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ELECTROARGES SA

Consolidated financial statements for the year ending on December 31st 2019

prepared in accordance with IFRS adopted by the European Union

SUMMARY	PAGE

STATEMENT OF COMPREHENSIVE INCOME ON DECEMBER 31st 2019
(expressed in lei, unless specified otherwise)

	Note	Year ending on 31 decembrie 2019	Year ending on 31 decembrie 2018 (retreated)
Income from sales	4	**218,034,386**	**241,976,167**
Other operating income	4	7,917,975	9,370,285
Changes in inventories		(1,254,827)	2,402,146
Raw materials and consumables	5	(154,215,457)	(161,221,585)
Expenses on personnel	6	(43,081,684)	(53,069,364)
Amortization		(5,042,784)	(4,251,011)
Other operating expenses	7	(28,143,803)	(40,689,519)
Operational loss		**(5,786,194)**	**(5,482,881)**
Financial income	8	5,042,380	18,753,780
Financial expenses	8	(7,724,765)	(2,330,253)
(Loss) / Profit before taxation		**(8,468,580)**	**10,940,646**
Income/(expense) with the tax on profit	9	711,728	(2,141,264)
Period (Loss) / Profit		**(7,756,851)**	**8,799,382**
Other comprehensive income elements			
Elements that will not be reclassified:			
Tangible assets revaluation		15,342,557	-
Remeasurment of the pension benefit schemes offered		(29,150)	
Financial investments revaluation at fair value		242,473	(278,569)
Related tax		(2,488,941)	44,571
Total other comprehensive income elements		**13,066,939**	**(233,998)**
Total comprehensive income		**5,310,088**	**8,565,384**
Period (Loss) / Profit related to:			
The group		(7,621,842)	9,408,551
Minority interests		(260,382)	(609,169)
Total comprehensive income related to:			
The group		5,263,705	9,174,553
Minority interests		(78,989)	(609,169)

Financial statements were approved by the Board of Directors on 16.03.2020.

Chairman of the Board of Directors, Economic Director,

Constantin Stefan Roxana Scarlat

STATEMENT OF THE FINANCIAL POSITION ON DECEMBER 31st 2019

(expressed in lei, unless specified otherwise)

	Note	December 31st 2019	December 31st 2018 (retreated)
Assets			
Fixed assets			
Tangible assets	10	67,910,651	48,654,059
Goodwill	11	4,560,969	23,502,788
Intangible assets	11	660,673	963,407
Financial nassets	12	27,646,422	1,590,828
Deferred tax	19	-	279,912
Total fixed assets		**100,778,715**	**74,990,993**
Current assets			
Inventories	13	19,527,534	35,734,129
Trade and similar receivables	14	37,766,457	38,419,558
Other financial assets	12	117,378	21,019,857
Cash and cash equivalents	15	3,368,483	13,409,191
Total current assets		**60,779,853**	**108,582,736**
TOTAL ASSETS		**161,558,567**	**183,573,730**
Liabilities			
Current liabilities			
Trade and similar liabilities	16	57,674,526	60,685,691
Short-term loans from banking institutions	17	11,427,821	9,977,393
Financial leasing	18	2,107,741	-
Employee benefits due in the short term	20	248,494	37,826
Liabilities with the tax on profit		278,103	1,072,715
Long-term loans from banking institutions – current maturity		211,238	316,857
Provisions			3,385
Total current liabilities		**71,947,923**	**72,093,867**
Long-term liabilities			
Long-term loans from banking institutions	17	-	211,238
Financial leasing	18	7,624,062	-
Employee benefits due in the long term	20	535,079	-
Deferred tax	19	717,670	-
Subsidies		2,198,567	3,036,085
Total long-term liabilities		**11,075,378**	**3,247,323**
TOTAL LIABILITIES		**83,023,302**	**75,341,190**

NET ASSETS		**78,535,266**	**108,232,540**

	Note	December 31st 2019	December 31st 2018 (retreated)
Share capital	21	6,976,465	6,976,465
Own shares		(9,518)	(9,518)
Legal reserve		2,577,844	3,157,757
Net revaluation reserves		12,706,355	4,744,308
Other reserves	22	43,537,907	50,624,991
Retained earnings	22	10,224,482	29,126,743
Interests that do not control		2,646,067	13,611,794
TOTAL EQUITY		**78,535,265**	**108,232,540**
TOTAL LIABILITIES AND EQUITY		**161,558,567**	**183,573,730**

Financial statements were approved by the Board of Directors on 16.03.2020.

The accompanying notes from 1 to 27 are an integral part of these financial statements.

Chairman of the Board of Directors,

Constantin Stefan

Economic Director,

Roxana Scarlat

STATEMENT OF CHANGES IN EQUITY ON DECEMBER 31st 2019
(expressed in lei, unless specified otherwise)

	Share capital	Own shares	Share capital adjustments	Revaluation reserves	Legal reserves	Other reserves	Retained earnings from the first adoption of IAS 29	Retained earnings	Total attributable to the group	Minority interest	Total equity
January 1st 2018	**8,646,704**	**(1,127)**	**12,857,793**	**3,617,852**	**1,827,528**	**31,841,563**	**(13,577,059)**	**22,062,312**	**67,275,566**	**3,090,453**	**70,366,019**
Profit for the year	-							9,408,551	**9,408,551**	(609,169)	**8,799,382**
Other comprehensive income elements								(233,998)	**(233,998)**	-	**(233,998)**
Total comprehensive income	**-**							**9,174,553**	**9,174,553**	**(609,169)**	**8,565,384**
Increases				1,795,803					**1,795,803**	-	**1,795,803**
Distributed dividends	-							(8,371,758)	**(8,371,758)**	**-**	**(8,371,758)**
Employees participation in profit								(1,158,715)	**(1,158,715)**	**-**	**(1,158,715)**
Allocation of other reserves	-			(36,901)		3,312,616		(3,275,715)	**-**	**-**	**-**
Initial balance corrections	(1,670,239)	(8,391)	(12,857,793)	(632,446)	1,330,229	15,470,813	13,577,059	10,696,067	**25,905,299**	**9,970,122**	**35,875,421**
December 31st 2018 retreated	**6,976,465**	**(9,518)**	**-**	**4,744,308**	**3,157,757**	**50,624,991**	**-**	**29,126,743**	**94,620,746**	**13,611,794**	**108,232,541**
Profit for the year	-							(7,496,470)	**(7,496,470)**	(260,382)	**(7,756,851)**
Other comprehensive income elements	-			12,706,355				179,191	**12,885,547**	181,392	**13,066,939**
Total comprehensive income	**-**			**12,706,355**				**(7,317,278)**	**5,389,077**	**(78,989)**	**5,310,088**
Decreases				(4,679,957)	(579,913)	(10,048,242)		(440,755)	**(15,748,867)**	**(10,854,121)**	**(26,602,989)**
Distributed dividends	-							(8,371,758)	**(8,371,758)**	**-**	**(8,371,758)**
Allocations of other reserves	-			(64,351)		2,985,644	-	(2,921,293)	**-**	**-**	**-**
December 31st 2019	**6,976,465**	**(9,518)**	**-**	**12,706,355**	**2,577,844**	**43,562,393**	**-**	**10,075,659**	**75,889,198**	**2,646,067**	**78,535,265**

Financial statements were approved by the Board of Directors on 16.03.2020.

Chairman of the Board of Directors, Constantin Stefan Economic Director, Roxana Scarlat

CASH-FLOW STATEMENT ON DECEMBER 31st 2019

	31-Dec-19
Flows from operating activities	
Loss before taxation	**(8,208,198)**
Amortizations and provisions	5,899,046
Retakes income from subsidies	(856,262)
Income from the sale of shareholdings	(13,162,393)
Expenses with discharging the shareholdings sold	15,641,983
Net result from the sale of assets	200,376
Client value adjustments	(907,883)
Inventory value adjustments	(458,262)
Financial income	(5,221)
Financial expenses	516,510
Profit before working capital change	**(1,340,303)**
Receivables decrease / (increase)	(8,481,369)
Inventories decrease / (increase)	2,216,396
Liabilities increase / (decrease)	6,123,130
Cash from operating activities	**(1,482,145)**
Financial expenses paid	(516,510)
Tax on profit paid	(800,554)
Net cash from operating activities	**(2,799,209)**
Flows from investment activities	
Acquisitions of tangible assets	(7,097,419)
Sales of shareholdings	6,159,581
Interest collected	5,221
Sales of tangible assets	2,410,071
Income from investments	18,744
Net flows from investment activities	**1,496,198**
Flows from funding activities	
Loan withdrawals	2,113,413
Loan repayments	(316,857)
Payments related to financial leasing	(2,162,493)
Paid dividends	(8,371,758)
Net flows from funding activities	**(8,737,695)**
Cash net (decrease)	**(10,040,707)**
Cash and cash equivalents at the beginning of the period	**13,409,191**
Cash and cash equivalents at the end of the period	**3,368,485**

CASH-FLOW	31.12.2018
(+/-) Business income	**7,942,642**
(+) Amortiz.and provis. Included in costs registered during the period	**5,146,845**
(-) Changes in inventories	-11,351,535
(-) Changes in receivables	-16,256,734
(+) Changes in suppliers and client lenders	13,647,486
CASH FLOW FROM OPERATING ACTIVITY (A)	**-871,296**
(-) Changes in fixed assets	-3,056,773
CASH FLOW FROM INVESTMENT ACTIVITY (B)	**-3,056,773**
(+) Changes in loans and similar liabilities	-5,135,939
(+) Changes in other liabilities	956,665
(+) Changes in share capital	-2,749,589
CASH FLOW FROM FINANCIAL ACTIVITY (C)	**-6,928,863**
(+) Changes in other liability elements	-9,917,891
(-) Changes in other asset elements	18,317,452
CASH FLOW FROM OTHER ACTIVITIES (D)	**8,399,561**
TOTAL CASH FLOW (A+B+C+D)	**-2,457,371**
Available at the beginning of the period	15,996,248
Available at the end of the period	**13,538,877**

Financial statements were approved by the Board of Directors on 16.03.2020.

Chairman of the Board of Directors, Economic Director,

Constantin Stefan Roxana Scarlat

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ending on December 31st 2019

OVERVIEW OF THE ENTITIES THAT HAVE ENTERED THE CONSOLIDATION PERIMETER

These consolidated financial statements for the financial year ending on December 31st 2019 are prepared for the Electroarges Group, consisting of the Parent Company and its subsidiary.

GROUP CONSOLIDATION BOARD

Company	Percentage of control held	Percentage of interest held	Control time	Consolidation method
ELARS SA	88.1611%	88.1611%	Sole control by right	Global integration
AMPLO SA	84.4119%	84.4119%	Sole control by right	Global integration
CONCIFOR SA	67.0217%	67.0217%	Sole control by right	Global integration
BRAICONF SA	26.3415 %	26.3415 %	Sole control by right	Equity

When separate financial statements are prepared in accordance with IFRS5, investments in subsidiaries, jointly controlled entities and associates that are not classified as held for sale (or included in a group to be disposed of that is classified as held for sale) must be accounted for either:

a) at cost, either

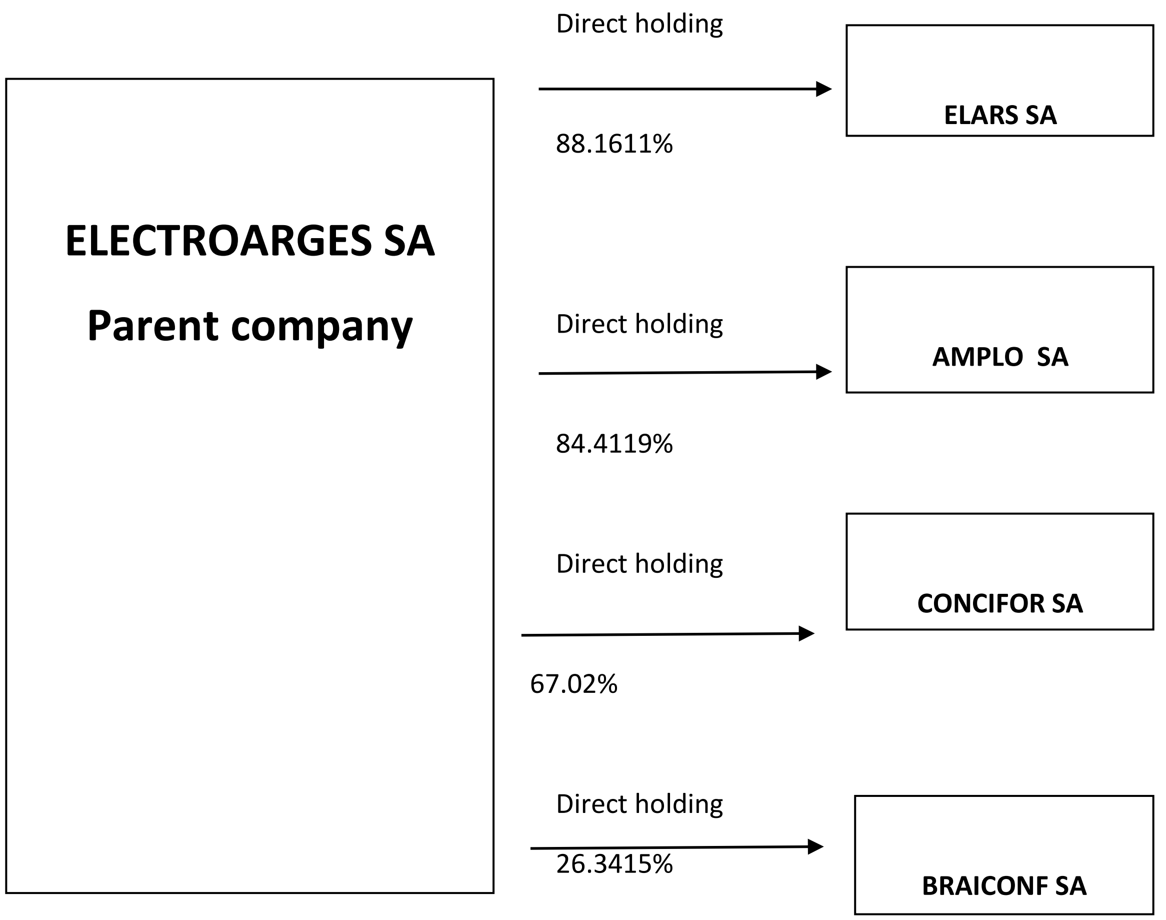
b) in accordance with IAS 39.

The cost method is an accounting method by which the investment is recorded at cost. The profit and loss account reflects the investment income only to the extent that the investor is allocated parts of the net profits of the enterprise in which it invested, which appear to be after the acquisition date.

Thus, the percentage of integration in the consolidated financial statements is the following:

Company	Percentage of integration in the consolidated financial statements
ELARS SA	100%
AMPLO SA	100%
CONCIFOR SA	100%
BRAICONF SA	Equity

GROUP ORGANIZATION CHART



1. ELECTROARGES SA - Curtea de Arges ***parent company*** - was established as a joint stock company, following the reorganization and concomitant division of

IPEE ELECTROARGES Curtea de Arges, based on Law 15/1990 and according to G.D. no. 1224/22 of November 1990, in two distinct trade companies: S.C. ELECTROARGES S.A. - producer of consumer electrical goods and IPEE S.A. - producer of passive electronic components.

Registered office: Curtea de Argeș, strada Albești, nr. 12
Telephone: 0248/724000 ; 0763/676160
Fax: 0248/724 004
E-mail: electroarges@electroarges.ro
Tax Registration Code: RO/156027
Trade Register Registration no. and date: J03/758/1991

ELECTROARGES SA CURTEA DE ARGES, a company with 100% private capital, is traded on the market regulated by the Bucharest Stock Exchange, second category, the quarterly and annual financial reporting obligations, in accordance with art. 227 of the "Law 297 on the capital market" and CNVM Reg. no. 1/2006 on the issuers and the operations with securities and we found that they were fulfilled.

ELECTROARGES SA's object of activity:

- the production of consumer electro technical goods;
- the production of electronic machines and devices;
- execution of specific field-activity tools, devices, verifiers.

The activity of Electroarges SA is carried out based on the environmental authorization no. 205 revised on 07.01.2015 issued by the Pitesti Regional Agency for Environmental Protection and the water management authorization no. 274 / 12.09.2013 issued by the "Apele Romane" National Administration - Arges-Vedea Pitesti Water Directorate issued for the activity of manufacturing household appliances NACE code 2971/2751, carried out in Curtea de Argeș, strada Albești, nr. 12, judetul Arges.

The share capital subscribed and paid on 31.12.2019 is of 6,974,465 lei, representing 69,764,650 shares with a nominal value of 0.10 lei / share.

The shareholding structure on 31.12.2019 was 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**

Administrators' participation to the share capital is the following:

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	25,699,54
5.	Benjamins United SRL.	By permanent representative - Mr Charles Nakouzi	Member	621,000

The consolidation of the accounts is carried out by global integration, by proportional integration or by equivalence, after possible restatements in order to harmonize them with the principles and rules of consolidation.

The consolidation method is chosen depending on the control percentage, which conditions the type of control.

The control percentage is determined starting from the voting rights and is equal to the ratio between the voting rights held in a company and the total number of its voting rights.

2. ELARS S.A., a subsidiary to which ELECTROARGES SA helds 20,555,276 shares, with a nominal value of 2,055,528 lei, representing 88.1611% of the share capital.

Registered office: Ramnicu Sarat, str. Industriei, nr. 4, judetul Buzau

Trade Register Registration No.: J10/124/1991

Tax Code: RO1168275

Main activity: manufacturing screws, bolts and other threaded articles, manufacturing rivets and washers.

At ELARS SA, the shareholding structure was as follows:

Shareholder	***Capital value***	***%***
1. ELECTROARGES SA	2,055,527.60	***88.1611***
2. Legal persons	11,826.40	***0.5073***
3. Natural persons by PPM	264,204	***11.3316***
TOTAL	**2,331,558**	***100.00***

3. AMPLO S.A., a subsidiary to which ELECTROARGES SA helds 2,668,396 shares, with a nominal value of 6,670,990 lei, representing 84.4119% of the share capital.

Registered office: Ploiesti, str. Petrolului, nr. 10, judetul Prahova

Trade Register Registration No.: J29/13/1991

Tax Code: RO1359038

Main activity: Manufacturing instruments and appliances for measuring, checking, supervising, navigating

At AMPLO SA, the shareholding structure was as follows:

Shareholder	***Capital value***	***%***
1. ELECTROARGES SA	6,670,990	***84.4119***
2. Legal persons	502,290	***6.3558***
3. Natural persons	729,622	***9.2323***
TOTAL	**7,902,902**	***100.00***

4. CONCIFOR SA - a subsidiary to which ELECTROARGES SA helds 3,206,788 shares, with a nominal value of 320,679 lei, representing 67.02172% of the share capital.

Registered office: str. Crizantemelor, judetul Buzău

Telephone: 0338/401.381; Fax: 0338/401.381

Trade Register Registration No.: J10/392/1991

Tax Code: RO1152635

Main activity: Construction of residential and non-residential buildings

At CONCIFOR SA, the shareholding structure was as follows:

Shareholder	***Capital value***	***%***
1. ELECTROARGES SA	320,678.80	***67.02171***
2. Legal persons	4,776.49	***0.99829***
3. Natural persons	153,014.71	***31.980***
TOTAL	**478,470**	***100.00***

5. BRAICONF S.A., a subsidiary to which ELECTROARGES SA helds 11,802,363 shares, with a nominal value of 1,180,236 lei, representing 26.3415% of the share capital.

Registered office: Braila, str. Scolilor, nr. 53, judetul Braila

Trade Register Registration No.: J09/5/1991

Tax Code: RO 2266085

On 31.12.2018 ELECTROARGES SA holds 27,224,164 shares, with a nominal value of RON 2,722,416, representing 60.7472% of the share capital.

On 31.12.2019 BRAICONF S.A. is consolidated by the equity method, during 2019 Electroarges sold a significant part of the shares held on 31.12.2018 thus losing control over this entity.

Main object of activity: manufacture of underwear

Shareholder	***Capital value***	***%***
1. ELECTROARGES SA	1,180,236	***26.3415***
2. Legal persons	4,963,532	***34.4055***
3. Natural persons	1,759,134	***39.2530***
T**OTAL**	**7,902,902**	***100.00***

6. MERCUR SA *- a subsidiary to which ELECTROARGES SA helds 111,671 shares, with a nominal value of RON 279,178, representing 98.41196% of the share capital.*

Registered office: Făgăras, str. Nicolae Bălcescu, județul Brașov

Telephone: 0268 215 669; Fax: 0268 213 983

Trade Register Registration No.: J08/519/1991

Tax Code: RO1119370

Main object of activity: Retail sale in non-specialized stores with food, beverages or tobacco predominating.

In February 2019, this company's shares were sold and therefore on 31.12.2019 it was excluded from the consolidation perimeter.

Corporate Governance structures in the parent company

The company developed a Corporate Governance Regulations describing the main aspects of corporate governance, available on the company website www.electroarges.ro .

In the Corporate Governance Regulations there are 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 Board of Directors members were:

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 United SRL.	By permanent representative - Mr Charles Nakouzi				Member	

On 31.12.2019, the company's management team was provided by the following people:

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 – 16.03.2020
4.	Barbu	Marin	Technical Director	01.11.06 - indefinite
5.	Golescu	Vasile	Production Director	01.09.06 - indefinite

The members of the executive management have competencies and responsibilities according to the job description.

All persons who are part of the company's executive management are employed with an individual employment contract.

There are no agreements, understandings or family ties between the persons in the company's executive management and another person due to whom the person in the executive management has been appointed as a member of the executive management.

The persons who are part of the company's executive management or of the Board of Directors have not been involved in litigations or administrative procedures related to their activity within the issuer.

Members of the board of directors at the other entities

- Elars SA Board of Directors
    - managed by the Sole Administrator

Full name	Position
Investement Constantin SRL by representative Stefan Constantin	Sole Administrator

- AMPLO SA Board of Directors has the following three members:

Full name	Position
Stefan Constantin	Chairman
Benjamin United SRL by Dumitrache Silviu Bogdan	Member
Cristian Alexandru Constantin	Member

- CONCIFOR SA Board of Directors has the following three members:

Full name	Position
Stefan Constantin	Chairman
Investement Constantin SRL by representative Robert Zisu	Member
Benjamin United SRL by representative Dumitrache Silviu Bogdan	Member

- BRINCONF SA Board of Directors has the following three members:

Full name	Position
Robert Zisu	Chairman
Benjamin United SRL by representative Octavian Avramoiu	Member
Csoarpi Saints SRL by representative Charles Nakouzi	Member

1.3 Staff structure

The average number of staff for 2019 on the total consolidated group was 1,281 people, compared to 1,454 people in 2018, in the following structure:

Item no.	Company participating in the consolidation	Average number of employees during 2018 - individuals	Average number of employees during 2019 - individuals
1	ELECTROARGES SA	498	415
2	ELARS SA	23	18
3	AMPLO SA	100	65
4	CONCIFOR SA	2	3
5	BRAICONF SA	831	780
6	Total	1,454	1,281

II. Needs of consolidation

The consolidation perimeter and the rules for preparing the consolidated annual financial statements are established according to IFRS. (IFRS 10)

IFRS 10 sets out how to apply the principle of control to identify whether an investor controls an entity in which it has invested and, therefore, must consolidate the entity in which it has invested and establishes the accounting provisions for the preparation of the consolidated financial statements.

The parent company must prepare consolidated financial statements using uniform accounting policies for similar transactions and events in similar circumstances. The consolidation of the entity in which it has invested must begin on the date on which the investor obtained control and must cease when the investor loses control of the entity in which it has invested.

The parent company must present interests that do not control in the statement of consolidated financial position, within equity, separately from the equity of the owners of the parent company. Changes in a parent company's interest in a subsidiary's equity that do not result in the parent company losing control of the subsidiary represent equity transactions (ie, transactions with owners, in their capacity as owners).

The entity has prepared consolidated financial statements starting with the financial year 2015.

1. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

This set of financial statements is prepared in accordance with International Financial Reporting Standards. The parent company adopted the IFRS reporting on December 31st 2012. The company presented all the effects of the transition to IFRS in the financial year 2012, ended on December 31st 2012.

All other entities prepare individual financial statements in accordance with OMFP 1802/2014, but in order to prepare the consolidated financial statements they have made the necessary adjustments to the transition to IFRS, preparing financial statements in accordance with IFRS starting with the financial year 2016. Thus the consolidated financial statements of S.C. ELECTROARGES S.A. have been prepared in accordance with International Financial Reporting Standards adopted by the European Union (IFRS). The Company has prepared financial information that complies with IFRS applicable for the period ending on December 31st 2019 together with the data related to the comparative period and for the year ended December 31st 2018.

The individual financial statements were approved by the Board of Directors in the meeting of 16.03.2020.

Basis of consolidation

a) Subsidiaries: are the entities controlled by the Group with a percentage of over 50%. Control exists when the Group has the power to decide on the entity's financial and operational policies in order to obtain benefits from these activities. In estimating the degree of control, the potential of exercisable voting rights is also taken into account. These entities are included in the consolidation through the method of global integration. **(ELARS SA RAMNICU SARAT, AMPLO PLOIESTI, CONCIFOR BUZAU)**

b) Associated entities: these are entities not included in the consolidation in which the parent company (investor) holds a significant participation interest (over 20%). These entities are included in the consolidation through **the equity method**. For the year 2019 **BRAICONF BRAILA**)

c) Joint ventures: are those entities included in the consolidation that are managed by the parent company jointly with other entities. These entities are included in the consolidation by the proportional method.

d) Goodwill was determined as the difference between the purchase price of the participation titles and their nominal value.

e) Minority interests: were determined as the difference between the integration percentage and the interest percentage of the parent company, to reflect the amount of equity attributable to shares (and shares) in subsidiaries included in consolidation held by persons other than entities included in consolidation.

f) Transactions eliminated on consolidation: the balances related to transactions carried out between the Group entities, mutual income and expenses, unrealized profits and losses, dividends paid between Group entities are eliminated from the consolidated financial statements.

The main accounting policies applied to the preparation of these consolidated financial statements in accordance with IFRS are presented below. These policies have been consistently applied to the financial statements presented, unless otherwise specified.

All entities in the group comply with the following:

- The lands and buildings owned by the entity were accounted for in the statement of financial position prepared in accordance with the generally accepted accounting principles at the local level based on the revaluations performed at appropriate dates by each entity.

- The companies have chosen to consider these values as the assumed cost at the revaluation date because they are generally compatible with the fair value at the date of transition to IFRS.

In order to prepare the consolidated financial statements, all entities have applied the principle of accrual accounting and the principle of business continuity.

Declaration of conformity

The financial statements of the Companies included in the consolidation perimeter have been prepared in accordance with the Order of the Ministry of Public Finance 2844/2016 for approving the accounting regulations compliant with the International Financial Reporting Standards adopted by the European Union ("IFRS") in force at the Company's annual reporting date, respectively December 31st 2019.

The financial statements contain the statement of financial position, statement of comprehensive income, statement of changes in equity, cash flows statement and explanatory notes.

Basis of evaluation

The consolidated financial statements on December 31st 2019 were prepared based on historical cost, except for the revalued value as the assumed cost for property, plant and equipment and fair value for real estate investments and financial instruments.

The financial statements have been prepared using the principles of business continuity.

In accordance with IAS 29 and IAS 21, the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy must be presented in the current unit of measurement at the balance sheet date. Thus, the values expressed in the current unit of measurement on December 31st 2019 are treated as the basis for the carrying amounts reported in these separate financial statements and do not represent measured values, replacement cost, or any other measurement of the current value of assets or prices at which the transactions would take place at this time.

2.2 Functional and presentation currency

The items included in the Company's consolidated financial statements are measured using the currency of the economic environment in which the entity operates ("functional currency"), ie the leu.

The Company's management considers that the functional currency, as defined by IAS 21 "Effects of exchange rate fluctuations", is the leu (LEI).

Transactions carried out by the group entities in a currency other than the functional currency are recorded at the rates in force on the date on which the transactions take place. Monetary assets and liabilities denominated in foreign currencies are exchanged at the rates in effect at the reporting date.

Foreign currency

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

Earnings or losses from their settlement and from the conversion of monetary assets and liabilities denominated in foreign currencies using the exchange rate at the end of the financial year are recognized in profit or loss. Non-monetary assets and liabilities that are measured at historical cost in foreign currency are recorded in lei at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are recorded in lei at the exchange rate on the date on which the fair value was determined.

The conversion differences are presented in the profit or loss account.

The exchange rates of the main currencies were as follows:

CURRENCY	Exchange rate 31 Dec. 2019	Exchange rate 31 Dec. 2018
EUR	4.7793	4.6639
USD	4.2608	4.0736

2.3. Crucial accounting evaluations and estimates

As a result of the uncertainties inherent in trade activities, many elements of the financial statements cannot be accurately evaluated, but can only be estimated. Estimation involves reasoning based on the latest reliable information available. The use of reasonable estimates is an essential part of the preparation of financial statements and does not undermine their reliability.

Use of professional estimates and reasoning

The preparation of financial statements in accordance with IFRS adopted by the European Union requires management to use estimates and assumptions that affect the application of accounting policies, as well as the reported value of assets, liabilities, income and expenses. The estimates and judgments associated with them are based on historical data and other factors considered to be eloquent in the given circumstances, and the result of these factors forms the basis of judgments used in determining the carrying amount of assets and liabilities for which no other evaluation sources are available. Actual results may differ from estimated values.

Estimates and judgments are reviewed periodically. Revisions of accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period or in the current period and in future periods, if the revision affects both the current period and future periods. The effect of the change for the current period is recognized as income or expense in the current period. If any, the effect on future periods is recognized as income or expense in those future periods.

The management of the consolidated companies as well as of the parent company considers that any differences compared to these estimates will not have a significant influence on the financial statements in the near future.

In accordance with IAS 36, intangible assets and property, plant and equipment are analyzed for impairment at the balance sheet date. If the net carrying amount of an asset is greater than its recoverable amount, an impairment loss is recognized to reduce the net carrying amount of that asset to its recoverable amount. If the reasons for recognizing an impairment loss disappear in the subsequent periods, the net carrying amount of the asset is increased to the level of the net carrying amount, which would have been determined if no impairment loss had been recognized.

The evaluation for impairment of receivables is performed individually and is based on management's best estimate of the present value of the cash flows expected to be received. The companies review their trade and other receivables at each date of the financial position, in order to evaluate if they have to register in the profit and loss account a depreciation of value. In particular, the professional reasoning of management is necessary for estimating the value and for coordinating future cash flows when the impairment loss is determined. These estimates are based on assumptions about several factors, and actual results may differ, leading to future changes in adjustments.

Deferred tax assets are recognized for tax losses, to the extent that there is likely to be a taxable profit from which the losses can be covered. It is necessary to exercise professional judgment to determine the amount of deferred tax assets that can be recognized, based on the probability regarding the period and the level of the future taxable profit, as well as the future fiscal planning strategies.

An estimate may require revision if changes occur in the circumstances on which that estimate was based or as a result of new information or subsequent experience. By its nature, the revision of an estimate is not related to previous periods and does not represent the correction of an error in the current period. If any, the effect on future periods is recognized as income or expense in those future

periods.
The company makes certain estimates and assumptions about the future. Estimates and judgments are continuously evaluated based on historical experience and other factors, including forecasting future events that are considered reasonable under existing circumstances. In the future, the actual experience may differ from the present estimates and assumptions.

Below are examples of evaluation, estimation, assumptions applied in ***all group companies***:

a) Evaluation of land and buildings owned

The Group obtains evaluations made by external assessors to determine the fair value of the buildings owned. These evaluations are based on assumptions that include future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate. Assessors also refer to market information related to the prices of transactions with similar properties.

b) Evaluation of financial assets

For the purposes of subsequent evaluation, financial assets are classified into the following categories: amortized cost, fair value through other comprehensive income (OCI) and fair value through profit or loss (FVTPL).

Financial assets at fair value through profit or loss (FVTPL) include financial assets held for trading or financial assets designated at initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of short-term sale or redemption.

The Group uses appropriate evaluation techniques taking into account the circumstances for which sufficient data are available to allow fair value evaluation, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or presented in the financial statements are classified according to the fair value hierarchy, presented as follows, the fair value measurement being classified entirely at the same level of the fair value hierarchy as the date of entry with the lowest level that is significant for the entire evaluation:

- Level 1 - Quoted prices on active markets for identical assets or liabilities (without adjustments);

- Level 2 - Evaluation techniques for which the lowest level entry date that is significant for fair value measurement is observable either directly or indirectly;

- Level 3 - Evaluation techniques for which the entry date with the lowest level that is significant for the evaluation at fair value is unidentifiable.

Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value with the net changes in fair value recognized in the profit or loss account.

b) Adjustments for impairment of receivables

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires the recognition of estimated life losses from the initial recognition of receivables.

d) Accounting estimates of expenses

There are objective situations in which until the closing date of some fiscal periods or until the closing date of a financial year the exact values of some expenses incurred by the group companies are not known (ex: marketing-sales campaigns to promote products and stimulate sales) . Preliminary expenses will be made for this category of expenses, which will be corrected in the following periods when the outflow of cash flows will also occur. Estimates of expenses, for each category of expense, will be made by persons with experience in the type of activity that generated that expense.

e) Taxation

The taxation system in Romania is in a phase of consolidation and harmonization with European legislation. However, there are still different interpretations of tax legislation. In certain situations, the tax authorities may treat certain aspects differently, proceeding to the calculation of additional taxes and fees and the related delay penalties. The management of each Company considers that the fiscal obligations included in the financial statements are adequate.

2.4 Separate presentation of the financial statements

The group companies have adopted a uniform presentation, based on liquidity in the statement of financial position and a presentation of income and expenses according to their nature in the statement of comprehensive income, considering that these presentation methods provide information that is credible and more relevant than those that would have been presented based on other permitted methods IAS 1 “Presentation of Financial Statements”.

2.5 Acquired intangible assets

The recognition of intangible assets is carried out in accordance with IAS 38 “Intangible assets” and IAS 36 “Impairment of assets”. Externally acquired intangible assets are initially recognized at cost and subsequently amortized on a straight-line basis over their useful lives.

Expenses related to the acquisition of patents, copyrights, licenses, trademarks or other intangible assets recognized from an accounting point of view, with the exception of incorporation expenses, goodwill, intangible assets with an indefinite useful life, according to the accounting regulations, are recovered through linear depreciation deductions during the contract or during use, as the case may be. Expenses related to the acquisition or production of computer programs are recovered through straight-line depreciation deductions for a period of 3 years.

Internally generated intangible assets (development costs)

No intangible assets from research (or from the research phase of an internal project) are recognized. Research costs (or those in the research phase of an internal project) are recognized as an expense when incurred.

No development expenses were recorded for the last financial year, but they will be recognized in the statement of comprehensive income as they are incurred. To the extent that projects with significant development costs may occur, they will be capitalized as intangible assets.

2.6 Tangible assets

Tangible assets are property, plant and equipment that:

a) are held for use in the production or supply of goods or services, to be leased to third parties or to be used for administrative purposes; and

b) are expected to be used during several periods.

Recognition:

The cost of an item of tangible assets must be recognized as an asset if and only if:
a) it is probable that it will generate future economic benefits for the entity related to the asset; and

b) the cost of the asset can be reliably evaluated.

Evaluation after recognition

After recognition as an asset, an item of tangible assets is accounted for at its cost less any accumulated depreciation and any accumulated impairment losses.

After recognition as an asset, an item of tangible assets whose fair value can be reliably measured is accounted for at a revalued amount, this being its fair value at the date of revaluation minus any subsequent accumulated depreciation and any accumulated impairment losses.

The revaluations are carried out with sufficient regularity to ensure that the carrying amount does not differ significantly from what would have been determined by using the fair value at the end of the reporting period.

The fair value of land and buildings is generally determined on the basis of market evidence, through an evaluation normally performed by qualified professional evaluators. The fair value of the items tangible assets is generally their market value determined by evaluation.

When an item of tangible assets is revalued, any accumulated depreciation at the date of revaluation is eliminated from the gross carrying amount of the asset and the net amount is recalculated to the revalued asset value.

If an item of tangible assets is revalued, then the entire class of tangible assets of which that item is part is revalued.

If the carrying amount of an intangible asset is increased as a result of the revaluation, then the increase is recognized in other comprehensive income and accumulated in equity as a revaluation surplus. However, the increase must be recognized in profit or loss to the extent that it offsets a decrease in the revaluation of the same asset previously recognized in profit or loss.

If the carrying amount of an asset is impaired as a result of a revaluation, this decrease must be recognized in profit or loss. However, the reduction must be recognized in other comprehensive income to the extent that the revaluation surplus presents a credit balance for that asset. The reduction recognized in other elements of the comprehensive income reduces the amount accumulated in equity as a revaluation surplus.

The surplus from the revaluation included in equity related to an item of tangible assets is transferred directly to the retained earnings carried over when the asset is derecognized. Transfers from the revaluation surplus to the retained earnings are not made through profit or loss.

If any, the effects of taxes on profit resulting from the revaluation of tangible assets are recognized and presented in accordance with IAS 12 Income Taxes.

Amortization

The amortizable amount of an asset is systematically allocated over its useful life. The amortization of an asset begins when it is available for use, that is, when it is in the location and condition necessary to function in the manner desired by management.

The amortization method used reflects the expected rate of the entity's consumption of the future economic benefits of the asset.

The land owned is not amortized and is presented at cost.

The fair value of the buildings was determined by the net replacement cost method (IFRS 13 - Level 3).

For amortizable fixed assets, the company uses, from an accounting point of view, the method of linear amortization. Amortization times are determined by a specialized internal commission according to the company's internal procedures. Below is a brief presentation of the lifetimes of fixed assets on more important categories of goods:

Category	**Lifetime**
Buildings and constructions	30-50 years
Equipment and installations	8-10 years
Means of transport	4-6 years
Computing	4-10 years
Office furniture and equipment	4-10 years

Depreciation

To determine whether an item of tangible assets impaired, an entity applies IAS 36 Impairment of assets. At the end of each reporting period, the entity estimates whether there are indications of impairment of assets. If such indications are identified, the entity estimates the recoverable amount of the asset.

If and only if the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset will be reduced to equal the recoverable amount. Such a reduction represents an impairment loss. An impairment loss is recognized immediately in profit or loss of the period, except when the asset is related to the revalued asset, in accordance with the provisions of another Standard (for example, in accordance with the revaluation model of IAS 16 Property, Plant and Equipment).

Any impairment loss in the case of a revalued asset is considered to be a write-down generated by the revaluation.

***2.7 Financial assets* - IFRS 9 – Financial instruments (repalces IAS 39 Financial instruments: recognition and measurement)**

Initial evaluation of financial assets and liabilities

IFRS 9 replaces IAS 39, Financial Instruments - Recognition and Measurement. The IASB has developed IFRS 9 in three stages, which separately deals with IFRS classification and evaluation of financial assets, depreciation and risk coverage. Other aspects of IAS 39, such as the scope, recognition and de-recognition of financial assets have survived with only a few changes to IAS 39.

The classification on IFRS 9 is determined by the characteristics of the cash flows and the business model in which an asset is held.

Further evaluation of financial assets

IFRS 9 has a single model with fewer exceptions than IAS 39 which had a complex pattern. The new standard is based on the concept that financial assets should be classified and measured at fair value, with changes in the fair value recognized in the profit and loss account when they arise ("FVPL"), unless the restrictive criteria are met when the classification and evaluation of the asset is made at amortized cost or at fair value through other "FVOCI" incomes.

Impairment of financial assets

IFRS 9 eliminates the evaluation of impairment for investments in equity instruments because they can now be measured only at FVPL or FVOCI without resuming fair value changes in profit and loss account.

Additionally, IFRS 9 establishes a new approach for loans and receivables, including trade receivables with an "early loss" model that focuses primarily on risk.

Financial assets available for sale are those non-derivative financial assets that are designated as available for sale or that are not classified as loans and receivables, investments held to maturity or financial assets at fair value through profit or loss.

Profit and losses

A profit or loss on a financial asset available for sale is recognized under Other comprehensive income, with the exception of impairment losses. Dividends for an equity instrument available for sale are recognized in profit or loss when the entity's right to receive payment is established.

When a decrease in the fair value of a financial asset available for sale has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that has been recognized in other comprehensive income must be reclassified from equity in profit or loss as an adjustment from reclassification, even if the financial asset has not been derecognized.

The amount of the cumulative loss that is deducted from equity and recognized in profit or loss must be the difference between the acquisition cost (net of any principal payment and amortization) and the present fair value, minus any impairment loss for that previously recognized financial asset in profit or loss.

If, in a subsequent period, the fair value of a liability instrument classified as available for sale increases, and that increase may be objectively linked to an event that occurs after the impairment loss has been recognized in profit or loss, the impairment loss is resumed and the amount of the recovery recognized in profit or loss.

Cash and cash equivalents

The third major change that IFRS 9 is introducing is hedging; IFRS 9 allows multiple exposures to be covered and new risk coverage criteria established.

Cash and cash equivalents include the house, bank deposits, other very short-term liquid investments with original maturity dates of three months or less than three months, and - for the purpose of the cash flow statement - account overdrafts.

2.8 Inventories

According to the provisions of IAS 2, the inventories are active:

a. held for sale during the normal course of business;

b. in production for such a sale; or

c. in the form of materials and other consumables to be used in the production process or for the provision of services.

Evaluation of inventories:

Inventories are evaluated at the lowest value between cost and net achievable value.

Cost of inventories

The cost of inventories includes all acquisition costs, conversion costs, as well as other costs incurred to bring the inventories in their current state and location.

The inventories of raw materials and materials are highlighted at the acquisition value. Inventory outflow is done using the FIFO method. The inventories of products in execution are highlighted at the value of the raw materials and the materials included in them.

The inventory of finished products is recorded at the cost of production at the time of the manufacturing process.

Adjustments for inventory depreciation

The evaluation for the inventory depreciation is carried out at the individual level and is based on the management’s best estimate regarding the present value of the cash flows that are expected to be received. In order to estimate these flows, the management makes certain estimates regarding the utility value of the inventory, taking into account the expiration date, the possibility of use in the company’s current activity and other factors specific to each inventory category. Each impaired asset is analyzed individually. The accuracy of the adjustments depends on the estimation of future cash flows.

2.9 Receivables

Receivables arise mainly by providing goods and services to clients (eg trade receivables), but they also incorporate other types of contractual monetary assets. These are initially recognized at fair value plus trading costs that are directly attributable to their acquisition or issuance, and are subsequently recorded at amortized cost using the effective interest rate method, minus adjustments for impairment.

The receivables are presented in the balance sheet at the historical value less the adjustments constituted for the depreciation in cases where it has been found that the achievable value is lower than the historical value.

The trade receivables do not present delays to the collection and therefore the application of IFRS 9 for determining the value adjustments related to the trade receivables was applied individually to each client.

Given the specific nature of other receivables, as in the case of trade receivables, the value adjustments were determined individually.

2.10 Financial liabilities

Financial liabilities mainly include trade and other short-term financial liabilities, which are initially recognized at fair value and subsequently recorded at amortized cost using the effective interest method.

2.11 Recognition of income and expenses

2.11.1 Recognition of income

Income represents the gross inflow of economic benefits during the period, generated in the course of the normal activities of an entity, when these inputs result in increases in equity, other than increases related to participants' contributions to equity.

Income constitutes increases in economic benefits recorded during the accounting period, in the form of inflows or increases in assets or liability reductions, which result in increases in equity, other than those resulting from shareholders' contributions.

Fair value is the value at which an asset can be traded or a liability settled, between interested and knowledgeable parties, in a transaction carried out under objective conditions.

Starting with January 1st, 2018, the IFRS 15 standard regarding the contracts concluded with the clients has entered into force. In some cases, IFRS 15 may require changes to current systems and may affect some aspects of operations.

IFRS 15 is a complex standard that introduces far more prescriptive requirements than previously included in IAS 18 Income, IAS 11 Construction Contracts and can therefore lead to changes in income recognition policies.

In accordance with IFRS 15, income is recognized when a client gains control over the goods. The company delivers goods under contractual conditions based on internationally accepted delivery conditions (INCOTERMS). The moment when the client gains control over the goods is considered to be substantially the same for most of the Company's contracts in accordance with IFRS 15, as in accordance with IAS 18.

Income evaluation

According to IAS 18, income was measured at the fair value of the consideration received or receivable, after deducting rebates or discounts. The income from the sale of the goods was recognized when all of the following conditions were met:

a. the entity transferred to the buyer the significant risks and benefits related to the ownership of the property;

b. the entity no longer manages the assets sold at the level they would normally have done in the case of their ownership and no longer has the effective control over them;

c. the value of the incomes can be reliably evaluated;

d. it is probable that the economic benefits associated with the transaction will be generated for the entity;

e. the costs incurred or to be incurred in connection with the respective transaction can be reliably evaluated.

Instead, the new standard focuses on identifying obligations and makes a clear distinction between obligations that are satisfied "at a certain point in time" and those that are satisfied "over a period of time", this being determined by the way in which the control of goods or services is transferred to the client. The new income model in accordance with IFRS 15 means that we may have recognized income over a period for some results that have been accounted for as assets in accordance with IAS 18.

IFRS 15 establishes a general framework that will be applied for the recognition of income from a contract concluded with a client (with limited exceptions), regardless of the type of transaction or industry; The standard sets out five steps for income recognition:

- identification of the contract (s) with a client;
- identification of the execution contracts from a contract;
- determining the transaction price;
- the allocation of the transaction price for the execution obligations;
- income recognition when (or as) the entity fulfills an execution obligation;

The income classification is divided into three main groups:

- **Operating income**, which include: income from the production sold, from the sale of goods, from operating subsidies related to the net turnover, from the changes in inventories, from fixed assets, other operating income, from value adjustments on fixed assets, from value adjustments regarding current assets, from adjustments regarding provisions for risks and expenses.

- **Financial income**, which includes: income from participation interests, from other financial investments and receivables that are part of the fixed assets, from interests, other financial income, from adjusting the value of the financial assets and of the financial investments held as current assets;
- **Extraordinary income**.

Special cases: If it is found that the income associated with a period of the current year is burdened with fundamental errors, they will be corrected, during the period when the error is discovered. If the error is discovered in the following years, its correction will no longer affect the income accounts, but the result account carried over from the corrections of fundamental errors, if the value of the error will be considered significant.

An extended presentation of information, including disaggregation of total income, information on execution obligations, changes in contractual balances of assets and liabilities between periods, reasoning and key estimates will be provided;

2.11.2 Recognition of expenses

Expenses are deductions from the economic benefits recorded during the accounting period in the form of outflows or decreases in the value of assets or increases in liabilities, which result in reductions of equity, other than those resulting from their distribution to shareholders.

2.12 Impairment of non-financial assets (excluding inventories, real estate investments and deferred tax assets) - IAS 36 "Impairment of assets"

Assets held by the company, as specified in IAS 36 "Impairment of assets", are subject to impairment tests whenever events or changes in circumstances indicate that their accounting value may not be fully recoverable. When the carrying amount of an asset exceeds the recoverable amount (that is, the higher of the value between use value and the fair value minus selling costs), the asset is adjusted accordingly.

When it is not possible to estimate the recoverable amount of an individual asset, the impairment test is performed on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash-generating units ('UGNs').

Impairment expenses are included in the profit or loss account, unless they reduce previously recognized earnings in other comprehensive income elements.

2.13 Provisions –IAS 37 "Privisions, contingent liabilities and contingent assets"

The provision is evaluated at the best estimate of the necessary expenses for the settlement of the obligation at the reporting date, updated at a pre-tax rate that reflects the current market assessments of the value of money over time and the liability specific risks.

According to IAS 37 "Provisions, contingent liabilities and contingent assets", a provision must be recognized if:

a. The company has a current obligation (legal or implicit) generated by a past event;

b. it is likely that an outflow of resources incorporating economic benefits will be required to settle the obligation; and

c. a credible estimate of the value of the obligation can be made.

If these conditions are not met, a provision must not be recognized.

The provisions are recorded in the accounts with the help of the accounts in group 15 "Provisions" and are constituted on the expenses, except those related to the decommissioning of the tangible assets and other similar actions related to them, for which the provisions of IFRIC 1 will be considered.

The recognition, evaluation and updating of provisions is carried out in compliance with the provisions of IAS 37 "Provisions, contingent liabilities and contingent assets".

The provisions are grouped in accounting by category and are constituted for:

a. disputes;

b. guarantees given to clients;

c. decommissioning of tangible assets and other similar actions related to them;

d. restructuring;

e. employee benefits;

f. other provisions.

The provisions previously established are periodically analyzed and updated.

2.14 Employee benefits –IAS 19 Employee benefits

Current benefits offered to employees

The short-term benefits granted to employees include allowances, wages and social security contributions. These benefits are recognized as expenses with the provision of services.

Benefits after termination of the employment contract

Both the Companies and its employees have the legal obligation to contribute to the social insurance set up at the National Pension Fund administered by the National Pension House (contribution plan founded on the principle of "pay on the way").

That is why the Companies have no other legal or implicit obligation to pay future contributions. Its obligation is only to pay the contributions when they become due. If the Company ceases to hire persons who are contributors to the National Pension House financing plan, it will have no obligation to pay the benefits earned by its employees in previous years. The Company's contributions to the contribution plan are presented as expenses in the year to which they refer.

Pensions and other benefits after retirement

Within the group there are companies that have a Collective Labor Agreement and companies that do not have a Collective Labor Agreement. If the company had provided in the Collective Labor Agreement at company level a wage benefit for employees who retire (age limit, early retirement, and disability pension). They receive an allowance equal to two basic wages in the month of retirement. The company must attribute a part of the cost of benefits to the employee, during the employee's working time in the company. This benefit will continue to be offered, even if at the end of the year the Company had not entered into a formal agreement with the employees' representatives.

The company uses an actuarial-statistical calculation that is performed with sufficient regularity and aims to recognize the expenses with the benefits during the period in which the income for the employee's work was realized.

2.15 Deferred tax-IAS 12

In calculating the deferred tax, the company will take into account the provisions of IAS 12. Deferred tax assets and liabilities are recognized when the carrying amount of an asset or liability in the statement of financial position differs from the tax base, with the exception of differences occurring at:

- initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction does not affect the accounting profit or the taxable profit; and
- investments in subsidiaries and jointly controlled entities when the Company can control the timing of the difference reversal and the difference may not be reversed in the foreseeable future.

The recognition of deferred tax assets is limited to those times when the taxable profit of the next period may be available. The deferred tax asset related to the impairment at the fair value of the listed securities was not recognized.

The amount of the asset or liability is determined using tax rates that have been largely adopted or adopted up to the reporting date and are expected to be applied when deferred tax liabilities/(assets) are settled/(recovered).

The company compensates the receivables and liabilities regarding the deferred tax if and only if:

a. has the legal right to offset current tax receivables with current tax liabilities; and
b. the deferred tax receivables and liabilities are related to the profit taxes levied by the same tax authority.

2.16 Dividends

The share of the profit payable, according to the law, to each shareholder, constitutes a dividend. The dividends distributed to the shareholders, proposed or declared after the reporting period, as well as the other similar distributions made from the profit determined on the basis of IFRS and included in the annual financial statements, are not recognized as a liability at the end of the reporting period.

When accounting for dividends, the provisions of IAS 10 are considered.

2.17 Capital and reserves

Capital and reserves (equity) represent the shareholders' right on the assets of an entity, after deduction of all liabilities. Equities include: capital contributions, capital premiums, reserves, retained earnings, financial year result.

The group member entities were established according to the Law no. 31/1990 on trading companies.

In the first set of financial statements prepared in accordance with IFRS, the parent company applied IAS 29 - "Financial Reporting in Hyperinflationary Economies" for the shareholders' contributions obtained before January 1st, 2004, namely, they were adjusted with the corresponding inflation index.

The other entities do not apply OMFP 2844/2016, they prepare financial reports according to OMFP 1802/2014, and therefore it is necessary to adjust the financial statements to transpose them to the same category of financial reports.

2.18 Financing costs

An entity must capitalize on borrowing costs that are directly attributable to the acquisition, construction or production of a long production cycle asset as part of the cost of that asset. An entity must recognize other costs of borrowing as expenses in the period in which it incurs them.

The companies did not finance the construction of long-term assets from loans

2.19 Result per share

The companies present the result on basic and diluted shares for ordinary shares. The result per basic share is determined by dividing the profit or loss attributable to the Company's ordinary shareholders at the weighted average number of ordinary shares related to the reporting period. The result per diluted share is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares with the dilution effects generated by the potential ordinary shares.

2.20 Segment reporting

A segment is a distinct component of the Company that provides certain products or services (segment of activity) or provides products and services in a certain geographical environment (geographical segment) and which is subject to risks and benefits different from those of the other segments. From the point of view of the activity segments, no group member Company does identify distinct components.

2.23 Affiliated parties

A person or close member of that person's family is considered to be affiliated to a Company if that person:

a. holds joint control or control over the Company;

b. has a significant influence on the Company; or

c. is a key member of the management staff

Key management staff is those persons who have the authority and responsibility to directly or indirectly plan, direct and control the Company's activities, including any director (executive or otherwise) of the entity. The transactions with the key staff include exclusively the wage benefits offered to them as presented in Note 6. Expenses on personnel.

An entity is affiliated with the Company if it meets any of the following conditions:

a. The entity and the Company are members of the same group (which means that each parent company, subsidiary and subsidiary of the same group is related to the other).

b. An entity is an associate or joint venture of the other entity (or an associate or joint venture of a group member to which the other entity belongs).

c. Both entities are joint ventures of the same third party.

d. An entity is a joint venture of a third entity, and the other is an associate of the third entity.

e. The entity is a post-employment benefit plan for the benefit of the reporting entity's employees or of an entity affiliated with the reporting entity. If the reporting entity itself represents such a plan, the sponsoring employers are also affiliated with the reporting entity.

f. The entity is jointly controlled or controlled by an affiliate

g. An affiliate person who holds the control significantly influences the entity or is a key staff member in the entity's management (or of the entity's parent company).

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 United SRL.	By permanent representative - Mr Charles Nakouzi				Member	0

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

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

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
7.	Metalica SA - indirect affiliation through joint management	-

The list of the parent company 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 – 16.03.2020
4.	Barbu	Marin	Technical Director	01.11.06 – indefinite
5.	Golescu	Vasile	Production Director	01.09.06 - indefinite

2.24 Changes to the accounting policies of the parent company and the other entities in the group

The parent company applied for the first time IFRS 15 and IFRS 9 in the annual financial reporting period ended on December 31st 2018. The standards that will enter into force during the 2019-2021 period were not applied when preparing these financial statements: [IAS 8.30 (a)].

The following new standards and amendments to existing standards issued by the Committee for International Accounting Standards (IASB) and adopted by the European Union (EU) have not yet entered into force for the annual financial reporting period ended on December 31st 2019 and have not been applied in preparing these financial statements: [IAS 8.30 (a)]:

- IFRS 16 Leasing Standard (IFRS 16) and
- Interpretation of IFRIC 23 Uncertainties regarding tax treatments related to corporate income tax (IFRIC 23)
- *IFRS 16 Leasing*

IFRS 16 replaces IAS 17 Leasing and its interpretations. The standard eliminates the current accounting model for tenants and instead requires companies to bring most leases on the balance sheet within a single model, eliminating the distinction between operational and financial leasing.

IFRS 16 is applicable for annual periods beginning on or after January 1, 2019, with early adoption being permitted to entities applying IFRS 15 on or before the date of initial application of IFRS 16.

In accordance with IFRS 16, a contract is or contains a lease if it transmits the right to control the use of an identified asset for a period of time, in exchange for a mandatory payment. In the case of this type of contract, the new model requires a tenant to recognize an asset with the right of use and a lease debt. The asset with the right of use is depreciated and the debt accrues interest. This will result in a higher payment model at the beginning of the lease term for most leases, even when the tenant pays constant annual rents.

The new standard introduces a number of exceptions to the scope for users that include:

- leases with a lease term of 12 months or less and which do not contain purchase options, and
- leases where the underlying asset has a low value ("low value" leasing transactions).

The parent company analyzed all the rental contracts. Contracts are considered to have a leasing term of more than 12 months, although these usually include clauses that allow their termination within less than 12 months, by either party. The company considers that a possible termination of the lease is unlikely.

Transition method and Practical Exceptions used

The parent company adopted IFRS 16 using the modified retrospective approach, recognizing the transitional adjustments at the date of initial application (January 1, 2019), without restating the comparative figures. The company has chosen to apply the practical exception in order not to re-evaluate whether it is a contract or contains a lease at the date of initial application. Contracts concluded prior to the transition date that were not identified as leases pursuant to IAS 17 and IFRIC 4 were not restated. The definition of a lease in accordance with IFRS 16 was applied only to contracts concluded or modified on or after January 1st, 2019.

IFRS 16 provides for some practical optional exceptions, including those related to the initial adoption of the standard. The Company applied the following practical exceptions when applying IFRS 16 to leases previously classified as operating leases in accordance with IAS 17:

(a) applied a single discount rate to a rental portfolio with reasonably similar characteristics;

(b) excluded the initial direct costs from the evaluation of the right-of-use assets at the date of initial application, when the right to use the asset was determined as if IFRS 16 had been applied from the start date;

(c) was based on previous evaluations of whether the leases are onerous, compared to preparing an impairment review in accordance with IAS 36 at the date of the initial application; and

(d) applied the exemption for not recognizing the rights of use of assets and liabilities for leases with less than 12 months of lease remaining at the date of initial application.

As a user, the Parent Company has previously classified the lease as an operational or financial lease based on its evaluation if the lease has substantially transferred all the risks and rewards of ownership. In accordance with IFRS 16, the Parent Company recognizes the rental assets and liabilities for most of the lease.

However, the Parent Company has chosen not to recognize the leasing assets and liabilities for some low value leasing assets based on the new value of the basic asset for short term leases, with a lease term of 12 months or less.

At the adoption of IFRS 16, the Parent Company recognized the rights to use the assets and liabilities for rent as follows:

Classified according to IAS 17	**Rights of use**	**Leasing liabilities**
Operational leasing	The assets from the rights of use are measured at an amount equal to the liability related to the lease, adjusted with the value of any amounts paid in advance or preliminary.	Measured at the present value of the remaining lease payments, updated using the Company's incremental loan rate on January 1st, 2019. The Company's incremental loan rate is the rate at which a loan could be obtained from an independent lender, in comparable terms and conditions. The average applied rate was 4.5% p.a.
Financial leasing	Measured on the basis of the accounting values for the assets and liabilities related to the lease immediately before the initial application date (the amounts carried forward, not adjusted).	

Following the application of the provisions of IFRS 16 in the current financial year, the Parent Company has recognized rights to use in assets entered during the year in the amount of 806,480 lei (out of which on January 1st, 2019: 0 lei), concurrently with the increase of the total liabilities with the same value. No determinations were made for the periods prior to the financial year ended on December 31st, 2019. More details are presented in the section "Leasing liabilities".

- *IFRIC 23*

IFRIC 23 provides guidance on accounting for current and deferred liabilities and taxes and assets in circumstances where there is uncertainty about tax treatment regarding the tax on profit. The interpretation provides for the following:

• It should be determined if uncertain tax treatment should be considered separately, or together as a group, depending on the approach that provides better forecasts on the resolution;

• To determine whether it is likely that the tax authorities will accept the uncertain tax treatment; and

• If it is not probable that the uncertain tax treatment will be accepted, the fiscal uncertainty will be measured according to the most probable sum or the expected value, according to any method that better predicts the resolution of the uncertainty. The measurement should be based on the assumption that each of the tax authorities will examine the amounts they are entitled to examine and have complete knowledge of all information related to the conduct of these examinations. Following the application of the provisions of IFRIC 23 no impact on the corporate tax on profit liabilities was identified.

(y) New standards and interpretations, which are not applicable as of December 31st, 2019

There are a number of standards, changes to standards and interpretations issued by the IASB that are effective in future accounting periods that the Parent Company has decided not to adopt in advance. The most important of these are the following, which are all applicable for the period beginning on January 1st, 2020:

• The revised conceptual framework for financial reporting

• IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors (amendment - Definition of materiality)

• IFRS 3 Business combinations (amendment – Definition of business)

The parent company is currently evaluating the impact of these new accounting standards and changes.

For the other entities in the group, they apply OMFP 1802/2014, and in order to consolidate where appropriate, restatements were made to harmonize them with the principles and rules of consolidation.

2.22 Restatements related to previous periods

The parent company prepared and filed consolidated financial statements for the financial year ended on December 31st, 2019. The comparative figures from the financial statements prepared by the parent company for the financial year ended on December 31st, 2018 differ from those of the previously filed financial statements as follows:

- correction of registrations made when consolidating the entities in which the Group has control

- recording the effect of deferred tax in accordance with the provisions of IAS 12.

- the reclassification or netting of some positions from the statement of comprehensive income and of the statement of financial position without effect on the current result or of the reported net assets, of which we mention the most important

Statement of financial position	**31.12.2018**	**Restatement**	**31.12.2018 restated**
Positive goodwill	1,420,953	22,081,835	23,502,788
Trade and similar receivables	43,790,135	(5,370,577)	38,419,558
Deferred tax receicavle	-	279,912	279,912
Other assets positions	68,578,113	1,305,154	69,883,267
Total assets	**166,439,063**	**17,134,667**	**183,573,730**
Provisions	6,487,037	(6,483,652)	3,385
Other liabilities positions	74,323,209	1,014,596	75,337,805
Total liabilities	**80,810,246**	**(5,469,056)**	**75,341,190**

Share capital	22,724,212	(15,747,747)	6,976,465
Other reserves	41,158,170	17,031,353	58,189,523
Retained earnings	8,265,995	21,188,763	29,454,758
Interests that do not control	13,480,440	131,354	13,611,794
Total equity	**85,628,817**	**22,603,723**	**108,232,540**

Statement of comprehensive income	**31.12.2018**	**Restatement**	**31.12.2018 restated**
Other operating income	9,348,766	21,520	9,370,285
Changes in inventories	44,478,505	(42,076,359)	2,402,146
Expenses on raw materials and materials	(203,275,086)	42,053,501	(161,221,585)
Expenses on personnel	(53,100,818)	31,454	(53,069,364)
Other operating expenses	(34,370,555)	(6,318,964)	(40,689,519)
Financial expenses	(9,956,692)	7,626,439	(2,330,253)
Tx expense	(2,358,697)	217,433	(2,141,264)
Business income	**7,312,104**	**1,487,278**	**8,799,382**

3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The company is exposed through its operations to the following financial risks:

- Credit risk
- Currency exchange risk
- Liquidity risk

Like all other activities, the Companies are exposed to risks arising from the use of financial instruments. This note describes the eintities' objectives, policies and processes for managing these risks and the methods used to evaluate them. Additional quantitative information regarding these risks is presented in these financial statements.

There were no major changes in the group's exposure to risks regarding its financial instruments, objectives, policies and processes for managing these risks or the methods used to evaluate them in comparison with previous periods unless otherwise stated in this note.

Further details on these policies are set out below:

Credit risk

Credit risk is the risk of financial loss for the Company which appears if a client or counterparty to a financial instrument does not fulfill its contractual obligations. The company is mainly exposed to the credit risk arising from sales to clients.

At the group companies' level there is a Trade Policy, approved by the Board of Directors. In this there are clearly presented the trade conditions for sale and there are conditions imposed in the selection of clients.

The parent company Electroarges works with only one client - over 95% of the turnover represents the production collaboration with Kaercher. Any syncope in the development of the contract with this company can be immediately and severely felt. The alternative to this dependent is the development of the production for the internal market and other clients, so that it reaches 50% of the turnover.

The commercial policy aims to reduce the number of days established by contract for the payment of receivables by the company's clients and the attraction of new clients.

Due to the increased incidence in the economy of the insolvency cases, there is the concrete risk regarding the recovery of the value of the products and / or the services provided prior to the declaration of the insolvency status, the company pays greater attention to the creditworthiness and financial discipline of the clients.

The collection period of the receivables is 14 days on average. Electroarges SA has managed to permanently provide the necessary liquidity and solvency at high rates and will try to maintain the positive trend of the receivable collection periods.

The other companies have a more diversified range of clients, but this risk is valid for any of the companies, considering the existing market and the problems at the level of all current economies.

Currency exchange risk

The parent company is mainly exposed to foreign exchange risk in purchases made from suppliers of raw materials, packaging and other materials outside Romania. The suppliers from which the company purchases these items necessary for the production must have quality documents. The company cannot limit too much the acquisition from third countries. Tracking the payment terms and ensuring the cash availability for payment, so that the effect of the currency exchange risk is minimized, are the responsibility of the financial-accounting department.

Given the relatively low exposure to currency exchange rate fluctuations, it is not expected that reasonable exchange rate fluctuations will produce significant effects in future financial statements.

The exposure to the currency risk of the Parent Company results from:

- very probable transactions (sales / purchases), denominated in foreign currencies;

- firm commitments denominated in foreign currencies; and

- monetary assets and liabilities (especially trade receivables and loans) denominated in foreign currencies

On December 31st 2019 the parent company's net exposure to the currency exchange risk is presented as follows:

	31.12.2019	**31.12.2018**
Net financial assets / (liabilities) expressed in foreign currency		
LEI	(37,977,169)	(19,672,685)
EUR	539,105	(705,465)
USD	8,508	(642,601)

The effect of the 10% weakening of the Euro currency in favor of the functional currency (LEI) at the reporting date, on the financial instruments held in Euro, under the conditions in which the other variables remain constant, would result in an increase in profit before tax and a decrease in net assets by 0.2 million lei.

Given the net exposure for USD, the effect of the exchange rate change is insignificant.

The exposure to foreign exchange risk of the other entities in the group is low, as they do not have significant foreign exchange transactions.

Liquidity risk

The liquidity risk arises from the Companies' management of the current means and the financing expenses and repayments of the principal amount for its debt instruments.

The company's treasury function prepares forecasts regarding the reserve of liquidity and maintains an adequate level of the credit facilities so that it can prudently manage the liquidity and cash-flow risks. For this purpose, the guarantee contract with the mortgage was extended in favor of the bank with which we opened the credit line. The limit of this credit line was kept at a level that can be raised even if they have been rarely accessed and at a reduced rate. At the same time, the investments were limited to those that have a direct contribution to the turnover. If the optimal conditions in terms of liquidity and cash flow were not met, the investments were deferred or limited to their own financing sources.

The following table presents the contractual maturities (representing the contractual cash flows without deductions) of the financial debts.

	Under one year	Between 1 and 2 years	More than 2 years
On December 31st 2019			
Suppliers and other liabilities	57,674,526	-	
Credits and loans	13,746,800	2,107,741	5,516,321
Total	**71,421,326**	**2,107,741**	**5,516,321**

	Under one year	More than 1 year	More than 2 years
On December 31st 2018			
Suppliers and other laibilities	60,685,691	-	
Credits and other loans	10,294,250	211,238	
Total	**70,979,941**	**211,238**	

Interest risk

The companies' income and cash flows from financing activities are influenced by changes in interest rates because most loan interest rates are variable as shown in Note 17. The companies do not have significant interest-bearing financial assets.

Categories of financial instruments

The main financial instruments used by the group entities, from which the risk arises regarding the financial instruments, are as follows:

- Financial instruments measured at fair value
- Trade and other receivables
- Cash and cash equivalents
- Trade and other liabilities

A summary of the financial instruments held by categories is provided below:

Financial assets	**31-Dec-19**	**31-Dec-18**
Trade and similar receivables	23,681,083	25,476,367
Cash and cash equivalents	3,368,483	13,409,119
At fair value through profit ir loss account	21,154,877	20,811,399
At fair value through OCI	6,251,691	1,363,897
Other financial assets	117,378	208,457
Total	**54,573,512**	**61,269,239**

Financial liabilities at amortized cost	**31-Dec-19**	**31-Dec-18**
Trade and similar liabilities	32,566,008	37,135,722
Other loans	21,370,862	10,505,489
Total	**53,936,870**	**47,641,211**

The management's general objective is to establish policies that try to reduce the risk as much as possible without unduly affecting the Company's competitiveness and flexibility.

The fair value of financial instruments

The fair value of financial assets and liabilities is determined as follows:

• The fair value of assets and liabilities with standard terms and conditions and traded on liquid asset markets is determined by reference to prices quoted on the market (including redeemable securities, trade effects, bonds and perpetual securities).

• The fair value of other financial assets and liabilities (excluding derivative financial instruments) is determined in accordance with generally accepted evaluation models, which are based on future updated cash flows using prices of transactions observable in current markets and quotations obtained from dealers for similar instruments.

The following table presents an analysis of the methods of financial instruments evaluation at a date subsequent to the initial recognition, grouped in levels 1 - 3 based on the degree of availability on the market of the information needed for the evaluation.

• Level 1: includes financial instruments measured at fair value by applying quoted, unadjusted prices, obtained from active markets on which assets or identical liabilities are traded.

• Level 2: includes financial instruments measured at fair value by using evaluation techniques that contain variables other than quoted prices indicated at Level 1 of the hierarchy, variables that are available and identifiable in the market for the respective assets and liabilities, either directly (such as prices) or indirectly (respectively derived from prices).

• Level 3: includes financial instruments measured at fair value using evaluation techniques that contain variables for the respective assets or liabilities, which are not based on identifiable data, available on the market.

- 2019 -

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through OCI	6,227,795	-	23,896	**6,251,691**
Financial assets at fair value through profit or loss account	1,458,915		19,695,962	**21,154,877**

- 2018 -

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through OCI	1,171,174	-	192,723	**1,363,897**
Financial assets at fair value through profit or loss account	20,811,399	-	-	**20,811,399**

There were no transfers between the levels of the fair value measurement hierarchy used when evaluating financial instruments.

The Company's management considers that the fair value of the assets and liabilities recognized at amortized cost in the financial statements approximates their net book value largely due to the short-term maturities, the low costs related to the transactions at the date of the financial position, and for the long-term loans due to the fact that they were recently contracted.

The fair value of the following financial assets and liabilities approximates their book value:

- Trade and other receivables;

- Other short-term financial assets;

- Cash and cash equivalents;

- Trade and other liabilities;

- Loans.

Operational risk

Operational risk is the risk of direct or indirect losses arising from a wide range of causes associated with the Companies' processes, personnel, technology and infrastructure, as well as from external factors, other than credit, market and liquidity risks, such as those coming from legal and regulatory requirements and from generally accepted standards regarding organizational behavior. Operational risks arise from all Companies' operations.

The main responsibility for the development of the controls related to the operational risk lies with the unit management. The responsibility is supported by the development of the Companies' general standards of the operational risk management in the following areas:

- Requirements for separation of responsibilities, including independent authorization of transactions;
- Requirements for resettlement and monitoring of transactions;
- Alignment with the regulatory and legal requirements;
- Documenting the controls and procedures;
- Requirements for periodic analysis of the operational risk to which the Company is exposed and the adequacy of controls and procedures to prevent the identified risks;
- Requirements for reporting the operational losses and proposals to remedy the causes that generated them;
- Elaboration of operational continuity plans;
- Professional development and training;
- Establishing ethical standards;
- Prevention of litigation risk, including insurance, where applicable;
- Mitigation of risks, including the efficient use of insurance, where appropriate;

Currently, the parent company carries out a very large contract, which represents 95.7% of the turnover with Kaercher Germany. Termination of this contract would have a negative impact on the company’s evolution over time with negative social implications. Obviously, ELECTROARGES SA is in this situation. The fact that almost 96% of the turnover is based on export, and within it more than 99% is only to the KÄRCHER group of companies denotes a huge dependence on the collaboration with this company.

The conclusion is only one, namely that the parent company must make a sustained effort in intensifying and identifying methods for developing the range of its own products and collaborations in order to achieve a balance of at least 75% weight in the total turnover.

Capital adequacy

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

4 INCOME FROM CONTRACTS AND OTHER INCOME

Income from sales include the following elements:

Income from sales	**31-Dec-2019**	**31-Dec-2018**
Sales of finished products	196,265,480	198,332,269
Sales of merchandise	5,588,518	11,385,332
Sales of services	15,510,021	31,862,185
Income from rents	694,858	447,806
Trade discounts	(24,491)	(51,425)
Total	**218,034,386**	**241,976,167**

Other operating income	**31-Dec-2019**	**31-Dec-2018**
Income from various services	225,559	1,150,132

Profit from sales of assets	2,410,071	5,642,522
Cancelling adjustments for impairment of uncertain receivables	1,366,178	956
Cancelling adjustments for inventories impairment	292,162	-
Exchange rate differences	1,376,639	1,140,039
Miscellaneous	2,247,366	1,436,636
Total	**7,917,975**	**9,370,285**

5 RAW MATERIALS AND CONSUMABLES

Expenses on raw materials and consumables have the following component:

Raw materials and consumables	**31-Dec-2019**	**31-Dec-2018**
Raw materials	144,059,579	146,864,185
Auxilliary materials	5,726,503	5,804,619
Merchandise	3,050,512	6,397,597
Inventory objects	702,009	893,963
Other consumables	179,275	408,004
Miscellaneous	497,578	853,217
Total	**154,215,457**	**161,221,585**

6 EXPENSES ON PERSONNEL

Expenses on personnel have the following component:

Expenses on personnel	**31-Dec-2019**	**31-Dec-2018**
Wages	35,614,595	46,129,645
Civil Contracts	2,720,734	1,737,072
Taxes and social contributions	1,148,663	1,757,072
Other benefits	2,876,891	3,477,028
Provisions for post-employment benefits	720,801	(31,454)
Total	**43,081,684**	**53,069,364**

The companies are managed in a unitary system, within the meaning of Law 31/1990 on Trade Companies, the companies' management being ensured by the Board of Directors of each of them, as presented in General information Note 1.

Remuneration granted to the Board of Directors and Executive Management was made in accordance with IAS 24 - key personnel.

The remuneration granted to the Executive Board and Management (according to IAS 24 - key personnel) is presented in the following table:

7 OTHER OPERATING EXPENSES

Other operating expenses include the following:

Other operating expenses	**31-Dec-2019**	**31-Dec-2018**
Utilities	3,897,555	3,917,064
Repairs	432,276	926,025
Rent	1,679,449	2,755,814
Insurances	209,221	235,352
Commissions	1,460,739	1,208,909
Advertisement	265,487	875,422
Travels and transport	2,637,289	2,790,806
Posting and telecommunications	181,132	269,182
Other services provided by third parties	5,984,270	12,745,932
State budget taxes	1,978,097	2,086,588
Environmental protection	485,675	415,954
Losses from asset concessions	2,610,447	894,364
Losses and adjustments uncertain receivables	-	4,577,414
Inventory adjustments	-	869,225
Other provisions	261,980	132,770
Miscellaneous	4,483,185	3,869,006
Exchange rates differences	1,577,000	2,119,692
Total	**28,143,803**	**40,689,519**

8 NET FINANCIAL INCOME

Net financial income has the following component:

	31-Dec-2019	31-Dec-2018
Financial income		
Income from interests	5,221	181,518
Income from participations	4,668,981	18,569,684
Other financial income	368,178	2,577
Financial costs		
Interest costs	(516,510)	(714,299)
The result of sales of securities available for sale	(6,462,450)	(349,848)
Value adjustments net result	(745,120)	(354,803)
Other financial expenses	(685)	(911,303)
Net income / (costs)	**(2,682,385)**	**16,423,527**

9 EXPENSES WITH THE TAX ON PROFIT

Tax expenses	**31-Dec-2019**	**31-Dec-2018**
Current tax	779,629	2,358,697
Deferred tax expense / (income)	(1,365,985)	(217,433)
Net expenses / (income)	**586,356**	**2,141,264**

Resettlement	**31-Dec-2019**	**31-Dec-2018**
Financial year profit	(7,756,851)	8,799,382
Tax on profit	(711,728)	2,141,264
Profit before taxation	**(8,468,580)**	**10,940,646**
Tax by applying the current rate of 16%	(1,354,973)	1,750,503
Total tax expense	**(711,728)**	**2,141,264**
Real tax rate	**8.4%**	**19.57%**

The tax on profit to be paid was calculated taking into account the influences of non-deductible expenses, respectively taxable income, fiscal facilities as well as the effects of provisions on corporate tax, for corporate taxpayers, and by applying the 1% rate on taxable income, for income tax paying companies. A resettlement between the accounting profit and the fiscal one that was the basis for the calculation of the profit tax is presented in the table above:

10 TANGIBLE ASSETS

COST	Land	Buildings	Technical installations and machines	Other installations, equipment and furniture	Tangible assets pending	Total
December 31st 2017	**6,164,598**	**22,001,135**	**36,942,762**	**1,140,714**	**860,337**	**67,109,546**
Purchases	850,620	8,026,464	20,132,819	1,072,801	8,133,438	38,216,142
Inflow / Transfers	(419,977)	(366,993)	(1,759,337)	(40,783)	(3,828,737)	(6,415,827)
31 Decembrie 2018	**6,595,241**	**29,660,607**	**55,316,244**	**2,172,732**	**5,165,039**	**98,909,863**
Purchases	(1,905,381)	(6,408,263)	(17,627,033)	(841,163)	(10,305,120)	(37,086,960)
Inflow / Transfers	-	-	(515,979)	(4,103)	(10,249,336)	(4,993,395)
Cancelling accumulated amortization following revaluation	-	(7,859,071)	-	-	-	**(7,859,071)**
Value increase	-	13,518,543	-	-	-	**13,518,543**
December 31st 2019	**4,689,860**	**31,104,337**	**51,000,026**	**1,402,032**	**9,414,648**	**97,610,903**
AMORTIZATION AND ADJUSTMENTS						
December 31st 2017	**628**	**7,727,257**	**22,068,087**	**911,057**	**-**	**30,707,029**
Cost for the period	-	2,758,683	17,871,920	497,795	-	**21,128,398**
Inflow	-	(236,509)	(1,332,951)	(10,163)	-	**(1,579,623)**
December 31st 2018	**628**	**10,249,431**	**38,607,056**	**1,398,689**	**-**	**50,255,804**
Cost for the period	-	1,707,531	3,286,859	44,646	-	**5,039,036**
Inflow	(628)	(2,098,629)	(15,272,234)	(472,765)	-	**(17,844,256)**
Revaluations	-	(7,815,194)	-	-	-	**(7,815,194)**
December 31st 2019	**-**	**2,043,139**	**26,621,681**	**1,035,433**	**-**	**29,700,253**
NET VALUES						
December 31st 2017	**6,163,970**	**14,273,878**	**14,874,675**	**229,657**	**860,337**	**36,402,517**

December 31st 2018	**6,594,613**	**19,411,176**	**16,709,188**	**774,043**	**5,165,039**	**48,654,059**
December 31st 2019	**4,689,860**	**29,061,198**	**24,378,345**	**366,599**	**9,414,648**	**67,910,651**

Fixed assets revaluation

On 31.12.2019, the buildings in the patrimony of the parent company were revaluated by Pernes Ioan, associate member of the National Association of Assessors in Romania (ANEVAR), having the certificate no. 61/2019.

The revaluation report of the buildings was capitalized in accounting on 31.12.2019 as follows:

Explanations	**Value(lei)**
Net book value before revaluation on 31.12.2019	6,733,647
Remeasured value on 31.12.2019	20,197,853
Total assessment/impairment 31.12.2019	13,518,543

The reference method is the net replacement cost (IFRS 13 - Level 3).

With the exception of Elars SA, the other entities performed revaluations in previous periods, but not in 2019.

Depreciation of fixed assets

Accounting depreciation is calculated using the straight-line method. For the new fixed assets, entered in 2019, of the nature of installations, machines and measuring and control devices, the useful lives were established taking into account:

- the estimated level of use based on the use of the asset's capacity;

- the repair and maintenance program practiced by the company on the installations and equipment;

- moral wear and tear determined by the possible changes of the production process depending on the structure of the product portfolio provided by the company.

Disposal of fixed assets and impairment adjustments

In 2019, the parent company disposed of fixed assets amounting to 435,185 lei, of which the value remained unamortized, 285 lei.

Another company that scrapped fixed assets was Concifor SA, these having the value of 469,852 lei, whose amortized value was 321,772 lei.

The other entities did not dispose of fixed assets.

Disputes and fixed assets property rights

Financial leasing

In 2019, the parent company acquired fixed assets through classified financial leasing contracts as follows:

Bank	Contract no/date	Contract amount	Purpose/Use
Raiffeisen Bank	63721/18.11.2019	1,073,903	Acquisition of technological equipment - injection machine
Raiffeisen Bank	63715/18.11.2019	625,250	Acquisition of technological equipment - injection machine
Raiffeisen Bank	63716/18.11.2019	720,708	Acquisition of technological equipment - injection machine
Raiffeisen Bank	63717/18.11.2019	859,122	Acquisition of technological equipment - injection machine
Raiffeisen Bank	63718/18.11.2019	1,002,309	Acquisition of technological equipment - injection machine
Raiffeisen Bank	63719/18.11.2019	1,097,767	Acquisition of technological equipment - injection machine
Raiffeisen Bank	63720/18.11.2019	1,073,903	Acquisition of technological equipment - injection machine

Bank	Contract no/date	Contract amount	Purpose/Use
Raiffeisen Bank	63722/18.11.2019	1,088,221	Acquisition of technological equipment - injection machine
Raiffeisen Bank	63723/18.11.2019	1,384,141	Acquisition of technological equipment - injection machine
Raiffeisen Bank	63724/18.11.2019	1,575,057	Acquisition of technological equipment - injection machine

The other entities did not contract leases during 2019.

11 INTANGIBLE ASSETS

	Intangible assets	Goodwill	Total
Cost			
December 31st 2017	**730,484**	**9,027,808**	**5,290,340**
Purchases	1,745,320	14,474,980	**16,220,300**
Inflow / Transfers	(441,704)	-	**(441,704)**
December 31st 2018	**2,034,100**	**23,502,788**	**21,068,936**
Purchases	280,063	-	**280,063**
Inflow / Transfers	-	-	**-**
December 31st 2019	**1,044,563**	**4,560,969**	**5,605,532**
Depreciation/impairment adjustments			
December 31st 2017	**312,632**	**-**	**311,846**
Purchases	798,658	-	**798,658**
Inflow / Transfers	(40,598)	-	**(40,598)**
December 31st 2018	**1,070,692**	**-**	**1,069,906**
Purchases	118,098	-	**118,098**
Inflow / Transfers	(804,900)	-	**(804,114)**
31 Decembrie 2019	**383,891**	**-**	**383,891**
Net value			
December 31st 2017	**417,852**	**9,027,808**	**4,978,494**
December 31st 2018	**963,408**	**23,502,788**	**19,999,030**
December 31st 2019	**660,672**	**4,560,969**	**5,221,641**

12 FINANCIAL ASSETS

On December 31st 2019, Electroarges – the parent company classified the financial assets as follows:

1. Financial assets measured at fair value through profit or loss account:

	No. of shares held	Percent held	Fair value on December 31st 2019
CEPROCIM SA BUCURESTI (19353)	4,000	under 10%	9,120
IPROLAM SA BUCURESTI (17930)	59,341	under 10%	445,058
LACTATE NATURA SRL TIRGOVISTE (17353)	394,000	15.95%	858,920
MOBILA SA RADAUTI (19521)	2,317,172	43.11%	19,695,962
UZTEL PLOIESTI (218)	137,424	under 10%	206,136
TOTAL			**21,215,208**

	No. of shares held	Percent held	Fair value on December 31st 2018
CEPROCIM SA BUCURESTI (19353)	4,000	under 10%	6,800
IPROLAM SA BUCURESTI (17930)	59,341	under 10%	403,518

LACTATE NATURA SRL TIRGOVISTE (17353)	394,000	15.95%	472,800
MOBILA SA RADAUTI (19521)	2,317,172	43.11%	19,695,962
UZTEL PLOIESTI (218)	137,424	under 10%	185,522
Conted Botosani	2,108	under 10%	46,797
TOTAL			**20,811,399**

The fair value measurement of “short-term investments” was made by multiplying the number of shares held at the reporting date by the closing price on the last trading day of the reporting period. For the shares held in Mobila SA Radauti no evaluation was made because we did not identify enough information for an evaluation of the shares at fair value, their registration value being that of December 31, 2018. The volume of Mobila SA shares on BSE was insignificant. Moreover, in December 2019 the management of this entity took the decision to open the insolvency procedure.

The positive results were highlighted in the financial income accounts, and the negative differences in the financial expense accounts.

2. Financial assets designated at fair value through other comprehensive income elements:

	No. of shares held	**Percent held**	**Fair value on December 31st 2019**
MECANOENERGETICA SA DROBETA TURNU SEVERI (11085)	4,640,888	28.85%	60,332
ROMANOFIR TALMACIU (2657)	74,847	14.67%	935,588
SIGSTRAT SA SIGHETUL MARMATIEI (19222)	891,839	5.69%	221,176

SIGSTRAT SA (1) SIGHETUL MARMATIEI (19519)	891,839	5.69%	442,352
TARNAVA SA SIGHISOARA (18956)	214,163	5.69%	44,974
BRAICONF SA BRAILA (17932)	11,802,363	26.34%	4,744,550
TOTAL			**6,227,795**
	No. of shares held	**Percent held**	**Fair value on December 31st 2018**
MECANOENERGETICA SA DROBETA TURNU SEVERI (11085)	4,640,888	28.85%	69,613
ROMANOFIR TALMACIU (2657)	74,847	14.67%	785,894
SIGSTRAT SA SIGHETUL MARMATIEI (19222)	891,839	5.69%	187,286
SIGSTRAT SA (1) SIGHETUL MARMATIEI (19519)	891,839	5.69%	187,286
TARNAVA SA SIGHISOARA (18956)	214,163	5.69%	10,708
TOTAL			**1,240,787**

The evaluation of the shares held in listed entities and located in an active market was performed by multiplying the number of shares held at the reporting date with the closing price on the last trading day of the reporting period.

The differences were recorded in the account "1035 - Differences from the change in the fair value of financial assets valued at fair value through other comprehensive income elements".

13 INVENTORIES

Inventories	**31-dec-2019**	**31-dec-2018**
Raw materials and consumables	15,440,330	18,324,028
Ongoing production	935,039	1,757,049
Semi-finished and finished products	2,431,068	6,875,582
Merchandise	628,904	8,545,501
Biological assets	92,194	231,971
Total	**19,527,534**	**35,734,129**

14 TRADE AND OTHER RECEIVABLES

Trade and similar receivables	**31-dec-2019**	**31-dec-2018**
Trade receivables	19,296,239	19,569,173
Adjustments for trade receivables	(4,315,115)	(4,435,638)
Receivables from associates/shareholders	-	-
Various debtors and other receivables (*)	14,502,419	17,339,415
Adjustments for other receivables	(5,802,459)	(6,996,583)
Total financial assets other than cash, classified as loans and receivables	**23,681,083**	**25,476,367**
Advance payments	5,447,716	6,807,744
Other state budget receivables	8,637,657	6,135,447
Total receivables	**37,766,457**	**38,419,558**

(*) At the parent company, within the position of various debtors and other receivables is also reported the amount of 2,6 million Lei representing amounts seized and enforced by the Administration of the Environmental Fund as a result of the control performed for the previous period 2017. Currently the Company has challenged this control report and requested the return of the amounts enforced. The Company's management estimated in relation to this receivable a 1,3 million Lei adjustment of value. The trial is in a preliminary phase and as it advances, management will update this estimate.

Maturity review	**31-Dec-19**	**31-Dec-18**
Non-performing receivables	10,931,737	13,367,588
Unadjusted outstanding receivables		
Up to 6 months	11,208	253,030
Between 6 and 12 months	1,043,866	637,561
More than 12 months	11,694,272	11,445,915
TOTAL	**23,681,083**	**25,476,367**

15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents	**31-dec-2019**	**31-dec-2018**
Available with the bank	3,340,269	13,339,150
Cash and cash equivalents	28,214	70,042
Total	**3,368,483**	**13,409,191**

On December 31st 2019 and 2018, a large part of the cash was held in current accounts opened with Romanian banks with private capital with a good reputation or with banks with majority state capital.

There were no significant non-cash transactions with natural or legal third parties in 2019.

16 TRADE AND OTHER LIABILITIES

Trade and similar liabilities	**31-dec-2019**	**31-dec-2018**
Trade liabilities	26,181,351	31,595,107
Fixed assets suppliers	1,862,930	48,880
Intra-group liabilities	-	833,328
Other liabilities	4,521,727	4,658,407
Total liabilities less loans, classified as measured at amortized cost	**32,566,008**	**37,135,722**
Wage liabilities	1,114,087	1,770,187
Taxes and social contributions	5,279,760	3,403,368
Other tax liabilities	501,514	2,104,958
Dividends	18,193,678	15,614,970
Advance payments	19,479	644,662
Advance income	-	11,825
Total	**57,674,526**	**60,685,691**

17 LOANS

Loans	**31-dec-2019**	**31-dec-2018**
Current		
Short-term loans and overdraft	11,427,821	9,344,566
Current part of long-term loans	211,238	911,427
	11,639,059	**10,294,250**
Part on long-term		
Long-term loans	-	211,238

	-	211,238
Total	**11,639,059**	**10,505,489**

The amounts due to credit institutions are short-term and consist of credit / overdraft lines opened with banks as follows:

Description	December 31st 2019 (lei)	December 31st 2018 (lei)
RON credit line	9,778,917	9,344,566
USD credit line	1,648,904	0
Long-term credit	211,238	528,095
Total	**11,639,059**	**10,505,489**

18 Leasing liabilities

In 2019, only the parent company acquired fixed assets through classified financial leasing contracts with Raiffeisen Bank as previously presented. Some of the other entities had financial leases from previous years.

Resettlement between the minimum lease payments and the current value

	December 31st 2019	December 31st 2018
Maximum 1 year	1,646,863	-
More than one year but less than 5 years	7,636,138	-
Less future financial costs	(357,679)	-
Current value of liabilities financial leasing	**8,925,322**	**-**

	December 31st 2019	December 31st 2018
Short-term leasing liabilities	590,618	-
Long-term leasing liabilities	215,863	-
Total leasing liabilities	**806,480**	**-**

The resettlement of leasing debts and usage rights recognized as a result of the application of IFRS 16 to the parent company is presented in the following tables:

Leasing liabilities	**Buildings and special constructions**	**Equipment and other fixed assets**	**Total**
On January 1st 2019			
Inflow	724,805	669,111	1,393,916
Interest and exchange rate differences	38,618	(28,488)	10,130
Leasing payments	(270,767)	(316,669)	587,438
On December 31st 2019, out of which:	**454,038**	**352,442**	**806,478**

The resettlement of the usage rights recognized as a result of the application of IFRS 16 is presented in the following tables:

Usage rights	**Buildings and special constructions**	**Equipment and other fixed assets**	**Total**
On January 1st 2019	-	-	-
Inflow	724,805	669,111	1,393,916
Amortization	(270,767)	(316,669)	587,438
Net values on December 31st 2019	**454,038**	**352,442**	**806,478**

19 DEFERRED TAX ON PROFIT

The changes in liabilities regarding the deferred tax on profit calculated at the parent company is presented in the following table:

Description	**31-Dec-19**	**31-Dec-18**
Initial receivable balance	**279,912**	-
Other comprehensive income elements	(2,488,938)	62,478
Deferred tax costs / (income)	1,491,357	217,433

(Liability)/receivable final balance	**(717,670)**	**279,912**

	31.12.2019	Movements during the period By other comprehensive income elements	By profit and lo9ss account	31.12.2018
Deferred tax to be paid				
Tangible and intangible assets	(3,556,691)	(2,454,809)	1,092,162	(2,194,044)
Deferred tax to be claimed				
Provision with the employees' benefits	130,036	4,664	125,372	-
Share evaluation	23,685	(38,793)	-	62,478
Receivables and other assets	1,738,326	-	(284,207)	2,022,532
Tax loss	946,975		558,030	388,945
Total	**2,839,021**	**(34,129)**	**399,195**	**2,473,955**
Total	**(717,670)**	**(2,488,938)**	**1,491,357**	**279,912**

20 OBLIGATIONS REGARDING THE EMPLOYEES' POST-EMPLOYMENT BENEFITS

According to the collective employment agreement, for entities holding a collective employment agreement, the Company must pay employees at the time of retirement a compensation amount equal to a certain number of wages calculated as the average of monthly wages made in the last 12 months, depending on the period worked in gas industry, working conditions, etc. The present value of the provision was determined based on the Projected Credit Factor Method. Retirement benefits received by an employee were first increased by the value of the employer's contributions and then, each benefit was updated taking into account employee turnover, dismissals and the probability of survival until retirement. The number of years until retirement was calculated as the difference between retirement age and age at the reporting date. The projected average of the remaining working period was calculated based on the number of years until retirement, also taking into account the rate of dismissals, the rate of employee turnover and the probability of survival.

The value of the provision was calculated individually for each company's employee / separate beneficiary using the actuarial calculation method and taking into account International Accounting Standards, in particular IAS 19. The provision is calculated taking into account the long-term obligations assumed by the company through the collective employment agreement. The calculation assumptions and the specifications for the realization of the calculation model were established based on the company's previous experience and a set of hypotheses regarding the company's future experience. The most important hypotheses used are presented below:

Employee mortality

The employee mortality at the parent company is presented below according to statistica.gov:

Description	2017	2018	2019
No. of deceased	38,454	36,820	37,285
Mortality rate (deceased per 1000 inhabitants), ‰	13.7	13.4	13.9
Male	15.1	14.6	15.5
Female	12.4	12.2	12.4

Employee turnover rate

In 2019, the employee turnover rate was 5.8%. For this year we considered the average of the last five years which was 5.0% pa. Based on the age structure of the employed staff, the model takes into account the number of years remaining until retirement and estimates the total number of employees who would be likely to leave the company at 5.0% of the total number of employees. Thus, the employee turnover rate is: - 12.77% pa for employees who are still 35 years of age or older until retirement; - linearly decreasing to 0% for employees with the number of years until retirement between 35 years and 5 years. For the last 5 years before retirement, it was considered that employees were no longer looking to change jobs and that they had gained enough experience to be disciplined and efficient at work.

Dismissal rate

For the period after December 2019, no staff reduction plan approved by the company's Board of Directors was communicated.

Discount rate

For the discount rate, we considered the yields on bonds on the active market at the end of December 2017, 2018 and 2019. In December 2019, the residual maturities available were 1-9 years and 12 years. For the other durations we estimated the discount rate using the SmithWilson extrapolation method. The long-term assumptions were:

- Estimated long-term inflation rate 2% pa

- Estimated real long-term return on government bonds 2.05% pa

- Liquidity premium for Romania 0%.

Thus, we considered a forward equilibrium rate of 4.05% pa. The method ensures the compatibility between the discount rate and the inflation rate. The weighted average discount rate in December 2019 was 4.51% pa.

Inflation rate

Based on the statistics issued by INSSE and the NBR forecast for November 2019, we estimated the inflation rate as follows:

- 3.1% in 2020

- Linearly decreasing up to 2.5% in the period 2021-2025

- 2.5% in 2025-2030 and following a decreasing trend in the following years.

The weighted average inflation was 2.65%

Wage growth rate

For 2020 and the following years we considered an average wage increase of 1.5% pa above the annual inflation rate.

The amounts recognized in the statement of financial position and the movements of the net obligation during the period are presented as follows:

Change of the present value of the obligation	**Post-employment benefits**	
	2019	**2018**
Present value of the obligation – January 1st	**478,952**	**429,991**
Cost of interest	22,798	17,657
Cost of current service	40,004	99,842
Payments from provisions during the year	-29,284	-26,749
Actuarial (profit) / loss for the period	29,150	-41,7902
Cost of previous service	0	0
Present value of the obligation – December 31st	**541,619**	**478,952**

Actuarial profit or loss, recognized in other comprehensive income elements, represents changes in the present value of the obligation generated by the effects of differences between previous actuarial assumptions and what actually happened.

The assumptions used in the actuarial calculation are: demographic assumptions (mortality, staff turnover rates) and financial assumptions (discount rate, level of benefits, etc.).

Sensitivity review:

The risks related to the sensitivity of actuarial assumptions are presented in the table below.

Assumptions	**Post-employment benefits**
PVDBO on 31.12.2019	**541,619**
Discount rate + 1%	493,883
Discount rate - 1%	595,996
Wage growth rate + 1%	596,044
Wage growth rate – 1%	492,993
Longevity growth by 1 year	545,594

Maturity review

The analysis of the estimated maturity for the payment obligation established at the reporting date is the following:

The obligation to pay regarding the employees' benefits at retirement

Established on:	Under 1 year	Between 1-2 years	Between 2-5 years	More than 5 years	**TOTAL**
December 31st 2019	4,449	11,390	169,153	354,266	**539,528**

21 SHARE CAPITAL

The parent company's subscribed share capital on December 31st 2019 is 6,976,465 lei, the nominal value of one share being 0.10 lei / share. Following the consolidation, the consolidated group's share capital, following the adjustments made, remains that of the parent company, respectively 6,976,465 lei.

The company's subscribed share capital on December 31st 2019 is 6,976,465 lei, the nominal value of a share being 0.10 lei / share.

The shareholding structure on 31.12.2019 was 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**

The structure of the administrators' participation in the share capital is the following:

Item no.	**Surname**	**Given name**	**Position**	**No. of shares**
1.	Stefan	Constantin	Presedinte CA	0
2.	Gavrilă	Ion	Membru CA	6,016,191
3.	Tudor	Dumitru	Membru CA	8,963,266
4.	Investments ConstantinSRL	By permanent representative Mr Zisu Robert	Vicepreședinte CA	25,699,543
5.	Benjamins United SRL	By permanent representative Mr Charles Nakouzi	Membru CA	621,000

22 RETAINED EARNINGS AND OTHER RESERVES

	31.12.2019	**31.12.2018**
Legal reserve	2,577,844	3,157,757
Revaluation reserve	12,706,355	4,744,308
Other reserves	43,537,907	50,624,991
Retained earnings	10,224,482	29,126,743
TOTAL	**68,922,251**	**87,653,799**

The nature and purpose of each equity reserve are described below:

Reserve	**Description and purpose**
Reserves from fixed assets revaluation	If the carrying amount of tangible asset is increased as a result of the revaluation, then the increase must be recognized in other comprehensive income elements and accumulated in equity, as a revaluation surplus. Revaluation reserves cannot be distributed and cannot be used to increase the share capital.
Legal reserves	According to Law 31/1990, every year at least 5% of the profit is taken over for the formation of the reserve fund, until it reaches at least one fifth of the share capital.
Other reserves	On December 31st 2019, other reserves include reserves made up of previous profits as well as the reserves related to the fiscal facilities obtained.

In 2019, the parent company approved and distributed a dividend in gross value of 0.12 lei / share, from the amounts existing in the balance of the “Retained earnings” account on December 31st 2018. The value of the declared dividends is 8,371,758 lei.

On December 31st 2019, the parent company made a net profit in the amount of 2,036,989 lei. The distribution of the net profit will be approved by the General Meeting of Shareholders in 2020.

The profit / loss recorded by each entity is:

Company	Result
ELECTROARGES SA	2,036,989
ELARS SA	-252,560
AMPLO SA	-3,866,116
CONCIFOR SA	1,128,539
BRAICONF SA	-3,343,016

23 BALANCES AND TRANSACTIONS WITH AFFILIATED ENTITIES

The entities affiliated to the parent company are:

Item no.	Full name	Affiliation type	Share capital participation rate
1.	Constantin Relative Investments SRL (actual Investments Constantin SRL)	Shareholder and BD member	36.8375%
2.	Benjamin United SRL	Shareholder and BD member	0.8901%
3.	Stefan Constantin	Shareholder and BD member	37.7276%
8.	Metalica SA	Indirect affiliation through joint management	-

The list of the parent company's executive management:

Item no.	Surname	Given Names	Position
1.	Sarghe	Alexandru	Deputy General Director
2.	Scarlat	Roxana	Economic Director

3.	Veisa	Alexe	Operational Director
4.	Barbu	Marin	Technical Director
5.	Golescu	Vasile	Production Director

The balances and transactions with the affiliated entities presented above are:

Liabilities to the affiliated parties	**31.12.2019**	**31.12.2018**
Benjamins United SRL	141,709	11,900
Invesments Constantin SRL	-	11,900
TOTAL	**141,709**	**23,800**

Purchases of goods and services	**2019**	**2018**
Metalica SA	468,491	-
TOTAL	**468,491**	**-**

Additional remunerations	**2019**	**2018**
Benjamins Unites SRL	680,000	1,386,019
Investments Constantin SRL	785,000	1,423,806
TOTAL	**1,465,000**	**2,809,825**

24 CONTINGENT LIABILITIES

There are no significant contingent liabilities at the balance sheet date.

25 PAYMENT COMMITMENTS

On December 31st 2019, the parent company had the following commitments granted for loans:

- Loans to a single bank - Raiffeisen Bank Pitesti Branch

- Guarantees: contract for assignment of receivables and contract for movable mortgage on the pledged goods.

GROUP COMMITMENTS AND CONTINGENCIES

Lawsuits

The group is the subject of lawsuits resulting in the normal course of the activity. The Group's management considers that, apart from the amounts already recorded in these financial statements as provisions or adjustments for impairment of assets and described in the notes to these financial statements, other lawsuits will not have significant adverse effects on the economic results and financial position.

26 INFORMATION ON THE AUDIT OF THE FINANCIAL STATEMENTS

The financial audit for the financial year 2019 was performed by BDO Audit SRL. The auditor provided exclusively financial audit services. The fees payable to them for the statutory financial statements prepared on 31.12.2019 are in the amount of 10,000 EUR. The tariff for other services provided by them (audit of the Group's consolidated financial statements) is EUR 7,000.

27 FURTHER EVENTS

Based on the information we have so far, the shareholding structure has not changed significantly until the date of issuance of these financial statements.

Significant events after the end of the financial year:

The impact of the COVID-19 epidemic on the ELECTROARGES SA's activity

Given the real and increased risk of Coronavirus COVID-19 spreading, WHO declaring that the coronavirus epidemic is a pandemic, the Electroarges SA'a management has established and implemented preventive measures for the protection of both its employees and collaborators. The measures are constantly revaluated and adapted according to the evolution of the situation and the official measures ordered by the public authorities.

The basic preventive measures are:

1. A Coordination and Monitoring Group on the situation regarding COVID-19 shall be set up within the management, comprising: the Economic Director, the Production Director, the Head of Human Resources, the Head of Administration and the Head of SPSU. They

will act in a coordinated manner, so as to ensure that the best measures are taken to prevent and control the situation within the company;

2. Given the current epidemiological context, in order to avoid the movement of employees and clients with documents, for non-emergency situations to / from the company's headquarters, in the next period the activity with the public is restricted, the documents will be transmitted exclusively electronically, by e-mail, to the company's official address, or directly to the e-mail addresses of the recipient departments;

3. Also, all interested parties (clients, suppliers, collaborators) will be notified that for a period of at least 28 days, with the possibility of extension, starting from 12.03.2020, meetings of any kind will be suspended at the company's headquarters, the communications will be made exclusively by electronic means, respectively on the company's official e-mail address or directly on the addresses of the recipient departments;

4. Implementation of the procedure for measuring the employees' and visitors' body temperature before entering the company, as well as the procedure to be followed in case of exceeding the normal temperature and / or identifying / presenting other symptoms;

5. Drivers who deliver / take over goods are banned from travelling through the company premises, except for the use of toilets, and for this a special toilet is allocated;

6. Employees who carry out loading / unloading activities have the obligation to wear disposable gloves;

7. Purchase of disinfectant for continuous cleaning of high risk areas;

8. Posting hygiene and disinfection rules throughout the workshops, rules that are officially published on the Institute of Public Health website;

9. Placement of soap dispensers, napkins and hand dryers in each toilet, purchase of protective masks and disposable gloves, with limited use, at the level of security and for those who unload / load goods;

10. Using additional administrative staff to carry out disinfection procedures in high-risk areas.

Together with our suppliers and clients, we constantly monitor the situation and collaborate in order to adapt to the daily evolution. We work / submit the necessary diligences to ensure the raw materials necessary for production, to ensure the normal flow of production and deliveries.

Chairman of the Board of Directors,	Economic Director
Constantin Stefan	Roxana Scarlat