

COMELF SA

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

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

**FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2018**

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

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

*(All amounts are expressed in RON, unless otherwise indicated)***SITUATION OF THE FINANCIAL POSITION AT 31 DECEMBER**

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

Cenusa Gheorghe
General ManagerTatar Dana
Financial Manager

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

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

	Nota	<u>2018</u>	<u>2017</u>
<i>Continuous operations</i>			
Revenues			
Revenue from contracts with customers	15	144,456,906	166,927,253
Revenues from sales of goods		630,464	3,073,066
Other elements related to the turnover		8,178,695	6,489,722
Total revenues		153,266,065	176,490,041
<i>of which turnover</i>	3	<i>151,767,209</i>	<i>175,173,913</i>
Other revenues	16	2,732,094	2,754,217
Expenses			
Raw material costs and other expenses		(67,707,606)	(76,959,181)
Electricity and water costs		(4,001,996)	(4,149,338)
Commodity expenses		(624,568)	(2,919,082)
Employment charges	17	(47,595,285)	(53,138,734)
Transport costs	18	(7,293,618)	(8,281,529)
Other expenses related to revenues	19	(16,372,634)	(17,422,022)
Cost depreciaton charge	5	(7,721,176)	(10,472,302)
Financial costs , net	25	(645,039)	(1,724,683)
Ajustments related to cirrent assets depreciation ,net	8	(37,297)	10,985
Provision costs for risks and expenses, net	21	6,158,021	241,431
Other expenses	19	(6,935,466)	(674,985)
Total expenses		(152,776,664)	(175,489,440)
Pre-tax profit		3,221,495	3,754,818
Profit tax	20	(406,165)	(413,687)
Profit from continuous operations		2,815,330	3,341,131
Profit from discontinuous operations		-	-
PROFIT OF THE PERIOD		2,815,330	3,341,131
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	-	3,863
Total profit and loss account and other comprehensive income		2,815,330	3,344,994
Outcome per share			
From continuous and discontinuous operations			
Outcome per basic share (lei per share)	24	0.13	0.14
Diluted outcome per share (lei per share)	24	0.13	0.14

Cenusa Gheorghe,
General ManagerTatar Dana,,
Financial Manager

COMELF SA

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

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

SITUATION OF CHANGING OWN CAPITAL	Capital Social	Adjustments of Share capital	Differences and reserves from revaluation	Reserves legal	Other reserves	The outcome withheld	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 items of comprehensive income</i>							
Profit or loss						2.815.330	2.815.330
<i>Other elements of the overall result</i>							
Net change in fair value of available-for-sale financial assets			0				0
Changes in value of assets used							0
<i>Movements within the profit or loss account and other items of the comprehensive income</i>							
Revaluation differences achieved transferred to the current retained result			-2,303,045			2,169,673	-133,372
Other equity items			0		1,622,019	-1,622,019	0
Established legal reserves				0		0	0
Total profit or loss account and other items of comprehensive income	0	0	-2,303,045	0	1,622,019	3,362,984	2.681..958
Other Retained Elements - Correction of Accounting Errors	0	0	0	0		22,651	22,651
Other Retained Elements - Correction of Accounting Errors	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	06	-1,622,000	-1,622,000
<i>Profit or loss account and other items of comprehensive income</i>							
Balance at December 31, 2018	13,036,325	8,812,271	36,135,250	2,607,265	12,124,502	-778,035	71,937,578

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

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

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

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

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

Cenusa Gheorghe
General Manager Financial Manager

Tatar Dana

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

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

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

NOTES TO FINANCIAL SITUATIONS ACCORDING TO IFRS**1. The reporting entity**

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

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

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

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

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

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

2. Basics of drafting**a. Declaration of conformity**

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

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

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

b. Basics of evaluation

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

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

c. Functional and presentation currency

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

d. Using professional estimates and judgments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Significant accounting policies

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

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

Transactions in foreign currency

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

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

The exchange rates of the main foreign currencies were:

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

Accounting for the effect of hyperinflation

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

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

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

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

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

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

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

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

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

stocks

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

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

Cash and cash equivalents

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

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

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

Loans and receivables

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

Financial assets available for sale

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

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

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

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

(ii) Recognition

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

(iii) Rating at amortized cost

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

(iv) Valuation at fair value

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

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

(v) Identification and valuation of impairment

Financial assets measured at amortized cost

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

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

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

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

Financial assets available for sale

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

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

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

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

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

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

(vi) derecognition

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

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

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

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

Other financial assets and liabilities

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

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

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

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

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

- land;
- Buildings;

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

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

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

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

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

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

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

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

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

(ii) amortization

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

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

The land is not subject to depreciation.

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

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

(iii) Sale / disposal of tangible and intangible assets

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

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

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

Impairment of non-financial assets

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

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

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

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

Investment grants

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

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

Social capital

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

Revaluation reserves

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

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

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

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

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

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

Legal reserves

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

Dividends to be distributed

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

Provisions for risks and expenses

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

Income from customer contracts

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

Interest income

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

Revenue from dividends

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

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

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

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

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

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

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

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

(i) Contribution plans determined

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

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

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

(ii) Long-term employee benefits

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

Gains and losses from exchange rate differences

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

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

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

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

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Profit tax

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

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

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

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

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

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

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

Output per share

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

Leasing payments

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

Reporting on segments

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

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

4. Managing significant risks

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

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

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

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

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

(a) Market risk

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

The company is exposed to the following market risk categories:

(i) Price risk

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

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

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

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

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

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

Commercial receivables and other receivables	2,198,146	2,198,146	1,799,148	1,799,148
Advance payments for tangible assets	670,205	670,205	124,607	124,607
Cash and cash equivalents	3,737,985	3,737,985	5,330,144	5,330,144
Short term bank credit	(33.813.275)	(33.813.275)	(32.617.900)	(32.617.900)
Current part-leasing contract	(16.293)	(16.293)		
Deferred tax liabilities (current portion)	(413.272)	(413.272)	-	-
The current part of long-term loans	-	-	(4.424.275)	(4.424.275)
Trade and other debt	(35.394.366)	(35.394.366)	(31.453.709)	(31.453.709)
Total	-3.708.944	-3.708.944	-4.567,341	-4,567,341

(ii) The risk of interest rate

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

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

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

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

Currency risk

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

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

(b) Credit risk

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

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

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

Debtors and commercial receivables

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

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

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

(c) The risk to the economic environment

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

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

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

(d) Operational risk

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

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

(e) Capital adequacy

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

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

(f) Determination of fair value

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6. Financial assets available for sale

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

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

	2018		2017	
	Stake (at actual value - Note 6)	% participatio n	Stake (at actual value - Note 6)	% participatio n
Comelf Energy	0	45%	199,972	45%
Total	0	45%	199,972	45%

7. stocks

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

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

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

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

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

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

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

No stocks were pledged for contracted credits.

8. Receivables from commercial contracts

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

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

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

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

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

	December 31, 2018	December 31, 2017
Between 181 to 365 days	-	-
Over 365 days	1,741,322	1,741,322
Total	1,741,322	1,741,322

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

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

COMELF SA

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

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

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

9. Commercial receivables and other receivables

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

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

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

December 31, 2018

DEBT	Total	On time	Arrears <30 days	Arrears 30-90 days	Arrears > 90 days
Commercial receivables and other receivables	2,868,351	2,868,351	-	-	-

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

10 . Value adjustments for depreciation of current assets

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

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

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

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

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

11 . Cash and cash equivalents

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

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

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

Liquidity management

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

December 31, 2018**DEBT**

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

December 31, 2018**LIABILITIES**

	Total	<1 Month	1 to 3 months	3 months - 1 year	> 1 year
Trade and other debt	35,394,366	25,590,526	5,487,030	3,240,838	1,075,972
Current portion - leases	16,293	16,293			
Debt tax liabilities (current part)	413,272	0	0	413,272	0
Overdraft account (current part)	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

COMELF SA

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

*(All amounts are expressed in LEI, unless otherwise indicated)***December 31, 2017**

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

December 31, 2017

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

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

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

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

	2018			2017		
	Number of shares	Total nominal value	%	Number of shares	Total nominal value	%
Uzinsider SA	18,185,356	10,547,506	80,91%	18.171.045	10.546.739	80,92%
Other shareholders	4,291,067	2,488,819	19,09%	5,241,895	2,489,586	19,08%
Total	22,476,423	13,036,325	100%	23,412,940	13,579,505	100%

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

The restated social capital includes the following components:

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

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

b) Reserves and retained earnings

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

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

Capital management**(a) Legal reserves**

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

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

(b) Revaluation reserves

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

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

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

(c.) dividends

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

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

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

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

13. loans**a) Credit line**

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

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

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

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

b). Credit for investments

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

c). Leasing contracts

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

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

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

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

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

14. Trade and other debt

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

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

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

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

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

15. Income from contracts with clients

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

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

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

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

16a. Other revenue related to turnover

The position includes:

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

16b. Other incomes

The position includes:

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

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

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

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

17. Staff costs

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

2018	%	2017	%

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Blue Collars	506	60%	650	63%
White Collars	336	40%	374	37%
Total	842	100%	1,024	100%

Staff costs were as follows:

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

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

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

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

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

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

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

- Members of the Board of Directors of the Company:

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

- Members of the Executive Board of the Company:

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

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

Oprea Paul Managing Director of the factory

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

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

18. Transport costs.

This position includes:

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

19a. Other expenditure related to income

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

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

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

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

19b. Other expenses

	2018	2017
Total	6,935,466	674,985

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

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

20. Profit tax

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

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

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

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

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

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

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

21. Provisions for risks and expenses

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

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

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

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

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

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

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

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

23. Deferred income

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

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

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

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

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

The accounting policies adopted are presented in Note 3.

24. Output per share

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

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

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

25. Net financial expenses

The financial elements are as follows:

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

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

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

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

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

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

(b) Transfer price

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

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

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

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

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

27. Transactions and balances with affiliated parties

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

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

- commission contract, consulting contract.

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

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

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

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

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

a) Claims and debts with affiliated parties

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

Claims to	December 31, 2018	December 31, 2017
Uzinsider Techo SA	2,573,570	2,558,746

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

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

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

b) Transactions with affiliated parties

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

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

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

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

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

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

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

28. Capital commitments

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

29. Reporting on business segments

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

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

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

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

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

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

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Reporting on operating segments

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

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

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

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

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

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

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

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

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

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

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

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

There are no significant events to report.

31. Approval of financial statements

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

Cenusa Gheorghe
General Manager Financial Manager

Tatar Dana