Report 1st quarter of 2020 according to ASF Regulation no. 5/2018
Reporting date: May 15, 2020
Name of the Trade Company: S.C. Electroputere S.A.
Headquarters: Craiova, 80 Calea București Street, Dolj County
Tel: 0251 / 437 119; Fax: 0372 003 056
Tax Code: 6312800
Registration in the Trade Register: J16/12/1991
Subscribed and paid up capital: 103.760.291,30
Regulated market where issued securities are traded: Bucharest Stock Exchange

General information

S.C. ELECTROPUTERE 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.
Electroputere S.A. is listed on Bucharest Stock Exchange, having the symbol „EPT”.

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

1. **Presentation of the main events that occurred in the first quarter of 2020 and their impact on the issuer’s financial situation and its branches.**

2. **Economical and financial indicators**

Indicator	Calculation method	Result
Current liquidity ratio	Current assets/ debts	0.06
Indebtedness indicator	Loan capital / Equity *100 Loan capital / Capital employed *100	N/A
Rate of debit turnover - customers	Average balance client / Turnover*90	713
Rate of fixed assets turnover	Turnover / Fixed assets	0

3. **Economical and financial situation and analysis of S.C. Electroputere S.A. activity on March 31, 2020**

Detailed comparative synthetic situation (1^{st} quarter, 2019 – 1^{st} quarter 2020) as well as the activity analysis of S.C. Electroputere S.A. are presented as follow:

S.C. ELECTROPUTERE S.A.

FINANCIAL STATEMENTS
AS OF MARCH 31, 2020

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

UNAUDITED

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CONTENT: **PAGE:**

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S.C. ELECTROPUTERE S.A.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
AS OF MARCH 31, 2020
(all amounts are expressed in RON, unless otherwise specified)

	Note	Quarter ended March 31, 2020 unaudited	Quarter ended March 31, 2019 unaudited
Revenue	**4**	532.199	15.014.076
Cost of sales	**5**	(293.070)	(14.599.282)
Gross profit / (loss)		**239.129**	**414.794**
Administrative expenses	**9**	(7.573.424)	(6.380.900)
Other operating expenses	**7**	5.335.216	2.244.476
Distribution expenses		(17.363)	(334.643)
Other gains or (losses)	**6**	(5.189.879)	(9.295.079)
Finance costs	**8**	(2.846.772)	(3.675.711)
Finance income	**8**	3.456	719
Profit/Loss before tax		**(10.049.637)**	**(17.026.344)**
Income tax credit	**10**		
Profit/Loss for the year		**(10.049.637)**	**(17.026.344)**
Other comprehensive income, net of tax:			
Gain on revaluation of properties		-	-
Deferred tax related revaluation of properties		-	-
Total comprehensive income		**(10.049.637)**	**(17.026.344)**
Earnings/losses per share		**(0.010)**	**(0.016)**

SAMER AL SHALABI
President

LAVINIA PETCU
Financial Manager

The notes atached are an integral part of these financial statements.
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S.C. ELECTROPUTERE S.A.
STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2020
(all amounts are expressed in RON, unless otherwise specified)

	Note	March 31, 2020 unaudited	December 31, 2019 audited
ASSETS			
Non-current assets			
Property, plant and equipment	**11**	226.033.135	226.871.990
Intangible assets	**12**	623	636
Other assets	**13**	474.507	2.015.722
Total non-current assets		**226.508.265**	**228.888.348**
Current assets			
Inventories	**14**	494.551	-
Trade and other receivables	**15**	1.810.766	7.344.146
Other assets	**13**	26.922.034	24.490.418
Cash and cash equivalents	**16**	4.328.363	5.572.075
Total current assets		**33.555.714**	**37.406.639**
Total assets		**260.063.979**	**266.294.987**
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	**17**	103.760.291	103.760.291
Reserves	**18**	114.806.116	114.806.116
Accumulated deficit		(511.892.406)	(501.842.770)
Total equity		**(293.325.999)**	**(283.276.363)**
Non-current liabilities			
Borrowings	**19**	-	-
Retirement benefit obligation LT		-	-
Other non-current liabilities	**23**	-	2.516.005
Total non-current liabilities		**-**	**2.516.005**
Current liabilities			
Trade and other payables	**21**	189.239.848	174.910.377
Retirement benefit obligation ST		-	-
Borrowings	**19**	354.009.149	360.858.590
Provisions	**20**	1.638.684	4.767.116
Other current liabilities	**22**	8.502.297	6.519.262
Total current liabilities		**553.389.978**	**547.055.345**
Total liabilities		**553.389.978**	**549.571.350**
Total equity and liabilities		**260.063.979**	**266.294.987**

SAMER AL SHALABI
President

LAVINIA PETCU
Financial Manager

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S.C. ELECTROPUTERE S.A.
STATEMENT OF CASH FLOW
FOR THE QUARTER ENDED MARCH 31, 2020
(all amounts are expressed in RON, unless otherwise specified)

	Quarter ended as at:	
	March 31, 2020	March 31, 2019
Cash flow from operating activities:	**unaudited**	**unaudited**
Net loss	**(10.049.637)**	**(17.026.344)**
Adjustments:		
Depreciation and amortization of non-current assets	1.075.209	1.816.166
Revaluation of property effect	-	-
Adjustment of impairment of non current assets	241.718	-
Expense / (Reversal) of provisions for doubtful accounts receivable	1.715.770	(520.027)
Provisions for other current assets	-	44.697
Charges to / (Reversal of) provisions for slow moving and obsolete inventories	-	(2.076.234)
Reversal of) / Charges to provisions for risks and charges	(3.128.432)	(3.346.173)
Income from fixed assets sale	(478.059)	324.474
Expense with provision for employee benefits	-	-
Net interest income/(loss)	2.843.317	3.674.990
Unrealized forex (gain) / loss differences	(1.333.994)	-
Other long term liabilities	(2.516.005)	-
Movements in working capital:		
(Increase) / Decrease in trade and other receivables	(25.259)	(7.219.434)
Decrease / (Increase) in inventories	(494.551)	3.368.899
Decrease / (Increase) of good execution guarantees granted to customers	1.541.215	(119.276)
Decrease / (Increase) in prepayed expenses	1.411.252	1.496.521
Increase in trade and other payables	16.312.507	8.567.727
Cash (used in) / generated by operations	**7.115.051**	**(11.014.014)**
Interest paid	(51.342)	1.549.156
Interest received	3.456	-
Cash flows (used in) / generated by operating activities	**7.067.165**	**(9.464.858)**
Cash flow from investing activities:		
Payments for acquisitions of property, plant and equipment and intangible assets	-	(84.903)
Proceeds from disposals of property, plant and equipment	-	-
Cash flows (used in) investing activities	**-**	**(84.903)**

The notes atached are an integral part of these financial statements.
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S.C. ELECTROPUTERE S.A.
STATEMENT OF CASH FLOW
FOR THE QUARTER ENDED MARCH 31, 2020
(all amounts are expressed in RON, unless otherwise specified)

	Quarter ended March 31, 2020	Quarter ended March 31, 2019
Cash flow from financing activities:	**unaudited**	**unaudited**
Increase / (Decrease) in loans from financial instiutions	(8.310.878)	(8.861.539)
Payments for leasing	-	-
Cash generated by / (used in) financing activities	**(8.310.878)**	**()8.861.539**
Net (decrease) in cash and cash equivalents	**(1.243.713)**	**(688.222)**
Cash and cash equivalents at the beginning of the year	**5.572.075**	**2.730.073**
Cash and cash equivalents at the end of the year	**4.328.363**	**2.041.850**

SAMER AL SHALABI
President

LAVINIA PETCU
Financial Manager

S.C. ELECTROPUTERE S.A.
STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED MARCH 31, 2020
(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
Balance at January 1, 2019	**103,760,291**	**61,006,102**	**20,296,263**	**377,386,808**	**(760,753,549)**	**(198,304,085)**
Loss for the year	-	-	-	-	(118.476.029)	(118.476.029)
Revaluation of property gain	-	-	33.503.751	-	-	33.503.751
Other comprehensive income	-	-	-	-	-	-
Elimination of share capital inflation adjustment	-	-	-	-	-	-
Others	-	-	-	-	-	-
Balance at December 31, 2019	**103.760.291**	**61.006.102**	**53.800.014**	**377.386.808**	**(879.229.578)**	**(283.276.363)**

SAMER AL SHALABI
President

LAVINIA PETCU
Financial Manager

S.C. ELECTROPUTERE S.A.
STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED MARCH 31, 2020
(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
Balance at January 1, 2020	**103.760.291**	**61.006.102**	**53.800.014**	**377.386.808**	**(879.229.578)**	**(283.276.363)**
Loss at March 31, 2020	-	-	-	-	(10.049.637)	(10.049.637)
Revaluation of property gain	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-
Deffered tax related revaluation reserves	-	-	-	-	-	-
Others	-	-	-	-	-	-
Balance at March 31, 2020	**103.760.291**	**61.006.102**	**53.800.014**	**377.386.808**	**(889.279.214)**	**(293.325.999)**

SAMER AL SHALABI
President

LAVINIA PETCU
Financial Manager

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

1. GENERAL INFORMATION

S.C. ELECTROPUTERE 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.

Electroputere S.A. is listed on Bucharest Stock Exchange, having the symbol „EPT". Its prices per share could be analyzed as follows:

	2020	2019
Minimum price	0.0125	0.0080
Maximum price	0.0125	0.0085

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

	2020	2019
Average number of employees	56	556

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 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 expacted 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 uncertainity 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 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.

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 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.

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 ammendments.

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 March 31, 2020, the Company recorded an accumulated loss from the previous years in the amount of RON 501.842.769, negative net assets in the amount of RON 293.325.999, net current liabilities in amount of RON 553.389.978 and the loss for the quarter then ended amounts to RON 10.049.637. 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. As a result, the Company's capacity to continue as a going concern depends on the financial support from its shareholders. Management believes that such a support will be available whenever necessary. These financial statements do not include adjustments that might arise from this uncertainty regarding the ability of the Company to continue as a going concern.

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.

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.

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.

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

- December 31st, 2019: 4,2608 RON/USD si 4,7793 RON/EUR;
- March 31st, 2020: 4,3983 RON/USD si 4,8254 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.

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 the first quarter of 2020 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 revalaued 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.

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

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.

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 31st 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, pland 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:

	Years
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.

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 attibutable 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.

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 if 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.

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.

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 FVTPL

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-tem 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.

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.

Use of estimates

In the application of the Entity's accounting policies, as described above, the directors are re 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 a 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.

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

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.

4. REVENUES

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

	March 31, 2020	March 31, 2019
	unaudited	unaudited
Revenues from sales of goods	115.000	13.987.851
Revenue from commodities	-	-
Revenue from rendering of services	-	11.506
Other revenues	417.199	1.014.719
Total	**532.199**	**15.014.076**

5. COST OF SALES

	March 31, 2020	March 31, 2019
	unaudited	unaudited
Raw materials	3.010	7.853.404
Consumables expenses	31.825	503.853
Packages expenses	-	(478)
Energy, water and gas	185.936	688.831
Repairs	5.666	153
Staff costs	-	4.173.704
Depreciation and amortization related to non-current assets	-	826.469
Others	-	(10)
Third party services	52.280	452.395
Discounts received	-	-
Transportation expenses	-	47.129
Telecommunication expenses	-	11.722
Rent	14.353	25.939
Entertainment, promotion and advertising	-	1.462
Environmental expenses	-	14.709
Total	**293.070**	**14.599.282**

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

6. OTHER GAINS AND LOSSES

	March 31, 2020	**March 31, 2019**
	unaudited	**unaudited**
Income from sale of fixed assets	-	823.873
Expenses with disposal of property, plant and equipment	(3.334)	(1.101.908)
Income / (Expense) net of exchange differences	(5.186.545)	(9.017.044)
Total	**(5.189.879)**	**(9.295.079)**

7. OTHER OPERATING EXPENSES

	March 31, 2020	**March 31, 2019**
	unaudited	**unaudited**
	RON	***RON***
Other income	221.955	294.344
(Expenses with) / Reversal of provisions for current assets	2.341.605	3.373.325
(Net expense) with additional liability related fiscal inspection (Note 13)	-	-
(Expenses with) provisions for risks and charges	3.128.432	1.621.556
(Expense with) depreciation of fixed assets	-	-
Travel expenses, and transfer postings	-	-
Environmental expenses	-	-
Other expenses	(356.776)	(3.044.749)
Total	**5.335.216**	**2.244.476**

8. FINANCE COSTS, NET

	March 31, 2020	**March 31, 2019**
	unaudited	**unaudited**
Interest income	(3.456)	(719)
Interest expense from loans and leasing	2.846.772	3.675.711
Total	**2.843.316**	**3.674.992**

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

9. ADMINISTRATIVE EXPENSES

	March 31, 2020	March 31, 2019
	unaudited	**unaudited**
Energy, water and gas	-	176.793
Repairs expenses	-	9.622
Insurance premiums	-	28.051
Staff costs	5.043.060	2.737.867
Fees and charges	303.910	2.671
Entertainment, promotion and advertising	3.604	5.114
Travel and detachment costs	29.757	160.312
Other third party services	667.699	703.828
Other taxes, charges and similar expenses	429.342	424.758
Consumables expenses	-	1.075.939
Bank charges	17.707	79.800
Merchandise expenses	-	7.710
Rent expenses	-	31.229
Depreciation expense	1.078.345	937.206
Total	**7.573.424**	**6.380.900**

10. INCOME TAX

(Income) / expense for the current and deferred tax recognized in the income statement (-a) for 2020 and 2019 is detailed below.

	March 31, 2020	March 31, 2019
	unaudited	**unaudited**
Current tax		
Current income tax expense	-	-
Deferred tax (income)	-	-

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

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and other constructions	Plant and machinery	Equipment and vehicles	Advances for fixed assets and capital work in progress	Total
COST						
December 31, 2019	**156.526.945**	**73.755.272**	**244.320.902**	**107.321.815**	**1.859.599**	**583.784.534**
Additions	-	-	-	-	-	-
Transfers						
Disposals	-	-	5.376	-	-	5.376
Transfers						
Revaluation impact						
March 31, 2020	**156.526.945**	**73.755.272**	**244.315.526**	**107.321.815**	**1.859.599**	**583.779.158**
ACCUMULATED DEPRECIATION						
December 31, 2019	**(107.013)**	**(3.303.215)**	**(242.299.001)**	**(107.280.843)**	**-**	**(352.990.072)**
Depreciation expense	(8.676)	(827.939)	(239.574)	(2.143)	-	(1.078.333)
Eliminated on disposals of assets	-	-	(3.135)	-	-	(3.135)
Revaluation impact						
March 31, 2020	**(115.689)**	**(4.131.154)**	**(242.535.440)**	**(107.282.986)**	**-**	**(354.065.269)**

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

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	Buildings and other constructions	Plant and machinery	Equipment and vehicles	Advances for fixed assets	Total
IMPAIRMENT ALLOWANCE						
December 31 2019	**-**	**-**	**(2.021.900)**	**(40.972)**	**(1.859.599)**	**(3.922.471)**
Impairment losses reversed	-	-	241.814	2.143	-	243.958
March 31, 2020	**-**	**-**	**(1.780.086)**	**(38.829)**	**(1.859.599)**	**(3.678.514)**
NET BOOK VALUE						
December 31 2019	**156,419,932**	**70,452,057**	**-**	**-**	**-**	**226,871,989**
March 31, 2020	**156.411.256**	**69.624.118**	**-**	**-**	**-**	**226.033.135**

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

11. PROPERTY, PLANT AND EQUIPMENT (continued)

1. Fixed asstes mortgaged

As of March 31, the net book value of fixws assets mortgaged in bank favour related to the company loans is RON 220.422.950(31 December 2019 : RON 221.258.069).

2. 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 March 31, 2020 and December 31, 2019, net of accumulated expenses with depreciation and impairment is presented below:

	Value at cost March 31, 2020	**Value at cost December 31, 2019**
	unaudited	**audited**
Land	156.411.256	156,419,932
Buildings and other constructions	69.624.118	70,452,057
Plant and machinery	-	-
Equipment and vehicles	-	-
TOTAL	**226.033.135**	**226,871,989**

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

12. INTANGIBLE ASSETS

	Development expenses	Other intangibles	Advances for intangibles	Total
COST				
December 31, 2019		**63**	**100.298**	**100.362**
Additions	-	-	-	-
Disposals	-	-	-	-
March 31, 2020	**-**	**63**	**100.298**	**100.362**
ACCUMULATED AMORTISATION				
December 31, 2019	**-**	**(51)**	**-**	**(51)**
Amortisation expense	-	(12)	-	(12)
Eliminated on disposal of assets	-	-	-	-
March 31, 2020	**-**	**(63)**	**-**	**(63)**
IMPAIRMENT ALLOWANCE				
December 31, 2019	**-**	**-**	**(99.675)**	**(99.675)**
Impairment losses of intangible assets in progress	-	-	-	-
March 31, 2020	**-**	**-**	**(99.675)**	**(99.675)**
Net book value				
December 31, 2019	**0**	**12**	**623**	**635**
March 31, 2020	**-**	**-**	**623**	**623**

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

13. OTHER ASSETS

	March 31, 2020	**December 31, 2019**
	unaudited	**audited**
Guarantees on long-term	474.507	2,015,722
Guarantees on short-term	3.598.735	2,053,818
Provisions for guarantees	-	-
Other investments	1.818	1,818
Advance payments	1.326.713	84,539
Sundry debtors	9.364.565	9,526,272
VAT receivable	12.630.203	12,823,970
Less: Allowance for doubtful VAT receivable	-	-
Total	**27.396.541**	**26,506,139**

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 5th 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).

	March 31, 2020	**December 31, 2019**
	unaudited	**audited**
Guarantees on long-term	474.507	2,015,722
Other current assets	26.922.034	24,490,417
Total	**27.396.541**	**26,506,139**

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

14. INVENTORIES

	March 31, 2020 unaudited	December 31, 2019 audited
Raw materials	6.390.590	5,895,391
Consumables	223.591	224,240
Materials in the form of inventory items	210.584	210,584
Packaging	98.513	98,513
Finished goods	1.038.244	1,038,244
Work in progress	763.375	763,375
Semi-finished goods	595.416	595,416
Residual products	4.540	4,540
Goods	47.369	47,369
Allowance for impairment of inventories	(8.877.673)	(8,877,673)
Total	**494.551**	**-**

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

	March 31, 2020 unaudited	December 31, 2019 audited
Balance at the beginning of the year	8.877.673	7,691,104
Charge / (Release) in the current year	-	1,186,569
Balance at the end of the year	**8.877.673**	**8,877,673**

15. TRADE AND OTHER RECEIVABLES

	March 31, 2020 unaudited	December 31, 2019 audited
Trade receivables	45.985.500	52,935,771
Trade receivables recognised under IAS 11	-	-
Allowance for doubtful receivables	(44.384.408)	(46,100,178)
Advances paid for inventories	197.837	494,474
Advances paid for services	11.837	14,080
Total	**1.810.766**	**7,344,147**

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

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

15. TRADE AND OTHER RECEIVABLES

The Company is recording the due dates for the invoices issued based on the commercial clauses included in the contracts conlcuded 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 sufer 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"

Movement in allowance for trade receivables is as follows:

	March 31, 2020	**December 31, 2019**
	unaudited	**audited**
Balance at the beginning of the year	46.100.178	19,146,563
Release in the current year	(1.715.770)	26,953,615
Balance at the end of the period	**44.384.408**	**46,100,178**

16. CASH AND CASH EQUIVALENTS

	March 31, 2020	**December 31, 2019**
	unaudited	**audited**
Bank accounts	4.325.378	5,557,575
Other	2.985	14,500
Cash equivalents	-	-
Total	**4.328.363**	**5,572,075**

17. ISSUED CAPITAL

Share capital is fully paid as at March 31, 2020 and December 31, 2019.

	No. of shares	**Share capital**
		RON
Share capital at December 31, 2018	**1,037,602,913**	**103,760,291**
Share capital at March 31, 2019	**1,037,602,913**	**103,760,291**

Shareholder structure December 31, 2018	**No of shares**	**Procent**
Al-Arrab Contracting Company Ltd	991,284,640	95,54%
Other shareholders	46,318,273	4,46%
Total	**1,037,602,913**	**100%**

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

Shareholder structure March 31, 2019

Al-Arrab Contracting Company Ltd	991,284,640	95,54%
Other shareholders	46,318,273	4,46%
Total	**1,037,602,913**	**100%**

18. RESERVES

	March 31, 2020 unaudited	December 31, 2019 audited
Legal reserves	17.784.866	17,784,866
Revaluation reserves	53.800.012	53,800,012
Other	43.221.238	43,221,238
Total	**114.806.116**	**114,806,116**

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 March 31, 2020 and December 31, 2019.
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.

19. BORROWINGS

	March 31, 2020 unaudited	December 31, 2019 audited
Loans guaranteed		
Short term loans	354.009.150	347,846,704
Current portion of long term loans	-	13.011.886
Loans guaranteed		
Long term loans	-	-
Total	**354.009.150**	**360,858,590**

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

b) Amounts due to shareholders

As at March 31, 2020 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 212.801.295 (December 31, 2019: EUR 44,100,239 equivalent of RON 210,768,274), 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.

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

Interest payable at March 31, 2020 on loans from shareholders amounts to RON 141.207.855, equivalent of EUR 29.263.448 (31 December 2019: RON 137,078,431, equivalent of EUR 28,681,693.48), calculated at rates ranging between 0% and 6.5% per year.

The interest expense related to the shareholders loan for the first quarter of 2020 is in amount of RON 4.129.424 (for the year ended December 31, 2019: RON 13,872,821)

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.

20. PROVISIONS

	March 31, 2020	December 31, 2019
	unaudited	**audited**
Provisions for guarantees to customers	949.904	949,904
Provisions for restructuring	108.290	3,236,722
Provisions for onerous contracts	-	-
Provisions for employees benefits	-	-
Provision for environmental liabilities	-	-
Provision for penalties for late delivery	-	-
Other provisions (*)	580.490	580,490
Total	**1.638.684**	**4,767,116**

21. TRADE AND OTHER PAYABLES

	March 31, 2020	December 31, 2019
	unaudited	**audited**
Trade payables	1.746.756	1,731,173
Invoices to be received	318.870	470,151
Advances from customers	467.902	467,301
Sundry creditors	186.706.320	35,127
Sundry creditors group related	-	172,206,625
Total	**189.239.848**	**174,910,377**

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

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.

22. OTHER LIABILITIES

	March 31, 2020	December 31, 2019
	unaudited	**audited**
Salaries payable	729.638	1,070,234
Social contributions	927.238	1,365,546
VAT to be paid	1.159.241	2,173,634
Other taxes	98.562	125,370
Tax on salaries	217.731	278,974
Other current liabilities	5.369.887	1,505,504
Total current liabilities	**8.502.297**	**6,519,262**
Other long term liabilities	-	2,516,005
Total liabilities	**8.502.297**	**9,035,267**

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 3,800,820 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.

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

The gearing ratios as at March 31, 2020 and 2019 were as follows:

	March 31, 2020	**December 31, 2019**
	unaudited	**audited**
Total borrowings	354.009.149	360,858,590
Less: cash and cash equivalents	(4.328.363)	(5,572,075)
Net debt	**349.680.786**	**355,286,515**
Total capital and reserves	(293.325.999)	(283,276,363)
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 offer significantly from the carrying amounts.

c) Credit risk management

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 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 iabilities 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.

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

24. RELATED PARTY TRANSACTIONS

Balances and transactions with related parties are as follows:

	Amounts receivable from Related Parties		Amounts payable to Related Parties	
	March 31, 2020	**December 31, 2019**	**March 31, 2020**	**December 31, 2019**
	unaudited	**audited**	**unaudited** *RON*	**audited** *RON*
Al-Arrab Contracting Company Ltd	418.086	577.884	354.009.149	347.846.704
Mada Group for Industrial and Commercial investment	2.850	2.850		
Mabani Steel				
Osama Al-Halabi				5
Mada Gypsum Company Ltd			52.434	80.933
Cladtech International				
Al Rahji			186.618.525	172.125.692
Saudi Waterproofing Company				
Unipods LLC				
Tony Akiki				
Total	**420.936**	**580.734**	**540.680.108**	**520.053.334**

25. COMMITMENTS AND CONTINGENCIES

Litigations

As at March 31, 2020 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 2020, interest and delay penalties were levied for tax payers' failure to pay their tax obligations on time.

In 2020, 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.

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

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 March 31, 2020 and December 31, 2019 for any anticipated costs, including legal and consulting fees, design and implementation of remedial plans regarding the environment.

26. RESULT PER SHARE

	March 31, 2020	**December 31, 2019**
	unaudited	**audited**
Profit/Loss of the year	(10.049.637)	(118,476,029)
No. of shares	1.037.602.913	1,037,602,913
Earnings/Losses per share	**(0.010)**	**(0.11)**

27. SUBSEQUENT EVENTS

I. 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 COVID19According 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.

SAMER AL SHALABI	**LAVINIA PETCU**
President	Financial Manager

STATEMENT OF RESPONSIBILITY

as per art.30 from the Accounting Law no.82/1991
and ASF Regulation no. 5/2008

The financial statements for the first quarter of 2020 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 for the first quarter of 2020 and acknowledge that:

- the accounting policies used when drawing up the financial statements are in compliance with the applicable accounting regulations;
- the annual 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 March 31, 2020 have not been audited.

SAMER AL SHALABI
President

LAVINIA PETCU
Financial Manager