

FINANCIAL STATEMENTS IFRS ON 31th DECEMBER 2022

**COMELF SA
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J06/2/1991
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Romania**

| | |
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COMELF S.A.

INDIVIDUAL FINANCIAL STATEMENTS AS OF December 31, 2022 IN ACCORDANCE WITH IFRS
(All amounts are expressed in lei, unless otherwise indicated)

STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31st, 2022

| | Nota | 2022 | 2021 |
|---------------------------------------------------|------|--------------------|--------------------|
| Assets | | | |
| Development cost | | 59,864 | 34,863 |
| Intangible assets | 5 | 455,394 | 464,585 |
| Tangible assets | 5 | 76,033,258 | 76,420,859 |
| Financial assets available for sale | 6 | - | - |
| Total non-current assets | | 76,548,516 | 76,920,307 |
| Advance payments for tangible assets | | 995,184 | 485,196 |
| Stocks | 7 | 14,938,437 | 11,682,634 |
| Receivables from contracts with customers | 8 | 56,778,201 | 55,557,013 |
| Trade receivables and other receivables | 9 | 4,338,219 | 4,096,772 |
| Current tax receivables | | - | - |
| Cash and cash equivalents | 11 | 14,319,879 | 7,563,505 |
| Total Current Assets | | 91,369,920 | 79,385,120 |
| Total Assets | | 167,918,436 | 156,305,427 |
| 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 | 50,892,175 | 49,312,715 |
| Reported outcome | 12 | 1,361,539 | (6,242) |
| Financial year outcome | 25 | 4,142,212 | 4,285,589 |
| Total Equity | | 78,244,522 | 75,440,658 |
| Debts | | | |
| Long-term bank loans | 13 | 3,957,920 | - |
| Other loans and debts-leasing | 13 | 267,805 | 493,544 |
| Defferend tax liabilities | 22 | 5,491,383 | 8,762,025 |
| Provisions for risks and expenses | 21 | 161,930 | 105,086 |
| Defferend income liabilities | 23 | 6,195,712 | 4,661,145 |
| Total long-term debts | | 16,074,750 | 14,021,800 |
| Overdrafts | 13 | 36,610,760 | 34,191,371 |
| The current part related to long-term loans | 13 | - | - |
| Defferend tax liabilities | 22 | 279,601 | 335,928 |
| The current other loans and liabilities - leasing | 11 | 226,045 | 235,702 |
| Commercial debts and other debts | 14 | 34,271,900 | 29,332,297 |
| Provisions for risks and expenses | 21 | 982,798 | 1,036,478 |
| Defferend tax liabilities | 23 | 1,228,060 | 1,711,193 |
| Total current debts | | 73,599,164 | 66,842,969 |
| Total Debts | | 89,673,914 | 80,864,769 |
| Total equity and debts | | 167,918,436 | 156,305,427 |

Cenusa Gheorghe
General Manager

Tatar Dana
Economic Manager

COMELF S.A.

INDIVIDUAL FINANCIAL STATEMENTS AS OF December 31, 2022 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 | <u>2022</u> | <u>2021</u> |
|-------------------------------------------------------------------------|------|----------------------|----------------------|
| <i>Continuous operations</i> | | | |
| Revenues | | | |
| Revenue from contracts with customers | 15 | 157,347,129 | 130,562,973 |
| Revenues from sales of goods | | 188,775 | 975 |
| Other elements related to the turnover | | 12,318,303 | 8,669,833 |
| Total revenues | | 169,854,207 | 139,233,781 |
| <i>of which turnover</i> | 3 | 173,218,840 | 132,605,553 |
| Other revenues | 16 | 1,601,204 | 2,815,923 |
| Expenses | | | |
| Raw material costs and other expenses | | (87,786,602) | (67,492,032) |
| Electricity and water costs | | (4,964,522) | (4,289,634) |
| Commodity expenses | | (136,633) | (301) |
| Employment charges | 17 | (47,285,196) | (42,429,663) |
| Transport costs | 18 | (6,422,795) | (5,645,220) |
| Other expenses related to revenues | 19 | (10,243,944) | (8,433,205) |
| Cost depreciaton charge | 5 | (7,652,753) | (7,527,361) |
| Financial costs , net | 25 | (1,569,211) | (1,268,841) |
| Ajustments related to cirrent assets depreciation ,net | 8 | - | 44,035 |
| Provision costs for risks and expenses, net | 21 | (489,655) | 375,241 |
| Other expenses | 19 | (300,114) | (700,104) |
| Total expenses | | (166,851,425) | (137,367,085) |
| Pre-tax profit | | 4,603,986 | 4,682,619 |
| Profit tax | 20 | (461,774) | (397,030) |
| Profit from continuous operations | | 4,142,212 | 4,285,589 |
| Profit from discontinuous operations | | - | - |
| PROFIT OF THE PERIOD | | 4,142,212 | 4,285,589 |
| 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 | | 4,142,212 | 4,285,589 |
| Outcome per share | | | |
| From continuous and discontinuous operations | | | |
| Outcome per basic share (lei per share) | 24 | 0.18 | 0.19 |
| Diluted outcome per share (lei per share) | 24 | 0.18 | 0.19 |
| Din operatiuni continue | | | |
| Outcome per basic share (lei per share) | 24 | 0.18 | 0.19 |
| Diluted outcome per share (lei per share) | 24 | 0.18 | 0.19 |

Cenusa Gheorghe,
General Manager

Tatar Dana ,,
Economic Manager

COMELF S.A.

INDIVIDUAL FINANCIAL STATEMENTS AS OF December 31, 2022 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 Result withheld | Total equity |
|------------------------------------------------------------------------------------------------|-----------------------|-------------------------------------|--------------------------------------------------|-----------------------|-----------------------|----------------------------|---------------------|
| Balance on January 01, 2022 | 13,036,325 | 8,812,271 | 30,844,391 | 2,607,265 | 15,861,059 | 4,279,347 | 75,440,658 |
| <i>Profit or loss account and other elements of the overall result</i> | | | | | | | |
| Profit or loss | | | | | | 4,142,212 | 4,142,212 |
| <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 achieved transferred to the retained result-current year | | | 1,299,859 | | | 1,467,908 | 2,767,767 |
| Other equity items | | | 279.601 | | 0 | (2,785,589) | (2,505,988) |
| Legal reserves established | | | | 0 | | 0 | 0 |
| Total profit or loss account and other elements of the overall result | 0 | 0 | 1,579,460 | 0 | 0 | 2,824,531 | 4,403,991 |
| Other elements retained result - correction of accounting errors | 0 | 0 | 0 | 0 | | (100.127) | (100.127) |
| Other elements retained result - correction of accounting errors | 0 | 0 | 0 | 0 | 0 | (100.127) | (100.127) |
| 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 on December 31, 2022 | 13,036,325 | 8,812,271 | 32,423,851 | 2,607,265 | 15,861,059 | 5,503,751 | 78,244,522 |

COMELF S.A.

INDIVIDUAL FINANCIAL STATEMENTS AS OF December 31, 2022 IN ACCORDANCE WITH IFRS

*(All amounts are expressed in LEI, unless otherwise indicated)**Continued on next page*

| STATEMENT OF CHANGE OF EQUITY | Capital Registered | Adjustments of share capital | Differences and reserves from revaluation | Reserves legal | Other reserves | The Result withheld | Total equity |
|-----------------------------------------------------------------------------------------|-------------------------------|-------------------------------------------------|--------------------------------------------------------------|---------------------------|---------------------------|--------------------------------|-------------------------|
| Balance on January 01, 2021 | 13,036,325 | 8,812,271 | 32,608,011 | 2,607,265 | 14,658,196 | 1,204,995 | 72,927,063 |
| <i>Profit or loss account and other elements of the overall result</i> | | | | | | | |
| Profit or loss | | | | | | 4,285,589 | 4,285,589 |
| <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 | | | (2,099,548) | | | 1,763,620 | (335.928) |
| Other equity items | | | 335.928 | | 1,202,863 | (1,202,863) | 335.928 |
| Legal reserves established | | | | 0 | 0 | 0 | 0 |
| Total profit or loss account and other elements of the overall result | 0 | 0 | (1,763,620) | 0 | 1,202,863 | 4,846,346 | 4,285,589 |
| Other items carried forward - correction of accounting errors | | | 0 | 0 | 0 | (271.994) | (271.994) |
| Other result items carried forward | 0 | 0 | 0 | 0 | 0 | (271.994) | (271.994) |
| 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) |
| Balance as of December 31, 2021 | 13,036,325 | 8,812,271 | 30,844,391 | 2,607,265 | 15,861,059 | 4,279,347 | 75,440,658 |

COMELF S.A.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS AT DECEMBER 31, 2022 IN ACCORDANCE WITH IFRS

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

| | 31-12-2022 | 31-12-2021 |
|---------------------------------------|-------------------|-------------------|
| Pre - tax profit | 4,142,212 | 4,285,589 |
| Depreciation of fixed assets | 7,652,753 | 7,527,361 |
| Cash operational brut | 11,794,965 | 11,812,950 |
| Workong Capital Variation | | |
| Variation receivables | 724,833 | 12,965,986 |
| Variation stocks | 3,255,803 | 4,334,363 |
| Variation in other current assents | 193,856 | 1,544,623 |
| Variation Income/Expenses in advances | 47,591 | 45,902 |
| Variation suppliers | 3,090,102 | 11,578,744 |
| Variation customer advances | -496,355 | -1,858,664 |
| Variation employees and assimilated | -1,587,833 | -582,390 |
| Net operating Cash | 8,578,796 | 2,059,766 |
| Cash flow dfrom net investment | 7,790,950 | 3,964,128 |
| Debts change | | |
| Variation of short-term loans | 2,419,389 | 1,627,258 |
| Variation of long-term loans | 3,957,920 | 0 |
| Variation of associated debts | -125,031 | -628,606 |
| Variation of other liabilities | - | - |
| Variation of capitalluri | -283,750 | -2,371,005 |
| Cash flow from financing | 5,968,528 | -1,372,353 |
| Total chas variation between | 6,756,374 | -3,276,715 |
| Initial Cash | 7,563,505 | 10,840,220 |
| Net Cash at end of period | 14,319,879 | 7,563,505 |

Cenusa Gheorghe
General ManagerTatar Dana
Economic Manager

COMELF S.A.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS AT DECEMBER 31, 2022 IN ACCORDANCE WITH IFRS

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

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|----------------------------------------------|-----------------------------------------|
| 1. Reporting entity | 17. Staff costs |
| 2. Basics of preparation | 18. Shipping costs |
| 3. Significant accounting policies | 19. Other operating expenses |
| 4. Significant risk management | 20. Income tax |
| 5. Tangible and intangible assets | 21. Provisions for risks and expenses |
| 6. Financial assets available for sale | 22. Deferred tax liabilities |
| 7. Inventories | 23. Deferred income |
| 8. Receivables from contracts with customers | 24. Earnings per share |
| 9. Trade receivables and other receivables | 25. Financial elements |
| 10. Value adjustments | 26. Contingent assets and liabilities |
| 11. Cash and cash equivalents | 27. Affiliated parties |
| 12. Equity | 28. Capital commitments |
| 13. Loans | 29. Operational segment reporting |
| 14. Trade and other payables | 30. Events after the balance sheet date |
| 15. Revenues from construction contracts | 31. Approval of financial statements |
| 16. Other incomes | |

COMELF S.A.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS AT DECEMBER 31, 2022 IN ACCORDANCE WITH IFRS

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

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 companies and Law 297/2004 on the capital market, with subsequent additions and amendments. The company is headquartered in Bistrita, 4 Industriei 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, since November 20, 1995. Records of shares and shareholders are held in accordance with the law by the 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, 2022.

The main activity of the Company is the manufacture of engines and turbines (except for those for airplanes, automobiles and motorcycles). The company also manufactures installations, sub-assemblies and components for power plants and environmental protection, earthmoving equipment, lifting and transport equipment, including their sub-assemblies, steel structures, weapons and ammunition, road transport vehicles and military combat vehicles.

2. Basics for 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 no. 2844 of 2016, for the approval of Accounting Regulations compliant with International Financial Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, which replaces the Order no. 1286/2012. 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 were authorized for issuance by the Board of Directors at 10 March 2023.

b. Basis for evaluation

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

c. Functional and presentation currency

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

COMELF S.A.**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS AT DECEMBER 31, 2022 IN ACCORDANCE WITH IFRS**

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

d. Use of professional estimates and reasoning

The preparation of the 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 on December 31, 2012 represents the first year of adoption by the Company of International Financial Reporting Standards according to IFRS 1, which entered into force on July 1, 2009.

(i) The Company applies in the 2022 financial year for the comparability of information with the 2021 financial year the following International Financial Reporting Standards with the implicit changes to the Company's accounting policies.

| | | |
|--------|-----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| IAS 1 | Presentation of financial statements | Fundamental accounting principles, the structure and content of the financial statements, the required items and the notion of a fair image. |
| IAS 2 | Inventories | Definition of the accounting treatment applicable to stocks in the historical cost system: valuation (first in - first out, weighted average cost and net realizable value) and the scope of allowable costs. |
| IAS 7 | Cash flow statements | Analysis of cash changes, classified into three categories: operating flows, investment flows, financing flows. |
| IAS 8 | Accounting policies, changes in accounting estimates and errors | Defining the classification, disclosures and accounting treatment of certain income statement items. Definition of materiality. |
| IAS 10 | Events after the balance sheet date | Provisions regarding the taking into account of the elements after the closure: 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. |
| IAS 19 | Employee benefits | Principles of accounting and disclosure of employee benefits: short-term and long-term benefits, post- |

COMELF S.A.**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS AT DECEMBER 31, 2022 IN ACCORDANCE WITH IFRS***(All amounts are expressed in LEI, unless otherwise indicated)*

| | | |
|--------|-------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | employment benefits, equity benefits and termination benefits. |
| IAS 20 | Accounting for government grants and reporting of government assistance | Principles of accounting and disclosure of direct or indirect public aid (clear identification, notion of fair value, linkage to subsidized 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 | Disclosure of related party information | Detailed information on relationships and transactions with related parties (legal and natural persons), which have a significant control or influence over one of the group companies or 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 defined benefit schemes. |
| IAS 27 | Consolidated and individual financial statements | Principles relating to the presentation of consolidated accounts, definition of the consolidation obligation and notion of control, convergence of 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 assets or participations held in 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 | Impairment of assets | Key definitions (recoverable amount, fair value less costs to sell, value in use, cash-generating units), timing of impairment testing, accounting for impairment, case of goodwill. |
| IAS 37 | Provisions, contingent liabilities and contingent assets | Definition of provisions and estimation methods, particular cases analyzed (among which the issue of restructuring). |
| IAS 38 | Intangible assets | Definition and accounting treatment of intangible |

COMELF S.A.**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS AT DECEMBER 31, 2022 IN ACCORDANCE WITH IFRS**

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

| | | |
|---------|--------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| IAS 40 | Real estate investments | assets, recognition and measurement policies on the treatment of research and development expenditure, etc. Choosing between two valuation methods: fair value or amortized cost, transfers between different asset classes, etc. |
| IFRS 1 | First-time Adoption of International Financial Reporting Standards | Procedures to be followed for the publication of financial statements under IAS/IFRS, optional exceptions and mandatory exceptions from retrospective application of IAS/IFRS. |
| IFRS 5 | Fixed assets held for sale and discontinued operations | Defining an asset intended for trading and abandonment of activity, evaluation of 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; (ii) information on the nature and extent of the risks posed by financial instruments; (iii) reform of the interest rate benchmark. |
| IFRS 9 | Financial instruments | Establishes principles for financial reporting of financial assets and financial liabilities, for assessing the value, timing and uncertainty of an entity's future cash flows for the purpose of presenting relevant and useful information. |
| IFRS 13 | Fair value measurement | Applying fair value to non-financial assets, fair value disclosures. |
| IFRS 15 | Revenues from contracts with customers | The principles applicable by a company to determine the nature, amount, timing and uncertainty of revenue and cash flows generated by a contract with a customer; |

3. Significant accounting policies

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

COMELF S.A.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS AT DECEMBER 31, 2022 IN ACCORDANCE WITH IFRS

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

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

On 31.12.2022, the company records positive net current assets in the amount of 17,770,756 lei (12,542,151 lei in 2021) and a net profit in the amount of 4,142,212 lei (4,285,589 lei on 31.12.2021).

For 2023, the proposed income and expenditure budget would generate positive cash flows with liquidity enhancing effect, thus the company will be able to meet its commitments to the financing bank, part of the company's operational activity being financed by bank credit.

The effects of the conflict in Ukraine at a global level, with direct implications for the economic activity of companies, may generate changes, which are being analysed and which may change the carrying amounts of assets and liabilities in the financial year 2023. Further considerations are presented in note 30-Subsequent events.

Foreign currency transactions

Transactions denominated in foreign currency are recorded in lei at the official exchange rate on the settlement date. Monetary assets and liabilities recorded in foreign currencies at the date of preparation of the statement of financial position are converted into functional 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 for monetary assets and liabilities denominated in foreign currency other elements of the overall result are recognized in the statement of profit or loss.

The exchange rates of the main foreign currencies were:

| Currency | December 31, 2022 | December 31, 2021 |
|-----------------|------------------------------|--------------------------|
| Euro (EUR) | 1: LEU 4.9474 | 1: LEU 4.9481 |
| US Dollar (USD) | 1: LEU 4.6346 | 1: LEU 4.3707 |

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 measuring unit current at the statement of financial position date (non-monetary items are restated using a general price index at the date of acquisition or contribution).

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

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, amounts expressed in the current unit of measure 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 appraised values, replacement cost, or any other measure of the current value of assets or the prices at which transactions would occur at that time.

COMELF S.A.**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS AT DECEMBER 31, 2022 IN ACCORDANCE WITH IFRS**

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

To prepare 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:

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

Land and buildings are shown at revalued amount as at 31 December 2015, with buildings adjusted for accumulated depreciation up to the end of the financial year 2022.

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. Revalued values are not reflected in the Financial Statements.

Inventories

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

Work in progress is included in the item Receivables from contracts with customers as the company applies IFRS 15 "Revenue from contracts with customers". Under this standard, revenue from contracts with customers is measured based on the company's receipts and efforts to meet performance obligations in relation to the total expected receipts to meet the performance obligation. In determining revenue from contracts with customers, the entity continually assesses the level of actual costs against the initial, pre-manufacturing estimated costs and recognises revenue only at the level of costs that contribute to the entity's progress and that have been reflected in the contract price, weighted by the quantity and physical stage of completion 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.

Available-for-sale financial assets

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 an active market exists or can be measured using valuation methods, subsequent to initial recognition, equity instruments are measured at fair value and changes in fair value, other than impairment losses, are recognised directly in equity.

When the asset is derecognised, the cumulative gain or loss is transferred to the profit or loss account.

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS AT DECEMBER 31, 2022 IN ACCORDANCE WITH IFRS

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

(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 amortized cost

The amortized 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 time 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 and knowledgeable parties, in a transaction carried out under objective conditions at the valuation date.

(v) Identifying and evaluating impairment

Financial assets measured at amortized cost.

The Company reviews at each reporting date whether there is any objective evidence that a financial asset is impaired. A financial asset is impaired if and only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (“loss-generating 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 amortized cost, then the loss is measured as the difference between the carrying amount of the asset and the present value of future cash flows using the effective interest rate of the financial asset in the beginning.

The carrying amount of an asset is reduced by the Company through the use of a provision account. Impairment losses are recognized in the income statement and other comprehensive income.

If in a subsequent period an event that occurred after the recognition of the impairment results in a reduction in 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 overall result.

Available-for-sale financial assets

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 amount of the accumulated loss that is resumed from equity accounts in the statement of comprehensive income will be the difference between the acquisition cost (net of principal repayments

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and amortization) and current fair value, less any impairment loss 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, in a subsequent period, the fair value of an impaired investment increases, the increase in value will be recognized directly in other comprehensive income.

Given the intrinsic limitations of the methodologies applied and the significant uncertainty of the valuation of assets on international and local markets, the Company's estimates may be significantly revised after the date of approval of the 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 contractual cash flows related from that financial asset in a transaction in which it has significantly transferred all the risks and benefits of ownership.

The company derecognizes a financial debt when the contractual obligations have been concluded or when the contractual obligations are canceled or expire.

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

- its carrying amount and
- the amount consisting of (i) the consideration of the amount received (including any new asset acquired minus any new liability 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**

Property, plant and equipment recognised 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 discounts of a commercial nature and any costs that may be directly attributable to bringing the asset to its location and in the condition required for its use for the purpose desired by the management, 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.

The value of tangible and intangible fixed assets of the Company on December 31, 2022 and December 31, 2021 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
- Items of equipment, technical installations and machinery.

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- Means of transport.
- Other tangible fixed assets.

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

All fixed assets in the company's assets were used for the purpose of achieving the main object of activity, i.e. production contracted with customers for 2022 or for the purpose of achieving the secondary object of activity (for a small proportion of assets). They are recorded at fair value, classified in level 2 in the fair value hierarchy.

During 2022 there were no transfers between the categories of value hierarchy.

The re-evaluations were performed by specialized evaluators, ANEVAR members. The frequency of revaluations is dictated by the dynamics of the markets to which the land and buildings owned by the Company belong. Assets consisting of land and buildings that represent collateral under financing contracts are revalued annually, without these existing values being adjusted according to the results of these revaluations.

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

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

(ii) Amortization

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 |

Land is not subject to depreciation.

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

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

(iii) Sale / disposal of tangible and intangible assets

Tangible 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.

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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 any evidence of 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 has the ability to generate cash flows independently of other assets and other groups of assets. Impairment losses are recognized in the statement of comprehensive income.

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

Impairment losses recognised in prior periods are assessed at each reporting date to determine whether they have decreased or no longer exist. The impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Impairment losses are 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 grants. The policies adopted for the recognition and disclosure of investment grants received are as follows: a grant is recognized only when there is reasonable assurance that the entity will comply with the terms attached to the grant and that the grant will be received. The company recognizes these receivables on the date of collection or on a date close to the date of collection, at the same time as the recognition of a deferred income.

Deferred income is recognized as income from grants (Other income) as assets are depreciated. See **Note on Other income.**

Registered capital

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

Revaluation reserves

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

If the result of the revaluation is an increase in 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 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 the impairment when no revaluation reserve amount is recorded on that asset (revaluation surplus) or as a decrease in the revaluation reserve. with the minimum between the value of that reserve and the value of the decrease, and any difference left uncovered is recorded as an expense.

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The revaluation surplus included in the revaluation reserve is transferred to retained earnings when that surplus represents a realized gain. The gain is deemed to be realised when the asset for which the revaluation reserve was set up is derecognised.

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

In accordance with legal requirements, the Company has fully established legal reserves in the amount of 5% of the gross profit recorded, but not more than 20% of the share capital valid at the date of establishment of the reserve. These reserves are deductible when calculating income tax.

Dividends to be distributed

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

Provisions for risks and expenses

Provisions are recognised in the statement of financial position when an obligation arises for the Company as a result of a past event and it is probable that future economic resources will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation. In determining the provision, future cash flows are discounted using a pre-tax discount rate that reflects current market conditions and the risks specific to the liability.

Revenues from contracts with customers

Revenue from contracts with customers is recognized periodically and is measured on the basis of the Company's receipts and efforts to meet performance obligations in relation to the total expected receipts to meet the performance obligation. In determining revenue from contracts with customers, the entity continually assesses the level of actual costs against the initial, unrecognized costs and recognizes revenue only at the level of costs that contribute to the entity's progress and that have been reflected in the contract price, weighted by the quantity and physical stage of completion of the contract. The Company transfers to the customer over time (by phase) control over the goods fulfilling a performance obligation, thereby recognising revenue over time at each stage of completion. When recognising revenue over time, the company analyses the terms of the contract relating to the payment obligation, guarantees, remediation costs and any other costs that may affect contract performance and adjusts contract revenue accordingly.

Interest income

Interest income and expenses are recognized in the income statement and other comprehensive income through the effective interest method. The effective interest rate is the rate that exactly discounts the expected future cash payments and receipts over the expected life of the financial asset or liability (or, where appropriate, over 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.

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Short-term employee benefits include wages, 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 in respect of accrued and unused leave entitlements, short-term cash bonuses or profit-sharing schemes if the Company has a present legal or constructive obligation to pay those amounts as a result of past services rendered by employees and if that obligation can be measured reliably.

(i) Determined contribution plans

The company makes payments on behalf of its employees to the public pension system, health insurance and the employer's contribution for work in the normal course of business.

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

(ii) Long-term employee benefits

The Company's net liability in respect of long-term service benefits is the amount of future benefits that employees have earned in return for services rendered by them in the current and prior periods. According to the collective labor agreement, the Company is obliged to pay a fixed amount of between RON 1600-2000 to its employees upon retirement, depending on their length of service (at least 10 years).

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

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

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

Income and loss from exchange rate differences

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

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

Exchange differences arising on the settlement of monetary items or on the translation of monetary items at rates different from those at which they were translated on initial recognition (during the period) or in the previous financial statements are recognised as a gain or loss in the income statement and other comprehensive income in the period in which they arise.

Income tax

The profit tax for the year includes the current tax and the deferred tax.

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

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 all the adjustments related to the previous periods.

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For the period January 1-December 31, 2022, the profit tax rate was 16%.
The provisions of GEO 153/2020 were additionally applied.

Deferred tax is not recognised 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 they are not reversed in the foreseeable future.

The deferred tax is calculated on the basis of 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 assets and liabilities are offset only if there is a legal right to offset current tax debts and receivables and if they are related to the tax collected by the same tax authority for the same taxable entity or for different tax authorities but wishing to settle claims. and current tax liabilities using a net basis or the related assets and liabilities will be realized simultaneously.

The deferred tax asset is recognized by the Company only to the extent that 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 by 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 lease payments under the financial leasing contracts are divided proportionally between the leasing interest expense and the reduction of the leasing debt. The lease interest expense is allocated to each lease term in such a way as to produce a constant interest rate for the remaining lease debt.

Operational-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 particular geographic environment (geographic segment) and that 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;

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- 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 not obtaining the expected profit, as a result of price fluctuations, interest rates and exchange rates for foreign currency.

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 political and economic instability, there is a risk related to material availability and their volatile price, which may generate, in the short term, possible disruptions in the operational activity. The company also has a material procurement policy that offers protection for a period of 2-3 months, for confirmed orders, which ensures a balance, for the period in which we reposition ourselves vis-à-vis suppliers and vis-à-vis customers.

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

| | December 31, 2022 | | December 31, 2021 | |
|-------------------------------------------|--------------------------|-------------------|--------------------------|-------------------|
| | Book value | Fair value | Book value | Fair value |
| Receivables from contracts with customers | 56,778,201 | 56,778,201 | 55,557,013 | 55,557,013 |
| Trade receivables and other receivables | 4,338,219 | 4,338,219 | 2,600,683 | 2,600,683 |
| Down-payments granted for tangible assets | 995.184 | 995.184 | 485.196 | 485.196 |
| Grants receivable | 0 | 0 | 1,496,089 | 1,496,089 |
| Cash and cash equivalents | 14,319,879 | 14,319,879 | 7,563,505 | 7,563,505 |
| Short-term bank loan | -36,610,760 | -36,610,760 | -34,191,371 | -34,191,371 |
| Current part-lease | -221.831 | -221.831 | -235.702 | -235.702 |
| Deferred tax liabilities (current part) | -279.601 | -279.601 | -335.928 | -335.928 |

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

| | | | | |
|--------------------------|------------------|------------------|------------------|------------------|
| Trade and other payables | -34,276,114 | -34,276,114 | -29,332,297 | -29,332,297 |
| Total | 5,043,177 | 5,043,177 | 3,607,188 | 3,607,188 |

(ii) Interest rate risk

As at 31 December 2022 most of the Company's assets and liabilities are non-interest bearing, except for bank loans and leases. As a result, the Company is not significantly affected by the risk of interest rate fluctuations.

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

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

| Fixed rate financial instruments | 2022 | | 2021 | |
|----------------------------------------------------|-------------------------------------|--|--------------------------------|--|
| <i>Financial assets</i> | | | | |
| Working capital loan | 40,568,680 | | 34,191,371 | |
| Interest rate: | Euribor / Libor / Robor 1M + +1.15% | | Euribor/Libor/Robor 1M + 0.90% | |
| Leasing contract UNICREDIT Leasing Corporation IFN | 199 | | 251 | |
| Interest rate: Euribor 3M + 1.99% | | | | |
| PORSCHE Leasing contracts | 2,234 | | 4,685 | |
| Interest rate: PLP18FE 6.09% | | | | |
| BRD Sogelease Leasing contracts | 19,836 | | 12,736 | |
| Interest rate: Eur3M +2.40% | | | | |

Currency risk

Currency risk is the risk of recording losses or of not realizing the estimated profit due to 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 expressed in foreign currency (60%) and the Company's financial liabilities are expressed in foreign currency (39%) and in the national currency (61%) and therefore exchange rate fluctuations do not significantly affect the Company's activity. Exposure to exchange rate fluctuations is due to mainly current currency conversion transactions required for current payments in LEI.

(b) Credit risk

The Company is exposed to credit risk related to financial instruments arising from 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 62,111,604 lei as of December 31, 2022 and in the amount of 60,138,981 lei as of December 31, 2021 and can be analyzed as follows:

Receivables from contracts with customers, miscellaneous debtors and trade receivables

The status of receivables at the date of the financial statements (compared to the invoice date) was:

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| | Gross value as of December 31, 2022 | Impairment adjustments | Gross value as of December 31, 2021 | Impairment adjustments |
|---------------------------|----------------------------------------------------|-----------------------------------|----------------------------------------------------|-----------------------------------|
| Between 0 - 30 days | 35,971,802 | - | 38,844,006 | - |
| Between 31 - 60 days | 12,265,407 | - | 9,578,558 | - |
| Between 61 - 90 days | 10,476,265 | - | 9,496,744 | - |
| Between 91 - 180 days | 2,526,182 | - | 1,427,081 | - |
| Between 181 - 365 days | 584.694 | - | 600.513 | - |
| Over 365 days | 3,514,079 | 3,226,825 | 3,418,904 | 3,226,825 |
| Total | 65,338,429 | 3,226,825 | 63,365,806 | 3,226,825 |
| Total net: | 62,111,604 | | 60,138,981 | |

Receivables over 180 days old, without provisions, are within the contractual terms. See Note 8, 9 and 10. Out of the total receivables with an overdue maturity of more than 365 days, provisions were made for uncertain amounts.

(c) The risk related to the economic environment.

The Romanian economy continues to have 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 is concerned to estimate the nature of the changes that will take place in the world political and economic environment and, in particular, in Romania and what will be their effect on the financial situation and the operational and treasury result of the Company.

One of the features 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 foresee all the effects of the economic situation, considered 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 moment for the Company, is the evolution of the price of raw materials as well as the labor market regarding the training of qualified personnel in the field in which we operate, necessary for the operational success of the company.

(d) Operational risk.

Operational risk is defined as the risk of incurring losses or not achieving expected profits due to internal factors such as inadequate internal operations, inadequate staff or systems, or external factors such as economic conditions, changes in the capital market, technological developments, fluctuations in raw material prices. 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 can generate significant risks and the ways in which they manifest themselves, in order to eliminate or mitigate losses of a financial nature or concerning reputation.

(e) Capital adequacy

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

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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 Company accounting policies 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 information based on the methods described below. Where applicable, additional information on the assumptions used in determining fair value is disclosed in the specific notes on that asset or liability.

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

On December 31, 2022 and December 31, 2021, tangible and intangible assets evolved as follows:

| | Exp. on develop ment | Intangib le assets | Lands | Buildings | Technical installati ons and machinery | Other installati ons and furnitur e | Tangible assets in progress | Total | Advance p. for tangible assets | Total fixed assets* |
|-----------------------------------------------------|-------------------------------|-----------------------|-------------------|-------------------|-------------------------------------------------|-------------------------------------------------|-----------------------------------|--------------------|-----------------------------------------|------------------------|
| Cost | 203 | 205 | 211 | 212 | 213 | 214 | 231 | | 4093 | |
| Balance as of January 01, 2022 | 34863 | 1,248,485 | 21,247,075 | 40,590,779 | 94,579,714 | 443.346 | 417.237 | 158,561,499 | 485.196 | 159,046,695 |
| inputs | 25.001 | 99.058 | 0 | 37.857 | 616.343 | 60.521 | 5,262,762 | 6,101,542 | 3,019,475 | 9,121,017 |
| Domestic production | 0 | 0 | 0 | | 0 | 0 | 1,180,709 | 1,180,709 | 0 | 1,180,709 |
| Outflow (discarded assets) | 0 | 0 | 0 | 0 | -84.679 | 0 | 0 | -84.679 | -2.509 .487 | -2,594,166 |
| Internal transfers | 0 | 0 | 0 | 161.281 | 293.602 | 0 | -454.883 | 0 | 0 | 0 |
| Revaluation of fixed assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance as of December 31st, 2022 | 59.864 | 1,347,543 | 21,247,075 | 40,789,917 | 95,404,980 | 503.867 | 6,405,825 | 165,759,071 | 995.184 | 166,754,255 |
| Balance as of January 01, 2022 | 0 | 783.900 | 0 | 16,749,634 | 63,849,803 | 257.855 | 0 | 81,641,192 | 0 | 81,641,192 |
| Depreciation expense per year | 0 | 108.249 | 0 | 2,648,589 | 4,868,185 | 27.730 | 0 | 7,652,752 | 0 | 7,652,753 |
| Cumulative depreciation of outflows | 0 | 0 | 0 | 0 | -83.390 | 0 | 0 | -83.390 | 0 | -83.390 |
| Depreciation cancellation for revalued fixed assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance as of December 31, 2022 | 0 | 892.149 | 0 | 19,398,223 | 68,634,598 | 285.585 | 0 | 89,210,555 | 0 | 89,210,555 |

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***Total fixed assets includes advances fixed assets, for verification with line 26, balance sheet code S_1040;**

| | Exp. on development | Intangible Assets | Lands | Buildings | Technical installations and machinery | Other installations and furniture | Tangible assets in progress | Total | Real estate advances. | Total fixed assets* |
|-----------------------------------------------------|---------------------|-------------------|-------------------|-------------------|---------------------------------------|-----------------------------------|-----------------------------|--------------------|-----------------------|---------------------|
| | 203 | 205 | 211 | 212 | 213 | 214 | 231 | | 4093 | |
| Cost | | | | | | | | | | |
| Balance as of January 01, 2021 | 7.973 | 1,225,184 | 21,247,075 | 40,259,156 | 91,859,494 | 466.796 | 1,139,686 | 156,205,364 | 68.886 | 156,274,250 |
| inputs | 26780 | 81.783 | 0 | 12.290 | 471.940 | 0 | 2,982,182 | 3,574,975 | 416.310 | 3,991,285 |
| Domestic production | 0 | 0 | 0 | | 0 | 0 | 74.093 | 74.093 | 0 | 74.093 |
| Outflow (discarded assets) | 0 | -58.482 | 0 | 0 | -1,211,001 | -23.450 | 0 | -1,292,933 | 0 | -1,292,933 |
| Internal transfers | 110 | 0 | 0 | 319.333 | 3,459,281 | 0 | -3,778,724 | 0 | 0 | 0 |
| Revaluation of fixed assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance as of Dec. 31st, 2021 | 34863 | 1,248,485 | 21,247,075 | 40,590,779 | 94,579,714 | 443.346 | 417.237 | 158,561,499 | 485.196 | 159,046,695 |
| Accumulated depreciation | | | | | | | | | | |
| Balance as of January 01, 2021 | 0 | 656.741 | 0 | 14,134,616 | 60,257,029 | 257.128 | 0 | 75,305,514 | 0 | 75,305,514 |
| Depreciation expense per year | 0 | 127.159 | 0 | 2,615,018 | 4,682,051 | 24.177 | 0 | 7,448,405 | 0 | 7,448,405 |
| Cumulative depreciation of outflows | 0 | 0 | 0 | 0 | -1,089,277 | -23.450 | 0 | -1,112,727 | 0 | -1,112,727 |
| Depreciation cancellation for revalued fixed assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance as of December 31, 2021 | 0 | 783.900 | 0 | 16,749,634 | 63,849,803 | 257.855 | 0 | 81,641,192 | 0 | 81,641,192 |
| Net book value | | | | | | | | | | |
| On December 31, 2022 | 59.864 | 455.394 | 21,247,075 | 21,391,694 | 26,770,382 | 212.282 | 6,405,825 | 76,548,516 | 995.184 | 77,543,700 |
| On December 31st, 2021 | 34.863 | 464.585 | 21,247,075 | 23,841,145 | 30,729,911 | 185.491 | 417.237 | 76,920,307 | 485.196 | 77,405,503 |

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The company has in recent years 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 2022 the Company made investments in the amount of 7,282,250 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) 1500 kwp photovoltaic plant | 5,142,337 lei |
| b) Arrangement of access lane milling + routing + asphalt | 161.281 lei |
| c) other production and logistics equipment and machinery | 452.352 lei |
| d) Pellet production technological installation + Heating installation (on burners, with pellets) | 544.426 lei |
| e) IT technique + IT systems, including surveillance system Buildings | 353.299 lei |
| f) Temporary accommodation space for non-EU staff + furnishing + furniture | 212.830 lei |
| g) Cutting machines modernization | 286.113 lei |
| h) other investments | 129.612 lei |

The amortization method was a linear one throughout the financial year, its total amount was 7,652,753 lei. During the same period, the amount of 1,252,836 was resumed in income from investment subsidies. The company holds ownership papers for the land and buildings. The situation of the sureties in the form of mortgages is presented in note 14.

6. Financial assets available for sale

As of December 31, 2022, and December 31, 2021, Comelf SA no longer holds financial assets available for sale.

7. Inventories

On December 31, 2022, and December 31, 2021, the stocks record the following balances:

| | 31decembrie 2022 | December 31, 2021 |
|-----------------------------------------------|-------------------------|--------------------------|
| Raw materials | 14,180,582 | 11,009,245 |
| Auxiliary materials | 38.450 | 85.188 |
| Fuel + Machine oil | 4.802 | 50.902 |
| Inventory items | 388.314 | 412.865 |
| Other | 326.621 | 124.766 |
| Adjustments for depreciation of raw materials | -332 | -332 |
| Total | 14,938,437 | 11,682,634 |

The company has registered value adjustments for the depreciation of stocks as of December 31, 2022, in the amount of 332 lei.

In 2022, the expenses related to the above positions recognized in the cost of sales amounted to 88,380,936 lei (2021: 67,492,032 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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8. Receivables from contracts with customers

As of December 31, 2022, and December 31, 2021, the receivables from commercial contracts are as follows:

| | 31decembrie 2022 | December 31, 2021 |
|------------------------------------------------------------------------------|-----------------------------|------------------------------|
| Invoiced receivables from contracts with customers | 38,913,538 | 34,206,720 |
| Unbilled receivables from contracts with customers | 20,080,501 | 23,566,131 |
| Value adjustments regarding receivables from invoiced construction contracts | (2,215,838) | (2,215,838) |
| Total | 56,778,201 | 55,557,013 |

Receivables from customer contracts are shown net of advances received in the amount of 454,813 lei (31 December 2021: 951,168).

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:

| | 31decembrie 2022 | December 31, 2021 |
|------------------------|-------------------------|--------------------------|
| Between 181 - 365 days | - | - |
| Over 365 days | 2,215,838 | 2,215,838 |
| Total | 2,215,838 | 2,215,838 |

Below is an analysis by age of receivables from contracts with clients that are past due on 31.12.2022 but are not impaired:

December 31, 2021

| DEBT | Total | On time | Backlog <30 days | Backlog Between 30 - 90 days | Backlog > 90 days |
|-------------------------------------------|-------------------|----------------|--------------------------------|-------------------------------------------------|---------------------------------|
| Receivables from contracts with customers | 56,778,201 | 53,972,218 | 121.556 | 2,233,423 | 451.004 |

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 efficiency of the company in collecting its receivables. For the year 2022 (Average balance of customers / Turnover) x 365 days = 77 days, for the year 2021 it is 82 days. In general, the penalties are treated according to the contracts with each client and are solved by case-by-case negotiation. The procedure for accepting new clients is performed in accordance with the bidding-contracting procedures outlined in the procedure's manual. These procedures are reviewed periodically.

9. Trade receivables and other receivables

On December 31, 2022 and December 31, 2021, trade and other receivables are as follows

| | 31decembrie 2022 | December 31, 2021 |
|---------------------------------------------------------------------------------|-------------------------|--------------------------|
| Receivables from sales of goods | - | - |
| VAT to be recovered | 2,567,367 | 1,266,930 |
| Down-payments made to domestic suppliers. (Excluding those for fixed assets) | 137.297 | 142.850 |
| Down-payments made to external suppliers | 464.261 | 93.588 |
| Down-payments made to fixed assets suppliers | 995.184 | 485.196 |
| Grants receivable | - | 1,496,089 |
| Different debtors | 802.486 | 660.111 |

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| | 31decembrie 2022 | December 31, 2021 |
|-------------------|-------------------------|--------------------------|
| Other receivables | 1,377,795 | 1,448,191 |
| Value adjustments | -1,010,987 | -1,010,987 |
| Total | 5,333,403 | 4,581,968 |

Below is an analysis by age of trade receivables and other receivables that are past due on 31.12.2022 but which are not depreciated:

December 31, 2021

| DEBT | Total | On time | Backlog <30 days | Backlog Between 30 - 90 days | Backlog > 90 days |
|-----------------------------------------|------------------|----------------|--------------------------------|-------------------------------------------------|---------------------------------|
| Trade receivables and other receivables | 5,333,403 | 2,590,581 | 2,189,104 | 93.588 | 460.130 |

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

10 . Impairment adjustments for current assets

The evolution of impairment adjustments on current assets in 2022 was as follows:

| | Balance on 01 January 2022 | increases | Decreases | Balance on December 31st, 2022 |
|-----------------------------------------------------------------------|---------------------------------------|------------------|------------------|-----------------------------------------------|
| 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 receivable with a long history, which was collected in January 2023.

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 is an adjustment of secured debts over 365 days old, related to a client.

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

11. Cash and cash equivalents

On December 31, 2022, and December 31, 2021, cash and cash equivalents are as follows:

| | 31decembrie 2022 | December 31, 2021 |
|------------------------------------------------------|-------------------------|--------------------------|
| Amounts available in bank accounts in local currency | 665.242 | 516.996 |

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

| | | |
|--------------------------------------------------------|-------------------|------------------|
| Amounts available in bank accounts in foreign currency | 13,650,966 | 7,039,238 |
| Cash | 3.671 | 6.206 |
| Other amounts available | - | 1.065 |
| Total | 14,319,879 | 7,563,505 |

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

Liquidity management

The responsibility for the liquidity risk lies with the Board of Directors and 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, 2022**DEBT**

| | Total | <1 Month | 1 - 3 months | 3 months - 1 year | > 1 year |
|-------------------------------------------|-------------------|--------------------|---------------------|--------------------------|--------------------|
| Receivables from contracts with customers | 56,778,201 | 31,411,574 | 20,267,854 | 5,098,773 | 0 |
| Trade receivables and other receivables | 5,333,304 | 2,590,581 | 2,189,104 | 395.135 | 0 |
| Current tax receivables | 0 | 0 | 0 | 0 | 0 |
| Cash and cash equivalents | 14,319,879 | 14,319,879 | | | |
| TOTAL | 76,431,384 | 48,322,034 | 22,456,958 | 5,652,491 | - |

December 31, 2022**LIABILITIES**

| | Total | <1 Month | 1 - 3 months | 3 months - 1 year | > 1 year |
|-----------------------------------------|-------------------|--------------------|---------------------|--------------------------|--------------------|
| Trade and other payables | 34,271,900 | 27,586,511 | 3,176,499 | 3,508,890 | 0 |
| Current part - leasing loans | 226.045 | 19.637 | 57.369 | 149.039 | |
| Deferred tax liabilities (current part) | 279.601 | 0 | 69.900 | 209.701 | 0 |
| Overdraft (repayment 1 year) | 3,957,920 | | | 3,957,920 | |
| Overdraft (current part) | 36,610,760 | 36,610,760 | 0 | 0 | 0 |
| TOTAL | 75,346,226 | 64,216,908 | 3,303,768 | 7,825,550 | 0 |

December 31, 2021**DEBT**

| | Total | <1 Month | 1 - 3 months | 3 months - 1 year | > 1 year |
|-------------------------------------------|-------------------|--------------------|---------------------|--------------------------|--------------------|
| Receivables from contracts with customers | 55,557,013 | 28,017,107 | 21,986,785 | 5,553,121 | 0 |
| Trade receivables and other receivables | 4,581,968 | 1,429,364 | 2,757,469 | 395.135 | 0 |
| Current tax receivables | 0 | 0 | 0 | 0 | 0 |
| Cash and cash equivalents | 7,563,505 | 7,563,505 | 0 | 0 | 0 |
| TOTAL | 67,702,486 | 37,009,976 | 24,744,254 | 5,948,256 | - |

December 31, 2021

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| LIABILITIES | Total | <1 Month | 1 - 3 months | 3 months - 1 year | > 1 year |
|-----------------------------------------|-------------------|--------------------|---------------------|--------------------------|--------------------|
| Trade and other payables | 29,332,297 | 14,880,631 | 10,564,618 | 3,887,048 | 0 |
| Bank loans (other than overdraft) | 235.702 | 19.732 | 58.414 | 157.556 | |
| Deferred tax liabilities (current part) | 335.928 | 0 | 83.981 | 251.947 | 0 |
| Overdraft (extended annually) | 34,191,371 | 34,191,371 | 0 | 0 | 0 |
| TOTAL | 64,095,298 | 49,091,734 | 10,707,013 | 4,296,551 | 0 |

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

In 2022 there were no changes to the value of the share capital (13,036,325.34 LEI) and the number of shares (22,476,423 shares).

As at 31 December 2022 and 31 December 2021 the Company's shareholding structure is:

| | 2022 | | | 2021 | | |
|--------------------|-------------------------|-------------------------|-------------|-------------------------|-------------------------|-------------|
| | 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, 2022 | December 31, 2021 |
|------------------------------------|--------------------------|--------------------------|
| Social capital | 13,036,325 | 13,036,325 |
| Share capital adjustments - IAS 29 | 8,812,271 | 8,812,271 |
| Social capital 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 (earnings).

b) Reserves and retained result

Below is a breakdown of the lines in the statement of financial position representing reserves and retained earnings.

The lines marked in bold can be found both in the financial position statement and in the capital change statement where the variation from 12.31.2022 to 12.31.2021 is explained.

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| | Financial year ended on 31 Dec 2022 | Financial year ended on 31 Dec 2021 |
|----------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|
| Legal reserves | 2,607,265 | 2,607,265 |
| Reserves and revaluation differences | <u>32,423,851</u> | <u>30,844,391</u> |
| Differences from revaluation of fixed assets | 37,272,233 | 39,019,742 |
| Temporary differences in deferred income tax recognized on account of capital | -4,848,382 | -8,175,351 |
| Reserves from the revaluation of available-for-sale financial instruments | - | - |
| Other reserves (account 1068) | 15,861,059 | 15,861,059 |
| Profit carried forward and profit (retained earnings) | <u>5,503,751</u> | <u>4,279,347</u> |
| The carried forward result representing the surplus realized from revaluation reserves | 14,059,405 | 12,591,497 |
| 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 | 4,142,212 | 4,285,589 |
| Profit distribution | 0 | 0 |
| Total Reserves and retained result | <u>56,395,926</u> | <u>53,592,062</u> |

Capital management**(a) Legal reserves**

In accordance with legal requirements, the Company establishes legal reserves in the amount of 5% of the gross profit recorded under IFRS in 2022 but not more than 20% of the share capital valid at the date of establishment of the reserve.

Legal reserves cannot be distributed to shareholders but can be used to cover cumulative losses. On 31.12.2022, the Company had already constituted the legal reserve up to the amount of these limits.

(b) Revaluation reserves

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

(c.) Dividends

During 2022, in accordance with the Decision of the Ordinary General Meeting of Shareholders, the Company decided to distribute dividends from the earnings of the financial year ended December 31, 2021. The Company declared dividends in the amount of 1,500,000 lei (representing 0.0667 lei/share) and paid during 2022 to the shareholders the amount of 1,357,941 lei representing dividends distributed in the current and previous years. On December 31, 2022, the balance of dividends payable is 422,962 lei

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

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| | 2022 | 2021 |
|-------------|-------------|-------------|
| Dividends | 4,142,212 | 1,500,000 |
| lei / share | 0.1843 | 0.0667 |

From the profit of 2022 in the amount of 4,142,212 lei, in accordance with the proposal of the Board of Directors, the amount of 4,142,212 lei will be distributed as dividends. The gross dividend that would be granted in 2022 would be 0.18 lei/share.

13. Loans**a) Credit line**

As at 31 December 2022 the Company has a working capital loan agreement with ING Bank Romania - contract no. 11438/09.11.2011, with annual maturity, renewed in November each year. The object of the contract is a credit facility in the amount of EUR 8,400,000, of which the Company has repaid in December 2022 the first installment of EUR 200,000, thus the amount of the credit facility as at 31.12.2022 is EUR 8,200,000, and during 2023 the Company will repay the amount of EUR 800,000 in 4 equal quarterly installments. The loan was taken out to provide temporary working capital to support operating activities in line with the new cash conversion cycle.

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

- for the amounts in euro used from the loan option, the annual interest rate is EURIBOR / LIBOR/ ROBOR 1M plus a margin of 1.15% per year;

As at 31 December 2022, the Company has a total balance of the credit line in the amount of 40,568,680 lei (31 December 2021: 34,191,371 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 EUR 18,110.40, payable in 60 monthly installments. The contract matures in February 2023.

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

Leasing contracts no. 234267, 234268, 234269 were concluded on 08.01.2019, financier Porsche Leasing, financed value EUR 38,443.31, payable in 60 monthly installments, maturing in 2024.

Also during 2019, the Company engaged in the purchase of a CLOOS robotic welding system, under leasing. Leasing contract no. 120882 was concluded on 22.05.2019, financier BRD Sogelease, the financed value is 179,660.70 euros, payable in 60 of monthly installments.

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

- Land with an area of 13,460 sqm and buildings with a built-up area of 12,600 sqm, with topographic number 8118/1/6, registered in CF 8685 of Bistrita locality, inventory value = 2,780,904 lei.
- Land with an area of 20,620 sqm and buildings with a built-up area of 17,894 sqm, with 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 buildings with a built-up area of 572.93 sqm, bearing 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.
- Pledge of technological equipment with a net book value on 31.12.2022 of 2,139,836 lei.

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14. Trade and other payables

As of December 31, 2022 and December 31, 2021, trade payables and other payables are as follows:

| | 31decembrie 2022 | December 31, 2021 |
|-------------------------------|-------------------|-------------------|
| Trade payables | 26,881,082 | 23,790,980 |
| Debts to budgets | 3,811,126 | 2,325,826 |
| Debts to staff | 3,012,548 | 2,534,581 |
| Silver dividend | 422.962 | 547.993 |
| Other loans and similar debts | 144.182 | 132.917 |
| Total | 34,271,900 | 29,332,297 |

The commercial debts in the amount of 34,271,900 lei (December 31st, 2022 2021: 29,332,297 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 2022 (Average supplier balance/Turnover) x 365 days = 53 days, for the year 2021 it was 48 days.

As of December 31st, 2022 and December 31st, 2021, debts to budgets mainly include contributions related to wages.

15. Revenues from contracts with customers

| | December 31, 2022 | December 31, 2021 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| Revenues from contracts with customers related to delivered goods, for which the full transfer of ownership to the customer was achieved (ct 701) | 160,711,763 | 123,934,745 |
| Revenues from contracts with clients, recognized by execution stages, estimated at the level of receivables entered in contracts, in proportion to the actual expenditure related to the planned expenditure, for the same execution phase (balance 711500) | -3,364,634 | 6,628,228 |
| TOTAL | 157,347,129 | 130,562,973 |

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 stages 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 stages), to the client, the control over the goods fulfilling an execution obligation, thus recognizing revenues in time, at each execution stage. The company manufactures goods based on designs, only at the request of customers, based on firm orders. The evaluation of the revenues from the contracts with the clients, on execution stages, 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 contract balanced with the evolution of the corrected actual cost (without negative deviations) for the execution of the contract.

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16a. Other revenue related to turnover

The position includes:

| | 2022 | 2021 |
|---------------------------------------------|-------------------|------------------|
| Rental income | 141.425 | 112.211 |
| Income from various activities | 7,193,949 | 3,919,872 |
| Revenues from the sale of residual products | 3,092,814 | 3,377,389 |
| Revenue from services rendered | 1,890,115 | 1,260,361 |
| Total | 12,318,303 | 8,669,833 |

16b. Other incomes

The position includes:

| | 2021 | 2021 |
|--------------------------------------|------------------|------------------|
| Income from investment grants | 1,252,835 | 1,611,454 |
| Income from operating subsidies | - | 25.138 |
| Income from disposed of fixed assets | 5.148 | 370.588 |
| Other | 343.221 | 808.743 |
| Total | 1,601,204 | 2,815,923 |

The income from the production of tangible fixed assets of 2022 was offset against the related expenses as per the provisions of Order 2844/ 2016 as follows: expenses with raw materials and other material expenses amounting to 958,785 lei, personnel expenses amounting to 197,331 lei, other expenses related to income amounting to 24,593 lei. Therefore, the amount recorded in position 16b Other income, in the amount of 1,601,205 lei, does not include the income from immobilized production in the total amount of 1,180,709 lei.

The income from the production of tangible fixed assets of 2021 was offset against the related expenses as per the provisions of Order 2844/ 2016 as follows: expenses with raw materials and other material expenses amounting to 74,093 lei. Therefore, the value registered in position 16b Other income, in the amount of 2,815,923 lei, does not contain the income from the fixed production in the total amount of 74,093 lei.

In the category Other Income 2,139,835 , the amount of 265,461 lei represents distributed dividends related to the financial years 2017 and 2018, for which the statute of limitations is fulfilled and which were transferred to income.

The turnover on December 31, 2022 is 173,218,840 lei (December 31, 2021: 132,605,553 lei).

17. Staff costs

The average number of employees on December 31st, 2021 and December 31st, 2020 was as follows:

| | 2022 | % | 2021 | % |
|-------------------------------------|-------------|-------------|-------------|-------------|
| Direct productive staff | 399 | 63% | 411 | 64% |
| Management and administration staff | 237 | 37% | 236 | 36% |
| Total | 636 | 100% | 647 | 100% |

Staff costs were as follows:

| | 2021 | 2021 |
|----------------------------------------------------|-------------------|-------------------|
| Staff salary expenses | 42,171,833 | 38,148,968 |
| Expenses with meal vouchers | 3,078,130 | 2,643,318 |
| Expenses regarding insurance and social protection | 2,035,233 | 1,637,377 |
| Total | 47,285,196 | 42,429,663 |

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On December 31, 2022, out of the total amount of 47,285,196, 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 197,331 lei. See also Note on other income.

As of December 31, 2021, out of the amount of 42,429,663, no salary expenses related to income from the production of fixed assets were deducted, according to the provisions of Order 2844/2016.

The amounts awarded to key management personnel, Board members and directors, were as follows (gross amounts) and are included in the amounts shown above. Staff costs are shown gross. Gross expenses with staff are recorded.

| | 2022 | 2021 |
|--------------------------------------|------------------|------------------|
| Salary expenses - managers/directors | 2,085,039 | 1,838,433 |
| B.D. allowance | 230.815 | 252.490 |
| Total | 2,315,854 | 2,090,923 |

The company did not grant loans or advance payments to the members of the administrative, management or supervisory bodies in 2022 and 2021.

As of *December 31, 2022*, the management of the company COMELF SA had the following composition:

- Members of the Company's Board of Directors:

| | |
|-----------------|----------|
| Savu Constantin | Chairman |
| Babici Emanuel | member |
| Mustata Costica | member |
| Sofroni Vlad | member |
| Parvan Cristian | member |

- Members of the Executive Management of the Company:

| | |
|----------------------|---------------------------------------------------|
| Cenusa Gheorghe | General Manager |
| Pop Mircea | Deputy General Manager Business Operation |
| Oprea Paul | Deputy General Manager - Technical and Production |
| Tatar Dana | Economic Manager |
| Jurje Valeriu | AQM Manager |
| Barbuceanu Florentin | Factory Executive Director |
| Viski Vasile | Factory Executive Director |
| Campian Cosmin | Factory Executive Director |

As of *December 31, 2021*, the management of the company COMELF SA had the following composition:

- Members of the Company's Board of Directors:

| | |
|-----------------|----------|
| Savu Constantin | Chairman |
| Babici Emanuel | member |
| Mustata Costica | member |
| Maistru Ion | member |
| Parvan Cristian | member |

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- Members of the Executive Management of the Company:

| | |
|----------------------|---------------------------------------------------|
| Cenusa Gheorghie | General Manager |
| Pop Mircea | Deputy General Manager Business Operation |
| Oprea Paul | Deputy General Manager Engineering and Production |
| Tatar Dana | Economic Manager |
| Jurje Valeriu | AQM Manager |
| Barbuceanu Florentin | Factory Executive Director |
| Viski Vasile | Factory Executive Director |
| Campian Cosmin | Factory Executive Director |

18. Shipping costs.

This position includes:

| | 2022 | 2021 |
|---------------------------------------------|------------------|------------------|
| Expenses for the transport of raw materials | 1,379,729 | 931.314 |
| Expenses for transporting finished products | 4,271,606 | 4,040,688 |
| Expenses for transporting employees | 771.460 | 673.218 |
| Other transport costs | - | - |
| Total | 6,422,795 | 5,645,220 |

19a. Other expenses related to income

| | 2022 | 2021 |
|--------------------------------------------------------|-------------------|------------------|
| Maintenance and repair expenses | 1,384,475 | 1,071,772 |
| Rent expenses | 295.911 | 373.204 |
| Insurance expenses | 363.975 | 361.942 |
| Expenses with personnel training | 72.225 | 89.484 |
| Outsourcing expenses | 2,366,562 | 1,463,568 |
| Expenses regarding commissions and fees | 1,256,057 | 969.932 |
| Protocol expenses | 57.404 | 37.362 |
| Expenses with travel, secondments and transfers | 73.290 | 35.760 |
| Postal charges and telecommunications charges | 502.557 | 382.318 |
| Expenses with banking and similar services | 120.429 | 122.534 |
| Other expenses with services provided by third parties | 2,679,642 | 2,403,995 |
| Expenses with other taxes and fees | 1,096,011 | 1,121,334 |
| Total | 10,268,538 | 8,433,205 |

From the total amount of 10,268,538 lei (December 2022) were deducted other expenses for services rendered by third parties related to income from the production of fixed assets, according to the provisions of Order 2844 / 2016, for the amount of 958,785 lei. See also Note on other income.

From the amount of 8,433,205 lei (December 2021), other expenses for services rendered by third parties related to income from the production of fixed assets have not been deducted, as required by Order 2844/2016.

19b. Other expenses

| | 2022 | 2021 |
|--------------|----------------|----------------|
| Total | 300.114 | 700.104 |

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On 31.12.2022, the position includes the amount of 1,912 lei, representing commercial penalties; 295,300 lei represent donations and sponsorships; the difference of 2,902 represents other current operating expenses.

As at 31.12.2021 the position includes the amount of 398,079 lei, representing commercial penalties; 214,385 lei represent donations and sponsorships; the balance of 87,640 represents other current operating expenses.

20. Income tax

The Company's current profit tax as of December 31, 2021 is determined at a statutory rate of 16% based on IFRS profit.

The income tax expense related to the year ended December 31, 2022 and the year ended December 31, 2021 is detailed as follows:

| | 2022 | 2021 |
|----------------------------------------|----------------|----------------|
| Current income tax expense | 461.774 | 397.030 |
| (Income) / deferred income tax expense | - | - |
| Total | 461.774 | 397.030 |

Reconciliation of profit before tax to income tax expense in the income statement:

| Corporate tax reconciliation | 2022 | 2021 |
|-----------------------------------------------------------------------------------------------------|------------------|------------------|
| Profit of the period | 4,142,212 | 4,285,589 |
| Income tax expense | 461.774 | 397.030 |
| Profit before tax | 4,603,986 | 4,682,619 |
| Local tax rate of the entity | 16% | 16% |
| | 736.638 | 749.219 |
| Profit tax calculated using the entity's local tax rate | | |
| The influence of the deductible legal reserve established during the period | - | - |
| Influence of reserves set up on account of tax-exempt reinvested earnings | - | - |
| The influence of non-taxable income | -53.493 | -145.183 |
| The influence of income-like items: revaluation differences that become taxable | 279.601 | 335.928 |
| The influence of non-deductible expenses | 66.942 | 45.195 |
| Minus amounts representing sponsorship | -205.938 | -197.032 |
| Income tax calculation for the period, of which: | 823.750 | 788.127 |
| Profit tax recorded directly in equity, related to revaluation differences that have become taxable | 279.601 | 335.928 |
| Bonus 2+3+5% (2022) cf. GEO 153/2020 2+5% (2021) of payment tax cf. GEO 153/2020 | -82.375 | -55.169 |
| Income tax charged on expenses | 461.774 | 397.030 |

21. Provisions for risks and expenses

As of December 31, 2022, the Company has registered provisions for risks and expenses in the amount of 1,144,728 lei (1,141,564 lei as of December 31, 2021). Their summarized situation is presented below:

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| | Provision for guarantees | Pension provision | Provision for litigation | Other provisions | Total |
|-----------------------------------------------------------|--------------------------------|----------------------|--------------------------------|---------------------|------------------|
| Balance as of January 01, 2021 | 0 | 105.086 | 0 | 1,036,478 | 1,141,564 |
| Established during the interval | 0 | 56.844 | | 15.179 | 72.023 |
| Used during the interval | 0 | 0 | 0 | 0 | 0 |
| Real estate receivables value adjustments (ct 2968) | 0 | | | | 0 |
| Resumed during the interval | 0 | 0 | 0 | (68.859) | (68.859) |
| Balance as of December 31st, 2021 | 0 | 161.930 | 0 | 982.798 | 1,144,729 |
| Long-term | 0 | 161.930 | 0 | 0 | 161.930 |
| short term | 0 | 0 | 0 | 982.798 | 982.798 |

- **Pension provisions in the amount of 161,930 lei (December 31, 2021: 105.086 lei).**

According to the collective labor contract, the Company offers cash benefits depending on the length of service upon retirement for employees. The provisioned amount was calculated taking into account the amount provided for retirement based on seniority in the company, the time left until retirement for each employee adjusted by the average variance rate of the Company's staff in the last 5 years, i.e. 23.49%.

- **Other provisions in the amount of 982.798 lei (December 31, 2021: 1,036,478 lei) include:**
 - The provision related to redemptions of pension insurance policies for the amount of 809,326 lei, are loyalty pension rights of COMELF employees, granted based on the law and the Collective Labor Agreement, to be paid to employees (short term).
 - The amount of 173,472 includes a provision for potential commercial penalties, according to commercial contracts and customer notifications.

22. Deferred tax liabilities

Deferred tax liabilities as of December 31, 2022 are generated by the items detailed in the following table:

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|------------------------------------------------------------------------------------|---------------------------|---------------------------|
| Deferred tax receivables | - | - |
| Deferred tax liabilities related to reserves made up of reinvested earnings | (922.602) | (922.602) |
| Deferred tax liabilities related to revaluation differences of tangible assets. | (4,848,382) | (8,175,351) |
| Deferred tax, net | <u>(5,770,984)</u> | <u>(9,097,953)</u> |

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23. Deferred income

1) In 2010, the Company concluded with the Ministry of Economy, Trade and Business Environment ("Ministry") the financing contract no. 1704/ 8/20/2010 which governs the granting of a non-reimbursable financial aid from the state budget through the "Program for increasing the competitiveness of industrial products" administered by the Ministry for the implementation of the project "Assimilation of advanced technologies for processing 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 processing 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 2022, the Company resumed in revenue the amount of 24.776 lei (2021: 70,407 lei), representing amortization of subsidies, subsidy which on 31.05.2022 was fully amortized.

2) The company received a government subsidy in 2013 in the amount of 16,848,613 lei as part of 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 2022, the Company resumed in revenue the amount of 1,042,476 lei (2021: 1,456,477 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 AM 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 "Utilities consumption and production monitoring system and energy management software license" was put into operation, revenues from subsidies were recorded within this project in 2022 in the amount of 84,557 lei (2021: 84,570 lei).

4) The company signed in 2020 (11.06.2020) a financing contract within the EEA and Norway Grants 2014 - 2021, with the objective of granting non-refundable financing by Innovation Norway for the implementation of the project, "An investment in a smarter future and more efficient", the total value of the financing contract was EUR 632,500, of which non-refundable financing in the amount of up to EUR 350,000. In November 2021, "a unit for the production of renewable energy from photovoltaics with a capacity of 1,200 MWH / year" was put into operation. The total value of the investment on 31.12.2021 was 2,998,953 lei, of which the amount of the subsidy received in March 2022 is 1,513,994 lei.

On December 31, 2022, the Company resumed the amount of 101,027 lei, representing amortization of subsidies.

The accounting policies adopted are presented in Note 3.

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24. Earnings per share

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

| | December 31st, 2022 | December 31st, 2021 |
|----------------------------------------------|--------------------------------|----------------------------|
| Profit attributable to ordinary shareholders | 4,142,212 | 4,285,589 |
| Balanced average number of ordinary shares | 22,476,423 | 22,476,423 |
| Basic earnings per share | 0.18 | 0.19 |

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

25. Net financial expenses

The financial elements are the following:

| | December 31st, 2022 | December 31st, 2021 |
|-------------------------------------------------|----------------------------|----------------------------|
| Interest income | 133 | 23.085 |
| Income from exchange rate differences | 1,334,691 | 144.636 |
| Other items of financial income | 872.816 | 651.612 |
| Total financial income | 2,207,640 | 819.333 |
| Interest expenses | (545.196) | (320.668) |
| Expenses with exchange rate differences | (1,899,793) | (1,062,674) |
| Other items of financial expenditure, of which: | (1,331.862) | (704.832) |
| Total financial expenses | (3,776,851) | (2,088,174) |

Income and expenses from exchange rate differences refer to the following items in the financial statements: short-term and long-term loans, including leasing: net amount December 2022 of RON 799,961 (December 2021: 531,768 lei), third party accounts: December 2022 net amount of 317,654 lei (December 2021: 53,320 lei), availability: December 2022 net amount of 147,537 lei (December 2021: 386,270 lei), and other 3 smaller amounts for other positions.

Other items of income and financial expenses mainly represent discounts granted for advance payments compared to due dates.

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

Environmental regulations are in development in Romania, and the Company did not register any obligations on December 31, 2022 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 affiliated 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;

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- 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.

Such entities 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 S.A. has drawn up the transfer pricing file for 2021 and will update it for 2022 by the legal deadline.

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 based on the framework commercial contracts in which the rights and obligations of each party are stipulated, specifying the type of contract:

- - commission/brokerage contract, consultancy contract, electricity purchase 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 contact clauses.

| Affiliated party | Activity | Description of the type of business relation |
|---------------------------------|-----------------------------------------------------------|-----------------------------------------------------|
| Uzinsider SA | Management consulting services | Uzinsider SA is the majority shareholder |
| Uzinsider Techo SA | Trade intermediation services for industrial products | |
| Uzinsider General Contractor SA | Collaborations on turnkey objectives Electricity trade | |
| Promex SA | Collaborations in the manufacture of subassemblies | |
| 24 Ianuarie SA | Collaborations in the manufacture of subassemblies | |
| Uzinsider Engineering SA | 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.

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a) Receivables and payables from related parties

As at 31 December 2022 and 31 December 2021, receivables from related parties are as follows:

| Receivables from | December 31st, 2022 | December 31st, 2021 |
|---------------------------------|----------------------------|----------------------------|
| Uzinsider Techo SA | 10,534,289 | 7,937,351 |
| Uzinsider General Contractor SA | 237.418 | 237.418 |
| Promex SA | - | - |
| 24 Ianuarie SA | - | - |
| Total | 10,771,707 | 8,174,769 |

As of December 31st, 2022 and December 31st, 2021, the debts to the affiliated parties are as follows:

| Debts to | December 31st, 2022 | December 31st, 2021 |
|---------------------------------|----------------------------|----------------------------|
| Uzinsider SA | 162.068 | 162.068 |
| Uzinsider Techo SA | 785.034 | 1,266,890 |
| Uzinsider General Contractor SA | 1,173,985 | 1,100,425 |
| Promex SA | - | - |
| 24 Ianuarie SA | - | - |
| Uzinsider Engineering SA | - | - |
| Total | 2,121,087 | 2,529,383 |

b) Affiliated party transactions

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

| Sales in the year ended at: | December 31st, 2022 | December 31st, 2021 |
|------------------------------------|----------------------------|----------------------------|
| Uzinsider Techo SA | 16,619,749 | 16,392,427 |
| Uzinsider General Contractor SA | 169.065 | 1,052,333 |
| Promex SA | - | - |
| 24 Ianuarie SA | 33.099 | - |
| Uzinsider Engineering SA | - | - |
| Total | 16,821,913 | 17,444,760 |

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 31st, 2022 | December 31st, 2021 |
|-------------------------------------------|----------------------------|----------------------------|
| Uzinsider SA | 817.152 | 817.152 |
| Uzinsider Techo SA | 990.914 | 1,050,603 |
| Uzinsider Engineering Galati | - | - |
| Uzinsider General Contractor SA | 9,481,755 | 6,319,053 |
| Promex SA | - | - |
| 24 Ianuarie SA | 579 | - |
| Total | 11,290,400 | 8,186,808 |

Payment of dividends due to Uzinsider SA Bucharest was made in full during 2022 (Note 12 item c)

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As there were no delays as to the contract deadlines, 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 method - payment orders, no guarantees, and no penalties for non-payment.

28. Capital commitments

Procurement commitments for the period 2023 are limited to own sources of financing and are estimated at EUR 1.3 million.

29. Operational segment reporting

The productive activity of the Company takes place within the factories organized as 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 review activities 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, motor 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 pavers), components for earthmoving machines (augers, booms, frames), mobile presses for compacting car bodies, fixed presses and machine components for compacting metal waste, telescopic cranes, subassemblies for heavy-duty dumpers.

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*(All amounts are expressed in LEI, unless otherwise indicated)***Reporting by operating segments**

| | FPI | | FUET | | TERRA | | Center | | Total | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|--------------------|--------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| External revenues of the segment | 52,063,628 | 42,676,787 | 70,531,395 | 61,500,920 | 38,766,147 | 29,963,396 | 11,274,950 | 7,982,694 | 172,636,120 | 142,123,797 |
| Total segment revenues | 52,063,628 | 42,676,787 | 70,531,395 | 61,500,920 | 38,766,147 | 29,963,396 | 11,274,950 | 7,982,694 | 172,636,120 | 142,123,797 |
| Net financial costs | -249.661 | -292.943 | -521.339 | -428.903 | -330.829 | -254.327 | -467.382 | -292.668 | -1,569,211 | -1,268,841 |
| Depreciation and amortization | 1,777,030 | 1,849,571 | 2,943,696 | 2,975,371 | 1,983,768 | 1,981,215 | 948.259 | 743.649 | 7,652,753 | 7,527,361 |
| Income tax expense | -227.343 | - | 9.417 | -320.295 | -51.487 | - | -192.361 | -76.735 | -461.774 | -397.030 |
| The net result for the interval | 1,220,579 | -1,123,397 | 92.245 | 2,261,533 | 273.839 | -459.532 | 2,555,549 | 3,606,985 | 4,142,212 | 4,285,589 |
| Segment assets | 50,037,646 | 49,835,933 | 76,708,517 | 76,214,926 | 39,956,561 | 39,935,639 | 1,215,712 | -11,177,160 | 167,918,436 | 154,809,338 |
| Investments in associated entities | | | | | | | 0 | 0 | 0 | 0 |
| Segment debts | 35,188,461 | 37,244,106 | 44,025,860 | 43,730,530 | 28,658,117 | 28,738,861 | -18,198,524 | -30,344,817 | 89,673,914 | 79,368,680 |

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

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

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In the total operational revenues of the segment in the amount of 172,636,120 lei (fy 2022:) and 142,123,797 lei (fy 2021) the major types of products and services are the following:

| | 31decembrie 2022 | December 31, 2021 |
|--------------------------------------------------------|-------------------------|--------------------------|
| Equipment for power-generation industry and components | 67,814,175 | 75,419,350 |
| Equipment for earthworks and components | 77,412,996 | 44,140,196 |
| Lifting and handling equipment | 6,501,234 | 5,566,020 |
| Manufacture of rolling stock | 9,594,630 | 11,841,662 |
| Other types | 11,313,085 | 5,156,569 |
| TOTAL | 172,636,120 | 142,123,797 |

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

| | 31decembrie 2022 | December 31, 2021 |
|-----------------------------|-------------------------|--------------------------|
| Income from Romania | 30,885,401 | 30,808,554 |
| Income from outside Romania | 141,750,719 | 111,315,243 |
| TOTAL | 172,636,120 | 142,123,797 |

Through our contracting policy we have avoided being significantly dependent on a single customer. Our clients are world-renowned companies, and our policy is to develop business relationships with strong companies that provide the basis for a reliable and forward-looking collaboration. The main countries to which these clients belong are: ITALY, GERMANY, SWEDEN, NORWAY, AUSTRIA, NETHERLANDS, SWITZERLAND, ENGLAND, FRANCE.

Our main customers that have a share in turnover higher than 5% of related revenues and the business segment where these revenues are included are the following:

| Partner | Income share (> 10%) | Income | The segment in which revenues are included |
|--------------------|--------------------------------|---------------|---------------------------------------------------|
| Komatsu | 15.04 % | 26,055,647 | Equipment for earthworks and components: FUET |
| Uzinsider Techo SA | | | Equipment for energy industry, end |

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| | | | |
|---------------|---------|------------|----------------------------------------------------------------------------------------|
| | 11.42 % | 19,783,312 | customer General Electric |
| Tesmec | 11.35% | 19,656,074 | Equipment for earthworks, rolling stock manufacturing and their components: FUET + FCT |
| Tekhnint SA | 11,12% | 19,269,730 | Equipment for earthworks, rolling stock manufacturing and their components: FPI + FCT |
| Doosan Norway | 10,18% | 14,355,375 | Earth-Moving quipment and its components: FCT |
| Siemens | 7,46% | 12,923,124 | Equipment for power-generation industry and components: FPI- FUET |

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

The company is subject to a tax audit, starting from 20.09.2022, in terms of VAT for the period 01.01.2017-30.06.2022 and in terms of corporate income tax for the period 01.01.2017-31.12.2021. At the date of publication of the financial statements there are additional amounts under discussion, which will be analyzed by the company and discussed with ANAF representatives on 16.03.2023. The additional amounts in question will not significantly affect the County's cash flow.

31. Approval of financial statements

The financial statements were approved by the CA and published on the website on 10.03.2022.

Cenusa Gheorghe
General Manager

Tatar Dana
Economic Manager