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 2021

Reporting date: December 31 2021

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: J03/758/1991

Regulated market trading the securities issued by ELECTROARGEȘ 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, 2021, is of 6,974,465 lei, with the nominal value of 0.10 lei / share.

The shareholding structure on 31.12.2021 was the following :

Shareholder	Shares	Percent %
Investments Constantin SRL	25,699,543	36.8375%
Trans Expedition Feroviar SRL	8,963,266	12.8479%
Natural persons	23,014,086	32.9882%
Legal persons	12,087,755	17.3265%
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 2021, the priority Electroarges SA's priority was the support and payment of trade liabilities to suppliers and current fiscal obligations to state budgets.

The company experienced a financial stability that allowed it to modernize the existing constructions, out of which completed in the amount of 2,638,407 lei and in the process of completion in the amount of 5,306,511 lei.

Also, during 2021, the company took over construction works worth 7,533,698 lei and put into operation technological equipment worth 12,077,975 lei.

In 2021, the company disposed of fixed assets worth 2,238,387 lei, out of which: fully depreciated 2,015,239 lei and 223,148 lei not fully depreciated.

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

In 2021, Electroarges SA's priority was to sustain and pay the trade liabilities to the suppliers and the current tax obligations to the state budgets.

The company experienced financial stability that allowed it to modernize existing constructions and hand over new production halls (hall 3).

Also, in 2021 it purchased the following equipment:

- injection machines;

- centralized granule distribution system.

New variants of Kaercher vacuum cleaners from the Home & Garden range have been put into production, plastic injection molded parts have been assimilatedin production, subassemblies, kits and pad-printed parts for Arctic SA, reaching up to 100 products. The company continued the collaboration with Steinel Electronic SRL and Cer Cleaning Equipment SRL in the production of plastic injection molded parts.

In 2021, the Research - Development Department within Electroarges SA had as main objective the development of new products, as follows:

- in the medical field - an Electroarges mechanical ventilator, individual PAPR E Air + air purifier;
- in the field of railways - a vibration absorption carpet;
- but also the introduction of restyled Electroarges projects, such as the EA Cleaner vacuum cleaner, the coffee grinder and the hair dryer.

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

In 2021, 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.

Also, the following projects were prioritized and implemented:

• The individual PAPR air purifier, E Air +, where the technical design and a functional 3D prototype were made, follows the technological part which contains the 3D design and execution of the molds, internal validation, homologation and introduction in series production;

• Obtaining a manufacturing standard for medical products EN 13485 and a Clean Rooms 7 production space;

• Production of Electroarges brand vacuum cleaners with the new design;

• The introduction in the manufacturing of the Carpet for vibration absorption and the setting up of a technological line in order to manufacture this product at Electroarges.

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 2021, 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 2021, audits were carried out in Electroarges by the companies TUV Rheinland, Nemko, CQC China, AKW Germany. Each of the listed companies performed process and system verification audits for product groups for the Kaercher customer. The results were positive and allowed Electroarges SA to remain in the group of accepted suppliers.

All the listed actions allow Electroarges to deliver the products manufactured for the Kaercher customer on a multitude of markets, respectively Europe, including specific products for Great Britain and Russia, Australia, USA, Mexico, Japan, China, Argentina, Brazil etc. At the same time, the existing certifications allowed the delivery of the products under the ARGIS Electroarges logo to distributors from Italy, Spain, the Republic of Moldova, Germany, Poland, France, and Hungary.

At the same time, audits were carried out by:

- Groupe Renault Romania (audit MMOG/LE- Groupe Renault - ASSCE - logistical risk assessment);

- Groupe Haier - following this audit the Haier group decided to continue the collaboration with 7 more molds;

- Ecovadis (sustainability and social responsibility audit where Electroarges is in the top 20% of companies in Europe, obtaining the silver rating);

- Makita - following this audit it was decided to assign two projects M9 and M10 for which the order of molds was started and the production starting in the first half of 2022;

1.1.1. Elements of general evaluation

On 31.12.2021, the net operating result was negative in the amount of 10,284,817 lei and also the net result registered a negative value in the amount of 11,651,807. This loss is due to customer and inventory value adjustments made during 2021.

In 2021, the income from the contracts with the clients had the value of 302,853,909 lei, increasing by 23% compared to 2020. Out of this value, 264,463,785 lei represented exports.

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

	For the year ending on	
Operating expenses items	**31.12.2021**	**31.12.2020**
Raw materials and consumables	226,859,998	184,806,464
Expenses on personnel	28,219,017	26,681,202
Amortization	13,823,579	8,467,874
Other operating expenses	47,410,705	27,953,648
Operating expenses	**316,313,299**	**247,909,188**

In 2021, an expense with the tax on profit amounting to 759,550 lei was registered, but at the same time we also registered income from the deferred tax on profit amounting to 1,641,532 lei.

Liquidity and credit

On December 31, 2021, the general liquidity rate is 0.73 points lower than the previous year.

Cash on 31.12.2021 in the amount of 11,006,959 lei, represents money deposited in current bank accounts or in bank deposit accounts in Romania for a period of less than 3 months.

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 2021 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	2021		2020		2019	
		%	Value thousand lei	%	Value thousand lei	%	Value thousand lei
1.	Karcher Vacuum cleaners	84.64	256,340	92.03	226,299	94.59	182,235
2.	Vacuum cleaners	0	0	0	0	0.01	4
3.	Ash pans	0	0	0	0	0	0
4.	Appliances	0	7	0.03	71	0.11	215
5.	Tools	0	0	0	1	0.01	1
6.	Household appliances	0.06	172	0.09	215	0.23	441
7.	Products for hotels and institutions	0	0	0	5	0.01	5
8.	Spare parts	11.82	35,788	6.99	17,181	4.25	8,197
9.	Others	3.48	10,554	0.87	2,132	0.79	1,568

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 2022, 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.

Also, in 2022, the following projects will be prioritized and implemented:

• The prototype version of the PAPR E Air + individual air purifier was developed to test the assembly as well as functionality. The conclusions of the assessment in the prototype stage were to redefine the design stage which entails the modification of the 2D and 3D drawings, the adjustment

of the assembly concept as well as the modification of the molds according to the new design.

• 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, Diaplast Production SRL, Eurobusiness Tipar SRL, ELJ Automotive SRL, DS Smith Packaging SRL, Greiner Assistec SRL, VM Comp SRL, Auxitel Conect 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 Kaercher vacuum cleaner parts.

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

1.1.4. Evaluation of sales.

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

Item no.	Indicator	Earned 2018	Earned 2019	Earned 2020	Earned 2021
1.	Sales (thousand lei)	191,588	192,666	247,138	304,202
2.	Sales (thousand EUR)	40,970	40,602	51,082	61,802
3.	Internal (thousand lei)	6,527	8,206	20,289	47,862
	Out of which products (thousand lei)	863	215	128	35,788
4.	Internal sales (thousand EUR)	1,397	1,729	4,332	9,720
5.	Export sales (thousand lei)	185,061	184,460	226,149	256,340
6.	Export sales (thousand EUR)	39,573	38,873	46,750	52,078

Compared to the total value of sales from previous years in 2021, there is an increase in sales compared to 2020, determined by the increase in domestic sales by increasing the collaboration with the client Arctic SA and by starting a new collaboration with Haier Tech SRL, but also by the increase in sales to Alfred Kaercher manifested by the increase in volumes delivered.

Export sales increased in 2021 compared to 2020.

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

company Kaercher.

The most important share of the turnover results from the commercial relationship with the Kaercher Company from Germany, however manifesting a decrease of the share due to the increase of the volumes manufactured and sold to the client Arctic SA but also by starting the collaboration with the client Haier Tech SRL.

Against this background, corroborated with the difficulties of operating on the Romanian market, sales on the domestic market increased slightly, currently the manufacture of household appliances and products being carried out at the level of existing or 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 2021, 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 2021, the company developed the main contract with Alfred Kaercher Germany, a contract that represents 87% of turnover. Termination of this contract would have a negative impact on the

company's evolution over time with negative social implications. Obviously, Electroarges SA finds itself in this situation. The fact that almost 87% of the turnover is based on exports, and within it over 99% is only to the KAERCHER group of companies, denotes a huge dependence on collaboration with this company.

Also, in 2021, the collaboration with Arctic SA was consolidated, which represents 10% of the turnover.

The conclusion is one, namely that the company must make a sustained effort in intensifying and identifying methods for developing the range of own products and collaborations to achieve a balance of at least 75% share in total turnover but also by implementing new collaborations.

In this sense, Electroarges has implemented and started the collaboration with the Haier Tech client, in the last six months of 2021, achieving a turnover that represents 1% of the total, with a forecast for 2022 of 2.7% - 3.5%.

Electroarges also started the collaboration with the Makita group by contracting the production of injection molds related to future projects that will be implemented in Q2 2022 in the production of plastic injection molding.

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, towards the end of last year, 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 decreasing the degree of dependence on a customer, the weighting and diversification of the customer range, the diversification of industrial fields and the increase of the share in 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 31.12.2021 the total number of employees at Electroarges SA was 202 employees, out of

which:

- 165 employees with an employment contract for an indefinite period;
- 27 employees for a definite period;
- 10 employees with a suspended employment contract (8 employees – maternity leave and 2 employees - elective position).

The staff structure on 31.12.2021 was as follows:

Total staff:	**- 202 (103 women, 99 men)**
Working staff:	- out of which:
- Direct workers	- 112
- Indirect workers	- 46
Foremen:	- 3
TESA staff:	- 41 out of which:
- Engineers:	- 12
- Engineer assistants:	- 2
- Economists	- 14
- Technicians	- 0
- Other categories	- 13

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 2021 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 2021 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 2021 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 2021.

In the same vein, on 31.12.2021, out of 202 employees, 49 were union members and 153 employees are not union members.

Degree of unionization:	- non union members	75.75%
	- union members	24.25%

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:

Environmental factor AIR:

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

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

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.

Environmental factor WATER:

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

The rules implemented concern:

Water Management Authorization no. 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 Law 211/2011 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 and Authorization concerning the operation of waste water pre-treatment facilities) 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 2021, 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 2021, 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 2021, the department's expenses will be directed towards the development and implementation of the main projects such as:

- Individual E Air + air purifier, production line and manufacturing standard;
- EA Cleaner brand vacuum cleaner (3 different models and colors);
- Dacia Duster and Logan LPG tank, plus automatic welding line;

• 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:

- 87% of turnover represents production collaboration with Alfred Kaercher. Any syncope in the contract with this company can be immediately and severely felt;

- 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 :

-reduce the parent company's dependence to the KAERCHER's contract ;

-reduce and liquidize inventories ;

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

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

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

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

1.1.9.b). Presentation and analysis of the effects of 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, 2021:

EQUITY PROFITABILITY AND RETURN	**December 31 2021**	**December 31 2020**
Efficiency of the available equity		
Profit before interests and tax (A)	(10,284,817)	3,363,294
Available equity (B)	11,006,959	13,973,596
A/B	**(0.93)**	**0.24**
Efficiency of the own equity		
Net profit / loss (A)	(11,849,219)	(12,411,167)
Own equity (B)	47,380,755	58,212,857
A/B	**(0.25)**	**(0.21)**
Operating profit rate		
Profit before interests and tax (A)	(10,284,817)	3,363,294
Operating income (B)	306,028,482	251,272,482

A/B	**(0.03)**	**0.01**
Net profit rate		
Net profit (A)	(11,849,219)	(12,411,167)
Total income (B)	306,040,058	251,330,264
A/B	**(0.04)**	**(0.05)**
Total assets rate		
Profit before interests and tax (A)	(10,284,817)	3,363,294
Total assets (B)	130,921,090	133,413,911
A/B	**(0.08)**	**0.03**

SOLVABILITY	**December 31 2021**	**December 31 2020**
Liability rate		
Total obligations (A)	83,540,335	75,201,054
Total assets (B)	130,921,090	133,413,911
A/B	**0.64**	**0.56**
Financial autonomy rate		
Own equity (A)	47,380,755	58,212,857
Total assets less net current liabilities (B)	66,626,778	65,782,007
A/B	**0.71**	**0.89**

LIQUIDITY AND WORKING EQUITY	**December 31 2021**	**December 31 2020**
General liquidity rate		
Current assets	46,479,779	58,239,799
Current obligations	64,294,312	67,631,904
(A/B)	**0.72**	**0.86**
Fast liquidity rate		
Current assets	46,479,779	58,239,799
Inventories	13,299,315	11,003,137
Current obligations	64,294,312	67,631,904
(A-B)/C	**0.52**	**0,70**
Customer collection period		
Trade receivables (A)	9,645,330	13,183,575
Net turnover (B)	302,853,909	245,397,096
(A/B)*365 days	**12**	**19**
Inventory immobilization period		

Inventories (A)	13,299,315	11,003,137
Net turnover (B)	302,853,909	245,397,096
(A/B)*365 days	**16**	**16**
Suppliers payment period		
Suppliers (A)	28,087,277	25,755,723
Material and external expenses (B)	277,479,021	206,771,217
(A/B)*365 days	**37**	**46**

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, 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 terminating 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 with 88 people, reaching a number of 197 employees.

This action will lead to the reduction of expenses in 2022 by approximately 18,000,000 lei.

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 2022, the company has a forecast of sales with a total turnover of 100,000,000 lei, which means a third of the turnover for the year 2021. Given that both staff expenses will be significantly reduced (a decrease of over 64% in 2022, compared to 2021), as well as operating expenses (a decrease of over 50% in 2022, compared to 2021), a net profit is expected at the end of 2022 in a total value of 1,900,000 lei.

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 portfolio.

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

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

1. Total built area = 31,313.15 sqm

out of which:

- production and administrative departments = 31,297.34 sqm

2. Area related to the transport routes = 18,221.97 sqm

3. Area related to the municipal networks = 932.00 sqm

4. Free area = 7,235.00 sqm

out of which: suitable for construction = 2,104.25 sqm.

Depending on the activities that take place whitin the company, the following classification may be used:

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

The investments made in 2021 are in the amount of 23,080,361 lei, out of which:

- Modernized fixed assets: 2,638,407 lei;
- Technological equipment (machines, equipment): 12,077,975 lei;
- Furniture, equipment, office supplies: 830,281 lei;
- Means of transport: 157,812 lei;
- Constructions: 7,533,698 lei.

2.2. Analysis of the company's property wear

The wear of all the company's capabilities is 57.53%, 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. he other companies of the group are in a similar situation.

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 National Commission of Transferable Securities with a number of 69,764,650 shares with a nominal value of 0.10 lei, representing 6,976,465 lei subscribed and fully share capital. This is stated in the Securities Registration Certificate No. AC-2208-6/09.06.2016.

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

Electroarges SA's Shareholders Register records are carried out in accordance with the legal provisions by the register company SC Depozitarul Central SA – Bucharest.

3.2. Electroarges SA made a profit in 2005 and 2006, but due to the fact that in the previous years, respectively from 1999 to 2004, the Profit and Loss Account was negative, in accordance with Law 31/1990 and the Accounting Law the shareholders were forced to use the profit to cover the loss, and the profit of 2007 and 2008 was assigned as own funding sources, of which the amount of 636,006.20

lei in 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.

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 2,668,396 shares (84.41% 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 has not issued bonds or other debentures.

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

4.1.b). 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.c). 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.	Metalica SA – indirect affiliation through joint management	-
8.	General Autorent SRL – indirect affiliation through joint management	-
9.	Gate Development SRL – indirect affiliation through joint management	-
10.	Csoarpi Saints SRL – indirect affiliation through joint management	-
11.	Cardinal Main 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 – indefinite
2.	Caramida	Valentin	Quality & Production Manager	05.06.2020 – indefinite
3.	Petre	Iulia	Financial Manager	01.05.2020 – indefinite
4.	Marin	Sergiu	Marketing Sales Manager	01.05.2020 – indefinite
5.	Onu	Patricia	Project Manager	17.05.2021 – indefinite
6.	Letcanu	Marian	Development Manager	04.06.2020 – indefinite

7.	Dobra	Georgian	Aquisitions Manager	01.07.2021 – 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	Quality & Production Manager	0
3.	Petre	Iulia	Financial Manager	0
4.	Marin	Sergiu	Marketing Sales Manager	0
5.	Onu	Patricia	Project Manager	0
6.	Letcanu	Marian	Development Manager	0
7.	Dobra	Georgian	Aquisitions 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	31.12.2020
Fixed assets	84.,441,311	75,174,112
Current assets	46,479,779	58,239,799
TOTAL ASSETS	**130,921,090**	**133,413,911**
Short-term liabilities	64,294,312	67,631,904
Long-term liabilities	19,246,023	7,569,150
TOTAL LIABILITIES	**83,540,335**	**75,201,054**
NET ASSETS	**47,380,755**	**58,212,857**
Share capital	6,976,465	6,976,465
Legal reserve	1,617,005	1,617,005
Net reserves from revaluation	6,827,207	9,075,585
Other reserves	44,442,530	44,442,530
Retained earnings	(12,482,452)	(3,898,728)
TOTAL EQUITY	**47,380,755**	**58,212,857**

5 b. Statement of income and expenses

Indicator	**31.12.2021**	**31.12.2020**
OPERATING INCOME		
Net turnover	**302,853,909**	**245,397,097**

Other operating income	2,273,095	4,641,499
Changes in inventories	901,478	1,233,886
TOTAL operating income	**306,028,482**	**251,272,482**
OPERATING EXPENSES		
Expenses on raw materials and consumables	226,859,998	184,806,464
Expenses on personnel	28,219,017	26,681,202
Expenses on amortization and provisions	13,823,579	8,467,874
Other operating expenses	47,410,705	27,953,648
TOTAL operating expenses	**316,313,299**	**247,909,188**
OPERATING RESULT	**(10,284,817)**	**3,363,294**
Financial income	11,576	57,782
Financial expenses	(2,260,548)	(17,109,066)
GROSS RESULT OF THE FINANCIAL YEAR	**(12,533,789)**	**(13,687,990)**
Current tax on profit expense	**(759,550)**	**0**
Deferred tax on profit (expense)/income	**1,444,120**	**1,276,823**
NET RESULT OF THE FINANCIAL YEAR	**(11,849,219)**	**(12,411,167)**

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 2021, 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 2021

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, 2021, 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 Directors 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 2021 and will be published on the website electroarges.ro and will 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.

For the purposes of the Remuneration Policy, the expenses settled by the company and incurred by the directors in the interest and for the purpose of exercising the director's mandate are not considered remuneration.

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.

1. The remuneration structure of the company's directors for 2021

The Board of Directors' structure in 2021 was as follows:

• Between 01.01.2021 - 26.04.2021, the Board of Directors consisted of 5 members:
- Stefan Constantin - Chairman of the Board;
- Investments Constantin SRL – Vice-Chairman of the Board;
- Benjamins United SRL - Member;
- Tudor Dumitru - Member;
- Gavrila Ion - Member.

• Between 27.04.2021 - 31.12.2021, the Board of Directors consisted of 3 members:
- Stefan Constantin - Chairman of the Board;
- Cardinal Main SRL - Vice-Chairman of the Board;
- Csoarpi Saints SRL - Member;

Full name	Position	Duration	Remuneration set	Fixed	Variable
Stefan Constantin	Chairman	01.01.2021 – 31.12.2021	According to the OGMS Decision - 27.04.2018	123,084 lei	56,000 lei
Tudor Dumitru	Member	01.01.2021 – 26.04.2021	According to the OGMS Decision - 27.04.2018	41,028 lei	-
Gavrila Ion	Member	01.01.2021 – 26.04.2021	According to the OGMS Decision - 27.04.2018	41,028 lei	-
Investments Constantin SRL	Member	01.01.2021 – 26.04.2021	According to the OGMS Decision - 27.04.2018	60,000 lei	589,000 lei
Benjamins United SRL	Member	01.01.2021 – 26.04.2021	According to the OGMS Decision - 27.04.2018	60,000 lei	460,000 lei
Cardinal Main SRL	Member	27.04.2021 – 31.12.2021	According to the OGMS Decision – 20.09.2021	80,000 lei	1,075,000 lei
Csoarpi Saints SRL	Member	27.04.2021 – 31.12.2021	According to the OGMS Decision – 20.09.2021	80,000 lei	1,120,000 lei
Michele Borgia	Deputy General Manager	01.01.2021 – 31.12.2021	According to the Agreement	249,834 lei	-

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 1.15% of the turnover. For the year 2021, the value of the additional remunerations reaches the value of 1.07%, so that the approved value has not been exceeded.

The Chairman of the Board of Directors, Stefan Constantin, received in 2021 a total remuneration of 61,536 lei gross from Amplo SA.

Benjamins United SRL received in 2021 a total remuneration of 151,269 lei from Amplo SA.

Cardinal Main SRL received during 2021 a total remuneration of 35,000 lei from Amplo SA.

Investments Constantin SRL received during 2021 a total remuneration of 123,000 lei net from Elars SA.

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

Evolution of the remuneration	2021 vs 2020		2020 vs 2019		2019 vs 2018		2018 vs 2017		2017 vs 2016	
	Fixed	Var	Fixed	Var	Fixed	Var	Fixed	Var	Fixed	Var
Stefan Constantin	0		0		0		0		+20.0%	-
Tudor Dumitru	0	-	0	--	0		0	-	+20.0%	-
Gavrila Ion	0	n/a	0	+13.7%	0	-29.9%	0	n/a	+20.0%	n/a
Investments Constantin SRL	0	+3.7%	0	-12.6%	+66.7%	+3.2%	+200.0%	n/a	n/a	n/a
Benjamins United SRL	0	-16.1%	0	-0.4%	+66.7%	-7.1%	+200.0%	n/a	n/a	n/a
Cardinal Main SRL	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Csoarpi Saints SRL	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
General Manager/ Deputy General Manager	-24.2%	-	-22.9%	-	-41.4%	-	+33.6%	-	+19.6%	-
Employees' remuneration	+4.1%	-	+3.9%	-	+18.5%	-	+25.8%	-	+10.1%	-
Company's performance										
Turnover	Increase by 23.4%		Increase by 27.4%		Increase by 0.7%		Decrease by 1.2%		Decrease by 0.03%	
Net profit	Increase by 1.6%		Decrease by 709.3%		Decrease by 83.4%		Decrease by 4.8%		Decrease by 22.3%	

In 2021, 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.

ELECTROARGES SA

Standalone financial statements for the year ending on December 31st 2021

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 2021
(expressed in lei, unless specified otherwise)

	Note	December 31 2021	December 31 2020
Income from sales	**4**	**302,853,909**	**245,397,097**
Other operating income		2,273,095	4,641,499
Changes in inventories		901,478	1,233,886
Raw materials and consumables	**5**	(226,859,998)	(184,806,464)
Expenses on personnel	**6**	(28,219,017)	(26,681,202)
Amortization		(13,823,579)	(8,467,874)
Other operating expenses	**7**	(47,410,705)	(27,953,648)
Operating profit		**(10,284,817)**	**3,363,294**
Financial income	**8**	11,576	57,782
Financial expenses	**8**	(2,260,548)	(17,109,064)
Profit/Loss before taxation		**(12,533,789)**	**(13,687,990)**
Expenses with the tax on profit		(759,550)	-
Income from the deferred tax on profit	**9**	1,444,120	1,276,823
Net Profit/Loss		**(11,849,219)**	**(12,411,167)**
BASIC/DILUTED PER SHARE RESULT	**10**	**(0.1698)**	**(0.1780)**
Other comprehensive income			
Revaluation of tangible assets		-	-
Remeasurement of pension benefit schemes offered to employees		73,391	19,904
Revaluation of financial investments at fair value		1,137,462	(4,847,847)
Related tax		(193,736)	1,255,480
Total other comprehensive income		**1,017,117**	**(3,572,463)**
Total comprehensive income		**(10,832,102)**	**(15,983,630)**

The financial statements were approved by the Board of Directors on 25.03.2022.

Vice-Chairman of the Board of Directors,
Roxana Scarlat

Financial Manager,
Iulia Petre

STATEMENT OF FINANCIAL POSITION ON DECEMBER 31 2021

(expressed in lei, unless specified otherwise)

	Note	December 31 2021	December 31 2020
Assets			
Fixed assets			
Tangible assets	**11**	65,787,983	52,219,321
Intangible assets	**12**	857,243	848,229
Financial assets		15,196,418	19,409,756
Deferred tax	**19**	2,483,145	1,232,761
Fixed assets	**13**	116,522	1.,464,045
TOTAL FIXED ASSETS		**84,441,311**	**75,174,112**
Current assets			
Inventories	**14**	13,299,315	11,003,137
Trade and other receivables	**15**	22,173,505	33,263,066
Other financial assets		-	-
Cash and cash equivalents	**16**	11,006,959	13,973,596
TOTAL CURRENT ASSETS		**46,479,779**	**58,239,799**
TOTAL ASSETS		**130,921,090**	**133,413,911**
Trade and other liabilities		52,881,215	51,122,987
Short-term loans from banking institutions	**17**	7,857,828	13,473,803
Leasing liabilities	**18**	2,777,647	2,323,344
Employee benefits due in short term	**20**	129,691	487,707
Long-term loans from banking institutions – current maturity		416,557	-
Liabilities with the tax on profit		231,374	224,063
TOTAL SHORT-TERM LIABILITIES		**64,294,312**	**67,631,904**
Long-term loans from banking institutions		9,580,808	-
Subsidies		4,190,123	1,349,561
Employee benefits due in long term	**20**	222,815	545,248
Leasing	**18**	5,252,277	5,674,341
TOTAL LONG-TERM LIABILITIES		**19,246,023**	**7,569,150**
TOTAL LIABILITIES		**83,540,335**	**75,201,054**
NET ASSETS		**47,380,755**	**58,212,857**

	Note	December 31 2021	December 31 2020
Share capital	**21**	6,976,465	6,976,465
Legal reserve		1,617,005	1,617,005
Net reserves from revaluation		6,827,207	9,075,585
Other reserves		44,442,530	44,442,530
Retained earnings	**22**	(12,482,452)	(3,898,728)
TOTAL EQUITY		**47,380,755**	**58,212,857**
TOTAL LIABILITIES AND EQUITY		**130,921,090**	**133,413,911**

Financial statements were approved by the Board of Directors on 25.03.2022.

The accompanying notes from 1 to 27 are an integral part of these financial statements.

Vice-Chairman of the Board of Directors,
Roxana Scarlat

Financial Manager,
Iulia Petre

STATEMENT OF CHANGES IN EQUITY ON DECEMBER 31 2021
(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 2019	**6,976,465**	**1,132,496**	**10,872,567**	**1,617,005**	**36,048,639**	**5,849,655**	**11,699,659**	**74,196,486**
Loss of the financial year	-	-	-	-	-	-	(12,411,167)	**(12,411,167)**
Retaking of the reserve from revaluation to other reserves			(2,279,991)				2,279,991	**-**
Deferred tax correction related to the reserve from revaluation			483,009					**483,009**
Remeasurment of pension benefit schemes							19,904	**19,904**
Revaluation of financial investments at fair value							(4,847,847)	**(4,847,847)**
Deferred tax related to the above items							772,471	**772,471**
Total comprehensive income	**-**	**-**	**(1,796,982)**	**-**	**-**	**-**	**(14,186,648)**	**(15,983,630)**
Distributed dividends	-	-	-	-	-	-	-	**-**
Allocations of other reserves	-	-	-	-	1,411,740	-	(1,411,740)	**-**
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**

	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	**-**
Remeasurment 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**

Financial statements were approved by the Board of Directors on 25.03.2022.

Vice-Chairman of the Board of Directors,
Roxana Scarlat

Financial Manager,
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CASH-FLOW STATEMENT ON DECEMBER 31 2021

(expressed in lei, unless specified otherwise)

	December 31 2021	December 31 2020
Flows from operating activities		
Profit/(Loss) before taxation	**(12,533,789)**	**(13,687,990)**
Adjustments for:		
Amortizations and provisions	14,520,845	9,311,135
Subsidies' income retaking	(697,266)	(843,262)
Income from the sale of participation titles	(4,183,898)	-
Expenses on discharging the participation titles sold	6,109,420	-
Incorporation/Retaking from adjustments to the value of financial assets	(232,251)	-
Net effect evaluation of financial assets	-	16,494,795
Expenses on disposal of assets	211,341	(712,136)
Client value adjustments	4,124,364	4,769,033
Inventory value adjustments	3,811,598	661,086
Income from dividends subject to limitation	(510,915)	(614,185)
Income from dividends		(56,107)
Financial income	(11,576)	(1,675)
Financial expenses	547,775	582,762
Profit before working capital change	**11,155,648**	**15,903,457**
Receivables decrease / (increase)	7,616,665	(736,780)
Inventories decrease / (increase)	(6,107,776)	5,811,229
Liabilities decrease / (increase)	1,913,247	(2,177,399)
Cash from operating activities	**14,577,784**	**18,800,507**
Financial expenses paid	(547,775)	(582,762)
Tax on profit paid	-	-
Net cash from operating activities	**14,030,009**	**18,217,745**
Flows from investment activities		
Acquisitions of tangible assets	(25,927,870)	(8,964,383)
Acquisitions of participation titles	(578,845)	(138,180)
Cashings from the sale of participation titles	4,183,898	-
Cashings from the sale of tangible assets	-	1,240,692
Subsidies granted	3,537,828	
Interest collected	11,576	1,675
Dividend cashings	-	56,107
Net flows from investment activities	**(18,773,413)**	**(7,804,090)**

Flows from financing activities	December 31 2021	December 31 2020
Loan withdrawals	9,997,366	2,694,622
Loan repayments	(5,615,975)	(211,238)
Payments related to leasing	(2,588,465)	(2,173,391)
Dividends paid	(16,159)	(19,467)
Net flows from financing activities	**1,776,767**	**290,526**
Net cash (decrease)	**(2,966,637)**	**10,704,181**
Cash and cash equivalents at the beginning of the period	**13,973,596**	**3,269.,415**
Cash and cash equivalents at the end of the period	**11,006,959**	**13,973,596**

Financial statements were approved by the Board of Directors on 25.03.2022.

Vice-Chairman of the Board of Directors,
Roxana Scarlat

Financial Manager,
Iulia Petre

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless specified otherwise)

1 GENERAL INFORMATION

1.1 Company presentation

The shareholding structure on 31.12.2021 :

Shareholder	Shares	Percent %
Investments Constantin SRL	25,699,543	36.8375%
Trans Expedition Feroviar SRL	8,963,266	12.8479%
Natural persons	23,014,086	32.9882%
Legal persons	12,087,755	17.3265%
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 31.12.2021 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 31.12.2021, 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.	Borgia	Michele	Deputy General Manager	16.12.2020 – indefinite
2.	Caramida	Valentin	Quality & Production Manager	05.06.2020 – indefinite
3.	Petre	Iulia	Financial Manager	01.05.2020 – indefinite
4.	Marin	Sergiu	Marketing Sales Manager	01.05.2020 – indefinite
5.	Onu	Patricia	Project Manager	17.05.2021 – indefinite
6.	Letcanu	Marian	Development Manager	04.06.2020 – indefinite
7.	Dobra	Georgian	Aquisitions Manager	01.07.2021 – 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 25.03.2022.

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).

Financial assets at fair value through profit or loss (FVTPL) include financial assets held for trading or financial assets designated at initial recognition at fair value through profit or loss account. Financial assets are classified as held for trading if they are acquired for the purpose of short-term sale or redemption.

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.

Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value with the net changes in fair value recognized in the profit or loss account.

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. The accuracy of the adjustments depends on the estimation of future cash flows.

d) 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.

e) 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.

f) 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 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”.

2.5 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.

2.6 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.

2.7 Financial assets - IFRS 9 – Financial instruments

Initial evaluation of financial assets and liabilities

IFRS 9 replaces IAS 39, Financial Instruments - Recognition and Measurement. The IASB has developed IFRS 9 in three stages, which separately deals with IFRS classification and evaluation of financial assets, depreciation and risk coverage. Other aspects of IAS 39, such as the scope, recognition and de-recognition of financial assets have survived with only a few changes to IAS 39.

The classification on IFRS 9 is determined by the characteristics of the cash flows and the business model in which an asset is held.

Further evaluation of the financial assets

IFRS 9 has a single model with fewer exceptions than IAS 39 which had a complex pattern. The new standard is based on the concept that financial assets should be classified and measured at fair value, with changes in the fair value recognized in the profit and loss account when they arise ("FVPL"), unless the restrictive criteria are met when the classification and evaluation of the asset is made at amortized cost or at fair value through other "FVOCI" incomes.

Impairment of financial assets

IFRS 9 eliminates the evaluation of impairment for investments in equity instruments because they can now be measured only at FVPL or FVOCI without resuming fair value changes in profit and loss account.

Additionally, IFRS 9 establishes a new approach for loans and receivables, including trade receivables with an "early loss" model that focuses primarily on risk.

Financial assets available for sale are those non-derivative financial assets that are designated as available for sale or that are not classified as loans and receivables,

investments held to maturity or financial assets at fair value through profit or loss.

Earnings and losses

An earning or loss on a financial asset available for sale is recognized under Other comprehensive income, with the exception of impairment losses. Dividends for an equity instrument available for sale are recognized in profit or loss when the entity's right to receive payment is established.

When a decrease in the fair value of a financial asset available for sale has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that has been recognized in other comprehensive income must be reclassified from equity in profit or loss as an adjustment from reclassification, even if the financial asset has not been derecognized.

The amount of the cumulative loss that is deducted from equity and recognized in profit or loss must be the difference between the acquisition cost (net of any principal payment and amortization) and the present fair value, minus any impairment loss for that previously recognized financial asset in profit or loss.

If, in a subsequent period, the fair value of a liability instrument classified as available for sale increases, and that increase may be objectively linked to an event that occurs after the impairment loss has been recognized in profit or loss, the impairment loss is resumed and the amount of the recovery recognized in profit or loss.

Cash and cash equivalents

The third major change that IFRS 9 is introducing is hedging; IFRS 9 allows multiple exposures to be covered and new risk coverage criteria established.

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

2.8 Leasing goods - complies with the provisions of IFRS 16 Leasing contracts

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.

2.9 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.

2.10 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.

2.11 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.

2.12 Recognition of income and expenses

2.12.1 Recognition of income

Income represents the gross inflow of economic benefits during the period, generated in the course of the normal activities of an entity, when these inputs result in increases in equity, other than increases related to participants' contributions to equity.

Income constitutes increases in economic benefits recorded during the accounting period, in the form of inflows or increases in assets or liability reductions, which result in increases in equity, other than those resulting from shareholders' contributions.

Fair value is the value at which an asset can be traded or a liability settled, between interested and knowledgeable parties, in a transaction carried out under objective conditions.

Starting with January 1st, 2018, the IFRS 15 standard regarding the contracts concluded with the clients has entered into force. In some cases, IFRS 15 may require changes to current systems and may affect some aspects of operations.

IFRS 15 is a complex standard that introduces far more prescriptive requirements than previously included in IAS 18 Income, IAS 11 Construction Contracts and can therefore lead to changes in income recognition policies.

In accordance with IFRS 15, income is recognized when a client gains control over the goods. The company delivers goods under contractual conditions based on internationally accepted delivery conditions (INCOTERMS). The moment when the client gains control over the goods is considered to be substantially the same for most

of the Company's contracts in accordance with IFRS 15, as in accordance with IAS 18.

Income evaluation

According to IAS 18, income was measured at the fair value of the consideration received or receivable, after deducting rebates or discounts. The income from the sale of the goods was recognized when all of the following conditions were met:

a. the entity transferred to the buyer the significant risks and benefits related to the ownership of the property;

b. the entity no longer manages the assets sold at the level they would normally have done in the case of their ownership and no longer has the effective control over them;

c. the value of the incomes can be reliably evaluated;

d. it is probable that the economic benefits associated with the transaction will be generated for the entity;

e. the costs incurred or to be incurred in connection with the respective transaction can be reliably evaluated.

Instead, the new standard focuses on identifying obligations and makes a clear distinction between obligations that are satisfied "at a certain point in time" and those that are satisfied "over a period of time", this being determined by the way in which the control of goods or services is transferred to the client. The new income model in accordance with IFRS 15 means that we may have recognized income over a period for some results that have been accounted for as assets in accordance with IAS 18. IFRS 15 establishes a general framework that will be applied for the recognition of income from a contract concluded with a client (with limited exceptions), regardless of the type of transaction or industry; The standard sets out five steps for income recognition:

- identification of the contract (s) with a client;

- identification of the execution contracts from a contract;
- determining the transaction price;
- the allocation of the transaction price for the execution obligations;
- income recognition when (or as) the entity fulfills an execution obligation;

The income classification is divided into three main groups:

- **Operating income**, which include: income from the production sold, from the sale of goods, from operating subsidies related to the net turnover, from the changes in inventories, from fixed assets, other operating income, from value adjustments on fixed assets, from value adjustments regarding current assets, from adjustments regarding provisions for risks and expenses.
- **Financial income**, which includes: income from participation interests, from other financial investments and receivables that are part of the fixed assets, from interests, other financial income, from adjusting the value of the financial assets and of the financial investments held as current assets;
- **Extraordinary income**.

Special cases: If it is found that the income associated with a period of the current year is burdened with fundamental errors, they will be corrected, during the period when the error is discovered. If the error is discovered in the following years, its correction will no longer affect the income accounts, but the result account carried over from the corrections of fundamental errors, if the value of the error will be considered significant.

An extended presentation of information, including disaggregation of total income, information on execution obligations, changes in contractual balances of assets and liabilities between periods, reasoning and key estimates will be provided;

2.12.2 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.

2.13 Impairment of non-financial assets (excluding inventories, real estate investments and deferred tax assets) - IAS 36 "Impairment of assets"

Assets held by the company, as specified in IAS 36 "Impairment of assets", are subject to impairment tests whenever events or changes in circumstances indicate that their accounting value may not be fully recoverable. When the carrying amount of an asset exceeds the recoverable amount (that is, the higher of the value between use value and the fair value minus selling costs), 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 ('UGNs'). Impairment expenses are included in the profit or loss account, unless they reduce previously recognized earnings in other comprehensive income.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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.

2.19 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.

2.20 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.

2.21 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.

2.22 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).

2.23 Mandatory standards and amendments in force since January 1, 2021

1. **IBOR reform and its effects on financial reporting - Phase 2** - In August 2020, the IASB issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. These amendments complement those made in 2019 ("IBOR - Phase 1'') and focuses on the effects on entities when an existing interest rate reference is replaced by a new reference rate as a result of the reform.

2. **Covid-19 lease concessions after June 30, 2021 (Amendments to IFRS 16)** - In May 2020, the IASB issued an amendment to IFRS 16 *COVID-19 Lease Concessions*. This amendment provided a practical opportunity in accounting for the reduction of lease payments on account of COVID-19. The 2020 practical opportunity was available for reductions in leasing payments that affect only payments initially due by June 30, 2021 or before June 30, 2021. On March 31, 2021, the IASB issued the amendment "*Lease Concessions related to COVID 19 after 30 June 2021*", which extended the eligibility period for practical measures from June 30, 2021 to June 30, 2022. This amendment is in force for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted, including in the financial statements not authorized for publication on March 31, 2021.

2.24 Mandatory standards and amendments in force since January 1, 2022

1. **IFRS Annual Improvements: 2018-2020 Cycle** - In May 2020, the IASB issued minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and illustrative examples accompanying IFRS 16 Leasing.

2. **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. Changes take effect for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

3. **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment - Onerous Contracts - Cost of Fulfilling a Contract)** - In May 2020, the IASB issued amendments to IAS 37, which specify the costs that a company includes when assessing whether a contract will produce loss and is therefore recognized as a onerous contract. It is expected that these changes will result in more contracts being considered as onerous contracts, as they increase the scope of costs that are included in the evaluation of the onerous contract.

4. **IAS 16 Tangible assets (change - Receipts before intended use)** - In May 2020, the IASB issued amendments to IAS 16, which prohibit a company from deducting proceeds from the sale of items produced while the company is preparing the asset for its intended use from the cost of property, plant and equipment. Instead, a company will recognize such sales revenue and any related costs in profit or loss.

2.25 Mandatory standards and amendments in force since January 1, 2023

1. **IFRS 17 Insurance Contracts** - IFRS 17 introduces an internationally consistent approach to accounting for insurance contracts. Prior to IFRS 17, there was a significant worldwide diversity in the accounting and presentation of insurance contracts, allowing IFRS 4 to continue to follow many previous (non-IFRS) accounting approaches. IFRS 17 will result in significant changes for many insurers, requiring adjustments to existing systems and processes. In December 2021, the IASB amended IFRS 17 to add a transitional option to address possible accounting discrepancies between financial assets and insurance contractual liabilities in the

comparative information presented in the initial application of IFRS 17 and IFRS 9, thereby improving the usefulness of comparative information for users of financial statements.

2. **IAS 1 Presentation of Financial Statements (Amendment - Classification of Current or Long-Term Liabilities)** - In January 2020, the IASB issued amendments to IAS 1, which clarifies how an entity classifies current or long-term liabilities. The amendments were originally scheduled for January 1, 2022, however, in July 2020 they were postponed until January 1, 2023, due to the COVID-19 pandemic. These changes are expected to have a significant impact on many entities, with several liabilities being classified as current, especially those with loan-related conditions.

3. **Presentation of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statement 2)** - In February 2021, the IASB issued amendments to IAS 1, which changes the disclosure requirements for accounting policies from “significant accounting policies” to “information on material accounting policies". The amendments provide guidance on when accounting policy information can be considered material. Amendments to IAS 1 take effect for annual reporting periods beginning on or after January 1, 2023, with prior application allowed. As IFRS Statements of Practice are non-binding guidelines, no mandatory effective date has been specified for amendments to the IFRS 2 Statement of Practice.

4. **Definition of accounting estimates (amendment to IAS 8)** - In February 2021, the IASB issued amendments to IAS 8, which added to the definition of accounting estimates in IAS 8. The amendments also clarified that the effects of a change in an input or an evaluation technique is a change in accounting estimates, unless it results from the correction of prior period errors.

5. **Deferred tax on assets and liabilities** arising from a single transaction (amendments to IAS 12) - In May 2021, the IASB issued amendments to IAS 12, which clarifies whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability recognized simultaneously (for example, a lease within the scope of IFRS 16). The amendments introduce an additional criterion for exemption from initial recognition in accordance with IAS 12.15, whereby the

exemption does not apply to the initial recognition of an asset or liability that, at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

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.

Electroarges works with only one client - over 95% of the turnover represents the production collaboration with Kaercher. Any syncope in the development of the contract with this company can be immediately and severely felt. The alternative to this dependent is the development of the production for the internal market and other clients, so that it reaches 50% of the turnover.

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 14 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 2021 the company's net exposure to the currency exchange risk is presented as follows:

	31.12.2021	**31.12.2020**
Net financial assets/(liabilities) expressed in foreign currency		
LEI	(30,843,825)	(27,075,987)
EUR	(395,160)	2,343,982
USD	(260,041)	(374,749)

The effect of a 10% weakening of the Euro and USD in favor of the functional currency (LEI) at the reporting date on the financial instruments held in Euro and USD, provided that the other variables remain constant, would result in increased pre-taxation profit and net assets by 259,715 Lei on 31.12.2021 and the decrease of the pre-taxation profit and net assets by 833,912 Lei on 31.12.2020.

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.

	Under 1 year	Between 1 and 2 years	More than 2 years
On December 31 2021			
Suppliers and other liabilities	53,113,621	-	-
Leasing	2,777,647	2,836,198	2,416,079
Credits and loans	8,274,494	4,998,684	4,582,015
Total	**64,165,762**	**7,834,882**	**6,998,094**

	Under 1 year	Between 1 and 2 years	More than 2 years
On December 31 2020			
Suppliers and other liabilities	51,122,988	-	-
Leasing	2,323,344	1,913,264	3,761,078
Credits and loans	13,473,803	-	-
Total	**66,920,135**	**1,913,264**	**3,761,078**

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 companies do not have significant interest-bearing financial assets. If the interest rate would increase by 5%, the effect on the company's gross profit would be 892,759 Lei on 31.12.2021 and 673,690 Lei on 31.12.2020. 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-21**	**31-Dec-20**
Trade and similar receivables	13,962,580	21,257,338
Cash and cash equivalents	11,006,959	13,973,596
At fair value through profit or loss account	1,326,024	4,720,274
At fair value through OCI	13,870,394	14,689,482
Loans granted	116,522	1,464,045
Total	**40,282,477**	**56,104,734**

Financial liabilities at amotized cost	**31-Dec-21**	**31-Dec-20**
Trade and similar liabilities	33,020,098	30,907,901
Bank loans	17,855,193	13,473,803
Leasing	8,029,924	7,997,686
Total	**58,905,216**	**52,379,390**

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.

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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**

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	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through OCI	6,945,972	-	7,743,509	**14,689,482**

Financial assets at fair value through profit or loss account	1,191,685	-	3,528,590	**4,720,274**

The evaluation reports of Amplo SA and Elars SA were prepared by Quest Partners SRL and were based on the information provided by the Company.

The evaluation of the Amplo SA was made in the hypothesis in which the company will generate income, in the premise of the continuity of the company's activity by changing the main activity (manufacture of measuring equipment, automation, drilling, etc.) and renting entire properties located in Ploieşti, Str. Petrolului, Nr. 10, Prahova County (approx. 1,423 usable sqm of offices and 8,714 usable sqm of warehouses and workshops). Income from the rental of own real estate was estimated at a rate of 3.6 euro / sqm usable - offices and 2.4 euro / sqm - warehouses and increasing in the following years of the explicit period. In order to estimate the expenditure flows, the trend of operating income was taken into account, correlated with the historical situation and their share in revenues.

The evaluation of Elars SA was carried out in the hypothesis in which the company will generate income in conditions similar to those from the date of the evaluation, on the premise of the continuity of the company's activity.

There were no transfers between the levels of the fair value measurement hierarchy used when evaluating financial instruments.

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;

Currently, the company carries out a very large contract, which represents 95.7% of the turnover with Kaercher Germany. Termination of this contract would have a negative impact on the company's evolution over time with negative social implications. Obviously, ELECTROARGES SA is in this situation. The fact that almost 96% of the turnover is based on export, and within it more than 99% is 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.

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-21**	**31-Dec-20**
Sales of finished products	301,271,126	245,171,526
Sales of merchandise	1,343,216	3,658,493
Income from service rendering	241,396	229,400
Trade discounts	(1,829)	(3,662,322)

TOTAL	**302,853,909**	**245,397,097**
Income from various services	187,769	507,513
Income from disposal of assets	-	1,240,691
Income from investment subsidies	-	-
Income from foreign currency exchange differences	1,444,151	1,923,198
Other income	641,175	970,097
TOTAL	**2,273,095**	**4,641,499**

The turnover on December 31, 2021 is achieved mainly from the sales of finished products, this being increasing compared to the previous year by 57,456,812 lei, respectively by 18.97%.

The main share in the turnover is represented by the client Alfred Kaercher with a share of 87%, decreasing compared to the previous year when its share was 92%.

Also, the increase in turnover was influenced by the increase in sales to the client Arctic SA, a client whose share in turnover is 10% in 2021, increasing compared to 2020 when the share was 5%.

Another component of the turnover is the new collaboration with the client Haier Tech SRL, which registered in 2021 a share of 1% in the total turnover.

Sales of merchandise decreased in 2021 by 2,315,277 lei compared to 2020, while sales of services remained at approximately the same value.

A slight decrease in exchange rate differences can be observed, being directly influenced by the increase of the EUR and USD currencies.

5 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-21**	**31-Dec-20**
Raw materials	219,323,663	176,999,630

Auxiliary materials	4,658,160	3,533,114
Merchandise	1,166,970	3,364,866
Inventory objects	887,512	302,621
Other consumables	111,826	68,884
Miscellaneous	711,867	537,349
TOTAL	**226,859,998**	**184,806,464**

Expenses on raw materials and consumables increased by 42,053,534 lei, respectively by 23% compared to the previous year. This increase is directly influenced by the increase in sales volume of finished products, but also by the increase in the purchase price.

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

The largest share in total expenses is held by raw materials with a percentage of 97%. Also, the auxiliary materials increased in 2021 by 32% compared to 2020.

6 EXPENSES ON PERSONNEL

Expenses on personnel have the following component:

	For the year ending on	
Expenses on personnel	**31-Dec-21**	**31-Dec-20**
Wages	15,829,299	18,554,490
Taxes and social contributions	481,077	577,851
Other benefits	1,447,160	1,643,015
Obligations for benefits granted to employees	-	251,944
Expenses on personnel leasing wages	10,461,481	5,653,903
TOTAL	**28,219,017**	**26,681,202**

Expenses on personnel increased in 2021 by 2,197,393 lei, representing an

increase of 8% compared to 2020. Expenses on personnel leasing increased significantly, by 85% compared to the previous year, while expenses with the company's employees decreased by 12% in 2021 compared to 2020.

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-21**	**31-Dec-20**
Board remuneration based on mandate contracts	3,524,000	1,356,000
Wages/contracts	1,065,415	1,335,007
Taxes and social contributions	23,973	30,038
TOTAL	**4,613,388**	**2,721,045**

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.

7 *OTHER OPERATING EXPENSES*

Other operating expenses include the following:

	For the year ending on	
Other operating expenses	**31-Dec-21**	**31-Dec-20**
Utilities	5,701,341	3,753,160
Repairs	1,343,436	513,020
Rent	588,246	199,857
Insurances	250,777	293,273
Bank fees	2,114,218	1,229,941
Advertisement	24,966	173,392
Travels and transport	10,536,008	3,469,809
Post and telecommunications	67,612	64,053
Other services provided by third parties	9,849,029	6,736,120
Board remuneration based on mandate contracts	3,524,000	1,356,000
Other duties and taxes	931,330	558,966
Expenses from disposal of assets	211,341	528,556
Losses and adjustments uncertain receivables	4,124,364	4,769,033
Inventory adjustments	3,811,598	661,086
Expenses on environment protection	624,407	597,963
Other operating expenses	1,710,893	1,062,138
Expenses from foreign currency exchange rate differences	1,994,808	1,987,282
TOTAL	**47,410,705**	**27,953,648**

8 *NET FINANCIAL INCOME/(EXPENSES)*

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

	For the year ending on	
Net financial income / (expenses)	**31-Dec-21**	**31-Dec-20**
Income from interests	11,576	1,675
Other financial income	-	56,107
Expenses on interest	(547,775)	(582,762)
Expenses on disposal of investments	-	-
Investment revaluations net effect by P&L	(1,693,272)	(16,494,795)
Other financial expenses	(19,501)	(31,509)
TOTAL	**(2,248,972)**	**(17,051,284)**

9 *EXPENSES WITH THE TAX ON PROFIT*

	For the year ending on	
Tax expenses	**31-Dec-21**	**31-Dec-20**
Expenses with current tax on profit	759,550	-
Deffered tax expenses / (income)	(1,444,120)	(1,276,823)
TOTAL	**(684,570)**	**(1,276,823)**

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-21**	**31-Dec-20**
Income and similar items	319,340,693	255,296,643
Total expenses (less tax on profit)	331,874,482	267,707,810
Accounting result	**(12,533,789)**	**(12,411,167)**
Deductions	(8,928,910)	(1,835,636)
Non-deductible expenses	28,287,771	9,435,484
Items similar toi income	2,248,378	2,279,991
Items similar to expenses	(608,136)	-
Rezultat fiscal an precedent	(2,531,328)	-
Fiscal result	**5,933,986**	**(2,531,328)**
Tax on profit (Fiscal result x 16%)	949,438	-
Reductions of tax on profit calculated according to the legislation in force	(189,888)	-
Total tax on profit	**759,550**	**-**
Tax percent	**-**	**-**

10 RESULT PER SHARE

	For the year ended on	
	31-Dec-21	**31-Dec-20**
Net profit/loss (A)	(11,849,219)	(12,411,167)
Ordinary shares(B)	69,764,650	69,764,650
Own shares (C)	-	-
Result per share (A/(B-C))	**(0.17)**	**(0.18)**

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

11 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 2019	**1,564,621**	**19,795,256**	**33,042,280**	**1,321,174**	**8,933,373**	**11,308,879**	**75,965,582**
Acquisitions		1,496,433	3,281,750	153,661	2,247,630	**1,097,767**	**8,277,241**
Outflow/Transfers	(172,855)	(148,526)	(1,016,592)	-	(157,528)	**-**	**(1,495,501)**
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**
AMORTIZATION AND ADJUSTMENTS							
December 31 2019	-	**5,688**	**20,459,653**	**980,255**	-	**659,169**	**22,104,765**
Cost for the period	-	3,336,935	3,853,136	124,246	-	**1,918,336**	**9,232,653**
Outflow	-	(4,907)	(804,510)	-	-	**-**	**(809,417)**
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**

	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**
NET VALUES							
December 31 2019	**1,564,621**	**19,789,568**	**12,582,626**	**340,919**	**8,933,373**	**10,649,710**	**53,860,817**
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**

In 2021 there is an increase in the value of buildings by 8,731,695 lei compared to 2020, due to the completion of ongoing investments. There is also an increase in ongoing investments, due to the purchase of equipment and machinery, but also due to modernization works carried out during the year.

In the table above you can see the separate presentation of the assets representing the rights of use, these registering on 31.12.2021 a net value of 10,647,879 lei.

Depreciation of fixed assets

Accounting depreciation is calculated using the straight-line method. For the new fixed assets, entered in 2021, 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

In 2021, the company disposed of fixed assets amounting to 2,238,387 lei, out of which 2,015,239 lei were fully depreciated and 223,148 lei were fully undepreciated.

In 2021, the company performed an impairment test to determine the need to apply an external impairment to the fair values of tangible assets. The method used to perform the impairment test was the Discounted Cash Flow ("DCF") Method, to estimate the value of all operating assets held by the Company. This analysis was determined by the fact that starting with June 2022 the product supply contract concluded with Kaercher will be terminated, thus a significant reduction of activity is

expected.

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.

12 INTANGIBLE ASSETS

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

	31-Dec-21	31-Dec-20	31-Dec-19
Cost			
Initial balance	1,347,509	870,763	597,664
Inflow	433,661	476,746	273,099
Outflow	-	-	-
Final balance	**1,781,170**	**1,347,509**	**870,763**
Amortization/impairment adjustments			
Initial balance	504,195	210,379	111,529
Cost of the period	424,647	293,816	98,850
Outflow	-	-	-
Final balance	928,842	504,195	210,379
Net value	**852,328**	**843,314**	**660,384**

The value of intangible assets increased insignificantly in 2021 compared to 2020. During 2021, intangible assets worth 433,661 lei were purchased.

13 FINANCIAL ASSETS

On December 31 2021, 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 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**

Name	No. of shares held	Percent held	Fair value on December 31 2020
Ceprocim SA Bucuresti	4,000	under 10%	9,200
Iprolam SA Bucuresti	59,341	under 10%	510,333
Lactate Natura SRL Tirgoviste	394,000	12.02%	441,280
Mobila SA Radauti	2,317,172	43.11%	3,528,562
Uztel SA Ploiesti	137,424	Under 10%	230,872
TOTAL			**4,720,274**

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 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**

Name	No. of shares held	Percent held	Fair value on December 31 2020
Amplo SA Ploiesti (*)	2,668,396	84.41%	5,343,196
Concifor SA Buzau (*)	3,206,788	67.02%	194,011
Mecanoenergetica SA Drobeta Turnu Severin	4,640,888	28.85%	60,332
Romanofir SA Talmaciu	74,847	14.67%	935,588
Sigstrat SA Sighetul Marmatiei	2,398,896	10.32%	527,757
Tarnava SA Sighisioara	214,163	5.69%	53,541
Braiconf SA Braila	11,802,363	26.34%	5,429,087
Elars SA Rimnicu Sarat (*)	20,555,276	88.16%	2,145,971
TOTAL			**14,689,482**

(*)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 a evaluation report issued by an independent appraiser. The evaluation was based on the method of future discounted cash flows.

The evaluation of the shares held in listed entities and located in an active market was performed by multiplying the number of shares held at the reporting date with the closing price on the last trading day of the reporting period.

The differences were recorded in the account "1035 - Differences from the change in the fair value of financial assets evaluated at fair value through other comprehensive income".

In 2021, the company sold the shares held in Romanofir SA Talmaciu, Concifor SA Buzau and Mobila SA Radauti.

14 INVENTORIES

The inventory structure on December 31, 2021 is as follows:

Inventories	**31-Dec-21**	**31-Dec-20**

Raw materials and consumables	13,843,660	8,604,354
Raw materials depreciation adjustments	(3,761,566	(522,689)
Semi-finished and finished products	3,835,048	2,955,720
Finished product depreciation adjustments	(669.528)	(183,782)
Merchandise	192,619	203,476
Merchandise depreciation adjustments	(140,918)	(53,942)
TOTAL	**13,299,315**	**11,003,137**

The total value of inventories increased in 2021 by 20% compared to 2020. This increase was influenced by the increase of the raw material inventory by 2,000,429 lei compared to the previous year. Also, there is a slight increase in the inventory of semi-finished products and finished products by 304,066 lei compared to 2020.

In 2021, the value of merchandise decreased by 8,217 lei compared to the previous year.

During 2021, value adjustments were recorded for inventories, as follows:

- provisions for raw materials amounting to 3,352,736 lei;
- provisions for finished products amounting to 493,388 lei;
- provisions for merchandise amounting to 86,976 lei;

Also, during 2021, value adjustments were made for raw materials, materials, finished products and merchandise with a total value of 121,502 lei. The cancellation of the value adjustments was made following the scrapping of the damaged materials and following the sale of the finished products.

15 TRADE AND OTHER RECEIVABLES

On December 31 2021 the receivable structure is as follows:

Description	**31-Dec-21**	**31-Dec-20**
Trade receivables	10,662,244	14,333,231
Adjustments for trade receivables	(1,016,914)	(1,149,655)
Various debtors and other receivables (*)	14,511,465	17,232,883
Adjustments for other receivables	(10,194,214)	(9,159,121)
Total financial assets other than cash, classified as loans and receivables	**13,962,580**	**21,257,338**
Employees	35,500	6,010
Subsidies	866	866
Advance payments	2,182,971	3,565,073

Other State Budget receivables	5,991,588	8,433,780
TOTAL	**22,173,505**	**33,263,066**

(*) Within the position of various debtors and other receivables is also reported the amount of 2,6 million Lei representing amounts seized and enforced by the Administration of the Environmental Fund as a result of the control performed for the previous period 2017. Currently the Company has challenged this control report and requested the return of the amounts enforced. The Company's management estimated in relation to this receivable an adjustment of value of 1,3 million Lei. The process is in a preliminary phase and as it advances, the management will update this estimate.

In 2021, the value of trade receivables decreased, due to value adjustments made.

During 2021, value adjustments were made for receivables older than 1 year, according to the table below:

Name	Value (lei)
Amplo SA	3,868,150
AHP Building Vision Pitesti SRL	284,690
Elars SA	192,000
Celule Electrice SA	45,161
Other receivables	144,378
TOTAL	**4,534,379**

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.

Maturity review	**31-Dec-21**	**31-Dec-20**
Non-performing receivables	5,380,007	8,120,985
Unadjusted outstanding receivables:		
Up to 6 months	3,226,263	3,943,805

Between 6 and 12 months	1,075,426	1,125,200
More than 12 months	4,280,884	8,074,223
TOTAL	**13,962,580**	**21,264,214**

	31-Dec-21	**31-Dec-20**
At the beginning of the period	10,308,776	5,590,139
Formed during the year	4,534,379	4,768,580
Unused adjustments cancellation	(3,632,027)	(49,943)
At the end of the period	**11,211,128**	**10,308,776**

16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents	**31-Dec-21**	**31-Dec-20**
Available with the bank	10,999,816	13,970,536
Cash and cash equivalents	7,143	3,060
TOTAL	**11,006,959**	**13,973,596**

On December 31 2021 and 2020, 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 2021.

17 LOANS

On 31.12.2021, the loan component is as follows:

	31-Dec-21	**31-Dec-20**
Current		
Short-term loans and overdraft	7,857,828	13,473,803
Current part of long-term loans	416,557	0
Total	**8,274,385**	**13,473,803**
Long-term part		
Long-term loans	9,580,808	0
Total	**17,855,193**	**13,473,803**

The amounts owed to credit institutions are divided into short-term and long-term. The category of amounts due in the short term includes the credit lines / overdraft

opened at banks as follows:

Name	December 31 2021 (lei)	December 31 2020 (lei)
Credit line RON	6,013,497	12,498,411
Credit line USD	1,149,781	975,392
Credit line EUR	694,550	0
Total	**7,857,828**	**13,473,803**

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

18 LIABILITIES

Reconciliation between the minimum lease payments and the present value

	December 31 2021	December 31 2020
Maximum 1 year	2,792,419	2,426,933
More than one year but less than 5 years	5,580,311	5,807,079
Less future financial costs	(342,805)	(236.,27)
Current value of liabilities – financial leasing	**8,029,925**	**7,997,685**

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 2019	**454,038**	**9,277,765**	**9,731,803**
Corrections during the year	318,870		361,674
Interest and exchange rate differences	29,775	170,759	200,534
Leasing payments	(472,344)	(1,538,186)	(2,296,325)
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**

19 DEFERRED TAX ON PROFIT

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

Description	**31-Dec-21**	**31-Dec-20**
Initial balance	**(1,232,761)**	**1,299,541**
Other comprehensive income	193,736	(1,255,479)
Deferred tax costs / (income)	(1,444,120)	(1,276,823)
Final balance	**(2,483,145)**	**(1,232,761)**

		Movements during the period		
	31.12.2021	**By other comprehensive income**	**By profit & loss account**	**31.12.2020**
Deferred tax to be paid				
Tangible and intangible assets	(854,245)		957,131	(1,811,376)
Deferred tax to be claimed				
Provisions for the employees' benefits	46,138	(11,743)	(108,872)	166,752
Share evaluation	788,497	(181,994)	(163,655)	1,134,146
Receivables and other assets	2,502,756		759,516	1,743,240
Total	3,337,390	(193,737)	486,989	3,044,138
Total	**2,483,145**	**(193,737)**	**1,444,120**	**1,232,761**

20 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 in gas industry, working conditions, etc. 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 IAS 19. 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 2021, the employee turnover rate was 9.7%. For this year we considered the average of the last three years which was 8.9% pa. 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 8.9% of the total number of employees. Thus, the employee turnover rate is:

- 18.84% 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

In 2021, the positions of 175 employees were restructured. For the period after December 2021, no personnel reduction plan approved by the company's Board of Directors was communicated.

Discount rate

For the discount rate, we considered the yields on bonds on the active market at the end of December 2021. 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 1.6% pa
- Liquidity premium for Romania 0%.

Thus, we considered a forward equilibrium rate of 3.6% pa.

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

The weighted average discount rate in December 2021 was 5.1% pa.

Inflation rate

Based on the statistics issued by INSSE and the NBR forecast for November 2021, we estimated the inflation rate as follows:

– 8.2% in 2021;
– 5.9% in 2022;
– 3.2% in 2023;
– 3.0% in 2024;
– 2.8% in 2025;

-- 2.5% between 2026-2031 and following a decreasing trend in the following years.

Wage growth rate

For 2022 and the following years we considered an average wage increase of 1.5% pa above the annual inflation rate.

The weighted wage growth rate is 4.5% pa.

Synthesis of results

Reporting date: December 31	**2019**	**2020**	**2021**
Number of employees	440	390	192
Average age (years)	46.8	46.2	44.3
Average gross monthly salary (RON)	3,135	3,304	4,842
Average seniority within the company (years)	24.1	22.9	14.3
Average number of years remaining until retirement (years)	17.0	17.7	19.7
Estimated average remaining work period (years)	7.5	6.6	6.1
Amount of Obligations with Employee Retirement Benefits (RON)	**541,619**	**539,056**	**226,167**

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**
	2021
Present value of the obligation – January 1st	**539,056**
Cost of interest	16,483
Cost of current service	19,501
Payments from provisions during the year	-26,041
Actuarial (profit) / loss for the period	-73,391
Cost of previous service (Reduction)	-249,442
Present value of the obligation – December 31	**226,167**

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 31.12.2021	**226,167**
Discount rate + 1%	206,098
Discount rate - 1%	248,880
Wage growth rate + 1%	249,103
Wage growth rate – 1%	205,567
Longevity growth by 1 year	228,802

Benefit payments maturity review

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

Maturity:	Under 1 year	between 1-2 years	between 2-5 years	between 5-10 years	More than 10 years
Payment protection	0	13,501	27,629	254,572	442,602

21 SHARE CAPITAL

The company's subscribed share on December 31, 2021 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 31.12.2021 was the following:

Shareholder	Shares	Percent %
Investments Constantin SRL	25,699,543	36.8375%
Trans Expedition Feroviar SRL	8,963,266	12.8479%
Natural persons	23,014,086	32.9882%
Legal persons	12,087,755	17.3265%
TOTAL	**69,764,650**	**100%**

The structure of the Board of Directors on 31.12.2021 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

22 RETAINED EARNINGS AND OTHER RESERVES

Reserves have the following components:

Reserves	**31-Dec-21**	**31-Dec-20**
Fixed assets revaluation reserves	6,827,207	9,075,585
Legal reserves	1,617,005	1,617,005
Other reserves	44,442,530	44,442,530
TOTAL	**52,886,742**	**55,135,120**

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 2021, 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 31.12.2021, the company made a net loss in the amount of 11,849,219 lei. The retained earnings record on 31.12.2021 a value of -12,482,452 lei.

The movements in the retained earnings account were:

	31-Dec-21	**31-Dec-20**
Initial balance	**(3,898,728)**	**11,699.656**
Financial year profit/loss	(11,849,219)	(12,411,167)
Result from share revaluation	1,137,462	(5,028,131)
Result from employee benefits	73,391	19,904
Deferred tax on profit related to share revaluation and employee benefits	193,736	952,755
Result from surplus of revalued reserves	2,248,378	2,279,991
Allocations from other reserves	-	(1,411,736)
TOTAL	**(12,482,452)**	**(3,898,728)**

Retained earnings consist of:

	31-Dec-21	**31-Dec-20**

Cummulated retained earnings	1,208,167	13,619,334
Profit of the financial year	(11,849,219)	(12,411,166)
Cummulated result first time application of IFRS	1,719,391	1,719,391
Effect resulting from the sale of shares	(4,395,770)	(3,536,582)
Retained earnings from the correction of accounting errors in previous periods	(433,171)	(433,171)
Retained earnings representing the surplus realized from revaluation reserves	5,353,875	3,105,497
Revaluation of financial investments at fair value	(4,928,105)	(7,088,408)
Related deferred tax	778,236	1,134,146
Remeasurment of deferred tax net benefit schemes	64,145	(7,767)
Total retained earnings	**(12,482,452)**	**(3,898,728)**

23 BALANCES AND TRANSACTIONS WITH AFFILIATED ENTITIES

The entities affiliated to the company are:

Item no.	Full name	Share capital participation rate
1.	Stefan Constantin – indirect holding through Investments Constantin SRL and Benjamin United SRL	36.73%
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.	Metalica SA - indirect affiliation through joint management	-

8.	General Autorent SRL - indirect affiliation through joint management	-
9.	Gate Development SRL – indirect affiliation through joint management	-
10.	Csoarpi Saints 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.	Borgia	Michele	Deputy General Director	16.12.2020 - indefinite
2.	Caramida	Valentin	Quality & Production Manager	05.06.2020 - indefinite
3.	Petre	Iulia	Financial Manager	01.05.2020 - indefinite
4.	Marin	Sergiu	Marketing Sales Manager	01.05.2020 - indefinite
5.	Onu	Patricia	Project Manager	17.05.2021 - indefinite
6.	Letcanu	Marian	Development Manager	04.06.2020 - indefinite
7.	Dobra	Georgian	Acquisitions Manager	01.07.2021 - indefinite

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

Receivables on affiliated parties	**2021**	**2020**
Braiconf SA	143,627	-
Amplo SA	3,957,150	4,097,741
Elars SA	407,000	192,000
Concifor SA	8,609	8,980
General Autorent SRL	9,802	172,800
Gate Development SRL	425,918	275,142
Metalica SA	258,167	-
TOTAL	**5,210,273**	**4,746,663**

Liabilities to affiliated parties	**2021**	**2020**

Benjamins United SRL	-	-
Investments Constantin SRL	-	-
Csoarpi Saints SRL	-	-
Cardinal Main SRL	-	-
TOTAL	**-**	**-**

Sales of goods & services	**2021**	**2020**
Amplo SA	-	23,122
Concifor SA	91	1,623
Braiconf	11,451	-
Mercur SA	4,327	4,327
Metalica SA	216,947	-
TOTAL	**232,816**	**29,072**

Purchases of goods & services	**2021**	**2020**
Braiconf SA	155,075	169,469
Gate Development SRL	761,573	447,516
General Autorent SRL	136,886	74,031
Benjamins Unites SRL	1,131,092	-
TOTAL	**2,184,626**	**691,016**

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-21**	**31-Dec-20**
Board remuneration based on mandate contracts	3,524,000	1,356,000
Wages	1,065,415	1,335,007
Taxes and social contributions	23,973	30,038
TOTAL	**4,613,388**	**2,721,045**

The Board remuneration based on the mandate contracts includes:

Additional remunerations	2021	2020
Benjamins Unites SRL	520,000	668,000
Investments Constantin SRL	649,000	688,000
Cardinal Main SRL	1,155,000	-
Csoarpi Saints SRL	1,200,000	-
TOTAL	**3,524,000**	**1,356,000**

24 CONTINGENT LIABILITIES

In 2020 the company received the financing agreement based on GD no. 807/2014 for the establishment of a state aid scheme having as object the stimulation of investments with major impact in the economy in the amount of 27,741,425 lei, at a project value of 55,482,850 lei.

The financing agreement is subject to compliance with the following terms:

- At the end of the monitoring period of 5 years from the completion of the investment project, the company has the obligation to prove the actual payment of the contribution to regional development, related to the investment project in the period 2020 - 2026, in an amount equivalent to the state aid paid in total;

- At the end of the 5-year monitoring period from the completion of the investment project, the company has the obligation to achieve a turnover for the consolidated activity, related to the current activity and the investment project in the period 2020 - 2026, amounting to 1.757 billion Lei. Failure to achieve the forecast turnover will lead to the recovery of state aid in proportion to the degree of failure.

In 2021, based on the above agreement, the company accessed from the total value the amount of 3,537,828.18 lei, related to the acquisition of technological equipment related to the project.

25 PAYMENT COMMITMENTS

On December 31 2021, 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.

26 INFORMATION REGARDING THE AUDIT OF THE FINANCIAL STATEMENTS

The financial audit for the financial year 2021 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 31.12.2021 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. This action results in the resizing of the personnel with a number of 360 people. Also, within the company, the personnel was resized with 88 people, reaching a number of 197 employees.

This action will lead to the reduction of expenses in 2022 by approximately 18,000,000 lei.

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 2022, the company has a forecast of sales with a total turnover of 100,000,000 lei, which means a third of the turnover for the year 2021. Given that both personnel costs will be significantly reduced (a decrease of over 64% in 2022, compared to 2021), as well as operating expenses (a decrease of over 50% in 2022, compared to 2021), a net profit is expected at the end of 2022 in total value of 1,900,000 lei.

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.

28 FURTHER EVENTS

In the context of the conflict between Russia and Ukraine, which began on February 24, 2022, the European Union, the US, the UK and other countries have imposed numerous sanctions against Russia, including financial restrictions on Russian banks and state-owned companies. Considering the geopolitical tensions, starting with February 2022, there was an increase in the volatility of the financial markets and the pressure on the depreciation of exchange rates. These events are expected to affect activity in many sectors of the economy, and could lead to a further rise in energy prices in Europe and a high risk of delays in the supply chain.

The company does not have direct exposure to affiliates and / or key clients or suppliers in these countries.

The Company considers these events to be non-adjustable events that occurred after the balance sheet date, the effect of which cannot be estimated at this time. At this time, the Company's management is analyzing the possible effects of the change in micro and macro-economic conditions on the Company's financial position and results.

There are no further events that may influence these financial statements.

Vice-Chairman of the Board of Directors, Roxana Scarlat	Financial Manager, Iulia Petre

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STATEMENT

I, the undersigned SCARLAT ROXANA, as Vice-Chairman of the ELECTROARGES SA Board of Directors, with the registered office in Curtea de Arges, str. Albesti, nr. 12, Arges County, according to the provisions of art. no. 30 of the Accounting Law no. 82/1991, as republished, I take the responsibility for the accurate presentation of the annual financial statements for 2021, in accordance with the Accounting Regulations harmonized with the Fourth Directive of the European Economic Communities and with the International Financial Reporting Standards, approved by OMFP no. 2844/2016, OMFP no. 881/2012, and I confirm that:

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

Signature:

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INDEPENDENT AUDITOR'S REPORT

To the shareholders,

Electroarges 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 Identification Number RO 156027, which include the Standalone statement of financial position on December 31, 2021, 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, 2021 are as follow:

- Net assets/Total equity: 47,380,755 Lei
- Net loss of the financial year: (11,849,219) Lei

3. In our opinion, with the exception of the possible effects of the issues 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, 2021 and its financial performance and 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 shares held in Mobila Rădăuți SA (in insolvency proceedings, suspended for trading on the capital market since February 10, 2020) , these shares being registered on December 31, 2020 at a value of 3.5 million Lei, after the recognition during the previous financial year of an impairment expense in the amount of 16.2 million Lei. On December 31, 2020, the Company was unable to obtain information to evaluate this investment, as the information available was insufficient to determine the fair value of the shares on December 31, 2020. Our audit opinion on the financial statements for the year ended on 31 December 2020 contained a reservation on this matter. As the evaluation on 31 December 2020 affects the determination of the current result, we have not been able to determine whether adjustments to the current result and the initial retained earnings result may be required for the financial year 2021. The above also affects the comparability between the figures for the current period and the corresponding

figures, without having an impact on the net assets reported by the Company on December 31, 2021.

5. In the financial year 2021, the Company estimated depreciation adjustments for slow-moving inventories and recognized expenses in the amount of 2.6 million Lei. On December 31, 2020, the Company reported in the Statement of the standalone financial position inventories in the amount of 2.4 million Lei for which there were indications of impairment of net probable value, but did not record any impairment adjustments. Our audit opinion on the financial statements for the year ended on December 31, 2020 contained a reservation on this issue. As the evaluation of inventories at 31 December 2020 affects the determination of the current result, we have not been able to determine whether adjustments to the current result and the initial retained earnings may be required for the financial year 2021. The above also affects the comparability between the figures for the current period and the corresponding figures, without having an impact on the net assets reported by the Company on December 31, 2021.

6. We conducted our audit in accordance with International Standards on Auditing ("ISA"), EU Regulation no. 537 of the European Parliament and Council (hereinafter "the Regulation") and Law no. 162/2017 ("the 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 the Law, and we have fulfilled our ethical responsibilities in accordance with these requirements and in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our reserved opinion.

Highlighting some issues

7. We draw attention to Note 27 "Continuity of activity" to the financial statements, which states that on December 2, 2021, the client Alfred Kaercher, who represents approximately 87% of the Company's turnover, notified the termination of the supply contract starting with June 30, 2022 and the termination of the lease of tools and devices starting with April 30, 2022, as well as the significant decrease in orders scheduled for 2022. Following this notification received, the Company's management has taken measures to reduce the expenses so as to adapt to the new volumes of activity, as well as the identification of new sources of income. The Company's management considers that, through the measures taken, it will continue its activity in the following periods, even at a low level of turnover. Our opinion does not contain a reservation on this issue.

Key audit issues

8. 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 2.12.1 "Accounting Policies - Income Recognition" and Note 4 "Income from Contracts and other income"** The income recognition policy is set out in Note 2.12.1. 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, among others: • 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, 2021, by sending letters of direct confirmation;

Other issues

9. The attached financial statements are prepared based on the Accounting Regulations compliant with the International Financial Reporting Standards, approved by MPF Order no. 2844/2016. The reporting framework set out 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 accompanying financial statements are standalone and do not show any adjustments that may be required for consolidation.

10. 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 – Administrators' report

11. The management is responsible for Other Information. That Other Information contain the Administrators' 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, 2021, our responsibility is 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 Administrators' Report, we have read and report whether it has been prepared, in all material respects, in accordance with the OMFP 2844/2016, with the paragraphs 15-19 of the Accounting Regulations compliant with 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 Administrators' 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 Administrators' Report was prepared, in all significant issues, in accordance with the OMFP 2844/2016, with the paragraphs 15-19 of the Accounting Regulations compliant with International Financial Reporting Standards.

c) The remuneration report was prepared, in all significant aspects, 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, 2021, we are required to report whether we have identified material misstatements in the Administrators' Report. We have nothing to report on this issue.

Management and people in charge of governance's responsibility for the Financial Statements

12. Management is responsible for the preparation and fair presentation of financial statements in accordance with OMFP 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.

13. 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.

14. The persons responsible for governance are responsible for overseeing the Company's financial reporting process.

The Auditor's responsibility in an audit of the Financial Statements

15. 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. Distortions 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 consolidated financial statements.

16. 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.

17. We communicate to those responsible for 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.

18. We also provide a statement to those responsible for 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.

19. Among the issues we communicated to those charged with 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

20. We were appointed by the General Meeting of Shareholders by decision no. 106 of 25.04.2019 to audit the financial statements of **Electroargeş S.A.** for the financial years 2019 - 2021. The total uninterrupted duration of our commitment is 3 years, covering the financial years ended on 31.12.2019, 31.12.2020 and 31.12.2021.

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 those responsible for 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 with further amendments.

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 assignment

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 with further amendments.

• 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 2021 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, 2021 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 March 30, 2022

ADMINISTRATORS' REPORT

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

THE CONSOLIDATED FINANCIAL STATEMENTS
ON DECEMBER 31 2021

Reporting date: December 31 2021

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

Registered office: Municipiul Curtea de Arges, strada Albesti, nr. 12, judetul Arges
Telephone: 0248/724000
Fax: 0248/724 004
E-mail: electroarges@electroarges.ro
Tax Registration Code: RO 156027
Trade Register Registration number and date: J03/758/1991

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

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

Main characteristics of the securities issued by the company:

- Nominative shares: 69,764,650

- Nominal value per share: 0.1 lei

STATEMENT OF THE FINANCIAL POSITION ON DECEMBER 31 2021

	December 31 2021	December 31 2020
Assets		
Fixed assets		
Tangible assets	75,186,611	61,605,268
Goodwill	3,734,837	4,560,969
Intangible assets	852,328	843,563
Equity titles	4,844,753	5,429,087
Other financial fixed assets	2,243,692	6,340,672
Real estate investments	2,780,884	2,780,884
Deferred tax	1,858,019	859,173
Total fixed assets	**91,501,124**	**82,419,616**
Current assets		
Inventories	13,610,743	11,957,030
Trade and similar receivables	23,730,913	33,220,436
Other financial assets	232,044	60,332
Cash and cash equivalents	11,183,650	14,185,632
Total current assets	**48,757,350**	**59,423,430**
TOTAL ASSETS	**140,258,474**	**141,843,046**
Liabilities		
Current liabilities		
Trade and similar liabilities	54,712,950	54,638,452
Short-term loans from banking institutions	8,379,508	14,122,495
Financial leasing	2,892,508	2,349,944
Employee benefits due in short term	129,691	487,707
Liabilities with the tax on profit	231,374	224,063
Long-term loans from banking institutions – current maturity	416,666	-
Total current liabilities	**66,762,697**	**71,822,661**
Long-term liabilities		
Long-term bank loans	9,580,699	-
Financial leasing	5,252,277	5,674,341
Employee benefits due in long term	222,815	545,248
Subsidies	4,190,123	1,354,009
Total long-term liabilities	**19,245,914**	**7,573,599**
TOTAL LIABILITIES	**86,008,612**	**79,396,260**
NET ASSETS	**54,249,862**	**62,446,786**
Share capital	6,976,465	6,976,465
Own shares	(118,748)	(9,518)
Other equity	122,497	(166,999)
Net reserves from revaluation	8,174,015	10,461,645

Other reserves	50,538,045	50,673,249
Retained earnings	(12,940,197)	(7,717,288)
Interests that do not control	1,497,786	2,229,232
TOTAL EQUITY	**54,249,863**	**62,446,786**
TOTAL LIABILITIES AND EQUITY	**140,258,475**	**141,843,046**

STATEMENT OF COMPREHENSIVE INCOME ON DECEMBER 31 2021

	The year ending on December 31 2021	**The year ending on December 31 2020**
Income from sales	**305,043,384**	**248,011,434**
Other operating income	4,475,854	5,338,438
Changes in inventories	768,580	201,046
Raw materials and consumables	(227,379,482)	(185,103,354)
Expenses on personnel	(35,424,369)	(30,572,205)
Amortization	(13,737,874)	(10,445,513)
Other operating expenses	(40,624,530)	(28,777,238)
Loss from equity titles	(850,415)	(1,343,704)
Financial income	1,105,999	58,121
Financial costs	(2,106,569)	(18,257,614)
(Loss) / Profit before taxation	**(8,729,422)**	**(20,890,589)**
Income/(expenses) with the tax on profit	**307,586**	**1,590,286**
(Loss) / Profitul for the period	**(8,421,836)**	**(19,300,303)**
Other comprehensive income		
Items that will not be reclassified:		
Revaluation of tangible assets	-	125,704
Remeasurement of pension benefit schemes granted	73,391	19,904
Revaluation of financial investments at fair value	353,428	(41,515)
Braiconf asset revaluation group share	-	3,121,273
Related tax	(68,291)	(13,542)
Total other comprehensive income	**358,528**	**3,211,824**
Total comprehensive income	**(8,063,308)**	**(16,088,479)**
(Loss) / Profit for the period related to:		
The Group	(8,512,725)	(18,863,873)
The minority interests	90,889	(436,430)
Total comprehensive income related to:		
The Group	(8,154,197)	(15,671,644)
The minority interests	90,889	(416,835)
BASIC/DILUTED PER SHARE RESULT	**(0.122)**	**(0.270)**

1. ANALYSIS OF THE COMPANIES' BUSINESS ACTIVITY

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

1. ELECTROARGES SA - Curtea de Arges ***parent company*** - was established as a joint stock company, following the reorganization and concomitant division of IPEE ELECTROARGES Curtea de Arges, based on Law 15/1990 and according to G.D. no. 1224/22 of November 1990, in two distinct trade companies: S.C. ELECTROARGES S.A. - producer of consumer electrical goods and IPEE S.A. - producer of passive electronic components.

Registered office: Curtea de Arges, strada Albesti, nr. 12
Telephone: 0248/724000 ; 0763/676100
Fax: 0248/724 004
E-mail: electroarges@electroarges.ro;
Tax Registration Code: RO 156027
Trade Register Registration no. and date: J03/758/1991

ELECTROARGES SA CURTEA DE ARGES, a company with 100% private capital, is traded on the market regulated by the Bucharest Stock Exchange, second category, the quarterly and annual financial reporting obligations, in accordance with art. 227 of the "Law 297 on the capital market" and ASF Regulation no. 5/2018 on the issuers and the operations with securities and we found that they were fulfilled.

ELECTROARGES SA Curtea de Arges' object of activity:

- the production of consumer electrical goods;
- the production of machines and electronic devices;
- the execution of tools, devices, verifiers, specific to the field of activity.

The Electroarges SA's activity is carried out based on the environmental authorization no. 205 revised on 07.01.2015 issued by the Pitesti Regional Agency for Environmental

Protection and the water management authorization no. 274/12.09.2013 issued by the "Apele Romane" National Administration - Arges-Vedea Pitesti Water Directorate issued for the activity of manufacturing household appliances NACE code 2971/2751, carried out in Curtea de Arges, strada Albesti, nr. 12, judetul Arges.

The share capital subscribed and paid on 31.12.2021 is 6,974,465 lei, representing 69,764,650 shares with a nominal value of 0.10 lei / share.

The shareholding structure on 31.12.2021 was the following :

Shareholder	**Shares**	**Percent %**
Investments Constantin SRL	25,699,543	36.8375
Trans Expedition Feroviar SRL	8,963,266	12.8479
Natural persons	23,014,086	32.9882
Legal persons	12,087,755	17.3265
TOTAL	**69,764,650**	**100%**

Administrators' participation to the share capital is the following:

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

The consolidation of the accounts is carried out by global integration, by proportional integration or by equivalence, after possible restatements in order to harmonize them with the principles and rules of consolidation.

The consolidation method is chosen depending on the control percentage, which conditions the type of control.

The control percentage is determined starting from the voting rights and is equal to the ratio between the voting rights held in a company and the total number of its voting rights.

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

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

The evaluation of the items included in the consolidated financial statements for the financial year 2021 were performed in accordance with Law 82/1991 as republished and further amended and in compliance with the following accounting principles for amending and supplementing the Accounting Regulations compliant with European directives and OMFP 2844/2016 on the approval of accounting regulations in accordance with international financial reporting standards:

2. ELARS SA, a subsidiary to which ELECTROARGES SA helds 20,555,276 shares, with a nominal value of 2,055,527.60 lei, representing 88.16% of the share capital.
Registered office: Ramnicu Sarat, str. Industriei, nr. 4, judetul Buzau
Trade Register Registration Number: J10/124/1991
Tax Registration Code: RO1168275

Main object of activity: manufacturing screws, bolts and other threaded articles, manufacturing rivets and washers

At ELARS SA, the shareholding structure was as follows:

Shareholder	***Share capital value***	***%***
1. ELECTROARGES SA	2,055,527.60	***88.1611***
2. Legal persons	5,618.10	***0.2410***
3. Natural persons by PPM	270,412.40	***11.5979***
TOTAL	**2,331,558.1**	***100.00***

3. AMPLO SA, a subsidiary to which ELECTROARGES SA helds 2,668,396 shares, with a nominal value of 6,670,990 lei, representing 84.4119% of the share capital.
Registered office: Ploiesti, str. Petrolului, nr. 10, judetul Prahova
Trade Register Registration Number: J29/13/1991
Tax Registration Code: RO1359038

Main object of activity: manufacturing instruments and appliances for measuring, checking, supervising, navigating

At AMPLO SA, the shareholding structure was as follows:

Shareholder	***Share capital value***	***%***
1.ELECTROARGES SA	6,670,990	***84.4119***
2.Legal persons	500,450	***6.3325***
3.Natural persons	731,462.50	***9.2556***
TOTAL	**7,902,902.5**	***100.00***

4. BRAICONF S.A., a subsidiary to which ELECTROARGES SA helds 11,802,363 shares, with a nominal value of 5,429,087 lei, representing 26.3415% of the share capital.

Registered office: Braila, str. Scolilor, nr. 53, judetul Braila

Trade Register Registration Number: J09/5/1991

Tax Registration Code: RO2266085

Main object of activity: manufacturing underwear

At BRAICONF SA, the shareholding structure was as follows:

Shareholder	***Share capital value***	***%***
1.INDUSTRIES BENJAMIN SRL	3,191,748.7	***50.8306***
2.ELECTROARGES SA	1,412,405.7	***22.4934***
3.OTHER SHAREHOLDERS	1,675,038.9	***34.4055***
TOTAL	**6,279193.3**	***100.00***

1.1. b) Parent company formation:

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

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

Following the development and unification with "I.C.E.P." – Factory of Passive Electronic Components, built in the immediate vicinity, the factory was renamed the Electronic

and Electrical Products Factory - "I.P.E.E. ELECTROARGES" Curtea de Arges, name by which it was known until 1990.

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

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

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

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

It is not the case.

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

In 2021, Electroarges SA's priority was to sustain and pay the trade liabilities to the suppliers and the current fiscal obligations to the state budgets.

The company experienced a financial stability that allowed it to modernize the existing constructions, out of which completed in the amount of 2,638,407 lei and in the process of completion in the amount of 5,306,511 lei.

Also, during 2021, the company took over construction works worth 7,533,698 lei and put into operation technological equipment worth 12,077,975 lei.

In 2021, the company disposed of fixed assets amounting to 2,238,387 lei, out of which 2,015,239 lei were fully depreciated and 223,148 lei were not fully depreciated.

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

The company experienced financial stability that allowed it to modernize existing constructions and hand over new production halls (hall 3).

Also, in 2021 it purchased the following equipment:

- injection machines;
- centralized granule distribution system.

New variants of Kaercher vacuum cleaners from the Home & Garden range have been put into production, plastic injection molded parts have been assimilatedin production, subassemblies, kits and pad-printed parts for Arctic SA, reaching up to 100 products. The company continued the collaboration with Steinel Electronic SRL and Cer Cleaning Equipment SRL in the production of plastic injection molded parts.

In 2021, the Research - Development Department within Electroarges SA had as main objective the development of new products, as follows:

- in the medical field - an Electroarges mechanical ventilator, individual PAPR E Air + air purifier;
- in the railway field - a vibration absorption carpet;
- but also the introduction of restyled Electroarges projects, such as the EA Cleaner vacuum cleaner, the coffee grinder and the hair dryer.

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

In 2021, 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.

Also, the following projects were prioritized and implemented:

• The individual PAPR air purifier, E Air +, where the technical design and a functional 3D prototype were made, follows the technological part which contains the 3D design and execution of the molds, internal validation, homologation and introduction in series production;

• Obtaining a manufacturing standard for medical products EN 13485 and a Clean Rooms 7 production space;

• Production of Electroarges brand vacuum cleaners with the new design;

• The introduction in the manufacturing of the Carpet for vibration absorption and the setting up of a technological line in order to manufacture this product at Electroarges.

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

1.1.1. Elements of general evaluation

On 31.12.2021, the Electroarges group registers a negative net operating result in the amount of 6,878,438 lei and also a negative net result in the amount of 8,421,836. This loss is due to client and inventory value adjustments made during 2021.

In 2021, the income from the contracts with the clients had the value of 305,043,384 lei, increasing by 23% compared to 2020. Out of this value, 248,011,434 lei represented exports. Within the group there are entities that pay the profit tax and the income tax.

Liquidity and credit

On December 31, 2021, the general liquidity rate is 0.73 points lower than the previous year.

Cash available on 31.12.2021 in the amount of 11,183,650 lei, represents money deposited in current bank accounts or in bank deposit accounts in Romania for a period of less than 3 months.

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 2021 by **ELECTROARGES SA** were delivered both on the foreign and domestic market, where an attempt was made to consolidate the position as a company producing electrical consumer goods, household appliances, professional appliances for semi-industrial and hotel use, industrial equipment and parts/subassemblies intended for industrial producers.

Electroarges SA exports to the main markets, such as Germany (vacuum cleaners), Slovakia (vacuum cleaners) and France (vacuum cleaners and incubators).

Electroarges SA also has sales on the domestic market with the following collaborators: Arctic SA, Steinel Electronic SRL, Cer Cleaning Equipment SRL, Haier Tech SRL and others.

At **ELARS SA**, the requirements of the domestic and foreign market were focused on other types of assembly parts that can be executed with superior technical equipment; with the one currently available to the company, metric screws and rivets can be made, for which the market requirements are very low, and the technical trends worldwide are to replace these assembly parts with adhesives giving up the traditional joints.

In 2021, new products were assimilated in production, among which we mention: 18.95x38.1 pin, M5x24.6 insertion, connecting bolt screw, 22x8.4 spherical segment, spring ornament, shaft rod, etc.

The products were manufactured on the basis of firm orders in small quantities, according to the requirements.

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

The parent company's assortment sales situation for the last three years is presented in the table below:

Item no.	Product group name	2021		2020		2019	
		%	Value thousand lei	%	Value thousand lei	%	Value thousand lei
1.	Karcher Vacuum cleaners	84.64	256,340	92.03	226,299	94.59	182,235
2.	Vacuum cleaners	0	0	0	0	0.01	4
3.	Ash pans	0	0	0	0	0	0
4.	Appliances	0	7	0.03	71	0.11	215
5.	Tools	0	0	0	1	0.01	1
6.	Household appliances	0.06	172	0.09	215	0.23	441
7.	Products for hotels and institutions	0	0	0	5	0.01	5
8.	Spare parts	11.82	35,788	6.99	17,181	4.25	8,197
9.	Others	3.48	10,554	0.87	2,132	0.79	1,568

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 2022, 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.

Also, in 2022, the following projects will be prioritized and implemented:

• The prototype version of the PAPR E Air + individual air purifier was developed to test the assembly as well as functionality. The conclusions of the assessment in the prototype stage were to redefine the design stage which entails the modification of the 2D and 3D drawings, the adjustment of the assembly concept as well as the modification of the molds according to the new design.

• 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 clients, 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, Diaplast

Production SRL, Eurobusiness Tipar SRL, ELJ Automotive SRL, DS Smith Packaging SRL, Greiner Assistec SRL, VM Comp SRL, Auxitel Conect 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.

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

1.1.4. Evaluation of sales.

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

1. ELECTROARGES SA

Item no.	Indicator	Earned 2020	Earned 2021
1.	Sales (thousand lei)	247,138	304,202
2.	Sales (thousand EUR)	51,082	61,802
3.	Internal sales (thousand lei)	20,289	47,862

	Out of which products (thousand lei)	128	35,788
4.	Internal sales (thousand EUR)	4,332	9,720
5.	Export sales (thousand lei)	226,149	256,340
6.	Export sales (thousand EUR)	46,750	52,078

2. ELARS SA

Nr.crt.	Indicator	Realizat 2020	Realizat 2021
1	Sales (thousand lei)	1,188	1,550
2	Sales (thousand EUR)	244	313
3	Internal sales (thousand lei) Out of which products (thousand lei)	1,188 1,188	1,550 1,550
4	Internal sales (thousand EUR)	244	313
5	Export sales (thousand lei)	0	0
6	Export sales (thousand EUR)	0	0

3. AMPLO SA

Nr.crt.	Indicator	Realizat 2020	Realizat 2021
1	Sales (thousand lei)	1,138	1,025
2	Sales (thousand EUR)	234	207
3	Internal sales (thousand lei)	1,138	1,025
	Out of which products (thousand lei)	1,138	1,025
4	Internal sales (thousand EUR)	234	207
5	Export sales (thousand lei)	0	0
6	Export sales (thousand EUR)	0	0

Compared to the total value of sales from previous years in 2021, there is an increase in sales compared to 2020, for the parent company, determined by the increase in domestic sales due to collaboration with Arctic SA, but also the increase in sales to Alfred Kaercher.

There is also a slight increase in sales for Elars SA, but also a decrease in sales for Amplo SA.

Export sales for the parent company increased compared to 2020.

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

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 2021, 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 2021, audits were carried out at Electroarges by the companies TUV Rheinland, Nemko, CQC China, AKW Germany. Each of the listed companies performed process and system verification audits for product groups for the Kaercher client. The results were positive and allowed Electroarges SA to remain in the group of accepted suppliers.

All the listed actions allow Electroarges to deliver the products manufactured for the Kaercher client on a multitude of markets, respectively Europe, including specific products for Great Britain and Russia, Australia, USA, Mexico, Japan, China, Argentina, Brazil etc. At the same time, the existing certifications allowed the delivery of the products under the ARGIS Electroarges logo to distributors from Italy, Spain, the Republic of Moldova, Germany, Poland, France, and Hungary.

At the same time, audits were carried out by:

- Renault Romania Group (audit MMOG / LE-Renault Group - ASSCE - logistical risk assessment);

- Groupe Haier - following this audit the Haier group decided to continue the collaboration with 7 more molds;

- Ecovadis (sustainability and social responsibility audit where Electroarges is in the top 20% of companies in Europe, obtaining the silver rating);

- Makita - following this audit it was decided to allocate two projects M9 and M10 for which the order of molds was started and the start of production with the first half of 2022;

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

Also for 2021, the competition on the market of electrical consumer goods and household appliances 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 of the COVID – 19 pandemic situation. The market was overflooded 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 client manifested by a very low interest in the purchase of appliances in general.

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

The other entities in the group face the same problems, because the competitors of the other entities on the market are also producers with costs and prices below the level offered by the companies ELARS SA and AMPLO SA, and even BRAICONF SA, which faces a competition on the market for the manufacture of underwear or even for imports.

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

In 2021, the company developed the main contract with Alfred Kaercher Germany, a contract that represents 87% of turnover. Termination of this contract would have a negative impact on the company's evolution over time with negative social implications. Obviously, Electroarges SA finds itself in this situation. The fact that almost 87% of the turnover is based on exports, and within it over 99% is only to the KAERCHER group of companies, denotes a huge dependence on collaboration with this company.

Also, in 2021, the collaboration with Arctic SA was consolidated, which represents 10% of the turnover.

The conclusion is one, namely that the company must make a sustained effort in intensifying and identifying methods for developing the range of own products and collaborations to achieve a balance of at least 75% share in total turnover but also by implementing new collaborations.

In this sense, Electroarges has implemented and started the collaboration with the Haier Tech client, in the last six months of 2021, achieving a turnover that represents 1% of the total, with a forecast for 2022 of 2.7% - 3.5%.

Electroarges also started the collaboration with the Makita group by contracting the production of injection molds related to future projects that will be implemented in Q2 2022 in the production of plastic injection molding.

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, towards the end of last year, 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 decreasing the degree of dependence on a client, the weighting and diversification of the client range, the diversification of industrial fields and the increase of the share in the turnover of its own products.

The other entities in the group do not depend on a single client, but their sales have seen both decreases for Amplo and increases for Elars.

1.1.5. Evaluation of the aspects related to the companies' employees/personnel :

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 31.12.2021 the total number of employees at Electroarges SA was 202 employees, out of which:

- 165 employees with an employment contract for an indefinite period;

- 27 employees for a definite period;
- 10 employees with a suspended employment contract (8 employees – maternity leave and 2 employees - elective position).

The personnel structure on 31.12.2021 was as follows:

Total personnel:	**- 202 (103 women, 99 men)**
Working personnel:	- out of which:
- Direct workers	- 112
- Indirect workers	- 46
Foremen:	- 3
TESA personnel:	- 41 out of which:
- Engineers:	- 12
- Engineer assistants:	- 2
- Economists	- 14
- Technicians	- 0
- Other categories	- 13

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

The professional training of the employees in 2021 at Electroarges was carried out according to the actual financial possibilities and in relation to the budget approved in this chapter for the year that ended.

Mainly in 2021, the human resources development and training strategy aimed to develop the workforce in order to become more adaptable to structural changes in the context of the skills shortage identified in the domestic workforce with a focus on qualification and retraining of the workforce directly at work. In this sense, the development of professional ability for integration into a professional standard was taken into account, providing employees with the necessary knowledge to acquire the profession or occupation based on experience

gained at work, making products that best meet evolving needs and quality requirements of foreign partners.

Also in 2021 was organized the personal testing program specialized in the trades of forklifts, cranes, stokers, laborers and load binders for the extension of work permits in the year that ended. They passed the exam and were re-authorized by ISCIR for 2021.

In the same vein, on 31.12.2021, out of 202 employees, 49 were union members and 153 employees are not union members.

Degree of unionization: - non union members 75.75%
- union members 24.25%

Most issues related to labor jurisdiction have been settled amicably.

Item no.	Company entered into consolidation	Average number of employees during 2021 - persons	Average number of employees during 2020 - persons
1	ELECTROARGES SA	329	386
2	ELARS SA	15	14
3	AMPLO SA	12	22
	Total	**356**	**422**

Item no.	Company entered into consolidation	Number of employees at the end of 2021 - persons -	Number of employees at the end of 2020 - persons -
1	ELECTROARGES SA	202	390
2	ELARS SA	19	19
3	AMPLO SA	12	11
	Total	**233**	**420**

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

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 wherver the case is and there is a Collective Labor Contract and the legislation in force.

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

Environmental factor WATER:

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

The rules implemented concern:

Water Management Authorization no. 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 Law 211/2011 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 Kaercher client, Steinel client).

Elars SA obtained the Environmental Authorization no. 248 of 30.10.2012, valid for 10 years.

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

Electroarges SA does not perform activities with significant environmental impact.

It should be mentioned that Electroarges SA has all the necessary legal authorizations (Environmental Authorization, Water Management Authorization and Authorization concerning the operation of waste water pre-treatment facilities) to carry out the business activity.

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 2021, 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 2021, 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 2021, the department's expenses will be directed towards the development and implementation of the main projects such as:

- Individual E Air + air purifier, production line and manufacturing standard;
- EA Cleaner brand vacuum cleaner (3 different models and colors);
- Dacia Duster and Logan LPG tank, plus automatic welding line;
- Vibration absorption carpet, together with the production line;
- Electroarges brand restyled products;
- Other new projects.

1.1.8. Evaluation of the companies' 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:

- 87% of turnover represents production collaboration with Alfred Kaercher. Any syncope in the contract with this company can be immediately and severely felt;

- 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 has defined its approach for the coming years, consisting of :

- ensuring the profitability on the traditional market (increasing the competitivness of products through redesign, manufacturing cost control, non-quality cost reduction, boosting sales by changing marketing policies) ;
- penetrating new markets and diversifying the range of services/products offered ;
- rendering of services and manufacturing products for third parties in related fields (for which there are insuficiently used technological capabilities) ;

- participation in inter-disciplinary programs at national and international level ; attracting structural grant 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 parent company, as well as for the other entities (excepting Concifor SA), has as main objective the refocus of the activity on the profitability analysis under increasing turnover and running parallel activities enabling cost control and strengthening the market position.

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

-reduce the parent company's dependence to the KÄRCHER's contract ;

-reduce and liquidize inventories ;

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

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

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

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

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

Group's economic and financial indicators December 31, 2021:

EQUITY PROFITABILITY AND RETURN	December 31 2021	December 31 2020
Efficiency of the available equity		
Profit before interests and tax (A)	(8,729,422)	(20,890,589)
Available equity (B)	11,183,650	14,185,632
A/B	**-0.78**	**-1.47**
Efficiency of the own equity		
Net profit / loss (A)	(8,421,836)	(19,300,303)
Own equity (B)	54,249,862	62,446,786
A/B	**-0.16**	**-0.31**
Operating profit rate		
Profit before interests and tax (A)	(6,878,437)	(1,347,392)
Operating income (B)	310,287,818	253,550,918
A/B	**-0.02**	**-0.01**
Net profit rate		
Net profit (A)	(8,421,836)	(19,300,303)
Total income (B)	310,287,818	253,550,918
A/B	**-0.03**	**-0.08**
Total assets rate		
Profit before interests and tax (A)	(6,878,437)	(1,347,392)
Total assets (B)	140,258,474	141,843,045
A/B	**-0.05**	**-0.01**

SOLVABILITY	**December 31 2021**	**December 31 2020**
Liability rate		
Total obligations (A)	86,008,612	79,396,260
Total assets (B)	140,258,474	141,843,045
A/B	**0.61**	**0.56**
Financial autonomy rate		
Own equity (A)	54,249,863	62,446,786
Total assets less net current liabilities (B)	73,495,777	70,020,384
A/B	**0.74**	**0.89**

LIQUIDITY AND WORKING EQUITY	**December 31 2021**	**December 31 2020**
General liquidity rate		

Current assets	48,757,350	59,423,430
Current obligations	66,762,697	71,822,661
(A/B)	**0.73**	**0.83**
Fast liquidity rate		
Current assets	73,495,777	70,020,384
Inventories	13,610,743	11,957,030
Current obligations	66,762,697	71,822,661
(A-B)/C	**0.90**	**0.81**
Client collection period		
Trade receivables (A)	23,730,913	33,220,436
Net turnover (B)	305,043,384	248,011,434
(A/B)*365 days	**28**	**49**
Inventory immobilization period		
Inventories (A)	13,610,743	11,957,030
Net turnover (B)	305,043,384	248,011,434
(A/B)*365 days	**16**	**18**
Suppliers payment period		
Suppliers (A)	54,712,950	54,638,452
Material and external expenses (B)	227,379,482	185,103,354
(A/B)*365 days	**88**	**108**

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

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

Electroarges SA 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 is close to terminating 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 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 as object personnel leasing. From this action results the resizing of the personnel with a number of 360 people. Also, within the company, the personnel were resized with 88 people, reaching a number of 197 employees.

This action will lead to the reduction of expenses in 2022 by approximately 18,000,000 lei.

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 2022, the company has a forecast of sales with a total turnover of 100,000,000 lei, which means a third of the turnover for the year 2021. Given that both personnel expenses will be significantly reduced (a decrease of over 64% in 2022, compared to 2021), as well as operating expenses (a decrease of over 50% in 2022, compared to 2021), a net profit is expected at the end of 2022 in a total value of 1,900,000 lei.

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 portfolio.

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

The economic damage of ELARS SA will be felt more acutely on the cash flow, although until this date there have been no significant decreases in revenues compared to the similar period of the previous year, but it is obvious that a large part of the population will be economically affected which will be translated into late payment of service bills in the next period, and the arrears that will accumulate will be paid with difficulty in the period following the pandemic.

In order to limit the negative effects on revenues, the management ordered the adoption of the following measures:

- Keeping the cashier open as well as encouraging online payments of utility bills;
- Permanent information from official sources on the legislative measures adopted by the authorities to ensure that it takes all necessary actions;
- Protection of personnel by ensuring a hygienic working environment so that the continuity of the activity is not affected.

2. COMPANY'S TANGIBLE ASSETS

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

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

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

1. Total built area = 31,313.15 sqm

Out of which:

- production and administrative departments = 31,297.34 sqm

2. Area related to the transport routes = 18,221.97 sqm

3. Area related to the municipal networks = 932.00 sqm

4. Free area = 7,235.00 sqm

out of which: suitable for construction = 2,104.25 sqm.

Depending on the activities that take place whitin the company, the following classification may be used:

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

The investments made in 2021 are in the amount of 23,080,361 lei, out of which:

- Modernized fixed assets: 2,638,407 lei;
- Technological equipment (machines, equipment): 12,077,975 lei;
- Furniture, equipment, office supplies: 830,281 lei;
- Constructions: 7,533,698 lei.

Group's tangible assets

II. TANGIBLE ASSETS ACCOUNTS	31-Dec 2021	Adjustments	31 Dec 2021
TANGIBLE ASSETS	-		
LAND AND CONSTRUCTIONS	4,067,722	(405,654)	4,473,376
LAND	4,067,722	(405,654)	4,473,376
LANDSCAPING	-		

CONSTRUCTIONS	39,398,828	(5,604,627)	45,003,456
TECHNICAL INSTALLATIONS, MEANS OF TRANSPORT, ANIMALS AND PLANTATIONS	63,030,297		63,030,297
TECHNOLOGICAL EQUIPMENT	50,820,735		50,820,735
MEASURING, CONTROL AND ADJUSTMENT DEVICES AND INSTALLATIONS	10,854		10,854
MEANS OF TRANSPORT	12,198,708		12,198,708

2.2. Analysis of the company's property wear :

The wear of all the company's capabilities is 57.53%, 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. The other group companies are in a similar situation.

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

It is not the case.

3. PARENT COMPANY-ISSUED SECURITY MARKET

3.1. Electroarges SA is registered at the ASF 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 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 2021, the group companies, Elars SA and Amplo SA, registered a profit, but it is distributed in order to cover past losses.

3.3. Electroarges SA's Board of Directors 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 2,668,396 shares (84.41% 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 has not issued bonds or other debentures.

4. COMPANIES' MANAGEMENT.

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

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

4.1.b). Any contract, understanding or family relationship between that administrator and another person for whom that person has been appointed administrator.

It is not the case.

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

Item no.	Surname	Given names	Position	Number 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.	Metalica SA – indirect affiliation through joint management	-
8.	General Autorent SRL – indirect affiliation through joint management	-
9.	Gate Development SRL – indirect affiliation through joint management	-
10.	Csoarpi Saints SRL. – indirect affiliation through joint management	-
11.	Cardinal Main SRL. – indirect affiliation through joint management	-

4.1. e). 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 – indefinite
2.	Caramida	Valentin	Quality & Production Manager	05.06.2020 – indefinite
3.	Petre	Iulia	Financial Manager	01.05.2020 – indefinite
4.	Marin	Sergiu	Marketing Sales Manager	01.05.2020 – indefinite
5.	Onu	Patricia	Project Manager	17.05.2021 – indefinite
6.	Letcanu	Marian	Development Manager	04.06.2020 – indefinite
7.	Dobra	Georgian	Aquisitions Manager	01.07.2021 – indefinite

4.1. f). 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

It is not the case.

4.1. g). 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	Quality & Production Manager	0
3.	Petre	Iulia	Financial Manager	0
4.	Marin	Sergiu	Marketing Sales Manager	0
5.	Onu	Patricia	Project Manager	0
6.	Letcanu	Marian	Development Manager	0
7.	Dobra	Georgian	Aquisitions Manager	0

4.2. a) List of AMPLO SA administrators and their participation in the company's share capital:

Item no.	Name	Given name	Position	Number of shares
1.	Stefan	Constantin	Chairman of the Board	0
2.	Benjamins United SRL	By permanent representative Silvu Bogdan Dumitrache	Board Member	0
3.	Cardinal Main SRL	By permanent representative Mihaela Mircescu	Board Member	0

4.2.b) Any agreement, understanding or family relationship between the respective administrator and another person due to which the respective person was appointed administrator

It is not the case.

4.2. c) List of the executive management members and their participation to the company's share capital:

Item no.	Name	Given name	Position	Participation in the company's capital with shares
1.	Mircescu	Mihaela	General Manager	0

4.2. d) Any agreement, understanding or family relationship between the respective person and another person due to which the respective person has been appointed as a member of the executive management

It is not the case.

4.3. a) List of ELARS SA administrators and their participation in the company's share capital:

Item no.	Name	Given name	Position	Number of shares
1.	Investments Constantin SRL	By representative Constantin Stefan	Sole Administrator	0

4.3.b) Any agreement, understanding or family relationship between the respective administrator and another person due to which the respective person was appointed administrator

It is not the case.

4.3. c) List of the executive management members and their participation to the company's share capital:

Item no.	Name	Given name	Position	Number of shares
1.	Robe	Valeriu Daniel	General Manager	0

4.3. d) Any agreement, understanding or family relationship between the respective person and another person due to which the respective person has been appointed as a member of the executive management

It is not the case.

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

It is not the case.

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

Receivables on affiliated parties	2021	2020

Braiconf SA	143.,627	-
Amplo SA	3,957,150	4,097,741
Elars SA	407,000	192,000
Concifor SA	8,609	8,980
General Autorent SRL	9,802	172,800
Gate Development SRL	425,918	275,142
Metalica SA	258,167	-
TOTAL	**5,210,273**	**4,746,663**

Liabilities to affiliated parties	**2021**	**2020**
Benjamins United SRL	-	-
Investments Constantin SRL	-	-
Csoarpi Saints SRL	-	-
Cardinal Main SRL	-	-
TOTAL	**-**	**-**

Sales of goods and services	**2021**	**2020**
Amplo SA	-	23,122
Concifor SA	91	1,623
Braiconf	11,451	-
Mercur SA	4,327	4,327
Metalica SA	216,947	-
TOTAL	**232,816**	**29,072**

Purchases of goods and services	**2021**	**2020**
Braiconf SA	155,075	169,469
Gate Development SRL	761,573	447,516
General Autorent SRL	136,886	74,031
Benjamins Unites SRL	1,131,092	-
TOTAL	**2,184,626**	**691,016**

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	**31.12.2020**
Fixed assets	91,501,124	82,419,615
Current assets	48,757,350	59,423,430
TOTAL ASSETS	**140,258,474**	**141,843,045**
Short-term liabilities	66,762,697	71,822,661
Long-term liabilities	19,245,914	7,573,599
TOTAL LIABILITIES	**86,008,611**	**79,396,260**
NET ASSETS	**54,249,863**	**62,446,786**
Share capital	6,976,465	6,976,465
Own shares	(118,748)	(9,518)
Value adjustment of assets for sale	68,616	(159,233)
Net reserves from revaluation	8,174,015	10,461,645
Other reserves	50,591,927	50,665,482
Retained earnings	(12,940,197)	(7,717,288)
Interests that do not control	1,497,786	2,229,232
TOTAL EQUITY	**54,249,863**	**62,446,786**

5 b. Statement of income and expenses

Indicator	**31.12.2021**	**31.12.2020**
OPERATING INCOME		
Net turnover	**305,043,384**	**248,011,434**
Other operating income	4,475,854	5,338,438
Changes in inventories	768,577	201,046
TOTAL operating income	**310,287,815**	**253,550,918**
OPERATING EXPENSES		
Expenses on raw materials and consumables	(227,379,482)	(185,103,354)
Expenses on personnel	(35,424,369)	(30,572,205)
Expenses on amortization and provisions	(13,737,874)	(10,445,513)
Other operating expenses	(40,624,530)	(28,777,238)
TOTAL operating expenses	**(317,166,254)**	**(254,898,310)**
OPERATING RESULT	**(6,878,438)**	**(1,347,392)**
Financial income	1,105,999	58,121
Financial expenses	(2,106,569)	(18,257,614)
GROSS RESULT OF THE FINANCIAL YEAR	**(8,729,423)**	**(20,890,590)**
Current tax on profit expense		

Deferred tax on profit (expense)/income	**307,586**	**1,590,286**
NET RESULT OF THE FINANCIAL YEAR	**(8,421,836)**	**(19,300,303)**

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

Flows from operating activities	**31-Dec-2021**	**31-Dec-2020**
Profit / (Loss) before taxation	**(8,729,423)**	**(20,890,590)**
Adjustments for:		
Depreciation expenses	14,439,588	11,290,070
Income retakes	(701,714)	(844,558)
Net result from disposal of assets	625,913	(812,470)
Income from the sale of participation titles	(4,183,898)	-
Expenses with discharging the participation titles sold	6,011,507	-
Net effect asa a result of revaluation of participations at market value	(1,251,060)	17,615,687
Net effect on client value adjustments	(814,179)	4,772,702
Net effect on inventory value adjustments	4,435,471	661,086
Interest income	(11,577)	(1,709)
Interest expenses	587,807	634,851
Loss of equity titles	850,415	1,343,704
Asset cancellation due to subsidiary deconsolidation	1,146,810	-
Other non-monetary items	2,725	-
Profit before working capital change	**12,408,387**	**13,768,774**
Receivables decrease/(increase)	9,811,311	(226,681)
Inventory (increase)/decrease	(6,089,84)	6,909,419
Liabilities (decrease)	(1,268,640)	(1,617,780)
Cash from operating activities	**14,861,874**	**18,833,731**
Financial costs paid	(587,807)	(634,851)
Tax on profit paid	-	(54,139)
Net cash from operating activities	**14,274,067**	**18,144,742**
Flows from investment activities		
Acquisitions of tangible and intangible assets	(27,013,784)	(9,243,643)
Acquisitions of participation interests	(578,846)	
Cashings from the sale of participation interests	4,080,132	-
Interest collected	11,577	1,709
Tangible assets sales	801,755	1,596,151
Investment income	-	54,213
Subsidy cashings	3,537,828	-
Net cashings from subsidiary sales	103,766	-
Net flows from investment activities	**(19,057,573)**	**(7,591,571)**
Flows from financing activities		
Loan withdrawals	10,111,351	2,694,674
Loan repayments	(5,615,975)	(211,238)
Financial leasing payments	(2,588,465)	(2,199,991)
Dividends paid	(16,158)	(19,467)
Repurchase of own shares	(109,230)	-
Net flows from financing activities	**1,781,524**	**263,978**
Net increase / (decrease) in cash	**(3,001,982)**	**10,817,149**
Cash and cash equivalents at the beginning of the period	**14,185,632**	**3,368,483**
Cash and cash equivalents at the end of the period	**11,183,650**	**14,185,632**

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 complies with the shareholders' rights, providing them fair treatment.

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

For the financial year 2021, information on the financial calendar, annual, half-yearly, quarterly and current reports were submitted on time.

VICE-CHAIRMAN OF THE BOARD OF DIRECTORS,
ROXANA SCARLAT

ELECTROARGES SA

Consolidated financial statements for the year ending on December 31st 2021

prepared in accordance with IFRS adopted by the European Union

SUMMARY **PAGE**

STATEMENT OF COMPREHENSIVE INCOME ON DECEMBER 31 2021
(expressed in lei, unless specified otherwise)

	Note	The year ending on December 31 2021	The year ending on December 31 2020
Income from sales	4	**305,043,384**	**248,011,434**
Other operating income	4	4,475,854	5,338,438
Changes in inventories		768,580	201,046
Raw materials and consumables	5	(227,379,482)	(185,103,354)
Expenses on personnel	6	(35,424,369)	(30,572,205)
Amortization		(13,737,874)	(10,445,513)
Other operating expenses	7	(40,624,530)	(28,777,238)
Loss from equity titles	8	(850,415)	(1,343,704)
Financial income	8	1,105,999	58,121
Financial costs	8	(2,106,569)	(18,257,614)
(Loss) / Profit before taxation		**(8,729,422)**	**(20,890,589)**
Income/(expenses) with the tax on profit	9	**307,586**	**1,590,286**
(Loss) / Profitul for the period		**(8,421,836)**	**(19,300,303)**
Other comprehensive income			
Items that will not be reclassified:			
Revaluation of tangible assets		-	125,704
Remeasurement of pension benefit schemes granted		73,391	19,904
Revaluation of financial investments at fair value		353,428	(41,515)
Braiconf asset revaluation group share		-	3,121,273
Related tax		(68,291)	(13,542)
Total other comprehensive income		**358,528**	**3,211,824**
Total comprehensive income		**(8,063,308)**	**(16,088,479)**
(Loss) / Profit for the period related to:			
The Group		(8,512,725)	(18,863,873)
The minority interests		90,889	(436,430)
Total comprehensive income related to:			
The Group		(8,154,197)	(15,671,644)
The minority interests		90,889	(416,835)
BASIC/DILUTED PER SHARE RESULT	10	**(0.122)**	**(0.270)**

The financial statements were approved by the Board of Directors on 25.03.2022.

Vice-Chairman of the Board of Directors,
Roxana Scarlat

Financial Manager,
Iulia Petre

STATEMENT OF FINANCIAL POSITION ON DECEMBER 31 2021

(expressed in lei, unless specified otherwise)

	Note	31 Decembrie 2021	31 Decembrie 2020
Assets			
Fixed assets			
Tangible assets	11	75,186,611	61,605,268
Goodwill	12	3,734,837	4,560,969
Intangible assets	12	852,328	843,563
Equity titles	13	4,844,753	5,429,087
Other financial fixed assets	13	2,243,692	6,340,672
Real estate investments	11	2,780,884	2,780,884
Deferred tax	20	1,858,019	859,173
Total fixed assets		**91,501,124**	**82,419,616**
Current assets			
Inventories	14	13,610,743	11,957,030
Trade and similar receivables	15	23,730,913	33,220,436
Other financial assets		232,044	60,332
Cash and cash equivalents	16	11,183,650	14,185,632
Total current assets		**48,757,350**	**59,423,430**
TOTAL ASSETS		**140,258,474**	**141,843,046**
Liabilities			
Current liabilities			
Trade and similar liabilities	17	54,712,950	54,638,452
Short-term loans from banking institutions	18	8,379,508	14,122,495
Financial leasing	18	2,892,508	2,349,944
Employee benefits due in short term	21	129,691	487,707
Liabilities with the tax on profit		231,374	224,063
Long-term loans from banking institutions – current maturity		416,666	-
Total current liabilities		**66,762,697**	**71,822,661**
Long-term liabilities			
Long-term bank loans	18	9,580,699	-
Financial leasing	18	5,252,277	5,674,341
Employee benefits due in long term	21	222,815	545,248
Subsidies		4,190,123	1,354,009
Total long-term liabilities		**19,245,914**	**7,573,599**
TOTAL LIABILITIES		**86,008,612**	**79,396,260**
NET ASSETS		**54,249,862**	**62,446,786**

	Note	December 31 2021	December 31 2020
Share capital	22	6,976,465	6,976,465
Own shares		(118,748)	(9,518)
Other equity		122,497	(166,999)
Net reserves from revaluation		8,174,015	10,461,645
Other reserves	23	50,538,045	50,673,249
Retained earnings	23	(12,940,197)	(7,717,288)
Interests that do not control		1,497,786	2,229,232
TOTAL EQUITY		**54,249,863**	**62,446,786**
TOTAL LIABILITIES AND EQUITY		**140,258,475**	**141,843,046**

Financial statements were approved by the Board of Directors on 25.03.2022.

The accompanying notes from 1 to 27 are an integral part of these financial statements.

Vice-Chairman of the Board of Directors, Financial Manager,

Roxana Scarlat Iulia Petre

ELECTROARGES SA
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electroarges@electroarges.ro
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STATEMENT OF CHANGES IN EQUITY ON DECEMBER 31 2021
(expressed in lei, unless specified otherwise)

	Share capital	Own shares	Other equity	Reserves from revaluation	Legal reserves	Other reserves	Retained earnings	Total attributable to the group	Minority interest	Total equity
January 1st 2020	**6,976,465**	**(9,518)**	**(148,823)**	**12,706,355**	**2,577,844**	**43,562,393**	**10,224,483**	**75,889,198**	**2,646,067**	**78,535,265**
Profit of the financial year	-	-	-	-	-	-	(18,863,874)	**(18,863,873)**	(436,430)	**(19,300,303)**
Other comprehensive income	-	-	(18,176)	89,132	-	3,121,273	-	**3,192,229**	19,595	**3,211,824**
Total comprehensive income	**-**	**-**	**(18,176)**	**89,132**	**-**	**3,121,273**	**(18,863,874)**	**(15,671,644)**	**(416,835)**	**(16,088,479)**
Allocations of other reserves	-	-	-	(2,333,843)	-	1,411,739	922,104	**-**	**-**	**-**
December 31 2020	**6,976,465**	**(9,518)**	**(166,999)**	**10,461,645**	**2,577,844**	**48,095,405**	**(7,717,287)**	**60,217,554**	**2,229,232**	**62,446,786**
	6,976,465	**(9,518)**	**(166,999)**	**10,461,645**	**2,577,844**	**48,095,405**	**(7,717,287)**	**60,217,554**	**2,229,232**	**62,446,786**
January 1st 2021										
Profit of the financial year	-	-	-	-	-	-	(8,512,725)	**(8,512,725)**	**90,889**	**(8,421,836)**
Other comprehensive income	-	-	358,528	-	-	-	-	**358,528**	-	**358,528**
Total comprehensive income	**-**	**-**	**358,528**	**-**	**-**	**-**	**(8,512,725)**	**(8,154,197)**	**90,889**	**(8,063,308)**
Acquisitions of own shares	**-**	**(109,230)**	**-**	**-**	**-**	**-**	-	**(109,230)**	**-**	**(109,230)**
Transfer to reserves after sale	**-**	**-**	**883,768**	**-**	**-**	**-**	(883,768)	**-**	**-**	**-**
Decrease due to Concifor exit	**-**	**-**	**(952,799)**	**-**	(64,136)	(144,460)	1,885,954	**724,559**	**(822,335)**	**(97,776)**
Increases	**-**	**-**	**-**	**-**	-	73,391	**-**	**73,391**	**-**	**73,391**
Allocations of other reserves	-	-	-	(2,287,629)	-	-	2,287,629	**-**	**-**	**-**
December 31 2021	**6,976,465**	**(118,748)**	**122,497**	**8,174,015**	**2,513,708**	**48,024,337**	**(12,940,197)**	**52,752,077**	**1,497,786**	**54,249,863**

The financial statements were approved by the Board of Directors on 25.03.2022.

Vice-Chairman of the Board of Directors,
Roxana Scarlat

Financial Manager,
Iulia Petre

ELECTROARGES SA
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CASH-FLOW STATEMENT ON DECEMBER 31 2021

Flows from operating activities	**31-Dec-2021**	**31-Dec-2020**
Profit / (Loss) before taxation	**(8,729,422)**	**(20,890,589)**
Adjustments for:		
Expenses on amortization	14,439,588	11,290,070
Income retakes	(701,713)	(844,558)
Net result from disposal of assets	625,913	(812,470)
Income from sale of participation titles	(4,183,898)	-
Expenses on discharging the participation titles sold	6,011,507	-
Net effect due to revaluation of participations at market value	(1,251,060)	17,615,687
Net effect on client value adjustments	(814,179)	4,772,702
Net effect on inventory value adjustments	4,435,471	661,086
Interest income	(11,577)	(1,709)
Expenses on interest	587,807	634,851
Loss of equity titles	850,415	1,343,704
Cancellation of assets due to subsidiary deconsolidation	1,146,810	-
Other non-monetary items	2,725	-
Profit before working capital change	**12,408,387**	**13,768,774**
Receivable increase / (decrease)	9,811,311	(226,681)
Inventory (increase) / decrease	(6,089,184)	6,909,419
Liability (decrease)	(1,268,640)	(1,617,780)
Cash from operating activities	**14,861,874**	**18,833,732**
Financial costs paid	(587,807)	(634,851)
Tax on profit paid	-	(54,139)
Net cash from operating activities	**14,274,067**	**18,144,742**
Flows from investment activities		
Acquisitions of tangible and intangible assets	(27,013,784)	(9,243,643)
Acquisitions of participation interests	(578,846)	
Cashings from sale of participation interest	4,080,132	-
Interest collected	11,577	1,709
Sale of tangible assets	801,754	1,596,151
Income from investments	-	54,212
Income from subsidies	3,537,828	-
Net cashings from subsidiary sale	103,766	-
Net flows from investment activities	**(19,057,573)**	**(7,591,571)**
Flows from financing activities		
Loan withdrawals	10.111.352	2,694,674
Loan repayments	(5,615,975)	(211,238)
Payments related to financial leasing	(2,588,465)	(2,199,991)
Dividends paid	(16,158)	(19,467)
Repurchase of own shares	(109,230)	-
Net flows from financing activities	**1,781,524**	**263,978**
Net cash increase / (decrease)	**(3,001,982)**	**10,817,149**
Cash and cash equivalents at the beginning of the period	**14,185,632**	**3,368,483**
Cash and cash equivalents at the end of the period	**11,183,650**	**14,185,632**

Vice-Chairman of the Board of Directors, Financial Manager,

Roxana Scarlat Iulia Petre

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ending on December 31st 2021

1 OVERVIEW OF THE ENTITIES THAT HAVE ENTERED THE CONSOLIDATION PERIMETER

These consolidated financial statements for the financial year ending on December 31st 2021 are prepared for the Electroarges Group, consisting of the Parent Company and its subsidiary.

GROUP CONSOLIDATION BOARD

Company	Percentage of control held	Percentage of interest held	Control type	Consolidation method
ELARS SA	88.1611%	88.1611%	Sole control by right	Global integration
AMPLO SA	84.4119%	84.4119%	Sole control by right	Global integration

In 2020, the consolidation perimeter also included the company Concifor SA. In May 2021, the participation of Electroarges SA was sold, so the consolidated financial statements on December 31, 2021 do not include in the consolidation perimeter the company Concifor SA.

When separate financial statements are prepared in accordance with IFRS5, investments in subsidiaries, jointly controlled entities and associates that are not classified as held for sale (or included in a group to be disposed of that is classified as held for sale) must be accounted for either:

a) at cost, or

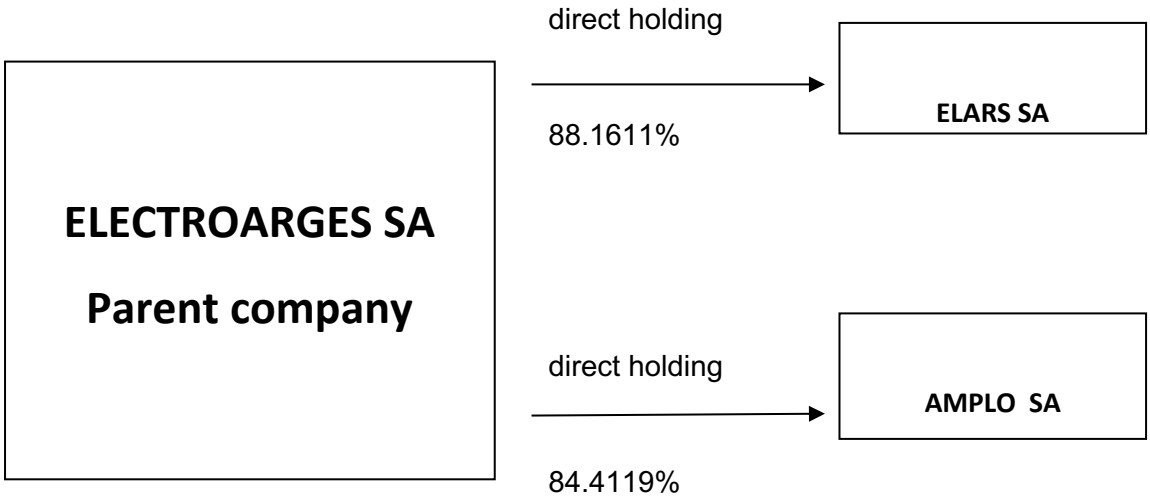
b) in accordance with IAS 39.

The cost method is an accounting method by which the investment is recorded at cost. The profit and loss account reflects the investment income only to the extent that the investor is allocated parts of the net profits of the enterprise in which it invested, which appear to be after the acquisition date.

Thus, the percentage of integration in the consolidated financial statements is the following:

Company	Percentage of integration in the consolidated financial statements
ELARS SA	100%
AMPLO SA	100%

GROUP ORGANIZATIONAL CHART



1. ELECTROARGES SA - Curtea de Arges ***parent company*** - was established as a joint stock company, following the reorganization and concomitant division of IPEE ELECTROARGES Curtea de Arges, based on Law 15/1990 and according to G.D. no. 1224/22 of November 1990, in two distinct trade companies: S.C. ELECTROARGES S.A. - producer of consumer electrical goods and IPEE S.A. - producer of passive electronic components.

Registered office: Curtea de Arges, strada Albesti, nr. 12, Romania

Telephone: 0248/724000 ; 0763/676160
Fax: 0248/724 004

E-mail: electroarges@electroarges.ro;

Tax Registration Code: RO/156027

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

ELECTROARGES SA CURTEA DE ARGES, a company with 100% private capital, is traded on the market regulated by the Bucharest Stock Exchange, second category, the quarterly and annual financial reporting obligations, in accordance with

art. 227 of the "Law 297 on the capital market" and CNVM Reg. no. 1/2006 on the issuers and the operations with securities and we found that they were fulfilled.

ELECTROARGES SA's object of activity:

- the production of consumer electro technical goods;
- the production of electronic machines and devices;
- execution of specific field-activity tools, devices, verifiers.

Electroarges SA's activity is carried out based on the environmental authorization no. 205 revised on 07.01.2015 issued by the Pitesti Regional Agency for Environmental Protection and the water management authorization no. 274 / 12.09.2013 issued by the "Apele Romane" National Administration - Arges-Vedea Pitesti Water Directorate issued for the activity of manufacturing household appliances NACE code 2971/2751, carried out in Curtea de Arges, strada Albesti, nr. 12, judetul Arges.

The share capital subscribed and paid on 31.12.2021 is of 6,974,465 lei, representing 69,764,650 shares with a nominal value of 0.10 lei / share.

The shareholding structure on 31.12.2021 was the following :

Shareholder	**Shares**	**Percent %**
Investments Constantin SRL	25,699,543	36.8375
Trans Expedition Feroviar SRL	8,963,266	12.8479
Natural persons	23,014,086	32.9882
Legal persons	12,087,755	17.3265
TOTAL	**69,764,650**	**100%**

Administrators' participation to the share capital is the following:

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

The consolidation of the accounts is carried out by global integration, by proportional integration or by equivalence, after possible restatements in order to harmonize them with the principles and rules of consolidation.

The consolidation method is chosen depending on the control percentage, which conditions the type of control.

The control percentage is determined starting from the voting rights and is equal to the ratio between the voting rights held in a company and the total number of its voting rights.

2. ELARS SA, a subsidiary to which ELECTROARGES SA helds 20,555,276 shares, with a nominal value of 2,055,527.60 lei, representing 88.16% of the share capital.

Registered office: Ramnicu Sarat, str. Industriei, nr. 4, judetul Buzau

Trade Register Registration Number: J10/124/1991

Tax Registration Code: RO1168275

Main object of activity: manufacturing screws, bolts and other threaded articles, manufacturing rivets and washers

At ELARS SA, the shareholding structure was as follows:

Shareholder	***Share capital value***	***%***
ELECTROARGES SA	2,055,527.60	***88.1611***
Legal persons	5,618.10	***0.2410***
Natural persons by PPM	270,412.40	***11.5979***
TOTAL	**2,331,558.1**	***100.00***

3. AMPLO SA, a subsidiary to which ELECTROARGES SA helds 2,668,396 shares, with a nominal value of 6,670,990 lei, representing 84.4119% of the share capital.

Registered office: Ploiesti, str. Petrolului, nr. 10, judetul Prahova

Trade Register Registration Number: J29/13/1991

Tax Registration Code: RO1359038

Main object of activity: manufacturing instruments and appliances for measuring, checking, supervising, navigating

At AMPLO SA, the shareholding structure was as follows:

Shareholder	***Share capital value***	***%***
1.ELECTROARGES SA	6,670,990	***84.4119***
2.Legal persons	500,450	***6.3325***
3.Natural persons	731,462.50	***9.2556***
TOTAL	**7,902,902.5**	***100.00***

Corporate Governance structures in the parent company

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 were:

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

On 31.12.2021, the company's management team was provided by the following persons:

Item no.	Surname	Given Names	Position	Period as a member of the executive management
1.	Borgia	Michele	Deputy General Manager	16.12.2020 – indefinite
2.	Caramida	Valentin	Quality & Production Manager	05.06.2020 – indefinite
3.	Petre	Iulia	Financial Manager	01.05.2020 – indefinite
4.	Marin	Sergiu	Marketing Sales Manager	01.05.2020 – indefinite
5.	Onu	Patricia	Project Manager	17.05.2021 – indefinite
6.	Letcanu	Marian	Development Manager	04.06.2020 – indefinite
7.	Dobra	Georgian	Aquisitions Manager	01.07.2021 – 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.

Members of the board of directors at the other entities

- Elars SA Board of Directors

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

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

Full name	Position
Stefan Constantin	Chairman of the Board

Mircescu Mihaela	Economic Director
Benjamin United SRL by Dumitrache Silviu Bogdan	Board Member
Cardinal Main SRL by Mircescu Mihaela	Board Member

Personnel structure

The average number of personnel for 2021 on the total consolidated group was 354 persons, compared to 422 persons in 2020, in the following structure:

Item no.	Company entered into consolidation	Average number of employees during 2021 - persons	Average number of employees during 2020 - persons
1	ELECTROARGES SA	327	386
2	ELARS SA	15	14
3	AMPLO SA	12	22
4	Total	**354**	**422**

Needs of consolidation

The consolidation perimeter and the rules for preparing the consolidated annual financial statements are established in accordance with IFRS (IFRS 10).

IFRS 10 sets out how to apply the principle of control to identify whether an investor controls an entity in which it has invested and, therefore, must consolidate the entity in which it has invested and establishes the accounting provisions for the preparation of the consolidated financial statements.

The parent company must prepare consolidated financial statements using uniform accounting policies for similar transactions and events in similar circumstances. The consolidation of an entity in which it has invested must begin on the date on which the investor obtained control and must cease when the investor loses control of the entity in which it has invested.

The parent company must present interests that do not control in the statement of consolidated financial position, within equity, separately from the equity of the parent company owners. Changes in a parent company's participations in the equity of a subsidiary that do not result in the parent company losing control of the subsidiary represent equity transactions (ie, transactions with owners, in their capacity as owners).

The entity prepared the consolidated financial statements starting with the financial year 2015.

2 SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

All other entities prepare standalone financial statements in accordance with OMFP 1802/2014, but in order to prepare the consolidated financial statements they have made the necessary adjustments to the transition to IFRS, preparing financial statements in accordance with IFRS starting with the financial year 2016. Thus, the consolidated financial statements of S.C. ELECTROARGES S.A. have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS). The Company has prepared financial information that complies with IFRS applicable for the period ended on December 31, 2021 together with the data for the comparative period and for the year ended on December 31, 2020.

The consolidated financial statements were approved by the Board of Directors in the meeting of 25.03.2022.

The consolidated financial statements have been prepared in accordance with the business continuity principle (see also note 28 Business continuity)

Basis of consolidation

a) Subsidiaries: are the entities controlled by the Group with a percentage of over 50%. Control exists when the Group has the power to decide on the entity's financial and operational policies in order to obtain benefits from these activities. In estimating the degree of control, the potential of exercisable voting rights is also taken into account. These entities are included in the consolidation through the method of

global integration. **(ELARS SA RAMNICU SARAT, AMPLO PLOIESTI)**

b) Associated entities: these are entities not included in the consolidation in which the parent company (investor) holds a significant participation interest (over 20%). These entities are included in the consolidation through the equity method (Braiconf SA).

c) Joint ventures: are those entities included in the consolidation that are managed by the parent company jointly with other entities. These entities are included in the consolidation by the proportional method.

d) Goodwill: was determined as the difference between the purchase price of the participation titles and their nominal value.

e) Minority interests: were determined as the difference between the integration percentage and the interest percentage of the parent company, to reflect the amount of equity attributable to shares (and shares) in subsidiaries included in consolidation held by persons other than entities included in consolidation.

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

The main accounting policies applied to the preparation of these consolidated financial statements in accordance with IFRS are presented below. These policies have been consistently applied to the financial statements presented, unless otherwise specified.

All entities in the group comply with the following:

- The lands and buildings owned by the entity were accounted for in the statement of financial position prepared in accordance with the generally accepted accounting principles at the local level based on the revaluations performed at appropriate dates by each entity.

- The companies have chosen to consider these values as the assumed cost at the revaluation date because they are generally compatible with the fair value at the

date of transition to IFRS.

In order to prepare the consolidated financial statements, all entities have applied the principle of accrual accounting and the principle of business continuity.

Declaration of conformity

The financial statements of the Companies included in the consolidation perimeter have been prepared in accordance with the Order of the Ministry of Public Finance 2844/2016 for approving the accounting regulations compliant with the International Financial Reporting Standards adopted by the European Union ("IFRS") in force at the Company's annual reporting date, respectively December 31st 2021.

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

Basis of evaluation

The consolidated financial statements on December 31st 2021 were prepared based on historical cost, except for the revalued value as the assumed cost for tangible assets and fair value for real estate investments and financial instruments.

The financial statements have been prepared using the principles of business continuity.

In accordance with IAS 29 and IAS 21, the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy must be presented in the current unit of measurement at the balance sheet date. Thus, the values expressed in the current unit of measurement on December 31st 2021 are treated as the basis for the carrying amounts reported in these separate financial statements and do not represent measured values, replacement cost, or any other measurement of the current value of assets or prices at which the transactions would take place at this time.

2.2 Functional and presentation currency

The items included in the Company's consolidated financial statements are valued using the currency of the economic environment in which the entity operates ("functional currency"), ie the leu.

The Company's management considers that the functional currency, as defined by IAS 21 "Effects of exchange rate fluctuations", is the leu (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.

Foreign currency

The operations expressed in foreign currency are registered in lei at the official exchange rate from the settlement date of the transaction. Monetary assets and liabilities recorded in foreign currencies at the date of preparation of the statement of financial position are expressed in lei at the exchange rate on that day.

Earnings or losses from their settlement and from the conversion of monetary assets and liabilities denominated in foreign currencies using the exchange rate at the end of the financial year are recognized in profit or loss. Non-monetary assets and liabilities that are measured at historical cost in foreign currency are recorded in lei at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are recorded in lei at the exchange rate on the date on which the fair value was determined.

The conversion differences are presented in the profit or loss account.

The exchange rates of the main currencies were as follows:

CURRENCY	**Exchange rate Dec. 31 2020**	**Exchange rate Dec. 31 2021**
EUR	4.8694	4.9481
USD	3.9660	4.3707

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.

Use of professional estimates and reasoning

The preparation of financial statements in accordance with IFRS adopted by the European Union requires management to use estimates and assumptions that affect the application of accounting policies, as well as the reported value of assets, liabilities, income and expenses. The estimates and judgments associated with them are based on historical data and other factors considered to be eloquent in the given circumstances, and the result of these factors forms the basis of judgments used in determining the carrying amount of assets and liabilities for which no other evaluation sources are available. Actual results may differ from estimated values.

Estimates and judgments are reviewed periodically. Revisions of accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period or in the current period and in future periods, if the revision affects both the current period and future periods. The effect of the change for the current period is recognized as income or expense in the current period. If any, the effect on future periods is recognized as income or expense in those future periods.

The management of the consolidated companies as well as of the parent company considers that any differences compared to these estimates will not have a significant influence on the financial statements in the near future.

In accordance with IAS 36, intangible as well as tangible assets are analyzed for impairment at the balance sheet date. If the net carrying amount of an asset is greater than its recoverable amount, an impairment loss is recognized to reduce the net carrying amount of that asset to its recoverable amount. If the reasons for

recognizing an impairment loss disappear in the subsequent periods, the net carrying amount of the asset is increased to the level of the net carrying amount, which would have been determined if no impairment loss had been recognized.

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. The companies review their trade and other receivables at each date of the financial position, in order to evaluate if they have to register in the profit and loss account a depreciation of value. In particular, the professional reasoning of management is necessary for estimating the value and for coordinating future cash flows when the impairment loss is determined. These estimates are based on assumptions about several factors, and actual results may differ, leading to future changes in adjustments.

Deferred tax assets are recognized for tax losses, to the extent that there is likely to be a taxable profit from which the losses can be covered. It is necessary to exercise professional judgment to determine the amount of deferred tax assets that can be recognized, based on the probability regarding the period and the level of the future taxable profit, as well as the future fiscal planning strategies.

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 examples of evaluation, estimation, assumptions applied in *all group companies*:

a) Evaluation of land and buildings owned

The Group 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).

Financial assets at fair value through profit or loss (FVTPL) include financial assets held for trading or financial assets designated at initial recognition at fair value through profit or loss account. Financial assets are classified as held for trading if they are acquired for the purpose of short-term sale or redemption.

The Group 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.

Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value with the net changes in fair value recognized in the

profit or loss account.

c) Adjustments for impairment of receivables

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires the recognition of estimated life losses from the initial recognition of receivables.

d) Accounting estimates of expenses

There are objective situations in which until the closing date of some fiscal 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.

e) Taxation

The taxation system in Romania is in a phase of consolidation and harmonization with 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 fiscal obligations included in the financial statements are adequate.

2.4 Separate presentation of the financial statements

The group companies 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”.

2.5 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, 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.

2.6 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.

***2.7 Financial assets* - IFRS 9 – Financial instruments (replaces IAS 39 Financial Instruments: Recognition and Measurement**

Initial evaluation of financial assets and liabilities

IFRS 9 replaces IAS 39, Financial Instruments - Recognition and Measurement. The IASB has developed IFRS 9 in three stages, which separately deals with IFRS classification and evaluation of financial assets, depreciation and risk coverage. Other aspects of IAS 39, such as the scope, recognition and de-recognition of financial assets have survived with only a few changes to IAS 39.

The classification on IFRS 9 is determined by the characteristics of the cash flows and the business model in which an asset is held.

Further evaluation of the financial assets

IFRS 9 has a single model with fewer exceptions than IAS 39 which had a

complex pattern. The new standard is based on the concept that financial assets should be classified and measured at fair value, with changes in the fair value recognized in the profit and loss account when they arise ("FVPL"), unless the restrictive criteria are met when the classification and evaluation of the asset is made at amortized cost or at fair value through other "FVOCI" incomes.

Impairment of financial assets

IFRS 9 eliminates the evaluation of impairment for investments in equity instruments because they can now be measured only at FVPL or FVOCI without resuming fair value changes in profit and loss account.

Additionally, IFRS 9 establishes a new approach for loans and receivables, including trade receivables with an "early loss" model that focuses primarily on risk.

Financial assets available for sale are those non-derivative financial assets that are designated as available for sale or that are not classified as loans and receivables, investments held to maturity or financial assets at fair value through profit or loss.

Earnings and losses

An earning or loss on a financial asset available for sale is recognized under Other comprehensive income, with the exception of impairment losses. Dividends for an equity instrument available for sale are recognized in profit or loss when the entity's right to receive payment is established.

When a decrease in the fair value of a financial asset available for sale has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that has been recognized in other comprehensive income must be reclassified from equity in profit or loss as an adjustment from reclassification, even if the financial asset has not been derecognized.

The amount of the cumulative loss that is deducted from equity and recognized in profit or loss must be the difference between the acquisition cost (net of any

principal payment and amortization) and the present fair value, minus any impairment loss for that previously recognized financial asset in profit or loss.

If, in a subsequent period, the fair value of a liability instrument classified as available for sale increases, and that increase may be objectively linked to an event that occurs after the impairment loss has been recognized in profit or loss, the impairment loss is resumed and the amount of the recovery recognized in profit or loss.

Cash and cash equivalents

The third major change that IFRS 9 is introducing is hedging; IFRS 9 allows multiple exposures to be covered and new risk coverage criteria established.

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

2.8 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.

2.9 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.

2.10 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.

2.11 Recognition of income and expenses

2.11.1 Recognition of income

Income represents the gross inflow of economic benefits during the period, generated in the course of the normal activities of an entity, when these inputs result in increases in equity, other than increases related to participants' contributions to equity.

Income constitutes increases in economic benefits recorded during the accounting period, in the form of inflows or increases in assets or liability reductions, which result in increases in equity, other than those resulting from shareholders' contributions.

Fair value is the value at which an asset can be traded or a liability settled, between interested and knowledgeable parties, in a transaction carried out under objective conditions.

Starting with January 1st, 2018, the IFRS 15 standard regarding the contracts concluded with the clients has entered into force. In some cases, IFRS 15 may require changes to current systems and may affect some aspects of operations.

IFRS 15 is a complex standard that introduces far more prescriptive requirements than previously included in IAS 18 Income, IAS 11 Construction Contracts and can therefore lead to changes in income recognition policies.

In accordance with IFRS 15, income is recognized when a client gains control over the goods. The company delivers goods under contractual conditions based on internationally accepted delivery conditions (INCOTERMS). The moment when the client gains control over the goods is considered to be substantially the same for most of the Company's contracts in accordance with IFRS 15, as in accordance with IAS 18.

Income evaluation

According to IAS 18, income was measured at the fair value of the consideration received or receivable, after deducting rebates or discounts. The income from the sale of the goods was recognized when all of the following conditions were met:

a. the entity transferred to the buyer the significant risks and benefits related to the ownership of the property;

b. the entity no longer manages the assets sold at the level they would normally have done in the case of their ownership and no longer has the effective control over them;

c. the value of the incomes can be reliably evaluated;

d. it is likely that the economic benefits associated with the transaction will be generated for the entity;

e. the costs incurred or to be incurred in connection with the respective transaction can be reliably evaluated.

Instead, the new standard focuses on identifying obligations and makes a clear distinction between obligations that are satisfied "at a certain point in time" and those that are satisfied "over a period of time", this being determined by the way in which the control of goods or services is transferred to the client. The new income model in accordance with IFRS 15 means that we may have recognized income over a period for some results that have been accounted for as assets in accordance with IAS 18.

IFRS 15 establishes a general framework that will be applied for the recognition of income from a contract concluded with a client (with limited exceptions), regardless of the type of transaction or industry; The standard sets out five steps for income recognition:

- identification of the contract (s) with a client;
- identification of the execution contracts from a contract;
- determining the transaction price;
- the allocation of the transaction price for the execution obligations;

- income recognition when (or as) the entity fulfills an execution obligation;

The income classification is divided into three main groups:

- **Operating income**, which include: income from the production sold, from the sale of goods, from operating subsidies related to the net turnover, from the changes in inventories, from fixed assets, other operating income, from value adjustments on fixed assets, from value adjustments regarding current assets, from adjustments regarding provisions for risks and expenses.
- **Financial income**, which includes: income from participation interests, from other financial investments and receivables that are part of the fixed assets, from interests, other financial income, from adjusting the value of the financial assets and of the financial investments held as current assets;
- **Extraordinary income**.

Special cases: If it is found that the income associated with a period of the current year is burdened with fundamental errors, they will be corrected, during the period when the error is discovered. If the error is discovered in the following years, its correction will no longer affect the income accounts, but the result account carried over from the corrections of fundamental errors, if the value of the error will be considered significant.

An extended presentation of information, including disaggregation of total income, information on execution obligations, changes in contractual balances of assets and liabilities between periods, reasoning and key estimates will be provided;

2.11.2 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.

2.12 Impairment of non-financial assets (excluding inventories, real estate investments and deferred tax assets) - IAS 36 "Impairment of assets"

Assets held by the company, as specified in IAS 36 "Impairment of assets",

are subject to impairment tests whenever events or changes in circumstances indicate that their accounting value may not be fully recoverable. When the carrying amount of an asset exceeds the recoverable amount (that is, the higher of the value between use value and the fair value minus selling costs), 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 ('UGNs').

Impairment expenses are included in the profit or loss account, unless they reduce previously recognized earnings in other comprehensive income.

2.13 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. employee benefits

f. other provisions.

The provisions previously established are periodically reviewed and updated.

2.14 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 Companies 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 Companies have no other legal or implicit obligation to pay future contributions. Their obligation is only to pay the contributions when they become due. If the Companies cease 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 Companies' contributions to the contribution plan are presented as expenses in the year to which they refer.

Pensions and other benefits after retirement

Within the group there are companies that have a Collective Labor Agreement and companies that do not have a Collective Labor Agreement. If the company had provided in the Collective Labor Agreement at company level a salary benefit for employees who retire (age limit, early retirement, and 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.

2.15 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.

2.16 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.

2.17 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.

The other entities do not apply OMFP 2844/2016, they prepare financial reports according to OMFP 1802/2014, and therefore it is necessary to adjust the financial statements in order to transpose them to the same category of financial reports.

2.18 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 companies did not finance the construction of long-term assets from loans.

2.19 Result per share

The companies present the basic result and diluted per share for ordinary shares. The basic result per 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.

2.20 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.

2.21 Affiliated parties

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

a. holds joint control or control over the Company;

b. has a significant influence on the Company;

c. 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:

a. 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).

b. 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).

c. Both entities are joint ventures of the same third party.

d. An entity is a joint venture of a third entity, and the other is an associate of the third

entity.

e. 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.

f. The entity is jointly controlled or controlled by an affiliate

g. 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).

The structure of the Electroarges SA's Board of Directors is as follows:

Item no.	Name	Given name	Position
1.	Stefan	Constantin	Chairman of the Board
2.	Cardinal Main SRL	By permanent representative Mrs Scarlat Roxana	Vice-Chairman of the Board
3.	Csoarpi Saints SRL	By permanent representative Mr Adrian Ionescu	Board Member

Any contract, understanding or family relationship between that administrator and another person for whom that person has been appointed administrator – It is not the case.

Administrators' participation to the share capital.

Item no.	Name	Given name	Position	Number of shares
1.	Stefan	Constantin	Chairman of the Board	0
2.	Cardinal Main SRL	By permanent representative Mrs Scarlat Roxana	Vice-Chairman of the Board	0
3.	Csoarpi Saints SRL	By permanent representative Mr Adrian Ionescu	Board Member	0

The list of the parent company 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 – indefinite
2.	Caramida	Valentin	Quality & Production	05.06.2020 – indefinite

			Manager	
3.	Petre	Iulia	Financial Manager	01.05.2020 – indefinite
4.	Marin	Sergiu	Marketing Sales Manager	01.05.2020 – indefinite
5.	Onu	Patricia	Project Manager	17.05.2021 – indefinite
6.	Letcanu	Marian	Development Manager	04.06.2020 – indefinite
7.	Dobra	Georgian	Aquisitions Manager	01.07.2021 – indefinite

2.22 New standards and interpretations

The following new standards and amendments to existing standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) have not yet entered into force for the annual financial reporting period ended on 31 December 2021 and have not been applied when preparing these financial statements:

Amendments to IFRS 4 “Insurance Contracts” (effective for annual periods beginning on or after 1 January 2021).

The amendments to IFRS 4 extend the expiration of the temporary exemption from the application of IFRS 9 to 2023, in order to align the effective date of IFRS 9 with the new IFRS 17.

The adoption of the amendments to IFRS 4 did not have an impact on the standalone financial statements.

Amendments to IAS 39 “Financial Instruments: Recognition and Measurement”, IFRS 4 “Insurance Contracts”, IFRS 7 “Financial Instruments: Disclosures”, IFRS 9 “Financial Instruments” and IFRS 16 “Leases” (effective for annual periods beginning on or after 1 January 2021).

The amendments provide for specific accounting treatment to phase over time changes in the value of financial instruments or leases that have occurred as a result of the replacement of the interest rate benchmark, which prevents a sudden impact on profit or loss and prevents unnecessary interruptions in hedging relationships against the risks, following the replacement of the interest rate benchmark.

The impact of the changes has been assessed and is not significant.

Amendments to IFRS 16 “COVID 19 Lease Concessions After June 30, 2021” (applicable April 1, 2021).

The amendment provides for 1 year extension.

The adoption of the amendments to IFRS 16 did not have an impact on the standalone financial statements for 2021.

Reference changes to the general conceptual framework in the IFRS 2018-2020 standards (in force for annual periods beginning on or after 1 January 2022).

The purpose of the changes is to update the existing references to previous frameworks, replacing them with references to the revised general conceptual framework, from several standards and interpretations IFRS 3 “Business Combinations”, ”, IAS 37“ Provisions, Contingent Liabilities and Assets IAS 16 “Tangible assets.

The adoption of these amendments did not have an impact on the individual financial statements for 2021.

Amendment to IAS 1 - Classification of Current and Non-Current Liabilities (applicable as of January 1, 2023). This amendment was published in January 2020 and is subject to future improvements, most likely the effective date of application will be January 1, 2024, according to the draft exposure published in Q4 2021.

The amendment clarifies how liabilities and other financial liabilities should be classified as current or non-current.

The adoption of the amendments will not have an impact on the standalone financial statements, as this standard is not applicable at the time of preparation of these financial statements.

Amendments to IAS 8 - definition of accounting estimates (applicable as of January 1, 2023).

The amendment clarifies how companies should distinguish between policy change and change of estimate.

The adoption of the amendments will not have an impact on the standalone financial statements, as this standard is not applicable at the time of preparation of these financial statements. It is estimated that it will not have a significant impact in the future.

Amendment to IAS 12 - Deferred Tax - Deferred tax resulting from assets and liabilities arising from a single transaction (applicable as of January 1, 2023).

The amendment restricts the scope of the Initial Recognition Exemption (IRE) so that it does not apply to transactions that give rise to equal and compensatory temporary differences.

The adoption of the amendments will not have an impact on the standalone financial statements, as this standard is not applicable at the time of preparation of these financial statements. It is estimated that it will not have a significant impact.

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

3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Credit risk
- Currency exchange risk
- Liquidity risk

Like all other activities, the Companies are exposed to risks arising from the use of financial instruments. This note describes the entities' 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 Group'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 Group which appears if a client or counterparty to a financial instrument does not fulfill its contractual obligations. The Group is mainly exposed to the credit risk arising from sales to clients.

At the companies' 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.

Electroarges, the parent company, works with only one client - over 95% of the turnover represents the production collaboration with Kaercher. Any syncope in the development of the contract with this company can be immediately and severely felt. The alternative to this dependent is the development of the production for the internal market and other clients, so that it reaches 50% of the turnover.

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 14 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.

The other companies have a more diverse range of clients, but this risk is valid for any of the companies, given the existing market and the problems of all current economies.

Currency exchange risks

The parent 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 Parent Company arises from:

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

- firm commitments denominated in foreign currencies; and

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

On December 31st 2021 **the parent company**'s net exposure to the currency exchange risk is presented as follows:

	31.12.2021	**31.12.2020**
Net financial assets/(liabilities) expressed in foreign currency		
LEI	(30,843,825)	(27,075,987)
EUR	(395,160)	2,343,982
USD	(260,041)	(374,749)

The effect of a 10% weakening of the Euro and USD in favor of the functional currency (LEI) at the reporting date on the financial instruments held in Euro and USD, provided that the other variables remain constant, would result in increased pre-taxation profit and net assets by 259,715 Lei on 31.12.2021 and the decrease of the pre-taxation profit and net assets by 833,912 Lei on 31.12.2020.

Given the net exposure for USD, the effect of the exchange rate change is insignificant.

The exposure to foreign exchange risk of the other group entities is low, as they do not have significant foreign exchange transactions.

Liquidity risk

The liquidity risk arises from the Companies' 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.

	Under 1 year	**Between 1 and 2 years**	**More than 2 years**
On December 31 2021			
Suppliers and other liabilities	54,712,950		
Credits and loans	8,796,174	4,998,684	4,582,015
Leasing	2,892,508	2,836,198	2,416,079
Total	**66,401,632**	**7,834,882**	**6,998,094**

	Under 1 year	**Between 1 and 2 years**	**More than 2 years**
On December 31 2020			
Suppliers and other liabilities	54,638,452	-	-
Credits and loans	13,473,803		
Leasing	2,998,636	1,913,264	3,761,078
Total	**71,110,891**	**1,913,264**	**3,761,078**

Interest risk

The companies' 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 companies do not have significant interest-bearing financial assets.

Categories of financial instruments

The main financial instruments used by the group entities, from which the risk 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-21**	**31-Dec-20**
Trade and similar receivables	16,212,368	21,178,203
Cash and cash equivalents	11,183,650	14,185,632
At fair value through profit or loss account	1,326,024	4,720,275
At fair value through OCI	995,057	1,577,217
Equity titles	4,844,753	5,429,087
Other financial assets	154,655	103,513
Total	**34,716,507**	**47,193,927**

Financial liabilities at amortized cost	**31-Dec-21**	**31-Dec-20**
Trade and similar liabilities	33,312,577	32,371,802
Other loans	31,773,935	22,146,781
Total	**65,086,512**	**54,518,583**

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.

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	Level 1	Level 2	Level 3	Total
Financial assets at fair value through OCI	763,013	-	5,098,656	**5,861,670**
Financial assets at fair value through profit or loss account	1,326,024	-	-	**1,326,024**

- 2020 -

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through OCI	581,298	-	6,445,473	**7,026,771**
Financial assets at fair value through profit or loss account	1,191,685	-	3,528,590	**4,720,275**

There were no transfers between the levels of the fair value measurement hierarchy used when evaluating financial instruments.

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 Companies' 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 Companies' 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 Companies' 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;

Currently, the company carries out a very large contract, which represents 95.7% of the turnover with Kaercher Germany. Termination of this contract would have a negative impact on the company's evolution over time with negative social

implications. Obviously, ELECTROARGES SA is in this situation. The fact that almost 96% of the turnover is based on export, and within it more than 99% is 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.

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:

Income from sales	**31-Dec-2021**	**31-Dec-2020**
Sale of finished products	303,002,785	247,130,420
Sale of merchandise	1,569,703	3,982,419
Sale of services	472,725	359,120
Income from rents	-	205,721
Trade discounts	(1,829)	(3,666,246)
Total	**305,043,384**	**248,011,434**

Other operating income	**31-Dec-2021**	**31-Dec-2020**
Income from various services	702,935	846,088
Profit from sell of assets	801,755	1,596,151
Cancellation of adjustments for the impairment of uncertain receivables	814,179	-
Foreign exchange rate differences	1,445,040	1,924,190
Miscellaneous	711,946	972,010
Total	**4,475,854**	**5,338,438**

5 RAW MATERIALS AND CONSUMABLES

Expenses on raw materials and consumables have the following component:

Raw materials and consumables	31-Dec-21	31-Dec-20
Raw materials	219,620,303	176,934,014
Auxiliary materials	4,699,658	3,576,784
Merchandise	1,320,050	3,646,293
Inventory objects	888,973	303,616
Other consumables	123,903	89,929
Miscellaneous	726,595	552,718
TOTAL	**227,379,482**	**185,103,354**

6 EXPENSES ON PERSONNEL

Expenses on personnel have the following component:

Expenses on personnel	31-Dec-2021	31-Dec-2020
Wages	27,256,952	25,746,595
Civil contracts	6,085,339	2,314,023
Taxes and social contributions	507,717	611,083
Other benefits	1,457,778	1,648,561
Provisions for post-employment benefits	116,583	251,944
Total	**35,424,369**	**30,572,205**

The companies are managed in a unitary system, within the meaning of Law 31/1990 on Commercial Companies, the companies' management being ensured by the Board of Directors of each of them, as presented in Note 1 General information.

Remuneration granted to the Board of Directors and Executive Management was made in accordance with IAS 24 - key personnel.

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-21**	**31-Dec-20**
Wages/contracts	1,205,059	1.,912,996
Taxes and social contributions	29,307	10,738
Board remuneration under mandate contracts	3,916,432	2,435,334

TOTAL	**5,150,798**	**4,359,068**

7 OTHER OPERATING EXPENSES

Other operating expenses include the following:

Other operating expenses	**31-Dec-2021**	**31-Dec-2020**
Utilities	5,853,091	3,930,864
Repairs	1,354,661	513,020
Rent	796,002	517,637
Insurances	266,902	300,564
Commissions	2,142,546	1,326,757
Advertisment	25,488	174,175
Travels and transport	10,552,167	3,518,729
Post and telecommunications	74,417	83,755
Other services provided by third parties	8,054,746	7,230,435
State budget taxes	1,164,832	1,133,323
Environment protection	624,407	597,963
Losses from disposal of assets	1,427,668	783,681
Uncertain receivables losses and adjustments	-	4,772,702
Inventory adjustments	4,435,471	661,086
Miscellaneous	1,853,655	1,230,411
Foreign exchange rate differences	1,998,475	2,002,137
Total	**40,624,530**	**28,777,238**

8 NET FINANCIAL INCOME

Net financial income has the following component:

	31-Dec-2021	**31-Dec-2020**
Financial income		
Income from interests	11,577	1,709
Income from participations	-	56,107
Retake of equity value adjustment	1,094,423	-
Losses from participation evaluation	-	(16,494,795)
Net result from the sale of securities held	(1,499,261)	-
Other financial income	-	305
Financial expenses		
Expenses on interests	(587,807)	(634,851)
Other financial expenses	(19,501)	(1,127,969)
Equity losses	(850,415)	(1,343,704)
Net financial income / (expenses)	**(1,850,984)**	**(19,543,198)**

9 EXPENSES WITH THE TAX ON PROFIT

Tax expenses	**31-Dec-2021**	**31-Dec-2020**
Current tax	759,550	99
Deferred tax expense / (income)	(1,067,136)	(1,590,385)

Net expenses / (income)	**(307,586)**	**(1,590,286)**

Resettlement	**31-Dec-2021**	**31-Dec-2020**
Profit for the financial year	(8,421,836)	(19,300,303)
Tax on profit	(307,586)	(1,590,286)
Profit before taxation	**(8,729,423)**	**(20,890,590)**
Tax by applying the current 16% rate	(1,396,708)	(3,342,494)
Differences from retaking	1,089,121	1,752,208
Total tax expense	**(307,586)**	**(1,590,286)**
Real tax rate	**3.52%**	**7.61%**

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, for the companies paying the tax on profit, and by applying the quota of 1% on the taxable income, for the companies paying the income tax. 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 above table.

10 *RESULT PER SHARE*

	For the year ending on	
	31-Dec-21	**31-Dec-20**
Group net loss (A)	(8,512,725)	(18,863,874)
Ordinary shares(B)	69,764,650	69,764,650
Actiuni Own shares (C)	-	-
Result per share(A/(B-C))	**(0.122)**	**(0,270)**

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

11 TANGIBLE ASSETS

COST	Land	Buildings	Technical installations and machines	Other installations, machinery and furniture	Tangible assets in progress	Assets representing rights to use	Total
December 31 2019	**4,689,860**	**29,916,911**	**40,878,574**	**1,402,032**	**9,414,647**	**11,308,879**	**97,610,903**
Acquisitions	-	1,496,433	3,281,750	153,661	2,372,545	1,097,767	8,402,156
Outflow / Transfers	(622,138)	(4,445,322)	(972,518)	-	(262,349)	-	(6,302,327)
Cumulative amortization cancellation following revaluation	-	(1,157,235)	-	-	-	-	(1,157,235)
Net effect revaluation Amplo	-	(408,694)	-	-	-	-	(408,694)
December 31 2020	**4,067,722**	**25,402,093**	**43,187,806**	**1,555,693**	**11,524,843**	**12,406,646**	**98,144,803**
Acquisitions	-	10,698,837	12,079,969	830,281	5,944,733	2,557,112	32,110,932
Outflow / Transfers	-	(252,984)	(3,381,941)	(806,027)	(3,707,534)	(193,658)	(8,342,144)
December 31 2021	**4,067,722**	**35,847,946**	**51,885,834**	**1,579,947**	**13,762,042**	**14,770,100**	**121,913,591**

AMORTIZATION AND ADJUSTMENTS

	Land	Buildings	Technical installations and machines	Other installations, machinery and furniture	Tangible assets in progress	Assets representing rights to use	Total
December 31 2019	**-**	**1,772,372**	**26,233,279**	**1,035,433**	**-**	**659,169**	**29,700,253**
Cost for the period	-	3,709,476	4,020,873	127,461	-	1,918,336	9,776,146
Outflow	-	(50,315)	(804,510)	-	-		(854,825)
Revaluations	-	(1,157,235)	-	-	-		(1,157,235)
Transfer real estate investments		(924,802)					(924,802)
December 31 2020	**-**	**3,349,496**	**29,449,642**	**1,162,894**	**-**	**2,577,505**	**36,539,537**
Cost for the period		4,324,307	4,426,115	200,802	**-**	1,738,374	**10,689,598**
Outflow		(43,252)	(3,314,519)	(804,419)	**-**	(193,658)	**(4,355,848)**
December 31 2021		**7,630,551**	**30,561,238**	**559,277**	**-**	**4,122,221**	**42,873,287**
Value adjustments							
December 31 2020	**0**	**0**	**0**	**0**	**0**	**0**	**0**
December 31 2021	**0**	**0**	**(3,853,692)**	**0**	**0**	**0**	**(3,853,692)**
NET VALUES							
December 31 2020	**4,067,722**	**22,052,597**	**13,738,164**	**392,799**	**11,524,843**	**9,829,141**	**61,605,266**
December 31 2021	**4,067,722**	**28,217,395**	**17,470,904**	**1,020,670**	**13,762,042**	**10,647,879**	**75,186,611**

Revaluation of fixed assets

On 31.12.2019, the buildings in the patrimony of the parent company were re-evaluated by Pernes Ioan, associate member of the National Association of Appraisers in Romania (ANEVAR), having the certificate no. 61 / 2019. The revaluation report of the buildings was capitalized in accounting on 31.12.2019.

On 31.12.2020, the revaluation was performed only by AMPLO SA, in the financial statements of the group being reflected a net effect of minus 408,694 Lei (125,704 Lei increase in value recognized in counterpart with the reserve from revaluation account and 534,399 Lei decrease in value recognized by profit and loss account).

The reference method is the net replacement cost (IFRS 13 - Level 3).

Depreciation of fixed assets

Accounting depreciation is calculated using the straight-line method. For the new fixed assets, entered in 2021, 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

In 2021, the parent company disposed of fixed assets amounting to 2,238,387 lei, out of which 2,015,239 lei were fully depreciated and 223,148 lei were fully not depreciated.

In 2021, the company ELARS SA disposed of fixed assets in amount of 6,212 lei fully depreciated.

12 INTANGIBLE ASSETS

	Intangible assets	Goodwill	Total
Cost			
December 31 2019	**1,044,563**	**4,560,969**	**5,605,532**
Acquisitions	**478,238**	**-**	**478,238**
Inflow / Transfers	**(15,806)**	**-**	**(15,806)**
Decembrie 31 2020	**1,506,995**	**4,560,969**	**6,067,964**
Acquisitions	**433,661**	**-**	**433,661**
Inflow / Transfers	**(1,492)**	**826,132**	**824,640**
December 31 2021	**1,939,164**	**3,734,837**	**5,674,001**
Amortization/impairment adjustments			
December 31 2019	**383,891**	**-**	**383,891**
Acquisitions	295,348	-	**295,348**
Inflow / Transfers	(15,806)	-	**(15,806)**
December 31 2020	**663,432**	**-**	**663,432**
Acquisitions	424,896	-	**424,896**
Inflow / Transfers	(1,492)	-	**(1,492)**
December 31 2021	**1,086,836**	**-**	**1,086,836**
Net value			
December 31 2019	**660,672**	**4,560,969**	**5,221,641**
December 31 2020	**843,563**	**4,560,969**	**5,404,532**
December 31 2021	**852,328**	**3,734,837**	**4,587,165**

13 FINANCIAL ASSETS AND EQUITY

On December 31 2021, 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 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**

Name	No. of shares held	Percent held	Fair value on December 31 2020
Ceprocim SA Bucuresti	4,000	under 10%	9,200
Iprolam SA Bucuresti	59,341	under 10%	510,333
Lactate Natura SRL Tirgoviste	394,000	12.02%	441,280
Uztel SA Ploiesti	137,424	Sub 10%	230,872
Mobila SA Radauti	2,317,172	43.11%	3,528,562
TOTAL			**4,720,274**

On 31.12.2021, the Group through Elars SA reported shares held in SIF 1 and SIF 3 in the amount of 20,858 Lei.

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. Due to the fact that Mobila SA Radauti went into insolvency, for the shares held in it, an evaluation was made at acquisition cost because we did not identify enough information for an evaluation of the shares at fair value. In 2021, the shares in Mobila SA Radauti were sold. Also, the shares held at Romanofir SA Talmaciu were sold.

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 2021
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
TOTAL			**995,058**

Name	No. of shares held	Percent held	Fair value on December 31 2020
Mecanoenergetica SA Drobeta Turnu Severin	4,640,888	28.85%	60,332
Sigstrat SA Sighetul Marmatiei	2,398,896	10.32%	527,757
Tarnava SA Sighisioara	214,163	5.69%	53,541
Romanofir SA Talmaciu	74,847	14.67%	935,588
TOTAL			**1,577,218**

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".

3. Equity titles

	31-Dec-2021	31-Dec-2020
Initial balance	5,429,087	4,744,550
Taking over loss	(850,415)	(1,343,704)
Taking over reserve from revaluation	-	3,121,273
Sale of participations	(1,353,320)	-
Participation increase due to the increase of Braiconf share capital	526,369	-
Participation impairment value adjustment		(1,093,032)
Cancellation of impairment adjustment	1,093,032	-
Final balance	**4,844,753**	**5,429,087**

14 INVENTORIES

Inventories	**31-Dec-2021**	**31-Dec-2020**
Raw materials and consumables	14,347,905	9,116,396
Adjustments for raw materials and consumables	(4,447,204)	(972,379)
Production in progress	164,565	164,759
Adjustments for production in progress	(127,451)	(12,312)
Semi-finished and finished products	4,256,762	3,401,182
Adjustments for semi-finished and finished products	(849,404)	(300,766)

Merchandise	670,655	682,329
Adjustments for merchandise	(405,086)	(122,179)
Total	**13,610,743**	**11,957,030**

15 TRADE AND OTHER RECEIVABLES

On December 31 2021 the receivable structure is as follows:

Description	**31-Dec-21**	**31-Dec-20**
Trade receivables	11,903,227	19,845,914
Adjustments for trade receivables	(1,307,771)	(5,447,404)
Adjustments for inter-group receivables	(45,000)	(45,000)
Various debtors and other receivables (*)	11,860,575	16,133,005
Adjustments for other receivables	(6,237,780)	(9,362,939)
Total financial assets other than cash, classified as loans and receivables	**16,173,251**	**21,168,576**
Employees	38,251	8,761
Subsidies	866	866
Advance payments	1,084,055	3,466,696
Other State Budget receivables	6,434,490	8,575,538
TOTAL	**23,730,913**	**33,220,436**

(*) Within the position of various debtors and other receivables is also reported the amount of 2.6 million Lei representing amounts seized and enforced by the Administration of the Environmental Fund as a result of the control performed for the previous period 2017. Currently the Company has challenged this control report and requested the return of the amounts enforced. The Company's management estimated in relation to this receivable an adjustment of value of 1.3 million Lei. The process is in a preliminary phase and as it advances, the management will update this estimate.

Receivables according to maturity are as follows:

Maturity review	**31-Dec-21**	**31-Dec-20**
Non-performing receivables	5,380,007	8,120,985
Outstanding receivables:		
Up to 12 months	6,551,477	4,982,995
More than 12 months	4,280,884	8,074,223
TOTAL	**16,212,368**	**21,178,203**

	31-Dec-21	31-Dec-20
At the beginning of the period	14,810,343	10,072,575
Formed during the year	(4,139,633)	4,822,130
Unused adjustments cancellation	(3,080,159)	(84,362)
At the end of the period	**7,590,551**	**14,810,343**

16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents	**31-Dec-21**	**31-Dec-20**
Available with the bank	11,175,937	14,179,629
Cash and cash equivalents	7,713	6,003
TOTAL	**11,183,650**	**14,185,632**

On December 31 2021 and 2020, 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 2021.

17 TRADE AND OTHER LIABILITIES

Trade and other liabilities	**31-Dec-2021**	**31-Dec-2020**
Trade liabilities	28,440,739	26,064,441
Suppliers of fixed assets	420,375	733,388
Other liabilities	4,451,462	5,573,973
Total liabilities less loans classified as measured at amortized cost	**33,312,577**	**32,371,802**
Wage liabilities	649,504	883,749
Taxes and social contributions	1,789,677	3,137,848
Other tax liabilities	557,319	677,360
Dividends	17,037,792	17,565,439
Advance payments	1,267,997	2,253
Advance income	1,670	-
Amounts being clarified	96,415	-
Total	**54,712,950**	**54.638.452**

18 LOANS AND LEASING

Loans	**31-Dec-2021**	**31-Dec-2020**
Current		
Short-term loans and overdraft	8,379,508	14,122,495
Current part of long-term loans	416,666	-
Leasing	2,892,508	2,349,944
	11,688,682	**16,472,439**
Long-term part		
Long-term loans	9,580,699	
Leasing	5,252,277	5,674,341
Total	**26,521,658**	**22,146,781**

The amounts owed to credit institutions are short-term and consist of lines of credit / overdraft opened at banks as follows:

Name	**December 31 2021 (lei)**	**December 31 2020 (lei)**
Credit line RON	6,013,497	13,147,103
Credit line USD	1,149,781	975,392
Credit line EUR	694,550	
Credit line RON	521,680	0
Total	**8,379,508**	**14,122,495**

The long-term loan is due 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 debt to the credit institution has not increased, it has been resized, the maximum value granted remaining the same. The debt to the credit institution is currently composed of the two loans presented above.

Reconciliation between the minimum lease payments and the present value

	December 31 2021	**December 31 2020**
Maximum 1 year	2.,792,419	2,426,933
More than 1 year but less than 5	5,580,311	5,807,079
Less future financial costs	(342,805)	(236,327)
Current value of liabilities – financial leasing	**8,029,925**	**7,997,685**

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

Leasing liabilities	Buildings and special constructions	Equipment and other fixed assets	Total
On December 31 2019	**454,038**	**9,277,765**	**9,731,803**
Corrections during the year	318,870		361,674
Interest and exchange rate differences	29,775	170,759	200,534
Leasing payments	(472,344)	(1,538,186)	(2,296,325)
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**

The leasing liabilities presented above belong to the parent company - Electroarges SA. The difference up to the amount of 8,144,785 lei is represented by guarantees related to the company Amplo SA in the amount of 114,861 lei.

19 DEFERRED TAX ON PROFIT

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

Description	31-Dec-21	31-Dec-20
Initial balance	**859,173**	**(717,670)**
Other comprehensive income	(85,269)	(13,542)
Deferred tax costs / (income)	1,053,963	1,590,385
Final balance	**1,858,019**	**859,173**

		Movements during the period		
Deferred tax to be paid	**31.12.2021**	**By other comprehensive income**	**By profit & loss account**	**31.12.2020**
Tangible and intangible assets	(2,102,450)	(16,978)	1,091,071	(3,193,521)
Total	**(2,102,450)**	**(16,978)**	**1,091,071**	**(3,193,521)**

Deferred tax to be claimed				
Provisions for the employees' benefits	57,880	(11,743)	(100,314)	169,937
Share evaluation	(13,070)	(43,375)	-	30,305
Receivables and other assets	2,151,815	-	(447,725)	2,599,541
Tax loss	1,763,843	-	510,931	1,252,912
Total	**3,960,468**	**(55,118)**	**(37,108)**	**4,052,694**
Total	**1,858,019**	**(72,096)**	**(1,053,963)**	**859,173**

20 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 in gas industry, working conditions, etc. 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 IAS 19. 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 2021, the employee turnover rate was 9.7%. For this year we considered the average of the last three years which was 8.9% pa. 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 8.9% of the total number of employees. Thus, the employee turnover rate is:

- 18.84% 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

In 2021, the positions of 175 employees were restructured. For the period after December 2021, no personnel reduction plan approved by the company's Board of Directors was communicated.

Discount rate

For the discount rate, we considered the yields on bonds on the active market at the end of December 2021. 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 1.6% pa
- Liquidity premium for Romania 0%.

Thus, we considered a forward equilibrium rate of 3.6% pa.

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

The weighted average discount rate in December 2021 was 5.1% pa.

Inflation rate

Based on the statistics issued by INSSE and the NBR forecast for November 2021, we estimated the inflation rate as follows:

– 8.2% in 2021;

– 5.9% in 2022;

– 3.2% in 2023;

– 3.0% in 2024;

– 2.8% in 2025;

-- 2.5% between 2026-2031 and following a decreasing trend in the following years.

Wage growth rate

For 2022 and the following years we considered an average wage increase of 1.5% pa above the annual inflation rate.

The weighted wage growth rate is 4.5% pa.

Synthesis of results

Reporting date: December 31	**2019**	**2020**	**2021**
Number of employees	440	390	192
Average age (years)	46.8	46.2	44.3
Average gross monthly salary (RON)	3,135	3,304	4,842
Average seniority within the company (years)	24.1	22.9	14.3
Average number of years remaining until retirement (years)	17.0	17.7	19.7
Estimated average remaining work period (years)	7.5	6.6	6.1
Amount of Obligations with Employee Retirement Benefits (RON)	**541,619**	**539,056**	**226,167**

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**
	2021
Present value of the obligation – January 1st	**539,056**
Cost of interest	16,483
Cost of current service	19,501
Payments from provisions during the year	-26,041
Actuarial (profit) / loss for the period	-73,391
Cost of previous service (Reduction)	-249,442

Present value of the obligation – December 31	**226,167**

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 31.12.2021	226,167
Discount rate + 1%	206,098
Discount rate - 1%	248,880
Wage growth rate + 1%	249,103
Wage growth rate – 1%	205,567
Longevity growth by 1 year	228,802

Benefit payments maturity review

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

Maturity:	Under 1 year	between 1-2 years	between 2-5 years	More than 5 years	More than 10 years
Payment protection	0	13,501	27,629	254,572	442,602

21 SHARE CAPITAL

The company's subscribed share capital on December 31, 2021 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 31.12.2021 was the following:

Shareholder	**Shares**	**Percent %**
Investments Constantin SRL	25,699,543	36.8375
Trans Expedition Feroviar SRL	8,963,266	12.8479
Natural persons	23,014,086	32.9882
Legal persons	12,087,755	17.3265
TOTAL	**69,764,650**	**100%**

The structure of the administrators' participation in the share capital 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 Mrs Roxana Scarlat	Vice-Chairman of the Board	0
3.	Csoarpi Saints SRL	by permanent representative Mr Adrian Ionescu	Board Member	0

23 RETAINED EARNINGS AND OTHER RESERVES

Reserves have the following components:

Reserves	**31-Dec-21**	**31-Dec-20**
Fixed assets revaluation reserves	8,174,015	10,461,645
Legal reserves	2,513,708	2,577,844
Other reserves	48,024,337	48,095,405
TOTAL	**58,712,060**	**61,134,894**

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.
Other reserves	On December 31 2021, 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 31.12.2021, the company made a net loss in the amount of 11,849,219 lei, and the other companies as follows:

The profit / loss recorded by each entity is:

Company	**Result**
ELECTROARGES SA	11,849,219
ELARS SA	(98,400)
AMPLO SA	(434,883)

Retained earnings

	31.12.2021	**31.12.2020**
Retained earnings representing the undistributed profit or the uncovered loss	12,411,532	(4,463,303)
Retained earnings from the correction of accounting errors	1,130,733	1,750,104
Retained earnings representing the surplus realized from revaluation reserves	(4,945,475)	(4,180,853)
Retained earnings from the implementation of the Accounting Regulations in accordance with the Fourth Directive of the European Economic Communities	3,169,799	3,536,582
Retained earnings from the use, at the date of transition to the application of IFRS, of fair value as an assumed cost (A / P)	(7,789,117)	(7,789,117)
Total	**4,427,472**	**(11,146,587)**

24 BALANCES AND TRANSACTIONS WITH AFFILIATED ENTITIES

The entities affiliated to the company are:

Item no.	Full name	Share capital participation rate
1.	Investments Constantin SRL	36,8375
2.	Stefan Constantin – indirect holding through Investments Constantin SRL si Benjamin United SRL	37,7276
3.	Amplo SA – Electroarges holdings	84,4119
4.	Elars SA - Electroarges holdings	88,1611
5.	Metalica SA - indirect affiliation through joint management	-
6.	General Autorent 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.	Borgia	Michele	Deputy General Director	16.12.2020 - indefinite
2.	Caramida	Valentin	Quality & Production Manager	05.06.2020 - indefinite
3.	Petre	Iulia	Financial Manager	01.05.2020 - indefinite
4.	Marin	Sergiu	Marketing Sales Manager	01.05.2020 - indefinite
5.	Onu	Patricia	Project Manager	17.05.2021 - indefinite
6.	Letcanu	Marian	Development Manager	04.06.2020 - indefinite
7.	Dobra	Georgian	Acquisitions Manager	01.07.2021 - indefinite

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

Receivables on affiliated parties	**2021**	**2020**
Braiconf SA	143,627	-
General Autorent SRL	9,802	172,800
Gate Development SRL	425,918	275,142
Metalica SA	258,167	-
TOTAL	**837,514**	**447,942**

Liabilities to affiliated parties	2021	2020
Benjamins United SRL	-	-
Investments Constantin SRL	-	-
TOTAL	**-**	**-**

Sales of goods and services	2021	2020
Braiconf	11,451	-
Mercur SA	4,327	4,327
Metalica SA	216,947	-
TOTAL	**232,725**	**4,327**

Purchases of goods and services	2021	2020
Braiconf SA	155,075	169,469
Benjamins Unites SRL	1,131,092	-
Gate Development SRL	761,573	
General Autorent SRL	136,886	
TOTAL	**2,184,626**	**169,469**

Additional remunerations	2021	2020
Benjamins Unites SRL	520,000	1,243,755
Investments Constantin SRL	649,000	957,850
Cardinal Main SRL	1,155,000	-
Csoarpi Saints SRL	1,200,000	-
TOTAL	**3,524,000**	**2,201,605**

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-21**	**31-Dec-20**
Wages/contracts	1,205,059	1,912,996
Taxes and social contributions	29,307	10,738
Board remuneration based on mandate contracts	3,916,432	2,435,334
TOTAL	**5,150,798**	**4,359,068**

25 CONTINGENT LIABILITIES

In 2020 the company received the financing agreement based on GD no. 807/2014 for the establishment of a state aid scheme having as object the stimulation

of investments with major impact in the economy in the amount of 27,741,425 lei, at a project value of 55,482,850 lei.

The financing agreement is subject to compliance with the following terms:

- At the end of the monitoring period of 5 years from the completion of the investment project, the company has the obligation to prove the actual payment of the contribution to regional development, related to the investment project in the period 2020 - 2026, in an amount equivalent to the state aid paid in total;
- At the end of the 5-year monitoring period from the completion of the investment project, the company has the obligation to achieve a turnover for the consolidated activity, related to the current activity and the investment project in the period 2020 - 2026, amounting to 1.757 billion Lei. Failure to achieve the forecast turnover will lead to the recovery of state aid in proportion to the degree of failure.

In 2021, based on the above agreement, the company accessed from the total value the amount of 3,537,828.18 lei, related to the acquisition of technological equipment related to the project.

26 PAYMENT COMMITMENTS

On December 31 2021, the parent 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 11/29/2024, 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.

Also, on December 31, 2021, the company ELARS has contracted at CEC Buzau a one-year credit line for current activity. The amount due on December 31 is 521,680 lei.

GROUP COMMITMENTS AND CONTINGENTS

The Group is the subject of a number of lawsuits resulting in the normal course of business. The Group's management considers that, apart from the amounts already recorded in these financial statements as provisions or adjustments for impairment of assets and described in the notes to these financial statements, other lawsuits will not have significant adverse effects on its economic results and financial position.

27 INFORMATION REGARDING THE AUDIT OF THE FINANCIAL STATEMENTS

The financial audit for the financial year 2021 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 31.12.2021 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.

28 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. This action results in the resizing of the personnel with a number of 360 people. Also, within the company, the personnel was resized with 88 people, reaching a number of 197 employees.

This action will lead to the reduction of expenses in 2022 by approximately 18,000,000 lei.

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 2022, the company has a forecast of sales with a total turnover of 100,000,000 lei, which means a third of the turnover for the year 2021. Given that both personnel costs will be significantly reduced (a decrease of over 64% in 2022, compared to 2021), as well as operating expenses (a decrease of over 50% in 2022, compared to 2021), a net profit is expected at the end of 2022 in total value of 1,900,000 lei.

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.

29 FURTHER EVENTS

In the context of the conflict between Russia and Ukraine, which began on February 24, 2022, the European Union, the US, the UK and other countries have imposed numerous sanctions against Russia, including financial restrictions on Russian banks and state-owned companies. Considering the geopolitical tensions, starting with February 2022, there was an increase in the volatility of the financial markets and the pressure on the depreciation of exchange rates. These events are expected to affect activity in many sectors of the economy, and could lead to a further rise in energy prices in Europe and a high risk of delays in the supply chain.

The company does not have direct exposure to affiliates and / or key clients or suppliers in these countries.

The Company considers these events to be non-adjustable events that occurred after the balance sheet date, the effect of which cannot be estimated at this time. At this time, the Company's management is analyzing the possible effects of the change in micro and macro-economic conditions on the Company's financial position and results.

There are no further events that may influence these financial statements.

Vice-Chairman of the Board of Directors, Roxana Scarlat	Financial Manager, Iulia Petre

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INDEPENDENT AUDITOR'S REPORT

To the shareholders,

Electroarges S.A.

Raport on the audit of the consolidated financial statements

Reserved Opinion

1. We audited the standalone financial statements of **Electroarges S.A. ("The Group")** and its subsidiaries Amplo SA and Elars SA - with its registered office in Curtea de Arges, str. Albesti nr. 12, Arges County, holder of Tax Code RO 156027, which include the Consolidated statement of financial position on December 31, 2021, and the Consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 consolidated financial statements on December 31, 2021 are as follow:

- Net assets/Total equity: 54,249,863 Lei
- Net loss of the financial year: 8,421,836 Lei

3. In our opinion, with the exception of the possible effects of the issues presented in *the Basis for the Reserved Opinion* section of our report, the accompanying consolidated financial statements exactly present in all material respects the Group's financial position on December 31, 2021 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 Group reported in the consolidated financial statements a net loss of 1.7 million lei from the sale of shares held in Mobila Rădăuți SA (in insolvency proceedings, suspended from trading on the capital market since February 10, 2020) , these shares being registered on December 31, 2020 at a value of 3.5 million Lei, after the recognition during the previous financial year of an impairment expense in the amount of 16.2 million Lei. On December 31, 2020, the Group had a significant influence in this company, in accordance with the provisions of IAS 28 "Investments in associates and joint ventures". On 31 December 2020, the Group did not report this participation using the equity method, as required by the reporting framework. Our audit opinion on the consolidated financial statements for the year ended on 31 December 2020 contained a reservation on this matter. As the evaluation on 31 December 2020 affects the determination of the current result, we have not been able to determine whether adjustments to the current consolidated result and to the initial retained earnings may be necessary for the 2021 financial year. The above also affects the comparability between the figures for the current period and the

corresponding figures, without having an impact on the net assets reported by the Company on December 31, 2021.

5. The group holds interests that ensure a significant influence within Braiconf SA. Braiconf SA also has control over Aurora SA. Braiconf SA did not prepare a set of consolidated financial statements prepared in accordance with IFRS. For this reason, both on December 31, 2021 and December 31, 2020, the Group reflected its participation in Braiconf SA using this company's standalone statutory financial information. We have not been able to determine those adjustments that would have been necessary to reflect the Group's interest in Braiconf SA in accordance with the provisions of IAS 28 Investments in Associates and Joint Ventures. Our audit opinion on the financial statements for the year ended on 31 December 2020 contains a reservation on this matter.

6. On December 31, 2021, the Group reported a goodwill amounting to 3.7 million Lei (4.5 million Lei as on December 31, 2020). As historical information at the time of the share acquisition was not available, we were unable to estimate whether the goodwill recognized complied with the provisions of the reporting framework. Therefore, we are unable to estimate those adjustments that would was necessary regarding the goodwill of 3.7 million Lei reported both on December 31, 2021 and on December 31, 2020, so that the provisions of the reporting framework are complied with. Our audit opinion on the financial statements for the year ended on 31 December 2020 contains a reservation on this matter.

7. In the financial year 2021, the Group estimated depreciation adjustments for slow-moving inventories and recognized expenses in the amount of 2.6 million Lei. On December 31, 2020, the Group reported in the Statement of Consolidated Financial Position inventories in the amount of 2.4 million Lei for which there were indications regarding the depreciation of the net achievable value, but did not register any impairment adjustments. Our audit opinion on the financial statements for the year ended on 31 December 2020 contained a reservation on this matter. As the evaluation of inventories at 31 December 2020 affects the determination of the current result, we have not been able to determine whether adjustments to the current result and the initial retained earnings may be required for the financial year 2021. The above also affects the comparability between the figures for the current period and the corresponding figures, without having an impact on the net assets reported by the Group on 31 December 2021.

8. In order to standardize the accounting policies, on December 31, 2020, the Group revalued the buildings of the Amplo SA subsidiary, the results of the revaluation being fully reflected in the financial year 2020. On December 31, 2020, we did not have sufficient and adequate information to determine the effect on the comparative consolidated financial statements of the full recognition of the impact of the evaluation report in 2020. Our audit opinion on the financial statements for the year ended on 31 December 2020 contains a reservation on this matter. Our opinion on the financial statements for the current period also contains a reservation regarding the effects of this issue on the comparability between the financial information of 2021 and that of 2020.

9. 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.

Highlighting some issues

10. We draw attention to Note 28 "Continuity of activity" to the financial statements, which states that on December 2, 2021, the client Alfred Kaercher, who represents approximately 86% of the Group's turnover, notified the termination of the supply contract from June 30, 2022 and the termination of the lease of tools and devices contract from April 30, 2022, as well as the significant decrease in orders scheduled for 2022. Following this received notification, the Group's management has taken measures to reduce costs so as to adapt new volumes of activity, as well as the identification of new sources of income. The Group's management considers that, through the measures taken, it will continue its activity in the following periods, even at a low level of turnover. Our opinion does not contain a reservation on this issue.

Key audit issues

11. 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 2.11.1 "Accounting Policies - Income Recognition" and Note 4 "Income from Contracts and other income"** The income recognition policy is set out in Note 2.11.1. 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 Group'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 consolidated financial statements;

Key audit issues	*The approach in the audit:*
	• testing trade receivables balances on December 31, 2021, by sending letters of direct confirmation;

Other issues

12. At the date of issue of the attached consolidated financial statements, the legal situation of the Group's shareholders is unclear, with uncertainties regarding the structure of the shareholders at this time. The attached consolidated financial statements are not affected by this issue.

13. This independent auditor's report is addressed exclusively to the Group's shareholders as a whole. Our audit was performed in order to be able to report to the Group'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 Group and its shareholders, as a whole, for our audit, for this report or for the opinion formed.

Other information – Administrators' report

14. The management is responsible for preparing and presenting Other information. That Other information contain the Administrators' Report, as well as the Remuneration Report, but does not include the consolidated financial statements and the auditor's report thereon.

Our opinion on the consolidated financial statements does not cover this other information and, unless explicitly mentioned in our report, we do not express any assurance about it.

In connection with the audit of the consolidated financial statements for the financial year ended on December 31, 2021, it is our responsibility to read that other information and, in doing so, to assess whether that other information is materially inconsistent with the consolidated financial statements or the knowledge we have acquired during the audit, or if they appear to be significantly distorted.

Regarding the Administrators' Report, we have read and report whether it has been prepared, in all material respects, in accordance with the information provided in paragraphs 15-19 and 26-28 of OMFP 2844/2016.

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 consolidated financial statements, in our opinion:

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

b) The Administrators' Report was prepared, in all significant issues, in accordance with the information required by paragraphs 15-19 and 26-28 of OMFP 2844/2016.

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 Group and its environment, acquired during the audit of the consolidated financial statements for the year ended on December 31, 2021, we are required to report whether we have identified material misstatements in the Administrators' Report. We have nothing to report on this issue.

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

15. Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with OMFP 2844/2016 and for such internal control as management deems necessary to enable the preparation of consolidated financial statements free from material misstatement, whether due to fraud or error.
16. In preparing the financial statements, management is responsible for assessing the Group'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 Group or stop operations, or have no realistic alternative other than them.

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

The Auditor's responsibility in an audit of the financial statements

18. 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. Distortions 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 consolidated financial statements.

19. 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 Group'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 Group'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 Group 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.

20. 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.

21. 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.

22. 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

23. We were appointed by the General Meeting of Shareholders by decision no. 106 of 25.04.2020 to audit the financial statements of **the group** for the financial years 2020 - 2021. The total uninterrupted duration of our commitment is 3 years, covering the financial years ended on 31.12.2019, 31.12.2020 and 31.12.2021.

We confirm that:

• Our audit opinion is consistent with the additional report submitted to the Group'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 Group;

• We did not provide the Group 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 Group'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 with further amendments;
- selecting and applying the appropriate iXBRL markers.

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 with further amendments.
- assessing whether all financial statements that are included in the annual financial report are prepared in a valid XHTML format;
- Assessing whether all iXBRL markers are in accordance with the ESEF requirements.

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 2021 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, 2021 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 May 02, 2022