

Translation from Romanian

ADMINISTRATORS' REPORT

**in accordance with the A.S.F. Regulation no. 5/2018
on the issuers of securities and security transactions
and the Ordinance no. 2844/2016 of the Ministry of Public Finance
on the approval of the Accounting Regulations
according to the International Financial Reporting Standards, for**

*THE CONSOLIDATED FINANCIAL STATEMENTS
ON DECEMBER 31ST 2019*

Reporting date: December 31st, 2019

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

Registered office: Curtea de Argeş, strada Albeşti, nr. 12, judeţul Argeş

Telephone: 0248/724000

Fax: 0248/724 004

E-mail: electroarges@electroarges.ro

Tax Registration Code: RO 156027

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

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

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

Main characteristics of the securities issued by the company:

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

STATEMENT OF THE FINANCIAL POSITION ON DECEMBER 31st 2019

	31.Dec.19	31.Dec.18
Assets		
Fixed assets		
Tangible assets	67,910,651	48,654,059
Goodwill	4,560,969	23,502,788
Intangible assets	660,673	963,407
Investments	27,406,568	1,363,897
Deferred tax	-	279,912
Other fixed assets	<u>239,854</u>	<u>226,931</u>
	100,778,715	74,990,993
Current assets		
Inventories	19,527,534	35,734,129
Trade and similar receivables	37,766,457	38,419,558
Other financial assets	117,378	21,019,857
Cash and cash equivalents	<u>3,368,483</u>	<u>13,409,191</u>
	60,779,853	108,582,736
Assets classified as held for sale	-	-
TOTAL ASSETS	161,558,567	183,573,730
LIABILITIES		
CURRENT LIABILITIES		
Trade and similar liabilities	57,674,526	60,685,691
Loans	13,746,800	10,294,250
Employees benefits	248,494	37,826
Affiliated antities loans	-	-
Other loans	-	-
Profit tax liabilities	278,103	1,072,715
Provisions	<u>-</u>	<u>3,385</u>
	71,947,923	72,093,867
Liabilities included in the concession groups	-	-
LONG-TERM LIABILITIES		
Trade and similar liabilities	<u>-</u>	<u>-</u>
Loans	7,624,062	211,238
Employees benefits	535,079	-
Leasing	-	-
Deferred tax	717,670	-
Subsidies	2,198,567	3,036,085
Provisions	<u>-</u>	<u>-</u>
	11,075,378	3,247,323
TOTAL LIABILITIES	83,023,302	75,341,190
NET ASSETS	78,535,266	108,232,540
Share capital	6,976,465	6,976,465
Own shares	(9,518)	(9,518)
Legal reserve	2,577,844	3,157,757
Other elements	-	-
Adjusting the value of assets held for sale	(124,337)	-
Retreatment adjustments	-	-
Revaluation reserves	12,706,355	4,744,308
Other reserves	43,537,907	50,624,991
Retained earnings	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

STATEMENT OF COMPREHENSIVE INCOME ON 31 DECEMBER 2019

	31.Dec.19	31.Dec.18
Income from sales	218,034,386	241,976,167
Other operating income	7,917,975	9,370,285
Changes in inventories	(1,254,827)	2,402,146
INCOME FROM THE PRODUCTION OF FIXED ASSETS	-	-
Raw materials and consumables	(154,215,457)	(161,221,585)
Expenses on personnel	(43,081,684)	(53,069,364)
Amortization	(5,042,784)	(4,251,011)
Research and development	-	-
Other operating expenses	(28,143,803)	(40,689,519)
Operating profit / (loss)	(5,786,194)	(5,482,881)
Financial costs	(7,724,765)	(2,330,253)
Financial income	5,042,380	18,753,780
The part of the profit related to the associated and jointly controlled entities	-	-
Profit / (Loss) before taxation	(8,468,580)	10,940,646
Tax expenses	711,728	(2,141,264)
Profit / (Loss) from continuous activities	(7,756,851)	8,799,382
Income from discontinued activities, net of tax	-	-
Profit / (Loss)	(7,756,851)	8,799,382
Other elements of the comprehensive income		
<i>Elements that will not be reclassified:</i>		
Revaluation of fixed assets	15,342,557	-
Remeasurment of pension benefit schemes	(29,150)	-
Revaluation of financial investments at fair value	242,473	(278,569)
Related tax	(2,488,941)	44,571
Total other elements of the comprehensive income	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)

1. ANALYSIS OF THE COMPANY'S BUSINESS ACTIVITY

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

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 Argeş, strada Albeşti, nr. 12

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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 Curtea de Arges has as object of activity the production and sale of consumer electrotechnical goods, portable electrical tools, execution of works and provision of services for economic agents, in compliance with the legislation in force.

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 Argeş, strada Albeşti, 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.	Gavrila	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

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.

The parent company as well as the other consolidated companies modify an accounting policy only if the modification:

- is imposed by a standard or an interpretation; or
- results in financial statements that provide reliable and more relevant information about the effects of transactions, other events or conditions on the financial position, entity's financial performance or cash flows.

The evaluation of the items included in the consolidated financial statements for the year 2019 were performed in accordance with Law 82/1991 as republished and further amended and in compliance with the following accounting principles for amending and supplementing the Accounting Regulations compliant with European directives and OMFP 2844/2016 on the approval of accounting regulations in accordance with international financial reporting standards:

Entities in which ELECTROARGES holds shares:

Entity	No. of shares held	Percent held	Fair value on December 31st 2019
ELARS SA RIMNICU SARAT	20,555,276	88.16%	2,564,700
AMPLO PLOIESTI	2,668,396	84.41%	12,426,180
CONCIFOR BUZAU	3,206,788	67.02%	423,804
MECANOENERGETICA SA DROBETA TURNU SEVERIN	4,640,888	28.85%	60,332
BRAICONF SA BRAILA	11,802,363	26.34%	4,744,550
ROMANOFIR TALMACIU	74,847	14.67%	935,588
SIGSTRAT SA SIGHETUL MARMATIEI	891,839	5.69%	221,176
SIGSTRAT SA (1) SIGHETUL MARMATIEI	891,839	5.69%	221,176
TARNAVA SA SIGHISOARA	214,163	5.69%	44,974
TOTAL			19,401,841

2. ELARS S.A., a subsidiary to which ELECTROARGES SA holds 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. Industriiei, 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	Percent
ELECTROARGES SA	2,055,527.60	88.1611%
Legal persons	11,826.40	0.5073%
Natural persons by PPM	264,204	11.3316%
TOTAL	2,331,558	100.00%

3. AMPLO S.A., a subsidiary to which ELECTROARGES SA holds 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	Percent
ELECTROARGES SA	6,670,990	84.4119%
Legal persons	502,290	6.3558%
Natural persons	729,622	9.2323%
TOTAL	7,902,902	100.00%

4. CONCIFOR SA - a subsidiary to which ELECTROARGES SA holds 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	Percent
ELECTROARGES SA	320,678.80	67.02171%
Legal persons	4,776.49	0.99829%
Natural persons	153,014.71	31.980%
TOTAL	478,470	100.00%

5. BRAICONF S.A., a subsidiary to which ELECTROARGES SA holds 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

Main activity: Manufacturing underwear

At BRAICONF SA, the shareholding structure was as follows:

Shareholder	Capital value	Percent
ELECTROARGES SA	1,180,236	26.3415%
Legal persons	4,963,532	34.4055%
Natural persons	1,759,134	39.2530%
TOTAL	7,902,902	100.00%

1.1. b) Parent company formation:

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

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

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

1990.

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

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

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

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

It is not the case.

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

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

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

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

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

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

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

1.1.1. Elements of general evaluation

On 31.12.2019 the group's net operating result was in the amount of (8,192,285) compared to (5,482,881) lei, the one reported in 2018 while the net result was (8,948,932) lei compared to 9,663 ,955 lei of the previous period.

In 2019, the revenues from contracts with clients had the value of 218,034,386 lei, increasing by 3,941,781 lei compared to 2018. Out of this value, 186,885,730 lei represented exports.

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

Operating expenses items	Financial year	
	31.12.2019	31.12.2018
Raw materials and consumables	154,215,457	161,221,585
Expenses on personnel	43,081,684	53,069,364
Amortization	5,042,784	4,251,011
Other operating expenses	28,143,803	40,689,519
Operating expenses	230,483,728	259,231,479

Within the group there are entities paying profit tax and income tax, in 2019 the total expense with profit tax is 711,728 lei.

Capital adequacy

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

INCOME FROM CONTRACTS AND OTHER INCOME

Income from sales include the following elements:

Income from sales	31-Dec-2019	31-Dec-2018
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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 differencies	1,376,639	1,140,039
Miscellaneous	2,247,366	1,436,636
Total	7,917,975	9,370,285

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

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:

Description	For the year ending on	
	31-Dec-19	31-Dec-18
Wages/Contracts (*)	2,008,996	3,618,616
Taxes and social contributions	14,941	17,435
TOTAL	2,023,937	3,636,051

The remuneration of the Board of Directors based on the mandate contract was reported in the area of Other operating expenses.

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

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

EXPENSES WITH THE TAX ON PROFIT

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

	31-Dec-2019	31-Dec-2018
Reconciliation		
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%

Liquidity and credit

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

The credit available on 31.12.2019, amounting to 3,368,483 lei, represents money deposited in current bank accounts or in deposit accounts with banks in Romania for a period of less than 3 months.

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
Deposits with maturity under 3 months	-	-
Miscellaneous	-	-
Total	3,368,483	13,409,192

3,368,483 **13,409,191**

1.1.2. Evaluation of the company’s technical level:

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

a) Main markets and distribution methods:

The products manufactured in 2019 were delivered both on the domestic and the foreign market, where we tried to consolidate the position as a manufacturer of electrical consumer goods, household appliances, professional semi-industrial and hotel appliances, industrial equipment and parts/sub-assemblies for industrial manufacturers, machines and devices for measuring, checking, controlling and navigating, underwear and clothing, as well as construction works performed by group member entities.

The parent company, Electroarges SA, exports most of the production obtained, and the main markets for export were: Germany (vacuum cleaners), France (vacuum cleaners and incubators), Moldavia (egg incubators), Poland (egg incubators), Spain (egg incubators), and Libya (egg incubators).

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

Braiconf products are sold through retail stores, and the other entities ensure their sales only on the domestic market.

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

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

Item no.	Product group name	2019		2018		2017	
		%	Amount in thousand lei	%	Amount in thousand lei	%	Amount in thousand lei
1.	Karcher vacuum cleaners	94.59	182,235	95.67	183,304	95.67	95.39

2.	Vacuum cleaners	0.01	4	0.26	516	0.26	0.24
3.	Ash boxes			0.25	491	0.25	0.31
4.	Electrical consumer goods	0.11	215	0.13	266	0.13	0.12
5.	Tools	0.01	1	0.01	23	0.01	0.02
6.	Household appliances	0.23	441	0.50	963	0.50	0.49
7.	Products for hotels and institutions	0.01	5	0	10	0	0.05
8.	Spare parts	4.25	8,197	1,283	1,283	0.66	1,283
9.	Others	0.79	1,568	4,732	4,732	2.46	4,732

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

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

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

Acquisitions of raw material and materials necessary to achieve the production and the operation of the other companies' activities were mainly made from domestic sources, and only when there were no domestic options or foreign clients demanded it, the acquisitions were imported from foreign market suppliers.

Only the parent company purchases raw materials and materials from the foreign market, the other companies use raw materials and materials from the domestic market in 100% proportion.

The main acquisitions of raw material and materials on the domestic market were provided

under contracts and / or firm orders – signed with manufacturers or their distributors, such as: Prysmian Cabluri si Sisteme SA, Rondocarton Cluj, Conphys Rm. Valcea, V.M. Comp Stefanesti, DS SMITH Timisoara, Diaplast Production SRL, Greiner Asistec, Crislar Giva, Italinox Romania SRL, Alpin Construct, Arcelormital Distribution, Debrocons, Util Company SRL, etc.

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

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

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

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

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

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

1.1.4. Evaluation of sales.

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



1. ELECTROARGES SA

Item no.	Indicator	Sales figures	
		2018	2019
1	Sales (thousand lei)	191,588	192,666
2	Sales (thousand EUR)	40,970	40,602
3	Domestic sales (thousand lei)	6,527	8,206
	Out of which products (thousand lei)	863	215
4	Domestic sales (thousand EUR)	1,397	1,729
5	Foreign sales (thousand lei)	185,061	184,460
6	Foreign sales (thousand EUR)	39,573	38,873

2. ELARS SA

Item no.	Indicator	Sales figures	
		2018	2019
1	Sales (thousand lei)	1,486	1,221
2	Sales (thousand EUR)	318	257
3	Domestic sales (thousand lei)	1,486	1,221
	Out of which products (thousand lei)	1,482	1,220
4	Domestic sales (thousand EUR)	318	257
5	Foreign sales (thousand lei)		
6	Foreign sales (thousand EUR)		

3. AMPLO SA

Item no.	Indicator	Sales figures 2018	Sales figures 2019
1	Sales (thousand lei)	6,933	3,595
2	Sales (thousand EUR)	1,483	758
3	Domestic sales (thousand lei)	6,933	3,595
	Out of which products (thousand lei)	6,930	2,293
4	Domestic sales (thousand EUR)	1,483	758
5	Foreign sales (thousand lei)	0	0
6	Foreign sales (thousand EUR)		0

4. CONFIFOR SA

Item no.	Indicator	Sales figures 2018	Sales figures 2019
1	Sales (thousand lei)	119	69
2	Sales (thousand EUR)	25	15
3	Domestic sales (thousand lei)	119	69
	Out of which products (thousand lei)	119	69
4	Domestic sales (thousand EUR)	25	15
5	Foreign sales (thousand lei)	0	0
6	Foreign sales (thousand EUR)		0

5. BRAICONF SA

Item no.	Indicator	Sales figures	
		2018	2019
1	Sales (thousand lei)	40,599	25,212
2	Sales (thousand EUR)	8,682	5,313
3	Domestic sales (thousand lei)	40,599	25,212
	Out of which products (thousand lei)	32,292	19,737
4	Domestic sales (thousand EUR)	8,682	5,313
5	Foreign sales (thousand lei)	0	0
6	Foreign sales (thousand EUR)		0

Compared to the total sales in previous years, in 2019 there was a slight increase for the parent company compared to 2018 determined by the increase of domestic sales by starting a new collaboration with Arctic SA and the decrease in sales for all the other group member companies.

Foreign sales slightly decreased at the parent company compared to 2018.

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

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

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

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

At the end of 2018 ELECTROARGES SA was audited for the quality management system according to the new ISO 9001: 2015 standard and for the environmental management system

according to the new ISO 14001:2015 standard. The results were positive. The action was carried out with TUV Rheinland Romania.

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

All the actions listed above allow ELECTROARGES SA to supply products manufactured for Kaercher on multiple markets, such as Europe (including specific products for UK, Switzerland and Russia), Australia, USA, Mexico, Japan, China, Argentina, Brazil, etc. Also, the existing certifications allowed the supply of products under the ARGIS Electroarges logo to distributors in Italy, Spain, Republic of Moldavia, Germany, Poland, Libya, France, Hungary.

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

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

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

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

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

Currently, ELECTROARGES SA products are in the customers' area of interest and

acceptability, ensuring a balanced cost in relation to the market prices and the technical performance.

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

The other entities in the group also face the same problems, because the other entities' market competitors are also producers with costs and prices below the level offered by the companies ELARS SA, AMPLO SA, CONCIFOR S.A. and even BRAICONF SA, which faces fierce competition on the lingerie manufacturing market or even imports.

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

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

There is only one conclusion – the company must make a sustained effort in increasing and identifying new methods of development for the own range of products and collaborations in order to achieve a balance of at least 75% of total turnover.

The other entities in the group do not depend on a single client, but their sales have experienced significant decreases.

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

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

On 31.12.2019 parent company Electroarges S.A. had a total number of 440 employees, out of which 413 were employees with indefinite employment contract; 18 employees with definite employment contract; 9 employees with suspended employment contract (8 employees – on

maternity leave, and 1 employee with the employment contract suspended-elective position).

Staff structure on 31.12.2019 was as follows:

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

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

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

Mainly in 2019 the human resources development and training strategy aimed at expanding the workforce to become more adaptable to the structural changes in the context of skills shortages identified in domestic labor with emphasis on qualification and requalification of the workforce directly at the workplace. In this regard, the development of professional skills for integration into a professional standard was taken into account, offering employees the knowledge necessary to master the trade or occupation based on their experience at work, manufacturing products to better meet the foreign partners' evolving needs and quality requirements.

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

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

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

Most labor jurisdiction issues were resolved amicably.

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

Item no.	Company participating in the consolidation	Average number of employees at the end of 2018 - individuals	Average number of employees at the end of 2019 - individuals
1	ELECTROARGES SA	498	416
2	ELARS SA	23	20
3	AMPLO SA	100	64
4	CONCIFOR SA	2	3
5	BRAICONF SA	859	702
6	Total	1,482	1,205

It is found that both in the category of average number of employees and in the category of number of employees at the end of the year, the staff number is decreasing in all group entities.

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

Relationships between manager and employees were and are governed by the Collective Labor Contract wherever the case is and there is a Collective Labor Contract and the legislation in force.

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

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

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

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

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

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

Environmental factor: AIR

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

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

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

Environmental factor: WATER

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

The rules implemented concern:

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

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

-Organization and functioning regulation of the neutralization station ;

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

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

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

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

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

Environmental factor : SOIL and WASTE

-Waste management records, pursuant to COMMISSION DECISION of December 18th 2014

amending the Decision 2000/532/EC on establishing a list of wastes pursuant to Directive 2008/98/EC of the European Parliament and of the Council, as further amended and supplemented, are followed. There is waste coding and identification, the amount produced, temporary storing, transport and capitalization or elimination method.

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

Hazardous waste is collected selectively, temporarily stored in appropriate containers placed in special premises, identified and managed by type (ie waste oil, galvanic slurry, etc.).

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

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

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

The selective documented collection process is implemented (by packaging material type / range), management, reuse, recycling and management recording of the packaging and generated packaging waste of the materials introduced on and from the domestic market, in terms of environmental protection and compliance with the legal requirements. The traceability of the generated packaging and packaging waste was made by relevant accounting and extra-accounting documents, from entering the company and up to the collecting and capitalizing economic agent.

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

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

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

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

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

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

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

CHEMICAL SUBSTANCES

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

-Law no. 360/2003 as further amended and supplemented on the regime of hazardous chemical substances and compounds, conditions: decisions on the personnel responsible for managing, storing and handling the hazardous chemical substances; permit for transportation, possession and use of toxic products and substances; the amounts of the toxic substances used are monitored through the "Records for the movement of toxic products and substances"; the need to supervise the purchase of hazardous chemical substances accompanied by Safety Data Sheets in accordance with Regulation 453/2010; complying with the conditions provided in the Safety Data Sheets of the hazardous products on packaging transportation, storage, handling/use and management of these

substances.

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

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

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

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

Electroarges SA does not perform activities with significant environmental impact.

It should be mentioned that Electroarges SA has all the necessary legal authorizations (Environmental Authorization, Water Management Authorization and Authorization concerning the

operation of waste water pre-treatment facilities) to carry out the business activity.

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

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

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

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

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

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

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

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

ELECTROARGEŞ S.A. is facing two major risks:

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

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

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

Liquidity risk

The liquidity risk arises from the Company's management of the current means and of the financing expenses and the reimbursements of the principal amount for its debit instruments.

The company's treasury function prepares forecasts of liquidity reserves and maintains an adequate level of credit facilities so that it can prudently manage liquidity and cash flow risks. For this purpose, the mortgage guarantee contract was extended in favor of the bank with which we have the credit line open. The limit of this line of credit has been kept to a high level even if they were 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 postponed or limited to own sources of financing.

The following table shows the contractual maturities (representing the contractual cash flows without reductions) of the financial debts. Total debts 83,023,302, distributed as follows:

	Under one year	More than 1 year
On December 31st 2019		
Suppliers and other liabilities	57,674,526	-
Credits to banking institutions	11,427,821	-
Financial leasing	2,107,741	7,624,062

Long-term loans from banking institutions current maturity	211,238	-
Deferred tax	-	717,670
Employees benefits	248,494	535,079
Subsidies	-	2,198,567
Liabilities with the tax on profit	278,103	
Total	71,947,923	11,075,378

	Under one year	More than 1 year
On December 31st 2018		
Suppliers and other liabilities	60,685,691	-
Credits to banking institutions	9,977,393	211,238
Financial leasing	-	-
Long-term loans from banking institutions current maturity	316,857	-
Deferred tax	-	-
Employees benefits	37,826	
Subsidies	-	3,036,085
Liabilities with the tax on profit	3,385	-
Suppliers and other liabilities	1,072,715	-
Total	72,093,867	3,247,323

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

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

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

1.1.9. Prospects regarding the company's activity :

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

Based on the above, the approach applied within the parent company, as well as for the other entities (excepting Concifor SA), has as main objective the refocus of the activity on the profitability analysis under increasing turnover and running parallel activities enabling cost control and strengthening the market position.

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

- reduce the parent company's dependence to the KÄRCHER's contract ;
- reduce and liquidize inventories ;
- reduce funding costs by renegotiating contracts with suppliers and clients ;
- refocus the sales from the need to ensure volume to ensuring profitability ;
- sales-production-acquisitions relational planning with consolidating all categories of inventories;
- personnel management by optimizing the organizational chart and introducing efficiency criteria.

1.1.9.b). Presentation and analysis of the effects of current or expected capital costs on the

company's financial position compared to the same period of the last year.

Economic and financial indicators on December 31st 2019:

<i>CAPITAL PROFITABILITY AND RETURN</i>	December 31st 2019	December 31st 2018
Efficiency of available capital		
Profit before interests and tax (A)	(743,814)	(13,270,899)
Available capital (B)	3,368,483	13,409,191
A/B	-0.22	0.99
Equity efficiency		
Net profit/loss (A)	(7,756,851)	8,799,382
Equity (B)	78,535,265	108,232,540
A/B	-0.10	0.08
Operating profit rate		
Profit before interests and tax (A)	(743,814)	(13,270,899)
Operating income (B)	224,697,534	253,748,598
A/B	-0.003	-0.05
Net profit rate		
Net profit (A)	(7,756,851)	8,799,382
Total revenue (B)	229,739,914	272,502,378
A/B	-0.03	0.03
Total assets rate		
Profit before interests and tax (A)	(743,814)	(13,270,899)
Total assets (B)	161,558,567	183,573,730
A/B	-0.004	-0.07
<i>SOLVENCY</i>	<u>December</u> <u>31st 2019</u>	<u>December</u> <u>31st 2018</u>

Debt rate

Total obligations (A)	83,023,302	75,341,190
Total assets (B)	161,558,567	183,573,730
A/B	0.51	0.41

Financial autonomy rate

Equity (A)	78,535,265	108,232,540
Total assets less current net liabilities (B)	89,610,644	111,479,863
A/B	0.88	0.97

LIQUIDITY AND WORKING CAPITAL

December **December**
31st 2019 **31st 2018**

General liquidity rate

Current assets	78,535,266	108,232,540
Current obligations	71,947,923	72,093,867
(A/B)	1.09	1.50

Rapid liquidity rate

Current assets	78,535,266	108,232,540
Inventories	19,527,534	35,734,129
Current obligations	71,947,923	72,093,867
(A-B)/C	0.82	1.01

Client collection period

Trade receivables (A)	37,766,457	38,419,558
Net turnover (B)	218,034,386	241,976,167
(A/B)*365 days	63.22	57.95

Inventory immobilization period

Inventories (A)	19,527,534	35,734,129
Net turnover(B)	218,034,386	241,976,167
(A/B)*365 days	33	54

Supplier payment period

Suppliers (A)	57,674,526	60,685,691
---------------	------------	------------

Material and external expenses (B)	154,215,457	161,221,585
(A/B)*365 days	136	137

The company has no obligations unpaid at maturity to the state budget, unlike the other companies, which register outstanding debts and even benefit from payment rescheduling (AMPLO SA).

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

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

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

2. COMPANY'S TANGIBLE ASSETS

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

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

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

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

Depending on the activities that take place within the company, the following classification

may be used:

- production activity - takes place in 2 main units of production, such as: BLC and Karcher-Plastics, structured in workshops and working lines depending on the specific technological operations and 2 supporting workshops: Tool Room and Mechanical & Energy;
- quality assurance activity;
- research and development activity;
- marketing-sales and service activity;
- logistics, acquisitions and transportation;
- financial-accounting activity;
- production planning and monitoring;
- human resources and administrative management.

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

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

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

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

II. FIXED ASSETS ACCOUNTS	31-Dec history	Adjustments and depreciation	31 Dec consolid
TANGIBLE ASSETS			
LAND AND CONSTRUCTIONS	4,689,860	-	4,689,860
LAND	4,689,860	-	4,689,860
LAND ARRANGEMENTS	-		
CONSTRUCTIONS	31,104,337	(2,043,139)	29,061,198
TECHNICAL INSTALLATIONS, MEANS OF TRANSPORT, ANIMALS AND PLANTATIONS			

TECHNICAL INSTALLATIONS AND MACHINES	51,000,026	(26,621,681)	24,378,345
OTHER INSTALLATIONS EQUIPMENT AND FURNITURE	1,402,032	(1,035,433)	366,599
TANGIBLE ASSETS PENDING	9,414,648	-	9,414,648
TOTAL	97,610,903	(29,700,253)	67,910,651

2.2. Analysis of the company's property wear

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

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

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

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

It is not the case.

3. PARENT COMPANY-ISSUED SECURITY MARKET

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

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

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

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

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

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

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

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

In 2012, with the General Ordinary Meeting of Shareholders Decision no. 82/21.04.2012, it was approved to cover the loss from the previous years, in the amount of (-) 8,156,411 lei, loss resulted from increases and penalties accumulated between 1999-2004 for overdue tax debts. We mention the fact that by rescheduling the payment of these debts registered on 31.12.2004, the company benefited from increase and penalty cancellations and reductions in the amount of 9,172,397 lei, which are found in the group "Other reserves-**tax reserve** from rescheduled tax debts cancellations and reductions". Coverage of the accounting loss was made using "Other reserves-own funding&development sources" set up from the profit of 2010 and partially of 2009.

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

3 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:

	No. of shares held	Percent held	Fair value on December 31st 2019
CEPROCIM SA BUCURESTI (19353)	4,000	under 10%	9,120
IROLAM 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%	9,120
IROLAM SA BUCURESTI (17930)	59,341	under 10%	445,058
LACTATE NATURA SRL TIRGOVISTE (17353)	394,000	15.95%	858,920
MOBILA SA RADAUTI (19521)		43.11%	19,695,962

	2,317,172		
UZTEL PLOIESTI (218)	137,424	under 10%	206,136
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
Amplo Ploiesti (12) (*)	2,668,396	84.41%	12,426,180
CONCIFOR BUZAU (18829) (*)	3,206,788	67.02%	423,804
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%	221,176
TARNAVA SA SIGHISOARA (18956)	214,163	5.69%	44,974
BRAICONF SA BRAILA (17932)	11,802,363	26.34%	4,744,550
ELARS SA RIMNICU SARAT (2809) (*)	20,555,276	88.16%	2,564,700
TOTAL			19,401,841

	No. of shares held	Percent held	Fair value on December 31st 2018
Amplo Ploiesti (12) (*)	2,668,396	84.41%	5,870,471
CONCIFOR BUZAU (18829) (*)	3,206,788	67.02%	766,422
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
BRAICONF SA BRAILA (17932)	27,224,164	60.76%	12,033,080
ELARS SA RIMNICU SARAT (2809) (*)	20,555,276	88.16%	2,055,527
Mercur Fagaras	111.671	under 10%	4,746,017
TOTAL			24,667,305

(*) Listed entities but with an insignificant volume of shares traded during the period or suspended from trading

The fair value measurement of the financial assets held by those listed companies but which did not have a sufficient number of transactions to be in active market conditions as well as those held by unlisted entities was made on the basis of an evaluation report issued by an independent assesor. The evaluation was based on the method of future discounted cash flows.

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".

Profit distribution for 2018

On 31.12.2018 the parent company Electroarges SA registered a net profit of 12,258,120.32 lei,

which was approved for distribution as follows:

Net profit 2018	12,258,120.32
Reserves – Fixed assets from reinvested profit	1,525,967.84
Dividendes (69,764,650 shares * 0,12 lei).	8,371,758.00
Other reserves	2,360,394.48

On 31.12.2019 the parent company Electroarges SA registered a net profit of 2,06,989 lei to be distributed.

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

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

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

Companies classified as subsidiaries are:

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

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

ELECTROARGEŞ SA does not have branches.

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

4. COMPANIES' MANAGEMENT.

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

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

Item no.	Surname	Given names	Age (years)	Qualification	Professional experience (years)	Position	Seniority (years)
1.	Stefan	Constantin	36	Economist	4	Chairman	3
2.	Gavrila	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

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

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

Item no.	Surname	Given names	Position	No. of shares
1.	Stefan	Constantin	Chairman	0
2.	Gavrila	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	Member	621,000

		representative - Mr Charles Nakouzi		
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4.1. d). List of of persons affiliated to the company

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

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

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

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

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

Receivables on affiliated parties	31.12.2019	31.12.2018
Braiconf SA	6,070	6,070
Amplo SA	3,604,865	1,402,975
Concifor SA	61,760	873,033
TOTAL	3,672,695	2,282,078

Liabilities to 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

Sales of goods and services	2019	2018
Amplo SA	6,772	6,169
Concifor SA	-	15,953
Braiconf	350	-
Mercur SA	-	7,638
TOTAL	7,122	29,761

Purchases of goods and services	2019	2018
Amplo SA	445,251	48,841
Braiconf SA	105,150	98,671
Elars SA	-	176
Metalica SA	468,491	-
TOTAL	1,018,892	147,688

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

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

Description	For the year ending on	
	31-Dec-19	31-Dec-18
Wages/contracts (*)	2,008,996	3,618,616
Taxes and social contributions	14,941	17,435
TOTAL	2,023,937	3,636,051

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)
	43,081,684	53,069,364

4.2. b). Any contract, understanding or family relationship between that person and another person for whom that person has been appointed as a member of the executive management

Not the case.

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

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

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

Not the case.

5. STATEMENT OF FINANCIAL ACCOUNTING

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

At the date of first application of IFRS (31.12.2012), the accounts according to RCR were adjusted, where necessary, to bring the separate financial statements, in all material respects, in line with IFRS. The most significant changes to the financial statements prepared in accordance with RCR in order to align them with the IFRS requirements adopted by the European Union are:

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

5.a. Assets, liabilities and equity balance:

	31.12.2019	31.12.2018
FIXED ASSETS	100,778,715	74,990,993
CURRENT ASSETS	60,779,853	108,582,736
TOTAL ASSETS	161,558,568	183,573,730

SHORT-TERM LIABILITIES	71,947,923	72,093,867
LONG-TERM LIABILITIES	11,075,378	3,247,323
TOTAL LIABILITIES	83,023,302	75,341,190
NET ASSESTS	78,535,266	108,232,540
Share capital	6,976,465	6,976,465
Own shares	(9,518)	(9,518)
Adjustment of active values held for sale	(124,337)	
Net reserves from revaluation	12,706,355	4,744,308
Legal reserve	2,577,844	3,157,757
Other reserves	43,537,907	50,624,991
Retained earnings	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

5. b. Statement of revenue and expenditure

Item name	31.12.2019	31.12.2018
OPERATING INCOME		
Net turnover	218,034,386	241,976,167
Other operating income	7,917,975	9,370,285
Changes in inventories	(1,254,827)	2,402,146
TOTAL operating income	224,697,534	253,748,598
OPERATING EXPENSES		
Expenses on raw materials and consumables	154,215,457	161,221,585
Expenses on personnel	43,081,684	53,069,364
Expenses on amortizations and provisions	5,042,784	4,251,011

Other operating costs	28,143,803	40,689,519
TOTAL operating costs	230,483,728	259,231,479
OPERATING RESULT	(5,786,195)	(5,482,881)
Financial income	5,042,380	18,753,780
Financial expenses	(7,724,765)	(2,330,253)
GROSS RESULT OF THE FINANCIAL YEAR	(8,468,580)	10,940,646
Expense with the tax on current profit		
Expense/(income) with the tax on deferred profit	711,728	(2,141,264)
NET RESULT OF THE FINANCIAL YEAR	(7,756,851)	8,799,382

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

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	<u>516,510</u>
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
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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)
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Cash net (decrease)	(10,040,707)
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Cash and cash equivalents at the beginning of the period	13,409,191
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Cash and cash equivalents at the end of the period	3,368,485
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	31-Dec-2018	For 2018, the method used was the indirect one :
CASH FLOW		
(+/-) 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	

6. CORPORATE GOVERNANCE

ELECTROARGES SA, in its capacity as issuer listed on BSE Main Market 2nd Category - Shares, always has in mind the compliance with the corporate governance principles of the BSE Corporate Governance Code.

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 respects the shareholders' rights, providing them fair treatment.

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

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

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