

**S.C. ELECTROPUTERE S.A.**

**AUDITED FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2019**

**PREPARED IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL REPORTING STANDARDS  
AS ADOPTED BY THE EUROPEAN UNION  
("IFRS")**

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**S.C. ELECTROPUTERE S.A.**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**AS OF DECEMBER 31, 2019**  
(all amounts are expressed in RON, unless otherwise specified)

	Note	Year ended December 31, 2019	Year ended, December 31, 2018
Revenue	4	31,680,061	81,263,317
Cost of sales	5	(40,083,646)	(82,960,077)
<b>Gross profit / (loss)</b>		<b>(8,403,585)</b>	<b>(1,696,760)</b>
Administrative expenses	9	(23,147,806)	(21,683,380)
Other operating expenses	7	(52,400,539)	(2,198,339)
Distribution expenses		(799,740)	(3,066,665)
Other gains or (losses)	6	(19,482,911)	29,965,295
Finance costs	8	(14,246,990)	(14,443,776)
Finance income	8	5,543	1,175
<b>Loss before tax</b>		<b>(118,476,029)</b>	<b>(13,122,450)</b>
Income tax credit	10	-	-
<b>Loss for the year</b>		<b>(118,476,029)</b>	<b>(13,122,450)</b>
<b>Other comprehensive income, net of tax:</b>			
Gain on revaluation of properties		33,503,751	-
Deferred tax related revaluation of properties		-	-
<b>Total comprehensive income</b>		<b>(84,972,278)</b>	<b>(13,122,450)</b>
<b>Losses per share</b>		<b>(0,11)</b>	<b>(0.01)</b>



**SAMER AL-SHALABI**  
President

**LAVINIA PETCU**  
Financial Manager

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**S.C. ELECTROPUTERE S.A.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2019**

(all amounts are expressed in RON, unless otherwise specified)

	<u>Note</u>	<u>Year ended December 31, 2019</u>	<u>Year ended, December 31, 2018</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	226,871,990	228,948,585
Intangible assets	12	636	772,402
Other assets	13	2,015,722	1,586,132
<b>Total non-current assets</b>		<b><u>228,888,348</u></b>	<b><u>231,307,119</u></b>
<b>Current assets</b>			
Inventories	14	-	9,048,052
Trade and other receivables	15	7,344,146	51,247,724
Other assets	13	24,490,418	23,686,261
Cash and cash equivalents	16	5,572,075	2,730,073
<b>Total current assets</b>		<b><u>37,406,639</u></b>	<b><u>86,712,110</u></b>
<b>Total assets</b>		<b><u>266,294,987</u></b>	<b><u>318,019,229</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Issued capital	18	103,760,291	103,760,291
Reserves	19	114,806,116	81,302,365
Accumulated deficit		(501,842,770)	(383,366,741)
<b>Total equity</b>		<b><u>(283,276,363)</u></b>	<b><u>(198,304,085)</u></b>
<b>Non-current liabilities</b>			
Borrowings	20	-	-
Retirement benefit obligation LT		-	700,668
Other non-current liabilities	23	2,516,005	3,800,820
<b>Total non-current liabilities</b>		<b><u>2,516,005</u></b>	<b><u>4,501,488</u></b>
<b>Current liabilities</b>			
Trade and other payables	22	174,910,377	108,813,074
Retirement benefit obligation ST		-	131,473
Borrowings	20	360,858,590	386,016,062
Provisions	21	4,767,116	5,262,513
Other current liabilities	23	6,519,262	11,598,704
<b>Total current liabilities</b>		<b><u>547,055,345</u></b>	<b><u>511,821,826</u></b>
<b>Total liabilities</b>		<b><u>549,571,350</u></b>	<b><u>516,323,314</u></b>
<b>Total equity and liabilities</b>		<b><u>266,294,987</u></b>	<b><u>318,019,229</u></b>

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**S.C. ELECTROPUTERE S.A.**  
**STATEMENT OF CASH FLOW**  
**AS OF DECEMBER 31, 2019**

(all amounts are expressed in RON, unless otherwise specified)

	Year ended as at:	
	December 31, 2019	December 31, 2018
<b>Cash flow from operating activities:</b>		
<b>Net loss</b>	<b>(118,476,029)</b>	<b>(13,122,450)</b>
<b>Adjustments:</b>		
Depreciation and amortization of non-current assets	6,703,902	8,212,920
Revaluation of property effect	22,139,685	-
Adjustment of impairment of non current assets	(510,229)	-
Expense / (Reversal) of provisions for doubtful accounts receivable	26,953,615	1,995,768
Provisions for other current assets	215,747	30,930
Charges to / (Reversal of) provisions for slow moving and obsolete inventories	1,186,567	(1,475,492)
Reversal of) / Charges to provisions for risks and charges	(495,397)	(4,788,249)
Income from fixed assets sale	8,284,101	(30,381,470)
Expense with provision for employee benefits	(832,141)	(1,215,910)
Net interest expenses	14,241,447	14,443,776
Unrealized forex (gain) / loss differences	-	(3,259,074)
Other long term debts	(1,284,815)	3,800,820
<b>Movements in working capital:</b>		
(Increase) / Decrease in trade and other receivables	16,529,041	4,077,429
Decrease / (Increase) in inventories	7,861,486	6,354,175
Decrease / (Increase) of good execution guarantees granted to customers	(429,590)	102
Decrease / (Increase) in prepayed expenses	224,891	332,563
Increase in trade and other payables	61,017,861	9,705,420
<b>Cash (used in) / generated by operations</b>	<b>43,330,143</b>	<b>(5,288,742)</b>
Interest paid	(374,169)	(3,857,426)
Interest received	5,543	1,176
<b>Cash flows (used in) / generated by operating activities</b>	<b>42,961,517</b>	<b>(9,144,992)</b>
<b>Cash flow from investing activities:</b>		
Payments for acquisitions of property, plant and equipment and intangible assets	(1,089,221)	(1,160,685)
Proceeds from disposals of property, plant and equipment	-	35,856,827
<b>Cash flows (used in) investing activities</b>	<b>(1,089,221)</b>	<b>34,696,142</b>

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STATEMENT OF CASH FLOW  
AS OF DECEMBER 31, 2019**

(all amounts are expressed in RON, unless otherwise specified)

	<u>Year ended December 31, 2019</u>	<u>Year ended December 31, 2018</u>
<b>Cash flow from financing activities:</b>		
Increase / (Decrease) in loans from financial institutions		
Payments for leasing	<u>(39,030,294)</u>	<u>(24,261,605)</u>
<b>Cash generated by / (used in) financing activities</b>	<u><b>(39,030,294)</b></u>	<u><b>(24,261,605)</b></u>
<b>Net (decrease) in cash and cash equivalents</b>	<u><b>2,842,002</b></u>	<u><b>1,289,545</b></u>
<b>Cash and cash equivalents at the beginning of the year</b>	<u><b>2,730,073</b></u>	<u><b>1,440,528</b></u>
<b>Cash and cash equivalents at the end of the year</b>	<u><b>5,572,075</b></u>	<u><b>2,730,073</b></u>



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**S.C. ELECTROPUTERE S.A.**  
**STATEMENT OF CHANGES IN EQUITY**  
**AS OF DECEMBER 31, 2019**  
(all amounts are expressed in RON, unless otherwise specified)

	Share capital	Other reserves	Revaluation reserves	Accumulated deficit from the transition to IFRS	Accumulated deficit	Total
<b>Balance at January 1, 2018</b>	<b>103,760,291</b>	<b>60,918,636</b>	<b>20,383,729</b>	<b>377,386,808</b>	<b>(747,631,101)</b>	<b>(185,181,637)</b>
Loss for the year	-	-	-	-	(13,122,450)	(13,122,450)
Other comprehensive income	-	-	-	-	-	-
Elimination of share capital inflation adjustment	-	-	-	-	-	-
Others	-	87,466	(87,466)	-	-	-
<b>Balance at December 31, 2018</b>	<b>103,760,291</b>	<b>61,006,102</b>	<b>20,296,263</b>	<b>377,386,808</b>	<b>(760,753,549)</b>	<b>(198,304,085)</b>

  
  
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**AS OF DECEMBER 31, 2019**

(all amounts are expressed in RON, unless otherwise specified)

	Share capital	Other reserves	Revaluation reserves	Accumulated deficit from the transition to IFRS	Accumulated deficit	Total
<b>Balance at January 1, 2019</b>	<b>103,760,291</b>	<b>61,006,102</b>	<b>20,296,263</b>	<b>377,386,808</b>	<b>(760,753,549)</b>	<b>(198,304,085)</b>
Loss at December 31, 2019	-	-	-	-	(118,476,029)	(118,476,029)
Revaluation of property gain	-	-	33,503,751	-	-	33,503,751
Other comprehensive income	-	-	-	-	-	-
Deferred tax related revaluation reserves	-	-	-	-	-	-
Others	-	-	-	-	-	-
<b>Balance at December 31, 2019</b>	<b>103,760,291</b>	<b>61,006,102</b>	<b>53,800,014</b>	<b>377,386,808</b>	<b>(879,229,578)</b>	<b>(283,276,363)</b>



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**NOTES TO FINANCIAL STATEMENTS**  
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**1. GENERAL INFORMATION**

S,C, ELÉCTROPUTERE S,A, (the „Entity“) is an entity set up under the Romanian law. The Entity was initially established in 1949, having its main business purpose the manufacturing of electrotechnical equipment of high currents for energy sector and railway transport, and initially structured in four main production sectors: rotative motors, power transformers, electrical devices and locomotives,.

Electroputere S,A, became a holding Company on August 17, 1994 and was privatized in October 2007, Al-Arrab Contracting Company Limited being the major shareholder.

The adress of the registered office of the Company is: Craiova, Bucuresti street, no, 80.

The main categories of products of the Entity are: power transformers, rotative electrical engines, repairs and upgrades to equipment and installations.

During 2019 approximately 92% (2018: 82%) of sales went to Romanian market, Electroputere S,A, is listed on Bucharest Stock Exchange, having the symbol „EPT“. Its prices per share could be analyzed as follows:

	<u>2019</u>	<u>2018</u>
Minimum price	0.0080	0.0070
Maximum price	0.0085	0.0070

The evolution of number of the Entity’s employees was as follows:

	<u>2019</u>	<u>2018</u>
Average number of employees	392	694
Number of employees	-	629

In 2019, the management of the Company was ensured by a Board of Directors composed of 3 members: Osama Alhalabi, Esmail Alsallom, Amer Al-Khatib. On December 12, 2019, according to the GMS Decisions 85, 86, 87, 88, the following members of the Board of Directors were appointed: Samer Alshalabi, Syed Nadeemudin, Amer Al-Khatib and Hesham Heikal, the latter also being the Chairman of the Board. Also, the executive management was provided by Osama Alhalabi - General Manager. Starting with 15.01.2020, he was replaced by Samer Alshalabi.

**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

**(a) New standards and amendments adopted by the Company**

For financial years beginning with January 1, 2018, the following standards and amendments were applicable for the first time:

**IFRS 9 “Financial Instruments”** - refers to the classification, measurement and recognition of financial assets and liabilities. The full version of IFRS 9 was published in July 2014. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 retains, but simplifies the mixed valuation model and establishes three main categories of financial asset valuation: amortized cost, fair value through other comprehensive income (OCI) and fair value through profit or loss (P&L). The basis of the classification depends on the business model of the entity and the characteristics of the

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contractual cash flow of the financial asset. Investments in equity instruments must be measured at fair value through profit or loss, with the option irrevocable at the beginning to present changes in fair value in other comprehensive income (OIC) items that are not recycled.

IFRS 9 introduces a new model, based on expected losses, that requires early recognition of losses that are expected to arise from impairment of receivables. The standard requires entities to record the expected impairment losses on the receivables from the initial recognition of the financial instruments and also to recognize the expected impairment losses over their lifetime.

For financial liabilities, there were no changes in classification and measurement, except for the recognition of the effects of changes in the credit risk of designated financial liabilities at fair value through profit or loss in other comprehensive income. IFRS 9 relaxes the requirements for the effectiveness of protection by replacing the objective criteria for assessing the effectiveness of protection. It requires an economic relationship between the covered item and the hedging instrument and for the 'coverage index' to be the same as the one the management actually uses for risk management purposes.

Regarding the categories of financial assets, there are no significant differences between the initial categories evaluated according to IAS 39 and the new valuation categories according to IFRS 9 on January 1, 2018. According to IAS 39, all trade receivables were accounted for at amortized cost less impairment adjustments. As of December 31, 2017, the Company did not hold receivables designated to be recorded at fair value through profit or loss. Thus, there was no impact on the equity of the Company from the classification of debt and equity investments.

In accordance with IFRS 9, the Company recognizes impairment adjustments for anticipated losses for instruments that are not carried at fair value through profit or loss and for contractual assets arising from customer contracts. In general, the application of the model for expected loss on receivables will involve the earlier recording of loss on receivables for the relevant items. For trade receivables, impairment losses are estimated on the basis of a simplified approach, recognizing anticipated losses on receivables over their life.

There is no impact on the recognition and measurement of the Company's financial liabilities due to the fact that the new requirements relate only to the accounting of financial liabilities designated to be recorded at fair value through profit or loss. The company does not have such debts.

According to IFRS 9, more risk hedging instruments and more hedged risks will generally meet the conditions for applying hedge accounting. As of December 31, 2018, the Company did not have risk hedging instruments for which to hedge against hedge accounting; consequently, there is no impact on the financial statements in the application of IFRS 9 on hedge accounting.

Except for hedge accounting, IFRS 9 was applied using the simplified initial application option. Being permitted by IFRS 9, the Company did not change the figures for the previous period, which are further reported in accordance with IAS 39. The impact of the application of IFRS 9 was not considered significant by the Company.

**IFRS 15 'Revenue from contracts with customers'** - it aims to recognize revenue and establishes the principles for reporting useful information to users of financial statements regarding the type, value, distribution and uncertainty of revenues and cash flows resulting from the Company's contracts with customers. Revenue is recognized when a customer gains control of a product or service and thus has the ability to direct use and benefit from that

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product or service. The standard supersedes IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

**Amendments to IFRS 15 - "Revenue from contracts with customers"** (issued on April 12, 2016 and effective for periods beginning on or after January 1, 2018). The changes clarify how the "obligation to provide" (the promise to transfer a good or service to a customer) is identified in a contract; how to determine if an entity is a principal (provider of a service or good) or agent (responsible for intermediating the supply of a good or service); or how to determine if the revenue from licensing should be recognized at some point or staggered throughout the contract. In addition, the amendments include two exceptions for cost reduction and complexity for an entity that first applies the new Standard.

The Company adopted the new IFRS 15 standard as of January 1, 2018 using the modified retrospective method, with the cumulative adjustments from initial application recognized in the initial balance of the result carried forward in the year of initial application. As a result, the Company did not apply the requirements of IFRS 15 for previous periods presented.

In accordance with IFRS 15 Revenue from contracts with customers and IFRS 15 Revenue from contracts with customers (Clarifications), there are several transactions in which the Company acts as an agent. An agent recognizes revenues for the commission or for the appropriate fee in exchange for facilitating the transfer of goods or services. According to the new standard, the assessment will be made considering whether the Company controls the respective goods or services before the transfer to the customer, rather than if it is exposed to the significant risks and benefits related to the sale of goods or services.

The initial application of IFRS 15 does not have a significant impact on the result reported by the Company on January 1, 2018. The impact of IFRS 15 on the revenues and costs of identifying the contracts in which the Company acts as an agent was established as insignificant on January 1, 2018 .

**Amendments to IAS 40 - Transfers to investment properties** (issued on December 8, 2016 and effective for periods beginning on or after January 1, 2018).

The changes clarify when an entity must transfer properties, including properties under construction or development, to or from investment property. The amendments provide that a change in use occurs when the property meets or ceases to meet the definition of an investment property and there is evidence of a change in use. A simple change in management's intent to use a property does not provide evidence of a change in use. These changes were not applicable to the Company.

**IFRIC 22 - "Foreign currency transactions and advance consideration"** (issued on December 8, 2016 and in force for annual periods beginning on or after January 1, 2018). This interpretation refers to the determination of the date of the transaction in order to determine the exchange rate to be used in the initial recognition of an asset, an expense or income (or part thereof) in the derecognition of a non-monetary asset or non-monetary debt, generated by an advance payment in foreign currency. According to IAS 21, the date of the transaction for which the exchange rate is used to initially recognize an asset, expense or income (or part thereof) is the date on which an entity initially recognizes the non-monetary asset or liability, non-monetary resulting from an advance payment. If there are multiple payments or receipts in advance, the entity must determine the transaction date for each advance payment or collection. IFRIC 22 applies only when the entity recognizes a non-monetary asset or liability resulting from the consideration or payment in advance.

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IFRIC 22 does not provide guidance on the definition of monetary and non-monetary elements. An advance payment or collection generally leads to the recognition of a non-monetary asset / debt, but can also lead to the recognition of a monetary asset / debt. The entity must apply the professional judgement to determine whether an item is monetary or non-monetary.

The adoption of this interpretation did not have a significant impact on the individual financial statements.

**IFRS 16, "Leases"** refers to leasing contracts and implies the recognition of most lease contracts in the balance sheet. Also, the new standard eliminates the difference between financial and operational leases and involves the recognition of an asset and a financial liability for most leases, an optional exception being short-term or low-value leases. As a major novelty, the tenants will have to recognize in the balance sheet assets and liabilities that were previously identified in the operating leases.

The major impact is the accounting of the lease agreements of the tenants, as they have to recognize that right to use an asset.

The new standard also has an impact on the profit and loss account because the total expenses are higher in the first years of the lease agreements. Operating expenses are also replaced by interest and depreciation expenses, therefore certain financial ratios are subject to change. There have also been changes in the cash flow statement as cash flows from operating activities are higher.

The standard has entered into force for annual periods beginning on or after January 1, 2019 and is allowed to apply earlier, provided that it is adopted at the same time as IFRS 15.

The company estimated that the new standard primarily affects the accounting for operating leases, and the impact on the financial statements as of December 31, 2019 is insignificant.

The Company's activity as lessor is restricted and therefore there was no significant impact on the adoption of IFRS 16 as of January 1, 2019.

**Amendments to IAS 19** (issued on February 7, 2018 and in effect for periods beginning on or after January 1, 2019).

In case of a modification of the pension plan, the standard indicates the use of updated assumptions for determining the expenses regarding the current services and the net interest related to the pension provision in the current period subsequent to the date of the modification of the plan. The amendments were adopted by the European Union as of January 1, 2019. The financial statements as of December 31, 2019 were not impacted as a result of these amendments.

**IFRIC 23 "Uncertainty over income tax treatments"** (issued on June 7, 2017 and in force for the periods starting with or after January 1, 2019). Interpretation addresses the accounting of corporate income tax when the tax treatment involves a degree of uncertainty affecting the application of IAS 12. An entity must determine a way to reduce uncertainty, either for each uncertain tax treatment or for an aggregated approach for several uncertain tax treatments. An entity must start from the premise that the tax authorities will have all the information regarding the examined amounts. If an entity concludes that it is unlikely that the tax authorities will accept an uncertain tax treatment, the effect of the uncertainty will be reflected in determining the tax profit or loss, the tax base, the tax losses reported, the tax credits reported or the tax rates, either by the best estimate. of the amount, either by estimating an expected value, depending on the method used by the entity in reducing the uncertainty. An entity will reflect the effect of changing circumstances (eg, actions of tax

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authorities, changes in legislation, prescribing the period subject to tax inspection, etc.) to estimates and reasoning used. The company assessed the impact of the adoption of these changes on the individual financial statements and considered it insignificant. The interpretation is adopted by the European Union starting with January 1, 2019.

**Annual Improvements to IFRSs 2015-2017** - amendments to IAS 12 and IAS 23 (issued on December 12, 2017 and in effect beginning with or after January 1, 2019).

The amendment to IAS 12 states that an entity will recognize all tax consequences of dividends if it has recognized transactions or events that have generated related distributable profits, for example: in profit or loss or other comprehensive income. It becomes clear that this requirement will apply in all circumstances, as long as payments for financial instruments classified as equity are distributions of profits and not only in cases where the tax consequences are the result of different tax rates for distributed and undistributed profits. .

The amendment to IAS 23 now includes an indication that loans specifically obtained for financing a specific asset are excluded from the category of overhead costs of loans eligible for capitalization only until the specific asset is substantially completed. The amendments are adopted by the European Union as of January 1, 2019. The Company has assessed the impact of the adoption of these amendments on the individual financial statements and has deemed them to be insignificant.

**(b) New standards, amendments and interpretations issued, but not applicable for the financial year ended December 31, 2019, as a result not adopted:**

**Changes to the conceptual framework for financial reporting** (issued on March 29, 2018 and in effect for annual periods beginning with or after January 1, 2020).

The conceptual framework includes a new chapter on evaluation; financial performance reporting guidelines; improvements in definitions and rules - in particular, the definition of debt; and clarifications in important areas, such as the role of agent, the principle of prudence and the assessment of uncertainty in financial reporting.

The amendments were adopted by the European Union. The company is currently evaluating the impact of the amendments on its financial statements.

**Amendments to IAS 1 and IAS 8** - definition of significance threshold (issued on October 31, 2018 and effective for annual periods beginning on or after January 1, 2020). The amendments clarify the definition of the term "significant" and how it should be applied. The new definition states that "Information is meaningful if its omissions, misstatements, or concealment would reasonably influence the decisions that primary users of general purpose financial statements make based on those financial statements, which provide financial information about a particular entity. reporting ". Also, the explanations that accompany the definition have been improved. The amendments also ensure that the definition of the term "significant" is consistent with all IFRS Standards.

The amendments were adopted by the European Union. The company is currently evaluating the impact of the amendments on its financial statements.

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### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the European Union (EU), as provided for by the Public Finance Minister no 2844/2016 and its subsequent amendments.

#### **Basis of preparation**

The financial statements have been prepared on the historical cost basis except for certain classes of property plant and equipment and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below, Historical cost is generally based on the fair value of the consideration given in the exchange for assets

The principal accounting policies are set out below:

#### **Going concern**

The financial statements have been prepared on a going concern basis, under the historical cost convention adjusted for the effects of hyperinflation until 31 december 2003 for share capital and reserves, respectively equipments.

As at December 31, 2019, the Company recorded an accumulated loss from the previous years in the amount of RON 383,366,741, negative net assets in the amount of RON 283,276,363, net current liabilities in amount of RON 547,055,345 and the loss for the year then ended amounts to RON 118,476,029. These matters indicate an uncertainty regarding the Company's ability to continue as a going concern and an decreased liquidity risk. In addition, according to statutory commercial law 31/1990, revised, in the event where the administrators ascertain that, further to incurring losses, the net assets, calculated as the difference between total assets and total liabilities of the Company, are less than half the value of the share capital, the administrators shall convene the general meeting of shareholders to decide whether to increase the share capital or to reduce it to the remaining value or to dissolve the Company.

Management believes that it is unlikely that the Company will be subject to dissolution procedures in the foreseeable future, but the operational activity were closed on 31.12.2019, following that in 2020, the shareholders will take a decision regarding the continuation / closure of the activity. These financial statements include adjustments that might arise from this uncertainty regarding the ability of the Company to continue as a going concern.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

The principal accounting policies are presented below:

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, Revenue is reduced by estimated customer returns, rebates and other similar allowances.

**Sale of goods**

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- The Entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that economic benefits associated with the transaction will flow to the Entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably,

Specifically, revenue from sale of goods is recognized when goods are delivered and legal title is passed. Revenues from the sale of power transformers are recognized using the principles of the construction contracts,

**Rendering of services**

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognized by reference to the proportion of the total cost of providing the servicing for the product sold; and
- revenue from time and material contracts is recognized at the contractual rates as labour hours and direct expenses are incurred,

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Interest income**

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Entity and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Construction contracts (transformers factory)**

In accordance with the provisions of IFRS 15 – Revenue from contracts with clients, when the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative for the stage of completion.

Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately and the Company records provisions for onerous contracts.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts, where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the statement of financial position under trade and other receivables.

**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

***The Entity's as lessor***

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Entity's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Entity's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.



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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Leasing (continued)**

***The Entity as lessee***

Assets held under finance leases are initially recognized as assets of the Entity at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation,

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Entity's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**Foreign currencies**

The Company's operations are in Romania and the functional currency is RON.

In preparing the financial statements of the Entity, transactions in currencies other than the Entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date, Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined, Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks,

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Foreign currencies (continued)**

The official conversion rates used to convert foreign currency denominated balance sheet items at the end of the reporting periods were as follows:

- December 31<sup>st</sup>, 2018: 4.0736 RON/USD si 4.6639 RON/EUR;
- December 31<sup>st</sup>, 2019: 4.2608 RON/USD si 4.7793 RON/EUR;

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale,

All other borrowing costs are recognized in profit or loss account in the period in which they are incurred.

**Employee benefits**

The Entity, in the normal course of business, makes payments to the Romanian State on behalf of its employees for pensions, health care and unemployment cover, The cost of these payments is charged to profit or loss account in the same period as the related salary cost.

The Entity pays employees retirement benefits, benefits which are defined in the Collective Labor Agreement of the Entity.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

**Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Entity's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period,

**Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, Deferred tax liabilities are generally recognized for all taxable temporary differences.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Taxation (continued)**

***Deferred tax (continued)***

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

***Current and deferred tax for the year***

Current and deferred tax are recognized in the profit or loss account, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Statutory income tax rate for 2019 was 16% (December 31, 2018: 16%).

**Property, plant and equipment**

Each asset with an acquisition cost exceeding RON 2,500 and estimated useful life of over one year are capitalized. Fixed assets with an acquisition cost lower than RON 2,500 are recorded as an expense.

***Cost***

The Entity's land and buildings were presented at the date of the transition to International Financial Reporting Standards based on deemed cost, which is equal to the market value of these assets at the date of the transition determined based on a revaluation carried out by an independent appraiser. Subsequently the land and buildings held by the Company have been revalued and are carried in the financial statements at revalued cost.

The Entity's equipments were presented at the date of transition to International Financial Reporting Standards at initial cost on which general price indexes have been applied for the period 1990 - 2003, during which Romania was a hyperinflationary economy.

The expenses with the major improvements are capitalized, based on the criteria whereas they extend the operating life of asset or lead to a significant increase in its ability to generate revenue. Cost of maintenance, repair and minor improvements are shown on expenses when they are carried out.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**  
**Property, plant and equipment (continued)**

***Cost (continued)***

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss account, in which case the increase is credited to profit or loss account to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recorded in profit or loss account to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset. On subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

The Company revaluated its land and buildings as of December 31<sup>st</sup> 2019, with the support of independent evaluator certified by ANEVAR, and the result was a net loss from revaluation of RON 11,364,065 out of which the amount of 33,503,751 was booked as increase of revaluation reserves and the amount of RON 22,139,686 was booked as adjustment in the profit and loss account of the 2019 year.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at the value presented above, deducting any accumulated amortization and any subsequent impairment allowance.

Assets in course of construction to be used for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees, and, for qualifying assets, borrowing costs capitalised in accordance with the International Financial Reporting Standards. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continue use of the asset.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive income.

***Depreciation and amortization***

Property, plant and equipment and intangible assets are depreciated/amortized on a straight line basis, according to their estimated useful lives since the date of put in function, so that the cost to be decreased to the estimated residual value at the end of their useful live. The main useful lives for the various categories of property, plant and equipment are:

	<b><u>Years</u></b>
Buildings and special constructions	30 – 60
Installations and equipment	10 – 25
Computers and electronic equipment	3 – 5
Vehicles	3 – 5

Land is not depreciated as it is assumed to have an unlimited service life.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property, plant and equipment (continued)**

***Depreciation and amortization (continued)***

Estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period. If the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Assets held under finance leases are depreciated over the useful life on the same basis as owned assets or, where the period is shorter, over the term of the relevant lease contract.

An item of property is no longer recognized as a result of the disposal or when no future economic benefits are expected from continued use of the asset.

***Subsequent expenditure***

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalized and the carrying amount of the initial component is canceled. Other subsequent expenditure is capitalized only when future economic benefits are expected through the use of such assets, All other expenditure is recognized in the profit or loss account as incurred.

**Intangible assets**

***Intangible assets acquired separately***

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis, Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

***Internally-generated intangible assets - research and development expenditure***

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development,

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Intangible assets (continued)**

***Internally-generated intangible assets - research and development expenditure***

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognized in the statement of comprehensive income in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

***Derecognition of intangible assets***

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in the statement of comprehensive income when the asset is derecognised.

**Impairment of tangible and intangible assets other than goodwill**

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Impairment of tangible and intangible assets other than goodwill (continued)**

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**Inventories**

Inventories are stated at the lower of cost and net realisable value.

Inventories like raw materials, consumables, materials in the form of inventory items, goods and packages are valued at acquisition cost or the price in foreign currency at the exchange rate on the date of acquisition, plus custom duties, custom fees and travel expenses such as insurance.

Production in progress, semi-finished and finished goods are valued at the production cost.

Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

**Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**Onerous contracts**

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Entity has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Provisions (continued)**

***Restructuring***

A restructuring provision is recognized when the Entity has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

***Warranties***

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Entity's obligation.

**Financial instruments**

Financial assets and financial liabilities are recognized when the Entity becomes a party to the contractual provisions of the instrument.

**Financial assets**

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognised on a trade date basis, Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

***Effective interest method***

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.



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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial assets (continued)**

***Financial assets at FVTPL***

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial assets is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument,

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Entity's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IFRS 9 "Financial instruments": Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "Net financial expenses" in the statement of comprehensive income.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, Loans and receivables (including trade and other receivables, bank balances and cash, etc.) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

**Impairment of financial assets**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Impairment of financial assets (continued)**

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Entity's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- The disappearance of an active market for that financial asset because of financial difficulties,

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

***Derecognition of financial assets***

The Entity derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset other than in its entirety (e.g, when the Entity retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Entity retains control), the Entity allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

**Financial liabilities and equity instruments**

***Classification as debt or equity***

Debt and equity instruments issued by the Entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Financial liabilities and equity instruments (continued)**

##### ***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Entity are recognized at the proceeds received, net of direct issue costs.

##### ***Financial liabilities***

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

##### ***Financial liabilities at Fair Value Through Profit & Loss***

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument,

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Entity's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IFRS 9 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'financial cost, net' line item in the statement of comprehensive income/income statement.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial liabilities and equity instruments (continued)**

***Other financial liabilities***

Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

***Derecognition of financial liabilities***

The Entity derecognises financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognized in profit or loss account.

**Related parties**

Parties are considered related when other party, either through ownership, contractual rights, family relationship or otherwise, has the ability to directly control or significantly influence the other party.

**Operating segments**

An operating segment is a component of the Entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the Entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment information is presented in respect of the Entity's business and geographical segments and is determined based on the Entity's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis,

**Use of estimates**

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Entity's premises) and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Use of estimates (continued)**

In the application of the Entity's accounting policies, as described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Critical accounting judgements

The following are the critical judgements that the directors have made in the process of applying the Entity's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

##### i) Impairment of tangible and intangible assets

At each balance sheet date, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, management estimates future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

##### ii) Useful lives of property, plant and equipment

The Entity reviews for adequacy the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

##### iii) Restructuring provisions

##### iv) Deferred taxes

##### v) Provisions and contingent liabilities

##### vi) Allowances for bad and doubtful customers

##### vii) Allowances for obsolete inventory or for net realizable value adjustments

The directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

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**4. REVENUES**

Below, is in analysis of the Company's revenues for the period.

	<u>Year ended December 31, 2019</u>	<u>Year ended December 31, 2018</u>
Revenues from sales of goods	28,557,973	78,164,392
Revenue from commodities	313	18,185
Revenue from rendering of services	99,778	61,820
Other revenues	<u>3,021,997</u>	<u>3,018,920</u>
<b>Total</b>	<b><u>31,680,061</u></b>	<b><u>81,263,317</u></b>

	<u>Segment revenue</u>	
	<u>Year ended December 31, 2019</u>	<u>Year ended December 31, 2018</u>
Domestic sales (Romania)	26,381,966	56,119,736
Sales on foreign markets	<u>5,298,095</u>	<u>25,143,581</u>
<b>Total</b>	<b><u>31,680,061</u></b>	<b><u>81,263,317</u></b>

**Segmentation revenue and profits**

	<u>Segment revenues</u>		<u>Segment (losses)</u>	
	<u>Dec 31, 2019</u>	<u>Dec 31, 2018</u>	<u>Dec 31, 2019</u>	<u>Dec 31, 2018</u>
Power transformers	21,523,355	60,872,932	(56,983,720)	(18,204,659)
Electric engines	8,504,328	19,117,851	(8,143,583)	(5,587,755)
Administrative - not allocated	<u>1,652,378</u>	<u>1,272,534</u>	<u>(53,348,726)</u>	<u>10,669,964</u>
<b>Total from operations</b>	<b><u>31,680,061</u></b>	<b><u>81,263,317</u></b>	<b><u>(118,476,029)</u></b>	<b><u>(13,122,450)</u></b>

**Segment Assets and Liabilities**

	<u>Segment Assets</u>		<u>Segment Liabilities</u>	
	<u>Dec 31, 2019</u>	<u>Dec 31, 2018</u>	<u>Dec 31, 2019</u>	<u>Dec 31, 2018</u>
Power transformers	88,050,886	125,615,004	222,939,979	221,992,330
Electric engines	29,515,978	39,626,356	60,726,395	64,169,512
Administrative	<u>148,728,123</u>	<u>152,777,869</u>	<u>265,904,976</u>	<u>230,161,472</u>
<b>Total Assets/ Liabilities</b>	<b><u>266,294,987</u></b>	<b><u>318,019,229</u></b>	<b><u>549,571,350</u></b>	<b><u>516,323,314</u></b>

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**Information by geographic area**

	<b>Income by geographic area</b>	
	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>
Greece	-	3,138,373
KSA	-	3,174,580
Romania	26,381,966	56,119,736
Germany	3,003,208	332,888
Italy	1,609,643	3,516,400
Pakistan	-	665,673
Jordan	-	748,231
Iraq	-	3,069,042
USA	225,058	1,090,765
Egypt	-	2,367,742
Netherlands	50,459	1,120,917
Kazakhstan	-	322,799
Sweden	-	202,696
Lithuania	183,106	193,773
Finland	-	2,100,777
Spain	202,130	-
Others	24,491	3,098,925
	<b>31,680,061</b>	<b>81,263,317</b>

**5. COST OF SALES**

	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>
Raw materials	18,705,481	47,623,113
Consumables expenses	911,793	2,410,336
Packages expenses	3,183	13,278
Energy, water and gas	1,571,697	2,477,382
Repairs	7,959	255
Staff costs	12,935,376	22,649,342
Depreciation and amortization related to non-current assets	3,628,483	3,837,121
Others	7	10
Third party services	1,805,868	3,045,326
Transportation expenses	169,353	402,447
Telecommunication expenses	29,198	60,065
Rent	85,740	128,290
Entertainment, promotion and advertising	2,009	1,173
Environmental expenses	227,499	311,939
<b>Total</b>	<b>40,083,646</b>	<b>82,960,077</b>

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**6. OTHER GAINS AND LOSSES**

	<u>Year ended December 31, 2019</u>	<u>Year ended December 31, 2018</u>
Income from sale of fixed assets	823,873	46,018,105
Expenses with disposal of property, plant and equipment	(9,077,505)	(15,177,724)
Income / (Expense) net of exchange differences	<u>(11,229,279)</u>	<u>(875,086)</u>
<b>Total</b>	<b><u>(19,482,911)</u></b>	<b><u>29,965,295</u></b>

**7. OTHER OPERATING EXPENSES**

	<u>Year ended December 31, 2019</u>	<u>Year ended December 31, 2018</u>
Other income	1,650,257	1,104,048
(Expenses with) / Reversal of provisions for current assets	(51,182,322)	1,188,235
(Net expense) with additional liability related fiscal inspection (Note 13)	-	-
(Expenses with) provisions for risks and charges	1,328,669	614,013
(Expense with) depreciation of fixed assets	-	(548,613)
Travel expenses, and transfer postings	-	-
Environmental expenses	-	(2,329,127)
Other expenses	<u>(4,197,144)</u>	<u>(2,226,896)</u>
<b>Total</b>	<b><u>(52,400,540)</u></b>	<b><u>(2,198,339)</u></b>

**8. FINANCE COSTS, NET**

	<u>Year ended December 31, 2019</u>	<u>Year ended December 31, 2018</u>
Interest income	(5,543)	(1,175)
Interest expense from loans and leasing	<u>14,246,990</u>	<u>14,443,776</u>
<b>Total</b>	<b><u>14,241,447</u></b>	<b><u>14,442,601</u></b>



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**9. ADMINISTRATIVE EXPENSES**

	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>
Energy, water and gas	508,031	445,973
Repairs expenses	21,778	16,330
Insurance premiums	93,209	187,362
Staff costs	11,860,052	10,028,629
Fees and charges	10,006	332,899
Entertainment, promotion and advertising	16,110	32,329
Travel and detachment costs	387,339	342,226
Other third party services	2,699,009	2,858,419
Other taxes, charges and similar expenses	1,835,065	1,856,691
Consumables expenses	1,061,170	635,536
Bank charges	303,920	865,431
Merchandise expenses	15,783	20,323
Rent expenses	84,337	160,436
Depreciation expense	3,137,566	3,900,796
Expenses from materials cassation	1,114,431	-
<b>Total</b>	<b>23,147,806</b>	<b>21,683,380</b>

Of the total salary expenses, the following amounts were paid to the members of the Board of Directors and the directors:

- 2018: 2,061,944 RON
- 2019: 1,969,410 RON

**10. INCOME TAX**

(Income) / expense for the current and deferred tax recognized in the income statement (-a) for 2019 and 2018 is detailed below,

	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>
<b>Current tax</b>		
Current income tax expense	-	-
Deferred tax (income)	-	-

**Current income tax information:**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Net profit / (loss)	(118,476,028 )	(13,122,450)
Deductions	(153, 421, 449)	(145,573,051)
Non-taxable income	-	-
Non-deductible expenses	+216,709,574	+158,475,602
Elements assimilated to income	+3,957,740	+4,420,598
Fiscal profit / (loss)	(51,230,163)	+4,200,699
Tax	-	-

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<b>Decembrie 31, 2019</b>	
<b>SITUATION OF NON-COVERED TAX LOSSES FROM PREVIOUS YEARS</b>	
7 years according to the law	
2013	36,301,713.00
2014	6,634,490.00
2015	-1,309,771.00
2016	17,597,798.00
2017	28,642,256.00
2018	-4,200,699.00
<b>TOTAL FISCAL LOSS END 2018 TO RECOVER IN THE NEXT YEARS</b>	<b>83,665,787.00</b>
2019	51,230,163.00
<b>TOTAL FISCAL LOSS END 2019 TO RECOVER IN THE NEXT YEARS</b>	<b>134,895,950.00</b>

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**11. PROPERTY, PLANT AND EQUIPMENT**

<b>COST</b>	<b>Land</b>	<b>Buildings and other constructions</b>	<b>Plant and machinery</b>	<b>Equipment and vehicles</b>	<b>Advances for fixed assets and capital work in progress</b>	<b>Total</b>
<b>December 31, 2018</b>	<b>183,038,498</b>	<b>48,434,462</b>	<b>244,278,065</b>	<b>107,315,962</b>	<b>4,740,115</b>	<b>587,807,102</b>
Additions			117,442	5,853	965,926	1,089,221
Transfers						
Disposals	(4,322,149)	(445,332)	(74,604)	-	(3,846,442)	(8,688,527)
Transfers						
Revaluation impact	(22,189,404)	25,766,142				3,576,738
<b>December 31, 2019</b>	<b>156,526,945</b>	<b>73,755,272</b>	<b>244,320,902</b>	<b>107,321,815</b>	<b>1,859,599</b>	<b>583,784,534</b>
<b>ACCUMULATED DEPRECIATION</b>						
<b>December 31, 2018</b>	<b>72,306</b>	<b>5,868,318</b>	<b>241,113,127</b>	<b>107,272,390</b>	<b>-</b>	<b>354,326,140</b>
Depreciation expense	34,707	5,260,010	1,258,370	8,454	-	6,561,541
Eliminated on disposals of assets	-	(37,786)	(72,496)	-	-	(110,282)
Revaluation impact		(7,787,328)				(7,787,328)
<b>December 31, 2019</b>	<b>107,013</b>	<b>3,303,215</b>	<b>242,299,001</b>	<b>107,280,843</b>	<b>-</b>	<b>352,990,072</b>

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<b>11. PROPERTY, PLANT AND EQUIPMENT (continued)</b>	<b>Land</b>	<b>Buildings and other constructions</b>	<b>Plant and machinery</b>	<b>Equipment and vehicles</b>	<b>Advances for fixed assets</b>	<b>Total</b>
<b>IMPAIRMENT ALLOWANCE</b>						
<b>December 31 2018</b>	-	-	-	(826,561)	(3,606,140)	(4,432,701)
Impairment losses	-	-	(2,021,901)	785,589	1,746,541	510,229
<b>December 31, 2019</b>	-	-	(2,021,901)	(40,972)	(1,859,599)	(3,922,472)
<b>NET BOOK VALUE</b>						
<b>December 31 2018</b>	<b>182,966,192</b>	<b>42,566,144</b>	<b>3,164,938</b>	<b>43,572</b>	<b>207,739</b>	<b>228,948,585</b>
<b>December 31, 2019</b>	<b>156,419,932</b>	<b>70,452,057</b>	-	-	-	<b>226,871,989</b>

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**11. PROPERTY, PLANT AND EQUIPMENT (continued)**

**Fair value of property, plant and equipment**

The Company's land and buildings are disclosed in the financial statements at revalued values as of December 31, 2019, which is the fair value as at the valuation date less accumulated depreciation and impairment allowances.

The fair value of the Company's land was determined using the direct comparison method.

This method is recommended for properties when there is sufficient and reliable data on sales transactions or similar offers involving properties in the area. Analysis of prices at which the transactions were made or of the prices charged or offered for comparable properties is followed by adjustments to such prices, to quantify the differences between the prices paid, charged or offered due to differences between specific characteristics of each property, called elements of comparison.

The fair value of buildings was determined through the cost approach.

This method assumes that the maximum value of an asset for an informed buyer is the amount needed to buy or build a new asset of an equivalent utility. When the asset is not new, all forms of depreciation that can be assigned for those assets up to the valuation date should be subtracted from the current gross cost.

The value at cost of property, plant and equipment as at December 31st, 2019 and December 31st, 2018, net of accumulated expenses with depreciation and impairment is presented below:

	<b><u>Value at cost</u></b> <b><u>Dec 31, 2019</u></b>	<b><u>Value at cost</u></b> <b><u>Dec 31, 2018</u></b>
Land	156,419,932	182,966,192
Buildings and other constructions	70,452,057	42,566,144
Plant and machinery	-	3,164,938
Equipment and vehicles	-	43,572
<b>TOTAL</b>	<b><u>226,871,989</u></b>	<b><u>228,740,846</u></b>

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**11. PROPERTY, PLANT AND EQUIPMENT (continued)**

Based on art. 1 of the EGMS decision no. 79 / 26,04,2018, on February 20, 2019, Electroputere SA donated to the Metropolitan of Oltenia the land with the surface of 3,600 sqm identified with cadastral number 10493/8/8, registered in the Land Book no. 204972, Craiova, Dolj County, located in Craiova, 144 Calea Bucuresti, on which a church is built.

Electroputere SA (as seller) on February 20<sup>th</sup> 2019 has concluded a sale contract having as object the transfer of the following assets (immovables):

- The immovable located in Craiova, 75A Henry Coanda, Dolj county, cadastral number 7402, registered with land book no. 222851 of Craiova Municipality, Dolj County, composed of the plot of land having a surface of 723,27 sqm, together with the building erected on it, having cadastral number 7402-C1;

Total contract price amounts to 173,520 Euro, out of which paid at the signing date by the Buyer.

The sale of the aforementioned assets did not influence the current activity of the company, being not used for such current activity.

**12. INTANGIBLE ASSETS**

	<u>Development expenses</u>	<u>Other intangibles</u>	<u>Advances for intangibles</u>	<u>Total</u>
<b>COST</b>				
<b>December 31, 2018</b>	<b>217,867</b>	<b>2,331,020</b>	<b>557,533</b>	<b>3,106,420</b>
Additions				
Disposals	(217,867)	(2,330,956)	(457,235)	(3,006,059)
<b>December 31, 2019</b>	<b>-</b>	<b>63</b>	<b>100,298</b>	<b>100,361</b>
<b>ACCUMULATED AMORTISATION</b>				
<b>December 31, 2018</b>	<b>71,693</b>	<b>2,262,325</b>	<b>-</b>	<b>2,334,018</b>
Amortisation expense	146,174	68,683	99,675	314,532
Eliminated on disposal of assets	(217,867)	(2,330,956)		(2,548,823)
<b>December 31, 2019</b>	<b>-</b>	<b>51</b>	<b>99,675</b>	<b>99,726</b>
<b>NET BOOK VALUE</b>				
<b>December 31, 2018</b>	<b>0</b>	<b>214,868</b>	<b>557,533</b>	<b>772,402</b>
<b>December 31, 2019</b>	<b>0</b>	<b>12</b>	<b>623</b>	<b>635</b>

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**13. OTHER ASSETS**

	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>
Guarantees on long-term	2,015,722	1,586,132
Guarantees on short-term	2,053,818	1,592,071
Provisions for guarantees	-	(215,747)
Other investments	1,818	1,818
Advance payments	84,539	140,352
Sundry debtors	9,526,272	8,077,676
Taxes receivable	12,823,970	14,090,091
Less: Allowance for doubtful VAT receivable		
<b>Total</b>	<b>26,506,139</b>	<b>25,272,393</b>

During the year ended December 31, 2014 the Company was subject to a VAT reimbursement control by the local tax authorities, covering prior periods December 2008 – February 2014. The VAT amount requested by the Company for reimbursement was RON 8,507,956, The VAT inspectors disallowed the amount requested for reimbursement by the Company and assessed additional VAT liabilities in amount of RON 8,404,943 and additional late payment interest and related penalties in the amount of RON 5,635,396, Following the fiscal inspection, there is an ongoing litigation between ANAF and Electroputere, On 5<sup>th</sup> of October 2017. The Appeal Court of Craiova issued Resolution no, 540 by cancelling the fiscal inspection report and rejected the request of Electroputere for VAT reimbursement. Based on management's best estimate related to the recoverability of these amounts as at December 31, 2017, the Company recorded a receivable equal to amount requested to be reimbursed of RON 8,507,956, a liability of RON 1,752,854, and reversed all the previous existing provisions. During the year 2017, Electroputere paid to ANAF the amount of RON 6,245,767 and by the end of February 2018 paid also the rest of RON 1,472,579, covering practically the whole debt claimed by ANAF. However, Electroputere paid all these amounts being forced by participation to public tenders and has never admitted or recognized the dbt.

At the date of the publication of these financial statements, the above case was solved by High Court of Cassation and Justice Decision no.574 / 05.02.2020, which rejected the appeals filed by both Electroputere and ANAF, resulting that the Decision of the Craiova Court of Appeal no. 530 / 05.10.2017 remained valid.

In March 2020, Electroputere sent to ANAF the request to make the regularizations in the Electroputere account with ANAF based on the High Court Decision, following that in 30 days, the amounts resulting as extra payments during 2017, 2018 and 2019 will be refunded.

Until the date of preparation of the present Financial Statements, ANAF did not proceed to the regularization of the Form, due to the circumstances created by COVID-19 (temporary interruption of the activity).

	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>
Guarantees on long-term	2,015,722	1,586,132
Other current assets	24,490,417	23,686,261
<b>Total</b>	<b>26,506,139</b>	<b>25,272,393</b>

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**14. INVENTORIES**

	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>
Raw materials	5,895,391	10,337,580
Consumables	224,240	289,365
Materials in the form of inventory items	210,584	1,197,212
Packaging	98,513	434,662
Finished goods	1,038,244	1,202,191
Work in progress	763,375	2,632,130
Semi-finished goods	595,416	593,092
Residual products	4,540	5,555
Goods	47,369	47,369
Allowance for impairment of inventories	(8,877,673)	(7,691,104)
<b>Total</b>	<b>-</b>	<b>9,048,052</b>

Inventories are carried at the lower of cost and net realisable value, The Company's policy of recognising allowances for obsolete inventories is for inventories between 6 and 12 months 25%, for inventories older than 12 months but not more than 24 months 50%, for inventories older than 24 months but not older than 36 months 75%, for inventories older than 36 months but not older than 48 months 80% and for those older than 48 months 99%. At December 31<sup>st</sup>, 2019 recognised allowances for impairment of inventories for 100%.

The movement in the allowance for slow moving and obsolete inventory is presented below:

	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>
Balance at the beginning of the year	7,691,104	9,166,596
Charge / (Release) in the current year	1,186,569	(1,475,492)
<b>Balance at the end of the year</b>	<b>8,877,673</b>	<b>7,691,104</b>

**15. TRADE AND OTHER RECEIVABLES**

	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>
Trade receivables	52,935,771	64,296,807
Trade receivables recognised under IAS 11	-	5,839,487
Allowance for doubtful receivables	(46,100,178)	(19,146,563)
Advances paid for inventories	494,474	235,075
Advances paid for services	14,080	22,918
<b>Total</b>	<b>7,344,147</b>	<b>51,247,724</b>

Trade and other receivables are carried at amortized cost, less any impairment losses.

In determining the recoverability of trade receivables, the Company takes into account changes in the creditworthiness of the customer from the date of credit to the reporting date. Concentration of credit risk is limited due to the existence of a large portfolio of clients



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unaffiliated. Thus, the Company's management believes that no additional adjustments are needed for trade receivables impairment than those recognized in these financial statements.

The Company is recording the due dates for the invoices issued based on the commercial clauses included in the contracts concluded between the parties. For the power transformer sales the commercial clauses usually include amounts that will be received by the Company after the put in function of the power transformer in the electric stations of the end customers. The due date of the invoice for the sales of power transformers can suffer changes depending on the date on which the electric station is ready to be used.

The trade receivables recognised under the construction contracts for the open orders as at the financial year end are presented above in the caption "Trade receivables recognised under IAS 11"

**Aging of receivables that are older than 60 days:**

	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>
60-90 days	8,304	412,892
90-120 days	-	49,366
Over 120 days	39,921,055	18,605,826
<b>Total</b>	<b>39,929,358</b>	<b>19,068,084</b>

Movement in allowance for trade receivables is as follows:

	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>
Balance at the beginning of the year	19,146,563	17,150,795
Release in the current year	26,953,615	1,995,768
<b>Balance at the end of the year</b>	<b>46,100,178</b>	<b>19,146,563</b>

**16. CASH AND CASH EQUIVALENTS**

	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>
Bank accounts	5,557,575	2,719,815
Other	14,500	10,258
Cash equivalents	-	-
<b>Total</b>	<b>5,572,075</b>	<b>2,730,073</b>

From the cash in the banks, the amount of RON 1,050,000 is a deposit constituted for the Letter of bank guarantee in favor of ANAF for a rescheduling file of the overdue obligations to the state, with the validity term of 15.03.2022.

**S.C. ELECTROPUTERE S.A.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**17. EMPLOYEE BENEFITS**

According to the Collective Labor Agreement of Electroputere, the employees have the following benefits:

- Retirement benefits: 1 x negotiated salary of the previous month to retiring
- Employee death allowance: 2 x medium salary in the company realized in the previous month
- Fidelity allowance: 1 x minimum salary in the company, paid when the employee reach the seniority of: 25, 30, 35 and 40 uninterrupted in the company.

On 31.12.2019, the provision for the employees benefits was fully reversed, due to the redundancy of all employees.

	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>
Retirement benefits	-	409,058
Death allowance	-	112,333
Fidelity allowance	-	310,750
<b>Total</b>	<b>-</b>	<b>832,141</b>

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**18. ISSUED CAPITAL**

Share capital is fully paid as at December 31, 2019 and December 31, 2018,

	<u>No, of shares</u>	<u>Share capital</u> <i>RON</i>
<b>Share capital at December 31, 2018</b>	<b>1,037,602,913</b>	<b>103,760,291</b>
<b>Share capital at December 31, 2019</b>	<b>1,037,602,913</b>	<b>103,760,291</b>
	<u>No of shares</u>	<u>Procent</u>
<b>Shareholder structure December 31, 2018</b>		
Al-Arrab Contracting Company Ltd	991,284,640	95,54%
Other shareholders	46,318,273	4,46%
<b>Total</b>	<b>1,037,602,913</b>	<b>100%</b>
<b>Shareholder structure December 31, 2019</b>		
Al-Arrab Contracting Company Ltd	991,284,640	95,54%
Other shareholders	46,318,273	4,46%
<b>Total</b>	<b>1,037,602,913</b>	<b>100%</b>

**19. RESERVES**

	<u>Year ended</u> <u>December 31,</u> <u>2019</u>	<u>Year ended</u> <u>December 31,</u> <u>2018</u>
Legal reserves	17,784,866	17,784,866
Revaluation reserves	53,800,012	20,296,261
Other	43,221,238	43,221,238
<b>Total</b>	<b>114,806,116</b>	<b>81,302,365</b>

The revaluation reserve is related to revaluations performed on property, plant and equipment and cannot be used until they are realized, Revaluation reserves cannot be distributed.

The legal reserve created by the Company is in amount of RON 17,784,866 both as at December 31, 2019 and December 31, 2018.

Other reserves include reserves created before 2008 in amount of RON 43,133,772 (their value prior to inflation adjustment was RON 10,828,383), to which was added the revaluation reserve made, related to the sale of fixed assets from January 2018.

If the management decides to change their destination, they will be taxed. The management has decided not to use such reserves, thus no deferred tax has been established in relation thereto.

The value of the revaluation reserves increased after the accounting record of the revaluation report results of the tangible fixed assets - buildings and lands-up to 53,800,012 RON.

**S.C. ELECTROPUTERE S.A.**  
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**20. BORROWINGS**

	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>
<b>Loans guaranteed</b>		
Short term loans from shareholders	347,846,704	328,884,716
Short term loans from banks	13,011,886	57,31,346
<b>Loans guaranteed</b>		
Long term loans	-	-
<b>Total</b>	<b>360,858,590</b>	<b>386,016,062</b>

**a) Amounts due to credit institutions**

By the Addendum no. 31 / 24.09.2019 to the credit agreement no. 22233 / 23.03.2011 concluded between Blom Bank France and Electroputere, the parties agreed to restructure existing Electroputere debts at the date of signing the additional act for the purpose of consolidating in EUR all amounts due by Electroputere based on credit agreements and canceling the total debts of ELECTROPUTERE.

At the date of signing the additional act, the consolidation of all Electroputere debts in EUR represented an amount of EUR 8,415,807.76.

The consolidated credit in the above amount is composed of the following three sublimities of credit:

- a.) EUR 6,885,367.79 - credit for financing the current activity of the borrower
- b.) EUR 144,480 - credit for financing an import credit
- c.) EUR 1,385,959.97 - credit representing the value of the bank guarantee letters issued on the date of signing the additional act.

The interest rate for the loan is at least 5.25% per year.

The credit mentioned in letter. a.) was reimbursed as follows:

- 24,000 EUR - la 30.09.2019
- 1,000,000, EUR - la 31.10.2019
- 1,037,297.79 EUR - la 30.11.2019
- 2,101,519.40 EUR - la 31.12.2019
- 2,722,550.60 EUR - la 31.01.2020

The credit mentioned in letter. b.) was fully reimbursed on 31.12.2019.

The credit mentioned in letter. c.) will be reimbursed at the latest by 30.09.2021. At the date of these Financial Statements, its value is EUR 1,144,829.70, due to the expiry of some guarantee letters validity, existing at the date of signing the additional document.

The above mentioned agreement is pledged with:

- Real estate mortgage over the land located in Craiova, Calea Bucuresti Str,, No, 80, Dolj county, with a surface of 430,832 sqm,, property of SC Electroputere SA, as well as the related constructions,
- Pledge over the cash accounts of the debtor;
- Pledge over the receivables resulting from the agreement sealed by SC Electroputere SA with its clients, According to the addendum 1/30,08,2011 to the Real Warranty agreement, the company is unconditionally obliged to warrant the above mentioned credit through the of rights from the selling agreements between the company and its final clients;
- Guarantee contract entitled „Guarantee and Indemnity” signed by Mada Group For Industrial and Commercial Investment Company Limited, related party, for the amount of EUR 26,200,000,
- Real estate mortgage over the land located in Mogosoaia, Iflov county with a surface of 184,000 sqm, property of SC Electroputere SA

**S.C. ELECTROPUTERE S.A.**  
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**20. BORROWINGS (continued)**

**b) Amounts due to shareholders**

As at December 31, 2019 the amounts owed to the shareholders, are long-term loans from the main shareholder of the Company, Al-Arrab Contracting Company Ltd, in the amount of EUR 44,100,239 equivalent of RON 210,768,274 (December 31, 2018: EUR 44,100,239 equivalent of RON 205,679,106), granted for financing of working capital, environment and development investments, according to the obligations assumed under the privatization agreement no. 67/30,10,2007.

The Company received a notification letter from the shareholders stating that the loans provided to the Company are repayable by December 31, 2022.

Interest payable at December 31, 2019 on loans from shareholders amounts to RON 137,078,431, equivalent of EUR 28,681,693.48 (31 December 2018: RON 123,205,610, equivalent of EUR 26,416,863), calculated at rates no higher than 6,5% per year.

The interest expense related to the shareholders loan for the analyzed period is in amount of RON 13,872,821 (for the year ended December 31, 2018: RON 10,586,349).

According to the loan agreement, Electroputere undertakes to establish in favour of Al-Arrab Contracting Company Ltd a pledge on movable assets (plant, machinery and equipment) required for the manufacture of transformers and electric motors, as well as a real estate mortgage on the land located in Craiova, with the following cadastral numbers: 10493/3 (mortgaged to Blom Bank France S,A), 10493/4 (mortgaged to Blom Bank France S,A), 10493/5 (mortgaged to Blom Bank France S,A), 10493/6/1 (mortgaged to Blom Bank France S,A), 10493/7 (mortgaged to Blom Bank France S,A), 10493/8 (mortgaged to Blom Bank France S,A), 10493/9 (mortgaged to Blom Bank France S,A), 10493/10 (mortgaged to Blom Bank France S,A), 10493/11/2 (mortgaged to Blom Bank France S,A), 10493/11/3 (mortgaged to Blom Bank France S,A), 10493/12 (mortgaged to Blom Bank France S,A), 10493/13/1 (mortgaged to Blom Bank France S,A), 10493/13/3 (mortgaged to Blom Bank France S,A) and 11,042 (without mortgaged to Blom Bank France S,A).

As of the balance sheet date this pledges/mortgages have not been made.

**S.C. ELECTROPUTERE S.A.**  
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**21. PROVISIONS**

	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>
Provisions for guarantees to customers	949,904	1,118,832
Provisions for restructuring	3,236,722	-
Provisions for onerous contracts	-	3,306,538
Provisions for employees benefits	-	-
Provision for environmental liabilities	-	-
Provision for penalties for late delivery	-	-
Other provisions (*)	580,490	837,143
<b>Total</b>	<b>4,767,116</b>	<b>5,262,513</b>

**22. TRADE AND OTHER PAYABLES**

	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>
Trade payables	1,731,173	15,681,273
Invoices to be received	470,151	573,480
Advances from customers	467,301	3,612,872
Sundry creditors	35,127	206,008
Sundry creditors group related	172,206,625	88,739,441
<b>Total</b>	<b>174,910,377</b>	<b>108,813,074</b>

The sundry creditors related to the group are amounts paid by the Group companies – mainly Mada Group, to Electroputere’s suppliers. Whenever such a payment is made the trade payables are settled and a correspondent liability is recorded as Sundry creditors group related.

**23. OTHER LIABILITIES**

	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>
Salaries payable	1,070,234	1,850,227
Social contributions	1,365,546	4,224,517
VAT to be paid	2,173,634	2,956,738
Other taxes	125,370	277,997
Tax on salaries	278,974	730,312
Other current liabilities	1,505,504	1,558,913
<b>Total current liabilities</b>	<b>6,519,262</b>	<b>11,598,704</b>
Other long term liabilities	2,516,005	3,800,820
<b>Total liabilities</b>	<b>9,035,267</b>	<b>15,399,524</b>

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On 03.12.2018, ANAF issued the decision no, 7644 regarding the rescheduling payment for a period of 36 months for the outstanding tax liabilities in amount of RON 8,263,376, from which RON 4,449,995 represents tax liabilities and RON 3,813,381 represents interests, as well as the postponement for the amount of RON 1,357,552 which represents penalties.

The amount of RON 2,516,005 represents late payment for unpaid debts to the State Budget, with a maturity of more than one year. According to the fiscal procedure code, the guarantee for this facility was the distraint of the Electroputere SA stadium with an area of 18,110 sqm at the value of 9,960,500 RON and a bank guarantee letter of 1,050,000 RON.

## 24. FINANCIAL INSTRUMENTS

### a) Capital risk management

The Entity's objectives when managing capital are to safeguard the Entity's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Entity consists of debt, which includes the borrowings presented at note 20, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings, as presented in notes 18 and 19.

Consistent with others in the industry, the Entity monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital, Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'capital and reserves' as per the balance sheet plus net debt.

The gearing ratios as at June 30, 2019 and 2018 were as follows:

	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>
Total borrowings	360,858,590	386,016,062
Less: cash and cash equivalents	<u>(5,572,075)</u>	<u>(2,730,073)</u>
<b>Net debt</b>	<b><u>355,286,515</u></b>	<b><u>383,285,989</u></b>
Total capital and reserves	(283,276,363)	(198,304,085)
Gearing ratio	n/a	n/a

### b) Interest rate risk management

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Financial instruments bear interest at market rates, therefore it is considered that their fair values did not differ significantly from the carrying amounts.

### c) Credit risk management

#### **Interest rate sensitivity**

The Company is subject to credit risk due to its trade receivables and other types of claims. The Company has policies to ensure that sales are made to customers with appropriate references on their creditworthiness. Date of maturity of debt is closely

**S.C. ELECTROPUTERE S.A.**  
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monitored and amounts due after exceeding it are pursued promptly. Trade receivables (customers) are presented net of adjustments for impairment of doubtful debts. The company develops policies that limit the amount of credit exposure to any financial institution.

**d) Fair value of the financial instruments**

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard term and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes);
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments
- The fair values of derivative instruments are calculated using quoted prices, Where such prices are not available using discounted cash flow analysis, based on the yield curve which do not include options models and valuation models for derivatives which have options pricing models,

The financial instruments from statement of financial position includes trade and other receivables, cash and cash equivalents, borrowings both short term and long term and other liabilities. Estimated fair values of these instruments approximate their carrying amounts. Carrying amounts represent the Company's maximum exposure to credit risk of existing claims.

**e) Foreign currency risk management**

The Entity is exposed to foreign exchange rate fluctuations in trade and finance, Currency risk arising from recognized assets and payables including loans denominated in foreign currency, Due to the high costs associated with Company policy is not to use derivative financial instruments to mitigate this risk,

**f) Liquidity risk management**

A prudent liquidity management involves maintaining sufficient cash and credit lines available, by a continuous monitoring of the estimated and real cash flow and by correlating the due dates of the financial assets and liabilities. Given the nature of its business, the Company aims at being flexible with regard to financing options, by maintaining credit lines available to finance the operating activities, as well as by the financial support from the majority shareholder.

The following tables detail the Company's remaining contractual maturity for financial liabilities.



**S.C. ELECTROPUTERE S.A.**  
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**25. RELATED PARTY TRANSACTIONS**

Balances and transactions with related parties are as follows:

	Amounts receivable from Related Parties		Amounts payable to Related Parties	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Al-Arrab Contracting Company Ltd	577,884	119,875	347,846,704	328,884,716
Mada Group for Industrial and Commercial investment	2,850	2,850	-	-
Mabani Steel	-	-	-	-
Mada Gypsum Company Ltd	-	-	80,933	28,329
Cladtech International	-	-	-	1,421
Al Rahji	-	-	172,125,692	88,706,292
Saudi Waterproofing Company	-	-	-	3,399
Unipods LLC	-	-	-	-
Tony Akiki	-	-	-	-
<b>Total</b>	<b>580,734</b>	<b>122,725</b>	<b>520,053,329</b>	<b>417,624,157</b>
	Revenues		Expenses	
	12 months 2019	12 months 2018	12 months 2019	12 months 2018
Al-Arrab Contracting Company Ltd	-	-	13,872,821	10,586,349
Mada Gypsum Company LTD	-	-	-	-
Unipods LLC	-	-	-	-
Saudi Waterproofing Company	-	-	-	-
Mabani Steel	-	-	-	-
Al Rajhi	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>13,872,821</b>	<b>10,586,349</b>

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## **26. COMMITMENTS AND CONTINGENCIES**

### **Litigations**

As at December 31, 2019 the Entity is subject to a number of lawsuits arising in the normal course of business. The Company's management believes that these actions will not have a material adverse effect on economic performance and financial position of the Company.

There are the following:

- Claimant ELECTROPUTERE - Defendant ANAF regarding the contestation of the Fiscal Inspection Report from 2015; at the deadline of 05.02.2020, this case was resolved favorably at the High Court, ANAF will make the regularizations in the Payroll Form and reimburse the amounts paid and not owed by Electroputere
- Claimant ELECTROPUTERE - Defendant DAB Ltd. Greece for payment of EUR 450,000 delivered and unpaid product and EUR 109,050 penalties for non-payment at maturity of the mentioned amount. The case is pending before the High Court.
- Claimant ELECTROPUTERE - Defendant PARALOS ENGINEERING Greece for payment of 188,000 EUR product delivered and unpaid. The case is pending before the High Court.
- Claimant ELECTROPUTERE - Defendant DAB INDUSTRY SRL Romania for the payment of the amount of 3,151,436 RON, delivered and unpaid product
- Claimant ELECTROPUTERE - Defendant PRENECON Greece for payment of the amount of 37,500 EUR product delivered and not paid. In the role of the Greek courts.
- Claimant DAB Ltd. - Defendant ELECTROPUTERE for the payment of 129,290 EUR damages generated by the non-delivery of a transformer.
- Claimant DAB INDUSTRY SRL - Defendant ELECTROPUTERE for the payment of 204,024 EUR outstanding agent commission and 212,739 EUR penalties.
- A number of 483 files in which the applicants are former employees requesting confirmation certificates regarding the classification in the second work group

### **Taxation**

Taxation system in Romania is still developing trying to consolidate and harmonize with the European legislation, In this respect, there still are various interpretations of the tax laws, In certain cases, tax authorities may treat differently certain aspects and calculate supplementary taxes and levies and related interests and penalties.

According to the legislation in force, during 2019, interest and delay penalties were levied for tax payers' failure to pay their tax obligations on time.

In 2019, the interest value is 0,02% for each day of delay; the delay penalties are 0,01% for each day of delay.

In Romania, the fiscal year stays open for verifications during 5 years, The management estimates that the tax liabilities included in these financial statements are adequate.

In accordance with the provisions issued by the Ministry of Public Finance, which regulate the tax regime of items of equity which have not been subject to income tax as at their accounting registration, due to their nature, should the Company change the destination of revaluation reserves (by covering losses or allocation to shareholders), it will incur additional income tax liabilities.

**S.C. ELECTROPUTERE S.A.**  
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### **Transfer pricing**

The tax laws in Romania have included rules regarding the transfer pricing between affiliates since 2000. The current legislative framework defines the "market value" principle for the transactions between affiliates, as well as methods of setting transfer pricing. In accordance with the relevant tax laws, the tax assessment of a transaction conducted between affiliates is based on the concept of the market price pertaining to the respective transaction. Based on this concept, transfer pricing need to be adjusted such as to reflect the market rates set between non-affiliates acting independently at arm's length. As a result, it is expected that the tax authorities should initiate thorough verifications of the transfer pricing, in order to make sure that the fiscal result and/or customs value of the imported goods are not distorted by the effect of the rates used for the transactions with affiliates. It is likely that the tax authorities should conduct verifications of the transfer pricing to determine whether the respective prices are at arm's length and the taxable base of the Romanian taxpayer is not distorted. The Company cannot quantify the result of such verification. The Company considers that the related party transactions were conducted at market rates.

### **Environment**

The regulations regarding the environment are in a development phase in Romania and the Company did not record any liabilities as at December 31, 2019 and December 31, 2018 for any anticipated costs, including legal and consulting fees, design and implementation of remedial plans regarding the environment.

On February 24, 2010, the Regional Agency of Environment of Dolj County issued an environmental authorization valid until February 24, 2020, By this authorisation the Company was not required to adhere to any compliance program.

### **Fixed assets sale**

In May 2019 Electroputere SA had to sell the following assets (real estate):

- The immovable located in Craiova, 80 Calea Bucuresti, Dolj county, cadastral number 10493/6/1/1, registered with land book no, 206147 of Craiova Municipality, Dolj County, composed of the plot of land having a surface of 6,463 sqm, together with the buildings erected on it, having cadastral numbers 10493/6/1/1-C66, C67, C69;
- The immovable located in Craiova, 80 Calea Bucuresti, Dolj county, cadastral number 205684, registered with land book no, 205684 of Craiova Municipality, Dolj County, composed of the plot of land having a surface of 6,716 sqm, together with the buildings erected on it, having cadastral numbers 205684-C2;

Total contract price amounts to 3,426,540 Euro.

Until the date of the present annual financial statements as of December 31, 2019, the above mentioned transaction did not take place and the contracting parties (seller / buyer) have not agreed on the date on which it will occur.

**S.C. ELECTROPUTERE S.A.**  
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(all amounts are expressed in RON, unless otherwise specified)

**27. RESULT PER SHARE**

	<u>Year ended December 31, 2019</u>	<u>Year ended December 31, 2018</u>
Profit/Loss of the year	(118,476,029)	(13,122,450)
No. of shares	1,037,602,913	1,037,602,913
<b>Losses per share</b>	<b>(0.11)</b>	<b>(0.01)</b>

**28. SUBSEQUENT EVENTS**

**I. Reducing activity**

In an attempt to mitigate operational losses, beginning with June 2018, the management of the company decided to increase the gross margin in all the offers presented to customers, which made Electroputere's prices no longer competitive: the Power Transformer Division failed to acquire new contracts, and in the Rotating Electrical Machines Division the last signed contract was in January 2019, a contract that did not provide enough volume of work.

Within the Power Transformers Division, in 2018 the company tested the outsourcing of Metallic Construction, The outsourcing of Metallic Construction (transformer vats) is a current practice among global transformer manufacturers, Electroputere being one of the few companies in the world market which produce the transformer vats internally. That is why we are considering outsourcing the production of transformer vats for ongoing projects and for future ones when will be the case.

As a result of the analysis carried out and in order to minimize the costs in order to stop the losses, it is necessary to close the operational activity after the completion of the ongoing projects, in the conditions in which the possibility of purchasing new contracts is not foreseen to ensure a volume of activity in within the Transforming Division and the Rotary Electric Machines division.

The measure is due to the lack of perspective regarding finding solutions that could support the activity and costs within the company in terms of efficiency and profitability.

The closing of the operational activity will also affect the general services.

Thus, the active personnel who carry out their activity in the Rotary Electric Machines division and in the Transformers division will remain practically without the object of the work as the activity of each employee to complete the ongoing projects will be completed.

In this context, the solution of resizing the current structure within the two divisions remained practically without volume of activity is required with stringency, under the conditions in which the current structure can no longer be maintained in terms of efficiency and profitability.

At the level of the general services, the restructuring will be done in such a way as to ensure the functionality of the company until the closing of the operational activity.

Thus, taking into account the ones presented above, in 2019, a number of 261 employees was restructured, after the first dismissal process, remaining at the date of

**S.C. ELECTROPUTERE S.A.**  
**NOTES TO FINANCIAL STATEMENTS**  
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these financial statements a number of 0 employees.

**II. State of emergency COVID-19**

As a result of the state of emergency generated by COVID-19, the company started, from the first information on the potential outbreak of an epidemic, a sustained process of monitoring the risks generated by the impact of this phenomenon and analyzing the company's activity in all aspects ( market, operational, liquidity risks, personnel risks, etc.). The impact of the continuity risk on the activity was analyzed very carefully. The business continuity plan elaborated by the company for emergency situations, was completed and revised with new provisions adapted to the specifics of this situation generated by the state of emergency regarding COVID19. According to the internal norms, the Emergency Intervention Team generated by COVID19 was set up, which undertook and undertakes activities and measures to support the process of monitoring the risks generated by the impact of the COVID19 phenomenon, giving great importance to the continuity of activities. It was analyzed very carefully in terms of direct implications on compliance with the principle of business continuity and assessed how society could be affected. The impact generated is in a continuous dynamic and it is estimated that it will be short-lived on the economic parameters of the company. The company constantly monitors in all aspects the risks that could be generated by the impact of this phenomenon, the impact assessment being performed in different stages according to the gravity of the situation regarding the business perspective, giving greater importance to the analysis of exposure to business risk and implications. financial statements. We believe that our company has the necessary mechanisms to respond appropriately to the challenges of this period, so as to protect its economic interests, to protect the interests of shareholders and employees, in accordance with applicable law and the company's objectives.



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**SAMER AL SHALABI**  
President



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**LAVINIA PETCU**  
Financial Manager

**S.C. ELECTROPUTERE S.A.**  
**STATEMENT OF RESPONSIBILITY**  
**AS OF DECEMBER 31, 2019**  
**(all amounts are expressed in RON, unless otherwise specified)**

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**STATEMENT OF RESPONSIBILITY**  
as per art,30 from the Accounting Law no,82/1991  
and ASF Regulation no, 5/2008

The financial statements as of December 31, 2019 have been drawn up for:

**Entity:** ELECTROPUTERE S.A,

**Headquarters:** CRAIOVA, 80 Calea Bucuresti Street, Dolj County

**Unique Identification Number at the Trade Register Office:** 6312800

**Registration no, in the Trade Register:** J 16/12/1991

**Subscribed and paid up capital:** 103,760,291,30 lei

**Regulated market where issued securities are traded:** Bucharest Stock Exchange – 2nd  
Category

The undersigned SAMER AL SHALABI, as President and member of the company Board of Directors, and LAVINIA PETCU, as Financial Manager, assume the responsibility for the financial statements as of December 31, 2019 and acknowledge that:

- the accounting policies used when drawing up the financial statements are in compliance with the applicable accounting regulations;
- the financial situations are a trustworthy reflection of the financial status and of the information related to the activity developed;
- the legal entity is running the activity uninterruptedly.

The financial statements on December 31, 2019 have been audited .



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**SAMER AL SHALABI**  
President



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**LAVINIA PETCU**  
Financial Manager