

**ELECTROMAGNETICA S.A.**

**Simplified Preliminary Individual Financial Statements  
FOR THE 12 -MONTH PERIOD ENDED ON 31 DECEMBER 2019  
(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, 2019- UNAUDITED**  
**(all the amounts are expressed in RON, unless otherwise specified)**

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<b>Q4 2019</b>	<b>Q4 2018</b>		<b>Year 2019</b>	<b>Year 2018</b>
<b>85,083,817</b>	<b>62,407,226</b>	<b>Revenues</b>	<b>256,169,132</b>	<b>290,123,223</b>
576,300	568,323	Investment income	1,527,774	676,404
1,235,634	(1,861,899)	Other net income and expenses	6,207,130	3,125,282
(1,974,177)	4,605,479	Changes in inventories of finishes goods and work in progress	13,389,266	19,745,239
293,497	443,397	Own work capitalized	772,403	769,737
(68,780,206)	(45,035,243)	Raw material and consumables used	(188,946,222)	(214,511,484)
(9,289,765)	(9,425,075)	Employee-related expenses	(36,494,887)	(32,896,983)
(2,477,097)	(12,033,817)	Expenses related to depreciation and impairment	(10,183,159)	(19,280,031)
(10,057,734)	(11,470,248)	Other expenses	(36,706,154)	(38,817,320)
(186,188)	(230,164)	Financial costs	(754,080)	(934,017)
<b>(5,575,917)</b>	<b>(12,032,019)</b>	<b>Profit / (Loss) before tax</b>	<b>4,981,203</b>	<b>8,000,050</b>
825,232	181,902	Income tax	(492,516)	(3,176,851)
<b>(4,750,685)</b>	<b>(11,850,118)</b>	<b>Profit / (Loss) for the period</b>	<b>4,488,687</b>	<b>4,823,198</b>

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**Eugen Scheuşan**  
General Manager

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**Cristina Florea**  
Economic Manager

**ELECTROMAGNETICA SA**  
**PRELIMINARY SEPARATE STATEMENT OF FINANCIAL POSITION**  
**FOR THE 12-MONTH PERIOD ENDED DECEMBER 31, 2019– UNAUDITED**  
**(all the amounts are expressed in RON, unless otherwise specified)**

	<b>31 december 2019</b>	<b>31 december 2018</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	279,025,231	284,669,256
Investment property	5,182,279	4,709,859
Intangible assets	466,487	702,025
Investments in related entities	3,967,606	3,967,606
Other long term non-current assets	26,532,511	20,495,344
<b>Total non-current assets</b>	<b>315,174,114</b>	<b>314,544,090</b>
<b>Current assets</b>		
Inventories	15,411,327	17,183,417
Trade receivables	53,283,923	41,275,588
Cash and cash equivalents	21,711,183	29,162,314
Other current assets	1,939,785	2,950,187
Current tax assets	760,012	-
<b>Total current assets</b>	<b>93,106,229</b>	<b>90,571,507</b>
<b>Total assets</b>	<b>408,280,342</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	176,697,881	177,706,613
Retained earnings	91,301,725	88,933,829
<b>Total equity attributable to company shareholders</b>	<b>335,603,476</b>	<b>334,244,312</b>
<b>Non-current liabilities</b>		
Trade liabilities and other liabilities	1,993,167	1,311,019
Investment subsidies	4,410,306	4,573,525
Deferred tax liabilities	17,333,187	17,782,339
<b>Total non-current liabilities</b>	<b>23,736,660</b>	<b>23,666,883</b>
<b>Current liabilities</b>		
Trade payables and other liabilities	46,970,845	43,092,650
Investment subsidies	163,219	163,219
Provisions	1,806,142	3,913,666
Current income tax liabilities	-	34,867
<b>Total current liabilities</b>	<b>48,940,206</b>	<b>47,204,402</b>
<b>Total liabilities</b>	<b>72,676,866</b>	<b>70,871,285</b>
<b>Total equity and liabilities</b>	<b>408,280,342</b>	<b>405,115,597</b>

**Eugen Scheuşan**  
General Manager

**Cristina Florea**  
Economic Director

**ELECTROMAGNETICA SA**  
**PRELIMINARY SEPARATE CASH FLOWS STATEMENT**  
**FOR THE 12-MONTH PERIOD ENDED DECEMBER 31, 2019– UNAUDITED**  
**(all the amounts are expressed in RON, unless otherwise specified)**

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	<b>12-month period ended 31 DECEMBER 2019</b>	<b>12-month period ended 31 DECEMBER 2018</b>
<b>Cash flows from operating activities</b>		
Cash receipts from customers	257,825,474	317,196,980
Payments to suppliers	(190,371,032)	(239,404,826)
Payments to employees	(35,213,731)	(31,383,266)
Other operating activities	(33,888,132)	(28,689,294)
	<b>(1,647,421)</b>	<b>17,719,593</b>
<b>Cash generated by/ (used in) operating activities</b>		
Interest paid	(15,081)	(26,226)
Income tax paid	(2,161,915)	(3,964,792)
	<b>3,824,417</b>	<b>13,728,575</b>
<b>Net cash used in operating activities</b>		
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(954,771)	(1,599,568)
Proceeds from sale of non-current assets	96,015	89,369
Interest received	456,745	93,363
Dividends received	658,487	488,555
	<b>256,476</b>	<b>(928,282)</b>
<b>Net cash used in investing activities</b>		
<b>Cash flows from financing activities</b>		
Proceeds from loans	17,703,891	52,781,026
Cash repayments of amounts borrowed	(17,703,891)	(52,781,026)
Paid leasing	(1,276,771)	-
Dividends paid	(2,606,419)	(37)
	<b>(3,883,190)</b>	<b>(37)</b>
<b>Net cash used in financing activities</b>		
<b>Net increase of cash and cash equivalents</b>	<b>(7,451,132)</b>	<b>12,800,257</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>29,162,314</b>	<b>16,362,057</b>
<b>Cash and cash equivalents at end of period</b>	<b>21,711,183</b>	<b>29,162,314</b>

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**Eugen Scheuşan**  
Managing Director

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**Cristina Florea**  
Economic Manager

**ELECTROMAGNETICA SA**  
**SEPARATE STATEMENT OF CHANGES IN EQUITY**  
**FOR THE 12-MONTH PERIOD ENDED DECEMBER 31, 2019 – UNAUDITED**  
**(all the amounts are expressed in RON, unless otherwise specified)**

	<b>Share capital</b>	<b>Retained earnings</b>	<b>Revaluation reserve tangible assets</b>	<b>Other equity items</b>	<b>Legal reserve</b>	<b>Deferred tax recognized in reserves</b>	<b>Total equity</b>
<b>Balance as at January 1, 2018</b>	<b>67,603,870</b>	<b>65,939,347</b>	<b>103,319,691</b>	<b>61,372,490</b>	<b>34,400,651</b>	<b>(16,531,600)</b>	<b>316,104,451</b>
<b>Comprehensive income for the period</b>							
Profit of the period	-	4,823,198	-	-	-	-	4,823,198
<b>Other elements of global result</b>							
Revaluation of tangible assets	-	-	15,319,656	-	-	-	15,319,656
Setup of legal reserve	-	-	-	(401,175)	401,175	-	-
Deferred tax for revaluation recognized in equity	-	-	-	-	-	(2,451,145)	(2,451,145)
Transfer of revaluation reserve to retained earnings following the depreciation of revalued tangible assets or written off assets	-	2,800,951	(2,800,951)	-	-	-	-
Deferred tax recognized in equity	-	-	-	-	-	448,152	448,152
Transfer of the retained earnings to reserves	-	15,370,332	-	-	(15,370,332)	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>22,994,481</b>	<b>12,518,705</b>	<b>(401,175)</b>	<b>(14,969,157)</b>	<b>(2,002,993)</b>	<b>18,139,861</b>
<b>Transactions with shareholders, directly registered to equity</b>							
Other items	-	-	-	-	-	-	-
<b>Balance as at December 31, 2018</b>	<b>67,603,870</b>	<b>88,933,828</b>	<b>115,838,396</b>	<b>60,971,315</b>	<b>19,431,494</b>	<b>(18,534,593)</b>	<b>334,244,312</b>

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**ELECTROMAGNETICA SA**  
**SEPARATE STATEMENT OF CHANGES IN EQUITY**  
**FOR THE 12-MONTH PERIOD ENDED DECEMBER 31, 2019 – UNAUDITED**  
**(all the amounts are expressed in RON, unless otherwise specified)**

	<b>Share capital</b>	<b>Retained earnings</b>	<b>Revaluation reserve tangible assets</b>	<b>Other equity items</b>	<b>Legal reserve</b>	<b>Deferred tax recognized in reserves</b>	<b>Total equity</b>
<b>Balance as at January 1, 2019</b>	<b>67,603,870</b>	<b>88,933,828</b>	<b>115,838,396</b>	<b>60,971,315</b>	<b>19,431,494</b>	<b>(18,534,593)</b>	<b>334,244,312</b>
<b>Comprehensive income for the period</b>							
Profit of the period	-	4.488.687	-	-	-	-	4.488.687
<b>Other elements of global result</b>							
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	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>5.072.052</b>	<b>(2.702.408)</b>	<b>1.869.983</b>	<b>249.060</b>	<b>6.085</b>	<b>4.494.772</b>
<b>Transactions with shareholders recognized directly in equity</b>							
Distributed dividends	-	(2.704.155)	-	-	-	-	(2.704.155)
Other items	-	-	-	-	-	(431,452)	(431,452)
<b>Balance as at December 31, 2019</b>	<b>67,603,870</b>	<b>91,301,725</b>	<b>113,135,990</b>	<b>60,841,298</b>	<b>19,680,554</b>	<b>(18,959,960)</b>	<b>335,603,476</b>

**Eugen Scheuşan**  
Managing Director

**Cristina Florea**  
Economic Manager

**ELECTROMAGNETICA SA**  
**NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS**  
**FOR THE 12-MONTH PERIOD ENDED DECEMBER 31, 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 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 preliminary financial information for December 31, 2019 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 31 December 2018, except for the adoption of the new standards in force as of 1 January 2019.

The company adopted IFRS 16 “Leases” for the first time as of January 2019. Other amendments and interpretations have entered into force as of 1 January 2019, but have no significant effect on the Company's interim financial statements.

Electromagnetica has applied IFRS 16 by using for the transition the modified retrospective method, without retreatment of the comparative values for the previous period presented. The rights to use the assets related to previous operating lease contracts were valued at the date of initial application at the value of the lease liability, adjusted by advance payments. Lease liabilities were valued at the value of the lease payments over the remaining contractual period, discounted with the marginal lending rate. The first application of IFRS 16 resulted in the recognition of assets in the form of the right of use and lease liabilities related to previous operating lease contracts.

**4. EXPLANATORY NOTES**

**4.1. Individual profit or loss statement**

**Revenues from sales**

<u>Q4 2019</u>	<u>Q4 2018</u>		<u>Year 2019</u>	<u>Year 2018</u>
23,332,389	26,871,419	Revenues from unlicensed activities	91,905,523	101,946,336
61,751,428	35,535,807	Revenues from licensed activities	164,263,609	188,176,887
<b><u>85,083,817</u></b>	<b><u>62,407,226</u></b>	<b>Total</b>	<b><u>256,169,132</u></b>	<b><u>290,123,223</u></b>

The Company's turnover in 2019 decreased by 12 % as compared to the previous year, mainly due to the reduction of the electricity supply activity, the main reason being the unstable legislation (OUG 114/2018). At the same time, revenues from non-licensed activities have decreased, with many projects in the fields of LED lighting systems and remote management being delayed.



**ELECTROMAGNETICA SA**  
**NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS**  
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In the last quarter of 2019, the income increase by 36% was due exclusively to the electricity supply and production activity.

The company estimates a net profit of RON 4,488,687, lower by 7 % than the profit reported on 31 December 2018. The 17.6 % net profit margin is comparable to the one achieved in the previous year, i.e. 16.7 %

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

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

*Tangible assets* decreased by 2% as compared to the end of 2018 as a result of depreciation during this period, but also due to the disposal of equipment.

*Investment property* increased by 10% as compared to 31 December 2018. The added value of the buildings used entirely for rental resulted from the new fair value established by the valuation report prepared by an ANEVAR-licensed appraiser.

*Intangible assets* decreased by 34% as compared to the end of 2018 as a result of the amortisation over the period.

*Other non-current assets* mainly consisting of receivables with a collection due date exceeding one year increased by 30% as compared to 31 December 2018.

##### **Current assets**

Current assets increased by 3% as compared to 31 December 2018.

*Inventories* decreased by 10% as compared to the beginning of the year due to the projects started at the end of 2019 for LED lighting systems.

*Trade receivables* increased by 30% 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 26% due to the payment of obligations that were previously secured by collateralized cash.

##### **Equity**

On 31 December 2019, equity reached a level of RON 335,603,476, with a slight increase of 0.4 % as compared to the end of 2018, below the cumulative effect of the net profit of RON 4,488,687 generated in the reporting period and the amount distributed for dividends.

At the General Shareholders' Meeting of 22 April 2019, Electromagnetica shareholders approved the distribution of dividends for the financial year 2018 in the gross amount of RON 2,704,155 (gross dividend per share of RON 0.004 per share). Until December 31, 2019, the amount of RON 2,606,419 was disbursed for the payment of dividends, of which RON 2,353,052 were paid.

##### **Liabilities**

*Non-current liabilities* have seen an insignificant increase of less than 1% as compared to the end of 2018. This position is influenced by the increase in lease liabilities related to previous operating leases following the adoption of IFRS 16 as of 1 January 2019 and the decrease in deferred tax liability.

*Current liabilities* have increased by 4% due to the effect of the 54% drop in provisions and of the 9% increase in trade payables.

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**Eugen Scheuşan**  
Managing Director

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**Cristina Florea**  
Economic Manager