

FINANCIAL STATEMENT *Translation from Romanian*
FOR THE FINANCIAL YEAR ENDING ON 31 MARCH 2018

	31.12.2017	- LEI - 31.03.2018
Assets		
Fixed assets		
Tangible assets	19,386,867	20,593,932
Intangible assets	402,365	400,986
Goodwill	0	0
Investment property	0	0
Financial assets	30,823,042	22,127,494
TOTAL FIXED ASSETS	50,612,274	43,122,412
Current assets		
Inventories	20,737,672	18,540,506
Trade receivables and of other nature	21,598,049	40,013,501
Advance expenses	66,886	268,807
Short-term financial investments	7,082,314	2,229,160
Cash and cash equivalents	15,238,576	24,672,873
TOTAL CURRENT ASSETS	64,723,497	85,724,847
TOTAL ASSETS	115,335,771	128,847,259
Trade liabilities and of other nature	17,197,859	27,243,287
Loans bearing short-term interest	2,967,093	0
Other liabilities	19,129,622	21,986,619
SHORT-TERM LIABILITIES	39,294,574	49,229,906
Long-term loans	871,357	765,738
Long-term deferred income		
TOTAL LONG-TERM LIABILITIES	871,357	765,738
Current tax liabilities		
Deferred tax liability		
TOTAL LIABILITIES	40,165,931	49,995,644
Deferred income-of which investment subsidies	3,931,918	3,720,092
Provisions	6,433,112	6,408,278
Share capital	6,976,465	6,976,465
- Subscribed capital	6,976,465	6,976,465
- Share capital adjustment to hyperinflation	0	0
Share premiums	0	0
Capital reserves	1,617,005	1,617,005
Legal reserves adjustment to hyperinflation	2,540,349	2,540,349
Reserves from the revaluation of tangible assets	1,756,292	1,756,292
Revaluation reserves	0	0
Earnings related to capital instruments	1,132,496	1,132,496
Retained earnings from revaluation reserve surplus	12,326,909	25,192,043
Other reserves	29,750,378	29,750,378
Other reserves adjustment to hyperinflation	3,309,306	3,309,306
Differences from fair value evaluation of financial assets	-5,921,511	-5,905,703
Profit carried forward	0	0
Retained earnings from the adoption of IFRS	0	0
Cumulative profit	12,874,619	3,912,112
Distribution of profit	1,557,498	1,557,498
TOTAL EQUITY	64,804,810	68,723,245
TOTAL LIABILITIES AND EQUITY (TOTAL LIABILITIES	115,335,771	128,847,259

CHAIRMAN OF THE BOARD OF DIRECTORS,
 Full name, signature and company's stamp
STEFAN CONSTANTIN

PREPARED BY,
 Full name, signature
ROXANA SCARLAT

**STATEMENT OF COMPREHENSIVE INCOME
 FOR THE FINANCIAL YEAR ENDING ON 31 MARCH 2018**

	31.03.2017	31.03.2018
		LEI
		31.03.2017
		31.03.2018
Production sold	51,954,206	57,725,457
Income from sale of goods	1,403,501	825,299
Income related to the cost of the product stocks	1,236,798	7,203,524
Income from trade discounts	-12,710	-17,593
Income from Tangible and Intangible asset production	27,124	0
Income from operating subsidies	17,076	0
Other operating income	1,031,205	320,907
TOTAL OPERATING INCOME	55,657,200	66,057,594
Raw material and consumables expenses	40,044,237	49,618,302
Expenses on goods	1,184,513	798,383
Trade discounts received		-8,810
Staff benefits expenses	4,875,226	5,222,611
Value adjustments on assets	731,872	830,398
Expenses	731,872	830,398
Income		
Value adjustments on current assets		
Expenses		
Income		
Value adjustments on provisions	562,523	-24834
Expenses	594,900	75,872
Income	32,377	100,707
Other operating costs	2,964,264	4,381,915
TOTAL OPERATING COSTS	50,362,635	60,817,965
OPERATING PROFIT	5,294,565	5,239,629
Financial income	496,574	442,748
Financial expenses	497,035	994,915
FINANCIAL PROFIT	-461	-552,167
TOTAL INCOME	56,153,774	66,500,342
TOTAL COSTS	50,859,670	61,812,880
GROSS PROFIT	5,294,104	4,687,462
INCOME TAX EXPENSE	939,765	775,350
NET PROFIT	4,354,339	3,912,112
TOTAL COMPREHENSIVE INCOME FOR THIS PERIOD	4,354,339	3,912,112
BASIC/DILUTED EARNINGS PER SHARE	0,0624	0,0561

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**CASH FLOW STATEMENT
 ON 31.03. 2018**

Indirect method

- LEI-

Item name	Cash flow 01.01.2018	Cash flow 31.03.2018
A	2	4
+/- Business income	12,874,619	3,912,112
+ Depreciation included in cost	2,958,726	830,398
- Changes in inventories (+/-)	(+)1,155,226	(-)2,197,166
- Changes in receivables (+/-)	(+)4,471,785	(+)18,415,452
+ Changes in suppliers and client lenders (+/-)	(+)821,198	(+)7,078,335
- Changes in other asset items (+/-)	(-)5,050,443	(-)12,192,467
+ Changes in other liability items	(-)22,723,622	(+)4,711,198
A = Cash flow from operating activities	(-)6,645,647	(+)12,506,224
+ Amounts from sale of assets and fixed assets	867,701	42,666
- Acquisitions of tangible assets	3,563,279	51,372
+ =B Cash flow from investment activities	(-)2,695,578	(-)8,706
+ Changes in loans (+/-) out of which:	(+)2,650,236	(-)3,072,712
* Short-term loans	(+)2,967,093	(-)2,967,093
+ Paid dividends	6,395,773	9,491
+ = C Cash flow from financial activities	9,046,009	(-)3,063,221
+ Liquid assets at the beginning of 2018	15,533,792	15,238,576
+ Net cash flow (A+B+C)	(-)295,216	(+)9,434,297
= Liquid assets at the end of the period	15,238,576	24,672,873

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STATEMENT OF CHANGES IN EQUITY ON 31.03.2018

Elements of shareholders' equity	Balance on 31.12.2017	Increases		Decreases		Balance on 31.03.2018
		Total, out of which	By transfer	Total, out of which	By transfer	
Capital subscribed and fully paid	6,976,465	-	-	-	-	6,976,465
Other elements of equity	-71,856	15808	-			-56,048
Revaluation reserves	1,756,292	-	-	-	-	1,756,292
Legal reserves	1,617,005	-	-	-		1,617,005
Other elements of equity	29,750,378					29,750,378
Retained earnings representing the undistributed profit or the uncovered loss 1171	12,537,328	12,874,619	-	-	-	25,411,947
Retained earnings from correction of accounting errors 1174	-433,171	8439	-	17924	-	-442,656
Retained earnings representing the surplus from the revaluation reserves 1175	222,752	-	-	-	-	222,752
Financial year result	12,874,619	3,912,112		12,874,619		3,912,112
Distribution of profit 129	1,557,498					1,557,498
Income related to the selling or cancellation of equity instruments	1,132,496	-	-	-	-	1,132,496
Total equity	64,804,810	20,931,492	-	16,577,152	16,577,153	68,723,245

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Translation from Romanian

ANNEX 30.B. ECONOMIC & FINANCIAL INDICATORS:

Indicator	Calculation method	Result	Optimal values
1. Current liquidity indicator	Current assets/ Current liabilities	$85\,456\,040 / 49\,229\,906 = 1.74$	2
2. Indebtedness indicator	Borrowed capital/Own capital x 100	$765\,738 / 68\,723\,245 \times 100 = 1.11$	Minimal Value
	or Borrowed capital/Invested capital x 100	$765\,738 / 69\,488\,983 \times 100 = 1.10$	Minimal Value
3. Turnover speed, for client debit items	Client average balance/Turnover x 90 days	$12\,710\,255 / 58\,533\,163 \times 90 = 19.54$ days	Maximal Value
4. Fixed assets turnover speed	Turnover/ Fixed assets	$58\,533\,163 / 43\,122\,412 = 1.36$	Minimal Value

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REVIEW REPORT

PREPARED BY SOCIETATEA CASA DE AUDIT CORVINIA S.R.L. PITEȘTI BRANCH

REGARDING THE FINANCIAL STATEMENTS ON 31.03.2018

OF ELECTROARGEȘ S.A. CURTEA DE ARGEȘ

Societatea CASA DE AUDIT CORVINIA S.R.L. PITEȘTI BRANCH, based on the contract for services agreed between the parties, reviewed the financial statements prepared by S.C. ELECTROARGES S.A. Curtea de Argeș on 31.03.2018,, which refer to:

- Assets, liabilities and shareholders' equity balance on 31.03.2018, with a total of 128,847,259 lei;
- Profit and loss account, with a net turnover of 58,533,163 lei;
- The gross profit on 31.03.2018, with a profit of 4,687,462 lei;

Responsibility for preparing these financial statements rests with the company's management.

The auditors' responsibility is that, based on the checks undertaken, to express an opinion on the financial statements prepared on 31.03.2018. The auditors carried out the verification of these statements in accordance with the statutory regulations, which have to be executed so as to obtain reasonable assurance that they do not contain significant errors.

The review was conducted in accordance with ISA and the Audit Rules issued by the Chamber of Financial Auditors of Romania, which are consistent with International Auditing Rules.

In brief, the following conclusions were drawn on 31.03.2018:

The company complies with the legislation and accounting standards of Romania, in accordance with the Ordinance no. 2844/2016 of the Public Finances Ministry for approval of Accounting Regulations in accordance with International Financial Reporting Standards as further amended and supplemented, Ordinance no. 881/2012 of the Public Finances Ministry on the application of the International Financial Reporting Standards by companies whose securities are admitted to trading on a regulated market, Law no. 297/2004 on the capital market, as further amended and supplemented, Law no. 24/2017 on the issuers of financial instruments and market

operations and the Accounting Law no. 82/1991, as republished and further amended and supplemented.

Regarding the internal control, this is primarily carried out through management control and preventive financial control. The auditor recommends more detailed internal control procedures and more careful management oversight with more precise and detailed responsibilities in job descriptions, allowing the possibility of maintaining discipline in economic and financial activity and patrimony insurance protection. There is a proper organization of financial and management accounting, but it is recommended to establish internal procedures allowing the provision of information necessary to ensure a quality management through decisions appropriate to the company's functions. The auditor recommends updating the accounting policies in accordance with the provisions of the Ordinance no. 2844/2016 of the Public Finances Ministry for approval of Accounting Regulations in accordance with International Financial Reporting Standards.

The Financial Accounting Management is concerned with improving the quality of financial statements, seeking harmonization with the current professional requirements.

The asset and liability balance recorded an increase by 11.71 % on 31.03.2018 compared to the end of the previous year, so, structurally, the following situation was registered:

- the total net fixed assets decreased by 7,489,862 lei, respectively by 14.80 % compared to the beginning of the year;

- current assets recorded an increase by 32.45 %, respectively by 21,001,350 lei compared to the beginning of the year, due to the increase of commercial receivables and of other nature by 18,415,452 lei (85.26%), but also the increase in cash and cash equivalents by 9,434,297 lei (61.91%). Inventories decreased by 2,197,166 lei (10.60%), and the short-term investments also registered a decrease by 4,853,154 lei (68.52%);

- on liabilities, there is an increase in equity by 3,918,435 lei (6.05 %) compared to the beginning of the year. Liabilities recorded an increase by 9,829,713 lei (24.47 %).

The profit and loss account records an increase in net turnover by 9.73 % in the firstquarter of 2018 compared to the same period of the previous year, respectively by 5,188,166



lei, determined by the income increase from the sales of goods by 6,106,445 (11.87%). The gross business income, recorded by the company on 31.03.2018 is of 4,687,462 lei, lower by 606,642 lei, respectively by 11.46%, compared to the same period of the previous year.

We are unaware of any transaction or decision of the executive management that we believe to violate the laws of Romania or the company charter on capital transactions or other transactions.

In our opinion, the third quarter financial statements give a true and fair view of the company's patrimony and financial position on 31.03.2018 and they have been prepared in an appropriate manner, in all significant respects, in accordance with the provisions of Ordinance no. 2844/2016 of the Public Finances Ministry for approval of Accounting Regulations in accordance with International Financial Reporting Standards.

On behalf of

SOCIETATEA CASA DE AUDIT CORVINIA S.R.L. PITEȘTI BRANCH

Office: B-dul Republicii, nr.141,

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Registered at the Chamber of Financial Auditors of Romania with no. 1232/2014

FINANCIAL AUDITOR

ȘENDRONI AUREL

Registered at the Chamber of Financial Auditors

of Romania with no. 407/2001

Pitești, 14.05.2018

Translation from Romanian

**EXPLANATORY NOTES – ASSETS, RECEIVABLES,
 LIABILITIES AND INVESTMENT BALANCE ON 31.03.2018**

1. Assets

On 31.03.2018 the total assets in net value have decreased by 7,489,862 lei respectively by 14.80% compared to the beginning of the year, reaching the end of the quarter at the value of 43,122,412 lei.

Structurally, compared to the beginning of the year, their situation is as follows:

Fixed assets:	Balance on 01.01.2018	Balance on 31.03.2018	31.03.2018/ 01.01.2018
Intangible assets	402,365	400,986	99.66
Tangible assets	19,386,867	20,593,932	106.23
Financial assets	30,823,042	22,127,494	71.79
Total fixed assets	50,612,274	43,122,412	85.20

a) Intangible assets:

In the first quarter of 2018 there were decreases of the net intangible assets in the amount of 1,379 lei, and in gross amounts there were no increase or decreases.

b) Tangible assets:

The net tangible assets have registered a decrease in the first quarter of 2018 in the amount of 1,207,065 lei, reaching the end of the reporting period at 20,593,932 lei.

	Land and land develop ment	Buildings	Plant and machinery	Other plant, equipment and furniture	Invest ment in progress	Tangible assets advances	Total
Cost 01.01.2018	1,564,621	11,013,418	27,835,393	1,011,069	428,629	168,544	42,021,674
Inflow		232,267	128,971	105,595	124,759	1,705,675	2,297,267
Outflow			115,068		240,916	1,589	357,573
Balance on 31.03.2018	1,564,621	11,245,685	27,849,296	1,116,664	312,472	1,872,630	43,961,368
Accumula ted impairment on 1.01.2018		5,948,187	15,826,913	859,709			22,634,809

Impairment cost		162,485	644,744	6,889			814,118
Disposals of assets and cassation			81,490	0			81,490
Balance on 31.03.2018		6,110,671	16,390,167	866,598			23,367,436
Net book value	1,564,621	5,135,014	11,459,129	250,066	312,471	1,872,630	20,593,932

In the first quarter of 2018, there have been acquisitions of fixed assets in the amount of 234,566 lei, namely equipment for injection machines in the amount of 128,971 lei and furniture in the amount of 105,595 lei, as well as refurbishing of the existing buildings in the amount of 232,267 lei.

c) Financial assets:

On 31.03.2018 the company shows financial assets amounting to 22,127,494 lei, out of which :

- Shares held in affiliated entities: 13,438,439 lei
- Shares held in associates: 371,271 lei
- Fixed receivables: 2,350,000 lei
- Other fixed assets: 5,967,784 lei

Issuer	No. of shares	Value
MERCUR	111,671	4,746,017.50
ELARS	20,555,276	2,055,527.60
CONCIFOR	3.206.788	766,422.33
AMPLO	2,668,396	5,870,471.2
MECANOENERGETICA	4,640,888	371,271.04
BRAICONF	7,904,221	4,742,532.60
METALUL MESA	857,377	77,163.93
ROMANOFIR	74,847	673,623.00
SIGSTRAT	1,783,678	463,756.28
TARNAVA	214,163	10,708.15
TOTAL		19,777,493.63

Shares held were valued at fair value and the differences were recorded in the "Differences from changes in the fair value of financial assets" (account 1035).

2. Inventories account

On 31.03.2018 company's inventories had a total net value of 18,540,506 lei, compared to 20,737,672 lei at the end of the last year.

Structurally, compared to the beginning of the year, their situation is as follows:

Inventory items	01.01.2018	31.03.2018	31.03.2018/ 01.01.2018
- raw material and consumables	13,746,140	12,658,557	92.09
- production in progress	250,836	1,388,781	553.66
- finished goods and merchandise	4,451,981	2,382,392	53.51
- advances	2,288,715	2,110,776	92.22
Total	20,737,672	18,540,506	89.40

Inventories of raw material and materials are entered with the acquisition cost.

The decrease in inventories on 31.03.2018 by 2,197,166 lei compared to the beginning of the year, respectively by 10.6%, was registered especially on finished goods and merchandise by 2,069,589 lei, as well as in the category of raw material and materials by the amount of 1,087,583 lei which hold the largest share in total inventories. The other inventory items have registered decreases apart for the production in progress which registered an increase.

3. Accounts receivable

On 31.03.2018 net receivables amounted to 40,013,501 lei, increasing compared to the beginning of the year by 18,415,452 lei (85.26%).

Accounts receivable on 31.03.2018 compared to the end of the last are as follows:

	01.01.2017	31.03.2018	31.03.201/ 01.01.2018
a) trade receivables	6,670,955	18,341,369	274.94
- uncollected clients	6,578,198	18,202,403	276.71
- not yet invoiced clients	7,260	9,752	134.33

provisions for impairment of receivables	(-)7,437	(-)7,437	100.00
Uncertain customers	75,437	75,437	100,00
b) paid advances	192,250	215,936	112.32
advances provided balance services	192,250	215,936	112.32
c) other receivables	14,734,844	21,456,196	145.62
- VAT to be refunded	4,763,509	6,670,607	140.04
- deductible VAT under settlement	104,576	79,724	76.24
- personnel receivables	-	-	-
- wage contributions to health insurance	122,891	149,349	121.53
- debtors	3,378,895	8,062,151	238.60
- investment subsidies	14,437	25,533	176.86
- provisions for debtors	(-)405,000	(-)405,000	100.00
- discounts from pending operations	6,755,536	6,873,832	101.75
Total receivables	21,598,049	40,013,501	185.26

The largest share in total receivables are the trade receivables which registered an increase of 11,624,205 lei, respectively 174.94%, namely under the uncollected clients category.

Concerning the VAT to be recovered from the state budget amounting to 6,670,607 lei, the company has recorded monthly compensation claims with monthly tax liabilities.

4. Liquid assets

Liquid assets in lei and in foreign currency on 31.03.2018 were as follows:

Items	01.01.2018	31.03.2018	31.03.2018/ 01.01.2017
- Bank accounts in lei	517,086	18,317,831	3542.51
- Bank accounts in foreign currencies	14,488,360	5,849,704	40.37
- Checks to be cashed	100,329	140,737	140.27
- Bank accounts for collaterals	76,696	78,431	102.26
- Desk cash	56,105	55,508	98.93
- Treasury advances	0	230,662	*
- Other values	0	0	*
TOTAL	15,238,576	24,672,873	161.91

Compared to the beginning of the year, the liquid assets have increased by 6,434,297 lei. The increase derived primarily from foreign currency holdings, which increased with the gross amount of 8,638,656 lei.

5. Short-term investments

On 31.03.2018 the company has short-term investments amounting to 2,229,160 lei compared to 7,082,314 lei from the end of the last year, out of which:

- effects receivable amounting to 12,335 lei, compared to 20,030 lei from the end of the last year;

- short-term investments amounting to 2,216,825 lei representing investments in the stock market and other related receivables.

Short-term investments are as follows:

Item no	Issuer	No. of shares	Value
1	Amonil Slobozia	32,626,200	158,761.00
7	Ceprocim S.A. Bucuresti	4,000	16,800.00
8	Conted Botosani	2,108	54,386.40
9	Iprolam S.A. Bucuresti	57,341	349,780.10
10	Lactate Natura SRL Tirgoviste	394,000	1,103,200.00
18	Mobila Radauti	264,003	351,123.99
19	Uztel Ploiesti	137,424	182,773.92
TOTAL		33,119,076	2,216,825.42

For short-term investments in the amount of 2,216,825.42 lei at 31.03.2018, evaluation was made at fair market value and the positive results were highlighted in the financial income accounts, and the negative differences in the financial expense accounts, the difference net of revaluation being (-) 55,144.41 lei.

6. Accounts payable

On 31.03.2018 the company recorded an increase in total liabilities by 9,829,713 lei, respectively by 24.47%, reaching the end of the reporting period to the amount of 49,995,644 lei. Increasing liabilities at the end of the reporting period was influenced by the increase by 58.41% of trade liabilities, which represent the largest share (54.49%) of the total liabilities.

On 31.03.2018 the company had the following liabilities, compared to the end of the last year:

LIABILITIES	01.01.2018	31.03.2018	31.03.2018 01.01.2017
TOTAL, out of which :	40,165,931	49,995,644	124.47
TRADE LIABILITIES	17,197,859	27,243,287	158.41
AMOUNTS DUE TO THE BUDGET AND OTHER FUNDS	3,182,286	6,056,436	190.32
FINANCIAL LIABILITIES AND RELATED (CREDITS)	38,384,450	765,738	19.95
SETTLEMENTS WITH EMPLOYEES AND RELATED	505,632	516,866	102.22
OTHER LIABILITIES	15,441,704	15,413,317	98.82

The largest share in total liabilities are the trade ones, respectively suppliers and related accounts, with 27,243,287 lei (54.49%), liabilities to the state budget, social insurance, health, and other special funds with 6,056,436 lei (12.11%), short and long-term loans with 15,413,317 lei (30.83%) etc. Tax payable are required in compensation with the tax receivable (VAT to be recovered) and is pending settlement.

We mention that on 31.03.2018 all tax liabilities were paid.

On 31.03.2018 the liabilities to credit institutions (short and long-term bank loans) is a long-term investment loan amounting to 4,185,000 lei, out of which, on 31.03.2018, the amount of 765,738 lei is to be repaid. The loan is contracted with Raiffeisen Bank S.A. Bucuresti through Arges Regional Centre and is guaranteed as follows:

- security mortgage on current accounts opened by the borrower with the bank,

on receivables to be collected via those accounts;

- security mortgage on receivables resulting from commercial relationship developed with Alfred Kaercher GMBH&CO;
- the security mortgage on technological equipment, owned by the borrower, financed by this facility;
- first ranking mortgage with priority over the future liquid assets constituted in the accounts opened by the client with the bank;

We mention the fact that liabilities to the employees have been paid in time, respectively in April 2018.

CHAIRMAN OF THE BOARD OF DIRECTORS,
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