

ELECTROMAGNETICA S.A.

QUARTERLY REPORT

Separate financial statements
for the 9-month period ended on 30 September 2019
(unaudited)

ELECTROMAGNETICA SA
SEPARATE PROFIT OR LOSS STATEMENT
FOR THE 9-MONTH PERIOD ENDED ON 30 SEPTEMBER 2019 – UNAUDITED
(all amounts expressed in RON, unless otherwise specified)

Q3 2019	Q3 2018		Q1-Q3 2019	Q1-Q3 2018
62,240,163	76,018,625	Revenues	171,085,315	227,715,996
117,703	71,158	Investment income	951,473	108,081
1,473,584	2,510,861	Other net income and expenses	4,971,496	4,987,181
4,797,992	4,684,873	Changes in inventories of finishes goods and work in progress	15,363,442	15,139,760
98,489	49,324	Own work capitalized	478,906	326,339
(46,493,097)	(55,317,479)	Raw material and consumables used	(120,166,016)	(169,476,242)
(8,905,924)	(8,308,952)	Employee-related expenses	(27,205,122)	(23,471,908)
(2,534,495)	(2,307,632)	Expenses related to depreciation and impairment	(7,706,061)	(7,246,214)
(9,260,742)	(10,121,718)	Other expenses	(26,648,420)	(27,347,073)
(190,468)	(227,522)	Financial expenses	(567,892)	(703,852)
1,343,205	7,051,538	Profit before tax	10,557,121	20,032,069
(263,834)	(1,159,548)	Income tax	(1,317,748)	(3,358,753)
1,079,371	5,891,990	Profit for the period	9,239,372	16,673,316

Eugen Scheuşan
General Manager

Cristina Florea
Economic Manager

ELECTROMAGNETICA SA
SEPARATE STATEMENT OF FINANCIAL POSITION
AS OF 30 SEPTEMBER 2019 – UNAUDITED
(all amounts expressed in RON, unless otherwise specified)

	30 September 2019	31 December 2018
ASSETS		
Non-current assets		
Property, plant and equipment	281,142,026	284,669,256
Investment property	4,709,859	4,709,859
Intangible assets	585,968	702,025
Investments in related entities	3,967,606	3,967,606
Other long term non-current assets	20,692,783	20,495,344
Total non-current assets	311,098,241	314,544,090
Current assets		
Inventories	19,540,712	17,183,417
Trade receivables	48,997,072	41,275,588
Cash and cash equivalents	32,022,570	29,162,314
Other current assets	2,971,206	2,950,187
Current tax assets	-	-
Total current assets	103,531,559	90,571,507
Total assets	414,629,800	405,115,597
EQUITY AND LIABILITIES		
Equity		
Share capital	67,603,870	67,603,870
Reserves and other equity	177,465,292	177,706,613
Retained earnings	95,392,862	88,933,829
Total equity attributable to company shareholders	340,462,025	334,244,312
Non-current liabilities		
Trade liabilities and other liabilities	2,695,370	1,311,019
Investment subsidies	4,451,111	4,573,525
Deferred tax liabilities	17,337,081	17,782,339
Total non-current liabilities	24,483,562	23,666,883
Current liabilities		
Trade payables and other liabilities	47,083,798	43,092,650
Investment subsidies	163,219	163,219
Provisions	2,113,700	3,913,666
Current income tax liabilities	323,496	34,867
Total current liabilities	49,684,213	47,204,402
Total liabilities	74,167,776	70,871,285
Total equity and liabilities	414,629,800	405,115,597

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ELECTROMAGNETICA SA
NOTES TO QUARTERLY REPORT
FOR THE 9-MONTH PERIOD ENDED ON 30 SEPTEMBER 2019 – UNAUDITED
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1. GENERAL INFORMATION

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

- Activities related to energy efficiency (production of lighting fittings, lighting systems and LED lighting solutions, electricity distribution and metering equipment, telemanagement systems);
- 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, 266-268 Calea Rahovei Street, District 5.

2. BASIS OF 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 financial information as of 30 September 2019 were neither audited, nor subject to a review by an external auditor.

3. MAIN ACCOUNTING POLICY

In this separate quarterly report we apply the same accounting policies and calculation methods as in the preparation of the Company's interim separate financial statements as of 31 December 2018, and also the new standards in force from 1 January 2019.

The Company adopted IFRS 16 „Leasing Agreements” starting from January 2019. Other amendments and interpretations entered into force on 1st January 2019, but they have no significant impact on the interim financial statements of the Company.

Electromagnetica applies IFRS 16 using, for transition, the retrospective method as modified, without restating the comparative values for the previous period presented. The right to use the assets related to the relating previous operational leasing agreements has been evaluated at the time of the initial application according to the leasing liability value as adjusted by the advance payments. The leasing liabilities have been evaluated according to the leasing payment value for the rest of the contractual period, as updated by the marginal lending rate. The application of IFRS 16 for the first time resulted in the recognition of assets in the form of the right to use and leasing liabilities for the previous operational leasing agreements.

4. EXPLANATORY NOTES

4.1. Separate profit or loss statement

Revenues from sales

<u>Q3 2019</u>	<u>Q3 2018</u>		<u>Q1-Q3 2019</u>	<u>Q1-Q3 2018</u>
21,412,353	23,756,797	Revenues from unlicensed activities	68,573,134	75,038,518
40,827,811	52,261,828	Revenues from licensed activities	102,512,181	152,677,478
<u>62,240,164</u>	<u>76,018,625</u>	Total	<u>171,085,315</u>	<u>227,715,996</u>

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The Company's turnover for the 9-month period ended on 30 September 2019 and for Q3 decreased by 25%, respectively by 18% as compared to the same period of the last year, first of all as a result of the reduces energy supply business mainly due to unstable legislation (Government Emergency Ordinance no. 114/2018).

The Company had a net profit of RON 9,239,372, less than the result reported for the similar period of the last year.

4.2. Separate statement of financial position

Non-current assets

The non-current assets slightly decreased by 1% as compared to 2018.

Current assets

The current assets recorded a significant increase of 14% as compared to 31 December 2018, mainly because of an increaserecorded for the *trade recivables*, the *cash and cash equivalentents* and the *inventories*.

The *Trade receivables* increased by 19% as a result of of the grown credit supplier sales, as well as to the deferred payment by some customers.

The *Cash and cash equivalentents* increased by 9.8%, of which the amount of RON 10,024,824 represents restricted cash (liquidities deposited in banks to secure certain obligations-collateral cash).

The *Inventories* recorded a temporary increase of 14% as compared to the beginning of the year.

Equity

As at 30 September 2019, the equity amounted to RON 340,462,025, with a 2% increase as compared to the end of 2018, as a result of the net profit of RON 9,239,372 generated during the reporting period.

Liabilities

The *Non-current liabilities* increased by 3.5% as compared to the end of 2018, as a result of the adoption of IFRS16 from 1st January 2019, and the recorded leasing liabilities for the previous operational leasing agreements.

The *Current liabilities* increased by 5% as a result of 46% decrease of the provisions and the 9% increase of the trade payables.

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4.3. Economic and financial ratios

Ratio	Calculation formula	Q1-Q3 2019	Q1-Q3 2018
Current ratio	Current assets/Current liabilities	2.08	1.81
Debt ratio	Long-term debt capital/ Equity x 100	0.79	-
	Long-term debt capital/ Committed capital x 100	0.78	-
Days sales outstanding	Average client balance/ Turnover x 270	75.4	51.1
Assets turnover ratio	Turnover/ Non-current assets	0.55	0.74

Note:

1. **Current ratio** - guarantees the coverage of the current debt from the current assets.
2. **Debt ratio** - expresses the effectiveness of the credit risk management, indicating potential financing and liquidity problems which may affect the honouring of the commitments made.

Debt capital = Credits for over 1 year and other interest-bearing loans
 Committed capital = Debt capital + Equity

3. **Days sales outstanding** – expresses the effectiveness of the Company in collecting its receivables, respectively the number of days until the debtors pay their debt to the Company.
4. **Assets turnover ratio** – expresses the effectiveness of the non-current asset management, analyzing the turnover generated by a certain quantity of non-current assets.

Eugen Scheuşan
General Manager

Cristina Florea
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