

ELECTROMAGNETICA S.A.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Prepared in accordance with
Ministry of Public Finance Order no. 2844/2016 approving the Accounting
Regulations compliant with International Financial Reporting Standards as adopted
by the European Union

(Together with Independent Auditor's Report and Administrator's Report)

CONTENTS:	PAGE:
INDEPENDENT AUDITOR'S REPORT	1 - 4
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	5
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	6
CONSOLIDATED STATEMENT OF CASH FLOWS	7
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	8 - 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	10 - 56
ADMINISTRATOR'S REPORT	1 - 24

INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
Electromagnetica S.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the consolidated financial statements of Electromagnetica S.A. and its subsidiaries (the "Group"), with registered office in Bucharest Sector 5, 266-268 Rahova Blvd, identified by the unique tax registration code 414118, which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and notes to the consolidated financial statements.
2. The consolidated financial statements as at December 31, 2018 are identified as follows:
 - Net assets/ Equity RON 345,627,710
 - Profit for the financial year RON 4,456,343
3. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the provisions of the Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named The "Regulation") and Law 162/2018 ("the Law") (if PIE). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

1. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to be communicated in our report.

Other information- Administrator's Report

Management is responsible for preparation and presentation of the other information. The other information comprises the Administrator's report which does not include the consolidated financial statements and our auditors report thereon, nor the non-financial information declaration being is presented in a separate report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements for the year ended December, 31, 2018, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Administrator's report, we read and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

On the sole basis of the procedures performed within the audit of the consolidated financial statements, in our opinion:

- a) the information included in the administrators' report for the financial year for which the financial statements have been prepared are consistent, in all material respects, with these financial statements;
- b) the administrators' report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the consolidated financial statements prepared as at December 31, 2018, we are required to report if we have identified a material misstatement of this Administrator's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

5. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the provisions of the Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
6. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
7. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

8. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
9. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
10. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
11. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
12. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

13. We have been appointed by the General Assembly of Shareholders on April 25, 2018 to audit the consolidated financial statements of Electromagnetica S.A. and its subsidiaries for the financial year ended December 31, 2018. The uninterrupted total duration of our commitment is 3 years, covering the financial years ended December 31, 2016 and December 31, 2018.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued and this report. Also, in conducting our audit, we have retained our independence from the audited entity.
- No non-audit services referred to in Article 5 (1) of EU Regulation No. 537 / 2014 were provided.

The engagement partner on the audit resulting in this independent auditor's report is Zeno Caprariu.

Zeno Caprariu, Audit Director

For signature, please refer to the original Romanian version

Registered with the Authority for the Public Oversight of the Statutory Audit Activity under number 2693

On behalf of:

DELOITTE AUDIT S.R.L.

Registered with the Authority for the Public Oversight of the Statutory Audit Activity under number 25

4-8 Nicolae Titulescu Blvd, America House, East Wing
2nd Floor – Deloitte area and 3rd Floor, sector 1,
Bucharest, Romania
March 20, 2019

ELECTROMAGNETICA S.A.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE 12-MONTH PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

	<u>Nota</u>	<u>12-month period ended December 31, 2018</u>	<u>12-month period ended December 31, 2017</u>
Revenues	18	<u>291,711,216</u>	<u>223,246,080</u>
Investment income	18	187,850	973,361
Other net income	18	2,769,462	(9,811,506)
Changes in inventories of finished goods and work in progress	18	19,745,239	13,407,878
Own work capitalized	18	769,737	1,617,287
Raw materials and consumables used	19	(215,307,130)	(166,496,995)
Employee-related expenses	19	(35,648,106)	(36,406,993)
Expenses related to depreciation and impairment	19	(19,517,708)	(11,501,335)
Other expenses	19	(36,090,688)	(28,353,511)
Financial expenses	20	(947,356)	(686,087)
Profit / (Loss) before tax		<u>7,672,515</u>	<u>(14,011,821)</u>
Income tax	21	(3,216,171)	437,661
Profit / (Loss) of the period		<u>4,456,343</u>	<u>(14,449,482)</u>
Distributable to the parent		4,456,343	(14,489,410)
Distributable to non-controlling interests		(4,539)	39,928
Other comprehensive income			
of which:			
other comprehensive income that cannot be reclassified to profit or loss, of which:			
- revaluation surplus for tangible assets		18,023,148	-
- deferred tax recognized in equity	21	(2,883,704)	962,857
- transfer of the inflation adjustment to cover losses		15,370,332	-
- use of inflation adjustment to cover losses		(15,370,332)	-
- restatement of deferred tax for revaluation of assets written off		448,152	-
Comprehensive income for the period		<u>20,039,400</u>	<u>(13,486,625)</u>

These consolidated financial statements were approved for issuance by the management as at March 20, 2019.

Eugen Scheuşan
Managing Director

Cristina Florea
Economic Manager

The accompanying notes form an integral part of these consolidated financial statements.
This is a free translation from the original Romanian version.

ELECTROMAGNETICA S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

	<u>Note</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
ASSETS			
Non-current assets			
Property, plant and equipment	4	292,303,086	291,512,341
Investment property	5	8,433,921	8,642,116
Intangible assets	6	704,441	1,248,800
Other non-current assets	7	20,519,074	19,802,564
Total non-current assets		<u>321,960,521</u>	<u>321,205,820</u>
Current assets			
Inventories	8	17,785,908	17,423,142
Trade receivables	9	41,456,253	40,770,090
Cash and cash equivalents	11	33,784,250	20,570,751
Other current assets	10	2,952,725	2,418,041
Total current assets		<u>95,979,136</u>	<u>81,182,023</u>
Total assets		<u>417,939,657</u>	<u>402,387,844</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	12	67,603,870	67,603,870
Reserves and other equity	13	180,987,126	183,473,373
Retained earnings	14	96,786,264	74,220,398
Total equity attributable to parent's shareholders		<u>345,377,260</u>	<u>325,297,642</u>
Non-controlling interests		<u>250,450</u>	<u>254,989</u>
Total equity		<u>345,627,710</u>	<u>325,552,631</u>
Non-current liabilities			
Trade payables and other liabilities	17	1,311,019	1,304,836
Investment subsidies	15	4,573,525	4,736,743
Deferred tax liabilities	20	18,740,684	16,614,478
Total non-current liabilities		<u>24,625,228</u>	<u>22,656,057</u>
Current liabilities			
Trade payables and other liabilities	17	43,541,081	39,747,711
Investment subsidies	15	163,219	163,219
Provisions	16	3,938,356	13,744,272
Current income tax liabilities		44,062	523,952
Total current liabilities		<u>47,686,719</u>	<u>54,179,155</u>
Total liabilities		<u>72,311,947</u>	<u>76,835,212</u>
Total equity and liabilities		<u>417,939,657</u>	<u>402,387,844</u>

These consolidated financial statements were approved for issuance by the management as at March 20, 2019.

Eugen Scheuşan
Managing Director

Cristina Florea
Economic Manager

The accompanying notes form an integral part of these consolidated financial statements.
This is a free translation from the original Romanian version.

ELECTROMAGNETICA S.A.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

	<u>Note</u>	<u>12-month period ended December 31, 2018</u>	<u>12-month period ended December 31, 2017</u>
Cash flows from operating activities:			
Cash receipts from customers		323,178,383	239,588,973
Payments to suppliers		(241,197,125)	(181,382,632)
Payments to employees		(35,146,823)	(35,758,376)
Other operating activities		(28,186,235)	(19,625,974)
Cash used in operating activities		<u>18,648,200</u>	<u>2,821,992</u>
Interest paid		(26,447)	(28,486)
Income tax paid		(4,005,407)	(417,536)
Net cash generated by/ (used in) operating activities		<u>14,616,346</u>	<u>2,375,970</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(1,599,568)	(3,360,865)
Proceeds from sale of non-current-assets		89,369	22,554
Interest received		107,388	25,346
Net cash used in investing activities		<u>(1,402,810)</u>	<u>(3,312,964)</u>
Cash flows from financing activities			
Proceeds from loans		52,781,026	44,169,727
Cash repayments of amounts borrowed		(52,781,026)	(44,169,727)
Dividends paid		(37)	(13,682)
Net cash used in financing activities		<u>(37)</u>	<u>(13,682)</u>
Net increase/decrease of cash and cash equivalents		<u>13,213,499</u>	<u>(950,677)</u>
Cash and cash equivalents at beginning of period	11	<u>20,570,751</u>	<u>21,521,428</u>
Cash and cash equivalents at end of period	11	<u>33,784,250</u>	<u>20,570,751</u>

These consolidated financial statements were approved for issuance by the management as at March 20, 2019.

Eugen Scheuşan
Managing Director

Cristina Florea
Economic Manager

ELECTROMAGNETICA S.A.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

	Share capital	Retained earnings	Tangible assets revaluation reserve	Other reserves	Legal reserve	Non-controlling interests	Total equity
Balance as at January 1, 2017	67,603,870	90,053,566	88,968,568	57,834,598	34,422,742	215,061	339,098,405
Profit or loss of the period	-	(14,489,410)	-	-	-	39,928	(14,449,482)
Other comprehensive income							
Transfer of revaluation reserve to retained earnings following the depreciation of revalued tangible assets	-	3,097,291	(3,097,291)	-	-	-	-
Deferred tax recognized to reserves	-	-	962,857	-	-	-	962,857
Transfer of the retained earnings to reserves	-	(4,373,118)	-	4,373,118	-	-	-
Total comprehensive income for the period	-	(15,765,237)	(2,134,434)	4,373,118	-	39,928	(13,486,625)
Transactions with shareholders, directly registered to equity							
Other items	-	(67,931)	8,992	-	(211)	-	(59,150)
Balance as at December 31, 2017	67,603,870	74,220,398	86,843,127	62,207,716	34,422,531	254,989	325,552,631

These consolidated financial statements were approved for issuance by the management as at March 20, 2019.

Eugen Scheuşan
Managing Director

Cristina Florea
Economic Manager

The accompanying notes form an integral part of these consolidated financial statements.
This is a free translation from the original Romanian version.

ELECTROMAGNETICA S.A.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

	Share capital	Retained earnings	Tangible assets revaluation reserve	Other reserves	Legal reserve	Non-controlling interests	Total equity
Balance as at January 1, 2018	67,603,870	74,220,398	86,843,127	62,207,716	34,422,531	254,989	325,552,631
Comprehensive income for the period							
Profit or loss of the period	-	4,456,343	-	-	-	(4,539)	4,451,804
Other comprehensive income							
Deferred tax	-	-	448,152	-	-	-	448,152
Revaluation surplus for tangible assets	-	-	18,023,149	-	-	-	18,023,149
Deferred tax recognized in equity	-	-	(2,883,704)	-	-	-	(2,883,704)
Setup of legal reserve	-	-	-	(401,175)	401,175	-	-
Transfer of revaluation reserve to retained earnings following the depreciation of revalued tangible assets	-	2,800,951	(2,800,951)	-	-	-	-
Transfer of the retained earnings to reserves	-	15,297,702	-	72,630	(15,370,332)	-	-
Total comprehensive income for the period	-	22,554,996	12,786,646	(328,545)	(14,969,157)	(4,539)	20,039,400
Transactions with shareholders, directly registered to equity							
Dividends allocated to shareholders	-	-	-	-	-	-	-
Other items	-	10,870	(53,933)	78,741	-	-	(35,677)
Balance as at December 31, 2018	67,603,870	96,786,264	99,575,840	61,957,912	19,453,374	250,450	345,627,709

These consolidated financial statements were approved for issuance by the management as at March 20, 2019.

Eugen Scheuşan
Managing Director

Cristina Florea
Economic Manager

The accompanying notes form an integral part of these consolidated financial statements.
This is a free translation from the original Romanian version.

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

1. GENERAL INFORMATION ON THE GROUP

Electromagnetica SA – parent company – is a Romanian legal entity incorporated under the legal form of joint-stock company for an unlimited duration, organised and operating under its articles of incorporation, Law no, 31/1991 republished in 2004 and amended by Law no, 441/2006, Government Emergency Ordinance (GEO) no, 82/2007 and GEO no, 52/2008, and Law no, 297/2004 on the capital market, The registered office of the company is in Bucharest, Calea Rahovei no, 266-268, sector 5, Bucharest, Romania, postal code 64021, telephone 021,404,21,31, 021,404,21,02, fax 021,404,21,95, website www.electromagnetica.ro, Tax ID Code RO 414118, registration number with the Trade Register J40/19/1991, The company share capital is RON 67,603,870,40 divided into 676,038,704 ordinary shares, registered and dematerialised, recorded in electronic account in the shareholder register held by Depozitarul Central SA, According to the company's articles of incorporation, its main object of activity is the manufacture of instruments and appliances for measuring, testing and navigation (NACE code 2651).

SC Electromagnetica Goldstar SRL – operated as a Romanian-Korean joint venture until 2011, when SC Electromagnetica took over under a share assignment the entire equity held by the Korean partners and become the sole shareholder of this company. It is a limited liability company with registered office in Bucharest, Calea Rahovei no, 266-268, sector 5, registration number with the Trade Register J40/12829/1991, Tax ID 400570; its main object of activity is the manufacture of communication equipment (NACE code 2630).The company also carries out service and warranty activities for communication equipment and real estate renting activities.

SC Electromagnetica Fire SRL is a limited liability company with registered office in Bucharest, Calea Rahovei no, 266-268, sect, 5, corp 2, parter, axele C-D, stalpii 6 ½ - 7, registered with the Trade Register Office attached to Bucharest Tribunal under no, J40/15634/2006, Tax ID 19070708, which carries out activities pertaining to fire protection, technical assistance for fire prevention and extinction and private emergency services for civil protection (NACE code 8299).

SC Electromagnetica Prestserv SRL is a limited liability company with registered office in Calea Rahovei no, 266-268, sector 5, corp 1, etaj 2, axele A-B, stalpii 1-2, registered with the Trade Register Office attached to Bucharest Tribunal under no, J40/1528/2003, Tax ID 15182750, which provides cleaning services (NACE code 4311).

SC Electromagnetica Prestserv SRL and **SC Electromagnetica Fire SRL** were set up through the outsourcing of certain services within SC Electromagnetica SA, namely cleaning services, technical assistance services for fire prevention and extinction, private emergency services for civil protection.

SC Procetel SA is a joint-stock company with registered office in Bucharest, Calea Rahovei 266-268, registration number with the Trade Register J40/10437/1991, Tax ID 406212, tel,: 031,700,26,14, fax: 031,700,26,16, SC Procetel SA is an unlisted joint-stock company (its shares are not traded on the stock exchange) and its main object of activity is other research and experimental development on natural sciences and engineering (NACE code 7219), Currently, its research activity is significantly diminished and its results mainly derive from its real estate renting activities.

Statement of interest in subsidiaries

	Value	No, of securities	Ownership and voting right percentage
Procetel	732,008	42,483	96.548%
Electromagnetica Goldstar	3,126,197	2,650	100%
Electromagnetica Prestserv	29,500	295	98.333%
Electromagnetica Fire	79,900	799	99.875%
	<u>3,967,606</u>		

During the reporting period, there were no changes in the shareholding structure of the subsidiaries.

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

1. GENERAL INFORMATION ON THE GROUP (continued)

The structure of the administrative and executive management of subsidiaries is as follows:

a) Electromagnetica Goldstar SRL

Administrative management: Antoaneta Monica Stanila – Sole Director, under a 4 year mandate valid until August, 1st 2021

Executive management: Viorel Stroică – Executive Director

b) Electromagnetica Fire SRL

Administrative management: Maria Rogoz – Sole Director, under a 4 year mandate valid until March 26th, 2022

Executive management: Maria Rogoz – Managing Director

c) Electromagnetica Prestserv SRL

Administrative management: Gheorghe Ciobanu – Sole Director, under a 4 year mandate valid until November 3rd, 2023

Executive management: Gheorghe Ciobanu – Managing Director

d) Procetel SA

Administrative management: Antoaneta Monica Stanila – Sole Director, under a 4 year mandate valid until August 15th, 2022

Executive management: Mihai Sanda – Accounting Officer

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

Initial application of new amendments to the existing standards effective for the current reporting period

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

- **IFRS 9 “Financial Instruments”** (effective for annual periods beginning on or after 1 January 2018);
- **IFRS 15 “Revenue from Contracts with Customers”** and further amendments (effective for annual periods beginning on or after 1 January 2018);
- **Amendments to IFRS 2 “Share-based Payment”** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018);
- **Amendments to IAS 40 “Investment Property”** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018);
- **Amendments to IFRS 1 and IAS 28 due to “Improvements to IFRSs (cycle 2014-2016)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018);
- **IFRIC 22 “Foreign Currency Transactions and Advance Consideration”** (effective for annual periods beginning on or after 1 January 2018).

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

2. APPLICATION OF THE NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

New standards and amendments to existing standards in issue not yet adopted

At the date of authorization of these financial statements, the following new standards and amendments to existing standards and new interpretation were in issue but not yet effective:

- **IFRS 16 "Leases"** (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period);
- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded);
- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015-2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020),
- **IFRIC 23 "Uncertainty over Income Tax Treatments"** (effective for annual periods beginning on or after 1 January 2019).

Initial application of new amendments to the existing standards effective for the current reporting period

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

- **IFRS 9 "Financial Instruments"** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018);
 - **IFRS 15 "Revenue from Contracts with Customers"** and amendments to IFRS 15 "Effective date of IFRS 15" - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018);
-
- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions - adopted by the EU on 26 February 2018 (effective for annual periods beginning on or after 1 January 2018);

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

2. APPLICATION OF THE NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 Revenue from Contracts with Customers – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018);
- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property – adopted by the EU on 14 March 2018 (effective for annual periods beginning on or after 1 January 2018);
- **Amendments to IFRS 1 and IAS 28 due to "Improvements to IFRSs (cycle 2014 -2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 7 February 2018 (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018);
- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** – adopted by the EU on 28 March 2018 (effective for annual periods beginning on or after 1 January 2018).

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following new standard, amendments to the existing standard and interpretation issued by IASB and adopted by the EU are not yet effective:

- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019);
- **IFRIC 23 "Uncertainty over Income Tax Treatments"** – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU:

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;
- **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period);
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded);
- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019);

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

2. APPLICATION OF THE NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

- **Amendments to IAS 28 “Investments in Associates and Joint Ventures”** - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to various standards due to “Improvements to IFRSs (cycle 2015 -2017)”** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020).

The Group anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Group in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

More details about individual standards, amendments to existing standards and interpretations that can be used as appropriate:

- **IFRS 9 “Financial Instruments”** issued on 24 July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement, IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

Classification and Measurement - IFRS 9 introduces new approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held, This single, principle-based approach replaces existing rule-based requirements under IAS 39, The new model also results in a single impairment model being applied to all financial instruments.

Impairment - IFRS 9 has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses, Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

Hedge accounting - IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity, The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities.

Own credit - IFRS 9 removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value, This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

- **IFRS 14 “Regulatory Deferral Accounts”** issued by IASB on 30 January 2014, This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.
- **IFRS 15 “Revenue from Contracts with Customers”** issued by IASB on 28 May 2014 (on 11 September 2015 IASB deferred effective date of IFRS 15 to 1 January 2018 and on 12 April 2016 IASB made clarifications to this standard), IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures, The standard supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations, Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts, The core principle of the new standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the group expects to be entitled in exchange for those goods or services, The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

This is a free translation from the original Romanian version.

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

2. APPLICATION OF THE NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

- **IFRS 16 "Leases"** issued by IASB on 13 January 2016. Under IFRS 16 a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. As with IFRS 16's predecessor, IAS 17, lessors classify leases as operating or finance in nature, A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease. For finance leases a lessor recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. IFRS 16 replaces existing lease instructions, including IAS 17 Leasing, IFRIC 4 Determining the extent to which an engagement contains a lease, SIC-15 Leasing operational - Incentives and SIC-27 Assessing the economic substance of transactions involving the legal form of a contract of leasing. Adoption of the earlier standard is permitted for entities applying IFRS 15 on or before the initial application of IFRS 16. The standard eliminates the current dual accounting model for tenants and requires companies to bring most of the lease contracts into a single model, the distinction between the operating leasing contracts and the financial ones. In accordance with IFRS 16, a contract is or contains a lease if it confers the right to control the use of an asset identified for a period of time in exchange for compensation. For such contracts, the new model requires the lessee to recognize a right to use the asset and a lease. Asset-backed assets are amortized, and debt generates interest. This will cause higher expense at the start of the lease, even if the lessee pays constant rents. The lessee's accounting remains largely unaffected by the introduction of the new standard and the distinction between the operating and financial leasing contracts will be maintained.

The Group intends to apply IFRS 16 from 1 January 2019 using the revised retrospective method. As a result, the comparative periods were not restated. Also due to the insignificant impact resulting from the restatement on January 1, 2018, the reversal effect was not recorded in the retained earnings, but will be recognized in the income statement for the year 2019.

The impact estimated by the Group in the application of IFRS 16 consists in the recognition of a right of use as an asset, respectively a lease liability for existing contracts as at 31 December 2018, which will lead to an increase in the value of tangible assets and liabilities with a value estimated at RON 477 th. In the statement of profit or loss, amortization expense, ie interest expense, will be reported instead of the rent expenses in the amount of RON 115 th.

- **Amendments to IFRS 2 "Share-based Payment" - Classification and Measurement of Share-based Payment Transactions** issued by IASB on 20 June 2016, The amendments provide requirements on the accounting for: (a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (b) share-based payment transactions with a net settlement feature for withholding tax obligations; and (c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled,
- **Amendments to IFRS 9 "Financial Instruments" - Prepayment Features with Negative Compensation** issued by IASB on 12 October 2017, The amendments modifies the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments, Under the amendments, the sign of the prepayment amount is not relevant, i, e, depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting the early repayment, The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of a early repayment gain.

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

2. APPLICATION OF THE NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** issued by IASB on 11 September 2014 (on 17 December 2015 IASB deferred indefinitely effective date), The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.
- **Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” - Definition of Material** issued by IASB on 31 October 2018. The amendments clarify the definition of material and how it should be applied by including in the definition guidance.
- **Amendments to IAS 19 “Employee Benefits” - Plan Amendment, Curtailment or Settlement** issued by IASB on 7 February 2018. The amendments require to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.
- **Amendments to IAS 28 “Investments in Associates and Joint Ventures” - Long-term Interests in Associates and Joint Ventures** issued by IASB on 12 October 2017, Amendments were introduced to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied, Amendments also delete paragraph 41 because the Board felt that it merely reiterated requirements in IFRS 9 and had created confusion about the accounting for long-term interests.
- **Amendments to IAS 40 “Investment Property” - Transfers of Investment Property** issued by IASB on 8 December 2016, The amendments state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use, A change of use occurs if property meets, or ceases to meet, the definition of investment property, A change in management’s intentions for the use of a property by itself does not constitute evidence of a change in use, Amendments also state that the list of evidence in paragraph 57 was designated as non-exhaustive list of examples instead of the previous exhaustive list.
- **Amendments to various standards “Improvements to IFRSs (cycle 2014-2016)”** issued by IASB on 8 December 2016, Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording, Changes include: (i) deletion of the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose, (ii) clarification of the scope of the IFRS 12 by specifying that the disclosure requirements in IFRS 12, except for those in paragraphs B10–B16, apply to an entity’s interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, (iii) clarification of the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- **Amendments to IFRS 3 “Business Combinations” - Definition of a Business** issued by IASB on 22 October 2018. Amendments were introduced to improve the definition of a business. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the Board has provided supplementary guidance.

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

2. APPLICATION OF THE NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015-2017)"** issued by IASB on 12 December 2017, Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording, The amendments clarify that: a company remeasures its previously held interest in a joint operation when it obtains control of the business (IFRS 3); a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business (IFRS 11); a company accounts for all income tax consequences of dividend payments in the same way (IAS 12); and a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale (IAS 23).
- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** issued by IASB on 8 December 2016, Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability, If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.
- **IFRIC 23 "Uncertainty over Income Tax Treatments"** issued by IASB on 7 June 2017, It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment, IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty, IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements of the Company were prepared in compliance with the International Financial Reporting Standards adopted by the European Union ("IFRS") effective on the reporting date, i.e, December 31, 2018, and in compliance with Order of the Minister of Public Finance no, 2844/2016 approving the Accounting Regulations compliant with the International Financial Reporting Standards applicable to the companies the shares of which are admitted to trading on a regulated market, as further amended and clarified, These provisions are consistent with the requirements of the International Financial Reporting Standards adopted by the European Union.

Functional and presentation currency

These consolidated financial statements are presented in RON, the functional currency of the Group.

Basis of preparation

The consolidated financial statements were prepared at historical cost, except for certain financial instruments that are measured at fair value, as explained in the accounting policies, The historical cost is generally based on the fair value of the consideration in exchange of the assets.

Property, plant and equipment are presented at revaluation amount (IAS 16) and investment property are presented at fair value (IAS 40).

For obsolete or slow moving inventories, adjustments are made based on the management's estimates, The set up and reversal of allowances for inventories impairment is made usually at the end of the quarter in the profit and loss account: for obsolete inventories at 50% of the total value and for slow moving inventories at 25%.

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

In its first financial statements prepared in compliance with IFRS the Group applied IAS 29 – Financial Reporting in Hyperinflationary Economies and adjusted the historical cost of share capital, legal reserves and other reserves set up from the net profit by the effect of inflation until December 31, 2003. These adjustments were recorded in reserve accounts.

The consolidated financial statements include the separate financial statements of SC Electromagnetica SA (the parent company) and its subsidiaries ("the Group") as at December 31, 2018, prepared based on uniform accounting and measurement principles. The financial statements of the subsidiaries are prepared at December 31, 2018, the same reporting date as for the parent company.

Consolidation of subsidiaries

The assets and liabilities of the subsidiaries are stated at fair value on the date of acquisition. If the interest of the Group in the net fair value of the assets, liabilities and contingent liabilities identifiable and recognised exceeds the cost related to the business combination, the surplus is recognised in the profit and loss account. Non-controlling interests, which entitle the holders to a proportionate share of the net asset in case of the company liquidation, can be initially measured either at fair value or at a value that reflects the share of the minority in the fair value of the identifiable and recognised net assets. The recognition method is selected for each transaction separately. The goodwill is recognised as an asset and is assessed for impairment at least annually. The loss from goodwill impairment is immediately recognised in the profit or loss for the period and is not carried forward in the next periods. The non-controlling interest is the share of the profit or loss and net assets of a subsidiary that is not owned by the parent company and is presented in the consolidated statement of comprehensive income and in the equity presented in the consolidated statement of financial position, separately from the equity of the parent's shareholders.

The returns of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of the profit and loss and other comprehensive income on the effective date of the acquisition, or until the effective date of the disposal, respectively. Where applicable, the financial statements of the subsidiaries are adjusted in order to align their accounting policies to those of the parent company. All the transactions, balances, revenues and expenses within the Group are fully eliminated upon consolidation.

The Group does not own securities in associated entities and interests in joint ventures.

Foreign currency

The operations expressed in foreign currency are recorded in RON, at the official exchange rate on the date of the transaction settlement, Monetary assets and liabilities recorded in foreign currency on the date of preparation of the statement of financial position are expressed in RON, at the exchange rate of that date, The gains or losses from their settlement and the conversion of monetary assets and liabilities denominated in foreign currency at the exchange rate applicable at the end of the semester are recognized in the profit or loss for the period, The non-monetary assets and liabilities measured at historical cost in foreign currency are recorded in RON, at the exchange rate of the transaction date, The non-monetary assets and liabilities denominated in foreign currency and measured at fair value are recorded in RON, at the exchange rate applicable on the date when their fair value was determined.

The differences resulting from the conversion are presented in the profit and loss account.

The exchange rates of the main foreign currencies were as follows:

	Exchange rate as at December 31, 2018	Exchange rate as at December 31, 2017
EUR	4,6639	4,6597
USD	4,0736	3,8915

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates and professional judgement

The preparation of the financial statements in compliance with the IFRS adopted by the European Union requires the use by the management of estimates and assumptions that affect the application of the accounting policies and the reported value of assets, liabilities, revenues and expenses. The estimates and judgements related thereto are based on historical data and other factors deemed relevant in the given circumstances and the result of these factors represents the basis for the judgements used in determining the carrying amount of assets and liabilities for which there are no other evaluation sources available. The actual results may differ from the estimated values.

Estimates and judgements are periodically reviewed. The reviews of accounting estimates are recognized in the period in which the estimate is reviewed, if the review affects only that period, or in the current and future periods, if the review affects both the current period and future periods. The effect of the modifications pertaining to the current period is recognized as revenue or expense in the current period, The effect on the future periods, if any, is recognized as revenue or expense in the corresponding future periods.

The Group's management considers that the possible differences in relation to these estimates will not affect significantly the financial statements in the near future, for each estimation the principle of prudence is applied.

Estimates and assumptions are used in particular for the impairment of fixed assets, the estimation of the useful life of a depreciable asset, the allowances for doubtful debts, provisions, and the recognition of deferred tax assets.

According to IAS 36, the intangible assets are analyzed to identify indication of impairment at the balance sheet date, If the net carrying amount of an asset is higher than its recoverable amount, the loss from impairment is recognized to reduce the net carrying amount of that asset to the level of the recoverable amount, If the reasons for the recognition of the impairment loss disappear in the coming periods, the net carrying amount of the asset is increased to the value of the net carrying amount that would have been determined if no impairment loss had been recognized.

The evaluation of the impairment loss on receivables is individual and relies on the best estimate of the management regarding the present value of the cash flows expected to be received. The Group reviews its trade receivables and other receivables on every financial position date in order to assess whether impairment in value should be recorded in the profit and loss account. The professional judgement of the management is required to estimate the value and future cash flows when the impairment loss is determined. These estimates are based on assumptions that refer to several factors and the actual results may be different, which leads to future modifications of adjustments.

According to their nature, contingencies will be clarified only when one or more future events occur or not. The measurement of contingencies involves the uses of assumptions and significant estimates of the outcome of future events.

Deferred tax assets are recognized for tax losses to the extent that the existence of a taxable profit that would cover the losses is probable. The use of the professional judgement is necessary in determining the value of deferred tax assets that can be recognized based on the probability of the period and level of the future taxable profit and the future fiscal planning strategies.

Accounting principles, policies and methods

According to IAS 8 - Accounting policies, changes in accounting estimates and errors, the accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

The Group has selected and applies consistently its accounting policies for transactions, other events and similar conditions, ~~except for the cases where a standard or an interpretation specifically provides for or~~ allows the classification of events with regard to which the application of different accounting policies could be appropriate, If a standard or interpretation provides for or allows such a classification, an appropriate accounting policy must be selected and applied consistently to each category.

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting principles, policies and methods (continued)

The Group changes an accounting policy only if the change:

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

We present below a summary of the significant accounting policies applied to all the periods presented in the financial statements, except for the changes deriving from the new standards and amendments to standards with the date of initial application 1 January 2018 and presented in section 2.

Fair value

IFRS 13 - Fair Value Measurement establishes a fair value hierarchy that categorizes on three levels of input data for the evaluation techniques used to assess fair value:

- Level 1 inputs - are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date, This data provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available.
- Level 2 inputs - are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly for the assets and liabilities (for example the quoted prices for identical assets or liabilities on markets that are not active)
- Level 3 inputs - inputs are unobservable inputs for the asset or liability, The Group develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data.

Intangible assets

Initial measurement

The Group chose to measure these assets at acquisition cost or production cost (self-created) according to IAS 38 - Intangible Assets.

Measurement subsequent to initial recognition

The Group selected the cost model as the accounting policy for the measurement of intangible assets subsequent to initial recognition.

The Group chose to use the straight-line method for the amortization of intangible assets, The useful life for this group of non-current assets is between 3 and 5 years.

The Group applies IAS 36 to determine whether an intangible asset measured at cost is impaired, At the end of each reporting period, the Group assesses the indicators of impairment of these assets and, if such indicators are identified, the recoverable amount of the asset is estimated and the related impairment is recorded, The impairment loss must be recognized immediately in the profit or loss.

For their presentation in the profit and loss account, the gains or losses occurring upon the end of use or disposal of an intangible asset are determined as the difference between the revenue generated by the asset disposal and its unamortized value, including the costs incurred for its disposal, and should be presented as net amount in the profit and loss account, according to IAS 38.

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Initial measurement

Tangible assets are initially recognized at acquisition cost or production cost,

The cost of purchased tangible assets is given by the value of the consideration for the purchase of those assets and other costs directly necessary to bring the assets to the location and condition required for their operation in the manner intended by the management, The cost of own assets includes salaries, materials, production overheads and other costs directly attributable to bringing the assets to its current location and condition.

The group established a value threshold for the recognition of a tangible asset item.

Measurement subsequent to initial recognition

The Group selected the **revaluation model** for the measurement subsequent to the initial recognition of tangible assets, According to the revaluation model, a tangible asset the fair value of which can be reliably measured should be carried at revalued amount, which is its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment.

Revaluations should be carried out regularly enough to ensure that the carrying amount of an asset does not differ materially from the amount determined by the use of its fair value at the end of the reporting period.

The fair value of land and buildings is generally market-based, through a valuation made by professional and qualified valuers.

The fair value of tangible assets is generally their market value determined by a valuation.

The frequency of revaluations depends on the changes in the fair value of revalued tangible assets, If the fair value of an asset materially differs from its carrying amount, a new revaluation is required.

When a non-current asset is revalued, any accumulated depreciation at the date of the revaluation is removed from the gross carrying amount of the asset and the net amount is restated at the revalued amount of the asset.

Therefore, the revaluation frequency depends on the changes in the fair value of tangible assets, If the fair value of a revalued tangible asset at the balance sheet date materially differs from its carrying amount, a new revaluation is required, If the fair values are volatile, as the case may be for land and buildings, frequent revaluation may be required, If the fair values are determined for a long period, as the case may be for plant and equipment, less frequent revaluation may be required, IAS 16 suggests that annual revaluations may be required if there are material and volatile changes in the values.

If a tangible asset is revalued, the entire category of tangible assets the revalued asset belongs to should be revalued.

The residual value of the asset and its useful life should be revised at least at the end of the financial period.

The depreciation of an asset begins when the asset is available for use, it is in the location and condition required to operate as intended by the management.

The depreciation of an asset ends at the earliest of the date when the asset is classified as held for sale (or included in a group intended for disposal and classified as held for sale), according to IFRS 5, and the date when the asset is derecognized, Therefore, depreciation does not end when the asset is idle, except when the asset is completely depreciated.

~~Land and buildings are separable assets and are carried separately even when they are acquired together.~~

Land is not depreciated.

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

If the cost of land includes costs of dismantling, removing and restoring, these costs are depreciated during the period in which revenue is obtained as a result of these costs.

For all assets acquired starting January 1, 2015 the Group uses the straight-line method as the depreciation method which results in systematic allocation of the depreciable amount of the assets over their useful life.

The residual value, the useful life and the depreciation method are revised at the date of the financial statements.

The Group management deemed appropriate the following durations of useful life for different categories of tangible assets:

Tangible assets	<u>Duration (years)</u>
Buildings	20 - 100
Technological equipment	5 - 12
Measurement, control and adjustment devices	3 - 8
Motor vehicles	4 - 8
Furniture, office equipment, human and material protection equipment	8 - 15

Impairment policy applied by the group

The revaluation surplus of a tangible asset accumulated in equity should be directly transferred each month to retained earnings as it is depreciated, if the asset is used, and upon derecognition, when the asset is disposed of or scrapped.

If an asset is revalued, an impairment loss is recognized directly by reducing the revaluation surplus, but the loss should not exceed it.

The gain or loss resulting from the derecognition of a tangible asset is recognized in profit or loss at the date of the asset derecognition.

The carrying amount of a tangible asset is derecognized on disposal or when no future benefits are expected from its use or disposal.

If items of tangible assets that were held for rental to others are sold repeatedly, these assets are transferred to inventories at the carrying amount of the date when they cease to be rented and become held for sale. The proceeds from the sale of these assets are recognized as revenue in the profit and loss account.

Maintenance and capital repairs

Capitalized costs for capital repairs are separate components of the corresponding assets or groups of assets. Capitalized costs for capital repairs are amortized using the amortization method used for the underlying asset until the next repair. The expenditure for capital repair works includes the cost of replacing the assets or parts thereof, the costs of inspection and the costs of capital repairs. The expenditure is capitalized if an asset or a part of an asset which was amortized separately is replaced and is expected to generate future economic benefits. If a part of the replaced asset was not considered a separate component and, therefore, was not amortized separately, the replacement value is used to estimate the net carrying amount of the replaced asset(s) which is/are immediately removed. All the other costs incurred for day to day repairs and ordinary maintenance are directly recognized as expenses.

Investment property

Initial measurement

Investment property is initially recognized at cost according to IAS 40 - Investment property, The cost of investment property includes the purchase price plus any costs directly attributable thereto (professional fees for legal services, charges for the ownership transfer, etc.).

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement after recognition

The Group selected the fair value model for the presentation of investment property in its financial statements, Investments properties are not depreciated, gains and losses arising from changes in fair value of investment properties are included in profit or loss in the period in which they arise.

Financial assets

Electromagnetica applies IFRS 9 – Financial Instruments which entered into force on 1 January 2018 and where the classification of financial assets is based on the business model of the entity and the cash-flow characteristics of the financial asset.

Classification of financial assets

According to IFRS 9 Financial Instruments, the financial assets are classified in:

1. *Financial asset measured at amortized cost if the two requirements below are met:*
 - the financial asset is held within a business model whose aim is to hold financial assets in order to collect the contractual cash-flows and
 - the contractual terms of the financial asset generate, at certain dates, cash flows which are exclusively payments of the principal amount and the interest related to the principal amount owed
2. *financial asset measured at fair value through other components of the comprehensive result, if the two requirements below are met*
 - the financial asset is held within a business model whose aim can be reached both through the collection of the contractual cash flows and the sale of the financial assets and
 - the contractual terms of the financial asset generate, at certain dates, cash flows which are exclusively payments of the principal amount and the interest related to the principal amount owed
3. *a financial asset measured at fair value through profit or loss, except where it is measured at amortized cost in accordance with point 1 or at fair value, through other components of the comprehensive result, in accordance with point 2*

Except for the trade receivables which fall under IFRS 15, a financial asset or liability is initially measured at fair value, while for a financial asset or liability which is not measured at fair value through profit or loss the costs of the transaction will be added or deducted, costs which are directly attributable to the acquisition or issue of the financial asset or liability

After initial recognition, the subsequent evaluation of financial assets will be made at:

- amortized cost
- fair value through other components of the comprehensive result or
- fair value through profit or loss

The financial assets include the shares held in subsidiaries, associated entities and jointly controlled entities, the loans granted to those entities, other investments held as non-corporal assets and other loans.

The Group presents its investments in subsidiaries measured at cost. The Group holds no investments in joint ventures or associated entities.

Investments in related parties

Subsidiaries are entities controlled by the group, **IFRS 10 - Consolidated Financial Statements** defines the control principle and establishes the control as the basis for consolidation, IFRS 10 establishes the manner of application of the control principle to determine whether an investor controls an investee and, ~~therefore, it should consolidate the investee.~~

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in related parties (continued)

An investor controls an investee if and only if the investor has all of the following elements:

- a) power over the investee;
- b) exposure, or rights, to variable returns from its involvement with the investee;
- c) the ability to use its power over the investee to affect the amount of the investor's returns.

Consolidation procedures used

To consolidate the financial statements, Electromagnetica Group

- a) combines similar items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries
- b) offsets (eliminates) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary
- c) eliminates in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, or eliminated in full). Intragroup losses may indicate an impairment requiring recognition in the consolidated financial statements. IAS 12 – Income Taxes is applied to the temporary differences occurring from the elimination of profits and losses deriving from transactions inside the group.

The non-controlling interests in subsidiaries are presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent.

Uniform accounting policies

Electromagnetica Group prepares consolidated financial statements using uniform accounting policies for similar transactions and events in similar circumstances.

If a subsidiary, part of Electromagnetica Group, uses accounting policies other than those adopted in the consolidated financial statements for similar transactions and events in similar circumstances (different methods of depreciation, different methods of measurement, etc.), the financial statements shall be adjusted to enable the use of the financial statements of that subsidiary in the preparation of the consolidated financial statements and ensure compliance with the Group's accounting policies.

Electromagnetica Group includes in its consolidated financial statements the income and expenses of a subsidiary from the date it gains control until the date when the entity ceases to control the subsidiary.

Non-controlling interests – the profit or loss and each component of other comprehensive income is attributed to the owners of the parent and to the non-controlling interests.

Reporting date

The financial statements of the parent and its subsidiary use the same reporting date in the preparation of the consolidated financial statements, namely December 31, 2018 for these financial statements.

Electromagnetica does not have joint arrangements, as regulated by IFRS 11 – Joint Arrangements, or interests in other entities, unconsolidated subsidiaries or unconsolidated structured entities.

The management assessed the power over its investees, derived from the voting rights attributed based on equity instruments (shares). The parent has rights to variable returns from its involvement in the subsidiaries in which it invested, which rights correspond to the performance of the investee. The management concluded that it not only has power over the group entities, but it also has the ability to use its power to affect its returns from its involvement with the investees.

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest on loans

The interest on the loans directly attributable to the purchase, construction or manufacture of an asset with long production cycle are capitalized until the asset is prepared for its predetermined use or sale. All the other costs related to loans are recognized as expenses in the profit and loss account for the period of their occurrence. Interest expenses are recorded using the effective interest rate method. In the years ended December 31, 2018 and December 31, 2017 the Group did not capitalize interest expenses in the assets' value.

Government grants

According to IAS 20, government grants are recognized only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received. The grants that meet these requirements are presented as other liabilities and recognized systematically in the profit and loss account for the useful life of the assets they relate to.

This category also includes the equivalent value of the green certificates received as electricity producer, from the electricity transmission and distribution operator, in accordance with applicable legislation. These are initially measured at the trading price on the date of their receipt, as published by the operator of the electricity market. At the end of the financial period, the remaining green certificates are measured at the trading value published by the electricity market operator for the last transaction and the differences are reflected in the profit or loss for the period.

Inventories

According to IAS 2 - Inventories, these assets are:

- assets held for sale in the ordinary course of business
- assets in the production process for sale in the ordinary course of business or
- materials and supplies that are consumed in production or service provision

Inventories are stated at the lower of cost and net realizable value. The net realizable value is estimated based on the selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. For inventories without moving or slow moving ones and finished goods adjustments are made based on the management's estimates.

The set-up and reversal of allowances for inventories impairment is made in the profit and loss account.

The Group uses the First-in-First-out (FIFO) method to determine the inventory outflow cost of supplied materials. The standard cost is used for inventory inflow and outflow of finished products. Based on the management accounting, the actual cost of the obtained products is determined at the end of each month.

Receivables and other similar assets

Starting January 1, 2018, the Group applied for the first time the new IFRS 9 "Financial Instruments" which results in early recognition of impairment adjustments of receivables up to the amount of expected credit losses calculated based on historical loss rates. As allowed by the Standard, the Group adopted IFRS 9 as of January 1, 2018 using the modified retrospective method with cumulative adjustments from the initial application recognized on 1 January 2018 in equity and without modify figures from previous periods. For the Group's trade receivables, there are no significant differences between the initial measurement method according to IAS 39 and the new valuation categories under IFRS 9.

Due to the insignificant impact (in the amount of RON 194 th), the effect was not recorded in the retained earnings.

Receivables and other similar assets are stated at amortized cost less impairments.

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables and other similar assets (continued)

When a receivable is expected not to be fully collected, impairment allowances are recorded at the level of the amount that cannot be recovered, Receivables are written off following their collection or assignment to a third party. Current receivables can also be written off by the mutual offset of accounts receivable and payables between third parties, under the law. The receivables with expired collection time limits are written off after the Group obtains the documents proving that all the legal steps to recover these receivables were taken. Receivables written off continue to be monitored off the accounting records.

Cash and cash equivalents

For the purpose of the preparation of the statement of cash flows, cash is considered to include the existing petty cash and the cash in current bank accounts. Cash equivalents represent deposits and investments with high liquidity and initial maturities under three months.

Liabilities

A liability is a present obligation of the Group arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

A liability is recognized in the accounting records and presented in the financial statements when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the settlement amount can be measured reliably.

Current liabilities are the liabilities that must be paid within a period of up to one year.

A liability should be classified as a current liability, also known as short-term liability, when:

- a) it is expected to be settled in the ordinary course of the Group's operating cycle; or
- b) it is primarily held for trading;
- c) it is due to be settled within 12 months after the balance sheet date;
- d) the Group does not have the unconditional right to postpone the settlement of the liability for at least 12 months from the balance sheet date.

All the other liabilities must be classified as **non-current liabilities**.

Financial liabilities are presented at amortized cost.

Deferred income classified as non-current liabilities are discounted using the effective interest rate method, The discount rate used to this effect is the rate determined according to the Groups's own procedures.

The Group derecognizes a liability when the contractual obligations are performed, cancelled or expired.

If the goods and services supplied in relation to current activities were not invoiced but the delivery was made and their value is available, the obligation in question is recorded as a liability.

The amounts representing dividends attributed from the net profit for the reporting period are recorded in the following year as retained earnings, to be carried as dividends payable following the approval of this destination by the general meeting of shareholders.

Current income tax

The current tax payable is based on the taxable profit for the year, The tax profit is different from the profit presented in the profit and loss account because it excludes items of income or expenses that are taxable or deductible in other years and also excludes the items that will never become taxable or deductible, The liability of the Group in relation to the current income tax is calculated using the tax rates provided for by the law or a draft legislative instrument at the end of the year, Currently, the tax rate is 16%.

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax

The deferred tax is created by analyzing the temporary differences of assets and liabilities. The tax loss carried forward is included in the calculation of the deferred tax asset. A deferred tax asset is recognized only if it is considered probable that there would be sufficient future taxable profit after the offset with the tax loss carry forward and the recoverable income tax.

Deferred tax assets and deferred tax liabilities can only be offset if the entity has this legal right and they relate to the income tax levied by the same tax authority.

Revenue recognition

Revenues are measured according to IFRS 15 – Revenues from Contracts with Customers. IFRS 15 establishes a 5-step model to record the revenues resulted from contracts with customers:

- Step 1: Identification of a contract with a customer
- Step 2: Identification of payment obligations established in the contract
- Step 3: Determination of the transaction price
- Step 4: Allocation of the transaction price for the performance obligations included in the contract
- Step 5: Recognition of revenues as the group fulfills a performance obligation

In accordance with IFRS 15, revenues are recognized in the amount which reflects the consideration at which an entity expects to be entitled in exchange of the transfer of goods or services to a customer.

Sale of goods

In accordance with IFRS 15, the revenues will be recognized when a customer gets control of the goods. The Group delivers goods under contractual conditions based on delivery terms. The time when the customer gets control of the goods is considered to be substantially the same for most contracts of the Group, according to IFRS 15 and IAS 18.

For the contracts with customers, where the sale of goods (mainly LED lighting units, meters, railway traffic safety elements etc.) is generally estimated to be the only performance obligation, it is expected that the adoption of IFRS 15 will have no impact on the revenues and profit or loss of the Group.

The Group expects that the revenue recognition will take place at a certain moment in time, when the control of the asset is transferred to the customer, namely upon delivery of the goods.

While preparing to adopt IFRS 15, the Group considered the following:

Variable consideration

Some contracts with customers provide volume rebates, financial cuts, trade discounts or the right to return the goods for quality defects. Currently, the revenues gained from these sales are recognized based on the price specified in the contract, return net quantities and revenue decreases, trade discounts and volume rebates recorded based on accrual accounting, when a reasonable estimation of revenue adjustment can be made.

In accordance with IFRS 15, the estimation of the variable revenue is necessary to be made at the beginning of the contract. The revenues will be recognized insofar as a significant reversal of the cumulated value of the recognized revenues is unlikely to take place. Consequently, for those contracts for which the Group is not able to make a reasonable estimation of the reductions, the revenue will be recognized earlier than in the case where the return period ends or a reasonable estimation can be made.

However, because the contractual periods for most contracts coincide with the calendar years for which the annual financial statements are prepared, and because the Group currently reports its annual revenues from contracts with customers net of adjustments, such as volume rebates or financial cuts, the impact on the result carried forward from the treatment of variable revenues following the adoption of IFRS 15 is not effective. At the same time, the cases of complaints for quality (rights to return) are isolated and, according to history, they are not material, so that the Group cannot make a reasonable estimation of such a reversal of revenues at the reporting date.

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Sale of goods (continued)

Impact on carried forward result

The Group is the principal in all the sale contractual relationships, because it is the main performer in all the revenue contracts, has the right to establish the price and is exposed to stock and credit risks.

In accordance with IFRS 15, the measurement will be based on the fact that the Group controls the specific goods before transferring them to the end customer rather than these are exposed to risks and significant rewards associated to the sale of goods.

Recognition of revenues from distinct performance obligations

According to some delivery terms, the Group may provide services such as transportation to a specified destination beyond the moment of transfer of the control of goods to customers. IFRS 15 requires that an entity should keep records of each of the distinct goods or services as a separate performance obligation. The freight services could fall within the definition of a distinct service, but a full understanding of the commercial terms is necessary to ensure that this is the case. A performance obligation for transportation generally satisfies the performance obligation criteria over a period of time, and the revenues will be recognized during the transfer of goods to the customer. Otherwise, the performance obligation is considered fulfilled at a certain moment in time and the revenues would be recognized when the customer receives the goods.

This could lead to the recognition of part of the contractual revenues when the control of goods is transferred and the recognition in time of the part of revenues relating to freight services. There can be no separate obligation for an entity to transport its own goods (i.e. before transferring the control of goods to the customer).

The impact on the result carried forward from the treatment of transport services as distinct performance obligation, following the adoption of IFRS 15, is non-material.

Service provision

The Group provides various services as main activities (construction-installation works) and occasional activities. The revenue is measured at the fair value of the compensation received or to be received. In accordance with IFRS 15, the total consideration in the service contracts will be allocated for all the services based on their individual sale prices. The independent sale prices will be established based on the list prices at which the Group provides the respective services in separate transactions.

Performance obligations fulfilled in time

SC Electromagnetica SA transfers the control of a good or a service in time and therefore fulfills a performance obligation and recognizes revenues in time if one of the following criteria is met:

- (a) the customer receives and simultaneously consumes the benefits offered through the performance by the entity as the entity is performing
- (b) the performance by the entity creates or improves an asset (e.g. work in progress) which the customer controls, as the asset is being created or improved or
- (c) the performance by the entity does not create an asset with alternative use for the entity, while the entity has an enforceable right to payment for the work performed until the respective date

Performance obligations fulfilled at a specific time

If SC Electromagnetica SA fulfills a performance obligation at a specific time (e.g. the supply of goods with installation or placing in service at a point in time), to determine the specific time when the customer gets the control of a promised asset and SC Electromagnetica fulfills a performance obligation, the stipulations regarding the transfer of control will be analyzed together with the indicators of such transfer, especially the acceptance of the asset by the customer, which can be certified by signing the commissioning protocol/startup report or the explicit acceptance for payment.

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Sale of goods (continued)

If there is an agreement on invoicing before delivery, in addition to the above conditions for a customer to get the control of a product, the following criteria must be met:

- the reason for such agreement on invoicing before delivery must be substantial (a written request from the customer)
- usually the product must be ready for the physical transfer to the customer
- the entity which delivers the product cannot have the capacity to use it or assign it to another customer

If the contract concluded with a customer contains a provision of acceptance, then the time when a customer gets the control of a good or a service will be determined according to that provision.

Assessment of the progress in fulfilling a performance obligation entirely

For each performance obligation fulfilled in time SC Electromagnetica SA recognizes the revenues in time through the assessment of the progress in fulfilling that performance obligation entirely. The purpose of such assessment is to present the transfer of control of the goods or services promised to a customer client (i.e. the fulfillment of the performance obligation by the supplier).

Reasonable progress assessments

SC Electromagnetica SA recognizes the revenues for a performance obligation fulfilled in time only if it can reasonably assess its progress in fulfilling that obligation entirely and holds the reliable information necessary to apply an adequate progress assessment method.

To assess the progress in fulfilling a future obligation, which is necessary, for example, in the contracts including a provision for placing into service or installation, SC Electromagnetica SA chose the method based on inputs, according to which revenues are recognized on the basis of inputs or of the efforts of the entity in fulfilling a performance obligation (e.g. consumed resources, number of hours worked, recorded costs, time elapsed or hours of use of machinery) as compared to the total inputs foreseen for fulfilling the respective performance obligation. If the inputs or efforts are distributed uniformly over the whole period of performance, the revenues can be recognized on a straight-line basis.

IFRS 15 requirements for recognition and assessment are also applicable to the recognition and measurement of any gains or losses resulted from the disposal of non-financial assets (such as non-current assets and intangible assets), where such disposal is not in the normal course of business. Nevertheless, upon transition, the effect of these changes is not expected to be significant for the Group.

Rental income is recognized on a straight-line basis in the profit and loss account over the duration of the rental agreement.

Dividends and interest

The revenue arising from dividends is recognized when the shareholder's right to receive payment is established. The revenue is recorded at the gross amount that includes the tax on dividends, which is recognized as a current expense in the period in which the allocation was approved.

The revenue arising from interest is recognized on an accrual basis, by reference to the outstanding principal and the effective interest date, the rate that exactly discounts the estimated future flows of the amounts received.

Provisions

Provisions can be distinguished from other liabilities such as trade payables and accruals because there is uncertainty about the timing or amount of the future expenditure required in settlement.

~~Provisions are recognized for present obligations to third parties when it is probable that the obligation will be settled and the settlement amount can be estimated reliably, Provisions for individual obligations are settled at an amount equal to the best estimate of the amount necessary to settle the obligation.~~

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

Provisions are grouped by categories and are recognized for:

- a) lawsuits;
- b) guarantees to customers;
- c) dismantling of tangible assets and other similar actions related thereto;
- d) restructuring;
- e) employee benefits;
- f) other provisions

When the review by the management together with the legal advisors of the chances for the Group to lose a lawsuit leads to the conclusion that the estimated probability for loss is higher than 50%, a provision is recognized at the reliably estimated amount.

Provisions for guarantees to customers are recognized depending on the estimates of the management and the sales, technical and quality departments on the level of expenses incurred for repairs during the warranty period. The level of expenses incurred for repairs during the warranty period is determined as a percentage of the turnover for the reporting year.

Restructuring provisions

The implicit restructuring obligation occurs where an entity:

- has in place an official detailed restructuring plan that presents: the activity or part of activity it refers to, the main locations affected, the location, position and approximate number of employees to receive compensation for the termination of their activity, the expenses involved, the date of implementation of the restructuring plan;
- has generated the reasonable expectation of the affected parties that the restructuring will be performed by starting the implementation of the restructuring plan or the communication of its main features to those affected by the restructuring process.

The restructuring provision only includes the expenses directly related to the restructuring.

Provisions for employee benefits are recorded during the financial year for annual leaves not taken or other long-term employee benefits (if provided for in the labor contract). Upon their recognition as due to employees, the amount of provisions will be carried in the corresponding revenue accounts.

Other provisions

If liabilities of uncertain timing or amount that meet the conditions of recognition of provisions according to IAS 37 are identified but not found in any of the above categories, other provisions are recorded.

At the end of each reporting period, the provision is remeasured and adjusted to represent the best present estimate. When the analysis shows that the outflow of resources embodying economic benefits to settle the obligation is no longer probable, the provision must be cancelled.

The Group does not recognize provisions for operating losses. The forecast of operating losses indicates that certain operating assets can be impaired, in which case these assets are tested in accordance with IAS 36 – Impairment of Assets.

Employee benefits

The obligations representing short-term employee benefits are not discounted and are recognized in profit or loss as the related service is rendered.

The short-term employee benefits are wages and salaries, bonuses, and social security contributions. Short-term benefits are recognized as expense in the period in which the services are rendered.

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

The Group makes payments on behalf of its employees to the Romanian public pension system, the health fund and the unemployment fund in the ordinary course of business.

All the Group employees are enrolled in and required to contribute to the Romanian public pension system, All the related contributions are recognized in the profit and loss account for the period in which they are paid. The Group does not have other additional obligations.

The Group is not involved in any independent pension scheme, therefore it does not have any obligations in this regard. The Group is not involved in any post-employment benefit scheme. The Group does not have any obligation to provide subsequent services to former or present employees.

At present, the Group does not grant employee benefits in the form of profit sharing.

Currently, there is no plan providing for the Group to grant benefits in the form of entity shares (or other equity instruments).

Profit or loss of the year

The profit or loss is accounted for cumulatively from the beginning of the financial period.

The profit or loss for the period is determined as the difference between the income and expenses of the period.

The final profit or loss for the financial period is determined upon closure and represents the final balance of the profit and loss account.

The profit is distributed under the laws in force. The amounts representing reserves set up from the profit of the current financial period, under applicable legal provisions, such as the legal reserve established under Law no, 31/1990, are recorded at the end of the current period. The accounting profit remaining after this distribution is carried forward at the beginning of the financial period following the period for which the annual accounts are prepared, in retained earnings, and is distributed to the other destinations decided by the general meeting of shareholders, in compliance with applicable legislation. The destinations of the accounting profit are accounted for after the general meeting of shareholders has approved the profit distribution, by the recording of the amounts representing dividends due to shareholders, reserves, and other destinations, under the law.

Earnings per share

IAS 33 - Earnings per Share stipulates that the entities which present both the consolidated financial statements and the separate financial statements are required to present the earnings per share only on the basis of consolidated information. If the entity chooses to present the earnings per share based on its separate financial statements, it is required to present the information about the earnings per share only in the statement of comprehensive income.

The Group chose to present the earnings per share in these separate financial statements.

The Group presents the basic earnings per share ("EPS") for its ordinary shares. The basic EPS is calculated by dividing the gain or loss attributable to the holders of ordinary shares of the group by the weighted average of the outstanding ordinary shares during the period.

The weighted average of ordinary shares outstanding during the period is the number of shares outstanding at the beginning of the period adjusted by the number of the shares redeemed or issued during the period multiplied by a time weighting factor.

The time weighting factor is the number of outstanding days of the shares, calculated as percentage of the total number of days of the period.

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting

An operating segment is a separate component of the Group, which is engaged in activities that could generate revenues and expenses, including revenues and expenses related to the transactions with any of the other components of the Group, and is exposed to risks and benefits that are different from those of the other segments. The main format for the Group's reporting by operating segments is represented by the segmentation by activities.

As the shares of the group are traded on the Bucharest Stock Exchange and as it applies IFRS, the entity presents in its annual accounts and the interim reports prepared according to IAS 34 - Interim Financial Reporting, information about the operating segments, their products and services, their geographical areas of activity and their main customers.

According to IFRS 8 - Operating Segments, an operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.
- for which discrete financial information is available.

Considering the criteria for the identification of operating segments and the quantitative thresholds described in IFRS 8, the group identified the following operating segments for which it presents separate information:

- licensed activity – electricity supply and production.
- unlicensed activity;

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

4. PROPERTY, PLANT AND EQUIPMENT

Cost	Land and land improvement	Buildings	Plant and machinery	Other tangible assets	Tangible assets in progress	Total
As at December 31, 2016	145,072,415	124,685,081	28,946,064	3,167,543	1,441,162	303,312,264
Inflows of which:						
- from revaluation	2,301	298,537	5,825,485	571,389	1,920,859	8,618,571
Outflows of which:						
- from the determination of the net amount for revaluation	-	-	(2,698,618)	(149,343)	(1,734,745)	(4,582,706)
- revaluation decrease	-	-	-	-	-	-
As at December 31, 2017	145,074,716	124,983,618	32,072,931	3,589,589	1,627,276	307,348,130
Accumulated depreciation						
As at December 31, 2016	277,213	335,295	4,287,520	333,793	-	5,233,821
Depreciation for the year	25,834	4,187,800	5,883,158	1,002,912	-	-
Accumulated depreciation for outflows of which:						
- from the determination of the net amount for revaluation	-	-	-	(340,823)	(156,913)	-
As at December 31, 2017	303,047	4,523,095	9,829,855	1,179,792	-	15,835,789
				Imobilizări corporale în curs de execuție		
				Alte imobilizări corporale		
				Echipamente tehnologice și vehicule		
				Construcții		
				Terenuri și amenajare de terenuri		

This is a free translation from the original Romanian version.

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

4. PROPERTY, PLANT AND EQUIPMENT (continued)	Land and land improvement	Buildings	Plant and machinery	Other tangible assets	Tangible assets in progress	Total
Impairment allowances	-	-	-	-	-	-
As at December 31, 2016	-	-	-	-	-	-
Allowances for impairment recognized in profit or loss	-	-	-	-	-	-
Reversal of allowances for impairment recognized in profit or loss	-	-	-	-	-	-
As at December 31, 2017	-	-	-	-	-	-
Net book value						
As at December 31, 2016	144,795,202	124,349,786	24,658,544	2,833,750	1,441,162	298,078,444
As at December 31, 2017	144,771,669	120,460,523	22,243,076	2,409,797	1,627,276	291,512,341

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Cost	Land and land improvement	Buildings	Plant and machinery	Other tangible assets	Tangible assets in progress	Total
As at December 31, 2017	145,074,716	124,983,618	32,072,931	3,589,589	1,615,064	307,335,918
Inflows of which:						
- from revaluation	10,540,097	9,381,177	2,033,968	264,742	1,926,254	24,146,238
- transfers	10,540,097	8,872,476	-	-	-	19,412,573
Outflows of which:						
- from revaluation	(1,024,896)	303,040	1,895,393	254,699	-	2,453,132
- from the determination of the net amount for revaluation	(1,024,896)	(19,083,645)	(369,653)	(42,655)	(2,453,132)	(22,973,982)
- transfers	-	(8,372,314)	-	-	-	(11,129,159)
	-	-	-	-	-	(8,372,314)
	-	-	-	-	(2,453,132)	(2,453,132)
As at December 31, 2018	154,589,917	115,281,150	33,737,246	3,811,676	1,088,185	308,508,174
Accumulated depreciation						
As at December 31, 2017	303,047	4,523,095	9,829,855	1,179,792	-	15,835,789
Depreciation of the year	25,834	3,958,064	4,728,707	515,105	-	9,227,710
Accumulated depreciation for outflows of which:	-	(8,481,159)	(334,696)	(42,557)	-	(8,858,412)
- from the determination of the net amount for revaluation	-	(8,372,314)	-	-	-	(8,372,314)
As at December 31, 2018	328,881	-	14,223,866	1,652,340	-	16,205,088

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

4. PROPERTY, PLANT AND EQUIPMENT (continued)	Land and land improvement	Buildings	Plant and machinery	Other tangible assets	Tangible assets in progress	Total
Impairment allowances						
As at December 31, 2017	-	-	-	-	98,367	98,367
Allowances for impairment recognized in profit or loss	-	-	-	-	-	-
Reversal of allowances for impairment recognized in profit or loss	-	-	-	-	(98,367)	(98,367)
As at December 31, 2018	-	-	-	-	-	-
Net book value						
As at December 31, 2017	145,074,716	120,460,523	22,243,076	2,409,797	1,615,064	291,500,129
As at December 31, 2018	154,261,036	115,281,150	19,513,380	2,159,336	1,088,185	292,303,086

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

4. PROPERTY, PLANT AND EQUIPMENT (continued)

To secure the guarantee agreements and the loan contracts signed with the financing banks, the Group mortgaged the assets below, in favor of the said banks, as follows:

<u>Name of asset</u>	<u>Net book value as at December 31, 2018</u>	<u>Net book value as at December 31, 2017</u>
-Land com. Domnesti jud.Ilfov = 67.713.56 mp	12,632,266	12,299,569
-Land com. Moara Vlăsiei jud.Ilfov = 70.469 mp	6,901,868	7,680,362
-Land str. Mitropolit Filaret 35-37 sect.4 București = 1.595 mp	4,574,936	3,621,527
-Land str.Veseliei nr.19 sect.5 București =16.095 mp	14,187,374	11,694,241
-Real estate (cadastral parcels no.13,15) Calea Rahovei 266-268 sector 5 București	26,843,201	25,648,102
- Real estate (cadastral parcels no 1-3,9,10,18,19,21,23- 26)Calea Rahovei 266-268 sector 5 Bucuresti	33,620,510	-
-Land Calea Rahovei 242 =2.157 mp	5,160,797	-

The tangible assets also include assets acquired by Government grant and used in licensed activity in one of the small hydropower plants located in Brodina, Suceava County. The net carrying amount of the investment at December 31, 2018 is RON 11,418,690, of which RON 4,736,744 represents grant. The net carrying amount of the investment at December 31, 2017 was RON 13,652,431 of which RON 4,899,962 represents grant.

Fair value of tangible assets

The tangible assets of the Group, other than tangible assets in progress are presented in the financial statements at revalued amount, representing the fair value at the date of valuation, less accumulated depreciation and impairment.

Fair value for lands was determined using direct comparison method.

This method is recommended for properties, when there is sufficient and reliable data on transactions or selling offers for similar properties in the area, Analysis of prices at which transactions were made on requested or offered prices for comparable properties is followed by the performance of price corrections, in order to quantify the prices paid, required or provided, due to differences between the specific characteristics of each property in some called elements for comparison.

The fair value of buildings was determined using the cost method and the income method.

The cost method requires that the maximum value of an asset for an informed buyer is the amount that is needed to buy or build a new asset with equivalent utility, When the asset is not new, the current cost of crude has low all forms of impairment that may be assigned to him, until the valuation date.

The income method provides an indication of value by converting future income flows in asset value (market value or investment value).

Information on the fair value hierarchy as at December 31, 2018 and December 31, 2017:

The revaluation effects were as follows:

- Increase of revaluation reserve 19,576,913 RON
- Decrease of revaluation reserve (1,613,764) RON
- Expense 9,729,516 RON

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

4. PROPERTY, PLANT AND EQUIPMENT (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value at December 31, 2018</u>
Lands and land improvements	-	-	154,261,036	154,261,036
Constructions	-	-	115,281,150	115,281,150

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value at December 31, 2017</u>
Lands and land improvements	-	-	144,771,669	144,771,669
Constructions	-	-	120,460,523	120,460,523

During 2018 and 2017, there were no transfers between levels related to fair value.

5. INVESTMENT PROPERTY

The Group owns property that is fully used for rental, All the rental agreements have an initial duration of minimum one year, Further extensions are negotiated with the tenants, The obligations of the parties with regard to repairs, maintenance and improvements are set forth in the contracts.

According to IAS 40, this category of property is recognized as investment property, The Group selected the fair value model for the presentation of investment property in its financial statements, The fair value revaluation as at December 31, 2018 was performed by an ANEVAR authorized company who used the income approach (discounted cash flow method).

As at December 31, 2018 the investment property is structured as follows:

	<u>2018</u>	<u>2017</u>
Opening balance	8,642,116	7,664,546
Inflows, of which:		
fair value valuation	699,248	1,273,461
transfers	228,280	-
Outflows, of which:		
fair value valuation	470,968	-
transfers	(907,443)	(295,891)
	(673,766)	(295,891)
	(233,677)	-
Closing balance	8,433,920	8,642,116

Transfer inputs in the amount of 470,968 Ron represent a production building in Varteju, which was 100% leased.

Outgoing transfers amounting to RON 233,677 are represented by an apartment that will not be rented anymore, its destination being changed.

The revenues arising from the investment property in 2018 amounts to RON 1.467.224 and covers the expenses incurred by the owner (2017: RON 1,390,551).

The Group holds other rented spaces within buildings used in conjunction with other activities, These are not classified as investment property because the share in total revenues is insignificant, Also in most cases these spaces cannot be managed separately.

There are no restrictions on the level of realization of investment property or the transfer of revenue and proceeds from disposal.

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

5. INVESTMENT PROPERTY (continued)

Information on the fair value hierarchy as at December 31, 2018 and December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value at December 31, 2018</u>
Investment property	-	-	8,433,920	8,433,920

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value at December 31, 2017</u>
Investment property	-	-	8,642,116	8,642,116

6. INTANGIBLE ASSETS

Intangible assets include software, licenses and various software applications, They are amortized using the straight-line method.

In the statement of financial position, they are presented at historical cost, less amortization and impairment.

The increase of intangible assets is mainly due to the renewal of some licenses.

The useful life was estimated at 3 years for most of the intangible assets, The ERP will be amortized over 5 years.

Intangible assets as at December 31, 2018 are as follows:

Cost	<u>Concessions patents licenses</u>	<u>Other intangible assets</u>	<u>Intangible assets in progress</u>	<u>Total</u>
As at December 31, 2017	752,208	2,711,909	212,121	3,676,238
Inflows	151,322	-	14,854	166,176
Outflows	(675)	-	(148,662)	149,337
As at December 31, 2018	902,855	2,711,909	78,313	3,693,077

Accumulated amortization	<u>Concessions patents licenses</u>	<u>Other intangible assets</u>	<u>Intangible assets in progress</u>	<u>Total</u>
As at December 31, 2017	483,883	1,943,555	-	2,427,438
Amortization for the year	179,649	381,394	-	561,198
Accumulated amortization for outflows	-	-	-	-
As at December 31, 2018	663,532	2,325,104	-	2,988,636

Net book value				
As at December 31, 2017	268,325	768,354	212,121	1,248,800
As at December 31, 2018	239,323	386,805	78,313	704,441

This is a free translation from the original Romanian version.

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

6. INTANGIBLE ASSETS (continued)

Cost	Concessions patents licenses	Other intangible assets	Intangible assets in progress	Total
As at December 31, 2016	645,344	2,415,056	465,988	3,526,388
Inflows	106,864	296,853	63,700	467,417
Outflows	-	-	(317,566)	(317,566)
Transfers	-	-	-	-
As at December 31, 2017	752,208	2,711,909	212,121	3,676,238
Accumulated amortization	Concessions patents licenses	Other intangible assets	Intangible assets in progress	Total
As at December 31, 2016	315,734	1,572,970	-	1,888,704
Amortization for the year	168,149	370,585	-	538,734
Accumulated amortization for outflows	-	-	-	-
As at December 31, 2017	483,883	1,943,555	-	2,427,438
Net book value				
As at December 31, 2016	329,610	842,086	465,988	1,637,684
As at December 31, 2017	268,325	768,354	212,121	1,248,800

7. OTHER NON-CURRENT ASSETS

These assets are measured at cost and are tested for impairment annually.

	December 31, 2018	December 31, 2017
Performance guarantees granted to customers	1,031,802	635,927
Deferred green certificates	20,598,443	-
Trade receivables scheduled on the long term	(1,299,487)	18,983,576
Other	188,316	183,061
Total	20,519,074	19,802,564

Trade receivables scheduled on the long-term in net value of RON 19,298,956 as at December 31, 2018 have been discounted at present value, and the effect of the discount amounted to RON 1,299,487. The short-term portion is recognized in trade receivables (Note 9).

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

8. INVENTORIES

	December 31, 2018	December 31, 2017
Raw materials	8,183,779	7,595,527
Consumables	1,764,677	1,477,930
Finished goods	5,652,216	5,519,294
Work in progress	2,079,010	2,418,229
Other inventories	1,850,600	1,549,249
Allowances for impairment of inventories	<u>(1,744,374)</u>	<u>(1,137,087)</u>
Total	<u>17,785,908</u>	<u>17,423,142</u>

Other inventories include items of inventory, finished goods or materials in custody at third parties and advances paid to suppliers of goods.

The changes in inventory impairments is as follows:

	2018	2017
Balance at the beginning of period	<u>1,137,087</u>	<u>1,312,063</u>
Increase	1,167,901	786,382
Decrease	<u>(560,614)</u>	<u>(961,358)</u>
Balance at the end of period	<u>1,744,374</u>	<u>1,137,087</u>

Allowances recorded in the reporting period are for obsolete or slow moving raw materials and consumables.

The Group did not pledge inventories to secure its liabilities.

9. TRADE RECEIVABLES

Receivables are recorded at nominal value and are accounted for in the cost accounting for each natural or legal person, The receivables denominated in foreign currency were measured based on the exchange rate applicable at the end of the period and the exchange rate difference was recognized as income or expense for the period.

	December 31, 2018	December 31, 2017
Internal trade receivables*	37,120,289	39,002,613
External trade receivables	5,555,204	5,523,930
Estimated trade receivables	3,574,011	938,610
Adjustment of internal trade receivables at present value	(478,792)	(590,408)
Impairment of trade receivables	<u>(4,314,458)</u>	<u>(4,104,655)</u>
Net trade receivables	<u>41,456,253</u>	<u>40,770,090</u>

* *Internal trade receivables include performance guarantees granted to customers with maturity under one year, As at December 31, 2018 they amounted to RON 412,925 (December 31,2017: RON 1,210,558).*

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

9. TRADE RECEIVABLES (continued)

The sale contracts or services provision contracts concluded with customers under credit facilities have been discounted at present value, The total effect of the discount at present value was RON 1,778,279 of which RON 478,792 due in one year and RON 1,299,487 due in more than one year (Note 7).

The balance of trade receivables from customers as at December 31, 2018 is RON 607,455 (December 31, 2017: RON 708,392) and represents promissory notes issued by customers in favor of the Group under the contracts concluded.

The changes of impairment allowances of trade receivables are as follows:

	<u>2018</u>	<u>2017</u>
Balance at the beginning of period	4,104,655	1,623,928
Impairment allowance	276,528	2,580,794
Decreases of impairment allowances	<u>(66,725)</u>	<u>(100,067)</u>
Balance at the end of period	4,314,458	4,104,655

Doubtful accounts or litigating customers are in amount of RON 4,314,458 as at December 31, 2018 (December 31, 2017: RON 4,104,655).

The impairment recorded refers to amounts not collected from doubtful accounts or litigating customers and for which a risk of default was estimated according to the policy adopted by the Group.

The accounts receivable collection period has decreased in 2018 to 76 days, compared to 100 days in 2017.

The maturity of receivables as at the preparation date of the statement of financial position is:

	<u>Gross value as at December 31, 2018</u>	<u>Provision as at December 31, 2018</u>	<u>Gross value as at December 31, 2017</u>	<u>Provision as at December 31, 2017</u>
Outstanding	33,728,132	-	35,396,087	-
Overdue between 1 - 30 days	5,643,460	-	4,040,358	-
Overdue between 31 - 90 days	1,260,969	-	534,355	-
Overdue between 90 - 180 days	669,878	-	363,601	-
Overdue between 180 - 365 days	162,928	(10,325)	185,378	-
More than 1 year	<u>4,305,344</u>	<u>(4,304,133)</u>	<u>4,354,966</u>	<u>(4,104,655)</u>
Total	45,770,711	(4,314,458)	44,874,745	(4,104,655)

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

10. OTHER CURRENT ASSETS

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Debtors	44,125	40,411
Prepaid expenses	2,301,972	2,120,218
Debtor suppliers	81,487	24,697
Other assets	525,141	232,715
Total	<u>2,952,725</u>	<u>2,418,041</u>

The accrued expenses of RON 2,301,972 mainly consist of rent paid in advance, insurance premiums for the civil liability of directors and various subscriptions.

Other assets also include the value of the VAT non-chargeable in amount of RON 104,641, accrued interest in amount of RON 200,076, other amounts to be recovered from social health insurance in amount of RON 200,754.

11. CASH AND CASH EQUIVALENTS

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Petty cash	18,177	19,571
Current accounts with banks	33,765,558	20,549,649
Cash equivalents	515	1,531,
Total	<u>33,784,250</u>	<u>20,570,751</u>

	<u>31 decembrie 2018</u>	<u>31 decembrie 2017</u>
Restricted cash	11,269,250	2,531,723
Total	<u>11,269,250</u>	<u>2,531,723</u>

Restricted cash is used to guarantee collateral.

12. SHARE CAPITAL

The Group's share capital subscribed and paid up is RON 67,603,870, divided into 676,038,704 shares at nominal value 0,10 RON/share, fully paid-up and belongs to the parent.

The structure of the shareholders that own over 10% of the share capital as at December 31, 2018 is the following, according to the Central Depository Register:

SHAREHOLDER	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	<u>No, of shares</u>	<u>%</u>	<u>No, of shares</u>	<u>%</u>
Asociația PAS	200,302,763	29.6288	200,302,763	29.6288
SIF Oltenia SA	176,717,594	26.1402	171,717,594	25.4006
Natural persons	222,392,283	32.8964	194,589,958	28.7838
Legal persons	76,626,064	11.3346	109,428,389	16.1867
Total	<u>676,038,704</u>	<u>100</u>	<u>676,038,704</u>	<u>100</u>

The Group does not own bonds, redeemable shares or other portfolio securities.

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

13. RESERVES

Legal reserve

	<u>2017</u>	<u>2017</u>
Balance at the beginning of the period	34,422,531	34,422,742
Increases	401,175	-
Reductions	<u>(15,370,332)</u>	<u>(211)</u>
Balance at the end of the period*	<u>19,453,374</u>	<u>34,422,531</u>

According to Romanian legislation, entities must allocate an amount at least equal to 5% of the profit before tax to the legal reserves, until the reserves reach 20% of the share capital, When this level is reached, the Group can make additional allocations exclusively from its net profit, The legal reserve is deductible within the limit of 5% of the accounting profit, before the determination of the income tax.

The legal reserves decreased by RON 15,370,332 during 2018 as a result of the covering of the accounting loss recorded in 2015 with the allowance for inflation following the application of IAS 29. During the same period this reserve increased following the set-up of the legal reserve (5% of the accounting profit determined under the law).

The allowance for inflation following the application of IAS 29 to this reserves amounts to RON 8,649,876 at December 31, 2018 (December 31, 2017: 24,020,209).

	<u>2018</u>	<u>2017</u>
Balance at the beginning of the period	86,843,127	88,968,568
Increases	18,471,301	971,849
Reductions	<u>(5,738,588)</u>	<u>(3,097,291)</u>
Balance at the end of the period	<u>99,575,840</u>	<u>86,843,127</u>

At December 31, 2018 the Group has **other reserves** amounting to RON 61,957,912 of which reserves for own sources of founding represent 98%.

	<u>2018</u>	<u>2017</u>
Balance at the beginning of the period	62,207,716	57,834,598
Increases	151,371	4,373,118
Reductions	<u>(401,175)</u>	<u>-</u>
Balance at the end of the period	<u>61,957,912</u>	<u>62,207,716</u>

14. RETAINED EARNINGS

As at December 31, 2018 the retained earnings arising from the transfer of reserves from revaluation related to depreciated or decommissioned assets was in amount of RON 2,800,951.

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

15. INVESTMENT SUBSIDIES

	Total	Within one year	In more than one year
Investment subsidies as at December 31, 2018	4,736,744	163,219	4,573,525
Investment subsidies as at December 31, 2017	4,899,962	163,219	4,736,744

In 2012, the Group benefited from an investment subsidy of RON 5,997,788 granted for the modernization of the micro-hydro power plant in Brodina 2 (Suceava), which will be transferred to revenue concomitantly with the registration of the amortization of the non-current assets purchased under this project, The net book value of the fixed assets purchased from such grant are presented in Note 4.

16. PROVISIONS

Name	Balance 01.01.2018	Inflows (set-up)	Outflows (reversals)	Balance 31.12.2018
Provisions for Fines				
Competition Council	10,024,825	-	(10,024,825)	-
Provisions for performance guarantees to customers	1,342,950	1,306,317	(1,308,382)	1,340,884
Provisions for risks and charges	31,440	24,690	-	56,130
Provision for employees' benefits	<u>2,345,058</u>	<u>3,377,508</u>	<u>(3,181,224)</u>	<u>2,541,342</u>
TOTAL	<u>13,744,272</u>	<u>4,683,825</u>	<u>(14,514,431)</u>	<u>3,938,356</u>

The parent has concluded contracts for the supply of lighting units with warranty, for long periods, 2 - 4 years. The contracts do not provide for a percentage or amount of the performance guarantee, therefore the related provision is calculated based on the analysis of the history of costs incurred with goods under warranty.

The Group has concluded contracts for the supply of lighting units with warranty, for long periods, i.e, 2-4 years. The contracts do not provide for a percentage or amount of the performance guarantee, therefore the related provision is calculated based on the analysis of the history of costs incurred with goods under warranty.

During the reporting period, the provision recorded at the end of 2017 for the fine announced by the Competition Council has been written off and as a result of receiving the formal decision this value has been recorded as current cost.

The provision for employee benefits relates to the value of the rest leaves not taken in the previous year and other provisions under labor contracts and for results.

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

17. TRADE AND OTHER PAYABLES

	December 31, 2018	December 31, 2017
Internal trade payables	6,579,138	7,427,752
External trade payables	3,912,032	3,260,682
Estimated trade payables	<u>6,957,044</u>	<u>11,373,898</u>
Other current payables		
Advances received from customers	508,161	1,900,266
Salaries and social security contributions	3,388,539	2,919,914
Income in advance	98,191	100,778
Other payables	<u>23,408,995</u>	<u>14,069,257</u>
Total	<u>44,852,100</u>	<u>41,052,547</u>

Liabilities are recorded at nominal value and are accounted for in the analytical records for each natural or legal person. The liabilities denominated in foreign currency were measured based on the exchange rate applicable at the end of the period and the exchange rate difference was recognized as income or expense for the period.

The liability settlement period decreased to 62 days in 2018 compared to 73 days in 2017.

The Group does not have significant outstanding trade payables.

The Group does not have outstanding liabilities to employees and the state budget; the amounts presented represent liabilities for December 2018, which are paid on the due date, in January 2019.

Other payables include guarantees received from tenants, VAT to be paid, other taxes and the fine in amount of RON 9,021,308 and RON 10,024,824. For these amounts the Parent company requested ANAF the suspension according to Art, 235 of the Fiscal Procedure Code.

The guarantees received as at December 31, 2018 amount to RON 2,686,814 and will be settled according to the contractual terms.

	Total	Within one year	In more than one year
Guarantees received 2018	2,686,814	1,375,795	1,311,019

18. INCOME

	2018	2017
Income	<u>291,711,216</u>	<u>223,246,080</u>
- Income from sold production	91,207,382	79,631,297
- Rental income	14,167,268	13,260,948
- Income from sale of goods	186,336,566	130,353,835
Investment income	<u>187,850</u>	<u>973,361</u>
- Interest income	187,850	12,482
- Net income from fair value measurement of investment property	-	960,879
- Other net investment income	-	-
Variation in inventories of finished goods and work in progress	19,745,239	13,407,878
Own work capitalized	<u>769,737</u>	<u>1,617,287</u>

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

18. INCOME (continued)

	<u>2018</u>	<u>2017</u>
Other net income	2,769,462	(9,811,506)
- Income from subsidies	4,479,203	3,335,999
- Net provisions	(1,039,884)	(14,227,165)
- Net foreign exchange difference	(71,830)	296,049
- Other income	(598,028)	783,610
Net income	315,183,503	229,433,100

Net provisions are income from adjustments for impairment of inventories and receivables as well as income / expense with provisions for good execution guarantees granted to clients.

19. EXPENSES

	<u>2018</u>	<u>2017</u>
Expenses related to materials	215,307,130	166,496,995
- Raw materials and consumables	57,903,030	47,656,514
- Goods purchased for resale	155,189,801	116,495,742
- Electricity, heating and water	2,214,299	2,344,739
Employee-related expenses	35,648,106	36,406,993
- Salaries	34,874,431	29,938,656
- Other employee-related expenses	773,675	6,468,337
Other expenses	36,090,688	28,353,511
Post	222,942	258,38
Maintenance expenses	382,430	516,027
Rentals	247,373	140,457
Advertisement and entertainment	414,415	590,293
Insurance	520,421	550,323
Transport and travel	1,442,007	1,280,191
Subcontracted work	10,710,443	5,912,836
Other taxes	1,617,978	1,487,629
Consultants and collaborators	709,113	2,034,831
Costs of green certificates	11,409,320	8,087,203
Other operating expenses	8,414,246	7,495,340
Expenses related to depreciation and impairment	19,517,708	11,501,335
- Depreciation	9,788,193	11,501,335
- Net impairment	9,729,515	-
Total expenses	306,563,632	242,758,834

Expenditure on raw materials and materials decreased due to the postponing of auctions of electricity consumption measuring equipment and auctions of railway traffic safety features.

The "Other operating expenses" line shows the services rendered by third parties, banking and similar services, fees and commissions etc.

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

20. FINANCIAL EXPENSES

	<u>2018</u>	<u>2017</u>
Interest expenses	28,104	29,135
Bank charges	919,252	656,952
Total financial expenses	947,356	686,087

21. INCOME TAX

Income tax recognized through profit or loss:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Current income tax		
Current income tax expenses	3,525,517	645,983
Deferred income tax		
Deferred income tax expenses/income	(309,346)	(208,322)
	3,216,171	437,661

Settlement of profit before tax and income tax expenses in the profit and loss account:

Caption	<u>2018</u>	<u>2017</u>
Net accounting (loss)/profit	4,456,343	(14,449,482)
Deductions	(5,923,159)	(7,913,235)
Non-taxable income	(15,871,817)	(3,429,880)
Non-deductible expenses	39,381,821	29,829,991
Taxable (loss)/profit	22,043,188	4,037,394
Tax loss from previous years	-	-
Current income tax	3,526,910	645,983
Income tax reduction	(1,393)	-
Income tax due at the end of period	3,525,517	645,983

As at December 31, 2018, the current income tax due is RON 44,062 (December 31, 2017: RON 523,952).

The analysis of deferred tax for the reporting period is shown below:

	<u>Opening balance</u>	<u>Through profit or loss</u>	<u>Through other comprehensiv e income</u>	<u>Closing balance</u>
Property, plant and equipment	18,110,487	(143,058)	2,435,551	20,402,980
Receivables	(280,688)	(3,837)	-	(284,525)
Impairment of receivables	(658,178)	(33,879)	-	(692,057)
Impairment of inventories	(181,934)	(97,166)	-	(279,100)
Employee-related benefits	(375,209)	(31,405)	-	(406,614)
TOTAL	16,614,478	(309,346)	2,435,551	18,740,684

The deferred income tax resulted from different accounting and tax depreciation methods, and the one from revaluation reserves resulted from the revaluation of tangible assets registered after January 1, 2004, which are taxed concomitantly with the deduction of the tax depreciation.

This is a free translation from the original Romanian version.

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

22. AVERAGE NUMBER OF EMPLOYEES

Evolution of the average number of employees:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Group	542	621
Parent	479	577

The expenses incurred for salaries and related taxed in the years of 2018 and 2017 are:

	<u>2018</u>	<u>2017</u>
Expenses related to salaries	34,874,431	29,938,656
Expenses related to social security contributions	<u>773,675</u>	<u>6,468,337</u>
Total	<u>35,648,106</u>	<u>36,406,993</u>

The Group does not have a special employee pension scheme and contributes to the national pension system under the laws in force.

23. RELATED PARTY TRANSACTIONS

At December 31, 2018 and December 31, 2017, the Group had no related parties apart from the subsidiaries included in the consolidation, Balances and transactions with them were eliminated in the preparation of the consolidated financial statements.

The Group does not have contractual obligations to former managers and directors and did not grant advances or loans to the current managers and directors.

The Group did not undertake future obligations of the nature of guarantees on behalf of its directors.

24. INFORMATION ON SEGMENTS OF ACTIVITY

The Group used as the aggregation criterion for the reporting by operating segments the nature of the regulatory framework and identified the following operating segments for which it presents separate information:

- Licensed activity – electricity supply and production
- Unlicensed activity

The aggregation criterion relies on the license needed to run business and the conditions required by the license, such as presentation of separate financial statements, The electricity production and supply were aggregated as they constitute an integrated process for some of the operations.

Segment information is reported according to the activities of the Group, The assets and liabilities by operating segments include both the items directly attributable to those segments and the items that can be allocated on a reasonable basis.

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

24. INFORMATION ON SEGMENTS OF ACTIVITY (continued)

2018	Unlicensed activity	% Total Group	Licensed activity	% Total Group	Total Group
Net profit	1,068,804	100.0	3,387,539	n/a	4,456,343
Total assets	342,276,533	81.90	75,663,124	18.10	417,939,657
Total liabilities	51,189,927	70.70	21,122,020	29.30	72,311,947
Customer revenue	103,497,929	35.48	188,213,287	64.52	291,711,216
Interest income	187,850	100.0	-	-	187,850
Impairment and depreciation	8,447,264	43.28	11,070,444	56.72	19,517,708
	Unlicensed activity Restated	% Total Group	Licensed activity	% Total Group	Total Group Restated
Net profit	(16,472,204)	100.0	2,022,722	n/a	(14,449,482)
Total assets	319,514,929	79.40	82,872,915	20.60	402,387,844
Total liabilities	46,253,977	60.20	30,581,235	39.80	76,835,212
Customer revenue	92,379,795	41.38	130,866,285	58.62	223,246,080
Interest income	12,482	100.0	-	n/a	12,482
Impairment and depreciation	9,220,444	80.17	2,280,891	19.83	11,501,335

LED lighting units, systems and solutions

The production of LED lighting units has the largest share on the whole production of the Group (51,8% of the sales). In 2018, the sales increased by 3,7 % as compared to the previous year. The growth trend maintains particularly in the street and commercial lighting sector. The LED lighting units are more and more demanded for export, with a share of approximately 13,8 % in the total exports.

The product range covers the following:

- street lighting;
- commercial premises (supermarkets, commercial galleries, gas stations, warehouses, stands, parks, showcases, advertising panels);
- industrial premises (plants, warehouses, etc.);
- offices;
- public buildings (institutions, hospitals, schools);
- residential sector.

Electricity distribution and metering equipment

The whole production of meters and metering systems is targeted at the domestic market. The electricity meters are sold as such or integrated in EnergSys systems for electricity metering and telemanagement. In 2018, the sales of electricity meters and telemanagement systems (as part of the modernization works on the low voltage distribution network) represented approx. 3.5 % of the total turnover of the Group, cumulating approximately 10 million lei.

Plastic injection and molds

The production of plastic injection molded subassemblies and molds decreased by 17 % as compared to the previous year. This group of products has the second largest share (27.3%) of the total exports of the Group. The production of plastic injection molded subassemblies also benefits from the onsite manufacture and repair of the molds.

Electromagnetica benefits from a wide range of technologies, which enables the Group to manufacture plastic injection molded subassemblies for both the internal market and export. The group currently owns 24 machines, the most part of the manufactured products being represented by auto parts.

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

24. INFORMATION ON SEGMENTS OF ACTIVITY (continued)

Low voltage electrical switchgear

The production of low voltage electrical switchgear was an element of continuity and stability in the production intended for export, representing in 2018 approximately 49 % of the total exports. This group of products registered a slight increase of 6.8 % in sales, as compared to 2017.

Electricity production from renewable sources

The electricity production is regulated by ANRE; the parent Company has been a licensed producer since 2007. In 2018 there was no further need for investments in the 10 micro-hydro power plants (MHPs) along the Suceava River, as they had been recently modernized through an investment program completed in 2014. In 2018 the electricity production significantly exceeded the average production of the last few years. Approximately 37% of the green certificates necessary for energy supply were ensured by the green certificates related to the own energy production.

The revenues of 2018 were much higher than in the previous year as a result of an increased physical energy production. Thus, 14,877,189 MWh were produced, which represents an increase by 24% as compared to 2017. The number of green certificates (GCs) produced was 31,636, by 26% more than in the previous year. To these there were also added 1,416 GCs, deferred according to regulations from the period 2013-2018, but belonging to Electromagnetica.

Railway traffic safety components

The sales of railway traffic safety components increased by more than 55% as compared to 2017, in the context on increased order from renowned companies that are working on the maintenance and modernization of the railway infrastructure. The future evolution of this product category broadly depends on the timetable for the modernization of the railway infrastructure.

Other industrial products

This category includes the production of metal works and other subassemblies from the production of 2018, the sale of these products represented a total share of 0.83%, the majority being exported. Electromagnetica owns bending, punching, drawing and cupping machines by which it is able to manufacture a diversified range of products.

Main services provided

Electricity supply services

The electricity supply business is regulated by ANRE. The parent Company has been an authorized supplier since 2001; in 2013 the license was renewed for another 10 years, under the provisions of the new energy law (Law no. 123/2012). In 2018, the turnover achieved from the electricity supply business increased by over 30% as compared to 2017, in particular as a result of the development of the trading activity, as well as of the stabilization and slight increase of the customer portfolio.

A significant part of the need of green certificates for the whole supply customer portfolio was covered in 2018 by the certificates obtained for the electricity produced by the parent company's own micro-hydro power plants.

Rental and utility supply services

Electromagnetica administers approximately 33,000 sqm of rentable premises in Bucharest, as well as 3,500 sqm in Varteju commune, Ilfov County. At the end of 2018, the average occupation level for the headquarters located at 266-268 Calea Rahovei Street was 97.48%, for an average rental price of 92 euro/square meter. For the premises in Varteju commune (Magurele), the level of occupation was 98.44%, for an average rental price of 2.12 euro/square meter, slightly increasing.

The rental and utility supply activity had an increase of 7.84 % as compared to the previous year, in the context of a higher rented surface and the average Eur-Leu exchange rate which had a favorable evolution as compared to 2017.

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

25. RISK MANAGEMENT

The Group is exposed to the following risks:

Equity risk

Equity risk management aims to ensure the capacity of the to carry out its activity in good conditions through the optimization of the capital structure (equity and liabilities). The analysis of the capital structure is focused on the cost of capital and the risk associated to each category. To maintain an optimum capital structure and an appropriate debt ratio, in the last years the Group proposed to its shareholders an adequate dividend policy, able to secure own sources of funding. The absence of funding sources can limit the Group expansion on the market segments where the sale is supported through the commercial facilities offered.

Credit risk

Credit risk is the possibility that contracting parties breach their contractual obligations resulting in financial loss for the Group. When possible and allowed by market practices, the Group requests guarantees. Trade receivables derive from a wide range of customers operating in various fields of activity and different geographical areas. To counteract this risk factor, the Group applied restrictive policies to the delivery of products to doubtful customers. Insurance policies were contracted for foreign market receivables. Due to the increase of insolvency cases in the economy, there is a concrete risk related to the recovery of the equivalent value of products and/or services supplied prior to the declaration of insolvency. The Group is paying more attention to the creditworthiness and financial discipline of its contractual partners.

	2018	2017
Trade receivables	61,787,011	60,389,593
Other receivables	3,141,041	2,418,041
Cash and cash equivalents	33,784,250	20,570,751
	98,712,302	83,378,385

Market risk

The market risk consists of: the risk of changes in interest rates, exchange rate, and merchandise purchase price.

The risk related to **changes in interest rates** is managed due to the Group's investment policy according to which investments are exclusively covered by own sources of funding, therefore credit lines are only used for short periods.

The Group is exposed to **foreign exchange risk** because the supply of materials mainly comes from import and the share of exports increased, To limit the effect of foreign exchange, the payment schedule was correlated with the proceeds in foreign currency, the Group usually recording cash-flow surplus, The Group monitors and manages on a permanent basis its exposure to exchange rate differences.

The foreign currencies most frequently used in transactions are EUR and USD, The assets denominated in foreign currencies are represented by customers and available cash in foreign currency, The liabilities denominated in foreign currency are represented by suppliers, At 31 December 2018 and At 31 December 2017 , their situation is as follows:

	Assets	Liabilities	Net exposure
EUR	3,568,678	638,561	2,930,117
USD	205,693	149,295	56,398
	Assets	Liabilities	Net exposure
EUR	3,318,007	583,967	2,734,040
USD	291,111	139,851	151,260

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

25. RISK MANAGEMENT (continued)

Market risk (continued)

The analysis of the foreign exchange risk sensitivity for a +/- 10% variation in the exchange rate shows an impact on the gross result of the period of +/- RON 1,389,551.

This analysis shows the exposure to the translation risk at the end of the year; however, the exposure during the year is permanently monitored and managed by the Group.

Price risk includes the risk of changes in acquisition prices, exchange rate and interest rate, Among the markets where the Group is present, the energy market has the highest level of price risk, given the volatility of prices on the Day Ahead Market and the Balancing Market, as well as the absence of long-term risk coverage mechanisms, The behavior of the electric power producers, consisting in selling as much as possible on the spot market, increases the price risk on that market, To control the price risk on the energy market, the Group took action for reducing its exposure by re-dimensioning its customer portfolio and externalized the balancing services.

The Group is exposed to exchange rate risk because the sourcing of materials is largely based on imports, In order to limit the effect of the exchange rates, the payment schedule was correlated with that of receipts in foreign exchange, usually ensuring a cash-flow surplus, The change in prices of raw materials and materials entailed a continuous review of cost prices, To maintain some of the products profitable, the Group cooperated with the suppliers for ensuring price control and the related technological processes were improved.

Liquidity and cash flow risk

The Group cash flow department prepares forecasts on the liquidity reserve and maintains the appropriate level of credit facilities in order to be able to prudently manage the liquidity and cash flow risks. To this effect, the decision of the general meeting of shareholders of September 14, 2017 extended the mortgage agreements in favor of the banks with which the Group has opened credit lines and letters of bank guarantee within the limit of 40% of the total fixed assets, less receivables, to ensure the Group's capacity to perform its obligations in case of short-term cash deficit. At the same time, investments were limited to own sources of funding and to those with direct impact on the turnover. The liquidity and cash-flow risk management policy should be adapted to the resized activity of electricity supply.

Liquidity and cash flow risk (continued)

The status of trade receivables and payables according to maturity is presented below:

	December 31, 2018	Due	0 - 1 year	1 - 2 years	2 - 5 years	In more than 5 years
Trade receivables	62.356.277	8.501.782	34.555.540	9.355.610	9.943.345	-
Trade liabilities	42.934.729	26.758.893	16.084.396	91.440	-	-
	December 31, 2017	Due	0 - 1 year	1 - 2 years	2 - 5 years	In more than 5 years
Trade receivables	60.662.719	5.658.573	34.856.679	7.807.866	12.339.601	-
Trade liabilities	39.051.503	17.647.224	21.337.121	67.158	-	-

*) The amount of 26,758,893 lei includes the amount of 19,046,133 lei representing the fine notified by the Competition Council. The Parent Company requested ANAF to suspend this amount in accordance with Article 235 of the Fiscal Procedure Code.

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

25. RISK MANAGEMENT (continued)

Hierarchy of fair value of financial assets and financial liabilities

December 31, 2018	<u>Net value</u>	<u>Fair value</u>	<u>Level</u>
Financial assets			
Trade receivables	61,787,011	61,787,011	Level 1
Cash and cash equivalents	33,784,250	33,784,250	Level 1
Other current assets	3,141,041	3,141,041	Level 1
	<u>98,712,302</u>	<u>98,712,302</u>	
December 31, 2018			
	<u>Net value</u>	<u>Fair value</u>	<u>Level</u>
Non-current financial liabilities			
Trade and other payables	1,311,019	1,311,019	Level 1
	<u>1,311,019</u>	<u>1,311,019</u>	
Current financial liabilities			
Trade payables	43,541,081	43,541,081	Level 1
	<u>43,541,081</u>	<u>43,541,081</u>	
December 31, 2017			
	<u>Net value</u>	<u>Fair value</u>	<u>Level</u>
Financial assets			
Trade receivables	40,770,090	40,770,090	Level 1
Cash and cash equivalents	20,570,751	20,570,751	Level 1
Other current assets	2,418,041	2,418,041	Level 1
	<u>63,758,882</u>	<u>63,758,882</u>	
December 31, 2017			
	<u>Net value</u>	<u>Fair value</u>	<u>Level</u>
Non-current financial liabilities			
Trade and other payables	1,304,836	1,304,836	Level 1
	<u>1,304,836</u>	<u>1,304,836</u>	
Current financial liabilities			
Trade payables	39,747,711	39,747,711	Level 1
	<u>39,747,711</u>	<u>39,747,711</u>	

Political and legislative risk

The Group's activity on regulated markets, such as the electricity supply and production market, exposes the Group to a legislative risk. For instance, the changes related to taxation or employment relationships may have a significant impact upon the Group's business. The enactment of OUG 114/2018, in the current form at the drafting date of this report, has a particular impact as it introduces an annual contribution of 2% of the turnover related to the licensed activity (electricity production and supply).

Disaster risk

The production of electricity in low power plants without dams is subject to the risk of destruction caused by floods. Under these circumstances, the Group concluded insurance policies to protect not only the MHPs, but also its headquarters against disasters.

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

25. RISK MANAGEMENT (continued)

Risk related to the lack of qualified human resources

This risk has become important both for Electromagnetica and at national level. Due to factors such as: massive immigration, strong competition and the relatively high level of wages in Bucharest area, the Group was confronted following recruitment notices with a lack of qualified workers for production activities, such as locksmiths, milling machine operators, turners, etc. To counteract this situation, we focused on the reconversion and training of own employees where layoffs were made, as well as on the continuous training of new employees. We also consider the application of an internship program with the possibility of retaining in the Group these persons at the end of the internship period.

Risk related to data protection and processing

The risk can be generated by situations such as the loss or accidental modification of data, as well as by the unauthorized access to personal data.

Irrespective of the ground for processing, Electromagnetica complies with the obligations laid down by the General Data Protection Regulation – Regulation (EU) 2016/679, including the obligation to inform the data subject upon the collection of data.

General framework for risk management

The Board of Directors of the Group has the general responsibility for the establishment and supervision of the risk management framework at Group level, The activity is governed by the following principles:

- a. the principle of delegation;
- b. the principle of decision-making autonomy;
- c. the principle of objectivity;
- d. the principle of investor protection;
- e. the principle of promotion of stock market development;
- f. the principle of proactivity;

The Board of Directors is also responsible for the review and approval of the strategic, operational and financial plan of the Group and the Group's corporate structure.

The risk management policies of the Group are defined so as to ensure the identification and analysis of the risks the Group is facing, determine the appropriate limits and controls and monitor the risks and compliance with the limits set, The risk management policies and systems are regularly reviewed to reflect the changes occurred in the market conditions and the activities of the Group, Through its training and management standards and procedures, the Group aims at developing an orderly and constructive control environment where all employees understand their roles and duties.

The internal audit of the Group's entities supervises the manner in which the management monitors the compliance with the risk management policies and procedures and reviews the appropriateness of the risk management framework against the risks the entities are facing.

26. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

As at December 31, 2018, the Group had the following commitments for bank loans and guarantee agreements/loan contracts concluded with the financing banks (BCR, BRD, LIBRA internet Banking):

- revocable credit line from BCR in amount of RON 9,000,000 (of which RON 4,500,000 noncash) not committed as at December 31, 2018;
- Guarantees: 1st, 2nd, 3rd rank mortgage on land outside the built-up area, and 1st rank mortgage on the accounts opened with BCR;
- non-cash guarantee agreement with BCR in amount of RON 30,000,000 of which the amount of RON 19,900,147 was committed;

ELECTROMAGNETICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless otherwise specified)

26. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Commitments (continued)

- Guarantees: 3rd rank mortgage on the accounts opened with BCR, 1st and 4nd rank mortgages on some real estate;
- Guarantee agreement accord with cash colateral amounting to EUR 266,050, Guarantee Letter issued to some beneficiary;
- non-cash guarantee agreement in amount of RON 10,024,825 in favor of ANAF with collateral cash;
- guarantee agreement authorized overdraft of RON 15,000,
- Guarantees: collateral cash deposit in amount of RON 15,000
- guarantee agreement authorized overdraft in amount of RON 75,000,
- Guarantees: collateral cash deposit in amount of RON 75,000
- credit line from Libra Internet Bank in the amount of RON 5,000,000, committed on December 31, 2018, worth RON 0,01;
- convention on the issuance of bank guarantee letters, from Libra Internet Banking in the amount of RON 10,000,000 of which the amount of RON 6,777,350 was committed on 31 December 2018;
- mortgage on bank accounts opened on behalf of the borrower at all Libra Internet Bank units;
- mortgage on the receivables resulting from the lease agreements for lots 13 and 15;
- mortgage on real estate - land and construction - lots 13 and 15;
- OTP BANK credit agreement amounting of RON 15,800,000, of which RON 5,000,000 cash and RON 10,800,000 non-cash outstanding at 31.12.2018;
- mortgage on bank accounts opened to OTP BANK;
- mortgage on the receivables;
- mortgage on real estate - lots : 1; 2; 3; 9; 18; 19; 21; 23-26.

The commitments from customers and tenants as letters of guarantee December 31, 2018 are in amount of RON 5,062,991 according to the contractual clauses;

Litigation

The litigations in which the Group is involved are values that are not able to affect the financial stability of the group. The only exception, judging by the value of Hidroelectrica's claims, is the case number 13259/3/2015 which, which is in the role of the last instance (ICCJ). The court of first instance dismissed the applicant's application as well as the appeal court.

Eugen Scheuşan
Managing Director

Cristina Florea
Economic Manager

BOARD OF DIRECTORS CONSOLIDATED REPORT FOR THE FINANCIAL YEAR 2018

Report date: **20.03.2019**

Company name: **Electromagnetica SA**

Registered office: **266-268 Calea Rahovei Street, District 5, Bucharest,
postal code 050912**

Tel/ Fax: **021 404 21 02/ 021 404 21 95**

Tax ID: **414118**

Trade Register no.: **J40/19/1991**

Regulated market: **Bucharest Stock Exchange (BVB), Equity securities, Shares,
Premium category**

Stock symbol: **ELMA**

Number of shares: **676,038,704**

Nominal value: **0.1000 lei**

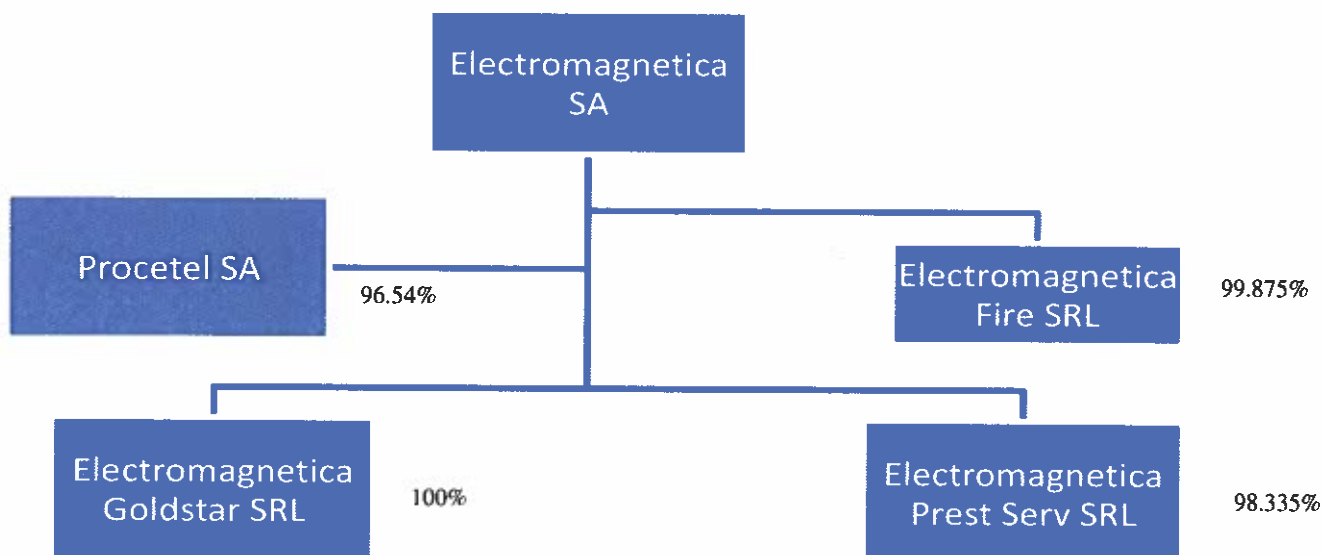
Share capital: **67,603,870.40 lei**

1. GROUP PRESENTATION AND HISTORY

The parent company was born in 1930 under the name "Standard Electrica Romană". The other entities of the Group were set up as follows:

- **Electromagnetica Goldstar** – was set up in 1991 and operated as a joint venture with Romanian-Korean capital until 2011, when ELMA took over all its shares and became sole shareholder;
- **Procetel** – was set up in 1991 having as main object of activity research and development in other natural sciences and engineering. Currently, the revenues of the company come from the rental of premises;
- **Electromagnetica Prestserv** – was set up in 2003 in Bucharest, by the outsourcing of certain cleaning services within ELMA;
- **Electromagnetica Fire** – was set up in 2006 in Bucharest, by the outsourcing of technical assistance services for fire prevention and extinguishing, and private civil protection emergency services.

2. GROUP STRUCTURE



3. OVERVIEW OF THE GROUP ACTIVITY

3.1. Overview of the parent company

Electromagnetica SA is a Romanian legal entity incorporated under the legal form of joint stock company for an unlimited duration and organized and operating under its articles of incorporation, Law no. 31/1991 republished in 2004 and amended by Law no. 441/2006, the Government Emergency Ordinances (GEO) nos. 82/2007 and 52/2008, as well as Law no. 297/2004 on the capital market and Law no. 24/2017 regarding the issuers of financial instruments.

The Company share capital is 67,603,870.40 lei divided into 676,038,704 ordinary shares, registered and dematerialized, which are recorded in electronic account in the shareholder register held by Depozitarul Central SA (Central Securities Depository). According to the Company's articles of incorporation, its main object of activity is the manufacture of instruments and appliances for measuring, testing and navigation (NACE code 2651).

Electromagnetica SA, in its capacity of trading company whose shares are admitted to trading on a regulated market, has adopted the IFRS (International Financial Reporting Standards) starting with the financial year 2012. The financial statements for 2018 were prepared in compliance with Order no. 2844/2016 of the Minister of Public Finance (OMFP) approving the accounting regulations compliant with the International Financial Reporting Standards adopted by the European Union.

The Company prepares consolidated financial statements in its capacity as parent company of a group of firms. Considering the reduced influence of subsidiaries on the consolidated operating result, detailed aspects refer to the parent company.

3.2. Overview of subsidiaries:

- **Procetel SA** is a joint stock company with registered office in Calea Rahovei 266-268, Bucharest, sector 5, registration number with the Trade Register J40/10437/1991, sole registration number 406212, phone: 031.700.2614, fax: 031.700.2616, having as main object of activity research and development in other natural sciences and engineering (NACE code 7219). Currently, its revenues come from the rental of premises. The participation of Electromagnetica SA in Procetel SA is 96.54% of the capital. The company is managed by a sole director, Mrs. Antoaneta Monica Stanila, with a term of office of 4 years starting on 15.08.2018

- **Electromagnetica Goldstar SRL** is a limited liability company with registered office in Bucharest, Calea Rahovei nr 266-268, sector 5, registration number with the Trade Register Office attached to Bucharest Tribunal J40/12829/1991, sole registration number 400570, having as main object of activity the manufacturing of communication equipment (NACE code 2630). The company carries out service and warranty activities for communication equipment, as well as rental of premises. Electromagnetica holds 100% of the capital of Electromagnetica Goldstar SRL. The company is managed by a sole director. Currently, the position of director is held by Mrs. Antoaneta Monica Stanila, with a term of office of 4 years starting on 26.07.2017.

- **Electromagnetica Prestserv SRL** is a limited liability company with registered office in Calea Rahovei 266-268, sector 5, corp 1, etaj 2, axele A-B, stalpii 1-2, registered with the Trade Register Office attached to Bucharest Tribunal under number J40/1528/2003, sole registration number 15182750, providing cleaning services. Electromagnetica holds 98.335% of the company share capital. The company is managed by a sole director, Mr. Ciobanu Gheorghe, with a term of office until 03.11.2023

- **Electromagnetica Fire SRL** is a limited liability company with registered office in Calea Rahovei nr 266-268, sect 5, corp 2, parter, axele C-D, stalpii 6 ½ - 7, registered with the Trade Register Office attached to Bucharest Tribunal under number J40/15634/2006, sole registration number 19070708, carrying out activities in the field of fire protection, technical assistance for fire prevention and extinguishing, and private civil protection emergency services. Electromagnetica holds 99.875% of the share capital. The company is managed by a sole director, Mrs Rogoz Maria, whose term of office was extended by another 4 years starting on 26.03.2018.

4. SUBSIDIARY MERGERS AND REORGANIZATIONS IN 2018

The group of firms of which Electromagnetica SA is the parent company is composed of Procetel SA, Electromagnetica Goldstar SRL, Electromagnetica Fire SRL, and Electromagnetica Prestserv SRL, which mainly represent outsourcing of services. In **2018** there were no changes in the shareholding structure of the controlled companies. Except for Electromagnetica Goldstar SRL, the other companies carry out their activity in direct relationship with the parent company.

5. TRANSACTIONS OF THE PARENT COMPANY WITH RELATED PARTIES

The sales of goods and services to subsidiaries, totaling 154,015 thousand RON, include deliveries of various materials, rents and utilities. The purchases from subsidiaries, totaling 3,236,594 thousand RON, include rents, utilities, cleaning and transport services, fire prevention and extinguishing services. Procetel SA and Electromagnetica Goldstar SRL carry out in relation with the parent company premises rental activities. Electromagnetica Prestserv SRL provides cleaning services the relation with the parent company. Electromagnetica Fire SRL carries out in relation with the parent company activities in the field of fire protection, technical assistance for fire prevention and extinguishing, private civil protection emergency services, interior fitting out, electrical works, and cleaning services.

The rental services received by the parent company from Procetel SA and Electromagnetica Goldstar SRL are performed with the right of rental to independent entities, as the subsidiaries do not have sufficient and specialized staff to manage these rental agreements. The subrental of premises is made without applying a profit margin and without charging a fee for these services provided to related parties.

Electromagnetica SA provided to subsidiaries utilities rental and supply services.

6. CONTRIBUTION OF THE PARENT COMPANY TO THE RESULT OF THE GROUP

The analysis of the individual and consolidated financial statements shows that the companies controlled by Electromagnetica have a very small influence on the consolidated operating result (EBITDA), as follows:

- lei-

	31 December 2018			31 December 2017		
	Group	Parent company	%	Group	Parent company	%
Non-current assets	321,851,268	314,544,090	97.73	321,205,820	316,001,253	98.37
Current assets	95,887,635	90,374,907	94.25	81,182,023	75,973,726	93.58
Shareholders' equity	345,377,260	334,244,312	96.78	325,297,642	316,104,451	97.17
Long-term liabilities	24,625,228	23,666,883	96.11	22,656,057	22,130,270	97.67
Current liabilities	47,485,965	47,007,802	98.99	54,179,155	53,740,257	99.18
Profit before tax	7,672,515	8,000,050	104.27	-14,011,821	-14,970,380	106.84
Profit for the period	4,456,343	4,823,198	108.23	-14,449,482	-15,370,332	106.37

The reduced contribution of the four companies controlled by the parent company to the consolidated operating result is explained by the fact that three of these carry out their activity in close connection with the parent company.

7. DESCRIPTION OF THE ACTIVITY OF THE GROUP AND OF THE PARENT COMPANY

Except for Electromagnetica Goldstar SRL, the subsidiaries carry out activities mainly in relation to Electromagnetica SA, adding to the activities carried out by the parent company services that have been outsourced (cleaning, fire protection, technical assistance for fire prevention and extinguishing, private civil protection emergency services), as well as rental services.

Electromagnetica Goldstar SRL carries out activities outside the Group, in the field of communication equipment, providing service and warranty.

The parent company is the only one carrying out production activities. As the activity of the Group is mostly determined by the activity of the parent company, the aspects treated in this chapter refer exclusively to Electromagnetica SA.

NOTA : All the information below in chapter 7 refer strictly to the parent company, unless otherwise expressly specified

7.1. DESCRIPTION OF THE BASIC ACTIVITY

The company carries out a series of production and services activities, as follows:

Electromagnetica has the following main business lines:

- A. PRODUCTS AND SERVICES TO INCREASE ENERGY EFFICIENCY**
- B. ELECTRICITY PRODUCTION AND SUPPLY**
- C. REAL ESTATE RENTAL AND DEVELOPMENT**
- D. OTHER ACTIVITIES**

The company is also active in the production of:

- **Plastic injection molded subassemblies, electrical, electronic and metallic products for the domestic and external market**
- **Tools and molds**
- **Various machining and assembling operations**
- **Railway traffic safety elements**

Established in 1930, Electromagnetica manufactures products of its own conception, designed and developed by its research and development team, but it also works on orders to make various metal and injection molded plastic subassemblies, electrical devices, tools and molds.

Electromagnetica has developed since 2010 its own concepts of LED lighting units and systems and now it is in a position to offer a wide range of products for street, industrial, commercial and residential lighting. The LED lighting products represent the highest share of Electromagnetica production, the Company being the main domestic producer.

The production of electrical meters has a long tradition and it has been developed into the implementation of energy measurement and remote management equipment designed to meet the highest standards in the field. The railway traffic safety components are also classical products of the Company portfolio. The Company owns a metrology laboratory, an electromagnetic compatibility laboratory (accredited by RENAR) where the performance of LED lighting devices is evaluated and validated, and a technical lighting laboratory.

A parallel concern was to take full profit of the Company real estate by fitting out and renting surplus premises which underwent important modernization. The production of electricity takes place in 10 micro-hydro power plants (MHPs), located in Suceava County.

7.2. MAIN PURCHASES AND/OR DISPOSALS OF ASSETS

In 2018, the company did not purchase or alienate independent assets.

In 2018, the investments were financed from own funds and totaled approximately 694,000 euro, of which 680,000 from Electromagnetica Business Parc and the remaining 14,000 euro from micro-hydro power plants. The main purchases were made to upgrade technological processes with new equipment, respectively TDVs, one of the reasons being the development of the production activity of electric vehicles charging stations. The company also invested in delivery vans and in various construction and modernization works for some buildings.

The value of the intangible assets purchased was low, consisting of several software licenses which were necessary for the research and development activities.

During the reporting period, no significant alienation of tangible assets took place; the Company discarded a few items and made a few low value sales of old vehicles and equipment which had been put out of service.

7.3. MAIN EVENTS WITH SIGNIFICANT IMPACT ON THE OPERATION OF THE COMPANY

During **2018**, the main events significantly impacting on the Company activity were the following:

- New highly efficient LED lighting units started to be manufactured, to maintain sales on the most dynamic market segments (street lighting) and compensate the reduction of the growth potential on other segments (commercial lighting);
- The increased number of turn-key LED lighting projects integrating several products and services provided by the Company (lighting units, design, installation, maintenance);
- An extremely favorable hydrological regime, which resulted in an energy production from renewable sources over the average of the last years;
- The increase of the energy trading and supply activity, even in the context of a relatively volatile electricity market, with increasing prices on all purchase markets and in particular on the day ahead market;

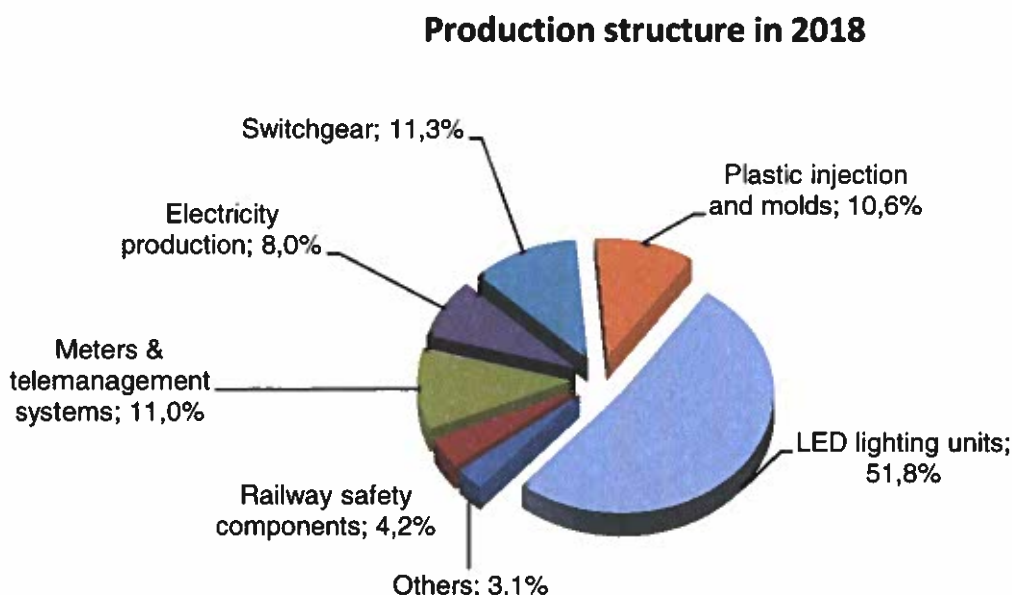
7.4. OVERALL ASSESSMENT ELEMENTS (PARENT COMPANY)

The main production value increase was registered for meters and telemanagement systems (over 400%), energy production (over 44%), railway traffic safety elements (68%), switchgear (6.8%) and LED lighting units (3.7%). Production decreased for plastic injection (-17%). Revenues from energy supply increased significantly, by more than 43 %, and the same evolution was recorded by revenues from production and rental services, which increased by approx. 15 %, and 7.84 % respectively.

7.5. EVALUATION OF THE COMPANY TECHNICAL LEVEL. PRODUCTS AND SERVICES

7.5.1. PRODUCTION STRUCTURE

The Company benefits from a wide range of technologies and equipment that enables it to obtain a rich diversity of products. The share of the main groups of products in the production-related turnover (excluding services) is as follows:



7.5.2. PRODUCTS AND SERVICES TO INCREASE ENERGY EFFICIENCY

LED lighting units, systems and solutions

The production of LED lighting units has the largest share on the whole merchandise production of the Company (51.8% of sales). In 2018, the sales increased by 3.7% as compared to the previous year. The growth trend maintains particularly in the street and commercial lighting sector. The LED lighting units are more and more demanded for export, with a share of approximately 13.8% in the total exports. The product range covers the following:

- Street lighting;
- Commercial premises (supermarkets, commercial galleries, gas stations, warehouses, stands, parks, showcases, advertising panels);
- Industrial premises (plants, warehouses, etc.);
- Offices;
- Public buildings (institutions, hospitals, schools);
- Residential sector.

The competitive advantage of LED lighting equipment is due to their high efficiency (over 130 lm/w), long service life and reduced maintenance costs. In addition, the LED lighting units provide high quality lighting, are environmentally friendly and can be integrated in telemanagement systems.

Electricity distribution and metering equipment

The whole production of meters and metering systems is targeted at the domestic market. The electricity meters are sold as such or integrated in EnergSys systems for electricity metering and telemanagement. In 2018, the sales of electricity meters and telemanagement systems (as part of the modernization works on the low voltage distribution network) represented approx. 3.5 % of the total turnover of the Company, cumulating approximately 10 million lei. It should be noted that during the last years, the specific production fluctuated with the dynamics of the acquisitions carried out by the electricity distribution companies. EnergSys is already a well known product on the market, being produced in its third version. In 2018, emphasis was laid on the development of the system functions in accordance with the new ANRE orders regarding the implementation of Smart Measurement Systems (SMI) in Romania (ANRE Order 25/2018 and Order 177/2018). The latest version of the system reflects the worldwide trends in the field of smart networks and also the requirements imposed by the energy market regulator (ANRE). The new system allows for improved quality of the services provided, better safety in operation as well as the operation information of consumers thanks to its capacity of monitoring, measuring and sending a range of complex information to the electricity distributor. In 2019, emphasis will be laid on extending the applications of the ENERGSys metering system (Electromagnetica registered trademark) in both rural areas with issues related to losses of electricity and in the urban/rural public lighting networks, by monitoring consumption in Ignition Points and the development within the existing system of functions specific to Smart-City platforms.

Low voltage electrical switchgear

The production of low voltage electrical switchgear (for ABB Italy) was an element of continuity and stability in the production intended for export, representing in 2018 approximately 49 % of the total exports. This group of products registered a slight increase of 6.8 % in sales, as compared to 2017.

7.5.3. ELECTRICITY PRODUCTION AND SUPPLY

Electricity production from renewable sources

The electricity production is regulated by ANRE; the Company has been a licensed producer since 2007. In 2018 there was no further need for investments in the 10 micro-hydro power plants (MHPs) along the Suceava River, as they had been recently modernized through an investment program completed in 2014. In 2018 the electricity production significantly exceeded the average production of the last few years. Approximately 37% of the green certificates necessary for energy supply were ensured by the green certificates related to the own energy production.

The revenues of 2018 were much higher than in the previous year as a result of an increased physical energy production. Thus, 14,877,189 MWh were produced, which represents an increase by 24% as compared to 2017. The number of green certificates (GCs) produced was 31,636, by 26% more than in the previous year. To these there were also added 1,416 GCs, deferred according to regulations from the period 2013-2018, but belonging to Electromagnetica.

Electricity supply activity

The electricity supply business is regulated by ANRE. The Company has been an authorized supplier since 2001; in 2013 the license was renewed for another 10 years, under the provisions of the new energy law (Law no. 123/2012). In 2018, the turnover achieved from the electricity supply business increased by over 30% as compared to 2017, in particular as a result of the development of the trading activity, as well as of the stabilization and slight increase of the customer portfolio.

A particular emphasis was laid on risk management by the precontractual review of the consumer, as well as by sustained actions in relation to customers that exceeded the payment deadline (including by disconnection notifications) so that the overdue amounts were insignificant (below 0.5% of receipts).

A significant part of the need of green certificates for the whole supply customer portfolio was covered in 2018 by the certificates obtained for the electricity produced by the company's own micro-hydro power plants.

7.5.4. REAL ESTATE RENTAL AND DEVELOPMENT

Electromagnetica administers approximately 33,000 sqm of rentable premises in Bucharest, as well as 3,500 sqm in Varteju commune, Ilfov County. At the end of 2018, the average occupation level for the headquarters located at 266-268 Calea Rahovei Street was 97.48%, for an average rental price of 92 euro/square meter. For the premises in Varteju commune (Magurele), the level of occupation was 98.44%, for an average rental price of 2.12 euro/square meter, slightly increasing. As of 31 December 2018, the structure of the rentable premises by their destination was as follows:

Item no.	Destination of rentable premises at the headquarters	Share %	Destination of rentable premises in Varteju	Share %
1	Offices	49.07	Offices	1.69
2	Warehouses	21.12	Warehouses	21.52
3	Production	18.49	Production	69.42
4	Services	11.32	Services	7.36

The rental and utility supply activity had an increase of 7.84 % as compared to the previous year, in the context of a higher rented surface and the average Eur-Leu exchange rate which had a favorable evolution as compared to 2017. The pressure on rental revenues will still manifest in the following period, as an effect of the downsizing of some tenants or the migration thereof to spaces with additional facilities. The office market will become increasingly competitive; in fact, there is noticed a reduction in the rentable premises for offices in favor of service provision or production premises and the office tenants have increasing demands regarding the comfort level. The high level of delivery will exceed the office demand in Bucharest, possibly leading to a lower level of occupation, mainly in buildings which are old or located in hard-to-reach areas. These buildings will need investments in retrofitting or even to increase the occupation level to the detriment of the profit margin in order to remain competitive with the new generation of buildings, most of which are environmental-friendly, equipped with state-of-the-art facilities and excellent connections to public transport, especially to the underground.

NOTE: Other companies of the Group offer rental services as well, but their share is small:

PROCETEL SA : 3,125.91 sq.m., office premises

ELECTROMAGNETICA GOLDSTAR SRL: 1,173 sq.m., office premises

7.5.5. OTHER DEVELOPPED PRODUCTS

Plastic injection and molds

The production of plastic injection molded subassemblies and molds decreased by 17 % as compared to the previous year. This group of products has the second largest share (27.3%) of the total exports of the Company. The production of plastic injection molded subassemblies also benefits from the onsite manufacture and repair of the molds.

Electromagnetica benefits from a wide range of technologies, which enables the Company to manufacture plastic injection molded subassemblies for both the internal market and export. The company currently owns 24 machines, the most part of the manufactured products being represented by auto parts.

Railway traffic safety components

The sales of railway traffic safety components increased by more than 55% as compared to 2017, in the context on increased order from renowned companies (such as ALSTOM, SIEMENS) that are working on the maintenance and modernization of the railway infrastructure. The future evolution of this product category broadly depends on the timetable for the modernization of the railway infrastructure.

7.6. EVALUATION OF THE SOURCING ACTIVITIES

The prices of raw materials and other materials increased slightly, being mainly affected by the increase of the exchange rate and the higher price of the better performing, state-of-the-art components used in the LED lighting units (a large part coming from import). As the delivery deadlines became increasingly longer, the optimization of the value of lots and inventories became more difficult and negatively impacted on the production costs. Price increases were signaled for non-ferrous products (in particular sheet and aluminum profiles), by approx. 10%, but these were largely offset by the reduction in low and medium power LEDs, Volosh protections, Tridonic converters.

In general, the sources for the production supplies are reliable and the objective is to maintain a minimum number of 2 suppliers / product type.

In terms of ensuring the energy resources necessary for the electricity supply activity, the price predictability was low given that both those producing from renewable sources and those producing from conventional sources sold most of their production under short-term contracts, therefore at volatile prices, to the detriment of long-term contracts. In the third and fourth quarters of the year the Company confronted with a rise of prices on the day-ahead market and the over the counter market up to record values. In this context, the Company adopted a balanced purchasing policy, combining purchases under long-term contracts with those on the Day Ahead Market.

7.7. EVALUATION OF THE SALE ACTIVITY (PARENT COMPANY)

Evolution of sales on the domestic and external market and perspectives for medium- and long-term sales

The distribution on the market of the LED lighting units and systems is mainly done directly by the Company through its specialized division from the commercial directorate. The development of a larger number of turn-key projects ensured the sale of a more products and services. One of our priorities for 2019 is to achieve a balanced structure of the production of LED lighting units by raising the lighting products for the commercial and office sectors to the level of the products for public lighting.

Export is traditionally sustained by the low voltage electrical switchgear and a large part of the plastic injection mold production. In the following period the production of plastics will be progressively directed towards products with a higher level of complexity, a change that will also lead to a higher profitability. The LED lighting units had also a great contribution to the increased exports which in 2018 reached 13.8% of the total exports made by our Company. The upward trend in the exportation of LED lighting units will be maintained in 2019. We estimate that the exports will grow by 10% for these products. The Company's exports are mainly directed to the euro zone, in countries such as Italy, Germany, France, Bulgaria, but also to Serbia, Bosnia and the Republic of Moldova.

The licensed production and supply of electricity are only carried out on the domestic market. The production of meters, energy telemanagement systems, railway traffic safety components, as well as the rental services, are exclusively sold on the domestic market. Our sales on the domestic and external markets evolved differently. While exports decreased by 6.2 % as compared to the previous year, the sales on the domestic market increased by over 35%. Practically all the product and service groups registered an increase, except for the plastic injection activity for which the Company depends on the orders from a customer or a group of customers, and a certain cyclicity of orders was noticed.

With respect to the assurance of medium- and long-term distribution, we mention that the average duration of rental agreements is approximately 2 years, while the average duration of electricity supply contracts is 1 year, while production is generally based on short-term orders, except for the production of meters and remote management equipment that are contracted annually. The contracts for the sale of LED lighting systems through supplier-credit are usually concluded for a period of 5 years.

Main competitors

The LED lighting technology is now the main lighting solution, achieving more and more fame. Electromagnetica is the main domestic producer of products competing with those imported from other countries. Among Electromagnetica products, the most successful were the lighting units for commercial and industrial premises, as well as the street lighting units. The Company has a wide range of LED products competing on several price segments. The main competitors of the Company are Philips and Schreder (high price), Elba, Amiras, Electromax, Greentek (medium price) and Spot Vision, Urbio (low price segment).

The electricity meters and the measurement and distribution equipment are intended for the electricity distribution companies. In their plans for network modernization, they also included investments in smart metering. The short-term objective of our Company is to maintain its market share, to exploit our experience, to make the technical level of our products match our competitors and to adapt our products to customer needs. The main local manufacturers and competitors of Electromagnetica are AEM Timisoara, Modern Power System and Elster.

On the market of electricity supply services 2018 was more stable than 2017 and the market shares of the first 20 suppliers recorded slight changes.

On the local market of railway traffic safety systems, the number of purchase orders depends on the progress of the programs for the modernization of the railway infrastructure, provided that the Company takes the necessary steps to ensure the flexibility of its production and to be able to cope with the fluctuating orders.

Significant dependencies of the Company on a customer or group of customers:

The products with a large share at the moment, such as LED lighting units and injection molded products are targeted at a wide customer portfolio and do not depend on a certain customer or group of customers. As regards the meters and telemanagement systems, the Company depends on the traditional beneficiaries, i.e. the electricity distribution companies, whose investment program varies to a large extent from year to year. The same applies to the railway traffic safety components intended for the ultimate beneficiary CFR Infrastructura. The possible difficulties encountered by these customers in the continuation or financing of their modernization programs could affect the level of orders received by the Company.

7.8. EVALUATION OF PERSONNEL-RELATED ISSUES

Parent Company (Electromagnetica)

The high qualification level of employees enabled the Company to carry out not only production activities, but also research and development activities. In 2018, the average headcount was 479, i.e. 17% less than in the previous year, of which 35% employees with higher education and 34% with secondary education. The Company employees follow a continuing vocational training program, each of them benefiting, on average, from 36 hours/year internal and external professional training in quality, occupational health and safety, environment protection etc. In 2018 there was no case of occupational disease and no event with a major impact on human health. The management and employees interact in normal conditions. The unionization rate is approximately 71% and there were no labor conflicts between the management and the union. More information about the social and staff policy, the policies on occupational health and safety, respect for human rights and the related risks and key performance indicators is available in the non-financial declaration of the Board of Directors for 2018, published separately on the Company website www.electromagnetica.ro.

The other companies in the Group:

Company	Average headcount	Total headcount
ELECTROMAGNETICA FIRE	25	29
ELECTROMAGNETICA PRETSERV	19	23
ELECTROMAGNETICA GOLDSTAR	16	16
PROCETEL	3	6

7.9. COMPANY BUSINESS IMPACT ON THE ENVIRONMENT

We are fully compliant with the requirements of our Integrated Management System and continually improve its effectiveness, establishing, monitoring and reviewing our objectives. As a responsible organization, we aim to offer trust to our partners and consider that Quality, Health and Safety at work, as well as the Environment are important issues integrated in the culture of our Company.

The Company holds all the environmental permits required under the law for its business. The issuer does not carry out activities with significant impact on the environment and there are no litigations related to breaches of the legislation on environmental protection.

We invite our staff, contractors and suppliers to actively participate in the fulfillment of our objectives concerning Quality of operations, Health and Safety at work and Environment, through the implementation of all the relevant regulations and programs adopted.

The Company carries out an effective environmental risk control, implementing and complying with the waste management procedures, emergency procedures, production retrofitting, designing and testing new environmental-friendly products, standardizing and optimizing products. One of the research and development objectives is to implement new energy-efficient and less polluting manufacturing technologies and launch new products with reduced environmental impact during their service life. The production of electricity from renewable sources in micro-hydro power plants is considered an activity which has no impact on the environment.

Further information about the Company environmental policy, the risk factors and key performance indicators is available in the non-financial declaration of the Board of Directors for 2018, published separately on the Company website www.electromagnetica.ro.

7.10. EVALUATION OF THE RESEARCH AND DEVELOPMENT ACTIVITY:

The research-design-development activity is carried out within the following departments: the Research and Design Department, which includes the Photometry and Electromagnetic Compatibility Laboratory, the Electrical Equipment Design and Communication Department, and also the Self-Equipping Design Workshop. Considering that most of the products manufactured by Electromagnetica are products of its own conception, 10.2 % of the Company staff worked in research-design-development in 2018.

7.10.1 LED lighting units and systems

In 2018, the main objective in the field of technological research was to consolidate the manufacturing technology of heaters from thermally conductive plastics of polymeric compounds filled with graphite. An immediate result of the application of this technology was the release of the iron sheet machining equipment (Trumpf) and assembling equipment (Tox) which had been overloaded at times when the manufacturing exceeded the machining capacity.

The lighting units portfolio reached 600 design versions of which 133 new or upgraded products were manufactured in 2018.

A novelty for industrial lighting was the lighting system for chicken farms, composed of lighting bodies with IP67 protection level, built of polypropylene dispersers resistant to ammonia and other specific chemical agents, controlled by supply systems simulating the solar cycle.

For street lighting we continued the modernization of existing units by increasing the lighting efficiency to 150 lm/w.

In 2019, the main objective is to obtain the ENEC certification (private security certification requested for public procurement) for two families of street lighting units, with powers between 20W and 200W, built in aluminum cast casings. As in Romania there are no ENEC accredited laboratories, this certification will be made by a laboratory abroad. There will be developed new technologies for building LED lighting bodies from extruded or laminated linear profiles, as well as innovating technologies for assembling printed circuits on heaters without screws.

Furthermore, in 2019, we will begin the development of an own Smart City solution based on the experience gained in the ENERGSys system and the migration of the current street lighting management, road traffic monitoring, video surveillance with HD-PLC transport solutions to third party Smart City platforms, operational or under development.

7.10.2 Metering and telemanagement systems

During 2018, we continued the program for the development of the remote reading and remote management system ENERGSys, a registered mark of Electromagnetica SA, in accordance with the new regulations of ANRE regarding the operation and interoperability requirements for the smart electricity measurement systems (SMI) to be installed at a large scale in Romania. ANRE Order no. 177/2018 approving the framework conditions for the achievement of the implementation schedule of smart electricity metering systems at national level provides that this schedule should include 2 phases, i.e. by 2024 to integrate the final customers in areas where the annual average consumption is higher than a threshold expressed in kWh, and by the end of 2028 all final customers to own such systems, in conditions of investment efficiency.

The development of EnergSys 3 system (the version launched in 2015) we took into account the latest ANRE regulations on the functional requirements and the method of evaluation of smart measurement system pilot projects, the performance of a cost-benefit analysis for each of the pilot projects approved to be installed, as well as of the provisions on the installation of such pilot projects in areas which require the execution of works for the rehabilitation of the low voltage distribution network (ANRE Order no. 145/2014 as further amended). In this context, the continuation of the program for the development of ENERGSys system is both appropriate and essential for the fulfillment of its potential on the market.

7.10.3 Charging equipment for electric vehicles

The Company's development strategy has also considered the electro mobility infrastructure as a way to grow and exploit its experience in the field of energy and rectifiers.

In 2018 we built in a new design concept eight new models of AC charging stations, with a charging power of 22 Wh. The design concept of the casing and internal structure provides more flexibility and the beneficiary can customize its casing and integrate various services.

We also started the research program dedicated to DC charging stations with 50 KW power, which ensure much shorter charging times.

In 2019 we will develop a new 22kW station concept that will incorporate the OCPP protocol for stations and users management. We will develop by our own efforts software platforms for the interface of the OCPP protocol with other systems to provide services requested by customers (tolling, reservation, consumption statistics, dynamic power redistribution). Electromagnetica will build the DC 10 KW rectifier, which is an important component of the DC charging station.

7.11. RISK MANAGEMENT OBJECTIVES AND POLICIES

The risk management policies of the Company are defined in such a way that they ensure the identification, monitoring and analysis of the risks which the Company faces, establishing, at the same time, the limits of exposure. The risk management policy provides effective means of control and a favorable environment where all employees understand their roles and obligations.

Market risk (Includes price risk and also implies the risk due to changes in technology)

Price risk includes the risk of changes in acquisition prices, exchange rate and interest rate. Among the markets where the Company is present, the energy market has the highest level of price risk, given the volatility and significant increase in the last years of prices on the Day Ahead Market and the Balancing Market (the large producers have preferred to maximize profit by selling large quantities on these markets to the detriment of long-term contracts), as well as the absence of long-term risk coverage mechanisms. The behavior of the electric power producers, consisting in selling as much as possible on the spot market, increases the price risk on that market. To control the price risk on the energy market, the Company took action in order to reduce its exposure within short-term contracts and externalized its balancing services.

Currency risk

Currency risk implications for market risk

The Company is exposed (to a limited extent) to an exchange rate risk because the sourcing of materials is largely based on imports. In order to limit the effect of the exchange rates, the payment calendar was correlated with that of receipts in foreign exchange, usually ensuring a cash-flow surplus. The change of the raw materials and materials prices imposed a continuous review of cost prices. To maintain some of the products profitable, the Company cooperated with the suppliers for ensuring price control and the related technological processes were improved.

FINANCIAL RISKS

Credit risk

Credit risk is the possibility that contracting parties breach their contractual obligations resulting in financial loss for the Company. When possible and allowed by market practices, the Company requests guarantees. Trade receivables derive from a wide range of customers operating in various fields of activity and different geographical areas. To counteract this risk factor, the Company applied restrictive policies to the delivery of products to doubtful customers. Insurance policies were contracted for foreign market receivables. Due to the increase of insolvency cases in the economy, there is a concrete risk related to the (non-)recovery of the equivalent value of products and/or services supplied prior to the declaration of insolvency. The Company is paying more attention to the creditworthiness and financial discipline of its contractual partners. In 2018, only two commercial partners applied for insolvency, but the value recorded in the insolvency estate is small: 32,825.01 lei.

The risk of changes in the **interest rates** is maintained under control by adopting an investment policy exclusively based on own funding sources, which allows for the use of credit lines only for the working capital.

Equity risk

Equity risk management aims to ensure the capacity of the Company to carry out its activity in good conditions through the optimization of the capital structure (equity and liabilities). The analysis of the capital structure is focused on the cost of capital and the risk associated to each category. To maintain an optimum capital structure and an appropriate debt ratio, in the last years the Company proposed to its shareholders an adequate dividend policy, able to secure own sources of funding. The absence of funding sources can limit the Company expansion on the market segments where the sale is supported through the commercial facilities offered.

Liquidity and cash flow risk

The Company cash flow department prepares forecasts on the liquidity reserve and maintains the appropriate level of credit facilities in order to be able to prudently manage the liquidity and cash flow risks. To this effect, the decision of the general meeting of shareholders of 14 September 2017 extended the mortgage agreements in favor of the banks with which the Company has open credit lines and letters of bank guarantee within the limit of 40% of the total non-current assets, less receivables, to ensure the Company's capacity to perform its obligations in case of short-term cash deficit. At the same time, investments were limited to own sources of funding and to those with direct impact on the turnover. The liquidity and cash-flow risk management policy should be adapted to the new and more demanding commercial practices. The risk analyzed above is closely related to the sanction-related risk and the dispute-related risk, which are described below and the new and more exigent commercial practices. This risk is closely related to the risks described above.

RISK FACTORS:

Risks covered under insurance policies

Among these are: disaster risk, accidental failure risk, activity interruption risk, recovery risk in relation to receivables owed by various debtors, risk of accident of exposed employees, protection of assets by insurance, liability to third parties, liability as manufacturer, professional liability for certain professions, directors' liability.

This is a free translation from the original Romanian version.

Disaster risk

The production of electricity in low power plants without dams is subject to the risk of destruction caused by floods. Under these circumstances, the Company concluded insurance policies to protect not only the MHPs, but also its headquarters against disasters.

Risk related to the lack of qualified human resources

This risk has become important both for Electromagnetica and at national level. Due to factors such as: massive immigration, strong competition and the relatively high level of wages in Bucharest area, the Company was confronted following recruitment notices with a lack of qualified workers for production activities, such as locksmiths, milling machine operators, turners, etc. To counteract this situation, we focused on the reconversion and training of own employees where layoffs were made, as well as on the continuous training of new employees. We also consider the application of an internship program with the possibility of retaining in the Company these persons at the end of the internship period.

Risk related to data protection and processing

The risk can be generated by situations such as the loss or accidental modification of data, as well as by the unauthorized access to personal data.

Irrespective of the ground for processing, Electromagnetica complies with the obligations laid down by the **General Data Protection Regulation – Regulation (EU) 2016/679**, including the obligation to inform the data subject upon the collection of data.

Penalty risk

The company also manages these risks by preventive measures. This involves, among others, the monitoring of legislative amendments and the information of peers, the participation in trainings and seminars (labor law, competition law, GDPR – personal data protection, risk management and corporate governance) and, not in the least, compliance trainings with the involved employees.

Dispute-related risk

The Company is involved in disputes involving small values which cannot affect its financial stability. The only exception, given the value of the claim submitted by plaintiff Hidroelectrica, is the case no. 13259/3/2015, which is pending before the highest court (the High Court of Cassation and Justice) The court of first instance rejected the claim of the plaintiff, as well as the court of appeal.

Political and legislative risk

The Company's activity on regulated markets, such as the electricity supply and production market, exposes the Company to a legislative risk. For instance, the changes related to taxation or employment relationships may have a significant impact upon the Company's business. The enactment of QUG 114/2018, in the current form at the drafting date of this report, has a particular impact as it introduces an annual contribution of 2% of the turnover related to the licensed activity (electricity production and supply).

7.12. COMPANY BUSINESS PROSPECTS

7.12.1. Presentation and analysis of trends, elements, events or uncertainty factors that affect or could affect company liquidity compared to the same period of the previous year

Market trends

LED lighting technology is preferred within every large project for the modernization of lighting systems, so that the growth potential is maintained. To increase competitiveness it is necessary to improve the product quality up to a level that would allow for the extension of the warranty period and the reduction of replacement costs. Another market trend is the increase of revenues from activities relating to LED lighting unit production, for example through facility design and assembly services.

The climatic factor is also important, as the hydrological and wind regime strongly influences energy prices. Not in the least, the often unexpected legislative amendments may disturb long- and medium-term plans (such as the case of Ordinance 114/2018).

The energy market is subject to the influence of several factors. First, although Romania has a large installed capacity, this is only theoretical because, in fact, many groups are unavailable. There are periods when Romania is an energy exporter (in general in spring and autumn) but also periods when we are a net energy importer (in winter, in very cold periods). In both cases (energy import or export), the operation in connection with neighboring countries (and in particular the connection of the day ahead market) led to an important increase in energy prices, **this trend being visible in 2019 as well.**

Commercial policy trends

The large LED lighting systems, such as those designed for street lighting in municipalities were also promoted through credit-supplier facilities, which are particularly addressed to municipalities. For 2019, given the projects financed by EU funds accessed by municipalities, we estimate there will be less need to grant such supplier-credits for public lighting. The Company will continue to sell its LED lighting systems under supplier credit facilities for medium and large scale projects, if this confers it a competitive advantage. The application of this commercial policy requires a sufficient level of available cash; therefore, the Company intends to identify additional funding sources. At the same time, the Company's commercial policy seeks to monitor the number of days established by contract for the payment of debts by customers.

In 2019 we anticipate a reduction of approximately 40% in the income from the energy supply activity, determined by the reduction of the risks related to the purchasing of energy from the OPCOM centralized markets. In addition, in 2019 there is a legislative risk determined by the calculation of the contribution related to the activity licensed by ANRE and by the introduction of the regulated energy quantities approved by ANRE, which state-owned producers (hydro, nuclear) must sell to FUI (last resort suppliers) for household consumers, therefore, implicitly, a limitation of the competitive energy market.

It should be mentioned that, at the date of this report, for the electricity supply activity there were contracted sales of 90% and purchases of 60%.

7.12.2. Presentation and analysis of the effects of current or expected capital expenditure on the Company financial standing

Aiming to maintain a high technical level, to raise production capacity and labor productivity, in 2018 the Company recorded purchases of technological equipment, measuring and checking devices and instrumentation and investments in delivery vans amounting to approx. 694,000 euro. In 2019, the investments will continue to be directed to the refitting and upgrading of the production capacities, as well as to the modernization of buildings, their value being estimated at approx. 2,717,300 Eur, of which approx. 1,340,000 Eur in the production activity.

7.13. TANGIBLE ASSETS OF THE GROUP COMPANIES

7.13.1. The production facilities of the Group companies are mainly located at its headquarters at 266-268 Calea Rahovei Street, district 5, Bucharest, except for the facilities producing energy from renewable sources, which are located in Suceava river basin, Radauti area, over approximately 70 km. The production facilities of the Company include technologies such as: machining, sheet metal processing (stamping, bending, cutting, milling), plastic injection, technological assembling operations, etc. They are characterized by complexity, accuracy, flexibility, automation.

7.13.2. The Group companies are not involved in any litigation concerning the ownership of the land pertaining to its headquarters in Bucharest, 266 - 268 Calea Rahovei Street or to its micro-hydro power plants in Radauti area.

7.14. SECURITIES MARKET

Electromagnetica is listed on the Bucharest Stock Exchange (BVB), for Premium Category, with the following trading characteristics:

Stock symbol: ELMA

Ordinary, nominative, dematerialized shares

Number of issued shares: 676,038,704

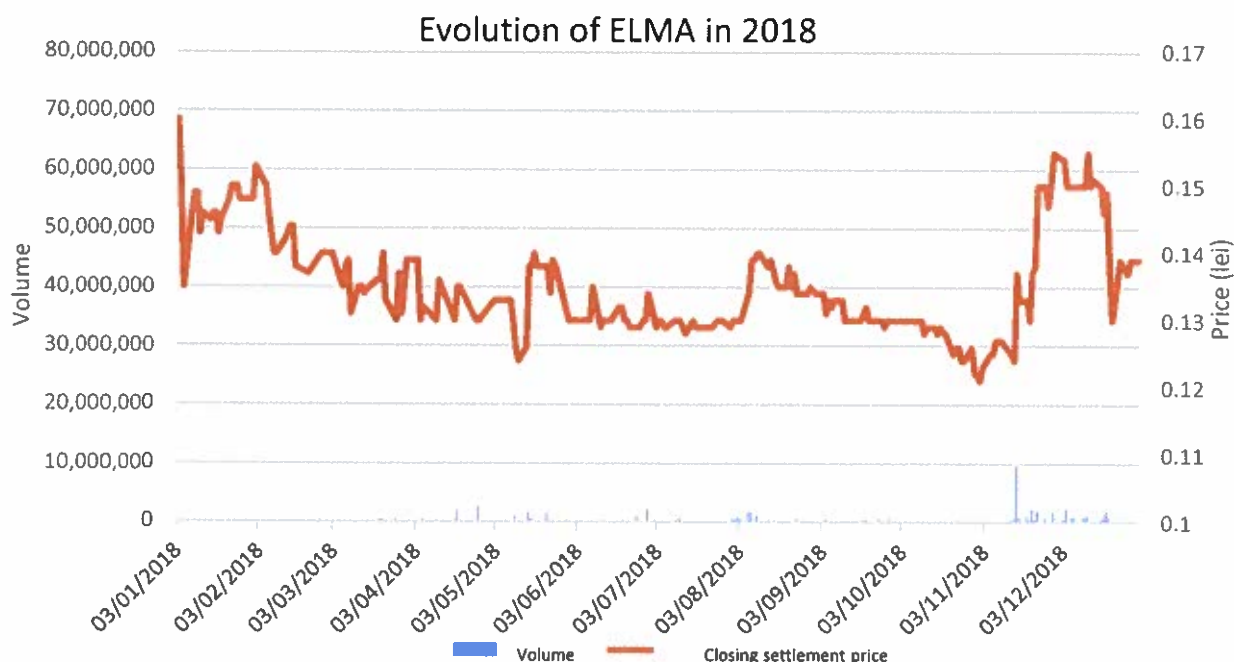
Nominal value: 0.1000 lei

Share capital: 67,603,870.40 lei

ISIN code ROELMAACNOR2

Lei code: 254900MYW7D8IGEFRG38

The ELMA shares are part of the BET Plus index. Due to increased liquidity, their weight within this index increased to 0.21 %.



The shares traded in 2018 represented 10% of the total number of shares and totaled 13.6% of the Company share capital, at an average price of 0.136 lei/share (calculated for all market segments). The reference price varied between a minimum of 0.1210 lei/share and a maximum of 0.1600 lei/share. The closing settlement price at the end of 2018 was 0.139 lei/share, 2.8% less than at the end of the previous year, corresponding to a market capitalization of 93.97 million lei.

**8. CONSOLIDATED FINANCIAL AND ACCOUNTING STATEMENT AS OF 31 DECEMBER 2018
(ALL AMOUNTS EXPRESSED IN LEI, UNLESS OTHERWISE SPECIFIED)**

8.1. Financial position

	31 December 2018	31 December 2017
ASSETS		
Non-current assets		
Tangible assets	292,303,086	291,512,341
Investment property	8,433,921	8,642,116
Intangible assets	704,441	1,248,800
Other long-term non-current assets	20,519,074	19,802,564
Total non-current assets	321,960,521	321,205,820
Current assets		
Inventories	17,785,908	17,432,142
Trade receivables	41,456,253	40,770,090
Cash and cash equivalents	33,784,250	20,570,751
Other current assets	2,952,725	2,418,041
Total current assets	95,979,136	81,182,023
Total assets	417,939,657	402,387,844
EQUITY AND LIABILITIES		
Equity		
Share capital	67,603,870	67,603,870
Reserves and other equity components	178,716,193	183,473,373
Reported result	99,057,197	74,220,398
Total equity of Parent Company shareholders	345,377,260	325,297,642
Non-controlling interests	259.450	254.989
Non-current liabilities		
Trade creditors and other payables	1,311,019	1,304,836
Investment subsidies	4,573,525	4,736,743
Deferred tax liabilities	18,740,684	16,614,478
Total non-current liabilities	24,625,228	22,656,057
Current liabilities		
Trade creditors and other payables	43,541,081	39,747,711
Investment subsidies	163,219	163,219
Provisions	3,938,356	13,744,272
Current income tax liabilities	44,062	523,952
Total current liabilities	47,686,719	54,179,155
Total liabilities	72,311,947	76,835,212
Total equity and liabilities	417,939,657	402,387,844

This is a free translation from the original Romanian version.

NOTE: The results of the Group are strongly influenced by the results of the parent company, with a similar trend.

The comparative analysis of the balance sheet items revealed the following:

The non-current assets increased by 0.23% mainly as a result of the increase in value of tangible assets. In their turn, tangible assets increased by 0.27% due to a net increase of the fair value by the application of revaluation, but reduced by the application of depreciation.

The current assets increased by 18.2 % as a result of the contribution of cash and cash equivalents.

Cash and cash equivalents increased by 64.2%, of which 11,269,250 lei represent restricted cash, cash deposited in banks to guarantee obligations (cash collateral).

The trade receivables increased by 1.7 %. It was an assumed increase, following the continuation of our commercial policy on sales under supplier-credit facilities, but the average time for the collection of receivables decreased.

Own equity increased by 6.2 % as a result of the gain recorded in the reporting period.

8.2. Consolidated statement of profit and loss:

	12-month period ended on 31 December 2018	12-month period ended on 31 December 2017
Revenue	291,711,216	223,246,080
Investment income	(187,850)	973,361
Other net revenue	2,769,462	(9,811,506)
Changes in inventories of finished goods and work in progress	19,745,239	13,407,878
Work performed by entity and capitalized	769,737	1,617,287
Raw materials and consumables used	(215,307,130)	(166,496,995)
Personnel expenses	(35,648,106)	(36,406,993)
Amortization and depreciation expenses	(19,517,708)	(11,501,335)
Other net expenses	(36,090,688)	(28,353,511)
Financial expenses	(947,356)	(686,087)
Profit/(Loss) before tax	7,672,515	(14,011,821)
Income tax	(3,216,171)	(437,661)
Profit/(Loss) for the period	4,456,343	(14,449,482)
Attributable to the parent company	4.456.343	(14.489.410)
Attributable to non-controlling interests	(4.539)	39.928

NOTE: The Group results are strongly influenced by the results of the parent company, with a similar trend.

The revenues from sales to customers increased by over 30 %, in particular as a result of increased revenues from the electricity supply business, as well as of the revenues from the production of electricity and meters and telemanagement systems. The Company registered increased revenues in the production of lighting units and systems, switchgear, rental activities, while it got less revenues from the injection molded plastic assemblies and molds.

The profit for 2018 was mainly due to the following factors:

- A very good hydrological year, which determined an increase of the electricity production by over 44%.
- The development of the trading activity in the Electricity Supply Department, as well as an advantageous purchase of electricity combined with the alignment of final consumer prices to the market price
- The increased activity in the sector of meters and telemanagement systems
- The ascending development of the sales of LED lighting systems
- The low level of provisions and write-offs;

8.3. Consolidated Cash-Flow

	12-month period ended on 31 December 2018	12-month period ended on 31 December 2017
Net cash generated by operating activities	14,616,346	2,375,970
Net cash used in investments	(1,402,810)	(3,312,964)
Net cash used in financing activities	(37)	(13,682)
Net (increase/decrease of) cash and cash equivalents	13,213,499	(950,677)
Cash and cash equivalents at the beginning of the period	20,570,751	21,521,428
Cash and cash equivalents at the end of the period	33,784,250	20,570,751

NOTE: The Group results are strongly influenced by the results of the parent company, with a similar trend.

- At the end of the period, the cash registered an increase of 615 % as compared to the beginning of the reporting period.
- Credit lines were used to a larger extent than in the previous year (+20%) and were fully reimbursed at the end of the year.

9. IMPORTANT EVENTS OCCURRED AFTER THE CLOSING OF THE FINANCIAL YEAR

The enactment of OUG 114/2018, in its form by the date of preparation of this report, has a particular impact because it introduces an annual contribution of 2% of the turnover related to the licensed activity (electricity production and supply), which had in 2018 a cumulated share of 65.4% of the turnover.

10. STATEMENT OF CORPORATE GOVERNANCE OF PARENT COMPANY

10.1. The relevant corporate governance code

The Company management considers that a high level of transparency as well as a good protection of investors are essential for its long-term support by its shareholders development in the long run and maximize the value of the shares.

The strict application of the relevant legislation (Law no. 31/1990 on trading companies, republished; Law no. 297/2004 on capital market, as further amended and supplemented; Law no. 24/2017 on issuers of financial instruments and market operations; Regulation no. 6/2009 on shareholders' rights; Regulation no. 1/2006 on issuers) as well as of the company's Articles of incorporation is a pre-requisite for compliance with the corporate governance requirements established at world level.

The Board of Directors decided to voluntarily apply the BVB Corporate Governance Code, except that, according to the specificity of the Company, some of the provisions thereof will be only partially. The current stage of compliance with the BVB Corporate Governance Code, the reasons for partial compliance and the measures adopted to achieve the corporate governance goals are specified in the Annex to the Statement of Corporate Governance, published with this report.

10.2. General meetings of shareholders and rights of shareholders

The rights of the shareholders and the procedure for participation in the general meetings of shareholders are described in the notice convening the general meeting and were summarized in a regulation available in the Corporate Governance section of the Company's website <https://www.electromagnetica.ro/investitori-info/>

10.3. Management system

The company is currently managed under the one-tier system, by a Board of Directors composed of 7 members.

10.4. Corporate governance structures:

The main administration, management and supervisory structures of the Company are the Board of Directors, the Managers, the Audit Committee, the External Auditor and the Internal Auditor. The professional qualification and management experience of the members of the Board enables them to assess on a regular basis the aspects related to the review of the managers' activity, appointment and remuneration or internal audit.

In order to ensure compliance with the Audit Law no. 162/2017 and EU Regulation no. 537/2014 regarding the audit, the Board of Directors decided in its meeting of 7 March 2018 to establish an Audit Committee composed of 3 members. Two of the non-executive directors were initially nominated to be members of the Audit Committee, Mrs Elena Calitoiu and Mrs Cristina Hodea, while Mrs Ileana Roman was nominated subsequently (in accordance with the Resolution of the Ordinary General Meeting of Shareholders of April 2018).

10.4.1. Board of Directors

The members of the Board of Directors were elected by majority vote in the ordinary meeting of shareholders on 25 September 2015, the candidates being proposed by the shareholders. The composition of the Board of Directors reflects faithfully the holdings in capital (more than 70% of the capital is represented in the BoD). No director stood as a candidate as an independent person. There are no family relationship between the directors or members of the executive management and third parties based on which they were elected or appointed. At the time of its appointment, the Board of Directors was composed of 9 members elected for a 4-year term of office. After the death of Mr Vlad Florea, the Board of Directors appointed Mr. Balmus Dumitru (commercial manager) as interim director, starting from 28 July 2017 until the next general meeting. Given the resignation (effective on 1 September 2017) of Bucur Vasilica, one of the directors, the Board called the Extraordinary General Meeting of Shareholders for 14 September 2017 when the meeting decided to reduce the number of BoD members from 9 to 7. By resolution of the Extraordinary General Meeting of Shareholders, the 7 directors in office at that time would continue their mandates until expiry (until 18 October 2019).

Name	Position	Term of office	Age, profession, place of work	Individual ELMA share ownership	Positions held in other listed companies
Scheusan Eugen	BoD Chairman	18 oct 2015 – 18 oct 2019	64, engineer, Electromagnetica SA	0.2428%	-
Stancu Traian	BoD Member	18 Oct 2015 – 18 Oct 2019	65, engineer, Electromagnetica SA	0.0462%	-
Stancu Ioan	BoD Member	18 Oct 2015 – 18 Oct 2019	68, technician, Electromagnetica SA	0.0027%	-
Macovei Octavian	BoD Member	18 Oct 2015 – 18 Oct 2019	68, engineer, Electromagnetica SA	0%	-
Calitoiu Elena	BoD Member	18 Oct 2015 – 18 Oct 2019	55, engineer, SIF Oltenia	0%	SIF Oltenia – head of Directorate for Placements, Transactions and Net Asset Value Calculation; Antibiotice Iasi - director
Sichigea Elena	BoD Member	18 Oct 2015 – 18 Oct 2019	63, economist, SIF Oltenia	0%	Sif Oltenia – head of business department; Mercur SA Craiova - director
Hodea Cristina Ioana Rodica	BoD Member	18 Mar 2016 – 18 Oct 2019	54 ,CFA, MBA, engineer, auditor	0%	0

The diversity of the members of the Board enables the efficient use of supplementary skills and professional experience and knowledge in various fields. Most of the members of the Board are non-executive managers, which ensure the proper balance of authority. In 2018, the Board of Directors met every month in the presence of all the Board members, whether in person or by using the vote by correspondence. The level of the compensation for the Board members is established by decision of the general meeting of shareholders.

10.4.2. Managers

According to the provisions of the Company's Articles of Incorporation, the Chairman of the Board of Directors also exercises the function of Managing Director and duly represents the Company. The Board of Directors can delegate certain powers to one or more managers, based on mandate agreements, and establish the tasks of each manager who is subject to such delegation. In 2018, the executive management was carried out by 5 managers, as follows:

No.	Surname/ Name	Capacity	Individual share ownership as of 31 Dec 2018	Other positions held in listed companies
1	Scheusan Eugen	Managing Director	0.2428%	-
2	Stancu Traian	Production Manager	0.0462%	-
3	Macovei Octavian	Technical Manager	0%	-
4	Florea Cristina	Chief Financial Officer	0%	-
5	Stoica Mihail	Commercial Manager	0%	-

The remunerations of the managers are established by decision of the Board of Directors. The gross annual remuneration and other benefits, including the remuneration approved for the management by the general shareholders' meeting, which is part of the revenue and expenditure, cannot exceed 5% of the value of the equity determined in the annual balance sheet.

10.4.3. Independent External Auditor

Following the Ordinary General Meeting of Shareholders of April 2018, it was decided to contract with Deloitte Audit SRL the auditing of the financial statements for the financial years 2018 and 2019.

The audit company is represented by Mr. Farrukh Khan, as partner and director, while the audit mission is run by Mr. Zeno Caprariu, as audit manager.

The identification data of **Deloitte Audit SRL** are the following:

Tax ID: 7756924

Trade Register no.: 40/6775/1995

License issued by the Chamber of Financial Auditors of Romania: no. 25/25.06.2001

Company head office: 4-8 Nicolae Titulescu Street, 2nd floor, Deloitte area and 3rd floor, district 1, Bucharest

Tel 021/222.16.61

Fax 021/319.51.00

10.4.4. Internal audit

The Board of Directors works closely with the Audit Committee, the internal auditor and the financial control service on issues relating to financial reporting, internal audit and risk management. The managerial experience and professional training of the BoD members allows them to evaluate the effectiveness of the internal audit system.

The company has in place an internal control/management review system designed and implemented to enable the executive management and the Board of Directors to provide reasonable assurance that the company funds allocated to the achievement of general and specific objectives were used lawfully, regularly, efficiently, effectively and economically. The internal control / management review system comprises both self-control and subsequent control mechanisms applied by the Budgetary Surveillance and Execution Office, the internal auditor and the Audit Committee; the implementation of the measures aimed at increasing its efficiency is also based on the assessment of risks.

The accounting and financial internal review is a basic component of internal control. The company applied the internal accounting and financial review to ensure the accounting management and the surveillance of the Company activity from the financial perspective.

The internal audit activity was focused on:

- ensuring compliance with applicable legislation;
- implementing the decisions made by company management;
- the smooth conduct of the company internal activity;
- the reliability of financial information;
- the efficient use of resources;
- risk prevention and control.

The control activity was carried out together with the Internal Auditor, taking into account his recommendations and remarks.

10.4.5. Internal audit:

In accordance with the Audit Law no. 162/2017 and the Regulation (EU) no. 537/2014 on audit and the recommendations of BVB for listed companies, the Board of Directors decided in 2018 to establish an Audit Committee. It is composed of three members: two non-executive directors, Mrs Elena Calitoiu and Mrs Cristina Hodea, as well as Mrs Ileana Roman. The Audit Committee is an important structure, ensuring in many cases the interface with the financial auditor and having a very important role in the preparation of annual audit reports and the proper operation of the company.

10.4.6. Audit Committee

In accordance with the Audit Law no. 162/2017 and the Regulation (EU) no. 537/2014 on audit and the recommendations of BVB for listed companies, the Board of Directors decided in 2018 to establish an Audit Committee. It is composed of three members: two non-executive directors, Mrs Elena Calitoiu and Mrs Cristina Hodea, as well as Mrs Ileana Roman. The Audit Committee is an important structure, ensuring in many cases the interface with the financial auditor and having a very important role in the preparation of annual audit reports and the proper operation of the company.

10.5. Capital structure and major shareholders

The company did not issue shares that grant special controlling rights or other types of rights. During 2018 there were no suspensions of voting rights or restrictions related to the ownership of shares. Some of the members of the executive management are also members of the Electromagnetica Association of Shareholding Employees (PAS); this association is not controlled by a single person. At the date of 31.12.2018, the Company had 6,084 shareholders. According to the Central Securities Depository, the capital structure as of 31.12.2018 was the following:

Shareholder	Ownership	Number of shares
PAS Electromagnetica	29.6289%	200,302,763
SIF Oltenia SA	26.1402%	176,717,594
Natural persons	32.8964%	222,392,283
Legal entities	11.3346%	76,626,064
TOTAL	100.00%	676,038,704

10.6. Conflicts of interests management, transactions with stakeholders and treatment of confidential information

The directors involved in potential conflicts of interests must inform the Board and abstain from the debates and voting on those matters. Transactions with stakeholders are concluded in fair conditions and are negotiated by the management members who are not related to the stakeholders concerned and are reported to ASF and BVB if necessary. The external auditor must signal and analyze accordingly these transactions in the audit report. The company will prepare and update the list of persons that are deemed to have access to insider information. Annually, the directors and managers of the company and the other affiliated parties make solemn declarations that they are not in a situation of conflict of interests and do not carry out any competing activities.

10.7. Own shares repurchase

There is no approved program for the repurchase of share or price stabilization and there is no scheme for the granting of shares to employees or management members. We mention that the extraordinary general meeting of 30 April 2015 approved as a matter of principle the acquiring by the company of own shares in order to implement a system for the compensation and retention of employees, to be followed by the convening of a new Extraordinary General Meeting that would establish the number of shares, the minimum and maximum price and the duration of repurchase, which did not happen as the financial situation did not allow for this.

10.8. Reporting share transactions by directors and other stakeholders

The company does not apply additional rules, other than those provided for by legislation, to the transactions conducted with the shares of the Company by its directors or other stakeholders.

- SIF MOLDOVA, participation under the 5% threshold (28.02.2018)
- SIF OLTENIA, purchase of 5,000,000 shares (16.11.2018)

10.9. Changes of the Articles of Incorporation

The Articles of Incorporation of the parent company were not changed in 2018.

The Articles of Incorporation of the following companies were changed:

ELECTROMAGNETICA FIRE SRL, Articles of Incorporation of 12.02.2018: Extension of the term of office of the director, Mrs. Maria Rogoz, by another 4 years

PRESTSERV SRL, Articles of Incorporation of 10.09.2018: Extension of the term of office of the director, Mr. Ciobanu Gheorghe, by another 4 years.

10.10. Disclosure of corporate information

Every year, the Company establishes and publishes a financial reporting calendar. The Company regularly and permanently prepares and discloses information that is relevant for investment decisions, which information is published both on the Company website and on the BVB website („ELMA” symbol). The staff dedicated to this activity is trained on a continuous basis, educated and instructed in issues related to the company's relation with its shareholders and the corporate governance principles. In 2018, the information was disclosed in Romanian and in English for those categories of documents envisaged by the applicable legislation. The Company encourages communication with shareholders the *Investors* section on its web page available at <https://www.electromagnetica.ro/investitori-info/>; for further information, investors can either call to 021.404.21.31, use the fax no. 021.404.21.95 or the e-mail address: juridic@electromagnetica.ro.

Board of Directors Chairman/Managing Director
Eugen Scheusan

Chief Financial Officer
Cristina Florea

About Deloitte in Romania

In Romania, the services are provided or supported by Deloitte Audit SRL, Deloitte Tax SRL, Deloitte Consultanta SRL, Deloitte Fiscal Representative SRL, Deloitte Tehnologie SRL, Deloitte GES Support Services SRL and Deloitte Shared Services SRL. Deloitte is one of the leading professional services organizations in Romania providing, in cooperation with Ref & Associates, services in audit, tax, legal, consulting, financial advisory, risk advisory, business processes and technology services and other related services with more than 1100 professionals. Please see www.deloitte.com/ro/about to learn more about our global network of member firms.

© 2019. For information, contact Deloitte Romania