

2018 Q3 report completing according to ASF Regulation no. 5/2018

Reporting date: Nov. 15, 2018

Name of the Trade Company: S.C. Electroputere S.A.

Headquarters: Craiova, 80 Calea București Street, Dolj County

Tel: 0251 / 437119; **Fax:** 0372003056

Tax Code: 6312800

Registration in the Trade Register: J16/12/1991

Subscribed and paid up capital: 103.760.291,30

Regulated market where issued securities are traded: Bucharest Stock Exchange

General information

S.C. ELECTROPUTERE S.A. (the „Entity”) is an entity set up under the Romanian law. The Entity was initially established in 1949, having its main business purpose the manufacturing of electrotechnical equipment of high currents for energy sector and railway transport, and initially structured in four main production sectors: rotative motors, power transformers, electrical devices and locomotives.

Electroputere S.A. became a holding Company on August 17, 1994 and was privatized in October 2007, Al-Arrab Contracting Company Limited being the major shareholder.

The adress of the registered office of the Company is: Craiova, Bucuresti street, no. 80. Electroputere S.A. is listed on Bucharest Stock Exchange, having the symbol „EPT”.

The main categories of products of the Entity are: power transformers, rotative electrical engines, repairs and upgrades to equipment and installations.

During 2018 approximately 82% (2017: 70%) of sales went to Romanian market.

1. a) The report on the main events occurred during the first 9 months of 2018 and their impact on the issuer’s financial situation and its branches.

Electroputere SA (as Seller), on January 30th 2018 has concluded with Electroputere Parc SRL (as Buyer), the sale contract no 303 having as object the transfer of the following assets (immovables):

- The immovable located in Craiova, 80 Calea Bucuresti, Dolj county, cadastral number 229268, registered with land book no. 229268 of Craiova Municipality, Dolj County, composed of the plot of land having a surface of 23,094 sqm, together with the buildings erected on it, having cadastral numbers 229268 – C1-C26;
- The immovable located in Craiova, 80 Calea Bucuresti, Dolj county, cadastral number 229269, registered with land book no. 229269 of Craiova Municipality, Dolj County, composed of the plot of land having a surface of 14,936 sqm, together with the buildings erected on it, having cadastral numbers 229269 – C1-C14;

Total contract price amounts to 9,887,800 Euro, out of which 7,704,500 Euro were paid at the signing date by the Buyer. The difference amounting to 2,183,300 Euro shall be paid within maximum 30 months as of the contract signing date.

The sale of the aforementioned assets will not influence the current activity of the company, being not used for such current activity.

In relation to the sale contract, the mortgage on aforementioned assets has been released by Blom Bank. As a consequence, the credit line contracted with Blom Bank was diminished by EUR 4,850,000, as following:

- Trough addendum no. 27 / 28.02.2018, with the amount of EUR 2,850,000
- Trough addendum no. 28 / 28.03.2018, with the amount of EUR 2,000,000

As a result of the above changes, the credit line contracted with Blom Bank has the following structure:

- An overdraft loan of EUR 2,440,00 for the current activity, that can be utilized up until November 26, 2018
- A revolving facility of EUR 7,000,000 EUR for issuing bank guarantee letters that can be utilized until August 27, 2020
- A revolving facility of EUR 10,510,000 for issuing letters of credit and financing sales contracts, that can be utilized up to June 27, 2019

b) Description of the main risks and uncertainties for the next 3 months

As at September 30, 2018, the Company recorded an accumulated loss from the previous years in the amount of RON 373,507,169, negative net assets in the amount of RON 188,444,513, net current liabilities in amount of RON 307,694,929 and the loss for the year then ended amounts to RON 1,753,571.

These matters indicate an uncertainty regarding the Company's ability to continue as a going concern and an increased liquidity risk.

In addition, according to statutory commercial law 31/1990, revised, in the event where the administrators ascertain that, further to incurring losses, the net assets, calculated as the difference between total assets and total liabilities of the Company, are less than half the value of the share capital, the administrators shall convene the general meeting of shareholders to decide whether to increase the share capital or to reduce it to the remaining value or to dissolve the Company.

Management believes that it is unlikely that the Company will be subject to dissolution procedures in the foreseeable future. As a result, the Company's capacity to continue as a going concern depends on the financial support from its shareholders. Management believes that such a support will be available whenever necessary. These financial statements do not include adjustments that might arise from this uncertainty regarding the ability of the Company to continue as a going concern.

Risk management

• Currency risk

The company can be exposed to exchange rate fluctuations through cash and cash equivalents, foreign currency loans, long-term loans, or trade payables denominated in a foreign currency.

The functional currency of the company is the Romanian leu. Currently, the company is exposed to currency risk by cash and cash equivalents, as well as by purchases made in a currency other than the functional currency. The currencies that expose the Company to this risk are mainly EUR, USD, and GBP. Foreign currency liabilities are then expressed in RON, at the exchange rate at the balance sheet date, communicated by the National Bank of Romania. The resulting differences are included in the profit and loss account, but do not affect the cash flow until the debt is cleared.

The exposure of the company to currency risk was insignificant, the risk was considered to be tolerable. Due to the associated costs, the Company's policy is not to use derivative financial instruments to mitigate this risk.

- **Interest rate risk**

The risk of interest rate at fair value is the risk that the value of a financial instrument fluctuates due to changes in market interest rates. Financial instruments are bearers of interest at market rate, therefore their fair values are not considered to significantly differ from carrying amounts.

- **Credit risk**

Credit risk is the risk that a company will suffer a financial loss as a result of non-fulfillment of contractual obligations by a client or a counterparty to a financial instrument, and this risk is mainly due to trade receivables, cash and cash equivalents and short-term investments of the company.

The company engages in commercial relationships only with recognized third parties, that justify credit financing.

Financial assets that may subject the Company to cash-on receivable are primarily trade receivables, cash and cash equivalents and short-term investments. The amount of net receivables (without adjustment of impairment) is the maximum amount exposed to the cash-on-acquisition risk.

Considering the general economic context, the level of this analyzed risk was medium, for which the company applies special measures for keeping it under control (monitoring the collection of commercial receivables, notification of outstanding clients, calculating penalties according to contractual clauses, taking legal actions against bad-payers).

- **Liquidity risk**

The liquidity risk is managed by the management of the company by applying a policy of permanent insurance for the intended outstanding financial liquidities. This is a high tolerable risk for which the measures designed to keep it under control are reduced to closely monitoring exposure to liquidity risk, maintaining sufficient cash and available credit lines. The company aims to maintain flexibility in funding opportunities through the support of the majority shareholder.

- **Risks of litigation**

The company is subject to a number of court actions resulting from the normal course of business (commercial litigation and regarding tax obligations). The level of risk is low, with low tolerability, and the Company's management considers that these actions will not have a significant adverse effect on the Company's financial results and financial position.

2. Financial situation

The financial information presented below is extracted from the third quarter accounting reports prepared by S.C. ELECTROPUTERE S.A

At the time of elaboration of the third quarter Report we took into account the existing data in the synthetic balance on 30.09.2018.

The main indicators reflecting the economic and financial activity on September, 30 2018 are as follows:

a) Issued capital

The amount of the subscribed and paid-up issued capital on September 30, 2018 was 103,760,291.30 RON, representing a total of 1,037,602,913 nominative shares with a nominal value of 0.1 lei / share, without any changes as compared to December 31, 2017.

b) Receivables and liabilities

According to the data recorded on September 30, 2018, the receivables of the company are the following (ron), compared to the same period last year:

	September 30, 2018	September 30, 2017
Trade and other receivables	24,374,178	71,081,746
Total non-current liabilities	207,466,673	206,244,981
Total current liabilities	<u>307,694,929</u>	<u>296,452,933</u>

c) Profit and loss analysis

The company achieved till September 30, 2018 the following structure of revenues and expenditures (ron):

	September 30, 2018	September 30, 2017
Revenue	64,725,172	72,237,639
Cost of sales	<u>(68,116,230)</u>	<u>(71,616,464)</u>
Gross profit / (loss)	<u>(3,391,058)</u>	<u>621,175</u>
Administrative expenses	(16,214,089)	(14,935,682)
Other operating expenses	(278,814)	5,728,825
Distribution expenses	(1,013,679)	(1,800,036)
Other gains or (losses)	30,012,160	(5,886,112)
Finance costs	(10,868,855)	(14,093,574)
Finance income	<u>764</u>	<u>371</u>
Profit/Loss before tax	(1,753,571)	(30,365,033)
Income tax credit		
Profit/Loss for the year	<u>(1,753,571)</u>	<u>(30,365,033)</u>
Other comprehensive income, net of tax:		
Gain on revaluation of properties	<u>-</u>	<u>-</u>
Deferred tax related revaluation of properties	<u>-</u>	<u>-</u>
Total comprehensive income	<u>(1,753,571)</u>	<u>(30,365,033)</u>

d) Economical and financial indicators

Indicator	Calculation method	Result
Current liquidity ratio	Current assets/ debts	0.30
Indebtedness indicator	Loan capital / Equity *100 Loan capital / Capital employed *100	-
Rate of debit turnover - customers	Average balance client / Turnover*270	164
Rate of fixed assets turnover	Turnover / Fixed assets	0.28

STATEMENT OF RESPONSIBILITY

as per art.30 from the Accounting Law no.82/1991
and ASF Regulation no. 5/2018

The financial statements as of September 30, 2018 have been drawn up for:

Entity: S.C. ELECTROPUTERE S.A.

Headquarters: CRAIOVA, 80 Calea Bucuresti Street, Dolj County

Unique Identification Number at the Trade Register Office: 6312800

Registration no. in the Trade Register: J 16/12/1991

Subscribed and paid up capital: 103.760.291,30 lei

Regulated market where issued securities are traded: Bucharest Stock
Exchange – 2nd Category

The undersigned OSAMA AL HALABI, as President and member of the company Board of Directors, and LAVINIA PETCU, as Finance Manager, assume the responsibility for the financial statements as of September 30, 2018 and acknowledge that:

- the accounting policies used when drawing up the half-year financial statements are in compliance with the applicable accounting regulations;
- the financial situations are a trustworthy reflection of the financial status and of the information related to the activity developed;
- the legal entity is running the activity uninterruptedly.

The financial statements on September 30, 2018 have not been audited yet.

OSAMA M.T. AL-HALABI
President

LAVINIA PETCU
Financial Manager