

1110/99/14.11.2016

**Report for the third quarter of 2016****According to Law 297/2004 and the Romanian Securities and Exchange Commission Order no.1/2016**

Quarterly Report according to: Romanian Securities and Exchange Commission Order no.1/ 2006 appendix 30

Issued on: 11/14/2016

Company Name: COMELF SA

Head Office: Bistrita, str. Industriei nr. 4

Phone/ fax Numbers: 0263/234462 ; 0263/238092

Identification Number for Tax Purposes: 568656

Trade Registry No.: J06/02/1991

Subscribed and paid-up Share Capital: 13.579.505 lei

Regulated Market on which the securities issued are transacted: B.V.B. (Bucharest Stock Exchange)

On September 30th, 2016, the value of the goods manufactured for the previous 9 months amounted to 28,745 thousands €, 3,8 % less compared to the same period of previous year and 11 % less than the Income and Expenditure Budget 2016. In these circumstances the Income and Expenditure Budget Requirements have not been met also on Value of Sales, Turnover and Income. The main causes that lead to these results are the following:

- Repeated changes, sometimes significant changes, in the structure of the products considered when preparing the Income and Expenditure Budget for 2016, as to the initial agreements with our Customers;
- High fluctuation of the qualified personnel for critical operations (welding, fitting, CNC Machining) and the impossibility to provide the qualified personnel with an adequate level of skills. There is a tendency of the trained and skilled personnel to leave the company for jobs in the European Community and the local community does not offer solutions for quick replacement. The steps taken by the company have not been sufficient to counteract the effect of such a phenomenon, so that **the lack of the manpower will become a major problem for our future activities**;

It is worth mentioning that at present, the degree of coverage with contracts as to the Income and Expenditure Budget is only at 90 %, so that the Business Indicators will not reach the projected levels even at the end of the year.

Only 70 % of the Gross Profit projected in the Income and Expenditure Budget has been achieved, such a low level is due to the factors described above and has also the following causes:

- The need to increase the share of new products, as the traditional market of our company has shrunk; this need has entailed additional costs for manufacturing preparation, for organizing new manufacturing flows. Apart from this, when the manufacturing for new products is started, especially during assimilation/qualification period, productivity is smaller, as a certain amount of time is required to reach optimum performance level;
- Manufacturing preparation (tools, devices and checkers) has been done considering the products ordered initially, however the quantities have diminished slowly and significantly, thus the costs already incurred have adversely affected the remaining Purchase Orders;

The situation of the Financial Position as of September 30<sup>th</sup>, 2016 registers a drop of 2,797 thousands lei in the value of the fixed assets compared to the beginning of the year, as COMELF has bought back some of its own shares, according to EGMS Decision.

The Financial Position as of 09/30/2016 can be described as follows :

- Turn-over	138.732.105 lei
- Total income	139.911.470 lei
- Total expenses	134.675.360 lei
- Gross profit	5.236.110 lei

The economical – financial indicators have been achieved:

**1. Current Cash Flow**

$$\frac{\text{Current assets}}{\text{Current debts}} = \frac{73.534.813}{74.329.376} = 0,99$$

**2. Level of indebtedness**

$$\frac{\text{Borrowed Capital}}{\text{Equity}} \times 100 = \frac{5.238.853}{75.487.414} \times 100 = 6,94$$

**3. Days sales outstanding**

$$\frac{\text{Average Customer Balance}}{\text{Turn-over}} \times 274 = \frac{34.917.959}{138.732.105} \times 274 = 69 \text{ days}$$

$$\text{Turn-over} = 138.732.105$$

**4. Fixed Assets Turnover**

$$\frac{\text{Turnover}}{\text{Fixed Assets}} = \frac{138.732.105}{104.559.009} = 1,33$$

Comparative analysis of the above indicators reveals the fact that they are within optimum limits. Through the steps taken, the Managing Board and the Company's Management have consolidated the financial equilibrium of the Company. There have been no interruptions in the business activities and our position on the market has been consolidated. The level of indebtedness has decreased since the Investments Loan used to finance the project "Fundamental Change of the Manufacturing Flows and Introduction of New Technologies for the Purpose of Increasing COMELF SA Productivity and Competitiveness on Home and Foreign Markets" has been partially reimbursed, as part of the Operational Programme "Increase of Economical Competitiveness" that has been financed in part by using European Funds.

The Financial Position for the third quarter and for the last nine months have been reviewed and acknowledged by the Managing Board during the meeting held on November 10<sup>th</sup>, but no Managing Board Activity Report has been drafted. The reports have not been audited.

The Financial Statements and the Report according Romanian Securities and Exchange Commission Order no.1 / 2006 for the third quarter of 2016 will be posted on the company's website [www.comelf.ro](http://www.comelf.ro) on the page entitled: "Informatii la zi" (Up-to-date Information) on November 14<sup>th</sup>, 2016 .

General Manager,  
eng. Dorin Stoian

Financial Manager,  
ec. Stefan Pop