

ELECTROMAGNETICA S.A.

**Simplified Preliminary Individual Financial Statements
FOR THE 12 -MONTH PERIOD ENDED ON DECEMBER 31, 2020
(UNAUDITED)**

Order no. 2844/2016 of the Ministry of Public Finance approving the Accounting Regulations pursuant to the International Financial Reporting Standards adopted by the European Union

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ELECTROMAGNETICA SA
PRELIMINARY SEPARATE STATEMENT OF PROFIT OR LOSS
FOR THE 12-MONTH PERIOD ENDED DECEMBER 31, 2020– UNAUDITED
(all the amounts are expressed in RON, unless otherwise specified)

Q4 2020	Q4 2019		Year 2020	Year 2019
70,298,051	85,083,817	Revenues	283,151,730	256,169,132
61,201	66,944	Investment income	932,082	1,018,418
8,431,060	1,831,320	Other net income and expenses	10,794,514	6,802,816
1,563,228	(1,974,177)	Changes in inventories of finishes goods and work in progress	7,934,316	13,389,266
2,249,690	293,497	Own work capitalized	3,640,344	722,403
(54,359,834)	(68,780,206)	Raw material and consumables used	(219,528,624)	(188,946,222)
(7,884,769)	(9,289,765)	Employee-related expenses	(30,490,094)	(36,494,887)
(2,285,771)	(2,477,097)	Expenses related to depreciation and impairment	(10,199,234)	(10,183,159)
(14,662,450)	(10,057,734)	Other expenses	(40,101,859)	(36,706,154)
(3,313,094)	(272,518)	Financial costs	(3,947,166)	(840,410)
97,313	(5,575,917)	Profit before tax	2,186,009	4,981,203
680,783	825,232	Income tax	138,292	(492,516)
778,096	(4,750,685)	Profit for the period	2,324,301	4,488,687

Eugen Scheuşan
General Manager

Cristina Florea
Economic Manager

ELECTROMAGNETICA SA
PRELIMINARY SEPARATE STATEMENT OF FINANCIAL POSITION
FOR THE 12-MONTH PERIOD ENDED DECEMBER 31, 2020– UNAUDITED
(all the amounts are expressed in RON, unless otherwise specified)

	December 31, 2020	December 31, 2019
ASSETS		
Non-current assets		
Property, plant and equipment	275,402,223	277,545,153
Investment property	11,114,654	5,182,279
Intangible assets	291,521	466,487
Investments in related entities	841,408	3,967,606
Other long-term non-current assets	19,804,010	24,702,276
Assets related to the rights of use	2,085,114	1,480,078
Total non-current assets	309,538,930	313,343,879
Current assets		
Inventories	13,402,675	15,411,327
Trade receivables	59,091,633	55,114,158
Cash and cash equivalents	20,108,460	21,711,183
Other current assets	2,183,952	1,939,785
Current tax assets	949,937	760,012
Total current assets	95,736,657	94,936,464
Total assets	405,275,587	408,280,342
EQUITY AND LIABILITIES		
Equity		
Share capital	67,603,870	67,603,870
Reserves and other equity	176,146,894	176,697,881
Retained earnings	91,473,196	91,301,725
Total equity attributable to company's shareholders	335,223,960	335,603,476
Non-current liabilities		
Trade payables and other liabilities	1,168,772	1,265,003
Investment subsidies	4,247,088	4,410,306
Deferred tax liabilities	16,735,345	17,333,187
Leasing debts	1,312,782	728,164
Total non-current liabilities	23,463,987	23,736,660
Current liabilities		
Trade payables and other liabilities	43,462,861	46,268,240
Investment subsidies	163,219	163,219
Provisions	2,156,891	1,806,142
Current income tax liabilities	-	-
Leasing debts	804,668	702,605
Total current liabilities	46,587,641	48,940,206
Total liabilities	70,051,628	72,676,866
Total equity and liabilities	405,275,587	408,280,342

Eugen Scheuşan
General Manager

Cristina Florea
Economic Director

ELECTROMAGNETICA SA
PRELIMINARY SEPARATE CASH FLOWS STATEMENT
FOR THE 12-MONTH PERIOD ENDED DECEMBER 31, 2020– UNAUDITED
(all the amounts are expressed in RON, unless otherwise specified)

Q4 2020	Q4 2019		Year 2020	Year 2019
		Cash flows from operating activities		
62,700,106	76,133,894	Cash receipts from customers	269,512,673	257,825,474
(48,126,632)	(60,540,805)	Payments to suppliers	(213,497,721)	(190,371,032)
(7,339,340)	(8,461,491)	Payments to employees	(30,210,304)	(35,213,731)
(5,767,879)	(17,011,200)	Other operating activities	(23,666,376)	(34,430,544)
1,466,256	(9,879,602)	Cash generated by/ (used in) operating activities	2,138,273	(2,189,833)
(904)	(10,268)	Interest paid	(25,010)	(15,081)
-	(370,034)	Income tax paid	(649,137)	(2,161,915)
1,465,353	(10,259,904)	Net cash used in operating activities	1,464,125	(4,366,829)
		Cash flows from investing activities:		
(69,597)	(317,115)	Acquisition of property, plant and equipment	(844,660)	(954,771)
46,529	96,015	Proceeds from sale of non-current-assets	46,529	96,015
72,916	70,134	Interest received	298,949	456,745
-	-	Dividends received	637,245	658,487
49,847	(150,966)	Net cash used in investing activities	138,063	256,476
		Cash flows from financing activities:		
9,009,584	11,047,218	Proceeds from loans	43,070,898	17,703,891
(9,009,584)	(11,047,218)	Cash repayments of amounts borrowed	(43,070,898)	(17,703,891)
(317,437)	380,810	Paid leasing	(1,250,651)	(648,029)
(20,468)	(86,330)	Interest paid	(83,838)	(86,330)
313,715	(194,997)	Dividends paid	(1,870,422)	(2,606,419)
(24,190)	99,483	Net cash used in financing activities	(3,204,911)	(3,340,778)
1,491,010	(10,311,387)	Net (decrease)/increase of cash and cash equivalents	(1,602,723)	(7,451,132)
18,617,450	32,022,570	Cash and cash equivalents at beginning of period	21,711,183	29,162,314
20,108,460	21,711,183	Cash and cash equivalents at end of period	20,108,460	21,711,183

Eugen Scheuşan
Managing Director

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Economic Manager

ELECTROMAGNETICA SA
SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE 12-MONTH PERIOD ENDED DECEMBER 31, 2020 – UNAUDITED
(all the amounts are expressed in RON, unless otherwise specified)

	Share capital	Retained earnings	Revaluation reserve tangible assets	Other equity items	Legal reserve	Deferred tax recognized in reserves	Total equity
Balance as at January 1, 2020	<u>67,603,870</u>	<u>91,301,725</u>	<u>113,135,988</u>	<u>62,841,298</u>	<u>19,680,554</u>	<u>(18,959,960)</u>	<u>335,603,476</u>
Comprehensive income for the period							
Profit of the period	-	2,324,301	-	-	-	-	2,324,301
Other elements of global result							
Setup of legal reserve	-	(249,060)	-	139,760	109,300	-	-
Deferred tax recognized in equity	-	-	-	-	-	338	338
Transfer of revaluation reserve to retained earnings following the depreciation of revalued tangible assets or written off assets	-	2,335,857	(2,335,857)	-	-	-	-
Transfer of net profit to reserves	-	(1,535,471)	-	1,535,471	-	-	-
Total comprehensive income for the period	<u>-</u>	<u>2,875,626</u>	<u>(2,335,857)</u>	<u>1,675,231</u>	<u>109,300</u>	<u>338</u>	<u>2,324,639</u>
Transactions with shareholders recognized directly in equity							
Distributed dividends	-	(2,704,155)	-	-	-	-	(2,704,155)
Other items	-	-	-	-	-	-	-
Balance as at December 31, 2020	<u>67,603,870</u>	<u>91,473,196</u>	<u>110,800,131</u>	<u>64,516,529</u>	<u>19,789,854</u>	<u>(18,959,622)</u>	<u>335,223,960</u>

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ELECTROMAGNETICA SA
SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE 12-MONTH PERIOD ENDED DECEMBER 31, 2020 – UNAUDITED
(all the amounts are expressed in RON, unless otherwise specified)

	Share capital	Retained earnings	Revaluation reserve tangible assets	Other equity items	Legal reserve	Deferred tax recognized in reserves	Total equity
Balance as at January 1, 2019	67,603,870	88,933,828	115,838,396	60,971,315	19,431,494	(18,534,593)	334,244,312
Comprehensive income for the period							
Profit of the period	-	4,488,687	-	-	-	-	4,488,687
Other elements of global result							
Setup of legal reserve	-	(401,175)	-	152,115	249,060	-	-
Deferred tax recognized in equity	-	-	-	-	-	6,085	6,085
Transfer of revaluation reserve to retained earnings following the depreciation of revalued tangible assets or written off assets	-	2,702,408	(2,702,408)	-	-	-	-
Transfer of net profit to reserves	-	(1,717,868)	-	1,717,868	-	-	-
Total comprehensive income for the period	-	5,072,052	(2,702,408)	1,869,983	249,060	6,085	4,494,772
Transactions with shareholders recognized directly in equity							
Distributed dividends	-	(2,704,155)	-	-	-	-	(2,704,155)
Other items	-	-	-	-	-	(431,452)	(431,452)
Balance as at December 31, 2019	67,603,870	91,301,725	113,135,990	60,841,298	19,680,554	(18,959,960)	335,603,476

Eugen Scheuşan
Managing Director

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ELECTROMAGNETICA SA
NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS
FOR THE 12-MONTH PERIOD ENDED DECEMBER 31, 2020– UNAUDITED
(all the amounts are expressed in RON, unless otherwise specified)

1. GENERAL INFORMATION

Electromagnetica S.A.("the Company" or "Electromagnetica") is a joint stock company set up in 1930 and it carries out business in several areas of which the most important are:

- the activities related to energy efficiency (production of lighting fittings, lighting systems and LED lighting solutions);
- rental of office and industrial spaces, lands and utility services;
- production of electricity from renewable sources (in micro-hydropower plants) and electricity supply.

The shares of Electromagnetica S.A. are traded on Bucharest Stock Exchange under "ELMA" symbol, The registered office and administrative headquarters of the Company are located in Bucharest, district 5, 266-268 Calea Rahovei Street.

2. BASIS F REPORT PREPARATION

The financial statements are prepared in accordance with the Order no. 2844/2016 of the Ministry of Public Finance, which are compliant with the International Financial Reporting Standards (IFRS) adopted by the European Union. The functional and presentational currency is the Romanian Leu (RON).

The preliminary financial information for December 31, 2020 was neither audited, nor subject to review by an external auditor.

3. MAIN ACCOUNTING POLICY

This preliminary annual report has used the same accounting policies and calculation methods as those applied in the preparation of the Company's individual financial statements on December 31, 2019, except for the adoption of the new standards in force as of January 1st,2020.

Standards or amendments adopted by the Company:

- **Amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors"** – Definition of material – adopted by the EU on November 29, 2019 (in force for annual periods starting on or after January 1st,2020),
- **Amendments to IFRS 9 "Financial instruments", IAS 39 „Financial instruments: recognition and measurement" and IFRS 7 „Financial instruments: disclosures" - Interest rate benchmark reform** - adopted by the EU on January 15, 2020 (in force for annual periods starting on or after January 1st, 2020),
- **Amendments to references in the conceptual framework in IFRS Standards** adopted by the EU on November 29, 2019 (in force for annual periods starting on or after January 1st, 2020).

The amendments do not affect the Company's financial statements.

ELECTROMAGNETICA SA
NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS
FOR THE 12-MONTH PERIOD ENDED DECEMBER 31, 2020– UNAUDITED
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4. EXPLANATORY NOTES

4.1. Individual profit or loss statement

Revenues from sales

<u>Q4 2020</u>	<u>Q4 2019</u>		<u>Year 2020</u>	<u>Year 2019</u>
27,270,207	23,332,389	Revenues from unlicensed activities	90.662.870	91,905,523
43,027,844	61,751,428	Revenues from licensed activities	192.488.860	164,263,609
<u>70,298,051</u>	<u>85,083,817</u>	Total	<u>283.151.730</u>	<u>256,169,132</u>

The Company's turnover in 2020 increased by 11 % as compared to the previous year, mainly due to the increase of the electricity supply activity.

In the last quarter of 2020, the activity revenues decrease by 30% of energy supply exceeded the increase of unlicensed activities of 17%, obtaining a total revenue decrease of 17%.

Despite the difficult environment generated by the crisis COVID 19, the Company estimates a net profit of RON 2,324,301, lower by 48 % than the profit reported on December 31, 2019.

4.2. Individual statement of financial position

Non-current assets

Tangible assets registered an insignificant decrease of less than 1% as compared to the end of 2019 as a result of depreciation during this period, but also due to the disposal of equipment.

Investment property increased by 114% as compared to December 31, 2019. The added value was due to the assets that reverted to the sole shareholder as a result of the liquidation of the affiliated company Electromagnetica Goldstar and the new fair value of the buildings used entirely for rental established by the valuation report prepared by an ANEVAR-licensed appraiser.

Intangible assets decreased by 37% as compared to the end of 2019 as a result of the amortisation over the period.

Investments in related entities decreased by 79% following the elimination of the participation in the affiliate company Electromagnetica Goldstar, which was liquidated at the end of 2020.

Other non-current assets mainly consisting of receivables with a collection due date exceeding one year decreased by 20% as compared to December 31, 2019.

Current assets

Current assets registered an insignificant increase of less than 1% as compared to December 31, 2019.

Inventories decreased by 13% as compared to the beginning of the year due to the projects started at the end of 2020 for LED lighting systems.

Trade receivables increased by 7% as a result of projects of LED lighting systems, but also due to the receivables from energy trading in December, with collection due dates in January.

Cash and cash equivalents decreased by 7%.

ELECTROMAGNETICA SA
NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS
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Equity

At December 31, 2020, equity reached a level of RON 335,223,960 with a slight decrease of 0,1 % as compared to the end of 2019, due to the cumulative effect of the net profit of RON 2,324,301 generated in the reporting period and the amount distributed for dividends.

At the General Shareholders' Meeting of April 28, 2020, Electromagnetica shareholders approved the distribution of dividends for the financial year 2019 in the gross amount of RON 2,704,155 (gross dividend per share of RON 0,004 per share). Until December 31, 2020, the amount of RON 2,204,577 was disbursed for the payment of dividends.

Liabilities

Non-current liabilities have seen an insignificant increase of less than 1% as compared to the end of 2019. This position is influenced by the increase in lease liabilities and the decrease in deferred tax liability.

Current liabilities have decreased by 5% due to decrease trade payables.

5. OTHER EVENTS

At the date of this report, the Company has not completed all asset impairment tests, depending on the result of this analysis, the final financial statements for 2020 may be different from those presented.

There are two ongoing investigations:

- ANRE having as object possible violations by the Company of the provisions of the EU regulation of the European Parliament and of the Council of 2011 regarding the integrity and transparency of the wholesale energy market (REMIT);
- ANAF having as object the verification of the legality and conformity of the fiscal declarations regarding the VAT and the profit tax.

Eugen Scheuşan
Managing Director

Cristina Florea
Economic Manager