

ELECTROMAGNETICA SA
SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE 3-MONTH PERIOD ENDED MARCH 31, 2017 - UNAUDITED
(all amounts are expressed in RON, unless otherwise specified)

	3-month period ended March 31, 2017	3-month period ended March 31, 2016
Revenues	53.617.794	58.631.463
Investment income	4.386	(38.445)
Other net income	880.494	874.114
Changes in inventories of finished goods and work in progress	2.678.982	5.747.311
Own work capitalized	717.196	321.395
Raw materials and consumables used	(44.466.521)	(44.303.632)
Employee-related expenses	(8.405.066)	(7.717.126)
Expenses related to depreciation and impairment	(4.856.423)	(2.247.922)
Other expenses	(6.504.921)	(9.622.389)
Financial expenses	(144.326)	(148.071)
(Loss)/Profit before tax	(6.478.406)	1.496.698
Income tax	(339.043)	31.240
(Loss)/Profit of the period	(6.817.449)	1.527.938

Eugen Scheuşan
Managing Director

Ilie Frăşineanu
Economic Manager

ELECTROMAGNETICA SA
SEPARATE STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2017 - UNAUDITED

(all amounts are expressed in RON, unless otherwise specified)

	March 31, 2017	December 31, 2016
ASSETS		
Non-current assets		
Property, plant and equipment	292.962.678	292.544.407
Investment property	4.631.885	4.631.885
Intangible assets	1.123.572	1.635.414
Investments in related entities	3.967.606	3.967.606
Other long-term non-current assets	17.674.193	16.994.518
Total non-current assets	320.359.934	319.773.830
Current assets		
Inventories	15.416.764	17.407.304
Trade receivables	38.262.438	33.977.526
Cash and cash equivalents	10.391.298	17.822.290
Other current assets	2.188.094	3.173.001
Current tax assets	94.811	-
Total current assets	66.353.406	72.380.121
Total assets	386.713.340	392.153.952
EQUITY AND LIABILITIES		
Equity		
Share capital	67.603.870	67.603.870
Reserves and other equity	180.121.364	180.407.837
Retained earnings	76.573.064	82.540.235
Total equity attributable to company's shareholders	324.298.298	330.551.942
Non-current liabilities		
Trade payables and other liabilities	1.164.084	2.783.769
Investment subsidies	4.859.157	4.899.962
Deferred tax liabilities	16.995.091	17.242.351
Total non-current liabilities	23.018.333	24.926.082
Current liabilities		
Trade payables and other liabilities	37.514.781	34.424.384
Investment subsidies	163.219	163.219
Provisions	1.718.709	1.833.135
Current income tax liabilities	-	255.189
Total current liabilities	39.396.709	36.675.928
Total liabilities	62.415.041	61.602.009
Total equity and liabilities	386.713.340	392.153.952

Eugen Scheuşan
Managing Director

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**ELECTROMAGNETICA SA
EXPLANATORY NOTES
AT 31 MARCH 2017**

(all amounts are expressed in RON, unless otherwise specified)

SEPARATE STATEMENT OF PROFIT OR LOSS

The major cause of the loss registered in the first quarter of 2017 is the electricity supply activity which was adversely affected by the record purchase prices attained on the energy market during the reporting period, as well as by the entry into insolvency of one of the Company's electricity suppliers and debtors (KDF Energy).

For the uncollected receivable we established a provision in amount of RON 1,994,220.

The Company's turnover diminished by 8% (7.18% in the activity of electricity supply and 11.7% in the activity of production).

In the activity of electricity production business, the decline of the turnover was mainly due to the delay of some electricity meter tenders.

SEPARATE STATEMENT OF FINANCIAL POSITION

Non-current assets value is almost equal to the value reported at the end of 2016.

Current assets had a slight decline of 1.4%. Inventories decreased by 11.4% during the reporting period as compared to the beginning of the year. This is due to the reduction of the stocks of raw and ancillary materials and also to the lack of electricity meter production, as a result of the delayed tenders.

Trade receivables also increased by 12.6% due to the rise of supplier-credit sales and the delay of receipts from certain customers (town halls), the main cause being the lack of funds from the state budget, which the town halls should have received, as a consequence of the delayed approval of the state budget.

Cash and cash equivalents decreased by 41.7%, one of the causes being the rise of supplier-credit sales during the reporting period. Another cause is related to the entry into insolvency of some customers-debtors, which affected our liquidity.

During the reporting period, the Company availed more of credit lines, the amount the Company is to repay being RON 8,081,273 at 31 March 2017.

Equity decreased by 1.9% as a result of the loss registered in the first quarter of 2017.

Current liabilities registered a 9% decrease attributable to the use of the credit line. In fact, the trade payables maintained at a level which was close to the one reported at the end of 2016.

Economic and financial indicators

Indicators	Calculation formulas		Value
Current ratio ¹		Current assets/Current liabilities	1.68
Debt to asset ratio ²			
a.		Debt capital/Equity X 100	-
b.		Debt capital/Committed capital X 100	-
DSO ³		Average client balance/Turnover X 90	59.8
Assets turnover ratio ⁴		Turnover/Non-current assets	0.17

Active imobilizate

Note:

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. **Receivables turnover** 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
General Manager

Ilie Frăşineanu
Economic Manager