

Translation from Romanian

**FOR THE ATTENTION OF
THE FINANCIAL REGULATOR,
THE FINANCIAL INSTRUMENTS AND INVESTMENT SECTOR**

Issuers, Transaction Monitoring and Market Abuse Department

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Current report in accordance with: Law 24/2017 on the issuers of financial instruments and market operations and ASF Regulation no. 5/2018 on the issuers of financial instruments and market operations.

Report date: 23.11.2020

Issuer's name: ELECTROARGES SA, BSE code: elgs

Registered office: Curtea de Arges, str. Albești, nr. 12, jud. Argeș

Telephone/fax number: 0248724000/0248724004

Trade Register Registration Code: RO156027

Trade Register Registration Number: J03/758/1991

Share capital subscribed and paid: 6,976,465.00 lei

Regulated Market trading the issued securities:

BSE – main market, standard category

Electroargeș SA sends to shareholders and potential investors the following:

Press release regarding the situation of the issuance by ASF of a new decision to fine the chairman of the Board of Directors, Mr. Constantin Stefan, with the historical amount of 110,000 lei. ASF understands to continue the efforts to support some inadmissible interpretations and to issue some administrative acts that are clearly illegal

Electroarges informs investors, shareholders and any interested person on the ASF's decision to display new actions of abuse of rights in relation to the company's management.

In this sense, ASF understood to publish directly on the BSE website the content of the Decision no. 1379 / 20.11.2020, a practice that is already becoming commonplace, although it can seriously affect the issuers' image, **a decision by which they again understood to fine Mr. Stefan Constantin with the impressive amount of 110,000 lei.**

In order to completely remove the idea accredited by ASF, by applying the new sanctions, namely that the issuer Electroarges, or the persons in charge of this company would not comply with the legal provisions, **we ask any investor, shareholder or interested person to create for themselves a fully professional and documented position on the ASF decisions**, decisions that will certainly be challenged in court, and new abuses of this institution will be retained, meaning that we ask to take into account the following aspects:

1. In 2018 ASF understands to apply a first fine of 15,000 lei to Mr. Constantin Stefan, because he would not have completed the agenda at the request of the shareholder Tudor Dumitru, being issued the ASF Decision no. 1160 / 26.09.2018¹. It is alleged in the ASF Decision that the act of not completing the agenda would be provided by the provisions of art. 92 paragraph 6 of Law no. 24/2017, being sanctioned by the provisions of art. 126, art. 127 and art. 130 of Law no. 24/2017;

2. Both Electroarges and Mr. Constantin Stefan challenges in court the ASF Decision no. 1160 / 26.09.2018, meaning that, in the case no. 2797/2/2019 The Bucharest Court of Appeal, Section VIII of Administrative and Fiscal Litigation ordered the solution of annulment of the Decision no. 1160 / 26.09.2018 issued by ASF², keeping in mind that the interpretation of ASF is illegal and unfounded because **the deed invoked by ASF is not provided as a contravention of the text of law mentioned by ASF (below is an excerpt from the court's reasoning):**

„From the corroborated interpretation of these incidental texts of law, the Court finds that the refusal to admit the request of the shareholder Tudor Dumitru to supplement the agenda is not limited to these legal provisions and therefore does not constitute the contravention provided by art. 126 paragraph 1, point a, point 3 of Law 24/2017, the interpretation of the defendant being illegal and unfounded. The court finds that only if the request for additional points on the agenda were approved and the Board of Directors, through its chairman, would not have published the revised agenda, were the legal provisions requiring the application of the sanction provided by art. 127 paragraph 1 letter c, point 2 (i) of the same normative act. That this is the correct logical-legal reasoning is also proved by the phrase used by the legislator in the preamble of art. 96, paragraph 6, which limits the obligation to publish the revised agenda only to the situation in which, following the exercise of the shareholder's right with at least 5% of the shares, it determines the modification of the shareholders' agenda. ”

3. Electroarges summons the OGMS in 2020 for the dates of 27,28.04.2020³. In connection with the summoning of the OGMS for this date, the significant shareholder Tudor Dumitru, in the characteristic style (submitting repetitive requests and without legal basis), **submitted a new request to supplement the agenda**, requesting the supplementing of the OGMS with numerous other points (over 35 points !!!), most of them unrelated to the OGMS attributions, and others that could not even be voted, because they were not within the OGMS's competence (ex: Tudor Dumitru made a request for the OGMS to vote to attract liability of administrators);

4. The shareholder's request was analyzed by Electroarges, meaning that it was considered that it is neither possible nor necessary to supplement the OGMS, with the points requested by this shareholder, being communicated punctually, for each request, what are the reasons;

5. The shareholder Tudor Dumitru addresses ASF, meaning that this institution issues **ASF Decision no. 957 / 05.08.2020⁴ by which he fines Mr. Constantin Stefan with the amount of 60,000 lei, for the fact that he would not have supplemented the OGMS agenda at the request of Tudor Dumitru.** This time, probably given the solution of the Bucharest Court of Appeal (which ASF is appealing), it can be observed that ASF **classifies the deed as a violation of the provisions of art. 46, paragraph 4 of Law no. 24/2017**, obviously general provisions that are not related to the situation, **expressly contradicting in its own previous argumentation, contained in the ASF Decision no. 1160 / 26.09.2018, in which they claimed that the act of not completing the agenda would be provided by another text of law, namely art. 126 of Law no. 24/2017;**

6. Moreover, after ASF specifies another text of law than the one previously mentioned in the documents issued for the same deed, **it is understood to supplement the sanctions with the application of a sanction in connection with the alleged non-compliance with the obligation of transparency**, namely the fact that Electroarges would not have published a current report announcing to investors that Tudor Dumitru would have requested the supplementing of the agenda, even if this request was not approved. **The previous interpretation of the ASF, contained in the ASF Decision no. 1160 / 26.09.2018, it was that there is no such obligation.** Although this fact is invoked, ASF understands to answer, with maximum nonchalance, that the legislation would have changed, and that for this reason it would have changed its previous position, expressly invoking: *"the legislation applicable at that time, respectively CNVM Regulation no. 1/2006, did not expressly impose on the issuers the obligation to publish current reports regarding the receipt of a request to complete the GMS agenda"*. In reality, even if the text of the CNVM Regulation no. 1/2006 did not expressly provide for the situation invoked by ASF, any interested person may verify that **on the OGMS date of 27 / 28.04.2018 and on the OGMS date of 27 / 28.04.2020 were in force the same legal provisions that defined the inside information, as well as the obligation to publish current reports, respectively the**

provisions of art. 7 of Regulation (EU) no. 596/2004 and art. 114 of Law no. 24/2017 - so there is absolutely no justification for ASF to interpret the same situation in two different ways;

7. By the ASF Decision no. 958 / 05.08.2020⁵, the Electroarges Board of Directors is obliged to summon the OGMS within 45 days, with the points on the agenda requested by Tudor Dumitru, although at this date the OGMS had just taken place, ASF completely ignoring this situation, although expressly invoked by Electroarges. Basically, ASF obliges Electroarges to re-discuss the OGMS decisions just adopted, an unacceptable aspect;

8. After an appeal to ASF, this institution, with the invocation of an absolutely hilarious argument, returns on the obligation to summon the OGMS (because it would have generated a unique situation on the capital market, extreme controversy and legal insecurity, there will be two OGMS decisions for the same year), which they revoke, and **do not admit the appeal on the grounds that the OGMS decisions previously approved in a new meeting cannot be re-discussed, but with the argument that Tudor Dumitru would have given up the request;**

9. Electroarges was not able to hold the OGMS summoned for the dates of 27,28.04.2020, this being subsequently postponed for the date of 04,05.08.2020⁶ for reasons beyond the control of Electroarges;

10. The shareholder Tudor Dumitru reiterates on 01.07.2020 exactly the request for which the previous fine of the chairman of the Board of Directors was ordered, this time with the request to summon a new OGMS, although he knew that on 02.07.2020 it was summoned the meeting of the Board of Directors approving the summoning of the OGMS for 05.08.2020, because he is a member of the Electroarges Board of Directors;

11. By Decision no. 1379 / 20.11.2020⁷, the chairman of the Board of Electroarges is fined again, with the historical amount of 110,000 lei, for the fact that he would not have summoned the OGMS, which took place on 04.08.2020, to discuss the same requests of the shareholder Tudor Dumitru , for which previously the same person was sanctioned by ASF Decision no. 957 / 05.08.2020, so twice for exactly the same deed !!!

12. The fine is applied, although it is made known to ASF that the shareholder Tudor Dumitru exercised his right to request the summoning of the OGMS, by formulating the action to authorize the summoning of the GMS, which is the subject of Case no. 1965/1259/2020, pending before the Argeş Specialized Tribunal⁸, and that ASF cannot overlap with the attributions of the court, this being the only one that can judge if Electroarges refused or not in a justified way the request of this shareholder;

We therefore ask any interested person to analyze, according to their own beliefs, the actions ordered by ASF, and the interpretations of this institution, which can be easily verified by accessing the links mentioned in the footer of this document.

The Electroarges' firm position is that ASF, or the persons in charge of this institution, continue to abuse the attributions provided by law, strictly in order to apply fines and destabilize the company's activity, for occult reasons (which will certainly be clarified). It is obvious that the ASF actions have as objective the fine with any motivation, even contradictory and illegal, and they have no legal basis, these subjectively targeting only the president of the Board - Mr. Stefan Constantin.

What is even worse is that out of the desire to apply sanctions to this person, ASF insists on interpretations such as that any request of a shareholder to summon an OGMS must necessarily lead to such a summoning, and that the company cannot censor any of these requests, regardless of their content.

In order to demonstrate practically that this interpretation is inadmissible, and that, implicitly, ASF propagates on the capital market interpretations that encourage the abuse of rights, although it should protect the market from such interpretations and abuses, Electroarges will request in all companies in which it has the capacity of shareholder entitled to request the summoning of the OGMS new summons of the OGMS, in order to be re-discussed absolutely all the OGMS decisions adopted for 2020.

In order to be obvious that ASF's position is completely unfounded, Electroarges will make such requests repeatedly, similar to the requests of shareholder Tudor Dumitru, since ASF qualifies such approaches as completely legitimate.

To the extent that these requests will not be received, and the OGMS will not be summoned, the ASF will be required to apply its own interpretations contained in the administrative acts mentioned above (that any request of a entitled shareholder must necessarily lead to the convening of the OGMS and that they cannot be censored), and to apply, similarly, the fines applied to Mr. Stefan Constantin, fines of over 100,000 lei for the refusal of the persons in charge of the companies to summon the OGMS, for each separate refusal.

In this sense, we will expressly quote the following position of the ASF contained in Decision no. 1379 / 20.11.2020⁹, against which sanctions were ordered in the case of Electroarges:

"According to the incident legal and statutory provisions, the company's directors have the obligation to comply exactly with the request of the shareholders with qualified holding

provided by law, as formulated, they have no right to intervene on the resolutions proposed by shareholders, in order to eliminate / modify them , the general meeting of shareholders being the only decision-making body able to decide on their admission / rejection. "

We are fully convinced that it will be proved in the shortest time, following the steps we will take, steps that even ASF obliges us to take in order to prove, also in this way, the veracity of Electroarges' claims, that ASF has exercised abusively the attributions provided by law, insisting on misinterpretations of the legal provisions, strictly to order disproportionate sanctions, and we will prove, including practically, that the position of this institution is inadmissible in relation to the issuers listed on BSE.

**CHAIRMAN
BOARD OF DIRECTORS,
CONSTANTIN ȘTEFAN**

¹ <https://www.bvb.ro/infocont/infocont18/ELGS260918.pdf>

² http://portal.just.ro/2/SitePages/Dosar.aspx?id_dosar=200000000373234&id_inst=2

³ <https://bvb.ro/FinanciarInstruments/SelectedData/NewsItem/ELGS-Hotarare-CA-Convocare-AGOA-AGEA-27-28-Aprilie-2020/AD3DC>

⁴ <https://www.bvb.ro/infocont/infocont20/ELGS070820.pdf>

⁵ Idem;

⁶ <https://bvb.ro/FinanciarInstruments/SelectedData/NewsItem/ELGS-Amanare-AGOA-AGEA-27-28-04-2020/2AD4D>

⁷ <https://www.bvb.ro/infocont/infocont20/ELGS201120.pdf>

⁸ http://portal.just.ro/1259/SitePages/Dosar.aspx?id_dosar=12590000000040172&id_inst=1259

⁹ <https://www.bvb.ro/infocont/infocont20/ELGS201120.pdf>