

ELECTROMAGNETICA S.A.

QUARTERLY REPORT

Separate financial statements
for the 9-month period ended on 30 September 2018
(unaudited)

ELECTROMAGNETICA SA
SEPARATE PROFIT OR LOSS STATEMENT
FOR THE 9-MONTH PERIOD ENDED ON 30 SEPTEMBER 2018 – UNAUDITED
(all the amounts are expressed in RON, unless otherwise specified)

| T3 2018 | T3 2017 | | T1-T3 2018 | T1-T3 2017 |
|-------------------|-------------------|--|--------------------|--------------------|
| 76,018,625 | 51,658,482 | Revenues | 227,715,996 | 149,343,460 |
| 71,158 | 389 | Revenues from investments | 108,081 | 429,914 |
| 2,510,861 | 866,803 | Other net revenues | 4,987,181 | 4,034,459 |
| 4,684,873 | 2,871,015 | Variation in stocks of finished goods and work in progress | 15,139,760 | 7,974,674 |
| 49,324 | 395,529 | Work performed by entity and capitalized | 326,339 | 1,545,501 |
| (55,317,479) | (34,623,243) | Raw material and consumables used | (169,476,242) | (111,558,920) |
| (8,308,952) | (8,176,006) | Expenses related to employee | (23,471,908) | (25,310,646) |
| (2,307,632) | (3,016,517) | Expenses related to depreciation and impairment | (7,246,214) | (10,921,463) |
| (10,121,718) | (8,046,430) | Other expenses | (27,347,073) | (21,719,258) |
| (227,522) | (172,783) | Financial costs | (703,852) | (499,868) |
| 7,051,538 | 1,757,238 | Profit / (Loss) before tax | 20,032,069 | (6,682,147) |
| (1,159,548) | 181,822 | Income tax | (3,358,753) | (135,440) |
| 5,891,990 | 1,939,060 | Profit / (Loss) for the period | 16,673,316 | (6,817,587) |

Eugen Scheuşan
 Managing Director

Cristina Florea
 Economic Manager

ELECTROMAGNETICA SA
SEPARATE STATEMENT OF FINANCIAL POSITION
AS OF 30 SEPTEMBER 2018 – UNAUDITED
(all the amounts are expressed in RON, unless otherwise specified)

| | <u>30 September 2018</u> | <u>31 December 2017</u> |
|--|--------------------------|-------------------------|
| ASSETS | | |
| Non-current assets | | |
| Tangible assets | 280,934,789 | 286,427,678 |
| Real estate investments | 4,555,912 | 4,555,912 |
| Intangible assets | 845,808 | 1,247,495 |
| Investments in related entities | 3,967,606 | 3,967,606 |
| Other non-current assets | 22,682,934 | 19,802,564 |
| Total non-current assets | 312,987,047 | 316,001,253 |
| Current assets | | |
| Inventories | 17,066,149 | 16,763,968 |
| Trade receivables | 47,289,028 | 40,417,745 |
| Cash and cash equivalents | 27,616,248 | 16,362,058 |
| Other current assets | 2,281,511 | 2,429,955 |
| Current tax liabilities | - | - |
| Total current assets | 94,252,936 | 75,973,726 |
| Total assets | 407,239,983 | 391,974,979 |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Share capital | 67,603,870 | 67,603,870 |
| Reserves and other equity components | 165,717,045 | 182,561,233 |
| Retained earnings | 99,737,586 | 65,939,348 |
| Total equity attributable to company shareholders | 333,058,502 | 316,104,451 |
| Non-current liabilities | | |
| Trade liabilities and other debts | 1,713,066 | 1,304,836 |
| Investment subsidies | 4,614,330 | 4,736,743 |
| Deferred tax liabilities | 15,761,918 | 16,088,691 |
| Total non-current liabilities | 22,089,313 | 22,130,270 |
| Current liabilities | | |
| Trade payables and other liabilities | 47,974,979 | 39,319,304 |
| Investment subsidies | 163,219 | 163,219 |
| Provisions | 2,822,812 | 13,744,272 |
| Current income tax liability | 1,131,158 | 513,462 |
| Total current liabilities | 52,092,169 | 53,740,257 |
| Total liabilities | 74,181,482 | 75,870,527 |
| Total equity and liabilities | 407,239,983 | 391,974,979 |

Eugen Scheuşan
Managing Director

Cristina Florea
Economic Manager

ELECTROMAGNETICA SA
NOTES TO QUARTERLY REPORT
FOR THE 9-MONTH PERIOD ENDED ON 30 SEPTEMBER 2018 – 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 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 2018 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 interim individual financial statements as of 30 June 2018.

4. EXPLANATORY NOTES

4.1. Individual profit or loss statement

Revenues from sales

| T3 2018 | T3 2017 | | T1-T3 2018 | T1-T3 2017 |
|-------------------|-------------------|-------------------------------------|--------------------|--------------------|
| 23,756,797 | 21,686,317 | Revenues from unlicensed activities | 75,038,518 | 67,912,409 |
| 52,261,828 | 29,972,165 | Revenues from licensed activities | 152,677,478 | 81,431,051 |
| 76,018,625 | 51,658,482 | Total | 227,715,996 | 149,343,460 |

The Company's turnover the 9-month period ended on 30 September 2018 had a positive variation of 52% (78,372,536 RON) as compared to the same period of the last year, which was mainly due to the development of the electricity supply business.

Between January and September 2018, the Company recorded an increase by 7,126,109 RON of its revenues from unlicensed activities, as compared to the same period of the last year. The revenues from the sale of electricity meters and telemanagement systems also recorded significant positive variations.

In Q3 2018, the quantitative sales increased for both business segments as compared to Q3 2017.

Given these favorable factors, the Company had a net profit of 16,673,316 RON, which is significantly better than the result reported for the similar period of the last year, when we recorded a loss.

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4.2. Individual statement of financial position

Non-current assets

As of 31 September 2018, the *Tangible assets* category recorded in the *Statement of financial position* indicated a 2% decrease because of the amortization related to the period, while in 2017 there has been no entry of significant assets.

Amortization is also the reason for the 32% decrease of the *Intangible assets*.

The *Other non-current assets* recorded a 14.5% increase due to the growth of sales with a maturity of more than one year.

Current assets

The current assets recorded a significant increase of 24% as compared to 31 December 2017, mainly due to the *trade receivables* and *cash and cash equivalents*.

The trade receivables increased by 17% as a result of the grown credit supplier sales, as well as to the deferred payment by some customers.

The cash and cash equivalents increased by 69%, of which 10,024,824 RON 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 withdrawn amounts being fully reimbursed until 30 September 2018.

Equity

As of 30 September 2018, the Company's equity amounted to 333,058,502 RON, with a 5.4% increase as compared to the end of 2017, as a result of the net profit of 16,673,316 RON generated during the reporting period.

Liabilities

The long term liabilities had no significant variations as compared to the end of 2017, being less than 1%. Their composition is also similar with that recorded at 31 December 2017.

The current liabilities decreased by 4% as a result of the 80% decrease of the provisions and the 22% increase of the trade receivables.

4.3. Economic and financial ratios

| Ratio | Calculation formula | T1-T3 2018 | T1-T3 2017 |
|------------------------|---|-------------------|-------------------|
| Current ratio | Current assets/Current liabilities | 1.81 | 1.96 |
| Debt ratio | Debt capital/ Equity x 100 | - | - |
| | Debt capital/ Committed capital x 100 | - | - |
| Days sales outstanding | Average client balance/ Turnover x 270 | 51.1 | 58.9 |
| Assets turnover ratio | Turnover/ Non-current assets | 0.74 | 0.48 |

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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

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.

Eugen Scheuşan

Managing Director

Cristina Florea

Economic Manager