

Translation from Romanian

ADMINISTRATORS' REPORT

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

*THE CONSOLIDATED FINANCIAL STATEMENTS
ON JUNE 30th 2020*

Reporting date: June 30th 2020

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

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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 JUNE 30th 2020
(expressed in lei, unless otherwise specified)

	31 st December 2019	30 th June 2020
Assets		
Fixed assets		
Tangible assets	67,910,651	68,442,795
Goodwill	4,560,969	-3,437,119
Intangible assets	660,673	1,016,344
Investments	27,646,422	11,198,756
Deferred tax	-	-
	100,778,715	77,220,776
Current assets		
Inventories	19,527,534	24,594,376
Trade and similar receivables	37,766,457	47,002,797
Other financial assets	117,379	341,410
Cash and cash equivalents	<u>3,368,483</u>	<u>3,210,704</u>
	60,779,853	75,149,287
Prepayments	-	792,441
TOTAL ASSETS	161,558,568	153,162,504
LIABILITIES		
CURRENT LIABILITIES		
Trade and similar liabilities	57,674,526	32,241,794
Loans credit institutions	11,427,821	14,388,363
Financial leasing	2,107,741	1,079,489
Other liabilities	248,494	31,809,670
Profit tax liabilities	278,103	-
Provisions	<u>211,238</u>	-
	71,947,923	79,519,316
LONG TERM LIABILITIES		
Trade and similar liabilities		-
Financial leasing	7,624,062	7,219,236
Deferred tax	717,671	
Subsidies	2,198,567	5,107
Provisions and other liabilities	<u>535,078</u>	<u>4,341,248</u>
	11,075,378	11,565,591
TOTAL LIABILITIES	83,023,301	91,084,907
NET ASSETS	78,535,266	62,077,597
Share capital	6,976,465	6,976,465
Own shares	-9,518	1,133,623
Share capital adjustments		12,290,023
Other equity elements		6,488,615
Legal reserve	2,577,844	1,826,981
Revaluation reserves	12,706,355	11,026,327
Other reserves	43,413,570	36,145,452
Retained earnings	10,224,482	-20,129,049
Repartizare profit		-625,250
Profit/pierdere		-10,475,829
Interests that do not control	2,646,067	17,420,239
TOTAL EQUITY	78,535,265	62,077,597
TOTAL LIABILITIES AND	161,558,566	153,162,504

EQUITY

STATEMENT OF COMPREHENSIVE INCOME ON 30th JUNE 2020
(expressed in lei, unless otherwise specified)

	30 th June 2019	30 th June 2020
TURNOVER	117,674,123	125,630,317
Income from sales	117,691,350	125,637,774
Trade discounts	17,227	7,457
Other operating income	2,328,048	2,769,682
Changes in inventories	16,049,102	459,104
INCOME FROM THE PRODUCTION OF FIXED ASSETS	-	-
Raw materials and consumables	(96,515,445)	(90,491,184)
Expenses on personnel	(26,881,896)	(16,348,631)
Amortization	(2,692,014)	(4,323,991)
Research and development	-	-
Other operating expenses	(15,958,765)	(11,375,033)
Operating profit / (loss)	(7,608,991)	6,424,869
Financial costs	(5,585,927)	(16,977,406)
Financial income	8,775,036	143,516
The part of the profit related to the associated and jointly controlled entities	-	-
Profit / (Loss) before taxation	(4,419,882)	(10,409,021)
Tax expenses	(725,589)	(99)
Profit / (Loss) from parent company continuous activities	107,828	(10,475,829)
Profit / (Loss) from minority interests continuous activities	(5,253,299)	66,709
Result from discontinued activities, net of tax	-	-
Profit / (Loss)	107,828	(10,475,829)
Other elements of the comprehensive income		
<i>Items that will not be reclassified:</i>		
Revaluation of fixed assets	-	-
Remeasurment of pension benefit schemes	-	-
Share of the comprehensive income related to associates/JV	-	-
Related tax	-	-
<i>Items that will be or can be reclassified:</i>		
AFS adjustments	-	-
Cash-flow hedging	-	-
Retreatment adjustments	-	-
Related tax	-	-
Total other comprehensive income items	-	-
Total comprehensive income	(4,419,882)	(10,409,021)
Interests that control the financial result	107,828	(10,475,829)
Interests that do not control the financial result	(5,253,299)	66,709

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.

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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 ASF Reg. no. 5/2018 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 30.06.2020 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 of the Board	0
2.	Gavrila	Ion	Member	6,016,191
3	Tudor	Dumitru	Member	8,963,266
4	Investments Constantin SRL	By permanent representative Mr Silviu-Bogdan Dumitrache	Vice-Chairman	25,699,543
5.	Benjamins United SRL.	By permanent representative Mr Octavian Avramoiu	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:

	No. of shares held	Percent held
ELARS SA RIMNICU SARAT	20,555,276	88.16%
AMPLO PLOIESTI	2,668,396	84.41%
CONCIFOR BUZAU	3,206,788	67.02%
MECANOENERGETICA SA DROBETA TURNU SEVERIN	4,640,888	28.85%
BRAICONF SA BRAILA	11,802,363	26.34%
ROMANOFIR TALMACIU	74,847	14.67%
SIGSTRAT SA SIGHETUL MARMATIEI	891,839	5.69%
SIGSTRAT SA (1) SIGHETUL MARMATIEI	891,839	5.69%
TARNAVA SA SIGHISOARA	214,163	5.69%
TOTAL		

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

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

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

5. BRAICONF S.A., a subsidiary to which ELECTROARGES SA holds 11,802,363 shares, with a nominal value of 1,180,236 ron, 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

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) Important events that took place in the first 6 months of the financial year and their impact on the half-yearly accounting reporting.

Electroarges SA Curtea de Arges has as object of activity the production and commercialization of consumer goods, execution of works and services for economic agents, in compliance with the legislation in force.

The products made in the first semester of 2020 were delivered on both the external and internal market, where an attempt was made to consolidate the position as a company producing electrical consumer goods, household appliances, professional appliances for semi-industrial and hotel use, industrial equipment and subassemblies for local producers.

The main export market was Germany (vacuum cleaners and ashpans).

On the domestic market, Electroarges products were sold through distributors and direct sales. Also internally, Electroarges SA had collaborations for the sale of parts to CER Cleaning Equipment, Arctic Gaesti and Steinel Electronic.

1.1.1. Elements of general evaluation

On 30.06.2020 the group's net operating result was in the amount of 6,424,869 compared to (7,606,991) lei, the one reported on 30.06.2019 while the net result was (10,409,021) lei compared to (4,419,882) lei of the previous period.

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

Operating expenses items	For the period	
	30.06.2019	30.06.2020
Raw materials and consumables	96,515,445	90,491,184
Expenses on personnel	26,881,896	16,348,631
Amortization	2,692,014	4,323,991
Other operating expenses	17,570,909	11,270,428
Operating expenses	143,660,264	122,434,234

Within the group there are entities paying profit tax and income tax, in total for the first semester of 2020 the profit tax expense is zero, and the income tax expense is 99 lei.

Liquidity and credit

On 30th June 2020, the general liquidity rate is 0.95 points.

The credit available on 30.06.2020, amounting to 3,210.704 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	30 June 2020
Available with the bank	3,340,269	3,140,662
Cash and cash equivalents	28,214	70,042
Deposits with maturity under 3 months	-	-
Miscellaneous	-	-
Total	3,368,483	3,210,704

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 the first semester of 2020 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).

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

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

b) The new products considered for which the substantial volume of assets will be affected in the future financial year, as well as their development stage 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 with important manufacturers 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:

The activity of acquisitions of raw materials and materials necessary for the production and operation of other activities within the companies was carried out by prioritizing the sources of the domestic market and only when there were no domestic possibilities, or when there were impositions of external customers, were also purchased from suppliers on the foreign market through imports.

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, Rondocarton, Conphys Rm. Valcea, V.M. Comp Stefanesti, DS SMITH Timisoara, Diaplast Production, Greiner Asistec, Crislar Giva, Italinox Romania, Alpin Construct, Arcelormital Distribution, Debrocons, Util Company 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 Meccanica 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:

Compared to the total value of sales from previous periods, in the first semester of 2020 there is a slight increase in sales compared to 2019, the same period of the first semester.

INDICATORS	Row no.	30.06.2019	30.06.2020
A	B	1	2
1. Net turnover (row 02 to 05)	01	117,674,123	125,630,317
Production sold (acc. 701+702+703+704+705+706+708)	02	113,413,289	124,474,991
Income from sale of goods (acc. 707)	03	4,278,061	1,162,783
Trade discounts (acc. 709)	04	17,227	7,457

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.

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:

Also for the first semester of 2020, 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 overflooded with brand products at comparable or even lower prices than those of ELECTROARGES products. Also, there is a great number of products of Asian made on the market, at very low prices and with a more attractive design, under the known domestic or western brands, which are being offered for sale on very attractive payment terms.

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

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

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

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

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 Kaercher 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

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 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. 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.

Particular attention was paid to employees, implementing a series of measures to protect against the risks of exposure to COVID-19.

- Identification of personnel using public transport;
- Daily sanitation of common areas (dining room, hall, corridor, offices, locker rooms, bathrooms.
- Providing workers with solutions / substances for disinfection, both at the access points in the unit and at work.
- Mats soaked in disinfectants are placed at the entrance to administrative buildings and / or

production spaces. The presence and the obligation of their use by all the persons entering the respective spaces is signaled.

In terms of expenses on personnel, the following were at group level:

INDICATORS	Row no.	30.06.2019	30.06.2020
A	B	1	2
6. Expenses on personnel (row 16 + 17 out of which:)	15	26,881,896	16,348,631
a) Wages and indemnities (acc. 641+642-7414)	16	24,829,374	15,925,140
b) Expenses on insurances and social protection (acc. 645)	17	2,052,522	423,491

As for the number of staff, it is declining 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.

The group's economic & financial indicators:

Item no.	Explanation	Calculation method	30.06.2020		Optimal values
			results		
I. LIQUIDITY INDICATORS					

1	General liquidity (General solvency)	<u>Current assets</u> Current liabilities	<u>75,149,287</u> 79,519,316	-	0.95	1 - 3
2	Immediate liquidity (Immediate solvency)	<u>Current assets - Inventories</u> Current liabilities	<u>50,554,911</u> 79,519,316	-	0.64	0.5 - 1.5
3	General rate of indebtedness	<u>Total liabilities</u> Equity	<u>90,692,195</u> 62,077,597		1.46	0.1 - 2
II. MANAGEMENT INDICATORS						
1	Inventory turnover	<u>Net turnover</u> Inventory	<u>125,630,317</u> 24,594,376	-	5.11	Maximum value
2	Number of storage days	<u>Inventory x 360</u> Net turnover	<u>24,594,376</u> 125,630,317	* 360	70.48	Minimum value
3	Clients turnover speed	<u>Trade receivables x 360</u> Net turnover	<u>26,742,689</u> 125,630,317	*360	76.63	Minimum value
4	Fixed assets turnover speed	<u>Net turnover</u> Fixed assets	<u>125,630,317</u> 77,220,776	-	1.63	Maximum value
5	Total assets turnover speed	<u>Net turnover</u> Total assets	<u>125,630,317</u> 153,162,504	-	0.82	Maximum value
6	Suppliers turnover speed	<u>Trade liabilities balance x 360</u> Net turnover	<u>33,149,203</u> 125,630,317	*360	94.99	Greater value II.3
III. PROFITABILITY INDICATORS						
1	Return on operating income	<u>Operating income * 100</u> Total assets	<u>6,424,869</u> 153,162,504	* 100	4.19	

Liquidity indicators

Current liquidity indicator = Current assets/ Current liabilities = 0.95

The acceptable recommended value is between 1 and 3 and provides the guarantee of covering cumulative liabilities from current assets.

Immediate liquidity indicator = Current assets - inventories/ Current liabilities = 0.64

This indicator is also called an acid test and shows the company's ability to cover its current liabilities from receivables and available assets that are easily achievable assets that no longer require additional expenses. This indicator is slightly above the lower limit, so under these conditions, the company will not have to resort to inventory to turn them into available assets.

Risk indicators

General rate of indebtedness = Total liabilities/equity = 1.46

The acceptable recommended value is between 0.1 and 2 and provides the guarantee of covering cumulative liabilities from current assets.

This indicator is also known as the "leverage ratio" and expresses the total indebtedness (in the short, medium and long term) of the entity in relation to its own equity.

The result must be subunitary, a supra-unitary value meaning a high degree of indebtedness. A value exceeding 2.00 expresses a very high degree of indebtedness, as the company may be in a state of imminent bankruptcy if the result exceeds a few times the threshold of 2.33. This is not the case with the Group, which has a subunitary indicator within the recommended limits.

Management indicators

From the analysis of the management indicators it was concluded that the inventory turnover speed is satisfactory, the number of storage days is 70 days, the suppliers are paid within 95 days, higher than the payment of receivables, clients are collected in an interval of about 76 days.

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 cash flows, as well as the distribution of short and long term debts:

CASH FLOW	30.06.2020
(+/-) Net business income	-10,409,021
(+) Depreciation included in cost	4,323,991
(-) Changes in inventories	-5,066,842
(-) Changes in receivables	-9,236,340
(+) Changes in suppliers and client lenders	24,353,243
CASH FLOW FROM OPERATING ACTIVITY (A)	3,965,031
(-) Changes in fixed assets	23,557,939
CASH FLOW FROM INVESTMENT ACTIVITY (B)	23,557,939
(+) Changes in loans and similar liabilities	-40,868,985
(+) Changes in other liabilities	33,772,729
(+) Changes in share capital	-18,778,638
CASH FLOW FROM FINANCIAL ACTIVITIES (C)	-25,874,894
(+) Changes in other liability items	-2,193,460
(-) Changes in other assets	387,605
CASH FLOW FROM OTHER ACTIVITY (D)	-1,805,855
TOTAL CASH FLOW (A+B+C+D)	-157,779
Liquid assets at the beginning of the period	3,368,483
Liquid assets at the end of the period	3,210,704

INDICATORS	31.12.2019	30.06.2020
A	1	2
D. LIABILITIES: AMOUNTS TO BE PAID IN A PERIOD OF UP TO ONE YEAR		
1. Debenture loans showing separately the convertible debenture loans(acc.161+1681-169)		

2. Amounts owed to credit institutions (acc.1621+1622+1624+1625+1627+1682+5191+5192+5198)	11,427,821	14,388,363
3. Prepayments cashed for orders acc. 419)		172,080
4. Trade liabilities - suppliers (acc. 401+404+408)	57,674,526	32,069,714
5. Bills payable (acc. 403+405)		1,079,489
6. Liabilities from financial leasing operations (acc. 406)	2,107,741	
7. Amounts owed to group entities (acc. 1661+1685+2691+451)		
8. Amounts owed to associates and jointly controlled entities (acc. 1663+1686+2692+453)	0	0
9. Liabilities arising from derivatives (acc. 465)		
8. Other liabilities, including tax payable and national insurance liabilities (acc.1623+1626+167+1687+2693+421+423+424+426+427+4281+431+437+4381+441+4423+4428+444+446+447+4481+455+456+457+458+462+473+509+5186+5193+5194+5195+5196+519)	737,835	31,809,670
TOTAL (row 39 to 49)	71,947,923	79,519,316
G. LIABILITIES " AMOUNTS TO BE PAID IN A PERIOD EXCEEDING ONE YEAR		
1. Debenture loans showing separately the convertible debenture loans (acc.161+1681-169)		
2. Amounts owed to credit institutions (acc.1621+1622+1624+1625+1627+1682+5191+5192+5198)		
3. Prepayments cashed for orders (acc.419)		
4. Trade liabilities - suppliers (acc. 401+404+408)		
5. Bills payable (ct. 403+405)		
6. Liabilities from financial leasing operations (acc. 406)	7,624,062	7,219,236
7. Amounts owed to group entities (acc. 1661+1685+2691+451)		
8. Amounts owed to associates and jointly controlled entities (acc. 1663+1686+2692+453)		
9. Liabilities arising from derivatives (acc. 465)		
8. Other liabilities, including tax payable and national insurance liabilities (acc.1623+1626+167+1687+2693+421+ 423+424+426+427+4281+431+437+4381+441+4423+4428+444+446+447+4481+455+456+457+4581+462+473+509+5186+5193+5194+5195+5196+5197)	1,252,749	3,953,643
TOTAL (row 53 to 62)	8,876,811	11,172,879

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 of changes in equity

	Share capital	Profit/loss related to the sale or cancellation of equity instruments	Revaluation reserves	Legal reserves	Other reserves	Alte elemente de capital	Retained earnings	Total
31.12.2019	6,976,465	0	12,706,355	2,577,844	43,394,534	2,655,585	10,224,482	78,535,265
Profit of the financial year	-	-	-	-	-	-	-20,129,049	-20,129,049
Other comprehensive income items	-	1132496	-	-750863	-	-	-10,857,462	-10,475,829
Total comprehensive income	-	-	-	-	-	-	-30,986,511	-30,986,511
Dividends distributed	-	-	-	-	-	-	-	0
Allocations of other reserves	-	-	-1680028	-	-7,249,082	22443340	10,857,462	24,371,692
30.06.2020	6,976,465	1,132,496	11,026,327	1,826,981	36,145,452	25,098,925	-20,129,049	62,077,597

The parent company has no outstanding obligations 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 conveyed by enforcement 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.

As of 30.06.2020, the situation of the group's fixed assets can be found below.

INDICATORS	31.12.2019	30.06.2020
A	1	2
A. FIXED ASSETS		
I. INTANGIBLE ASSETS		
2. Development costs (acc. 203-2803-2903)	0	0
3. Concessions, patents, licenses, trademarks, similar rights and assets and other intangible assets (acc. 205+208-2805-2808-2905-2908)	660,673	1,016,344
4. Goodwill (acc. 2071- 2807 -2907)	4,560,969	-3,437,119
5. Prepayments and intangible assets in progress (acc. 233+234-2933)	0	0
TOTAL (row 01 to 05)	5,221,642	-2,420,775
II. TANGIBLE ASSETS		
1. Land and constructions (acc.211+212-2811-2812-2911-2912)	33,154,108	33,906,365
2. Technical installations and machines (acc. 213+223-2813-2913)	25,855,767	24,436,852
3. Other installations, equipment and furniture (acc.214+224-2814-2914)	698,197	538,585
4. Property investments (acc.215-2815-2915)	0	0
5. Prepayments and tangible assets in progress (acc.231+ 233+232-2931)	3,928,759	5,894,647
6. Property investments in progress (acc. 235-2935)	4,273,820	3,666,346
TOTAL (row 06 to 11)	67,910,651	68,442,795

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. ELECTROARGES 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.

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

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

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

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

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

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

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

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

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

3 FINANCIAL ASSETS

On June 30th 2020, the group's financial assets are as follows:

INDICATORS	31.12.2019	30.06.2020
A	1	2
I. FINANCIAL ASSETS		
1. Shares in subsidiaries (acc.261-2961)	27,507,048	4,745,551
2. Loans to group entities (acc. 2671+2672-2964)		
3. Shares in associates and jointly controlled entities (acc.262+263-2962)	1,000	61,213
4. Loans to associates and jointly controlled entities (acc. 2673+2674-2965)		
5. Other fixed assets (acc. 265-2963)	14,964	22,949
6. Other loans (acc. 2675+2676+2677+2678+2679-2966-2968)	123,410	6,369,043
TOTAL (row 14 to 19)	27,646,422	11,198,756

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. Considering the entry into insolvency of Mobila SA Radauti starting with 10.02.2020, the evaluation of the shares was made at acquisition cost.

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

The fair value measurement of 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 a 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 evaluated at fair value through other items of the comprehensive items".

3.3. ELECTROARGES 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.

ELECTROARGES SA does not have branches.

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

4. COMPANIES' MANAGEMENT.

4.1. a). List of SC ELECTROARGES 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 Silviu Dumitrache				Vice-Chairman	0
5.	Benjamins United SRL.	By permanent representative Mr Octavian Avramoiu				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 Silviu Dumitrache	Vice-Chairman	25,699,543
5.	Benjamins United SRL.	By permanent representative Mr Octavian Avramoiu	Member	621,000

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

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

7.	Metalica SA - indirect affiliation through joint management	-
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4.2. a). The list of the executive management:

Item no.	Surname	Given Names	Position	Period as a member of the executive management
1.	Golescu	Vasile	Operational Director	01.09.06 - indefinite
2.	Nicut	Iulia	Financial Manager	01.05.20 - indefinite
3.	Barbu	Marin	Technical Manager	01.11.06 - indefinite
4.	Marin	Sergiu	Sales Manager	07.02.18 - indefinite

Members of the board of directors at the other entities

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

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

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

Full name	Position
Stefan Constantin	Chairman
Benjamins United SRL	Member
Cristian Alexandru Constantin	Member

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

Full name	Position
Stefan Constantin	Chairman
Investements Constantin SRL by representative Robert Zisu	Member
Benjamins United SRL by representative	Member

Dumitrache Silviu	
-------------------	--

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

Full name	Position
Silviu Dumitrache	Chairman
Benjamins United SRL by representative Octavian Avramoiu	Member
Csoarpi Saints SRL by representative Constantin Stefan	Member

The corrections with the affiliated entities presented below are:

- For the patrimonial situation:

ASSET	CORRECTIONS		CONSOLIDATED ACCOUNTS
	+	-	
ASSETS			
Fixed assets			
· Intangible assets	-3,437,119	0	-2,420,775
· - GOODWILL	-3,437,119		
· Tangible assets			68,442,795
· Property investments			0
	0		9,488,830
· Financial assets			11,198,756
		8,028,499	
Shares affiliates 2611 + 2613			4,745,551
Shares associated entities		1,400,000	61,213
Loan entities		60,331	0
Other assets			22,949
Other imp fixed assets			6,369,043
· Other fixed assets			
Current assets			
· Inventories			24,594,375
· Receivables		2,701,062	47,002,797
Trade receivables		8,059	26,811,081
Group amounts		35,000	-68,392
prepayments			4,842,272
Other receivables		2,658,002	15,417,836
· Short-term investments			341,410
· Cash available and bank accounts		0	3,210,704
· Prepayments		0	792,441
TOTAL ASSETS	-3,437,119	12,189,892	153,162,504

PAYABLES	CORRECTIONS		CONSOLIDATED ACCOUNTS
	+	-	
· Share capital		0	6,976,465
Share capital adjustments - acc1028		27,394,082	12,290,023
Other equity items - acc 103		1,298,555	6,488,615
· Capital premium		0	0
Earnings related to capital			1,132,496
· Own shares		8,391	1,127
· Revaluation reserves		7,830,992	11,026,327
· Legal reserves		1,233,027	1,826,981
-- Other reserves		3,582,618	36,145,452
· Profit/loss from the financial year			-10,475,829
	0		
Concifor	-170,128		
Elars	-103,491		
Amplo	-860,135		
Braiconf	115,530		
● Reported Profit/loss-117		-7,083,729	-7,126,680
● Reported Profit/loss-118		-28,877,830	-13,002,369
· Profit distribution		0	625,250
Interests that do not control- other equity account 1082	0		16,449,822
Concifor	260,726		
Elars	388,994		
Amplo	1,291,871		
Braiconf	14,508,230		
Interests that do not control- the result of the financial year account 1081	0		970,417
Concifor	-83,712		
Elars	-13,898		
Amplo	-158,839		
Braiconf	1,226,865		
TOTAL EQUITY	16,402,014	16,409,453	62,077,596
· Short-term liabilities		1,859,438	79,519,317
Amounts credit institutions			14,388,363
prepayments			172,080
Trade liabilities		-467,982	32,069,714
Associated entities		2,327,420	0
bills			1,079,489
Other liabilities			31,809,670
· Long-term liabilities		0,00	11,172,879
Credit institutions			7,219,236
Other liabilities			3,953,643
· Provisions			387,605
Provisions on employees			0
Other provisions			387,605
· Income in advance			5,107
Amounts one year			11
Greater amounts			5,096
TOTAL PAYABLES	16,402,014	18,268,891	153,162,504

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.	Golescu	Vasile	Operational Director	39,205
2.	Nicut	Iulia	Financial Manager	0
3.	Barbu	Marin	Technical Manager	20,188
4.	Marin	Sergiu	Sales Manager	0

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:

INDICATORS	31.12.2019	30.06.2020
A	1	2
D. LIABILITIES: AMOUNTS TO BE PAID IN A PERIOD OF UP TO ONE YEAR		

1. Debenture loans showing separately the convertible debenture loans(acc.161+1681-169)		
2. Amounts owed to credit institutions (acc.1621+1622+1624+1625+1627+1682+5191+5192+5198)	11,427,821	14,388,363
3. Prepayments cashed for orders acc. 419)		172,080
4. Trade liabilities - suppliers (acc. 401+404+408)	57,674,526	32,069,714
5. Bills payable (acc. 403+405)		1,079,489
6. Liabilities from financial leasing operations (acc. 406)	2,107,741	
7. Amounts owed to group entities (acc. 1661+1685+2691+451)		
8. Amounts owed to associates and jointly controlled entities (acc. 1663+1686+2692+453)	0	0
9. Liabilities arising from derivatives (acc. 465)		
8. Other liabilities, including tax payable and national insurance liabilities (acc.1623+1626+167+1687+2693+421+423+424+426+427+4281+431+437+4381+441+4423+4428+444+446+447+4481+455+456+457+4581+462+473+509+5186+5193+5194+5195+5196+519)	737,835	31,809,670
TOTAL	71,947,923	79,519,316
E. TOTAL CURRENT ASSETS/LIABILITIES	-11,168,070	-3,582,695
F. TOTAL ASSETS LESS CURRENT LIABILITIES	89,610,645	73,638,081
G. LIABILITIES " AMOUNTS TO BE PAID IN A PERIOD EXCEEDING ONE YEAR		
1. Debenture loans showing separately the convertible debenture loans (acc.161+1681-169)		
2. Amounts owed to credit institutions (acc.1621+1622+1624+1625+1627+1682+5191+5192+5198)		
3. Prepayments cashed for orders (acc.419)		
4. Trade liabilities - suppliers (acc. 401+404+408)		
5. Bills payable (ct. 403+405)		
6. Liabilities from financial leasing operations (acc. 406)	7,624,062	7,219,236
7. Amounts owed to group entities (acc. 1661+1685+2691+451)		
8. Amounts owed to associates and jointly controlled entities (acc. 1663+1686+2692+453)		
9. Liabilities arising from derivatives (acc. 465)		
8. Other liabilities, including tax payable and national insurance liabilities (acc.1623+1626+167+1687+2693+421+ 423+424+426+427+4281+431+437+4381+441+4423+4428+444+446+447+4481+455+456+457+4581+462+473+509+5186+5193+5194+5195+5196+5197)	1,252,749	3,953,643
TOTAL	8,876,811	11,172,879
H. PROVISIONS		
1. Provisions for employees benefits (acc.1517)		0
2. Other provisions (acc.1511+1512+1513+1514+1518)		387,605
TOTAL	0	387,605
I. INCOME IN ADVANCE		
1. Investment grants (acc.475)	2,198,567	0
2. Income in advance (acc.472)-total(row 68+69)	0	5,107
Amounts to be resumed in a period of up to one year (acc.472)		11
Amounts to be resumed in a period of more than one year (acc.472)		5,096
3. Income in advance related to assets received by transfer from customers (acc. 478)		
TOTAL	2,198,567	5,107
J. CAPITAL AND RESERVES		
I. SUBSCRIBED CAPITAL		
1. Capital subscribed and paid (acc. 1012)	6,976,465	6,976,465
2. Capital subscribed and not paid (acc. 1011)		
3. Subscribed capital representing financial liabilities ² (acc. 1027)		
4. Share capital adjustments (acc.1028) BALANCE C		12,290,023
BALANCE D		
5. Other equity items(acc.103) BALANCE C		6,488,615
BALANCE D		
TOTAL	6,976,465	25,755,103
II. SHARE PREMIUMS (acc.104)	0	0
III. REVALUATION RESERVE (acc. 105)	12,706,355	11,026,327
IV. RESERVES		
1. Legal reserves (acc. 1061)	2,577,844	1,826,981
2. Statutory or contractual reserves (acc. 1063)		

3. Other reserves (acc. 1068)	43,413,572	36,145,452
TOTAL (row 83 to 85)	45,991,416	37,972,433
Exchange differences arising from the conversion of the individual annual financial statement presentation currency other than the functional currency (acc. 1072) BALANCE C (acc.1072)		
BALANCE D (acc.1072)		
Own shares (acc. 109)	-9,518	1,127
Earnings related to equity instruments (acc. 141)		1,132,496
Losses related to equity instruments (acc. 149)		
V. RETAINED EARNINGS EXCLUDING THE RETAINED EARNINGS ARISING FROM THE FIRST TIME ADOPTION OF IAS 29		
BALANCE C (acc. 117)	10,224,482	
BALANCE D (acc. 117)		7,126,680
VI RETAINED EARNINGS ARISING FROM THE FIRST TIME ADOPTION OF IAS 29		
BALANCE C (acc. 118)		
BALANCE D (acc. 118)		13,002,369
VII. Parent company's DINANCIAL YEAR PROFIT & LOSS BALANCE C (acc. 121)		
BALANCE D (acc. 121)		10,475,829
- out of which - the result of the associated enterprises		
Profit distribution		625,250
VII. MINORITY INTERESTS	2,646,067	17,420,239
1. Profit or loss for the financial year related to minority interests		970,417
2. Other equity - interests that do not control other equity 1082		16,449,822
TOTAL EQUITY	78,535,267	62,077,597

5 b. Statement of income and expenses

DEBIT	TOTAL	CORRECTIONS		CONSOLIDATED ACCOUNTS
		+	-	
1. Expenses on raw materials and consumables	87,511,100		0	87,511,100
acc 601, 602-7412				
2. Other material expenses - acc 603, 604, 608	142,614			142,614
3. Expenses on electricity and water - acc 605-7413	2,211,621			2,211,621
4. Expenses on merchandise	793,937		0	793,937
acc 607				
5. Trade discounts granted - acc 609	168,088			168,088
6. Expenses on personnel 641+642+643+644-7414, 645-7415	16,348,631			16,348,631
	15,925,140			
	423,491			
adjustments- amortization	4,323,991			4,323,991
8. Adjustments on current assets	16,387			16,387
expenses				27,705
income				11,318
9. Expenses on external services	8,632,777		32,016	8,600,761
acc 611, 612, 612, 614, 621, 622, 623, 624, 625, 626, 627, 628-7416				
10. Expenses on duty and taxes - acc 635	508,823			508,823
11. Expenses on environment protection - acc 652	278,454			278,454
12. Other expenses	1,986,995			1,986,995
acc 6581, 6582, 6583, 6585, 6588				
13. Adjustments on provisions	-120,992			-120,992
	883			
	121,875			
Total operating expenses	122,578,387	0	32,016	122,434,233
Financial expenses	16,977,406		0	16,977,406
Property adjustments	0			

income 786	0		
Assets expenses	0		
Interests expenses	369,043	0	
Other financial expenses	16,608,363		
Exceptional expenses	0		0
Expenses with the tax on profit - 6911	0		0
Expenses on deferred tax on profit 692	0		0
Expenses on tax income - 6918	99		99
Profit and loss	-10,409,121		
	-170,128		concifor
	-103,491		elars
	-860,135		amplo
	115,530		braiconf
			-10,475,829
Minority interest result			
	-83,712		
	-13,898		
	-158,839		66,708
	323,156		
		66,708	
TOTAL DEBIT	129,146,771	32,017	129,002,617

CREDIT	TOTAL	CORRECTIONS		CONSOLIDATED ACCOUNTS
		+	-	
1. Turnover , out of which:	125,630,316	0	0	125,630,316
· production sold	124,474,991			
Acc 701, 702, 703, 704, 705,706,708				
				124,474,991
· sales of merchandise	1,162,783			
acc 707				
				1,162,783
· trade discounts offered 709	7,457			7,457
· income from grants for BD 7411	0			0
2. Changes in inventories - acc 711	459,104			459,104
3. Income from the production of fixed assets and property investments	0			0
4. Income from the production of intangible and tangible assets 721, 722	0			0
5. Income from property investment production 725	0			0
6. Income from fixed assets 753	0			0
7. Income from revaluation of intangible and tangible assets 755	0			0
8. Income from property investments 756	0			0
9. Income from biological assets and agricultural products 757	0			0
10. Income from operating subsidies in the event of disasters and other similar events 7417	307,330			307,330
11. Other operating income - acc 758, 7419	2,606,506	0		
subsidies	421,631		112,137	
7588	2,170		32,016	
				2,462,352
TOTAL OPERATING INCOME	129,003,256	0	0	128,859,103
FINANCIAL INCOME	143,516	0	0	143,516
Income shares 7613	56,107			
Income assets 762	0			
Exchange rate difference	0			
Interests	54			
Other fin	87,355			
TOTAL CREDIT	129,146,771			129,002,618

INDICATORS	Row no.	30.06.2019	30.06.2020
A	B	1	2
1. Net turnover (row 02 to 05)	01	117,674,123	125,630,317
Production sold(acc. 701+702+703+704+705+706+708)	02	113,413,289	124,474,991
Income from sale of merchandise (acc. 707)	03	4,278,061	1,162,783
Trade discounts (acc. 709)		17,227	7,457
Interest income registered by the entities whose main object of activity is leasing (acc. 766)	04		
Income from operating subsidies related to net turnover	05		
2. Changes in finished products inventories and production in progress (acc. 711) balance C	06	16,049,102	459,104
(acc. 711) balance D	07		
3. Productia realizata de entitate pentru scopurile sale proprii si capitalizata (ct. 721+722)	08	0	0
4. Alte venituri din exploatare (ct. 758+7417)	09	2,328,048	2,769,682
OPERATING INCOME - TOTAL (row 01+06-07+08+09)	10	136,051,273	128,859,103
5. a) Expenses on raw materials and consumables (acc. 601 + 602 -7412)	11	92,034,477	87,511,100
Other material expenses (acc. 603 + 604 +606+608)	12	463,901	142,614
b) Other external expenses (electricity and water -acc. 605 - 7413)	13	2,222,530	2,211,621
c) Expenses on merchandise (acc. 607)	14	1,871,166	793,937
Trade discounts granted (acc. 609)		76,629	168,088
6. Expenses on personnel (row16 + 17 out of which :)	15	26,881,896	16,348,631
a) Wages and indemnities (acc. 641+642-7414)	16	24,829,374	15,925,140
b) Expenses on insurances and social protection (acc. 645)	17	2,052,522	423,491
7. a) Value adjustments on tangible and intangible assets (row19-20)	18	2,692,014	4,323,991
a.1) Expenses (acc 654+6813)	19	2,692,014	4,323,991
a.2) Income (acc 7813)	20		
7. b) Value adjustments on current assets if they exceed the amount of value adjustments that are normal (row 22-23)	21	-238,448	16,387
b.1) Expenses (acc 654+6814)	22	46,485	27,705
a.2) Income (acc 754 +7814)	23	284,933	11,318
8. Other operating expenses (row 25 la 28)	24	15,958,765	11,375,033
8.1. Expenses on external services (acc 611+612+613+614+621+622+623+624+625+626+627+628-7416)	25	8,400,484	8,600,761
8.2. Expenses with other taxes, fees and assimilated payments (acc 635)	26	1,221,510	508,823
8.3. Expenses on environment protection (acc 652)	27	252,144	278,454
Expenses regarding refinancing interests registered by the entities whose main object of activity is leasing (acc 666)	28		
8.4. Other expenses	29	6,084,627	1,986,995
Adjustments on provisions (row 30-31)	30	1,850,592	-120,992
Expenses (acc. 6812)	31	2,415,110	883
Income (acc. 7812)	32	564,518	121,875
OPERATING EXPENSES - TOTAL (row 11 to 15+18+21+24+29)	33	143,660,264	122,434,234
OPERATING PROFIT AND LOSS:			
- Profit (row 10-32)	34	-7,608,991	6,424,869
- Loss (row 32-10)	35		
9. Income from participation interests (acc 7611+7613)	36	580,122	56,107
- out of which, income from affiliated entities	37		
10. Income from other investments and loans that are part of fixed assets (acc.763)	38	4,086,640	0
- out of which, income from affiliated entities	39		
11. Income from exchange rate differences (acc.765)	40	730,275	0
12. Interest income (acc.766)	41	37	54
- out of which, income from affiliated entities	42		
Other financial income (acc. 7615 +764+765 +767+768)	43	3,377,962	87,355
FINANCIAL INCOME - TOTAL (row 36+40+41+43)	44	8,775,036	143,516
13. Value adjustments regarding financial assets and investments held as current assets	45	-1,746,018	0
- Expenses	46		
- Income	47	1,746,018	0

14. Expenses on interests (acc. 666-7418)	48	269,869	369,043
- out of which, expenses related to affiliated entities	49		
15. Other financial expenses (acc. 663+664+665+667+668)	50	7,062,076	16,608,363
FINANCIAL EXPENSES - TOTAL (row 45+48+50)	51	5,585,927	16,977,406
FINANCIAL PROFIT AND LOSS:			
- Profit (row 44-51)	52	3,189,109	-16,833,890
- Loss (row 51-44)	53		
14. PROFIT OR LOSS FROM CURRENT ACTIVITY			
- Profit (row 10+44-33-51)	54	-4,419,882	-10,409,021
- Loss (row 33+51-10-44)	55		
16. Extraordinary income (acc. 771)	56		
17. Extraordinary expenses (acc. 671)	57		
17. PROFIT OR LOSS FROM EXTRAORDINARY ACTIVITY			
- Profit (row 56-57)	58		
- Loss (row 57-56)	59		
TOTAL INCOME		144,826,309	129,002,619
TOTAL EXPENSES		149,246,191	139,411,640
18. Tax on profit	60	713,208	
Deferred tax on profit			
19. Income tax (acc. 6918)	61	12,381	99
20. Profit or loss for the financial year related to integrated entities	62		
21. Parent company's financial year profit or loss	63	107,828	-10,475,829
- out of which the result of the associated enterprises			
22. Profit or loss of the financial year related to minority interests	64	-5,253,299	66,709

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 first semester of the financial year 2020, information on the financial calendar, annual, half-yearly, quarterly and current reports were posted on time.

STATEMENT

The undersigned CONSTANTIN STEFAN as Chairman of the Board of Directors of ELECTROARGES SA, registered office in Curtea de Arges, str. Albesti, no. 12, Arges county, according to the provisions of art. no. 30 of the Accounting Law no. 82/1991, as republished, I assume the responsibility for the faithful presentation of the consolidated financial statements for the first semester of 2020, in accordance with the Accounting Regulations harmonized with the Fourth Directive of the European Economic Communities and with the International Financial Reporting Standards, approved by OMFP no. 2844/2016, OMFP no. 881/2012, and I confirm that:

- the accounting policies used in preparing the consolidated financial statements are in accordance with the applicable accounting regulations;
- the consolidated financial statements offer a correct image and in accordance with the reality of the assets, liabilities, financial position, profit and loss account;
- the report of the Board of Directors presents correctly and completely the information about Electroarges SA and the other companies regarding their development and performances, including the main risks and uncertainties specific to the activity carried out;
- Electroarges SA carries out its activity in conditions of continuity.

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



Management
System
ISO 9001:2008
ISO 14001:2004
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STATEMENT OF COMPREHENSIVE INCOME ON 30th JUNE 2020
(expressed in lei, unless otherwise specified)

	30 th June 2019	30 th June 2020
TURNOVER	117,674,123	125,630,317
Income from sales	117,691,350	125,637,774
Trade discounts	17,227	7,457
Other operating income	2,328,048	2,769,682
Changes in inventories	16,049,102	459,104
INCOME FROM THE PRODUCTION OF FIXED ASSETS	-	-
Raw materials and consumables	(96,515,445)	(90,491,184)
Expenses on personnel	(26,881,896)	(16,348,631)
Amortization	(2,692,014)	(4,323,991)
Research and development	-	-
Other operating expenses	(15,958,765)	(11,375,033)
Operating profit / (loss)	(7,608,991)	6,424,869
Financial costs	(5,585,927)	(16,977,406)
Financial income	8,775,036	143,516
The part of the profit related to the associated and jointly controlled entities	-	-
Profit / (Loss) before taxation	(4,419,882)	(10,409,021)
Tax expenses	(725,589)	(99)
Profit / (Loss) from parent company continuous activities	107,828	(10,475,829)
Profit / (Loss) from minority interests continuous activities	(5,253,299)	66,709
Result from discontinued activities, net of tax	-	-
Profit / (Loss)	107,828	(10,475,829)
Other elements of the comprehensive income		
<i>Items that will not be reclassified:</i>		
Revaluation of fixed assests	-	-
Remeasurment of pension benefit schemes	-	-
Share of the comprehensive income related to associates/JV	-	-
Related tax	-	-
<i>Items that will be or can be reclassified:</i>		
AFS adjustments	-	-
Cash-flow hedging	-	-
Retreatment adjustments	-	-
Related tax	-	-
Total other comprehensive income items	-	-
Total comprehensive income	(4,419,882)	(10,409,021)
Interests that control the financial result	107,828	(10,475,829)
Interests that do not control the financial result	(5,253,299)	66,709

Chairman of the Board of Directors
Constantin Stefan

Financial Manager
Iulia-Elena Nicut

STATEMENT OF THE FINANCIAL POSITION ON JUNE 30th 2020

(expressed in lei, unless otherwise specified)

	31 st December 2019	30 th June 2020
Assets		
Fixed assets		
Tangible assets	67,910,651	68,442,795
Goodwill	4,560,969	-3,437,119
Intangible assets	660,673	1,016,344
Investments	27,646,422	11,198,756
Deferred tax	-	-
	100,778,715	77.220.776
Current assets		
Inventories	19,527,534	24,594,376
Trade and similar receivables	37,766,457	47,002,797
Other financial assets	117,379	341,410
Cash and cash equivalents	<u>3,368,483</u>	<u>3,210,704</u>
	60,779,853	75,149,287
Prepayments	-	792,441
TOTAL ASSETS	161,558,568	153,162,504
LIABILITIES		
CURRENT LIABILITIES		
Trade and similar liabilities	57,674,526	32,241,794
Loans credit institutions	11,427,821	14,388,363
Financial leasing	2,107,741	1,079,489
Other liabilities	248,494	31,809,670
Profit tax liabilities	278,103	-
Provisions	<u>211,238</u>	-
	71,947,923	79,519,316
LONG TERM LIABILITIES		
Trade and similar liabilities	-	-
Financial leasing	7,624,062	7,219,236
Deferred tax	717,671	-
Subsidies	2,198,567	5,107
Provisions and other liabilities	<u>535,078</u>	<u>4,341,248</u>
	11,075,378	11,565,591
TOTAL LIABILITIES	83,023,301	91,084,907
NET ASSETS	78,535,266	62,077,597
Share capital	6,976,465	6,976,465
Own shares	-9,518	1,133,623
Share capital adjustments	-	12,290,023
Other equity elements	-	6,488,615
Legal reserve	2,577,844	1,826,981
Revaluation reserves	12,706,355	11,026,327
Othyer reserves	43,413,570	36,145,452
Retained earnings	10,224,482	-20,129,049
Repartizare profit	-	-625,250
Profit/pierdere	-	-10,475,829
Interests that do not control	2,646,067	17,420,239
TOTAL EQUITY	78,535,265	62,077,597
TOTAL LIABILITIES AND EQUITY	161,558,566	153,162,504

Chairman of the Board of Directors
 Constantin Stefan

Financial Manager
 Iulia-Elena Nicut

CASH FLOW STATEMENT ON 30th JUNE 2020 (expressed in lei, unless otherwise specified)

CASH FLOW	30.06.2020
(+/-) Net business income	-10,409,021
(+) Depreciation included in cost	4,323,991
(-) Changes in inventories	-5,066,842
(-) Changes in receivables	-9,236,340
(+) Changes in suppliers and client lenders	24,353,243
CASH FLOW FROM OPERATING ACTIVITY (A)	3,965,031
(-) Changes in fixed assets	23,557,939
CASH FLOW FROM INVESTMENT ACTIVITY (B)	23,557,939
(+) Changes in loans and similar liabilities	-40,868,985
(+) Changes in other liabilities	33,772,729
(+) Changes in share capital	-18,778,638
CASH FLOW FROM FINANCIAL ACTIVITIES (C)	-25,874,894
(+) Changes in other liability items	-2,193,460
(-) Changes in other assets	387,605
CASH FLOW FROM OTHER ACTIVITY (D)	-1,805,855
TOTAL CASH FLOW (A+B+C+D)	-157,779
Liquid assets at the beginning of the period	3,368,483
Liquid assets at the end of the period	3,210,704

Chairman of the Board of Directors
Constantin Stefan

Financial Manager
Iulia-Elena Nicut

STATEMENT OF CHANGES IN EQUITY ON 30th JUNE 2020 (expressed in lei, unless otherwise specified)

	Share capital	Profit/loss related to the sale or cancellation of equity instruments	Revaluation reserves	Legal reserves	Other reserves	Alte elemente de capital	Retained earnings	Total
31.12.2019	6,976,465	0	12,706,355	2,577,844	43,394,534	2,655,585	10,224,482	78,535,265
Profit of the financial year	-	-	-	-	-	-	-20,129,049	-20,129,049
Other comprehensive income items	-	1132496	-	-750863	-	-	-10,857,462	-10,475,829
Total comprehensive income	-	-	-	-	-	-	-30,986,511	-30,986,511
Dividends distributed	-	-	-	-	-	-	-	0
Allocations of other reserves	-	-	-1680028	-	-7,249,082	22443340	10,857,462	24,371,692
30.06.2020	6,976,465	1,132,496	11,026,327	1,826,981	36,145,452	25,098,925	-20,129,049	62,077,597

Chairman of the Board of Directors
Constantin Stefan

Financial Manager
Iulia-Elena Nicut

FINANCIAL INDICATORS

(all amounts expressed in lei, unless specified otherwise)

Item no.	Explanation	Calculation method	30.06.2020		Optimal values	
			results			
I. LIQUIDITY INDICATORS						
1	General liquidity (General solvency)	$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{75,149,287}{79,519,316}$	-	0.95	1 - 3
2	Immediate liquidity (Immediate solvency)	$\frac{\text{Current assets} - \text{Inventories}}{\text{Current liabilities}}$	$\frac{50,554,911}{79,519,316}$	-	0.64	0.5 - 1.5
3	General rate of indebtedness	$\frac{\text{Total liabilities}}{\text{Equity}}$	$\frac{90,692,195}{62,077,597}$		1.46	0.1 - 2
II. MANAGEMENT INDICATORS						
1	Inventory turnover	$\frac{\text{Net turnover}}{\text{Inventory}}$	$\frac{125,630,317}{24,594,376}$	-	5.11	Maximum value
2	Number of storage days	$\frac{\text{Inventory} \times 360}{\text{Net turnover}}$	$\frac{24,594,376}{125,630,317} \times 360$		70.48	Minimum value
3	Debits turnover speed (clients)	$\frac{\text{Trade receivable} \times 360}{\text{Net turnover}}$	$\frac{26,742,689}{125,630,317} \times 360$		76.63	Minimum value
4	Fixed assets turnover speed	$\frac{\text{Net turnover}}{\text{Fixed assets}}$	$\frac{125,630,317}{77,220,776}$	-	1.63	Maximum value
5	Total assets turnover speed	$\frac{\text{Net turnover}}{\text{Total assets}}$	$\frac{125,630,317}{153,162,504}$	-	0.82	Maximum value
6	Credits turnover speed (suppliers)	$\frac{\text{Trade liability balance} \times 360}{\text{Net turnover}}$	$\frac{33,149,203}{125,630,317} \times 360$		94.99	Greater value II.3
III. PROFITABILITY INDICATORS						
1	Return on operating profit	$\frac{\text{Operating profit} \times 100}{\text{Total assets}}$	$\frac{6,424,869}{153,162,504} \times 100$		4.19	

Chairman of the Board of Directors
Constantin Stefan

Financial Manager
Iulia-Elena Nicut

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS 30th JUNE 2020

ANALYSIS OF THE COMPANIES' ACTIVITY

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 ASF Reg. no. 5/2018 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 30.06.2020 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 of the Board	0
2.	Gavrila	Ion	Member	6,016,191
3	Tudor	Dumitru	Member	8,963,266
4	Investments Constantin SRL	By permanent representative Mr Silviu-Bogdan Dumitrache	Vice-Chairman	25,699,543
5.	Benjamins United SRL	By permanent representative Mr Octavian Avramoiu	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:

	No. of shares held	Percent held
ELARS SA RIMNICU SARAT	20,555,276	88.16%
AMPLO PLOIESTI	2,668,396	84.41%
CONCIFOR BUZAU	3,206,788	67.02%
MECANOENERGETICA SA DROBETA TURNU SEVERIN	4,640,888	28.85%
BRAICONF SA BRAILA	11,802,363	26.34%

ROMANOFIR TALMACIU	74,847	14.67%
SIGSTRAT SA SIGHETUL MARMATIEI	891,839	5.69%
SIGSTRAT SA (1) SIGHETUL MARMATIEI	891,839	5.69%
TARNAVA SA SIGHISOARA	214,163	5.69%
TOTAL		

Company 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

Company 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

Company 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

Company BRAICONF S.A., a subsidiary to which ELECTROARGES SA holds 11,802,363 shares, with a nominal value of 1,180,236 ron, 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

COMPANIES' MANAGEMENT

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 Silviu Dumitrache				Vice-Chairman	0
5.	Benjamins United SRL.	By permanent representative Mr Octavian Avramoiu				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.	Gavrila	Ion	Member	6,016,191
3	Tudor	Dumitru	Member	8,963,266
4	Investments Constantin SRL	By permanent representative Mr Silviu Dumitrache	Vice-Chairman	25,699,543
5.	Benjamins United SRL.	By permanent representative Mr Octavian Avramoiu	Member	621,000

The list 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	-

The list of the executive management

Item no.	Surname	Given Names	Position	Period as a member of the executive management
1.	Golescu	Vasile	Operational Director	01.09.06 - indefinite
2.	Nicut	Iulia	Financial Manager	01.05.20 - indefinite
3.	Barbu	Marin	Technical Manager	01.11.06 - indefinite

4.	Marin	Sergiu	Sales Manager	07.02.18 - indefinite
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Members of the board of directors at the other entities

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

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

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

Full name	Position
Stefan Constantin	Chairman
Benjamins United SRL	Member
Cristian Alexandru Constantin	Member

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

Full name	Position
Stefan Constantin	Chairman
Investements Constantin SRL by representative Zisu Robert	Member
Benjamins United SRL by representative Dumitrache Silviu	Member

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

Full name	Position
Silviu Dumitrache	Chairman
Benjamins United SRL by representative Avramoiu Octavian	Member
Csoarpi Saints SRL by representative Stefan Constantin	Member

The corrections with the affiliated entities presented below are:

- For the patrimonial situation:

ASSET	CORRECTIONS		CONSOLIDATED ACCOUNTS
	+	-	
ASSETS			
Fixed assets			
· Intangible assets	-3,437,119	0	-2,420,775
· - GOODWILL	-3,437,119		
· Tangible assets			68,442,795
· Property investments			0
	0		9,488,830
· Financial assets			11,198,756
Shares affiliates 2611 + 2613		8,028,499	4,745,551
Shares associated entities		1,400,000	61,213
Loan entities		60,331	0
Other assets			22,949
Other imp fixed assets			6,369,043
· Other fixed assets			
Current assets			
· Inventories			24,594,375
· Receivables		2,701,062	47,002,797
Trade receivables		8,059	26,811,081
Group amounts		35,000	-68,392
prepayments			4,842,272
Other receivables		2,658,002	15,417,836
· Short-term investments			341,410
· Cash available and bank accounts		0	3,210,704
· Prepayments		0	792,441
TOTAL ASSETS	-3,437,119	12,189,892	153,162,504

PAYABLES	CORRECTIONS		CONSOLIDATED ACCOUNTS
	+	-	
· Share capital		0	6,976,465
Share capital adjustments - acc1028		27,394,082	12,290,023
Other equity items - acc 103		1,298,555	6,488,615
· Capital premium		0	0
Earnings related to capital			1,132,496
· Own shares		8,391	1,127
· Revaluation reserves		7,830,992	11,026,327
· Legal reserves		1,233,027	1,826,981
-- Other reserves		3,582,618	36,145,452
· Profit/loss from the financial year			-10,475,829
	0		
Concifor	-170,128		
Elars	-103,491		
Amplo	-860,135		
Braiconf	115,530		
● Reported Profit/loss-117		-7,083,729	-7,126,680
● Reported Profit/loss-118		-28,877,830	-13,002,369

· Profit distribution		0	625,250
Interests that do not control- other equity account 1082	0		16,449,822
Concifor	260,726		
Elars	388,994		
Amplo	1,291,871		
Braiconf	14,508,230		
Interests that do not control- the result of the financial year account 1081	0		970,417
Concifor	-83,712		
Elars	-13,898		
Amplo	-158,839		
Braiconf	1,226,865		
TOTAL EQUITY	16,402,014	16,409,453	62,077,596
· Short-term liabilities		1,859,438	79,519,317
Amounts credit institutions			14,388,363
prepayments			172,080
Trade liabilities		-467,982	32,069,714
Associated entities		2,327,420	0
bills			1,079,489
Other liabilities			31,809,670
· Long-term liabilities		0.00	11,172,879
Credit institutions			7,219,236
Other liabilities			3,953,643
· Provisions			387,605
Provisions on employees			0
Other provisions			387,605
· Income in advance			5,107
Amounts one year			11
Greater amounts			5,096
TOTAL PAYABLES	16,402,014	18,268,891	153,162,504

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.

Participation of the executive managers to the company's share capital :

Item no.	Surname	Given Names	Position	No. of shares held
1.	Golescu	Vasile	Operational Director	39,205
2.	Nicut	Iulia	Financial Manager	0
3.	Barbu	Marin	Technical Manager	20,188
4.	Marin	Sergiu	Sales Manager	0

Presentation of possible litigations or administrative procedures in which they have been involved in the last 5 years, regarding the activity of the persons in the administrative management.

Not the case.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparations

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

All other entities prepare individual financial statements in accordance with OMF 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 ended June 30, 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 financial and operational policies of the entity 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: are entities not included in the consolidation in which the parent company (the investor) has a significant participation interest (over 20%). These entities are included in the consolidation through the equity method. For the year 2018 Mercur Fagaras, and for the year 2019 **BRAICONF BRAILA)**

c) Jointly controlled entities (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 percentage of integration and the percentage of interest of the parent company, to reflect the amount of equity attributable to the shares (and social shares) in the subsidiaries included in consolidation held by persons other than the entities included in the consolidation.

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

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 in ownership were accounted for in the statement of financial position prepared in accordance with generally accepted accounting principles at the local level based on 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.

The accounting records are kept in lei, in accordance with the Romanian Accounting Regulations ("RCR"). These accounts have been restated to reflect the differences existing between the accounts according to RCR and the ones according to IFRS.

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 the approval of 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 June 30, 2020.

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

Basis of evaluation

The consolidated financial statements as of June 30, 2020 have been prepared based on historical cost, except for the revalued amount as an 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 shall be presented in the current unit of measurement at the balance sheet date. Thus, the values expressed in the current unit of measurement as of June 30, 2020 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 transactions would take place at this time.

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 objectives, policies and processes of the entities for managing these risks and the methods used to assess them. Additional quantitative information related to these risks is presented in these financial

statements.

There have been no major changes in the Group's exposure to risks relating to its financial instruments, objectives, policies and processes for managing those risks or the methods used to assess them compared to 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 to the Company that arises if a client or counterparty to a financial instrument fails to meet its contractual obligations. The company is mainly exposed to credit risk arising from sales to customers.

At the level of the group companies there is a Commercial Policy, approved by the Board of Directors. In this are clearly presented the commercial conditions of sale and there are conditions imposed in the selection of customers.

The parent company, Electroarges, works with only one client - over 95% of the turnover represents the production collaboration with the Kaercher company. Any syncope in the development of the contract with this company can be immediately and severely felt. The alternative to this dependency is to develop production for the domestic market and other customers, so as to reach 50% of turnover.

The commercial policy aims at reducing the number of days established by the contract for the payment of receivables by the company's clients as well as attracting new clients.

Due to the increased incidence of insolvency in the economy, there is a concrete risk of recovering the value of products and / or services provided prior to the declaration of insolvency; the company pays close attention to the creditworthiness and financial discipline of customers.

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

Foreign currency exchange risk

The parent company is mainly exposed to foreign currency 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 production must have quality documents. The company cannot thus limit purchases from third countries very much. Following the payment terms and ensuring the cash availability for payment, so that the effect of the foreign currency exchange risk is minimized, are the responsibility of

the Finance-Accounting Department.

Given the relatively low exposure to exchange rate fluctuations, reasonable exchange rate fluctuations are not expected to have significant effects on future financial statements.

The exposure to foreign currency exchange 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 payables and loans) denominated in foreign currencies

Liquidity risk

The liquidity risk arises from the Company's management of current assets and financing expenses and repayments 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 ceiling of this line of credit has been kept as high as possible even if they have been accessed rarely 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 their own sources of financing.

The following table shows the contractual maturities (representing contractual cash flows without reductions) of financial debts

Interest risk

Corporate income and cash flows from financing activities are influenced by changes in interest rates because most interest rates on loans are variable as presented in Note 17. 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 regarding the financial instruments arises, are as follows:

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

Trade and other liabilities

Operational risk

Operational risk is the risk of direct or indirect losses arising from a wide range of causes

associated with the Company's processes, personnel, technology and infrastructure, as well as from external factors other than credit, market and liquidity risk, such as coming from legal and regulatory requirements and from generally accepted standards regarding organizational behavior. The operational risks come from all the companies' operations

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

- Requirements for separation of responsibilities, including independent authorization of transactions;
- Requirements for reconciliation and transaction monitoring;
- Alignment with regulatory and legal requirements;
- Documentation of 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 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 the risk of litigation, including insurance, where applicable;
- Reducing risks, including the efficient use of insurance, where appropriate;

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

The conclusion is one, namely that the parent company must make a sustained effort to intensify and identify methods for developing the range of own products and collaborations to achieve a balance of at least 75% share in total turnover.

ACCOUNTING FINANCIAL SITUATION

INDICATORS	Row no.	30.06.2019	30.06.2020
A	B	1	2
1. Net turnover (row 02 to 05)	01	117,674,123	125,630,317
Production sold(acc. 701+702+703+704+705+706+708)	02	113,413,289	124,474,991
Income from sale of merchandise (acc. 707)	03	4,278,061	1,162,783
Trade discounts (acc. 709)		17,227	7,457
Interest income registered by the entities whose main object of activity is leasing (acc. 766)	04		
Income from operating subsidies related to net turnover	05		
2. Changes in finished products inventories and production in progress (acc. 711) balance C	06	16,049,102	459,104
(acc. 711) balance D	07		
3. Productia realizata de entitate pentru scopurile sale proprii si capitalizata (ct. 721+722)	08	0	0
4. Alte venituri din exploatare (ct. 758+7417)	09	2,328,048	2,769,682
OPERATING INCOME - TOTAL (row 01+06-07+08+09)	10	136,051,273	128,859,103
5. a) Expenses on raw materials and consumables (acc. 601 + 602 -7412)	11	92,034,477	87,511,100
Othet material expenses (acc. 603 + 604 +606+608)	12	463,901	142,614
b) Other external expenses (electricity and water -acc. 605 - 7413)	13	2,222,530	2,211,621
c) Expenses on merchandise (acc. 607)	14	1,871,166	793,937
Trade discounts granted (acc. 609)		76,629	168,088
6. Expenses on personnel (row16 + 17 out of which :)	15	26,881,896	16,348,631
a) Wages and indemnities (acc. 641+642-7414)	16	24,829,374	15,925,140
b) Expenses on insurances and social protection (acc. 645)	17	2,052,522	423,491
7. a) Value adjustments on tangible and intangible assets (row19-20)	18	2,692,014	4,323,991
a.1) Expenses (acc 654+6813)	19	2,692,014	4,323,991
a.2) Income (acc 7813)	20		
7. b) Value adjustments on current assets if they exceed the amount of value adjustments that are normal (row 22-23)	21	-238,448	16,387
b.1) Expenses (acc 654+6814)	22	46,485	27,705
a.2) Income (acc 754 +7814)	23	284,933	11,318
8. Other operating expenses (row 25 la 28)	24	15,958,765	11,375,033
8.1. Expenses on external services (acc 611+612+613+ 614+621+622+623+624+625+626+627+628-7416)	25	8,400,484	8,600,761
8.2. Expenses with other taxes, fees and assimilated payments (acc 635)	26	1,221,510	508,823
8.3. Expenses on environment protection (acc 652)	27	252,144	278,454
Expenses regarding refinancing interests registered by the entities whose main object of activity is leasing (acc 666)	28		
8.4. Other expenses	29	6,084,627	1,986,995
Adjustments on provisions (row 30-31)	30	1,850,592	-120,992
Expenses (acc. 6812)	31	2,415,110	883
Income (acc. 7812)	32	564,518	121,875
OPERATING EXPENSES - TOTAL (row 11 to 15+18+21+24+29)	33	143,660,264	122,434,234
OPERATING PROFIT AND LOSS:			
- P r o f i t (row 10-32)	34	-7,608,991	6,424,869
- L o s s (row 32-10)	35		
9. Income from participation interests (acc 7611+7613)	36	580,122	56,107
- out of which, income from affiliated entities	37		
10. Income from other investments and loans that are part of fixed assets (acc.763)	38	4,086,640	0
- out of which, income from affiliated entities	39		
11. Income from exchange rate differences (acc.765)	40	730,275	0
12. Interest income (acc.766)	41	37	54
- out of which, income from affiliated entities	42		
Other financial income (acc. 7615 +764+765 +767+768)	43	3,377,962	87,355

FINANCIAL INCOME - TOTAL (row 36+40+41+43)	44	8,775,036	143,516
13. Value adjustments regarding financial assets and investments held as current assets	45	-1,746,018	0
- Expenses	46		
- Income	47	1,746,018	0
14. Expenses on interests (acc. 666-7418)	48	269,869	369,043
- out of which, expenses related to affiliated entities	49		
15. Other financial expenses (acc. 663+664+665+667+668)	50	7,062,076	16,608,363
FINANCIAL EXPENSES - TOTAL (row 45+48+50)	51	5,585,927	16,977,406
FINANCIAL PROFIT AND LOSS:			
- Profit (row 44-51)	52	3,189,109	-16,833,890
- Loss (row 51-44)	53		
14. PROFIT OR LOSS FROM CURRENT ACTIVITY			
- Profit (row 10+44-33-51)	54	-4,419,882	-10,409,021
- Loss (row 33+51-10-44)	55		
16. Extraordinary income (acc. 771)	56		
17. Extraordinary expenses (acc. 671)	57		
17. PROFIT OR LOSS FROM EXTRAORDINARY ACTIVITY			
- Profit (row 56-57)	58		
- Loss (row 57-56)	59		
TOTAL INCOME		144,826,309	129,002,619
TOTAL EXPENSES		149,246,191	139,411,640
18. Tax on profit	60	713,208	
Deferred tax on profit			
19. Income tax (acc. 6918)	61	12,381	99
20. Profit or loss for the financial year related to integrated entities	62		
21. Parent company's financial year profit or loss	63	107,828	-10,475,829
- out of which the result of the associated enterprises			
22. Profit or loss of the financial year related to minority interests	64	-5,253,299	66,709

OPERATING EXPENSES

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

Operating expense items	For the period	
	30.06.2019	30.06.2020
Raw materials and consumables	96,515,445	90,491,184
Expenses on personnel	26,881,896	16,348,631
Amortization	2,692,014	4,323,991
Other operating income	17,570,909	11,270,428
Operating expenses	143,660,264	122,434,234

On 30.06.2020 the net operating result of the group was in the amount of 6,424,869 compared to (7,606,991) lei, the one reported on 30.06.2019 while the net result was (10,409,021) Lei compared to (4,419,882) lei that of the previous period.

CASH AND CASH EQUIVALENTS

The cash available on 30.06.2020 in the amount of 3,210,704 lei represent 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	30-June-2020
Available with the bank	3,340,269	3,140,662
Cash and cash equivalents	28,214	70,042
Deposits with maturity under 3 months	-	-
Miscellaneous	-	-
Total	3,368,483	3,210,704

Compared to the total value of sales from previous periods, in the first semester of 2020 there is a slight increase in sales compared to 2019, the same period of the first semester.

TURNOVER

INDICATORS	Row no.	30.06.2019	30.06.2020
A	B	1	2
1. Net turnover (row 02 to 05)	01	117,674,123	125,630,317
Production sold (acc. 701+702+703+704+705+706+708)	02	113,413,289	124,474,991
Income from sale of merchandise (acc. 707)	03	4,278,061	1,162,783
Trade discounts (acc. 709)	04	17,227	7,457

An important share of the turnover results from the commercial relationship with the German company KAERCHER.

CONTINGENT LIABILITIES

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

COMMITMENTS

As of June 30, 2020, the parent company had the following commitments granted for loans:
 - Loans to a single bank - Raiffeisen Bank
 - Guarantees: contract for assignment of receivables and contract for movable mortgage on the pledged goods.

INFORMATION REGARDING THE AUDIT OF FINANCIAL STATEMENTS

The financial statements as of June 30, 2020 have not been audited.

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.

Chairman of the Board of Directors
Constantin Stefan

Financial Manager
Iulia-Elena Nicut