

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

For the financial year: 2020

Company name: COMELF SA

Registered office: no. 4, Industriei Street, Bistrita

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

Tax Identification No. with the Trade Register Office: 568656

Registered business number: J06 / 02/1991

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

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

The main characteristics of the securities issued by the company:

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

The Board of Directors of Comelf SA Bistrita, appointed by the General Meeting of Shareholders prepared for the financial year 2020, this report on the balance sheet, profit and loss account, statement of changes in equity, statement of cash flows, accounting policy and explanatory notes included in the individual financial statements of 2020.

These financial statements are presented together with the Audit Report and this Directors' Report and refer to:

Equity:	72,927,063 RON
Total income:	114,781,541 RON
Profit for the period:	2,702,863 RON

The financial statements have been prepared in accordance with:

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

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

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

1. Review of the Company's activity:

i. Description of the basic activity of the Company:

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

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ii. Date of establishment of the Company:

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

iii. Modifications of the own shares, mergers or significant reorganizations of the Company or of the controlled Companies, during the financial year:

COMELF is a Company with majority Romanian capital and since 1995 COMELF has been listed on the Bucharest Stock Exchange, being part of the 12 founding companies. The subscribed and paid-in share capital at the end of the financial year 2020 is 13,036,325.34 LEI. The shareholding structure at the end of the reviewed period is (*Source: Depozitarul Central on 31.12.2020*): **Uzinsider SA**-80.9292% of shares and **Other natural and legal persons**-19.0708%.

COMELF is a production company in the field of machine building industry and has as object of activity the manufacture of equipment for power plants and environmental protection, metal structures in the field of renewable energy (source: water, wind and sun), earthmoving machines and equipment or subassemblies equipment for lifting and transport equipment, including components thereof. To carry out the activity, the company owns and operates a number of 16 buildings with a total built area of 89,849 sqm, of which the basic production activity takes place in 6 production halls equipped with machinery, installations, machine tools, laboratories and networks. of utilities for the development of production processes.

At 31.12.2020 COMELF SA does not hold participations in other companies and does not own Branches.

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

The total value of the asset at December 31, 2020 was 142,395,837 LEI, with 12,536,079 LEI lower than the value registered at the beginning of the year, the difference coming from the decrease of the company's fixed assets due to depreciation (7,542,004 LEI) offset by investments in fixed assets, in 2020 (1,053,440 lei) and the sale of assets (333 LEI net), from the decrease of current assets (6,047,182 LEI) and here, in detail, decrease receivables from contracts with customers due to the decrease in turnover (11,063,065 LEI) and the advance for tangible fixed assets (94,318 LEI) but increase important stocks on the background of the purchase of materials necessary for orders placed by customers but also against the background of the increasing trend of raw material prices to ensure stocks at prices as close as possible to estimates (1,444,381 LEI), trade receivables and other receivables increase as a result delays registered at VAT compensation and restitution of medical leave (353,845 LEI). Additionally, it grows available in cash and cash items compared to the beginning of the year (3,311,975 LEI);

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

The situation of the profit and loss account, respectively of the incomes and expenses grouped according to their origin during the year 2020, is presented as follows:

Profit and loss account (thousand lei)	Year 2020	Year 2019	Differences
Fiscal value	116010	149263	(33,253)
Other operating income, TOTAL, of which:	3261	(3,050)	6311
Variation of stored production (+/-)	(1,228)	(5,420)	4192
Income from operating subsidies	2619	11	2608

Income from investment grants	1624	1577	47
Other operating revenues	246	782	(536)
Operating income-TOTAL	119271	146213	(26,942)
Expenditures on raw materials, consumables, utilities, goods	50483	66012	(15,529)
Staff costs	42132	47509	(5,377)
Provision expenses, depreciation and amortization adjustments, TOTAL of which:	7468	7149	319
Depreciation expenses	7542	7391	151
Expenses with provisions for current assets depreciation	0	(48)	48
Adjustments for provisions for risks and expenses	(74)	(194)	120
Other operating expenses	14742	21151	(6,409)
Operating expenses-TOTAL	114825	141820	(26,995)
Operating profit-TOTAL	4446	4393	53
Financial income	1154	2113	(959)
Financial expenses	2642	3518	(876)
Financial result	(1,488)	(1,405)	(83)
Total income	120425	148327	(27,902)
Total expenses	117467	145339	(27,872)
Profit and loss account (thousand lei)	Year 2020	Year 2019	Differences
Gross result	2958	2988	(30)
Net result	2703	2624	79
EBITDA	11988	11784	204

EBITDA was determined as follows:

Indicators (thousand lei)	2020	2019	Differences
Advantage operational	4446	4393	53
Depreciation expense	7542	7391	151

Changes in assets are as follows:

Active (thousand lei)	Year 2020	Year 2019	Differences
1.1. TOTAL fixed assets, of which:	80899	87389	(6,490)
1.1.1. Tangible fixed assets	32760	37011	(4,251)
1.1.2. Real estate fixed assets	47373	49770	(2,397)
1.1.3. Intangible assets	568	608	(40)
1.1.4. Research and development expenses	8	-	8
Active (thousand lei)	Year 2020	Year 2019	Differences
1.1.4. Financial assets	-	-	-
1.2. TOTAL current assets, of which:	61496	67543	(6,047)
1.2.1. Stocks of raw materials and materials	7348	5904	(1,444)
1.2.2. Stocks of finished products and production in progress	16965	18193	(1,228)
1.2.3. Receivables from contracts with customers	23767	33602	(9,835)
1.2.4. Profit tax to be recovered	-	-	-

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1.2.5. Other receivables and advances for fixed assets	2576	2316	260
1.2.6. Cash and cash equivalents	10840	7528	3312
Total Assets	142395	154932	(12,537)

The structure of the liabilities in the company's balance sheet as of December 31, 2020 is the following:

Liabilities (thousand lei)	Year 2020	Year 2019	Differences
1.1. Total share capital, of which:	13036	13036	-
1.1.1. Subscribed share capital	13036	13036	-
1.1.2. Share capital adjustments	8812	8812	-
1.1.3. Other capital items	(8,511)	(8,847)	336
1.2. Revaluation reserves	41119	43219	(2,100)
1.3. Legal reserves	2607	2607	-
1.4. Other reservations	14658	13534	1124
1.5. Own actions	-	-	-
1.6. Reported result	(1,497)	(2,891)	1394
1.7. The result of the exercise	2703	2624	79
1.8. Distribution of profit	-	-	-
Total equity	72927	72095	832
1.2. Long-term debt	14799	17805	(3,006)
1.2.1. Interest-bearing loans and liabilities	717	1728	(1,011)
1.2.2. Deferred tax liabilities	9098	9436	(338)
1.2.3. Provisions for risks and expenses	120	163	(43)
1.2.4. Deferred income liabilities	4864	6478	(1,614)
1.3. Current debts	54670	65032	(10,362)
1.3.1. Commercial and similar debts, of which:	18415	26541	(8,126)
Trade payables	12212	21124	(8,912)
Other debts	6203	5417	786
1.3.2. Interest-bearing loans and loans	32789	34865	(2,076)
1.3.4. Provisions for risks and expenses	1506	1698	(192)
1.3.5. Deferred income liabilities	1624	1592	19
1.3.6. Deferred tax liabilities	336	336	-
Total debt	69468	82837	(13,369)
Total equity and debts	142395	154932	(12,537)

Equity of the Company increased in the financial year 2020 by 832 thousand lei.

Legal reserve is 2,607 thousand lei and represents 20% of the share capital.

Total debts of the Company decreased by 13,369 thousand lei, mainly due to the decrease of debts to suppliers by 8,912 thousand lei, of the repayment of a part of the credit for working capital and leasing rates, respectively 3,087 thousand lei as well as of the debts regarding the deferred income.

Provisions The companies decreased by 235 thousand lei being influenced by:

-Decrease of provisions for employees' retirement benefits by 44 thousand lei in the context in which 61 people retired in 2020 and the updated amounts related to the persons remaining in the unit and who could meet the necessary conditions to benefit from this right did not cover payments performed for retired persons.

-Decrease of provisions for commercial penalties at the end of 2020 (9 thousand lei);

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-Decrease of provisions for redemption of pension insurance policies, due to the reasons presented above (184 thousand lei).

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

Indicators (thousand lei)	2020	2019
Current assets	61496	67543
Current debts	54657	65032
Net current assets	6839	2511

The accounting organization was carried out through the Centralized Economic Department, at the company level, on profit centres, through which the correct and up-to-date maintenance of the accounting operations, the observance of the accounting principles and of the accounting rules and methods provided in the regulations in force. The balance sheet was prepared based on the checking balance, the synthetic accounts and the observance of the methodological norms and the rules for drawing up the balance sheet was followed, the items entered in the balance sheet with the data registered in the accounting being agreed with the real situation of the patrimonial elements. inventories.

The profit and loss account accurately reflects the income, expenses and financial results of 2020. The company carried out the inventory of the entire patrimony, the results of the inventory being registered in the accounting and in the balance sheet. The unit has organized the activity of preventive financial control.

The internal audit activity was provided in the financial year 2020 by Acon Audit SRL.

Elements of general evaluation

a). Profit / (loss):

Indicators (thousand lei)	Achieved in 2020	Achieved in 2019
Gross profit (loss)	2958	2988
Net profit (loss)	2703	2624

Net profit: increased slightly in 2020 compared to the one achieved in 2019, mainly influenced by: (i) costs of raw materials and materials, as a result of optimizing their consumption and purchase price (decrease by 23.60% at the company level, compared to the evolution of turnover which decreased by 22.3%); (ii) decrease of the expenses with the collaborators (savings of 3,765 thousand lei, on the background of maintaining the expenses with the staff salaries) (iii) the subsidies granted by the state during 2021, on the background of the pandemic;

b). Fiscal value:

Indicators (thousand lei)	Achieved in 2020	Budget 2020	Achieved in 2019	Δ% vs. 2019	Δ% vs. Budget
Turnover	116010	148342	149263	-21.80%	-22.30%

Turnover registered a decrease in 2020 compared to 2019, mainly due to the reduction of order volumes due to the COVID 19 pandemic.

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c). Export and intra-community deliveries:

Indicators (thousand lei)	Achieved in 2020	Achieved in 2019	Δ% vs. 2019
Turnover	116010	149263	-22.30%
Export or LIC directly-EUR	19973	26634	-25.10%
Export or LIC directly-equivalent to LEI	96611	126465	-23.70%

In 2020, the volume of revenues from export operations, including direct intra-Community deliveries, decreased by 22.30% compared to the previous year.

d). Costs:

Expenses (thousand lei)	2020	2019
Raw materials, used consumables and goods		
Expenditures on raw materials	38376	51831
Consumable expenses	8185	9798
Expenses with goods	10	22
TOTAL	46571	61651
Expenses with employee benefits		
wages	38322	42842
Contributions to the state social insurance fund	1591	2052
Other taxes and contributions related to salaries	-	-
Meal tickets	2231	2551
Other salary benefits	-	63
Expenses (thousand lei)	42144	47508
Income from operating subsidies for personal payment	(2,619)	(11)
TOTAL	39525	47497
Other expenses		
Transportation costs	5473	6968
Utility expenses	3929	4464
Expenses with services performed by third parties	4129	8548
Expenses with compensations, fines, penalties, donations, sponsorships and subsidies	294	308
Protocol, advertising and publicity expenses	29	111
Other overhead items	1369	1394
Expenses with other taxes and fees	1058	1109
Repair expenses	1209	1170
Travel expenses	33	324
Rent expenses	369	715
Expenses with postal taxes and telecommunications	383	88
Expenses with insurance premiums	398	418
TOTAL	18673	25617

e). Market share:

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Given that the company's products are diversified, it is not possible to determine a global market share.

f). Liquidity:

The company held in its accounts on December 31, 2020 the amount of 10,840 thousand lei.

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

The COMELF product range is structured on five main lines, as follows: (1) Equipment and components for Power Generation Industry ; (2) Equipment for earthworks and components; (3) Equipment for environment protection; (4) Lifting and handling equipment; (5) Technological equipment; Selling products is carried out at client and project level, through the centralized Commercial Department, with project managers specialized in types of products and customers. Comelf products are delivered mainly for export, in countries such as: Italy, France, England, Holland, Sweden, Austria, Norway, Germany, Belgium, Switzerland, Hungary, USA.

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

- ❖ Stainless Steel Products Factory (“FPI”)
- ❖ Earthmoving Machinery and Equipment, Filters and Electrostatic Precipitators Factory (“FUET”)
- ❖ Earthmoving Components and Machines Factory (“TERRA”)

In 2020 the activity of the company took place without interruptions; both new products as well as new clients were assimilated in 2020 in the company's portfolio as follows:

ENTITY	Customer	Product
FPI	AAF France	Air filtration unit
	GE Hungary, USA	Exhaust manifold
FCT	Rockla Germania	Crushing equipment components
	Bronto Skylift Finland	Lifting machine components
FUET	GE France	Nuclear power plant collector (Manifold)
	Liebherr France	Mining equipment components

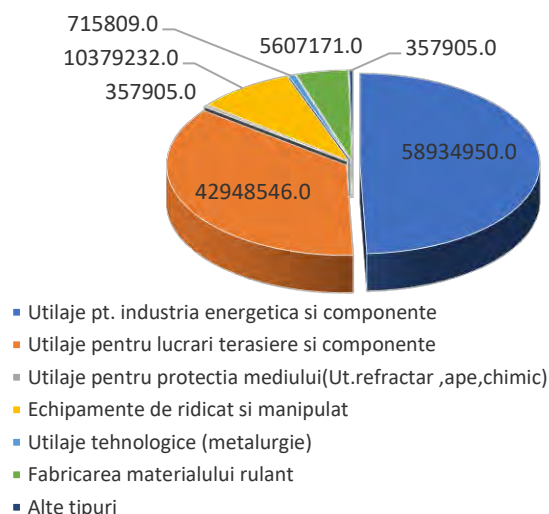
Percentage of operating income on main operating lines in total revenue for year 2020:

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Sales by product groups 2020-LEI



The commercial policy of the Company is to avoid significant dependence on a single Customer (no more than 35% exposure per customer). During 2020 the largest percentage of sales on a single customer was 18.11% of the total turnover, as follows:

Partner	Income Percentage (> 5%)	Income	The segment in which revenues are included
Komatsu	18.11 %	21007407	Equipment for earthworks and components: FUET
Tesmec	11.00%	12755993	Equipment for earthworks, rolling stock manufacturing and their components: FUET + FCT
Siemens	7.33%	8502237	Equipment for energy industry and components: FPI-FUET
General Electric (direct or through Uzinsider Techno)	6.42%	7451459	Equipment for energy industry and components: FPI-FUET

3. Evaluation of the technical-material supply activity:

The activity of ensuring the required raw materials aims at procuring permanently and in the best conditions the raw material needed for the good performance of the company's production activity.

The raw material procurement activity is carried out at a central level, starting with June 2018, through the RAW MATERIAL PROCUREMENT AND LOGISTICS DEPARTMENT (DABM)

Within the newly established department, the procurement departments, the warehousing sector and supplier control, outsourcing services and the logistics sector carry out their activity.

The management of the supply activity is carried out based on the raw-materials requests issued by the technical departments, requests prepared for each client as a consequence of the orders issued by it.

The procurement department together with the warehousing sector have the task of constantly checking materials stocks and then issue purchase orders to maintain stocks as much as possible, under control in order to avoid financial blockages and to avoid overstock, especially for products non-repetitive.

According to Comelf procedures there is a database of suppliers selected and evaluated based on

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Criteria such as quality, price, delivery time.

At the same time, through the supplier control department, periodic plans are drawn up for auditing suppliers in order to maintain the supply chain at a high standard correlated with Comelf customer requirements.

The issuance of procurement orders is made after reviewing the quotations received from at least 2 suppliers, selecting the supplier that grants the best conditions at least in terms of product quality, price, delivery time, payment conditions, etc.

Safety stocks are defined for the usual raw materials.

4. Evaluation of the aspects related to the Company's employees:

The average number of staff decreased during 2020 from 794 average number in 2019 to 660 average number of employees in 2020. The staff structure was as follows:

	2020	2019
Executive Managers	8	8
Production staff	412	482
Administration and officers	240	304
Total	660	794

According to the Labor Code, within COMELF the value of the minimum wage cannot be lower than the minimum gross wage. In addition, within the Company, in addition to the basic salary earned for actual working time or working hours (in the case of directly productive workers paid individually), the following categories of bonuses are granted: night bonus, overtime bonus, bonuses for working on weekly rest days, increase for working in a noxious environment, increase for microformation / formation leader.

The Company has also implemented a system of rewarding its employees, at the time of retirement, with the equivalent of a fixed amount, which is evolving depending on the number of years of work performed within the company. The company recorded provisions for these payments. In 2018, the negotiation of a new Collective Labor Agreement at the company level began, with the employees' union, which was signed and submitted to ITM Bistrita-Nasaud on 29.01.2019, valid until 31.01.2021. In February 2021 they started the negotiations between the Comelf Union and the Company's Management for a new CCM, until their completion, the old CCM produces its effects, as it is mentioned for a period of another 12 months after 31.01.2021.

5. Evaluation of the aspects related to the impact of the basic activity of the Company on the environment

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

For the development of production processes, Comelf obtained:

- Water management authorization no. BN 76 / 24.10.2019, issuer Somes-Tisa Water Basin Administration, Bistrita-Nasaud Water Management System, validity until 24.10.2024;
- Environmental authorization for operation no. 127 / 08.08.2011, revised on 06.12.2016, issuer MMGA-BN Environmental Protection Agency, validity 08.08.2021

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- Certification of the Integrated Management System for quality, environment, health and safety at work in accordance with ISO 9001: 2015, ISO 14001: 2015, and ISO 45001: 2018;

6. Evaluation of the aspects related to the research-development part:

Considering the specifics of the company's activity and the fact that the Company's activity is a specialized one, which requires superior technical knowledge, there is a design Department at the company level that has, besides the specific activity and preoccupations related to the preparation of manufacturing new models and solutions. , specific to the field in which we operate. Moreover, the market on which we operate and the increasingly specialized requirements of customers require a permanent activity to improve the existing products in the portfolio. In addition, the company has developed partnerships with Technical Universities in Romania, with which it constantly carries out an exchange of experience on the side of identifying new technical solutions and developing new products. In this sense, a research contract was signed with the Technical University of Cluj Napoca, having as object the execution of a product for people with disabilities, ending in 2021 but, as a result of the pandemic, the completion of the project will be extended by another year.

7. Evaluation of the company's activity regarding risk management:

(a) Credit risk

Credit risk refers to the risk that a third party will not comply with its contractual obligations, thus causing financial losses to the Company. The Company's exposure and credit ratings of third party contractors are closely monitored by management. There is a policy implemented regarding the valuation of both potential customers and existing customers, evaluation based on which the credit limit and the settlement method is established. However, we consider that the Company is exposed to credit risk as a result of commercial receivables with deadlines. payment of up to 180 days, a significant part of which is not insured. For customers with payment terms longer than 120 days, the company has a reverse factoring facility. In 2021, the company will consider accessing a product for commercial credit insurance in order to reduce credit risk, especially for new customers but also for those in the portfolio.

(b) Liquidity risk

The ultimate responsibility for liquidity risk management rests with the executive directors, especially the economic director of Comelf, who have built an appropriate liquidity risk management framework for securing the Company's short, medium and long-term funds and liquidity management requirements. There is a continuous monitoring of the forecasted cash flows (3 months) but also of the real flows by matching the maturities of the assets and financial debts. The additional need for liquidity can be covered by the company, including by accessing credit facilities, the company being at a satisfactory level of indebtedness.

(c) Currency risk

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

Most current assets are denominated in foreign currency (73%) and the financial liabilities of the Company are expressed in foreign currency (52%) and in national currency (48%) and therefore exchange rate fluctuations do not significantly affect the Company's business. Exposure to exchange rate

fluctuations is due to mainly current currency conversion transactions required for current payments in LEI.

(d) Interest rate risk

As of December 31, 2020, most of the Company's assets and liabilities are not interest-bearing, except for the contracted loans and the leasing contract. 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 hedge against interest rate fluctuations.

(e) Market risk

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

(f) Price risk

In order to cover the price risk generated by the increase of the basic raw material, the metal, the company has written, in the commercial contracts concluded with the clients, a protection clause that 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 directly productive staff, for newly concluded contracts but also for some of the ongoing contracts, the company managed to complete the protection clause and updating the price of products taking into account the evolution of cost labour force, based mainly on statistical, public wage developments on the Romanian labour market.

Interest rate risk and currency risk have been detailed above.

(g) Risk related to the economic environment

The Romanian economy continues to present the specific characteristics of an emerging economy and there is a significant degree of uncertainty regarding the development of the political, economic and social environment in the future. The Company's management 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 operational and treasury result of the Company. The main concerns are mainly related to the provision of human resources necessary for the production process. Starting from this important aspect for the company, it carries out various steps both at the level of local authorities and at the level of central authorities through partner organizations, in order to develop measures for the qualification of the workforce, incentives for employment, etc.

However, the Company's management cannot predict all the effects of the situation of the economy as a whole, which will have an impact on the financial sector in Romania, nor their potential impact on the present financial statements. The management of the Company considers that it has adopted the necessary measures for the sustainability and development of the Company in the current market conditions. The main challenge at this time for the Company is the health and safety of employees in the context of the pandemic, the lack of skilled labour for which the Company has identified a solution that it applied in 2020 and will apply in 2021: the import of labour skilled labour from India.

(h) Fair value of financial instruments

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The company no longer holds financial instruments on 31.12.2020.

8. Perspective elements regarding the activity of COMELF company:

The probable evolution of the company can be found in the Draft for Revenue and Expenditure Budget for 2021, which provides the following:

➤ Turnover:	119,529 thousand lei;
➤ Total income, of which:	122,486 thousand lei;
➤ Income from sold production	117,367 thousand lei;
➤ Revenues from the sale of goods + services	2,162 thousand lei;
➤ Income from investment subsidies	1,596 thousand lei;
➤ Financial income (interest; favourable exchange rate differences)	1,362 thousand lei;
➤ Total expenses:	119,069 thousand lei;
➤ Gross profit:	3,417 thousand lei;

Comelf has proposed for 2021 an investment budget worth EUR 1,178 thousand. These investments are intended to improve the welding process, increase production capacity and quality for certain operations and products, co-finance a project for the acquisition and installation of photovoltaic panels in order to reduce dependence on electricity producers and, consequently, reducing the cost of energy. The investment program for 2021, mentioned above, will be realized with own sources and/or through bank loans. For the project having as object the acquisition and installation of photovoltaic panels, the grant intensity is 50% and will be covered with Norwegian funds; Additionally, in 2021, the company will support the repayment of the amount of EUR 187,500, part of the existing loan for working capital, amounting to EUR 6,687,500 on 31.12.2020 and the repayment of leasing instalments amounting to EUR 46,242;

The tangible assets of the Company:

1.COMELF SA had at the end of 2020 the following production capacities:

- ❖ **Earthmoving Machinery and Equipment Factory (FUET):** which produces naval equipment, telescopic cranes, excavator components and earthmoving components (arms), engine housings, electric generator housings, turbine chassis, industrial gas dust removal equipment, asphalt station filters, power plant equipment with gas turbines, wastewater treatment and treatment equipment, hydropower equipment, technological equipment. The FUET activity takes place in two production units, of which one with a built area of 16,128 sqm and one with a built area of 18,827 sqm;
- ❖ **Earthmoving Components and Machines (FCT) Factory:** which produces earthmoving machines with final assembly (crushers, asphalt pouring machines), components for earthmoving machines (chassis, arms, frames), mobile presses for compacting car bodies, fixed presses and equipment components for compacting metal waste, telescopic cranes, subassemblies for dump trucks large tonnage. Built surface 17,322 sqm;
- ❖ **Stainless Steel Products Factory (FPI):** which produces equipment stainless steel (equipment for gas turbine power plants, components for wind installations, components for freight wagons, components for combustion air filtration) and carbon steel (equipment for gas turbine power plants, chassis for turbines, compressors, generators, conveyors with metal belt, components for transport, assembly, components for transcontainer handling machines);
Built surface 28,547 sqm;

All these factories are located at no. 4, Industriiei Street, Bistrita, Bistrita-Nasaud County.

The company also has its own administrative buildings and material warehouses, all located at no. 4, Industriiei Street, Bistrita .

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The total land area owned by the company is 175,346 sqm.

The buildings were built starting with 1971 but later underwent modernization works so as to satisfy the current standards. All the company's buildings are insured.

The machines, equipment and installations used by Comelf in the production activity were purchased, a significant part, in the period 2014-2015, the period in which the company implemented the project "Fundamental modification of manufacturing flows and introduction of new technologies in order to increase productivity and competitiveness on the internal and external market of COMELF" according to the financing contract signed with the Ministry of Economy as managing authority for POS-CCE.

For the most part, the subsequent investments were made for the maintenance of existing machines and equipment but also for the robotization of the welding process.

2. The securities market issued by the Company

2.1. Starting with November 20, 1995, Comelf is listed on the Bucharest Stock Exchange. The Company's shares are ordinary, registered, dematerialized and indivisible shares.

2.2. The undistributed profit for 2020 will be used to pay dividends, and for the difference, its destination will be established later;

2.3. The share capital of the Company did not change in 2020, it is in the amount of 13,036,325, 34 LEI equivalent to 22,476,423 shares, nominal value 0.58 lei/share.

2.4. At 31.12.2020 COMELF SA does not hold participations in other companies.
COMELF SA does not own Branches.

3. Company management

3.1. Board of Directors

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

At the date of this report, the structure of the Board of Directors is as follows:

Savu Constantin	chairman
Babici Emanuel	member
Mustăță Costică	member
Maistru Ion	member
Parvan Cristian	member

The members of the Board of Directors are elected at the General Meeting of Shareholders based on the shareholders' vote in accordance with the legal requirements. Therefore, there are no agreements and arrangements to report in this regard.

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List of persons affiliated to the company:

Affiliated party	Activity	Description of the type of connection
Uzinsider SA	Management consulting services	Uzinsider SA is the majority shareholder
Uzinsider Techo SA	Trade intermediation services with industrial products	
Uzinsider General Contractor SA	Collaborations on turnkey jobs	
Promex SA	Electricity trade	
January 24 SA	Collaborations in the manufacture of subassemblies	
Uzinsider Engineering SA	Collaborations in the manufacture of subassemblies	
	Providing services	

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

3.2. Executive management

Comelf's executive management is appointed by the Board of Directors. The managers direct the daily activity of the company and have the obligation to ensure a correct circuit of the corporate information.

- Members of the Executive Management of the Company:

Cenusa Gheorghe	General Manager
Pop Mircea	Deputy General Commercial Manager
Oprea Paul Cristian	Deputy General Technical and Production Manager
Tatar Dana	Financial Manager
Jurje Valeriu	AQM Manager
Campian Cosmin	Factory Executive Manager
Barbuceanu Florentin	Factory Executive Manager
Viski Vasile	Factory Executive Manager

The members of the executive management are elected by the Board of Directors and there are no agreements, understandings or family ties between the members of the board and managers, which could be reported in this report.

For the members of the Board of Directors and the members of the Executive Management we specify that there are no and no litigations or administrative procedures in which they have been involved, in the last 5 years, regarding their activity within the Company, as well as others regarding the capacity of that person to - and fulfil the attributions within the company.

3.3. Corporate governance

Regarding the stage of compliance with the provisions of the Corporate Governance Code (CGC) of BVB, at the end of 2020, out of the 41 provisions to be observed, 20 were fulfilled and 2 we considered partially fulfilled. It should be mentioned that out of the 19 provisions that appear to be unfulfilled, one

does not concern the company because COMELF is in the standard category, and 18 are from Section B which is respected on the merits, through the activity of the internal audit company outside the company. The provision from Section C not fulfilled is in fact regulated by internal provisions, and the requirements from Section D (Investor Relations) are made by 2 employees nominated for this and by posting on the company's website the position "Up-to-date information" of the information which interests investors. It was not considered necessary to organize meetings with investors (D₉) they have the necessary information from the current and periodic published reports, which ensure a high degree of transparency that allows shareholders and potential investors to make informed decisions.

All provisions regarding the convening of general meetings are strictly observed, and the Reports on their conduct, the decisions adopted including those regarding the payment of dividends or other special events, are published in BVB Reports in Romanian and English and are posted on www.comelf.ro. In order to support the above, including the explanations regarding the status on 31.12.2020 regarding the compliance with the new GCC, we attach to this report the specific status, for each section, as follows:

Appendix: Status of compliance with the provisions of the new Corporate Governance Code (CGC) of BVB on 31.12.2020

	Provisions to be observed	Conformity Yes No	Explanations
SECTION A - Responsibilities			
A.1.	All companies must have an internal regulation of Council which includes the terms of reference/responsibilities within the Board and key management positions of the company, and which apply, inter alia, the General Principles of Section A.	Yes	The Regulation was drafted Board of Directors according to CGC at the BVB
A.2.	Provisions for the management of conflicts of interest must be included in the Council Regulation. In any case, the members The Council must notify the Council of any conflicts of interest that have arisen or may occur occur and refrain from participation in discussions (including by non-presentation, except in case the absence would prevent the formation of a quorum) and from the vote to adopt a decision on the matter which gives rise to the respective conflict of interests.	Yes	Council Regulation includes provisions on how to manage the conflict of interest

A.3.	The Board of Directors must consist of at least 5 members.	Yes	
A.4.	Most members of the Board of Directors must not have executive position. In the case of companies in the Premium Category, no less than two non-executive members of the Board of Directors they must be independent. Each independent member of the Board of Directors must submit a statement to the time of his nomination for election or re-election, as well as when any change in its status occurs, indicating the elements on the basis of which it is considered to be independent in terms of its character and judgment.	Yes	COMELF is in the Standard category. No member of the Board of The administration has no executive function In COMELF.
A.5.	Other relatively permanent professional commitments and obligations of a member of the Board, including executive and non-executive positions in the Board of some non-profit companies and institutions, must be disclosed shareholders and potential investors before the nomination and in during his term of office.	Yes	
A.6.	Any member of the Council must submit to the Council information on any relationship with a shareholder who directly owns or indirectly shares representing over 5% of all voting rights. This obligation refers to any kind of relationship that may affect the member's position on matters decided by the Board.	Yes	
A.7.	The company must appoint a secretary to the Board responsible for supporting the work of the Council.	Yes	

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A.8.	The corporate governance statement will inform if it has taken place an evaluation of the Board under the chairmanship of the President or nomination committee and, if so, will summarize the measures key and the changes resulting from it. Company must to have a policy / guidance on the evaluation of the Council comprising the purpose, criteria and frequency of the evaluation process.	Not	In 2020, the Company began to develop a policy / guidance on the evaluation of the Council including the purpose , the criteria and the frequency of the evaluation process. It has not been completed, the estimated term being 31.12.2021.
A.9.	The corporate governance statement must contain information on the number of meetings of the Council and committees in during the last year, the participation of the administrators (in person and in absence) and a report from the Council and the committees on their activities.	Yes	In 2020, its Board of Directors assembled by 5 or, with the participation of the majority administrators at each meeting. In the OGMS of April 2021 it is presented CA report for 2020.
A.10.	The corporate governance statement must include information on the exact number of independent members of Board of Directors.	No	By the Articles of Incorporation or the OGMS decision the number of CA members is not established who must be independent.
A.11.	The board of companies in the Premium category must set up a nomination committee made up of people without positions executive, which will lead the procedure of nominations of new members of the Council and will make recommendations to the Council. The majority of the members of the nomination committee must be independent.	No	COMELF is in the Standard category.

SECTION B - Risk management system and internal control

B.1.	The Board must establish an audit committee in which at least one member must be an independent non-executive director.	No	The internal audit is performed by an independent company.
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	<p>Most members, including the chairman, must be</p> <p>proved to have adequate qualification relevant to the positions and responsibilities of the committee. At least one committee member Auditors must have experience in auditing or accounting proven and appropriate. In the case of companies in the Category Premium, the audit committee must consist of at least three members and a majority of the members of the audit committee must be independent.</p>		<p>2 persons were nominated, the members of the Board of Directors who form the audit committee. Neither of these two people has the quality of financial auditor.</p>
B.2.	The chairman of the audit committee must be a member independent non-executive.	No	The internal audit is performed by a company independence.
B.3.	Within its responsibilities, the audit committee must perform an annual evaluation of the internal control system.	No	The internal audit is performed by an independent company. It provides independent reports to the board members regarding the operational procedures and activities.
B.4.	The evaluation must take into account effectiveness and comprehension internal audit function, the adequacy of the reports risk management and internal control presented to the committee audit of the Council, the promptness and effectiveness with which executive management solves deficiencies or weaknesses identified following internal control and reporting relevant to the attention of the Council.	No	The internal audit is performed by an independent company. It provides independent reports to the Board members regarding the risks identified in the audit activity, the way in which the executive management respects, manages and solves the deficiencies and risks identified in the operational activity.
B.5.	The audit committee must assess conflicts of interest in connection with the transactions of the company and its subsidiaries with the parties affiliates.	No	The internal audit is performed by a company independence.
B.6.	The audit committee must evaluate the effectiveness of the system internal control and risk management system.	No	The internal audit is performed by a company independence.

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B.7.	The audit committee must monitor the application legal standards and general internal audit standards accepted. The audit committee must receive and evaluate internal audit team reports.	No	The internal audit is performed by a company independence, which reports to the members of the Board
B.8.	Whenever the Code mentions reports or reviews initiated by the Audit Committee, they must be followed by periodic (at least annually) or ad-hoc reporting required subsequently submitted to the Council.	No	The internal audit is performed by an independent company.
B.9.	No shareholder may be granted preferential treatment to other shareholders in connection with transactions and agreements concluded by the company with shareholders and their affiliates.	Yes	
B.10.	The Council must adopt a policy to ensure as any transaction of the company with any of the companies with which has close relations whose value is equal to or more greater than 5% of the company 's net assets (according to the last financial report) is approved by the Council a binding opinion of the Board's audit committee and correctly disclosed to shareholders and potential investors to the extent that these transactions fall into the category events that are subject to reporting requirements.	Not	The Board of Directors did not adopt a policy in this regard.
B.11.	Internal audits must be performed by a separate division structural (internal audit department) within the company or by hiring an independent third-party entity.	Yes	The internal audit is performed by a company independence.
B.12.	In order to ensure the fulfilment of the main functions of	Not	The internal audit is performed by a company independence.

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	the internal audit department, it must report from a functional point of view to the Council through audit committee. For administrative purposes and within management's obligations to monitor and reduce risks, it must report directly to the general manager.		
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SECTION C - Fair reward and motivation

C.1.	<p>The company must publish the policy on its website</p> <p>remuneration and include in the annual report a statement regarding the implementation of the remuneration policy during the period which is the subject of the review. The remuneration policy must be formulated so as to allow shareholders understanding the underlying principles and arguments on the basis of the remuneration of the members of the Board and of the Director</p> <p>General. It must describe how to direct a process and decision-making regarding remuneration, its detail the components of the executive management remuneration (such as salaries, annual bonuses, long - term incentives related to the value of shares, benefits in kind, pensions and others) and describe the purpose, principles and assumptions underlying it each component (including general performance criteria related to any form of variable remuneration). Furthermore,</p>	No	<p>Remuneration of Board members of Administration is made according to OGMS decision.</p> <p>The company has defined by decision internal award criteria a wages and incentives depending on performance.</p> <p>The general manager 's contract is on indefinite duration and includes clauses to terminate it.</p>
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	the remuneration policy must specify the duration of the contract the executive director and the notice period provided in contract, as well as the eventual compensation for revocation without just cause [...]. Any essential change in the remuneration policy must be published in good time on the page the company's internet.		
SECTION D - Adding value through investor relations			
D.1.	The company must organize a Relationship service with Investors - made known to the general public through the person (s) responsible or as an organizational unit. Apart from the information imposed by legal provisions, the company must include on its website a section dedicated to Investor Relations, in Romanian and English languages, with all relevant information of interest for investors, including:	Not	Information required according to the provisions is posted on the website at the "Up-to-date information" position.
D.1.1.	The main corporate regulations: the constitutive act, the procedures regarding the general meetings of shareholders;	Yes	Posted on the website www.comelf.ro
D.1.2.	Professional CVs of the members of the management bodies of company, other professional commitments of the members of the Board, including executive and non-executive positions on boards of directors from non-profit companies or institutions;	Yes	Posted on the website www.comelf.ro
D.1.3.	Current reports and periodic reports (quarterly, half-yearly and annual) - at least those provided for in point D.8 - inclusive	Yes	Posted on www.comelf.ro and transmitted the BVB.

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	current reports with detailed information on non-compliance with this Code;		
D.1.4. 4	Information regarding the general meetings of shareholders: order day and informative materials; the procedure for electing members The Council; the arguments supporting the candidates' proposals for election to the Board, together with their professional CVs; shareholders' questions regarding the items on the agenda and the company's answers, including the decisions adopted;	Yes	Posted on the website www.comelf.ro
D.1.5.	Information on corporate events, such as payment dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of the rights of a shareholder, including deadlines and principles applied to these operations. That information will be published in a timely manner allows investors to make investment decisions;	Yes	Posted on the website www.comelf.ro
D.1.6.	The name and contact details of a person who will be able to provide, upon request, relevant information;	Not	The GMS convocations mention who can give additional relationships as well phone and contact email address.
D.1.7.	Company presentations (eg, investor presentations, presentations on quarterly results, etc.), financial situations (quarterly, half-yearly, annual), audit reports and reports annual.	Partial	Financial statements (quarterly, semi-annual, annual), audit reports and annual reports are posted on the website www.comelf.ro .
D.2.	The company will have a policy regarding the annual distribution of dividends	Not	The company is considering developing a policies in this area. To date each time, after approval by The OGMS of the payment of dividends was posted on company website distribution procedure a The company distributes regularly at least 50% of the net profit of financial year and the payment of dividends it is done

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	<p>or other benefits to shareholders, proposed by the General Manager and adopted by the Council in the form of a set of guidelines which will be published on the company's website.</p>		<p>through the Central Depository.</p>
D.3.	<p>The company will adopt a policy regarding forecasts, either they are made public or not. The forecasts refer to quantified conclusions of some studies aimed at establishing the impact global of a number of factors regarding a future period (so so-called hypotheses): by its nature, this projection has a level high uncertainty, the actual results may differ significantly significantly from the forecasts initially presented. Policy on forecasts to determine the frequency, the period considered and the content of the forecasts. If published, forecasts can be included only in the annual, half-yearly or quarterly reports. The forecast policy will be published on the website of a society.</p>	Not	<p>The company is considering developing a policies in this area.</p>
D.4.	<p>The rules of general meetings of shareholders must not be limited shareholders' participation in general meetings and exercise their rights. Changes to the rules will take effect, at least earlier, starting with the next shareholders' meeting.</p>	Yes	
D.5.	<p>The external auditors will be present at the general meeting of the actinaries when their reports are presented at these meetings.</p>	Yes	

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D.6.	The Board will present a brief to the annual general meeting of shareholders assessment of internal control and management systems a significant risks, as well as opinions on issues subject to the decision of the general assembly.	Yes	
D.7.	Any specialist, consultant, expert or financial analyst can participates in the shareholders' meeting based on a prior invitation from part of the Council. Accredited journalists can also participates in the general meeting of shareholders, unless which the President of the Council decides otherwise.	Yes	
D.8.	Quarterly and half-yearly financial reports will include information in both Romanian and English regarding key factors influencing changes in sales, al operating profit, net profit and other financial indicators relevant, both from one quarter to another and from one year to another.	Yes	
D.9.	A company will organize at least two meetings / teleconferences with analysts and investors every year. The information presented with these opportunities will be published in the investor relations section of the internet of the company at the date of the meetings / teleconferences.	Not	During 2020 the company will not organized meetings with investors. The company considers the information published in the reports current and periodic ensures a degree high transparency that allows shareholders and potential investors to make good investment decisions substantiated.
D.10.	If a society supports different forms of expression artistic and cultural activities, sports activities, educational activities or	Partial	The company has financially supported various cultural, artistic, sports activities,

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scientific and considers their impact on character innovation and competitiveness of the company are part of the mission and its development strategy, will publish the policy on his activity in this field.	educational, student Olympiads. The company is considering developing a policies in this area.
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NON-FINANCIAL STATEMENT:

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

The company's activity is organized in three factories that function as profit centers:

- FUET -Factory of machinery, earthmoving equipment, filters, electrofilters and technological equipment;
- FPI -Stainless steel products factory;
- FCT - Factory of components and earthmoving machines;

The activity of each factory is based on its own revenue and expenditure budget, thus, each entity, independently, manages its production activity having as main purpose the obtaining of profit in the conditions of satisfying the clients' needs (quality products and observance of the delivery term). For this purpose, although some activities have been centralized since 2018, each profit center has a portfolio of specific clients depending on the capability of each, followed by the activity of technological design on products, preparation of manufacturing technologies, effective launch in manufacturing, production, delivery and collection.

The sales activity is coordinated centrally by the Deputy General Commercial Director but has specialized commercial references on profit centers and clients.

The Technical Activity (design and elaboration of technologies) and of production proper, from the level of the factories, are reunited in a Technical and Production Direction centralized at the level of Comelf SA, under the coordination of the Deputy General Technical and Production Director, in order to optimize the technologies. manufacturing, the reorganization of the production activity and, in general, of the two processes that have the greatest impact in the company's activity and implicitly in its results.

The profit centers offer each other services and collaborate, being in a permanent interaction.

The economic-financial activity of the company, has been centralized and functions as Economic Department at the level of Comelf SA, divided into 3 services, as follows: Inspection Service, Financial-Payroll Service and Accounting Service. The economic-financial evidence is made on profit centres, the framing in the estimated budgets is followed and the cash flow is also managed distinctly, on profit centers.

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The following departments carry out their activity centrally, starting with 2018, at company level: Quality Management Department (centralized but functional coordinate is subordinated to profit centers), Integrated Management Department, Material Base Supply, Warehouses and Logistics Department, Services and Utilities, Human Resources Service, IT Service, Marketing Service, Maintenance, Utilities and Investments Services Section, Environment Service, Occupational Safety and Health; All centralized activities at the company level are support for the activity of profit centres, thus trying an optimization and a harmonization of certain processes at the level of the Company but also for the observance of the principle of independence (see the case of the Quality Management Department).

HEALTH AND SAFETY AT WORK

✓ The main activities on Occupational Safety and Health that took place in 2020:

- Maintaining and continuously improving the management system regarding safety and health at work according to the SR SR ISO 45001/2018 standard - verified by online follow-up audit in March 2020 and in the field in October 2020;
- Reducing the number of work accidents for Q1 2020 by 75%;
- Reducing the number of days of temporary incapacity for work from serious work accidents by 10%, for 2020;
- Increasing the awareness of employees about the risks they are exposed to during the work process through additional training and practical demonstrations;
- Continuation of the campaign to promote the importance of safety and health at work on the occasion of the International Day of OSH - preparation and editing of the magazine No. 5/2020 - (April 28, 2020);
- Updating the materials from the training manuals regarding safety and health at work for the managers of the workplaces (production managers, workshop managers, service managers, etc.);
- Reviewing the assessment of the risks of accidents and occupational diseases taking into account the causes of work accidents;
- Reviewing operational procedures and instructions, depending on changing working conditions and risk assessment;
- Maintaining a policy on Occupational Safety and Health by involving workers at all levels for the development of actions to improve the OSH management system (training, consultation of workers, easy access to information, adaptation of work to humans, evaluation of OSH performance, etc.);
- Introduction and testing of new types of personal protective equipment to provide employees with increased comfort and protection in use;
- Implementation of additional measures regarding the protection of employees against COVID 19 infection - granting facial protection masks to all employees, endowment with equipment and disinfectants, disinfection of spaces with UV lamp, temperature monitoring of employees' access to COMELF, testing of employees for COVID 19, information employees regarding the protection against COVID infection 19;

✓ The main activities on Occupational Safety and Health that will take place in 2021:

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- Maintaining and continuously improving the management system regarding occupational safety and health according to the SR ISO 45001/2018 standard - follow-up audit in May 2021;
- Reducing the number of days of temporary incapacity for work from serious work accidents by 5%, for 2021;
- Increasing the awareness of employees about the risks they are exposed to during the work process through additional training and practical demonstrations;
- Continuation of the campaign to promote the importance of safety and health at work on the occasion of the International Day of OSH - preparation and editing of the magazine No. 6/2021 - (April 28, 2021);
- Updating the materials from the training manuals regarding safety and health at work for the managers of the workplaces (production managers, workshop managers, service managers, etc.) ;
- Carrying out the measures included in the Prevention and Protection Plan;
- Reviewing the assessment of the risks of occupational injury and illness;
- Reviewing operational procedures and instructions, depending on changing working conditions and risk assessment;
- Carrying out the obligatory medical check-up for all employees. - in May 2021;
- Consulting the employees regarding the safe and healthy working conditions, the participation of the employees in identifying the risks specific to the activities and jobs and the opportunities for preventing / eliminating the danger;
- Maintaining a policy on Occupational Safety and Health by involving workers at all levels for the development of actions to improve the OSH management system (training, consultation of workers, easy access to information, adaptation of work to humans, evaluation of OSH performance, etc.);
- Introduction and testing of new types of personal protective equipment to provide employees with increased comfort and protection in use;
- Maintaining the measures implemented for the protection of employees against Covid 19 infection depending on the evolution of the pandemic and the specific legislation;
- Scheduling COMELF employees for vaccination against COVID 19, a voluntary option for each employee;

ENVIRONMENT PROTECTION

✓ The main activities on the Environment that took place in 2020:

- Continuous maintenance and improvement of the system continuous improvement of the environmental management system according to the standard SR ISO 14001: 2015 - verified by online follow-up audit in March 2020 and in the field in October 2020;
- Implementation of a new way of selective collection of non-hazardous waste to ensure a correct selection by types of waste - household waste, paper / cardboard waste, plastic waste, etc. ;
- Revision of the procedure regarding the selective waste collection;
- Continuous training of all employees regarding the method of selective waste collection, within the periodic monthly trainings and through additional trainings at the workplace;
- Monitoring of emissions of volatile organic compounds in waste gases with an authorized service provider;
- Updating the plan for preventing and combating accidental pollution of potentially polluting water uses for 2020;

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E-mail: comelf@comelf.ro
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✓ **The main activities on the Environment that will take place in 2021:**

- Continuous maintenance and improvement of the system continuous improvement of the environmental management system according to the standard SR ISO 14001: 2015 - follow-up audit in May 2021;
- Continuous training of all employees regarding the method of selective waste collection, within the periodic monthly trainings and additional trainings;
- Maintaining fugitive emissions within legal limits - less than 20% compared to the annual consumption of corrosion protection materials;
- Increasing the amount of waste paper / cardboard collected for recycling by 20%
- Preparation of technical documentation in order to obtain the environmental permit no. 127 of 08.08.2011, revised on 29.08.2014 and revised on 06.12.2016;

FIRE PREVENTION AND EXTINGUISHING AND EMERGENCY SITUATIONS

✓ **The main activities for Fire Prevention and Extinguishing and Emergency Situations, which took place in 2020:**

- Sanitation and modernization of the Civil Protection Shelter - made
- Continuation of the program for replacing the emergency exit signal lamps from the activity sectors, by purchasing and installing the signal lamps equipped with LEDs for FPI;
- Continuation of activities according to the procedures, in order to obtain the operation authorization for the FCT mechanized sandblasting / painting hall, from the PSI point of view according to Law 307/2006 art.30.1;
- Organizing a number of 5 alarm, evacuation and intervention exercises with their own forces, in accordance with Ord. 163/2006 regarding the organization and intervention of the employees in case of emergency situations, of which at an exercise with the participation of the entire staff;

✓ **The main activities for Fire Prevention and Extinguishing and Emergency Situations, which will take place in 2021:**

- Continuation of the program for replacing the emergency exit signal lamps from the activity sectors, by purchasing and installing the signal lamps equipped with FCT LEDs;
- Completion of the authorization procedure for the operation of the FCT mechanized sandblasting / painting hall, from the PSI point of view according to Law 307/2006 art.30.1;
- Organizing a number of 5 alarm, evacuation and intervention exercises with their own forces, in accordance with Ord. 163/2006 regarding the organization and intervention of the employees in case of emergency situations, of which at an exercise with the participation of the entire staff;

HR

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✓ **In 2020, the human resources activity focused on the following main directions:**

- Diminishing the fluctuation by creating the possibilities to achieve motivating gains, fact reflected by the average salary income which in 2020 increased by 7.6% compared to the previous year, in the conditions of the COVID 19 Pandemic, in which, due to the limitations imposed by EU states and non-EU, volumes have decreased significantly;
- Rejuvenating the workforce;
- The import of qualified labour force from INDIA, in the conditions in which, the base of local recruitment and even at national level, registers a constant decrease;
- Training and support of students from partner school groups and students from the Technical University of Cluj-Napoca, Bistrita branch in order to be employed in COMELF;
- In 2019, the first contracts were concluded based on the dual education system, Comelf being the only company from Bistrita that set up a class of mechanical locksmiths (11 students) and one of welders (11 students) who study in a dual system. These students enrolled in dual education receive monthly scholarships from the company, in compliance with the conditions and provisions of the law governing dual education in Romania; Currently these students are in the second year of study (class X a);

For the school year 2020-2021, new contracts were signed in the dual education system, for the students of the ninth grade, from the same educational unit, for a number of 14 welders and 14 mechanical locksmiths;

- Last year they were hired 69 people, mainly young people, from the ranks of former pupils and students who did internships in society, as well as on the labour market, and 174 people who left. The staff turnover indicator stood at 26.36% in 2020.

On 31.12.2020, COMELF staff, by qualification levels, were as follows:

- higher education: 182 people
- secondary education: 142 people
- vocational school: 338 people
- unqualified workers: 37 people

✓ **Recruitment, initiation and qualification of the company's staff:**

In order to ensure the medium and long term labour force, the partnerships were continued with the Technical University of Cluj-Napoca Bistrita extension and with 2 school groups Grigore Moisil Technical College from Bistrita and the Technological High School from Telciu (with interruptions generated by the pandemic effects) which qualifies metal construction locksmiths, welders and CNC operators. A lecture hall with 100 seats and 4 laboratories has been arranged and made available to the Technical University of Cluj - Napoca and we receive interns every year. We currently have employees who are also students, for whom the company has accepted a flexible program in order to prepare and attend college and who, for the most part, will work

in the company after graduation. Of the 2 partner school groups (except for the pandemic period in which the students were not physically present at the courses and, implicitly, at the internship within COMELF), as a rule, 100 students practice in society to whom we provide work and protection equipment. . In this way, in addition to the concrete problems we have solved with students, they adapt to the industrial environment and integrate into our team. This involves costs and extra effort related to supervision, equipment, practical coordination, but it is a surefire way to attract future employees and address gaps in professional training.

The staff is recruited from all over Bistrita-Nasaud County, a purpose for which all the conditions for the transport of employees to and from the workplace are ensured, by collaborating with an important passenger transporter from the county on the most important routes.

In the starting with year 2019 company a appeal to import of labour from India, which continued in 2020, thus, on 31.12.2020, within COMELF they were active a number of 26 people, foreign nationals from India , avand qualificationsIt has in the profession of Welder, CNC operator. For 2021, we expect the import of another 34 people from India, with the qualification of welder, mechanical locksmith, electrician, CNC operator. For these non-residents, the company provided accommodation and transportation.

Chairman of BD-eng. Savu Constantin

ADRESA

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COMELF SA

INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS
(All amounts are expressed in lei, unless otherwise indicated)

FINANCIAL STATEMENTS IFRS ON 31th DECEMBER 2020

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

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COMELF SA

INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS
(All amounts are expressed in lei, unless otherwise indicated)

STATEMENT OF FINANCIAL POSITION AT DECEMBER 31

	Nota	2020	2019
Assets			
Development cost		7,973	
Intangible assets	5	568,443	607,754
Tangible assets	5	80,323,434	86,780,993
Financial assets available for sale	6	-	-
Total non-current assets		80,899,850	87,388,747
Advance payments for tangible assets		68,886	163,204
Stocks	7	7,348,271	5,903,890
Receivables from contracts with customers	8	40,732,363	51,795,428
Trade receivables and other receivables	9	2,506,247	2,152,402
Current tax receivables		-	-
Cash and cash equivalents	11	10,840,220	7,528,245
Total Current Assets		61,495,987	67,543,169
Total Assets		142,395,837	154,931,916
Share capital	12	13,036,325	13,036,325
Share capital adjustments	12	8,812,271	8,812,271
Other elements of equity	12	-	-
Reserves	12	49,873,472	50,512,978
Reported outcome	12	(1,497,868)	(2,891,006)
Financial year outcome	25	2,702,863	2,624,114
Total Equity		72,927,063	72,094,682
Debts			
Long-term bank loans	13	-	896,119
Other loans and debts-leasing	13	717,648	831,688
Deferrend tax liabilities	22	9,097,953	9,436,041
Provisions for risks and expenses	21	119,507	163,395
Deferrend income liabilities	23	4,863,621	6,478,087
Total long-term debts		14,798,729	17,805,330
Overdrafts	13	32,564,113	34,649,925
The current part related to long-term loans	13	-	-
Deferrend tax liabilities	22	335,928	335,928
The current other loans and liabilities - leasing	11	225,172	214,593
Commercial debts and other debts	14	18,415,047	26,541,181
Provisions for risks and expenses	21	1,505,703	1,698,191
Deferrend tax liabilities	23	1,624,082	1,592,086
Total current debts		54,670,045	65,031,904
Total Debts		69,468,774	82,837,234
Total equity and debts		142,395,837	154,931,916

Cenusa Gheorghe
General Manager

Tatar Dana
Financial Manager

COMELF SA

INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS
(All amounts are expressed in lei, unless otherwise indicated)

**PROFIT OR LOSS ACCOUNT SITUATION
AND OTHER ELEMENTS OF THE OVERALL RESULT**

	Nota	2020	2019
<i>Continuous operations</i>			
Revenues			
Revenue from contracts with customers	15	109,454,624	137,169,702
Revenues from sales of goods		10,336	22,430
Other elements related to the turnover		5,316,581	6,650,521
Total revenues		114,781,541	143,842,653
<i>of which turnover</i>	3	116,009,628	149,263,123
Other revenues	16	4,489,264	2,370,932
Expenses			
Raw material costs and other expenses		(46,544,470)	(61,526,130)
Electricity and water costs		(3,928,773)	(4,463,705)
Commodity expenses		(9,854)	(22,003)
Employment charges	17	(42,131,508)	(47,508,533)
Transport costs	18	(5,472,533)	(6,967,833)
Other expenses related to revenues	19	(8,976,105)	(13,801,885)
Cost depreciaton charge	5	(7,542,004)	(7,390,556)
Financial costs , net	25	(1,487,244)	(1,405,342)
Ajustments related to curret assets depreciation ,net	8	-	47,795
Provision costs for risks and expenses, net	21	73,797	194,763
Other expenses	19	(293,728)	(382,575)
Total expenses		(116,312,422)	(143,226,004)
Pre-tax profit		2,958,383	2,987,581
Profit tax	20	(255,520)	(363,467)
Profit from continuous operations		2,702,863	2,624,114
Profit from discontinuous operations		-	-
PROFIT OF THE PERIOD		2,702,863	2,624,114
Other comprehensive income			
<i>Items that will not be reclassified to expenses and revenues</i>			
Value changes of the used assets as a result of revaluation ,net of tax		-	-
<i>Items that can be reclassified to expenses and revenues</i>			
Value changes of securities available for sale	3	-	-
Total profit and loss account and other comprehensive income		2,702,863	2,624,114
Outcome per share			
From continuous and discontinuous operations			
Outcome per basic share (lei per share)	24	0.12	0.12
Diluted outcome per share (lei per share)	24	0.12	0.12
Din operatiuni continue			
Outcome per basic share (lei per share)	24	0.12	0.12
Diluted outcome per share (lei per share)	24	0.12	0.12
Cenusa Gheorghe, General Manager		Tatar Dana Financial Manager	

COMELF SA**INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

STATEMENT OF CHANGE OF EQUITY	Equity	Adjustments of Equity	Differences and reserves from revaluation	Reserves legal	Other reserves	The outcome withheld	Total Equity
Balance on January 1, 2020	13,036,325	8,812,271	34,371,631	2,607,265	13,534,082	(266,892)	72,094,692
<i>Profit or loss account and other elements of the overall result</i>							
Profit or loss						2,702,863	2,702,863
<i>Other elements of the overall result</i>							
Net change in the fair value of available-for-sale financial assets							
Changes in the value of the assets used							
<i>Movements in the profit or loss account and other elements of the overall result</i>							
Differences from the revaluation made transferred to the retained result-current year			(2,099,548)			1,763,620	(335.928)
Other equity items			335.928		1,124,114	(1,124,114)	335.928
Legal reserves established				0		0	0
Total profit or loss account and other elements of the overall result	0	0	(1,763,620)	0	1,124,114	3,342,369	2,702,863
Other items retained result - correction of accounting errors	0	0	0	0		(370.482)	(370.482)
Other items retained result - correction of accounting errors	0	0	0	0	0	(370.482)	(370.482)
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	(1,500,000)	(1,500,000)
Total transactions with shareholders	0	0	0	0	0	(1,500,000)	(1,500,000)
<i>Profit or loss account and other elements of the overall result</i>							
Balance at December 31, 2020	13,036,325	8,812,271	32,608,011	2,607,265	14,658,196	1,204,995	72,927,063

Continued on the next page

COMELF SA**INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

STATEMENT OF CHANGE OF EQUITY	Capital social	Adjustments of share capital	Differences and reserves from revaluation	Reserves legal	Other reserves	The outcome withheld	Total Equity
Balance on January 1, 2019	13,036,325	8,812,271	36,135,250	2,607,265	12,124,502	(778.035)	71,937,578
<i>Profit or loss account and other elements of the overall result</i>							
Profit or loss						2,624,114	2,624,114
<i>4. Other elements of the overall result</i>							
Net change in the fair value of available-for-sale financial assets							
Changes in the value of the assets used							
<i>Movements in the profit or loss account and other elements of the overall result</i>							
Differences from the revaluation achieved transferred to the retained result			(2,099,547)			777.804	(1,321,743)
Other equity items			335.928		1,409,580	(1,409,580)	335.928
Legal reserves established				0	0	0	0
Total profit or loss account and other elements of the overall result	0	0	(1,763,619)	0	1,409,580	1,992,338	1,638,299
Other items carried over - correction of accounting errors			0	0	0	(75.445)	(75.445)
Other result items carried forward	0	0	0	0	0	(75.445)	(75.445)
Transactions with shareholders, registered directly in equity	0	0	0	0	0	0	0
Contributions from and distributions to shareholders / employees	0	0	0	0	0	(1,405,750)	(1,405,750)
Total transactions with shareholders	0	0	0	0	0	(1,405,750)	(1,405,750)
Balance as of December 31, 2019	13,036,325	8,812,271	34,371,631	2,607,265	13,534,082	(266.892)	72,094,682

COMELF SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS

*(All amounts are expressed in LEI, unless otherwise indicated)***STATEMENT OF CASH FLOWS**

	31.12.2020	31.12.2019
Pre - tax profit	2,702,863	2,624,114
Depreciation of fixed assets	7,542,004	7,390,556
Cash operational brut	10,244,867	10,014,670
Workong Capital Variation		
Variation receivables	-9,206,571	-7,104,287
Variation stocks	1,444,381	-1,450,879
Variation in other current assents	443,219	-90,420
Variation Income/Expenses in advances	-89,374	44,676
Variation suppliers	-8,911,469	-7,807,354
Variation customer advances	1,856,494	422,244
Variation employees and assimilated	1,271,550	12,545
Net operating Cash	11,869,787	11,243,015
Cash flow dfrom net investment	958,789	2,147,709
Debts change		
Variation of short-term loans	-2,085,812	836,650
Variation of long-term loans	-896,119	-2,601,806
Variation of associated debts	-925,767	-422,824
Variation of other liabilities	-	-
Variation of capitalluri	-3,691,325	-3,117,066
Cash flow from financing	-7,599,023	-5,305,046
Total chas variation between	3,311,975	3,790,260
Initial Cash	7,528,245	3,737,985
Net Cash at end of period	10,840,220	7,528,245

Cenusa Gheorghe
General ManagerTatar Dana
Financial Manager

COMELF SA**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

OPIS NOTE

- | | |
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NOTES TO THE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

1. 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 additions and modifications. The company's registered office in Bistrita, 4 Industrii Street, Bistrita Nasaud County, Romania.

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

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

The individual financial statements in accordance with International Financial Reporting Standards have been prepared for the financial year ended December 31, 2020.

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

2. Basics of preparation

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 Order of the Ministry of Finance 2844 of 2016, for approving the Accounting Regulations compliant with International Financial Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, which repeals the Order 1286/2012. The International Financial Reporting Standards represent the standards adopted according to the procedure provided by Regulation (EC) no. 1,606 / 2002 of the European Parliament and of the Council of 19 July 2002 on the application of International Accounting Standards. The transition date to International Financial Reporting Standards was January 1, 2011;
- Law 82 of 1991 on accounting republished and updated.

The financial statements have been authorized for issue by the Board of Directors at 12th of March 2021.

b. Basics of evaluation

The financial statements have been prepared on a historical cost basis, with the exceptions mentioned in these Explanatory Notes.

COMELF SA**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

c. Operational and presentation currency

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

d. Use of professional estimates and reasoning

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

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

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

(i) The Company applies the following International Financial Reporting Standards with the implicit changes on the Company's accounting policies in the financial year 2020 for the comparability of information with the financial year 2019.

IAS 1	Presentation of financial statements	Fundamental accounting principles, structure and content of financial statements, mandatory items and the notion of accurate image.
IAS 2	Inventories	Defining the accounting processing applicable to inventories in the historical cost system: valuation (first in - first out, weighted average cost and net value achieved) and the perimeter of allowable costs.
IAS 7	Cash flow statements	Analysis of cash 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 accounting treatment of certain items in the income statement.
IAS 10	Events after the balance sheet date	Provisions regarding the taking into account of the elements after the closing: definitions, terms and conditions of application, particular cases (dividends).
IAS 12	Income tax	Definition of the accounting processing of income taxes and detailed provisions regarding deferred taxes.
IAS 16	Tangible fixed assets	The principles and date of accounting for assets, the determination of their carrying amount and the principles relating to the accounting for depreciation.

COMELF SA**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

IAS 19	Employee benefits	Principles of accounting and publishing employee benefits: short-term and long-term benefits, post-employment benefits, equity benefits and termination benefits.
IAS 20	Accounting for government grants and presentation of information on government assistance	Principles of accounting and publication of direct or indirect public aid (clear identification, notion of fair value, connection to subsidized fixed assets, etc.).
IAS 21	The effects of exchange rate fluctuations	Defining the accounting processing of activities abroad, transactions in foreign currencies and the conversion of the financial statements of a foreign entity.
IAS 23	Borrowing costs	Definition of accounting processing of borrowing costs: the notion of qualified assets, the ways of incorporating borrowing costs into the value of qualified assets.
IAS 24	Presentation of related party information	Detailed information on the relationships and transactions with related parties (legal and natural persons), which have a significant control or influence over one of the group companies or the management.
IAS 26	Accounting and reporting of pension plans	Defining the principles of evaluation and information regarding retirement schemes (funds), distinguishing between defined contribution schemes and those with defined benefits.
IAS 27	Consolidated and individual financial statements	The principles regarding the presentation of the consolidated accounts, the definition of the consolidation obligation and the notion of control, the convergence of the accounting rules within the group, other principles.
IAS 31	Interests in joint ventures	Accounting principles and policies for the joint venture, operations carried out or the assets or participations held within a joint venture.
IAS 32	Financial instruments: presentation	Presentation rules (classification of debts / equity, expenses or income / equity).
IAS 33	Earnings per share	Principles of determination and representation of earnings per share.
IAS 36	Assets depreciation	Key definitions (recoverable amount, fair value less costs to sell, utility value, cash-generating units), timing of the impairment test, impairment accounting, goodwill case.
IAS 37	Provisions, contingent liabilities	Definition of provisions and estimation methods,

COMELF SA**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

	and contingent assets	particular cases analyzed (of which, the issue of restructuring).
IAS 38	Intangible assets	Definition and accounting processing of intangible assets, recognition and evaluation policies regarding the processing of research and development expenses, etc.
IAS 40	Real estate investments	Choosing between two valuation methods: fair value or amortized cost, transfers between different categories of assets, etc.
IFRS 1	First-time adoption of International Financial Reporting Standards	Procedures for publishing financial statements in accordance with IAS / IFRS, optional exceptions and mandatory exceptions from the retroactive application of IAS / IFRS.
IFRS 5	Fixed assets held for sale and discontinued operations	Defining an asset intended for trading and abandoning the activity, evaluating these elements.
IFRS 7	Financial instruments: information to be provided	Financial information related to financial instruments mainly refers to: (i) information on the significance of financial instruments; and (ii) information on the nature and extent of the risks posed by financial instruments.
IFRS 9	Financial instruments	Establishes the principles for the financial reporting of financial assets and financial liabilities, for the evaluation of the value, placement in time and uncertainty of the future cash flows of an entity, in order to present relevant and useful information.
IFRS 13	Fair value measurement	Applying fair value in the case of non-financial assets, presenting information related to the fair value.
IFRS 15	Revenues from contracts with customers	The principles applicable by a company for establishing the nature, value, placement in time and uncertainty of revenues and cash flows generated by a contract with a client;
IFRS 16	Leasing contracts	The standard incorporates the idea of the controlled use of the rented property by the lessee and records in the accounting the usage rights of the rented property (as an asset) at the same time as the rental payment obligations (as a liability).

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) are in force for the current reporting period:

- ✓ Amendments to IFRS 9 "Financial Instruments", IAS 39 Financial Instruments:

COMELF SA**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

recognition and measurement "and IFRS 7" Financial Instruments: Disclosures "- Reform of the interest rate benchmark (applicable for annual periods beginning on or after 1 January 2020),

✓ Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, changes in accounting estimates and errors" - Definition of materiality (applicable for annual periods beginning on or after 1 January 2020),

✓ Amendments to the References to the Conceptual Framework of IFRS Standards (applicable for annual periods beginning on or after 1 January 2020).

The adoption of these amendments to the existing standards did not lead to significant changes in the Company's financial statements.

According to the Company's estimates, the use of hedge accounting for a portfolio of financial assets and liabilities in accordance with IAS 39: "Financial instruments: recognition and assessment" would not significantly affect the financial statements, if applied at the balance sheet date.

3. Significant accounting policies

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

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

Foreign currency transactions

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

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

The exchange rates of the main foreign currencies were:

Currency	December 31, 2020	December 31, 2019
Euro (EUR)	1: LEU 4.8694	1: LEU 4.7793
US Dollar (USD)	1: LEU 3.9660	1: LEU 4.2608

Accounting for the effect of hyperinflation

In accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"), the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy must be presented in the current unit of measurement at the balance sheet date. 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, among other factors, the cumulative inflation rate over a three-year period exceeds 100%.

COMELF SA**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS**

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

The continuous decrease of the inflation rate and other factors related to the characteristics of the Romanian economic environment 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 have been adopted in the preparation of the financial statements starting with 2012, for the periods prior to December 31, 2003.

Thus, the values expressed in the current unit of measurement for periods prior to December 31, 2003 are treated as the basis for the carrying amounts reported in the financial statements and do not represent measured values, replacement cost, or any other measurement of the current value of assets or prices. at which the 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 unit of measurement for periods prior to December 31, 2003:

- Social capital;
- reserves;
- property, plant and equipment, other than land and buildings

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

The most recent revaluation was performed by the Company on December 31, 2018, in order to establish the amount of local taxes and fees, in accordance with GEV 500. The revalued values are not reflected in the Financial Statements.

Inventories

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

The production in progress is found under the item Receivables from contracts with customers given the fact that the company applies IFRS 15 "Revenues from contracts with customers". According to this standard, the revenues from the contracts with the clients are evaluated based on the entries and the efforts of the company for the fulfillment of the execution obligations in relation to the total entries expected for the fulfillment of the execution obligation. In determining revenues from contracts with customers, the entity permanently assesses the level of actual costs compared to initial costs, pre-calculated and recognizes revenue only at the level of costs that contribute to the progress of the entity and were reflected in the contract price, weighted by quantity and actual status, execution of the contract.

Cash and cash equivalents

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

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

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

Loans and receivables

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

Financial assets available for sale

Available-for-sale financial assets are those financial assets that are not classified as loans and receivables.

For available-for-sale financial assets for which there is an active market or can be measured 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

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

(ii) Recognition

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

(iii) Valuation at depreciated cost

The depreciated cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, less principal payments, plus or minus the accumulated depreciation up to that point using the method. effective interest, less impairment losses.

(iv) Fair value measurement

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

(v) Identifying and evaluating impairment (depreciation)

Financial assets measured at depreciated cost

The company reviews 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 as a result of one or more events that occurred after the initial recognition of the asset ("loss-making event") and the loss-generating event or events. have an impact on the future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there are objective indications that there has been a impairment loss on financial assets measured at depreciated 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 the original time.

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

If in a subsequent period an event that occurred after the impairment was recognized reduces the impairment loss, the previously recognized impairment loss is reversed by adjusting the provision account. The reduction of the impairment loss is recognized in the profit or loss account and other elements of the global result.

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Financial assets available for sale

In the case of available-for-sale financial assets, when a decrease in the fair value of a available-for-sale financial asset has been 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 accounts and recognized in the statement of comprehensive income even if the financial asset has not yet been derecognized.

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

Impairment losses on assets recognized in the income statement and other comprehensive income related to investments classified as available for sale may not be reversed in the income statement. If, at a later period, the fair value of an impaired interest increases, the increase in value will be recognized directly in other comprehensive income.

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

(vi) Derecognition

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

The company recognizes a financial liability when the contractual obligations have been concluded or when the contractual obligations are cancelled or expire.

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

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

Other financial assets and liabilities

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

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

Tangible fixed assets recognized as assets are initially measured at cost by the Company. The cost of an item of property, plant and equipment consists of the purchase price, including irrecoverable taxes, after deducting any price reductions of a commercial nature and any costs that may be directly attributable to bringing the asset to its location and condition necessary for its use the desired management purpose, such as: employee expenses resulting directly from the construction or acquisition of the asset, site development costs, initial delivery and handling costs, installation and assembly costs, professional fees.

COMELF SA**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

The value of the Company's tangible and intangible assets as of December 31, 2020 and December 31, 2019 is detailed in note 5.

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

- Land;
- Buildings;
- Equipment, technical installations and machines;
- Means of transport;
- Other property, plant and equipment.

The fair value is based on market price quotations, adjusted, where appropriate, to reflect differences in the nature, location or conditions of the asset.

All the assets from the company's patrimony were used in order to achieve the main object of activity, respectively the production contracted with the clients for 2020 or for the purpose of achieving the secondary object of activity (for a reduced percentage of assets). They are recorded at fair value, included in level 2 in the fair value hierarchy.

During 2020 there were no transfers between the value hierarchy categories.

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

The other categories of tangible assets are highlighted at cost, less accumulated depreciation and the provision for impairment.

Expenses with maintenance and repairs of property, plant and equipment are recorded by the Company in the statement of comprehensive income when they occur, and significant improvements to property, plant and equipment, which increase their value or life, or which significantly increase the ability to generate economic benefits, are capitalized.

(ii) Depreciation

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

Buildings	20- 55 years
Equipment	2-36 years
Means of transport	4-8 years
Furniture and other tangible assets	3-18 years

The land is not subject to depreciation.

Intangible assets that meet the recognition criteria in IFRS are recorded at cost less accumulated depreciation. Depreciation of intangible assets is recorded in the income statement based on the straight-line method 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.

COMELF SA**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS**

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

(iii) Sale / disposal of tangible and intangible assets

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

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 identify impairment. If there are such indications, 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 that independently of other assets and other groups of assets has the ability to generate cash flows. Impairment losses are recognized in the statement of comprehensive income.

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

Impairment losses recognized in prior periods are measured at each reporting date to determine whether they have decreased or not. Impairment loss is reversed if there is a change in the estimates used to determine the amount of recovery. The impairment loss is reversed 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 registered investment subsidies. The policies adopted for the recognition and presentation of grants for investments 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 award and that the grant will be received. The company recognized these receivables at the collection date or at a date close to the collection date, simultaneously with the recognition of a deferred income.

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

Equity

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

Revaluation reserves

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

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

If the result of the revaluation is a decrease in the net carrying amount, it is treated as an expense with the full amount of impairment when an amount related to that asset (revaluation surplus) is not 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 the eventual difference left uncovered is registered as an expense.

The revaluation surplus included in the revaluation reserve is transferred to retained earnings when that surplus represents a realized gain. The gain is considered realized when removing from the record the asset for which the revaluation reserve was constituted.

Starting with May 1, 2009, as a result of the changes occurred in the fiscal legislation, the revaluation reserves registered after January 1, 2004 become taxable as the respective fixed asset is depreciated.

Legal reserves

According to the legal requirements, the Company fully 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 establishing the reserve. These reserves are deductible when calculating income tax.

Dividends to be distributed

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

Provisions for risks and expenses

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

Revenues from contracts with customers

Revenues from contracts with clients are recognized periodically and are assessed on the basis of the company's revenues and efforts to fulfill the execution obligations in relation to the total revenues expected to fulfill the execution obligation. In determining revenues from contracts with customers, the entity permanently assesses the level of actual costs compared to initial costs, pre-calculated and recognizes revenue only at the level of costs that contribute to the progress of the entity and were reflected in the contract price, weighted by quantity and physical condition, execution of the contract. The company transfers in time (in phases), to the client, the control over the goods fulfilling an execution obligation, thus recognizing revenues in time, at each execution phase. Upon timely recognition of revenues, the company reviews the terms of the contract regarding the payment obligation, guarantees, remediation costs as well as any other costs that could affect the performance of the contract and adjusts, accordingly, the revenues of the contract;

COMELF SA**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS**

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Interest income

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

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

Obligations with short-term benefits granted to employees are not discounted and are recognized in the income statement and other comprehensive income as the related service is provided.

Short-term employee benefits include salaries, bonuses and social security contributions. Short-term employee benefits are recognized as an expense when the services are provided. The Company recognizes a provision for amounts expected to be paid as entitlements related to due and unpaid leave, short-term cash bonuses or profit-sharing schemes for employees, provided that the Company currently has a legal or implied obligation to pay those amounts as a result of past services provided by employees and whether the obligation can be reliably estimated.

(i) Determined contribution plans

The company makes payments on behalf of its employees to the public pension system, health insurance and insurance contribution for work, during the normal activity.

The company is not employed in any other post-retirement benefit system. The company has no obligation to provide subsequent services to former or current employees.

(ii) Long-term employee benefits

The net obligation of the Company regarding the benefits related to the long-term services is represented by the value of the future benefits that the employees have gained in exchange for the services provided by them in the current period and the previous periods. According to the collective labor contract, the Company has the obligation to pay, at retirement, to its employees, depending on the seniority within the Company (at least 10 years), a fixed amount between 800-1600 RON

The Company uses an actuarial, internal calculation to calculate the value of retirement benefits and updates the value of this debt each year, depending on the seniority of the Company's employees and the staff turnover rate in the last 5 years. The amount of retirement benefits is recognized as a provision in the statement of financial position.

Adjustments resulting from the annual review of anniversary provisions are recognized in the income statement.

The provision for retirement benefits is reversed in the income statement when the Group pays the obligation.

Gains and losses from exchange rate differences

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

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

COMELF SA**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS**

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Exchange rate differences that arise on the settlement of monetary items or the conversion of monetary items at exchange rates different from those at which they were converted at initial recognition (during the period) or in previous financial statements are recognized as a loss or gain in profit or loss; loss and other elements of the overall result in the period in which they occur.

Income tax

The profit tax related to the exercise includes the current tax and the deferred tax.

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

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

For the period January 1-December 31, 2020, 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 business combinations and that affect neither accounting nor taxable profit and differences arising from investments in subsidiaries, provided that they are not resumed in the near future.

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

The deferred tax receivable is recognized by the Company only to the extent that it is probable that future profits may be used to cover the tax loss. The receivable is revised at the end of each financial year and is diminished to the extent that the related tax benefit is unlikely to be realized.

Earnings per share

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

Leasing payments

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

Segment reporting

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

4. Management of significant risks

The Company's management considers that risk management must be performed within a consistent methodological framework and that their management is an important component of the strategy to maximize profitability, achieve an expected level of profit while maintaining an acceptable risk exposure and compliance 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 related to the economic environment;
- operational risk.
- capital adequacy

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

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

(a) Market risk

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

The company is exposed to the following market risk categories:

(i) Price risk

The company is exposed to price risk, with the possibility that the value of the costs for the fulfillment of the projects will be higher than the estimated value, thus the contracts will 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 written, in the commercial contracts concluded with the clients, a protection clause that 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 directly productive staff, for newly concluded contracts but also for some of the ongoing contracts, the company managed to complete the protection clause and updating the price of products taking into account the evolution of cost labor force, based mainly on statistical, public wage developments on the Romanian labor market.

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

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	December 31, 2020		December 31, 2019	
	Book value	Fair value	Book value	Fair value
Receivables from contracts with customers	40,732,363	40,732,363	51,795,428	51,795,428
Trade and other receivables	2,506,247	2,506,247	2,152,402	2,152,402
Down-payments granted for property, plant and equipment	68.886	68.886	163.204	163.204
Cash and cash equivalents	10,840,220	10,840,220	7,528,245	7,528,245
Short-term bank loan	-32,564,113	-32,564,113	-34,649,925	-34,649,925
Current part-lease	-225.172	-225.172	-214.593	-214.593
Deferred tax liabilities (current part)	-335.928	-335.928	-335.928	-335.928
The current part of long-term loans	-	-	-	-
Trade and other payables	-18,415,047	-18,415,047	-26,541,181	-26,541,181
Total	2,607,456	2,607,456	-102.348	-102.348

(ii) Interest rate risk

As of December 31, 2020, most of the Company's assets and liabilities are not interest-bearing, except for bank loans and leasing contracts. 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 hedge against interest rate fluctuations.

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

Fixed rate financial instruments <i>Financial assets</i>	2020	2019
Working capital loan	32,546,113	35,546,044
Interest rate:	Euribor / Libor / Robor 1M + 0.90%	Euribor / Libor / Robor 1M + 0.78%
Leasing contract UNICREDIT Leasing Corporation IFN	603	1.233
Interest rate: Euribor 3M + 1.99%		
Leasing contract PORSCHE 6,883 7,596		
Interest rate: PLP18FE 6.09%		
Leasing contract BRD Sogelease 16,685 3,400		
Interest rate: Eur3M + 2.40%		

Currency risk

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

Most current assets are denominated in foreign currency (73%) and the Company's financial liabilities are denominated in foreign currency (52%) and in the national currency (48%) and therefore exchange rate fluctuations do not significantly affect the Company's business. Exposure to exchange rate fluctuations is due to mainly current currency conversion transactions required for current payments in LEI.

COMELF SA**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)***(b) Credit risk**

The Company is exposed to credit risk related to financial instruments arising from the 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.

The maximum exposure to credit risk of the Company is in the amount of 43,307,496 lei as of December 31, 2020 and in the amount of 54,111,034 lei as of December 31, 2019 and can be analyzed as follows:

Receivables from contracts with clients, various debtors and commercial receivables

The statement of receivables at the date of the financial statements (reported at the date of the invoice) was:

	Gross value as of December 31, 2020	Impairment adjustments	Gross value as of December 31, 2019	Impairment adjustments
Between 0 - 30 days	26,657,314	-	30,754,404	-
Between 31-60 days	6,311,288	-	9,107,649	-
Between 31-90 days	5,518,311	-	6,513,094	-
Between 91-180 days	3,403,047	-	3,806,816	-
Between 181-365 days	417,505	-	3,849,043	-
In 365 days	4,226,856	3,226,825	3,306,853	3,226,825
Total:	46,534,321	3,226,825	57,337.859	3,226,825
Total net:	43,307,496 54,111,034			

Receivables over 180 days old, not provisioned, are within the contractual terms. See Note 8, 9 and 10. Of the total receivables with an overdue maturity of more than 365 days, provisions were made for uncertain amounts.

(c) Economic risk

The Romanian economy continues to present the specific characteristics of an emerging economy and there is a significant degree of uncertainty regarding the development of the political, economic and social environment in the future. The Company's management 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 operational and treasury result of the Company.

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

The Company's management cannot predict all the effects of the situation of the economy considered as a whole that will have an impact on the Romanian financial sector, nor their potential impact on the present financial statements. The management of the Company considers that it has adopted the necessary measures for the sustainability and development of the Company in the current market conditions. The main challenge at this time for the Company is the health and safety of employees in the context of the pandemic, the lack of skilled labor for which the Company has identified a solution that it applied in 2020 and will apply in 2021: the import of labor skilled labor from India.

(d) Operational risk

Operational risk is defined as the risk of loss or loss of estimated profits due to internal factors such as inadequate internal activities, inadequate personnel or systems, or external factors such as economic conditions, changes on the capital market, technological advances, fluctuation of the price of the raw material. The operational risk is inherent in all the Company's activities.

The policies defined for the management of operational risk have taken into account each type of event that may generate significant risks and the ways in which they manifest themselves, in order to eliminate or diminish the losses of a financial or reputational nature.

(e) Capital adequacy

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

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

(f) Determining fair value

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

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS

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

As of December 31, 2020 and December 31, 2019, tangible and intangible assets evolved as follows:

Cost	Developme nt Exp.	Non-tangible ASSETS	Intangible assets in progress	Land	Buildings	Technical installations and machines	Other installations and furniture	Tangible assets in progress	Total
	203	205	233	211	212	213	214	231	
Balance on January 1, 2020	0	1,096,792	0	21,247,075	40,046,069	90,781,002	437.605	1,546,636	155,155,179
ACQUISITIONS	7.973	69.910	58.482	0	0	490.791	29.191	366.381	1,022,728
Domestic production	0	0	0	0	0	0	0	30.712	30.712
Exits	0	0	0	0	0	-3.255	0	0	-3.255
Internal transfers	0	0	0	0	213.087	590.956	0	-804.043	0
Internal transfers	0	0	0	0	0	0	0	0	0
Balance at December 31, 2020	7.973	1,166,702	58.482	21,247,075	40,259,156	91,859,494	466.796	1,139,686	156,205,364
Accumulated depreciation									
Balance on January 1, 2020	0	489.038	0	0	11,523,215	55,520,175	234.004	0	67,766,432
Depreciation expense in the year	0	167.703	0	0	2,611,401	4,739,776	23.124	0	7,542,004
Cumulative depreciation of outflows	0	0	0	0	0	-2.922	0	0	-2.922
Depreciation cancellation for revalued fixed assets	0	0	0	0	0	0	0	0	0
Balance at December 31, 2020	0	656.741	0	0	14,134,616	60,257,029	257.128	0	75,305,514

COMELF SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS

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

	Developm ent costs	Intangible assets	Intangible assets in progress	Land	Buildings	Technical installations and machines	Other installations and furniture	Tangible Assets in progress	Total
	203	205	233	211	212	213	214	231	
Cost									
Balance on January 1, 2019	0	858.746	0	21,247,075	40,046,069	88,968,501	449.006	2,153,475	153,722,872
inputs	0	113.966	0	0	0	1,357,042	0	1,546,866	3,017,874
Domestic production	0	0	0	0	0	0	0	105.370	105.370
Exits	0	0	0	0	0	-1,211,027	-11.401	-468.509	-1,690,937
Internal transfers	0	124.080	0	0	0	1,666,486	0	-1,790,566	0
Internal transfers	0	0	0	0	0	0	0	0	0
Balance as of December 31, 2019	0	1,096,792	0	21,247,075	40,046,069	90,781,002	437.605	1,546,636	155,155,179
Cumulative depreciation									
Balance on January 1, 2019	0	267.043	0	0	8,914,062	52,195,141	222.034	0	61,598,280
Depreciation expense in the year	0	221.995	0	0	2,609,153	4,536,036	23.372	0	7,390,556
Cumulative depreciation of outflows	0	0	0	0	0	-1,211,002	-11.401	0	-1,222,403
Depreciation cancellation for revalued fixed assets	0	0	0	0	0	0	0	0	0
Balance as of December 31, 2019	0	489.038	0	0	11,523,215	55,520,175	234.005	0	67,766,433
Net book value									
On December 31, 2020	7.973	509.961	58.482	21,247,075	26,124,540	31,602,466	209.668	1,139,685	80,899,850
On December 31, 2019	0	607.754	0	21,247,075	28,522,854	35,260,828	203.600	1,546,636	87,388,747

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS
(All amounts are expressed in LEI, unless otherwise indicated)

The company has in the past valued land and buildings at fair value. The last revaluation of the buildings that had an effect on the financial statements was performed on December 31, 2015. The company performed the revaluation of property, plant and equipment with independent appraisers.

During 2020, the Company made investments amounting to 1,053,440 lei financed from the surplus of the current activity of the period and from non-reimbursable funds.

The increases of tangible / intangible assets, in the reference year, are mainly materialized in:

a) Welding equipment	48,537 lei
b) MIG MAG inventors (inverters?) + access	225,447 lei
c) Software (bar code Software, Metalix, licenses)	69,910 lei
d) Compressor	24,215 lei
e) Calculation technique	14,336 lei
f) Tool shed	543,691 lei
g) Car access control system	43,585 lei
h) Electric pallet truck	11,000 lei
i) Other factory equipment	29,191 lei
j) Laser modernization	117,558 lei
k) Equipment modernization	53,378 lei

The amortization method was the linear one throughout the financial year, its total amount was 7,542.004 lei. During the same period, the value of 1,624,082 was resumed at income from investment subsidies. lei. The company owns property and land. The situation of securities in the form of mortgages is presented in note 14.

6. Financial assets available for sale

As of December 31, 2020 and December 31, 2019, Comelf SA no longer holds financial assets available for sale.

7. Inventories

On December 31, 2020 and December 31, 2019, inventories record the following balances:

	December 31, 2019	December 31, 2019
Raw materials	6,804,803	5,362,825
Auxiliary materials	37.967	43.891
Fuel (Machine oil)	12.805	8.578
Inventory items	378.823	384.999
Other	158.240	147.964
Adjustments for depreciation of raw materials	-44.367	-44.367
Total	7,348,271	5,903,890

The company has registered value adjustments for the depreciation of inventories as of December 31, 2020 in the amount of 44,367 lei.

In 2020, the expenses related to the above positions recognized in the cost of sales was in the amount of 46,544,470 lei (2019: 61,526,130 lei).

The accounting policies for the valuation of inventories are presented in Note 3.

No stocks were pledged for the contracted loans.

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS
(All amounts are expressed in LEI, unless otherwise indicated)

8. Receivables from contracts with customers

As of December 31, 2020 and December 31, 2019, the receivables from commercial contracts are as follows:

	December 31, 2020	December 31, 2019
Receivables from contracts with invoiced customers	25,983,018	35,817,997
Receivables from contracts with uninvoiced customers	16,965,183	18,193,270
Value adjustments regarding receivables from invoiced construction contracts	(2,215,838)	(2,215,838)
Total	40,732,363	51,795,428

Receivables from contracts with customers are presented net of advances received in the amount of 2,809, 832 lei (31 December 2019: 953,338).

The division by seniority was presented in point 4 "Management of significant risks."

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

	December 31, 2020	December 31, 2019
Between 181-365 days	-	-
In 365 days	2,215,838	2,215,838
Total	2,215,838	2,215,838

Below is an analysis by seniority of receivables from contracts with customers that are past due on 31.12.2020 but which are not impaired:

December 31, 2020

DEBT	Total	On time	Backlog <30 days	Backlog 30-90 days	Backlog > 90 days
Receivables from contracts with customers	40,732,363	39,513,982	389.253	295.664	533.464

The turnover rate of the clients (the recovery period of the receivables), expresses the number of days until the date on which the debtors pay their debts to the company and thus shows the effectiveness of the company in collecting its receivables. For the year 2020 (Average balance of clients / Turnover) x 365 days = 84 days, for the year 2019 it is 85 days. In general, the penalties are treated according to the contracts with each client and are solved by punctual negotiation of each case. The procedure for accepting new clients is done in accordance with the bidding-contracting procedures in the procedures manual, these procedures are periodically reviewed.

9. Trade and other receivables

On December 31, 2020 and December 31, 2019, trade and other receivables are presented as follows

	December 31, 2020	December 31, 2019
Receivables from sales of goods	-	-
VAT to be recovered	1,193,724	975.906
Down-payments made to domestic suppliers (excluding those for fixed assets)	205.266	152.127
Down-payments made to external suppliers	157.649	176.481
Down-payments made to fixed-assets suppliers	68.886	163.204
Different debtors	267.017	139.116
Other receivables	1,693,578	1,719,759
Value adjustments	-1,010,987	-1,010,987

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS
(All amounts are expressed in LEI, unless otherwise indicated)

	December 31, 2020	December 31, 2019
Total	2,575,133	2,315,606

Below is a review by seniority of trade receivables and other receivables that are past due on 31.12.2020 but which are not impaired:

December 31, 2020

DEBT	Total	On time	Backlog <30 days	Backlog 30-90 days	Backlog > 90 days
Trade and other receivables	2,575,133	931.524	819.268	608.361	215.980

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

10 . Impairment adjustments for current assets

The evolution of value adjustments on the depreciation of current assets in 2020 was as follows:

	Balance on January 1, 2020	increases	Decreases	Balance as of December 31, 2020
Value adjustments regarding receivables from contracts with customers	2,215,838	-	-	2,215,838
Value adjustments for miscellaneous debtors	1,010,987	-	-	1,010,987
Total	3,226,825	-	-	3,226,825

The adjustment in the amount of 1,010,987 lei represents an adjustment in the amount of 100% of the value of a long-standing receivable that is in dispute.

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

The adjustment in the amount of 474,516 lei constitutes an adjustment of fixed assets with a seniority of more than 365 days;

The reasons why the entity considered the financial assets to be impaired are mainly related to contractual guarantees and / or non-conformities discussed with customers.

11. Cash and cash equivalents

As of December 31, 2020 and December 31, 2019, cash and cash equivalents are as follows:

	December 31, 2020	December 31, 2019
Availability in bank accounts in local currency	3,992,814	888.619
Availability in bank accounts in foreign currency	6,833,694	6,614,870
Cash	13.712	24.657
Other availabilities	-	99

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS
(All amounts are expressed in LEI, unless otherwise indicated)

Total	10,840,220	7,528,245
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Current accounts opened with banks are permanently available to the Company and are not restricted.

Liquidity management

The responsibility regarding the liquidity risk belongs to the Board of Directors and to the executive management of Comelf, which establishes the liquidity management through BVC and the cash flow, prepared on the whole company and for each subunit separately.

December 31, 2020**DEBT**

	Total	<1 Moon	1 - 3 months	3 months - 1 year	> 1 year
Receivables from contracts with customers	40,732,363	39,903,235	295.664	533.464	0
Trade and other receivables	2,575,133	1,750,792	608.361	215.980	0
Current tax receivables	0	0	0	0	0
Cash and cash equivalents	10,840,220	10,840,220			
TOTAL	54,147,716	52,494,517	904.025	749.444	-

December 31, 2020**LIABILITIES**

	Total	<1 Moon	1 - 3 months	3 months - 1 year	> 1 year
Trade and other payables	18,415,047	8,588,073	8,596,836	1,230,138	0
Current part - leasing loans	225.172	19.038	57.397	148.737	
Deferred tax liabilities (current part)	335.928	0	83.981	251.947	0
Overdraft (current part)	32,564,113	31,651,100	913.013	0	0
TOTAL	51,540,260	40,258,211	9,651,227	1,630,822	0

December 31, 2019**DEBT**

	Total	<1 Moon	1 - 3 months	3 months - 1 year	> 1 year
Receivables from contracts with customers	51,795,428	21,232,996	26,836,708	3,725,724	-
Trade and other receivables	2,315,606	1,030,135	1,163,891	121.580	-
Current tax receivables	0	0	0	0	0
Cash and cash equivalents	7,528,245	7,528,245			
TOTAL	61,639,279	29,791,376	28,000,600	3,847,304	-

December 31, 2019**LIABILITIES**

	Total	<1 Moon	1 - 3 months	3 months - 1 year	> 1 year
Trade and other payables	26,541,181	13,249,350	11,965,627	1,326,204	0
Bank loans (other than overdraft)	214.593	17.944	35.416	161.233	

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS
(All amounts are expressed in LEI, unless otherwise indicated)

Deferred tax liabilities (current part)	335,928	0	83.981	251.947	0
Overdraft (extended annually)	34,649,925	31,364,156	597.413	2,688,356	0
TOTAL	61,741,627	44,631,450	12,682,437	4,427,740	0

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

In 2020, 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, 2020 and December 31, 2019, the shareholding structure *company* It is:

	2020			2019		
	Number of shares	Total face value	%	Number of shares	Total face value	%
Uzinsider SA	18,189,999	10,550,199	80.93%	18,189,999	10,550,199	80.93%
Other shareholders	4,286,424	2,486,126	19.07%	4,286,424	2,486,126	19.07%
Total	22,476,423	13,036,325	100%	22,476,423	13,036,325	100%

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

The restated share capital contains the following components:

	December 31, 2020	December 31, 2019
Equity	13,036,325	13,036,325
Share capital adjustments - IAS 29	8,812,271	8,812,271
Equity portrayed	21,848,596	21,848,596

The effect of hyperinflation on the share capital in the amount of 8,812,271 lei was registered by decreasing the carried forward result.

b) Reserves and retained result

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

The lines marked in bold are found both in the situation of the financial position and in the situation of the change of equity where the variation from 31.12.2020 to 31.12.2019 is explained.

	Financial year ended on 31 December 2020	Financial year ended December 31, 2019
Legal reserves	2,607,265	2,607,265
Reserves and revaluation differences	32,608,011	34,371,631
Differences from revaluation of fixed assets	41,119,290	43,218,838
Temporary differences in deferred income tax recognized on account of capital	-8,511,279	-8,847,207
Reserves from the revaluation of	-	-

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS
(All amounts are expressed in LEI, unless otherwise indicated)

financial instruments available for sale		
Other reservations (cont. 1068)	14,658,196	13,534,082
Retained earnings and profit (retained earnings)	<u>1,204,995</u>	<u>-266.892</u>
The carried forward result representing the surplus realized from revaluation reserves	10,827,877	9,064,257
Retained earnings from the transition to IFRS, less IAS 29	-11,176,457	-11,176,457
The result carried forward represents the undistributed profit or the uncovered loss	0	0
Account 118 Deferred income from the first adoption of IAS 29	113.776	113.776
Profit	2,702,833	2,624,114
Profit distribution	0	0
Total reserves and retained result	<u>51,078,467</u>	<u>50,246,086</u>

Capital management**(a) Legal reserves**

According to the legal requirements, the Company constitutes legal reserves in the amount of 5% of the gross profit registered according to IFRS in 2020 but not more than 20% of the share capital valid at the date of establishing the reserve.

Legal reserves cannot be distributed to shareholders, but can be used to cover cumulative losses. As at 31.12.2020, the company already had a 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.

(c.) Dividends

During 2020, In accordance with the Decision of the Ordinary General Meeting of Shareholders, the Company decided to distribute dividends from the result of the financial year ended December 31, 2019. The company declared dividends in the amount of 1,500,000 lei (representing 0.0667 lei / share) and paid during 2020 to the shareholders the amount of 1,366,826 lei representing dividends distributed from the current year and previous years. As of December 31, 2020, the balance of payment dividends is 1,176,599 lei

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

	2019	2018
Dividend	1,500,000	1,405,750
lei / share	0.0667	0.0625

From the profit of 2020 in the amount of 2,702,863 lei, in accordance with the proposal of the Board of Directors, the amount of 1,500,000 lei will be distributed as dividends. The gross dividend that would be granted in 2020 would be 0.0667 lei / share, the difference of 1,202,863 lei will remain as a result carried forward (undistributed).

13. Loans**a) Credit line**

On December 31, 2020, the Company has a credit agreement for working capital, concluded with ING Bank Romania - contract no. 11438 / 09.11.2011, with a maturity of one year, is renewed in November of each year. The object of the contract is represented by a credit facility in the amount of EUR 7,437,500, of which the Company repaid during 2020 the amount of EUR 750,000 in 12 equal monthly installments, so the amount of the credit facility on 31.12.2020 is 6,687,500 euros. The loan was accessed to provide working capital to cover the financial needs of the Company's current needs and potential commitments in the form of letters of guarantee with a maximum maturity of 12 months. This credit facility is structured as follows: EUR 6,500,000 - credit for UFN type working capital and the difference up to the amount of EUR 6,687,500, respectively EUR 187,500 was rescheduled, at the company's request, to be repaid, in equal monthly installments, within a remaining period of 3 months .

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

- for the amounts in euro used from the facility, the annual interest rate is EURIBOR / LIBOR / ROBOR 1M plus a margin of 0.90% per year;

As of December 31, 2020, the Company registers a balance of the credit line in the amount of 32,564,113 lei (December 31, 2019: 35,546,044 lei).

b). Leasing contracts

During 2018, the Company undertook the acquisition of a vehicle for passenger transport, on lease. Leasing contract no. 30154891 was concluded on 16.02.2018, financier Unicredit Leasing Corporation IFN, financed value 18,110.40 EUR, payable in 60 monthly installments.

During 2019, the Company undertook the purchase of three leased passenger vehicles.

The leasing contracts no. 234267,234268,234269 were concluded on 08.01.2019, Porsche Leasing financier, financed value 38,443.31 EUR, payable in 60 monthly installments.

Also during 2019, the Company undertook the acquisition of a robotic CLOOS welding system, on lease. Leasing contract no. 120882 was concluded on 22.05.2019, financier BRD Sogelease, financed value 179,660.70 eur, payable in 60 During the year 2020, on the background of the COVID 19 pandemic, the payment of the leasing installments for the contract 120882 was postponed, with a period of 6 months, the final maturity remains unchanged.

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

- Land with an area of 13,460 sqm and constructions with a built-up area of 12,600 sqm, with topographic number 8118/1/6, registered in CF 8685 of Bistrita, inventory value = 2,780,904 lei.
- Land with an area of 20,620 sqm and constructions with a built-up area of 17894 sqm, having the topographic 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 built-up area of 572.93 sqm, having the topographic number 6628/2/2/1/2, registered in CF 8697 of Bistrita locality and no. topographic 6628/2/2/1/2 / I, registered in CF 8697 / I of Bistrita locality, inventory value = 1,217,062 lei
- CF 55054 topo 8118/1/5: land with an area of 16820 sqm, cad.C1 top: 8118/1/5: SIDUT monobloc hall.

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

14. Trade and other payables

As of December 31, 2020 and December 31, 2019, trade payables and other liabilities are as follows:

	December 31, 2020	December 31, 2019
Trade payables	12,212,236	21,123,706
Debts to budgets	2,627,261	1,728,301
Debts to staff	2,323,553	2,525,713
Silver dividend	1,176,599	1,043,425
Other loans and similar debts	75.398	120.036
Total	18,415,047	26,541,181

The commercial debts in the amount of 18,415,047 lei (December 31, 2020 2019: 26,541,181 lei) are in accordance with the contracts concluded with the suppliers.

Credit turnover rate - supplier approximates the number of credit days that the company obtains from its suppliers. For the year 2020 (Average balance of suppliers/Turnover) x 365 days = 38 days, for the year 2019 it is 51 days.

As of December 31, 2020 and 2019, debts to budgets mainly include contributions related to salaries.

15. Revenues from contracts with customers

	December 31, 2020	December 31, 2019
Revenues from contracts with customers related to the delivered goods, for which the full transfer of ownership to the customer was made (ct 701)	110,682,710	142,590,173
Revenues from contracts with clients, recognized by execution phases, estimated at the level of receivable income entered in contracts, in proportion to the actual expenditure related to the planned expenditure, for the same execution phase (balance 711500)	-1,228,086	-5,420,471
TOTAL	109,454,624	137,169,702

In determining revenues from contracts with customers, the entity permanently evaluates the level of actual costs compared to the initial costs, pre-calculated and recognizes revenues in execution phases proportional to the level of costs that contribute to the progress of the entity and were reflected in the contract price. and the physical stage of execution of the contract. The company transfers in time (in phases), to the client, the control over the goods fulfilling an obligation of execution, thus recognizing revenues in time, at each execution phase. The company executes goods based on projects, only at the request of customers, based on firm orders. The evaluation of the revenues from the contracts with the clients, on execution phases, is made taking into account the physical stage of execution of the contracts which is established at the end of each month by physical inventory, the costs actually accumulated corresponding to the physical stage. budgets specific to the physically determined stage of execution. 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 to be obtained related to the weighted contract with the evolution of the corrected actual cost (without negative deviations). execution of the contract.

16a. Other revenue related to turnover

The position includes:

	2020	2019
Rent Revenue	47.647	14.850
Income from various activities	2,733,761	3,443,125

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Revenues from the sale of residual products	1,149,408	2,446,074
Revenue from services rendered	1,385,765	746.472
Total	5,316,581	6,650,521

16b. Other revenues

The position includes:

	2020	2019
Income from investment grants	1,624,082	1,577,322
Income from operating subsidies	2,619,340	11.243
Income from disposed of fixed assets	35.685	26.527
Other revenues	210.157	755.840
Total	4,489,264	2,370,932

The revenues from the production of tangible assets of 2020 were compensated with the related expenses according to the provisions of Order 2844/2016 as follows: expenses with raw materials and other material expenses amounting to 16,287 lei, personnel expenses amounting to 13,160 lei, other expenses related to income amounting to 1,265 lei. Therefore, the value registered in the "Other income" position, in the amount of 4,489,264 lei, does not contain the income from the immobilized production in the total amount of 30,712 lei.

The category "Other revenues" includes the subsidies received during 2020, based on Law 19 (29,209 lei), based on GEO 32/2020 and GEO 132/2020 (2,590,131 lei).

The revenues from the production of tangible assets of 2019 were compensated with the related expenses according to the provisions of Order 2844/2016 as follows: expenses with raw materials and other material expenses in the amount of 103,094 lei, personnel expenses in the amount of 700 lei, other expenses related to income in the amount of 15,769 lei. Therefore, the value registered in the position "Other income", in the amount of 2,732,094 lei, does not contain the income from the immobilized production in the total amount of 105,370 lei

In the category

The turnover on December 31, 2020 is 116,009,628 lei (December 31, 2019: 149,263,123 lei).

17. Staff costs

The average number of employees on December 31, 2020 and December 31, 2019 was as follows:

	2020	%	2019	%
Direct productive staff	412	62%	482	61%
Indirect staff and TESA	248	38%	312	39%
Total	660	100%	794	100%

Staff costs were as follows:

	2020	2019
Staff salary expenses	38,321,968	42,842,046
Expenses with meal vouchers	2,231,220	2,614,821
Expenses regarding insurance and social protection	1,591,480	2,052,365
Total	42,144,668	47,509,232

On December 31, 2020, out of the total amount of 42,144,668, the salary expenses related to the incomes from the production of fixed assets were deducted, according to the provisions of Order 2844/2016, for the amount of 13,160 lei. See also note on other income.

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

The amounts awarded to key management staff, board members and directors were as follows (gross amounts) and are included in the amounts presented above. Gross Personnel expenses are highlighted, the company received subsidies for technical unemployment, during April-May 2020, amounting to 1,062,929 and for June-August 2020 it received the amount of 1,005,774 lei representing the subsidy of 41.5%, and for September-December 2020 received the amount of 521,428 lei. All these amounts are highlighted in the income from operating subsidies.

	2020	2019
Salary expenses - managers	1,621,698	1,768,860
BD allowance	251.249	243.690
Total	1,872,947	2,012,550

The company did not grant loans or down-payments to members of the administrative, management or supervisory bodies in 2020 and 2019.

The date of *December 31, 2020*, The management of COMELF SA had the following membership:

- Members of the Company's Board of Directors:

Savu Constantin	chairman
Babici Emanuel	member
Mustață Costică	member
Maistru Ion	member
Parvan Cristian	member

- Members of the Executive Management of the Company:

Cenusa Gheorghe	General Manager
Pop Mircea Deputy	General Manager
Oprea Paul Deputy	General Technical and Production Manager
Tatar Dana	Financial Manager
Jurje Valeriu	AQM Manager
Barbuceanu Florentin	Factory Executive Manager
Viski Vasile	Factory Executive Manager
Campian Cosmin	Factory Executive Manager

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

- Members of the Company's Board of Directors:

Savu Constantin	chairman
Babici Emanuel	member
Mustață Costică	member
Maistru Ion	member
Parvan Cristian	member

- Members of the Executive Management of the Company:

Cenusa Gheorghe	General Manager
Pop Mircea Deputy	General Manager
Oprea Paul Deputy	Director of Production Engineering

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Tatar Dana	Financial Manager
Marica Ioan	AQM Manager
Barbuceanu Florentin	Factory Executive Manager
Viski Vasile Factory	Executive Manager
Campian Cosmin	Factory Executive Manager

18. Shipping costs.

This position includes:

	2020	2019
Expenses for the transport of raw materials	823.089	839.031
Expenses for transporting finished products	4,121,989	5,582,989
Expenses for transporting employees	527.455	545.813
Other transport costs	-	-
Total	5,472,533	6,967,833

19a. Other expenses related to income

	2020	2019
Maintenance and repair expenses	1,209,003	1,169,543
Rent expenses	369.051	715.321
Insurance expenses	398.116	417.965
Expenses with professional training	65.120	-
Collaborating expenses	1,948,774	5,714,031
Expenses regarding commissions and fees	1,184,533	1,190,999
Protocol expenses	29.032	110.782
Expenses with travel, secondments and transfers	32.692	323.739
Postal charges and telecommunications charges	383.471	88.228
Expenses with banking and similar services	119.376	129.117
Other expenses with services provided by third parties	2,178,710	2,834,462
Expenses with other taxes and fees	1,058,227	1,109,274
Total	8,976,105	13,803,461

From the total amount of 8,977,370 lei (December 2020) were deducted other expenses with the services provided by third parties related to the incomes from the production of fixed assets, according to the provisions of Order 2844/2016, for the amount of 1,265 lei. See also note on other income.

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

19b. Other expenses

	2020	2019
Total	293.728	382.575

On 31.12.2020, the position includes the amount of 86,886 lei, representing commercial penalties; 148,066 lei represent donations and sponsorships; the difference of 58,997 represents other current operating expenses.

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

COMELF SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS
(All amounts are expressed in LEI, unless otherwise indicated)

20. Income tax

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

The income tax expense related to the year ended December 31, 2020 and the year ended December 31, 2019 is detailed as follows:

	2020	2019
Current income tax expense	255.520	363.467
(Income) / deferred income tax expense	-	-
Total	255.520	363.467

Reconciling the profit before tax with the expense with the profit tax in the profit or loss account:

Profit tax reconciliation	2020	2019
Profit of the period	2,702,863	2,624,114
Total income tax expense	255.5200	363.467
Profit before tax	2,958,383	2,987,581
The local tax rate of the entity	16%	16%
	473.341	478.013

Profit tax calculated using the entity's local tax rate

The influence of the deductible legal reserve established during the period - -

The influence of the reserves constituted on account of the reinvested profit exempted from taxation - -

The influence of non-taxable income -36.429 -27.477

The influence of income-like items: revaluation differences that become taxable 335.928 335.928

The influence of non-deductible expenses 37.227 87.780

Minus amounts representing sponsorship -161.165 -174.849

Profit tax calculation for the period, of which: 648.902 699.395

Profit tax registered directly in equity, related to differences in revaluation that have become taxable 335.928 335.928

Bonus 10% of the payment tax cf. OUG 99/2020 -57454 -

Income tax recorded on expenses 255.520 363.467

21. Provisions for risks and expenses

As of December 31, 2020, the Company has registered provisions for risks and expenses in the amount of 1,625,210 lei (1,861,586 lei as of December 31, 2019). Their synthetic situation is presented below:

COMELF SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS
(All amounts are expressed in LEI, unless otherwise indicated)

	Provision for waranties	Pension provision	Provision for litigation	Other provisions	Total
Balance on January 1, 2020	0	163.359	0	1,698,191	1,861,586
Formed during the period	0	0		494.067	494.067
Used during the period	0	0	0	0	0
Real estate receivables wave adjustments (ct 2968)	0				0
Resumed during the period	0	(43.888)	0	(686.555)	(730.443)
Balance at December 31, 2020	0	119.507	0	1,505,703	1,625,210
Long-term	0	119.507	0	0	119.507
short term	0	0	0	1,505,703	1,505,703

- **Pension provisions in the amount of 119,507 lei (December 31, 2019: 163.359 lei).**

According to the collective labor contract, the Company offers cash benefits depending on the length of service for retirement for employees. The provisioned amount was calculated taking into account the amount provided for retirement based on seniority in the company, the time to retirement for each employee adjusted by the average rate of fluctuation of the Company's staff in the last 5 years, respectively 19.33%.

- **Other provisions in the amount of 1,505,703 lei (December 31, 2019: 1,698,191 lei) include:**
 - The provision related to the redemption of pension insurance policies for the amount of 1,011,636 lei, are loyalty pension rights of COMELF employees, granted under the law and the Collective Labor Agreement, to be paid to employees (short term).
 - The amount of 494,067 includes a provision for potential commercial penalties, according to commercial contracts and customer notifications.

22. Debts regarding deferred tax

Deferred tax liabilities as of December 31, 2020 are generated by the items detailed in the following table:

	December 31, 2020	December 31, 2019
Deferred tax receivables	-	-
Debts on deferred tax related to reserves consisting of reinvested earnings	(922.602)	(922.602)
Deferred tax liabilities related to revaluation differences of property, plant and equipment.	(8,511,279)	(8,847,207)
Deferred tax, net	(9,433,881)	(9,769,809)

23. Deferred income

1) In 2010, the Company concluded with the Ministry of Economy, Trade and Business Environment ("the Ministry") the financing contract no. 3131/230303 whose object is the granting of non-reimbursable financial

COMELF SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS
(All amounts are expressed in LEI, unless otherwise indicated)

aid from the state budget through the "Program for increasing the competitiveness of industrial products" administered by the Ministry for the implementation of the project "Assimilation of advanced technologies for processing wind turbines, turbines and compressor units, process chambers within the photovoltaic cell manufacturing lines on state-of-the-art numerically controlled equipment, which uses a CNC boring machine with a continuously indexable machining head, in SC Comelf SA. " The total cost of the project was 1,991,488 lei, of which the state aid was 836,760 lei. The equivalent value of the state aid was recognized by the Company as a government subsidy and amortized over a period of approximately 11 years.

The objectives of granting state aid were represented by modernizing existing products, making new products, increasing productivity, reducing energy consumption, reducing material consumption, optimizing decision making, environmental protection, quality assurance, objectives met by the Company.

In 2020, the Company resumed in revenue the amount of 70,407 lei (2019: 70,407 lei), representing the amortization of subsidies.

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

The governmental subsidy was conditioned by the contribution from the Beneficiary of the amount of 27,635,774 lei, of which the eligible value 16,848,613 lei, the difference being ineligible value, including VAT within the project, during the project implementation period which was 24 months from 04.02. 2013.

In 2020, the Company resumed in revenue the amount of 1,469,105 lei (2019: 1,506,915 lei), representing the amortization of subsidies.

3) The company signed in 2018 (03.05.2018) a financing contract within POIM, having as objective the granting of a non-reimbursable financing by MA POIM for the implementation of the project "Smart Metering application of utility consumption", the total value of the contract financing is 1,072,188.43 lei, of which non-reimbursable financing is worth 900,988.68 lei. In October 2019, the "Utility and Production Consumption Monitoring System and the Energy Management Software License" were put into operation, and subsidies from this project in 2020 were registered in the amount of 84,570 lei (2019: 14,095 lei).

The accounting policies adopted are presented in Note 3.

24. Earnings per share

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

	December 31, 2020	December 31, 2019
Profit attributable to ordinary shareholders	2,702,833	2,624,114
Weighted average number of ordinary shares	22,476,423	22,476,423
Basic earnings per share	0.12	0.12

Diluted earnings per share are equal to basic earnings per share, as the Company has not recorded any potential ordinary shares.

COMELF SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS
(All amounts are expressed in LEI, unless otherwise indicated)

25. Net financial expenses

The financial elements are the following:

	December 31, 2020	December 31, 2019
Interest income	34.412	4.757
Income from exchange rate differences	614.365	2,108,721
Other items of financial income	505.718	-
Total financial income	1,154,495	2,113,478
Interest expenses	(288.360)	(299.005)
Expenses with exchange rate differences	(1,426,893)	(2,869,875)
Other items of financial expenditure, of which:	(926.486)	(349.941)
Total financial expenses	(2,641,739)	(3,518,820)

Income and expenses from exchange rate differences refer to the following positions in the financial statements: short-term and long-term loans, including leasing: net amount December 2020 of 652,019 lei (December 2019: 914,378 lei), third party accounts: net amount December 2020 of 150,509 lei (December 2019: 476,970 lei), cash: net amount December 2020 of 430,768 lei (December 2019: 323,745 lei), and other smaller amounts for other positions.

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

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

Environmental regulations are in development in Romania, and the Company did not register any obligations on December 31, 2020 for any anticipated costs, including legal and consulting fees, site studies, design and implementation of remediation plans, on environmental elements.

The Company's management does not consider the expenses associated with possible 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 transactions with related parties:

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

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

Comelf SA has prepared the transfer pricing file for 2020, and will make an update for 2021.

COMELF SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS
(All amounts are expressed in LEI, unless otherwise indicated)

27. Transactions and balances with affiliated parties

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

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

- commission / intermediation contract, consulting contract, electricity acquisition contract; subassembly manufacturing collaboration contract;

The rights and obligations of the parties are well delimited by the contractual clauses, the eventual litigations being within the competence of the International Arbitration Court attached to the Chamber of Commerce and Industry of Romania.

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

Based on the framework contract, firm orders are issued, the purpose of which is monitored, following the full observance of the contract clauses.

Affiliated party	Activity	Description of the type of connection
Uzinsider SA	Management consulting services	Uzinsider SA is the majority shareholder
Uzinsider Techo SA	Trade intermediation services with industrial products	
Uzinsider General Contractor SA	Collaborations on turnkey jobs	
Promex SA	Electricity trade	
24 Ianuarie SA	Collaborations in the manufacture of subassemblies	
Uzinsider Engineering SA	Collaborations in the manufacture of subassemblies	
	Providing services	

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

a) Receivables and payables from related parties

As of December 31, 2020 and December 31, 2019, the receivables from the affiliated parties are as follows:

Receivables from	December 31, 2020	December 31, 2019
Uzinsider Techo SA	4,369,802	9,421,447
Uzinsider General Contractor SA	450.985	243.724
Promex SA	30.754	417.733
24 Ianuarie SA	-	-
Total	4,851,541	10,079,904

COMELF SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS
(All amounts are expressed in LEI, unless otherwise indicated)

As of December 31, 2020 and December 31, 2019, the debts to the affiliated parties are as follows:

Debts to	December 31, 2020	December 31, 2019
Uzinsider SA	162.068	128.152
Uzinsider Techo SA	613.260	1,626,619
Uzinsider General Contractor SA	538.469	1,227,839
Promex SA	-	7.606
24 Ianuarie SA	-	-
Uzinsider Engineering SA	-	-
Total	1,313,797	2,990,216

b) Transactions involving affiliated parties

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

Sales in the year ended at:	December 31, 2020	December 31, 2019
Uzinsider Techo SA	14,724,867	14,160,201
Uzinsider General Contractor SA	186.157	1,125,477
Promex SA	25.844	486.961
24 Ianuarie SA	7.626	14.339
Uzinsider Engineering SA	-	-
Total	14,944,494	15,786,978

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

Acquisitions in the year ended at:	December 31, 2020	December 31, 2019
Uzinsider SA	817.152	817.152
Uzinsider Techo SA	1,274,155	815.503
Uzinsider Engineering Galati	-	-
Uzinsider General Contractor SA	4,797,480	6,524,023
Promex SA	103.339	6.392
24 Ianuarie SA	8.526	-
Total	7,000,652	8,163,070

Compared to those presented above, during 2020, Comelf SA recognized a debt to Promex SA in the amount of 10,447.00 lei, related to a previous service.

The payment of due dividends Uzinsider SA Bucharest was made in full during 2020 (Note 12 point c)
As there were no exceedances of the contract terms, no impairment losses related to these transactions were recognized during the year.

The general terms and conditions provided in the relations concluded with the affiliated parties are the following: payment terms 60-120 days, payment methods with payment order and compensations, there are no guarantees, and there are no penalties for non-payment.

28. Capital commitments

Procurement commitments for the period 2021 are limited to own sources of financing and are estimated for value of 1.2 thousand .Euro.

29. Operational segment reporting

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

- Stainless Steel Products Factory (“FPI”)
- Earthmoving Machinery and Equipment, Filters and Electrofilters Factory (“FUET”)
- Earthmoving Components and Machines 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 level of the Company, there is a risk reporting system designed to identify current and potential obligations and to facilitate timely action. Insurance and taxation are also managed at the Company level.

The Company regularly carries out actions to identify and monitor ongoing litigations and processes.

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

- FPI - the most important products are: stainless steel (equipment for gas turbine power plants, components for wind installations, components for freight wagons, components for combustion air filtration) and carbon steel (equipment for gas turbine power plants, chassis for turbines, compressors, generators, conveyors with metal belt, components for transport, assembly and equipment of wind installations, components for transcontainer handling machines);
- FUET - the most important products are: naval equipment, filters for asphalt stations, components for freight wagons, components for asphalt cutters, components for excavators, engine housings and electric generators, equipment for industrial gas dedusting, equipment for power plants with gas turbines, wastewater treatment and purification equipment, hydromechanical and hydropower equipment, technological equipment;
- TERRA - the most important products are: earthmoving machines with final assembly (crushers, asphalt pouring machines), components for earthmoving machines (chassis, arms, frames), mobile presses for compacting car bodies, fixed presses and u componentscompactors for compacting scrap metal, telescopic cranes, subassemblies for heavy dump trucks.

COMELF SA**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)***Reporting by operating segments**

	FPI		FUET		Terra		Center		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
External income of the segment	37,881,907	43,152,953	52,815,861	65,584,832	23,516,429	31,395,038	5,087,320	6,186,132	119,301,517	146,318,955
Total segment revenues	37,881,907	43,152,953	52,815,861	65,584,832	23,516,429	31,395,038	5,087,320	6,186,132	119,301,517	146,318,955
Net financial costs	-550.449	-358.141	-427.217	-456.326	-254.041	-235.841	-255.537	-355.034	-1,487,244	-1,405,342
Depreciation and amortization	1,807,887	1,785,521	3,003,714	3,017,843	1,986,754	1,886,179	743.649	701.013	7,542,004	7,390,556
Income tax expense	-	-	-255.520	-216.164	-	-	-	-147.303	-255.520	-363.467
The net result for the period	-1,116,236	-505.663	3,236,452	1,077,193	-526.507	-787	1,109,154	2,053,371	2,702,863	2,624,114
Segment assets	39,536,941	44,548,723	72,539,739	71,076,784	35,573,234	37,106,672	-5,254,077	2,199,737	142,395,837	154,931,916
Investments in associated entities							0	0	0	0
Segment debts	26,958,632	31,484,929	39,918,326	41,137,552	24,534,057	25,657,399	-21,942,241	-15,434,644	69,468,774	82,835,237

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

The total income of the segment corresponds to the item income plus other income, and the other items to similar positions in the financial statements.

COMELF SA**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

In the total operational revenues of the segment in the amount of 119,301,518 lei (year 2020) and 146,318,955 lei (year 2019) the major types of products and services are the following:

	December 31, 2020	December 31, 2019
Equipment for energy industry and components	58,934,950	56,918,073
Equipment for earthworks and components	42,948,546	68,184,633
Equipment for environmental protection (Refractory, water, chemical)	357.905	1,916,778
Lifting and handling equipment	10,379,232	9,949,689
Technological equipment (metallurgy)	715.809	731.595
Manufacture of rolling stock	5,607,171	7,901,224
Other types	357.905	716.963
TOTAL	119,301,518	146,318,955

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

	December 31, 2020	December 31, 2019
Income from Romania	22,690,097	19,853,848
Income from outside Romania	96,611,421	126,465,107
TOTAL	119,301,518	146,318,955

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

The main clients that have a share in the turnover higher than 5% the afferent incomes and the activity segment where these incomes are included are the following:

Partner	Income share (> 10%)	Income	The segment in which revenues are included
Komatsu	18.11 %	21,007,407	Equipment for earthworks and components: FUET
Tesmec	11.00%	12,755,993	Equipment for earthworks, rolling stock manufacturing and their components: FUET + FCT
Siemens	7.33%	8,502,237	Equipment for energy industry and components: FPI-FUET
General Electric	6.42%	7,451,459	Equipment for energy industry and components: FPI-FUET

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

There are no significant events to report.

COMELF SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 IN ACCORDANCE WITH IFRS

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

31. Approval of financial statements

The financial statements were approved by the Board of Directors and published on the site on 12.03.2021.

Cenusa Gheorghe
General Manager

Tatar Dana
Financial Manager

Declaration

We, the writers of this Declaration Mr. Gheorghe Cenusa –general manager and Mrs.Dana Tatar – financial manager, declare that the financial reports for 2020 have been prepared according to the applicable accounting standards, they offer an accurate and true image regarding the assets, liabilities, financial position and the comprehensive income.

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

General manager,
eng. Gheorghe Cenusa

Financial manager,
ec. Dana Tatar

CHAMBER OF FINANCIAL AUDITORS IN ROMANIA

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



AUDIT COMAN EXPERT - ACE SRL

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

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

Account: **RO95CECETR0130RON0620473**;

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

ATTN.,

Shareholders of COMELF SA

Report on the audit of financial statements

Unreserved opinion

We audited the company's accompanying individual financial statements **COMELF SA (The Company)**, with its registered office in Bistrita, 4, Industriiei Street, identified by the TAX Identification code RO568656, which include: the statement of financial position as of December 31, 2020, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year concluded at that date, as well as the explanatory notes to the financial statements, including a summary of significant accounting policies.

The individual financial statements as of 31 December 2020 are identified as follows:

- Total assets: 142,395,837 lei
- Total equity: 72,927,063 lei
- profit and other comprehensive income: 2,702,863 lei

In our opinion, the accompanying individual financial statements provide a true and fair view, in all material respects, of the Company's financial position as at 31 December 2020, as well as its financial performance and cash flows for the year ended, in accordance with ***Compliant accounting regulations with International Financial Reporting Standards*** approved by **Order of the Minister of Public Finance no. 2844/2016 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards**, with subsequent amendments and completions, as well as with the provisions ***Order of the Minister of Finance no. 58/2021 on the main issues related to the preparation and submission of annual financial statements and annual accounting reports of economic operators to the territorial units of the Ministry of Finance and for the regulation of certain accounting aspects.***

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and *Law no. 162/2017 on the statutory audit of the annual financial statements and the consolidated annual financial statements and amending some regulations* (The law). Our responsibilities under these standards are described in detail in the section "*Auditor's responsibilities in an audit of financial statements*" in our report. We are independent of the Company, according to *Code of Ethics for Professional Accountants* issued by the Council for International Standards of Ethics for Accountants (IESBA code), according to the ethical requirements that are relevant for the audit of financial statements in Romania, including the Law, and we have fulfilled our ethical responsibilities according to these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit items

The key audit aspects are those that, based on our professional judgment, were of the greatest importance for the audit of the individual financial statements for the current period, in accordance with ISA 701. These issues have been addressed in the context of the audit of the financial statements as a whole and in the formation of our opinion on them, and we do not provide a separate opinion on these issues.

The valuation of the investment activity leads to the Company's exposure to a variety of risks associated with the financial instruments held and the financial markets in which it operates.

The significant risks to which the company is exposed, from those presented in Note 4 to the financial statements are:

- ✓ price risk;
- ✓ the risk related to the economic environment.

The COVID -19 crisis continues to represent a risk that may affect the Company's activity due to: the risk of staff illness, as well as the risk for the Company's customers and/or suppliers of encountering economic difficulties. In Note 3 to the financial statements it is mentioned, *“the individual financial statements are prepared on the assumption that the Company will continue its activity in the foreseeable future. In order to evaluate the applicability of this hypothesis, the management reviews the forecasts regarding the future cash inflows.”*

According to ISA 570 - *Continuation of the activity*, the measures taken by the company determine an insignificant degree of uncertainty on the risk of continuing the activity as a result of the COVID - 19 pandemic.

We have adapted our audit to address the risks set out above in order to provide an opinion on the financial statements as a whole and we do not provide a separate opinion on these issues.

(a) The risk related to the economic environment.

Estimates and concerns of the company's management:

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

The management of the Company estimates 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 operational and treasury result of the Company. The main concerns are mainly related to the provision of human resources needed for the production process. Starting

from this important aspect for the company, it carries out various steps both at the level of local authorities and at the level of central authorities through partner organizations, in order to develop measures to qualify the workforce, incentives for employment, etc.

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

The management of the Company considers that it has adopted the necessary measures for the sustainability and development of the Company in the current market conditions.

The Company's management estimates that the main challenge for the coming years will be generated by the lack of skilled labor, which is why the company has identified as a solution the import of skilled labor from India starting with the necessary steps.

How our audit addressed the key issues

To address the risk related to the economic environment, our procedures included the following:

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

(b) Price risk

Estimates and concerns of the company's management:

In order to cover the price risk generated by the increase of the basic raw material - metal -

the company has included in the commercial contracts concluded with customers, a protection clause that 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 directly productive staff, for newly concluded contracts but also for some of the ongoing contracts, the company managed to complete the protection clause and updating the price of products taking into account the evolution of cost with labour force, based mainly on statistical, public wage developments on the Romanian labour market.

How our audit addressed the key issues

To address price risk, our procedures included the following:

- We have asked the company's management for contracts that cover price risks.
- We have reviewed the contracts received.
- We did detailed tests.

Other information

Administrators are responsible for compiling and presenting other information. That other information includes the Directors' Report, non-financial statement, but does not include the financial statements and the auditor's report thereon.

Administrators are responsible for presenting an accurate description of the development and performance of the company's activities and its position, as well as a description of the main risks and uncertainties it faces. This presentation is a balanced and comprehensive review of the development and performance of activities and its position, correlated with the size and complexity of activities.

According to point 39 of the Accounting Regulations compliant with the International Financial Reporting Standards, the company, with an average number of more than 500 employees during the financial year 2020, included in the Directors' Report the non-financial statement.

The non-financial statement contained in the Directors' Report includes:

- a brief description of the company's business model;

- a description of the main activities on Occupational Safety and Health;
- a description of the main activities on the Environment;
- a description of the main activities for Fire Prevention and Extinguishing and Emergency Situations;
- a description of the policies regarding the human resources activity.

Our opinion on the financial statements does not also cover this information, and unless explicitly stated in our report, we do not express any assurance about it.

In connection with the audit of the financial statements for the financial year ended 31 December 2020, it is our responsibility to read that other information and, in doing so, to assess whether that other information is significantly inconsistent with the financial statements, or with the knowledge we gained during the audit, or if it appears to be significantly distorted.

With regard to the Directors' Report, I have read and ensure that it is prepared, in all material respects, in accordance with *Chapter 3 Report of the administrators from Accounting regulations in accordance with International Financial Reporting Standards*, approved by OMFP no. 2844/2016, with subsequent amendments and completions.

In the Administrators' Report:

- we identified the inclusion, in all significant aspects, of the information required by the Accounting Regulations approved by OMFP no. 2844/2016, with subsequent amendments and completions;
- we have not identified information that is inconsistent, in all material respects, with the information presented in the accompanying individual financial statements.

In addition, based on our knowledge and understanding of the Company and its environment, acquired during the audit of the financial statements for the year ended December 31, 2020, we are required to report whether we have identified material misstatements in the Directors' Report. We have nothing to report on this issue.

Management responsibilities for financial statements

The Company's management is responsible for preparing the financial statements that provide a true and fair view in accordance with the accounting regulations approved by OMFP no. 2844/2016, with subsequent amendments and completions and for that internal control that management deems necessary to allow the preparation of financial statements. free from material misstatement, caused by either fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue its operations and for using accounting based on business continuity. The management does not intend to liquidate the Company.

In accordance with ISA 560 - *Subsequent events* and with ISA 570 - *Continuation of the activity*, in explanatory note no. 30 states that *there are no significant events to report*.

The persons responsible for the management of the company are responsible for supervising the financial reporting process of the Company.

Auditor's responsibilities in an audit of financial statements

Our objectives are to obtain reasonable assurance as to the extent to which the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but there is no guarantee that an audit conducted in accordance with the ISA will always detect a significant misstatement, if any. Distortions may be caused by either fraud or error and are considered significant if it can reasonably be expected that they, individually or cumulatively, will influence users' economic decisions based on these financial statements.

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

Also:

- We identify and assess the risks of material misstatement of the financial statements, caused by either fraud or error, design, and perform audit procedures in response to those risks, and obtain sufficient and appropriate audit evidence to provide

a basis for our opinion. The risk of not detecting a significant misstatement caused by fraud is higher than the risk of not detecting a significant misstatement caused by error, as fraud may involve secret agreements, forgery, intentional omissions, misrepresentation, and circumvention of internal control.

- We understand the internal control relevant to the audit, in order to design audit procedures appropriate to the circumstances, but without the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- We assess the adequacy of the accounting policies used and the reasonableness of the accounting estimates and disclosures made by management.
- We draw a conclusion on the adequacy of management's use of accounting based on business continuity and determine, based on the audit evidence obtained, whether there is significant uncertainty about events or conditions that could raise significant doubts about the Company's ability to continue its activity. If we conclude that there is significant uncertainty, we must draw attention in the auditor's report to the related disclosures in the financial statements or, if those disclosures are inadequate, change our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease its business on a going concern basis.
- We evaluate the presentation, structure, and content of financial statements, including disclosures, and the extent to which financial statements reflect the underlying transactions and events in a manner that results in a fair presentation.

We communicate to those responsible for the company's management, among other things, the planned area and timing of the audit, as well as the main findings of the audit, including any significant deficiencies in internal control, which we identify during the audit.

We also provide a statement to those responsible that we have complied with the relevant ethical requirements regarding independence and that we have communicated to them all relationships and other matters that could reasonably be assumed to affect our independence and, where applicable, our independence. case, the related protection measures.

Other aspects

This independent auditor's report is addressed exclusively to the Company's shareholders as a whole. Our audit was performed to report to the Company's shareholders those issues that we must report in a financial audit report, and not for other purposes. To the extent permitted by law, we accept and assume no liability other than to the Company and its shareholders, as a whole, for our audit, for this report or for the opinion formed.

On behalf of the audit firm

AUDIT COMAN EXPERT - ACE SRL

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

registered at the Romanian Chamber of Financial Auditors with number 053/2001

Coman Lucică - active financial auditor

Card no.181 issued by CAFR.