

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

For the financial year: 2019

Company name: COMELF SA

Headquarters: Bistrița, Strada Industriei nr. 4

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

Unique registration code at the Trade Register Office: 568656

Registered business number in the Trade Register: J06 / 02/1991

Subscribed and paid share capital: 13,036,325.34 lei

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

The main characteristics of the securities issued by the company:

- Dematerialized registered shares in a number of 22,476,423 with a nominal value of 0.58 lei / share.

The Board of Directors of Comelf SA Bistrița, appointed by the General Meeting of Shareholders, has prepared, for the financial year 2019, the present report concerning the balance sheet, the profit and loss account, the statement of changes in equity, the statement of cash flows, accounting policy and explanatory notes included in the individual financial statements for the year 2019. These financial statements are presented together with the Audit Report and this Directors' Report and refers to:

Equity:	72,094,682 RON
Total revenue:	143 842 653 RON
Profit for the period:	2,624,114 RON

The financial statements have been prepared in accordance with:

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

As of 2012, the company presents individual financial statements prepared in accordance with the provisions of Order 2844/2016 (previously Order 1286/2012) for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards, applicable to trading companies whose securities are admitted to trading on a market. regulated, with subsequent modifications and clarifications the requirement imposed by Order 881/2012.

The company COMELF was audited by the independent auditor Comit Expert-Ace SRL. The results of the Company's audit are presented in the Independent Auditor's Report Audit Coman Expert-Ace SRL.

1. Analysis of the Company's activity:

i. Description of the basic activity of the Company:

The company operates on the basis of the Law no. 31/1990 concerning Companies (with the amendments and further completions), of the Capital Market Law no.297 / 2004 and of the Law 24/2017 regarding the issuers of financial instruments and market operations. According to article 6 of the Articles of Incorporation updated in November 2019, the object of activity of the Company is "**Manufacture of machinery and equipment for earthmoving works, power plants and environmental protection, lifting and transporting equipment, including their subassemblies.**"

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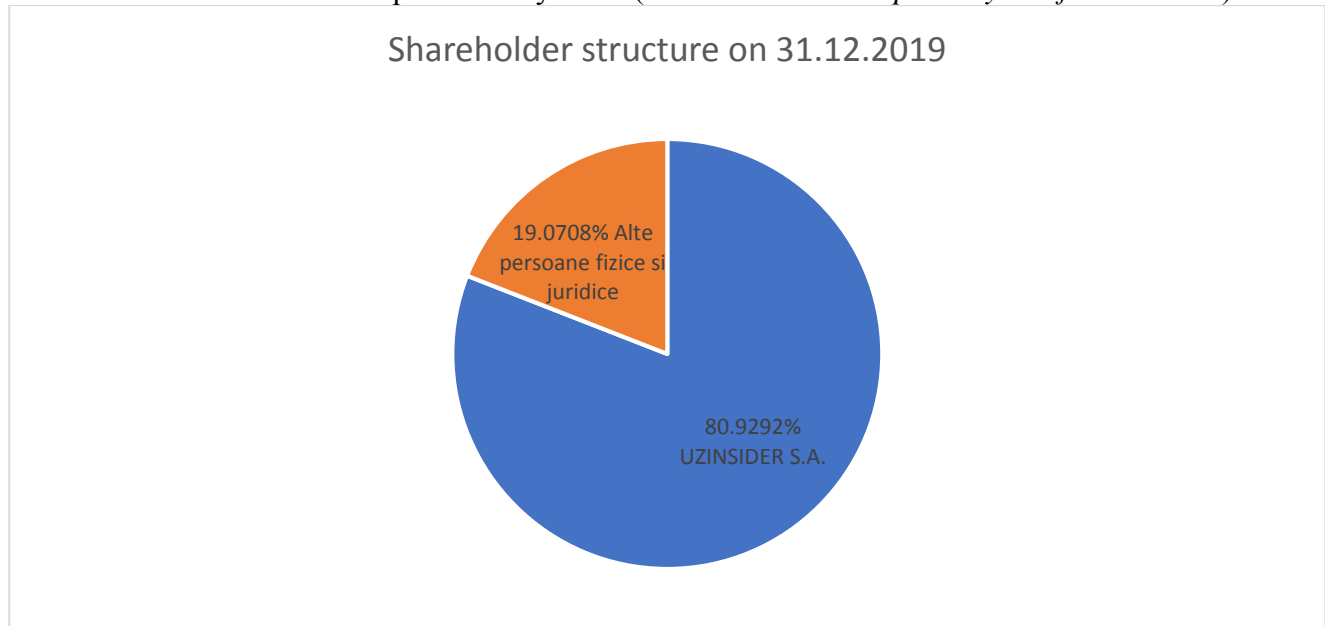


ii. Date of establishment of the Company:

The company COMELF SA is a joint stock company established in Romania, in 1991, on the structure of the Bistrița Technological Equipment Company.

iii. Changes in company shares, significant mergers or reorganizations of the Company or of the subsidiaries, during the financial year:

COMELF is a Company with a majority Romanian capital and since 1995 COMELF has been listed on the Bucharest Stock Exchange, being part of the 12 founding companies. The share capital subscribed and paid at the end of the 2019 financial year is 13,036,325.34 LEI. The structure of the shareholders at the end of the period analyzed is (*Source: Central Depository as of 31.12.2019*):



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

On November 14, 2019, the Extraordinary General Meeting of Shareholders approved the completion of the activity of the company with three other activities, CAEN code 2540 - Manufacture of armament and ammunition, CAEN code 2910 - Manufacture of road transport vehicles, CAEN code 3040 - Manufacture of military vehicles fight, in order to authorize and manufacture parts of equipment for the defense industry.

As at 12/31/2019 COMELF SA does not hold participations in other companies and does not hold Subsidiaries.

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

The total value of the assets at December 31, 2019 was 154,931,916 LEI, with 10,475,741 LEI lower than the value recorded at the beginning of the year, the difference coming from the decrease of the company's fixed assets on account of the depreciation (7,390,556 LEI) offset by the investments in fixed assets, in 2019 (2,654,710 lei), from the decrease of current assets (5,739,895) and here, in detail, subtract the values of all the components of other current assets, except the cash available and the cash elements that double at the end of 2019 compared to the beginning of the year ;

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

Statement of profit and loss account, respectively of the revenues and expenses grouped by their origin during the year 2019, it is presented as follows:

Profit and loss account (Thousand lei)	Year 2019	Year 2018	Differences
Turnover	149,263	151,767	(2,504)
Other operating income, TOTAL-of which:	(3,050)	4232	162
Variation of stored production (+/-)	(5,420)	1,499	(6,919)
Income from operating grants	11	88	(77)
Revenues from investment grants	1,577	1,580	(3)
Other operating revenues	782	1065	(283)
Operating Income - TOTAL	146,213	155,998	(9,785)
Expenditure on raw materials, consumables, utilities, commodities	66,012	72,334	(6,322)
Staff costs	47,509	47,595	(86)
Provisions expenses, depreciation and amortization adjustments, TOTAL-of which:	7,149	1,600	5,549
Depreciation expenses	7,391	7,721	(330)
Provision expenditure on current assets depreciation	(48)	37	(48)
Adjustments for risk and expense provisions	(194)	(6,178)	(5876)
Other operating expenses	21,151	30,903	(9,751)
Operating Expenses- TOTAL	141,820	152,131	(10,310)
Operating profit-TOTAL	4,393	3867	(1612)
Financial income	2,113	2,001	112
Financial expenses	3,518	2,646	873
Financial result	(1,405)	(645)	761
Total revenue:	148,327	158,459	(10,132)
Total expenses	145,339	155,238	(9,899)
Profit and loss account (Thousand lei)	Year 2019	Year 2018	Differences
Gross result	2,988	3,221	(233)
Net result	2,624	2,815	(191)
EBITDA	11,784	11,313	471

EBITDA was determined as follows:

Indicators (thousand lei)	2019	2018	Differences
Operational Profit	4,393	3,867	526
Depreciation expense	7,391	7,721	(2751)

Changes in the asset are as follows:

Asset (thousand lei)	Year 2019	Year 2018	Differences
1.1. TOTAL fixed assets, of which:	87,552	92,125	(4,573)
1.1.1. Fixed tangible assets	37,174	39,154	(1,980)
1.1.2. Fixed real estate assets	49,770	52,379	(2,609)
1.1.3. Intangible fixed assets	608	592	16
Asset (thousand lei)	Year 2019	Year 2018	Differences
1.1.4. Financial assets	-	-	-
1.2. Current assets TOTAL, out of which:	67,263	73,283	(6,020)

1.2.1. Stocks of raw materials and materials	6,141	7,355	(1,214)
1.2.2. Stocks of finished products and production in progress	18,193	23,614	(5,421)
1.2.3. Trade receivables and the like, total, of which:	35,755	37,906	(2,151)
- Trade receivables	33,599	35,704	(2,105)
1.2.4. Income Tax to be recovered	-	-	-
1.2.5. Other receivables and advances for fixed assets	2,156	2,202	(46)
1.2.6. Cash and cash equivalents	7,528	3,738	3,790
Total Assets	154,932	165,408	(10,476)

The liability structure of the company's balance sheet at December 31, 2019 is as follows:

Liabilities (thousand lei)	Year 2019	Year 2018	Differences
1.1. Total share capital, of which:	13036	13036	-
1.1.1. Subscribed share capital	13,036	13,036	-
1.1.2. Adjustments to the share capital	8,812	8,812	-
1.1.3. Other capital items	(8,847)	(9,183)	336
1.2. Revaluation reserves	43,219	45,318	(2,099)
1.3. Legal reserves	2,607	2,607	-
1.4. Other reserves	13,534	12,125	1,409
1.5. Company owned shares	-	-	-
Liabilities (thousand lei)	Year 2019	Year 2018	Differences
1.6. Reported result	(2,891)	(3,593)	702
1.7. The result of the fiscal year	2,624	2,815	(191)
1.8. Distribution of profit	-	-	-
Total equity	72,095	71,938	157
1.2. Long-term debt	17,805	20,922	3,117
1.2.1. Loans and interest-bearing debts	1,728	3,553	(1,825)
1.2.2. Deferred tax liabilities	9,436	9,692	(256)
1.2.3. Provisions for risks and expenses	163	190	(27)
1.2.4. Deferred income liabilities	6,478	7,487	(1,009)
1.3. Current debts	65,032	72,548	(7,516)
Trade and similar payables, of which:	26,541	35,394	(8,853)
Trade payables	21,124	28,931	(7,807)
1.3.2. Loans and interest-bearing loans	34,865	33,830	1,035
1.3.3. Other debts	5,417	6,463	(1,046)
1.3.4. 1.2.3. Provisions for risks and expenses	1,698	1,316	382
1.3.5. Deferred income liabilities	1,592	1,595	(3)
1.3.6. Deferred tax liabilities	336	413	(77)
Total debt	82,837	93,470	(10,633)
Total equity and debt	154,932	165,408	(10,476)

The Equity of the Company has grown in the 2019 financial year with 157 thousand lei. Legal reserve is 2607 thousand lei and represents 20% of the share capital.

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Total debts of the Company decreased by 10,633 thousand lei, in particular due to the reduction of debts to suppliers by 7,807 thousand lei, the reimbursement of part of the credit for working capital, respectively 438 thousand euros, and of other debts, i.a. with salaries and assimilated with the decrease of the number of personnel, income tax, dividends as a result of the payments made in 2019 but also of the transfer of the unclaimed and prescribed amounts, related to the period 2011-2014 to other operating revenues, based on HAGOA 59 / 18.04.2019.

The provisions of the company grew by 355 thousand lei being influenced by:

- Reduction of provisions for employees' retirement benefits by 27 thousand lei in the context in which 36 persons had retired in 2019 and the updated amounts related to the persons remaining in the unit and who could fulfill the conditions necessary to benefit from this right did not cover the payments performed for the 36 retired persons.

- Reduction of provisions for rest holidays related to previous years, including 2019, and not made until 31.12.2019;

- The sum of 503 thousand lei constituted additionally, represents provisions for commercial penalties at the end of 2019 for which there is the probability of becoming certain in the next period.

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

Indicators (thousands lei)	2019	2018
Current assets	67,543	73,283
Current debts	65,032	72,548
Net current assets	2,511	735

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

The profit and loss account reflects actual earnings, expenses and financial results for 2019. The company carried out the inventory of the entire patrimony, the inventory results being recorded in the accounting and in the balance sheet. The Company has organized the preventive financial control activity.

The internal audit activity was ensured in the financial year 2019 by Acon Audit SRL.

Elements of general assessment

a). Profit / (loss):

Indicators (thousand lei)	2018 realised	2018 realised
Gross profit (loss)	2,988	3,221
Net profit (loss)	2,624	2,815

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Net profit: decreased in 2019 compared to the one realised in 2018, mainly influenced by: (i) the wage costs, especially those related to the directly productive personnel that increased in line with the evolution of the labor market and the average growth was above the evolution of the turnover (+ 5.77% at the company level); (ii) the evolution of the LEU / EUR exchange rate in 2019 generated additional financial losses of 653 thousand lei;

b). Turnover:

Indicators (thousand lei)	2019 realised	2019 Budget	2018 realised	Δ% vs. 2018	Δ% vs. Budget
Turnover	149,263	156,438	151,767	-1.72%	-4.59%

The turnover declined in 2019 compared to 2018, mainly due to the reduction of the number of directly productive personnel (on average by 10.57%).

c). Export and intra-community deliveries(LIC):

Indicators (thousand lei)	2018 realised	2018 realised	Δ% vs. 2018
Turnover	149,263	151,767	-1.72%
Direct Export or LIC -EUR	26,634	29,044	-8.30%
Direct Export or LIC -LEI equivalent	126,465	135,158	-6.43%

In 2019, the volume of revenues from export operations, including direct intra-Community deliveries, decreased by 8.30%, compared to the previous year.

d). Costs:

Expenses (thousand lei)	2019	2018
Raw materials, consumables used and goods		
Expenditure on raw materials	51,831	56,232
Expenses on consumables	9,798	11,542
Expenditure on goods	22	625
TOTAL	61,651	68,399
Employee Benefits Expenditures		
Wages	42,842	43,044
Contributions to the National Social Insurance Fund	2,052	1,977
Other taxes and contributions related to salaries	-	-
Meal tickets	2,551	2,162
Other benefits related to wages	63	504
Expenses (thousand lei)	47,508	47,687
Revenue from operating subsidies for. personnel payment	(11)	(88)
TOTAL	47,497	47,599
Other expenses		
Transportation expenses	6,968	7,294
Utilities expenses	4,464	4,464
Expenditure on services performed by third parties	8,548	11,679
Expenses with damages, fines, penalties	308	6,887

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Entertainment, publicity and advertising expenses	111	120
Other general expenditure	1,394	1,248
Expenses with other taxes and fees	1,109	1,443
Expenses for repairs	1,170	839
Travel expenses	324	303
Expenses on rents	715	546
Postage and telecommunications costs	88	85
Expenditure on insurance premiums	418	460
TOTAL	25,617	35,368

e). Market share:

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

f). Cash resources:

The cash amount held in accounts by the Company as of December 31, 2019 is 7,528 thousand lei.

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

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

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

In 2019 the activity of the company was carried out without interruption. In 2019, new products and new customers were developed.

BU	Customer	Product
FPI	MFT Germania	Tanks
	Hawden Germania	Basic frames
	Almig Germania	Basic compressor frames
	Haba Germania	Stainless steel component
	Rockfin Polonia	Basic gas turbine frames
	Camfil Ungaria	Turbine components

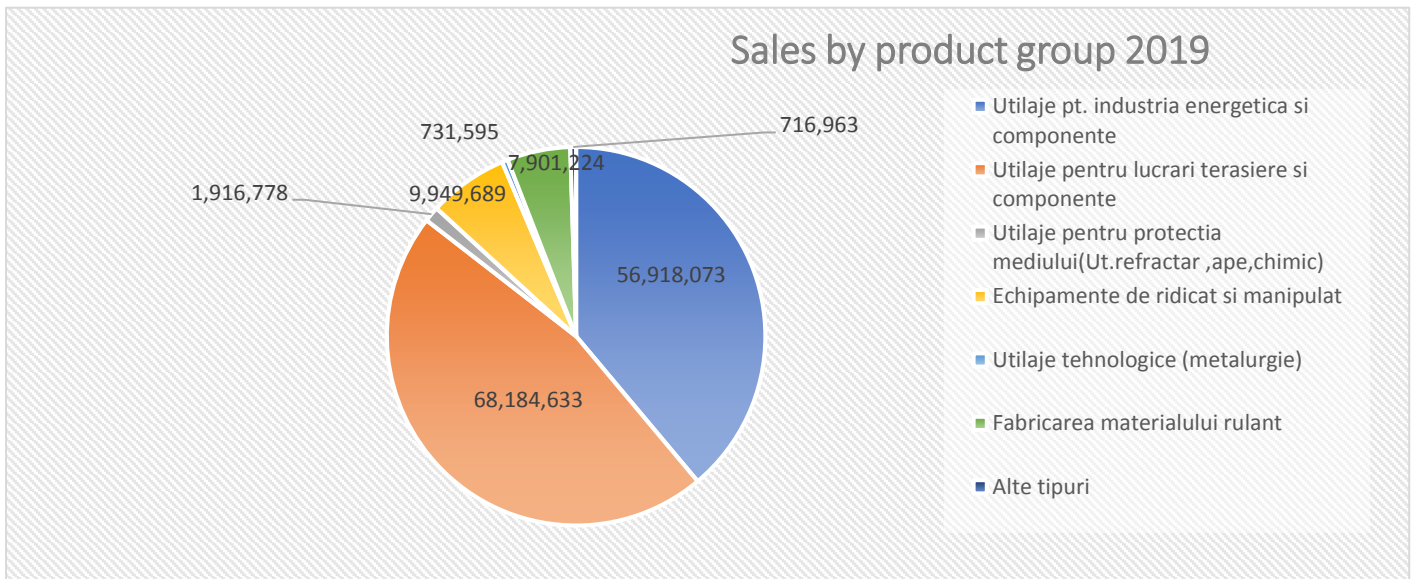
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	Siemens AG Mobilitaty	Components for railway equipment
	Tekhnint Elvetia	SK415 and CTT332 turbo cranes components
	GE Ungaria	Oil reservoirs for turbines
FCT	Rockster Austria	Crushers
	Michelin Franta	PAP machines
	Hartl Engineering	Electric skid,electric ceusher
	HCE Italia	Chassis type R12
FUET	Tesmec Service Italia	Chassis rail componentsd
	Wasserkraft Austria	Turbine parts component
	SHM Norvegia	Parts for marine equipment
	Doosan Skoda Cehia	Support stator
	Focus Bioenergy	Sawdust containers

Share of operating revenues by main operational lines in total revenues for 2019:



The Company's commercial policy is to avoid significant dependence on a single Customer (no more than 35% exposure per customer). During 2019, the largest share of sales per customer was 18.39% of the total turnover, as follows:

Partner	Share in revenue (> 10%)	Income	Revenue pertaining to Segment
Siemens	18.39%	27,448,080	Equipment and parts for power-generation industry: FPI-FUET
Komatsu	18.02%	26,899,606	Earth-Moving Machines and parts: FUET

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Tesmec	11.34.%	16,925,224	Components for earth-moving equipment and railway vehicles and parts:FUET + FCT
General Electric	4.16%	6,202,749	Equipment and parts for power-generation industry: FPI-FUET

3. Assessment of the technical-material procurement activity:

The procurement activity has as an objective to provide at all times and in the most advantageous

conditions the raw materials required for carrying out the company's manufacturing activities.

Starting with June 2018, the procurement activities is done in a centralized manner by merging, all procurement departments into LOGISTICS (DPL)

Within the newly established department, the purchasing departments, the warehouse sector and supplier control, external collaboration and logistics carry out the procurement activity.

Organizing in such a manner has the following advantages:

1. The purchase of larger quantities of materials allows to obtain a more lower price from the suppliers;
2. Procurement of larger quantities means that the supplier handles such orders more carefully;
3. Centralized procurement allows standardization of purchased products and therefore guarantees a constant quality;
4. Higher specialization of staff for example one person becomes well acquainted with plates, another with pipes, with paints etc., leads to a higher competence and a lower cost of the materials;
5. The consolidation of several smaller orders reduces the administrative costs, the time needed for negotiation and obtaining of favorable conditions for the buyer such as payment term, etc .;
6. The interaction with suppliers is simplified because there are fewer persons involved;
7. Lower transport costs as orders are transported in larger quantities;
8. Lowering the risk of excessive stocks for some materials, for example in the current situation, there is a risk that each factory will have stock of materials that instead of being used by other factories remain stock implicitly freezing financial resources.

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

Procurement departments and the warehouse sector are required to permanently check the inventory of materials and then issue purchase orders to keep stocks under control at all times in order to avoid any shortages.

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

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

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

4. Reviewing aspects pertaining to Company Employees:

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The average number of staff dropped during 2019 from 878 in 2018 to 794 employees in 2019. The personnel structure was as follows:

	2019	2018
Executive Managers	7	7
Blue collar personnel	482	548
White collar personnel and Administration Staff	305	323
Total	794	878

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

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

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

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

In order to carry out the production processes, Comelf has obtained:

- Water Management Permit no. BN 76/10/24/2019, issuer Somes-Tisa Basin Water Administration, Bistrita-Nasaud Water Management System, valid until the date of 10/24/2024;
- Environmental permit for operation no. 127 / 08.08.2011, revised on 06.12.2016, issued by MMGA-BN Environmental Protection Agency, valid 08.08.2021
- Certification of Integrated Quality, Environment, Health and Safety Management System in accordance with ISO 9001: 2015, ISO 14001: 2015, and ISO 45001: 2018;

6. Reviewing R & D aspects:

Taking into account the specificity of the company's activity and the fact that the Company's activity is a specialized one, requiring superior technical knowledge, there is at the company level a Design Department that has besides the specific activity pursuits related to the preparation of the production on 3D models of new products and solutions , specific to the domain in which we operate.

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Moreover, the market on which we operate and the increasingly specialized requirements of our clients impose a permanent activity of improving the existing products in the portfolio. In addition, the company has developed partnerships with Technical Universities in Romania and England, with which it constantly makes an exchange of experience on the identification of new technical solutions and new product development.

7. Evaluating the company's risk management activity:

(a) Credit risk

Credit risk refers to the risk that a third party will not comply with its contractual obligations, causing financial losses to the Company. The Company exposure and credit ratings of third parties are carefully monitored by the management. There is a policy implemented in terms of assessing both potential and existing clients, assessing the credit limit and the settlement method. However, we believe that the Company is exposed to credit risk as a result of trade receivables with terms to pay up to 120 days a significant part of it not being insured. In 2019 the Company will resort to commercial credit insurance to reduce credit risk, especially for new clients but also for those in the portfolio.

(b) Cash-flow risk

The ultimate responsibility for managing cash-flow risk lies with senior executives, in particular the Chief Financial Officers of the factories and that of Comelf, who have built an appropriate cash flow risk management framework for securing the Company's short, medium and long-term funds and requirements on cash-flow management. There is a continuous monitoring of the provisioned cash-flows (3 months) and real flows by matching the maturities of financial assets and liabilities. The additional liquidity need can be covered by the company including by accessing credit facilities, the company being at a satisfactory level of indebtedness.

(c) Currency risk

Currency risk is the risk of recording losses or of not realizing the estimated profit as a result of unfavorable fluctuations of the exchange rate. Most of the Company's financial assets and liabilities are expressed in the national currency, the other currencies in which operations are performed are EUR, USD and GBP.

Most current assets are denominated in foreign currency (88%) and the financial liabilities of the Company are denominated in foreign currency (55%) and national currency (45%) and hence exchange rate fluctuations do not significantly affect the Company's activity. Exposure to exchange rate fluctuations is mainly due to the current currency conversion transactions required for current payments in LEI.

(d) The interest rate risk

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

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

(e) Market risk

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

(f) Price risk

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

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

(g) The risk pertaining to the economic environment

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

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

(h) The fair value of financial instruments

As of 31.12.2019, the company no longer holds financial instruments.

8. Perspective elements regarding the activity of COMELF:

The probable evolution of the company is found in the Revenue and Expense Budget Project for 2020, which provides for the following:

- Turnover: 148,344 thousand lei;
- Total revenue, of which: 150,401 thousand lei;
- Revenues from manufacturing 143,251 thousand lei;
- Revenue from the sale of goods + services 4,993 thousand lei;
- Revenue from investment grants 1,599 thousand lei;
- Financial income (interest, favorable exchange rate differences) 360 thousand lei;

➤ Total expenses	146,777 thousand lei;
➤ Gross profit:	3,624 thousand lei;

Comelf has proposed for 2020 an investment budget of 2,555,640 lei . These investments are intended to improve the welding process, increase the production capacity and quality for certain operations and products, to co-finance a project for the purchase and installation of photovoltaic panels in order to reduce dependency on electricity producers and, implicitly, energy cost reduction. The investment program for 2020, mentioned above, will be realized with own resources and or by leasing financing.

In addition, in 2020 the company will support the reimbursement of EUR 750,000, part of the existing working capital loan, amounting to EUR 7,437,500 in 12/31/2019 and the reimbursement of some lease rates in the amount of 214,593 LEI;

The tangible assets of the Company:

1.COMELF SA held at the end of 2019 the following production capacities:

- ❖ **Earth-Moving Machinery and Equipment Factory (FUET):** which manufactures marine equipment, telescopic cranes, components for excavators and components for earth-moving machines (arms), engine housings, electrical generator enclosures, turbine chassis, industrial gas dedusting equipment, filters for asphalt plants, gas turbine power plant equipment, sewage treatment and purification equipment, hydropower equipment, technological equipment. The FUET activity is carried out in two productive units, one of which has a built surface of 16,128 sqm and another has a built surface of 18,827 sqm;
- ❖ **Earth-moving Machines and Components (FCT):** manufactures “turn-key” earth-moving machines (crushers, asphalt pavers), components for earth-moving machines (chassis, arms, frames), mobile presses for compaction of car bodies, fixed presses and components for compaction of metal waste; telescopic cranes, sub-assemblies for heavy-duty dumpers. Built area 17.322 sqm;
- ❖ **Stainless Steel Products Factory (FPI):** manufactures stainless-steel equipment (equipment for gas turbine power plants, wind turbine components, components for freight wagons, combustion air filter components) and carbon steel (equipment for gas turbine power plants, turbine chassis, compressors, generators, conveyor belts, components for transport, assembly, components for transport-containers handling machines);
Built area 28,547 sqm;

All factories are located in Bistrita, Industriei street no.4, Bistrita-Nasaud county.

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

The total land area owned by the company is 174,640 sqm.

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

The machines, equipment and installations used by Comelf in the production activity were acquired, a significant part, during the period 2014-2015, when the company implemented the project "Fundamental change of the production flows and introduction of new technologies with the aim of

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increasing productivity and competitiveness on the internal and external market of COMELF "according to the financing contract signed with the Ministry of Economy as the managing authority for POS-CCE.

2. Market of securities issued by the Company

2.1. Starting with 11/20/1995 Comelf is listed on the Bucharest Stock Exchange. The Company's shares are ordinary, nominative, uncertificated and indivisible shares.

2.2. The unpaid profit for 2019 will be used for; a). payment of dividends and b). other reserves;

2.3. The share capital of the Company did not change in 2019, it is in the amount of 13,036,325, 34 RON equivalent of 22,476,423 shares, nominal value 0.58 lei / share.

2.4. As at 12/31/2019 COMELF SA does not hold participations in other companies.
COMELF SA does not hold Subsidiaries.

3. Company Top Management

3.1. Board of Directors

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

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

Save Constantine chairman
Babici Emanuel member
Mustață Costică member
Maistru Ion member
Pârvan Cristian member

Members of the Board of Directors are elected at the General Meeting of Shareholders on the basis of shareholders' voting in accordance with legal requirements. Therefore there are no conventions and agreements to report in this respect.

List of persons affiliated to the trading company:

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

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

3.2. Executive management

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

- Members of the Executive Board of the Company:

Cenușă Gheorghe	General Manager
Pop Mircea	Deputy General Manager
Oprea Paul Cristian	Deputy General Manager Engineering and Production
Tătar Dana	Financial Manager
Marica Ioan	AQM Manager
Câmpian Cosmin	Managing Director of the factory
Barbuceanu Florentin	Managing Director of the factory
Viski Vasile	Managing Director of the factory

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

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

3.3. Corporate Governance

Regarding the state of compliance with the provisions of the Corporate Governance Code (CGC) of the BSE at the end of 2019 of the 41 provisions to be observed were fulfilled 20 and 2 considered as partially fulfilled. It should be noted that out of the 19 provisions that appear to be unfulfilled, one does not regard the company because COMELF is in the standard category, and 18 are in Section B that is respected on the merits, through the activity of the internal audit firm outside the company, and by the employee COMELF which has the exclusive "internal control" task. Provision of Section C not accomplished is in fact regulated by internal provisions and the requirements of Section D (Investor Relations) are fulfilled by 2 nominee employees and posted on the company's website to the "Information to Date" position of the information which interests investors. It was not considered necessary to hold meetings with investors (D₉) as these have the necessary information available from the current and periodical reports published, which ensure a high degree of transparency that allows shareholders and potential investors to make informed decisions.

All the provisions regarding the summons of general meetings are strictly observed, and the Reports regarding their occurrence, the adopted decisions, including those regarding the payment of dividends or other special events, are published through the BSE Reports in Romanian and English and posted on

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www.comelf.ro. In order to support the above mentioned, including the explanations regarding the status as at 12/31/2019 regarding the compliance with the new CGC, we attach to this report the status, on each section, as follows:

Annex: State of compliance with the provisions of the new Corporate Governance Code (CGC) of the BSE on 12/31/2019.

	Provisions to be observed	conformation Yes/No	Explanations
SECTION A - Responsibilities			
A.1.	All companies must have an internal regulation of the Council which includes the reference terms / responsibilities Of the Board and key management positions of the company, and which apply, inter alia, the General Principles of Section A.	Yes	The Regulation has been developed Board of Directors according CGC of BVB
A.2.	Provisions for managing conflicts of interest must be included in the Board Regulation. In any case, members the Board must notify the Board of any conflicts of interest that have arisen or may arise occurred and abstain from participating in discussions (including through non - attendance, except for in which case the failure would prevent the formation of the quorum) and from voting for a decision on the matter which gives rise to that conflict of interest.	Yes	The Board Regulation includes provisions on how to manage the conflict of interest.
A.3.	The Board of Directors must consist of at least 5 members.	Yes	
A.4.	The majority of the members of the Board of Directors must not hold an executive position. In the case of Premium Category companies, no less than two non-executive members of the Board of Directors must be independent. Each independent member of the Board of Directors must file a statement at the moment of his nomination for election or re-election, as well as when any change of status occurs,	Yes	COMELF is in the Standard category. No member of the Board of Administration does not hold executive position in COMELF.

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	indicating the elements on the basis of which it is considered to be independent in terms of his/her character and judgment.		
A.5.	Other relatively permanent commitments and obligations of a member of the Board, including executive and non-executive positions on the Board of any non-profit organizations and institutions, must be disclosed to shareholders and potential investors before the nomination and in the course of his/her mandate.	Yes	
A.6.	Any member of the Board must report to the Board information on any report with a shareholder who directly or Indirectly owns shares representing more than 5% of all voting rights. This obligation refers to any kind of report that may affect the position of the member on matters decided by the Board.	Yes	
A.7.	The company must designate a Board Secretary responsible for supporting the work of the Board.	Yes	
A.8.	The corporate governance statement will inform whether an assessment has taken place by the Board under the leadership of the Chairman the nomination committee and, if so, summarize the key measures and the resulting changes. The Company must have a policy / guidelines on the Board's evaluation purpose, criteria and frequency of the evaluation process.	No	In 2020, the Company will develop a policy / guide on the Board's assessment of the purpose, criteria and frequency of the evaluation process.
A.9.	The corporate governance statement must contain information on the number of meetings of the Board and committees in During the last year, administrators' participation (in person and in absence) and a report by the Board and committees on their activities.	Yes	In 2019, the Board of Directors met eight times with the participation of the majority Of the administrators at each meeting. the OGMS in April 2020 shows the BD report for 2020.

A.10.	The corporate governance statement should include information on the exact number of independent members in Board of Directors.	No	Through the Articles of Incorporation or the OGMS decision the number of BD members is not established who must be independent.
A.11.	The Board of Premium Companies must set up a nomination committee made up of people without an executive position, who will lead the procedure for new nominations Of Board Members and make recommendations to the Board. Most members of the nomination committee must be independent.	No	COMELF is in the Standard category.

SECTION B - Risk management and internal control system

B.1.	The Board should set up an audit committee in which at least one a member must be an independent, non-executive administrator. Most members, including the president, must prove to have appropriate qualifications relevant to their positions and responsibilities in the Committee. At least one member of the audit committee must have audit or accounting experience verifiable and appropriate. For companies in Category Premium, the audit committee must consist of at least three members and most members of the audit committee must be independent.	No	The internal audit is carried out by an independent company. 2 candidates were nominated, BD members who formed the audit committee. None of these two people is a financial auditor.
B.2.	The chair of the audit committee must be a independent Non-executive member.	No	The internal audit is carried out by a independent company.
B.3.	Within its responsibilities, the audit committee must carry out an annual assessment of the internal control system.	No	Internal auditing is carried out by an independent company. It provides independent reports to BD members on operational procedures and activities.
B.4.	The evaluation should take into account the effectiveness and coverage	No	The internal audit is carried out by an independent company. It provides independent reports to CA members on the risks identified in the audit activity, how the executive management respects, manages and resolves the deficiencies and risks identified in the operational activity.

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	the internal audit function, the adequacy of the reports risk management and internal control presented to the Committee the Council's audit, the promptness and effectiveness with which executive management resolves deficiencies or weaknesses identified following internal control and reporting relevant to the attention of the Council.		
B.5.	The Audit Committee should assess conflicts of interest in related to the transactions of the company and its subsidiaries with the parties affiliated companies.	No	The internal audit is carried out by an independent company.
B.6.	The Audit Committee should evaluate the effectiveness of the internal control and risk management system.	No	The internal audit is carried out by an independent company.
B.7.	The audit committee should monitor the application legal standards and general internal audit standards accepted. The audit committee must receive and evaluate reports of the internal audit team.	No	The internal audit is carried out by an independent company, which reports to MB members
B.8.	Whenever the Code lists reports or reviews initiated by the Audit Committee, these should be followed by periodic (at least annual) or ad hoc reports later submitted to the Council.	No	The internal audit is carried out by an independent company.
B.9.	No shareholder may be granted preferential treatment against other shareholders in connection with transactions and agreements concluded by the company with shareholders and their affiliates.	Yes	
B.10.	The Council must adopt a policy to ensure as any company transaction with any of the companies with who has close relationships whose value is equal to or more 5% of the company's net assets (acc	No	The Board of Directors did not adopt a policy in this regard.

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	last financial report) is approved by the Council a binding opinion of the Council 's audit committee and properly disclosed to shareholders and potential investors to the extent that these transactions fall into the category events subject to reporting requirements.		
B.11.	Internal audits should be performed by a separate division structurally (internal audit department) within the or by employing an independent third party.	Yes	The internal audit is carried out by an independent company.
B.12.	In order to ensure the fulfillment of the main functions of the internal audit department must report from a functional point of view to the Council through audit committee. For administrative purposes and within management's obligations to monitor and reduce risks, it must report directly to the Director General.	No	The internal audit is carried out by an independent company.

SECTION C - Just reward and motivation

C.1.	The company must publish on its policy website and to include a statement in the annual report on the implementation of remuneration policy during the period which are subject to analysis. The remuneration policy should be formulated in such a way as to allow shareholders understanding the principles and the arguments that stand on the basis of the remuneration of the members of the Board and the Director General . This must describe how to drive a process and decision-making on remuneration, its detail the components of executive management remuneration (such as wages, annual bonuses, long-term incentives	No	Remuneration of Council Members of the Administration is compliant the OGM decision. The company is defined by decision internal award criteria salaries and incentives in office of performance . The General Director's contract is on indefinite duration and includes clauses of its cessation.
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	<p>related to the value of shares, benefits in kind, pensions and others) and to describe the underlying purpose, principles and presumptions each component (including general performance criteria related to any form of variable remuneration). In addition, the remuneration policy must specify the duration of the contract the Executive Director and the period of notice provided in contract, and any compensation for revocation without the just cause [...]. Any essential change in the remuneration policy must be published in a timely manner on the page internet of the company.</p>		
<p>SECTION D - Adding Value through Relationships with Investors</p>			
D.1.	<p>The company must organize a Relationship with Investors - made known to the general public by person (s) responsible or as an organizational unit. Besides the information imposed by legal provisions, the company must include the its website dedicated to Investor Relations, in the Romanian and English languages, with all relevant information of interest for investors, including:</p>	No	<p>Information required according to the provisions</p> <p>legal information is posted on the website to the "Up-to-date" position.</p>
D.1.1.	<p>Main corporate regulations: constitutive act, procedures on general shareholders meetings;</p>	Yes	<p>Posted on www.comelf.ro</p>
D.1.2.	<p>Professional CVs of members of the governing bodies of other professional commitments of the members of the Council, including executive and non-executive positions on board of directors from non-profit societies or institutions;</p>	Yes	<p>Posted on www.comelf.ro</p>
D.1.3.	<p>Current reports and periodical reports (quarterly, semestrial and annual) - at least those under D.8 - inclusive current reports with detailed information about non-compliance with this Code;</p>	Yes	<p>Posted on www.comelf.ro and transmitted on the BVB.</p>

D.1.4.	Information on general shareholders meetings: order day and informative materials; the procedure for electing members Council; the arguments that support the proposals for candidates for election to the Council, together with their professional CVs; shareholders' questions about the items on the agenda and the company's responses, including the adopted decisions;	Yes	Posted on www.comelf.ro
D.1.5.	Information on corporate events, such as pay dividends and other distributions to shareholders, or other events which lead to the acquisition or limitation of the rights of a shareholder, including deadlines and principles applied to these operations. Such information will be published within a time limit allow investors to make investment decisions;	Yes	Posted on www.comelf.ro
D.1.6.	Name and contact details of a person who can provide on request relevant information;	No	In AGA conventions one mentions who can give extra relationships as well phone and contact email address.
D.1.7.	Presentations of the company (eg, presentations to investors, quarterly results, etc.), financial situations (quarterly, semestrial, annual), audit reports and reports yearly.	Partial	Financial statements (quarterly, semestrial, annual), audit reports and annual reports are posted on www.comelf.ro .
D.2.	The company will have a policy on the annual distribution of dividends or other benefits to shareholders, as proposed by the Chief Executive Officer adopted by the Council in the form of a set of guidelines on which the company plans to follow on distribution net profit. Principles of annual distribution policy to shareholders will be published on the company's website.	No	The company is considering developing a policies in this area. Until the present each time after approval by OGG of dividends, posted on company site distribution procedure The company regularly distributes at least 50% of the net profit of the financial year and dividends are paid through the Central Depository.
D.3.	The company will adopt a forecasting policy, either	No	The company is considering developing a

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	<p>they are made public or not. Forecasts refer to quantified conclusions of studies on impact assessment global of a number of factors for a future period (as called hypotheses): by its nature, this projection has a level high uncertainty, the actual results may differ in the way significantly from the initial forecasts. Policy on forecasts to determine the frequency, the period considered and the content of the forecasts. If published, the predictions can be included only in the annual, half-yearly or quarterly reports. The forecasting policy will be published on the website society.</p>		<p>policies in this area.</p>
D.4.	<p>The rules of general shareholders' meetings should not be limited shareholder participation in general meetings and exercise their rights. Changes to the rules will come into force, the one earlier, starting with the next shareholders' meeting.</p>	Yes	
D.5.	<p>External auditors will be present at the General Meeting of Shareholders when their reports are presented at these meetings.</p>	Yes	
D.6.	<p>The Board will brief the shareholders' annual general meeting appreciation of the internal control and management systems significant risks, and views on issues subject to the decision of the general meeting.</p>	Yes	
D.7.	<p>Any specialist, consultant, expert or financial analyst can attend the shareholders' meeting on the basis of a prior invitation from the Council. Accredited journalists can also participate in the general meeting of shareholders, except in which the President of the Council decides otherwise.</p>	Yes	
D.8.	<p>The quarterly and half-yearly financial reports will include information both in Romanian and in English on</p>	Yes	

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	key factors influencing changes in sales, al operating profit, net profit and other financial indicators relevant, from one quarter to another and from one year to another.		
D.9.	A company will hold at least two meetings / teleconferences with analysts and investors every year. The information presented with these occasions will be published in the Investor Relations section of the Internet of the company at meetings / teleconferences.	No	In 2018, the company does not organized meetings with investors. Society considers the information published in the reports current and periodicals provide a degree high transparency that allows shareholders and potential investors to make good investment decisions grounded.
D.10.	If a society supports different forms of expression artistic and cultural activities, sports activities, educational activities or and consider their impact on character innovation and the competitiveness of society are part of the mission its development strategy, will publish its policy on its activity in this field.	Partial	The company has financially supported various cultural, artistic, sports, educational, Student olympic games. The company is considering developing a policies in this area.

NON-FINANCIAL DECLARATION:

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

The company's activity is organized in three factories that act as Business Units:

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

Each factory has its own Departments for the following activities: Production, Technical, Commercial Sales and Economic. They act as Business Units with their own revenue and expenditure budget, so each entity independently manages its activity starting from a portfolio of clients specific to each Business Unit followed by technological product design, manufacturing technology, actual launch in manufacturing, production, delivery and cashing-in. The sales activity, although having specialized

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trade referents on profit and customer centers, is coordinated by the Deputy General Manager, which has the attributions including the coordination of Fabrici Sales Directorates.

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

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

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

The Business Units offer mutual services and collaborate, being in constant interaction

- **HEALTH AND SAFETY AT WORK**

- ✓ **The main activities on Occupational Safety and Health at Work that took place in 2019:**

- Certification of the Occupational Health and Safety Management System according to SR ISO 45001/2018;
- Continuous improvement and support of the management system according to SR SR ISO 45001/2018;
- Continuation of the campaign to promote the importance of health and safety at work on the occasion of the International Day of OHS (April 28, 2019);
- Updating of the materials in the training manuals on Occupational safety and health for the workplace managers (production managers, heads of workshops, etc.);
- Implementation of the measures included in the Prevention and Protection Plan;
- Review of the assessment of the risks of accidents and occupational disease;
- Review of operational procedures and instructions, depending on changing working conditions and risk assessment;
- Done the mandatory periodic medical check for all employees;
- Continuation of the program regarding the monitoring of the employees' health, in collaboration with RAAL Medical SRL (abdominal ultrasound, cardiological ultrasound, urological ultrasound and breast ultrasound);

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- Increasing the awareness of the employees regarding the risks they are exposed to during the work process through additional training and practical demonstrations;
 - Implementing and maintaining a policy on Occupational Health and Safety by involving workers at all levels to develop actions to improve the OHS management system (training, consulting workers, easy access to information, adapting work to employee, evaluating OHS performance, etc.);
 - Carrying out additional training of employees taking into account the causes and circumstances of the occurrence of events, preparation and dissemination of training and information materials;
- ✓ **The main activities on Occupational Health and Safety that will take place in 2020:**
- Retain the certification on Occupational Health and Safety Management System according to SR SR ISO 45001/2018;
 - Reducing the number of accidents at work for Q1 2020 by 75%;
 - Reducing the number of days of temporary incapacity for work from serious work accidents by 10%, for 2020;
 - Increasing the awareness of the employees regarding the risks they are exposed to during the work process through additional training and practical demonstrations;
 - Continuation of the campaign to promote the importance of health and safety at work on the occasion of the International Day of OHS (Tuesday, April 28, 2020);
 - Updating of the materials in the training manuals on Occupational safety and health for the workplace managers (production managers, heads of workshops, etc.);
 - Implementation of the measures included in the Prevention and Protection Plan;
 - Review of the assessment of the risks of accidents and occupational disease;
 - Review of operational procedures and instructions, depending on changing working conditions and risk assessment;
 - Done the mandatory periodic medical check for all employees;
 - Continuation of the employee health monitoring program, in collaboration with RAAL Medical SRL;
 - Consultation with employees regarding safe and healthy working conditions, participation of employees in identifying the specific risks of activities and workplaces and opportunities for prevention / removal of danger;
 - Maintaining a policy on Occupational Health and Safety by involving workers at all levels to develop actions to improve the OHS management system (training, consulting workers, easy access to information, adapting work to employee, evaluating OHS performance, etc.);
 - Introduction and testing of new types of individual protective equipment to offer employees increased comfort and protection in use;

ENVIRONMENT PROTECTION

- ✓ **The main activities on Environment protection that took place in 2019:**
- Recertification of the Environmental Management System according to SR ISO 14001: 2015;
 - Increasing the recovery index by recycling packaging waste over the legally imposed objectives, cardboard - 60%, plastic - 22.5%, wood - 15%, metals - 50% compared with - 10% for metal

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- 10% for paper
 - 5% for wood
 - 5% for plastic;
 - Reducing the quantities of waste generated by the activities carried out within the corrosion protection workshops;
 - Continuous training of all employees regarding the way of selective waste collection, during the periodic monthly training;
 - Maintaining fugitive emissions within the legal limits - less than 20% compared to the annual consumption of corrosion protection materials;
 - Review of the procedure for selective collection of hazardous and non-hazardous waste in accordance with the new COMELF organization;
 - Review of the procedure regarding environmental issues;
 - Carrying out training on how to operate in accordance with the plan for preventing and combating accidental pollution with potentially polluting water acc. Order 278/1997;
- ✓ **The main activities on Environment protection that will take place in 2020:**
- Maintenance and continuous improvement of the Environment Management System according to SR ISO 14001: 2015;
 - Implementing a new ways of selective collection of non-hazardous waste to ensure a correct selection on types of waste - household waste, waste paper / cardboard, plastic waste, etc;
 - Review of the procedure regarding selective waste collection;
 - Continuous training of all employees regarding the way of selective waste collection, during the periodic monthly training;
 - Maintaining fugitive emissions within the legal limits - less than 20% compared to the annual consumption of corrosion protection materials;

FIRE PREVENTION AND EXTINGUISHING AND EMERGENCY SITUATIONS

- ✓ **The main activities of Fire Prevention, fire fighting and Emergency Situations, which took place in 2019:**
- Continuation of the program to change and modernize the escape doors with doors that have a panic bar system, upon entering the FPI-SPOC, in accordance with the Fire Safety Regulations of the buildings P-118/2013;
 - Purchase and use at the fire station of 6 pcs. PSI type C hoses required in case of extinguishing interventions with water from the external hydrants or for use in other situations;
 - Progress in order to obtain the operating authorization for the FCT mechanized blasting / painting hall, from the PSI point of view according to Law 307/2006 art.30.1 - through the Maintenance and Modernization Department;
 - Performing the alarm, evacuation and intervention exercises with own personnel, according to Ord. 163/2006 regarding the organization and intervention of the employees in case of emergency situations;
- ✓ **The main activities of Fire Prevention, fire fighting and Emergency Situations, which will take place in 2020:**
- Cleaning and modernization of the Civil Protection Shelter;

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- Continuation of the replacement program of the emergency exit signaling lamps in the activity sectors, by purchasing and installing the signal lamps equipped with LEDs;
- Completion of the activity in order to obtain the operating authorization for the FCT mechanized blasting / painting hall, from the PSI point of view according to Law 307/2006 art.30.1
- Performing a number of five (5) alarm, evacuation and intervention exercises with own personnel, according to Ord. 163/2006 regarding the organization and intervention of the employees in case of emergency situations, one will be with the participation of the entire staff;

HUMAN RESOURCES

- ✓ **In 2019, human resources activity focused on the following main directions:**
 - diminishing the fluctuation by creating possibilities for motivating gains, reflected by the average salary income that in the year 2019 increased by 10,36% compared to the previous year; ;
 - Rejuvenation of the labor force;
 - Training and support for students from the partner schools and for students from the Technical University of Cluj-Napoca, the Bistrița Branch in order to be employed in COMELF;
 - In 2019, the first contracts based on the dual education system were signed, Comelf being the only company in Bistrița that established a class of mechanical locksmiths (14 students) and one of welders (15 students) who learns in the dual system. These students enrolled in dual education receive monthly scholarships from the company, in compliance with the conditions and the provisions of the law governing dual education in Romania;
 - In the past year, 103 people, mainly young people from the ranks of former students and students who have practiced in society, and the labor market, were employed, while 245 people left. The fluctuation indicator for staff was 21.15% in 2019.

On 12/31/2019, the COMELF staff, by skill levels, was as follows:

- higher education: 229 people
- secondary education: 134 people
- vocational school: 442 people
- unqualified workers: 27 people

- ✓ **Recruitment, initiation and qualification of the company personnel:**

In order to ensure the medium and long-term workforce, the partnerships with the Technical University of Cluj-Napoca Bistrita Extension and with 4 school groups continued (Grigore Moisil Technical College from Bistrita and Technological High Schools in Lechinta, Tirlisua and Telciu) that qualify locks metal constructions, welders and CNC operators. A training room with 100 seats and 4 laboratories was set up and made available to the Technical University of Cluj-Napoca and we receive students for practical training every year. We currently have employees who are also students for whom the company has accepted a flexible program for

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them to be able to learn and frequent school. They will mostly work in our company after graduation. Of the four partner schools, 152 students are training with us, we provide for them work and safety equipment and a warm meal. In this way, students are helping us and we help them to adapt to the industrial environment and integrate into our collective. This involves costs and an additional effort related to supervision, equipment, coordination, but it is a safe method of attracting future employees and filling in gaps in professional training.

The recruitment of the staff is done throughout the county of Bistrița-Năsăud, aiming at ensuring all the conditions for the transportation of employees to and from the workplace, by collaborating with an important passenger transportation business in the county for the main routes

In 2019, the company resorted to the import of labor from India, thus, a number of 18 people, qualified as CNC Operator were hired in the first part of the year. At the end of 2019, steps were taken to employ 15 more people from India, qualified in the welding profession (11 persons) and CNC operator (4 persons), of which 7 welders were employed in November 2019 and the rest of the staff from India were hired in January 2020. For these non-resident persons the company provided accommodation and transportation.

President of BD-eng. Savu Constantin

ADRESA

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COMELF SA

INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 COMPLIANCE WITH IFRS

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

**FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2019**

**COMELF SA
RO 568656
J06/2/1991
Str.Industriei nr.4
420063, Bistrita
Romania**

Financial statements	1
Profit and loss account and other comprehensive income	2
Statement of changes in equity	3
Cash flow statement	5
Notes to the individual financial statements	8

COMELF SA**INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 COMPLIANCE WITH IFRS***(All amounts are expressed in lei, unless otherwise indicated)***FINANCIAL POSITION SITUATION AS OF DECEMBER 31**

	Nota	2019	2018
Assets			
Intangible assets	5	607,754	591,703
Tangible assets	5	86,780,993	91,532,890
Financial assets available for sale	6	-	-
Total non-current assets		87,388,747	92,124,593
Advance payments for tangible assets		163,204	670,205
Stocks	7	5,903,890	7,354,769
Receivables from contracts with customers	8	51,795,428	59,321,959
Trade receivables and other receivables	9	2,152,402	2,198,146
Current tax receivables		-	-
Cash and cash equivalents	11	7,528,245	3,737,985
Total Current Assets		67,543,169	73,283,064
Total Assets		154,931,916	165,407,657
Share capital	12	13,036,325	13,036,325
Share capital adjustments	12	8,812,271	8,812,271
Other elements of equity	12	-	-
Reserves	12	50,512,978	50,867,018
Own shares	12	-	-
Reported outcome	12	(2,891,006)	(3,593,366)
Financial year outcome	25	2,624,114	2,815,330
Total Equity		72,094,682	71,937,578
Debts			
Long-term bank loans	13	896,119	3,497,925
Other loans and debts-leasing	13	831,688	54,840
Deferrend tax liabilities	22	9,436,041	9,692,465
Provisions for risks and expenses	21	163,395	190,059
Deferrend income liabilities	23	6,478,087	7,486,647
Total long-term debts		17,805,330	20,921,936
Overdrafts	13	34,649,925	33,813,275
The current part related to long-term loans	13	-	-
Deferrend tax liabilities	22	335,928	413,272
The current other loans and liabilities - leasing	11	214,593	16,293
Commercial debts and other debts	14	26,541,181	35,394,366
Provisions for risks and expenses	21	1,698,191	1,316,293
Deferrend tax liabilities	23	1,592,086	1,594,644
Total current debts		65,031,904	72,548,143
Total Debts		82,837,234	93,470,079
Total equity and debts		154,931,916	165,407,657

Cenusa Gheorghe
General ManagerTatar Dana
Economic Director

COMELF SA

INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 COMPLIANCE WITH IFRS

*(All amounts are expressed in lei, unless otherwise indicated)***STATEMENT OF PROFIT OR LOSS ACCOUNT
AND OTHER ELEMENTS OF THE GLOBAL RESULT**

	Nota	<u>2019</u>	<u>2018</u>
<i>Continuous operations</i>			
Revenues			
Revenue from contracts with customers	15	137,169,702	144,456,906
Revenues from sales of goods		22,430	630,464
Other elements related to the turnover		6,650,521	8,178,695
Total revenues		143,842,653	153,266,065
<i>of which turnover</i>	3	149,263,123	151,767,209
Other revenues	16	2,370,932	2,732,094
Expenses			
Raw material costs and other expenses		(61,526,130)	(67,707,606)
Electricity and water costs		(4,463,705)	(4,001,996)
Commodity expenses		(22,003)	(624,568)
Employment charges	17	(47,508,533)	(47,595,285)
Transport costs	18	(6,967,833)	(7,293,618)
Other expenses related to revenues	19	(13,801,885)	(16,372,634)
Cost depreciaton charge	5	(7,390,556)	(7,721,176)
Financial costs , net	25	(1,405,342)	(645,039)
Ajustments related to cirent assets depreciation ,net	8	47,795	(37,297)
Provision costs for risks and expenses, net	21	194,763	6,158,021
Other expenses	19	(382,575)	(6,935,466)
Total expenses		(143,226,004)	(152,776,664)
Pre-tax profit		2,987,581	3,221,495
Profit tax	20	(363,467)	(406,165)
Profit from continuous operations		2,624,114	2,815,330
Profit from discontinuous operations		-	-
PROFIT OF THE PERIOD		2,624,114	2,815,330
Other comprehensive income			
<i>Items that will not be reclassified to expenses and revenues</i>			
Value changes of the used assets as a result of revaluation ,net of tax		-	-
<i>Items that can be reclassified to expenses and revenues</i>			
Value changes of securities available for sale	3	-	-
Total profit and loss account and other comprehensive income		2,624,114	2,815,330
Outcome per share			
From continuous and discontinuous operations			
Outcome per basic share (lei per share)	24	0.12	0.13
Diluted outcome per share (lei per share)	24	0.12	0.13
Din operatiuni continue			
Outcome per basic share (lei per share)	24	0.12	0.13
Diluted outcome per share (lei per share)	24	0.12	0.13
Cenusa Gheorghe, General Manager		Tatar Dana , Economic Director	

COMELF SA

INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 COMPLIANCE WITH IFRS

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

THE SITUATION OF THE MODIFICATION OF EQUITY	Social Capital	Adjustments of social capital	Differences and reserves from re- evaluation	legal Reserves	Other reserves	Result retained	Total equity
Balance on January 1, 2019	13,036,325	8,812,271	36,135,250	2,607,265	12,124,502	(778.035)	71,937,578
<i>Profit or loss account and other elements of the overall result</i>							
Profit or loss						2,624,114	2,624,114
<i>Other elements of the overall result</i>							
Net change in the fair value of the financial assets available for sale							
Changes in value of assets used							
<i>Movements within the profit or loss account and other elements of the overall result</i>							
Differences from the revaluation realized transferred to the result retained-current year			(2,099,547)			777.804	(1,321,743)
Other equity elements			335.928		1,409,580	(1,409,580)	335.928
Established legal reserves				0		0	0
Total profit or loss account and other elements of the overall result	0	0	(1,763,619)	0	1,409,580	1,992,338	1,638,299
Other items result retained - correction of accounting errors	0	0	0	0		(75.445)	(75.445)
Other items result retained - correction of accounting errors	0	0	0	0	0	(75.445)	(75.445)
Transactions with shareholders, registered directly in equity	0	0	0	0	0	0	0
Contributions from and distributions to shareholders / employees	0	0	0	0	0	(1,405,750)	(1,405,750)
Total transactions with shareholders	0	0	0	0	0	(1,405,750)	(1,405,750)
<i>Profit or loss account and other elements of the overall result</i>							
Balance as of December 31, 2018	13,036,325	8,812,271	34,371,631	2,607,265	13,534,082	(266.892)	72,094,682

Continue on the next page

COMELF SA

INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 COMPLIANCE WITH IFRS

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

THE SITUATION OF THE MODIFICATION OF EQUITY	social Capital	Adjustments of social capital	Differences and reserves from re- evaluation	legal Reserves	Other reserves	Result retained	Total equity
Balance on January 1, 2018	13,036,325	8,812,271	38,438,295	2,607,265	10,502,483	(2,541,670)	70,854,969
<i>Profit or loss account and other elements of the overall result</i>							
Profit or loss						2,815,330	2,815,330
<i>4. Other elements of the overall result</i>							
Net change in the fair value of the financial assets available for sale							
Changes in value of assets used							
<i>Movements within the profit or loss account and other elements of the overall result</i>							
Differences from the revaluation realized transferred to the retained result			(2,303,045)			2,169,672	
Other equity elements					1,622,019	(1,622,019)	
Established legal reserves							
Total profit or loss account and other elements of the overall result	0	0	(2,303,045)	0	1,622,019	3,362,984	2,681,958
Other items carried over - correction of accounting errors			0	0	0	22.651	22.651
Other items result carried over	0	0	0	0	0	22.651	22.651
Transactions with shareholders, registered directly in equity	0	0	0	0	0	0	0
Contributions from and distributions to shareholders / employees	0	0	0	0	0	(1,622,000)	(1,622,000)
Total transactions with shareholders	0	0	0	0	0	(1,622,000)	(1,622,000)
Balance as of December 31, 2018	13,036,325	8,812,271	36,135,250	2,607,265	12,124,502	(778.035)	71,937,578

THE STATEMENT OF CASH FLOWS

	31.12.2019	31.12.2018
Pre - tax profit	2,624,114	2,815,330
Depreciation of fixed assets	7,390,556	7,721,176
Cash operational brut	10,014,670	10,532,675
Workong Capital Variation		
Variation receivables	-7,104,287	1,199,295
Variation stocks	-1,450,879	57,309
Variation in other current assents	-90,420	326,778
Variation Income/Expenses in advances	44,676	72,220
Variation suppliers	-7,807,354	2,660,813
Variation customer advances	422,244	-1,448,020
Variation employees and assimilated	12,545	807,190
Net operating Cash	11,243,015	10,897,055
Cash flow dfrom net investment	2,147,709	2,749,363
Debts change		
Variation of short-term loans	836,650	-3,228,900
Variation of long-term loans	-2,601,806	3,497,925
Variation of associated debts	-422,824	134,347
Variation of other liabilities	-	-
Variation of capitalluri	-3,117,066	-10,147,054
Cash flow from financing	-5,305,046	-9,743,667
Total chas variation between	3,790,260	-1,592,159
Initial Cash	3,737,985	5,330,144
Net Cash at end of period	7,528,245	3,737,985

Cenusa Gheorghe,
General Manager

Tatar Dana,
Economic Director

COMELF SA**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE***(All amounts are expressed in LEI, unless otherwise indicated)*

OPIS NOTE

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|-----|---|-----|-------------------------------------|
| 1. | The reporting entity | 17. | Staff costs |
| 2. | The basis of the preparation | 18. | Transportation expenses |
| 3. | Significant accounting policies | 19. | Other operating expenses |
| 4. | Significant risk management | 20. | Profit tax |
| 5. | Tangible and intangible assets | 21. | Provisions for risks and expenses |
| 6. | Financial assets available for sale | 22. | Debt on deferred tax |
| 7. | Inventories | 23. | Deferred income |
| 8. | Receivables from contracts with customers | 24. | Earnings per share |
| 9. | Trade receivables and other receivables | 25. | Financial elements |
| 10. | Value adjustments | 26. | Contingent assets and liabilities |
| 11. | Cash and cash equivalents | 27. | Affiliated parties |
| 12. | Equity | 28. | Capital commitments |
| 13. | loans | 29. | Reporting on operational segments |
| 14. | Trade debts and other debts | 30. | Events after the balance sheet date |
| 15. | Revenue from construction contracts | 31. | Approval of financial statements |
| 16. | Other incomes | | |

NOTES TO FINANCIAL STATEMENTS ACCORDING TO IFRS

1. The reporting entity

COMELF SA (the "Company") is a joint stock company operating in Romania in accordance with the provisions of Law 31/1990 on commercial companies and Law 297/2004 on the capital market, with subsequent completions and modifications. The company has its registered office in Bistrita, Industriiei street no.4, Bistrita Nasaud county, Romania.

The company was established as a trading company in 1991 as a result of the reorganization of the former Bistrita Technological Equipment Company.

The company's shares are listed on the Bucharest Stock Exchange, the regulated market, with the CMF code, starting with November 20, 1995. Evidence of the shares and the shareholders is held in accordance with the law by the SC Depozitarul Central SA Bucharest.

The individual financial statements complying with the International Financial Reporting Standards have been prepared for the financial year ended December 31, 2019.

The main activity of the Company is the manufacture of engines and turbines (except for those for airplanes, vehicles and motorcycles). The company also has as object of activity the manufacture of installations, subassemblies and components for power plants and environmental protection, equipment for earthmoving equipment, equipment for lifting and transporting, including their subassemblies, metallic constructions. Manufacture of armament and ammunition, road transport vehicles and military fighting vehicles.

2. The basis of the preparation

a. Declaration of conformity

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

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

The financial statements were authorized for issuance by the Board of Directors on March 16, 2020

b. Basics of evaluation

The financial statements have been prepared based on the historical cost, with the exceptions mentioned in the present Explanatory Notes.

c. Functional and presentation currency

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

d. Use of professional estimates and rations

The preparation of the financial statements in accordance with IFRS implies the management's use of professional judgments, estimates and assumptions that affect the application of accounting policies and the reported value of assets, liabilities, income and expenses. Actual results may differ from estimated values.

e. Changes in accounting policies

General presentation

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

(i) The Company applies in the financial year 2019 for the comparability of information with the financial year 2018 the following International Financial Reporting Standards with the implicit changes on the accounting policies of the Company.

IAS 1	Presentation of financial statements	The fundamental accounting principles, the structure and content of the financial statements, the mandatory positions and the notion of a faithful image.
IAS 2	Inventories	Definition of accounting processing applicable to stocks in the historical cost system: valuation (first in - first out, weighted average cost and net realizable value) and perimeter of allowable costs.
IAS 7	Statements of cash flows	Analysis of treasury variations, classified into three categories: operating flows, investment flows, financing flows.
IAS 8	Accounting policies, changes in accounting estimates and errors	Defining the classification, the information to be provided and the accounting treatment of certain items in the profit and loss account.
IAS 10	Events after the balance sheet date	Provisions regarding the consideration of the elements after the closing: definitions, terms and conditions of application, particular cases (dividends).
IAS 12	Profit tax	Definition of accounting processing of income taxes and detailed provisions regarding deferred taxes.
IAS 16	Property, plant and equipment	Principles and date of accounting for assets, determining their book value and principles regarding accounting for depreciation.
IAS 19	Employee benefits	The principles of accounting and publishing the benefits of employees: short and long term benefits, post-employment benefits, advantages regarding equity and allowances related to termination of

COMELF SA**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE***(All amounts are expressed in LEI, unless otherwise indicated)*

		employment contract.
IAS 20	Accounting for government grants and presenting information related to government assistance	The principles of accounting and publication of direct or indirect public aid (clear identification, notion of fair value, connection to subsidized fixed assets, etc.).
IAS 21	The effects of the exchange rate changes	Definition of accounting processing of activities abroad, transactions in foreign currencies and conversion of financial statements of a foreign entity.
IAS 23	Borrowing costs	Definition of the accounting processing of debt costs: the notion of qualified assets, the modalities of incorporating debt costs into the value of qualified assets.
IAS 24	Presentation of information on related parties	Detailed information on relationships and transactions with related parties (legal and natural persons), which exercises a notable control or influence over one of the group companies or the management.
IAS 26	Accounting and reporting of pension plans	Defining the principles of evaluation and information regarding retirement schemes (funds), distinguishing between defined contribution and defined benefit schemes.
IAS 27	Consolidated and individual financial statements	The principles regarding the presentation of the consolidated accounts, the definition of the consolidation obligation and the notion of control, the convergence of the accounting rules within the group, other principles.
IAS 31	Interests in joint ventures	Principles and policies of accounting for the joint venture partner, operations performed or assets or holdings held within a joint venture.
IAS 32	Financial instruments: presentation	Presentation rules (classification of debt / equity, expenses or income / equity).
IAS 33	Earnings per share	Principles for determining and representing the result per action.
IAS 36	Impairment of assets	Key definitions (recoverable value, fair value diminished with sales expenses, utility value, cash-generating units), the moment of carrying out the depreciation test, the accounting for the depreciation, the case of goodwill.
IAS 37	Provisions, contingent liabilities and contingent assets	Definition of provisions and methods of estimation, particular cases analyzed (among which, the problem of restructuring).
		Definition and accounting processing of intangible

COMELF SA**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE***(All amounts are expressed in LEI, unless otherwise indicated)*

IAS 38	Intangible assets	assets, recognition and evaluation policies regarding the processing of research and development expenses, etc.
IAS 40	Real estate investments	Choosing between two valuation methods: fair value or amortized cost, transfers between different categories of assets, etc.
IFRS 1	Adopting for the first time the International Financial Reporting Standards	Procedures to be followed for publishing the financial statements, in accordance with IAS / IFRS standards, optional exceptions and mandatory exceptions from the retroactive application of IAS / IFRS standards.
IFRS 5	Fixed assets held for sale and discontinued activities	Definition of an asset for trading and abandonment of activity, evaluation of these elements.
IFRS 7	Financial instruments: information to be provided	Financial information related to financial instruments mainly refers to: (i) information on the significance of financial instruments; and (ii) information on the nature and extent of the risks generated by the financial instruments.
IFRS 9	Financial instruments	Establishes the principles for financial reporting of financial assets and financial liabilities, for assessing the value, time delay and uncertainty of future cash flows of an entity, in order to present relevant and useful information.
IFRS 13	Valuation at fair value	Applying the fair value for non-financial assets, presenting information related to jus valueyour.
IFRS 15	Revenue from contracts with clients	The principles applicable by a company for establishing the nature, value, placement in time and uncertainty of the revenues and cash flows generated by a contract with a client;
IFRS 16	Leasing contracts	The standard includes the idea of the controlled use of the rented property by the tenant and records in accounting the rights of use of the rented property (as an asset) concomitantly with the obligations of the payments for rent (as a liability).

Starting with January 1, 2018, IFRS 15 and IFRS 9, applicable to COMELF SA, entered into force.

Starting with 2019, the IFRS 16-Leasing Contracts Standard (replacing IAS 17), applicable to Comelf SA entity, taking into account the ongoing financial leasing contracts, entered into force.

3. Significant accounting policies

The accounting policies have been applied consistently over all the periods presented in the financial statements prepared by the Company.

COMELF SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE

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

The individual financial statements are prepared based on the assumption that the Company will continue its activity in the foreseeable future. To evaluate the applicability of this hypothesis, management analyzes forecasts for future cash inflows.

Foreign currency transactions

The transactions expressed in foreign currency are recorded in lei at the official exchange rate from the settlement date of the transactions. Monetary assets and liabilities recorded in foreign currencies at the date of preparation of the statement of financial position are converted into the functional currency at the exchange rate of that day.

Gains or losses from settlement and conversion using the exchange rate at the end of the financial year of monetary assets and liabilities denominated in foreign currency are recognized in the statement of profit or loss account and other elements of the overall result.

The exchange rates of the main foreign currencies were:

Currency	December 31, 2019	December 31, 2018
Euro (EUR)	1: LEU 4.7793	1: LEU 4.6639
US dollar (usd)	1: LEU 4.2608	1: LEU 4.0736

Accounting for the effect of hyperinflation

In accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"), the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy must be presented in the unit of measurement at the date of the statement of financial position (non-monetary items are portrayed using a general index of prices from the date of purchase or contribution).

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

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

Thus, the values expressed in the unit of current measurement for the periods prior to December 31, 2003 are treated as the basis for the accounting values reported in the financial statements and do not represent assessed values, replacement cost, or any other measurement of the current value of assets or prices. at which transactions would take place at this time.

In order to prepare the financial statements, the Company adjusts the following non-monetary elements to be expressed in the current unit of measurement for the periods prior to December 31, 2003:

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

The lands and constructions are presented at the value revalued at December 31, 2015.

COMELF SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE
(All amounts are expressed in LEI, unless otherwise indicated)

The most recent revaluation was performed by the Company on December 31, 2015.

Inventories

Inventories are valued at cost according to IAS 2 and the cost formula used is weighted average cost. This method does not apply to the production in progress and the finished production for which it is applied the provisions of IFRS 15 "Revenue from contracts with customers".

The production under execution can be found in the position receivables from contracts with customers given that the company applies IFRS 15 "Revenue from contracts with customers". According to this standard, the revenues from the contracts with the clients are evaluated based on the company's inputs and efforts to fulfill the execution obligations in relation to the total expected revenues for the fulfillment of the execution obligation. In determining the revenues from the contracts with the clients, the entity permanently evaluates the level of the actual costs compared to the initial costs, precalculated and recognizes revenues only at the level of the costs that contribute to the progress of the entity and which were reflected in the contract price, weighted the quantity and the physical execution stage. of the contract.

Cash and cash equivalents

Cash and cash equivalents include: actual cash, current accounts and short-term bank deposits.

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

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

Loans and receivables

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

Financial assets available for sale

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

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

When the asset is derecognised, the cumulative gain or loss is transferred to the profit or loss account.

(ii) Recognition

The assets and liabilities are recognized at the date when the Company becomes a contractual party under the conditions of the respective instrument. Financial assets and liabilities are measured at the time of initial recognition at fair value plus directly attributable trading costs, with the exception of investments in shares whose fair value could not be reliably determined and are initially recognized at cost.

(iii) Valuation at depreciated cost

The depreciated cost of an asset or a financial liability represents the amount at which the financial asset or liability is measured (a) at initial recognition, minus principal payments, to which is added or

subtracted the accumulated depreciation up to that moment using the method effective interest rates, less reductions related to impairment losses.

(iv) Valuation at fair value

Fair value is the amount at which an asset can be traded or a debt settled, between interested parties and in the knowledge of the case, in a transaction carried out under objective conditions at the date of valuation.

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

(v) Identification and evaluation of impairment

Financial assets measured at amortized cost

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

If there are objective indications that a loss has occurred due to the impairment of financial assets measured at amortized cost, then the loss is measured as the difference between the book value of the asset and the present value of future cash flows using the effective interest rate of the financial asset at the initial moment.

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

If, in a subsequent period, an event that occurred after the moment of recognition of the impairment determines the reduction of the impairment loss, the previously recognized impairment loss is resumed by adjusting the provision account. The reduction of the impairment loss is recognized in the profit or loss account and other elements of the overall result.

Financial assets available for sale

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

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

Impairment losses recognized in the statement of profit or loss and other items of the global result related to investments classified as available for sale cannot be resumed in the profit or loss account. If, in a subsequent period, the fair value of a depreciated participation increases, the increase in value will be recognized directly in other elements of the overall result.

COMELF SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE

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

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

(vi) Derecognition

The Company derecognises a financial asset when the rights to receive cash flows from that financial asset expire, or when the Company has transferred the rights to receive the contractual cash flows related to that financial asset in a transaction in which it has significantly transferred all the risks and benefits of ownership.

The company derecognises a financial debt when the contractual obligations have been concluded or when the contractual obligations are canceled or expire.

When derecognising a financial asset as a whole, the difference between:

- its book value and
- the amount consisting of (i) the value of the amount received (including any new assets obtained less any new debt assumed) and (ii) any cumulative gain or loss that has been recognized in other items of the overall result is recognized in profit or loss.

Other financial assets and liabilities

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

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

Tangible fixed assets recognized as assets are initially valued at cost by the Company. The cost of an item of property, plant and equipment consists of the purchase price, including non-recoverable taxes, after deducting any commercial price reductions and any costs that can be directly attributed to bringing the asset to the location and provided that it can be used in the desired management purpose, such as: the expenses with employees that result directly from the construction or acquisition of the asset, the costs of setting up the site, the initial costs of delivery and handling, the costs of installation and assembly, the professional fees.

The value of the tangible and intangible assets of the Company at December 31, 2019 and December 31, 2018 is detailed in note 5.

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

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

The fair value is based on quotations of market prices, adjusted, if any, so as to reflect differences related to the nature, location or conditions of the respective asset.

All the fixed assets in the company's patrimony have been used for the purpose of achieving the main activity object, respectively the production contracted with the clients for 2019 or for the purpose of

COMELF SA**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE**

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

achieving the secondary activity object (for a reduced share of assets). They are recorded at fair value, placed at level 2 in the fair value hierarchy.

During the year 2019 there were no transfers between the categories of value hierarchy.

The re-evaluations are carried out by specialized evaluators, the members of ANEVAR. The frequency of re-evaluations is dictated by the dynamics of the markets to which the lands belong and constructions owned by the Company.

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

Expenses related to the maintenance and repairs of tangible assets are recorded by the Company in the overall result situation when they occur, and the significant improvements made to the tangible assets, which increase their value or their lifetime, or which significantly increase the ability to generate economic benefits by these are capitalized.

(ii) amortization/depreciation

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

Construction	20- 55 years
Equipment	2-52 years
Means of transport	3-6 years
Furniture and other tangible assets	2-10 years

The land is not depreciated.

Intangible assets that meet the recognition criteria in IFRS they are recorded at cost less accumulated depreciation. The depreciation of the intangible assets is recorded in the profit or loss account based on the linear method for an estimated period of maximum 4 years.

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

(iii) Sale / disposal of tangible and intangible assets

Property, plant and equipment that are sold or sold are eliminated from the statement of financial position together with the corresponding accumulated depreciation. Any profit or loss resulting from such an operation is included in the current profit or loss account. Disposal of tangible assets is carried out annually, following their inventory and is approved by the Board of Directors.

Impairment of assets other than financial assets

The carrying amount of the Company's assets that are not of a financial nature, other than deferred tax assets, are reviewed at each reporting date to identify the existence of impairment indices. If such indications exist, the recoverable value of the respective assets is estimated.

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

The recoverable value of an asset or cash-generating unit is the maximum between the use value and its value less the costs for selling that asset or unit. To determine the value of use, future cash flows are updated using a pre-tax discount rate that reflects current market conditions and risks specific to that asset.

Impairment losses recognized in prior periods are evaluated at each reporting date to determine if they have decreased or no longer exist. Impairment loss is resumed if there has been a change in the estimates used to determine the recovery value. Impairment loss is resumed only if the carrying amount of the asset does not exceed the accounting value that would have been calculated, net of depreciation and depreciation, if the impairment loss would not have been recognized.

Grants for investments

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

Deferred income is recognized in subsidy income (Other income) as assets are depreciated. See **Note Other income.**

Social capital

Ordinary shares are recognized in the share capital. The incremental costs directly attributable to an issue of ordinary shares are deducted from capital, net of the effects of taxation.

Re-evaluation reserves

The revaluations were made so that the carrying amount does not differ substantially from the one that would be determined using the fair value from the date of the statement of financial position.

If the result of the revaluation is an increase from the net book value, then it is treated as follows: as an increase of the revaluation reserve presented in equity, if there was no previous decrease recognized as an expense related to that asset or as an income that to offset the expense with the previously recognized decrease in that asset.

If the result of the revaluation is a decrease in the net book value, it is treated as an expense with the full value of the impairment when an amount related to that asset (surplus from revaluation) or a decrease of the reserve from revaluation is not recorded in the revaluation reserve with the minimum between the value of that reserve and the value of the decrease, and the eventual difference that is not covered is recorded as an expense.

The revaluation surplus included in the revaluation reserve is transferred to the result reported when this surplus represents a realized profit. The gain is considered realized when the asset for which the reserve has been revalued has been removed from the record.

Starting with May 1, 2009, as a result of the changes in the tax legislation, the revaluation reserves registered after January 1, 2004 become taxable as the respective fixed assets are depreciated.

COMELF SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE

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

Legal reserves

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

Dividends to be distributed

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

Provisions for risks and expenses

The provisions are recognized in the financial position when the obligation arises for the Company in connection with a past event and it is likely that in the future it will be necessary to consume some economic resources to extinguish this obligation and a reasonable estimate of the value of the obligation can be made. To determine the provision, future cash flows are discounted using a pre-tax discount rate that reflects current market conditions and risks specific to the respective debt.

Revenue from customer contracts

The revenues from the contracts with the clients are recognized periodically and are evaluated on the basis of the company's inputs and efforts in order to fulfill the execution obligations in relation to the total expected inputs for the fulfillment of the execution obligation. In determining the revenues from the contracts with clients, the entity permanently evaluates the level of the actual costs compared to the initial costs, precalculated and recognizes revenues only at the level of the costs that contribute to the entity's progress and which were reflected in the contract price, weighted by the quantity and the physical stage of execution of the contract. The company transfers in time (in phases), to the client, the control over the goods fulfilling an obligation of execution, thus recognizing revenues in time, at each execution phase. When recognizing the revenues in time, the company analyzes the terms of the contract regarding the payment obligation, guarantees, remediation costs as well as any other costs that could affect the performance of the contract and adjusts the contract revenues accordingly;

Interest income

Interest income and expenses are recognized in the statement of profit or loss and other elements of the overall result by the effective interest method. The effective interest rate represents the rate that exactly updates the expected cash payments and receipts in the future over the expected life of the financial asset or debt (or, where appropriate, for a shorter term) to the book value of the asset. or financial debt.

Dividend income

Dividend income is recognized in the profit or loss account on the date on which the Company's right to receive such income is established.

In the case of dividends received in the form of shares as an alternative to cash payment, the income from dividends is recognized at the level of the cash that would have been received, in correspondence with the increase of the related participation. The company does not record dividend income related to the shares received free of charge when they are distributed proportionally to all shareholders.

The company records the dividend income at gross value including the dividend tax, which is recognized as the current expense with the profit tax.

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

The obligations with short-term benefits granted to employees are not updated and are recognized in the statement of profit or loss and other elements of the overall result as the related service is provided.

Short-term employee benefits include salaries, bonuses and social security contributions. Short-term employee benefits are recognized as an expense when services are provided. The Company recognizes a provision for the amounts expected to be paid with the title of short-term cash premiums or schemes for the participation of the personnel to the profit, given that the Company currently has a legal or implicit obligation to pay those amounts as a result of past services provided by employees and if the respective obligation can be reliably estimated.

(i) Determined contribution plans

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

All the employees of the Company are members and also have the legal obligation to contribute (through social contributions) to the pension system of the Romanian State (a defined contribution plan of the State). All related contributions are recognized in the profit or loss account of the period when they are made. The company has no additional obligations.

The company is not engaged in any independent pension system and, consequently, has no other obligations in this regard. The company is not engaged in any other system of post retirement benefits. The company has no obligation to provide subsequent services to former or current employees.

(ii) Long-term employee benefits

The net obligation of the Company regarding the benefits related to the long-term services is represented by the value of the future benefits that the employees have gained in exchange for the services provided by them during the current period and the previous periods.

Gains and losses from exchange rate differences

The currency transactions are recorded in the functional currency (leu), by converting the amount in currency at the official exchange rate communicated by the National Bank of Romania, valid at the date of the transaction.

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

The exchange rate differences that arise when settling the monetary items or converting the monetary items at different rates from those at which they were converted at initial recognition (during the period) or in the previous financial statements are recognized as a loss or gain in the profit or loss account, loss and other elements of the overall result, during the period in which they occur.

Profit tax

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

COMELF SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE

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

The tax on profit is recognized in the statement of profit or loss account, other elements of the global result or directly in the own capital, taking into account the way in which the elements to which they affect affect one or the other of these elements.

The current tax is the tax payable related to the profit realized during the current period, determined on the basis of the percentages applied at the reporting date and of all the adjustments related to the previous periods.

For the period January 1-December 31, 2019, the rate of profit tax was 16%.

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

The deferred tax is calculated based on the tax rates that are expected to be applicable to the temporary differences upon their resumption, based on the legislation in force at the reporting date. Claims and debts with deferred tax are offset only if there is a legal right to offset current debts and debts with the tax and if they are related to the tax collected by the same tax authority for the same entity subject to taxation or for different tax authorities but wishing to settle the debts and current tax liabilities using a net basis or the related assets and liabilities will be realized simultaneously.

The deferred tax claim is recognized by the Company only insofar as it is probable that future profits may be used to cover the tax loss. The claim is revised at the end of each financial year and is diminished to the extent that the related tax benefit is unlikely to be realized. The additional taxes that appear from the distribution of dividends are recognized on the same date as the dividend payment obligation.

Earnings per share

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

Leasing payments

The minimum leasing payments within the financial leasing contracts are divided proportionally between the leasing interest expense and the reduction of the leasing debt. The expense with the lease interest is allocated to each lease period in such a way as to produce a constant interest rate for the remaining lease debt.

Segment reporting

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

4. Significant risk management

The management of the Company considers that risk management must be carried out within a consistent methodological framework and that their management is an important component of the strategy on maximizing profitability, obtaining a discounted level of profit while maintaining an acceptable risk

COMELF SA**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE***(All amounts are expressed in LEI, unless otherwise indicated)*

exposure and complying with legal regulations. The formalization of the risk management procedures decided by the Company management is an integral part of the strategic objectives of the Company.

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

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

The general strategy of risk management aims to maximize the Company's profit relative to the level of risk to which it is exposed and to minimize the potential adverse variations on the financial performance of the Company.

The company has implemented policies and procedures for managing and evaluating the risks to which it is exposed. These policies and procedures are presented in the section dedicated to each type of risk.

(a) Market risk

Market risk is defined as the risk of recording a loss or not getting the expected profit, as a result of price fluctuations, interest rates and foreign exchange rates.

The company is exposed to the following categories of market risk:

(i) Price risk

The company is exposed to the risk of price being the possibility that the value of the costs for the execution of the projects will be greater than the estimated value so the contracts will run at a loss.

In order to cover the risk of the price generated by the increase of the basic raw material, the metal, the company has registered, in the commercial contracts concluded with the customers, a protection clause that allows them to update the sale price if the price of the basic raw material increases. In the current economic context marked by a significant fluctuation, especially of the directly productive personnel, for the newly concluded contracts but also for some of the ongoing contracts, the company managed to complete the protection clause and with the updating of the price of the products taking into account the evolution of the cost with labor force, mainly based on statistical, public wage developments on the Romanian labor market.

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

	December 31, 2019		December 31, 2018	
	Accounting value	Fair value	Accounting value	Fair value
Receivables from contracts with customers	51,795,428	51,795,428	59,321,959	59,321,959
Trade receivables and other receivables	2,152,402	2,152,402	2,198,146	2,198,146
Advances granted for tangible assets	163,204	163,204	670,205	670,205
Cash and cash equivalents	7,528,245	7,528,245	3,737,985	3,737,985

COMELF SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE

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

Short-term bank loan	-34,649,925	-34,649,925	-33,813,275	-33,813,275
The current part-lease agreement	-214,593	-214,593	-16,293	-16,293
Debt on deferred tax (current part)	-335,928	-335,928	-413,272	-413,272
The current part of long-term loans	-	-	-	-
Trade debts and other debts	-26,541,181	-26,541,181	-35,398,197	-35,398,197
Total	-102,348	-102,348	-3,712,742	-3,712,742

(ii) Interest rate risk

As of December 31, 2019, most of the assets and liabilities of the Company are not interest bearers, except for the loans and leases. As a result, the Company is not significantly affected by the risk of interest rate fluctuations.

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

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

Fixed rate financial instruments	2019	2018
<i>Financial assets</i>		
Credit for working capital	35,546,044	37,311,200
Interest rate:	Eur1M + 0.78%	Eur1M + 0.78%
Leasing Contract of UNICREDIT Leasing Corporation IFN	1,233	1,508
Interest rate: Euribor 3M + 1.99%		
Leasing agreement PORSCHE	7,596	-
Interest rate: PLP18FE 6.09%		
BRD Sogelease leasing contract	3,400	-
Interest rate: Eur3M + 2.40%		

Currency risk

Currency risk is the risk of recording losses or of not realizing the estimated profit as a result of unfavorable fluctuations of the exchange rate. Most of the Company's financial assets and liabilities are expressed in national currency, the other currencies in which operations are performed are EUR, USD and GBP.

Most of the current assets are expressed in foreign currency (88%) and the financial liabilities of the Company are expressed in foreign currency (55%) and in national currency (45%) and therefore the exchange rate fluctuations do not significantly affect the Company's activity. Exposure to exchange rate fluctuations is due in mainly the current currency conversion transactions required for current payments in LEI.

(b) Credit risk

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

The maximum exposure to the credit risk of the Company is in the amount of 54,111,034 lei as of December 31, 2019 and in the amount of 59,438,003 lei as of December 31, 2018 and can be analysed as follows:

COMELF SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE
(All amounts are expressed in LEI, unless otherwise indicated)

Different debtors and trade receivables

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

	Gross value at December 31, 2019	Impairment adjustments	Gross value at December 31, 2018	Impairment adjustments
On time	43,192,409	-	26,589,974	-
Between 0 - 30 days	8,517,674	-	11,460,915	-
Between 31 - 90 days	547,049	-	15,529,766	-
Between 91 - 120 days	602,715	-	3,569,078	-
Between 121-365 days	436,807	-	2,288,270	-
Over 365 days	746,166	3,226,825	2,752,308	2,752,308
Total:	57,337,859	3,226,825	62,190,311	2,752,308
Total net:	54,111,034		59,438,003	

The claims with the age between 31-120 days are within the contractual terms. See Note 8, 9 and 10. Of total receivables with a maturity exceeded more than 365 days provisions were established.

(c) The risk related to the economic environment

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

Among the characteristics of the Romanian economy is the existence of a currency that is not fully convertible outside the borders and a low degree of liquidity of the capital market.

The management of the Company cannot predict all the effects of the situation of the economy considered as a whole which will have an impact on the financial sector in Romania and their potential impact on the present financial statements. The management of the Company considers that it has taken the necessary measures for the sustainability and development of the Company under current market conditions. The main challenge, at this moment for the Company, is the lack of skilled labor for which the Company has identified a solution and applied it in 2019 - the import of skilled labor from India.

(d) Operational risk

Operational risk is defined as the risk of recording losses or failing to realize the estimated profits due to internal factors such as the inadequate performance of internal activities, the existence of inadequate personnel or systems or due to external factors such as economic conditions, changes. on the capital market, technological advances. The operational risk is inherent in all the Company's activities.

The policies defined for the management of the operational risk have taken into account each type of events that can generate significant risks and the ways of their manifestation, in order to eliminate or diminish the losses of financial or reputational nature.

COMELF SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE

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

(e) Capital adequacy

The management policy regarding capital adequacy is focused on maintaining a solid capital base, in order to support the continuous development of the Company and to achieve the investment objectives.

The equity of the Company includes the share capital, different types of reserves and the result carried forward. The company is not subject to legal requirements for capital adequacy.

(f) Determination of fair value

Certain accounting policies of the Company and information disclosure requirements require the determination of the fair value for both financial and non-financial assets and liabilities. Fair values were determined for the purpose of evaluating and / or presenting information based on the methods described below. When appropriate, additional information regarding the assumptions used in determining the fair value is presented in the notes specific to the respective asset or debt.

COMELF SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE

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

At December 31, 2019 and December 31, 2018, tangible and intangible assets have evolved as follows:

	Intangible assets	lands	Buildings	Technical installations and machines	Other installations and furniture	Tangible Assets taking course	Total
	205	211	212	213	214	231	
Balance on January 1, 2019	858,746	21,247,075	40,046,069	88,968,501	449,006	2,153,475	153,722,872
Acquisitions	113,966	0	0	1,357,043	0	1,546,866	3,017,875
Internal production	0	0	0	0	0	105.370	105.370
Drop outs (scrapping)	0	0	0	-1,211,027	-11,402	-468,509	-1,690,938
Internal transfers	124,080	0	0	1,666,486	0	-1,790,566	0
Internal transfers	0	0	0	0	0	0	0
Balance as of December 31, 2019	1,096,792	21,247,075	40,046,069	90,781,003	437,604	1,546,636	155,155,179
Accumulated depreciation							
Balance on January 1, 2019	267,043	0	8,914,062	52,195,141	222,034	0	61,598,280
Depreciation expense in the year	221,995	0	2,609,153	4,536,036	23,372	0	7,721,175
Cumulative depreciation of outflows	0	0	0	-1,211,002	-11,401	0	-1,595,973
Cancellation depreciation for revalued fixed assets	0	0	0	0	0	0	0
Balance as of December 31, 2019	489,038	0	11,523,215	55,520,175	234,004	0	67,766,432

COMELF SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE

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

Balance as of January 1, 2018	1,451,707	21,247,075	39,915,606	88,965,112	457,326	878,284	152,915,110
Acquisitions	311,362	0	0	500,856	0	1,085,645	1,897,863
Internal production	0	0	0	0	0	505,873	505,873
Drop outs (scrapping)	-904,323	0	0	-686,965	-8,320	0	-1,599,607
Internal transfers	0	0	130,463	189,498	0	-316,327	3,634
Internal transfers	0	0	0	0	0	0	0
Balance as of December 31, 2018	858,746	21,247,075	40,046,069	88,968,501	449,006	2,153,475	153,722,872
Accumulated depreciation							
Balance as of January 1, 2018	558,844	0	6,320,463	48,396,139	197,632	0	55,473,078
Amortization expense in the year	612,522		2,593,599	4,482,333	32,721		7,721,175
Cumulative depreciation of outflows	-904,323		0	-683,331	-8,320		-1,595,974
Cancellation depreciation for revalued fixed assets	0		0	0			0
Balance as of December 31, 2018	267,043	0	8,914,062	52,195,141	222,033	0	61,598,279
Net book value							
As of December 31, 2019	607,754	21,247,075	28,522,854	35,260,827	203,601	1,546,636	87,388,747
As of December 31, 2018	591,703	21,247,075	31,132,007	36,773,360	226,973	2,153,475	92,124,593

COMELF SA**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE***(All amounts are expressed in LEI, unless otherwise indicated)*

In the past, the company evaluated the land and buildings at fair value. The last revaluation of the buildings that had an effect on the financial statements was made on December 31, 2015. The company carried out the revaluation of tangible assets with independent valuers.

During 2019, the Company made investments worth 3,123,245 lei financed from the surplus of the current activity of the period and from non-reimbursable funds.

The increases in tangible assets, in the reference year, are mainly reflected in:

a) Robotic welding system:	967,670 lei
b) Welding devices	66,449 lei
c) Server and accessories:	206,844 lei
d) Other production devices and accessories	125,750 lei
e) Utility monitoring system + software	890,765 lei
f) Transport and lifting means	215,610 lei
g) Soft License:	113,966 lei
h) Tool stores	536,191 lei

During the year 2019, the company completed the investment “System of honoring utilities and production and Energy Management Software License ”realized within the POIM for which it received a non-reimbursable financing. Total investment 890,765 lei

The amortization method was the linear one throughout the financial year, the total amount of which was 7,390,556 lei. During the same period, the amount of 1,592,086 lei was reinvested in income from investment subsidies.

The company owns ownership documents on land and buildings. The situation of the guarantees in the form of mortgages is presented in note 14.

6. Financial assets available for sale

As of December 31, 2019 and December 31, 2018 Comelf SA has no financial assets available for sale.

7. Inventories

As of December 31, 2019 and December 31, 2018, the inventories recorded the following balances:

	December 31, 2019	December 31, 2018
Raw materials	5,362,825	6,868,095
Auxiliary materials	43,891	44,531
Combustible	8,578	8,622
Inventory items	384,999	391,504
Other	147,964	134,179
Adjustments for depreciation of raw materials	-44,367	-92,162
Total	5,903,890	7,354,769

The company recorded value adjustments for the depreciation of inventories on December 31, 2018 in the amount of 92.162 lei, on December 31, 2019 transferred on the operational costs of the period the amount of 47.795 lei related to the consumption diminishing the value of the provision already constituted, the value for the depreciation of the stocks remaining in the balance at December 31, 2019 is 44,367 lei.

COMELF SA**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE***(All amounts are expressed in LEI, unless otherwise indicated)*

In 2019, the expenses related to the above positions recognized in the cost of sales amounted to 61, 526,130 lei (2018: 67,707,606 lei).

Accounting policies for stock valuation are presented in Note 3.

No stocks were pledged for the borrowed loans.

8. Receivables from contracts with customers

As of December 31, 2019 and December 31, 2018, receivables from commercial contracts are as follows:

	December 31, 2019	December 31, 2018
Receivables from contracts with invoiced clients	35,817,997	37,980,636
Receivables from contracts with non-invoiced clients	18,193,270	23,082,646
Value adjustments regarding receivables from invoiced construction contracts	(2,215,838)	(1,741,322)
Total	51,795,428	59,321,960

Receivables from customer contracts are presented net of advances collected in the amount of 953, 338 lei (December 31, 2018: 531.094).

The breakdown by seniority was presented in point 4 "Significant risk management."

The seniority of the impaired receivables at the date of the financial statements was:

	December 31, 2019	December 31, 2018
Between 181 - 365 days	-	-
Over 365 days	2,215,838	1,741,322
Total	2,215,838	1,741,322

Below is presented an analysis by age of receivables from contracts with clients that have passed due on 31.12.2019 but which are not impaired:

December 31, 2019

DEBT	Total	On time	backlog <30 days	backlog 30-90 days	backlog > 90 days
Receivables from contracts with customers	51,795,428	41,130,271	8,450,601	1,014,415	1,200,141

The turnover rate of the clients (the period of recovery of the debts), expresses the number of days until the date when the debtors pay their debts to the company and thus shows the efficiency of the company in collecting its debts. For the year 2019 (Average customer balance / Turnover) x 365 days = 85 days, for the year 2018 is 86 days. Generally, the penalties are treated according to the contracts with each client individually and is solved by punctual negotiation of each case. The procedure for accepting new clients is done according to the bidding - contracting procedures in the procedures manual, these procedures are reviewed periodically.

COMELF SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE
(All amounts are expressed in LEI, unless otherwise indicated)

9. Trade receivables and other receivables

As of December 31, 2019 and December 31, 2018, trade receivables and other receivables are presented as follows:

	December 31, 2019	December 31, 2018
Receivables from sales of goods	-	-
VAT to be recovered	975,906	874,791
Down-payments paid to Romanian suppliers (excluding those for fixed assets)	152,127	284,228
Advances paid to foreign suppliers	176,481	27,286
Advances paid to the asset providers	163,204	670,205
Different debtors	139,116	92,396
Other receivables	1,719,759	1,930,432
Value adjustments	-1,010,987	-1,010,987
Total	2,315,606	2,868,351

Below is an analysis by age of commercial receivables and other receivables that have passed due on 31.12.2019 but which are not impaired:

December 31, 2018

DEBT	Total	On time	backlog <30 days	backlog 30-90 days	backlog > 90 days
Trade receivables and other receivables	2,315,606	2,062,138	67,073	135,349	51,046

Exposure to credit risk and currency risk, as well as impairment losses related to commercial contracts and other receivables, excluding construction contracts in progress, are presented according to the Note on various debtors.

10. Value adjustments regarding impairment of current assets

Evolution of value adjustments regarding the depreciation of the current assets in 2019 was as follows:

	Balance on January 1, 2019	increases	Decrease	Balance as of December 31, 2019
Value adjustments regarding receivables from customer contracts	1,741,322	-	-	2,215,838
Value adjustments for various debtors	1,010,987	-	-	1,010,987
Total	2,752,309	-	-	3,226,825

The adjustment in value of 1,010,987 lei represents an adjustment in the value of 100% of the value of a senior debt that is in dispute.

The value adjustments for the amount of 1,741,322 lei are constituted for a number of 8 clients, of which one in dispute for the amount of 949,436 lei.

The adjustment amounting to 474,516 lei constitutes adjustment of fixed assets with a seniority of more than 365 days;

The reasons why the entity considered the financial assets to be impaired are mainly related to delays in receipts and / or non-compliances being discussed with clients.

COMELF SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE
(All amounts are expressed in LEI, unless otherwise indicated)

11. Cash and cash equivalents

As of December 31, 2019 and December 31, 2018, cash and cash equivalents are as follows:

	December 31, 2019	December 31, 2018
Availability in bank accounts in local currency	888,619	1,061,707
Available in bank accounts in foreign currency	6,614,870	2,650,928
Cash	24,657	25,053
Other availability	99	297
Total	7,528,245	3,737,985

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

Liquidity management

The responsibility for the liquidity risk lies with the Board of Directors and the executive management Comelf, which establishes the liquidity management through the BVC and the cash flow, drawn up on the total company and for each subunit separately.

December 31, 2019

DEBT	Total	<1 Moon	1 - 3 months	3 months-1 year	> 1 year
Receivables from contracts with customers	51,795,428	21,232,996	26,836,708	3,725,724	-
Trade receivables and other receivables	2,315,606	1,030,135	1,163,891	121,580	-
Current tax receivables	0	0	0	0	0
Cash and cash equivalents	7,528,245	7,528,245			
TOTAL	61,639,279	29,791,376	28,000,600	3,847,304	-

December 31, 2019

LIABILITIES	Total	<1 Moon	1 - 3 months	3 months - 1 year	> 1 year
Trade debts and other debts	26,541,181	13,249,350	11,965,627	1,326,204	0
The current part - leasing loans	214,593	17,944	35,416	161,233	
Deferred tax debts (current part)	335,928	0	83,981	251,947	0
Discovered account (current part)	34,649,925	31,364,156	597,413	2,688,356	0
TOTAL	61,741,627	44,631,450	12,682,437	4,427,740	0

December 31, 2018

DEBT	Total	<1 Moon	1 - 3 months	3 months - 1 year	> 1 year
Receivables from contracts with customers	59,321,959	25,716,182	21,460,915	9,912,219	2,232,643
Trade receivables and other receivables	2,868,351	874,791	946,731	954,433	92,396

COMELF SA**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE***(All amounts are expressed in LEI, unless otherwise indicated)*

Current tax receivables	0	0	0	0	0
Cash and cash equivalents	3,737,985	3,737,985			
TOTAL	65,928,295	30,328,958	22,307,646	10,866,652	2,425,039

December 31, 2018

LIABILITIES	Total	<1 Moon	1 - 3 months	3 months-1 year	> 1 year
Trade debts and other debts	35,394,366	25,590,526	5,487,030	3,240,838	1,075,972
Bank loans (other than overdraft)	16,239	16,239			
Deferred tax debts (current part)	413,272	0	0	413,272	0
Overdraft (it is extended annually)	33,813,275	0	0	33,813,275	0
TOTAL	69,637,206	25,606,819	5,487,030	37,467,385	1,075,972

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

In 2019, no changes were made on the value of the share capital (13,036,325.34 LEI) and on the number of shares (22,476,423 shares).

As of December 31, 2019 and December 31, 2018, the shareholder structure of the *Company* is:

	2019			2018		
	Number of shares	Total face value	%	Number of shares	Total face value	%
Uzinsider SA	18,189,999	10,550,199	80.93%	18,185,256	10,547,506	80.91%
Other shareholders	4,286,424	2,486,126	19.07%	4,291,067	2,488,819	19.09%
Total	22,476,423	13,036,325	100%	22,476,423	13,036,325	100%

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

The social capital portrayed contains the following components:

	December 31, 2019	December 31, 2018
Social capital	13,036,325	13,036,325
Adjustments of share capital - IAS 29	8,812,271	8,812,271
Social capital portrayed	21,848,596	21,848,596

The effect of hyperinflation on the share capital of 8,812,271 lei was registered by diminishing the reported result.

b) Reserves and retained result

COMELF SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE
(All amounts are expressed in LEI, unless otherwise indicated)

Below is the detail of the rows from the statement of financial position representing reserves and retained result.

Rows marked in bulk can be found both in the financial position and in the change of capital situation where the variation from 31.12.2019 to 31.12.2018 is explained.

	Financial year ended December 31, 2019	Financial year ended December 31, 2018
Legal reserves	2,607,265	3,607,265
Reserves and differences from revaluation	<u>34,371,631</u>	<u>36,135,251</u>
Differences from revaluation of fixed assets	43,218,838	45,318,386
Temporary differences in deferred income tax recognized on capital account	-8,847,207	-9,183,135
Reserves from the revaluation of financial instruments available for sale	-	-
Other reservations (Cont. 1068)	13,534,082	12,124,502
Deferred profit and profit (retained result)	<u>-266,892</u>	<u>-778,036</u>
The deferred result representing the surplus realized from revaluation reserves	9,064,257	7,300,637
The result reported from the transition to the application of IFRS, less IAS 29	-11,176,457	-11,176,457
The deferred result representing the non-distributed profit or the uncovered loss Account 118	0	0
The result reported from the first adoption of IAS 29	113,776	113,776
Profit	2,624,114	2,815,330
Profit distribution	0	0
Total reserves and retained result	<u>50,246,086</u>	<u>50,088,982</u>

Capital management**(a) Legal reserves**

According to the legal requirements, the Company constitutes legal reserves in the amount of 5% of the gross profit registered according to IFRS in 2019 but not more than 20% of the share capital valid at the date of the reserve.

The legal reserves cannot be distributed to shareholders, but they can be used to cover the accumulated losses. At 31.12.2019 the Company already had the legal reserve up to the amount of these limits.

(b) Re-evaluation reserves

The revaluation reserve is totally associated with the revaluation of the tangible assets of the company.

(c.) Dividends

COMELF SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE
(All amounts are expressed in LEI, unless otherwise indicated)

During 2018, In accordance with the Decision of the Ordinary General Meeting of Shareholders, the Company decided to distribute dividends from the result of the financial year ended December 31, 2018. The company declared dividends in the amount of 1,405,750 lei (representing 0.0625 lei / share) and paid during the year 2019 to the shareholders the amount of 1,828,574 lei representing dividends distributed from the current year and the previous years. As of December 31, 2019, the balance of payment dividends is 1,043,426 lei

In the last two years, the evolution of gross dividends has been:

	2018	2017
Dividend	1,405,750	1,622,000
lei / share	0.0625	0.072

From the profit of the year 2019 in the amount of 2,624,114 lei, according to the proposal of the Board of Directors, the amount of 1,500,000 lei will be distributed as dividends. The gross dividend that would be granted in 2019 would be 0.0667 lei / share, the difference of 1,124,114 lei to be transferred to "Other reserves".

13. loans**a) Credit line**

As of December 31, 2019, the Company has a credit agreement for working capital, concluded with ING Bank Romania - contract no. 11438 / 09.11.2011, with a maturity of one year, it is renewed in November of each year. The object of the contract is represented by a credit facility in the amount of EUR 8,000,000, of which the Company reimbursed during the year 2019 the amount of EUR 562,500 in 6 equal monthly instalments, so the sum of the credit facility at 31.12.2019 is EUR 7,437,500. The loan was accessed to provide working capital to cover the financial needs of the current needs of the Company and potential commitments in the form of guarantee letters with a maturity of up to 12 months. This credit facility is structured as follows: EUR 6,500,000 remains as credit for working capital of UFN type and the payments for the balance up to the amount of EUR 7,437,500, respectively EUR 937,500 were re-spaced out, at the request of the company, to be reimbursed, in equal monthly instalments, within a remaining term of 17 months.

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

- for the amounts in euros used from the facility, the annual interest rate is EURIBOR 1M plus a margin of 0.78% per year;

As of December 31, 2019, the Company records a balance of the credit line in the amount of 35,546,044 lei (December 31, 2018: 37,311,200 lei).

b). Leasing contracts

During the year 2018, the Company committed to the purchase of a vehicle for the transport of persons, in leasing. The lease agreement no. 30154891 was concluded on 16.02.2018, financed by Unicredit Leasing Corporation IFN, value financed EUR 18,110.40, payable in 60 monthly installments.

During the year 2019, the Company committed the purchase of three vehicles for passenger transport, in leasing.

The leasing contracts no. 234267,234268,234269 were concluded on 08.01.2019, financed by Porsche Leasing, value financed 38,443.31 EUR, payable in 60 monthly installments. Also during 2019, the Company committed to the purchase of a robotic system of welding CLOOS, in leasing. Leasing contract no.120882 was concluded on 22.05.2019, financed by BRD Sogelease, the value financed 179.660.70 eur, payable in 60 monthly installments.

The main mortgages in favour of ING BANK, related to the loans are:-

COMELF SA**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE***(All amounts are expressed in LEI, unless otherwise indicated)*

- Land with an area of 13,460 sqm and buildings with a built area of 12,600 sqm, having the topographic number 8118/1/6, registered in CF 8685 of Bistrita locality, inventory value = 2,780,904 lei.
- Land with an area of 20,620 sqm and buildings with a built area of 17894 sqm, having the topographic number 8118/1/15, registered in the B 864 locality of Bistrita, inventory value = 4,673,623 lei.
- Land with an area of 581 square meters and buildings with a built area of 572.93 square meters, having the topographic number 6628/2/2/1/2, registered in CF 8697 of Bistrita locality and no. topographic 6628/2/2/1/2 / I, registered in CF 8697 / I of Bistrita locality, inventory value = 1,217,062 lei
- CF 55054 topo 8118/1/5: land with an area of 16820 sqm, top C1 cad: 8118/1/5: SIDUT Workshop.

14. Trade debts and other debts

As of December 31, 2019 and December 31, 2018, trade and other debts are as follows:

	December 31, 2019	December 31, 2018
Commercial debts	21,123,706	28,931,059
Debts to budgets	1,728,301	2,039,234
The debts to the staff	2,525,713	2,853,647
Silver dividend	1,043,425	1,466,250
Other loans and similar debts	120,036	104,176
Total	26,541,181	35,394,366

The commercial debts in the amount of 21,123,706 lei (December 31, 2019 2018: 28,931,059 lei) are in accordance with the contracts concluded with the suppliers.

Credit rotation speed - supplier approximates the number of credit days that the company obtains from its suppliers. For the year 2018 (Average balance of suppliers / Turnover) x 365 days = 61 days, for the year 2018 is 66 days.

As of December 31, 2019 and 2018, debts to budgets mainly include wage-related contributions.

15. Revenue from contracts with clients

	31st of December 2019	31st of December 2018
Revenue from contracts with clients related to the goods delivered, for which a complete transfer of the property right to the client was made (ct 701)	142,590,173	142,958,050
Revenue from contracts with clients, recognized during execution phases, estimated at the level of the receivable recorded in contracts, proportional to the actual expense reported at the planned expense, for the same execution phase (balance 711500)	-5,420,471	1,498,856
TOTAL	137,169,702	144,456,906

In determining the revenues from the contracts with the clients, the entity permanently evaluates the level of the actual costs compared with the one of the initial costs, pre-calculated and recognizes revenues on execution phases commensurate with the level of the costs that contribute to the progress of the entity and which were reflected in the contract price, weighted by the quantity. and the physical stage of execution of the contract. The company transfers in time (in phases), to the client, the control over the goods fulfilling an obligation of

COMELF SA**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE***(All amounts are expressed in LEI, unless otherwise indicated)*

execution, thus recognizing revenues in time, at each phase of execution. The company executes goods on the basis of projects, only at the clients' request, on the basis of firm orders.

The evaluation of the revenues from the contracts with the clients, by execution phases, is carried out taking into account the physical stage of execution of the contracts that is established at the end of each month by physical inventory, of the actual accumulated costs corresponding to the physical stage, which is compared and weighted with the costs. specific budgets for the stage of physical execution determined. Depending on the evolution of the actual costs compared to the budgeted costs, without taking into account the possible unfavourable evolutions of the actual costs, the Company recognizes an income, based on the total income obtained related to the contract weighted with the evolution of the actual cost corrected (without negative deviations) corresponding to the stage. of execution of the contract.

16a. Other revenues related to turnover

The position includes:

	2019	2018
Income from rents	14,850	2,793
Income from various activities	3,443,125	2,758,511
Revenue from the sale of residual products	2,446,074	3,509,195
Revenue from services provided	746,472	1,908,196
Total	6,650,521	8,178,695

16b. Other incomes

The position includes:

	2019	2018
Income from investment subsidies	1,577,322	1,579,729
Revenue from operating subsidies	11,243	87,807
Revenue from ceded fixed assets	26,527	135,355
Other incomes	755,840	929,203
Total	2,370,932	2,732,094

The revenues from the production of tangible assets of the year 2019 were offset by the related expenses according to the provisions of Order 2844/2016 as follows: expenses with raw materials and other material expenses in the amount of 103,094 lei, expenses with the personnel in the amount of 700 lei, other expenses related to the revenues in the amount of 1,576 lei. Therefore, the value recorded in the position "Other income", in the amount of 2,370,932 lei does not contain the revenues from the fixed assets in the total amount of 105,370 lei

The revenues from the production of tangible assets of the year 2018 were offset by the related expenses according to the provisions of Order 2844/2016 as follows: expenses with raw materials and other material expenses in the amount of 66,665 lei, personnel expenses in the amount of 92,424 lei, other expenses related to the revenues in the amount of 301,539 lei. Therefore, the value recorded in the position "Other income", in the amount of 2,732,094 lei does not contain the revenues from the fixed assets in the total amount of 460,628 lei.

The turnover at December 31, 2019 is 149,263,123 lei (December 31, 2018: 151,767,209 lei).

17. Staff costs

The average number of employees as of December 31, 2019 and December 31, 2018 was as follows:

COMELF SA**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE***(All amounts are expressed in LEI, unless otherwise indicated)*

	2019	%	2018	%
Blue collars staff	482	61%	506	60%
White collars	312	39%	336	40%
Total	794	100%	842	100%

The staff expenses were as follows:

	2019	2018
Expenses with staff salaries	42,842,046	42,951,820
Expenses with meal vouchers	2,614,821	2,666,672
Expenses regarding insurance and social protection	2,052,365	1,976,793
Total	47,509,232	47,595,285

At December 31, 2019, out of the total amount of 47,509,232, the salary expenses related to the revenues from the production of fixed assets were reduced, according to the provisions of Order 2844/2016, for the amount of 700 lei. See also note on other income.

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

The sums granted to key management personnel, CA members and directors were the following (gross amounts) and are included in the amounts presented above:

	2019	2018
Salary expenses - executives	1,768,860	2,086,440
Other long-term benefits	-	-
CA allowance	243,690	238,595
Total	2,012,550	2,325,035

The company did not grant loans or advances to the members of the administrative, management or supervisory bodies in 2019 and 2018.

The date of *December 31, 2019*, The management of COMELF SA company had the following component:

- Members of the Board of Directors of the Company:

Save Constantine	Chairman
Babici Emanuel	member
Mustata Costica	member
Master Ion	member
Parvan Cristian	member

- The members of the Executive Management of the Company:

Cenusa Gheorghe	General Manager
Pop Mircea	Deputy General Manager
Oprea Paul	General Manager, Technical and Production Deputy Manager
Tatar Dana	Economic Director
Marica Ioan	AQM Director
Barbuceanu Florentin	Factory Executive Director
Viski Vasile	Factory Executive Director
Campian Cosmin	Factory Executive Director

COMELF SA**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE***(All amounts are expressed in LEI, unless otherwise indicated)*

The date of *December 31, 2018*, The management of COMELF SA company had the following component:

- Members of the Board of Directors of the Company:

Save Constantine	Chairman
Babici Emanuel	member
Mustata Costica	member
Master Ion	member
Parvan Cristian	member

- The members of the Executive Management of the Company:

Cenusa Gheorghe	General Manager
Pop Mircea	Deputy General Manager
Tatar Dana	Economic Director
Marica Ioan	AQM Director
Barbuceanu Florentin	Factory Executive Director
Viski Vasile	Factory Executive Director
Oprea Paul	Factory Executive Director

18. Transportation costs.

This position It includes:

	2019	2018
Expenditure on the transport of raw materials	839,031	843,743
Expenditure on transport of finished products	5,582,989	5,926,893
Expenses for the transportation of employees	545,813	519,734
Other transport expenses	-	3,248
Total	6,967,833	7,293,618

19a. Other expenses related to income

	2019	2018
Maintenance and repair expenses	1,169,543	839,005
Rent expenses	715,321	545,921
Insurance expenses	417,965	460,370
Collaborative expenses	5,714,031	25,645
Expenses regarding commissions and fees	1,190,999	947,365
Protocol expenses	110,782	119,744
Expenses with travel, removals and transfers	323,739	302,667
Postal expenses and telecommunications charges	88,228	85,076
Expenses with banking and assimilated services	129,117	226,454
Other expenses with services provided by third parties	2,834,462	11,377,304
Expenses with other taxes and fees	1,109,274	1,443,083
Total	13,803,461	16,372,634

Of the total amount of 13,803,061 lei (December 2019) other expenses were deducted with the services provided by third parties related to the revenues from the production of fixed assets, according to the provisions of Order 2844/2016, for the amount of 1,576 lei. See also note on other income.

COMELF SA**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE***(All amounts are expressed in LEI, unless otherwise indicated)*

Of the total amount of 16,372,634 lei (December 2018), other expenses were deducted with the services provided by third parties related to the revenues from the production of fixed assets, according to the provisions of Order 2844/2016, for the amount of 301,539 lei. See also note on other income.

19b. Other expenses

	2019	2018
Total	382,575	6,935,466

At 31.12.2019 the position includes the amount of 113,451 lei, representing commercial penalties; 195,226 lei represent donations and sponsorships; the difference of 73, .898 represents other current operating expenses.

At 31.12.2018 the position includes: damages in the amount of 5,573,477 lei paid by the Company in the DIICOT file, amounts previously provided and which, at the time of actual payment, at the initiative of the Company (February 2018) were recognized as Costs with compensations, while the established provision was reversed; 1,311,935 lei represent commercial penalties, one part being provided at the end of 2017, part for which the provision was reversed and their recognition in costs with penalties of the period; 47,558 lei represent expenses with donations and sponsorships; 3,634 lei represents expenses with the transferred assets.

20. Profit tax

The Company's current profit tax at December 31, 2019 is determined at a statutory rate of 16% based on IFRS profit.

The income tax expense for the year ended December 31, 2019 and the year ended December 31, 2018 is detailed as follows:

	2019	2018
The expense with the current profit tax	363,467	406,165
(Income) / expense with deferred income tax	-	-
Total	363,467	409,165

Reconciliation of profit before tax with the expense with tax on profit in the profit or loss account:

Reconciliation of corporate income tax	2019	2018
Profit for the period	2,624,114	2,815,330
Total expense with profit tax	363,467	406,165
Profit before tax	2,987,581	3,221,495
Local tax rate of the entity	16%	16%
	478,013	515,439
The tax on profit calculated using the local tax rate of the entity		
The influence of the deductible legal reserve constituted during the period	-	-
The influence of the reserves constituted on account of the reinvested profit exempt from taxation	-	-
The influence of non-taxable income	-27,477	-1,152,836
Influence of elements similar to income: revaluation differences that became taxable	335,928	413,271
The influence of non-deductible expenses	87,780	1,091,896
Minus amounts representing sponsorship	-174,849	-44,503

COMELF SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE
(All amounts are expressed in LEI, unless otherwise indicated)

Calculation of profit tax for the period, of which:	699,395	819,436
Tax on profit registered directly in equity, related to revaluation differences that have become taxable	335,928	413,271
Tax on profit recorded on expenses	363,467	406,165

21. Provisions for risks and expenses

As of December 31, 2019, the Company has provisions for risks and expenses in the amount of 1,861,586 lei (1,506,352 lei as of December 31, 2018). Their synthetic situation is presented below:

	Provision for guarantees	Pension provision	Provision for litigation	Other provisions	Total
Balance as of January 1, 2018	0	190,059	0	1,316,293	1,506,352
Established during the period	0	0		502,762	502,762
Used during the period	0	0	0	0	0
Wave adjustments receivable real estate (ct 2968)	0				0
Resumed during the period	0	(26,664)	0	(120,864)	(147,528)
Balance as of December 31, 2019	0	163,395	0	1,698,191	1,861,586
Long-term	0	163,395	0	0	163,395
short term	0	0	0	1,698,191	1,698,191

- **Pension provisions in the amount of 163,359 lei (December 31, 2018: 190,059 lei).**

According to the collective labor agreement, the Company offers cash benefits depending on the seniority in retirement work for employees. The provisioned amount was calculated taking into account the amount expected to be granted upon retirement depending on the seniority in the company, the period of time until retirement for each employee adjusted with the average rate of fluctuation of the Company's personnel during the last 5 years, respectively 19.33%.

- **Other provisions in the amount of 1,698,191 lei (December 31, 2018: 1,316,293 lei) include:**
 - The provision related to repurchases of pension insurance policies for the amount of 1,195,429 lei, are loyalty pension rights for COMELF employees, granted under the law and the Collective Labor Agreement, which will be paid to employees (short term).
 - The sum of 502,762 includes provision for potential commercial penalties, according to commercial contracts.

22. Debt on deferred tax

Deferred tax liabilities as of December 31, 2019 are generated by the items detailed in the following table:

	December 31, 2019	December 31, 2018
	-	-

COMELF SA**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE***(All amounts are expressed in LEI, unless otherwise indicated)*

Claims on deferred tax		
Debt on deferred tax related to reserves consists of reinvested profit	(922,602)	(922,602)
Deferred tax liabilities related to the revaluation differences of property, plant and equipment.	(8,847,207)	(9,183,135)
Deferred tax, net	(9,769,809)	(10,105,737)

23. Deferred income

1) In 2010, the Company concluded with the Ministry of Economy, Trade and Business Environment ("the Ministry") the financing contract no. 3131/230303, whose object is the granting of the non-reimbursable financial aid from the state budget through the "Program for increasing the competitiveness of industrial products" administered by the Ministry for the implementation of the project "Assimilation of advanced technologies for processing wind turbines, turbines and compressor units, process chambers within the lines of manufacture of photovoltaic cells on equipment with the latest generation numerical control, which uses CNC boring machine with continuous indexable processing head, in SC Comelf SA." The total cost of the project was 1,991,488 lei, of which the state aid was 836,760 lei. The value of the state aid was recognized by the Company as a government subsidy and amortized over a period of about 11 years.

The objectives of granting the state aid were represented by the modernization of the existing products, the realization of new products, the increase of the productivity, the reduction of the energy consumption, the reduction of the consumption of materials, the optimization of the decision, the protection of the environment, the quality assurance, objectives fulfilled by the Company.

2) The company received a government grant in 2013 in the amount of 16,848,613 lei as part of the project "Fundamental modification of manufacturing flows and introduction of new technologies in order to increase productivity and competitiveness on the internal and external market of SC COMELF SA".

The government subsidy was conditioned by the Beneficiary's contribution of the amount of 27,635,774 lei out of which the eligible value 16,848,613 lei, the difference being an ineligible value, including VAT in the project, in the implementation period of the project which was 24 months from 04.02. 2013.

In 2019, the Company resumed the revenues of 1,577,322 lei (2018: 1,579,729 lei), representing depreciation of subsidies.

3) The company signed in 2018 (03.05.2018) a financing contract within the framework of the POIM, having as objective the granting of a non-reimbursable financing of AM POIM matrices for the implementation of the project „Application of Smart Metering utilities consumption”, the total value of the contract. financing is of 1,072,188.43 lei, of which non-reimbursable financing is worth 900,988.68 lei. receivables, respectively payment in advance of the suppliers of fixed assets 237,703 lei. In October 2019, the commissioning system of utilities and production and the License of energy management software was put into operation. Subsidies were registered in this project amounting to 14,095 lei.

The accounting policies adopted are presented in Note 3.

24. Earnings per share

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

	December 31, 2019	December 31, 2018
Profit attributable to ordinary shareholders	2,624,114	2,815,330
The weighted average number of ordinary shares	22,476,423	22,476,423
The result on basic action	0.12	0.13

COMELF SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE
(All amounts are expressed in LEI, unless otherwise indicated)

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

25. Net financial expenses

The financial elements are the following:

	December 31, 2019	December 31, 2018
Interest income	4,757	8,471
Revenue from exchange rate differences	2,108,721	1,857,332
Other elements of financial income	-	134,721
Total financial income	2,113,478	2,000,524
Interest expenses	(299,005)	(330,242)
Expenses with exchange rate differences	(2,869,875)	(2,213,287)
Other elements of financial expenses, of which:	(349,941)	(102,034)
Total financial expenses	(3,518,820)	(2,645,563)

The income and expenses from exchange rate differences refer to the following positions in the financial statements: short and long term loans, including leasing: net amount of (914,378.39 lei), third party accounts: net amount of 476,970.14 lei, availabilities: net amount of (323,745.02) lei, and other smaller amounts for other positions.

Other items of income and financial expenses are mainly granted discounts.

26. Contingent liabilities and debts**(a) Environmental contingencies**

The regulations regarding the environment are under development in Romania, and the Company has not registered any obligations on December 31, 2018 for any anticipated costs, including legal and consulting fees, site studies, design and implementation of remediation plans. , regarding environmental elements.

The management of the Company does not consider the expenses associated with possible environmental problems as significant.

(b) Transfer price

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

- 200,000 euros, in the case of interest collected / paid for financial services, calculated at the exchange rate communicated by the National Bank of Romania valid for the last day of the fiscal year;
- 250,000 euros, in the case of transactions regarding the provision of services received / provided, calculated at the exchange rate communicated by the National Bank of Romania valid for the last day of the fiscal year;
- 350, .000 euros, in the case of transactions regarding the purchase / sale of tangible or intangible assets, calculated at the exchange rate communicated by the National Bank of Romania valid for the last day of the fiscal year.

they have the obligation to draw up the file of transfer prices and make it available to the tax authorities, upon request within 10 days from the date of the request by the authorized fiscal body.

Comelf SA has prepared the transfer pricing file for 2019, and will update it for 2020.

COMELF SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE
(All amounts are expressed in LEI, unless otherwise indicated)

27. Transaction and balances with related parties

The affiliated parties as well as a brief description of their activities and relationships with the Company are as follows:

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

- commission contract, consulting contract.

The rights and obligations of the parties are well defined by the contractual clauses, the possible litigations being the competence of the court of International Arbitration of the Chamber of Commerce and Industry of Romania.

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

Based on the framework contract, firm orders are issued whose purpose is monitored and the compliance with the contract clauses is fully observed.

Affiliated party	Activity	Description of the type of relationship
Uzinsider SA	Consulting services	Uzinsider SA is a majority shareholder
Uzinsider Techo SA	Acquisition of steel sheets and sections Sale of products related to thermal power plants	
Uzinsider General Contractor SA	Collaborations on turn-key projects	
Promex SA	Collaboration in the manufacture of subassemblies	
24 January SA	Subassembly manufacturing collaboration	
Uzinsider Engineering SA	Providing services	

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

a) Claims and liabilities with related parties

As of December 31, 2019 and December 31, 2018, the receivables from the affiliated parties are as follows:

Liabilities as of	December 31, 2019	December 31, 2018
Uzinsider Techo SA	9,421,447	2,573,570
Uzinsider General Contractor SA	243,724	366,790
Promex SA	417,733	322,066
24 January SA	-	31,481
Total	10,079,904	3,293,907

As of December 31, 2019 and December 31, 2018, the liabilities to the affiliated parties are as follows:

COMELF SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE
(All amounts are expressed in LEI, unless otherwise indicated)

Debts to	December 31, 2019	December 31, 2018
Uzinsider SA	128,152	425,171
Uzinsider Techo SA	1,626,619	167,945
Uzinsider General Contractor SA	1,227,839	310,582
Promex SA	7,606	-
24 January SA	-	-
Uzinsider Engineering SA	-	-
Total	2,990,216	903,698

b) Transactions with related parties

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

Sales in the year ended:	December 31, 2019	December 31, 2018
Uzinsider Techo SA	14,160,201	4,275,779
Uzinsider General Contractor SA	1,125,477	2,273,202
Promex SA	486,961	514,267
24 January SA	14,339	26,454
Uzinsider Engineering SA	-	-
Total	15,786,978	7,089,702

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

Purchases in the year ended on:	December 31, 2019	December 31, 2018
Uzinsider SA	817,152	817,152
Uzinsider Techo SA	815,503	340,937
Uzinsider Engineering Galati	-	11,598
Uzinsider General Contractor SA	6,524,023	525,070
Promex SA	6,392	339,240
24 January SA	-	-
Total	8,163,070	2,033,997

Compared to the ones presented above, during the year 2020, the Comelf SA company recognized a debt to Promex SA in the amount of 12,432.16 lei, related to a previous performance.

The payment of the dividends due Uzinsider SA Bucharest was made in full during the year 2019 (Note 12 point c)

As there were no exceedances of the contact terms, no impairment losses related to these transactions were recognized during the year.

The general terms and conditions provided in the relations concluded with the affiliated parties are the following: payment terms 60-90 days, payment methods with payment orders and compensations, there are no guarantees, and there are no penalties for not paying them.

28. Capital commitments

The procurement commitments for the period 2020 are limited to their own financing sources and are estimated to be worth 0.53 million Euros.

29. Reporting on operational segments

The production activity of the Company is carried out within the factories organized as profit centers:

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

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

Within the Company, actions for identifying and monitoring ongoing litigation and processes are regularly carried out.

The critical decisions are taken by the Board of Directors. The operating segments are managed independently, as each one represents a strategic unit having different products:

- FPI - the most important products are: made of stainless steel (equipment for gas turbine power stations, components for wind turbines, freight wagon components, components for combustion air filtration) and carbon steel (equipment for gas turbine power stations, turbine chassis, compressors, generators, metal belt conveyors, components for transport, installation and equipment of wind installations, components for transcontainer handling machines);
- FUET - the most important products are: naval equipment, filters for asphalt stations, components for freight wagons, components for asphalt mills, components for excavators, enclosures for engines and electric generators, equipment for dusting industrial gases, equipment for power plants with gas turbines, equipment for waste water treatment and treatment, hydromechanical and hydropower equipment, technological equipment;
- TERRA - the most important products are: earthmoving machines with final assembly (crushers, asphalt casting machines), components for earthmoving machines (chassis, arms, frames), mobile presses for compacted car bodies, fixed presses and machinery components for compacted metal waste, telescopic cranes, subassemblies for heavy-duty dump trucks.

COMELF SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE

*(All amounts are expressed in LEI, unless otherwise indicated)***Reporting by operating segments**

	FPI		fuet		TERRA		Center		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Non-segment revenue	43,152,953	49,460,240	65,584,832	66,609,819	31,395,038	32,935,332	6,186,132	7,453,396	146,318,955	156,458,787
Total revenues of the segment	43,152,953	49,460,240	65,584,832	66,609,819	31,395,038	32,935,332	6,186,132	7,453,396	146,318,955	156,458,787
Net financial costs	-358,141	-277,610	-456,326	-244,254	-235,841	-79,027	-355,034	-44,148	-1,405,342	-645,039
Depreciation and amortization	1,785,521	1,813,559	3,017,843	2,994,538	1,886,179	1,875,963	701,013	1,040,116	7,390,556	7,721,176
Expenditure on profit tax	-	-	-216,164	-	-	-	-147,303	-406,165	-363,467	-406,165
The net result of the period	-505,663	-597,110	1,077,193	431,195	-787	-398,349	2,053,371	3,379,594	2,624,114	2,815,330
Segment assets	44,548,723	45,375,206	71,076,784	71,298,217	37,106,672	39,282,885	2,199,737	9,451,352	154,931,916	165,407,657
Investments in associates							0	0	0	0
The debts of the segment	31,484,929	32,300,112	41,137,552	42,831,942	25,657,399	28,370,002	-15,434,644	-10,031,976	82,835,237	93,470,080

All the amounts presented as a total correspond to the amounts presented in the financial statements, without the need for a reconciliation (offset).

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

COMELF SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE

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

In the total operating revenues of the segment in the amount of 146,318,955 lei (year 2019) and 156,458,787 lei (year 2018) the major types of products and services are the following:

	December 31, 2019	December 31, 2018
Equipment for energy industry and components	56,918,073	58,946,296
Equipment for earthworks and components	68,184,633	73,018,357
Equipment for environmental protection (Refractory, water, chemical)	1,916,778	11,570,361
Lifting and handling equipment	9,949,689	8,912,305
Technological equipment (metallurgy)	731,595	469,069
Manufacture of rolling stock	7,901,224	2,501,700
Other types	716,963	1,037,699
TOTAL	146,318,955	156,458,787

The total revenues of the company can be divided according to the geographical area as follows:

	December 31, 2019	December 31, 2018
Revenue from Romania	7,626,658	10,726,945
Income from outside Romania	138,692,297	145,731,842
TOTAL	146,318,955	156,458,787

Through the contracting policy we have avoided being significantly dependent on a single customer. Our clients are world-renowned companies, the company's policy being to develop business relationships with strong companies that provide the basis for a secure and prospective collaboration. The main countries from which these clients come are: ITALY, GERMANY, SWEDEN, NORWAY, AUSTRIA, NETHERLANDS, SWITZERLAND, ANGLIA, FRANCE.

The main clients who have a share in the turnover of more than 10% the related revenues and the segment of activity where these revenues are included are the following:

Partner	Income percentage (> 10%)	Income	The segment to which the income is included
Komatsu	18.02%	26,899,606	Equipment and components for earth-moving works: FUET
Siemens	18.39%	27,448,080	Equipment and components for energy industry: FPI-FUET
General Electric	4.16%	6,202,749	Equipment and components for energy industry: FPI-FUET
Tesmec	11.34.%	16,925,224	Equipment for earthworks, rolling stock and components thereof: FUET + FCT

30. Events subsequent to the date of the statement of financial position:

After the preparation of the Financial Statements on 12/31/2019, in Romania, starting with 03/16/2020, the state of emergency was established, taking into account the evolution of the international epidemiological situation determined by the spread of the SARS-CoV-2

COMELF SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 IFRS COMPLIANCE
(All amounts are expressed in LEI, unless otherwise indicated)

coronavirus and the declaration of the "Pandemic" by WHO on 11.03.2020. So far, the state of emergency and the measures imposed on the territory of Romania have not significantly impacted the company's activity. The company and its employees have taken all the necessary measures to be protected, with strict observance of all the rules of hygiene, travel and protection at the workplace, so that until now, the company's activity has carried on according to the principle of continuity in the activity;

In addition, globally, due to the effects of the spread and consequences of SARS-CoV-2 coronavirus infection, some countries have taken measures to limit their economic activities. In our case, the economic relations with the clients from Italy will impact the turnover, but we estimate that the measures taken by the company in order to optimize the staff for a short period of time and the support of the authorities in this period will not significantly influence the cash flow of the company. Based on the information we currently have, the activity of the company will not be interrupted, nor do we foresee, based on the information we hold, significant losses or interruptions in the operational activity.

The events mentioned above do not modify the Financial Statements as of 12/31/2019.

31. Approval of financial statements

The financial statements were approved by the Board and published on the site on 16.03.2020.

Cenusa Gheorghe
General Manager

Tatar Dana
Economic Director

Declaration

We, the writers of this Declaration Mr. Gheorghe Cenusa –general manager and Mrs.Dana Tatar – financial manager, declare that the financial reports for 2019 have been prepared according to the applicable accounting standards, they offer an accurate and true image regarding the assets, liabilities, financial position and the comprehensive income.

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

General manager,
eng. Gheorghe Cenusa

Financial manager,
ec. Dana Tatar

CHAMBER OF FINANCIAL AUDITORS IN ROMANIA

Sole administrator: Active Financial Auditor and Authorized Evaluator ANEVAR- COMAN LUCICĂ



AUDIT COMAN EXPERT - ACE SRL

BUCURESTI, Sector 6, Str. Factories, no. 47, Tronson K, et. 5, ap. 4 (K54); CUI RO 8235932,

Reg. Com. J40 / 17278/2006; Share capital 80,000 lei;

Cons: RO95CECETRO130RON0620473;

Tel: 0314273270, Tel. 0745588880, e-mail comanlucicaauditor@yahoo.com;

TO,

Shareholders of COMELF SA

Report on the audit of financial statements

Unreserved opinion

We audited the individual financial statements annexed to the company **COMELF SA (The society)**, with the registered office in Bistrița, industrial street, no.4, identified by VAT code RO568656, which include: the statement of financial position as of December 31, 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year financial statement concluded at this date, as well as a summary of the significant accounting policies and explanatory notes to the financial statements.

The individual financial statements as of December 31, 2019 are identified as follows:

- Total assets: 154,931,916 lei
- total equity: 72,094,682 lei
- profit and other elements of the overall result: 2,624,114 lei

In our opinion, the accompanying individual financial statements provide a faithful picture, in all material respects, of the Company's financial position as of December 31, 2019, as well as of the financial performance and cash flows for the financial year ended at that date, in accordance with with *Compliant accounting regulations with International Financial Reporting Standards* approved by **Order of the Minister of Public Finance no.2844 / 2016**, as subsequently amended and supplemented, as well as the provisions **Order of the Minister of Public Finance no. 3781/2019** regarding *the main elements related to the preparation and submission of the annual financial statements and the annual accounting reports of the economic operators in the territorial units of the Ministry of Public Finance and for the regulation of some accounting aspects.*

The basis for opinion

We conducted our audit in accordance with International Auditing Standards (ISA) et *Law no. 162/2017 regarding the statutory audit of the annual financial statements and the consolidated annual financial statements and amending certain normative acts* (The law). Our responsibilities based on these standards are described in detail in the section "*The auditor's responsibilities in an audit of the financial statements*"From our report. We are independent from the Company, according to *Code of Ethics of Accounting Professionals* issued by the Council for International Standards of Ethics for Accountants (IESBA code), according to the ethical requirements that are relevant to the audit of financial statements in Romania, including the Law, and we have fulfilled our ethical responsibilities according to these requirements and according to the IESBA Code. We believe that the audit evidence we have obtained is sufficient and adequate to provide a basis for our opinion.

Key audit aspects

The key audit aspects are those aspects that, based on our professional judgment, were of the utmost importance for the audit of the individual financial statements of the current period. These issues have been addressed in the context of the audit of the financial statements as a whole and in forming our opinion on them and we do not provide a separate opinion on these issues.

Evaluation of the company's activity regarding risk management related to the economic environment and price risk management

In accordance with ISA 701 at the listed company COMELF SA, we identified two key issues in the audit of the annual financial statements for the financial year ended 31.12.2019, namely:

- a) the risk related to the business environment;
- b) price risk.

We have adapted our audit to address the risks presented above, specifying that these are not the only risks identified by us.

We have established how we have adapted our audit to address these key issues in order to provide an opinion on the financial statements as a whole. and we do not offer a separate opinion on these issues.

(a) The risk related to the business environment

Estimates and concerns of the company's management:

The management of the company reckons that the Romanian economy continues to present the specific characteristics of an emerging economy and there is a significant degree of uncertainty regarding the development of the political, economic and social environment in the future.

The Company's management estimates the nature of the changes that will take place in the business environment in Romania and what their effect will be on the financial situation and the operational and treasury result of the Company. The main concerns are mainly related to providing the human resources needed for the production process.

Starting from this important aspect for the company, it carries out various actions both at the level of the local authorities and at the level of the central authorities through partner organizations, in order to elaborate measures for the qualification of the labour force, of some incentive measures for the employment classification. , etc.

The management of the Company considers that it cannot predict all the effects of the situation of the economy as a whole that will have an impact on the financial sector in Romania, nor their potential impact on future financial statements.

The management of the Company reckons that it has taken the necessary measures for the sustainability and development of the Company under current market conditions.

The management of the Company estimates that the main challenge for the coming years will be generated by the lack of qualified workforce, which is why the company has identified as a solution the import of the skilled workforce from India and it has already taken the necessary steps.

How our audit addressed key issues

In order to address the risk related to the business environment, our procedures included the following:

- We have asked for the company's estimates that justify the assessment of the company's management that The Romanian economy continues to present the specific characteristics of an emerging economy and there is a significant degree of uncertainty regarding the development of the political, economic and social environment in the future;
- We have requested the company's estimates that justify the assessment of the company's management regarding the nature of the changes that will take place in the business environment in Romania.
- We have asked the company's management for the documents proving the main steps related in particular for providing the human resources needed for the production process and for stimulating the employment.
- We have performed detailed tests.

(b) Price risk

Estimates and concerns of the company's management:

In order to cover the price risk generated by the increase of the basic raw material - metal - the company has entered, in the commercial contracts concluded with the customers, a protection clause that allows it to update the selling price if the price of the basic raw material increases. In the current economic context marked by a significant fluctuation, especially of the production personnel, for the newly concluded contracts but also for some of the ongoing contracts, the company has managed to amend the protection clause and provide for the update of the price of the products taking into account the evolution of the cost with labour force, based mainly on statistical, public wage developments on the Romanian labour market.

How our audit addressed key issues

To address the price risk our procedures included the following:

- We have asked the management of the company for contracts covering the price risks.
- We have reviewed the contracts received.
- We have performed detailed tests.

Other information

The administrators are responsible for the preparation and presentation of other information. Those other information include the Administrators' Report, the non-financial statement, but do not include the financial statements and the auditor's report on them.

The directors are responsible for the faithful presentation of the development and performance of the company's activities and its position, as well as a description of the main risks and uncertainties it faces. This presentation is a balanced and

comprehensive analysis of the development and performance of its activities and position, correlated with the size and complexity of the activities.

According to point 39 of the Accounting Regulations in accordance with the International Financial Reporting Standards, the company has included in the Management's Report the non-financial statement, as a company having an average number of employees higher than 500 during the financial year 2019.

The non-financial statement contained in the Management's Report contains:

- a brief description of the business model of the company;
- a description of the main activities on Occupational Safety and Health;
- a description of the main activities on the Environment;
- a description of the main activities for the Prevention and Extinction of Fires and Emergency Situations;
- a description of the policies regarding the human resources activity.

Our opinion regarding the financial statements does not cover this information and, unless explicitly mentioned in our report, we do not express any assurance about them.

In connection with the audit of the financial statements for the financial year ended December 31, 2019, it is our responsibility to read those other information and, in this process, to assess whether those other information are significantly inconsistent with the financial statements, or with the knowledge we gained during the audit, or if they appear to be significantly distorted.

Regarding the Management's Report, we have read and made sure it has been prepared, in all material respects, in accordance with *Chapter 3 Administrators' report from Accounting regulations compliant with International Financial Reporting Standards*, approved by the OMFP no. 2844/2016, with subsequent changes and additions.

In the Management's Report:

- we have identified the inclusion, in all significant aspects, of the information required by the Accounting Regulations approved by OMFP no. 2844/2016, as subsequently amended and supplemented;
- we have not identified information that is not consistent, in all material respects, with the information presented in the individual financial statements attached;

In addition, based on our knowledge and understanding of the Company and its environment, acquired during the audit of the financial statements for the financial year ended December 31, 2019, we are required to report whether we have identified material misstatement in the Management's Report. We have nothing to report on this.

Management responsibilities for financial statements

The management of the Company is responsible for the preparation of the financial statements that provide a faithful image in accordance with the accounting regulations approved by OMFP no.2844 / 2016, with the subsequent modifications and additions and for that internal control that the management considers necessary to allow the preparation of statements. financials without significant distortions, caused either by fraud or error.

In the preparation of the financial statements, the management is responsible for evaluating the Company's ability to continue its activity and for using the accounting based on the continuity of the activity. The management does not intend to liquidate the Company.

In accordance with ISA 560 - *Subsequent events* and with ISA 570 - *Continuing the activity*, are included in the explanatory note no. 30, references to the measures taken by the company for the continuation of the activity by which the impact of the COVID-19 pandemic and of the consequences of the state of necessity established on the

Romanian territory will have a degree of insignificant uncertainty about the risk of continuing the activity.

The persons in charge for the management of the company are responsible for overseeing the financial reporting process of the Company.

The auditor's responsibilities in an audit of the financial statements

Our objectives are to obtain reasonable assurance as to the extent to which the financial statements as a whole are free from material misstatement, caused either by fraud or error, as well as by issuing an auditor's report that includes our opinion. Reasonable insurance represents a high level of insurance, but it is not a guarantee that an audit conducted in accordance with the ISA will always detect a significant misstatement, if any. Distortions can be caused either by fraud or error and are considered significant if it can reasonably be expected that these, individually or cumulatively, will influence the economic decisions of the users, based on these financial statements.

As part of an audit in accordance with the ISA, we exercise professional judgment and maintain professional skepticism throughout the audit.

Also:

- We identify and evaluate the risks of material misstatement of the financial statements, caused either by fraud or error, we design and perform audit procedures in response to those risks and obtain sufficient and adequate audit evidence to provide a basis for our opinion. The risk of not detecting a significant distortion caused by fraud is higher than that of not detecting a significant distortion caused by error, because the fraud can involve secret understandings, false, intentional omissions, false statements and avoidance of internal control.
- We understand the internal control relevant to the audit, in order to design audit procedures appropriate to the circumstances, but without having the purpose of expressing an opinion on the effectiveness of the internal control of the Company.

- We assess the adequacy of the accounting policies used and the reasonableness of the accounting estimates and related presentations of information made by management.
- We draw a conclusion on the adequacy of the management's use of accounting on the basis of business continuity and determine, based on the audit evidence obtained, whether there is significant uncertainty about events or conditions that could raise significant doubts about the Company's capacity to continue its activity. If we conclude that there is significant uncertainty, we must draw attention in the auditor's report to the related presentations in the financial statements or, if these presentations are inadequate, change our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease its activity based on the principle of continuity of activity.
- We evaluate the presentation, structure and content of financial statements, including information disclosures, and the extent to which the financial statements reflect the underlying transactions and events in a manner that results in a fair presentation.

We brief the responsible persons from the management of the company, among other aspects, about the planned area and the timely scheduling of the audit, as well as the main findings of the audit, including any significant deficiencies of the internal control, which we identify during the audit.

We also provide a statement to the persons in charge of the management that we have complied with the relevant ethical requirements regarding independence and that we have communicated to them all relationships and other matters that could reasonably be expected to affect our independence and, where it is where appropriate, the related protective measures.

Other aspects

This independent auditor's report is addressed exclusively to the Company's shareholders as a whole. Our audit was conducted in order to report to the shareholders of the Company those aspects that we must report in a financial audit report, and not for other purposes. To the extent permitted by law, we do not accept or assume responsibility except to the Company and its shareholders, as a whole, for our audit, for this report or for the opinion expressed,

On behalf of:

AUDIT COMAN EXPERT - ACE SRL

Registered Office: Bucharest, sector 6, 44 Fabricii str., Tronson K, et. 5, ap. K54.

registered with the Chamber of Financial Auditors in Romania with the number 053/2001

Coman Lucică - active financial auditor

Card no. 181 issued by CAFR.

date: 03/27/2020

