

The report of the Board of Directors on the individual financial statements of COMELF SA drawn up in accordance with the Order of the Ministry of Public Finance no. 2844/2016

For the financial year: 2022

Company name: COMELF S.A.

Registered Office: no. 4, Industriei Street, Bistrita

Phone / fax number: 0263 234462;

Fax: 0263 238092

VAT code with the Trade Register Office: 568656

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

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

Regulated market in which the issued securities are traded: Bucharest Stock Exchange

The main characteristics of the securities issued by the company: - 22,476,423 dematerialized registered shares with a nominal value of 0.58 lei/share.

The Board of Directors of Comelf SA Bistrita, appointed by the General Meeting of Shareholders, has prepared, for the financial year 2022, this report on the balance sheet, income statement, statement of changes in equity, cash flow statement, accounting policy and explanatory notes included in the individual financial statements of 2022.

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

Equity	78,244,522 RON
Total revenue:	173,663,051 RON
Profit of the period	4,142,212 RON

The financial statements have been prepared in accordance with:

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

Since 2012, the company has presented individual financial statements prepared in accordance with the provisions of Order 2844/2016 (previously Order 1286/2012) approving the Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, with subsequent amendments and clarifications required by Order 881/2012.

COMELF was audited by the independent auditor G2 Expert. The results of the audit of the Company are presented in the Report of the Independent Auditor G2 Expert.

1. Analysis of the Company's activity:

i. Description of the Company's core business:

The company operates under the Companies Act no. 31/1990 (as amended), the Capital Market Act no. 297/2004 and the Act 24/2017 on issuers of financial instruments and market operations. According to article 6 of the Constitutive Act updated in July 2022, the object of activity of the Company is "**Manufacturing machines and equipment for earthworks, for power plants and environmental protection, equipment for lifting and transporting, including their subassemblies.**"

ii. Date of establishment of the Company:

COMELF S.A. is a joint-stock company established in Romania in 1991, based on the structure of the Bistrita Technological Machine Enterprise.

iii. Changes in treasury shares, mergers or significant reorganizations of the Company or its controlled companies during the financial year:

COMELF is a Romanian majority-owned company and since 1995 COMELF has been listed on the Bucharest Stock Exchange, being one of the 12 founding companies. The subscribed and paid-up share capital at the end of the financial year 2022 is 13,036,325.34 LEI. The shareholding structure at the end of the period under review is (Source: *Depozitarul Central as of 31.12.2022*): **Uzinsider SA**-80.9292% of shares and **other individuals and legal entities**-19.0708%.

COMELF is a manufacturing company in the machine-building industry and is active in the manufacture of equipment for power plants and environmental protection, metal structures in the field of renewable energy (source: water, wind and sun), earthmoving machinery and equipment or sub-assemblies thereof, equipment for lifting and transport machinery, including components thereof. The company owns and operates 16 buildings with a total built area of 89,849 sqm, of which the basic production activity is carried out in 6 production halls equipped with machinery, installations, machine tools, laboratories, and utility networks for the production processes.

As at 31.12.2022 COMELF S.A. does not hold any shareholdings in other companies and does not have any Branches.

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

The total value of assets as at 31 December 2022 was LEI 167,918,436 LEI 11,686,433 higher than the value recorded at the beginning of the year, the difference coming from the decrease in the company's fixed assets on account of depreciation (7,652,753 LEI) offset by investments in fixed assets in 2022 (7,282,251 LEI) and sale/cashing of assets (84,679 LEI), from the increase in current assets (12,058,224 LEI) and here, in detail, the receivables from contracts with customers increase slightly on the back of the increase in turnover (1,221,188 LEI), advance for tangible fixed assets (509,988 LEI), inventory values against the background of the purchase of materials required for orders in the first part of 2023, placed by customers but also the increase in the purchase price of raw materials in 2022 (3,254,803 LEI), trade and other receivables also increase as a result of VAT to be recovered for which the offsetting against other obligations to the budget has not been completed, for the period September-December 2022. Cash and cash items increased significantly compared to the beginning of the year by LEI 6,756,374, on the back of cash receipts in the second part of 2022, sales made in the first half of the year at increased prices as influenced by the accelerated increase in the price of raw materials.

v. Main results of the evaluation of the company's activity:

The profit and loss account, i.e. the income and expenditure grouped by source during 2022, is presented as follows:

Profit and loss account (thousand lei)	Year 2022	Year 2021	Differences
Turnover	173,219	132,606	+40,613
Other operating income, TOTAL, of which:	1,764	9,444	(7,680)
Profit and loss account (thousand lei)	Year 2022	Year 2021	Differences
Change in stored production (+/-)	(3,365)	6,628	(9,993)
Income from operating subsidies	-	25	(25)
Income from investment grants	1,253	1612	(358)
Other operating revenues	348	1179	(831)
Operating income-TOTAL	171,455	142,050	+29,405
Expenditure on raw materials, consumables, utilities, goods	93,482	71,782	+21,700
Staff costs	47,285	42,429	+4,856
Expenditure on provisions, depreciation and amortization adjustments, TOTAL of which:	8,142	7,108	+1,034
Expenditure on depreciation	7,653	7,527	+126
Expenditure on provisions for current assets depreciation	-	(44)	+44
Adjustments for provisions for risks and charges	490	(375)	+865
Other operating expenses	16,373	14,779	+1,594
Operating expenses-TOTAL	165,282	136,098	+29,184
Operating profit-TOTAL	6,173	5,952	+221
Financial income	2,208	819	+1,389
Financial expenses	3,777	2,088	+1,689
Financial result	(1,569)	(1,269)	(300)
Total revenue:	173,663	142,869	+30,794
Overall expenses	169,059	138,186	+30,873
Profit and loss account (thousand lei)	Year 2022	Year 2021	Differences
Gross result	4,604	4,683	(79)
Net result	4,142	4,286	(144)
EBITDA	14,315	13,060	+1,255
EBITDA was determined as follows:			
Indicators (thousand lei)	2022	2021	Differences
Operating profit	6,173	5,952	
Expenditure on provisions, depreciation and amortization adjustments	8,142	7,108	

Changes in assets are as follows:

Assets (thousand lei)	Year 2022	Year 2021	Differences
1.1. TOTAL fixed assets, of which:	76.548	76.920	(372)
1.1.1. Tangible fixed assets	33.394	31.333	+2.061
1.1.2. Real estate assets	42.639	45.088	(2.449)
1.1.3. Intangible assets	455	464	(9)
1.1.4. Research and development expenditure	60	35	+25
Assets (thousand lei)	Anul 2022	Anul 2021	Diferente
1.1.4. Financial fixed assets	-	-	-
1.2. Current assets TOTAL, of which:	91.370	79.385	+11.985
1.2.1. Stocks of raw materials and materials	14.938	11.683	+3.255
Assets (thousand lei)	Anul 2022	Anul 2021	Diferente
1.2.2. Finished goods stocks and work in progress	20.081	23.566	(3.485)
1.2.3. Receivables from contracts with customers	36.697	31.991	+4.706
1.2.4. Income tax to be recovered	-	-	-
1.2.5. Other receivables and advances for fixed assets	5.334	4.582	+752
1.2.6 Cash and cash equivalents	14.320	7.564	+6.756
Total Assets	167.918	156.305	+11.613

The liability structure in the company's balance sheet as at 31 December 2022 is as follows:

Assets (thousand lei)	Year 2022	Year 2021	Differences
1.1. Total share capital, of which:	13.036	13.036	-
1.1.1. Subscribed share capital	13.036	13.036	-
1.1.2. Adjustments to share capital	8.812	8.812	-
1.1.3. Other items of equity	(4.848)	(8.175)	+3.327
1.2. Revaluation reserves	37.272	39.020	(1.748)
1.3. Legal reserves	2.607	2.607	-
1.4. Other reserves	15.861	15.861	-
1.5. Own shares	-	-	-
1.6. Reported result	1.362	(6)	+1.368
1.7. The result of the period	4.142	4.286	(144)
1.8. Profit distribution	-	-	-
Total equity	78.244	75.441	+2.803
1.2. Long-term debts	16,075	14.022	+2.053
1.2.1. Loans and interest-bearing debts	4,226	494	+3.732
1.2.2. Deferred tax liabilities	5,491	8.762	(3.271)
Provisions for risks and charges	162	105	+57
1.2.4. Deferred income liabilities	6,196	4.661	+1.535
1.3. Current debts	73.599	66.843	+6.756
1.3.1. Trade and similar payables, of which:	34.272	29.332	+4.940

Trade payables	26.881	23.791	+3.090
Other debts	7.391	5.541	+1.850
1.3.2. Interest-bearing loans and borrowings	36.837	34.427	+2.410
1.3.4. Provisions for risks and expenses	983	1.037	(54)
1.3.5. Debts on deferred income	1.228	1.711	(483)
1.3.6. Deferred tax liabilities	280	336	(56)
Total debt	89.674	80.865	+8.809
Total equity and debt	167.918	156.305	+11.613

The Company's equity increased in the financial year 2022 by 2,803,864 lei.

The legal reserve is RON 2,607,265 and represents 20% of the share capital.

The Company's total debts increased by LEI 8,809,145, due to (i) the increase in debts to suppliers by LEI 3,090,102 thousand as a result of the purchase of materials required to process large orders in the first part of 2023, at higher purchase prices than at the end of 2021; (ii) the increase in the working capital credit line by EUR 1,585,000, of which EUR 200,000 was repaid on 31. 12.2022, for the temporary financing of material purchases in the period March-August 2022, in the context of almost double prices and payments in advance or at much reduced terms in the context of the beginning of the war in Ukraine which temporarily created a metal shortage; (iii) the increase of the debts to the state budget and social security budget, in the context of the non-finalization of the compensation with VAT to be recovered by 31.12.2022.

The Company's provisions decreased by 3,164 lei being influenced by:

-Increase in the provision for employee retirement benefits by 56,844 lei in the context of the fact that the discounted amounts relating to active persons in the company who could meet the conditions required to benefit from this right exceeded the payments made for retired persons (number of persons retired in 2022: 21)

-Increase of the provision for commercial penalties at the end of 2022 by the amount of 15,179 lei, due to a notification sent by the client regarding potential quality penalties.

-Decrease in provisions for the surrender of pension insurance policies, following the retirement of 21 persons, for which the corresponding amounts were paid (-68,858 lei).

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

Indicators (thousand lei)	2022	2021
Current assets	91.370	79,385
Current debts	73,599	66,843
Net current assets	17,771	12,542

The accounting organization was carried out by the centralized Economic Department, at the level of the company, by profit centers, through which the correct and up-to-date accounting operations were followed and carried out, the accounting principles and the accounting rules and methods provided for in the regulations in force were respected. The financial statements were drawn up on the basis of the trial balance, the summary accounts and compliance with the methodological rules and the rules for drawing up the financial statements, the items entered in the financial statements with the data recorded in the accounts being reconciled with the actual situation of the assets on the basis of the inventories.

The profit and loss account faithfully reflects the income, expenditure and financial results for 2022. The company has carried out an inventory of all its assets, the results of which are recorded in the accounts and implicitly in the financial statements. The unit has organised preventive financial control activity.

The internal audit work was performed in the financial year 2022 by Acon Audit.

General evaluation elements

a). Profit / (Loss):

Indicators (thousand lei)	Achieved 2022	Achieved 2021
Gross profit (loss)	4,604	4,683
Net profit (loss)	4,142	4,286

- ◆ Net profit: decreased slightly by 3.36% compared to 2021, mainly influenced by the following:
 - ◆ (i) changes in the price of raw materials and materials in general for which the sales price did not fully compensate.
 - ◆ (ii) evolution of utility prices.
 - ◆ (iii) interest expense, both as a result of the increase in bank exposure of EUR 1,585 thousand, as EURIBOR 3M went from negative to positive margin from August 2022 to 2.162% at the end of December 2022.

b). Turnover:

Indicators (thousand lei)	Achieved 2022	Budget 2022	Achieved 2021	Δ% vs. 2021	Δ% vs. Budget
Turnover	173,219	140,229	132,606	+30.63%	+23.52%

- ◆ **Turnover:** also recorded a significant increase (+30.63%) in 2022 compared to the previous year, mainly due to the increase in product prices, driven by the significant increase in the price of raw materials and utilities; Physical volumes sold were maintained at 2021 levels, even though the number of staff decreased.

c). Export and intra-Community deliveries:

Indicators (thousand lei)	Achieved 2022	Achieved 2021	Δ% vs. 2021
Turnover	173,219	132,606	+30.63%
Export or LIC directly-EUR	29,332	22,623	+29.66%
Export or LIC directly-LEI	144,624	111,315	+29.83%

In 2022, the volume of revenue from export operations, including direct intra-Community deliveries, increased by 29.83% compared to the previous year.

d). Costs:

Expenses (thousand lei)	2022	2021
Raw materials, used consumables and goods		
Expenses for raw materials	75,801	57,833
Consumable expenses	12,944	9,733
Expenditure on goods	-	-
TOTAL	88,745	67,566
Expenditure on employee benefits		
Wages	42,172	38,149
Contributions to the state social insurance fund	2,035	1,637
Other payroll taxes and contributions	-	-
Meal vouchers	3,078	2,643
Other salary benefits	-	-
Expenses (thousand lei)	47,285	42,429
Income from operating subsidies for personnel payments	-	(25)
Employee training expenses	72	89
TOTAL	47,357	42,493
Other expenses		
Shipping costs	6,423	5,645
Utility expenses	2,073	4,290
Expenses with services provided by third parties	4,452	3,868
Expenditure on damages, fines, penalties, donations, sponsorships and subsidies	300	700
Protocol, advertising and publicity expenses	57	37
Other Overheads	1,376	1,092
Expenses with other taxes and fees	1,096	1,121
Expenses (thousand lei)	2021	2021
Repair costs	1,384	1,072
Travel expenses	73	36
Rent expenses	296	373
Expenditure on postal charges and telecommunications	503	382
Expenses with insurance premiums	364	362
TOTAL	18,397	18,978

e). Market share:

As the company's products are diversified, an overall market share cannot be determined.

f). Cash available:

The company had in its accounts as at 31 December 2021 the amount of RON 14,320 thousand.

2. Analysis of the Company's technical level and sales activity

The COMELF product range is structured into five main lines, as follows: (1) Energy industry machinery and components; (2) Earthmoving machinery and components; (3) Environmental protection machinery; (4) Lifting and handling equipment; (5) Technological machinery; Product sales are carried out at client and project level through the centralized sales department with project managers specialized by product type and client. Comelf products are mainly delivered for export to countries such as: Italy, France, England, Holland, Sweden, Austria, Norway, Germany, Belgium, Switzerland, Hungary, USA.

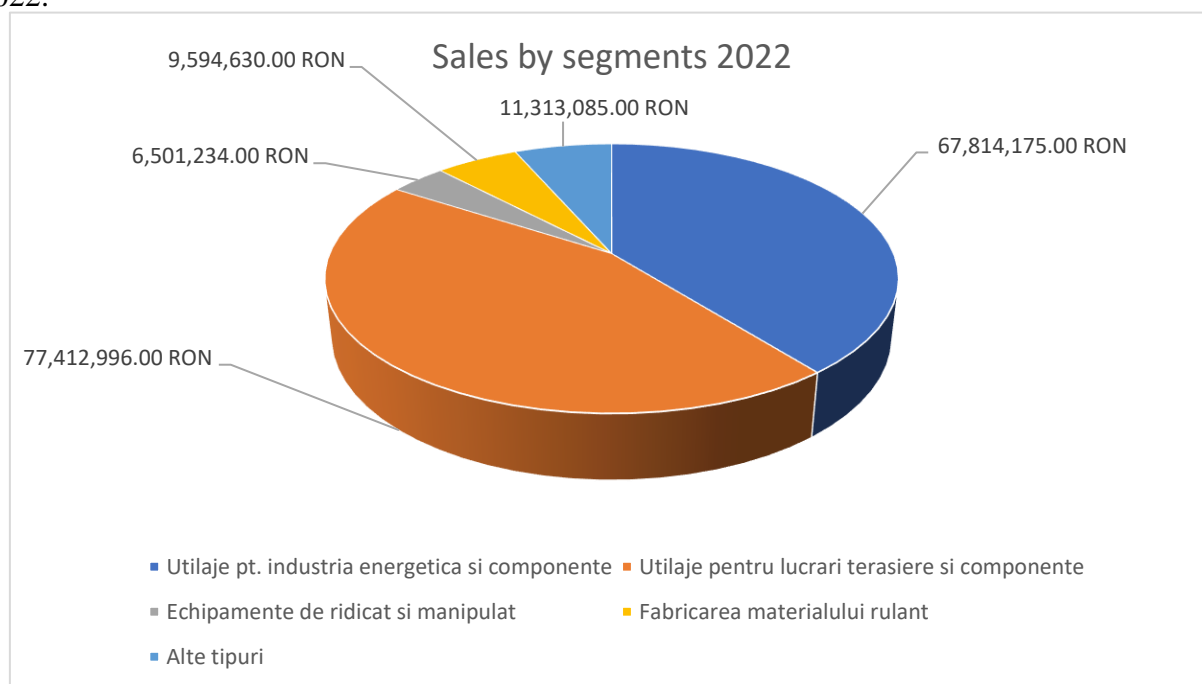
The Company's production activity is carried out in factories, organized by profit centers:

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

In the year 2022 the company's activity was carried out without interruption, we have assimilated both new products as well as new customers in the company's portfolio as follows:

Entity	Customer	Product:
FPI	SIEMENS ENERGY INC - SUA	Generator acoustic case (enclosure)
	ROCKFIN - Poland	Gas turbine component parts (New product: Frame SGT700)
FCT	COMADDEX - Netherlands	Curved Apron Plate
FUET	ELIN Motoren - Austria	Generator bearing shield (bearing shield)

Share of operating revenue by main operating lines in total revenue for year 2022:



The Company's commercial policy is to avoid significant reliance on a single customer (no more than 35% exposure per client). During 2022 the highest share of sales to a single customer was 15.04% of total turnover, thus :

Partner	Share of income (> 10%)	Revenues (LEI)	The segment in which revenues are included
Komatsu	15.04 %	26,055,646	Earthmoving machinery and components: FUET
Uzinsider Techo SA	11.42%	19,783,312	Power industry machinery, end customer General Electric
Tesmec Group	11.35 %	19,656,074	Machinery for earthmoving, manufacture of rolling stock and components: FUET + FCT
Tekhnint SA	11,12%	19,269,730	Machinery for earthmoving, manufacture of rolling stock and components: FPI + FCT
Doosan Norway	10,18%	14,355,375	Earthmoving machinery and components: FCT

3. Evaluation of technical and material supply activity:

The activity of securing the raw material is aimed at the procurement, in the best conditions, at all times of the material resources necessary for the good performance of the company's production activity.

The material procurement activity is carried out centrally by the MATERIAL PROCUREMENT AND LOGISTICS DIRECTORATE (DABM).

The procurement departments, the warehouse and supplier control sector, the operation-outsourcing and the logistics sector operate within the DABM.

The management of the supply activity is carried out on the basis of the material needs drawn-up by the technical departments, which are prepared for each customer based on the purchase orders issued by the latter.

The purchasing department together with the warehouse sector are tasked with constantly checking material stocks and then issuing purchase orders to keep stocks as much as possible under control in order to avoid financial blockages and avoid overstocking, especially for non-repetitive products.

According to Comelf procedures there is a base of suppliers selected and evaluated based on criteria of quality, price, delivery time.

At the same time, the supplier control department draws up periodic plans for auditing suppliers in order to maintain the supply chain at a high standard in line with the requirements of Comelf customers.

Purchase orders are issued after analyzing the offers received from at least 2 suppliers, selecting the supplier that offers the best conditions at least in terms of product quality, price, delivery time, payment terms, etc.

Safety stocks are defined for common raw materials.

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

The average number of staff decreased during 2022 from 647 average number in 2021 to average number of employees in 2022. The staff structure was as follows:

	2022	2021
Executive directors/managers	8	8
Direct productive staff	399	411
Management and administration staff	229	228
Total	636	647

According to the Labour Code, the minimum wage in COMELF cannot be less than the gross minimum wage. Moreover, within the Company, in addition to the basic salary paid for the time worked or the working hours (in the case of directly productive workers paid by individual agreement), the following categories of bonuses are granted: night bonuses, overtime bonuses, bonuses for working on weekly rest days, bonuses for working in a noxious environment, bonuses for the head of micro-squad/squad.

The Company has also implemented a system of rewarding its employees, at the time of retirement, with the equivalent of a fixed amount, which increases according to the number of years worked in the company. The company recorded provisions for such payments. At the end of 2022, the negotiation of the Collective Bargaining Agreement at company level was completed with the employees' union, valid from 28.12.2022.

5. Assessment of the environmental impact of the Company's core business

COMELF's activity has inherent effects on the environment. In order to minimize these effects, there is a preventative approach at company level and a permanent monitoring of all activities by dedicated people specialized in environmental issues. The main objectives of the company's management in terms of environmental protection are to keep fugitive emissions within legal limits, below 20% of the annual consumption of anti-corrosion protection materials, to reduce the amount of waste from the activities carried out in the anti-corrosion protection workshops and to continuously train all employees in the selective collection of waste.

To carry out the production processes, Comelf obtained:

- Water management permit no. BN 76/24.10.2019, issued by Someș-Tisa Water Basin Administration, Bistrița-Năsăud Water Management System, valid until 24.10.2024;
- Environmental permit for operation no. 30/06.04.2022, issued by MMGA-Environmental Protection Agency BN, with annual extension;
- Certification of the Integrated Quality, Environment, Health and Safety Management System according to ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018;

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

Given the specific nature of the company's activity and the fact that the Company's activity is a specialized one, which requires superior technical knowledge, there is a Design Department within the company which, in addition to its specific activity, is also concerned with the preparation of manufacturing on 3D models of new products and solutions, specific to the field in which we operate. Moreover, the market in which we operate and the increasingly

specialized requirements of our customers require us to constantly improve the products in our portfolio. In addition, the company has developed partnerships with Technical Universities in Romania, with which it is constantly exchanging experience in identifying new technical solutions and developing new products. In this regard, there is a research contract in progress with the Technical University of Cluj Napoca for the construction of a product for people with disabilities, to be completed in 2023. Initially the project was expected to be completed in 2021, but due to the pandemic and then the conflict in Ukraine, the completion of the project has been extended by another year.

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

(a) Credit risk

Credit risk refers to the risk that a third party will default on its contractual obligations, thereby causing financial losses to the Company. The Company's exposure and the credit ratings of third party contractors are closely monitored by management. There is a policy implemented regarding the assessment of both potential clients and existing clients, assessment according to which the credit limit and the method of settlement are established. However, we believe that the Company is exposed to credit risk as a result of trade receivables with payment terms of up to 120 days, a significant portion of which are uninsured.

(b) Risk regarding cash-available

Ultimate responsibility for liquidity risk management rests with the Executive Managers, in particular Comelf's Economic Manager (Chief Financial Officer), who have built an appropriate liquidity risk management framework with regard to the Company's short, medium and long-term funding and liquidity management requirements. There is a continuous monitoring of the forecasted cash flows (3 months) but also of the actual flows by matching the maturities of financial assets and liabilities. The additional liquidity needs can be covered by the company including by accessing credit facilities, as the company is at a satisfactory debt level.

(c) 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. The exposure to exchange rate fluctuations is mainly due to current currency conversion transactions required for current payments in LEI.

(d) Interest rate risk

As at December 31st, 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.

(e) Market risk

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

The company is exposed to the following market risk categories:

(i) Price risk

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

In order to cover the price risk generated by an increase in the price of the basic raw material, metal, the company has a protection clause in its commercial contracts with customers that allows it to update the selling price if the price of the basic raw material increases. In the current economic context marked by political and economic instability, generated by the conflict in Ukraine, there is a significant risk related to material availability and its extremely high price, which can generate, in the short term, possible disruptions in operational activity. The company also has a material procurement policy that provides protection for a period of 2-3 months for confirmed orders, which provides us with a balance for the period in which we are repositioning ourselves with respect to suppliers and customers.

Interest rate risk and currency risk have been detailed above.

(f) 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 future development of the political, economic, and social environment. 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 situation of the economy as a whole that will have an impact on the financial sector in Romania, nor the 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.

(g) Fair value of financial instruments

As of December 31st, 2022, the company no longer owns financial instruments.

8. Perspective elements regarding the activity of COMELF company:

The probable evolution of the company can be found in the Draft Revenue and Expenditure Budget for 2023, which provides the following:

➤ Turnover:	192.659 thousands lei;
➤ Total operating income, of which:	194.024 thousands lei;
➤ Revenues from customer contracts	183,229 thousand lei;
➤ Revenues from the sale of goods + performance of services	9,430 thousand lei;
➤ Income from investment subsidies	1,228 thousand lei;
➤ Financial income (interests; favorable exchange rate differences)	138 thousand lei;
➤ Overall expenses	186.856 thousands lei;
➤ Gross profit:	7,168 thousand lei;

Comelf also proposed an investment budget of EUR 1,278,633 for 2023. These investments are intended for the acquisition of a new integrated software for the management of the company's activity, the increase of the quality and cutting capacity, the welding capacity, the co-financing of a project for energy efficiency by replacing mercury vapor lighting with LED lighting.

The investment program for the year 2023, mentioned above, will be run with own sources and/or through bank loans.

The tangible assets of the Company:

1. COMELF SA had the following production capacities at the end of 2023:

- ❖ **Earthmoving Machinery and Equipment Factory (FUET):** producing marine equipment, telescopic cranes, excavator components and earthmoving machinery components (booms), engine casings, electric generator casings, turbine casings, industrial gas cleaning equipment, asphalt station filters, gas turbine power plant equipment, wastewater treatment and purification equipment, hydro-power equipment, technological equipment. FUET's activity is carried out in two productive units, one of which has a built-up area of 16,128 sq m and one has a built-up area of 18,827 sq m.
- ❖ **Factory for earthmoving machinery and components (FCT) - which manufactures** earthmoving machines with final assembly (crushers, asphalt pouring machines), components for earthmoving machines (chassis, arms, frames), mobile presses for compacting car bodies, fixed presses and equipment components for compacting metal waste, telescopic cranes, subassemblies for heavy-duty dump trucks. Built area 17,322 sqm;
- ❖ **Stainless Steel Products Factory (FPI) - which manufactures** 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 trans-container handling machines);
Built area 28,547 sqm;

All these factories are in Bistrita, 4 Industriei Street, Bistrita-Nasaud County.

The company also has its own administrative buildings and material warehouses, all located in Bistrita, 4 Industriei Street.

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

The buildings were built in 1971 but later underwent modernization works to meet current standards. All company buildings are insured.

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

Much of the subsequent investment has gone into maintaining existing machinery and equipment, automating the welding process and increasing energy efficiency.

2. Market of securities issued by the Company

2.1. Since 20.11.1995 Comelf is listed on the Bucharest Stock Exchange. The Company's shares are ordinary, registered, dematerialized and indivisible shares.

2.2. The undistributed profit related to 2021 will be used in full to pay dividends.

2.3. The share capital of the Company did not change in 2022, it amounts to 13,036,325.34 LEI equivalent to 22,476,423 shares, par value 0.58 lei/share.

2.4. As at 31.12.2022 COMELF S.A. does not hold any interests in other companies. COMELF SA does not own Subsidiaries.

3. Company management

3.1. Board of Directors

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

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

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

Members of the Board of Directors are elected at the General Meeting of Shareholders on the basis of the shareholders vote in accordance with legal requirements. There are therefore no agreements and understandings to report in this regard.

List of persons affiliated to the company:

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	
Promex SA	Electricity trade	
24 Ianuarie SA	Collaborations in the manufacture of subassemblies	
Uzinsider Engineering SA	Collaborations in the manufacture of subassemblies	
	Providing services	

The other companies are linked to Comelf S.A. through a combination of joint management and/or persons who are also shareholders of the other companies.

3.2. Executive management

Comelf's executive management is appointed by the Board of Directors. Managers run the day-to-day business of the company and have an obligation to ensure the correct flow of corporate information.

- Members of the Executive Management of the Company:

Cenușă Gheorghe	General Manager
Pop Mircea	Deputy General Manager Business Operation
Oprea Paul Cristian	Deputy General Manager Technical and Production
Tătar Dana	Financial Manager
Jurje Valeriu	AQM Manager
Campian Cosmin	Factory Executive Manager
Barbuceanu Florentin	Factory Executive Manager
Viski Vasile	Factory Executive Manager

Members of executive management are elected by the Board of Directors and there are no agreements, arrangements or family ties between directors and executives that could be reported in this report.

For the members of the Board of Directors and the members of the Executive Management, we state that there are not and have not been any litigations or administrative proceedings in which they have been involved, in the last 5 years, related to their activity within the Company, as well as others concerning the capacity of the respective person to carry out his/her duties within the Company.

3.3. Corporate governance

Regarding the status of compliance with the provisions of the Corporate Governance Code (CGC) of the BVB, at the end of 2022, out of 41 provisions to be complied with, 20 were met and 2 were considered partially met. It should be noted that of the 19 provisions that appear to be non-compliant, one does not concern the company because COMELF is in the standard category and 18 are from Section B that are substantially complied with through the work of the outside internal audit firm. The unfulfilled Section C provision is in fact covered by internal provisions, and the requirements of Section D (Investor Relations) are carried out by an employee assigned for this purpose and by posting information of interest to investors on the company's website under the heading „Informații la zi” ("Information Update"). It was not considered necessary to hold meetings with investors (D9) as they have the necessary information from published current and periodic reports, which provide a high degree of transparency allowing shareholders and potential investors to make informed decisions.

All provisions concerning the convening of general meetings are strictly observed, and the reports on their proceedings, the resolutions adopted, including those concerning the payment of dividends or other special events, are published by Reports to the BVB in Romanian and English and posted on the website www.comelf.ro. In order to support the above, including explanations of the status as at 31.12.2022 of compliance with the new GCC we attach to this report the punctual status, by section, as follows:

Appendix: Status of compliance with the provisions of the BVB's new Corporate Governance Code (CGC) as at 31.12.2022:

	Provisions to be observed	conformation Yes/No	Explanations
SECTION A - Responsibilities			
A.1.	All companies must have an internal Board charter that includes the terms of reference/responsibilities of the Board and key management functions of the company, and that applies, inter alia, the General Principles in Section A.	Yes	The Rules of the Board of Directors have been drawn up in accordance with the CGC of the B.V.B. The Council Regulation includes provisions on how to manage the conflict of interest.
A.2.	Provisions for the management of conflicts of interest should be included in the Council Regulation. In any event, Council members must notify the Council of any conflicts of interest that have arisen or may arise and refrain from participating in discussions (including by not attending, unless not attending would prevent the formation of a quorum) and from voting on a resolution on the matter giving rise to that conflict of interest.	Yes	
A.3.	The Board of Directors must consist of at least 5 members.	Yes	COMELF is in the Standard category. No member of the Board of Directors has an executive position in COMELF
A.4.	The majority of the members of the Board of Directors must be non-executive. In the case of Premium Category companies, not less than two non-executive members of the Board of Directors must be independent. Each independent member of the Board of Directors must submit a declaration at the time of his/her nomination for election or re-election, as well as at the time of any change in his/her status, indicating the elements on the basis of which he/she is considered to be independent	Yes	
A.5.	Other relatively permanent professional commitments and duties of a Board member, including executive and non-executive positions on the boards of not-for-profit companies and institutions, must be disclosed to shareholders and potential investors prior to nomination and during his/her term of office.	Yes	
A.6.		Yes	

	Any member of the Board must disclose to the Board information concerning any relationship with a shareholder who directly or indirectly holds shares representing more than 5% of all voting rights. This obligation relates to any report that may affect the member's position on matters decided by the Board.		
A.7.	The Company must appoint a Secretary of the Board responsible for supporting the work of the Board.	Yes	
A.8.	The corporate governance statement will inform whether it has held an evaluation of the Board under the direction of the Chairman or an evaluation of the Board under the direction of the President or the nominating committee and, if so, will summarize the key actions and resulting changes. The company must have a policy/guideline on Board evaluation including the purpose, criteria and frequency of the evaluation process.	No	From 2020 the Society has started to develop a policy/guideline on Board evaluation including the purpose, criteria and frequency of the evaluation process. Not finalised, new estimated deadline 30.06.2023
A.9.	The corporate governance statement must contain information on the Number of Board and committee meetings during the last year, attendance of directors (in person and in absentia) and a report by the Board and committees on their activities.	Yes	In 2022, the Board of Directors met 7 times, with a majority of directors attending each meeting. At the OGMS in April 2023, the Board's report for 2022 is presented.
A.10.	The corporate governance statement must include information on the exact number of independent members of the Board of Directors.	No	Number of members of the Board that must be independent is not established by the Articles of Incorporation or the OGMS decision.
A.11.	The Board of Premium Companies must establish a Nomination Committee of non-executives, which will lead the procedure for nominations of new members to the Council and make recommendations to the Board. The majority of the members of the nomination committee must be independent.	No	COMELF is in the Standard category.

SECTION B - Risk management system and internal control

B.1.	<p>The board must establish an audit committee in which at least one member must be an independent non-executive director.</p> <p>The majority of members, including the chairperson, must have demonstrated that they have appropriate qualifications relevant to the functions and responsibilities of the committee. At least one member of the audit committee must have proven an appropriate auditing or accounting experience. In the case of Premium Category companies, the audit committee must consist of at least three members and the majority of audit committee members must be independent.</p>	No	<p>The internal audit is carried out by an independent company.</p> <p>2 persons have been nominated as members of the Board of Directors forming the Audit Committee. Neither of these two persons is a financial auditor.</p>
B.2.	<p>The chairman of the audit committee must be an independent non-executive director.</p>	No	<p>The internal audit is performed by an independent company.</p>
B.3.	<p>As part of its responsibilities, the audit committee must carry out an annual assessment of the internal control system.</p>	No	<p>The internal audit is carried out by an independent company. It provides independent reports to the BoD members on operational procedures and activities.</p>
B.4.	<p>The assessment should consider the effectiveness and comprehensiveness of the internal audit function, the adequacy of risk management and internal control reports presented to the Board's audit committee, the timeliness and effectiveness with which executive management addresses deficiencies or weaknesses identified through internal control, and the presentation of relevant reports to the Board.</p>	No	<p>The internal audit is carried out by an independent company. It provides independent reports to the BoD members on the risks identified in the audit work, how executive management complies with, manages and addresses weaknesses and risks identified in the operational work.</p>
B.5.	<p>The audit committee must assess conflicts of interest in relation to the company's and its subsidiaries' transactions with Affiliated parties.</p>	No	<p>The internal audit is carried out by an independent company.</p>
B.6.	<p>The Audit Committee shall evaluate the effectiveness of the internal control system and the risk management system.</p>	No	<p>The internal audit is carried out by an independent company.</p>

B.7.	The Audit Committee shall monitor the application of legal standards and generally accepted internal auditing standards. The audit committee must receive and evaluate the reports of the internal audit team.	No	The internal audit is carried out by an independent company, which reports to the Board members.
B.8.	Whenever the Code mentions reports or reviews initiated by the Audit Committee, these should be followed by regular (at least annual) or ad hoc reports to be submitted subsequently to the Council.	No	The internal audit is carried out by an independent company.
B.9.	No shareholder may be given preferential treatment over other shareholders in connection with transactions and agreements entered into by the company with shareholders and their affiliates.	Yes	
B.10.	The Board must adopt a policy to ensure that any transaction of the Company with any of its closely held companies whose value equals or exceeds 5% of the Company's net assets (as per the latest financial report) is approved by the Board following a binding opinion of the Board's audit committee and properly disclosed to shareholders and potential investors to the extent that such transactions fall within the category of events subject to reporting requirements .	No	The Board of Directors has not adopted a policy in this regard.
B.11.	Internal audits must be performed by a structurally separate division (internal audit department) within the company or by employing an independent third party.	Yes	The internal audit is carried out by an independent company.
B.12.	In order to ensure that the core functions of the internal audit department are fulfilled, it must report functionally to the Board through the audit committee. For administrative purposes and as part of management's obligations to monitor and mitigate risk, it must report directly to the general manager.	No	The internal audit is performed by an independent company.

SECTION C - Fair reward and motivation

C.1.	<p>The company must publish the remuneration policy on its website and include in the annual report a statement on the implementation of the remuneration policy during the annual period under review .</p> <p>The remuneration policy should be formulated in such a way as to enable shareholders to understand the principles and rationale behind the remuneration of Board members and the General Manager. It should describe how the process is managed and how compensation decisions are made, detail the components of executive management compensation (such as salaries, annual bonuses, long-term incentives linked to share value, benefits in kind, pensions and others) and describe the purpose, principles and assumptions underlying each component (including the general performance criteria associated with any form of variable remuneration). In addition, the remuneration policy should specify the duration of the Executive Manager's contract and the notice period provided for in the contract, as well as any compensation for unfair dismissal [...] . Any material changes to the remuneration policy must be published in good time on the the company's webpage.</p>	Yes	The Remuneration Policy has been developed and published.
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SECTION D - Adding value through investor relations

D.1.	The company must organize an Investor Relations service - made known to the general public through the person(s) responsible or as an organizational unit. In addition to the information required by law, the company must include on its website a section dedicated to Investor Relations, in Romanian and English, with all relevant information of interest to investors, including:	No	The information required by law shall be posted on the website under the heading "Up-to-date information". .
D.1.1.	Main corporate regulations: articles of association, procedures for general meetings of shareholders;	Yes	Posted on www.comelf.ro
D.1.2.	Professional CVs of members of the company's governing bodies, other professional commitments of Board members, including executive and non-executive positions on boards of non-profit companies or institutions;	Yes	Posted on www.comelf.ro
D.1.3.	Current reports and periodic reports (quarterly, half-yearly and annual) - at least those referred to in point D.8 - including current reports with detailed information on non-compliance with this Code;	Yes	Posted on the website www.comelf.ro and sent to the BVB.
D.1.4.4	Information relating to general meetings of shareholders: agenda and information materials; procedure for the election of Board members; arguments supporting the proposals of candidates for election to the Board, together with their professional CVs; shareholders' questions on agenda items and the company's replies, including resolutions adopted.	Yes	Posted on www.comelf.ro
D.1.5.	Information on corporate events, such as the payment of dividends and other distributions to shareholders, or other events leading to the vesting or limitation of a shareholder's rights, including deadlines and principles applied to such transactions.	Yes	Posted on www.comelf.ro

	This information will be published within a timeframe that allows investors to make investment decisions;		
D.1.6.	Name and contact details of a person who will be able to provide relevant information on request;	No	The GMS notices state who can provide further information, as well as the contact telephone number and email address.
D.1.7.	Company presentations (e.g. investor presentations, quarterly results presentations, etc.), financial statements (quarterly, half-yearly, annual), audit reports and annual reports	Partial	Financial statements (quarterly, half-yearly, annual), audit reports and annual reports are posted on the website www.comelf.ro .
D.2.	The Company will have a policy on the annual distribution of dividends or other benefits to shareholders, proposed by the General Manager and adopted by the Board, in the form of a set of guidelines that the Company intends to follow with respect to the distribution of net income. The principles of the annual income distribution policy to shareholders will be published on the company's website.	No	The company is considering developing a policy in this area. To date, each time after the AGM has approved the payment of dividends, the procedure for their distribution has been posted on the company's website. The company regularly distributes a share of the net profit for the financial year and the payment of dividends is made through the Depozitarul Central (Central Depository).
D.3.	The Company will adopt a policy on forecasts, whether they are made public or not. Projections refer to quantified conclusions of studies aimed at establishing the overall impact of a number of factors over a future period (so-called assumptions): by its nature, this projection has a high level of uncertainty, and actual results may differ significantly from the projections initially presented. Forecasting policy to determine the frequency, time period considered and content of forecasts. If published, forecasts can only be included in annual, half-yearly or quarterly reports. The forecasting policy will be published on the company's website.	No	The company is considering developing a policy in this area.

D.4.	The rules of general meetings of shareholders must not limit the participation of shareholders in general meetings and the exercise of their rights. The changes to the rules will take effect at the earliest from the next shareholders' meeting.	Yes	
D.5.	The external auditors will be present at the general meeting of shareholders when their reports are presented at these meetings.	Yes	
D.6.	The Board shall present to the annual general meeting of shareholders a brief assessment of the systems of internal control and significant risk management, as well as opinions on matters to be decided by the general meeting.	Yes	
D.7.	Any specialist, consultant, expert or financial analyst may attend the shareholders' meeting upon prior invitation by the Board. Accredited journalists may also attend the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	Yes	
D.8.	The quarterly and half-yearly financial reports will include information in both Romanian and English on key factors influencing changes in the level of sales, operating profit, net profit and other relevant financial indicators, both quarter-on-quarter and year-on-year.	Yes	
D.9.	A company will hold at least two meetings/teleconferences with analysts and investors each year. Information presented on these occasions will be published in the investor relations section of the company's website on the date of the meetings/teleconferences.	No	During 2022, the company did not organize meetings with investors. The Company believes that the information published in the current and periodic reports provides a high degree of transparency that enables shareholders and potential investors to make informed investment decisions.

D.10.	If a company supports various forms of artistic and cultural expression, sports activities, educational or scientific activities and considers that their impact on the innovative character and competitiveness of society is part of its mission and development strategy, it will publish a policy on its activity in this field.	Partial	The Company has financially supported various cultural, artistic, sports, educational, olympic activities of students. The company is considering developing a policy in this area.
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