 30 September 2019 (RON 35.312), costs for untaken holiday by September 2019 (RON 409.607), bonuses planned to be paid according to the key performance indicators preestablished (RON 222.991) and other debts related to personnel (327.544). These debts are not due.

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

Interest payable on affiliated parties shall be related to loans as described in note 14.

**14 Loans**

	<u>30.sept.19</u>	<u>31.dec.18</u>
Short term Intercompany loans	24.420.654	23.972.446
Long term Intercompany loans	3.800.880	
Short term bank loans	32.440.348	29.372.620
Long term bank loans	-	-
<b>Total</b>	<u><b>60.661.882</b></u>	<u><b>53.345.066</b></u>

**a) Bank loans**

The company is financed by Banca Transilvania through short term loan facilities of ceiling type, for current activity (working capital), with the interest rate of ROBOR 6 M+1,7%, concluded on 6 may 2010. The ceiling can be used as:

- overdraft credit line limited to RON 2 million, from which the Company used at September 30, 2019 an amount of RON 1.994.526;
- term credits, from which the Company used at 30 September 2019 an amount of RON 30.445.822, representing draws from the ceiling;
- issuance of bank guarantee letters, in the amount of RON 9.748.330 RON, held off balance sheet - Note 26 Contingent assets and liabilities - Bank commitments.

At 30 September 2019 the Company has an amount of RON 14.811.322 RON un-drawn from the ceiling, RON 3.000.000 from the ceiling are being held for the currency risk associated with guarantee letters.

The exposure of the Company's borrowings to interest rate changes and the contractual reprising dates at the end of the reporting period are as follows:

	<u>30.sept.19</u>	<u>31.dec.18</u>
6 months or less	32.440.348	29.372.620
12 months or less	24.420.654	23.972.446
more than 12 month	3.800.880	

The fair value of the borrowings equals their carrying amount. The impact of discounting is not significant, as all borrowings bear variable interest rates.

The due date of utilizing new draws from the credit line is 25 October 2019.

For securing bank loans, the company has set in favour of banks the following guarantees:

- inventories of raw materials and semi-finished products;
- the balances held at banks;
- rights arising from present and future contracts;
- rights arising from insurance policies covering the assets pledged as collateral;
- mortgage on all tangible assets and investment property.

For finance lease liabilities disclosures please refer to note 24.

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

**b) Related party loans**

Breakdown of loans obtained from SGB SMIT International GMBH (majority shareholder) into structure and details on tranches, interest rates, maturities and ceilings:

Approved ceiling amount	Currency	Balance used		Interest rate	Date of contract	Date of maturity	Lender
		30/09/2019 in RON	at				
2.440.000	EUR	11.592.684		4%	29/11/2016	indefinite	SGB SMIT
500.000	EUR	2.375.550		4%	25/11/2015	Pending share capital conversion	SGB SMIT
2.000.000	EUR	9.502.200		4%	27/01/2016	Pending share capital conversion	SGB SMIT
200.000	EUR	950.220		4%	20/04/2016	Pending share capital conversion	SGB SMIT
800.000	EUR	3.800.880		4%	20/05/2019	indefinite	SGB SMIT
<b>5.940.000</b>	<b>EUR</b>	<b>24.338.414</b>		<b>Total</b>			

The indefinite related party loan can be terminated in 12 months from receiving a notification from the lender SGB-SMIT. Additionally, interest related balance with SGB-SMIT amounting to RON 2.786.433 at 30 September 2019 (31 December 2018: 2.063.828 RON), were classified in the Statement of Financial Position as Other payables.

For the related party loans there is 2nd level pledge upon the equipment, vehicles, furniture, inventory, present and future receivables.

On 20.05.2019 was approved by the main shareholder SGB-SMIT an investment-loan for the Test-Field-Extension, the amount of EUR 1.032.000 from which the amount of EUR 800.000 was received until the date of 30.09.2019.

## 15 Provisions

	31.dec.18	Built	Revers	30.sept.19
<b>Short term provisions</b>				
Staff overtime/bonus provisions	-	-	-	-
Making loss contract provisions	-	-	-	-
Commercial penalties	898.966	-	-534.728	223.375
<b>Total short-term provisions</b>	<b>898.966</b>	-	-534.728	<b>364.238</b>
<b>Long term provisions</b>				
Warranty provision	685.039	-	-	785.038
Pensions and other provision	466.639	-	-	466.639
<b>Total long-term provisions</b>	<b>1.151.678</b>	-	-	<b>1.251.677</b>



**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

Commercial penalties for late delivery are recognized when the Company has a present obligation based on contracts concluded with its customers, as a result of not delivering the transformers at the delivery date mentioned in the contract.

The warranty provision is registered to cover the expenses in the warranty period for transformers sold. The Company generally offers 24 months warranties for its transformer products but there are contracts with warranty terms of 5 years. Management estimates the related provision for future warranty claims based on historical warranty claim information.

As at 31 December 2018 the Company recorded a provision for pension in line with the provisions of the Company's Collective Labor agreement, art 64, which stands that the Company will award a price at the employee's retirement of one gross salary for 5 years seniority in the company, two gross salary for 10 years seniority in the company, three gross salary for 15 years seniority in the company, four gross salary for 20 years seniority in the company and five gross salary for 25 years seniority in the company. The amount is built together with provision for other risks that was built since 2016. Company's assumptions taken into account for pension provision are: discount rate of 5%, inflation rate of 3.5%, the annual resignation rate of employees in the Company of 20.59% and the standard retirement age.

## 16 Current and deferred Income tax

<b>A. Amounts recognized in profit and loss</b>	<u>Sept.2019</u>	<u>Dec 2018</u>
<b>Income tax expense</b>	-	-
Current year	-	-
<b>Deferred tax income (expense)</b>	-	<b>-4.175.061</b>
Derived from temporary differences	-	-4.175.061
<b>Total deferred tax income (expense)</b>	<u>-</u>	<u><b>-4.175.061</b></u>

There is no current tax expense due to the losses incurred in the last two years. Changes in the componence of deferred tax are presented below

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

	Balance as at 31.dec.17	Recorded in the income statement	Recorded in the equities	Balance as at 31.dec.18
<b>B. Deferred tax</b>				
<b>Balance sheet position</b>				
Noncurrent assets	-1.849.529	-	440.406	-1.409.123
Inventories	-	-	-	-
Trade and other receivables	21.004	134.689	-	155.693
Trade and other payables	-	-	-	-
Provisions	1.365.643	-582.532	-	783.111
Tax loss	3.586.998	-3.586.998	-	-
Hedging	-133.326	2.553	203.088	72.315
<b>Total deferred tax asset (liability)</b>	<b>2.990.790</b>	<b>-4.032.288</b>	<b>643.494</b>	<b>-398.004</b>

Considering the financial results for last financial years, the Company decided on 31 December 2018 to adjust the deferred tax on tax losses.

According to the Romanian tax laws, the tax loss may be carried forward for seven years for the tax losses recorded after 1 January 2009 starting with the year when they occurred.

The tax loss component for which the income tax was recognised postponed on 31 December 2017 is the following: RON 3.643.189 from 2015 and RON 18.775.545 from 2016.

## 17 Revenue

	<b>Jan-Sep 2019</b>	<b>Jan-Sep 2018</b>
Sales of finished goods	43.235.537	79.358.174
Revenue from construction contracts	63.306.239	9.240.235
Sale of goods purchased for resale	211.464	-
Services	744.610	130.524
Rent income	813.734	799.957
Revenue from other activities	760.054	489.768
<b>Total</b>	<b>109.071.638</b>	<b>90.018.658</b>

A regional breakdown of revenues is as follows:

<b>Country</b>	<b>Jan-Sep 2019</b>	<b>2018</b>
Related parties (note 27):	<b>48.700.785</b>	<b>55.106.426</b>
Germany	48.449.896	55.106.426
Netherlands	250.889	-

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

Third party customers:	<b>60.370.853</b>	<b>61.767.852</b>
Romania	48.281.121	37.034.726
Spain	5.549.648	1.905.190
Denmark	3.422.725	6.203.258
Czech Republic	2.030.071	6.217.382
Hungary	676.013	8.561.397
Ireland	206.940	987.648
Turkey	77.541	-
Sweden	59.582	406.557
Greece	57.929	-
Austria	9.283	451.694
<b>Total revenues</b>	<b>109.071.638</b>	<b>116.874.278</b>

The main customers in 2019 are: Starkstrom Geratebau Regensburg (related parties), Energobit SA, Romelectro Romania, E-Distribuție Banat, CNTEE Transelectrica, Acciona Industrial, Ute Biomasa Curtis, JYSK ENERGI TEKNIK A/S, E-Distribuție Dobrogea and Electromontaj SRL.

## 18 Other income

	<u>Jan-Sep 2019</u>	<u>Jan-Sep 2018</u>
<b>Other income</b>		
Other operating revenues	73.015	13.073
<b>Total other income</b>	<b>73.015</b>	<b>13.073</b>

## 19 Raw materials and consumables expenses

	<u>Jan-Sep 2019</u>	<u>Jan-Sep 2018</u>
<b>Raw materials and consumables expenses</b>		
Raw materials expens	85.941.014	72.735.373
Consumables expense	1.292.516	1.162.908
Electricity, water , gas expense	306.417	914.980
Fuel expense	170.583	72.928
<b>Total</b>	<b>87.710.529</b>	<b>74.886.189</b>

The main raw materials used in transformers production are copper, steel, isolation kits, radiators.

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

## **20 Services provided by third parties**

	<b>Jan-Sep 2019</b>	<b>Jan-Sep 2018</b>
<b>Services expenses</b>		
Repairs	216.427	231.453
Rents	370.952	381.266
Bank services	-	-
Insurance	285.337	189.509
Transport	2.514.019	1.792.038
Travel	0	374.008
Communication	139.585	137.262
Protocol and advertising	0	74.750
Design and technical services	67.875	118.238
Customs	691.401	-
Other service expenses	3.568.699	3.506.623
<b>Total</b>	<b>7.854.295</b>	<b>6.805.147</b>

Travel and protocol expenses were reclassified as at 31 December 2018 in Other Expenses line, in 2017 these expense were booked in services provided by third parties.

## **21 Other expenses/income**

	<b>Jan-Sep 2019</b>	<b>Jan-Sep 2018</b>
<b>Other expenses</b>		
Bank services	574.507	169.741
Travel	550.323	-
Protocol and advertising	62.605	-
Hedging for foreign exchange	160.835	- 848.822
Hedging for materials	-	-
Expenses/Revenues from foreign exchange differences	1.367.228	-
Taxes	587.418	- 104.512
Expenses/(income) from charge/(release) allowances for inventories and trade receivables	1.205.398	41.484
Other expenses	234.658	631.812
<b>Total Other expenses</b>	<b>4.742.972</b>	<b>985.486</b>

## **22 Personnel expenses**

	<b>Jan-Sep 2019</b>	<b>Jan-Sep 2018</b>
Salaries	11.902.035	9.869.115
Staff accruals	-	- 410.204
Social security contributions	304.855	286.727
Meal tickets	516.240	462.781
<b>Total</b>	<b>12.723.130</b>	<b>10.208.419</b>

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

The average number of employees of company at 2019 was 197. As at 30 September 2019 the company had 232 employees (at 30/09/2018: 195 employees).

## 23 Financial expenses and income

	<b>Jan-Sep 2019</b>	<b>Jan-Sep 2018</b>
Interest income	282	486
Income from foreign exchange	-	601.221
<b>Finance income</b>	<b>282</b>	<b>601.707</b>
Interest expense	2.026.537	1.723.107
Expense from foreign exchange	214.761	845.706
<b>Finance costs</b>	<b>2.241.298</b>	<b>2.568.813</b>
<b>Net finance costs</b>	<b>- 2.241.298</b>	<b>- 1.967.106</b>

## 24 Lease obligations

The Company has two long term leases with the Group company Starkstrom, for winding machines, started in november 2016 and february 2017. One contract will be completed in 2022 and the other in 2029.

Because the conditions are met for a financial lease following the analysis of the financial lease criteria as per IAS17:

As of **31 December 2018**

	<b>Below 1 year</b>	<b>between 1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Contractual rent payments, EUR	110.264	382.477	403.545	<b>896.286</b>
Contractual rent payments, RON	514.260	1.783.836	1.882.091	<b>4.180.187</b>
Present value of the lease payments:				
Lease liability, EUR	85.456	313.483	320.372	<b>719.311</b>
Lease liability, RON	398.560	1.462.053	1.494.181	<b>3.354.794</b>
Value of equipment held in financial lease, RON				<b>4.106.546</b>
Accumulated depreciation of the equipment held in financial lease				<b>751.751</b>
Carrying value of the equipment held in financial lease, RON				<b>3.354.794</b>

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

As of **30 Sept 2019**

	<b>Below 1 year</b>	<b>between 1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Contractual rent payments, EUR	110.264	351.472	351.852	<b>813.588</b>
Contractual rent payments, RON	523.875	1.669.878	1.671.684	<b>3.865.437</b>
Present value of the lease payments:				
Lease liability, EUR	87.742	290.366	272.423	<b>650.531</b>
Lease liability, RON	416.870	1.379.558	1.294.310	<b>3.090.738</b>
				<b>30.sept.19</b>
Value of equipment held in financial lease, RON				<b>4.159.710</b>
Accumulated depreciation of the equipment held in financial lease				<b>1.068.972</b>
Carrying value of the equipment held in financial lease, RON				<b>3.090.738</b>

The contract does not have a prepayment, a residual value or a final option to purchase the equipment. The duration of 13 years of contract covers the full economic life of the assets.

## 25 Loss per share

Basic loss per share calculation was performed based on the result attributable to ordinary shareholders and the weighted average number of ordinary shares:

	<b>30.sept.2019</b>	<b>2018</b>
Loss attributable to ordinary shareholders	-2.649.170	-9.568.960
Weighted average number of ordinary shares	100.012.054	100.012.054
<b>Total loss per share</b>	<b>-0,026</b>	<b>-0,096</b>

Diluted loss per share equals basic earnings per share as the Company has not issued shares in the period.

## 26 Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources representing economic benefits is removed.

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is possible and will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the entity.

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

**Contingent Risks**

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources representing economic benefits is removed.

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is possible and will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the entity.

**Bank commitments**

Transilvania Bank has issued letters of guarantee for clients, in favor of the company within the agreed loan ceiling as presented in the note Loans. On 30 September 2019, the Company had issued letters of guarantees in favor of its customers amounting to RON 9.748.330 (31 December 2018: RON 24.974.251), which become Company's obligations in case of non-conformity for services rendered to its customer. As at 30 September 2019 the list of open guarantee letters are as follows:

Type of SGB	Amount	Currency	Beneficiary	Maturity
Performance guarantee	71.363	EUR	Mavir Hungary	14.10.2019
Performance guarantee	71.363	EUR	Mavir Hungary	18.10.2019
Performance guarantee	147.980	EUR	Energobit SA Cluj	11.12.2019
Performance guarantee	49.150	EUR	E-Distributie Banat	31.12.2019
Performance guarantee	143.200	EUR	Transelectrica	29.01.2020
Performance counter guarantee	393.050	EUR	Energobit SA Cluj	24.02.2020
Performance guarantee	62.050	CHF	Kraftwerke AXPO	30.04.2020
Performance guarantee	449.200	EUR	BT SUCURSALA CLUJ	22.05.2020
Performance counter guarantee	196.698	EUR	Energobit SA Cluj	15.09.2020
Bid bond counter guarantee	139.730	EUR	EuroBank Greece	05.10.2020
Performance guarantee	77.279	EUR	Mavir Hungary	21.01.2021
Performance guarantee	77.279	EUR	Mavir Hungary	21.01.2021
Performance guarantee	187.563	PLN	Inno Stoen Operator Sp.z.o.o	29.04.2022
Performance guarantee	608.819	RON	Transelectrica	31.10.2022
Performance guarantee	7.348	EUR	Energobit SA Cluj	28.04.2023

<b>Total EUR</b>	<b>1.823.640</b>	<b>EUR</b>
<b>Total RON</b>	<b>608.819</b>	<b>RON</b>
<b>Total CHF</b>	<b>62.050</b>	<b>CHF</b>
<b>Total PLN</b>	<b>187.563</b>	<b>PLN</b>

Some of the customer guarantee letters issued by Banca Transilvania, in favour of the company, were transferred to a group bank, Deutsche Bank to release from the loan ceiling agreed with Banca Transilvania and to use the issued amount To other payments needed for the company. On 30 September 2019, the list of guarantee letters issued by Deutsche Bank is as follows:

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

Type of SGB	Amount	Currency	Beneficiary	Maturity
Advance payment guarantee	468.840	EUR	ROMELECTRO SA	31.03.2020
Performance guarantee	759.800	EUR	Transelectrica	11.01.2021
Performance guarantee	390.700	EUR	ROMELECTRO SA	30.04.2021
Performance guarantee	849.775	EUR	Transelectrica	28.04.2023
Performance guarantee	112.547	EUR	Transelectrica	28.04.2023
Performance guarantee	15.500	EUR	Acciona Industrial	15.01.2020
Performance guarantee	47.527	EUR	Acciona Industrial	15.01.2020
Performance guarantee	47.500	EUR	Ute Biomasa	30.04.2020
Performance guarantee	16.000	EUR	Ute Biomasa	30.04.2020
Advance payment guarantee	79.500	EUR	Electromontaj Carpati	30.04.2020
Performance guarantee	192.848	EUR	SMART Sibiu - Iernut	31.07.2023

**Total EUR**                                      **2.980.537**      **EUR**

**Guarantees received**

The Company received, in order to guarantee payment to suppliers, parental guarantee from SGB-SMIT Management GmbH worth EUR 5.012.895 and from STARKSTROM-GERÄTEBAU GMBH worth EUR 77.000.

**Environmental matters**

The environmental effects of the Company’s activities are monitored by the Company’s management. As a result, no provisions were set for any kind of potential obligations in relation to environmental matters.

**Transfer pricing**

The Romanian fiscal legislation includes the “arm’s length” principle, according to which inter-company transactions should be performed at market value. Local taxpayers that perform inter-company transactions should prepare and submit the transfer pricing file with the Romanian tax authorities, upon written request of the latter. Failure to submit the transfer pricing documentation file or submission of an incomplete file may lead to penalties for non-compliance; in addition to the contents of the transfer pricing documentation file, the tax authorities may interpret the transactions and circumstances in a manner different than that of the company and, as a result, they may determine additional fiscal obligations resulting from transfer pricing adjustments. The Company management considers they will not record losses in the case of a fiscal review of transfer pricing. However, the impact of a different interpretation from the tax authorities cannot be reliably measured. It could be significant for the Company’s financial position and/or operations.

**Potential tax liabilities**

All amounts owed to the State for taxes have been paid or recorded at the balance sheet date. The Romanian tax system is in the process of consolidation and constantly changing, with



**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

different interpretations of the authorities in relation to tax legislation, which may give rise to additional taxes, fees and penalties. If state authorities discover violations of legal provisions in Romania, they may, as the case may be: confiscate the amounts in question, calculate additional tax obligations and fines, application of late payment increases (applied to the actual payment amounts). Therefore, the fiscal sanctions resulting from breaches of the legal provisions may reach significant amounts to be paid to the State.

The Company believes that it has paid in full and in full all taxes, penalties, penalties and penalties, as the case may be.

The Romanian tax authorities have not carried out controls regarding the calculation of the corporate tax until the date.

**Commitments**

There are no commitments for fixed assets acquisitions.

Based on existing open contracts with client companies, the open orders can be considered as commitments to deliver products. To these, there are no open commitments for expenses for production.

**27 Related parties**

As of 30 June 2019, the Board of Directors was composed of:

1. Ölscher Jan - President
2. Uekermann Heinrich - Member
3. Tilo Dorn – Member
4. Franz Schatzl – Member
5. Franz Harald Mayrhofer – Interim Member

Board members do not hold shares within Retrasib S.A. and are not remunerated and there were no loans or treasury advances to directors.

**Transactions and intragroup balances**

Intragroup financing is described in Note Loans.

Below is the breakdown of trade balances and transactions:

**Transactions type:**

<b>Related parties</b>	<b>Description</b>	<b>Relationship</b>
STARKSTROM SGB	Sales transformers, sales services, purchasing materials, purchasing services	Belongs to the SGB Group (major shareholder)
SGB - Smit Management GmbH	Fees, other costs	Belongs to the SGB Group (major shareholder)
SGB-Smit International GmbH	Loans and interest	Immediate parent entity
Royal TRANSFORMATOREN Smit BV	services provided - cut core	Belongs to the SGB Group (major shareholder)

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

**Balances 31/12/2018**

**Related parties**

<u>From sales/purchases of goods and services</u>	<u>Supplier (RON)</u>	<u>Client (RON)</u>
STRAKSTROM	3.084	1.463.283
SGB- SMIT GMBH	2.593.682	-
SGB- SMIT MANAGEMENT	-	-
ROYAL SMIT TRANSFORMATOREN	245.624	84.170
TRAFO PROIECT	504.152	-
STRAKSTROM	3.084	1.463.283
<b>Total from sales/purchases of goods and services</b>	<b>3.346.543</b>	<b>1.547.452</b>
<u>From loans</u>		
SGB- SMIT INTERNATIONAL – loan	23.972.446	-
SGB- SMIT INTERNATIONAL – interest	2.063.828	-
<b>Total from loans</b>	<b>26.036.274</b>	<b>-</b>

**Transactions 2018**

**Related parties**

<u>From sales/purchases of goods and services</u>	<u>Purchase before VAT (RON)</u>	<u>Sales. excluding VAT (RON)</u>
STRAKSTROM	1.863.751	55.106.426
SGB- SMIT MANAGEMENT	-	-
SGB- SMIT GMBH	1.355.262	-
ROYAL SMIT TRANSFORMATOREN	245.624	-
<b>Total from sales/purchases of goods and services</b>	<b>3.464.636</b>	<b>55.106.426</b>
<u>From loans</u>		
STRAKSTROM - interest	-	-
SGB- SMIT INTERNATIONAL – interest	924.502	-
<b>Total from loans</b>	<b>924.502</b>	<b>-</b>

**Balances 30/09/2019**

**Related parties**

<u>From sales/purchases of goods and services</u>	<u>Supplier (RON)</u>	<u>Client (RON)</u>
STARKSTROM SGB	9.720	2.381.036
SGB- Smit GmbH	104.108	-
SGB - Smit Management GmbH	29.538	-
Royal TRANSFORMATOREN Smit BV	124.465	250.889
TrafoProject	493.608	-
<b>Total from sales/purchases of goods and services</b>	<b>761.439</b>	<b>2.631.926</b>

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

<u>From loans</u>		
STRAKSTROM - loan	28.221.534	-
SGB- SMIT INTERNATIONAL – interest	2.786.433	
<b>Total from loans</b>	<b>31.007.967</b>	

**Transactions 2019**

<b>Related parties</b>	<b>Purchase before VAT (RON)</b>	<b>Sales. excluding VAT (RON)</b>
<u>From sales/purchases of goods and services</u>		
STRAKSTROM	1.402.279	46.351.154
SGB - Smit International GmbH	752.142	
SGB – Smit GmbH	956.018	-
Royal TRANSFORMATOREN Smit BV	34.707	250.889
TrafoProject	-	-
<b>Total from sales/purchases of goods and services</b>	<b>3.145.146</b>	<b>46.602.044</b>

<u>From loans</u>		
STRAKSTROM - interest	-	-
SGB- SMIT INTERNATIONAL – interest	722.604	
<b>Total from loans</b>	<b>722.604</b>	

The Company also received guarantees from affiliated parties and SGB-SMIT Management GmbH, in order to guarantee payment to suppliers, amounting of EUR 3.368.981 and STARKSTROM-GERÄTEBAU GMBH amounting of EUR 77.00.

The details of loans received from affiliate parties are presented in Note 14. b).

**Key management personnel**

As of September 30, 2019 key management personnel are:

Mr. Gherghel-Diaconeasa Claudia-Adela - General Manager

Mrs. Panaitescu Roxana Laura – Financial Manager

Mr. Muresan Florin – Operational Manager

In addition to their salaries and bonuses, the Company does not provide other non-cash benefits or share based payments to directors and executive officers and does not contribute to any post-employment defined benefits plan on their behalf. The Company paid to the management personnel during 2018 a total remuneration of RON 781.355.

The Company will also pay to Management bonuses according to different criteria of performance, after the approval of the annual financial statements for the year end 31 December 2018.

## **28 Construction contracts**

Starting 2017, the company measures the turnover and the related receivables and payables based on the long term contracts percentage of completion.

Starting January 2018, the company applies IFRS 15, which provides that in the balance sheet to be presented separately receivables and liabilities arising from construction contracts, as defined in the accounting policies.

The balance sheet position for ongoing construction contracts is as follows:

	<b>30.sept.2019</b>
<b>Balance sheet disclosures</b>	
Gross amount due from customers (asset) (+)	40.729.297
Gross amount due to customers (liability) (-)	-13.223.312
<b>Net</b>	<b>27.505.985</b>

The net position relates to:

Aggregate costs incurred and recognized profits (less recognized losses)	38.116.435
Less: progress billings	-10.610.450
<b>Net</b>	<b>27.505.985</b>

The Company uses the „percentage-of-completion method” to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

## **29 Financial instruments**

The risk management activity within the Company is performed in relation to financial risks, operating risks and legal risks. The main objectives of the financial risk management activity are to determine the risk limits and then to ensure that the exposure to risks is maintained between these limits. The management of operating and legal risks is aimed at guaranteeing the good functioning of the internal policies and procedures for minimizing operating and legal risks.

### **Risks identified by the company are:**

- a) Currency risk
- b) Liquidity risk
- c) Credit risk
- d) Interest risk
- e) Capital risk management

#### **a) Currency risk**

The Company performs transactions expressed in different currencies, mainly in EUR. Hence, there is the risk of fluctuations in the exchange rates. The exposures to the exchange rate are managed according to the approved policies.

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

**Exposure to currency risk 31/12/2018**

Currency	RON	CHF	HUF	EUR	SEK	DKK	TOTAL
Trade receivables	20.862.783			14.723.270	266.189	4.688.174	40.540.416
Hedge receivables	-	-	-	-	-	241.740	241.740
Cash in the bank	83.047	-	182	129.236	38	-	212.503
<b>Total assets</b>	<b>20.945.830</b>	<b>-</b>	<b>182</b>	<b>14.852.506</b>	<b>266.227</b>	<b>4.929.914</b>	<b>40.994.659</b>
Trade payables	-10.292.262	-48.565	-	-34.177.142	-111.895	-842.944	-45.472.808
Hedge liabilities	-	-	-	-693.705	-	-	-693.705
Bank loans	-29.372.620	-	-	-	-	-	-29.372.620
Intercompany loans	-	-	-	-23.972.446	-	-	-23.972.446
<b>Total liabilities</b>	<b>-39.664.882</b>	<b>-48.565</b>	<b>-</b>	<b>-58.843.293</b>	<b>-111.895</b>	<b>-842.944</b>	<b>-99.511.579</b>
<b>Net currency exposure</b>		<b>-48.565</b>	<b>182</b>	<b>-43.990.787</b>	<b>154.332</b>	<b>4.086.970</b>	<b>-58.516.920</b>

**Exposure to currency risk 30/09/2019**

Currency	RON	CHF	HUF	EUR	SEK	USD	DKK	TOTAL
Trade receivables	58.857.396	-	-	8.029.212	-	-	572.453	67.459.061
Speculative receivables	-	-	-	-	-	-	241.740	241.740
Cash in the bank	46.467	-	178	20.033	416	177	488	67.759
<b>Total assets</b>	<b>58.903.862</b>	<b>-</b>	<b>178</b>	<b>8.049.245</b>	<b>416</b>	<b>177</b>	<b>814.681</b>	<b>67.768.560</b>
Trade payables	- 18.895.080	- 11.730	-	- 47.703.421	-	-702.646	-	-67.312.877
Hedge liabilities	-	-	-	- 693.705	-	-	-	- 693.705
Bank loans	32.440.348	-	-	-	-	-	-	-32.440.348
Intercompany loans	-	-	-	- 28.221.534	-	-	-	28.221.534
<b>Total liabilities</b>	<b>51.335.427</b>	<b>- 11.730</b>	<b>-</b>	<b>- 76.618.660</b>	<b>-</b>	<b>-702.646</b>	<b>-</b>	<b>-128.668.463</b>
<b>Net currency exposure</b>	<b>-7.568.435</b>	<b>- 11.730</b>	<b>178</b>	<b>-68.569.415</b>	<b>416</b>	<b>-702.469</b>	<b>814.681</b>	<b>-60.899.903</b>

The company's indebtedness in euros represents a balance sheet exposure to the risk of exchange rate RON / EUR.

An increase in the exchange rate would generate foreign exchange losses on balance sheet exposure but would have positive operational effect because a major part of the sale prices are set in EUR while most costs are in RON. The main costs are represented by raw materials where the acquisition prices are denominated in EUR.

**Sensitivity analysis**

10% is the sensitivity rate used when the internal reporting on the foreign currency risk to the Company is done and it represents the management estimate on the reasonably possible changes in exchange rates. The sensitivity analysis only includes the remaining foreign

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

currency expressed in monetary items and adjusts the conversion at the end of the period for a 10% change in exchange rates.

A strengthening of RON against the above currencies with 10% will have positive foreign exchange effect of RON 6.846.834 (2018: 3.979.787 RON). A 10% depreciation of the RON against the above currencies will have an equal opposite impact on loss for the year. The changes will be attributable to the exposure related to the intercompany loans, cash and cash equivalents and trade receivables and payables with foreign partners at the end of the year. This analysis assumes that all other variables, in particular interest rates, remain constant.

**b) Liquidity risk**

Liquidity risk is the ability of the Company to finance asset growth and / or meet its obligations when they become due and liquidity management is an integral part of the management of assets and liabilities.

This risk of loss, can lead to inability to meet payment on short term without expensive bank loans.

Liquidity analysis is carried out according to weekly payments and receipts and is correlated with cash needs. Management decided to use short term loans to finance the working capital because the products are made with long manufacturing cycle and between the time when an order is released and the one that collects production financing is needed.

<b>Liabilities 31.dec.2018</b>	<b>Below one year</b>	<b>1-5 years</b>	<b>Over 5 years</b>
<b>Interest bearing</b>			
Bank loans	29.372.620	-	-
Financial lease from Group	398.560	1.462.053	1.494.181
Short-term intra-group loans	23.972.446	-	-
<b>Non-interest bearing</b>			
Short-term trade payables	45.472.808	-	-
Other liabilities	3.932.108	-	-
<b>Total</b>	<b>103.148.542</b>	<b>1.462.053</b>	<b>1.494.181</b>

<b>Liabilities 30.sept.2019</b>	<b>Below one year</b>	<b>1-5 years</b>	<b>Over 5 years</b>
<b>Interest bearing</b>			
Bank loans	32.440.448	-	-
Financial lease from Group	411.827	1.411.751	1.318.696
Short-term intra-group loans	24.420.654	-	-
Future interest	3.800.880	-	-
<b>Non-interest bearing</b>			
Short-term trade payables	67.312.877	-	-
Other liabilities	8.468.670	-	-
<b>Total</b>	<b>139.048.191</b>	<b>1.411.751</b>	<b>1.318.696</b>

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

The company has disclosed in note 14 the credit limits and the portion yet undrawn from them, which represents available funding to cover liquidity needs.

**c) Credit risk**

Credit risk relates to the risk that a counterparty will not meet its obligations causing financial losses to the Company. The Company has adopted a policy of performing transactions only with trustworthy parties and of obtaining sufficient guarantees, if applicable, as a means of decreasing the financial losses caused by breaches of contracts. The Company's exposure and the credit ratings of third parties to contracts are monitored by the management.

Trade receivables consist in a number of clients from energy industry and different geographical areas. The permanent credit assessment is performed in relation to the clients' financial condition and, when appropriate, a credit insurance is concluded.

The cash is held in financial institutions which, at the date when it is deposited, are considered to have the lowest reimbursement risk.

The carrying amount of receivables, net of the provision for receivables, plus the cash and cash equivalents, are the maximum amount exposed to the credit risk. Although the receivable collection could be influenced by economic factors, the management considers there is no significant loss risk for the Company, beyond the provisions already recorded

The company has signed contracts with law firms to assist in collecting debts in due time. Currently there is no trial pending with regards to the collection of accounts receivables.

Our company's customers are companies of national interest or companies investing in industry with capital and financial strength, thus it is considered that cashing risk is low and has little chance to influence the activity of the company, although there are occasionally notices on delays in collection.

<b>Receivables by age</b>	<b>30 sep 2019</b>	<b>2018</b>
not due	19.489.850	15.365.664
0-30 days	220.164	9.025.215
31-60 days	254.441	83.023
61-90 days	2.178.077	-
> 90 days	1.982.094	162.325
<b>Grand Total</b>	<b>23.684.297</b>	<b>24.636.227</b>

**d) Interest risk**

Accessed loans are due to insufficient liquidity and the specificity of manufacturing segment - long manufacturing cycle, whereas accounts receivables are booked and collected at the latter stage of contract performance.

Accessed loans are aimed mainly to cover the purchase of raw materials and cover liquidity up to the collection of receivables.

The company has access to a Global Exploitation Ceiling contracted with the financing bank. The Global Exploitation Ceiling includes both credit line for the current activity and letters of bank guarantee.

This ceiling is guaranteed by a pledge on the buildings and inventories.

**RETRASIB SA**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the financial period ended 30 September 2019**

			Sensitivity to interest rate variation 1p%
<b>Exposure to interest rate risk</b>	RON		
Intercompany loan with fixed interest	28.221.534		282.215
Financial lease with fixed interest	3.090.738		
Bank loans with variable interest	32.440.348	ROBOR plus 1.7%	324.403

The company is meeting the financial covenants set by the Bank financing agreements.

e) **Capital risk** is analyzed based on the gearing ratio. This ratio is calculated as net debt divided by equity. The net debt is represented by the total loans less the cash and cash equivalents.

	Sep 2019	Dec 2018
Equity	<b>-20.722.302</b>	<b>-18.073.133</b>
Bank loans	32.440.348	29.372.620
Intercompany loans	28.221.534	23.972.446
Financial lease	3.090.738	3.354.794
Less cash and cash equivalents	-67.759	-212.503
<b>Total debt</b>	<b>63.684.861</b>	<b>56.487.357</b>
<b>Level of indebtedness (gearing ratio)</b>	<b>-3.07</b>	<b>-3.13</b>

### 30 Subsequent events

Until the date of the financial statements the Company doesn't have any significant events.

CEO  
 Gherghel-Diaconeasa Claudia-Adela

CFO  
 Panaitescu Roxana Laura