

ELECTROMAGNETICA S.A.

**QUARTERLY REPORT**

Separate financial statements  
for the 3-month period ended on 31 March 2019  
(unaudited)

**ELECTROMAGNETICA SA**  
**SEPARATE PROFIT OR LOSS STATEMENT**  
**FOR THE 3-MONTH PERIOD ENDED ON 31 MARCH 2018 – UNAUDITED**  
**(all the amounts are expressed in RON, unless otherwise specified)**

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	<b>T1 2019</b>	<b>T1 2018</b>
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<b>Revenues</b>	<b>54,033,853</b>	<b>79,440,482</b>
Investment income	78,517	8,862
Other net income and expenses	992,873	859,340
Changes in inventories of finishes goods and work in progress	4,744,085	4,760,086
Own work capitalized	156,209	53,851
Raw material and consumables used	(37,495,422)	(57,201,523)
Employee – related expenses	(8,168,513)	(7,413,540)
Expenses related to depreciation and impairment	(2,299,141)	(2,602,940)
Other expenses	(8,311,267)	(7,970,141)
Financial expenses	(183,934)	(187,845)
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<b>Profit before tax</b>	<b>3,547,260</b>	<b>9,746,633</b>
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Income tax	(378,948)	(1,610,172)
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<b>Profit for the period</b>	<b>3,168,313</b>	<b>8,136,461</b>
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**Eugen Scheuşan**  
Managing Director

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**Cristina Florea**  
Economic Manager

**ELECTROMAGNETICA SA**  
**SEPARATE STATEMENT OF FINANCIAL POSITION**  
**AS OF 31 MARCH 2019 – UNAUDITED**  
**(all the amounts are expressed in RON, unless otherwise specified)**

	<b>31 March 2019</b>	<b>31 December 2018</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	283,127,352	284,669,256
Investment property	4,709,859	4,709,859
Intangible assets	586,872	702,025
Investments in related entities	3,967,606	3,967,606
Other long term non-current assets	18,385,618	20,495,344
<b>Total non-current assets</b>	<b>310,777,306</b>	<b>314,544,090</b>
<b>Current assets</b>		
Inventories	17,013,702	17,183,417
Trade receivables	50,868,932	41,275,588
Cash and cash equivalents	27,282,180	29,162,314
Other current assets	3,182,629	2,950,187
Current tax assets	-	-
<b>Total current assets</b>	<b>98,347,444</b>	<b>90,571,507</b>
<b>Total assets</b>	<b>409,124,750</b>	<b>405,115,597</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	67,603,870	67,603,870
Reserves and other equity	176,927,394	177,706,613
Retained earnings	92,773,497	88,933,829
<b>Total equity attributable to company shareholders</b>	<b>337,304,762</b>	<b>334,244,312</b>
<b>Non-current liabilities</b>		
Trade payables and other liabilities	1,664,827	1,311,019
Investment subsidies	4,532,720	4,573,525
Deferred tax liabilities	17,482,010	17,782,339
<b>Total non-current liabilities</b>	<b>23,679,558</b>	<b>23,666,883</b>
<b>Current liabilities</b>		
Trade payables and other liabilities	43,459,054	43,092,649
Investment subsidies	163,219	163,219
Provisions	3,777,556	3,913,666
Current income tax liability	740,601	34,867
<b>Total current liabilities</b>	<b>48,140,430</b>	<b>47,204,402</b>
<b>Total liabilities</b>	<b>71,819,988</b>	<b>70,871,285</b>
<b>Total equity and liabilities</b>	<b>409,124,750</b>	<b>405,115,597</b>

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**ELECTROMAGNETICA SA**  
**NOTES TO QUARTERLY REPORT**  
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## **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, 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, 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 financial information as of 31 March 2019 were neither audited, nor subject to review by an external auditor.

## **3. MAIN ACCOUNTING POLICY**

In this individual quarterly report we used the same accounting policies and calculation methods as those applied in the preparation of the Company's individual financial statements as of 31 December 2018, except for the adoption of the new standards valid as of 1 January 2019.

The Company adopted IFRS 16 "Leases" for the first time starting January 2019. Other amendments and interpretations entered into force as of 1 January 2019, but do not have a material effect on the Company's interim financial statements.

Electromagnetics applied IFRS 16 using the modified retrospective method for transition, without restating comparative values for the prior period presented. The rights to use the assets of previous operating lease contracts were valued at the date of initial application at the amount of the lease liability adjusted for prepayments. Leasing liabilities were measured at the amount of the lease payments over the remaining contractual period, updated with 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 of use and leasing liabilities related to the previous operating lease contracts.

## **4. EXPLANATORY NOTES**

### **4.1. Individual profit or loss statement**

#### **Revenues from sales**

	<b>T1 2019</b>	<b>T1 2018</b>
Revenues from unlicensed activities	23,053,653	28,424,006
Revenues from licensed activities	30,980,200	51,016,476
<b>Total</b>	<b>54,033,853</b>	<b>79,440,482</b>

The Company's turnover the 3-month period ended on 31 March 2019 has decreased by 32 % as compared to the same period of the last year, which was mainly due to the decrease of the electricity supply business.

The Company had a net profit of RON 3,168,313, which is lower with 61% to the result reported for the similar period of the last year.

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#### **4.2. Individual statement of financial position**

##### **Non-current assets**

*Fixed assets* have recorded a slight decline by 1.2% as of the end of 2018.

As of 31 March 2019, the *Tangible assets* category recorded in the *Statement of financial position* indicated a 0.5 % decrease because of the amortization related to the period.

Amortization is also the reason for the 16.4 % decrease of the *Intangible assets*.

The *Other non-current assets* recorded a 10.3 % decrease due to the lower of sales with a maturity of more than one year.

##### **Current assets**

*The current assets* recorded a increase of 8.6 % as compared to 31 December 2018, mainly due to the trade receivables.

*The trade receivables* increased by 23 % mainly as a result of deferred payment by some clients (local institutions), the main reason being the lack of funds due to late approval of the state budget.

*The cash and cash equivalents* decreased by 6 %, of which RON 16,810,151 represents restricted cash (liquidities deposited in banks to secure certain obligations-collateral cash).

The Company also made use of credit lines during the reporting period, the amount to be reimbursed on 31 March 2019 is of RON 426,697.

##### **Equity**

As of 31 March 2019, the Company's equity amounted to RON 337,304,762, with a 0.9 % increase as compared to the end of 2018, as a result of the net profit of RON 3,168,313 generated during the reporting period.

##### **Liabilities**

*The long term liabilities* had no significant variations as compared to the end of 2018, being less than 1%.

*The current liabilities* registered a slight increase of 2%.

#### **4.3. Event after the reporting date**

In the General Assembly of the Shareholders held on 22 April 2019, the amount of RON 2,704,155 was approved to be distributed as dividends from the net profit realized in 2018, resulting in a gross dividend payment of RON 0.004 / share.

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**4.4. Economic and financial ratios**

<b>Ratio</b>	<b>Calculation formula</b>	<b>T1 2019</b>	<b>T1 2018</b>
Current ratio	Current assets/Current liabilities	2.04	1.46
Debt ratio	Debt capital/ Equity x 100	0.09	-
	Debt capital/ Committed capital x 100	0.08	-
Days sales outstanding	Average client balance/ Turnover x 90	76.7	49.2
Assets turnover ratio	Turnover/ Non-current assets	0.17	0.25

**Notes**

1. The **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, liquidity problems which may affect the compliance with commitments made.

Debt capital = Credits over 1 year and other interest-bearing loans

Committed capital = Debt capital + Equity

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

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Managing Director

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