

ADMINISTRATORS' REPORT

Annual Report for the financial year 2019
in accordance with the ASF Regulation no. 5/2018
on the issuers of securities and security transactions
and the Ordinance no. 2844/2016 of the Ministry of Public Finance
on the approval of the Accounting Regulations
according to the International Financial Reporting Standards

Reporting date: December 31st, 2019

E L E C T R O A R G E Ş S A - C U R T E A D E A R G E Ş

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Tax Registration Code: RO 156027

Trade Register Registration no. and date: J03/758/1991

Regulated market trading the securities issued by ELECTROARGEŞ S.A.: Bucharest Stock Exchange, second category: Shares.

Subscribed and fully paid share capital: 6,976,465 LEI.

Main characteristics of the securities issued by the company:

- Nominative shares: 69,764,650
- Value per share: 0.1 lei

1. ANALYSIS OF THE COMPANY'S BUSINESS ACTIVITY

1.1. a) Description of the company's basic activity:

The company's subscribed share capital on December 31st 2019 is 6,976,465 lei, the nominal value per share is 0.10 lei/share. The shareholding structure on 31.12.2019 is the following :

| Shareholder | Shares | Percent |
|----------------------------|-------------------|----------------|
| Investments Constantin SRL | 25,699,543 | 36.8375 |
| Tudor Dumitru | 8,963,266 | 12.8479 |
| Natural persons | 26,106,616 | 37.4210 |
| Legal persons | 8,995,225 | 12.8937 |
| TOTAL | 69,764,650 | 100 |

Electroarges SA Curtea de Arges has as main business activity the production and marketing of household goods, portable electrical tools and the execution of works and services for the economic agents, in compliance with the legislation in force.

1.1. b) Company formation:

ELECTROARGES SA company was formed in 1973 as the ELECTROARGES Factory, manufacturing electrical consumer goods operated by electric motors of its own production, as well as portable electrical tools, as a result of the investments made between 1970-1973.

Production collaboration with "ROTEL" Switzerland began in 1975, and also the co-operation with several companies from Italy, France, Germany, USA, Lithuania etc.

Following the development and unification with "I.C.E.P." – Factory of Passive Electronic Components, built in the immediate vicinity, the factory was renamed the Electronic and Electrical Products Factory - "I.P.E.E. ELECTROARGES" Curtea de Arges, name by which it was known until 1990.

It was approved that, under the provisions of Law no. 15/1990 by the Government Decision no. 1224/23 November 1990, "I.P.E.E. ELECTROARGES" is to split into two independent joint stock companies:

- "I.P.E.E." SA Curtea de Arges tring, passive electronic component manufacturer ;
- "ELECTROARGES" SA Curtea de Arges, electrical and electronic consumer goods manufacturer, a joint stock company, the shares being nominative.

Beginning with December 27th, 1995, the company was fully privatized under Law no. 55/1995 and Law no. 77/1994, keeping the same name.

1.1. c) Description of any company’s merging or significant reorganization, its subsidiaries or controlled companies during the financial year:

It is not the case.

1.1. d) Acquisitions or description of acquisitions and/or disposal of assets:

In 2019, SC ELECTROARGES SA’s priority has been to support and pay the trade liabilities to suppliers, and the current tax liabilities to the state budget.

The company experienced a financial stability which has allowed for the modernization of the existing buildings, out of which finished are in the amount of 2,254,106 lei and in progress in the amount of 4,045,922 lei.

Also, in 2019 the company has concluded several financial leasing contracts for the purchase of several injection machines to support the plan to develop the injection activity and increase the share of this activity in total turnover, respectively the decrease of the dependence on a single client. The value of the new lease agreements concluded was 10.5 million lei.

In 2019, the company scrapped assets in the amount of 435,185 lei, out of which 434,900 lei are fully amortized and 285 lei are fully depreciated.

1.1. e) Description of the main results of the company’s activity evaluation:

9 new versions of Kaercher vacuum cleaners were manufactured from the Home & Garden range, plastic injection molded parts have been assimilated into production, subassemblies and kits for ARCTIC, the collaboration with STEINEL has been resumed for the production of plastic injection molded parts.

1.1.1. Elements of general evaluation.

On 31.12.2019, the net operating result was in the amount of 1,367,742 lei, increasing by 50% compared to the one reported in 2018, while the net result was 2,036,989 lei, decreasing by 11,303,138 lei compared to the previous period.

In 2019, revenues from contracts with clients had a value of 192,541,717 lei, up 1% from 2018. Out of this value, 186,885,730 lei represented exports.

Analyzed in their structure, the main operating expenses are presented as follows:

| Operating expenses items | For the year ending on | |
|-------------------------------|------------------------|-------------|
| | 31.12.2019 | 31.12.2018 |
| Raw materials and consumables | 147,836,056 | 147,578,433 |

| | | |
|---------------------------|--------------------|--------------------|
| Expenses on personnel | 23,189,219 | 20,915,418 |
| Amortization | 4,121,408 | 2,635,777 |
| Other operating expenses | 15,788,963 | 21,713,963 |
| Operating expenses | 190,935,647 | 192,843,591 |

The expense with the tax on profit in 2019 is in the amount of 1,407,646 lei, out of which deferred tax is 664,581 Lei.

Liquidity and credit

On December 31st 2019, the general liquidity rate is 0.84 points down on the previous year.

The credit available on 31.12.2019, amounting to 3,285,218 lei, represents money deposited in current bank accounts or in deposit accounts with banks in Romania for a period of less than 3 months.

1.1.2. Evaluation of the company's technical level:

Description of the main products manufactured and/or services provided:

a) Main markets and distribution methods:

The products manufactured in 2019 were delivered both on the domestic and the foreign market, where we tried to consolidate the position as a manufacturer of electrical consumer goods, household appliances, professional semi-industrial and hotel appliances, industrial equipment and parts / sub-assemblies for industrial manufacturers.

Main markets for export were : Germany (vacuum cleaners), France (vacuum cleaners and incubators), Moldavia (egg incubators), Poland (egg incubators), Spain (egg incubators), Libya (egg incubators).

On the domestic market, Electroarges products were sold by our distributors and by direct sales. Electroarges has also had other collaborations : Steinel, Kober, Eximprod, Cristmen, Cer Cleaning Equipement S.R.L., Elj Automotive SA and others.

b) The share of each product or service category to the company's revenue and total turnover for the past 3 years:

Situation of sales by product category for the past three years is shown in the table below :

| Item | Product group name | 2019 | 2018 | 2017 |
|------|--------------------|------|------|------|
|------|--------------------|------|------|------|

| no. | | % | Amount in thousand lei | % | Amount in thousand lei | % | Amount in thousand lei |
|-----|--------------------------------------|-------|------------------------|-------|------------------------|-------|------------------------|
| 1. | Karcher vacuum cleaners | 94.59 | 182,235 | 95.67 | 183,304 | 95.67 | 95.39 |
| 2. | Vacuum cleaners | 0.01 | 4 | 0.26 | 516 | 0.26 | 0.24 |
| 3. | Ash boxes | | | 0.25 | 491 | 0.25 | 0.31 |
| 4. | Electrical consumer goods | 0.11 | 215 | 0.13 | 266 | 0.13 | 0.12 |
| 5. | Tools | 0.01 | 1 | 0.01 | 23 | 0.01 | 0.02 |
| 6. | Household appliances | 0.23 | 441 | 0.50 | 963 | 0.50 | 0.49 |
| 7. | Products for hotels and institutions | 0.01 | 5 | 0 | 10 | 0 | 0.05 |
| 8. | Spare parts | 4.25 | 8,197 | 1,283 | 1,283 | 0.66 | 1,283 |
| 9. | Others | 0.79 | 1,568 | 4,732 | 4,732 | 2.46 | 4,732 |

c) New products considered that will affect the substantial volume of assets in the next financial year, and their stage of development

In 2020, actions will be implemented to modernize the existing products according to the market demands (ie hair dryer, coffee grinder, wall fans) and those of assimilation in the production of parts, sub-assemblies and finished products for various industrial manufacturers. The new investments in CNC machinery and injection machines will be used in production. Collaboration opportunities in production will be identified and initiated, especially with those in the area of plastic injection molded parts. New versions of Kaercher vacuum cleaners WD 2 and WD 3 will be manufactured. Also, the traditional products: hair dryer, coffee grinder, wall fans will be upgraded and manufactured again.

1.1.3. Evaluation of the technical-material supply (domestic and imported sources). Oferring information about the supply source safety, raw material prices and raw material and materials inventory sizes:

Acquisitions of raw material and materials necessary to achieve the production and the operation of the other company's activities were mainly made from domestic sources, and only when

there were no domestic options or foreign clients demanded it, the acquisitions were imported from foreign market suppliers.

The main acquisitions of raw material and materials on the domestic market were provided under contracts and / or firm orders – signed with manufacturers or their distributors, such as: Prysmian Cabluri si Sisteme SA, Rondocarton Cluj, Conphys Rm. Valcea, V.M. Comp Stefanesti, DS SMITH Timisoara, Diaplast Production SRL, Greiner Asistec, Crislar Giva, Italinox Romania SRL, etc.

A permanent priority when purchasing raw material and materials from suppliers was the selection, comparison, negotiation and capitalization of the best offers for our company.

Important actions carried out within the company were the capitalization of the not or slow moving inventories, according to the manufacturing program or other emergencies in the company's activities, and minimizing orders to suppliers in order to prevent the formation of such inventories.

An important role in the acquisition programs is held by the foreign market acquisitions, determined by the beneficiaries' punctual demands, the domestic market not offering acceptable prices and the required quality.

Among the providers of raw materials in the EU and import we shall mention:

- E.D.S. International INC and DOMEL d.o.o. – for vacuum cleaner motors;
- LAMPLAST, COSSA POLIMERI, GRAFE COLOR, SIRMAX, INNOCOMP – for plastics;
- Dutex, Pegaso, PEHA, Everel, ARWED, EMILSIDER Mecanica S.P.A., ASPECT III Ltd. - for Kaercher vacuum cleaner parts.

Under these circumstances, there is concern and interest in assimilating raw material and materials produced by Romanian companies or Romanian subsidiaries of important foreign companies, even if the process of assimilation and taking over as a supplier is quite difficult.

1.1.4. Evaluation of sales.

a). Sequential description of the evolution of sales on the domestic and foreign market and the sales prospects in the medium and long term:

| Item no. | Indicator | Sales figures 2016 | Sales figures 2017 | Sales figures 2018 | Sales figures 2018 |
|----------|-------------------------------|--------------------|--------------------|--------------------|--------------------|
| 1 | Sales (thousand lei) | 193,725 | 193,611 | 191,588 | 192,666 |
| 2 | Sales (thousand EUR) | 43,138 | 42,585 | 40,970 | 40,602 |
| 3 | Domestic sales (thousand lei) | 6,400 | 10,313 | 6,527 | 8,206 |

| | | | | | |
|---|---|---------|---------|---------|---------|
| | Out of which products (thousand lei) | 1,148 | 7,549 | 863 | 215 |
| 4 | Domestic sales (thousand EUR) | 1,425 | 2,460 | 1,397 | 1,729 |
| 5 | Foreign sales (thousand lei) | 187,325 | 183,297 | 185,061 | 184,460 |
| 6 | Foreign sales (thousand EUR) | 41,713 | 40,124 | 39,573 | 38,873 |

Compared to the total sales in previous years, in 2019 there was a slight increase compared to 2018 determined by the increase of domestic sales by starting a new collaboration with Arctic SA.

Foreign sales slightly decreased compared to 2018.

The greatest share in turnover is held by the commercial relationship with KAERCHER, Germany.

Against this background, in conjunction with the difficulties of operating on the Romanian market, domestic sales increased slightly, and currently the manufacturing of home appliances and household goods is being made at the level of existing or anticipated on short-term orders.

A particular importance was given to signing contracts and collaborations enabling products of the ELECTROARGES SA's manufacturing profile to be delivered on foreign markets, such as Moldavia, Poland, Spain, France, Libya, Ukraine, Germany, etc.

Currently, the integrated management system shows the implementation and certification of the quality and environmental management system.

At the end of 2018 Electroarges SA was audited for the quality management system according to the new ISO 9001: 2015 standard and for the environmental management system according to the new ISO 14001:2015 standard. The results were positive. The action was carried out with TUV Rheinland Romania.

During 2018 audits were carried out by Electroarges from CSA, TUV SUD, TUV Rheinland Hungary, Nemko, CQC China. Each of the listed companies performed process and system audits for product groups for the Kaercher customer. The results were positive and allowed Electroarges SA to be retained in the group of accepted suppliers.

All the actions listed above allow Electroarges to supply products manufactured for Kaercher on multiple markets, such as Europe (including specific products for UK, Switzerland and Russia), Australia, USA, Mexico, Japan, China, Argentina, Brazil, etc. Also, the existing certifications allowed

the supply of products under the ARGIS Electroarges logo to distributors in Italy, Spain, Republic of Moldavia, Germany, Poland, Libya, France, Hungary.

At the same time, an audit was carried out by the client Subansamble Auto. Verifying the requirements of the integrated management system allows Electroarges to start the collaboration with a major supplier in the automotive field.

b). Description of the competitive situation in the company's business field, the market share of the company's products and services and the main competitors:

In 2019, the competition in household appliances and home goods was further exacerbated by the European economic development, the change of the euro / dollar parity, for example. The market was flooded with brand products at comparable or even lower prices than those of ELECTROARGES products. Also, there is a great number of products of Asian made on the market, at very low prices and with a more attractive design, under the known domestic or western brands, which are being offered for sale on very attractive payment terms.

Electroarges SA held its position as a special manufacturer for a number of high-tech and practical application products, such as: egg incubators, wall fans, water pump, various household appliances.

Our repair services and the guarantee for the manufactured products evidenced by the absence of major complaints about the product quality is an important factor in guiding the customers to the products manufactured by ELECTROARGES.

Currently, ELECTROARGES products are in the customers' area of interest and acceptability, ensuring a balanced cost in relation to the market prices and the technical performance.

ELECTROARGES main competitors are the companies manufacturing under recognized brands, with sales in supermarket chains, with consistent marketing-sales budgets.

c). Description of any company's significant dependence to a single client or group of clients whose loss would have a negative impact on the company's earnings :

Currently the company runs a very big contract with Karcher Germany, representing over 95.7% of turnover. Termination of this contract would have a negative impact on the company's evolution over time, with negative social implications. Clearly, ELECTROARGES SA is in this situation. The fact that almost 96% of turnover is based on export, and over 99% of it is only to the KÄRCHER group of companies, shows a huge collaboration dependence to this company.

Conclusion is only one – the company must make a sustained effort in increasing and

identifying new methods of development for the own range of products and collaborations in order to achieve a balance of at least 75% of total turnover.

1.1.5. Evaluation of the aspects related to the company’s employees / staff

a). Number and training level of the company’s employees, as well as the workforce’s unionisation degree :

On 31.12.2019 Electroarges S.A. had a total number of 440 employees, out of which 413 were employees with indefinite employment contract; 18 employees with definite employment contract; 9 employees with suspended employment contract (8 employees – on maternity leave, and 1 employee with the employment contract suspended-elective position).

Staff structure on 31.12.2019 was as follows:

| | |
|---------------------------|----------------------------|
| Total staff | - 440 (235 women, 205 men) |
| Working staff | - 363, out of which: |
| - direct workers | - 283 |
| - indirect workers | - 80 |
| Foremen: | - 3 |
| TESA staff | - 74, out of which: |
| - Engineers: | - 25 |
| - Engineering assistants: | - 3 |
| - Economists: | - 20 |
| - Technicians: | - 4 |
| - Other: | - 22 |

Regarding the training level of Electroarges S.A.’s employees, the need to develop professional skills for integration into a professional standard qualification differentiated by jobs and professions was taken into account.

Professional training in 2019 for ELECTROARGES employees was made according to the actual financial possibilities and in relation to the budget for the previous year approved in this regard.

Mainly in 2019 the human resources development and training strategy aimed at expanding the workforce to become more adaptable to the structural changes in the context of skills shortages identified in domestic labor with emphasis on qualification and requalification of the workforce directly at the workplace. In this regard, the development of professional skills for integration into a professional standard was taken into account, offering employees the knowledge necessary to

master the trade or occupation based on their experience at work, manufacturing products to better meet the foreign partners' evolving needs and quality requirements.

Also in 2019 the testing program for specialized staff was organized for the trades of Fork-lift Drivers, Crane Drivers, Boiler Operators, Testers and Riggers in order to extend the work permits for the previous year. They passed the exam and were reauthorized by ISCIR for 2019.

On the same note, on 31.12.2019, out of the 440 employees, 231 were union members and 209 employees are not union members.

| | |
|--------------------------------------|--------|
| The unionisation – not union members | 47.50% |
| - union members | 52.50% |

Most labor jurisdiction issues were resolved amicably.

b). Description of the relationship between manager and employees and any conflicting issues that characterize this relationship:

Relations between manager and employees were and are governed by the Collective Labor Agreement and legislation.

The objectives set by the manager were always discussed with employees' union representatives and each time a common ground was found (ie collective labor agreement negotiation and establishment of the salary scale). Although there were also conflicting situations between management and union, they were settled by direct negotiation.

Starting from the company's development policy, the manager reviewed the way leaders exercise authority, the importance of applying the legal procedures and the individual or team results. These were the most important factors in applying structural changes which were not accepted every time by the union or the people involved.

To address these situations, the manager accepted opinions contrary to his personal views, encouraged expression of personal opinions with tolerance to others' ideas, accepting a way of solving issues and situations in the interest of company's stability.

1.1.6. a). Evaluation of the issuer's basic activity impact on the environment:

Electroarges SA's activity is carried out under the Environmental Permit no. 205 of 08.08.2011 revised on 01.07.2019 issued by the Arges Environmental Protection Agency for the activities of "Manufacture of electric domestic appliances (manufacturing machinery and household appliances)" - NACE code 2751 and "Treatment and coating of metals" – NACE code 2561, carried out in Curtea de Arges, str. Albesti, nr.12, judetul Arges.

The status of compliance with the legal and other identifiable applicable requirements associated with the company's environmental aspects on environmental factors is as follows:

Environmental factor: AIR

Emissions and immissions of pollutants into the atmosphere, resulting from the company's activity, are periodically monitored in accordance with the provisions of the environmental permit.

The concentrations of pollutants released into the atmosphere are measured quarterly in accordance with the requirements of the environmental permit. Electroarges SA has signed the Service Contract no.C-013 / 23.02.2015 with Muntenia SRL General Environmental Analysis Laboratory for sampling and release of Test Reports on the monitoring of environmental factors. The values of the emissions and immissions measured (mentioned in the Test Reports) are within the allowed limits provided by the regulatory acts and legal provisions (Ordinance 462/1993 of the Ministry of Waters, Forests and Environmental Protection, Law 104/15.06.2011, respectively STAS 12574/1987).

-Provisions of Law 278/2013 on establishing measures to reduce the emissions of volatile organic compounds (VOC) due to use of organic solvents in certain technological processes were followed.

Environmental factor: WATER

-The provisions of Water Law no. 107/1996 as further amended and supplemented, as well as the requirements of the Water Management Permit are known and implemented.

The rules implemented concern:

-Water Management Permit no. 290/09.2016 on "Electrical consumer goods factory (portable electrical tools, low electric power motors and other electrical equipment) Curtea de Arges" issued by the National Administration of ROMANIAN WATERS – ARGES-VEDEA Water Basin Administration.

-Permit no. 2/2019 to operate wastewater pre-treatment plants, issued by Aquaterm AG'98 SA.

-Organization and functioning regulation of the neutralization station ;

-Wastewater resulting from the metal plating workshop is treated locally at the neutralization station, before being released into the city sewer system ;

-Water treated at the neutralization station is measured and monitored ;

-Water flows and volumes obtained from own sources and those released are measured, monitored and reported to the water management and environmental authorities according to the law ;

-The frequency of determining the quality indicators of wastewater, treated and released in the city sewers is carried out in accordance with the conditions imposed in the water management and environmental permits ;

-Maximum limits allowed for the quality indicators (provided by the Water Management and Environmental Permit) of the wastewater released in the city sewers established under regulation NTPA 002/2002, approved by the Government Decision no. 188/2002, as further amended and supplemented, are followed. Following the imposed values is carried out by performing quarterly chemical tests of the water treated and released in the city sewers in authorized laboratories (Muntenia SRL General Environmental Analysis Laboratory, Apa Canal 2000 SA Pitesti).

Environmental factor : SOIL and WASTE

-Waste management records, pursuant to COMMISSION DECISION of December 18th 2014 amending the Decision 2000/532/EC on establishing a list of wastes pursuant to Directive 2008/98/EC of the European Parliament and of the Council, as amended and supplemented, are followed. There is waste coding and identification, the amount produced, temporary storing, transport and capitalization or elimination method.

-The provisions of Law 211/2011 on waste are followed.

Hazardous waste is collected selectively, temporarily stored in special arranged premisesplaces, identified and managed by type (ie waste oil, galvanic slurry, etc.).

The formation of raw material, material, product and by-product inventories that may deteriorate or become waste due to expiry of shelf life is avoided.

-The provisions of Government Decision 235/2007 as further amended (ie Government Emergency Ordinance 15/2010) on the management of waste oil are applied by : providing collection of waste oil on types, use of appropriate collection containers, avoiding soil or groundwater contamination, their storage in specially designed premises, capitalization of the waste oil by authorized economic agents, after requesting and receiving the Dangerous Goods Transport / Shipment Form.

-Primary, secondary, tertiary and transport packages used for packing products placed on the domestic market were managed quantitatively and reported to the Arges Environmental Protection Agency and Administration of the Environment Fund as required by law.

The selective documented collection process is implemented (by packaging material type / range), management, reuse, recycling and management recording of the packaging and generated packaging waste of the materials introduced on and from the domestic market, in terms of environmental protection and compliance with the legal requirements. The traceability of the

generated packaging and packaging waste was made by relevant accounting and extra-accounting documents, from entering the company and up to the collecting and capitalizing economic agent.

-Transporting non-hazardous and hazardous waste to the economic operators is made based on the Loading – Unloading Forms, or Shipment – Transport Forms, in accordance with the Government Decision no. 1061/2008.

- The provisions of Government Emergency Ordinance no.196 / 2005 as further amended and supplemented (ie Order 1032/2011) regarding the Environment Fund are followed. The annual targets for the recovery, respectively recycling of the packaging waste, by type of packaging material, were made according to the legal requirements.

-The provisions of Government Decision 124/2003 as further amended and supplemented on prevention, reduction and control of environmental asbestos pollution are well known and implemented based on the gradual program of elimination of the asbestos tiles.

-The provisions of the Government Decision 5/2015 on the electrical and electronic equipment waste are implemented as follows : on designing the products, the specialists of the Technical Department comply with the special environmental and /or security requirements, the requirements for facilitating the part dismantling and recovery ; provide options of reuse and recycling of the electrical and electronic equipment waste.

Management responsibility of the electrical and electronic equipment waste was transferred from 2009 to CCR Logistics Systems SRL Bucuresti by Transfer of Responsibility Contract on the the electrical and electronic equipment waste collection, capitalization and recycling.

Also, the company's electrical and electronic equipment waste are transferred to companies authorized in their reuse and capitalization.

The introduction in the product's instructions of the special marking for the electrical and electronic equipment and environmental warnings is made in accordance with the requirements of Ordinance no. 556/2006.

CHEMICAL SUBSTANCES:

-The provisions of the Government Decision 173/2000 as further amended and supplemented on regulating the special regime for the management and control of the polychlorinated biphenyls (PCB) and similar compounds are being followed. The company is using power equipments with liquid which are not containing designated compounds in concentration higher than 50 ppm and are no environmental risks throughout the remaining useful life.

-Law no. 360/2003 as further amended and supplemented on the regime of hazardous chemical

substances and compounds, conditions: decisions on the personnel responsible for managing, storing and handling the hazardous chemical substances; permit for transportation, possession and use of toxic products and substances; the amounts of the toxic substances used are monitored through the "Records for the movement of toxic products and substances"; the need to supervise the purchase of hazardous chemical substances accompanied by Safety Data Sheets in accordance with Regulation 453/2010; complying with the conditions provided in the Safety Data Sheets of the hazardous products on packaging transportation, storage, handling/use and management of these substances.

-Possession of classified substances must be in compliance with the obligations established in the Government Emergency Ordinance 121/2006 approved by Law no. 186/2007, Regulation no. 273/2004, Regulation no. 111/2005, Regulation no. 1277/2005 as further amended and supplemented on the legal regime of the precursors used in the illegal manufacture of drugs. The rules applied are: the strict registering of the precursor consumers in special registers; decisions on the personnel in charge of managing, storing, handling and use of the precursors; purchasing the substances is done in packaging according to the law, the daily track of the precursors is kept in special registers, the hazardous substances packaging are being managed (they are returned to the suppliers, for purchasing chemical substances).

-The provisions of the Government Decision 322/2013 on the limiting of use of certain hazardous substances in electrical and electronic equipment are met by the following implemented measures: changing the internal technologies for the production of parts, monitoring suppliers, including the introduction of the requirements of the RoHS Directive in contracts/orders.

- We aimed to maintain the implementation of the provisions of the European Regulation 1907/2006/EC (REACH) as further amended and supplemented (ie Regulation no. 1272/2008 CLP) on chemical products and their safe management according to the Safety Data Sheets prepared in accordance with Annex II of the Regulation, amended by Regulation no. 453/2010. The company's various duties and responsibilities under REACH were identified and we kept in touch with the companies which supply us with substances, mixtures, items (by category of materials). Declarations of compliance with the REACH requirements and Safety Data Sheets for certain substances, mixtures were requested/submitted from/by suppliers, and as downstream users, declarations of compliance were submitted (ie Karcher customer, Steinel customer).

b). Summary description of the impact of the issuer's basic activity on the environment as well as any existing or expected disputes regarding the violation of the environmental

protection legislation:

Electroarges SA does not perform activities with significant environmental impact.

It should be mentioned that Electroarges SA has all the necessary legal authorizations (Environmental Permit, Water Management Authorization and Authorization concerning the operation of waste water pre-treatment facilities) to carry out the business activity.

Inspections were carried out during 2019 by the National Environmental Guard – Arges Regional Department. A measure related to "Separate collection of all types of waste generated, in special spaces or containers, with labels for each type of waste ". The measure was properly implemented.

The fact that Electroarges location is in the industrial area of Curtea de Arges does not affect the quality of life, the population's health condition, or the vegetation and fauna.

The impact of Electroarges SA' activity in terms of social and economic environment is positive by creating new jobs.

1.1.7. Evaluation of research and development activity. Indication of research and development expenses for the financial year, as well as those expected in the next financial year :

In 2019, new versions of Kaercher vacuum cleaners have been manufactured derived from those in production, in the Home & Garden vacuum cleaner range type WD 2 and WD 3. Also, the manufacturing of the first pressing of the new range of vacuum cleaners WD 3 Battery was executed.

Also in 2019 began the production collaboration with ARCTIC, by assimilating into the manufacture of an important range of plastic injection molded parts, subassemblies and part kits. Also, the collaboration with STEINEL was resumed for the production of plastic injection molded parts and negotiations with manufacturers in the automotive area began.

During 2020, objectives for modernizing the ARGIS Electroarges brand products shall be implemented, in accordance with the requirements of domestic and foreign markets. There will also be assimilated into production new Kaercher vacuum cleaner groups, new parts and subassemblies will be assimilated into manufacture in collaboration with ARCTIC and STEINEL. Collaboration will be initiated and continued with manufacturers of household appliances, plastic injection molded parts and subassemblies for various applications.

1.1.8. Evaluation of the company's activity regarding the risk management. Description of the company's exposure to price, credit, liquidity and cash flow risk.

ELECTROARGEŞ S.A. is facing two major risks:

- 95.7% of turnover represents production collaboration with KÄRCHER. Any syncope in the contract with this company can be immediately and severely felt;

The alternative to this dependence is increasing production for the domestic market and identifying other customers so as to reach 75% of turnover.

-loan at one bank - Raiffeisen Bank, Pitesti branch- any change of the bank's policy in the current situation may also have consequences on the ELECTROARGEŞ S.A. capacity to support interest and reimbursement rates.

Description of the company's policies and objectives regarding risk management.

In order to reduce and even eliminate these risks, The Board of Directors has defined its approach for the coming years, consisting of :

- ensuring the profitability on the traditional market (increasing the competitiveness of products through redesign, manufacturing cost control, non-quality cost reduction, boosting sales by changing marketing policies) ;
- penetrating new markets and diversifying the range of services/products offered ;
- rendering of services and manufacturing products for third parties in related fields (for which there are insufficiently used technological capabilities) ;
- participation in inter-disciplinary programs at national and international level ; attracting structural grant funds.

1.1.9. Prospects regarding the company's activity :

1.1.9.a). Presentation and analysis of uncertainty trends, items, events or factors that affect or could affect the company's liquidity compared to the same period of the previous year

Based on the above, the approach applied within the company has as main objective the refocus of the activity on the profitability analysis under increasing turnover and running parallel activities enabling cost control and strengthening the market position.

In order to achieve these objectives and to eliminate uncertainty events or factors that may affect the company's liquidity, action is taken to :

- reduce dependence to the KÄRCHER's contract ;
- reduce and liquidize inventories ;
- reduce funding costs by renegotiating contracts with suppliers and clients ;
- refocus the sales from the need to ensure volume to ensuring profitability ;
- sales-production-acquisitions relational planning with consolidating all categories of

inventories;

-personnel management by optimizing the organizational chart and introducing efficiency criteria.

1.1.9.b). Presentation and analysis of the effects of current or expected capital costs on the company's financial position compared to the same period of the last year.

Economic and financial indicators on December 31st 2019:

| <i>CAPITAL PROFITABILITY AND RETURN</i> | December 31st 2019 | December 31st 2018 |
|--|-------------------------------|-------------------------------|
| Efficiency of available capital | | |
| Profit before interests and tax (A) | 1,367,742 | 767,735 |
| Available capital (B) | 3,269,415 | 7,328,931 |
| A/B | 0.42 | 0.10 |
| Equity efficiency | | |
| Net profit (A) | 2,036,989 | 13,340,127 |
| Equity (B) | 74,196,486 | 65,740,710 |
| A/B | 0.03 | 0.20 |
| Operating profit rate | | |
| Profit before interests and tax (A) | 1,367,742 | 767,735 |
| Operating income (B) | 192,303,389 | 193,611,327 |
| A/B | 0.01 | 0.004 |
| Net profit rate | | |
| Net profit (A) | 2,036,989 | 13,340,127 |
| Total revenue (B) | 194,380,281 | 207,307,850 |
| A/B | 0.01 | 0.06 |
| Total assets rate | | |
| Profit before interests and tax (A) | 1,367,742 | 767,735 |
| Total assets (B) | 154,639,649 | 129,545,690 |
| A/B | 0.01 | 0.01 |

| SOLVENCY | December 31st 2019 | December 31st 2018 |
|---|-------------------------------|-------------------------------|
| Debt rate | | |
| Total obligations (A) | 80,443,163 | 63,804,980 |
| Total assets (B) | 154,639,649 | 129,545,690 |
| A/B | 0.52 | 0.49 |
| Financial autonomy rate | | |
| Equity (A) | 74,196,486 | 65,740,710 |
| Total assets less current net liabilities (B) | 85,312,913 | 68,988,033 |
| A/B | 0.87 | 0.95 |
| LIQUIDITY AND WORKING CAPITAL | | |
| | December 31st 2019 | December 31st 2018 |
| General liquidity rate | | |
| Current assets | 58,101,399 | 74,338,971 |
| Current obligations | 69,326,736 | 60,557,657 |
| (A/B) | 0.84 | 1.23 |
| Rapid liquidity rate | | |
| Current assets | 58,101,399 | 74,338,971 |
| Inventories | 17,475,452 | 19,417,624 |
| Current obligations | 69,326,736 | 60,557,657 |
| (A-B)/C | 0.59 | 0.91 |
| Client collection period | | |
| Trade receivables (A) | 13,136,504 | 8,860,328 |
| Net turnover (B) | 192,541,717 | 191,189,704 |
| (A/B)*365 days | 25 | 17 |
| Inventory immobilization period | | |
| Inventories (A) | 17,475,452 | 19,417,624 |
| Net turnover(B) | 192,541,717 | 191,189,704 |
| (A/B)*365 days | 33 | 37 |
| Supplier payment period | | |

| | | |
|------------------------------------|-------------|-------------|
| Suppliers (A) | 25,315,887 | 27,301,500 |
| Material and external expenses (B) | 161,620,452 | 165,858,827 |
| (A/B)*365 days | 57 | 60 |

The company has no obligations unpaid at maturity to the state budget.

1.1.9.c). Presentation and analysis of the events, transactions, economic changes that significantly affect revenue from basic activity.

Electroarges SA operates on the going concern principle, based on the Income and Expenditure Budget and the development programs evaluated in accordance with the commercial contracts underlying the economic collaborations.

There are no known events at this time that significantly affect income from the basic activity.

2. COMPANY'S TANGIBLE ASSETS

2.1. Location and characteristics of the company's main production facilities

"ELECTROARGES" S.A. is located in Curtea de Arges, str.Albesti, nr.12, jud. Arges. Total area of the land owed by the company was 59,346 sqm, acquired with the Title Deed series M03, NO. 0674/08.12.1993, of which the land adjoining the Studio Block was sold to the tenants in 1995 and the land adjoining the Bachelors' Hostel was alienated by Court Order in 2001.

The remaining area of 57,702.12 sqm has been structured as follows:

1. Total built area = 31,313.15 sqm
of which:
 - production and administrative departments = 31,297.34 sqm
2. Area related to the transport routes = 18,221.97 sqm
3. Area related to the municipal networks = 932.00 sqm
4. Free area = 7,235.00 sqm
out of which: suitable for construction = 2,104.25 sqm.

Depending on the activities that take place within the company, the following classification may be used:

- production activity - takes place in 2 main units of production, such as: BLC and Karcher-Plastics, structured in workshops and working lines depending on the specific technological operations and 2 supporting workshops: Tool Room and Mechanical & Energy;

- quality assurance activity;
- research and development activity;
- marketing-sales and service activity;
- logistics, acquisitions and transportation;
- financial-accounting activity;
- production planning and monitoring;
- human resources and administrative management.

On 31.12.2019, a revaluation of the assets of the nature of constructions was carried out by an independent expert assessor. The revaluation results express the fair value of the constructions. The result of the revaluation of the assets is presented in the table below:

| Description | Net amount reported before revaluation | Revalued value on 31.12.2019 | Evaluation 2019 |
|---------------|--|------------------------------|-------------------|
| Constructions | 6,679,310 | 20,197,853 | 13,518,543 |
| TOTAL | 6,679,310 | 20,197,853 | 13,518,543 |

The investments made in 2019 amount to 13,630,623 lei, out of which:

- Fixed assets modernized: 2,254,106 lei;
- Technological equipment (machines, tools): 11,240,219 lei;
- Furniture, equipment, office supplies: 19,897 lei;
- Means of transport: 116,401 lei.

2.2. Analysis of the company's property wear

The wear of all the company's capabilities is 35.87%, by category of assets fluctuating from minimum to maximum.

Accounting wear of the company's properties was calculated according to Law 15/1994 and Law no. 227/2015 regarding the Fiscal Code, the straight-line method, being influenced by the subsequent regulations on the utilization of fixed assets.

Regarding the moral and physical wear, it could be said to have a different level for each category of fixed assets. Fixed assets purchased in the past 3 years do not have a high moral wear, on the date of purchase being some of the most efficient, unlike other facilities, which are mostly at the 1970-1980's level, but their performances were increased by upgrading.

2.3. Issues related to the property right on the company's tangible assets

It is not the case.

3. COMPANY-ISSUED SECURITY MARKET

3.1. SC ELECTROARGEȘ SA is registered at the National Commission of Transferable Securities with a number of 69,764,650 shares with a nominal value of 0.10 lei, representing 6,976,465 lei subscribed and fully share capital. This is stated in the SECURITIES REGISTRATION CERTIFICATE No. AC-2208-6/09.06.2016.

ELECTROARGES SA's securities (shares) are traded on the Bucharest Stock Exchange, 2nd Category – Shares. Information on the market evolution of these shares can be found on the BSE website, www.bvb.ro, consulting the ELECTROARGES SA issuer's sub-site for the "ELGS" sign.

ELECTROARGEȘ SA's Shareholders Register records are carried out in accordance with the legal provisions by the register company SC DEPOZITARUL CENTRAL SA – Bucharest.

3.2. ELECTROARGES SA made a profit in 2005 and 2006, but due to the fact that in the previous years, respectively from 1999 to 2004, the Profit and Loss Account was negative, in accordance with Law 31/1990 and the Accounting Law the shareholders were forced to use the profit to cover the loss, and the profit of 2007 and 2008 was assigned as own funding sources, of which the amount of 636,006.20 lei in 2007 and the amount of 954,009.30 lei in 2008 were used to increase the share capital by allocating free shares without any change in previous ownership percentage.

In 2008, gross dividends were distributed amounting to 0.0232 lei / share, and in 2009 the gross dividend distributed was 0.0595 lei / share.

Profit of 2010 remaining after setting up the legal reserve was fully distributed as own funding source.

In 2011, Electroarges SA's share capital was increased with the amount of 3,335,506 lei, through subscription of shares at a nominal value of 0.1 lei / share to the existing shareholders according to the Shareholders Register issued by the SC Depozitarul Central.

Profit of 2011 in the amount of 6,874,531 lei, remaining after setting up the Legal Reserve of 436,035 lei, was assigned to "Other reserves- own development sources".

In 2012, with the General Ordinary Meeting of Shareholders Decision no. 82/21.04.2012, it was approved to cover the loss from the previous years, in the amount of (-) 8,156,411 lei, loss resulted from increases and penalties accumulated between 1999-2004 for overdue tax debts. We mention the fact that by rescheduling the payment of these debts registered on 31.12.2004, the

company benefited from increase and penalty cancellations and reductions in the amount of 9,172,397 lei, which are found in the group "Other reserves-tax reserve from rescheduled tax debts cancellations and reductions". Coverage of the accounting loss was made using "Other reserves-own funding&development sources" set up from the profit of 2010 and partially of 2009.

In 2016, by applying the Court Sentence no. 225/CC, the share capital was increased with a number of 7,789,310 shares, representing 778,931 lei, by approving the shareholders' Tudor Dumitru and Vidraru S.A.'s subscriptions. Also in 2015, by applying the Court Sentence no. 474/CC the share capital was decreased with 18,874,931 shares, representing 1,887,493.10 lei, by cancelling the share capital increase of 2012. The same was applied when refunding shareholders participating in subscription, with 0.30 lei/share, respectively.

Profit distribution for 2017

On 31.12.2017 Electroarges SA registered a net profit of 12,887,618.94 lei, which was approved for distribution as follows:

| | |
|--|-----------------------------|
| <u>Net profit 2017</u> | <u>12,874,618.94</u> |
| Reserves – Fixed assets from reinvested profit | 1,557,497.75 |
| Dividendes (69.764.650 shares * 0,12 lei). | 8,371,758.00 |
| Net profit distributed to administrators | 611,544.00 |
| Net profit distributed to employees | 547,171.30 |
| Other reserves | 1,786,647.89 |

Profit distribution for 2018

On 31.12.2018 Electroarges SA registered a net profit of 12,258,120.32 lei, which was approved for distribution as follows:

| | |
|--|-----------------------------|
| <u>Net profit 2018</u> | <u>12,258,120.32</u> |
| Reserves – Fixed assets from reinvested profit | 1,525,967.84 |
| Dividendes (69.764.650 shares * 0,12 lei). | 8,371,758.00 |
| Other reserves | 2,360,394.48 |

3.3. ELECTROARGES SA's Board of Directors was not in the position to approve the acquisition by the company of its own shares, but under the General Extraordinary Meeting of Shareholders Decision no 80/11.06.2011 and General Ordinary Meeting of Shareholders Decision no. 82/21.04.2012, the shares subscribed and unpaid following the action to increase the share capital were canceled.

In December 2017, by the Decision 104/11/12.2017 of the Extraordinary General Meeting of Shareholders, a share buy-back program was approved, decision which was suspended by the Arges Special Court.

3.4. ELECTROARGEŞ SA classifies the company's subsidiaries in which, by the holding share in these companies' capital, it holds the control. With these, Electroarges SA enters consolidation, and prepares consolidated financial statements.

Companies classified as subsidiaries are:

1. AMPLO SA, in which Electroarges owns 2,668,396 shares (84.4119% of the share capital);
2. CONCIFOR SA, in which Electroarges owns 3,206,788 shares (67.0217% of the share capital);
3. ELARS SA, in which Electroarges owns 20,555,276 shares (88.1611% of the share capital);

During 2019, a number of 3,470,199 Braiconf SA shares were acquired, and a number of 18,892,000 shares were sold, Electroarges holding at the end of 2019 a number of 11,802,363 shares, respectively 26.3354% of the Braiconf SA share capital.

ELECTROARGEŞ SA does not have branches.

3.5. SC ELECTROARGEŞ SA has not issued bonds or other debentures.

4. COMPANY'S MANAGEMENT.

4.1. a). List of SC ELECTROARGEŞ SA's administrators

Based on the AGOA Decision no. 103 of 20.09.2017, *the structure of the SC Electroarges SA's Board of Directors* is as follows:

| Item no. | Surname | Given names | Age - years - | Qualification | Professional experience. (years) | Position | Seniority - years - |
|-----------------|----------------------------|--|----------------------|----------------------|---|-----------------|----------------------------|
| 1. | Stefan | Constantin | 36 | Economist | 4 | Chairman | 3 |
| 2. | Gavrilă | Ion | 66 | Engineer | 45 | Member | 12 |
| 3. | Tudor | Dumitru | 72 | Chemist | 47 | Member | 3 |
| 4. | Investments Constantin SRL | By permanent representative - Mr Zisu Robert | | | | Vice-Chairman | 0 |
| 5. | Benjamins | By | | | | Member | 0 |

| | | | | | | | |
|--|-------------|---|--|--|--|--|--|
| | United SRL. | permanent representative - Mr Charles Nakouzi | | | | | |
|--|-------------|---|--|--|--|--|--|

4.1.b). Any agreement, understanding or family relationship between that manager and another person for whom that person has been appointed administrator - Not the case.

4.1.c). Administrators' participation to the share capital.

| Item no. | Surname | Given names | Position | No. of shares |
|----------|----------------------------|--|---------------|---------------|
| 1. | Stefan | Constantin | Chairman | 0 |
| 2. | Gavrilă | Ion | Member | 6,016,191 |
| 3 | Tudor | Dumitru | Member | 8,963,266 |
| 4 | Investments Constantin SRL | By permanent representative - Mr Zisu Robert | Vice-Chairman | 25,699,543 |
| 5. | Benjamins United SRL. | By permanent representative - Mr Charles Nakouzi | Member | 621,000 |

4.1. d). List of of persons affiliated to the company

| Item no. | Full name | Share capital participation rate |
|----------|---|----------------------------------|
| 1. | Constantin Relative Investments SRL | 36.8375 |
| 2. | Stefan Constantin – indirect holding through Investments Constantin SRL and Benjamin United SRL | 37.7276 |
| 3. | Amplo SA – Electroarges holdings | 84.4119 |
| 4. | Concifor SA - Electroarges holdings | 67.0217 |
| 5. | Elars SA - Electroarges holdings | 88.1611 |
| 6. | Braiconf SA - Electroarges holdings | 26.3354% |
| 7. | Metalica SA - indirect affiliation through joint management | - |

4.2. a). The list of the executive management:

| Item no. | Surname | Given Names | Position | Period as a member of the executive management |
|----------|---------|-------------|-------------------------|--|
| 1. | Sarghe | Alexandru | Deputy General Director | 01.06.2019 – 29.02.2020 |
| 2. | Scarlat | Roxana | Economic Director | 28.03.14 - indefinite |
| 3. | Veisa | Alexe | Operational Director | 14.05.18 - indefinite |
| 4. | Barbu | Marin | Technical Director | 01.11.06 - indefinite |
| 5. | Golescu | Vasile | Production Director | 01.09.06 - indefinite |

4.2. b). Any agreement, understanding or family relationship between that person and another person for whom that person has been appointed as a member of the executive management - Not the case.

4.2.c). Participation of the executive managers to the company's share capital :

| Item no. | Surname | Given Names | Position | No. of shares held |
|----------|---------|-------------|-------------------------|--------------------|
| 1. | Sarghe | Alexandru | Deputy General Director | 0 |
| 2. | Scarlat | Roxana | Economic Director | 535 |
| 3. | Veisa | Alexe | Operational Director | 0 |
| 4. | Barbu | Marin | Technical Director | 20,188 |
| 5. | Golescu | Vasile | Production Director | 39,205 |

4.3. List of the disputes or administrative procedures for the last 5 years involving members of the administrative management.

Not the case.

5. STATEMENT OF FINANCIAL ACCOUNTING

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

At the date of first application of IFRS (31.12.2012), the accounts according to RCR were adjusted, where necessary, to bring the separate financial statements, in all material respects, in line with IFRS. The most significant changes to the financial statements prepared in accordance with

RCR in order to align them with the IFRS requirements adopted by the European Union are:

- Adjustments of the assets, liabilities and equity in accordance with IAS 29, due to the fact that the Romanian economy was a hyperinflationary economy until December 31, 2003, using consumer price indices.

5.a. Assets, liabilities and equity balance:

| | 31.12.2019 | 31.12.2018 |
|-------------------------------|--------------------|--------------------|
| FIXED ASSETS | 96,599,463 | 55,206,718 |
| CURRENT ASSETS | 58,040,186 | 74,338,971 |
| TOTAL ASSETS | 154,639,649 | 129,545,690 |
| SHORT-TERM LIABILITIES | 69,326,736 | 60,557,657 |
| LONG-TERM LIABILITIES | 11,116,427 | 3,247,323 |
| TOTAL LIABILITIES | 80,443,163 | 63,804,980 |
| NET ASSESTS | 74,196,486 | 65,740,710 |
| Share capital | 6,976,465 | 6,976,465 |
| Legal reserve | 1,617,005 | 1,617,005 |
| Net reserves from revaluation | 10,872,567 | 0 |
| Other reserves | 43,030,790 | 40,045,145 |
| Retained earnings | 11,699,659 | 17,102,075 |
| TOTAL EQUITY | 74,196,486 | 65,740,710 |

5. b. Statement of revenue and expenditure

| Item name | 31.12.2019 | 31.12.2018 |
|-------------------------|-------------------|-------------------|
| OPERATING INCOME | | |
| Net turnover | 192,541,717 | 191,189,704 |

| | | |
|---|--------------------|--------------------|
| Other operating income | 2,299,427 | 2,618,362 |
| Changes in inventories | (2,537,754) | (196,739) |
| TOTAL operating income | 192,303,390 | 193,611,327 |
| OPERATING COSTS | | |
| Expenses on raw materials and consumables | 147,836,057 | 147,578,433 |
| Expenses on personnel | 23,189,219 | 20,915,418 |
| Expenses on amortizations and provisions | 4,121,408 | 2,635,777 |
| Other operating costs | 15,788,963 | 21,713,964 |
| TOTAL operating costs | 190,935,647 | 192,843,592 |
| OPERATING RESULT | 1,367,743 | 767,735 |
| Financial income | 2,552,610 | 16,848,887 |
| Financial expenses | (475,718) | (3,152,364) |
| GROSS RESULT OF THE FINANCIAL YEAR | 3,444,635 | 14,464,258 |
| Expense with the tax on current profit | 743,065 | 2,206,138 |
| Expense/(income) with the tax on deferred profit | 664,581 | (1,082,006) |
| NET RESULT OF THE FINANCIAL YEAR | 2,036,989 | 13,340,126 |

5.c. Cash-flow statement (indirect method)

| | 31-Dec-19 | 31-Dec-18 |
|--|------------------|-------------------|
| Flows from operating activities | | |
| Profit before taxation | 3,444,635 | 14,464,258 |
| Adjustments for: | | |
| Amortizations and provisions | 4,964,670 | 3,531,611 |
| Retakes income from subsidiaries | (843,262) | (895,834) |
| Income from the sale of shareholdings | (13,162,393) | (4,979,723) |
| Expenses with discharging the shareholdings sold | 13,117,166 | 5,544,732 |
| Formations/Retakes from financial assets value adjustments | (2,045,000) | 2,045,000 |
| Net effect evaluation of financial assets | (403,580) | (15,665,550) |
| Expenditure on disposal of assets | 8,944 | 221,080 |
| Client value adjustment | (1,243,759) | (29,000) |
| Inventory value adjustment | 9,588 | 96,815 |
| Income from written off dividends | (656,593) | (240,373) |
| Income from dividends | - | (736,133) |
| Financial income | (4,921) | (101,194) |
| Financial expenses | <u>468,847</u> | <u>196,378</u> |

| | | |
|---|--------------------|--------------------|
| Profit before working capital change | 3,654,343 | 3,452,066 |
| Receivables decrease / (increase) | (9,321,736) | (9,112,699) |
| Inventories decrease / (increase) | 1,932,583 | (1,065,479) |
| Liabilities increase / (decrease) | <u>478,233</u> | <u>10,763,533</u> |
| Cash from operating activities | (3,256,576) | 4,037,421 |
| Financial expenses paid | (468,847) | (196,378) |
| Tax on profit paid | <u>(1,596,657)</u> | <u>(1,817,154)</u> |
| Net cash from operating activities | (5,322,080) | 2,023,889 |
| Flows from investment activities | | |
| Acquisitions of tangible assets | (6,013,530) | (10,292,396) |
| Acquisitions of shareholdings | (1,062,327) | (15,189,176) |
| Collections from the sale of shareholdings | 13,162,393 | 4,979,723 |
| Collection of loan to affiliated entities | - | 950,000 |
| Collections of other financial assets | - | 8,782,217 |
| Interest collected | 4,921 | 101,194 |
| Income from investments | = | <u>736,133</u> |
| Net flows from investment activities | 6,091,457 | (9,932,304) |
| Flows from funding activities | 31-Dec-19 | 31-Dec-18 |
| Loan withdrawals | 1,927,946 | 5,884,142 |
| Loan repayments | (316,857) | (343,262) |
| Payments related to financial leasing | (2,162,493) | - |
| Employees share in profit | - | (1,158,715) |
| Paid dividends | <u>(4,277,488)</u> | <u>(4,283,065)</u> |
| Net flows from funding activities | 4,902,910 | 99,100 |
| Cash net (decrease) | (4,059,516) | (7,809,316) |
| Cash and cash equivalents at the beginning of the period | 7,328,931 | 15,138,247 |
| Cash and cash equivalents at the end of the period | 3,269,415 | 7,328,931 |

6. CORPORATE GOVERNANCE

ELECTROARGES SA, in its capacity as issuer listed on BSE Main Market Category II - Shares, always has in mind the compliance with the corporate governance principles of the BSE Corporate Governance Code.

The company is considering developing a Corporate Governance Regulations to describe the main aspects of corporate governance, which will be posted on the company website www.electroarges.ro.

In the Corporate Governance Regulations shall be detailed the corporate governance structures, the Board of Directors and executive management's functions, powers and responsibilities, transparency, financial reporting, the corporate information system and the company's social responsibility for its activities.

ELECTROARGES SA respects the shareholders rights, providing them fair treatment.

For the General Meetings of Shareholders, on the company's website, were posted details of business meetings, Summons, materials related to the agenda, Special Power of Attorney and Absentee Ballot forms, the participatory and voting procedures that ensure efficient meeting sessions and entitle any shareholder to freely express their opinion on the issues under discussion, the decisions adopted by the shareholders.

For the financial year 2019, information on the financial calendar, annual, half-yearly, quarterly and current reports were posted.

**CHAIRMAN OF THE BOARD OF DIRECTORS,
STEFAN CONSTANTIN**