

## Report on the third quarter of 2018

Report date: 14.11.2018

Company Name: COMELF SA

Registered Office: Bistrita, no. 4, Industriei str.

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

Unique Registration Code at the Trade Registry Office: 568656

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

Subscribed and paid-up share capital: 13.036.325,34 lei

The regulated market on which the issued securities are traded: B.V.B. (Bucharest Stock Exchange)

The main indicators, thousands of lei	01.01.2018-30.09.2018	01.01.2017-30.09.2017	Δ %
Total operating revenues, out of which:	114,110	138,499	(17,61)
Revenue from construction contracts	104,163	128,699	(19,06)
Profit / (Loss) of the period	2,031	3,488	(41,77)
EBITDA	8,537	12,856	(33,60)
Interest-bearing loans	37,310	37,657	(0,9)
The main indicators, thousands of lei	IIIrd Quarter-2018	IIIrd Quarter-2017	Δ %
Total operating revenues, out of which:	36,536	43,079	(15,19)
Revenue from construction contracts	33,696	40,615	(17,04)
Profit / (Loss) of the period	732	1,031	(28,97)
EBITDA	2,939	4,040	(27,26)

\* The financial figures are not audited and represent the individual results of Comelf SA, prepared in accordance with International Financial Reporting Standards (IFRS);

❖ **The operational revenues** of COMELF SA amounted to RON 114 million as at 30.09.2018, down from the same period of the previous year. In terms of their evolution in Q3/2018 compared to Q3/2017, there was an improvement in their level (15.19% reduction) compared to the first nine months (17.61% reduction);

❖ **Income generated by the Company's core** business dropped to 104 million LEI on September 30, 2018 compared to 129 million ROL on 30 September 2017, with the main causes being: (i) the structure of products sold in the first 9 months of 2018, with an average sales price/ton of product lower by 3%, specific to the product groups manufactured and sold; (ii) the decrease of the direct productive staff by 15% 9 months 2018 compared to the first 9 months of 2017.

At the quarterly level, the evolution of the revenues generated by the core activity shows a slight improvement, as mentioned in the case of operational revenues, the decrease is 17.04%, comparing the quarterly data against a 19.06% decrease of the period from the beginning of the financial year to 30.09.

❖ **The profit of the period** was lower in the first nine months of the year 2018 compared to the one achieved in the same period of the previous year by 41.77%, the main factors that had unfavourable influence on the profit evolution were:

i) Additional salary costs to maintain staff directly involved in the manufacturing in the context of high staff fluctuations, in a market strongly influenced by lack of qualified staff (welders, fitters, machining operators, etc.). Also, the evolution of the minimum wage, as well as the increase in salaries in the state-owned companies and institutions, put pressure on the wage costs of private companies, given the need to apply the salary increases necessary to maintain the employees;

- ii) Fixed expenses (insurance, maintenance, taxes and other third-party services), which, although decreased in absolute amount, their percentage evolution is above the evolution of operational revenues, which leads to the value decrease of the profit;
- iii) current utilities prices;
  - ❖ **The profit achieved in the third quarter of 2018** is lower than in the third quarter of 2017, but it has a positive evolution when compared to the previous periods;

**The report for the third quarter of 2018** can be found on the company's website [www.comelf.ro/Informatii la zi /](http://www.comelf.ro/Informatii_la_zi/) , as well as in the link below.

### 3<sup>rd</sup> Quarter Report of COMELF SA

#### According to the ASF Regulation no. 5/2018 Annex no. 13

**Date of report:** 14.11.2018

**Company Name:** COMELF SA

**Head Office:** Bistrita, no. 4, Industriiei str.,

**Telephone/fax number:**

**Unique Registration Code at the Trade Registry Office:** 568656

**Order number in the Trade Register:** J06/2/1991

**Subscribed and paid-up share capital:** RON 13,036,325.34

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

#### A. Economic and Financial Indicators for 3<sup>rd</sup> Quarter 2018

Indicator Name	Calculation model	30.09.2018	30.09.2017
<u>Current Ratio (general)</u>	Current assets/Current liabilities (the recommended value for this indicator is around 2)	0.97	1.06
<i>The current (general) ratio on September 30, 2018 is 0.97 and represents the coverage of current debts by the current assets held by the company. This indicator is subunit since in February 2018, the company made a cash payment amounting to 5.573.477 (current assets) for the payment of the loss due in the file 21/D/P/2013, the amount that was on September 30, 2017 in provisions with a maturity of more than one year;</i>			
<u>Degree of indebtedness</u>	Borrowed Capital/Employed Capital	-	7,11%
<i>The debt ratio represents the ratio of borrowed capital -debts over 1 year in the capital employed; At the reporting date, the debt ratio of the company is null as the company does not have credits with a repayment term greater than 1;</i>			
Debt collection time -client (days)	Customer Balance / Turnover X 270	90	85
Rotation Speed of fixed assets	Turnover/Fixed Assets	1.19	1.38

1. Presentation of important events that occurred during the relevant time period and the impact they have had on the financial position of the issuer and its subsidiaries.

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

- ✓ merging the activity of two factories: FFE and FUET in a single product entity, with only one functional structure in terms of administrative and financial-accounting;
- ✓ Establishing a Centralized Commercial Department to manage customer relationships as optimally as possible;

2. Detailed description of the financial position and performance of the issuer and its subsidiaries relevant to the relevant time period.

- ❖ **The operational revenues** of COMELF SA amounted to RON 114 million as at 30.09.2018, down from the same period of the previous year. In terms of their evolution in Q3/2018 compared to Q3/2017, there was an improvement in their level (15.19% reduction) compared to the first nine months (17.61% reduction);
- ❖ **The profit of the period** was lower in the first nine months of the year 2018 compared to the one realized in the same period of the previous year by 41.77%, the main factors that had unfavourable influence on the profit evolution were:
  - Additional salary costs for maintaining blue collar staff in the context of high personnel fluctuations, in a market strongly influenced by lack of qualified staff (welders, fitters, machining operators, etc.). Also, the evolution of the minimum wage, as well as the increase in salaries in the budgetary sector, put pressure on the wage costs of private companies, given the need to apply the salary increases necessary to maintain the employees;
  - Fixed expenses (insurance, maintenance, taxes and other services) which, although decreased in absolute amount, their percentage evolution is above the evolution of operational revenues, which leads to the value decrease of the profit;
  - current utilities prices;

**General Manager,**  
**eng. Cenușă Gheorghe**

**Economic Director,**  
**Ec. Dana Tatar**

STATEMENT OF FINANCIAL SITUATION on 30<sup>th</sup> September 2018

In Lei

Nr. Crt.	DENUMIREA POZITIEI	31.12.2017 IFRS	30.09.2018 IFRS
1	<b>Actives</b>		
2	Intangible assets	892,863	543,242
3	Tangible assets	96,549,169	92,982,016
4	Financial assets available for sale	199,972	199,972
5	<b>Total Fixed assets</b>	<b>97,642,004</b>	<b>93,725,230</b>
6	Advance payments for tangible assets	124,607	432,502
7	Stocks	7,297,460	9,230,191
8	Account receivables from construction contracts	56,674,644	52,879,764
9	Commercial account receivables and of other types	1,799,148	2,965,897
10	Current tax account receivables	-	-
11	Cash and cash equivalents	5,330,144	5,369,222
12	<b>Total Current Actives</b>	<b>71,226,003</b>	<b>70,877,576</b>
13	<b>Total Actives</b>	<b>168,868,007</b>	<b>164,602,806</b>
14	<b>Capital</b>	<b>13,036,325</b>	<b>13,036,325</b>
15	Adjustments of the capital	8,812,271	8,812,271
16	Other elements of equity	(3,077,176)	(3,077,176)
17	Reserves	54,625,219	52,997,965
18	Repurchased own shares	-	-
19	Reported result	(5,882,801)	(2,509,451)
20	Year result	3,341,131	2,031,216
21	<b>Total shareholder's equity</b>	<b>70,854,969</b>	<b>71,291,150</b>
22	<b>Debts</b>		
23	<i>Long term bank loans</i>	-	-
24	Debts for postponed tax	10,519,009	10,209,055
25	<i>Provisions for risks and expenses</i>	382,300	382,300
26	Debts for postponed income	8,757,431	7,597,416
27	<b>Total long term debts</b>	<b>19,658,740</b>	<b>18,188,771</b>
28	Overdrafts	32,617,900	37,309,600
29	The current share for the long term loan	4,424,275	1,107,274
30	Commercial and other types of debts	31,453,709	33,571,786
31	<i>Provisions for risks and expenses</i>	8,237,580	1,505,851
32	Debts for postponed income	1,620,834	1,628,374
33	<b>Total current debts</b>	<b>78,354,298</b>	<b>75,122,885</b>
34	<b>Total Debts</b>	<b>98,013,038</b>	<b>93,311,656</b>
35	<b>Total shareholder's equity and debts</b>	<b>168,868,007</b>	<b>164,602,806</b>

PROFIT OR LOSS ACCOUNT STATEMENT AND OTHER ELEMENTS OF GLOBAL INCOME

Nr. crt.	DENUMIREA INDICATORILOR	30.09.2017	30.09.2018
1	Income from construction contracts	128,698,892	104,163,583
2	Income from selling goods	2,951,716	630,474
3	Other income connected to turnover	4,587,176	6,583,518
4	Other income	2,261,084	2,732,028
<b>5</b>	<b>Total operating income</b>	<b>138,498,868</b>	<b>114,109,603</b>
	<i>of that: turnover</i>	<b>135,564,759</b>	<b>112,351,876</b>
6	Raw materials and consumables expenses	59,132,523	49,883,879
7	Goods expenses	2,785,318	609,903
8	Staff expenses	40,913,756	35,268,139
9	Rent expenses	627,487	425,946
10	Expenses with premiums asigurate	285,053	345,931
11	Transport costs	5,921,329	5,375,868
12	Amortization and depreciation of fixed assets costs	7,817,884	5,801,102
13	Adjustments for depreciation of current assets, net	(10,985)	170,000
14	Provisions costs for risks and expenses , net	(345,111)	(6,731,939)
15	Other operating expenses	15,988,224	20,159,092
<b>16</b>	<b>Total expenses</b>	<b>133,115,478</b>	<b>111,307,921</b>
<b>17</b>	<b>Profit from exloation</b>	<b>5,383,390</b>	<b>2,801,682</b>
18	Financial income	2,246,675	1,621,029
19	Financialexpenses	(3,632,739)	(2,236,714)
<b>20</b>	<b>Financial loss</b>	<b>(1,386,064)</b>	<b>(615,685)</b>
<b>21</b>	<b>Total revenue</b>	<b>140,745,543</b>	<b>115,730,632</b>
<b>22</b>	<b>Total expenses</b>	<b>136,748,217</b>	<b>113,544,635</b>
<b>23</b>	<b>Profit before tax profit</b>	<b>3,997,326</b>	<b>2,185,997</b>
24	Tax profit	509,143	154,781
<b>25</b>	<b>Net income</b>	<b>3,488,183</b>	<b>2,031,216</b>
26	Other elements of global results		
27	Revaluation of tangible assets		
28	Other comprehensive income , after tax		
<b>29</b>	<b>Total profit of loss account and other elements of global result</b>	<b>3,488,183</b>	<b>2,031,216</b>
30	Earnings per share		
31	Earnings per basic share	0.16	0.09