

Report of the directors of COMELF SA according to the ASF Regulation 5/2018, Annex 14

Report date : 14.08.2018

Company Name : COMELF SA

Registered office : Bistrita, str. Industriiei nr. 4

Telephone / fax number : 0263/234462 ; 0263/238092

Unique Registration Code at the Trade Registry Office : 568656

Order number in the Trade Register : J06/02/1991

Subscribed share capital and paid on 30.06.2018 : 13.036.325,34 lei

Main characteristics of the securities issued by the issuer :

Dematerialized nominative shares in the amount of 22,476,423 with a nominal value of 0.58 lei / share

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

The Board of Directors of Comelf SA Bistrita, appointed by the General Assembly of the Shareholders, drafted for the period January-June 2018 this report on the balance sheet, the profit and loss account, the statement of changes in equity, the cash flow statement, accounting and explanatory notes included in the individual half-year financial statements drawn up on 30.06.2018.

The half-yearly financial statements prepared for the six month period ended June 30, 2018 were not audited
These financial statements are presented together with the Administrators' Report and refer to:

Equity:	70.531.761 RON
Total Income :	78.457.993 RON
Net profit for the year:	1.298.791 RON

I.1 Major events occurring between January and June 2018

- In February 2018, the sum of RON 5,573,477 was paid to the state consolidated budget, the amount representing the loss in file 21 / D / P / 2013; The amount was recognized as a provision in the financial statements of 2015 and the actual outflow of resources was made in 2018;
- On 19.04.2018 the AGOA was held, approving the allocation of the amount of 1.622.000 lei from the net profit for the year 2017 for the payment of dividends to the shareholders of the company. The actual payment date was set on 16.07.2018;
- OGMS approved on 19.04.2018, the BVC for the current year, the investment program for 2018, the organization chart and the maximum credit limit for the current year;

There were no other significant events with significant impact on half-yearly accounting report.

For the next 6 months of the financial year 2018, the significant risk is related to the labor force in general and to the skilled labor force, especially in the absence of which it becomes increasingly uncertain the engagement of the contracts / orders. A once-confirmed contract / order becomes mandatory, and thus non-compliance with delivery times, implies penalties with a significant impact on the company's financial statements;

We do not foresee and do not know other events that have an impact on the company's financial statements that will occur until the end of the financial year 2018.

I.2 Transactions between affiliated parties between January and June 2018

Transactions with the Group companies are made on the basis of framework contracts in which the rights and obligations of each party are stipulated, specifying the type of contract. Trade relations with the affiliated parties are based on sale-purchase contracts, commission contract and consulting contract .

Affiliated part	Activity	Description of relationship type
Uzinsider SA	Consulting services	Uzinsider SA is the majority shareholder of COMELF
Uzinsider Techo SA	Purchase of steel sheets and profiles Sale of central heating products	Shareholders - common individuals
Uzinsider General Contractor SA	Collaboration on turnkey objectives	Joint share
Promex SA	Collaborations in the manufacture of subassemblies	Uzinsider SA is a majority shareholder in both companies
24 Ianuarie SA	Collaboration for the manufacturing of subassemblies	Uzinsider SA is a majority shareholder in both companies
Uzinsider Engineering SA	Providing services	Uzinsider SA is a majority shareholder in both companies

- The sales of goods and services to affiliated parties are made at the prices of the contracts concluded for each order of the external beneficiaries;
- Acquisitions from affiliated parties were made at the acquisition value according to the contracts;

Sales to:	June 30, 2018	Acquisitions from:	June 30, 2018
Uzinsider SA		Uzinsider SA	408.576
Uzinsider Techo SA	2.292.868	Uzinsider Techo SA	362.888
Uzinsider General Contractor SA	1.869.034	Uzinsider General Contractor SA	2.094
Promex SA	322.288	Promex SA	421.199
24 Ianuarie SA	-	24 Ianuarie SA	-
Uzinsider Engineering SA	-	Uzinsider Engineering SA	-
Total	4.484.190	Total	1.194.757

Transactions with affiliated parties during the first 6 months of 2018 are traditional, there are no other special transactions, different from those made in previous years.

II. Analysis of the Company's activity:

a) Description of the Company's core business:

The Company operates on the basis of the Companies Law no. 31/1990 (with modifications and amendments) further amendments), Capital Market Law no. 297/2004 and Law 24/2017 on issuers of financial instruments and market operations. According to Article 6 of the Articles of Incorporation, updated in June 2017, the Company's object of activity is "**Manufacture of machinery and equipment for terraced works, for power stations and environmental protection, equipment for lifting and transporting, including their subassemblies**".

COMELF is a manufacturing company in the field of machine building industry and its main activity is the manufacture of equipment for power stations and for environmental protection, metallic structures in the field of renewable energy (source: water, wind and sun), terraces and subassemblies of them, equipment for lifting and transport equipment, including components thereof. The production takes place in 6 production halls, with a total area of 87,763 sqm, equipped with machinery, installations, machine tools for mechanical processing, laboratories and utilities networks for the development of the production processes.

COMELF SA owns 45% of the share capital of S Comelf Energy SRL These financial assets are available for sale and the historical cost of these titles on June 30, 2018 is Lei 66,600. Comelf Energy has as main field of activity: design, execution, turn-key assembly, hydroelectric installations for the production of thermal energy, electricity and hot water. COMELF SA does not own Branches.

b). Economic and financial situation

Presenting an analysis of the current economic and financial situation compared to the same period last year:

a) Balance sheet items COMELF SA:

RON	June 30, 2018	31 decembrie 2017
ASSETS		
Non-current assets	94.917.044	97.642.004
Total current assets, out of which:	72.836.836	71.226.003
Advance payments for tangible asset	191.352	124.607
Stocks of raw materials and materials	9.242.234	7.297.460
Receivables from contracts with clients and other receivables	54.857.387	58.473.792
Cash and short-term deposits	8.545.863	5.330.144
Total assets	167.753.880	168.868.007
Equity and debt		
Total Equity, of which:	70.531.761	70.854.969
Social capital	13.036.325	13.036.325
Adjustments to the share capital	8.812.271	8.812.271
Other equity items	(3.077.176)	(3.077.176)
Reserves	53.540.383	54.625.219
Reported result	(3.078.833)	(5.882.801)
The result of the FY	<u>1.298.791</u>	<u>3.341.131</u>
Total Liabilities, of which:	18.650.377	19.658.740
Long-term bank loans	-	-
Provisions for risks and expenses	382.300	382.300
Deferred tax liabilities	10.312.373	10.519.009
Subsidies for long-term investment	7.955.704	8.757.431
Total Current liabilities, of which:	78.571.742	78.354.298
Commercial and similar debts, of which:	35.897.107	31.453.709
<i>Commercial debt</i>	<i>28.745.111</i>	<i>26.270.246</i>
Loans and interest-bearing loans	37.288.800	32.617.900
Provisions for risks and expenses	1.560.878	8.237.580
Subsidies for short-term investment	1.612.143	1.620.834
Total equity and debt	167.753.880	168.868.007

b) Profit and loss account COMELF SA:

RON	June 30, 2018	30 iunie 2017
Income	78.457.993	97.185.240
Operating result	1.713.001	3.848.915
Financial result	(383.767)	(1.011.564)
Profit before tax	1.329.234	2.837.351
Profit tax expense	30.443	380.326
Profit of the financial year	1.298.791	2.457.025

Number of shares	22.476.423	22.476.423
Output per share	0,06	0,10

The revenues of COMELF SA were RON 78 million in S1 / 2018 compared to RON 97 million in S1 / 2017, down 20%, having as main causes:

- assimilation in manufacturing of new products (clients: Terex, Rockster, Hencon, etc.); New products (prototype) require additional production preparation and longer execution times;
- Reducing the number of direct productive staff by 9% in the first six months of 2018 compared to the same period of the previous year;
- Outsourcing directly productive staff with optimal skills and productivity and recruitment of unqualified personnel, generated by the lack of qualified personnel on the local labor market, personnel directly transferred to the productive process without a minimum qualification period of 3 months of the need for work. This has led to a drop in labor productivity with a direct effect on revenue decline;
- low sales prices compared to the growing complexity of products and the rising cost of labor;

The company's gross result was negatively influenced by:

- current utilities rates;
- staff costs : + 5% over the operating income compared to the first 6 months of 2017, on the one hand generated by the productivity decrease as mentioned above, and by the lack of directly productive, qualified personnel, which generated additional work from the qualified, existing staff in order to fit within the delivery terms imposed by the clients. Additional labor is paid in double regime, according to the Labor Code, which has generated additional salary costs;
- the expenditures on services rendered by third parties that although decreased in percentage terms compared to the previous year but not at the same pace as the reduction of the incomes due to their fixed character, negatively affected the gross result of the period;

2. Analysis of the company's activity

2.1. Presenting and analyzing trends, items, events or uncertainty factors that affect or could affect the company's liquidity, as compared to the same period last year.

Comelf SA was at no time unable to meet its financial obligations during the period under review.

2.2 Presenting and analyzing the effects on the financial position of the company of all capital expenditures, current or anticipated, compared to the same period last year.

Capital expenditures for the first semester of 2018 amounted to **RON 1.2 mil.** (First semester 2017 = 1.6 mil. RON). The capital expenditures were financed from own sources.

2.3. Presentation and analysis of events, transactions, economic changes affecting significant income from core business. Specify the extent to which the revenue of each identified item has been affected. Comparison with the corresponding period last year.

The economic and financial operations related to the 1/2018 Semester were recorded correctly based on legal documents drawn up. The obligations stipulated by the law regarding the correct and up-to-date organization and management of the accounting, regarding the observance of the accounting principles, regarding the observance of the accounting rules and methods provided by the regulations in force, have been fulfilled.

The obligations to the state and local budgets, compared to the special funds, were correctly established and the transfers made in accordance with the legal provisions.

We also mention that the individual earnings, expense and financial result of the first six months of 2018 are reliably reflected in the income statement.

3. Changes affecting the capital and management of the company

3.1. Description of cases in which the company was unable to meet its financial obligations during that period:

Not applicable.

3.2. Description of any change in the rights of the holders of securities issued by the company:

Not applicable.

4. Significant transactions

In the case of issuers of shares, information on the major transactions entered into by the issuer with the persons with whom they are acting in concert or in which those persons were involved during the relevant time period:

Not applicable.

5. ANNEXES

Attached to this report, in copy:

- the balance sheet, as of 30.06.2018;

-Declaration of the General Manager of Comelf SA regarding the assumption of the responsibility for the preparation of the financial and accounting situations related to the semester 1/2018;

-the shareholding structure on 30.06.2018;

-copies of the supporting documents for all changes to the company's constitutive acts, as well as to the management structures of the commercial company (administration, executive, etc.)

6. MENTION: The financial statements for the first semester of 2018 have been revised.

Annexes:

Shareholder Structure at the Reference Date June 30, 2018:

	Number of shares	% ownership
Uzinsider S.A.	18.185.356	80,91%
Other shareholders	4.291.067	19,09%
Total	22.476.423	100%

Management structures:

On 30 June 2018, the management of COMELF SA had the following composition:

- Members of the Board of Directors of the Company:
Savu Constantin chairman
Babici Emanuel member
Mustata Costica member
Maistru Ion member
Parvan Cristian member
- Members of the Executive Board of the Company:
Cenusa Gheorghe General Manager
Pop Viorel Mircea Deputy General Manager
Tatar Dana Financial Manager
Cudrec Adrian Director of DMI
Barbuceanu Codrut-Florentin Managing Director of the factory
Viski Vasile Managing Director factory
Oprea Paul Cristian Managing Director of the factory

Management statement

According to the best available information, we confirm that the individual financial statements for the first half of 2018, prepared in accordance with International Financial Reporting Standards, provide a true and fair view of the assets, liabilities, financial position and profit and loss of Comelf SA, as provided by the applicable accounting standards.

We also confirm that the operational performance situation and the information presented in this report provide a fair and consistent picture of the main events that took place during the first six months of 2018 and their impact on the financial statements.

President of BD- eng. Savu Constantin

General Manager-eng. Cenusa Gheorghe

Financial Manager ec. Tatar Dana

The revised financial statements as at 30.06.2018, together with the Board of Directors' Report, are posted on the company's website www.comelf.ro under the heading "Up-to-date information".

The financial statements and reports were sent to the BSE and the ASF and can be consulted as well as in the link below.

General Manager,
eng. Cenusa Gheorghe

FinancialManager,
ec. Dana Tatar