ADMINISTRATORS' REPORT

Anual Report in accordance with the A.S.F. Regulation no. 5/2018 on the issuers of securities and security transactions and the Ordinance no. 2844/2016 of the Ministry of Public Finance on the approval of the Accounting Regulations according to the International Financial Reporting Standards, for the financial year 2022

Reporting date: December 31 2022

E L E C T R O A R G E S SA - CURTEA DE ARGES

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Tax Registration Code: RO 156027
Trade Register Registration number and date: J40/8487/2022

Regulated market trading the securities issued by ELECTROARGES SA: 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

1. ANALYSIS OF THE COMPANIES' BUSINESS ACTIVITY

1.1. a) Description of the companies' basic activity:

The share capital subscribed and paid on December 31, 2022, is of 6,974,465 lei, with the nominal value of 0.10 lei / share.

The shareholding structure on 31.12.2022 was the following :

Shareholder	Shares	Percent %
Investments Constantin SRL	25,699,543	36.8375%
Trans Expedition Feroviar SRL	8,963,266	12.8479%
Standard Equity SRL	7,542,172	10.8109%
Legal persons	5,867,728	8.4107%
Natural persons	21,691,941	31.0930%
TOTAL	**69,764,650**	**100%**

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

1.1. b) Company formation:

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

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

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

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

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

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

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

It is not the case.

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

In 2022, the priority Electroarges SA's priority was the support and payment of trade liabilities to suppliers and current fiscal obligations to state budgets, as well as the development of existing and new projects.

The company experienced a financial stability that allowed it to modernize the existing constructions, out of which completed in the amount of 10,695,606 lei and in the process of completion in the amount of 1,133,795 lei.

Also, during 2022, the company took over construction works worth 1,695,606 lei and put into operation technological equipment worth 2,434,414 lei.

In 2022, the company disposed of fixed assets worth 222,939 lei, out of which: fully depreciated 109,4352 lei and 113,587 lei not fully depreciated.

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

The company completed the modernization of the existing constructions for the already initiated contacts and put new equipment into operation, such as:

- thermostatic devices for injection machines;

- electric pallet trucks;
- 3D printers;
- electrical panels, Transformer points.

Injected plastic parts, subassemblies, kits and pad-printed parts for Arctic SA were assimilated into production, reaching up to 120 products. The company continued its collaboration with Steinel Electronic SRL, Haier Tech SRL and Cer Cleaning Equipment SRL in the production of injection molded parts.

In 2022, the Research and Development Department within Electroarges SA had as its main objective the development of new products, as follows:

- in the field of railways – a vibration absorbing carpet;
- the introduction of some restyled Electroarges brand projects, such as the EA Cleaner vacuum cleaner, coffee grinder and hair dryer.

Against this background, combined with the difficulties of operating on the Romanian market, sales on the domestic market have increased slightly; currently the manufacture of household appliances and products is being carried out at the level of existing or short-term anticipated orders.

In 2022, the range of Arctic products was expanded, with the manufacture of new plastic injection molded parts and subassemblies, parts stamped with “hot stamping” technology, “hot printing”, washing machine door subassemblies, including plastic injection molded parts for them.

Opportunities for collaboration in production with important manufacturers will be identified and initiated, especially with those in the area of plastic injection molded parts.

At present, the integrated management system records the implementation and certification of the quality management system and the environmental management system.

At the end of 2022, Electroarges SA performed the supervision audit for the quality management system according to ISO 9001: 2015 and for the environmental management system according to ISO 14001: 2015. The results were positive, without deviating from the standards. The action was carried out with the company TUV Rheinland Romania.

During 2022, audits were carried out in Electroarges by the companies TUV Rheinland, Nemko, Grup Arcelik, DQS Turcia. Each of the listed companies performed audits to verify the processes and the quality management system. The results were positive and allowed Electroarges SA to remain in the group of accepted suppliers.

At the same time, audits were carried out by:

- Groupe Haier - following this audit the Haier group decided to continue the collaboration adding 5 more molds to the current portfolio;
- Ecovadis (sustainability and social responsibility audit where Electroarges is in the top 30% of companies in Europe, obtaining the Bronze rating);
- Makita - following this audit it was decided to continue the projects M9 and M10 for which the order of molds was started and the production starting in the first half of 2023;
- Fuchs - following this visit, the Fuchs group decided to start a partnership and start production in the second half of 2023.
- The visits of two other companies active in the field of household appliances led to the planning in the first part of 2023 of some quality audits, audits that lay the foundations for future collaborations.

1.1.1. Elements of general evaluation

On 31.12.2022, the net operating result was negative in the amount of 10,596,808 lei and also the net result registered a negative value in the amount of 12,039,510. This loss is due to customer and inventory value adjustments made during 2021.

In 2022, the income from the contracts with the clients had the value of 75,715,347 lei, decreasing by 75% compared to 2021. Out of this value, 28,947,463 lei represented exports.

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

Operating expenses items	For the year ending on 31.12.2021	31.12.2022
Raw materials and consumables	226,859,998	52,866,653
Expenses on personnel	28,219,017	9,959,744
Amortization	13,823,579	7,189,139
Other operating expenses	47,410,705	17,528,648

Operating expenses	**316,313,299**	**87,544,184**

In 2022, no tax on profit expense was recorded.

Liquidity and credit

On December 31, 2022, the general liquidity rate is 0.45 points lower than the previous year.

Cash available on 31.12.2022 in the amount of 3,329,028 lei, represents money deposited in current bank accounts in Romania.

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 2022 were delivered both on the domestic and the foreign market, where we tried to consolidate the position as manufacturers of electrical consumer goods, household appliances, professional semi-industrial and hotel appliances, industrial equipment and parts/sub-assemblies for industrial manufacturers.

The main export markets were: Germany (vacuum cleaners), Slovakia (vacuum cleaners) and France (vacuum cleaners and incubators).

On the domestic market, Electroarges products were sold by our distributors and by direct sales. Electroarges has also had other collaborations : Arctic SA, Steinel Electronic SRL, Cer Cleaning Equipment SRL, Haier Tech SRL and others.

b) The share of each category of products or services in the income and total turnover for the last 3 years:

The assortment sales situation for the last three years is presented in the table below:

Item no.	Product group name	2022		2021		2020	
		%	Value thousand lei	%	Value thousand lei	%	Value thousand lei

1.	Karcher Vacuum cleaners	34,80	26,385	84,64	256,340	92,03	226,299
2.	Vacuum cleaners	0	0	0	0	0	0
3.	Injected parts	0	0	0	0	0	0
4.	Appliances	0	21	0	7	0,03	71
5.	Household appliances	0,50	352	0,06	172	0,09	215
6.	Spare parts	61,0	46,170	11,82	35,788	6,99	17,181
7.	Others	3,70	2,787	3,48	10,554	0,87	2,132

c) 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:

In 2023, the range of Arctic products will be expanded, with the manufacture of new plastic injection molded parts and subassemblies, hot stamping technology parts, washing machine door subassemblies, including plastic injection molded parts for them.

In 2023, the range of Haier group products will be expanded, with the manufacture of new plastic injection molded parts and subassemblies, hot stamping technology parts, washing machine door subassemblies, including plastic injection molded parts for them.

In 2023, the range of Fuchs group products will be expanded, with the manufacture of new plastic injection molded parts.

Also, in 2023, the following projects will be prioritized and implemented:

• Production of Electroarges brand vacuum cleaners with the new design and assessment of the possibility to introduce the industrial EA vacuum cleaner in the market.

• Completion of the feasibility study, technology and manufacturing flow for the introduction into production of the Carpet for vibration absorption.

Opportunities for collaboration in production with important manufacturers will be identified and initiated, especially with those in the area of plastic injection molded parts.

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 company 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.

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: Arctic SA, Prysmian Cabluri si Sisteme SA, Italinox Romania SRL, DS Smith Packaging SRL, Greiner Assistec SRL, VM Comp SRL, etc.

The selection, comparison, negotiation and capitalization of the most advantageous offers for our company have been and still are priorities in the activity of purchasing raw materials and materials from suppliers.

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

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

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

- EDS International INC and Domel D.O.O.– for vacuum cleaner motors;
- Inno-Comp KFT- for plastics;
- Truplast Hungary, Emilsider Meccanica SPA, Domel D.o.o, Aspect III Ltd, Arwed Loeseke, Everel Group SPA, etc. - for vacuum cleaner parts.

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

1.1.4. Evaluation of sales.

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

Item	Indicator	Earned	Earned	Earned	Earned

no.		2019	2020	2021	2022
1.	Sales (thousand lei)	192,666	247,138	304,202	75,715
2.	Sales (thousand EUR)	40,602	51,082	61,802	15,296
3.	Domestic sales (thousand lei)	8,206	20,289	47,862	46,478
4.	Domestic sales (thousand EUR)	1,729	4,332	9,720	9,440
5.	Export sales (thousand lei)	184,460	226,149	256,340	28,947
6.	Export sales (thousand EUR)	38,873	46,750	52,078	5,856

Compared to the total value of sales from previous years, in 2022 there is a significant decrease in sales compared to 2021, determined by the termination of the collaboration with the main customer Kaercher.

Export sales decreased significantly in 2022 compared to 2021, while domestic sales remained approximately at the same level.

An important share of the turnover results from the commercial relationship with the Kaercher company from Germany.

The most important part of the turnover results from the commercial relationship with the companies Arctic and Haier for injection molded parts.

Against this background, corroborated with the difficulties of operating on the Romanian market, sales on the domestic market decreased slightly, currently the manufacture of household appliances and products being carried out at the level of existing or anticipated short-term orders.

At present, the integrated management system records the implementation and certification of the quality management system and the environmental management system.

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

Also for 2022, the competition on the market of household appliances and products was accentuated by the economic evolutions in Europe, for example the change of the euro/dollar parity, but especially by the influence on the sales by the COVID – 19 pandemic situation. The market was overcrowded with branded products at comparable prices or even lowers than those of Electroarges products. Also on the market are many products manufactured by Asian manufacturers at very low prices and with a more attractive design, under well-known domestic or Western brands, which are offered for sale on tempting payment terms.

We add to those presented above the acquisition behavior of the final customer manifested by a very low interest in the purchase of appliances in general.

The main competitors of Electroarges are the companies that manufacture under recognized brands, having sales through chains of supermarket type stores, in the conditions of considerable marketing-sales budgets.

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

In 2022, the company run several contracts, with Alfred Kaercher Germany only for the months of January and February 2022, and for plastic injection part with Arctic SA and Haier Tech SRL, contracts that represent a significant share of the turnover. The termination of the contract with Alfred Kaercher had a negative impact on the company's evolution over time with negative social implications. Evidently, Electroarges SA finds itself in this situation.

Also, in 2022, the collaboration with Arctic SA and Haier Tech SRL was consolidated, which represents 53% of the turnover.

The conclusion is only one, namely that the company must make a sustained effort in intensifying and identifying methods for developing the range of own products and collaborations for increasing the turnover and loading the existing production capacities.

In this sense, Electroarges implemented and started the collaboration with the client Makita, by contracting the production of injection molds related to future projects that will be implemented in Q2 2023 in the production of plastic mass injection.

At the same time, the discussions for offering and implementing future projects with various prestigious companies such as SEB Groupe, Philips, Hamilton, Steinel, Martur, Polti SpA, Stratos, Valeo, etc. were continued and established contacts with various such as Wagner, Rosti, Yazaki, etc.

At the same time, Electroarges started research and development programs and implementation of its own product projects.

Thus, the company makes the necessary efforts and registers achievements in the sense of increasing the client portfolio and loading the available production capacities, weighting and diversifying the client base, diversifying the industrial fields as well as increasing the share of the turnover of its own products.

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

a). Specifying the number and level of training of the company's employees, as well as the degree of unionization of the labor force:

On 31.12.2022 the total number of Electroarges SA employees was 177, out of which:

- 121 employees with an employment contract for an indefinite period;
- 47 employees for a definite period;
- 9 employees with a suspended employment contract (7 employees – maternity leave and 2 employees - elective position).

The staff structure on 31.12.2022 was as follows:

Total staff:	**- 177 (85 women, 92 men)**
Working staff:	- out of which:
- Direct workers	- 104
- Indirect workers	- 29
Foremen:	- 3
TESA staff:	- 41 out of which:
- Engineers:	- 16
- Engineer assistants:	- 2
- Economists	- 14
- Technicians	- 0
- Other categories	- 9

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

Professional training in 2022 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 in 2022 aimed mainly at developing the workforce to become more adaptable to the structural changes in the context of skills shortages identified in domestic labor with emphasis on qualification and requalification of the workforce directly at the workplace. In this regard, the development of professional skills for integration into a professional standard was taken into account, offering employees the knowledge necessary to master the trade or occupation based on their experience at work, manufacturing products to better meet the foreign partners' evolving needs and quality requirements.

Also in 2022 was organized the personal testing program specialized in the trades of forklift drivers, crane operators, stokers, laboratory testers and binders for the extension of work permits in the year that ended. They passed the exam and were re-authorized by ISCIR for 2022.

In the same vein, on 31.12.2022, out of 177 employees, 46 were union members and 131 employees are not union members.

Degree of unionization:	- non union members	74.02%
	- union members	25.98%

Most issues related to labor jurisdiction have been settled amicably.

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

Relationships between manager and employees were and are governed by the 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 negociation.

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 authorization is currently being reviewed

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:

<u>Environmental factor AIR:</u>

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).

The 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 are followed.

<u>Environmental factor WATER:</u>

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. 33/15.09.2020 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.

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, approbed by the Government Decision no. 188/2002, as further amended and supplemented, are followed. Monitoring of 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 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 the GEO 92/2021 on waste are followed.

Hazardous waste is collected selectively, temporarily stored in appropriate comtainers 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 the Government Emergency Ordinance 92/2011 on the management of waste oil are applied by : providing collection of waste oil on types, use of appropriate collection containers, avoiding soil or groundwater contamination, their storage in specially designed premises, capitalization of the waste oil by authorized economic agents, after requesting and receiving the Dangerous Goods Transport / Shipment Form.

Primary, secondary and third packaging and for transport 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.

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

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 remanining useful life.

The 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 chamical 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 movment 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 ilegal 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 precusors 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) to carry out the business activity.

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 2022, the collaboration in production with Arctic was extended, by assimilating into the manufacturing process of an important range of plastic injection molded parts, pad printed parts, subassemblies and part kits. Also in 2022, the collaboration with Haier Tech SRL started. Also, the collaboration with Steinel in the production of plastic injection molded parts continued and the offers and discussions with the automotive manufacturers continued.

In 2022, the department's expenses will be directed towards the development and implementation of the main projects such as:

- EA Cleaner brand vacuum cleaner (3 different models);
- Vibration absorption carpet, together with the production line;
- Electroarges brand restyled products;
- Other new projects.

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

Electroarges SA is facing two major risks:

- Considering the termination starting from March 2022 of the collaboration in production with the Alfred Kaercher company, certain equipment are not loaded to maximum capacity;

- 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 Electroarges SA's capacity to support interest and reimbursement rates.

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

In order to reduce and even eliminate these risks, the Board of Directors defined its strategy for the following years, consisting of:

- ensuring profitability on the traditional market (increasing the competitiveness of products through redesign, controlling manufacturing costs, reducing non-quality costs, stimulating sales by changing marketing policies);

- penetration on new markets and diversification of the range of services / products offered;

- providing services and making products for third parties in related fields (for which there are insufficiently exploited technological capabilities);

- participation in inter-disciplinary programs at national and international level; attracting non-reimbursable structural funds;
- developing the client portfolio.

1.1.9. Prospects regarding the company's activity :

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

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

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

-diversifying the client portfolio ;

-reduce and liquidize inventories ;

-reduce funding costs by renegotiating contracts with suppliers and clients ;

-refocus the sales from the need to ensure volume to ensuring profitability ;

-sales-production-acquisitions relational planning with consolidating all categories of inventories;

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

1.1.9.b). Presentation and analysis of the effects of equity expenses, current or anticipated, on the company's financial situation, compared to the same period last year.

Economic and financial indicators group December 31, 2022:

EQUITY PROFITABILITY AND RETURN	**December 31 2021**	**December 31 2022**
Efficiency of the available equity		
Profit before interests and tax (A)	(10,284,817)	(10,613,371)
Available equity (B)	11,006,959	3,329,028
A/B	**(0.93)**	**(3.19)**

Efficiency of the own equity		
Net profit / loss (A)	(11,849,219)	(10,569,929)
Own equity (B)	47,380,755	55,613,196
A/B	**(0.25)**	**(0.19)**
Operating profit rate		
Profit before interests and tax (A)	(10,284,817)	(10,613,371)
Operating income (B)	306,028,482	77,379,099
A/B	**(0.03)**	**(0.14)**
Net profit rate		
Net profit (A)	(11,849,219)	(10,569,929)
Total income (B)	306,040,058	77,379,131
A/B	**(0.04)**	**(0.14)**
Total assets rate		
Profit before interests and tax (A)	(10,284,817)	(10,613,371)
Total assets (B)	130,921,090	116,178,929
A/B	**(0.08)**	**(0.09)**

SOLVABILITY	**December 31 2021**	**December 31 2022**
Liability rate		
Total obligations (A)	83,540,335	60,565,733
Total assets (B)	130,921,090	116,178,929
A/B	**0.64**	**0.52**
Financial autonomy rate		
Own equity (A)	47,380,755	56,613,196
Total assets less net current liabilities (B)	66,626,778	68,551,572
A/B	**0.71**	**0.81**

LIQUIDITY AND WORKING EQUITY	**December 31 2021**	**December 31 2022**
General liquidity rate		
Current assets	46,479,779	16,937,725
Current obligations	64,294,312	47,627,357
(A/B)	**0.72**	**0.36**
Fast liquidity rate		
Current assets	46,479,779	16,937,725
Inventories	13,299,315	4,236,392

Current obligations	64,294,312	47,627,357
(A-B)/C	**0.52**	**0.27**
Customer collection period		
Trade receivables (A)	9,645,330	6,524,871
Net turnover (B)	302,853,909	75,715,347
(A/B)*365 days	**12**	**31**
Inventory immobilization period		
Inventories (A)	13,299,315	4,236,392
Net turnover (B)	302,853,909	75,715,347
(A/B)*365 days	**16**	**20**
Suppliers payment period		
Suppliers (A)	28,087,277	8,661,885
Material and external expenses (B)	277,479,021	70,395,301
(A/B)*365 days	**37**	**45**

The company has no outstanding obligations to the state budget.

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

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

Electroarges SA is a production company that has been active in the home appliance industry since 1971, so it is not immune to the drastic changes in the economic environment that characterize the immediate past and the near future, mainly caused by the COVID 19 pandemic, and marked by major challenges and uncertainties for any production unit.

Currently, in addition to the general situation in the market, Electroarges SA terminated its collaboration with the majority client, Alfred Kaercher GMBH, which also gives the advantage of being able to respond and implement new projects promptly.

On 06.12.2021 Electroarges SA received the Notification of Alfred Karcher SE & Co. KG announcing the termination of the Supply Contract concluded with Electroarges starting with 30.06.2022 and the Notification of Alfred Karcher SE & Co. KG announcing the termination of the

Tool Loan Agreement concluded with Electroarges starting with 30.04.2022 and their returning until 30.04.2022.

In this sense, the company took the necessary measures in time, by resizing the staff and expenses, by re-planning the way of working, by the strategies and commercial activities but also by acquisitions.

Regarding the staff resizing, the company closed the contract with Manpower Romania SRL, which had as object staff leasing. From this action results the resizing of the staff with a number of 360 people. Also, within the company, the staff was resized, reaching a number of 177 employees.

The company renegotiated the contracts with the service providers related to the operating activity, thus obtaining significant reductions in the operating expenses.

Given the decrease in production activity, utility expenses will decrease significantly.

With the close of cooperation with Alfred Kaercher, transport expenses for imports will decrease.

For the year 2023, the company has a sales forecast with a total turnover of 93,000,000 lei, which means an increase of 22.50% compared to the turnover of 2022.

At the same time, the company makes sustained steps and efforts to ensure increased efficiency and productivity, a context in which a long-term investment plan has been implemented and developed in all sectors: personnel, technologies, equipment and buildings.

Thus, in the current situation, as well as in the general pandemic context, the company intends to increase the ongoing collaborations but also to diversify the client portfolio, as well as the services.

The measures already implemented, as well as the planned ones, ensure the continuity and stability of the company.

2. COMPANY'S TANGIBLE ASSETS

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

Electroarges SA has its registered office in Bucharest, str. Horatiu, nr. 8 – 10 and the operating division where the production activity takes place, 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 whitin the company, the following classification may be used:

- production activity - takes place in 2 main units of production, namely: BLC and 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 activitiy;
- logistics, acquisitions and transportation;
- financial-accounting activity;
- production planning and monitoring;
- human resources and administrative management.

The investments made in 2022 are in the amount of 13,569,158 lei, out of which:
- Modernized fixed assets: 10,695,606 lei;
- Technological equipment (machines, equipment): 2,434,714 lei;
- Furniture, equipment, office supplies: 438,838 lei.

2.2. Analysis of the company's property wear

The wear of all the company's capabilities is 62,11%, by category of assets fluctuating from minimum to maximum.

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

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

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

It is not the case.

3. COMPANY-ISSUED SECURITY MARKET

3.1. Electroarges SA is registered at the Financial Regulator 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 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.

Distribution of profit in 2017

On 31.12.2017 Electroarges SA registered a net profit of 12,874,618.94 lei, which was approved for distribution as follows:

Net profit in 2017	**12,874,618.94**
Reserves – Fixed Assets from Reinvested Profit	1,557,497.75
Dividends (69,764,650 shares * 0.12 lei).	8,371,758.00
Net profit distributed to directors	611,544.00
Net profit distributed to employees	547,171.30

Other reserves	1,786,647.89

Distribution of profit in 2018

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

Net profit in 2018	**12,258,123.32**
Reserves – Fixed Assets from Reinvested Profit	1,525,967.84
Dividends (69,764,650 shares * 0,12 lei).	8,371,758.00
Other reserves	2,360,394.48

Distribution of profit in 2019

On 31.12.2019 Electroarges SA registered a net profit of 2,036,988.50 lei, which was approved for distribution as follows:

Net profit in 2019	**2,036,988.50**
Reserves – Fixed Assets from Reinvested Profit	625,249.90
Other reserves	1,411,738.60

In 2020, the company registered a net loss of 12,411,167 lei, and in 2021 a net loss of 11,849,219 lei, so that these values were carried forward.

In 2022, the company registered a net loss of 10,569,929 lei.

3.3. The Board of Directors of Electroarges SA was not put in the situation to approve the acquisition by the Company of its own shares, but based on the EGMS Decision no. 80 of 11.06.2011 and of the OGMS Decision no. 82/21.04.2012, the shares subscribed and not paid following the action to increase the share capital were canceled.

In December 2017, by the EGMS decision 104/11.12.2017, a program for the redemption of own shares was approved, a decision that was suspended by the Arges Specialized Tribunal.

3.4. 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 helds 2,723,011 shares (86.14% of the share capital);

2. Elars SA, in which Electroarges helds 20,555,276 shares (88.16% of the share capital);
4. Braiconf SA, in which Electroarges helds 14,124,057 shares (22.49% of the share capital).

Electroarges SA does not have branches.

3.5. Electroarges SA issued 2,006,000 registered bonds, in dematerialized form, corporate, non-convertible, guaranteed, at a nominal value of 2.5 lei, in December 2022, for a total value of 5,015,000 lei, with an annual interest of 4 .75% and with a maturity (maturity) of 5 (five) years.

4. COMPANIES' MANAGEMENT

4.1. a). List of Electroarges SA's directors

Based on the OGMS Decision no. 110 of 26.04.2021, ***the structure of the Electroarges SA's Board of Directors*** is as follows:

The members of the Electroarges SA Board of Directors are:

Item no.	Surname	Given names	Position
1.	Stefan	Constantin	Chairman of the Board
2.	Cardinal Main SRL	by permanent representative Roxana Scarlat	Vice-Chairman of the Board
3.	Csoarpi Saints SRL	by permanent representative Adrian Ionescu	Board Member

Any contract, understanding or family relationship between that director and another person for whom that person has been appointed director.

Not the case.

4.1.b). Directors' participation to the share capital

Item no.	Surname	Given names	Position	No. of shares
1.	Stefan	Constantin	Chairman of the Board	0

4	Cardinal Main SRL	by permanent representative Roxana Scarlat	Vice-Chairman of the Board	0
5.	Csoarpi Saints SRL.	by permanent representative Adrian Ionescu	Board Member	0

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

Item no.	Full name	Share capital participation rate
1.	Stefan Constantin – indirect holding through Investments Constantin SRL and Benjamin United SRL	37.73%
2.	Investments Constantin SRL	36.84%
3.	Benjamins United SRL	-
4.	Amplo SA – Electroarges holdings	84.41%
5.	Elars SA - Electroarges holdings	88.16%
6.	Braiconf SA - Electroarges holdings	22.49%
7.	Csoarpi Saints SRL – indirect affiliation through joint management	-
8.	Cardinal Main SRL – indirect affiliation through joint management	-
9.	Number RD SRL – indirect affiliation through joint management	-
10.	Low Estate SRL – indirect affiliation through joint management	-
11.	Pacific Estate SRL – indirect affiliation through joint management	-

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

Item no.	Surname	Given Names	Position	Period as a member of the executive management
1.	Borgia	Michele	Deputy General Manager	16.12.2020 – 20.06.2022
2.	Caramida	Valentin	Deputy General Manager	20.06.2022 – 31.12.2022
3.	Caramida	Valentin	Operational Manager	05.06.2020 – 19.06.2022
4.	Petre	Iulia	Financial Manager	01.05.2020 – indefinite
5.	Balanescu	Madalina	Head of Financial-Accounting	29.08.2022 – indefinite
6.	Onu	Patricia	Project Manager	17.05.2021 – indefinite

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	Participation in the company's capital with shares
1.	Borgia	Michele	Deputy General Manager	0
2.	Caramida	Valentin	Deputy General Manager	0
3.	Caramida	Valentin	Operational Manager	0
4.	Petre	Iulia	Financial Manager	0
5.	Balanescu	Madalina	Head of Financial-Accounting	0
6.	Onu	Patricia	Project 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. Statement of assets, liability and equity:

	31.12.2021	31.12.2022
Fixed assets	84,441,311	99,241,204
Current assets	46,479,779	16,937,725
TOTAL ASSETS	**130,921,090**	**116,178,929**

Short-term liabilities	64,294,312	47,627,357
Long-term liabilities	19,246,023	12,938,376
TOTAL LIABILITIES	**83,540,335**	**60,565,733**
NET ASSETS	**47,380,755**	**55,613,196**
Share capital	6,976,465	6,976,465
Legal reserve	1,617,005	1,617,005
Net reserves from revaluation	6,827,207	27,367,632
Other reserves	44,442,530	44,442,530
Retained earnings	(12,482,452)	(24,790,436)
TOTAL EQUITY	**47,380,755**	**55,613,196**

5 b. Statement of income and expenses

Indicator	**31.12.2021**	**31.12.2022**
OPERATING INCOME		
Net turnover	**302,853,909**	**75,715,347**
Other operating income	2,273,095	3,171,240
Changes in inventories	901,478	(-)1,507,487
TOTAL operating income	**306,028,482**	**77,379,100**
OPERATING EXPENSES		
Expenses on raw materials and consumables	226,859,998	52,866,653
Expenses on personnel	28,219,017	9,959,744
Expenses on amortization and provisions	13,823,579	7,189,139
Other operating expenses	47,410,705	17,528,648
TOTAL operating expenses	**316,313,299**	**87,544,184**
OPERATING RESULT	**(10,284,817)**	**(10,165,084)**

Financial income	11,576	32
Financial expenses	(2,260,548)	(1,442,734)
GROSS RESULT OF THE FINANCIAL YEAR	**(12,533,789)**	**(11,607,786)**
Current tax on profit expense	**(759,550)**	**0**
Deferred tax on profit (expense)/income	**1,444,120**	**1,037,857**
NET RESULT OF THE FINANCIAL YEAR	**(11,849,219)**	**(10,569,929)**

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 follows the shareholders' rights, providing them fair treatment.

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

For the financial year 2022, information on the financial calendar, annual, half-yearly, quarterly and current reports were posted on time.

VICE-CHAIRMAN OF THE BOARD OF DIRECTORS,

SCARLAT ROXANA

ELECTROARGES SA REMUNERATION REPORT FOR 2022

Starting with the 2022 Electroarges SA has prepared and published the Remuneration Report for Administrators and Directors for the year 2021, in accordance with the provisions of Law 24/2017 on issuers of financial instruments and market operations. The report was put to the vote (having an advisory character) during the Ordinary General Meeting of Electroarges SA Shareholders on 28.04.2022 and was approved by unanimous votes.

The Electroarges SA Board of Directors prepared in accordance with the remuneration policy of the company's directors this annual report ("Remuneration Report") which includes the remuneration granted to the company's directors during the financial year ended on December 31, 2022, in accordance with GEO no. 109/2011 on the corporate governance of public enterprises and Law no. 24/2017 on the issuers of financial instruments and market operations.

The company complies with the remuneration principles established in the Remuneration Policy approved by the Electroarges SA General Meeting of Shareholders, but also the applicable legal regulations taking into account the extent to which they are appropriate to its size, internal organization and the nature and complexity of its activities.

The remuneration policy was applied to all the Electroarges SA Administrators and Executive Directors, regardless of the date of appointment or the date of termination of the mandate.

The Remuneration Report is subject to the advisory vote of the general meeting of shareholders along with the approval of the financial statements for 2022 and will be published on the website electroarges.ro and remain available to the public for 10 years from publication, in accordance with applicable legal provisions.

The remuneration of the directors is set by the Electroarges SA general meeting of the shareholders, in accordance with the provisions of Law no. 31/1990 and the Company’s Articles of Incorporation.

The additional remunerations of the directors are set in general limits by the decision of the general meeting of shareholders. The total annual value of the additional remunerations paid to the directors may not exceed the limits set by the decision of the general meeting of shareholders.

The additional remunerations are fixed and based exclusively on factors such as the time devoted to the performance of the duties, participation in the board of directors' meetings, responsibilities assumed within the board of directors, participation in the activities of special committees set up at the board level, and the like factors that do not depend on and do not take into account the company's results and performance.

The Board of Directors is responsible for the fulfillment of all necessary measures, both for the development of the company's activity and for its supervision. Its composition, organization, attributions and responsibilities are established by the Articles of Incorporation. In accordance with the provisions of the company's Company's Articles of Incorporation, starting with 28.04.2021, the Board of Directors consists of three members, appointed by Electroarges SA OGMS for a four-year term.

The Board of Directors will ensure the proportionality of the remuneration granted with the specific responsibilities of the management positions, according to the approved remuneration policy, so as to ensure an adequate and responsible remuneration leading to the increase of performances in order to increase the company's value, for the benefit of its shareholders.

1. The remuneration structure of the company's directors for 2022

The remuneration of the members of the Board of Directors has two main components, a fixed monthly remuneration and a variable remuneration, as follows:

- The fixed monthly remuneration is established by the OGMS: 6,000 lei net for natural person directors and 12,000 lei for legal person directors;
- The variable remuneration is established by the OGMS and must not exceed 2.75% of the net assets.

Also, for the members of the Board of Directors, a series of financial and non-financial benefits are provided in the management contracts approved by the OGMS, as follows:

- Reimbursement of all expenses related to the fulfillment of the mandate;
- A compensation in case of unjustified revocation;
- Any equipment/means necessary for the proper fulfillment of the duties and obligations stipulated by the Administration Contract.

Expenses settled by the company and carried out by directors in the interest and for the purpose of exercising the mandate of director are not considered remuneration in the sense of the Remuneration Policy.

The Board of Directors' structure in 2022 was as follows:

- Stefan Constantin - Chairman of the Board;
- Cardinal Main SRL by permanent representative Roxana Scarlat– Vice-Chairman of the Board;
- Csoarpi Caints SRL by permanent representative – Member.

The structure of the Directorate was as follows:

- Michele Borgia held the position of Deputy General Manager from 01.01.2022 until 06.20.2022.
- Valentin Nicolae Caramida held the position of Deputy General Manager between 20.06.2022 - 31.12.2022. Starting with 01.01.2023, the Board of Directors decided that Mr. Valentin Nicolae Caramida to hold the position of General Manager, for a term of 4 (four) years.

Full name	Position	Duration	Remuneration set	Fixed	Variable
Stefan Constantin	Chairman	01.01.2022 – 31.12.2022	According to the OGMS Decision – 28.04.2022	123,084 lei	16,000 lei
Cardinal Main SRL by permanent representative Roxana Scarlat	Vice-Chairman	01.01.2022 – 31.12.2022	According to the OGMS Decision – 28.04.2022	136,000 lei – 2022	444,000 lei
Csoarpi Saints SRL by permanent representative Adrian Ionescu	Member	01.01.2022 – 31.12.2022	According to the OGMS Decision – 28.04.2022	136,000 lei	904,000 lei
Michele Borgia	Deputy General Manager	01.01.2022 – 20.06.2022	According to the Agreement	127,698 lei	-
Valentin Nicolae Caramida	Deputy General Manager	20.06.2022 – 31.12.2022	According to the Agreement	127,816 lei	-

Non-financial benefits for Electroarges SA administrators and executive directors:

Full name	BD status	Period of activity	Non-financial benefits			
			Laptop	Telephone	Car	Company housing
Constantin Stefan	Chairman	01.01.2022 – 31.12.2022	YES	YES	YES	YES
Cardinal Main SRL by permanent representative Roxana Scarlat	Vice-Chairman	01.01.2022 – 31.12.2022	YES	YES	NO	YES
Csoarpi Saints SRL by permanent	Member	01.01.2022 – 31.12.2022	YES	YES	YES	NO

representative Adrian Ionescu						
Michele Borgia	Deputy General Manager	01.01.2022 – 20.06.2022	YES	YES	YES	NO
Valentin Nicolae Caramida	Deputy General Manager	20.06.2022 – 31.12.2022	YES	YES	YES	NO

The general limits of all the additional remunerations of the members of the Board of Directors were approved in the General Meeting of Shareholders at the amount of 2.75% of the turnover. For the year 2022, the value of the additional remunerations reaches the value of 2.35%, so that the approved value has not been exceeded.

The Chairman of the Board of Directors, Stefan Constantin, received in 2022 a total remuneration of 20,512 lei gross from Amplo SA.

2. Comparative information on the modification of the remunaration and the company's performance

Full name	Position	Duration	Gross Annual Fixed Remunaration				
			2022	2021	2020	2019	2018
Stefan Constantin	Chairman	01.01.2022 – 31.12.2022	123,084 lei	123,084 lei	123,084 lei	123,084	123,084 lei
Cardinal Main SRL by permanent representative Roxana Scarlat	Vice-Chairman	01.01.2022 – 31.12.2022	136,000 lei	80,000 lei	-	-	-
Csoarpi Saints SRL by permanent representative Adrian Ionescu	Member	01.01.2022 – 31.12.2022	136,000 lei	80,000 lei	-	-	-
Michele Borgia	Deputy General Manager	01.01.2022 – 20.06.2022	127,698 lei	249,834 lei	9,999 lei	-	-
Valentin Nicolae Caramida	Deputy General Manager	20.06.2022 – 31.12.2022	127,814 lei	-	-	-	-

Full name	Position	Duration	Gross Annual Variable Remunaration

			2022	2021	2020	2019	2018
Stefan Constantin	Chairman	01.01.2022 – 31.12.2022	16,000 lei	56,000 lei	0 lei	0 lei	0 lei
Cardinal Main SRL by permanent representative Roxana Scarlat	Vice-Chairman	01.01.2022 – 31.12.2022	444.000 lei	1,075,000 lei	-	-	-
Csoarpi Saints SRL by permanent representative Adrian Ionescu	Member	01.01.2022 – 31.12.2022	904,000 lei	1,120,000 lei	-	-	-
Michele Borgia	Deputy General Manager	01.01.2022 – 20.06.2022	-	-	-	-	-
Valentin Nicolae Caramida	Deputy General Manager	20.06.2022 – 31.12.2022	-	-	-	-	-

Evolution of the remuneration	2022 vs 2021		2021 vs 2020		2020 vs 2019		2019 vs 2018	
	Fixed	Var	Fixed	Var	Fixed	Var	Fixed	Var
Stefan Constantin	0	-71.43%	0	-	0	-	0	-
Cardinal Main SRL	+70%	-58.70%	n/a	n/a	n/a	n/a	n/a	n/a
Csoarpi Saints SRL	+70%	-19.29%	n/a	n/a	n/a	n/a	n/a	n/a
General Manager/ Deputy General Manager	+ 2.27%	-	-24.2%	-	-22.9%	-	-41.4%	-
Employees' remuneration		-	+4.1%	-	+3.9%	-	+18.5%	-
Turnover	Decrease by 75%		Increase by 23.4%		Increase by 27.4%		Increase by 0.7%	
Net profit/loss	Decrease by 0.8%		Increase by 1.6%		Decrease by 709.3%		Decrease by 83.4%	

In 2022, there were no deviations from the Remuneration policy regarding the remuneration of the members of the Board of Directors, being followed the structure and principles presented in the Remuneration Policy approved by the shareholders for all the components of the remuneration.

This report was drawn up in accordance with the requirements of the Law 24/2017 and was approved by the Electroarges SA Board of Directors on 24.03.2023, to be subject to approval at the Annual Ordinary General Meeting of Shareholders, provided for in art. 111 of the Law 31/1990, the shareholders' opinion in the general meeting regarding the Remuneration Report, following the vote, having an advisory character. The Issuer will explain in the next Remuneration Report how the vote of the General Assembly was taken into account.

ELECTROARGES SA, BUCHAREST
STR. HORATIU, NR. 8 - 10, SECTOR 1
Tax Code: 156027, Trade Register Registration No.: J40/8487/2022
BSE LOGO: elgs
BSE Corporate Governance Code

Code Provisions	Complies	Does not comply or partially complies	Reason for non-compliance
A.1 All companies must have internal Board rules which include the terms of reference/responsibilities of the Board and the company's key management functions, and which apply, among others, the General Principles in Section A.	YES		
A.2 Provisions for managing conflicts of interest should be included in the Board's regulations. In any case, Board members must notify the Board of any conflicts of interest that have arisen or may arise, and refrain from participating in discussions (including by not appearing, unless failure to appear would prevent the formation of a quorum) and to the vote for the adoption of a decision regarding the issue that gives rise to the respective conflict of interest.	YES		
A.3 The Board of Directors or the Supervisory Board must have at least five members.	NO		The Board of Directors consists of three members.

A.4 The majority of the members of the Board of Directors must not have an executive position. At least one member of the Board of Directors or the Supervisory Board must be independent in the case of Standard Category companies. In the case of Premium Category companies, no less than two non-executive members of the Board of Directors or the Supervisory Board must be independent. Each independent member of the Board of Directors or the Supervisory Board, as the case may be, must submit a declaration at the time of his nomination for election or re-election, as well as when any change in his status occurs, indicating the elements on the basis of which it is considered that is independent in character and judgment and according to the following criteria: **A.4.1** is not the General Manager/executive director of the company or a company controlled by it and has not held such a position in the last five (5) years; **A.4.2** is not an employee of the company or a company controlled by it and has not held such a position in the last five (5) years; **A.4.3** does not receive and has not received additional remuneration or other advantages from the company or a company controlled by it, apart from those corresponding to the capacity of non-executive administrator; **A.4.4** is not or was not the employee or does not have or did not have during the previous year a contractual relationship with a significant shareholder of the company, a shareholder controlling more than 10% of the voting rights, or with a company controlled by him; **A.4.5** does not have and did not have in the previous year a business or professional relationship with the company or with a company controlled by it, either directly or as a client, partner, shareholder, member of the Board/Administrator, general manager /executive director or employee of a company if, by its substantial character, this report may affect its objectivity; **A.4.6** is not and has not been in the last three years the external or internal auditor or partner or salaried associate of the current external financial auditor or the internal auditor of the company or of a company controlled by it; **A.4.7.** is not the general manager/executive director of another company where another general manager/executive director of the company is a non-executive director; **A.4.8** has not been a non-executive administrator of the company for a period longer than twelve years; **A.4.9** has no family ties with a person in the situations mentioned in sections A.4.1. and A.4.4.	YES		

A.5 Other relatively permanent professional commitments and obligations of a Board member, including executive and non-executive positions on the Board of non-profit companies and institutions, must be disclosed to shareholders and potential investors prior to nomination and during his term of office.		NO	We are going to take steps to amend the Supervisory Board's regulations in order to comply with the BSE Code.
A.6 Any member of the Board must provide the Board with information regarding any relationship with a shareholder who directly or indirectly owns shares representing more than 5% of all voting rights. This obligation relates to any report that may affect the member's position on matters decided by the Council.	YES		
A.7 The company must appoint a Secretary of the Board responsible for supporting the work of the Board.	YES		
A.8 The corporate governance statement will inform whether there has been a review of the Board under the direction of the Chairman or the nomination committee and, if so, will summarize the key actions and changes resulting therefrom. The company must have a Board evaluation policy/guideline covering the purpose, criteria and frequency of the evaluation process.		NO	Annually, the Supervisory Board presents the activity report in the first Ordinary General Meeting of Shareholders. Until this moment, it has not implemented a policy for evaluating the Supervisory Board, the activity of the Supervisory Board being analyzed by the OGMS.
A.9 The corporate governance statement must contain information on the number of meetings of the Board and committees during the last year, the participation of directors (in person and in absentia) and a report of the Board and committees on their activities.	YES		
A.10 The corporate governance statement must contain information on the exact number of independent members of the Board of Directors or the Supervisory Board.		NO	Until this moment, there was no information about the number of independent members, but on the company's website are published the decisions of the GMS by which members were elected.
A.11 The Board of Premium Category companies must establish a nomination committee made up of executive members, which will lead the nomination process of new Board members and make recommendations to the Board. The majority of the members of the nomination committee must be independent.	YES		

B.1 The Board must establish an audit committee in which at least one member must be an independent non-executive director. The majority of members, including the chairman, must have demonstrated that they have appropriate qualifications relevant to the functions and responsibilities of the committee. At least one member of the audit committee must have proven and appropriate auditing or accounting experience. In the case of Premium Category companies, the audit committee must consist of at least three members and the majority of the members of the audit committee must be independent.		NO	We do not have an audit committee. In the next period, the company will start the implementation procedure of the internal audit committee, taking into account also the outsourcing of the service.
B.2 The chairman of the audit committee must be an independent non-executive member.		NO	We do not have an audit committee.
B.3 As part of its responsibilities, the audit committee must carry out an annual assessment of the internal control system.		NO	We do not have an audit committee.
B.4 The assessment must take into account the effectiveness and coverage of the internal audit function, the adequacy of the risk management and internal control reports presented to the Board's audit committee, the promptness and effectiveness with which the executive management resolves the deficiencies or weaknesses identified in following the internal control and presenting relevant reports to the attention of the Board.		NO	We do not have an audit committee.
B.5 The audit committee must assess conflicts of interest in relation to the company's and its subsidiaries' related party transactions.		NO	We do not have an audit committee.
B.6 The audit committee must evaluate the effectiveness of the internal control system and the risk management system.		NO	We do not have an audit committee.
B.7 The audit committee must monitor the application of legal standards and generally accepted internal auditing standards. The audit committee must receive and assess the reports of the internal audit team.		NO	We do not have an audit committee.
B.8 Whenever the Code mentions reports or analyzes initiated by the Audit Committee, these must be followed by periodic (at least annual) or ad hoc reports that must then be submitted to the Board.		NO	We do not have an audit committee.
B.9 No shareholder can be granted preferential treatment over other shareholders in relation to transactions and agreements concluded by the company with shareholders and their affiliates.	YES		

B.10 The Board must adopt a policy to ensure that any transaction of the company with any of the companies with which it has close relations whose is equal to or greater than 5% of the company’s net assets (as per the latest financial report) is approved by the Board following a binding opinion of the Board's audit committee and fairly disclosed to shareholders and potential investors, to the extent that these transactions fall within the category of events subject to reporting requirements.		NO	We do not have an audit committee.
B.11 Internal audits must be carried out by a structurally separate division (internal audit department) within the company or by hiring an independent third party.		NO	We do not have an audit committee.
B.12 In order to ensure the fulfillment of the main functions of the internal audit department, it must report functionally to the Board through the audit committee. For administrative purposes and as part of management's obligations to monitor and reduce risks, it must report directly to the General Manager.		NO	We do not have an audit committee.
C.1 The company must publish on its website the remuneration policy and include in the annual report a statement regarding the implementation of the remuneration policy during the annual period under review. The remuneration policy must be formulated in such a way as to allow the shareholders to understand the principles and arguments underlying the remuneration of the members of the Council and the General Director, as well as the members of the Directorate in the dual system. It should describe how the process and decision-making on remuneration is conducted, detail the components of executive remuneration (such as wages, annual bonuses, long-term stock-based incentives, benefits in kind, pensions and others) and describe the purpose, principles and assumptions underlying each component (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy must specify the duration of the executive director's contract and the notice period provided for in the contract, as well as the possible compensation for dismissal without just cause. The remuneration report must present the implementation of the remuneration policy for the persons identified in the remuneration policy during the annual period under review. Any essential change in the remuneration policy must be published in good time on the company's website.	YES		

D.1 The company must organize an Investor Relations service - indicating to the general public the person/persons responsible or the organizational unit. Apart from the information required by the legal provisions, the company must include on its website a section dedicated to Investor Relations, in Romanian and English, with all relevant information of interest to investors, including:		Partially	The company has organized the shareholder service that manages the relationship with investors. There are special sections on the company's website where information is included, but there is no separate section - relations with investors. We are going to take steps to comply with the BSE code.
D.1.1 The main corporate regulations: the Articles of Incorporation, the procedures regarding the general meetings of shareholders;	YES		
D.1.2 The professional CVs of the members of the company's management bodies, other professional commitments of the members of the Council, including executive and non-executive positions in companies' boards of directors or in non-profit institutions;		NO	This obligation being newly introduced by the BSE Code, we are going to take steps to comply with the BSE Code.
D.1.3 Current reports and periodic reports (quarterly, half-yearly and annual) - at least those provided for in section D.8 - including current reports with detailed information regarding non-compliance with this Code;	YES		
D.1.4 Information regarding general meetings of shareholders: agenda and informative materials; the procedure for electing Council members; the arguments supporting the proposals of candidates for election to the Council, together with their professional CVs; shareholders' questions regarding the items on the agenda and the company's answers, including the resolutions adopted;	YES		
D.1.5 Information regarding corporate events, such as the payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of a shareholder's rights, including deadlines and principles applied to such operations. That information will be published within a time frame that allows investors to make investment decisions;	YES		
D.1.6 The name and contact details of a person who will be able to provide, upon request, relevant information;	YES		
D.1.7 Company presentations (investor presentations, quarterly results presentations, etc.), financial statements (quarterly, half-yearly, annual), audit reports and annual reports.	YES		

D.2 The company will have a policy on the annual distribution of dividends or other benefits to shareholders, proposed by the General Manager or the Board of Directors and adopted by the Board, in the form of a set of guidelines that the company intends to follow regarding the distribution of net profit. The principles of the annual policy of distribution to shareholders will be published on the company's website.		NO	We are going to take steps to comply with the BSE Code.
D.3 The Company will adopt a policy regarding forecasts, whether they are made public or not. Forecasts refer to quantified conclusions of studies aimed at establishing the global impact of a number of factors regarding a future period (the so-called hypotheses): by its nature, this projection has a high level of uncertainty; actual results may differ significantly from the forecasts initially presented. The forecast policy will set out the frequency, period covered and content of the forecasts. If published, forecasts can only be included in annual, half-yearly or quarterly reports. The forecast policy will be published on the company's website.		NO	We have not yet implemented a policy on forecasts. We are going to take steps to comply with the BSE Code.
D.4 The rules of general meetings of shareholders must not limit the participation of shareholders in general meetings and the exercise of their rights. The changes to the rules will come into force, at the earliest, starting with the next meeting of shareholders.	YES		
D.5 The external auditors shall be present at the general meeting of shareholders when their reports are presented at such meetings.	YES		
D.6 The Board will present to the annual general meeting of shareholders a brief assessment of the internal control and significant risk management systems, as well as opinions on some matters subject to the decision of the general meeting.	YES		
D.7 Any specialist, consultant, expert or financial analyst may participate in the shareholders' meeting based on a prior invitation from the Board. Accredited journalists may also attend the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	YES		
D.8 Quarterly and half-yearly financial reports shall include information in both Romanian and English regarding the key factors that influence changes in the level of sales, operating profit, net profit and other relevant financial indicators, both from a quarter to another, as well as from one year to another.	YES		
D.9 A company shall hold at least two meetings/teleconferences with analysts and investors each year. The information presented on these occasions will be published in the investor relations section of the company's website on the date of the meetings/teleconferences.		NO	We are going to take steps to comply with the BSE Code.

D.10 If a company supports different forms of artistic and cultural expression, sports activities, educational or scientific activities and considers that their impact on the innovative character and competitiveness of the company are part of its mission and development strategy, it will publish the policy regarding the activity in this field.		NU	We are going to take steps to comply with the BSE Code.

ELECTROARGES SA
Standalone financial statements for the year ending on December 31st 2022

prepared in accordance with IFRS adopted by the European Union

SUMMARY	PAGE

ELECTROARGES SA
Str. Albesti, Nr. 12 Cod Postal - 115300, Curtea de Arges - Romania
Telefon 0248 724 000, Fax 0248 724 004
electroarges@electroarges.ro
www.electroarges.ro

STATEMENT OF COMPREHENSIVE INCOME ON DECEMBER 31 2022
(expressed in lei, unless specified otherwise)

	Note	December 31 2022	December 31 2021
Income from contracts	**4**	**75,715,347**	**302,853,909**
Other operating income	**5**	3,171,240	2,273,095
Changes in inventories		(1,507,487)	901,478
Raw materials and consumables	**6**	(52,866,653)	(226,859,998)
Expenses on personnel	**7**	(9,959,744)	(28,219,017)
Amortization		(7,189,139)	(13,823,579)
Other operating expenses	**8**	(17,528,648)	(47,410,705)
Operating profit		**(10,165,084)**	**(10,284,817)**
Financial income	**9**	32	11,576
Financial expenses	**9**	(1,442,734)	(2,260,548)
Profit/loss before taxation		**(11,607,786)**	**(12,533,789)**
Expenses with the tax on profit		-	(759,550)
Income from the deferred tax on profit	**10**	1,037,857	1,444,120
Net profit/loss		**(10,569,929)**	**(11,849,219)**
BASIC/DILUTED PER SHARE RESULT	**11**	**(0.1515)**	**(0.1698)**
Other comprehensive income			
Revaluation of tangible assets		24,242,110	**-**
Remeasurement of benefit schemes offered to employees		134,037	73,391
Revaluation of financial investments at fair value		(2,062,353)	1,137,462
Related tax		(3,511,424)	(193,736)
Total other comprehensive income		**18,802,370**	**1,017,117**
Total comprehensive income		**8,232,441**	**(10,832,102)**

The financial statements were approved by the Board of Directors on 23.03.2023.

Vice-Chairman of the Board of Directors,
Roxana Scarlat

Head of the Financial Accounting
Department,
Madalina Balanescu

STATEMENT OF FINANCIAL POSITION ON DECEMBER 31 2022

(expressed in lei, unless specified otherwise)

	Note	December 31 2022	December 31 2021
Assets			
Fixed assets			
Tangible assets	**12**	86,258,378	65,787,983
Intangible assets	**13**	244,242	857,243
Financial assets in the form of securities	**14**	12,575,521	15,196,418
Deferred tax	**22**	9,579	2,483,145
Other fixed financial assets		153,484	116,522
TOTAL FIXED ASSETS		**99,241,204**	**84,441,311**
Current assets			
Inventories	**15**	4,236,392	13,299,315
Trade and other receivables	**16**	9,372,305	22,173,505
Restricted cash	**17**	1,000,000	-
Cash and cash equivalents	**17**	2,329,028	11,006,959
TOTAL CURRENT ASSETS		**16,937,725**	**46,479,779**
TOTAL ASSETS		**116,178,929**	**130,921,090**
Trade and other liabilities	**18**	36,097,098	52,881,215
Short-term loans from banking institutions	**19**	3,669,178	7,857,828
Lpng-term loans from banking institutions – current maturity	**19**	4,999,992	416,557
Leasing liabilities – short-term maturity	**21**	2,599,571	2,777,647
Employee benefits – short-term maturity	**23**	261,518	129,691
Liabilities with the tax on profit		-	231,374
TOTAL SHORT-TERM LIABILITIES		**47,627,357**	**64,294,312**
Long-term loans from banking institutions	**19**	4,580,816	9,580,808
Bond loans	**20**	5,015,000	-
Leasing liabilities – long-term maturity	**21**	2,704,173	5,252,277
Employee benefits – long-term maturity	**23**	511,282	222,815
Subsidies	**24**	127,105	4,190,123
TOTAL LONG-TERM LIABILITIES		**12,938,376**	**19,246,023**
TOTAL LIABILITIES		**60,565,733**	**83,540,335**
NET ASSETS		**55,613,196**	**47,380,755**

	Note	December 31 2022	December 31 2021
Share capital	**25**	6,976,465	6,976,465
Legal reserve		1,617,005	1,617,005
Net reserves from revaluation		27,367,632	6,827,207
Other reserves		44,442,530	44,442,530
Retained earnings	**26**	(24,790,436)	(12,482,452)
TOTAL EQUITY		**55,613,196**	**47,380,755**
TOTAL LIABILITIES AND EQUITY		**116,178,929**	**130,921,090**

Financial statements were approved by the Board of Directors on 23.03.2023.

The accompanying notes from 1 to 32 are an integral part of these financial statements.

Vice-Chairman of the Board of Directors,
Roxana Scarlat

Head of the Financial Accounting Department,
Madalina Balanescu

STATEMENT OF CHANGES IN EQUITY ON DECEMBER 31 2022
(expressed in lei, unless specified otherwise)

	Share capital	Income/loss related to the sale or cancellation of equity	Reserves from revaluation	Legal reserves	Other reserves	Other equity	Retained earnings	Total
December 31 2020	**6,976,465**	**1,132,496**	**9,075,585**	**1,617,005**	**37,460,379**	**5,849,655**	**(3,898,728)**	**58,212,857**
Loss of the financial year	-	-	-	-	-	-	(11,849.219)	**(11,849,219)**
Retaking of the reserve from revaluation to other reserves			(2,248,378)				2,248,378	**-**
Remeasurement of pension benefit schemes							73,391	73,391
Revaluation of financial investments at fair value							1,137,462	1,137,462
Deferred tax related to the above items							(193,736)	(193,736)
Total comprehensive income	**-**	**-**	**(2,248,378)**	**-**	**-**	**-**	**(8,583,724)**	**(10,832,102)**
Distributed dividends	-	-	-	-	-	-	-	**-**
Allocations of other reserves	-	-	-	-	-	-	-	**-**
December 31 2021	**6,976,465**	**1,132,496**	**6,827,207**	**1,617,005**	**37,460,379**	**5,849,655**	**(12,482,452)**	**47,380,755**

	Share capital	Income/loss related to the sale or cancellation of equity	Reserves from revaluation	Legal reserves	Other reserves	Other equity	Retained earnings	Total
December 31 2021	**6,976,465**	**1,132,496**	**6,827,207**	**1,617,005**	**37,460,379**	**5,849,655**	**(12,482,452)**	**47,380,755**
Loss of the financial year	-	-	-	-	-	-	(10,569,929)	**(10,569,929)**
Retaking of the reserve from revaluation to other reserves			161,161				(161,161)	**-**
Remeasurement of pension benefit schemes							134,037	134,037
Revaluation of financial investments at fair value							(2,062,353)	(2,062,353)
Tangible assets revaluation			19,929,525					19,929,525
Land revaluation			4,312,585					4,312,585
Deferred tax related to the above items			(3,862,845)				351,422	(3,511,424)
Total comprehensive income	**-**	**-**	**20,540,425**	**-**	**-**	**-**	**(12,307,984)**	**8,232,441**
Distributed dividends	-	-	-	-	-	-	-	**-**
Allocations of other reserves	-	-	-	-	-	-	-	**-**
December 31 2022	**6,976,465**	**1,132,496**	**27,367,632**	**1,617,005**	**37,460,379**	**5,849,655**	**(24,790,436)**	**55,613,196**

Financial statements were approved by the Board of Directors on 25.03.2023.

Vice-Chairman of the Board of Directors,
Roxana Scarlat

Head of the Financial Accounting Department,
Madalina Balanescu

CASH-FLOW STATEMENT ON DECEMBER 31 2022

(expressed in lei, unless specified otherwise)

	December 31 2022	December 31 2021
Flows from operating activities		
Profit/(Loss) before taxation	**(11,607,786)**	**(12,533,789)**
Adjustments for:		
Amortizations and provisions	7,330,153	14,520,845
Subsidies' income retaking	(141,013)	(697,266)
Income from the sale of participation titles	(246,708)	(4,183,898)
Expenses on discharging the participation titles sold	677,394	6,109,420
Net effect evaluation of financial assets	(9,620)	(232,251)
Expenses on disposal of assets	241,996	211,341
Client value adjustments	-	4,124,364
Inventory value adjustments	527,035	3,811,598
Income from dividends subject to limitation	(521,019)	(510,915)
Financial income	(32)	(11,576)
Financial expenses	994,415	547,775
Profit before working capital change	**(2,755,185)**	**11,155,648**
Receivables decrease / (increase)	12,566,120	7,616,665
Inventories decrease / (increase)	8,535,888	(6,107,776)
Liabilities decrease / (increase)	(19,277,237)	1,913,247
Cash from operating activities	**(930,414)**	**14,577,784**
Financial expenses paid	(994,415)	(547,775)
Net cash from operating activities	**(1,924,829)**	**14,030,009**
Flows from investment activities		
Acquisitions of tangible assets	(3,651,822)	(25,927,870)
Acquisitions of participation titles	(146,194)	(578,845)
Cashings from the sale of participation titles	246,708	4,183,898
Subsidies granted	-	3,537,828
Interest collected	32	11,576
Net flows from investment activities	**(3,551,276)**	**(18,773,413)**

Flows from financing activities	December 31 2022	December 31 2021
Short-term credit line change	(4,188,651)	9,997,366
Loan repayments	(416,557)	(5,615,975)
Bond loan change	5,015,000	-
Payments related to leasing	(2,609,983)	(2,588,465)
Dividends paid	(1,635)	(16,159)
Net flows from financing activities	**(2,201,826)**	**1,776,767**
Net cash (decrease)	**(7,677,931)**	**(2,966,637)**
Cash and cash equivalents at the beginning of the period	**11,006,959**	**13,973,596**
Cash and cash equivalents at the end of the period	**3,329,028**	**11,006,959**

Financial statements were approved by the Board of Directors on 25.03.2023.

Vice-Chairman of the Board of Directors,
Roxana Scarlat

Head of the Financial Accounting Department,
Madalina Balanescu

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless specified otherwise)

1 GENERAL INFORMATION

1.1 Company presentation

The shareholding structure on 31.12.2022 :

Shareholder	Shares	Percent%
Investments Constantin SRL	25,699,543	36.8375%
Natural persons	21,691,941	31.0930%
Trans Expedition Feroviar SRL	8,963,266	12.8479%
Standard Equity SRL	7,542,172	10.8109%
Legal persons	5,867,728	8.4107%
TOTAL	**69,764,650**	**100%**

1.2 Corporate Governance Structures

The company has developed a Corporate Governance Regulation that describes the main aspects of corporate governance and is available on the company's website www.electroarges.ro .

The Corporate Governance Regulation details the corporate governance structures, the functions, competencies and responsibilities of the Board of Directors and the executive management, transparency, financial reporting, the corporate information regime and the social responsibility of the company for the activities carried out.

The members of Electroarges SA's Board of Directors on 31.12.2022 are:

Item no.	Surname	Given names	Position	Number of shares
1.	Stefan	Constantin	Chairman of the Board	0

2.	Cardinal Main SRL	by permanent representative Roxana Scarlat	Vice-Cairman of the Board	0
3.	Csoarpi Saints SRL	by permanent representative Adrian Ionescu	Board Member	0

On 31.12.2022, the company's management team was provided by the following people:

Item no.	Surname	Given Names	Position	Period as a member of the executive management
1.	Caramida	Valentin	Deputy General Manager	20.06.2022 – indefinite
2.	Onu	Patricia	Project Manager	17.05.2022 – indefinite
3.	Petre	Iulia	Financial Manager	01.05.2020 – indefinite

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

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

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

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

2 SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards, Interpretations and International Accounting Standards (collectively referred to as "IFRSs") issued by the

International Accounting Standards Board ("IASB") as adopted by the European Union ("adopted IFRSs").

The standalone financial statements have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("IFRS"). The company has prepared these standalone financial statements in order to meet the requirements of Order no. 881/2012 on the application by companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards.

The standalone financial statements were approved by the Board of Directors in the meeting of 23.03.2023.

The main accounting policies applied in the preparation of the financial statements are set out below. The policies have been consistently applied to all years presented, unless otherwise stated.

The preparation of financial statements in accordance with adopted IFRS requires the use of certain crucial accounting estimates. It is also necessary for the company's management to take decisions related to the application of accounting policies. The areas in which decisions have been made and significant estimates have been made in the preparation of financial statements and their effect are set out below.

The standalone financial statements have been prepared in accordance with the principle of business continuity.

2.2 Functional and presentation currency

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

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

2.3 Crucial accounting evaluations and estimates

As a result of the uncertainties inherent in commercial activities, many elements of the financial statements cannot be accurately evaluated, but can only be estimated. Estimation involves reasoning based on the latest reliable information available.

The use of reasonable estimates is an essential part of the preparation of financial statements and does not undermine their reliability.

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

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

Below are presented examples of evaluation, estimation, presumptions applied within the company:

a) Evaluation of land and buildings owned

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

b) Evaluation of financial assets

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

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

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

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

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

c) Adjustments for impairment of receivables

The evaluation for impairment of receivables is performed individually and is based on management's best estimate of the present value of the cash flows expected to be received. In order to estimate these flows, the management makes certain estimates regarding the financial situation of the partners. Each impaired asset is analyzed individually.

d) Adjustments for impairment of inventories

The evaluation for impairment of inventories is performed individually and is based on management's best estimate of the present value of the cash flows expected to be received. To estimate these flows, the management makes certain estimates regarding the utility value of the inventory, taking into account the expiration date, the possibility of use in the company's current activity and other factors specific to each inventory category. Each impaired asset is analyzed individually. The accuracy of the adjustments depends on the estimate of future cash flows.

e) Legal proceedings

The company reviews unsettled legal cases following developments in legal proceedings and the situation at each reporting date, in order to assess the provisions and presentations in its financial statements. Among the factors taken into account in making decisions on provisions are the nature of the dispute or claims and the potential level of damages in the jurisdiction in which the dispute is being tried, the progress of the case (including progress after the date of the financial statements but before those statements are issued), the opinions or views of legal advisers, experience in similar cases and any decision of the company's management regarding the way in which it will respond to the litigation, complaint or evaluation.

f) Accounting estimates of expenses

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

g) Taxation

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

2.4 Corrections of accounting errors

In the event that it is found that the values of a period of the current year are burdened by fundamental errors, they will be corrected, during the period in which the error is discovered. If the error is discovered in the following years, the correction will be affected, either by restating the financial statements of the respective period if it exceeds the significance threshold established by the company, or by affecting the current period.

2.5 Separate presentation of the financial statements

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

2.6 Acquired intangible assets

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

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

Internally generated intangible assets (development costs)

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

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

2.7 Tangible assets

Tangible assets are tangible items that:

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

b) are expected to be used during several periods.

Recognition:

The cost of an item of tangible assets must be recognized as an asset if and only if:

a) it is probable that it will generate future economic benefits for the entity related to the asset; and

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

Evaluation after recognition

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

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

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

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

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

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

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

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

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

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

Amortization

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

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

The land owned by the group companies is not amortized and is presented at cost.

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

For amortizable fixed assets, the group companies use, from an accounting point of view, the method of linear amortization. Amortization times are determined by a specialized internal commission according to the entities' internal procedures.

Below is a brief presentation of the lifetimes of fixed assets on more important categories of goods:

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

Depreciation

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

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

2.8 Impairment of non-financial assets (excluding inventories, real estate investments and deferred tax assets)

Assets owned by the company, as specified in IAS 36 "Depreciation of assets", are subject to impairment tests whenever events or changes in circumstances indicate that it is possible that their accounting value cannot be fully recovered. When the book value of an asset exceeds the recoverable amount (that is, the highest amount between the value in use and the fair value minus the costs of sale), the asset is adjusted accordingly.

When it is not possible to estimate the recoverable amount of an individual asset, the impairment test is performed on the smallest group of assets to which it belongs, for which there are separately identifiable cash flows; its cash generating units ('CGUs'). Depreciation expenses are included in the profit or loss account, except when it reduces previously recognized earnings in other elements of the comprehensive income.

2.9 Financial assets

(i) Classification and evaluation

The company classifies financial assets in accordance with IFRS 9 in the following categories:

- assets that must be evaluated at amortized cost;
- assets to be evaluated at fair value through items of comprehensive income ("OCI"),
- assets that are subsequently evaluated at fair value through the profit or loss account

The classification of financial assets depends both on the Company's business model regarding the management of financial assets and on the contractual characteristics of the cash flows related to the financial assets. The business model determines whether cash will be generated from the collection of contractual cash flows, the sale of financial assets, or both.

Liability instruments are classified and evaluated at amortized cost if both of the following conditions are met:

- the financial asset is held according to a business model whose objective consists in holding financial assets to collect contractual cash flows; and
- the contractual terms of the financial asset generate at certain dates cash flows that represent only payments of the principal and the interest related to the principal in the balance.

These assets are subsequently evaluated at amortized cost using the effective interest rate method minus adjustments for impairment. Interest income, impairment losses and asset derecognition earnings or losses are recognized in the balance sheet. The Company's financial assets evaluated at amortized cost mainly include trade receivables.

Equity instruments may be irrevocably classified as measured at fair value through other comprehensive income if they are not held for sale.

The Company's right to be reimbursed the amounts it has spent in order to settle a recognized liability in the form of a provision in accordance with IAS 37 Provisions, contingent liabilities and contingent assets, does not fall within the scope of IFRS 9.

(ii) Impairment

The company prospectively evaluates the expected credit losses associated with its liability instruments, accounted for at amortized cost and at fair value through other comprehensive income. The applied impairment methodology depends on the existence of a significant increase in credit risk.

(iii) Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or been transferred and the Company has transferred substantially all the risks and rewards of ownership over them. If the Company neither transfers nor retains the significant risks and rewards of ownership, but continues to have control over the transferred asset, the Company recognizes the retained interest in the asset, as well as an associated liability that reflects the retained rights and obligations. If the Company retains the significant risks and benefits associated with ownership of a transferred financial asset, the Company continues to recognize the financial asset and additionally recognizes a secured loan for the income received.

Financial assets are expensed when there is no realistic prospect of future recovery and all guarantees have been used or transferred to the Company.

2.10 Cash and cash equivalents

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

2.11 Leasing goods

When all risks and rewards incidental to ownership of a leased asset have been transferred to the company ("financial leasing"), the asset is treated as if it had been acquired directly. The amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments during the lease term.

The corresponding lease commitment is presented as a liability. Leasing payments are analyzed between capital and interest. The interest element is recorded in the statement of comprehensive income during the lease term and is calculated so as to represent a constant proportion of the leasing liability.

2.12 Inventories

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

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

b. in production for such a sale; or

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

Evaluation of inventories:

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

Inventory costs

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

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

The inventories of products in execution are highlighted at the value of the raw materials and the materials included in them.

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

Adjustments for inventory depreciation

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

2.13 Receivables

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

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

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

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

2.14 Financial liabilities

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

2.15 Recognition of income and expenses

2.15.1 Recognition of income

Income is generally recognized when the performance obligation has been honored by transferring control over a product or service to the customer. It is evaluates based on the value to which it is expected to be entitled under the contract with the customer and excludes amounts collected on behalf of third parties.

The income includes the fair value of the consideration received or to be received from the sale of goods and services in the course of the Company's normal activity. Income is presented net of value added tax, returns, rebates and discounts, as well as after eliminating sales within the Company.

- ✓ Sales of services

The company provides services to its customers (Note 19). Income is evaluated at the fair value of the amounts collected or to be collected and is recognized in the period in which the services are actually delivered.

- ✓ Sales of goods

Income from the sale of goods is evaluated at the fair value of the amounts collected or to be collected and is recognized when the Company has transferred to the buyer the main risks and benefits associated with the ownership of the goods.

- ✓ Income from royalties, rents

Royalty income is recognized on an accrual basis, in accordance with the relevant agreements.

2.15.2 Recognition of expenses

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

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

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

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

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

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

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

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

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

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

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

a) disputes;

b) guarantees given to clients;

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

d) restructuring;

e) other provisions.

The provisions previously established are periodically analyzed and updated.

2.17 Employee benefits –IAS 19 Employee benefits

Current benefits offered to employees

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

Benefits after termination of the employment agreement

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

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

Pensions and other benefits after retirement

The company had provided in the Collective Labor Agreement at company level a salary benefit for retiring employees (age limit, early retirement, disability pension). They receive an allowance equal to two basic salaries in the month of retirement. The company must allocate a part of the cost of benefits in favor of the employee, during the employee's working hours in the company. This benefit will continue to be granted, even if at the end of the year the company had not concluded a formal agreement with the employees' representatives.

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

2.18 Deferred tax - IAS 12

In calculating the deferred tax, the company will take into account the provisions of IAS 12.

Deferred tax assets and liabilities are recognized when the carrying amount of an asset or liability in the statement of financial position differs from the tax base, with the exception of differences occurring at:

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

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

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

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

a) has the legal right to offset current tax receivables with current tax liabilities; and

b) the deferred tax receivables and liabilities are related to the profit taxes levied by the same tax authority.

2.19 Dividends

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

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

2.20 Capital and reserves

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

The entity was established according to the Law no. 31/1990 on trading companies.

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

2.21 Financing costs

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

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

2.22 Result per share

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

2.23 Segment reporting

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

2.24 Affiliated parties

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

- holds joint control or control over the Company;

- has a significant influence on the Company;

- is a key member of the management personnel

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

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

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

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

(iii) Both entities are joint ventures of the same third party.

(iv) An entity is a joint venture of a third entity, and the other is an associate of the third entity.

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

(vi) The entity is jointly controlled or controlled by an affiliate

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

2.25 Standards and amendmends

Mandatory standards and amendments in force since January 1, 2022

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are in force for the current reporting period:

- Amendments to IAS 16 "Tangible assets" - Receipts before intended use, adopted by the EU on June 28, 2021 (applicable for annual periods beginning on or after January 1, 2022)
- Amendments to IAS 37 "Provisions, contingent liabilities and contingent assets" - Onerous contracts - The cost of fulfilling a contract adopted by the

EU on June 28, 2021 (applicable for annual periods beginning on or after January 1, 2022),

- Financial Reporting Conceptual Framework (Amendments to IFRS 3) - In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Financial Reporting Conceptual Framework without changing the accounting requirements for business combinations.
- Amendments to various standards due to "IFRS Improvements (cycle 2018-2020)" resulting from the annual project to improve IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) with the main purpose of removing inconsistencies and clarifying certain wording - adopted by the EU on June 28, 2021 (Amendments to IFRS 1, IFRS 9 and IAS 41 are applicable for annual periods starting on or after January 1, 2022. The amendment to IFRS 16 refers only to an illustrative example, so no date of entry into force is mentioned).

The adoption of the new amendments to the existing standards did not have any significant impact on the Company's standalone financial statements.

Mandatory standards and amendments in force since January 1, 2023

Standards and amendments to existing standards issued by the IASB and adopted by the EU, but which have not yet entered into force

At the date of approval of these consolidated financial statements, the following amendments to the existing standards were issued by the IASB and adopted by the EU and are not yet in force:

- IFRS 17 "Insurance contracts", including amendments to IFRS 17 issued by the IASB on June 25, 2020 - adopted by the EU on November 19, 2021 (applicable for annual periods beginning on or after January 1, 2023),
- Amendments to IFRS 17 "Insurance contracts" – Initial application of IFRS 17 and IFRS 9 – Comparative information adopted by the EU on September 9, 2022 (applicable for annual periods beginning on or after January 1, 2023).
- Amendments to IAS 1 "Presentation of financial statements" - Presentation

of accounting policies (applicable for annual periods beginning on or after January 1, 2023);

- Amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors" - Definition of accounting estimates (applicable for annual periods beginning on or after January 1, 2023);
- Amendments to IAS 12 "Income taxes" - Deferred tax related to assets and liabilities arising from a single transaction (applicable for annual periods beginning on or after January 1, 2023);

The company chose not to adopt these amendments to the existing standards before the effective dates of entry into force. The Company anticipates that the adoption of these standards and amendments to the existing standards will not have a significant impact on the Company's standalone financial statements during the initial application period.

New standards and amendments to existing standards issued by the IASB, but which have not yet been adopted by the EU

Currently, IFRS as adopted by the EU does not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following new standards and amendments to existing standards, which were not approved for use in the EU on the publication of the consolidated financial statements (the effective dates mentioned below are for the IFRS standards issued by the IASB):

- IFRS 14 "Deferral accounts related to regulated activities" (applicable for annual periods beginning on or after January 1, 2016) - The European Commission decided not to issue the approval process of this interim standard and to wait for the final standard;
- Amendments to IAS 1 "Presentation of financial statements" - Classification of liabilities into short-term liabilities and long-term liabilities (applicable for annual periods beginning on or after January 1, 2023);
- Amendments to IAS 1 "Presentation of financial statements" – Fixed liabilities with agreements (applicable for annual periods on or after January 1, 2024);

- Amendments to IFRS 16 "Leasing contracts" – Leasing liabilities in case of sale and leaseback (applicable for annual periods on or after January 1, 2024);

The Company anticipates that the adoption of these new standards and amendments to the existing standards will not have a significant impact on the Company's standalone financial statements during the initial application period.

3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Credit risk
- Currency exchange risk
- Liquidity risk

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

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

Further details on these policies are set out below:

Credit risk

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

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

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

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

The collection period of the receivables is 31 days on average. Electroarges SA has managed to permanently provide the necessary liquidity and solvency at high rates and will try to maintain the positive trend of the receivable collection periods.

Currency exchange risks

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

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

The exposure to the currency risk of the Company arises from:

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

- firm commitments denominated in foreign currencies; and

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

On December 31st 2022 the company's net exposure to the currency exchange risk is presented as follows:

	31.12.2022	31.12.2021
Net financial assets/(liabilities) expressed in foreign currency		
LEI	(5,282,726)	(30,843,825)
EUR	(1,639,796)	(395,160)
USD	(100,125)	(260,041)

The effect of the 6% strengthening of the functional currency (LEI) in favor of the USD/EUR currency at the reporting date, on the financial instruments held in USD/EUR, in conditions where the other variables remain constant, would result in an increase in profit before taxation and an increase in net assets by 432 thousand Lei.

The effect of the 6% decrease of the functional currency (LEI) in favor of the USD/EUR currency at the reporting date, on the financial instruments held in USD/EUR, in conditions where the other variables remain constant, would result in a decrease in profit before taxation and a decrease in net assets by 432 thousand Lei.

Liquidity risk

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

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

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

On December 31 2022	**Under 1 year**	**Between 1 and 2 years**	**More than 2 years**
Suppliers and other liabilities	13,233,028	-	-
Leasing	2,599,571	2,704,173	-
Credits and loans	8,669,170	4,580,816	-
Bond loans	-	-	5,015,000
Total	**24,501,769**	**7,284,989**	**5,015,000**

Interest risk

The company's income and cash flows from financing activities are influenced by changes in interest rates because most loan interest rates are variable as shown in Note 17. The company has no significant interest-bearing financial assets.

Categories of financial instruments

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

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

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

Financial assets	**31-Dec-22**	**31-Dec-21**
Trade and similar receivables	6,884,231	13,962,580
Cash and cash equivalents	3,329,028	11,006,959
Loans granted	153,484	116,522
Financial assets at amortized cost	***10,366,743***	***25,086,061***
At fairs value through profit or loss account	658,249	1,326,024
At fair value through OCI	11,917,272	13,870,394
Total	**22,942,264**	**40,282,477**
Financial liabilities at amortized cost		
Trade and similar liabilities	13,233,028	33,020,098
Bank loans	13,249,986	17,855,193
Leasing	5,303,744	8,029,924
Bond loans	5,015,000	-
Total	**36,801,758**	**58,905,216**

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

The fair value of financial instruments

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

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

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

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

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

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

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

On 31.12.2022, the entities Amplo SA and Elars SA were evaluated at the fair value calculated starting from the sale price of the assets from which the cost of the assets sold was eliminated to which the net asset was added.

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	Level 1	Level 2	Level 3	Total
Financial assets at fair value through OCI	5,658,063	-	6,259,209	**11,917,272**
Financial assets at fair value through profit or loss account	658,249	-	-	**658,249**

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	Level 1	Level 2	Level 3	Total
Financial assets at fair value through OCI	6,271,395	-	7,598,999	**13,870,394**

Financial assets at fair value through profit or loss account	1,326,024	-	-	**1,326,024**

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

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

- Trade and other receivables;
- Other short-term financial assets;
- Cash and cash equivalents;
- Trade and other liabilities;
- Loans.

Operational risk

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

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

- Requirements for separation of responsibilities, including independent authorization of transactions;

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

In 2022, the collaboration with Kaercher Germany, a company with which Electroarges SA carried out over 95% of its turnover, ceased. The termination of this contract had a negative impact on the company's evolution with negative social implications. The fact that almost 96% of the turnover is based on export, and within it, over 99% was only to the KÄRCHER group of companies, denotes a huge dependence on the collaboration with this company.

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

Thus, in 2022, the collaboration with Arctic SA and Haier Tech SRL was consolidated, which represents over 53% of the turnover. Also in this sense, Electroarges SA has implemented and started collaboration with the client Makita by contracting the production of injection molds related to future projects, which will be implemented in Q2 2023 in the series production of plastic mass injection parts.

Capital adequacy

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

4 INCOME FROM CONTRACTS AND OTHER INCOME

Income from sales contain the following items:

	For the year ending on	
Income from sales	**31-Dec-22**	**31-Dec-21**
Sales of finished products	73,386,888	301,271,126
Sales of merchandise	2,288,129	1,343,216
Income from rendered services	66,276	241,396
Trade discounts	(25,946)	(1,829)
TOTAL	**75,715,347**	**302,853,909**

The turnover on December 31, 2022 is achieved mainly from the sales of finished products, which decreased compared to the previous year with 227,138,562 lei, or 75%.

The main share in the turnover is represented by the Arctic customer with a share of 42.3%, followed by Kaercher, (with sales to this customer until May 2022) with a share of 31.38%, followed by Haier Tech with 11.19% of the turnover.

Sales of goods increased in 2022 by 944,913 lei compared to 2021, while sales of services decreased by 175,120 lei.

5 OTHER INCOME

	For the year ending on	
Other operating income	**31-Dec-22**	**31-Dec-21**
Income from various services	174,072	187,769
Cancellation of adjustments for the impairment of uncertain receivables	1,289,938	-
Exchange rate differences	587,417	1,444,151
Miscellaneous	1,119,813	641,175
TOTAL	**3,171,240**	**2,273,095**

6 RAW MATERIALS AND CONSUMABLES

Expenses on raw materials and consumables have the following component:

	For the year ending on	
Raw materials and consumables	**31-Dec-22**	**31-Dec-21**
Raw materials	48,915,795	219,323,663
Auxiliary materials	1,548,829	4,658,160
Merchandise	1,791,719	1,166,970
Inventory objects	170,116	887,512
Other consumables	106,491	111,826
Miscellaneous	333,703	711,867
TOTAL	**52,866,653**	**226,859,998**

The expenses with raw materials and consumables decreased by 173,993,345 lei, respectively by 76.70% compared to the previous year. This decrease is directly influenced by the decrease in the volume of sales of finished products.

The cost of purchasing raw materials and consumables was largely influenced by rising energy and gas prices.

Raw materials have the largest share in total expenses with a percentage of 92.5%. Also, expenses with auxiliary materials decreased in 2022 by 66.7% compared to 2021.

7 EXPENSES ON PERSONNEL

Expenses on personnel have the following component:

	For the year ending on	
Expenses on personnel	**31-Dec-22**	**31-Dec-21**
Wages	7,710,119	15,829,299
Taxes and social contributions	215,170	481,077
Other benefits	795,720	1,447,160
Expenses on personnel leasing wages	1,238,735	10,461,481
TOTAL	**9,959,744**	**28,219,017**

Expenses on personnel decreased in 2022 by 17,838,341 lei, representing a 66.5% decrease compared to 2021. The expenses on personnel leasing decreased significantly, by 85% compared to the previous year, while the expenses on the company's employees decreased by 88% in 2022 compared to 2021.

The company is managed in a unitary system, within the meaning of Law 31/1990 on Commercial Companies, the company's management being ensured by the Electroarges SA Board of Directors.

The structure of the Board of Directors and the Executive Management are presented in Note 1 General information.

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

	For the year ending on	
Description	**31-Dec-22**	**31-Dec-21**
Board remuneration based on mandate contracts	2,278,437	3,524,000
Wages/contracts	590,434	1,065,415
Taxes and social contributions	13,285	23,973
TOTAL	**2,882,156**	**4,613,388**

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

In addition to the above remuneration, according to the mandate contracts, the Company provides the directors with the material means to assist them in carrying out the activity (service home in the city where the Company is located, office in the building where the company is located, mobile telephone, car in order to travel in the Company's interest, personal assistant insurance, bears all expenses occasioned by the exercise of capacity - work equipment, office equipment, security and protection expenses and any other expenses necessary for the exercise of the director function that will be settled based on the supporting documents regarding the acquisition.

8 OTHER OPERATING EXPENSES

Other operating expenses include the following:

	For the year ending on	
Other operating expenses	**31-Dec-22**	**31-Dec-21**
Utilities	3,628,393	5,701,341
Repairs	275,952	1,343,436
Rent	540,964	588,246
Insurances	282,389	250,777
Fees	1,133,351	2,114,218
Product advertisment and promoting	25,504	24,966
Travels and transport	2,193,437	10,536,008
Post and telecommunications	52,373	67,612
BD benefit expenses	1,312,234	3,229,007
BD remuneration	2,278,437	3,524,000
Other services provided by third parties	2,804,236	6,622,354
State budget taxes	552,252	931,330
Environment protection	199,536	624,407
Expenses on disposal of assets	241,996	211,341
Losses and adjustments uncertain receivables	-	4,124,364
Inventory adjustments	527,035	3,811,598
Miscellaneous	462,861	1,710,893
Expenses from foreign currency exchange rate differences	1,017,855	1,994,808
TOTAL	**17,528,648**	**47,410,705**

9 NET FINANCIAL INCOME/(EXPENSES)

Net financial income/(expenses) have the following component:

	For the year ending on	
Net financial income / (expenses)	**31-Dec-22**	**31-Dec-21**
Income from interests	32	11,576
Other financial income	256,327	-
Expenses on interest	(994,416)	(547,775)
Expenses on disposal of investments	(677,394)	-
Investment revaluations net effect by P&L	-	(1,693,272)
Other financial expenses	(27,251)	(19,501)
TOTAL	**(1,442,702)**	**(2,248,972)**

10 EXPENSES WITH THE TAX ON PROFIT

	For the year ending on	
Tax expenses	**31-Dec-22**	**31-Dec-21**
Expenses with current tax on profit	-	759,550
Deffered tax expenses / (income)	(1,037,857)	(1,444,120)
TOTAL	**1,037,857**	**(684,570)**

The tax on profit was calculated taking into account the influences of non-deductible expenses, respectively taxable income, fiscal facilities as well as the effects of provisions on the tax on profit. A resettlement between the accounting profit and the fiscal one that was the basis for the calculation of the tax on profit is presented in the following table:

	For the year ending on	
Indicators	**31-Dec-22**	**31-Dec-21**
Income and similar items	93,302,742	319,340,693
Total expenses (less tax on profit)	103,872,671	331,874,482
Accounting result	**(10,569,929)**	**(12,533,789)**
Deductions	(22,000,758)	(8,928,910)
Non-deductible expenses	19,567,565	28,287,771
Non-taxable income	-	-
Items similar to income	2,137,448	2,248,378

Items similat to expenses	(173,736)	(608,136)
Previous year fiscal result	-	(2,531,328)
Fiscal result	**(11,039,409)**	**5,933,986**
Tax on profit (Fiscal result x 16%)	-	949,438
Tax on profit reductions calculated according to the legislation in force	-	(189,888)
Total tax on profit	-	759,550

11 RESULT PER SHARE

	For the year ending on	
	31-Dec-22	**31-Dec-21**
Net profit/loss (A)	(10,569,929)	(11,849,219)
Ordinary shares(B)	69,764,650	69,764,650
Own shares (C)	-	-
Result per share (A/(B-C))	**(0.15)**	**(0.17)**

The basic and diluted earnings per share are identical, as the company does not have securities with dilution potential.

12 TANGIBLE ASSETS

COST	**Land**	**Buildings**	**Technical installations and machines**	**Other installations, equipment and furniture**	**Tangible assets ongoing**	**Assets representing rights of use**	**Total**
December 31 2020	**1,391,766**	**21,143,163**	**35,307,438**	**1,474,835**	**11,023,474**	**12,406,646**	**82,747,321**
Acquisitions/Inflow	-	10,172,105	12,077,975	830,281	5,944,733	**2,557,112**	**31,582,207**
Outflow/Transfers	-	(252,984)	(1,220,056)	(804,843)	(3,707,534)	**(193,658)**	**(6,179,074)**
December 31 2021	**1,391,766**	**31,062,284**	**46,165,357**	**1,500,273**	**13,260,673**	**14,770,100**	**108,150,453**
Acquisitions/Inflow	-	12,039,529	2,586,526	438,840	-	3,499,968	18,564,863
Outflow/Transfers	-	(111,748)	(56,571)	(1,840)	(11,990,887)	(5,874,594)	(18,035,639)
Depreciation cancellation	-	(9,060,163)	(29,825,953)	(5,534)		(3,167,215)	(42,058,865)
Revaluation net effect	4,312,585	9,753,527	7,524,718	-	-	(328,365)	21,262,465
December 31 2022	**5,704,351**	**43,683,429**	**26,394,078**	**1,931,738**	**1,269,785**	**8,899,895**	**87,883,276**
DEPRECIATION AND ADJUSTMENTS							
December 31 2020	**-**	**3,337,716**	**23,508,279**	**1,104,501**	**-**	**2,577,505**	**30,528,001**
Cost for the period	-	3,987,793	4,314,581	197,588	-	1,738,374	**10,238,335**
Outflow	-	(43,252)	(1,222,152)	(803,234)	-	(193,658)	**(2,262,296)**
December 31 2021	**-**	**7,282,257**	**26,600,708**	**498,854**	**-**	**4,122,221**	**38,504,040**
Cost for the period	-	2,518,178	3,302,726	222,780		1,593,106	7,636,790
Outflow/Cancellations	-	(228,278)	(56,571)		-	(2,172,217)	(2,457,066)
Depreciation cancellation	**-**	**(9,060,163)**	**(29,825,953)**	**(5,534)**		**(3,167,215)**	**(42,058,865)**
December 31 2022	**-**	**511,994**	**20,910**	**716,100**		**375,895**	**1,624,899**

	Land	Buildings	Technical installations and machines	Other installations, equipment and furniture	Tangible assets ongoing	Assets representing rights of use	Total
Depreciation adjustment			-	-	-	-	-
December 31 2020	-	-	-	-	-	-	-
Cost for the period	-	-	3,853,692	-	-	-	**3,853,692**
Outflow	-	-		-	-	-	-
December 31 2021	-	-	**3,853,692**	-	-	-	**3,853,692**
Cost for the period	-	-	-	-	-	-	-
Outflow	-	-	(3,853,692)	-		-	**(3,853,692)**
December 31 2022	-	-	-	-	-	-	-
			-	-	-	-	-
NET VALUES							
December 31 2020	**1,391,766**	**17,805,447**	**11,799,158**	**370,334**	**11,023,474**	**9,829,141**	**52,219,320**
December 31 2021	**1,391,766**	**23,780,027**	**15,710,957**	**1,001,419**	**13,260,673**	**10,647,880**	**65,792,722**
December 31 2022	**5,704,351**	**43,171,435**	**26,373,167**	**1,215,638**	**1,269,785**	**8,524,000**	**86,258,377**

In 2022, there is an increase in the value of buildings by 19,391,408 lei compared to 2021, due to the completion of ongoing investments and their revaluation, recorded on 31.12.2022.

In the table above, you can see the separate presentation of the assets representing the rights of use, with a net value of 8,524,000 lei on 31.12.2022.

Depreciation of fixed assets

Accounting depreciation is calculated using the straight-line method. For the new fixed assets, entered in 2022, of the nature of installations, machines and measuring and control devices, the useful lives were established taking into account:

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

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

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

Disposal of fixed assets and impairment adjustments

Following the analysis, the need to apply an external depreciation on fixed assets was identified, so that the company registered on 31.12.2021 an impairment adjustment of tangible fixed assets amounting to 3,853,692 lei. In December 2022, the adjustment was cancelled. At the same time, tangible assets were reassessed at fair value, as well as the modification of normal operating periods.

13 INTANGIBLE ASSETS

The changes in the acquisition cost and the amortization related to the intangible assets are presented in the following table:

	31-Dec-22	31-Dec-21	31-Dec-20
Cost			
Initial balance	1,781,170	1,347,509	870,763
Inflow	83,634	433,661	476,746

Outflow	283,401	-	-
Final balance	**1,581,403**	**1,781,170**	**1,347,509**
Amortization			
Initial balance	928,842	504,195	210,379
Cost of the period	422,389	424,647	293,816
Outflow	9,155	-	-
Final balance	1,342,076	928,842	504,195
Net value	**239,327**	**852,328**	**843,314**

The value of intangible assets decreased in 2022 compared to 2021. In the course of 2022, intangible assets worth 83,634 lei were purchased and there were outflows of assets worth 283,401 lei.

14 FINANCIAL ASSETS

On December 31 2022, Electroarges classified the financial assets as follows:

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

Name	No. of shares held	Percent held	Fair value on December 31 2022
Ceprocim SA Bucuresti	3,817	under 10%	7,367
Iprolam SA Bucuresti	59,341	under 10%	403,519
Uztel SA Ploiesti	137,424	under 10%	247,363
TOTAL			**658,249**

Name	No. of shares held	Percent held	Fair value on December 31 2021
Ceprocim SA Bucuresti	4,000	under 10%	10,000
Iprolam SA Bucuresti	59,341	under 10%	412,420
Lactate Natura SRL Tirgoviste	394,000	12.02%	665,860
Uztel SA Ploiesti	137,424	Under 10%	237,743
TOTAL			**1,326,023**

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.

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

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

Name	No. of shares held	Percent held	Fair value on December 31 2022
Amplo SA Ploiesti (*)	2,723,011	84.41%	4.179,631
Mecanoenergetica SA Drobeta Turnu Severin	4,640,888	28.85%	0
Sigstrat SA Sighetul Marmatiei	2,398,896	10.32%	791,636
Tarnava SA Sighisioara	214,163	3.99%	64,249
Braiconf SA Braila	14,124,057	22.49%	4,802,179
Elars SA Rimnicu Sarat (*)	20,555,276	88.16%	2,079,577
TOTAL			**11,917,273**

Name	No. of shares held	Percent held	Fair value on December 31 2021
Amplo SA Ploiesti (*)	2,668,396	84.41%	5.220.984
Mecanoenergetica SA Drobeta Turnu Severin	4,640,888	28.85%	232.044
Sigstrat SA Sighetul Marmatiei	2,398,896	10.32%	700.478
Tarnava SA Sighisioara	214,163	5.69%	62.536
Braiconf SA Braila	14,124,057	22.49%	5.508.382
Elars SA Rimnicu Sarat (*)	20,555,276	88.16%	2.145.971
TOTAL			**13.870.395**

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

The fair value evaluation 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 the sales contracts concluded or to be concluded, from which the cost of the surrendered assets was deducted and the equity was added.

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 comprehensive income".

15 INVENTORIES

The inventory structure on December 31, 2022 is as follows:

Inventories	**31-Dec-22**	**31-Dec-21**
Raw materials and consumables	6,660,589	13,843,660
Raw materials depreciation adjustments	(4,277,234)	(3,761,566
Semi-finished and finished products	2,150,487	3,835,048
Finished product depreciation adjustments	(680,595)	(669,528)
Merchandise	524,362	192,619
Merchandise depreciation adjustments	(141,217)	(140,918)
TOTAL	4,236,392	13,299,315

The inventory total value decreased in 2022 by 68% compared to 2021. This decrease was influenced by the reduction in production. Also, there is a decrease in the inventory of semi-finished and finished products by 1,684,561 lei compared to 2021.

In 2022, the value of goods increased by 331,743 lei compared to the previous year. During the year 2022, value adjustments were recorded for inventories, as follows:

- provisions for raw materials in the amount of 3,885,834 lei;
- provisions for finished products in the amount of 680,595 lei;
- provisions for goods in the amount of 141,217 lei;

Also, during the year 2022, cancellations of value adjustments were made for raw materials, materials, finished products and goods in a total value of 1,540,903 lei. The cancellation of the value adjustments was carried out following the scrapping of the damaged materials and following the sale of the finished products.

16 TRADE AND OTHER RECEIVABLES

On December 31 2022 the receivable structure is as follows:

Description	31-Dec-22	31-Dec-21
Trade receivables	6,543,097	10,662,244
Adjustments for trade receivables	(604,583)	(1,016,914)
Various debtors and other receivables (*)	6,371,461	14,511,465
Adjustments for other receivables	(5,425,744)	(10,194,214)
Total financial assets other than cash, classified as loans and receivables	**6,884,231**	**13,962,580**
Employees	18,000	35,500
Subsidies	866	866
Advance payments	1,936,751	2,182,971
Other State Budget receivables	532,456	5.991,588
TOTAL	**9,372,304**	**22,173,505**

(*) Within the position of various debtors and other receivables enters expenses recorded in advance in the amount of 810,619 lei, receivables from loans to Amplo SA in the amount of 2,548,150 lei, receivables from Carbochim SA in the amount of 2,509,286 lei, as well as other receivables in the amount of 1,304,100 lei. Considering the low chances of recovery, value adjustments were made for most of these receivables.

In 2022, the value of trade receivables decreased, due to the value adjustments made and the decrease in turnover.

During 2022, value adjustments were made for receivables older than 1 year, according to the table below:

Name	Value (lei)
Other receivables	18,226
TOTAL	**18,226**

The provisions for uncollected receivables recorded on 31.12.2021 for Amplo SA in the amount of 1,171,280 lei and Elars SA in the amount of 192,000 lei were canceled in 2022, as a result of the collection of the provisioned amounts.

Also, there were losses from uncollected receivables amounting to 3,115,574 lei, which led to the cancellation of value adjustments for receivables and their retaking on income.

17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents	**31-Dec-22**	**31-Dec-21**
Available at the bank	2,327,462	10,999,816
Available cash	1,566	7,143
Restricted cash (*)	1,000,000	1,000,000
TOTAL	**3,329,028**	**11,006,959**

(*) For the credit contract in the amount of 10,000,000 lei maturing on 29.11.2024, the following are established in addition to other guarantees:

- Pledge on accounts opened at Raiffeisen Bank;
- State guarantee through Eximbank, in the amount of 9,000,000 lei;
- Collateral deposit in the amount of 1,000,000 lei, without interest, maturity 30/12/2024;

On December 31 2022, a large part of the cash was held in current accounts opened with banks with private capital with a good reputation or with banks with majority state capital.

There were no significant non-cash transactions with natural or legal third parties in 2022.

Details of cash flows from financing:

Description	Loan	Leasing	Bond loan	Total
Initial balance	17,855,193	8,029,924	-	25,885,117
Leasing active inflow	-	3,530,324	-	3,530,324
Leasing active autflow	-	(3,730,877)	-	(3,730,877)
Credit withdrawals	-	-	5,015,000	5,015,000
Financial expenses	-	101,050	-	101,050
Payments	(4,605,207)	(2,626,678)	-	(7,231,885)
Final balance	**13,249,986**	**5,303,744**	**5,015,000**	**23,568,729**

18 TRADE AND OTHER LIABILITIES

The structure of trade liabilities on 31.12.2022 is:

	31-Dec-22	31-Dec-21
Trade and other liabilities		
Trade liabilities	8,661,875	28,087,277
Fixed assets suppliers	146,486	499,416
Other liabilities	4,424,668	4,433,405
Total	**13,233,028**	**33,020,098**
Wage liabilities	319,330	592,620
Taxes and social contributions	249,004	864,218
Other tax liabilities	3,636,069	7,563
Dividends	16,515,711	17,038,366
Advance payments	2,143,956	1,263,642
Other liabilities		95,740
TOTAL	**36,097,098**	**52,881,215**

There is a decrease in trade liabilities on 31.12.2022 by 16,784,117 lei compared to the previous year.

19 LOANS FROM BANKING INSTITUTIONS

On 31.12.2022, the loan component is as follows:

	31-Dec-22	31-Dec-21
Current		
Short-term loans and overdraft	3,669,178	7,857,828
Current part of the long-term loans	4,999,992	416,557
Total	**8,669,170**	**8,274,385**
Long-term part		
Long-term loans	4,580,816	9,580,808
Total	**13,249,986**	**17,855,193**

Amounts owed to credit institutions are divided into short-term and long-term. The short-term owed amounts include the credit/overdraft lines opened at banks as follows:

The long-term loan is owed to the same credit institution and consists of a credit facility for the payment of salaries and suppliers, which the company accessed during 2021. The total liability to the credit institution did not increase, it was resized, the maximum value granted remaining the same. The liability to the credit institution is currently composed of the two loans presented above.

20 BOND LOANS

Following the Electroarges SA EGMS Decision of 17.10.2022, an issue of 6,000,000 bonds to Electroarges SA was approved in dematerialized form, which will not be listed on the stock exchange, with a maximum total nominal value of 15,000,000 lei.

The offer for sale of corporate bonds was carried out in the form of a private placement.

The price set by the offer was 2.5 lei/bond with a fixed interest rate of 4.75% per year, with a maturity of 60 months.

Electroarges has the possibility to later decide to convert the bonds into shares, after at least 6 months from the date of completion of the subscription of the bonds through the adoption of an GMS decision.

A number of 2,006,000 bonds were issued with a nominal value of 2.5 lei/bond, with a total value of 5,015,000 lei.

Bond holders are:

Name	Number of bonds held	Bond value
Trans Expedition Feroviar SRL	804,000	2,010,000 lei
Standard Equiti SRL	1,202,000	3,005,000 lei
TOTAL	2,006,000	5,015,000 lei

Electroarges SA intends to use the funds obtained from the issuance of bonds in order to support the working capital.

21 LEASING LIABILITIES

Reconciliation between the minimum lease payments and the present value

	December 31 2022	December 31 2021
Maximum 1 year	2,670,397	2,792,419
More than one year but less than 5 years	2,766,661	5,580,311
Less future financial costs	(163,670)	(342,805)
Current value of liabilities – financial leasing	**5,273,388**	**8,029,925**

The reconciliation of leasing liabilities and usage rights recognized as a result of the application of IFRS 16 is presented in the following tables:

Leasing liabilities	**Special buildings and constructions**	**Equipment and other fixed assets**	**Total**
On December 31 2020	**330,339**	**7,667,347**	**7,997,686**
Inflow	2,531,536		2,566,172
Interest and exchange rate differences	47,795	131,898	185,138
Leasing payments	(629,594)	(2,089,477)	(2,719,071)
On December 31 2021	**2,280,076**	**5,749,849**	**8,029,925**
Inflow	2,866,360	633,608	3,499,968
Interest and exchange rate differences	71,266	29,784	101,621
Leasing payments	(434,135)	(2,175,848)	(2,626,678)
Exchange rate differences	(644)	-	(644)
Outflow	(3,730,877)	-	(3,730,877)
On December 31 2022	**1,035,995**	**4,267,748**	**5,273,389**

22 DEFERRED TAX ON PROFIT

The change in liabilities regarding the deferred tax on profit is presented in the following table:

Description	31-Dec-22	31-Dec-21
Initial balance	**(2,483,145)**	**(1,232,761)**
Other comprehensive income	(3,511,423)	193,736
Deferred tax costs / (income)	1,037,857	(1,444,120)
Final balance	**(9,579)**	**(2,483,145)**

Movements during the period

	31.12.2022	Comprehensive income	By profit & loss account	31.12.2021
Deferred tax to be paid				
Tangible and intangible assets	(4,739,010)	(3,862,845)	(21,920)	**(854,245)**
Deferred tax to be claimed				
Provision for the employee benefits	61,805	21,446	(5,779)	**46,138**
Share evaluation	1,118,473	329,976	-	**788,497**
Receivables and other assets	1,780,699		(722,056)	**2,502,756**
Tax loss	1,787,612		1,787,612	-
Total	**9,579**	**(3,511,423)**	**1,037,857**	**2,483,145**

23 OBLIGATIONS REGARDING THE EMPLOYEES' POST-EMPLOYMENT BENEFITS

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

The value of the provision was calculated individually for each company's employee / separate beneficiary using the actuarial calculation method and taking into account International Accounting Standards, in particular IFRS 2. The provision is calculated taking into account the long-term obligations assumed by the company through the collective employment agreement. The calculation assumptions and the specifications for the realization of the calculation model were established based on the company's previous experience and a set of hypotheses regarding the company's future experience. The most important hypotheses used are presented below:

Employer turnover rate

In 2022, the employee turnover rate was 13%. For this year we considered the average of the last three years which was 11.3% p.a. Based on the age structure of the employed personnel, the model takes into account the number of years remaining until retirement and estimates the total number of employees who would be likely to leave the company at 11.3% of the total number of employees. Thus, the employee turnover rate is:

- 25.57% pa for employees who are still 35 years of age or older until retirement;

- Linearly decreasing to 0% for employees with the number of years until retirement between 35 years and 5 years.

For the last 5 years before retirement, it was considered that employees were no longer looking to change jobs and that they had gained enough experience to be disciplined and efficient at work.

Dismissal rate

The company's management has not communicated a restructuring plan for the period after December 2022.

Discount rate

For the discount rate, we considered the yields on bonds on the active market at the end of December 2022. The residual maturities available were 1-10 years and 13-14 years. For the other durations we estimated the discount rate using the Smith-Wilson extrapolation method. The long-term assumptions were:

- Estimated long-term inflation rate 2% pa
- Estimated real long-term return on government bonds 1.45% pa
- Liquidity premium for Romania 0%.

Thus, we considered a forward equilibrium rate of 3.45% p.a.

The method ensures the compatibility between the discount rate and the inflation rate.

The weighted average discount rate is 7.8% p.a.

Inflation rate

Based on the statistics issued by INSSE and the NBR forecast for November 2022, we estimated the inflation rate as follows:

– 16.3% in 2022;
– 11.2% in 2023;
– 6.1% in 2024;
– 3.6% in 2025;
– 2.7% in 2026;
- 2.5% between 2027-2031 and following a decreasing trend in the following years.

The weighted average rate of inflation is 3.7% p.a.

Wage growth rate

For the year 2023, the company's management communicated only the increase of the minimum wage according to the law. For reporting to 31.12.2022, it considered an average wage increase of 8.8% in 2023, below the forecasted inflation rate. For 2024 and the following years, we considered an average wage increase of 1.5% p.a. above the annual rate of inflation.

The weighted wage growth rate is 4.6% p.a.

Synthesis of results

Reporting date: December 31	2020	2021	2022
Number of employees	390	192	170
Average age (years)	46.2	44.3	45.5
Average gross monthly salary (RON)	3,304	4,842	3,297
Average seniority within the company (years)	22.9	14.3	19.8
Average number of years remaining until retirement (years)	17.7	19.7	18.6
Estimated average remaining work period (years)	6.6	6.1	5.2
Amount of Obligations with Employee Retirement Benefits (RON)	**539,056**	**226,167**	**127,105**

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

- Lei -

Change of the present value of the obligation	Post-employment benefits
	2022
Present value of the obligation – January 1st	**226,167**
Cost of interest	11,222
Cost of current service	26,845
Payments from provisions during the year	-3,091
Actuarial (profit) / loss for the period	-134,038
Present value of the obligation – December 31	**127,105**

Maturity of obligations with defined benefits	Projection of Post-Employment Benefit Payments
Up to 1 year	0
1-2 years	5,089
2-5 years	25,078
5-10 years	164,163
More than 10 years	195,559

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

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

Sensitivity review:

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

Assumptions	**Post-employment benefits**
PVDBO on 31.12.2022	**127,105**
Discount rate + 1%	117,392
Discount rate - 1%	137,914
Wage growth rate + 1%	138,305
Wage growth rate – 1%	116,896
Longevity growth by 1 year	128,497

Benefit payments maturity review

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

24 SUBSIDIES

In 2021, the company received the financing agreement based on G.D. no. 807/2014 on the establishment of a state aid scheme aimed at stimulating investments with a major impact on the economy in the amount of 27,741,425 lei, at a project value of 55,482,850 lei.

In 2022, based on the above agreement, the company accessed the total amount of 3,537,828.18 lei, related to the purchase of technological equipment related to the project.

In December 2022, the company received a decision to revoke the state aid and summons for the recovery of the amount accessed, respectively 3,537,828 lei which it returned in January and February 2023.

25 SHARE CAPITAL

The company's subscribed share on December 31, 2022 is 6,976,465 lei, the nominal value of one share being 0.10 lei / share.

A number of 30,172,043 shares out of a total of 69,764,650 shares are restricted to trading, but without restricting the voting rights, as follows:

- based on the Diicot Ordinance of 22.10.2014 a number of 2,723,000 shares;

- based on the Diicot Ordinance of 02.11.2015 a number of 27,449,043 shares.

The shareholding structure on 31.12.2022 was the following:

Shareholder	Shares	Percent %
Investments Constantin SRL	25,699,543	36.8375%
Natural persons	21,691,941	31.0930%
Trans Expedition Feroviar SRL	8,963,266	12.8479%
Standard Equity SRL	7,542,172	10.8109%
Legal persons	5,867,728	8.4107%
TOTAL	**69,764,650**	**100%**

The structure of the Board of Directors on 31.12.2022 is as follows:

Item no.	Surname	Given names	Position	Number of shares
1.	Stefan	Constantin	Chairman of the Board	0
2.	Cardinal Main SRL	by permanent representative Roxana Scarlat	Vice-Chairman of the Board	0
3.	Csoarpi Saints SRL	by permanent representative Adrian Ionescu	Board Member	0

26 RETAINED EARNINGS AND OTHER RESERVES

Reserves have the following components:

Reserves	31-Dec-22	31-Dec-21
Fixed assets revaluation reserves	27,367,632	6,827,207

Legal reserves	1,617,005	1,617,005
Other reserves	44,442,530	44,442,530
TOTAL	**73,427,167**	**52,886,742**

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

Reserve	**Description and purpose**
Reserves from fixed assets revaluation	If the carrying amount of tangible asset is increased as a result of the revaluation, then the increase must be recognized in other comprehensive income elements and accumulated in equity, as a revaluation surplus. Revaluation reserves cannot be distributed and cannot be used to increase the share capital.
Legal reserves	According to Law 31/1990, every year at least 5% of the profit is taken over for the formation of the reserve fund, until it reaches at least one fifth of the share capital. These reserves may be distributed in accordance with the legal provisions, being taxed accordingly.
Other reserves	On December 31 2022, other reserves include reserves made up of previous profits as well as the reserves related to the fiscal facilities obtained. These reserves may be distributed in accordance with the legal provisions, being taxed accordingly.

On 31.12.2022, the company made a net loss in the amount of 10,569,929 lei. The retained earnings register on 31.12.2022 a value of -24,790,433 lei.

The movements in the retained earnings account were:

	31-Dec-22	**31-Dec-21**
Initial balance	**(12,482,452)**	**(3,898,728)**

Financial year profit/loss	(10,569,929)	(11,849,219)
Result from share revaluation	(2,062,352)	1,137,462
Result from employee benefits	134,038	73,391
Deferred tax on profit related to share revaluation and employee benefits	351,422	193,736
Result from surplus of revalued reserves	(161,161)	2,248,378
Allocations from other reserves	-	-
TOTAL	**(24,790,433)**	**(12,482,452)**

Retained earnings consist of:

	31-Dec-22	**31-Dec-21**
Cummulated retained earnings	(10,641,052)	1,208,167
Profit of the financial year	(10,569,929)	(11,849,219)
Cummulated result first time application of IFRS	1,719,391	1,719,391
Effect resulting from the sale of shares	(4,395,770)	(4,395,770)
Retained earnings from the correction of accounting errors in previous periods	(433,171)	(433,171)
Retained earnings representing the surplus realized from revaluation reserves	5,192,714	5,353,875
Revaluation of financial investments at fair value	(6,990,457)	(4,928,105)
Related deferred tax	1,129,658	778,236
Remeasurment of deferred tax net benefit schemes	198,183	64,145
TOTAL	**(24,790,433)**	**(12,482,452)**

27 BALANCES AND TRANSACTIONS WITH AFFILIATED ENTITIES

The entities affiliated to the company on 31.12.2022 are:

Item no.	**Full name**	**Share capital participation rate**
1.	Stefan Constantin – indirect holding through Investments Constantin SRL and Benjamin United SRL	37.73%
2.	Investments Constantin SRL	36.84%
3.	Benjamins United SRL	-
4.	Amplo SA – Electroarges holdings	84.41%

5.	Elars SA - Electroarges holdings	88.16%
6.	Braiconf SA - Electroarges holdings	22.49%
7.	Csoarpi Saints SRL - indirect affiliation through joint management	-
8.	Cardinal Main SRL - indirect affiliation through joint management	-
9.	Standard Equity SRL - indirect affiliation through joint management	-
10.	Trans Expedition Feroviar SRL - indirect affiliation through joint management	-
11.	Louw Estate SRL - indirect affiliation through joint management	-
12.	Number RD SRL - indirect affiliation through joint management	-
13.	Phoenix Aparthotel SRL - indirect affiliation through joint management	-

List of the executive management:

Item no.	**Surname**	**Given Names**	**Position**	**Period as a member of the executive management**
1.	Caramida	Valentin	Deputy General Director	20.06.2022– indefinite
2.	Onu	Patricia	Project Manager	17.05.2022– indefinite
3.	Petre	Iulia	Financial Manager	01.05.2020 – indefinite

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

Receivables on affiliated parties	**2022**	**2021**
Braiconf SA	159,512	143,627
Amplo SA	2,876,856	3,957,150
Elars SA	40,000	407,000
TOTAL	**3,076,368**	**5,210,273**

Liabilities to affiliated parties	2022	2021
Braiconf SA	16,405	-
Louw Estate SRL	20,068	-
Number RD SRL	35,700	-
Phoenix	2,006	
TOTAL	**74,179**	**-**

Sales of goods & services	2022	2021
Amplo SA	-	-
Braiconf SA	-	-
TOTAL	**-**	**-**

Purchases of goods & services	2022	2021
Braiconf SA	13,786	155,075
Benjamins Unites SRL	1,146,975	1,131,092
Cardinal Main SRL	700,000	-
Csoarpi Saints SRL	1,160,000	-
Number RD SRL	84,500	-
Phoenix Aparthotel SRL	908,949	-
Louw Estate SRL	226,297	
TOTAL	**4,240,507**	**2,184,626**

Bond issue loan:

Name	Number of bonds held	Bond value
Trans Expedition Feroviar SRL	804,000	2,010,000 lei
Standard Equiti SRL	1,202,000	3,005,000 lei
TOTAL	**2,006,000**	**5,015,000 lei**

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

Description	For the year ending on 31-Dec-22	31-Dec-21
Board remuneration based on mandate contracts (fixed and variable)	2,278,437	3,524,000
Wages/contracts	590,434	1,065,415
Taxes and social contributions	13,285	23,973
TOTAL	**2,882,156**	**4,613,388**

28 CONTINGENT LIABILITIES

i) The risk associated with the change in legislation and taxation in Romania

Changes in the legal and tax regime in Romania may affect the Company's economic activity. Changes related to the adjustments of Romanian legislation with European Union regulations may affect the legal environment of the Company's business activity and its financial results. The lack of stable rules, legislation and cumbersome procedures for obtaining administrative decisions can also restrict the Company's future development. In order to minimize this risk, the Company regularly analyzes changes to these regulations and their interpretations. Considering that the legislation leaves more and more to the discretion of the tax body the interpretation of the way of application of the tax rules, also corroborated with the lack of funds in the state budget and the attempt by any means to collect these funds, we consider this a major risk for the company, because it cannot be addressed in a preventive, real and constructive way. The company considers that it has paid on time and in full all the fees, taxes, penalties and penalty interest, to the extent that it is the case. In Romania, the tax year remains open for checks for a period of 5 years.

ii) The transfer price

In accordance with the relevant tax legislation, the tax assessment of a transaction made with related parties is based on the concept of the market price related to that transaction and the principle of full competition. Based on this concept, transfer prices must be adjusted so as to reflect market prices that would have been established between entities that do not have an affiliation relationship and that act independently, based on "normal market conditions". The task of taxpayers carrying out transactions with related parties is to prepare transfer pricing documentation, which must be presented at the request of the tax authorities during the tax inspection. Thus, it is likely that checks of the transfer prices will be carried out in the future by the tax authorities, in order to determine whether the respective prices comply with the principle of "normal market conditions" and that the taxable base of the Romanian taxpayer is not distorted.

iii) Litigations

In the context of day-to-day operations, the Company is subject to a risk of litigation, among other things, as a result of changes and developments in legislation. In addition, the Company may be affected by other contractual claims, complaints and litigation, including from counterparties with whom it has contractual relationships, customers, competitors or regulatory authorities, as well as any adverse publicity it attracts. The Company's management believes that if they exist, these litigations will not have a significant impact on the Company's operations and financial position.

iv) Environmental matters

The implementation of environmental regulations in Romania is in the development phase and the application procedures are being reconsidered by the authorities. The Company’s professional activity does not have an impact on the environment.

29 COMMITMENTS

On December 31 2022, the company had the following commitments granted for loans:

- Loans to a single bank - Raiffeisen Bank Pitesti Branch
- Guarantees: contract for assignment of receivables and contract for movable mortgage on the pledged goods.

For the overdraft facility worth 10,000,000 lei (uses in RON, EUR and USD) the following guarantees are established:

- Pledge on accounts opened with Raiffeisen Bank;
- Assignment of trade receivables with Alfred Kaercher and Arctic SA;
- Movable mortgage on the stock of raw materials, finished products and products

in progress.

For the credit agreement in the amount of 10,000,000 lei with maturity on 29.11.2024, the following guarantees are constituted:

- Pledge on accounts opened with Raiffeisen Bank;
- State guarantee through Eximbank, amounting to 9,000,000 lei;
- Collateral deposit in the amount of 1,000,000 lei, without interest, maturity 30.12.2024;
- Assignment of trade receivables with Alfred Kaercher and Arctic SA;
- Movable mortgage on the stock of raw materials, finished products and products in progress.

30 INFORMATION REGARDING THE AUDIT OF THE FINANCIAL STATEMENTS

The financial audit for the financial year 2022 was performed by BDO Audit SRL. The auditor provided exclusively financial audit services. The fees payable to it for the statutory financial statements prepared on 31.12.2022 are in the amount of 10,000 EUR. The tariff for other services provided by it (auditing the consolidated financial statements of the Group) is EUR 7,000.

27 ACTIVITY CONTINUITY

Electroarges SA operates in the principle of continuity, based on the Income and Expenses Budget and development programs, evaluated in accordance with the commercial contracts underlying the economic collaborations.

Electroarges SA is a production company that has been active in the home appliance industry since 1971, so it is not immune to the drastic changes in the economic environment that characterize the immediate past and the near future, mainly caused by the COVID 19 pandemic, a period marked by major challenges and uncertainties for any production unit.

Currently, in addition to the general situation in the market, Electroarges SA is close to concluding its collaboration with the majority client, Alfred Kaercher GMBH, which also gives the advantage of being able to respond and implement new projects promptly.

In this sense, the company took the necessary measures in time, by resizing the personnel and expenses, by re-planning the way of working, by the strategies and commercial activities but also by acquisitions.

Regarding the personnel resizing, the company closed the contract with Manpower Romania SRL, which had the object of personnel leasing.

The company renegotiated the contracts with the service providers related to the operating activity, thus obtaining significant reductions in the operating expenses.

Given the decrease in production activity, utility costs will decrease significantly.

With the close of cooperation with Alfred Kaercher, transport costs for imports will decrease.

For the year 2023, the company has a sales forecast with a total turnover of 93,000,000 lei, which means an increase of 22.5% compared to 2022.

The increase comes from the consolidation and increase of the portfolio and the volume of products executed for the existing clients Haier and Arctic, as well as the initiation of collaborations with new clients, such as Makita, Fuchs, etc.

At the same time, the company makes sustained efforts to ensure efficiency and increased productivity, a context in which a long-term investment plan has been implemented and developed in all sectors: personnel, technologies, equipment and buildings.

Thus, in the current situation, as well as in that of the general pandemic context, the company intends to increase the ongoing collaborations but also to diversify the client portfolio, as well as the services portfolio.

The measures already implemented, as well as the planned ones, ensure the company's continuity and stability.

Vice-Chairman of the Board of Directors, Roxana Scarlat	Head of the Financial Accounting Department, Madalina Balanescu

STATEMENT

I, the undersigned, SCARLAT ROXANA as ELECTROARGES SA Vice-Chairman of the Board of Directors, with the registered office in Bucharest, str. Horatiu, nr. 8-10, sector 1, according to the provisions of art. no. 30 of the Accounting Law no. 82/1991, as republished, take full responsibility for the accurate presentation of the annual financial statements for 2022, in accordance with the Accounting Regulations harmonized with the IVth Directive of the European Economic Communities and with the International Financial Reporting Standards, approved by the Ordinances no. 2844/2016 and 881/2012 of the Public Finances Minister, and confirm that:

- the accounting policies used to prepare the annual financial statements are in accordance with the applicable accounting regulations;
- the annual financial statements provide a correct and true picture of the assets, liabilities, financial position, profit and loss account;
- the Report of the Board of Directors correctly and completely presents the information about Electroarges SA on the company's development and performance, including the main risks and uncertainties specific to the activity carried out;
- Electroarges SA carries out its activity under conditions of continuity.

Signature:

ROXANA SCARLAT

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INDEPENDENT AUDITOR'S REPORT

To the shareholders,
Electroargeș S.A.

Raport on the audit of the financial statements

Reserved Opinion

1. We audited the standalone financial statements of **Electroarges S.A. ("The Company")** - with its registered office in Curtea de Arges, str. Albesti nr. 12, Arges County, holder of Tax Code RO 156027, which include the Standalone statement of financial position on December 31, 2022, and the Standalone statement of comprehensive income, the Standalone statement of changes in equity and the Standalone statement of cash flows for the financial year ended on that date, as well as a summary of significant accounting policies and other explanatory notes.

2. The financial statements on December 31, 2022 are as follow:

- Net assets/Total equity: 55,613,196 Lei
- Net loss of the financial year: (10,569,929) Lei

3. In our opinion, with the exception of the possible effects on the corresponding figures of the matters presented in *the Basis for the Reserved Opinion* section of our report, the accompanying standalone financial statements exactly present in all material respects the Company's financial position on December 31, 2022 and its financial performance and its cash flows related to the financial year ended on that date, in accordance with the Order of the Minister of Public Finance no. 2844/2016 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards ("OMFP 2844/2016").

Basis for the Reserved Opinion

4. In the financial year 2021, the Company reported in the standalone financial statements a net loss in the amount of 1.7 million lei from the sale of the shares held in Mobila Rădăuți SA. The indications regarding the losses related to these actions existed from the previous financial years. On December 31, 2021, we were not able to determine which would have been the necessary adjustments on the current result, respectively the cumulative result, so that the financial statements on December 31, 2021 to adequately reflect the company's financial performance. Our audit opinion on the financial statements for the year ended on December 31, 2021 contained a reservation regarding this matter. Our audit opinion on the financial statements for the year ended on December 31, 2022 contains as well as a reservation regarding the comparability of the current period figures and the corresponding figures.

5. In the financial year 2021, the Company estimated and reported depreciation adjustments for slow-moving inventories in the amount of 2.6 million Lei. Part of this amount refers to the previous financial years. We were not in a position to determine

whether adjustments to the current result and to the initial retained earnings would have been necessary for the financial year 2021 with respect to these estimates. Our audit opinion on the financial statements for the year ended on 31 December 2021 contained a reservation on this matter. Our audit opinion on the financial statements for the year ended on 31 December 2022 also contains a reservation regarding the comparability of the current period figures and the corresponding figures.

6. We conducted our audit in accordance with the International Standards on Auditing ("ISA"), EU Regulation no. 537 of the European Parliament and of the Council (hereinafter "the Regulation") and Law no. 162/2017 ("Law"). Our responsibilities under these standards are described in detail in the "*Auditor's Responsibilities in an Audit of Financial Statements*" section of our report. We are independent of the Company, according to the Code of Ethics for Professional Accountants issued by the Council for International Standards of Ethics for Accountants (IESBA Code), according to ethical requirements that are relevant for auditing financial statements in Romania, including the Regulation and Law, and we have fulfilled our responsibilities ethics according to these requirements and according to the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our reserved opinion.

Key audit issues

7. The key audit issues are those that, based on our professional judgment, were of the greatest importance for auditing the financial statements of the current period. These issues have been addressed in the context of the audit of the financial statements as a whole and in the formation of our opinion on them, and we do not provide a separate opinion on these key issues.

Key audit issues	*The approach in the audit:*
a) Recognition of income See **Note 2.15.1 " Accounting Policies – Recognition of income" și Note 4 "Income from contracts with clients"** The income recognition policy is set out in Note 2.15.1. The turnover consists of income from the sale of finished products to external and internal customers. According to the ISA, there is an implicit risk in income recognition, caused by the pressure that management may feel in connection with achieving the planned results. The Company's income is recognized at the time of delivery of the products to customers.	Our audit procedures included, but were not limited to: • evaluation of the principles of income recognition in accordance with the provisions of IFRS; • testing the control and the processes implemented regarding the reflection in the accounting of the sales of finished products, in order to obtain the necessary assurance regarding the existence, completeness and accuracy of the income reported in the financial statements; • testing trade receivables balances on December 31, 2022, by sending letters of direct confirmation;

Other issues

8. The attached financial statements are drawn up based on the Accounting Regulations in accordance with the International Financial Reporting Standards, approved by the Order of the Minister of Public Finance no. 2844/2016. The reporting framework provided in these regulations refers to the application of IFRS. According to these standards, a parent company prepares consolidated annual financial statements. At the reference date of the attached financial statements, the Company has control in 2 (two) companies. The attached financial statements are standalone and do not show any adjustment that might be necessary for consolidation.

9. This independent auditor's report is addressed exclusively to the Company's shareholders as a whole. Our audit was performed in order to be able to report to the Company's shareholders those issues that we must report in a financial audit report, and not for other purposes. To the extent permitted by law, we accept and assume no liability other than to the Company and its shareholders, as a whole, for our audit, for this report or for the opinion formed.

Other information – Directors' report

10. The management is responsible for Other information. Other information contain the Directors' Report, as well as the Remuneration Report, but does not include the financial statements and the auditor's report thereon.

Our opinion on the financial statements does not cover this Other Information and we do not express any assurance conclusion about it.

In connection with the audit of the financial statements for the financial year ended on December 31, 2022, it is our responsibility to read that Other Information and, in doing so, to assess whether that Other Information is materially inconsistent with the financial statements or the knowledge we have acquired during the audit, or if they appear to be significantly distorted.

Regarding the Directors' Report, we have read and report whether it has been prepared, in all material respects, in accordance with the Order of the Minister of Public Finance no. 2844/2016, paragraphs 15-19, of the Accounting Regulations in accordance with the International Financial Reporting Standards.

Regarding the Remuneration Report, we have read and report whether it has been prepared, in all material respects, in accordance with the provisions of Law 24/2017, Article 107.

Based exclusively on the activities to be carried out during the audit of the financial statements, in our opinion:

a) The information presented in the Directors' Report for the financial year for which the financial statements have been prepared is consistent, in all material respects, with the financial statements;

b) The Directors' Report was prepared, in all significant issues, in accordance with the Order of the Minister of Public Finance no. 2844/2016, paragraphs 15-19, of the Accounting Regulations in accordance with the International Financial Reporting Standards

c) The Remuneration Report has been prepared, in all material respects, in accordance with the provisions of Law 24/2017, Article 107.

In addition, based on our knowledge and understanding of the Company and its environment, acquired during the audit of the financial statements for the year ended on December 31, 2022, we are required to report whether we have identified material misstatements in the Directors' Report. We have nothing to report on this issue.

Management and people in charge of governance's responsibility for the financial statements

11. Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with the Order of the Minister of Public Finance no. 2844/2016 and for such internal control as management deems necessary to enable the preparation of financial statements free from material misstatement, whether due to fraud or error.

12. In preparing the financial statements, management is responsible for assessing the Company's ability to continue its business, presenting, where appropriate, business continuity issues and using the business continuity principle as the basis of accounting, unless management intends to liquidate the Company or stop operations, or have no realistic alternative other than them.

13. The persons in charge of governance are responsible for overseeing the Company's financial reporting process.

The Auditor's responsibility in an audit of financial statements

14. Our objectives are to obtain reasonable assurance as to the extent to which the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but there is no guarantee that an audit conducted in accordance with the ISAs will always detect a significant misstatement, if any. Misstatements may be caused by either fraud or error and are considered significant if it can reasonably be expected that they, individually or in combination, will influence users' economic decisions based on these financial statements.

15. As part of an audit in accordance with the audit standards adopted by the Romanian Chamber of Financial Auditors, which are based on International Standards on Auditing, we exercise professional judgment and maintain professional skepticism during the audit. Also:

a) We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a significant misstatement caused by fraud is higher than that of not detecting a significant misstatement caused by error, as fraud may involve secret agreements, forgery, intentional omissions, misrepresentation and circumvention of internal control;

b) We understand the internal control relevant to the audit, in order to design audit procedures appropriate to the circumstances, but without the purpose of expressing an opinion on the effectiveness of the Company's internal control;

c) We evaluate the adequacy of the accounting policies used and the reasonableness of the accounting estimates and related presentations made by management;

d) We formulate a conclusion on the adequacy of management's use of accounting based on business continuity and determine, based on the audit evidence obtained, whether there is significant uncertainty about events or conditions that could raise significant doubts about the Company's ability to continue its activity. If we conclude that there is significant uncertainty, we must draw attention in the auditor's report to the related disclosures in the financial statements or, if those disclosures are inadequate, change our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease operating on the basis of the business continuity principle;

e) We evaluate the presentation, structure and general content of the financial statements, including disclosures, and the extent to which the financial statements reflect the underlying transactions and events in a manner that provides a fair presentation.

16. We communicate to the persons in charge of governance, among other things, the planned area and timing of the audit, as well as the main findings of the audit, including any deficiencies in internal control that we identify during the audit.

17. We also provide a statement to the persons in charge of governance that we have complied with the relevant ethical requirements regarding independence and that we have communicated to them all relationships and other matters that could reasonably be assumed to affect our independence and, where applicable, the related protection measures.

18. Among the issues we communicated to the persons in charge of governance, we identify those issues that were most important in the audit of the current financial statements and are therefore key audit issues. We describe these issues in our audit report, unless legislation or regulations prevent the public disclosure of that issue or, in extremely rare circumstances, we believe that an issue should not be disclosed in our report because it is reasonably expected that the benefits of the public interest outweigh the negative consequences of this communication.

Report on other legal and regulatory provisions

19. We were appointed by the General Meeting of Shareholders by decision no. 115 of 28.04.2022 to audit the financial statements of **Electroarges S.A.** for the financial years 2022 - 2024. The total uninterrupted duration of our commitment is 4 years, covering the financial years ended on 31.12.2019, on 31.12.2022.

We confirm that:

• Our audit opinion is consistent with the additional report submitted to the Company's Audit Committee, which we issued on the same date we issued this report. Also, in conducting our audit, we maintained our independence from the entities of the audited entity;

• We did not provide the Company with the prohibited non-audit services referred to in Article 5 (1) of EU Regulation no. 537/2014.

Report on compliance with Commission Delegated Regulation (EU) 2018/815 (Technical Regulatory Standard on the European Single Electronic Format or ESEF)

We have performed a reasonable assurance on compliance of the financial statements prepared by the Company included in the annual financial report presented in digital file 254900060TC0QQPGMW77 ("digital file") with the Commission Delegated Regulation (EU) 2018/815.

Responsibility of management and the persons in charge of governance for Digital Files prepared in accordance with ESEF

The Company's management is responsible for the preparation of the Digital File in accordance with the ESEF. This responsibility includes:

- designing, implementing and maintaining internal control relevant to the implementation of the ESEF;
- ensuring compliance between the Digital File and the financial statements that will be published in accordance with Order no. 2844/2016 as further amended;

The people in charge of the governance are responsible for overseeing the preparation of the Digital File in accordance with the ESEF.

Auditor's responsibility for auditing the Digital File

We are responsible for expressing a conclusion as to the extent to which the financial statements included in the annual financial report are in accordance with the ESEF, in all material respects, based on the evidence obtained. Our reasonable assurance mission was performed in accordance with International Standard on Assurance Assignments 3000 (revised), Assurance Assignments other than audits or reviews of historical financial information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance mission in accordance with ISAE 3000 involves procedures for obtaining evidence of compliance with ESEF. The nature, timing and extent of the procedures selected depend on the auditor's reasoning, including the assessment of the risk of material misstatement of the ESEF provisions, whether due to fraud or error. A reasonable assurance mission includes:

- gaining an understanding of the process of preparing the Digital File in accordance with the ESEF, including relevant internal controls;
- reconciliation of the Digital File with the Company’s audited financial statements that will be published in accordance with Order no. 2844/2016 as further amended.
- assessing whether all financial statements that are included in the annual financial report are prepared in a valid XHTML format;

We consider that the evidence obtained is sufficient and adequate to provide a basis for our conclusion. In our opinion, the financial statements for the financial year ended on 31 December 2022 included in the annual financial report and presented in the Digital File comply, in all material respects, with the requirements of the ESEF.

We do not express an audit opinion, a review conclusion, or any other assurance on financial statements in this section. Our audit opinion on the Company's financial statements for the financial year ended on December 31, 2022 is included in the Report on Financial Statements section above.

On behalf of **BDO Audit S.R.L.**

Registered in the electronic Public Register with no. FA18

Partner's name: Razvan Alexandru Cocei

Registered in the electronic Public Register with no. AF2568

Bucharest, Romania April 28, 2023