ANNUAL REPORT 2021

SEPARATE FINANCIAL STATEMENTS

Content

1. MESSAGE FROM THE GENERAL MANAGER:

Dear shareholders, customers, partners and employees

Business ethics is the foundation of our commercial relationships characterized by honesty, integrity, mutual trust and social responsibility We always act in accordance with the law and fairly in our relationships with partners and stakeholders. We do not accept corruption, evasion, monopolization or intimidation.

Sustainable development is among our main concerns and our first priority are PEOPLE as employees and representatives of our company, who have the power to influence the success and reputation of ELECTROMAGNETICA SA. We promote a working environment focused on integrity, professionalism, motivation and satisfaction.

2021 was a difficult year particularly marked by the pandemic and the unpredictable evolution of the electricity market. Even under these circumstances, we have managed to fulfil all our commitments to our partners and customers, seeking to find solutions and to adapt on the go to a situation unprecedented in Romania.

From the 4th quarter it can be seen that this strategy has yielded fruit and the financial situation has improved significantly, which continues in the first quarter of 2022.

If I were to find a word that defines the positive part of 2021, it would be **#TRUST**. Trust in ourselves, as well as between us and our partners.

I wish to thank all the shareholders and commercial partners for their confidence in Electromagnetica's activity, as well as our employees for their efforts to overcome a challenging period.

EUGEN SCHEUSAN

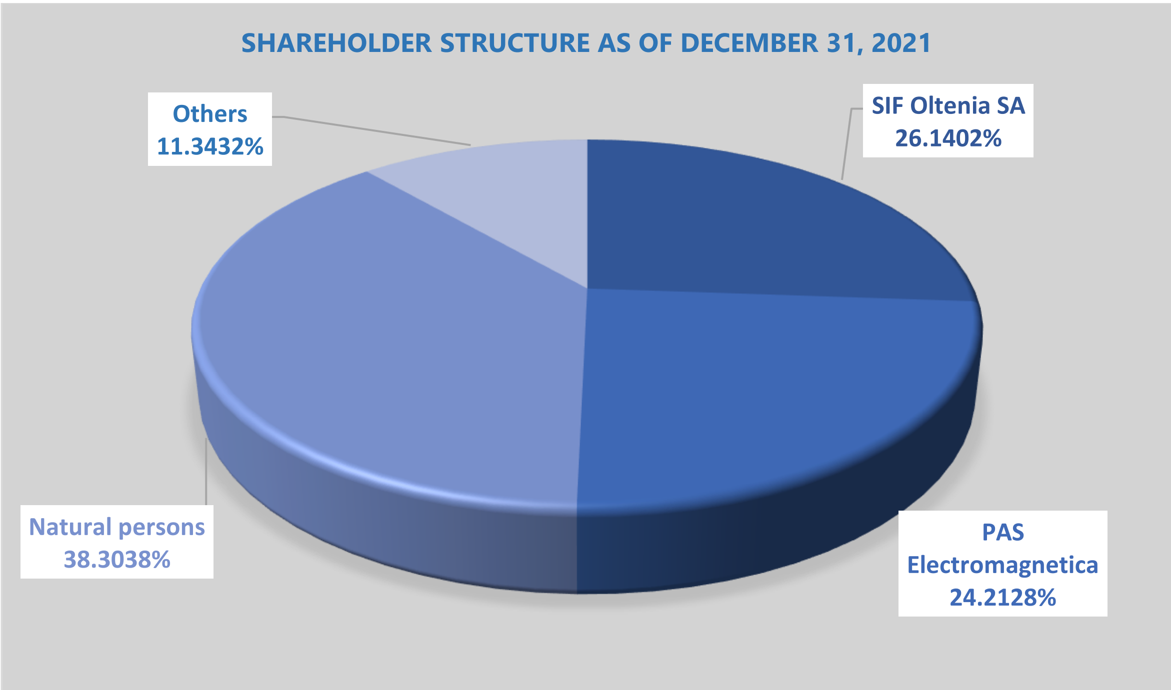
General Manager

2. ELECTROMAGNETIC IDENTIFICATION DATA:

Company Name:	**Electromagnetica SA**
Registered Office:	**Bucharest, Sector 5, Calea Rahovei nr 266-268, postal code 050912**
Tel/ Fax:	**021 404 21 02/ 021 404 21 94**
NAIL	**EN 414118**
Registration no. at ORCTB:	**J40/19/1991**
Regulated market:	**BVB, Equity Sector, Shares, Premium Category**
Symbol of the market:	**ELMA**
Number of shares:	**676,038,704**
Nominal value:	**0.1000 ron**
Share capital:	**67,603,870.40 lei**
LEI code:	**254900MYW7D8IGEFRG38**

3. SHAREHOLDING STRUCTURE:

As of 31.12.2021, the company had a number of 6,228 shareholders (up by 0.4% compared to 2020). According to the records of the Central Depository, the synthetic structure at the end of the year was as follows:



4. COMPANY OVERVIEW

Electromagnetica SA is a Romanian legal entity incorporated in 1930 under the legal form of joint stock company for an unlimited duration and organized and operating under its articles of incorporation, Law no. 31/1991 republished, in compliance with Law no. 297/2004 on the capital market and Law no. 24/2017 on issuers.

The Company share capital is 67,603,870.40 lei divided into 676,038,704 ordinary shares, registered and dematerialized, which are recorded in electronic account in the shareholder register held by Depozitarul Central SA (Central Securities Depositary). According to the Company's articles of incorporation, its main object of activity is the manufacture of instruments and appliances for measuring, testing and navigation (NACE code 2651).

Electromagnetica SA, in its capacity of trading company whose shares are admitted to trading on a regulated market (Bucharest Stock Exchange, category Premium, symbol ELMA), has adopted IFRS (the International Financial Reporting Standard) starting with the financial year 2012. The financial statements for 2021 were prepared in compliance with Order no. 2844/2016 of the Minister of Public Finance (OMFP) approving the accounting regulations compliant with the International Financial Reporting Standards adopted by the European Union.

4.1 MISSION, VISION, VALUES

The mission of Electromagnetica top management and employees is to provide high performance services based on new technologies, in order to fully satisfy customers while promoting a sustainable and durable development focused on social responsibility and environmental protection and taking into account the interests of its shareholders.

In the vision assumed by the management of the company, it is essential to develop products and methods resulting from the Company’s own research and design activity, aiming thus to expand into complementary fields with high growth potential, which ensure a better exploitation of the Company’s research resources and technological base.

Electromagnetica also takes responsibility for everything the Company produces, with the utmost respect for the law, customers and other stakeholders, ensuring support for its products and services placed on the market during the warranty period, but also post-warranty.

The values that define and model permanently the identity of our company and our organizational culture are:

Creativity	We are innovative and we seek to apply constantly the newest technologies and the most appropriate solutions;
Business ethics	It is the foundation of our commercial relationships, based on honesty, integrity, communication and mutual trust;
Social responsibility	We consider our employees to be one of our most important resources and we seek to motivate them and provide them with the best working conditions, as well as continuous training
Environmental protection	We act responsibly to protect the environment, both by promoting energy efficient products and by selective collection and recycling measures applied in our production sites.
Adaptability	We adapt permanently to market requirements, searching for and discovering new opportunities while remaining constantly focused on the needs and expectations of shareholders.

4.2 ETHICS. COMPLIANCE. SUSTAINABILITY

In order to be consistent with the values embraced by the Company and to effectively implement these values, Electromagnetica developed, approved and implemented in 2021 a Code of Ethics that is the base of the activity of its employees. The Code is available at: https://www.electromagnetica.ro/despre-companie/.

In 2021, the Company also completed the Manual on Compliance with Competition Rules whereby the Company informs all employees and collaborators about the competition principles and legislations and commits to a competition policy compliant with these principles and legal rules. This manual is available at https://www.electromagnetica.ro/despre-companie/.

- The Annual sustainability Report issued for the first time in 2021 for 2020 supplements the annual Non-Financial Statement in the spirit of Directive 2014/95/EU and the new requirements of the European Commission. https://www.electromagnetica.ro/despre-companie/.

4.3 DESCRIPTION OF THE MAIN ACTIVITY

Electromagnetica has the following main business lines:

A. PRODUCTS AND SERVICES AIMED AT INCREASING ENERGY EFFICIENCY
B. ELECTRICITY PRODUCTION AND SUPPLY
C. RENTAL OF PREMISES AND REAL ESTATE DEVELOPMENT
D. OTHER DEVELOPED PRODUCTS AND ACTIVITIES

4.4 MERGERS, LIQUIDATIONS OR REORGANISATIONS OF THE COMPANIES CONTROLLED BY ELECTROMAGNETICA IN 2021

The group of firms of which Electromagnetica SA is the parent company is composed of Procetel SA, Electromagnetica Fire SRL and Electromagnetica Prestserv SRL, which mainly represent outsourcing of services with the aim to streamline our activities.

There were no liquidations, mergers or reorganization inside the group in 2021.

During 2021, Electromagnetica became the sole shareholder of Electromagnetica Prestserv SRL. It took over the shares from the minority shareholder, a number of 5 shares at a price of 100 lei/share.

4.5 MAIN EVENTS WITH SIGNIFICANT IMPACT ON THE OPERATION OF THE COMPANY

A. The main event that most influenced the results of our activity in 2021 was the significant and unpredictable increase in prices on the energy market at both national and European level. The main reasons (described in detail on page 10-11) were, at European level, the increase in gas prices and the increase in the price of emission certificates and, in particular, for Romania, the fact that it became a net importer of energy, as well as the functioning of the DAM (day ahead market) coupled with neighbouring countries (Hungary, Slovakia), which led to market closing prices that were similar in all these countries, plus the excessive share of the DAM in energy procurement to the detriment of other long-term markets (over 45%).

B. In 2021, the COVID 19 pandemic had again a significant impact on Electromagnetica's activity, affecting the Company's results by decreasing the volume of orders received from customers.

Sustained efforts have been made to prevent infection by implementing preventive and access control measures, such as temperature monitoring at the entrance, repeated disinfection of the premises during the day, setting up of anti-bacterial gel dispensers at access doors, training of employees and schedule postponements. At the same time, where the activity allowed so, telework was adopted on a rotating basis.

In case of occurrence of infections with the SARS-COV 2 virus or even in case of suspicion of such possibility, epidemiological investigations were conducted and extensive testing of the employees concerned or of the colleagues of the infected persons were carried out. Over 20 antibody tests and 220 PCR tests were carried out at the Company's expense in 2021. Disposable protection masks were distributed free of charge to employees every week. The infected persons received a first counselling from the occupational physician, who recommended in all cases isolation at home and contact with the family physician and the DSP.

Through the Legal Department, the heads of workplaces were regularly informed of the resolutions and decisions adopted by the Government, the Emergency Committee, the Ministry of Health and other relevant bodies, and they disseminated the information to their subordinates. The Company did not directly or indirectly benefit from any support scheme provided by the authorities.

As regards the indirect effects of the COVID 19 pandemic, it should be noted that some customers reduced/cancelled their orders and there were delays in the supply of raw materials and other materials, especially those from imports. However, even in the circumstances mentioned above, ELECTROMAGNETICA has succeeded to perform all its contracts on time by organizing production in shifts, providing a higher stock of raw materials and diversifying suppliers.

4.6 OVERALL EVALUATION ELEMENTS

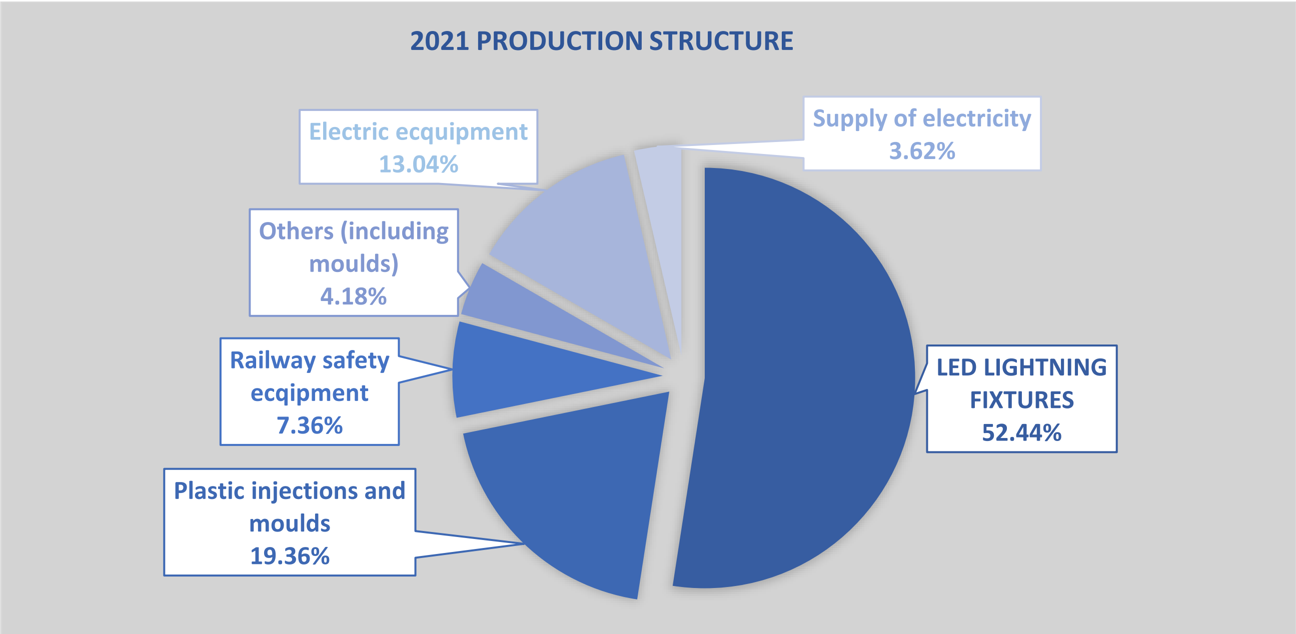
No Crt	Specification	2021	2020
1	Total revenues (lei)	363,463,626	304,294,329
2	Total expenses (lei)	379,577,093	302,108,321
3	Gross profit (lei)	(16,113,467)	2,186,008
4	Net profit (lei)	(16,113,467)	2,324,301
5	Export (lei)	18,961,330	17,469,677
6	EBITDA Margin	-1.89%	4.08 %
7	EBIT margin	-4.31%	0.72 %
8	Net profit rate	-4.43%	0.73 %
9	Current liquidity	165%	206 %
10	Patrimonial solvency	81%	83 %
11	ROE	-4.48%	0.69 %
12	Duration of collection of receivables (days)	90	98
13	Duration of payment of suppliers (days)	67	70
14	Average number of employees	385	387

The result at the annual level is negative, due to the unpredictable evolution on the energy market, respectively to the steep increase of the dam purchase prices. It should be noted that in the 4th quarter the company recorded a profit, as a result of the recovery measures taken starting with the 2nd semester. It is also noticed that the patrimonial solvency is very good and the number of employees was constant, the company considering the human resource as one of the most important resources and maintaining it as one of the failure factors for 2022.

5. PRODUCTS AND SERVICES OFFERED BY ELECTROMAGNETICA

5.1. PRODUCTION STRUCTURE

The Company benefits from various technologies and equipment that make possible to obtain a diversified listing of products. The extent of the main groups of products within the turnover related to the production (except for services) is the following:



5.2. PRODUCTS AND SERVICES TO INCREASE ENERGY EFFICIENCY

5.2.1. LED lighting fixtures, systems and solutions

Electromagnetica S.A. implements customized lighting solutions according to the needs of customers, starting from the design of products to the photometric testing according to international standards and finishing with their certification, later implementing the optimal solution approved by the customer.

The production of LED lighting units has the largest share in the whole merchandise production of the Company, accounting for 52.44% (together with charging stations for electric vehicles). In 2021, sales in this segment were an element of continuity and slightly increased by 6.4 % compared to 2020. The product range covers almost all areas, both for public authorities (street lighting or ornamental lighting for monuments) and companies (commercial and industrial premises and office areas) and for individuals (luminaires for home use).

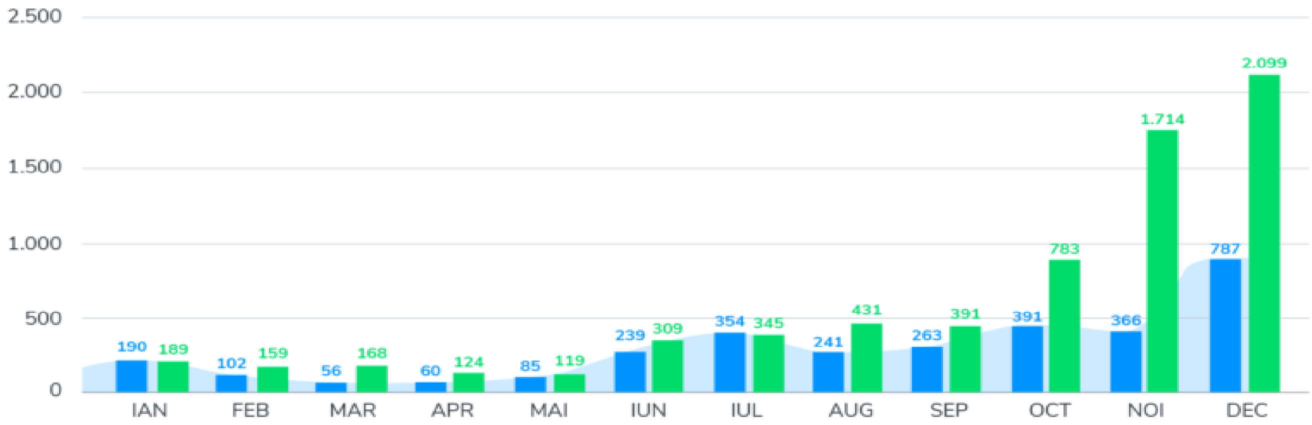
The competitive advantage of LED lighting equipment is due to its high efficiency (above 160 lm/w), long operating time (minimum 100,000 hours) and high colour rendering index (minimum 85%). Moreover, the LED lighting bodies provide a quality light, they are environment friendly and make possible their integration within telemanagement systems.

In 2021, 79 new types of lighting bodies and 5 new types of charging stations for electric vehicles entered production. The data base records 359 types of LED lighting bodies organised in 32 product families and 12 types of charging stations that are operational.

Among the important projects, we can mention the Express Road Craiova – Pitești, as well as lighting solutions for several cities under the modernisation programme funded by AFM.

5.2.2. Charging stations for electric vehicle

In recent years, the hybrid and electric vehicle market has experienced an accelerated development both in Europe and in Romania. A"green" utomobiles, the electric ones together with hybrids, have registered in our country, an accelerated growth.



Monthly registrations EV 2020 &2021 (source lektri.co)

This development has also been driven by the existence of the program aimed at the **"Reduction of greenhouse gas emissions in transport through the promotion of clean and energy efficient road transport vehicles, 2020-2024 – Rabla Plus"** with a budget of 600,000,000 lei managed by the Environment Fund Agency.

In order to maintain this trend, it is necessary to build an extensive network of charging stations across the country. In this respect there are several financing programs in Romania, one of them being the program of the Environment Fund Agency, **"Recharging stations for electric vehicles in localities"** with a budget of 500,000,000 lei, by which territorial - administrative units can obtain financing for the installation of charging stations.

At the same time, the Ministry of Energy launched the ELECTRIC UP program. Thus, SMEs and companies operating in the HORECA sector can receive up to €100,000 non-refundable grants for the installation of photovoltaic panels with an installed power between 27kWp-100kWp and 22kW charging stations for electric and hybrid plug-in electric vehicles. The non-fundable grants are awarded up to a maximum of 100% of the eligible expenditure, but not more than EUR 100,000, depending on installed capacity, energy efficiency, storage needs and co-financing rate.

Electromagnetica was among the first domestic companies who designed and built such stations under the brand **ELMotion**, starting in 2017.

We currently have 12 types of charging stations, including the fast charging stations (up to 100 kW)

In order to assist the owners of hybrid/electric vehicles, the **ELMotion** software has been developed to allows the identification of charging stations at national level and their availability. The application can be installed on mobile phones from Google Play and AppStore.

5.3. PRODUCTION AND SUPPLY OF ELECTRICITY

5.3.1. Production of electricity from renewable sources

Energy production is a field governed by ANRE, the company holding the license of producer since 2007. The Company owns 10 micro hydro station within the basin of Suceava river, which were modernised and automated gradually, reaching an installed power of 5.5 MW. In 2021, their production of energy in the Company's own micro hydro stations was 10,751, representing an increase by 9.4% in the turnover.

38% of the need of green certificates for the whole supply customer portfolio was covered in 2021 as well by the certificates obtained for the electricity produced by the company's own micro-hydro power plants..

5.3.2. The activity of electricity supply

The electricity supply activity carried out within the framework regulated by ANRE represents, together with energy production, the segment of the authorised activities. The Company has been an authorised supplier since 2001; in 2013 the license was renewed for another 10 years, under the provisions of the new energy law (Law no. 123/2012).

In the first quarter of 2021, the licensed activity recorded profit. In Q2 the activity was strongly affected by the unpredictable increase in purchase prices, while the renegotiation of contracts with customers/consumers was gradual.

The increase in energy purchase prices during the first half of the year was mainly due to the following factors:

A. EU energy-climate policies that influence the price of emission allowances in order to decarbonise

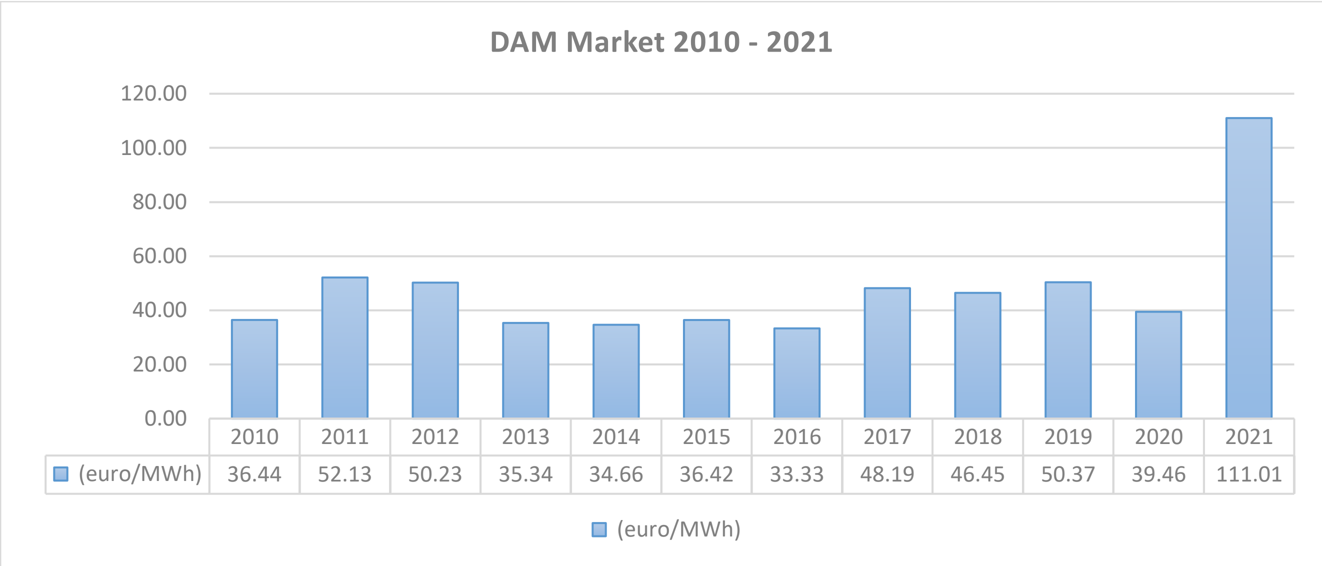
The average spot price of CO_2 emission allowances in Q1 2021, of €38/tCO_2, represented a 36% increase from Q4 2020 and a 65% increase year-on-year. It can be seen that the average price of €38/tCO_2 goes well beyond the calculation assumptions used by the PRIMES model in establishing the European Commission's "EU 2016 Reference Scenario", which is closer to the expectations for the years 2030-2035, while the current price of €50 corresponds to the forecast for 2040. Although published in 2021 (completed on July 21, 2021), the "EU 2020 Reference Scenario" is not much more accurate. The current price of €50 corresponds in this very recent scenario to the expectation for 2035.

Source: S&P Global Platts

Evolution of spot prices of emission allowances 2018-2021

It is noted that, while the first measures, the withdrawal of allowances between 2014 and 2016, brought the price of CO2 emission allowances in 2018 to around € 20, which was the average of the anticipated "EU 2016 scenario" values for the period 2020-2025, the following measures (MSR) brought the price to around € 24, relatively stable in the period 2019-Q3 2020, while, from Q4 2020, all balance was lost and the price anticipation under the EU 2016 scenario proved totally wrong, as prices doubled between Q4 2020 and Q2 2021 from approx. € 24 to € 50. At the same time, the estimated prices under the "EU 2020 scenario" are € 25 in 2020 and (only) € 26.5 in 2025.

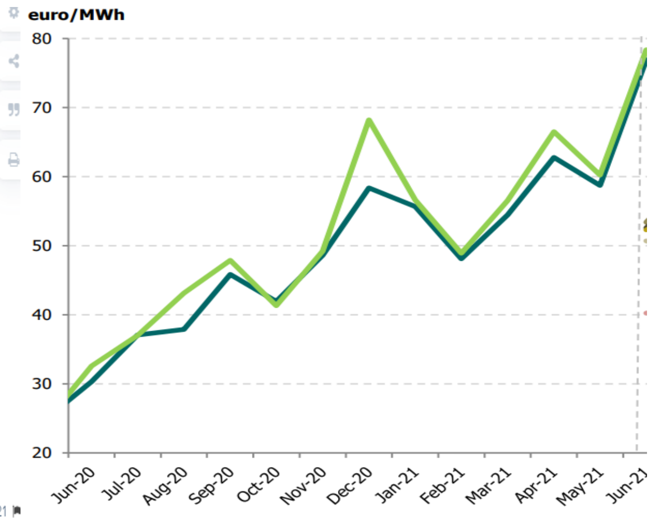
B. The variation of the price recorded on the daily energy exchange (according to the Electricity and Natural Gas Market Operator (OPCOM) – Day-Ahead Market (DAM) in 2021



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
(euro/MWh)	36.44	52.13	50.23	35.34	34.66	36.42	33.33	48.19	46.45	50.37	39.46	111.01

It can be noted that prices on the DAM in 2021 have risen sharply and unexpectedly, given that consumption and hydraulicity have not undergone much change and wind power is almost at the level of previous years. However, the evolution of DAM prices in Romania and in Europe is in line with the trend in the price of CO2 emission allowances, which explains this evolution, different from the previous years.

The common trend in the evolution of the Romanian DAM price and the price of CO2 emission allowances in the EU between April 2020 and April 2021.



Another reason for the increase in DAM was the increase in the price of fuels, especially gas.

Price increase in all markets, but especially in the DAM (average price 2021 by 280 % higher than in 2020) and the fact that the DAM had a market share of 45.14 % in Romania was reflected negatively in the results of Electromagnetica and the other 273 wholesale market participants.

However, even in the context of an unpredictable and unfavourable energy market, Electromagnetica did not terminate any trading or supply contracts and succeeded in renegotiating them in order to obtain more favourable conditions. The turnover for the supply activity increased by 23.3%.

Starting with November, the Company informed consumers about the provisions of the GEO No 118 on the electricity compensation scheme, subsequently applying these legal provisions to the consumers who adhered and submitted the necessary documentation.

Recovery measures with an impact from the 2nd semester of 2021

Given the current unfavorable evolution of the energy market, Electromagnetica S.A. had as a priority the integrated continuation of the activity in the field of green energy production and energy supply:

The mentioned recovery measures taken in the 2nd semester can be summarized as follows:

- Renegotiation of contracts with customers to increase supply prices, part of July and part of August 2021.
- Permanent monitoring of the creditworthiness for both the partners in the PC-OTC (EFET) market and of the consumer portfolio.
- Contracting the energy acquisition for 2022 for the final consumers and block exchanges, minimizing the dam exposure
- Increasing the amount of energy sold at electric car charging stations.
- The best capitalization at the new prices on the market of the energy and of the green certificates produced by the 10 small hydropower plants through the client portfolio

The results started to show in the 4th quarter when the supply activity and the Company itself recorded a profit.

5.4. SPACE RENTAL AND REAL ESTATE DEVELOPMENT

Electromagnetica manages approximately 34,500 sqm of spaces for rent in Bucharest and 3,500 sqm in Varteju, Ilfov County. At the end of 2021, for the headquarters in Calea Rahovei 266-268, the average rental rate was 90.02%. For the spaces in the village Varteju (Magurele), the rent rate was 100%. The structure by destinations of the spaces for rent at 31.12.2021 was as follows:

No.crt.	The destination of the spaces for rent at the headquarters	% weighting	The destination of the spaces for rent in Varteju	% weighting
1	Offices	43.60	Offices	3.19
2	Deposits	27.62	Deposits	35.65
3	Production	12.87	Production	52.74
4	Provision of services	15.91	Provision of services	8.42

The rental and utility supply activity increased by 6.1 % as compared to the previous year, as a result of the increase in the average EUR/RON exchange rate, which had a favourable evolution compared to 2020, of the preservation of rental fees and of the tenants inflow slightly higher than the outflow, against the background of a reduction in the occupancy rate from 94.34% to 90.02% given the evolution of the rental market during the long period of the pandemic. The structure of the rentable premises for offices, services and production remained relatively identical to that of the previous year,

The pressure on rental revenues will continue as a result of the downsizing of some tenants or of their migration to spaces with additional facilities, in particular for offices, and low costs for the other destinations, given that these expand to the outskirts of the city, in particular for the storage and production activity.

The high level of delivery in the office market, in particular of modern offices, will exceed the office demand in Bucharest, possibly leading to a lower level of occupation, mainly in buildings which are old or located in hard-to-reach areas. The pandemic showed that a large number of employees can work productively wherever they are. In addition, a new wave of innovations and new applications will make real-time digital collaboration easier and more productive. Thus, the need to work only from one office to the centre will be decreasing; in a world where many employees will prefer to work "from anywhere", employers will accept and even stimulate this trend to a certain extent.

Inside the premises of Electromagnetica a charging hub with 45 Fast Charge AC + DC and AC charging stations where electric vehicles are charged has been developed. This project has several advantages, from the supply of electrical power for electric vehicles to the validation of technical solutions for both hardware and software.

5.5. OTHER PRODUCTS AND ACTIVITIES DEVELOPED

5.5.1. Injection of plastics and molds

Electromagnetica benefits from a wide range of technologies, which enables the Company to manufacture plastic injection moulded subassemblies for both the internal market and export. The Company currently owns 25 injection machines, most manufactured products being injection moulded parts for Makita Romania and, partially, injection moulded parts for the automotive market. The company produces plastic subassemblies for Draexlmaier Romania, which in turn supplies products for BMW and Maserati.

One of the important clients in this production segment is Makita Romania, which has constantly increased its orders for boxes, cases and various plastic parts.

The production of plastic injection moulded subassemblies and moulds increased by 50.5% as compared to the previous year, in the context of Electromagnetica having developed a new lamp in which an innovative radiator is used as a thermal dissipative element, produced by injection of a plastic thermoconductive material.

This group of products has the second largest share of the exports of the Company, i.e., 25.7 % of total exports. The production of plastic injection moulded subassemblies also benefits from the internal design, manufacture and repair of the moulds, by a dedicated unit.

5.5.2. Low voltage electrical equipment

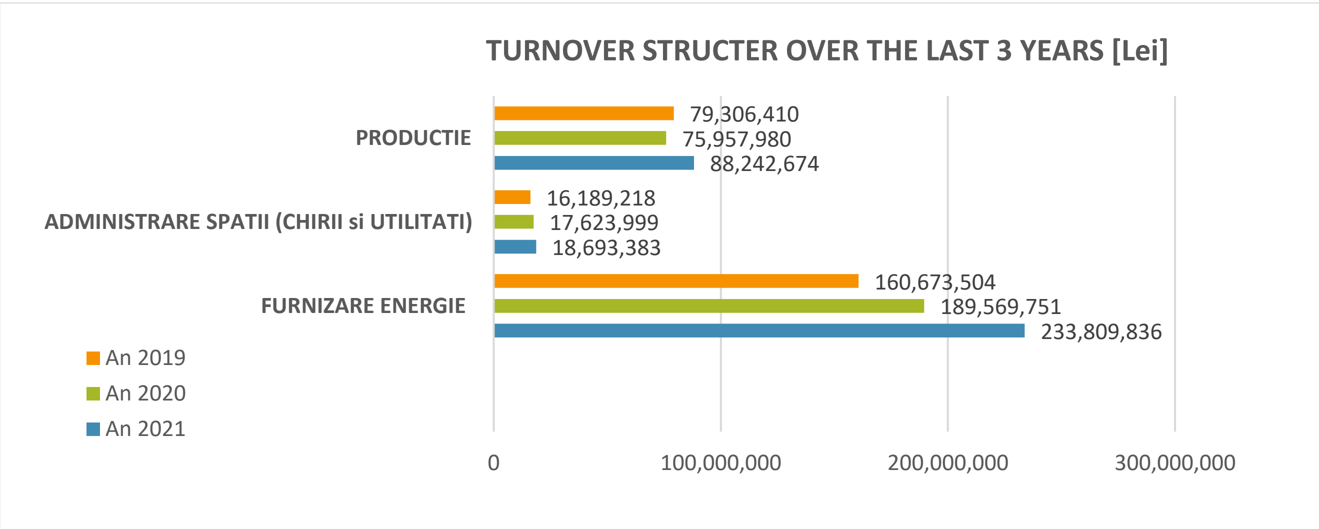
The production of low voltage electrical switchgear (for ABB Italy) was an element of continuity and stability in the production intended for export and increased by 11.6% to a turnover exceeding 2.5 million EUR in 2021. Electrical switchgear accounted for the highest share in export in 2021, i.e., 60.7%.

Most of this activity is automated and robotised.

5.5.3. Railway traffic safety features

The sales of railway traffic safety components increased by 19.4% compared to 2020, the orders for this production segment, placed by renowned companies such as ALSTOM and SIEMENS being largely dependent on the pace of modernisation of the railway infrastructure, considering that CFR Infrastructura is the final beneficiary of these services.

5.6. THE SHARE OF PRODUCTION AND SERVICES IN CA IN THE LAST 3 YEARS:



6. EVALUATION OF THE SUPPLY ACTIVITY

The sourcing of raw materials and materials complied with the procedure implemented within the integrated management system and with the requirements of the standards in the fields in which the Company operates.

Suppliers are selected and periodically evaluated on the basis of quality criteria and commercial conditions, for each material there are alternative suppliers/producers, so that security of sourcing is not dependent on the relationship with a particular supplier.

In 2021, with the introduction of electric vehicle charging stations in series production and the development of intelligent lighting systems, new suppliers were added to cover these segments.

Against the background of the continuation of the COVID-19 pandemic, we have experienced price increases since the first months of 2021, which continue to rise throughout the year.

Moderate increases were recorded in the first quarter of the year, then in the second half of the year the increases continued and became significant compared to the previous year: 15 to 35% for electric and electronic components, 32% to 65% for plastics, 50% to 60% for zinc sheet, aluminium profiles and sheet; 60 to 85% for copper wires and wires. This price increase was driven both by the evolution of raw material prices on the international market and by the significant increase in sea and air freight rates from China to Europe, with the cost of transporting a container of cargo being 4-5 times higher than in 2020. All these led to an increase in the production costs of all categories of products manufactured by Electromagnetica – luminaires, plastic parts, electrical switchgear, vehicle loading stations, which costs were reflected in the final price of the products. Despite these drawbacks, production was not interrupted, demand for Electromagnetic products increased, and major domestic and foreign customers systematically increased orders volumes and provided us with forecasts for 2022.

Taking into account the periodic notifications and information received from the main suppliers on the evolution of prices and the changing of increasingly long delivery times, we have managed to the sourcing activity in 2021 at the same optimum level as before the pandemic, ensuring the supply of production flow for all segments of activity, fully honouring our domestic and export contracts.

7. EVALUATION OF THE SALES ACTIVITY

7.1. Sales evolution on the internal and external market and sales prospects in the medium and long term

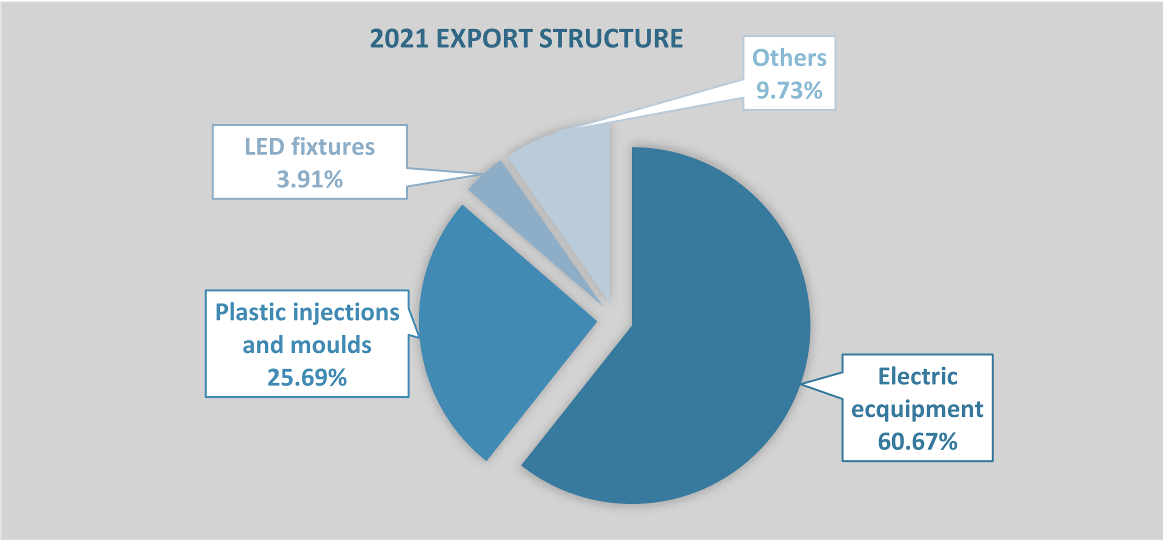
The sale of the LED lighting units and systems is mainly done directly by the Company through its specialized division from the commercial directorate. There is also a specialized office for participating in the tenders in SEAP (for both LED lighting and electric vehicle charging stations).

As regards charging stations, outside the BUSINESS PARK ELECTROMAGNETIC platform where we have 45 charging stations installed, the Company sold 25 stations both through tenders on SEAP and through direct negotiations with other partners. The sale of charging stations will also constitute an important pillar of growth in the future in view of the increasing needs for this equipment in Romania.

The licensed production and supply of electricity are only carried out exclusively on the domestic market. Similarly, the production of railway traffic safety components is exclusively sold on the domestic market.

Export is traditionally sustained by the low voltage electrical switchgear and a large part of the plastic injection mould production. In the following period, the production of plastics will be progressively directed towards products with a higher level of complexity, a change that will also lead to a higher profitability.

In 2021, Electromagnetica exported products for 18,961,330 lei, i.e., approx. 3,830,000 EUR.



With respect to the assurance of medium- and long-term distribution, we mention that the average duration of rental agreements is approximately 2 years, while the average duration of electricity supply contracts is 1 year, while production is generally based on medium- and short-term orders. The contracts for the sale of LED lighting systems through supplier-credit are usually concluded for a period of 5 years.

7.2. Main competitors

The LED lighting technology is now the most efficient lighting solution, achieving more and more fame. Electromagnetica is the main domestic producer of products competing with those imported from other countries. Among Electromagnetica products, the most successful were the lighting units for commercial and industrial premises, as well as the street lighting units. The Company has a wide range of LED products competing on several price segments. The main competitors of the Company are: Philips and Schreder (high price), Elba, Amiras, Electromax, Greentek (medium price) and Spot Vision, Urbio (low price segment).

In the electricity retail market, competition is very strong as 57 suppliers, 27 producers who also conduct sales activities and 6 ultimate suppliers are active currently in this market.

On the local market of railway traffic safety systems, the number of purchase orders depends on the progress of the programs for the modernization of the railway infrastructure, provided that the Company takes the necessary steps to ensure the flexibility of its production and to be able to cope with the fluctuating orders.

As regards to the charging stations for electric vehicles, competition increased exponentially in the last years. In addition to the leader Renovatio, large suppliers and distribution operators such as ENEL (ENEL X) E.ON (E.ON DRIVE) provided their own stations (most likely imported). Gas station chains such as Rompetrol and Mol adopted the same strategy of imported charging stations. There are also local companies that entered this market during the last two years (EV-MAG, EV-CONNECT, Polyfazer), these owning together more than 140 installed stations.

7.3. Significant dependencies of the company towards a client or a group of clients

The products with a large share at the moment, such as LED lighting units, electrical switchgear and injection moulded products are targeted at a wide portfolio of beneficiaries and do not depend on a certain customer or group of customers. The supply of electricity is in the same situation. The railway traffic safety components for the final beneficiary CFR Infrastructrura depend on the program for the modernisation of the Romanian railway infrastructure.

8. EVALUATION OF ASPECTS RELATED TO THE COMPANY'S EMPLOYEES

The high qualification level of employees enabled the Company to carry out both production and research and development activities. In 2021, the average headcount was 385, i.e., 0.5 % less than in the previous year. This decrease was due to natural causes (retirement).

Of these, there are 37% of employees with higher education and 35% with secondary education. The Company employees follow a continuing vocational training program, each of them benefiting, on average, from 26 hours/year internal and external professional training in quality, occupational health and safety, environment protection etc.

There were no cases of occupational disease. The management and employees interact in normal conditions. The unionization rate is approximately 60 % and there were no labour conflicts between the management and the union. More information about the social and staff policy, the policies on occupational health and safety, respect for human rights and the related risks and key performance indicators is available in the non-financial declaration of the Board of Directors for 2021, published together with this report on the Company website www.electromagnetica.ro.

9. THE IMPACT OF THE COMPANY'S ACTIVITY ON THE ENVIRONMENT

The Company is fully compliant with the requirements of our Integrated Management System and continually improve its effectiveness, establishing, monitoring and reviewing our objectives. As a responsible organization, Electromagnetica aims to offer trust to its partners and considers that Quality, Health and Safety at work, as well as the Environment are important issues integrated in the culture of the Company.

The Company holds all the environmental permits required for its business and has in place an Environmental Management System compliant with SR EN ISO 14001:2015. The Company does not carry out activities with significant impact on the environment and there are no litigations related to breaches of the legislation on environmental protection.

Electromagnetica expects its staff, contractors and suppliers to actively participate in the fulfilment of our objectives concerning Quality of operations, Health and Safety at work, plus the Environment, through the implementation of all the relevant regulations and programs adopted.

The Company carries out an effective environmental risk control by:

- implementing and complying with the waste management procedures,
- implementing and complying with procedures designed for emergency situation,
- production retrofitting, designing and testing new environmental-friendly products, standardizing and optimizing these products.

One of the research and development objectives is to implement new energy-efficient and less polluting manufacturing technologies and launch new products with reduced environmental impact during their service life. The production of electricity from renewable sources in micro-hydro power plants is considered an activity which has no major impact on the environment.

Considering that certain low power hydro power plants are located in the network of Natura 2000 protected areas, in order to obtain the environmental permit, we have requested and obtained the custodian's approval. The ecological network "Natura 2000" – the European ecological network of protected natural areas – includes areas of special protection of aquatic fauna, determined in accordance with Directive 79/409/EEC on the conservation of wild birds, and special conservation areas designated by the European Commission, and in accordance with Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora. Natura 2000 is not a system of strictly protected reserves. Human activities are permitted to the extent ensure allow the conservation of the species or habitats.

Further information about the Company environmental policy, the risk factors and key performance indicators is available in the non-financial declaration of the Board of Directors for 2021, published together with this report on the Company website www.electromagnetica.ro.

10. EVALUATION OF THE RESEARCH AND DEVELOPMENT ACTIVITY

In 2021, the research-design and development activity was focused on two main directions: LED lighting solutions and systems, as well as Charging stations for electric vehicles. This activity involved almost 8.3 % of the Company employees within the following departments: the Research and Design Department, the Photometry and Electromagnetic Compatibility Laboratory, the Electrical Equipment Design and Communication Department, and also the Self-Equipping Design Workshop. It should be noted that most of the products manufactured by Electromagnetica are products of its own conception and contain innovating solutions.

10.1. LED lighting solutions and systems

10.1.1. The research activity in the segment of lighting systems was application-focused and concentrated on determining the lifetime of the street lighting fixtures of the EVOCity family. The project was conducted in the Photometry Laboratory, which also developed an innovative test method. This accelerated method of measuring the luminous flux depreciation reduced the test time from 10 months to a maximum of 42 days under high temperature conditions. The innovation activity also covered the start of production of street lighting units equipped with radio telemanagement modules in 6LoWPAN, WiFi/ZigBee, LoRaWan and NB-IOT technology and with presence sensors to meet the increasingly sophisticated and diverse technical integration requirements of lighting bodies management systems (CIL). At the same time, the use of pre-painted sheet was implemented in series production, with the aim of reducing and eliminating, where appropriate, collaborations for electrostatic painting. This technical solution, as opposed to manual painting, reduces product costs and eliminates delivery times from collaborators to Electromagnetica. Self-equipping achieved technical solutions for handling circuits using pneumatic devices to increase the quality of the lighting bodies production and avoid contamination of LED structures

It should be mentioned that, in 2021, 79 new types of lighting bodies and 5 new types of charging stations for electric vehicles entered production. The data base records 359 types of LED lighting bodies organised in 32 product families and 12 types of charging stations that are operational.

For 2022, the main objective is to integrate the lighting bodies and systems developed by Electromagnetica into SmartCity platforms.

10.1.2. The research activity in the segment of lighting solutions consisted of an ongoing project using a Smart City solution based on a TALQ2 certified CMS platform (PE Smart CMS Neptune) using 6LoWPAN radio communication technology between street lighting equipment and other objects (video cameras based on artificial intelligence applications, intelligent fog and snow sensors, parking sensors and PIR sensors with DALI2 interface). The pilot project also implemented the D4I connectivity solution for all LED lighting devices. It should be noted that the pilot project has facilitated the winning of two national tenders for solutions for the automation of street lighting.

For 2022, we aim to integrate into the Smart City platform - PE Smart CMS Neptune, software and hardware components for road traffic applications, detection of people falling on the road, abandoned objects, suspicious behaviour of people who park without justification, as well as a solution for on-site monitoring of the light degradation condition of lighting equipment and specific automation of ignition points.

10.2. Charging equipment for electric vehicles

New AC station models will be developed in 2022, using Phoenix Contact new CHARK series processors that can operate individually or as a server for a charging station with up to 24 charging points. These processors are 30% cheaper than those used on current stations and they can be mounted quickly via front push-in connections and easily configured through web-based management. In addition, the automatic retraction of charging cables system was developed for fast charging DC stations. The novelty of the system is the automatic retracting of cables into a closed and secure enclosure which prevents cable degradation over time due to the influence of the external environment and vandalism. We should also mention the project aimed at modifying the housings of charging stations to an ornamental cylindrical form.

For the integration of critical components of electric vehicle charging stations, we started to develop our own hardware and software concept of a 30 KW rectifier with Wien-type power factor correction (PFC) and the CPU for charging in AC, CCS and CHAdeMO. Both targets will be reached in 2022.

11. EVALUATION OF THE INTEGRATED MANAGEMENT SYSTEM

11.1. Quality policy

As in previous years, Electromagnetica committed in 2021 to ensure **full compliance** with explicit customer requirements and expectations, as well as with the regulatory and legal provisions.

In line with the policy principles set out, the necessary resources have been provided for:

- the design, development, execution, marketing and after-sales support of the products and services offered, which fully meet the requirements and expectations of our customers regarding quality, legal and regulatory requirements and reasonable expectations of interested parties, using clean and safe technologies leading to improved environmental performance and ensuring occupational health and safety;

- the setting of measurable annual objectives and performance indicators appropriate to maintain balance and societal development;

- maintaining the certifications of the Integrated Management System according to the reference standards;

- continuous improvement of the efficiency of the Integrated Management System in order to achieve the policy and the objectives proposed;

- monitoring, measurement and continuous improvement of the level of customer satisfaction;

monitoring, measuring and ensuring economic efficiency, in all actions undertaken in 2021.

11.2. Certifications for management systems and laboratories

In 2021, all previously obtained system certifications were maintained and certified according to the new standard **ISO 45001:2018** "Occupational health management systems. Requirements and guidelines for use".

a) Recertifications of the Integrated General Management System: **EN ISO 9001:2015** -" Quality management systems. Requirements."; **EN ISO 14001:2015** -"Environmental management systems - Requirements with user guide" and certification according to the new standard **ISO 45001:2018** "Occupational health management systems. Requirements and guidelines for use";

b) Recertification of the Quality Management System for self-explanatory products based on plastic injection: **IATF 16949:2016** - "Quality management systems requirements for automotive production and relevant service parts organizations"

c) Surveillance 3 of the Photometric Laboratory and Electromagnetic Compatibility according to the specific standard **ISO 17025 : 2018** - with domain extension. The laboratory is accredited for 10 fields of activity: 7 domains for photometric measurements and 3 for electromagnetic compatibility measurements.

11.3. Objectives and indicators

Specific objectives were defined for the conduct of business in an organized manner for each of the policies set by the management at the highest level. In the context of meeting the requirements of the standards according to which the Integrated Management System was certified, measurable key performance indicators have been established, depending on which the results obtained are monitored and evaluated.

According to the monitoring and reporting, in 2021 all the specific objectives were achieved and all the key indicators were met.

11.4. Product Certifications

The company's manufacturing complies with the requirements imposed by the following directives:

- European Directive 2011/65/EC on environmental protection (RoHS) - transposed by GD no. 322/2013;

- European Directive 2012/19/EU - transposed by GEO 5 / 2015 - on the principle of reuse, recycling and recovery of EEE waste;

- Directive 2014/35/UIt is transposed by the GD 409/2016 - establishing the conditions for making available on the market of low-voltage electrical equipment;

- Directive 2014/30/UIt is transposed by the GD 487/2016 - on electromagnetic compatibility;

- European Ecodesign Directive 2009/125/EC

In the year 2021 the existing certifications of the products from the updated manufacturing portfolio have been maintained.

11.5. Development of technological methods

In 2021, the barioclimateric enclosure of the Company was modernized by the effort of the self-equipping unit so that the extremely expensive endurance tests at cyclical temperature or dry heat that were outsourced by the Company can now be carried out internally.

11.6. Quality management

Also In the year 2021 within the company were carried out 19 external audits by various bodies, respectively 3 system audits And 16 product manufacturing audits for certified products.

External system audits:

- audit of Recertification of the Integrated Management System, led by **AEROQ** and certification audit of the new standard **ISO 45001 "Occupational health management systems. Requirements and guidelines for use";**

- audit recertification a **Quality Management System on self-explanatory products**, led by **intertek**;

- surveillance audit and extension of domain a ItPhotometric aborator and Electromagnetic Compatibility after the new edition of the standard **ISO 17025**, led by **RENAR.**

External product audits:

- 12 manufacturing surveillance audits Products **ABB** run by different certification bodies for different countries (**UL, CQC, CSA, IMQ, LCIE, LOYD REGISTER**);

- surveillance audit of the fabrication of lighting fixtures **EvoCity License ENEC** driven by **TUV RHEILAND**;

- audit of supervision fabrication of lighting fixtures **EvoCity License ENEC+** driven by **TUV RHEILAND**;

- audit of supervision fabrication of lighting fixtures **EvoCity** driven by **OICPE**;

- audit of supervision fabrication of lighting fixtures **ELMARo** driven by **OICPE.**

All external audits have been completed no major nonconformities.

The activity of internal auditing was carried out according to Audit programme per year 2021.

11.7. Quality costs

Quality costs for 2021 represent 8% of the production of goods, remaining between 5% and 10%, as recommended by the specialized standards.

In quality costs, 62% represents the costs of quality assurance and among these high shares correspond to the product R&D activity and the preservation of product certifications.

Non-quality costs are on the same downward trend as in previous years, falling in 2021 by 30 % compared to 2020, so they reached below 1.9% of the production of goods.

The following activities are planned in 2022:

- reaccreditation of the Photometry and Electromagnetic Compatibility Laboratory;
- maintaining the certification of the Quality Management System for automotive products based on plastic injection under the IATF 16949:2016 standard;
- maintaining the certification of the Integrated General Management System under the standards EN ISO 9001:2015 -"Quality Management Systems. Requirements"; EN ISO 14001: 2015 - "Environmental Management Systems - Requirements With User Guide" and SR ISO 45001:2018 - "Occupational Health Management Systems. Requirements and Guidance for Use";
- maintaining the existing product certifications for the products in the sales portfolio and extending these as a method of adaptation to market requirements;
- achieving the effectiveness and efficiency of the Integrated Management System in terms of costs.

12. RISK MANAGEMENT OBJECTIVES AND POLICIES. RISK FACTORS.

The risk management policies are defined in such a way that they ensure identification and analysis of the risks which the Company faces, establishing, at the same time, the limits of exposure. The risk management policy provides effective means of control and a favourable environment where all employees understand their roles and obligations.

The risk due to the COVID 19 pandemic

This remains in 2022 one of the most important risks faced by the Company. Although at the time of drafting this report, the Omicron infection rate is decreasing and many countries have started to raise restrictions, it cannot be stated that the pandemic is to end this year. The return to normal will be marked by a certain inertia, especially as regards orders or the reduction of raw material acquisition time. At the level of Electromagnetica, we will continue to implement all the measures we have taken so far, especially related to access, temperature measurement and the possibility of disinfection at access points and in congested areas.

Market risk (includes the price risk and implies the risk due to technological changes)

Among the markets where Company is present, the energy market has the highest price risk, considering the volatility and the marked increase of prices on the Day ahead market and the Balancing market in recent years, as well as the absence of mechanisms for long-term risk cover. To control the price risk on the energy market, measures were taken to limit the exposure to the day-ahead market (DAM) as well as to purchase energy through long-term contracts.

Exchange rate risk

The Company is exposed (to a limited extent) to an exchange rate risk because the sourcing of materials is largely based on imports. To limit the effect of foreign exchange, the payment schedule was correlated with the proceeds in foreign currency, the company usually recording cash-flow surplus. The change of the raw materials and materials prices imposed a continuous review of cost prices. To maintain some of the products profitable, a part of the prices were renegotiated and the related technological processes were improved.

Risk of default

Credit risk is the possibility that contracting parties breach their contractual obligations resulting in financial loss for the company. When possible and allowed by market practices, the company requests guarantees. Trade receivables derive from a wide range of customers operating in various fields of activity and different geographical areas. In order to counteract this risk factor, the Company has applied pre-contractual verification policies for clients (such as RISCO and COFACE reports). Insurance policies were contracted for foreign market receivables.

In order to recover outstanding receivables, the Invoices Collection Office and the Legal Department have constantly taken steps, including formal notices, part of them followed by legal actions (orders for payment) and, where appropriate, by forced execution. As a result, a large part of receivables have been or are to be recovered. There were also customers who entered the insolvency procedure or an arrangement with creditors, but their share is reduced.

Equity risk

Equity risk management aims to ensure the capacity of the Company to carry out its activity in good conditions through the optimization of the capital structure (equity and liabilities). The analysis of the capital structure is focused on the cost of capital and the risk associated to each category. To maintain an optimum capital structure and an appropriate debt ratio, in the last years the Company proposed to its shareholders an adequate dividend policy, able to secure own sources of funding. The absence of funding sources can limit the Company expansion on the market segments where the sale is supported through the commercial facilities offered.

Liquidity and cash flow risk

The company cash flow department requires forecasts on the liquidity reserve and maintaining the appropriate level of credit facilities in order to be able to prudently manage the liquidity and cash flow risks. The Company has open credit lines and letters of bank guarantee within the limit of 60 % from the total of fixed assets, less receivables, making possible for the company to honour its obligations in case of short-term cash deficits. At the same time, investments were limited to own sources of financing, with priorities being set according to the current needs of Electromagnetica Business Park and the most profitable and/or developing sectors of activity. The liquidity and cash flow risk management policy must be adapted to the new and more exigent commercial practices. This risk is closely related to the risks described before.

Risk related to the lack of skilled human resources

This risk became an important one both for Electromagnetica and also at country level. Due to factors such as: massive immigration, strong competition and the relatively high level of wages in Bucharest area, the Company was confronted following recruitment notices with a lack of qualified workers for production activities, such as locksmiths, milling machine operators, turners, etc. To counteract this situation, we focused on the reconversion and training of own employees where vacancies were created following retirement, as well as on the continuous training of new employees. We also consider the application of an internship program with the possibility of retaining in the Company these persons at the end of the internship period.

Risk related to data protection and processing

The risk can be generated by situations such as the loss or accidental modification of data, as well as by the unauthorized access to personal data. Irrespective of the ground for processing, Electromagnetica complies with the obligations laid down by the General Data Protection Regulation – Regulation (EU) 2016/679, including the obligation to inform the data subject upon the collection of data.

Penalty risk

The company manages these risks by preventive measures. This involves, among others, the monitoring of legislative amendments and the information of peers, the participation in trainings and seminars (labour law, competition law, GDPR – personal data protection, risk management and corporate governance) and, not in the least, compliance trainings with the involved employees. In 2021, inter alia, a **Manual of Compliance with Competition Rules** was drawn up, which was approved by the Board of Directors and subsequently adhered to by all employees in the Sales, Energy Sourcing and Production/Supply.

Litigation. Dispute-related risk

The disputes involving the company do not concern amounts that would affect the financial stability of the company, especially since in most cases Electromagnetica stands as creditor. In all cases, including those where Electromagnetica stands as creditor of companies in insolvency/bankruptcy, procedural positions were formulated and in most cases the presence at each hearing was ensured. In 2022 the appeal filed by Electromagnetica in the case regarding the annulment of Decision No 77/2017 of the Competition Council decision and the related fine is pending before the High Court of Cassation and Justice. Since this fine has already been paid, there is only a prospect of improving the financial situation by means of a favourable solution cancelling the fine or reducing the amount.

Political and legislative risk

This risk became more important with the significant increase in energy prices, the Government trying by means of Ordinance No 118/2021 and its subsequent amendments to cap energy prices or to impose deduction from bills of regulated tariffs (for non-household consumers) with immediate effects in the cash flow of energy suppliers. These measures, especially if they are extended beyond April 2022, will almost exclusively affect electricity suppliers, who will have to use credit lines to finance their business, given that in the supply activity the profit margin is very small and the return of money by the state was delayed and is likely to be very difficult even after a few months.

Risk of downgrading from the Premium category to the Standard category on BVB

One of the necessary conditions for maintaining the transactions in the Premium category is the existence of increased liquidity and a free float (existence of shares distributed to the general public) amounting to at least EUR 40 million. Electromagnetica does not meet this condition at this time and BVB may downgrade the company from the Premium category to the Standard category.

Risks covered by insurance policies

Such risks are: the risk of natural disasters, the risk of accidental damage, the risk of activity interruption, the risk of claims recovery from various debtors, the risk of accident of exposed employees, asset protection by insurance, liability to third parties, liability as manufacturer, professional liability for certain professions, directors' liability. The production of electricity in low power plants without dams is subject to the risk of destruction caused by floods. Under these circumstances, the Company concluded insurance policies to protect not only the MHPs, but also its headquarters against disasters.

13. ELEMENTS OF PERSPECTIVE OF THE COMPANY'S ACTIVITY

13.1. Presentation and analysis of trends, elements, events or uncertainty factors that could affect the profitability and liquidity of the company compared to the same period of the previous year

Market trends

LED lighting technology is preferred within every large project for the modernization of lighting systems, so that the growth potential is maintained. To increase competitiveness, it is necessary to improve the product quality up to a level that would allow for the extension of the warranty period and the reduction of replacement costs. Another market trend is the increase of revenues from activities relating to LED lighting unit production, for example through facility design and assembly services.

According to our assessment, the vehicle charging station market will develop in a sustained manner, with more and more local companies and authorities having in project the purchase of stations, some purchases being also stimulated by the above mentioned financing programs.

The climatic factor is also important, as the hydrological and wind regime strongly influences energy prices. In fact, the energy market is subject to the influence of several factors. Although Romania has a large installed capacity, this is only theoretical because, in fact, many groups are unavailable. Romania is a net importer of energy, which, together with the operation jointly with neighbouring countries (and especially the coupling with the DAM - the day ahead market) will keep sales prices high, at least at their level in 2021.

13.2. Forecasts and projects for 2022

Sale of lighting systems and charging stations:

The large LED lighting systems, such as those designed for street lighting in municipalities were also promoted through credit-supplier facilities. In 2022, the promotion and sale of lighting systems for natural and legal persons will continue in parallel with participation in all tenders in SEAP. Sales through the supplier credit system will continue. The application of this commercial policy requires a sufficient level of available cash; therefore, the Company intends to identify additional funding sources. At the same time, the Company's commercial policy seeks to monitor the number of days established by contract for the payment of debts by customers.

For 2022, the main objective is to integrate the applications currently developed by Electromagnetica into SmartCity platforms. This includes the creation of access capabilities to management platforms for the integration of LED lighting units, the integration of traffic, fog, rain, snow, air quality, temperature, humidity and wind sensors, the exchange of data with the ENERGSys measurement and telemanagement system, and retrieval of information about charging stations from the ELMotion platform.

As regards the sale of LED-based lighting systems, we estimate an increase of at least 5 % compared to last year, and there are premises to increase the number of tenders by contracting authorities and in particular those from European funds; we currently have signed contracts with the locality Panciu in VN County and Baneasa in CT County.

Among the more significant projects to be carried out in 2022 is the lighting of the stadiums in three major cities, county residences. The submission of over 50 projects under the lighting modernization program financed by AFM stage 2 is also envisaged.

At the same time, the development of a new data concentrator for ENERGSys is being assessed to provide wider connectivity and to be used mainly in Smart City projects. To do this, the new type of concentrator must, in addition to reading the electrical energy meters and controlling the ON/OFF function, be able to provide readings of sensors such as air quality sensor, temperature sensor, humidity sensor, etc.

In the electric vehicle charging station segment, Electromagnetica will participate in 2022 both in the ELECTRIC UP program financed by the Ministry of Energy, and in the program financed by the Environment Fund Agency regarding the installation of 50 kW + 22 kW stations in municipalities and tourist resorts.

For the year 2022, the development of the 100kW Fast Charger station will continue and the tests will be continued with the alternate charging controller. Our own concept of a 30 KW rectifier will be developed as an alternative to the import solution. From a software point of view, there will be implemented fleet-type features, as well as the integration with other systems (Plugshare) and Smart City platforms.

Production and sale / supply of electricity

For 2022, it is estimated that high prices will remain on the energy market as well as a high degree of unpredictability. The main directions of action will be:

- Making the best use of the new energy market prices and of the green certificates produced by the 10 small hydropower plants through the client portfolio
- Reducing dam exposure and ensuring longer-term energy acquisitions (2022-2024), being active on all OPCOM markets
- Increasing the amount of energy sold at electric car charging stations.

Management and valorization of real estate assets

Electromagnetica plans to draw up in 2022 a feasibility study at its site owned in Domnesti, for a complex of services: parking, gas station equipped with electric vehicle charging stations and restaurant, along with the installation of photovoltaic panels.

Plastic Injection

An evolution is estimated at least at the level of 2021, there are also the premises for an increase of 3-5%

CFR safety features

In internal production we note a first CFR-type relay command covering the whole year 2022, as in the second semester of 2021. There may be increases following the implementation of the PNRR – Sustainable Transport Section, Chapter regarding the modernization and renewal of the railway infrastructure

Supply activity

In the supply activity under the impact of the fears created by the pandemic and by the trends of the world economy (price evolution, very long delivery terms communicated by producers of 4-6 months at the plastic table reaching up to 9-10 months at the transformers for lighting fixtures, the crisis of raw materials and energy), Electromagnetica aims to pay increased attention to the planning of the supply activity based on the medium and long-term forecasts received from the sales and export departments, maintaining closely the relationship with suppliers so as to keep the costs under control and to provide the materials on time and in the same terms of technical and qualitative performance.

13.3. Investments expected in 2022

In 2022, investments will focus mainly on the modernization of real estate assets in order to meet the requirements of tenants and ensure a higher degree of safety and comfort. This includes the modernization of two transformer stations, as well as the project for a 4 MW power spot for the PARK ELECTROMAGNETIC BUSINESS platform. Other investments will be made in the acquisition of technological equipment necessary for the manufacturing process (development of a national network of 50KW/100KW charging stations, the moulds and LED lighting activity), as well as in the purchase of means of transport and lifting equipment.

14. THE TANGIBLE ASSETS OF THE COMPANY

14.1. The production capacities of the company are located mainly at the headquarters, on Calea Rahovei 266-268, sector 5, Bucharest, except for the electricity production capacities from res, which are located in the Suceava river basin, Radauti area, on a length of about 70 km. The production capacities of the company refer to technologies for the production of LED lighting fixtures, electric vehicles charging stations, plastic injection, mold making, assembly technological operations, etc. They are characterized by complexity, precision, flexibility, automation, etc.

14.2. The spaces for rent are exclusively in Bucharest and jud. Ilfov, most of them at the headquarters in Calea Rahovei 266-268, where they are rented about. 33,000 sq.m.

14.3 The company also owns secondary offices, consisting of land and buildings, in Bucharest, jud. Ilfov and jud. Dambovita . For three of the lands in Bucharest, feasibility studies were carried out for real estate development and subsequent renting. Also, in order to diversify the protofol of activities and for a better exploitation of the land, feasibility studies have been carried out for the lands with agricultural potential.

14.4. The company has no disputes related to the ownership right over its lands.

15. SECURITIES MARKET

15.1. Share price evolution

Electromagnetica is listed in the Premium category of BVB, where it is traded with the following characteristics:

Symbol the market**: ELMA**

Ordinary, nominative, dematerialized shares

Number of shares issued: **676,038,704**

Nominal value: **0,1000 ron**

Share capital: **67,603,870.40 lei**

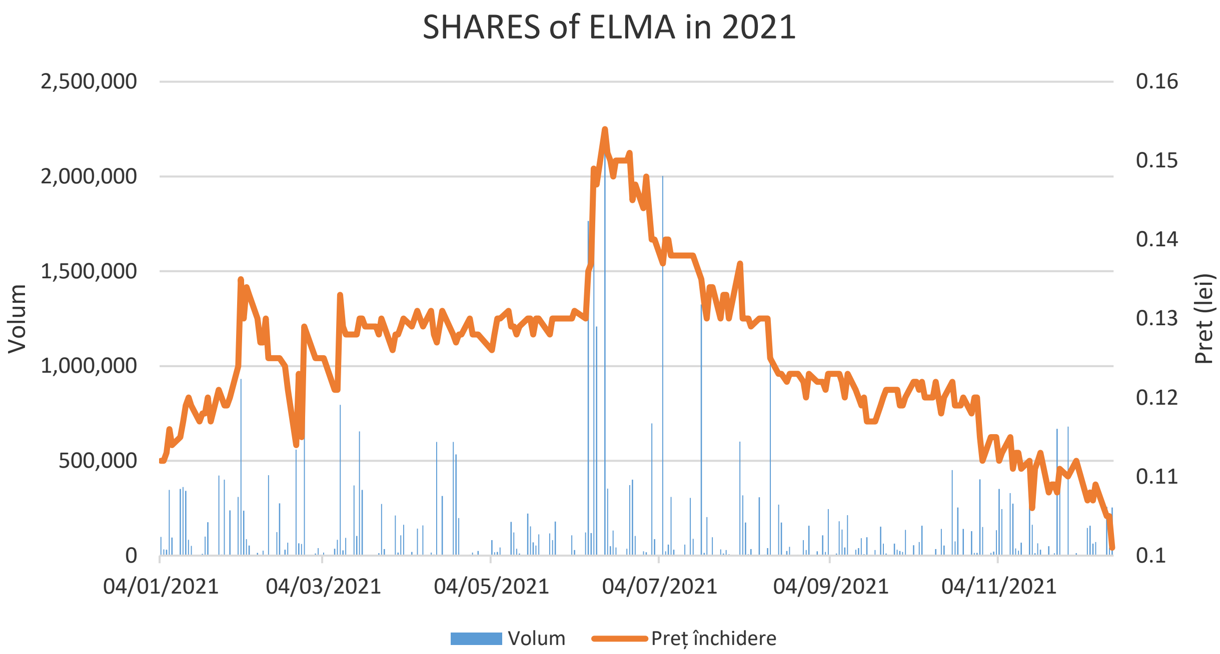
ISIN code **ROELMAACNOR2**

LEI code: **254900MYW7D8IGEFRG38**

ELMA shares are included in the stock index **BET Plus**

VEKTOR score : **8.5 out of 10**

Free float at 31.12.2021**: 75.79 %**



In 2021 there were traded shares representing 6.40 % of the total number of shares, adding up to 8.14 % of the Company share capital, for an average price of 0.1273 lei/share. The reference price varied between minimum 0.1000 lei/share and maximum 0.1540/share.

15.2. Dividends granted:

Electromagnetica SA has always taken into account the shareholders' interest both in its development policy and in granting dividends. When permitted by financial results, Electromagnetica has distributed dividends to shareholders. In the last three years the situation was as follows: for 2018 – a dividend of lei 0.004 per share was granted, for 2019 – a dividend of lei 0.004 per share was granted, for 2020 - no dividends were granted.

16. INDIVIDUAL FINANCIAL STATEMENT OF ACCOUNTS AS AT DECEMBER 31, 2021 (ALL AMOUNTS ARE EXPRESSED IN RON, UNLESS OTHERWISE SPECIFIED)

16.1. Financial position

	December 31 2021	December 31 2020
ACTIVE		
Fixed assets		
Property, plant and equipment	319,558,500	275,703,825
Real estate investments	14,649,783	11,114,654
Intangible assets	141,598	291,521
Investments in affiliated entities	841,908	841,408
Other non-current assets in the long term	14,540,480	19,804,010
Assets related to rights of use	1,433,898	2,085,114
Total fixed assets	**351,166,167**	**309,840,532**
Current assets		
Stocks	18,121,309	13,402,675
Commercial claims	71,277,365	58,611,348
Cash and cash equivalents	2,923,410	20,108,460
Other current assets	2,069,666	1,882,350
Current tax claim	599,937	949,937
Total current assets	**94,991,688**	**94,954,770**
Total assets	**446,157,855**	**404,795,302**
EQUITY AND DEBTS		
Equity		
Share capital	67,603,870	67,603,870
Reserves and other equity items	216,140,275	176,146,894
Retained earnings	75,584,806	91,473,196
Total equity attributable to the shareholders of the company	**359,328,951**	**335,223,960**
Long-term debts		
Commercial and other debts	975,819	1,168,772
Investment grants	4,083,869	4,247,088
Deferred tax liabilities	23,318,956	16,735,345
Leasing liabilities	794,234	1,312,782
Total long-term debt	**29,172,878**	**23,463,987**
Current liabilities		
Commercial and other debts	54,470,629	42,982,576
Investment grants	163,219	163,219
Provisions	2,341,163	2,156,891
Current income tax liabilities	-	-
Leasing liabilities	681,015	804,669
Total current liabilities	**57,656,025**	**46,107,356**
Total debts	**86,828,904**	**69,571,343**
Total equity and liabilities	**446,157,855**	**404,795,302**

16.2. The individual other comprehensive income is presented as follows:

	Year 2021	Year 2020
Income	**340,745,893**	**283,151,730**
Investment income	338,665	932,082
Other net income and expenses	3,909,884	10,794,514
Change in the stock of finished products and production in progress	6,672,706	7,934,317
Activity performed by the entity and capitalized	3,978,888	1,481,686
Raw materials and consumables used	(293,207,949)	(219,528,624)
Expenses on employees	(32,660,256)	(30,490,094)
Depreciation and depreciation charges	(8,789,780)	(10,199,234)
Other expenses	(36,614,462)	(37,943,201)
Financial charges	(1,193,187)	(3,947,166)
Profit/loss before tax	**(16,819,598)**	**2,186,009**
Corporate income tax	706,132	138,292
Profit/loss of the period	**(16,113,467)**	**2,324,301**

16.3. Cash Flow

	Year 2021	Year 2020
Net cash used in operating activities	(36,343,446)	1,464,125
Net cash used in investment activities	(558,014)	138,063
Net cash used in financing activities	19,716,410	(3,204,911)
(Decrease) net cash and cash equivalents	(17,185,050)	(1,602,723)
Cash and cash equivalents at the beginning of the period	20,108,460	21,711,183
Cash and cash equivalents at the end of the period	2,923,410	20,108,460

17. IMPORTANT EVENTS OCCURRING AFTER THE END OF THE FINANCIAL YEAR

At the time of writing this material there is an extended military action led by Russia against Ukraine. Depending on the duration and extent of the conflict we expect some negative effects related to:

- The increase in the gas price and the increase in the energy price in Europe and Romania, which will affect the activity of the Energy Supply Department

- The decrease in share prices on the stock exchange

18. CORPORATE GOVERNANCE STATEMENT

18.1. Relevant Corporate Governance Code

The Company management considers that a high level of transparency, continuous and real-time communication, as well as a good protection of investors are essential for its long-term support by its shareholders development in the long run and maximize the value of the shares.

The strict observance of the applicable legislative framework (Law No 31/1990 on companies, republished, Law No 297/2004 on the capital market, as amended and supplemented; Law No 24/2017 on issuers, ASF Regulation No 5/2018 and the Code of Bucharest Stock Exchange) are the basis of compliance with the internationally recognised Corporate Governance requirements.

The Board of Directors decided to voluntarily apply the BVB Corporate Governance Code, except that, according to the specificity of the Company, some of the provisions thereof will be only partially complied with. The current stage of compliance with the BVB Corporate Governance Code, the reasons for partial compliance and the measures adopted to achieve the corporate governance goals are specified in the Annex to the Statement of Corporate Governance, published with this report.

18.2. General meetings and rights of shareholders

The rights of the shareholders and the procedure for participation in the general meetings of the shareholders are mentioned in the convocation of the general meetings and have been summarized in a regulation, available in the Corporate Governance section on the company's website at the address https://www.electromagnetica.ro/investitori-info/

18.3. Administration system

The company is currently managed under the one-tier system, by a Board of Directors composed of 7 members.

18.4. Corporate governance structures

The main administration, management and supervisory structures of the Company are the Board of Directors, the Managers, the Audit Committee, the External Auditor and the Internal Auditor. The professional qualification and management experience of the members of the Board enables them to assess on a regular basis the aspects related to the review of the managers' activity, appointment and remuneration or internal audit. In order to ensure compliance with the Audit Law no. 162/2017 and EU Regulation no. 537/2014 regarding the audit, the Board of Directors decided in its meeting of 7 March 2018 to establish an Audit Committee composed of 3 members. Two of the non-executive directors were initially nominated to be members of the Audit Committee, Mrs Elena Calitoiu and Mrs Cristina Hodea, while Mrs Ileana Roman was nominated subsequently (in accordance with the Resolution of the Ordinary General Meeting of Shareholders of April 2018). As of 25.09.2021, Mrs Elena Calitoiu was replaced by Mr Mihai Zoescu

18.4.1. Board of Directors and Directors

The members of the Board of Directors were elected by majority vote in the ordinary meeting of shareholders on 19 September 2019, the candidates being proposed by the shareholders. In 2021, two directors were replaced following resignations (changes in the representatives of SIF OLTENIA). The composition of the Board of Directors reflects faithfully the holdings in capital (more than 70% of the capital is represented in the BoD). No director stood as a candidate as an independent person. There are no family relationship between the directors or members of the executive management and third parties based on which they were elected or appointed.

Name	Function	Term of office	Profession, job	Individual holdings of ELMA shares	Functions held in other listed companies
Eugene Scheusan	C.A. President	18 Oct 2019 18 Oct 2023	Engineer, Electromagnetics	0.2428%	-
Stancu Traian	C.A. member	18 Oct 2019 18 Oct 2023	Engineer, Electromagnetics	0.0462%	-
Stancu Ioan	C.A. member	18 Oct 2019 18 Oct 2023	Technician, Electromagnetica	0.0027%	-
Macovei Octavian	C.A. member	18 Oct 2019 18 Oct 2023	Engineer, Electromagnetics	0%	-
Calitoiu Elena	C.A. member	Oct 18, 2019 Sept. 11, 2021	Engineer, SIF Oltenia	0%	SIF Oltenia – Director Antibiotice Iasi - administrator
Sichigea Elena	C.A. member	18 Oct 2019 11 Sep 2021	Economist, SIF Oltenia,	0%	SIF Oltenia – Director Mercur SA Craiova - Administrator
Hodea Cristina Ioana Rodica	C.A. member	18 Oct 2019 18 Oct 2023	CFA, MBA, engineer, auditor	0%	Electroaparataj SA – Chairman of the Audit Committee
Cristian Busu	C.A. member	25 Sept 2021 28/29 Apr 2022	PhD in Economics - ASE		
Mihai Zoescu	C.A. member	25 Sept 2021 28/29 Apr 2022	Master,Doctoral School in Finance and Banking, ASE		Biofarm SA – Chief Financial Officer / Financial Manager

The diversity of the members of the Board enables the efficient use of supplementary skills and professional experience and knowledge in various fields. Most of the members of the Board are non-executive managers, which ensures the proper balance of authority. In 2021, the Board of Directors met every month in the presence of all the Board members, whether in person or by using the vote by correspondence. The level of the compensation for the Board members is established by decision of the general meeting of shareholders.

NOTE: As we are a company listed on the Bucharest Stock Exchange (BVB) and we have reporting obligations to both BVB and FSA, the changes within the Board of Directors and the amendment of the Articles of Incorporation in this respect were notified to the BVB and the FSA at that time.

18.4.2. Managers

According to the provisions of the Company's Articles of Incorporation, the Chairman of the Board of Directors also exercises the function of Managing Director and duly represents the Company. The Board of Directors can delegate certain powers to one or more managers, based on mandate agreements, and establish the tasks of each manager who is subject to such delegation. In 2021, the executive management was carried out by 4 managers, as follows:

Crt No.	Name/ Surname	Quality	Individual shareholdings at Dec 31, 2021	Other positions held in listed companies
1	Eugene Scheusan	General Manager	0.2428%	-
2	Macovei Octavian	Technical Director	0%	-
3	Florea Cristina	Financial Manager	0%	-
4	Stoica Mihail	Commercial Director	0%	-

The remunerations of the managers are established by decision of the Board of Directors.

The gross annual remuneration and other benefits, including the remuneration approved for the management by the general shareholders' meeting, which is part of the revenue and expenditure, cannot exceed 5% of the value of the equity determined in the annual balance sheet.

In order to comply with the legal obligations introduced by Law No 158/2020 amending Law No 24/2017 on issuers of financial instruments and market operations, the policy on the remuneration of directors, executive directors and members of the audit committee was elaborated and approved in the AGA of 2021.

18.4.3. Independent external auditor

Following the OGMS of April 2021, it was decided to mandate Deloitte Audit SRL in order to audit the financial statements for the years 2021 and 2022. The audit company is represented by Mr. Zeno Caprariu – Audit Partner.

Identification data of **Deloitte Audit SRL** are the following:

CIF RO 7756924 , Registration no. with the Trade Register 40/6775/1995

Authorization of the Chamber of Financial Auditors of Romania no. 25/25.06.2001

The headquarters of the company – Bucharest, Sector 1, Calea Grivitei 82-98 , The Building "The Mark"

Tel. 021/222.16.61, Fax 021/319.51.00

18.4.4. Internal control

The Board of Directors works closely with the Audit Committee, the internal auditor and the financial control service on issues relating to financial reporting, internal audit and risk management. The managerial experience and professional training of the BoD members allows them to evaluate the effectiveness of the internal audit system.

The company has in place an internal control/management review system designed and implemented to enable the executive management and the Board of Directors to provide reasonable assurance that the company funds allocated to the achievement of general and specific objectives were used lawfully, regularly, efficiently, effectively and economically. The internal control / management review system comprises both self-control and subsequent control mechanisms applied by the Budgetary Surveillance and Execution Office, the internal auditor and the Audit Committee; the implementation of the measures aimed at increasing its efficiency is also based on the assessment of risks.

The company applied the internal accounting and financial review to ensure the accounting management and the surveillance of the Company activity from the financial perspective. The internal audit activity was focused on:

- ensuring compliance with applicable legislation;
- implementing the decisions made by company management;
- the smooth conduct of the company internal activity;
- the reliability of financial information;
- the efficient use of resources;
- risk prevention and control.

The control activity was carried out together with the Internal Auditor, taking into account his recommendations and remarks.

18.4.5. Audit Committee

In accordance with the Audit Law no. 162/2017 and the Regulation (EU) no. 537/2014 on audit and the recommendations of BVB for listed companies, the Board of Directors decided in 2018 to establish an Audit Committee. It is composed of three members: two non-executive directors, Mrs. Elena Calitoiu and Mrs Cristina Hodea, as well as Mrs Ileana Roman. Subsequently in 2021, Mrs Elena Calitoiu resigned and was replaced by Mr Mihai Zoescu. The Audit Committee is an important corporate governance structure, ensuring in many cases the interface with the financial auditor and having a very important role in the preparation of annual audit reports and the proper operation of the company.

The Audit Committee determines the responsibilities with regard to : the quality and integrity of the company’s financial statements; the company’s compliance with legal and regulatory requirements; the company’s risk management process globally; the performance of the company’s internal audit function;

It also approves the audit program and coordinates the activity of the internal auditor, which is an outsourced service.

During 2021, 5 audit missions were carried out, as follows:

- Audit of the real estate exploitation and management activity
- Audit of the export activity
- Verification of the implementation of the recommendations made by the internal auditor in the missions carried out between 1.01.2020 and 31.12.2020
- Audit of the inventory activity
- Audit of the production launching activity

Recommendations have been developed following missions completed in 2021 to improve management internal control, with a particular focus on:

- compliance with applicable laws, regulations/procedures and ongoing contracts;
- effectiveness and efficiency of operations;
- the management of funds and assets;

18.5. Administration of conflicts of interest, transactions with the parties involved and confidential information regime

The directors involved in potential conflicts of interests must inform the Board and abstain from the debates and voting on those matters. Transactions with stakeholders are concluded in fair conditions and are negotiated by the management members who are not related to the stakeholders concerned and are reported to ASF and BVB if necessary. The external auditor must signal and analyse accordingly these transactions in the audit report. The company will prepare and update the list of persons that are deemed to have access to insider information. Annually, the directors and managers of the company and the other affiliated parties make solemn declarations that they are not in a situation of conflict of interests and do not carry out any competing activities.

18.6. Acquisition of own shares

There is no approved share buyback or price stabilization program and there is no scheme for granting shares to employees or management.

18.7. Reporting the transactions of the administrators and other persons involved with the company's shares

The Company does not apply additional rules, other than those provided by the legal norms, regarding the transactions with the company's shares carried out by the administrators or other persons involved. During 2021, no such transactions were notified to the FSA.

18.8. Amendments to the articles of incorporation

The articles of incorporation were updated on 24 September 2021 by amending Article 16, point 16.1, the change of the CA component, respectively the appointment as provisional administrators of Mr. Cristian Busu and Mr. Mihai Zoescu, following the resignation of Mrs. Elena Calitoiu and Mrs. Elena Sichigea.

18.9. Dissemination of corporate information

The Company establishes and publishes annually, on the BVB website and on its website, a financial reporting calendar. The Company regularly and permanently prepares and discloses information that is relevant for investment decisions, which information is published both on the Company website and on the BVB website („ELMA" symbol). The staff dedicated to this activity is trained on a continuous basis, educated and instructed in issues related to the company's relation with its shareholders and the corporate governance principles. In 2021, the information was disclosed in Romanian and in English for those categories of documents envisaged by the applicable legislation. Meetings with investors and analysts were organized on 19.02.2021, 10.05.2021 and 12.11.2021. The Company encourages communication with shareholders the **Investors** section on its web page available at https://www.electromagnetica.ro/investitori-info/; for further information, investors can either call to 021.404.21.31, use the fax no. 021.404.21.95 or the e-mail address: juridic@electromagnetica.ro.

18.10. Activity within ARIR:

ELECTROMAGNETICA SA, a founding member of **ARIR – the Association for Relations with the Investors on the Romanian Stock Exchange**, participated actively in the meetings and conferences organized by this association (including the meetings with ASF), with the aim to improve its communication with investors and to keep up with the legislative amendments anticipated in the capital market (European regulations and draft laws in Romania). Under the VEKTOR methodology, which quantifies the way of communication with investors, created by ARIR together with BVB, our company managed to significantly increase its score in the previous years.

An	VEKTOR	Data evaluarii
2021	8,50	Decembrie 2021
2020	5,50	Decembrie 2020
2019	2,00	Decembrie 2019

ARIR includes, among others, Banca Transilvania, Hidroelectrica, Nuclearelectrica, Transelectrica, ALRO, BVB, Franklin Templeton Management. Electrica, ONE United Properties.

Attached to this Report is the Corporate Governance Statement.

C.A. President/General Manager
EUGEN SCHEUSAN

Financial Manager
CRISTINA FLOREA

Provisions of the BVB CGC	The company is compliant	The company is not compliant or is partially compliant	Reason for non-compliance / measures taken / achievement of the objective
A.1. All companies must have a Board's internal rules that include the terms of reference/responsibilities of the Board and the key management functions of the company, and which apply, inter alia, the General Principles of Section A.		Partially compliant	The company did not adopt a functioning regulation for the CA, taking into account that in the articles of incorporation the powers and duties of the CA are clearly delimited from those of the AGA and the directors. The responsibilities of the CA, the key functions and its modus operandi are sufficiently detailed in the articles of incorporation and comply with the general principles of the BVB CGC in Section A regarding the responsibilities. The results so far show that this way of working is functional.
A.2. Provisions for the management of conflicts of interest should be included in the Council Regulation. In any event, the members of the Council must notify the Council of any conflicts of interest that have arisen or may arise and refrain from participating in discussions (including by not appearing, unless failure to appear would prevent the formation of a quorum) and from voting for a decision on the matter giving rise to that conflict of interest.		Partially compliant	The company has not adopted a functioning regulation for ca containing provisions on the management of conflicts of interest. However, the board of directors takes measures to comply with the applicable legal provisions and the administrators and directors of the company as well as those of the subsidiaries periodically give affidavits regarding non-competition and conflicts of interest. The measures adopted have proved effective in managing conflicts of interest.
A.3. the Administrative Board, or The Supervisory Board must or consist of at least five members.	Compliant		

Provisions of the BVB CGC	The company is compliant	The company is not compliant or is partially compliant	Reason for non-compliance / measures taken / achievement of the objective
A.4. A majority of the members of the Administrative Board shall not have an executive function. At least one member of the Board of Directors or of the Supervisory Board must be independent in the case of companies of the Standard Category. In the case of premium category companies, no less than two non-executive members of the Board of Directors or of the Supervisory Board must be independent. Each independent member of the Board of Directors or of the Supervisory Board, as the case may be, must submit a statement at the time of his nomination for election or re-election, as well as when there is any change in his status, indicating the elements on the basis of which he is considered to be independent in terms of his character and judgment and according to the following criteria:	Compliant		Of the 7 members of the CA, 2 are executive administrators and 5 are non-executive directors and out of these three are independent according to the criteria specified by the CGC of BVB in points A.4.1- A.4.9.
A.4.1. is not a Managing Director/Managing Director of the company or of a company controlled by it and has not held such a position for the last five (5) years;	Compliant		
A.4.2. is not an employee of the company or of a company controlled by it and has not held such a position for the last five (5) years;	Compliant		
A.4.3. does not receive or have received any additional remuneration or other benefits from the company or a company controlled by it, other than those corresponding to the capacity of non-executive director;	Compliant		
A.4.4. is not or was not the employee or does not have or did not have during the previous year a contractual relationship with a significant shareholder of the company, a shareholder who controls over 10% of the voting rights, or with a company controlled by him;	Compliant		

Provisions of the BVB CGC	**The company is compliant**	**The company is not compliant or is partially compliant**	**Reason for non-compliance / measures taken / achievement of the objective**
A.4.5. does not have and did not have in the previous year a business or professional relationship with the company or with a company controlled by it, either directly or as a client, partner, shareholder, member of the Board / Administrator, general manager / executive director or employee of a company if, by its substantial nature, this report may affect its objectivity;	Compliant		
A.4.6. is not and has not been in the last three years the external or internal auditor or partner or employee associate of the current external financial auditor or of the internal auditor of the company or of a company controlled by it;	Compliant		
A.4.7. is not a managing director/executive director of another company where another managing director/managing director of the company is a non-executive director;	Compliant		
A.4.8. has not been a non-executive director of the company for more than twelve years;	Compliant		
A.4.9. has no family ties with a person in the situations referred to in A.4.1. and A.4.4.	Compliant		
A.5. Other relatively permanent commitments and professional obligations of a member of the Council, including positions executive and non-executive on the Board of non-profit companies and institutions must be disclosed to shareholders and potential investors before the nomination and during their term of office.	Compliant		

Provisions of the BVB CGC	The company is compliant	The company is not compliant or is partially compliant	Reason for non-compliance / measures taken / achievement of the objective
A.6. Any member of the Board must submit to the Council information on any relationship with a shareholder who directly or indirectly holds shares representing more than 5% of all voting rights. This obligation shall relate to any kind of report which may affect the member's position on matters decided by the Council.	Compliant		
A.7. The company must appoint a Secretary of the Board responsible for supporting the work of the Council.	Compliant		
A.8. The Corporate Governance Statement will inform whether an assessment of the Board under the direction of the President or the nomination committee has taken place and, if so, will summarise the key measures and the changes resulting therefrom. The company must have a policy/guide on the evaluation of the Council including the purpose, criteria and frequency of the evaluation process.	Compliant		The General Meeting of Shareholders of April 2021 adopted the Remuneration Policy, therefore implicitly, the evaluation methods of the Board
A.9. The corporate governance statement shall contain information on the number of meetings of the Board and committees during the last year, the participation of directors (in person and in absentia) and a report by the Board and committees on their activities.	Compliant		
A.10. The corporate governance statement shall contain information on the exact number of independent members of the Board of Directors or the Supervisory Board.	Compliant		

Provisions of the BVB CGC	The company is compliant	The company is not compliant or is partially compliant	Reason for non-compliance / measures taken / achievement of the objective
A.11. The Board of Premium Category Companies must set up a nomination committee consisting of non-executive members, which will lead the procedure for the nomination of new board members and will make recommendations to the Council. A majority of the members of the nomination committee must be independent.		Partially compliant	A nomination committee consisting of non-executive directors could not be set up to be, for the most part, independent directors. The Board of Directors as a whole is the one that nominates the provisional members and makes OGMS recommendations for the election of new members in ca.
B.1. The Board shall set up an audit committee in which at least one member must be an independent non-executive administrator. A majority of the members, including the chairperson, must have demonstrated that they have appropriate qualifications relevant to the functions and responsibilities of the Committee. At least one member of the audit committee must have adequate and proven audit or accounting experience. In the case of Premium Category companies, the audit committee must consist of at least three members and the majority of the members of the audit committee must be independent.	Compliant		The Audit Committee consists of three members of which two are independent non-executive administrators, and the 3rd independent person, Mrs. Ileana Roman, is a chartered accountant
B.2. The chair of the audit committee shall be an independent non-executive member.	Compliant		The chairman of the audit committee is an independent non-executive member
B.3. Within the framework of its responsibilities, the audit committee should carry out an annual evaluation of the internal control system.	Compliant		
B.4. The evaluation shall take into account the effectiveness and coverage of the internal audit function, the adequacy of the risk management and internal control reports submitted to the Council's audit committee, the timeliness and effectiveness with which the executive management addresses the deficiencies or weaknesses identified by internal control and the submission of relevant reports to the Council.	Compliant		

Provisions of the BVB CGC	The company is compliant	The company is not compliant or is partially compliant	Reason for non-compliance / measures taken / achievement of the objective
B.5. The audit committee should assess conflicts of interest in relation to the transactions of the company and its subsidiaries it with its related parties.	Compliant		
B.6. The audit committee shall assess the effectiveness of the internal control system and the risk management system.	Compliant		
B.7. The audit committee shall monitor the application of generally accepted legal standards and internal audit standards. The audit committee should receive and evaluate the reports of the internal audit team.	Compliant		
B.8. Whenever the Code mentions reports or analyses initiated by the Audit Committee, these should be followed by periodic (at least annually) or adhoc reports to be submitted subsequently to the Council.	Compliant		
B.9. No shareholder may be given preferential treatment over other shareholders in connection with transactions and agreements concluded by the company with shareholders and their affiliates.	Compliant		
B.10. The Board must adopt a policy to ensure that any transaction of the company with any of the companies with which it has close relations whose value is equal to or greater than 5% of the net assets of the company (according to the latest financial report) is approved by the Council following a binding opinion of the Board's audit committee and correctly disclosed to shareholders and potential investors, to the extent that these transactions fall under the category of events subject to reporting requirements.	Compliant		

Provisions of the BVB CGC	The company is compliant	The company is not compliant or is partially compliant	Reason for non-compliance / measures taken / achievement of the objective
B.11. Internal audits must be carried out by a structurally separate division (internal audit department) within the company or by hiring an independent third party entity.	Compliant		
B.12. In order to ensure that the main functions of the internal audit department are performed, it shall report functionally to the Council through the audit committee. For administrative purposes and as part of the management's obligations to monitor and reduce risks, he must report directly to the Director-General.	Compliant		
C.1. The company must publish on its website the remuneration policy and include in the annual report a statement on the implementation of the remuneration policy during the annual period under review. The remuneration policy must be formulated in such a way as to enable shareholders to understand the principles and arguments underlying the remuneration of the members of the Board and the CEO, as well as of the members of the Executive Board in the two-tier system. It must describe how to conduct remuneration and decision-making, detail the components of executive management remuneration (such as salaries, annual bonuses, long-term incentives related to the value of shares, benefits in kind, pensions and others) and describe the purpose, principles and assumptions underlying each component (including the general performance criteria for any form of variable remuneration). In addition, the remuneration policy must specify the duration of the executive director's contract and the period of notice provided for in the contract, as well as any compensation for revocation without fair cause.	Compliant		The company has developed a remuneration policy that was adopted within the AGA of April 2021 and published on its website and will submit the Remuneration Report to the consultative vote within the AGA of April 2022

Provisions of the BVB CGC	The company is compliant	The company is not compliant or is partially compliant	Reason for non-compliance / measures taken / achievement of the objective
The remuneration report shall set out the implementation of the remuneration policy for the persons identified in the remuneration policy during the annual period under review. Any essential change in the remuneration policy must be published in good time on the company's website.			
D.1. The company must organize an Investor Relations service – indicating to the general public the responsible person(s) or organizational unit. In addition to the information required by the legal provisions, the company must include on its website a section dedicated to Investor Relations, in Romanian and English languages, with all relevant information of interest to investors, including: D.1.1. The main corporate regulations: the articles of incorporation, the procedures regarding the general meetings of shareholders; D.1.2. professional CVs of the members of the company's management bodies, other professional commitments of the members of the Board, including executive and non-executive positions on boards of directors of companies or non-profit institutions; D.1.3. Current reports and periodical reports (quarterly, half-yearly and annual) – at least those provided for in item D.8 – including current reports with detailed information on non-compliance with this Code;	Compliant		
D.1.4. Information on general meetings of shareholders: agenda and information materials; the procedure for electing	Compliant		

Provisions of the BVB CGC	The company is compliant	The company is not compliant or is partially compliant	Reason for non-compliance / measures taken / achievement of the objective
the members of the Council; the arguments supporting the proposals for candidates for election to the Council, together with their professional CVs; shareholders' questions about items on the agenda and the company's answers, including decisions taken;D.1.5. Information on corporate events, such as the payment of dividends and other distributions to shareholders, or other events that lead to the acquisition or limitation of a shareholder's rights, including the deadlines and principles applied to such operations. That information will be published within a period of time that allows investors to make investment decisions; D.1.6. Name and contact details of a person who will be able to provide relevant information upon request; D.1.7. Company presentations (e.g. disclosures to investors, presentations on quarterly results, etc.), financial statements (quarterly, half-yearly, annual), audit reports and annual reports.			
D.2. The company will have a policy on the annual distribution of dividends or other benefits to shareholders, proposed by the CEO or the Executive Board and adopted by the Board, in the form of a set of guidelines that the company intends to follow regarding the distribution of net profit. The principles of the annual policy of distribution to shareholders will be published on the company's website.	Compliant		The company adopted in the years in which it distributed dividends a Procedure for the payment of dividends. https://www.electromagnetica.ro/dividende/

Provisions of the BVB CGC	The company is compliant	The company is not compliant or is partially compliant	Reason for non-compliance / measures taken / achievement of the objective
D.3. The company will adopt a policy in relation to forecasts, whether they are made public or not. The forecasts refer to quantified conclusions of studies aimed at establishing the overall impact of a number of factors for a future period (so-called assumptions): by its nature, this projection has a high level of uncertainty, with actual results likely to differ significantly from the forecasts initially presented. The forecast policy will determine the frequency, the period considered and the content of the forecasts. If published, forecasts may be included only in annual, half-yearly or quarterly reports. The forecast policy will be published on the company's website.		Partially compliant	The company has not adopted a policy on forecasts that would establish their frequency, period and content, whether to be made public or not. Forecasts with a certain level of uncertainty are included each time in the annual reports of the administrators.
D.4. The rules of general meetings of shareholders must not limit the participation of shareholders in general meetings and the exercise of their rights. The changes to the rules will take effect, at the earliest, starting with the next meeting of shareholders.	Compliant		
D.5. The external auditors will be present at the general meeting of shareholders when their reports are presented at these meetings.	Compliant		
D.6. The Board will submit to the annual general meeting of shareholders a brief assessment of the internal control and management systems for significant risks, as well as opinions on issues subject to the decision of the general meeting.	Compliant		

Provisions of the BVB CGC	The company is compliant	The company is not compliant or is partially compliant	Reason for non-compliance / measures taken / achievement of the objective
D.7. Any specialist, consultant, expert or financial analyst may participate in the shareholders' meeting on the basis of a prior invitation from the Board. Accredited journalists may also attend the general meeting of shareholders, unless the Chairman of the Board decides otherwise.		Is not compliant	The statute of the company does not provide for the participation in the AGA as guests of analysts, accredited journalists, experts, consultants, specialists. Currently, besides the shareholders, the administrators, directors, auditors and other guests participate in the AGA when their presence is justified by the existence on the agenda of reports or analyses prepared by them.
D.8. The quarterly and half-yearly financial reports shall include information in both Romanian and English on the key factors influencing changes in sales, operating profit, net profit and other relevant financial indicators, both quarter-on-quarter and year-on-year.	Compliant		
D.9. A company will hold at least two meetings/teleconferences with analysts and investors each year. The information presented on these occasions will be published in the investor relations section of the company's website at the time of the meetings/ teleconferences.	Compliant		
D.10. Where a company supports different forms of artistic and cultural expression, sports activities, educational or scientific activities and considers that their impact on the innovative character and competitiveness of society are part of its development mission and strategy, it will publish the policy on its work in this field.		Partially compliant	The society has not adopted and has not published a policy to support forms of artistic and cultural expression, sports, educational or scientific activities. However, the numerous past actions to support the above areas have been accompanied by press releases and promoted on the company's website.

ELECTROMAGNETICA SA

SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON DECEMBER 31, 2021

Prepared in accordance with
Order of the Minister of Public Finance no. ANRE President's Order no. 2844/2016 for the approval of accounting regulations in accordance with International Financial Reporting Standards adopted by the European Union

(Together with the independent auditor's report)

Deloitte.

Deloitte Audit S.R.L.
Clădirea The Mark Tower
Calea Griviței nr. 82-98
Sector 1, 010735
București, România

Tel: +40 21 222 16 61
Fax: +40 21 222 16 60
www.deloitte.ro

INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
ELECTROMAGNETICA S.A.

Report on the Audit of the Financial Statements

Opinion

1. We have audited the separate financial statements of ELECTROMAGNETICA S.A. ("the Company"), with registered office in Bucharest Sector 5, 266-268 Rahova Blvd, identified by unique tax registration code 414118, which comprise the separate statement of financial position as at December 31, 2021, and the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the financial statements ("the financial statements").

2. The financial statements as at December 31, 2021 are identified as follows:

• Net assets / Equity	RON 359,328,951
• Net loss for the financial year	RON (16,113,467)

3. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named "the Regulation") and Law 162/2017 ("the Law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there is no key audit matters to be communicated in our report.

Deloitte.

Other information

6. The administrators are responsible for the preparation and presentation of the other information. The other information comprises the Administrators' report, which includes the non-financial information declaration, and also the Remuneration Report, but does not include the financial statements and our auditor's report thereon.

   Our opinion on the financial statements does not cover the other information and, unless otherwise explicitly mentioned in our report, we do not express any form of assurance conclusion thereon.

   In connection with our audit of the financial statements for the year ended December 31, 2021, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

   With respect to the Administrators' report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

   With respect to the Remuneration report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Law 24/2017, article no. 107.

   On the sole basis of the procedures performed within the audit of the financial statements, in our opinion:

   a) the information included in the administrators' report and the Remuneration Report, for the financial year for which the financial statements have been prepared is consistent, in all material respects, with these financial statements;

   b) the administrators' report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU;

   c) the Remuneration report has been prepared, in all material respects, in accordance with the provisions of Law 24/2017, article no. 107.

   Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the financial statements prepared as at December 31, 2021, we are required to report if we have identified a material misstatement of this Administrator's report and the Remuneration report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

7. Management is responsible for the preparation and fair presentation of the financial statements in accordance with Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

8. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

9. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

    - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

    - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

15. We have been appointed by the General Assembly of Shareholders on April 28, 2021 to audit the financial statements of ELECTROMAGNETICA S.A. for the financial year ended December 31, 2021. The uninterrupted total duration of our commitment is 6 years, covering the financial years ended December 31, 2016 until the December 31, 2021.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued this report. Also, in conducting our audit, we have retained our independence from the audited entity.

- No non-audit services referred to in Article 5 (1) of EU Regulation no. 537/2014 were provided.

The engagement partner on the audit resulting in this independent auditor's report is Zeno Căprariu.

Report on compliance with the Commission Delegated Regulation (EU) 2018/815 on the European Single Electronic Format Regulatory Technical Standard ("ESEF")

16. We have undertaken a reasonable assurance engagement on the compliance with Commission Delegated Regulation (EU) 2019/815 applicable to the financial statements included in the annual financial report of ELECTROMAGNETICA S.A. ("the Company") as presented in the digital files which contain the unique LEI code 254900MYW7D8IGEFRG38.

(I) Responsibilities of Management and Those Charged with Governance for the Digital Files prepared in compliance with ESEF

Management is responsible for preparing the Digital Files that comply with ESEF. This responsibility includes:

- the design, implementation and maintenance of internal controls relevant to the application of ESEF;

- ensuring consistency between the Digital Files and the financial statements to be submitted in accordance with Order 2844/2016 with subsequent amendments

Those charged with governance are responsible for overseeing the preparation of the Digital Files that comply with ESEF.

(II) Auditor's Responsibilities for the Audit of the Digital Files

Our responsibility is to express a conclusion on whether the financial statements included in the annual financial report complies in all material respects with the requirements of ESEF based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with ESEF. The nature, timing and extend of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in ESEF, whether due to fraud or error. A reasonable assurance engagement includes:

- obtaining an understanding of the Company's process for preparation of the digital files in accordance with ESEF, including relevant internal controls;

- reconciling the digital files with the audited financial statements of the Company to be submitted in accordance with Order 2844/ 2016, with subsequent amendments;

▪ evaluating if the financial statements contained in the annual report have been prepared in a valid XHTML format.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In our opinion, the financial statements for the year ended 31 December 2021 included in the annual financial report in the Digital Files comply in all materials respects with the requirements of ESEF.

In this section, we do not express an audit opinion, review conclusion or any other assurance conclusion on the financial statements. Our audit opinion relating to the financial statements of the Company for the year ended 31 December 2021 is set out in the "Report on the audit of the financial statements" section above.

Zeno Căprariu, Audit Partner

For signature, please refer to the original Romanian version.

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under AF 2693

On behalf of:

DELOITTE AUDIT SRL

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under FA 25

The Mark Building, 84-98 and 100-102 Calea Griviței, 9th Floor, District 1
Bucharest, Romania
March 23, 2022

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

	Note	Period of 12 months concluded on December 31 2021	Period of 12 months concluded on December 31 2020
Income	**20**	**340,745,893**	**283,151,730**
Investment income	**20**	338,665	932,082
Other net income and expenses	**20**	3,909,884	10,794,514
Change in the inventory of finished products and work in progress	**20**	6,672,706	7,934,317
Activity performed by the entity and capitalized	**20**	3,978,888	1,481,686
Raw materials and consumables used	**21**	(293,207,949)	(219,528,624)
Employees expenses	**24**	(32,660,256)	(30,490,094)
Depreciation and impairment	**21**	(8,789,780)	(10,199,234)
Other expenses	**21**	(36,614,462)	(37,943,201)
Financial expenses	**22**	(1,193,187)	(3,947,166)
Profit before tax		**(16,819,598)**	**2,186,009**
Profit tax	**23**	706,132	138,292
Profit/Loss of the period		**(16,113,467)**	**2,324,301**
Other comprehensive income:			
of which:			
- other comprehensive income which cannot be reclassified to the profit and loss account, showing separately:			
- surplus from the revaluation of property, plant and equipment		47,508,201	-
- deferred tax recognized in equity	**23**	(7,601,312)	-
- the deferred tax related to the assets written off		311,570	338
Comprehensive income for the period		**24,104,992**	**2,324,639**
Basic/diluted result per action	**26**	**(0.0238)**	**0.0034**

These separate financial statements were approved for issuance by management on March 23, 2022:

EUGEN SCHEUŞAN
General Manager

CRISTINA FLOREA
Financial Manager

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

	Note	December 31 2021	December 31 2020
ACTIVE			
Fixed assets			
Property, plant and equipment	**4**	319,558,500	275,703,825
Real estate investments	**5**	14,649,783	11,114,654
Intangible assets	**6**	141,598	291,521
Investments in affiliated entities	**8**	841,908	841,408
Other long term non-current assets	**9**	14,540,480	19,804,010
Assets related to rights of use	**7**	1,433,898	2,085,114
Total fixed assets		**351,166,167**	**309,840,532**
Current assets			
Inventories	**10**	18,121,309	13,402,675
Trade receivables	**11**	71,277,365	58,611,348
Cash and cash equivalents	**13**	2,923,410	20,108,460
Other current assets	**12**	2,069,666	1,882,350
Current tax claim	**23**	599,937	949,937
Total current assets		**94,991,688**	**94,954,770**
Total assets		**446,157,855**	**404,795,302**
EQUITY AND LIABILITIES			
Equity			
Share capital	**14**	67,603,870	67,603,870
Reserves and other equity items	**15**	216,140,275	176,146,894
Retained earnings	**16**	75,584,806	91,473,196
Total equity attributable to the shareholders of the company		**359,328,951**	**335,223,960**
Long-term debts			
Trade payabled and other liabilities	**19**	975,819	1,168,772
Investment subsidies	**17**	4,083,869	4,247,088
Deferred tax liabilities	**23**	23,318,956	16,735,345
Leasing debts	**7**	794,234	1,312,782
Total long-term debt		**29,172,878**	**23,463,987**
Current liabilities			
Trade payabled and other liabilities	**19**	54,470,629	42,982,576
Investment subsidies	**17**	163,219	163,219
Provisions	**18**	2,341,163	2,156,891
Current income tax liabilities	**23**	-	-
Leasing debts	**7**	681,015	804,669
Total current liabilities		**57,656,025**	**46,107,356**
Total liabilities		**86,828,904**	**69,571,343**
Total equity and liabilities		**446,157,855**	**404,795,302**

These separate financial statements were approved for issuance by management on March 23, 2022:

EUGEN SCHEUŞAN	**CRISTINA FLOREA**
General Manager	**Financial Manager**

	Note	Period of 12 months concluded on December 31 2021	Period of 12 months concluded on December 31 2020
Cash flows from operating activities:			
Cash receipts from customers		306,040,320	269,512,673
Payments to suppliers		(280,003,053)	(213,497,721)
Payments to employees		(30,902,954)	(30,210,304)
Other operating operations		(31,097,228)	(23,666,376)
Cash generated bythe operating activity		**(35,962,915)**	**2,138,272**
Interest paid		(380,531)	(25,010)
Profit tax paid		-	(649,137)
Net cash used in operating activities		**(36,343,446)**	**1,464,125**
Cash flows from investment activities:			
Acquisitions of property, plant and equipment		(922,052)	(844,660)
Proceeds from the sale of non-current assets		25,000	46,529
Interest received		48,029	298,949
Dividends received		291,009	637,245
Net Cash used in investment activities		**(558,014)**	**138,063**
Cash flows from financing activities:			
Cash receipts from loans	29	95,904,347	43,070,898
Cash repayments of the amounts borrowed	29	(75,013,053)	(43,070,898)
Leasing payments		(1,078,259)	(1,250,651)
Interest paid		(74,089)	(83,838)
Dividends paid		(22,536)	(1,870,422)
Net cash used in financing activities		**19,716,410**	**(3,204,911)**
Net decrease in cash and cash equivalents		**(17,185,050)**	**(1,602,723)**
Cash and cash equivalents at the beginning of the period	**12**	**20,108,460**	**21,711,183**
Cash and cash equivalents at the end of the period	**12**	**2,923,410**	**20,108,460**

These separate financial statements were approved for issuance by management on March 23, 2022:

EUGEN SCHEUŞAN
General Manager

CRISTINA FLOREA
Financial Manager

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

	Share capital	Retained earnings carried forward	Reserves revaluation of tangible assets	Other elements	Reserve Legal	Deferred tax recognized in reserves	Total equity
Balance at 01 January 2021	**67,603,870**	**91,473,196**	**110,800,133**	**64,516,529**	**19,789,854**	**(18,959,622)**	**335,223,960**
Comprehensive income for the period:							
Profit or loss for the financial year	-	(16,113,467)	-	-	-	-	(16,113,467)
Other comprehensive income							
Establishment of legal reserve and other reserves	-	(109,300)	-	109,300	-	-	-
Revaluation surplus of fixed assets	-	-	47,508,201	-	-	-	47,508,201
Deferred tax related to revaluation surplus	-	-	-	-	-	(7,601,312)	(7,601,312)
Transfer of the revaluation reserve to retained earnings as a result of depreciation and outflows of fixed assets	-	(4,130,249)	(4,130,249)	-	-	-	-
Transfer of tax related to the revaluation reserve to retained earnings		(1,580,870)				1,580,870	-
Deferred tax for assets written off	-	-	-	-	-	311,570	311,570
Transfer of net profit to reserves	-	(2,215,001)	-	2,215,001	-	-	-
Total comprehensive income result for the period	**-**	**(15,888,389)**	**43,377,952**	**2,324,301**	**-**	**(5,708,872)**	**24,104,992**
Transactions with shareholders, recorded directly in equity:							
Other elements	-	-	-	-	-	-	-
Balance at 31 December 2021	**67,603,870**	**75,584,806**	**154,178,085**	**66,840,830**	**19,789,854**	**(24,668,494)**	**359,328,951**

These separate financial statements were approved for issuance by management on March 23, 2022:

EUGEN SCHEUŞAN
General Manager

CRISTINA FLOREA
Financial Manager

The accompanying notes form an integral part of these separate financial statements.
This is a free translation from the original Romanian version.

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

	Share capital	Retained earnings carried forward	Reserves revaluation of tangible assets	Other elements	Reserve Legal	Deferred tax recognized in reserves	Total equity
Balance as at 01 January 2020	**67,603,870**	**91,301,725**	**113,135,988**	**62,841,298**	**19,680,554**	**(18,959,960)**	**335,603,476**
Comprehensive income for the period:							
Profit or loss for the financial year	-	2,324,301	-	-	-	-	2,324,301
Other comprehensive income:							
Establishment of legal reserve and other reserves	-	(249,060)	-	139,760	109,300	-	-
Tax postponed as a result of assets being written off	-	-	-	-	-	338	338
Transfer of the revaluation reserve to retained earnings as a result of depreciation and de-listing of revalued tangible assets	-	2,335,856	(2,335,856)	-	-	-	-
Transfer of net profit to reserves	-	(1,535,471)	-	1,535,471	-	-	-
Total comprehensive income result for the period	**-**	**2,875,626**	**(2,335,856)**	**1,675,231**	**109,300**	**338**	**2,324,639**
Transactions with shareholders, recorded directly in equity:							
Dividends distributed	-	(2,704,155)	-	-	-	-	(2,704,155)
Other elements	-	-	-	-	-	-	-
Balance at 31 December 2020	**67,603,870**	**91,473,196**	**110,800,133**	**64,516,529**	**19,789,854**	**(18,959,622)**	**335,223,960**

These separate financial statements were approved for issuance by management on March 23, 2022:

EUGEN SCHEUŞAN
General Manager

CRISTINA FLOREA
Financial Manager

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

1. GENERAL INFORMATION

ELECTROMAGNETICA SA is a company organized according to the Romanian legislation that was founded in 1930 and operates in several fields, the most important being:

- production in the field of energy efficiency;
- rental of office space, industrial spaces, land and utilities supply.
- electricity supply activity;
- the activity of electricity production from renewable sources (produced in small hydropower plants);

Electromagnetica's production processes and products have been certified in accordance with international standards for quality assurance. The main products are as follows:

- LED lighting systems
- electric car charging stations
- electrical and electronic subassemblies, automotive, etc.
- metal and plastic subassemblies
- railway traffic safety equipment

The headquarters of the Company is located in 266-268 Calea Rahovei, 5th District, Bucharest.

Electromagnetica is listed on the Bucharest Stock Exchange (symbol ELMA). Prices per share can be analysed as follows:

	Jan - Dec 2021	Jan - Dec 2020
- minimum price	0.1000	0.1040
- maximum price	0.1540	0.1660
- average price	0.1273	0.1231

The evolution of the average number of Electromagnetica’s employees was as follows:

	Jan - Dec 2021	Jan - Dec 2020
Average number of employees	385	387

These Separate Financial Statements are prepared in accordance with IAS 27 - Separate Financial Statements, as at 31 December 2021 and for the year ended thereafter. The company also prepares consolidated financial statements, as it holds investments in subsidiaries.

The details of the Company's investments in subsidiaries as at December 31, 2021 are as follows:

Name of subsidiary	No. Titles	Percentage of holding and right to vote (%)	Value
Electromagnetica Prestserv LTD	300	100%	30,000
Electromagnetica Fire LTD	799	99.875%	79,900
Procetel SA	42,483	96.548%	732,008
TOTAL			**841,908**

Information on the object of activity and the general presentation of the subsidiaries can be found in Note 24.

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

1. GENERAL INFORMATION (continued)

The details of the Company's investments in subsidiaries as at December 31, 2020 are as follows:

Name of subsidiary	No. Titles	Percentage of holding and right to vote (%)	Value
Electromagnetica Prestserv LTD	295	98.333%	29,500
Electromagnetica Fire LTD	799	99.875%	79,900
Procetel SA	42,483	96.548%	732,008
TOTAL			**841,408**

During 2021 Electromagnetica became the sole associate of the affiliated company Electromagnetica Prestserv SRL. It was taken over by assignment from the minority associate of a number of 5 titles at the face value of 100 lei / title.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Initial application of the new amendments to the existing standards in force for the current reporting period

The following amendments to existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are in force for the current reporting period:

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement," IFRS 7 "Financial Instruments: Disclosures to Be Disclosed"**, **IFRS 4 "Insurance Contracts" and IFRS 16 "Leases"** – Reform of the interest rate benchmark – Phase two adopted by the EU on 13 January 2021 (applicable for annual periods from or after 1 January 2021),

- **Amendments to IFRS 16 "Leases"** - Concessions on rents due to Covid-19 after 30 June 2021 adopted by the EU on 30 August 2021 (applicable from 1 April 2021 for financial years from, at the latest, 1 January 2021 or after),

The adoption of these new standards, amendments and interpretations of the existing standards did not lead to significant changes in the financial statements of the Company.

Standards and amendments to existing standards issued by the IASB and adopted by the EU but not yet in force

At the time of the authorisation of these financial statements, the following amendments to the existing standards were issued by the IASB and adopted by the EU but are not yet in force:

- **Amendments to IAS 16 Property, plant and equipment** – Revenue before the intended use adopted by the EU on 28 June 2021 (applicable for annual periods as of or after 1 January 2022),

- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets"** - Onerous contracts — Cost of performance of the contract adopted by the EU on 28 June 2021 (applicable for annual periods from or after 1 January 2022),

- **Amendments to IFRS 3 "Business Combinations"** – Definition of the conceptual framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (applicable for annual periods from or after 1 January 2022),

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards and amendments to existing standards issued by the IASB and adopted by the EU but not yet in force (continued)

- **Amendments to various standards due to "IFRS improvements (2018-2020 cycle)"** resulting from the annual draft improvement of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) for the primary purpose of eliminating inconsistencies and clarifying certain formulations — adopted by the EU on June 28, 2021 (the amendments to IFRS 1, IFRS 9 and IAS 41 are applicable for annual periods from or after 1 January 2022. The amendment to IFRS 16 refers only to an illustrative example, so no effective date is mentioned).

New standards and amendments to existing standards issued by the IASB but not yet adopted by the EU

Currently, IFRSs adopted by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following new standards and amendments to existing standards that have not been approved for use in the EU.

- **IFRS 14 "Deferral accounts related to regulated activities"** (applicable for annual periods from or after 1 January 2016) – the European Commission has decided not to issue the approval process of this interim standard and to wait for the final standard,

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Classification of liabilities into short-term and long-term liabilities (applicable for annual periods from or after 1 January 2023),

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Presentation of accounting policies (applicable for annual periods from or after 1 January 2023),

- **Amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors"** – Definition of accounting estimates (applicable for annual periods from or after 1 January 2023),

- **Amendments to IAS 12 "Income Tax"** – Deferred tax relating to assets and liabilities arising from a single transaction (applicable for annual periods from or after 1 January 2023),

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"—** Sale of or contribution of assets between an investor and its associates or joint ventures and subsequent amendments (the date of entry into force has been postponed indefinitely until the research project on the equity method is completed).

The Company anticipates that the adoption of these standards, changes to existing standards and new interpretations will not have a material impact on the Company's financial statements during the initial maintenance period.

Additional information on certain standards, amendments to existing standards and interpretations that can be used when appropriate

- **IFRS 14"Deferral accounts relating to regulated activities"** issued by the IASB on 30 January 2014. This standard is intended to allow first-time IFRS adopters, and that currently recognise deferral accounts related to regulated activities under previous generally accepted accounting policies, to continue to do so when switching to IFRS.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Additional information on certain standards, amendments to existing standards and interpretations that can be used when appropriate (continued)

- **Amendments to IFRS 3 "Business Combinations"** – References to the Conceptual Framework with amendments to IFRS 3 issued by the IASB on 14 May 2020. The amendments: (a) update IFRS 3 to refer to the 2018 Conceptual Framework instead of the 1989 Framework; (b) add an additional requirement to IFRS 3 that for transactions and other events subject to IAS 37 or IFRIC 21, an acquirer will apply IAS 37 or IFRIC 21 (and not the Conceptual Framework) to identify liabilities it has incurred in a business combination; and (c) adds an explicit statement to IFRS 3 that an acquirer will not recognise contingent assets acquired in a business combination.

- **Amendments to IFRS 4 "Insurance Contracts"** – Extension of the temporary exemption from IFRS 9 issued by the IASB on 25 June 2020. The amendments amend the fixed expiration date of the temporary exemption in IFRS 4 Insurance Contracts from the application of IFRS 9 Financial Instruments so that entities apply IFRS 9 for annual periods beginning on or after January 1, 2023.

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement," IFRS 7 "Financial Instruments: Disclosures to Be Disclosed", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases"**– Reform of the interest rate benchmark – Phase two, issued by The IASB on 27 August 2020. The changes concern changes in financial assets, financial liabilities and lease liabilities, certain hedge accounting requirements, as well as disclosure requirements that apply IFRS 7 to accompany amendments on changes and hedge accounting:

  a) **Changes in financial assets, financial liabilities and lease liabilities -** The IASB introduces a practical advantage to the changes involved in the reform (changes that come as a direct consequence of the IBOR reform and operated on an economically equivalent basis). These changes are accounted for by updating the effective interest rate. All other changes are accounting for the current IFRS requirements. A similar practical advantage is proposed for the lessee's accounting that applies IFRS 16.

  b) **Hedge accounting requirements —** according to the amendments, hedging accounting is not interrupted solely as a result of the IBOR reform. The hedging relationships (and related documentation) need to be modified to reflect changes to the hedged element, hedging tool and the hedged risk. The modified hedging relationships must meet all the qualification criteria for the application of hedge accounting, including efficiency requirements.

  c) **Information presentations –** because users understand the nature and extent of the risks arising from the IBOR reform to which the entity is exposed, how the entity manages such risks, the entity's progress in moving from IBOR to other benchmarks, and how the entity handles that shift, the amendments provide that the entity shall disclose on:

     – how the transition from interest rate benchmarks to other benchmarks is managed, the progress made at the reporting date and the risks arising from the transition;

     – quantitative information on non-derivative financial assets, non-derivative financial liabilities and derivatives that continue to use reformed interest rate benchmarks, broken down by significant interest rate benchmarks;

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Additional information on certain standards, amendments to existing standards and interpretations that can be used when appropriate (continued)

– to the extent that the IBOR reform has led to changes in the risk management strategy implemented by the entity, a description of those changes and how the entity handles those risks.

d) The IASB also amended IFRS 4 to ensure that insurers applying the temporary exemption from IFRS 9 should apply the amendments in the accounts for changes directly imposed by the IBOR reform.

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"— Sale of or contribution of assets between an investor and its associates or joint ventures**, issued by the IASB on 11 September 2014 (on 17 December 2015, the IASB postponed the effective date indefinitely). The amendments resolve the contradiction between ias 28 requirements and IFRS 10 and clarify that in a transaction involving an associate or joint venture entity, gains or losses are recognised when the assets sold or contributed represent an enterprise.

- **Amendments to IFRS 16 "Leases"** – Concessions to rents as a result of Covid-19, issued by the IASB on May 28, 2020. The amendments exempt tenants from taking into account each lease when determining whether concessions to rents that occur as a direct effect of the COVID-19 pandemic constitute lease changes and allow tenants to account for such lease concessions as if they did not constitute lease changes. It applies to concessions to rents as a result of covid-19 that reduce lease payments due on or before June 30, 2021.

- **Amendments to IFRS 16 "Leases"** – Concessions to rents due to Covid-19 after 30 June 2021 issued by the IASB on 31 March 2021. The amendments extend by one year the period of application of the practical advantage in IFRS 16. The facility has been extended by one year to cover concessions on rents that only reduce lease payments due on or before 30 June 2022.

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of liabilities into short-term and long-term liabilities issued by the IASB on 23 January 2020. The amendments provide a more general approach to the classification of liabilities required by IAS 1 on the basis of contractual agreements existing at the time of reporting. Amendments to IAS 1 issued by the IASB on 15 July 2020 postpone the effective date by one year for annual periods beginning on or after 1 January 2023.

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure of the accounting policies issued by the IASB on 12 February 2021. The amendments require entities to disclose their significant accounting policies rather than important accounting policies and to provide guidance and examples to help authors of financial statements decide which accounting policies to disclose in their financial statements.

- **Amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors"** – Definition of the accounting estimates issued by the IASB on 12 February 2021. The amendments focus on accounting estimates and provide guidance on the distinction between accounting policies and accounting estimates.

- **Amendments to IAS 12 "Income Tax"** – Deferred tax on assets and liabilities arising from a single transaction issued by the IASB on 6 May 2021. According to the amendments, the exemption from initial recognition does not apply to transactions in which both deductible and taxable temporary differences occur at the initial recognition, which lead to the recognition of equal deferred tax assets and liabilities.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Additional information on certain standards, amendments to existing standards and interpretations that can be used when appropriate (continued)

- **Amendments to IAS 16 "Property, plant and equipment"** – Pre-use proceeds issued by the IASB on 14 May 2020. The amendments prohibit the deduction from the cost of an item of property, plant and equipment from any proceeds from the sale of items produced during the transfer of that asset to the place and condition necessary for it to be operated as planned by management. Instead, the entity recognises the proceeds from the sale of those items, and the cost of producing those items in the profit and loss account.

- **Amendments to IAS 37 "Provisions, contingent liabilities and contingent assets'** - Onerous contracts — The cost of performing the contract, issued by the IASB on May 14, 2020. According to the amendments, the 'cost of performance' of a contract includes 'costs directly linked to the contract'. Costs directly related to the contract can be either incremental costs of performance of the contract, or an allocation of other costs directly related to the execution of contracts.

- **Amendments to various standards due to "IFRS improvements (2018-2020 cycle)"** issued by the IASB on 14 May 2020. Amendments to various standards resulting from the annual draft improvement IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) with the main purpose of eliminating inconsistencies and clarifying certain formulations. The amendments: (a) clarify that the subsidiary applying paragraph D16(a) of IFRS 1 may cumulatively measure the differences in foreign exchange using the amounts reported by the parent, depending on the date of the parent's transition to IFRS (IFRS 1); (b) clarify the fees that an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 to assess whether it needs to take a financial liability out of the records. An entity includes only fees paid or received between the entity (borrower) and the lender, including fees paid or received either by the entity or by the lender on behalf of the other (IFRS 9); (c) remove from the example the presentation of the lessor's reimbursement of expenses for improvements to the rented space in order to resolve any possible confusion about the treatment of lease incentives that might arise due to the way in which the lease incentives are presented in that example (illustrative example 13 attached to IFRS 16); and (d) removes the requirement in paragraph 22 of IAS 41 for entities to exclude cash flows with taxation when measuring the fair value of a biological asset by using a present value technique (IAS 41).

3. SIGNIFICANT ACCOUNTING POLICIES

Declaration of conformity

The separate financial statements of the Company were prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("IFRS") in force at the company's reporting date, respectively 31 December 2021 and in accordance with the provisions of the Order of the Minister of Public Finance no. ANRE President's Order no. 2844/2016, for the approval of accounting regulations in accordance with International Financial Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, with subsequent amendments and clarifications. These provisions correspond to the requirements of the International Financial Reporting Standards adopted by the European Union.

Functional and presentation currency

These separate financial statements are presented in RON, which is the company's functional currency.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The basics of drawing up

Separate financial statements have been prepared on the basis of historical cost, with the exception of certain financial instruments that are measured at fair value as explained in accounting policies. Historical cost is generally based on the fair value of consideration in exchange for assets.

Property, plant and equipment are presented at revalued amounts in accordance with IAS 16 and investment property at fair value in accordance with IAS 40.

For non-moving or slow-moving stocks, adjustments are made based on management estimates. The establishment and resumption of adjustments for the depreciation of stocks shall be made quarterly on the reporting data on behalf of the profit and loss account as follows: for non-moving stocks 50% of the total value and for those with slow movement 25%.

In the first set of financial statements prepared in accordance with IFRS, the company applied IAS 29 Financial Reporting in hyperinflationary savings, correcting the historical cost of share capital, legal reserves and other net profit reserves, with the effect of inflation, until 31 December 2003. These adjustments were recorded in reserve accounts (see Note 14).

The company also prepares consolidated financial statements according to ifrs adopted by the EU, which are available on the company's website. They shall be published together with the separate financial statements.

Foreign currency

Operations denominated in foreign currency are recorded in lei at the official exchange rate from the settlement date of the transaction. Monetary assets and liabilities recorded in foreign currency at the date of preparation of the statement of financial position are expressed in lei at the exchange rate of the respective day. Gains or losses on their settlement and on the conversion of monetary assets and liabilities denominated in foreign currency using the exchange rate at the end of the analysis period are recognised in the result of the financial year. Non-monetary assets and liabilities that are valued at historical cost in foreign currency are recorded in lei at the exchange rate from the transaction date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are recorded in lei at the rate on which the fair value was determined.

Conversion differences are shown in the profit or loss account.

The exchange rates of the main currencies were as follows:

	Course December 31 2021	Course December 31 2020
EUR	4.9481	4.8694
USD	4.3707	3.9660

Use of professional estimates and reasoning

The preparation of financial statements in accordance with IFRS adopted by the European Union requires management to use estimates and assumptions that affect the application of accounting policies, as well as the reported value of assets, liabilities, income and expenses. The associated estimates and judgments are based on historical data and other factors considered to be eloquent in the given circumstances, and the result of these factors forms the basis of the judgments used in determining the carrying amount of assets and liabilities for which there are no other sources of valuation available. Actual results may differ from estimated values.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of professional estimates and reasoning (continued)

Estimates and judgments are reviewed periodically. Revisions of accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the current period and in future periods, if the revision affects both the current and future periods.

The effect of the change related to the current period it is recognised as income or expense in the current period. If any, the effect on future periods is recognised as income or expense in those future periods.

The company's management considers that any differences from these estimates will not have a significant influence on the financial statements in the near future, for each estimate being applied the principle of prudence.

Estimates and assumptions are used mainly for impairment adjustments of fixed assets, estimation of service life usefulness of an asset depreciable, for impairment adjustment of receivables, for provisions, for the recognition of deferred tax assets.

In accordance with IAS 36, intangible assets are analysed to identify whether they present impairment indices at the balance sheet date. If the net carrying amount of an asset is greater than its recoverable amount, an impairment loss is recognised to reduce the net carrying amount of that asset to the level of its recoverable amount. If the reasons for recognising the impairment loss disappear in subsequent periods, the net carrying amount of the asset is increased to the level of the net carrying amount, which would have been determined if no impairment loss had been recognised.

Valuation for impairment of receivables is carried out individually and is based on management's best estimate of the present value of the cash flows expected to be received. The company reviews its commercial and other claims at each date of its financial position to assess whether it needs to record a depreciation of value in the profit and loss account. Management's professional judgement is particularly necessary for estimating value and for coordinating future cash flows when determining impairment loss. These estimates are based on assumptions about several factors and actual results may differ, leading to future changes in adjustments.

By their nature, contingencies will only be clarified when one or more future events happen or not. The assessment of contingencies inherently involves the use of significant assumptions and estimates of the outcome of future events.

Deferred tax assets are recognised for tax losses to the extent that it is probable that there will be taxable profit from which the losses can be covered. It is necessary to exercise professional reasoning to determine the amount of deferred tax assets that can be recognised, based on the probability in terms of the period and level of future taxable profit, as well as future tax planning strategies.

Accounting principles, policies and methods

In accordance with IAS 8 — Accounting policies, changes in accounting estimates and errors, accounting policies represents the specific principles, bases, conventions, rules and practices applied by the entity in the preparation and presentation of financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting principles, policies and methods (continued)

The society has selected and applies accounting policies consistently for transactions, other events and similar conditions, unless a standard or an interpretation provides, or it specifically allows the classification of items for which it might be appropriate to apply different accounting policies. If a standard or interpretation provides for or permits such classification, it must be selected, and applied to each category, in a consistent manner, an appropriate accounting policy.

The company changes an accounting policy only if the change:

- is required by a standard or an interpretation; or
- results in a situationii financial information providing reliable and more relevant information on the effects transactionilor, of other events or conditionii on positioni financial, performance financial or cash flows of the entityli.

We summarize the significant accounting policies that have been applied to all periods presented in the financial statements, except for changes arising from new standards and amendments to standards.

Fair value

IFRS 13 – Fair value measurement establishes a fair value hierarchy that classifies the inputs for measurement techniques used to measure fair value into three levels:

- Level 1 inputs—are quoted (unadjusted) prices in asset markets for identical assets and liabilities to which the entity has access at the measurement date. This data provides the most reliable evidence of fair value and should be used wherever available
- Level 2 inputs — are inputs other than quoted prices included in Tier 1 that are observable directly or indirectly for the asset or liability (e.g. quoted prices for identical or similar assets or liabilities in markets that are not active)
- Level 3 inputs – are unobservable inputs for the asset or liability. The company must draw up unobservable input data on the basis of the best information available in the given circumstances which may include the company's own data.

Intangible assets

Initial assessment

The company has chosen to be valued at acquisition or production cost in accordance with IAS 38 Intangible Assets.

Assessment after initial recognition

The company chose the cost-based model as its accounting policy for the valuation of intangible assets after initial recognition.

The company has opted to use the straight-line method of depreciation for the depreciation of intangible assets. The useful life span for this group of fixed assets is between 3 and 5 years.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Assessment after initial recognition (continued)

To determine whether an intangible asset valued at cost is impaired, the company applies IAS 36. At the end of each reporting period, the company shall estimate whether there are indications of impairment of these assets and, if identified, estimate the recoverable amount of the asset and record the related impairment. An impairment loss shall be recognised immediately in profit or loss.

For the purposes of disclosure in the profit and loss account, gains or losses arising from the cessation of use or exit of an intangible asset shall be determined as the difference between the income generated by the outflow of the asset and its unamortised amount, including the expenses occasioned by its de-listing and shall be shown as net worth in the profit and loss account, according to IAS 38.

Property, plant and equipment

Initial assessment

Property, plant and equipment is recognised initially at acquisition or production cost.

The cost of the purchased property, plant and equipment is represented by the value of the consideration made for the acquisition of the respective assets as well as the value of other costs directly attributable to the bringing of the assets to the location and condition necessary for them to be able to operate in the manner desired by management. The cost of self-constructed assets includes wage, material, indirect production costs and other costs directly attributable to bringing the assets to the current location and condition.

The company has set a value ceiling for the recognition of an element of the nature of property, plant and equipment.

Assessment after initial recognition

The company has opted to use for the valuation after the initial recognition of property, plant and equipment ***the model of the reassessment***. Caccording to the revaluation model, an item of property, plant and equipment the fair value of which can be measured reliably shall be carried at a revalued amount, which is its fair value at the date of the revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

Revaluations should be made on a regular basis sufficient regularity to ensure that the carrying amount does not differ materially from what would have been determined by the use of fair value at the end of the reporting period.

The fair value of land and buildings is generally determined on the basis of market evidence through a valuation by qualified professional valuers.

The fair value of items of property, plant and equipment is generally their market value determined by measurement.

The frequency of revaluations depends on changes in the fair value of the revalued property, plant and equipment. If the fair value of an asset differs significantly from the carrying amount, a new revaluation is required.

When an asset item is revalued, any accumulated depreciation at the revaluation date is removed from the gross carrying amount of the asset and the net amount is restated to the revalued value of the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Therefore, the frequency of revaluations depends on changes in the fair value of property, plant and equipment. If the fair value of a revalued item of property, plant and equipment at the balance sheet date differs significantly from its carrying amount, a revaluation is required. Where fair values are volatile, as may be the case with land and buildings, frequent revaluations may be necessary. If fair values are stable over a long period of time, as may be the case with installations and machinery, valuations may be needed less often. IAS 16 suggests that annual revaluations may be necessary if there are significant and volatile changes in values.

If an item of property, plant and equipment is revalued then the entire class of property, plant and equipment to which that item belongs is revalued.

The residual value of the asset and the useful life of the asset shall be reviewed at least at the end of the financial year.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary to be able to operate in the manner desired by management.

Depreciation of an asset ceases on the first date from the date when the asset is classified as held for sale (or included in a disposal group that is classified as held for sale in accordance with IFRS 5) and the date on which the asset is derecognised. Therefore, depreciation does not cease when the asset is not used unless it is fully depreciated.

Land and buildings are separable assets and are accounted for separately even when acquired together.

The land owned shall not be depreciated.

If the cost of the land includes the costs of decommissioning, removal, restoration, these costs are depreciated for the period when benefits are obtained as a result of these costs.

For all assets acquired as of January 1, 2015, the Company has opted to use as a depreciation method, the straight-line method that involves the systematic allocation of the amount of depreciation over the entire economic life of the assets.

The residual value, service life and depreciation method shall be revised at the time of the financial statements.

The company's management estimated as adequate the following useful life spans for different categories of property, plant and equipment as follows:

Property, plant and equipment	**Duration (years)**
Construction	20 - 100
Technological equipment	5 - 12
Measuring, controlling and adjusting apparatus and installations	3 - 8
Means of transport	4 - 8
Furniture, office equipment, equipment for the protection of human and material values	8 - 15

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The depreciation policy applied by the company

The revaluation surplus included in equity relating to an item of property, plant and equipment shall be transferred monthly, directly to retained earnings when the asset is used to match its depreciation and when it is derecognised, upon disposal or disposal.

In the case of a revalued asset, an impairment loss is recognised directly by reducing any surplus resulting from the revaluation of the asset, provided that the impairment loss does not exceed the surplus from its revaluation.

The gain or loss resulting from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised.

The carrying amount of an item of property, plant and equipment shall be derecognised upon disposal or when no future benefit is expected from its use or disposal.

If items of property, plant and equipment that have been held for rent are repeatedly sold to others, these assets will be transferred to stocks at book value at the time when they cease to be leased and are held for sale. Proceeds from the sale of these assets are recognised as income in the profit and loss account.

Major maintenance and repairs

The capitalised costs of capitalized inspections and repair activities are separate components of the the corresponding assets or groups of assets. Capitalized capitalized costs with capitalized capital repairs are depreciated using the depreciation method for the underlying asset until the next repair. Expenditure on major repair activities shall comprise the cost of replacing assets or parts of assets, inspection costs and capital repair costs. These expenses are capitalized if an asset or part of an asset that has been depreciated separately is replaced and is likely to bring future economic benefits. If a part of the replaced asset has not been considered as a separate component and has therefore not been depreciated separately, the replacement value shall be used to estimate the net carrying amount of the replaced asset that is immediately discarded. All other costs of current repairs and usual maintenance are recognised directly in the expenses.

Leasing contracts

The company applied IFRS 16 starting with January 1, 2019, using the modified retrospective method, without restating the comparative values for the previous period presented. It applied IFRS 16 to all existing contracts prior to January 1, 2019, classified as leases under IAS 17 and IFRIC 4.

The company chose to apply the exemption proposed by the standard for leasing contracts for low-value assets (less than USD 5000).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Leasing contracts *(continued)*

The company has recognized new assets and debts for operational leasing contracts for vehicles, rented spaces and equipment. Also, an expense with the depreciation of the right to use the asset and an interest expense related to the leasing debt was recognized. The right to use the assets at the date of transition is equal to the leasing liability, adjusted for any amount paid in advance or preliminated leasing payments related to the leases recognized in the statement of the financial position immediately before the date of initial application.

At the start date of the leasing contract, the Company recognizes the leasing debts, valued at the present value with the marginal loan rate of the leasing payments, during the lease term. Payments include fixed payments minus any incentives to be received, variable lease payments that depend on an index or rate, and amounts expected to be paid as a residual value.

Real estate investments

Initial assessment

The valuation of investment property at initial recognition is made at cost in accordance with IAS 40 Investment Property. The cost of a real estate investment consists of the purchase price plus any directly attributable expenses (professional fees for legal services, fees for the transfer of ownership, etc.).

Evaluation after recognition

The company chose the fair value model for the presentation of real estate investments in financial statements. Investment property is not depreciated, and gains or losses arising from changes in their fair value are included in the profit or loss of the period in which they occur.

Financial assets

The company applies IFRS 9 – Financial instruments that came into effect on January 1, 2018 and that uses for the classification of financial assets, the entity's business model and the cash flow characteristics of the financial asset according to the contract.

Classification of financial assets

According to IFRS 9 Financial Instruments, financial assets are qualified in:

1. financial asset *assessed at amortized cost if both of the following conditions are met:*
   - the financial asset is held under a business model whose objective is to own the financial assets in order to collect the contractual cash flows, and
   - the contractual terms of the financial asset generate on certain dates, cash flows that are exclusively payments of principal and interest on the principal amount outstanding
2. *financial asset measured at fair value through other comprehensive income if both of the following conditions are met*
   - the financial asset is held within a business model whose objective is met both by collecting the contractual cash flows and by selling the financial assets and
   - the contractual terms of the financial asset generate, on certain dates, cash flows that are exclusively payments of principal and interest on the amount of principal due.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

3. *a financial asset measured at fair value through profit or loss* unless measured at amortised cost in accordance with paragraph 1 or at fair value by other comprehensive income in accordance with paragraph 2

With the exception of commercial receivables that fall within the scope of IFRS 15, a financial asset or financial liability is initially measured at fair value, and in the case of a financial asset or a financial liability that is not at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability are added or subtracted.

After the initial recognition, the subsequent valuation of the financial assets is made at:

- amortised cost
- fair value through other comprehensive income, or
- fair value through profit or loss

Financial assets comprise shares held in subsidiaries, associated entities and jointly controlled entities, loans granted to these entities, other investments held as fixed assets and other loans.

The company presents investments in subsidiaries at cost. Also, the company does not have investments in joint ventures or associated entities.

Investments in affiliated entities

Subsidiaries are entities under the control of the company. In **IFRS 10 — Consolidated Financial Statements** the principle of control shall be defined and control shall be established as a basis for consolidation. IFRS 10 sets out how to apply the principle of control to identify whether an investor controls an investee and therefore requires to strengthen the investee.

An investor controls an investee if and only if the investor fully holds the following:

a) authority over the investee;

b) exposure or variable income rights based on its participation in the investees;

c) the ability to use its authority over the investee to influence the amount of the investor's income

Interest on loans

Interest on loans that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalised until such time as the asset is ready for predetermined use or sale. All other borrowing costs are recognised as expenses in the profit and loss account of the period in which they arise. Interest charges shall be recorded using the effective interest method. During the year ended December 31, 2021 and December 31, 2020, respectively, no interest expenses in the value of assets were capitalized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government subsidies

In accordance with IAS 20, government grants are recognised only when there is sufficient certainty that all conditions attached to their award will be met and that the grants will be received. Subsidies that meet these criteria are presented as liabilities and are systematically recognised in the profit and loss account over the useful life of the assets to which they relate.

Inventories

In accordance with IAS 2—Inventories, these are assets that are:

- held for sale in the ordinary course of business
- in the course of production for such a sale, or
- in the form of materials and other consumables to be used in the production process or for the provision of services

Inventories are shown at the lowest of cost and net realisable value. Net realisable value is estimated on the basis of the selling price of the normal activity, less the estimated costs for completion and sale. For the stocks of raw materials and materials without movement or with slow motion, as well as for those of unsaleable finished products, adjustments are made based on management estimates.

The formation and resumption of impairment adjustments to stocks shall be made on behalf of the profit and loss account.

The company uses for the determination of the cost at the exit from the management of the supplied materials the first entry first exit method (FIFO). For finished products, the standard cost is used for entry and exit from management. At the end of each month, on the basis of the management accounting, the actual cost of the products obtained shall be determined.

Claims and other similar assets

As of January 1, 2018, the Company applied for the first time the new IFRS 9 standard "*Financial instruments*" which results in an early recognition of impairment adjustments to receivables up to the value of expected credit losses, calculated on the basis of historical loss rates

Receivables and other similar assets are presented at amortised cost less than value adjustments.

When it is estimated that a claim will not be fully collected, impairment adjustments shall be recorded in the accounts at the level of the amount that can no longer be recovered. The de-listing of claims shall take place as a result of their collection or transfer to a third party. Current claims may be deducted from the records and by mutual compensation between third parties of claims and debts, in compliance with the legal provisions. The deduction from the records of claims whose collection terms are time-barred shall be made after the company obtains documents proving that all legal steps have been taken to recover them. The out-of-the-booked claims shall continue to be subject to extra-account.

Cash and cash equivalents

For the preparation of the cash flow statement, cash is considered to be the cash existing in the cashier and in the current bank accounts. Cash equivalents are deposits and investments with a high degree of liquidity, with initial maturities of less than three months.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Liabilities

A liability is a current obligation of the company arising from past events and the settlement of which is expected to result in an outflow of resources that incorporates economic benefits.

A liability is recognised in the accounts and presented in the financial statements when it is probable that an outflow of resources bearing economic benefits will result from the liquidation of a present obligation and when the amount at which this settlement will be made can be measured reliably.

Current liabilities are those debts which must be paid within a period of up to one year.

A liability shall be classified as a short-term liability, also referred to as a current liability, where:

a) expects to be settled during the normal course of the company's operating cycle;

b) held primarily for trading purposes;

c) it shall be due within 12 months of the balance sheet date; or

d) the company does not have the unconditional right to defer payment of the debt for at least 12 months from the balance sheet date.

All other debts must be classified as ***long-term debts***.

Debts are presented at amortised cost. Accrued income classified as long-term liabilities is discounted using the effective interest method. The discount rate used for this purpose is the rate determined according to its own procedures developed by the company's management.

The company derecognises a debt when the contractual obligations are paid, cancelled or expire.
If the goods and services supplied in connection with the current activities have not been invoiced, but if the delivery has been effected and their value is available, that obligation shall be recorded as a liability.

Dividend amounts apportioned from the net profit of the reporting period are shown in the following year in retained earnings following that, after the approval by the general meeting of shareholders of this destination, they will be recorded as dividends to be paid to the shareholders.

Current corporate income tax

The current tax payable shall be determined on the basis of the taxable profit of the year. Tax profit is different from profit reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and also excludes items that will never become taxable or deductible. The company's current corporate tax liability is calculated using tax rates that were required by law or in a bill at the end of the year. Currently the tax rate is 16%.

Deferred tax

The deferred tax is constituted by analyzing the temporary differences in assets and liabilities. The tax loss carried forward is included in the calculation of the deferred income tax asset. The deferred tax claim is recognised only to the extent that it is probable that taxable profit will be obtained in the future, after offsetting against the tax loss of previous years and the corporation tax to be recovered.

Deferred income tax assets and liabilities shall be cleared where such a right exists and is related to income taxes levied by the same tax authority.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition of revenue

Revenues are measured in accordance with IFRS 15 – Revenue from contracts with customers.

IFRS 15 establishes a five-step model to record revenues from contracts with customers:

- Step 1: Identify the contract with a customer
- Step 2: Identify the payment obligations in the contract
- Step 3: Determining the transaction price
- Step 4: Assigning the transaction price for the performance obligations under the contract
- Step 5: Recognize income as the company fulfills an enforcement obligation

In accordance with IFRS 15, revenue is recognised in the amount that reflects the consideration to which an entity expects to be entitled in exchange for the transfer of goods or services to a customer.

Sale of goods

In accordance with IFRS 15, revenue will be recognised when a customer obtains control of the assets. The company delivers goods under contractual conditions based on delivery conditions. The moment the client obtains control of the goods is considered to be substantially the same for most of the Company's contracts under IFRS 15, just as under IAS 18.

In the case of contracts with customers in which the sale of goods (mainly LED lighting fixtures, railway traffic safety elements, etc.) is generally estimated to be the only obligation to provide, it is estimated that the adoption of IFRS 15 will not have any impact on the income and profit or loss of the Company.

The company expects that the recognition of income will take place at a time in time, at which point the control of the asset is transferred to the customer, namely the delivery of the goods.

In preparing for the adoption of IFRS 15, the Company took into account the following:

Variable consideration

Some contracts with customers involve volume risks, financial discounts, price reductions or the right of return for quality defects. Currently, the revenues obtained from these sales are recognized based on the price specified in the contract, net returns and decreases of income, commercial discounts and volume reductions recorded on the basis of accrual accounting when a reasonable estimate of income adjustments can be made.

In accordance with IFRS 15, it is necessary to estimate the variable income at the beginning of the contract. Revenue will be recognised to the extent that a significant reversal of the amount of recognised cumulative income is likely not to occur. Consequently, for those contracts for which the Company is not able to make a reasonable estimate of the discounts, the income will be recognized earlier than when the return period passes or when a reasonable estimate can be made.

However, since the contractual periods for most contracts coincide with the calendar years for which the annual financial statements are prepared and due to the fact that the Company currently reports the annual revenues from contracts with net clients for adjustments, such as volume reductions or financial discounts, the impact on the retained earnings from the treatment of variable income as a result of the adoption of IFRS 15 is not material. At the same time, cases of quality complaints (return rights) are isolated and based on the intangible history, so that the Company cannot make a reasonable estimate of such a reversal of revenues at the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Sale of goods (continued)

Impact on the retained earnings.

The company has the quality of principal in all contractual sales relationships, because it is the main provider in all income contracts, has the right to set the price and is exposed to risks related to stocks and credit risk.

In accordance with IFRS 15, the valuation will be based on the criterion of whether the Company controls the specific assets before transferring them to the final customer, rather than whether they have exposure to significant risks and rewards associated with the sale of goods.

Recognition of income from distinct supply obligations

According to some delivery conditions, the Company can provide services such as transport to a specified destination beyond the moment of transferring the control of goods to customers. IFRS 15 requires an entity to account for each separate good or service as a separate supply obligation. Freight services might fit into the definition of a distinct service, but a full understanding of the commercial terms is necessary to ensure that this is the case. An obligation to provide the transport generally meets the criteria of obligation to provide for a period of time, and the revenues will be recognized during the transfer to the client. If it does not meet the criteria, the enforcement obligation is considered fulfilled at one point in time, and the revenues would be recognized when the client receives the goods. This could lead to the recognition of a part of the income from the contract when the control of the goods is transferred and the recognition in time of the part of the revenues related to the freight transport services. There can be no separate obligation for an entity to transport its own goods (i.e. before the transfer of control of the goods to the customer).

The impact on the retained earnings from the treatment of transport services as separate supply obligations as a result of the adoption of IFRS 15 is immaterial.

Provision of services

The company provides various services as main activities (erection construction works) and as occasional activities. The income is measured at the fair value of the consideration received or receivable. In accordance with IFRS 15, the total consideration from the service contracts will be allocated to all services based on their individual selling prices. The independent selling prices will be established based on the list prices at which the Company provides the respective services in separate transactions.

Performance obligations fulfilled over time

SC Electromagnetica SA transfers control over a good or service over time and therefore fulfills an obligation of performance and recognizes revenue over time if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits offered by the entity as the entity executes

(b) the entity's execution creates or improves an asset (eg output in progress) that the customer controls as the asset is created or improved, or

(c) execution by the entity does not create an alternatively used asset for the entity and the entity has an enforceable right to payment for performance completed by that date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Sale of goods (continued)

Performance obligations fulfilled at a specific time

If the Company fulfills the obligation of execution at a specific time (such as: the supply of goods with the installation or commissioning clause at a certain time) in order to determine the specific moment when the client obtains control over a promised asset and SC Electromagnetica fulfills an obligation of execution, it is analyzed both the provisions regarding the transfer of control but also the indicators of transfer of control are analyzed, in particular acceptance of the asset by the client that can be certified by signing the commissioning protocol, or explicit acceptance for payment.

In the case of pre-delivery billing agreements in addition to the conditions mentioned above for a customer to gain control over a product in an agreement with invoicing before delivery, all the following criteria must be met:

- the reason for the agreement with invoicing before delivery must be substantial (there must be a written request of the customer
- the product must be ready for the physical transfer to the customer in the current way
- the entity delivering the product may not have the ability to use the product or assign it to another customer

If in the contract concluded with a client there is an acceptance clause then the moment when a client obtains control over a good or service is evaluated according to this clause.

Assessment of progress in fulfilling a performance obligation in its entirety

For each performance obligation fulfilled over time the Treasury recognizes the revenues over time by assessing the progress of fully fulfilling that performance obligation. The purpose of assessing progress is to present the performance of the transfer of control over the promised goods or services to a customer (i.e. the fulfilment of the performance obligation by the supplier).

Reasonable assessments of progress

The company recognizes revenues for a performance obligation fulfilled over time only if it can reasonably assess its progress in fully fulfilling the performance obligation and has the reliable information necessary for the application of an appropriate method of assessing progress. In order to evaluate the progress in fulfilling a future obligation, necessary for example in the contracts that have the commissioning or assembly clause, the Company has opted for the input-based method according to which revenues are recognised on the basis of the entity's inputs or efforts to meet a performance obligation (for example, resources consumed, hours of work spent, recorded costs, time elapsed or hours of machine use) in relation to the total inputs expected to meet that performance obligation. If inputs or efforts are evenly distributed throughout the execution period, revenue can be recognised on a straight-line basis.

The recognition and measurement requirements of IFRS 15 are also applicable to the recognition and measurement of any gains or losses arising from the disposal of non-financial assets (such as fixed assets and intangible assets) when such disposal is not in the normal course of business. However, in transition, the effect of these changes is not expected to be significant for the Society.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Rental income

Rental income is recognised in the linear profit and loss account for the term of the lease.

Dividends and interest

Dividend income is recognised when the shareholder's right to receive payment is established. Dividend income is recorded at the gross amount that includes the dividend tax, which is recognised as a current expense during the period in which the distribution was approved.

Interest income is recognised on the basis of accrual accounting, by reference to the outstanding principal and the effective interest rate, that rate which exactly updates the expected future flows of amounts receivable.

Provisions

Provisions are presented separately from other liabilities such as commercial or estimated because there is uncertainty regarding when and how much settlement will be made in the future.

Provisions shall be made for current liabilities to third parties where those liabilities are likely to be met and the amount necessary to discharge the obligations can be estimated reliably. Provisions for individual liabilities shall be constituted at an amount equal to the best estimate of the amount necessary to settle the obligation.

Provisions shall be grouped in the accounts by category and shall be constituted for:

a) disputes;
b) guarantees granted to customers;
c) decommissioning of property, plant and equipment and other similar actions related to them;
d) restructuring;
e) employee benefits;
f) other provisions

When, based on the analysis carried out by the management together with the lawyers on the chances of loss of the trial by the company, it is concluded that the estimated loss chances are greater than 50% constitutes a provision at the estimated credible value.

Provision for guarantees to customers it is constituted according to the estimates made by the management and the sales, technical and quality departments regarding the level of repair costs within the warranty period. The level of repair costs over the warranty period shall be determined as a percentage of the turnover of the reporting year.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Restructuring provisions

The implicit restructuring obligation arises where a company:

- it has a detailed official plan for restructuring in which to be highlighted: the activity or part of the activity to which it refers, the main locations affected, the location, the position and the approximate number of employees who will receive compensation for the termination of their activity, implicit expenses, the date on which the restructuring plan will be implemented

- generated a justified expectation to those affected that the restructuring will be carried out by starting the implementation of that restructuring plan or by communicating its main characteristics to those who will be affected by the restructuring process.

The restructuring provision shall include only direct expenseslinked to restructuring.

Provisions for employee benefits

During the financial year, provisions for leave left unpaid and other provisions according to employment contracts are recorded during the financial year. When they are recognized as liabilities to employees, the amount of provisions will be replenished through the corresponding income accounts.

Other provisions

If they are identified time-placement or uncertainty liabilities that meet the conditions for recognition of provisions in accordance with IAS 37 but are not found in any of the categories identified above are recorded as other provisions.

At the end of each repurchase period, the provision shall be reconsidered and adjusted so as to represent the current best estimate. Where the analysis shows that there is no longer likely to be a need for outflows of resources incorporating economic benefits to settle the obligation, the provision shall be cancelled.

The company does not recognize the provision for losses on asset operation. The forecast of operating losses indicates that certain operating assets may be impaired and in this case these assets are tested in accordance with IAS 36 Impairment of Assets.

Employee benefits

The obligations with short-term benefits granted to employees are not updated and are recognized in profit and loss as the related service is provided.

Short-term benefits to employees include salaries, bonuses and social security contributions. Short-term benefits are recognised as an expense when services are provided.

The company makes payments on behalf of its own employees to the pension system of the Romanian state, health insurance and unemployment fund, during the normal activity.

All employees of the company are members and have the obligation to contribute to the pension system of the Romanian state. All related contributions are recognised in the profit and loss account of the period when they are made. The company has no additional obligations otherwise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

The company is not engaged in any independent pension scheme and therefore has no obligations whatsoever to do so. The company is not engaged in any other post-employment benefit scheme. The company has no obligations to provide subsequent services to former or current employees.

The company does not currently provide benefits in the form of employee participation in profit.

There is currently no plan under which the Company's obligation to provide benefits in the form of the entity's own shares (or other equity instruments) is required.

Profit or loss for the financial year

In the accounts, the profit or loss shall be determined cumulatively from the beginning of the financial year.

The result for the financial year shall be determined as the difference between the revenue and expensesof the financial year.

The final profit or loss for the financial year shall be established at the close of the financial year and shall represent the final balance of the profit and loss account.

The profit distribution is carried out in accordance with the legal provisions in force. The amounts representing reserves constituted from the profit of the current financial year, based on legal provisions, for example the legal reserve established on the basis of the provisions of Law 31/1990, shall be recorded at the end of the current year. The accounting profit remaining after this distribution shall be taken over at the beginning of the financial year following that for which the annual financial statements are drawn up in the retained earnings account representing the non-distributed profit or the uncovered loss, from where it is distributed to the other destinations decided by the general meeting of shareholders, in compliance with the legal provisions. The accounting of the destinations of the accounting profit is made after the general meeting of shareholders has approved the distribution of profit, by recording the amounts representing dividends due to shareholders, reserves and other destinations, according to the law.

Result per action

IAS 33—Income per share requires that if an entity presents both consolidated financial statements and separate financial statements, the disclosure of income per share is made solely on the basis of consolidated information. If it chooses to present the result per share on the basis of its separate financial statement, it must present such information relating to the earnings per share only in the statement of comprehensive income.

The company chose to present the result per share in these separate financial statements.

The company presents the result on basic action for its ordinary shares. The profit or loss per share is calculated by dividing the gain or loss attributable to the shareholders by the weighted average of the ordinary shares in circulation over the period.

The weighted average of the ordinary shares in circulation during the period represents the number of shares at the beginning of the period adjusted by the number of shares repurchased or issued in that period multiplied by a time weighting factor.

The time weighting factor is the number of days on which those shares were in circulation, as a proportion of the total number of days of the period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting

An operating segment is a distinct component of the company which engages in activities as a result of which it could obtain income and incur expenses, including income and expenses related to transactions with any of the other components of the company and which is subject to risks and benefits different from those of the other segments. The main segmental reporting format of the Company is represented by the segmentation by activities.

Taking into account that the Company's shares are traded on the Bucharest Stock Exchange and that it applies IFRS, it is presented in the annual financial statements as well as in the interim reports made according to the IAS 34- Interim Financial Reporting, information about business segments, their products and services and main customers.

According to IFRS 8 - Business Segments, a segment of activity is a component of an entity:

- who engages in business activities from which he can obtain income and from which he can bear expenses (including income related to transactions with other components of the same entity);
- the results of which are regularly examined by the entity's main operational decision-maker with a view to deciding on the allocation of resources by segment and evaluating its performance, and
- for which separate financial information is available.

Taking into account the criteria for identifying the business segments as well as the quantitative thresholds described in IFRS 8, the Company has identified the following business segments for which it presents the information separately:

- licensed activity – supply and production of electricity.
- unlicensed activity – industrial production and space rental.

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

4. PROPERTY, PLANT AND EQUIPMENT

Cost	Land and land development	Construction	Technological equipment and vehicles	Other property, plant and equipment	Property, plant and equipment in progress	Advances for property, plant and equipment	Total
As of 31 December 2020	**155,046,596**	**109,150,436**	**35,322,167**	**4,222,490**	**2,540,179**	**301,602**	**306,583,437**
Entries	15,499,936	33,507,015	3,994,814	1,081,424	3,306,681	-	57,389,870
- of which from revaluation	15,499,936	33,061,115	340,111	630,518	-	-	49,531,680
Transfers	-	445,900	3,654,703	450,906	(4,249,907)	(301,602)	-
Outputs	(290,883)	(12,198,455)	(16,360,746)	(2,727,201)	(4,551,509)	(301,602)	(36,430,396)
- from the determination of the net value for revaluation	(245,007)	(11,122,963)	(14,701,005)	(2,667,037)	-	-	(28,736,012)
- reduction of the revaluation value	(45,876)	(1,044,733)	(860,427)	(3,815)	-	-	(1,954,851)
As of 31 December 2021	**170,255,649**	**130,458,996**	**22,956,235**	**2,576,713**	**1,295,318**	**-**	**327,542,911**

Cumulative depreciation	Land and land development	Construction	Technological equipment and vehicles	Other property, plant and equipment	Property, plant and equipment in progress	Advances for property, plant and equipment	Total
As of 31 December 2020	**328,881**	**7,518,387**	**19,754,220**	**2,263,220**	**-**	**-**	**29,864,708**
Depreciation of the year	-	3,635,157	3,650,917	460,340	-	-	7,746,414
Cumulative depreciation related to outputs	(245,007)	(11,153,544)	(15,504,600)	(2,723,560)	-	-	(29,626,711)
- of which following the determination of the net value	(245,007)	(11,122,963)	(14,701,005)	(2,667,037)	-	-	(28,736,012)
As of 31 December 2021	**83,874**	**-**	**7,900,537**	**-**	**-**	**-**	**7,984,411**

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

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment adjustments	Land and land development	Construction	Technological equipment and vehicles	Other property, plant and equipment	Property, plant and equipment in progress	Advances for property, plant and equipment	Total
As of 31 December 2020	**-**	**893,116**	**121,788**	**-**	**-**	-	**1,014,904**
Impairment adjustments recognised in profit or loss	-	-	-	-	-	-	-
Reversals of impairment adjustments recognised in profit or loss	-	(893,116)	(121,788)	-	-	-	(1,014,904)
As of 31 December 2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net book value							
As of 31 December 2020	**154,717,715**	**100,738,933**	**15,446,159**	**1,959,270**	**2,540,179**	**301,602**	**275,703,825**
As of 31 December 2021	**170,171,775**	**130,458,996**	**15,055,699**	**2,576,713**	**1,295,318**	**-**	**319,558,500**

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

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Cost	Land and land development	Construction	Technological equipment and vehicles	Other property, plant and equipment	Property, plant and equipment in progress	Advances for property, plant and equipment	Total
As of 31 December 2019	**151,433,699**	**111,277,181**	**32,518,443**	**3,799,120**	**1,185,609**	**-**	**300,214,052**
Entries	3,612,897	3,461,849	3,077,823	445,372	8,339,614	301,602	19,239157
Transfers	-	3,461,849	3,077,823	445,372	(6,985,044)	-	-
Outputs	-	(5,558,594)	(274,099)	(22,002)	(6,985,044)	-	(12,869,740)
As of 31 December 2020	**155,046,596**	**109,150,436**	**35,322,167**	**4,222,490**	**2,540,179**	**301,602**	**306,583,437**

Cumulative depreciation	Land and land development	Construction	Technological equipment and vehicles	Other property, plant and equipment	Property, plant and equipment in progress	Advances for property, plant and equipment	Total
As of 31 December 2019	**328,881**	**4,060,867**	**16,498,199**	**1,780,952**	**-**	**-**	**22,668,899**
Depreciation of the year	-	3,760,038	3,443,419	500,921	-	-	7,704,378
Cumulative depreciation related to outputs	-	(302,518)	(187,398)	(18,653)	-	-	(508,569)
As of 31 December 2020	**328,881**	**7,518,387**	**19,754,220**	**2,263,220**	**-**	**-**	**29,864,708**

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

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment adjustments	Land and land development	Construction	Technological equipment and vehicles	Other property, plant and equipment	Property, plant and equipment in progress	Advances for property, plant and equipment	Total
As of 31 December 2019	**-**	**-**	**-**	**-**	**-**	-	**-**
Impairment adjustments recognised in profit or loss	-	893,116	121,788	-	-	-	1,014,904
Reversals of impairment adjustments recognised in profit or loss	-	-	-	-	-	-	-
As of 31 December 2020	**-**	**893,116**	**121,788**	**-**	**-**	-	**1,014,904**
Net book value							
As of 31 December 2019	**151,104,818**	**107,216,314**	**16,020,244**	**2,018,168**	**1,185,609**	**-**	**277,545,153**
As of 31 December 2020	**154,717,715**	**100,738,933**	**15,446,159**	**1,959,270**	**2,540,179**	**301,602**	**275,703,825**

As of December 31, 2021, property, plant and equipment increased compared to December 31, 2020 by 16% mainly due to the periodic revaluation.

The inflows of property, plant and equipment are represented by modernizations of the company's headquarters and acquisitions of technological equipment.

The output property, plant and equipment represents decreases in value as a result of the sale and disposal.

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

4. PROPERTY, PLANT AND EQUIPMENT (continued)

In order to secure the guarantee agreements and the loan contracts signed with the financing banks, the company has mortgaged the following assets in favor of the respective banks, as follows:

Name of assets	**Value net bookkeeping December 31 2021**	**Value net bookkeeping December 31 2020**
- Buildings (cadastral lots no. 13,15) Calea Rahovei, nr. 266-268, sector 5, Bucharest	35,228,323	25,971,259
- Buildings (cadastral lots 1-3,9,10,18,19,21,23-26) Calea Rahovei, 266-268, sector 5, Bucharest	40,931,491	33,946,154
- Land Calea Rahovei, nr. 242 = 2,157 sqm	5,902,198	5,160,797
- MHPP's (land + industrial and urban constructions)	46,195,350	47,265,912

Within the property, plant and equipment are included assets acquired through government subsidy and used in the licensed activity at one of the small hydropower plants located in Brodina, Suceava County. The remaining value of the investment as of December 31, 2021 is 9,882,457 lei, out of which the grantedvvalue is 4.247.088 lei. The remaining value of the investment as at 31 December 2020 was 10,523,945 lei, out of which the granted value was 4,410,306 lei.

Fair value of property, plant and equipment

The company's property, plant and equipment, other than the current tangible assets, are presented in the financial statements at the revalued value, this representing the fair value at the measurement date, less the accumulated depreciation and the impairment adjustments.

This method is recommended for properties, when there is sufficient and reliable data on transactions or offers for sale with similar properties in the area. The analysis of the prices at which the transactions were made or of the prices requested or offered for the comparable properties is followed by the performance of corrections of their prices, in order to quantify the differences between the prices paid, demanded or offered, caused by the differences between the specific characteristics of each property, called comparison elements.

The fair value of the buildings was determined using the cost approach and the income approach.

The cost approach assumes that the maximum value of an asset for an informed buyer is the amount that is required to buy or build a new asset with equivalent utility. When the asset is not new, all forms of depreciation that can be attributed to it must be deducted from the gross current cost until the valuation date.

The income approach provides an indication of value by converting future income streams into asset value (market value or investment value).

Information regarding the fair value hierarchy as at 31 December 2021 and 31 December 2020:

	Level 1	**Level 2**	**Level 3**	**Fair value at December 31 2021**
Land and land development	-	-	170,171,775	170,171,775
Construction	-	-	130,458,996	130,458,996

	Level 1	**Level 2**	**Level 3**	**Fair value at December 31 2020**
Land and land development	-	-	154,717,715	154,717,715
Construction	-	-	100,738,933	100,738,933

There were no transfers between fair value levels during both 2021 and 2020.

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

5. REAL ESTATE INVESTMENTS

The company owns real estate used entirely for rent. All lease agreements shall provide for an initial period of at least one year. Subsequent extensions are negotiated with the tenants. The obligations of the parties relating to repairs, maintenance and improvements are set out in the contracts concluded.

These properties are recognised in accordance with IAS 40 as real estate investment. For the presentation of real estate investments in the financial statements, the Company chose the fair value model. The valuation as of December 31, 2021 was carried out by an ANEVAR authorized valuer who used the income approach (discounted cash flow method).

As of December 31, 2021, the real estate investments are presented as follows:

	2021	2020
Initial balance	**11,114,654**	**5,182,279**
Entries from which:	4,273,442	6,247,121
from fair value measurement	919,714	893,244
Transfers	-	-
Outputs from which:	(738,313)	(314,746)
from fair value measurement	(738,313)	(314,746)
Transfers	-	-
Final balance	**14,649,783**	**11,114,654**

The incomes related to the real estate investments obtained in 2021 are worth 2,810,015 and cover the expenses incurred by the owner (the value of the incomes recorded during 2020 was in the amount of 2,120,134 lei).

The entrances are represented mainly by the investments in a building with destination kindergarten children.

The company also owns other rented spaces within buildings used in common with other activities. They are not classified as real estate investments because the share of rental income in total income is insignificant. Also, in most situations these spaces cannot be managed separately.

We would like to point out that there are no restrictions imposed on the degree of real estate investments or on the transfer of income and receipts from the disposal.

Information regarding the fair value hierarchy as at 31 December 2021 and 31 December 2020:

	Level 1	Level 2	Level 3	Fair value at December 31 2021
Real estate investments	-	-	14,649,783	14,649,783

	Level 1	Level 2	Level 3	Fair value at December 31 2020
Real estate investments	-	-	11,114,654	11,114,654

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

6. INTANGIBLE ASSETS

Intangible assets include software, licenses and various software. They are depreciated by the linear method.

In the statement of financial position are presented at historical cost, less depreciation and any adjustments in value.

Intangible assets have declined mainly due to the amortization of some licenses.

For most intangible assets, useful life spans have been estimated at 3 years.

The situation of intangible assets as at 31 December 2021 is as follows:

	Licenses patent concessions	Other intangible assets	Intangible assets under construction	Total
Cost				
As of 31 December 2020	**1,175,884**	**2,611,616**	**57,203**	**3,844,703**
Entries	57,203	-	-	57,203
Outputs	-	-	(57,203)	(57,203)
Transfers	57,203	-	(57,203)	-
As of 31 December 2021	**1,233,088**	**2,611,616**	**-**	**3,844,704**
Cumulative depreciation				
As of 31 December 2020	**941,567**	**2,611,615**	**-**	**3,553,182**
Depreciation of the year	149,923	-	-	149,923
Cumulative depreciation related to outputs	-	-	-	-
As of 31 December 2021	**1,091,491**	**2,611,615**	**-**	**3,703,106**
Net book value				
As of 31 December 2020	**234,318**	**-**	**57,203**	**291,521**
As of 31 December 2021	**141,598**	**-**	**-**	**141,598**

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

6. INTANGIBLE ASSETS (continued)

Cost	Licenses patent concessions	Other intangible assets	Intangible assets under construction	Total
As of 31 December 2019	**1,118,331**	**2,611,616**	**65,538**	**3,795,485**
Entries	57,553	-	49,218	106,771
Outputs	-	-	(57,553)	(57,553)
Transfers	57,553	-	(57,553)	-
As of 31 December 2020	**1,175,884**	**2,611,616**	**57,203**	**3,844,703**
Cumulative depreciation				
As of 31 December 2019	**778,290**	**2,550,708**	**-**	**3,328,998**
Depreciation of the year	163,277	60,907	-	224,184
Cumulative depreciation related to outputs	-	-	-	-
As of 31 December 2020	**941,567**	**2,611,615**	**-**	**3,553,182**
Net book value				
As of 31 December 2019	**340,041**	**60,908**	**65,538**	**466,487**
As of 31 December 2020	**234,318**	**-**	**57,203**	**291,521**

7. ASSETS RELATED TO RIGHTS OF USE

As of December 31, 2021, the Company recognizes assets related to rights of use in the amount of RON 2,336,692 and lease liabilities amounting to RON 1,475,248 related to operational leasing contracts, of which short-term liabilities amounting to RON 681,014 and long-term liabilities amounting to RON 794,234.

	Balance at 1 Jan 2021	Inputs	Outputs	Balance at 31 Dec 2021
Right of use	**2,749,317**	**125,526**	**(538,151)**	**2,336,692**
Of which:				
Right to use buildings	2,336,267	125,526	(388,678)	2,073,115
Right to use vehicles	413,050	-	(149,472)	263,578
Lease liability	**2,117,451**	**436,057**	**(1,078,259)**	**1,475,249**
Recognized depreciation	664,203	376,217	(137,626)	902,794
Interest expense	-	74,933	-	74,933

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

7. RIGHTS OF USE ASSETS (continued)

The net value of the assets at December 31, 2021 is in the amount of 1,433,898 (as of December 31, 2020, the net value of these assets was in the amount of RON 2,085,114).

Of which:

Net value of the right to use the assets: 1,229,231 RON

Net value of the right to use the vehicles: 204,667 RON

The remaining value of the debts at 31 December 2021: 1,475,249 RON

8. INVESTMENTS IN AFFILIATED ENTITIES

As of December 31, 2021, the investments held in affiliated entities in the amount of 841,908 lei are presented at cost.

None of the companies in which these investments are held shall be listed on the securities market. Holdings are valued at cost and tested for annual depreciation. To establish this, management uses a number of judgements and considers, among other factors, the duration and extent to which the value at the reporting date of the investment is lower than its cost; the financial health and short-term perspective of the affiliated entity, technological changes and operational and financing cash flows.

The company's investments in subsidiaries have changed during the reporting period, as of December 31, 2021 being:

Name of subsidiary	No titles	Percentage of holding and voting right (%)	Value
Electromagnetica Prestserv LTD	300	100%	30,000
Electromagnetica Fire LTD	799	99.875%	79,900
Procetel SA	42,483	96.548%	732,008
TOTAL			**841,908**

During 2021 Electromagnetica became the sole associate of the affiliated company Electromagnetica Prestserv SRL. It was taken over by assignment from the minority associate a number of 5 titles at the face value of 100 lei / title.

The company's investments in subsidiaries as at December 31, 2020 were:

Name of subsidiary	No titles	Percentage of holding and voting right (%)	Value
Electromagnetica Prestserv LTD	295	98.333%	29,500
Electromagnetica Fire LTD	799	99.875%	79,900
Procetel SA	42,483	96.548%	732,008
TOTAL			**841,408**

These companies will be included in the consolidated financial statements.

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

9. OTHER FIXED ASSETS

In this category are recorded the performance guarantees granted to customers who have been classified for the long term according to the concluded contracts.

The evaluation is done at cost and is tested annually for depreciation.

	December 31 2021	December 31 2020
Performance guarantees granted to customers	1,481,839	1,668,567
Long-term trade receivables	14,436,414	19,789,266
Adjustment trade receivables to present value	(1,515,401)	(2,097,083)
Other non-current assets in the long term	137,628	443,260
Total	**14,540,480**	**19,804,010**

The long-term trade receivables with a net value of RON 12,921,014 as of December 31, 2021 have been updated at the present value, and the effect of the time-value of the money was worth 1,515,401 lei. The current portion is recognized in commercial receivables (Note 11).

10. INVENTORIES

	December 31 2021	December 31 2020
Raw materials	9,892,908	6,889,170
Consumables	2,564,033	1,915,843
Finished products	3,037,841	3,621,418
Work in progress	2,730,442	1,699,973
Other inventories	2,168,220	1,094,643
Adjustments for depreciation of inventories	(2,272,135)	(1,818,372)
Total	**18,121,309**	**13,402,675**

Other inventories include inventory items, finished products or materials in custody of third parties and advances paid to suppliers of goods.

The movement in inventory depreciation adjustments is as follows:

	2021	2020
Balance at the beginning of the period	**1,818,372**	**1,707,149**
Depreciation adjustment record	657,136	1,045,050
Impairment adjustment mitigation	(203,373)	(933,827)
Balance ay yhe end of the period	**2,272,135**	**1,818,372**

The adjustments recorded during the reporting period relate to raw materials and materials without movement or slow motion and finished products without movement.

The company has no pledged inventories on account of debts.

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

11. TRADE RECEIVABLES

Receivables are recorded at nominal value and are recorded in the analytical accounts for each natural or legal person. Foreign currency receivables were assessed on the basis of the exchange rate in force at the end of the year and exchange differences were recognised as income or expenses of the period.

	December 31 2021	December 31 2020
Domestic trade receivables*	63,143,942	55,114,647
External trade receivables	7,159,872	8,031,013
Estimated trade receivables	4,563,460	1,165,173
Adjustment of internal receivables at present value	(844,317)	(790,431)
Impairment adjustments for trade receivables	(2,745,592)	(4,909,054)
Net trade receivables	**71,277,365**	**58,611,348**

Domestic commercial claims also include performance guarantees with a maturity of less than 1 year granted to customers. As of December 31, 2021 they are worth 1,490,726 Lei (31 December 2020: 676,756 lei).

Sales or service contracts concluded with customers under supplier credit terms have been discounted to present value. The total effect of the time value of the money was 2,359,718 lei, of which 844,317 lei for the term under one year and 1,515,401 lei for over one year. The portion over a year is recognized in Other fixed assets. (Note 9).

The movement within the impairment adjustments for trade receivables is as follows:

	2021	2020
Balance at the beginning of the period	**4,909,054**	**4,940,221**
Depreciation adjustment record	122,671	759,364
Impairment adjustment mitigations	(2,286,133)	(790,531)
Balance at the end of the period	**2,745,592**	**4,909,054**

Inquired or disputed customers are on December 31, 2021 in value of 2,745,592 lei (as of 31 December 2020 worth 4,909,054 lei).

The recorded value impairments refer to amounts not collected from inquired or disputed customers and for which it has been estimated that there is a risk of non-collection, corresponding to the policy adopted by the company.

The debt recovery period decreased in 2021 to 90 days compared to 2020 when 98 days were recorded.

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

11. Trade receivables (continued)

The maturity of the receivables at the date of drawing up the situation of the financial position was:

	Gross value December 31 2021	Provision December 31 2021	Gross value December 31 2020	Provision December 31 2020
Outstanding	45,714,287	-	41,690,599	-
Maturity exceeded between 1 – 30 days	14,525,950	-	9,058,359	-
Maturity exceeded between 31 – 90 days	1,437,305	-	2,469,064	-
Maturity exceeded between 90 – 180 days	848,511	-	995,204	-
Maturity exceeded between 180 – 365 days	3,221,172	-	1,339,762	-
More than a year	8,275,733	(2,745,592)	7,967,414	(4,909,054)
TOTAL	**74,022,958**	**(2,745,592)**	**63,520,402**	**(4,909,054)**

Receivables with a maturity of more than one year are largely related to state-funded programs that have undergone changes from the initial settlement deadlines.

12. OTHER CURRENT ASSETS

	December 31 2021	December 31 2020
Debtors	31,440	31,926
Prepaid expenses	775,029	902,401
Debtor suppliers	29,010	138,192
Other assets	1,234,187	809,831
Total	**2,069,666**	**1,882,350**

Upfront expenditure in the amount of 775,029 lei represents mainly rents paid in advance, insurance premiums for civil liability insurance administrators and various subscriptions.

In **Other assets** are mainly included non-chargeable VAT worth 154,949 lei, amounts to be recovered from social health insurance in the amount of 576,166 lei.

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

13. CASH AND CASH EQUIVALENTS

	December 31 2021	December 31 2020
Cash in the cashier's office	15,492	6,456
Current accounts with banks	2,907,501	20,101,494
Cash equivalents	417	510
Total	**2,923,410**	**20,108,460**

	December 31 2021	December 31 2020
Restricted cash	90,000	81,748
Total	**90,000**	**81,748**

Restricted cash is used to guarantee obligations (collateral cash).

14. SHARE CAPITAL

Share capital subscribed and paid up is worth 67,603,870 lei, composed of 676,038,704 shares with a nominal value of 0.10 lei/share.

The structure of shareholders holding over 10% of the share capital as of December 31, 2021 is as follows, according to the Central Depository Register:

	31 December 2021		31 December 2020	
Shareholder	**No. of shares**	**%**	**No. of shares**	**%**
PAS Association	163,688,186	24.2128	171,084,540	25.3069
SIF Oltenia SA	176,717,594	26.1402	176,717,594	26.1402
Individuals	258,948,826	38.3038	255,182,254	37.7467
Legal persons	76,684,098	11.3432	73,054,316	10.8062
Total	**676,038,704**	**100**	**676,038,704**	**100**

None of the shareholders has control over the relationship with the Company.

The company does not hold bonds, redeemable shares or other portfolio securities.

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

15. RESERVES

Legal reserve

	2021	2020
Balance at the beginning of the period	**19,789,854**	**19,680,554**
Increases	-	109,300
Decreases	-	-
Balance at the end of the period*	**19,789,854**	**19,789,854**

According to the Romanian legislation, companies must distribute an amount equal to at least 5% of the profit before tax, in legal reserves, until they reach 20% of the share capital. When this level has been reached, the company may make additional allocations only from the net profit. The legal reserve is deductible up to a rate of 5% applied to the accounting profit, before determining the corporate tax.

During the reporting period, the legal reserve was not established.

* From the value of the legal reserve as at December 31, 2021, the amount of RON 8,649,877 represents the balance of the inflation adjustment calculated from the application of IAS 29 (December 31, 2020: RON 8,649,877).

Revaluation reserves are in the amount of 154,178,085 lei as of December 31, 2021. Compared to the balance of the beginning of the period, they increased due to the revaluation surplus recorded.

	2021	2020
Balance at the beginning of the period	**110,800,133**	**113,135,988**
Net revaluation increases	47,508,201	-
Decreases	(4,130,249)	(2,335,855)
Balance at the end of the period	**154,178,085**	**110,800,133**

The company registers on 31 December 2021 **other reserves and equity items** worth 66,840,830 lei, out of which 98% of own sources of financing represent 98%.

	2021	2020
Balance at the beginning of the period	**64,516,529**	**62,841,298**
Increases	2,215,001	1,675,231
Decreases	109,300	-
Balance at the end of the period	**66,840,830**	**64,516,529**

Within the Electromagnetica's OGMS dated April 28, 2021, it was approved the allocation of the amount of 2,215,001 lei for reserves as own sources of financing.

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

16. RETAINED EARNINGS

As at 31 December 2021, the retained earnings resulting from the transfer of net revaluation reserves related to the amortised or decommissioned assets was RON 2,549,379.

17. INVESTMENT SUBSIDIES

	Total	Under one year old	Over a year's time
Investment grants at Dec. 31, 2021	4,247,088	163,219	4,083,869

	Total	Under one year old	Over a year's time
Investment grants at Dec. 31, 2020	4,410,306	163,219	4,247,087

In 2012, the company benefited from an investment subsidy of 5,997,788 lei granted for the modernization of the small hydropower plant from Brodina 2 (Suceava), which is transferred to income simultaneously with the registration of the depreciation of the fixed assets purchased within this project. The net book value of the fixed assets acquired through this subsidy are presented in Note 4.

18. PROVISIONS

Name	Balance 01.01.2021	Entries (establishment)	Outputs cancellation	Balance 31.12.2021
Provisions for performance guarantees to customers	1,120,000	-	-	1,120,000
Provisions for risks and charges	31,440	-	-	31,440
Provision for employee benefits	1,005,451	967,011	(782,739)	1,189,723
TOTAL	**2,156,891**	**967,011**	**(782,739)**	**2,341,163**

The company has concluded contracts for the delivery of lighting fixtures with warranty clause for long periods, respectively 2 to 4 years. The contracts do not provide for a percentage or an amount for the performance guarantee, the provision for which shall be calculated on the basis of the analysis of the history of the costs incurred with the products within the guarantee period.

The provision for employee benefits refers to the amount of holidays not taken in the previous year.

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

19. TRADE AND OTHER LIABILITIES

	December 31 2021	December 31 2020
Current trade payables		
Domestic trade payables	7,284,898	7,041,778
External trade payables	5,052,945	3,448,163
Estimated trade payables	10,706,476	15,437,277
Other current liabilities		
Advances received from customers	2,633,180	789,218
Salaries and social security	3,106,963	2,864,042
Income in advance	10,612	-
Loans under one year	20,960,469	579
Other debts	4,715,086	13,401,518
Total commercial and other debts	**54,470,629**	**42,982,576**

The debts are recorded at nominal value and are recorded in the analytical accounts for each natural or legal person. Foreign currency liabilities were assessed on the basis of the exchange rate in force at the end of the year and exchange differences were recognised as income or expense of the period.

The debt repayment period decreased to 67 days in 2021 compared to 71 days in 2020.

The company does not register significant outstanding business debts.

The company does not register overdue payments to employees and to the state budget, the amounts presented represent debts related to December 2021 and paid at the due date of January 2022.

The company does not have long-term loans taken out as of December 31, 2021.

The company has approved several credit agreements as of December 31, 2021. Their statement is set out in note 28 of these financial statements. The debts regarding the loans to be repaid under one year and the related interests as of 31 December 2021 are in the amount of 20,960,469 (2020: 579 lei).

Other debts are made up of guarantees received from tenants, VAT payable, other taxes and duties.

The guarantees received from tenants and those withheld from suppliers on December 31, 2021 are worth 3,260,132 lei and will be regularized according to the contractual clauses.

	Total	Less than a year	More than a year
Guarantees received for 2021	3,260,132	2,284,313	975,819

	Total	Less than a year	More than a year
Guarantees received for 2020	2,977,658	1,808,887	1,168,772

Leasing debts are presented in current and long-term liabilities. Their total value is 1,475,248 (Note 7).

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

20. INCOME

	2021	2020
Income	**340,745,893**	**283,151,730**
- Income from the production sold	86,237,900	75,957,981
- Rental income	18,693,383	17,623,999
- Income from the sale of goods	235,814610	189,569,750
Investment income	**338,665**	**932,082**
- Interest income	47,656	294,837
- Income from dividends	291,009	637,245
Change in the stock of finished goods and work in progress	**6,672,706**	**7,934,317**
Activity performed by the entity and capitalized	**3,978,888**	**1,481,686**
Other income /(expenses)	**3,909,884**	**10,794,514**
- Income from green certificates	2,214,221	3,491,118
- Net provisions	830,632	(350,749)
- Net exchange rate difference	(27,016)	(9,528)
- Other net income	892,047	7,663,673
Net revenue	**355,646,036**	**304,294,329**

Rental income for the year ended 31 December 2021 includes RON 2,810,015 representing rents related to real estate investments (the value in 2020 was 2,120,134 RON).

Net provisions represent income from impairment adjustments for inventory and receivables, as well as income/expenses with provisions for performance guarantees granted to clients.

The net income from the fair value valuation of real estate investments was in the amount of RON 181,401 and is found under other net income.

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

21. EXPENSES

	2021	2020
Material expenses	**293,207,949**	**219,528,624**
- Expenses on raw materials and consumables	44,305,973	43,352,953
- Expenses on goods	245,251,595	173,726,263
- Expenses on energy, water, gas	3,650,381	2,449,408
Expenses on employees	**32,660,256**	**30,490,094**
- Expenses on salaries	19,960,916	18,184,409
- Other staff costs	12,699,340	12,305,685
Other expenditure	**36,614,463**	**37,943,201**
- Postal expenses	261,888	245,145
- Maintenance and repair costs	385,287	419,828
- Rent costs	734,852	604,952
- Advertising and entertainment expenses	156,782	141,875
- Insurance costs	526,506	502,505
- Travel and journey costs	1,495,448	1,024,536
- Expenses on subcontracted works	8,779,127	7,840,473
- Expenses other taxes and fees	1,766,061	1,798,066
- Expenses related to consultants and collaborators	522,377	440,691
- Expenses on green certificates	5,693,121	8,859,234
- Other operating expenses	16,293,014	16,065,896
Depreciation and depreciation impairments	**8,789,780**	**10,199,234**
- Depreciation	8,984,154	9,184,330
- (Gain)/Impairment loss	(134,374)	1,014,904
Total expenses	**371,272,448**	**298,161,153**

Expenditures on raw materials, materials and goods have increased with the increase in prices for purchases for production and electricity.

On the line "Other operating expenses" are highlighted the services performed by third parties, banking services and assimilated, expenses related to fees and commissions etc.

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

22. FINANCIAL EXPENSES

	2021	2020
- Interests	449,143	25,227
- Bank fees	669,111	711,647
- Expenses of EMG GOLDSTAR securities	-	3,126,197
- Leasing interest	74,933	84,095
Total financial expenses	**1,193,187**	**3,947,166**

23. CORPORATE TAX

Corporation tax recognised in profit or loss:

	December 31 2021	December 31 2020
Current profit tax		
Current income tax expense	-	459,212
Deferred corporate tax		
Deferred tax revenue	(706,132)	(597,504)
	(706,132)	**(138,292)**

Reconciling profit before tax with income tax expense in the profit and loss account:

Indicator	December 31 2021	December 31 2020
Net accounting profit	**(16,113,467)**	**2,324,301**
Deductions	(3,971,274)	(5,212,568)
Non-taxable income	(9,165,928)	(12,789,215)
Non-deductible expenses	13,333,501	18,572,019
(Tax loss)/Taxable profit	(15,917,168)	2,894,537
Tax loss from previous years	-	-
Current profit tax	-	463,126
Corporate tax reduction	-	(3,914)
Income tax due at the end of the period	**-**	**459,212**

The tax rate used for the above reconciliations is 16%.

As of December 31, 2021, the total receivable regarding the current profit tax is in the amount of 599,937 lei (31 December 2020: 949,937 lei).

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

23. CORPORATE TAX (continued)

The analysis of the deferred income tax for the reporting period is presented below:

	Initial balance	Recognised in the profit or loss account (income)/ Expense	Recognized in other elements of the overall result	Final balance
Property, plant and equipment	18,434,454	(1,017,159)	7,289,742	24,707,037
The effect of the time value of money (receivables)	(462,002)	84,447	-	(377,555)
Debt value adjustments	(785,293)	336,961	-	(448,332)
Stock value adjustments	(290,940)	(38,328)	-	(329,268)
Employee benefits	(160,873)	(72,053)	-	(232,926)
TOTAL	**16,735,345**	**(706,132)**	**7,289,742**	**23,318,956**

The deferred profit tax on property, plant and equipment resulted from different accounting and fiscal depreciation periods and the surplus recorded as a result of the revaluation.

24. AVERAGE NUMBER OF EMPLOYEES

The average number of employees has evolved as follows:

	December 31 2021	December 31 2020
Management staff	43	41
Administrative staff	142	154
Production staff	200	192
Total	**385**	**387**

The high level of training of the employees allowed the company to undertake activities supported by research and development. The evolution of the employees structure according to the level of training is presented below:

	December 31 2021	December 31 2020
Highly educated staff	37%	30%
Staff with secondary education	35%	35%
Staff with technical studies	5%	5%
Staff with professional and qualified education	23%	30%
Average number of employees	385	387

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

24. AVERAGE NUMBER OF EMPLOYEES (continued)

The expenses on salaries and the corresponding taxes are as follows:

	2021	2020
Expenses on salaries	19,960,916	18,184,409
Other staff costs	12,699,340	12,305,685
Total	**32,660,256**	**30,490,094**

The company does not have a staff pension program specifically, but is contributing to the national pension program according to the legislation in force.

25. TRANSACTIONS WITH RELATED PARTIES

	2021	2020
Sale of goods and services to subsidiaries		
Electromagnetic Goldstar	-	111,762
Electromagnetic Wires	21,869	27,336
Electromagnetic Prestserv	21,025	20,828
Procetel	202,515	351,250
Total	**245,409**	**511,176**

	2021	2020
Purchases of goods and services from subsidiaries		
Electromagnetic Goldstar	-	261,255
Electromagnetic Wires	1,447,123	1,398,321
Electromagnetic Prestserv	1,136,465	1,063,462
Procetel	1,340,696	1,357,810
Total	**3,924,284**	**4,080,848**

	December 31 2021	December 31 2020
Trade and other liabilities to subsidiaries		
Electromagnetic Goldstar	-	-
Electromagnetic Wires	182,879	148,186
Electromagnetic Prestserv	120,633	107,281
Procetel	226,848	7,373
Total	**530,360**	**262,840**

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

25. TRANSACTIONS WITH RELATED PARTIES (continued)

	December 31 2021	December 31 2020
Trade receivables		
Electromagnetic Goldstar	-	-
Electromagnetic Wires	-	-
Electromagnetic Prestserv	-	-
Procetel	197,497	304,516
Total	**197,497**	**304,516**

The allowance of the members of the Board of Directors during 2021 was 288,217 lei (2020: 291,564 lei).

The company has no contractual obligations to former directors and directors and has not granted advances or credits to current directors and directors.

The company has no future obligations of the nature of guarantees on behalf of the directors.

Sales to affiliated companies include: miscellaneous material deliveries, rents, utilities.

Purchases from affiliated companies include: rents, utilities, cleaning and transport services, fire prevention and extinguishing services.

Procetel SA is a joint-stock company with headquarters in Calea Rahovei 266-268, Bucharest, sector 5, Trade Register Serial Number J40/10437/1991, CUI 406212, tel: 031.700.2614, fax: 031.700.2616, having as main activity Research and development in other natural sciences and engineering (CAEN code 7219). In the relationship with Electromagnetica carries out activities of renting spaces.

Electromagnetica Goldstar SRL was liquidated in December 2020.

Electromagnetica Prestserv SRL is a limited liability company with headquarters in Calea Rahovei 266-268, sector 5, building 1, 2nd floor, axes A-B, pillars 1-2, registered with the Trade Register Office attached to the Bucharest Court under no J40/1528/2003, CUI 15182750. In relation to Electromagnetica, it provides cleaning services (CAEN code 4311).

Electromagnetica Fire SRL is a limited liability company with headquarters in Calea Rahovei nr 266-268, sect. 5, body 2, ground floor, axes C-D, pillars 6 1/2 - 7, registered at the Trade Register Office attached to the Bucharest Court under no J40 / 15634/2006, CUI 19070708. In relation to Electromagnetica, it carries out activities in the field of fire protection, technical assistance for fire prevention and extinguishing, private emergency services on civil protection, interior design, electrical works and cleaning services.

Electromagnetica provides rental services to the affiliated companies Procetel, Electromagnetica Prestserv and Electromagnetica Fire.

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

26. RESULT PER ACTION

The result per action basic

During the reporting period, there were no changes in the share capital structure. The profit or loss per share is that presented in the statement of profit or loss and other comprehensive income. It was calculated as the ratio between the net profit related to ordinary shares and the weighted average of ordinary shares in circulation.

	2021	2020
Net profit attributable to shareholders	(16,113,467)	2,324,301
Weighted average number of ordinary shares	676,038,704	676,038,704
Result per action	(0.0238)	0.0034

Result per action diluted

For the calculation of the diluted earnings per share, the company adjusts the result attributable to the ordinary shareholders of the parent company and the weighted average of the shares in circulation with the effects of all ordinary shares potentially diluted. For the years 2021 and 2020 the Company records the result per share equal to the result per share diluted as there are no certain securities that allow them to be converted into ordinary shares at some point in the future.

27. INFORMATION ON SEGMENTS OF ACTIVITY

The company used as an aggregation criterion for reporting by activity segments the nature of the regulatory environment and identified the following business segments for which it presents the information separately:

- Licensed activity – supply and production of electricity
- Unlicensed activity – industrial production and space rental.

The aggregation criterion is based on the license required to carry out activities as well as the conditions imposed by it, including the presentation of separate financial statements. The electricity generation and supply activities have been aggregated, taking into account the fact that they represent an integrated process for a part of their operations.

Segment information is reported based on the Company's activities. Segment assets and liabilities include both items directly attributable to those segments and items that can be allocated on a reasonable basis.

Year 2021	Unlicensed activity	% Total company	Licensed activity	% Total company	Total company
Net profit	5,425,887	(33.67)	(21,539,354)	133.67	(16,113,467)
Total assets	383,184,763	85.89	62,973,092	14.11	446,157,855
Total liabilities	57,953,352	66.74	28,875,551	33.26	86,828,904
Customer revenue	103,741,405	30.45	237,004,488	69.55	340,745,893
Interest income	50,261	100.0	-	-	50,261
Depreciation and amortization	7,400,736	82.13	1,389,044	17.87	8,789,780

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

27. INFORMATION BY ACTIVITY SEGMENTS (continued)

Year 2020	Unlicensed activity	% Total company	Licensed activity	% Total company	Total company
Net profit	1,372,990	59.07	951,311	40.93	2,324,301
Total assets	300,770,286	74.21	104,505,301	25.79	405,275,587
Total liabilities	38,774,176	55.35	31,277,452	44.65	70,051,628
Customer revenue	90,662,869	32.02	192,488,861	67.98	283,151,730
Interest income	297,462	100.0	-	-	297,462
Depreciation and amortization	7,220,960	70.80	2,978,274	29.20	10,199,234

Main products and production structure

The company benefits from a variety of technologies and equipment that allows obtaining a diversified nomenclature of products. The share of the main product groups in the turnover related to production (excluding services) is the following:

LED lighting fixtures, systems and solutions

The production of LED lighting fixtures occupies the largest share in the production of goods of the company having (along with the charging stations for electric vehicles) a share of 52.44%. In 2021, the sales in this segment were an element of continuity, being in a slight increase, with 6.4% compared to those of 2020. The range of products covers almost all areas, both for public authorities (street or ornamental lighting for monuments) and companies (commercial and industrial spaces, offices) and for individuals (lighting fixtures for domestic use).

The competitive advantage of LED lighting equipment is due to the high efficiency (over 160 lm/w), the long service life (minimum 100,000 hours) as well as the high color rendering index (minimum 85%). In addition, LED luminaires offer quality light, are environmentally friendly and allow integration into telemanagement systems.

In 2021, 79 lighting fixtures and 5 charging stations for electric cars were introduced into manufacturing. Thus, 359 LED lighting fixtures are operational in the database, organized in 32 product families and 12 charging stations.

Electric vehicle charging stations

In recent years, the hybrid and electric vehicle market has experienced an accelerated development both in Europe and in Romania. The "green" cars, the electric ones together with the hybrid ones, have registered in our country, an accelerated growth.
Electromagnetica was among the first local companies that under the ELMotion brand designed and built such stations starting with 2017.

At the moment we have 12 types of charging stations, including those for fast charging (reaching up to 100 kW).

In order to support the owners of hybrid / electric vehicles, elmotion software was also developed that allows the identification of charging stations at national level and their availability. The application can be installed on mobile phones from Google Play and AppStore.

27. INFORMATION BY ACTIVITY SEGMENTS (continued)

Injection of plastics and molds

Electromagnetica benefits from a wide range of technologies, which allows the company to produce subassemblies from injected plastics for both domestic and export. The company currently has 25 injection machines, most of the products made being represented by injection parts for Makita Romania and in part, by injected parts for the automotive market. The company produces plastic subassemblies for Draexlmaier Romania which in turn supplies products for BMW and Maserati.

One of the important customers in this production segment is Makita Romania which has steadily increased its orders for boxes, housings and various plastic parts.

The production of injected plastic subassemblies and molds increased 50.5% compared to the previous year and in the context in which Electromagnetica developed a new lamp in which it uses as a thermal dissipation element an innovative radiator, produced by the injection of a thermally conductive plastic material.

This product group has the second largest share of the company's exports, with 25.7 % of the total. The production of injected plastic subassemblies benefits from the internal design, manufacture and repair of the molds through a dedicated compartment.

Low voltage electrical equipment

The production of low voltage electrical equipment (for ABB Italy) represents an element of continuity and stability within the production for export, registering an increase of 11.6% to a turnover of over 2.5 mil. Euro in 2021. The electrical equipment had in 2021 the largest share of exports with 60.7%.

Most of this activity is automated and robotic.

Railway traffic safety features

The sales of railway traffic safety elements increased by 19.4% compared to 2020, the orders for this production segment, from prestigious companies such as ALSTOM and SIEMENS, being largely dependent on the pace of modernization of the railway infrastructure, given that CFR Infrastructura is the final beneficiary of these services.

Production of electricity from renewable sources

Energy production is a field regulated by ANRE, the company holding a producer's license since 2007. The company owns 10 small hydropower plants in the Suceava river basin, which have been modernized and automated over time, reaching an installed power of 5.5 MW. In 2021, the energy production in its own small hydropower plants was 10,751 MWh, with a turnover increasing by 9.4%.

Approximately 38% of the need for green certificates for the entire portfolio of supply customers was also covered in 2021 by the certificates obtained for the energy production made by their own small hydropower plants.

Electricity supply service

The energy supply activity, operating within the framework regulated by ANRE, constitutes, together with the energy production, the segment of the licensed activities. The company holds the supplier license since 2001, which was renewed in 2013 based on the regulations of the new energy law (L123/2012), for another 10 years.

27. INFORMATION BY ACTIVITY SEGMENTS (continued)

Electricity supply service (continued)

In the first quarter of 2021, the licensed activity recorded a profit. In the second quarter the activity was strongly affected by the unpredictable increasing evolution of the purchase prices, while the renegotiation of the contracts with the clients/consumers was achieved gradually.

The increase in prices on all markets but especially on NDP(next day price - the average price for 2021 higher by 280% compared to 2020) and the fact that NDP had a market share of 45.14% in Romania was reflected negatively in the results of Electromagnetica and the other 273 participants in the wholesale market.

However, even in the conditions of an unpredictable and unfavorable energy market, Electromagnetica has not terminated any trading or supply contracts, managing to renegotiate them in order to obtain more favorable conditions. The turnover for the supply activity increased by 23.3%.

Starting with November, the company informed consumers of the provisions of GEO 118 regarding the electricity compensation scheme, subsequently applying the legal prescriptions to the consumers who were classified and sent the necessary documentation.

Rental and utilities supply services

Electromagnetica manages approximately 34,500 sqm of spaces for rent in Bucharest and 3,500 sqm in Varteju, Ilfov County. At the end of 2021, for the headquarters in Calea Rahovei 266-268, the average rental rate was 90.02%. For the spaces in varteju (Magurele) village, the renting degree was 100%.

The activity of renting and supplying utilities registered an increase of 6.1% compared to the previous year, a result of the increase of the average euro / leu exchange rate that evolved favorably compared to 2020, of the maintenance of rental rates and of tenant inflows slightly higher than their exits, given the reduction of the rental degree from 94.34% to 90.02% following the evolution of the rental market during the extended period of the pandemic.

28. RISK MANAGEMENT

The company is exposed to the following risks:

Capital risk

Capital risk management aims to ensure the ability of the company to carry out its activity in good conditions through an optimization of the capital structure (equity and debts). In the analysis of the capital structure, the cost of capital and the risk associated with each class are monitored. In order to maintain an optimal capital structure and a proper degree of indebtedness, the company has proposed to the shareholders in recent years an adequate dividend policy, which would ensure its own sources of financing. The absence of financing sources may limit the expansion of the company in the segments of the market where the sale is supported by the provision of commercial facilities.

The company monitors capital based on the degree of indebtedness. This indicator is calculated as the ratio of lease liability under IFRS 16 net to total committed capital. Net liability is calculated as the sum of total loans and total suppliers and other liabilities (as shown in the statement of financial position) minus cash and cash equivalents. Total committed capital is determined as the sum between net liability and equity (as shown in the financial position).

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

28. RISK MANAGEMENT (continued)

Capital risk (contnued)

The debt ratio at 31 December 2021 was as follows:

	December 31 2021	December 31 2020
Total loans (IFRS 16 lease liability)	1,475,248	2,117,451
Suppliers and other current debts	54,470,629	42,982,576
None: Cash and Cash Equivalents	(2,923,410)	(20,108,460)
Net current liabilities/(assets)	**53,022,467**	**24,991,567**
Equity	**359,328,951**	**335,223,960**
TOTAL COMMITTED CAPITAL	**412,351,418**	**360,215,527**
Leverage ratio	**12.86%**	**6.94%**

Credit risk

The credit risk consists in the event that the contracting parties violate their contractual obligations leading to financial losses for the company. When possible and the practice of the market allows it the company asks for guarantees. Commercial receivables come from a wide range of clients who work in various fields of activity and in different geographical areas. In order to counteract this risk factor, the company has applied restrictive policies of delivery of products to uncertain customers. Policies were contracted to insure the receivables on the foreign market. Due to the increased incidence in the economy of the insolvency cases, there is a concrete risk regarding the recovery of the value of the products and / or services provided before the declaration of the state of insolvency. The company pays increased attention to the creditworthiness and financial discipline of the contractual partners.

	2021	2020
Commercial receivables (TL and TS)	85,680,217	77,972,098
Other receivables (TL and TS)	2,807,231	3,275,547
Cash and cash equivalents	2,923,410	20,108,460
	91,410,858	**101,356,105**

Market risk

Market risk includes: the risk of changes in interest rates, exchange rate, purchase price of goods.

Risk with regard to **change in interest rates** it is kept under control due to the investment policy of the company from its own sources of financing, which leads to the use of credit lines only for short periods.

The company is exposed **currency risk** due to the fact that the supply of materials is mostly made of import and that the share of export has increased. In order to limit the effect of foreign exchanges, the calendar of payments was correlated with that of foreign currency receipts, the company achieving, as a rule, a cash-flow surplus. The company permanently monitors and manages the exposure to the exchange rate change.

The foreign currencies most often used in transactions are EUR, USD and MDL. Foreign currency assets are represented by customers and available in foreign currency. Foreign currency liabilities are represented by suppliers.

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

28. RISK MANAGEMENT (continued)

Market risk (continued)

As of December 31, 2021, their situation is as follows:

	Assets	Debt	Net exposure
EUR	1,578,108	710,237	867,871
USD	21,610	128,084	(108,878)
MDL	1,862,767	-	1,862,767

As of December 31, 2020, their situation is as follows:

	Assets	Debt	Net exposure
EUR	1,531,352	648,630	882,721
USD	21,610	73,051	(51,442)
MDL	1,744,402	-	1,744,402

From the analysis of the sensitivity of the currency risk to a +/-10% variation of the exchange rate, the impact on the gross result of the year is +/-427,724 lei.

This analysis shows the exposure to the risk of translation at the end of the year; however, the exposure during the year is continuously monitored and managed by the company.

Price risk includes the risk of changing the purchase price of the goods, the exchange rate and the interest rates. Of the markets in which the company operates, the energy market is the one with the highest price risk, taking into account the price volatility on the Day-Ahead market and the Balancing Market, as well as the non-existence of long-term hedging mechanisms.

Liquidity and cash-flow risk

The treasury function of the company prepares forecasts regarding the liquidity reserve and maintains an adequate level of credit facilities so that it can prudently manage liquidity and cash-flow risks. At the same time, the investments were limited to their own sources of financing and to those that have a direct contribution to the turnover. The liquidity and cash-flow risk management policy must adapt to the new, more demanding commercial practices. This risk is closely related to the risks presented above.

Below is the statement of claims and liabilities according to maturity:

	31 December 2021	0 - 1 year	1 - 2 years	2 - 5 years	Across 5 years
Trade and other receivables	86,945,845	72,405,365	6,395,993	8,144,487	-
Trade and other debts	56,921,696	56,921,696	-	-	-

	31 December 2020	0 - 1 year	1 - 2 years	2 - 5 years	Across 5 years
Trade and other receivables	78,814,110	59,558,612	7,552,175	11,703,323	-
Trade and other debts	44,267,529	44,267,529*	-	-	-

*) Amount of 44,267,529 lei includes the amount of 9,021,307 lei representing the fine notifcated by the Competition Council. The company requested to ANAF the suspension of this amount according to art.235 of the Fiscal Procedure Code. In 2021, it was paid.

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

28. RISK MANAGEMENT (continued)

Liquidity and cash-flow risk (continued)

Fair value hierarchy of financial assets and financial liabilities

31 December 2021	Book value	Value Justa	Level
Financial assets			
Commercial receivables	88,487,448	88,487,448	Level 1
Cash and cash equivalents	2,923,410	2,923,410	Level 1
Other current assets	2,669,603	2,669,603	Level 1
	94,080,462	**94,080,462**	

31 December 2021	Book value	Value Justa	Level
Long-term financial liabilities			
Commercial and other debts	1,770,053	1,770,053	Level 1
	1,770,053	**1,770,053**	
Short-term financial liabilities			
Commercial debts	55,151,644	55,151,644	Level 1
	55,151,644	**55,151,644**	

31 December 2020	Book value	Value Justa	Level
Financial assets			
Commercial receivables	77,972,098	77,972,098	Level 1
Cash and cash equivalents	20,108,460	20,108,460	Level 1
Other current assets	3,275,547	3,275,547	Level 1
	101,356,105	**101,356,105**	

31 December 2020	Book value	Value Justa	Level
Long-term financial liabilities			
Commercial and other debts	2,481, 554	2,481,554	Level 1
	2,481,554	**2,481,554**	
Short-term financial liabilities			
Commercial debts	43,787,245	43,787,245	Level 1
	43,787,245	**43,787,245**	

28. RISK MANAGEMENT (continued)

Political and legislative risk

It has become more important with the significant increase in energy prices, the Government trying through Ordinance 118/2021 and subsequent amendments to cap energy prices or to impose the deduction from invoices of regulated tariffs (for non-household consumers) with immediate effects in the cash-flow of energy suppliers. These measures, especially if they are extended beyond April 2022, will affect almost exclusively the electricity suppliers, who will have to resort to lines of credit to finance its activity, given that in the supply activity the profit margin is very small and the return of the money by the state has been delayed and will probably be very difficult even after a few months.

Risk related to the lack of qualified human resources:

This risk has become an important one both for Electromagnetica and at the country level. Due to factors such as: massive migration, strong competition and the relatively high salary level in Bucharest area, the company faced at recruitment announcements a lack of qualified workers for productive activities, such as: locksmiths, millers, lathes, lathes, etc. In order to counter this situation, emphasis was placed on the retraining and qualification of their own employees where vacancies appeared through retirement and also on continuous professional training programs for new employees. It is also considered the application of an internship program with the possibility of keeping in society the respective persons after the end of the internship period.

Risk regarding data protection and processing

The risk can be generated by situations such as accidentally losing or modifying data, as well as unauthorized access to personal data. Regardless of the processing grounds, Electromagnetica complies with the obligations stipulated in the General Data Protection Regulation (GDPR) – Regulation (EU) 2016/679 including the obligation to inform the data subject, at the time of data collection.

Medical risks (Covid 19 pandemic)

It remains one of the most important risks that the company will face in 2022. Although at the time of writing this Report, the rate of infection with the Omicron variant is decreasing and many countries have begun to lift restrictions, it cannot be said that the pandemic is over this year. The return to normal will have a certain inertia especially regarding the orders or the reduction of the deadlines for the acquisition of raw materials. At the Electromagnetic level, we will continue to implement all the measures so far, especially related to access, temperature measurement and the possibility of disinfection at the access points and in crowded areas.

General framework for risk management

The Board of Directors of the company has general responsibility for the establishment and supervision of the risk management framework at the level of the company.

The activity is governed by the following principles:

a. the principle of delegation of powers;
b. the principle of decision-making autonomy;
c. the principle of objectivity;
d. the principle of investor protection;
e. the principle of promoting the development of the stock market;
f. the principle of active role.

The Board of Directors is also responsible for examining and approving the strategic, operational and financial plan of the company, as well as the corporate structure of the company.

28. RISK MANAGEMENT (continued)

General framework on risk management (continued)

The company's risk management policies are defined in such a way as to ensure the identification and analysis of the risks faced by the Company, the establishment of appropriate limits and controls, as well as the monitoring of risks and compliance with the established limits. Risk management policies and systems are regularly reviewed to reflect changes in market conditions and in the company's activities. The company, through its standards and procedures of training and management, aims to develop an orderly and constructive control environment, within which all employees understand their roles and obligations.

The internal audit of the company's entities supervises the way in which the management monitors the compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks it faces.

29. COMMITMENTS AND POTENTIAL LIABILITIES

Commitments

As of December 31, 2021, the Company has commitments granted by four financing banks as follows:

- for bank loans in the form of overdrafts for working capital in the amount of RON 44,000,000;
- non-cash guarantee agreements in the amount of RON 34,000,000.

As of December 31, 2021, the Company had at its disposal an amount of RON 23,108,706 from the loan facilities contracted with the banks.

As of December 31, 2021, the Company had at its disposal the amount of RON 4,233,387, as unused, from the non-cash facilities for letters of guarantee.

According to the current loan agreements, the Company is subject to the fulfillment of certain conditions imposed by the banks. As of December 31, 2021, the Company complied with all the financial indicators imposed in the financing contracts.

The commitments granted to the Company are guaranteed with accounts opened with the creditor banks, receivables, collateral deposits in the amount of RON 90,000, tangible assets (land, buildings) amounting to RON 128,257,362 (Note 4).

The commitments received from customers and tenants in the form of letters of guarantee as of December 31, 2021, are worth 178,650 lei according to the contractual clauses.

Litigation

The disputes in which the company is involved are of values that are not likely to affect the financial stability of the company. Scotland manages disputes through its own legal department and through collaborations with external partners specialized in managing specific conflicts.

30. SUBSEQUENT EVENTS

The regularization of the final quota of green certificates for the energy supply activity carried out in 2021 was not reflected in the financial statements due to the delayed publication of the ANRE order no. 14/23.02.2022. Regularization will not have an influence on profit.

The ongoing military operation in Ukraine and the related targeted sanctions against the Russian Federation may have an impact on European and global economies. The entity has no significant direct exposure to Ukraine, Russia or Belarus. However, the impact on the overall economic situation may require a review of certain assumptions and estimates. This may lead to significant adjustments to the carrying amount of certain assets and liabilities in the following financial year. At this stage, management is not able to reliably estimate the impact because events are ongoing.

The longer-term impact can also affect trading volumes, cash flows and profitability. However, at the time of these financial statements, the Company continues to meet its obligations as they mature and therefore continues to apply the business continuity preparation basis.

Also, the management has no knowledge of events, economic changes or other uncertainty factors that could significantly affect the income or liquidity of the company, other than those mentioned.

These separate financial statements were approved for issuance by management on March 23, 2022:

EUGEN SCHEUŞAN	**CRISTINA FLOREA**
General Manager	**Financial Manager**

ANNUAL REPORT 2021

CONSOLIDATED FINANCIAL STATEMENTS

according to the provisions of art.63 of law 24/2017, annex 15 to the ASF Regulation no. ANRE President's Order no. 5/2018 and the Bucharest Stock Exchange Code

This is a free translation from the original Romanian version.

Contents:

1. ELECTROMAGNETIC IDENTIFICATION DATA:

Date of report:	**31.12.2021**
Company Name:	**Electromagnetica SA**
Registered Office:	**Bucharest, Sector 5, Calea Rahovei nr 266-268, postal code 050912**
Tel/ Fax:	**021 404 21 02/ 021 404 21 95**
NAIL	**RO 414118**
No registration at ORCTB:	**J40/19/1991**
Regulated market:	**BVB, Equity Sector, Shares, Premium Category**
Symbol of the market:	**ELMA**
Number of shares:	**676,038,704**
Nominal value:	**0.1000 ron**
Share capital:	**67,603,870.40 lei**
LEI code:	**254900MYW7D8IGEFRG38**

2. PRESENTATION AND HISTORY OF THE GROUP

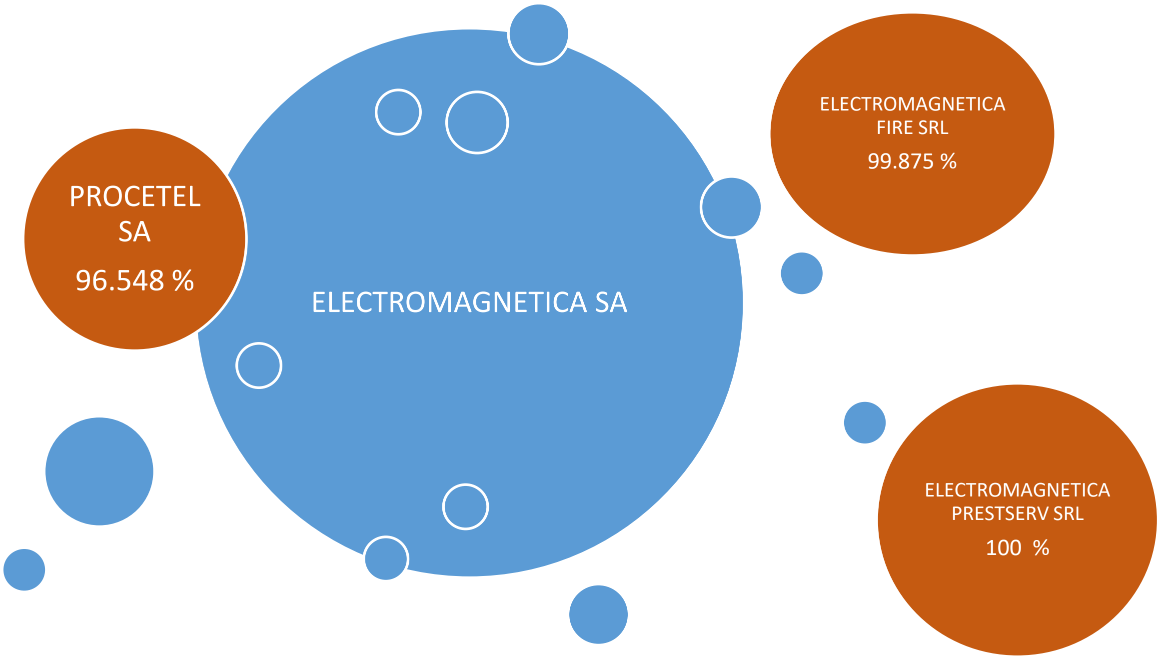
The mother company was founded in 1930, under the initial name of "Romanian Electric Standard". The other entities within the Group have been established as follows:

Procetel SA – was founded in 1991, having as main object of activity research and development in other natural sciences and engineering.

Electromagnetica Prestserv LTD – it was established in 2003, through the outsourcing of cleaning services within ELMA.

Electromagnetica Fire LTD – was established in 2006, by outsourcing of technical assistance services for fire prevention and extinguishing and private emergency services on civil protection.

3. GROUP STRUCTURE IN 2021



4. GENERAL PRESENTATION OF THE GROUP'S ACTIVITY

4.1. General presentation of the parent society

Electromagnetica SA is a joint stock company, founded in 1930, with Romanian legal personality and unlimited life that is organized and functions according to the statute and based on Law no. 31/1991 republished, in compliance with the Law on the capital market no.297/2004 and the Law on issuers of financial instruments no. 24/2017.

The share capital of the company is 67,603,870.40 lei divided into 676,038,704 common, registered and dematerialized shares, registered in electronic account in the shareholders' register kept by The Central Depository SA. According to the company's bylaws, the main object of activity is the manufacture of instruments and devices for measurement, verification, control, navigation (NACE code 2651).

Electromagnetica SA, as a commercial company whose shares are admitted on a regulated market (Bucharest Stock Exchange, Premium category, symbol ELMA) adopted IFRS (International Financial Reporting Standard), starting with the financial year 2012. The financial statements for 2021 were prepared in accordance with the provisions of OMFP 2844/2016 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards adopted by the European Union.

The company prepares consolidated financial statements as the parent company of a group of companies.

4.2. General presentation of the subsidiaries

Procetel SA is a joint stock company with the headquarters in Calea Rahovei 266-268, Bucharest, sector 5, registration number at the Trade Register J40/10437/1991, CUI 406212, tel: 031.700.2614, fax: 031.700.2616, having as main activity Research and development in other natural sciences and engineering (CAEN code 7219). Currently, the company's revenues come mostly from the activity of renting spaces, but the company also provides activities of sale, installation and service of air conditioning. Electromagnetica SA's holding in Procetel SA is 96.548% of the capital. The company is managed by a sole administrator, Mrs. Antoinette Monica Stanila, with a mandate of 4 years starting with 15.08.2018

Electromagnetica Prestserv LTD is a limited liability company with headquarters in Calea Rahovei 266-268, sector 5, building 1, 2nd floor, axes A-B, pillars 1-2, registered at the Trade Register Office attached to the Bucharest Court under no J40 / 1528/2003, CUI 15182750, which provides cleaning services. Electromagnetica owns 100% of the company's capital. The company is managed starting with July 2021 by a sole administrator, in the person of Mrs. Antoaneta Monica Stanila.

Electromagnetica Fire LTD is a limited liability company with headquarters in Calea Rahovei nr 266-268, sect 5, corp 2, ground floor, axes C-D, pillars 6 1/2 - 7, registered with the Trade Register Office attached to the Bucharest Court under no J40 / 15634/2006, CUI 19070708, which carries out activities in the field of fire protection, technical assistance for fire prevention and extinguishing and private emergency services on civil protection. Electromagnetica owns 99.875% of the share capital. The company is managed by a sole administrator, in the person of Mrs. Rogoz Maria, whose mandate was extended by another 4 years starting with 26.03.2018.

5. MERGERS, REORGANIZATIONS AND LIQUIDATIONS OF THE SUBSIDIARIES IN 2021

The group of companies, within which Electromagnetica SA is a parent company, consists of Procetel SA, Electromagnetica Fire SRL and Electromagnetica Prestserv SRL, these representing mainly outsourcing of some services. During 2021 the only change was the withdrawal of mr. Ciobanu Gheorghe as minority shareholder and administrator of the company and Electromagnetica Prestserv SRL. Thus, Electromagnetica increased its share from 98.335% to 100% and adimistrator became Mrs. Antoaneta Monica Stanila.

6. THE TRANSACTIONS OF THE PARENT COMPANY WITH THE RELATED PARTIES

Sales of goods and services to subsidiaries, in total of 245,409 lei, include deliveries of various materials, rents and utilities. Purchases from subsidiaries, totaling 3,924,284 lei, mainly include services (repairs, cleaning and transport services, security and fire protection).

7. THE CONTRIBUTION OF THE PARENT COMPANY TO THE GROUP'S RESULT

In the table below you can see the low share of the other companies in the group at the consolidated results:

	31 December 2021			31 December 2020		
	Group	Society - mother	% parent company	Group	Society - mother	% parent company
	Lei	Lei		Lei	Lei	
Fixed assets	355,276,552	351,166,167	98.84	311,630,542	309,840,532	99.43
Current assets	99,665,773	94,991,688	95.31	99,183,339	94,954,770	95.74
Equity attributable to the shareholders of the company	368,760,432	359,328,951	97.44	341,932,461	335,223,960	98.04
Long-term debts	28,738,332	29,172,878	101.47	23,318,824	23,463,987	100.62
Current liabilities	57,114,052	57,656,025	100.96	45,776,081	46,107,356	100.72

8. DESCRIPTION OF THE GROUP'S ACTIVITY AND OF THE PARENT COMPANY

ELECTROMAGNETIC has the following main business lines:

A. Products and services to increase energy efficiency
B. Production and supply of electricity
C. Space rental and real estate development
D. Other products and activities developed:

The parent company provides to the subsidiaries rental and utilities supply services.

The description of Electromagnetica's activity can be found in **Annual Report 2021 – Separated situations** published with this report.

PROCETEL SA it mainly carries out rental activities. Another activity was the delivery, installation and maintenance of air conditioners which represented 20% of the turnover. The rental services received by the parent company from Procetel SA are carried out with the right to rent to independent entities because the subsidiaries do not have sufficient and specialized staff for the management of these lease agreements. The subletting of the spaces is made without applying a profit margin and without charging a commission for these services provided to the affiliates.

ELECTROMAGNETICA PRESTSERV SRL provides cleaning services in the relationship with the mother company.

ELECTROMAGNETICA FIRE SRL carries out in the relationship with the parent company activities in the field of fire protection, technical assistance for fire prevention and extinguishing, private emergency services regarding civil protection, interior design, electrical works and cleaning services.

9. THE MAIN EVENTS WITH SIGNIFICANT IMPACT IN THE FUNCTIONING OF THE COMPANY

During 2021, COVID 19 pandemic had a significant impact on Electromagnetica's activity and its subsidiaries, reflected in the company's results.

This event had both direct effects in organizing and carrying out activities and indirect effects by decreasing the volume of orders received from customers.

Sustained efforts have been made to prevent infections, applying preventive and access control measures such as monitoring the temperature at the entrance, repeated disinfection of spaces during the day, installation of antibacterial gel dispensers at the main access doors, training of employees as well as shifting of the program. At the same time, where the activity allowed it, it was switched, by rotation, to the teleworking regime.

In case of occurrence of cases of infection with SARS-COV 2 virus or even at the suspicion of the existence of such a possibility in employees, epidemiological investigations were made and, at the company's expense, it was passed to the extended testing of the respective employees or colleagues of the infected persons. Thus, during 2021 they have more than 20 antibody tests and 220 PCR tests were made at the company's expense. Disposable protective masks were distributed free of charge to the employees. The infected persons were provided with a first counseling by the occupational medicine doctor, recommending in all cases the isolation at home and contacting the family doctor and the sanitary authorities.

Through the Legal Office, the heads of the workplaces were periodically informed of the decisions taken by the Government, the Committee for Emergency Situations, the Ministry of Health and other bodies involved, following that they will dissipate the information to the subordinated persons.

10. EVALUATION OF ASPECTS RELATED TO THE COMPANY'S EMPLOYEES

Parent Society (ELECTROMAGNETICA):

The high level of training of the employees allowed the company to undertake both productive and research and development activities. In 2021 the average number of employees was 385, down by 2 persons compared to the previous year. The decrease was due mainly to objective causes (retirement).

Of the employees, 37% are highly educated and 35% have secondary education. The company's staff follows a continuous professional training program, each employee benefiting on average 26 h / year of professional training, internal and external training on quality topics, occupational health and safety, environment etc.

No new cases of professional illnesses were recorded. The relations between management and employees take place under normal conditions. The degree of trade unionization is about 60% and there have been no labor conflicts between the employer and the trade union. More information on social and personnel policy, occupational health and safety policy, human rights compliance policy and related key performance risks and indicators are available in the Non-Financial Statement of the Board of Directors for 2021 published together with this report on the company's website www.electromagnetica.ro.

For the other companies in the group:

Company	Average number of employees
ELECTROMAGNETICA FIRE SRL	24
ELECTROMAGNETICA PRESTSERV SRL	19
PROCETEL SA	5

In 2021, no new cases of professional illnesses or events with major impact on the health and safety of people were recorded.

11. THE IMPACT OF THE GROUP'S ACTIVITY ON THE ENVIRONMENT

Electromagnetica SA has all the legal environmental authorizations, necessary for carrying out the activity, having implemented an Environmental Management System according to SR EN ISO 14001:2015. The company does not carry out activities with significant impact on the environment and does not have disputes regarding the violation of the legislation on environmental protection.

The other companies in the group carry out their activity in the same premises (ELECTROMAGNETICA BUSINESS PARK), do not have activities that by their nature pollute the environment and comply with the same rule regarding compliance with environmental requirements.

12. RISK MANAGEMENT OBJECTIVES AND POLICIES. RISK FACTORS.

For Electromagnetica SA, the detailing of the risks and the way they are managed is described in Chapter 8 *Administrators' Report – Individual Situations.* The risks of the other companies in the group related to the market, non-payment and cash-flow are closely related to the parent company, for which they provide activities almost exclusively.

Independently, the risks related to sanctions (including those GDPR), those related to the lack of qualified human resources and the medical ones (e.g. the coronavirus pandemic) remain. In order to minimize these risks, the group companies participate in the compliance courses organized by the parent company and rely on the same procedures of work and action in special cases, elaborated by Electromagnetica SA.

13. THE PERSPECTIVE ELEMENTS OF THE SOCIETY

Being mostly dependent on the commercial relations with the parent company, the perspective of the companies in the group depends on its evolution. Flax **Administrators' Report – Individual Situations** are describing the market trends and commercial policies of Electromagnetica.

Procetel SA , having also activities to third parties, has proposed for 2022 an increase of 5% of the profitability of the activity by increasing the degree of renting spaces (occupancy degree minimum 85%), especially due to the modernization of the spaces offered.

14. CONSOLIDATED FINANCIAL STATEMENT AS AT DECEMBER 31, 2021 (ALL AMOUNTS ARE EXPRESSED IN RON, UNLESS OTHERWISE SPECIFIED)

NOTE : The results of the group are strongly influenced by the results of the parent company, having the same trend.

14.1. Financial position

	December 31, 2021	December 31, 2020
ACTIVE		
Non-current assets		
Property, plant and equipment	321,032,559	275,842,017
Investment property	19,355,453	15,394,199
Intangible assets	143,393	293,334
Other non-current assets in the long term	14,540,480	19,804,010
Assets related to rights of use	204,667	296,981
Total non current assets	**355,276,552**	**311,630,542**
Current assets		
Inventories	18,411,084	13,668,013
Trade receivables	71,519,748	58,165,420
Cash and cash equivalents	7,086,289	24,487,010
Other current assets	2,061,387	1,923,621
Current tax assets	587,266	939,275
Total current assets	**99,665,773**	**99,183,339**
Total assets	**454,942,325**	**410,813,880**
EQUITY AND DEBTS		
Equity		
Share capital	67,603,870	67,603,870
Reserves and other equity items	218,401,625	179,498,193
Retained earnings	82,754,937	94,830,398
Total equity attributable to the shareholders of the company	**368,760,432**	**341,932,461**
Minority interests	329,509	266,799
Total equity	**369,089,941**	**342,199,260**
Long-term liabilities		
Trade payables and other liabilities	975,819	1,168,772
Investment subsidies	4,083,869	4,247,088
Deferred tax liabilities	23,542,324	17,693,690
Leasing debts	136,320	209,274
Total long-term liabilities	**28,738,332**	**23,318,824**
Current liabilities		
Trade payables and other liabilities	54,496,194	42,836,933
Investment subsidies	163,219	163,219
Provisions	2,383,553	2,199,281
Current income tax liabilities	-	-
Leasing debts	71,085	96,363
Total current liabilities	**57,114,052**	**45,295,796**
Total liabilities	**85,852,384**	**68,614,620**
Total equity and liabilities	**454,942,325**	**410,813,880**

14.2. The consolidated profit and loss result is presented as follows:

	The 12-month period ended at 31 December 2021	The 12-month period ended at 31 December 2020
Income	**340,910,872**	**284,241,630**
Investment income	47,844	294,837
Other net income	4,464,607	3,849,923
Change in inventories of finished products and work in progress	6,672,706	7,935,885
Activity performed by the entity and capitalized	3,978,888	1,481,686
Raw materials and consumables used	(293,323,283)	(219,985,251)
Employee-related expenses	(35,327,205)	(33,725,428)
Expenses related to depreciation and impairment	(7,832,927)	(9,062,943)
Other net expenses	(34,337,887)	(36,829,837)
Financial expenses	(1,142,595)	(750,248)
Profit/(Loss) before tax	**(15,888,980)**	**(2,549,747)**
Income tax	660,752	97,034
Profit/(Loss) of the period	**(15,228,228)**	**(2,452,714)**

14.3. Consolidated cash flow

	The 12-month period ended at 31 December 2021	The 12-month period ended at 31 December 2020
Net cash generated by operating activities	(36,350,196)	1,932,718
Net cash used in investment activities	(766,934)	(460,533)
Net Cash used in financing activities	19,716,410	(3,204,911)
Net decrease in cash and equivalency. cash	(17,400,720)	(1,732,726)
Cash and equivalency cash at the beginning of the period	24,487,010	26,219,735
Cash and equivalency. cash at the end of the period	7,086,289	24,487,010

15. DIVIDEND POLICY

Of the group's companies, two have offered dividends in the last 3 years:

Electromagnetica SA

for 2019 – a dividend of 0.004 lei/share was granted,
for 2020 - no dividends were given.
for 2021 - will be decided in the General Meeting of Shareholders in 2022.

Procetel SA

for 2019 – dividends amounting to 660,630 lei (15.6 lei / share) were granted
for 2020 - dividends amounting to 301,413.7 lei (6.85 lei / share) were granted
for 2021 - will be decided in the General Meeting of Shareholders in 2022.

16. INDEPENDENT EXTERNAL AUDITOR

Following the OGAS of April 2021, it was decided to mandate Deloitte Audit SRL in order to audit the financial statements for the years 2021 and 2022. The audit company is represented by Mr. Zeno Caprariu – Audit Partner.

Identification data of **Deloitte Audit SRL** are the following:

CIF RO 7756924 , Registration no. with the Trade Register 40/6775/1995

Authorization of the Chamber of Financial Auditors of Romania no. 25/25.06.2001

The headquarters of the company – Bucharest, Sector 1, Calea Grivitei 82-98 , The Building "The Mark"

Tel. 021/222.16.61, Fax 021/319.51.00

NOTE:

In the current material are presented only the elements characteristic of the consolidated situations respectively, those referring to the group of companies controlled by Electromagnetica. The parent company is the only one that carries out production activities. Since the group's activity is mostly determined by the activity of the parent company (> 97% of revenues), all the other aspects described in the *Administrators' Report – Individual Situations* are also valid for *Administrators' Report – Consolidated statements*, without being resumed in this material

CA President/General Manager	**Director Economic**
Eugen Scheusan	**Cristina Florea**

ELECTROMAGNETICA S.A.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Prepared in accordance with
Order of the Minister of Public Finance no. 2844/2016 the approval of Accounting Regulations in accordance with International Financial Reporting Standards adopted by the European Union

(Together with the independent auditor's report)

This is a free translation from the original Romanian version.

Deloitte Audit S.R.L.
Clădirea The Mark Tower,
Calea Griviței nr. 82-98,
Sector 1, 010735
București, România

Tel: +40 21 222 16 61
Fax: +40 21 222 16 60
www.deloitte.ro

INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
ELECTROMAGNETICA S.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the consolidated financial statements of ELECTROMAGNETICA S.A. and its subsidiaries (the Group), with registered office in Bucharest, Sector 5, 266-268 Rahova Blvd, identified by unique tax registration code 414118, which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and notes to the consolidated financial statements.

2. The financial statements as at December 31, 2021 are identified as follows:

• Net assets / Equity	RON 369,089,941
• Net loss for the financial year	RON (15,228,228)

3. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Ministry of Public Finance Order no. 2844/2016, with subsequent amendments for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named "the Regulation") and Law 162/2017 ("the Law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to be communicated in our report.

Other information

6. The administrators are responsible for the preparation and presentation of the other information. The other information comprises the Administrators' Consolidated report, which includes the non-financial information declaration, and also the Remuneration Report, but does not include the consolidated financial statements and our auditor's report thereon.

   Our opinion on the financial statements does not cover the other information and, unless otherwise explicitly mentioned in our report, we do not express any form of assurance conclusion thereon.

   In connection with our audit of the consolidated financial statements for the year ended December 31, 2021, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

   With respect to the Administrators' report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, with subsequent amendments.

   With respect to the Remuneration report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Law 24/2017, article no. 107.

   On the sole basis of the procedures performed within the audit of the consolidated financial statements, in our opinion:

   a) the information included in the Administrators' consolidated report and the Remuneration report for the financial year for which the financial statements have been prepared, is consistent, in all material respects, with these financial statements;
   b) the administrators' consolidated report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, with subsequent amendments;
   c) the Remuneration report has been prepared, in all material respects, in accordance with the provisions of Law 24/2017, article no. 107.

   Moreover, based on our knowledge and understanding concerning the Group and its environment gained during the audit on the financial statements prepared as at December 31, 2021, we are required to report if we have identified a material misstatement of this Administrators' consolidated report and the Remuneration report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

7. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

8. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

9. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Deloitte.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

    - Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

    - Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

    - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Deloitte.

14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

15. We have been appointed by the General Assembly of Shareholders on April 28, 2021 to audit the financial statements of ELECTROMAGNETICA S.A. for the financial year ended December 31, 2021. The uninterrupted total duration of our commitment is 6 years, covering the financial years ended December 31, 2016 until the December 31, 2021.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued this report. Also, in conducting our audit, we have retained our independence from the audited entity.

- No non-audit services referred to in Article 5 (1) of EU Regulation no. 537/2014 were provided.

The engagement partner on the audit resulting in this independent auditor's report is Zeno Căprariu.

Report on compliance with the Commission Delegated Regulation (EU) 2018/815 on the European Single Electronic Format Regulatory Technical Standard ("ESEF")

16. We have undertaken a reasonable assurance engagement on the compliance with Commission Delegated Regulation (EU) 2019/815 applicable to the consolidated financial statements included in the annual financial report of ELECTROMAGNETICA S.A. ("the Company") as presented in the digital files which contain the unique LEI code 254900MYW7D8IGEFRG38.

(I) Responsibilities of management and those charged with governance for the Digital Files prepared in compliance with the ESEF

Management is responsible for preparing Digital Files that comply with the ESEF. This responsibility includes:

- the design, implementation and maintenance of internal control relevant to the application of the ESEF;

- the selection and application of appropriate iXBRL mark-ups;

- ensuring consistency between the Digital Files and the consolidated financial statements to be submitted in accordance with Order 2844/2016, with subsequent amendments.

Those charged with governance are responsible for overseeing the preparation of the Digital Files that comply with ESEF.

(II) Auditor's Responsibilities for Audit of the Digital Files

Our responsibility is to express a conclusion on whether the consolidated financial statements included in the annual financial report complies in all material respects with the requirements of ESEF based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on

Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with ESEF. The nature, timing and extend of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in ESEF, whether due to fraud or error. A reasonable assurance engagement includes:

- obtaining an understanding of the Company's process for preparation of the digital files in accordance with ESEF, including relevant internal controls;

- reconciling the digital files including the marked-up data with the audited consolidated financial statements of the Company to be submitted in accordance Order 2844/2016, with subsequent amendments;

- evaluating if all financial statements contained in the consolidated annual report have been prepared in a valid XHTML format;

- evaluating if the iXBRL mark-ups, including the voluntary mark-ups, comply with the requirements of ESEF.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.
In our opinion, the consolidated financial statements for the year ended 31 December 2021 included in the annual financial report in the Digital Files comply in all materials respects with the requirements of ESEF.

In this section, we do not express an audit opinion, review conclusion or any other assurance conclusion on the consolidated financial statements. Our audit opinion relating to the consolidated financial statements of the Company for the year ended 31 December 2021 is set out in the "*Report on the audit of the consolidated financial statements*" section above.

Zeno Căprariu, Audit Partner

For signature, please refer to the original Romanian version.

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under AF 2693

On behalf of:

DELOITTE AUDIT SRL

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under FA 25

The Mark Building, 84-98 and 100-102 Calea Griviței, 9th Floor, District 1
Bucharest, Romania
March 23, 2022

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

	Note	12 months period ended December 31, 2021	12 months period ended December 31, 2020
Income	**19**	**340,910,872**	**284,241,630**
Investment income	**19**	47,844	294,837
Other net income and expenses	**19**	4,464,607	3,849,923
Change in the inventory of finished products and work in progress	**19**	6,672,706	7,935,885
Activity performed by the entity and capitalized	**19**	3,978,888	1,481,686
Raw materials and consumables used	**20**	(293,323,283)	(219,985,251)
Employees – related expenses	**23**	(35,327,205)	(33,725,428)
Depreciation and impairment expenses	**20**	(7,832,927)	(9,062,943)
Other expenses	**20**	(34,337,887)	(36,829,837)
Financial expenses	**21**	(1,142,595)	(750,248)
Loss before tax		**(15,888,980)**	**(2,549,747)**
Income tax	**22**	660,752	(97,034)
Net loss of the period		**(15,228,228)**	**(2,452,714)**
Distributed to the parent company		(15,290,938)	(2,446,424)
Distributed to others		62,710	(6,290)
Other comprehensive income			
of which:			
- other comprehensive income which cannot be reclassified to the profit and loss account, showing separately:			
- Surplus from the revaluation of property, plant and equipment		48,854,792	-
- Deferred tax recognized in equity		(7,816,767)	-
- Deferred tax related to assets written off		311,570	338
- Other elements		769,314	-
Comprehensive income for the period		**26,890,681**	**(2,452,376)**

These consolidated financial statements were approved for issuance by management on March 23, 2022.

EUGEN SCHEUŞAN
General Manager

CRISTINA FLOREA
Director Economic

ELECTROMAGNETICA SA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2021
(all amounts are expressed in RON, unless otherwise specified)

	Note	December 31 2021	December 31 2020
ACTIVE			
Non-current assets			
Property, plant and equipment	**4**	321,032,559	275,842,017
Investment property	**5**	19,355,453	15,394,199
Intangible assets	**6**	143,393	293,334
Other non-current assets in the long term	**8**	14,540,480	19,804,010
Assets related to rights of use	**7**	204,667	296,981
Total non current assets		**355,276,552**	**311,630,542**
Current assets			
Inventories	**9**	18,411,084	13,668,013
Trade receivables	**10**	71,519,748	58,165,420
Cash and cash equivalents	**11**	7,086,289	24,487,010
Other current assets	**12**	2,061,387	1,923,621
Current tax assets	**22**	587,265	939,275
Total current assets		**99,665,773**	**99,183,339**
Total assets		**454,942,325**	**410,813,880**
EQUITY AND DEBTS			
Equity			
Share capital	**13**	67,603,870	67,603,870
Reserves and other equity items	**14**	218,401,625	179,498,193
Retained earnings	**15**	82,754,937	94,830,398
Total equity attributable to the shareholders of the company		**368,760,432**	**341,932,461**
Minority interests		329,509	266,799
Total equity		**369,089,941**	**342,199,260**
Long-term liabilities			
Trade payables and other liabilities	**18**	975,819	1,168,772
Investment subsidies	**16**	4,083,869	4,247,088
Deferred tax liabilities	**22**	23,542,324	17,693,690
Leasing debts	**7**	136,320	209,274
Total long-term liabilities		**28,738,332**	**23,318,824**
Current liabilities			
Trade payables and other liabilities	**18**	54,496,194	42,836,933
Investment subsidies	**16**	163,219	163,219
Provisions	**17**	2,383,554	2,199,281
Current income tax liabilities	**22**	-	-
Leasing debts	**7**	71,085	96,363
Total current liabilities		**57,114,052**	**45,295,796**
Total liabilities		**85,852,384**	**68,614,620**
Total equity and liabilities		**454,942,325**	**410,813,880**

These consolidated financial statements were approved for issuance by management on March 23, 2022.

EUGEN SCHEUŞAN	**CRISTINA FLOREA**
General Manager	**Director Economic**

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

	Note	Period of 12 months ended 31 December 31, 2021	Period of 12 months ended December 31, 2020
Cash flows from operating activities			
Cash receipts from customers		310,812,315	276,081,974
Payments to suppliers		(281,384,773)	(215,300,890)
Payments to employees		(34,916,391)	(34,952,106)
Other operating operations		(30,437,447)	(23,180,588)
Cash generated by the operating activity		**(35,926,296)**	**2,648,391**
Interest paid		(380,531)	(25,010)
Profit tax paid		(43,370)	(690,662)
Net cash used in operating activities		**(36,350,196)**	**1,932,718**
Cash flows from investment activities			
Acquisitions of property, plant and equipment		(922,052)	(844,660)
Collection from sale of non-current assets		25,000	46,529
Interest earned		130,118	337,598
Net Cash used in investment activities		**(766,934)**	**(460,533)**
Cash flows from financing activities			
Cash receipts from loans		95,904,347	43,070,898
Cash repayments of the amounts borrowed		(75,013,053)	(43,070,898)
Leasing payments		(1,078,259)	(1,250,651)
Interest paid		(22,536)	(83,838)
Dividends paid		(74,089)	(1,870,422)
Net cash used in financing activities		**19,716,410**	**(3,204,911)**
Net decrease in cash and cash equivalents		**(17,400,720)**	**(1,732,726)**
Cash and cash equivalents at the beginning of the period	**12**	**24,487,010**	**26,219,735**
Cash and cash equivalents at the end of the period	**12**	**7,086,289**	**24,487,010**

These consolidated financial statements were approved for issuance by management on March 23, 2022.

EUGEN SCHEUŞAN
General Manager

CRISTINA FLOREA
Director Economic

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

	Share capital	Retained earnings carried forward	Net reserves of tangible assets	Other reserves	Legal reserve	Other equity items	Total equity
Balance at 01 January 2021	**67,603,870**	**94,830,398**	**93,954,275**	**65,732,184**	**19,811,734**	**266,799**	**342,199,260**
Comprehensive income for the period							
Profit or loss for the financial year	-	(15,290,938)	-	-	-	62,710	(15,228,228)
Other comprehensive income							
Set up of the legal reserve	-	(109,300)	-	109,300	-	-	-
Net surplus from revaluation of fixed assets	-	-	48,854,792	-	-	-	48,854,792
Deferred tax related to revaluation	-	-	(7,816,767)	-	-	-	(7,816,767)
Transfer of reserves to retained earnings	-	6,274,080	(6,274,080)	-	-	-	-
Transfer of tax related to the revaluation reserve to retained earnings	-	(1,580,870)	1,580,870	-	-	-	-
Deferred tax related to revaluation for the assets written off	-	-	311,570	-	-	-	311,570
Transfer of net result to reserves	-	(2,896,437)	-	2,896,437	-	-	-
Other elements	-	1,528,004	29,858	(788,648)	100	-	769,314
Total comprehensive income for the period	**-**	**(12,075,461)**	**36,686,243**	**2,217,089**	**100**	**62,710**	**26,890,681**
Balance at 31 December 2021	**67,603,870**	**82,754,937**	**130,640,518**	**67,949,273**	**19,811,834**	**329,509**	**369,089,941**

These consolidated financial statements were approved for issuance by management on March 23, 2022.

EUGEN SCHEUŞAN
General Manager

CRISTINA FLOREA
Director Economic

ELECTROMAGNETICA SA
CONSOLIDATED SITUATION OF CHANGES IN EQUITY
FOR THE 12-MONTH PERIOD ENDED AS OF 31 DECEMBER 2021
(all amounts are expressed in RON, unless otherwise specified)

	Share capital	Retained earnings carried forward	Reserves revaluation of tangible assets	Other elements	Legal reserve	Interests that do not control	Total equity
Balance as at 01 January 2020	**67,603,870**	**100,076,893**	**96,320,962**	**63,389,766**	**19,702,434**	**273,089**	**347,367,015**
Comprehensive income for the period							
Profit or loss for the financial year	-	(2,446,424)	-	-	-	(6,290)	(2,452,714)
Other comprehensive income							
Set up of the legal reserve	-	(249,060)	-	139,760	109,300	-	-
Transfer of revaluation reserves to retained earnings	-	2,400,722	(2,400,722)	-	-	-	-
Depreciation of the revaluation for the assets written off	-	-	338	-	-	-	338
Transfer of net result to reserves	-	(2,202,696)	-	2,202,696	-	-	-
Total comprehensive income for the period	**-**	**(2,497,458)**	**(2,400,384)**	**2,342,456**	**109,300**	**(6,290)**	**(2,452,376)**
Transactions with shareholders, directly registered in equity							
Dividends distributed to shareholders	-	(2,704,155)	-	-	-	-	(2,704,155
Other items	-	(44,882)	33,697	(38)	-	-	(11,223)
Balance at 31 December 2020	**67,603,870**	**94,830,398**	**93,954,275**	**65,732,184**	**19,811,734**	**266,799**	**342,199,260**

These consolidated financial statements were approved for issuance by management on March 23, 2022.

EUGEN SCHEUŞAN
General Manager

CRISTINA FLOREA
Director Economic

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

1. GENERAL INFORMATION ABOUT THE GROUP

SC Electromagnetica SA – parent company is a joint-stock company, with Romanian legal personality, with unlimited life, which is organized and operates according to the statute and on the basis of Law no. 31/1991 republished in 2004 and amended by Law no.441/2006, GEO no.82/2007 and GEO no.52/2008 as well as the Law on the capital market no.297/2004. The group has its registered office in Bucharest, Calea Rahovei nr. 266-268, sector 5, Bucharest, Romania, postal code 64021, phone 021.404.21.31, 021.404.21.02, fax 021.404.21.95, website www.electromagnetica.ro, unique registration code RO 414118, registration number at the Trade Register J40/19/1991. The share capital of the group is 67,603,870.40 lei divided into 676,038,704 common, registered and dematerialized shares, entered in electronic account in the shareholders' register kept by Depozitarul Central SA. According to the group's statutes, the main object of activity is the manufacture of instruments and devices for measurement, verification, control, navigation (CAEN code 2651).

SC Electromagnetica Fire SRL is a limited liability company based in Bucharest, Calea Rahovei nr 266-268, sect 5, corp 2, ground floor, axes C-D, pillars 6 1/2 - 7, registered with the Trade Register Office attached to the Bucharest Tribunal under no J40 / 15634/2006, CUI 19070708, which carries out activities in the field of fire protection, technical assistance for fire prevention and extinguishing and private emergency services on civil protection (CAEN code 8299).

SC Electromagnetica Prestserv SRL is a limited liability company based in Bucharest, Calea Rahovei 266-268, sector 5, building 1, 2nd floor, axes A-B, pillars 1-2, registered with the Trade Register Office attached to the Bucharest Tribunal under no J40/1528/2003, CUI 15182750, which provides cleaning services (CAEN code 4311).

SC Electromagnetica Prestserv SRL and SC Electromagnetica Fire SRL were established by outsourcing some services within SC Electromagnetica SA, respectively cleaning services, technical assistance for fire prevention and extinguishing and private emergency services on civil protection.

SC Procetel SA is a joint stock company based in Bucharest, Calea Rahovei 266-268, serial number at the Trade Register J40/10437/1991, CUI 406212, tel: 031.700.26.14, fax: 031.700.26.16. SC Procetel SA is a closed joint-stock company (the shares are not traded on the market) which has as its main activity research and development in other natural sciences and engineering (CAEN code 7219). Currently, the research activity has been drastically reduced, the results obtained coming mainly from the activity of renting spaces.

The details of the parent company's investments in subsidiaries as at December 31, 2021 are as follows:

Name of subsidiary	No. Titles	Percentage of holding and right to vote (%)	Value
Electromagnetica Prestserv LTD	300	100%	30,000
Electromagnetica Fire LTD	799	99.875%	79,900
Procetel SA	42,483	96.548%	732,008
TOTAL			**841,908**

The details of the Company's investments in subsidiaries as at December 31, 2020 are as follows:

Name of subsidiary	No. Titles	Percentage of holding and right to vote (%)	Value
Electromagnetica Prestserv LTD	295	98.333%	29,500
Electromagnetica Fire LTD	799	99.875%	79,900
Procetel SA	42,483	96.548%	732,008
TOTAL			**841,508**

During 2021 Electromagnetica became the sole associate of the affiliated company Electromagnetica Prestserv SRL. It was taken over by assignment from the minority associate a number of 5 securities at the value of 100 lei/share.

1. GENERAL INFORMATION ABOUT THE GROUP (continued)

The composition of the administrative and executive management of the subsidiaries shall be as follows:

a) Electromagnetica Fire LTD

Administrative management: Maria Rogoz – sole administrator, with a 4-year mandate valid until March 26, 2022
Executive Board: Maria Rogoz – General Manager

b) Electromagnetica Prestserv LTD

Administrative management: Antoaneta Monica Stanila – sole administrator, with a mandate of 2 years valid until December 31, 2023.
Executive Management: Antoaneta Monica Stanila – General Manager

c) Procetel SA

Administrative management: Antoaneta Monica Stanila – sole administrator, with a 4-year mandate valid until August 15, 2022.

Executive management: Mihai Sanda – chief accountant

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The following amendments to existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are in force for the current reporting period:

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement," IFRS 7 "Financial Instruments: Disclosures to Be Disclosed"**, **IFRS 4 "Insurance Contracts" and IFRS 16 "Leases"** – Reform of the interest rate benchmark – Phase two adopted by the EU on 13 January 2021 (applicable for annual periods from or after 1 January 2021),

- **Amendments to IFRS 16 "Leases"** - Concessions on rents due to Covid-19 after 30 June 2021 adopted by the EU on 30 August 2021 (applicable from 1 April 2021 for financial years from, at the latest, 1 January 2021 or after).

The adoption of these new standards, amendments and interpretations of the existing standards did not lead to significant changes in the financial statements of the Company.

Standards and amendments to existing standards issued by the IASB and adopted by the EU but not yet in force

At the time of the authorisation of these financial statements, the following amendments to the existing standards were issued by the IASB and adopted by the EU but are not yet in force:

- **Amendments to IAS 16 Property, plant and equipment** – Revenue before the intended use adopted by the EU on 28 June 2021 (applicable for annual periods as of or after 1 January 2022),

- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets"** - Onerous contracts — Cost of performance of the contract adopted by the EU on 28 June 2021 (applicable for annual periods from or after 1 January 2022),

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards and amendments to existing standards issued by the IASB and adopted by the EU but not yet in force (continued)

- **Amendments to IFRS 3 "Business Combinations"** – Definition of the conceptual framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (applicable for annual periods from or after 1 January 2022),

- **Amendments to various standards due to "IFRS improvements (2018-2020 cycle)"** resulting from the annual draft improvement of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) for the primary purpose of eliminating inconsistencies and clarifying certain formulations — adopted by the EU on June 28, 2021 (the amendments to IFRS 1, IFRS 9 and IAS 41 are applicable for annual periods from or after 1 January 2022. The amendment to IFRS 16 refers only to an illustrative example, so no effective date is mentioned).

New standards and amendments to existing standards issued by the IASB but not yet adopted by the EU

Currently, IFRSs adopted by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following new standards and amendments to existing standards that have not been approved for use in the EU.

- **IFRS 14 "Deferral accounts related to regulated activities"** (applicable for annual periods from or after 1 January 2016) – the European Commission has decided not to issue the approval process of this interim standard and to wait for the final standard,

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Classification of liabilities into short-term and long-term liabilities (applicable for annual periods from or after 1 January 2023),

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Presentation of accounting policies (applicable for annual periods from or after 1 January 2023),

- **Amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors"** – Definition of accounting estimates (applicable for annual periods from or after 1 January 2023),

- **Amendments to IAS 12 "Income Tax"** – Deferred tax relating to assets and liabilities arising from a single transaction (applicable for annual periods from or after 1 January 2023),

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"—** Sale of or contribution of assets between an investor and its associates or joint ventures and subsequent amendments (the date of entry into force has been postponed indefinitely until the research project on the equity method is completed).

The Company anticipates that the adoption of these standards, changes to existing standards and new interpretations will not have a material impact on the Company's financial statements during the initial maintenance period.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Further information on certain standards, amendments to existing standards and interpretations that may be used where appropriate

- **IFRS 14"Deferral accounts relating to regulated activities"** issued by the IASB on 30 January 2014. This standard is intended to allow first-time IFRS adopters, and that currently recognise deferral accounts related to regulated activities under previous generally accepted accounting policies, to continue to do so when switching to IFRS.

- **Amendments to IFRS 3 "Business Combinations"** – References to the Conceptual Framework with amendments to IFRS 3 issued by the IASB on 14 May 2020. The amendments: (a) update IFRS 3 to refer to the 2018 Conceptual Framework instead of the 1989 Framework; (b) add an additional requirement to IFRS 3 that for transactions and other events subject to IAS 37 or IFRIC 21, an acquirer will apply IAS 37 or IFRIC 21 (and not the Conceptual Framework) to identify liabilities it has incurred in a business combination; and (c) adds an explicit statement to IFRS 3 that an acquirer will not recognise contingent assets acquired in a business combination.

- **Amendments to IFRS 4 "Insurance Contracts"** – Extension of the temporary exemption from IFRS 9 issued by the IASB on 25 June 2020. The amendments amend the fixed expiration date of the temporary exemption in IFRS 4 Insurance Contracts from the application of IFRS 9 Financial Instruments so that entities apply IFRS 9 for annual periods beginning on or after January 1, 2023.

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement," IFRS 7 "Financial Instruments: Disclosures to Be Disclosed", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases"**– Reform of the interest rate benchmark – Phase two, issued by The IASB on 27 August 2020. The changes concern changes in financial assets, financial liabilities and lease liabilities, certain hedge accounting requirements, as well as disclosure requirements that apply IFRS 7 to accompany amendments on changes and hedge accounting:

  a) **Changes in financial assets, financial liabilities and lease liabilities -** The IASB introduces a practical advantage to the changes involved in the reform (changes that come as a direct consequence of the IBOR reform and operated on an economically equivalent basis). These changes are accounted for by updating the effective interest rate. All other changes are accounting for the current IFRS requirements. A similar practical advantage is proposed for the lessee's accounting that applies IFRS 16.

  b) **Hedge accounting requirements —** according to the amendments, hedging accounting is not interrupted solely as a result of the IBOR reform. The hedging relationships (and related documentation) need to be modified to reflect changes to the hedged element, hedging tool and the hedged risk. The modified hedging relationships must meet all the qualification criteria for the application of hedge accounting, including efficiency requirements.

  c) **Information presentations –** because users understand the nature and extent of the risks arising from the IBOR reform to which the entity is exposed, how the entity manages such risks, the entity's progress in moving from IBOR to other benchmarks, and how the entity handles that shift, the amendments provide that the entity shall disclose on:

     – how the transition from interest rate benchmarks to other benchmarks is managed, the progress made at the reporting date and the risks arising from the transition;

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Further information on certain standards, amendments to existing standards and interpretations that may be used where appropriate (continued)

- quantitative information on non-derivative financial assets, non-derivative financial liabilities and derivatives that continue to use reformed interest rate benchmarks, broken down by significant interest rate benchmarks;

- to the extent that the IBOR reform has led to changes in the risk management strategy implemented by the entity, a description of those changes and how the entity handles those risks.

d) The IASB also amended IFRS 4 to ensure that insurers applying the temporary exemption from IFRS 9 should apply the amendments in the accounts for changes directly imposed by the IBOR reform.

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"— Sale of or contribution of assets between an investor and its associates or joint ventures**, issued by the IASB on 11 September 2014 (on 17 December 2015, the IASB postponed the effective date indefinitely). The amendments resolve the contradiction between ias 28 requirements and IFRS 10 and clarify that in a transaction involving an associate or joint venture entity, gains or losses are recognised when the assets sold or contributed represent an enterprise.

- **Amendments to IFRS 16 "Leases"** – Concessions to rents as a result of Covid-19, issued by the IASB on May 28, 2020. The amendments exempt tenants from taking into account each lease when determining whether concessions to rents that occur as a direct effect of the COVID-19 pandemic constitute lease changes and allow tenants to account for such lease concessions as if they did not constitute lease changes. It applies to concessions to rents as a result of covid-19 that reduce lease payments due on or before June 30, 2021.

- **Amendments to IFRS 16 "Leases"** – Concessions to rents due to Covid-19 after 30 June 2021 issued by the IASB on 31 March 2021. The amendments extend by one year the period of application of the practical advantage in IFRS 16. The facility has been extended by one year to cover concessions on rents that only reduce lease payments due on or before 30 June 2022**.**

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of liabilities into short-term and long-term liabilities issued by the IASB on 23 January 2020. The amendments provide a more general approach to the classification of liabilities required by IAS 1 on the basis of contractual agreements existing at the time of reporting. Amendments to IAS 1 issued by the IASB on 15 July 2020 postpone the effective date by one year for annual periods beginning on or after 1 January 2023.

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure of the accounting policies issued by the IASB on 12 February 2021. The amendments require entities to disclose their significant accounting policies rather than important accounting policies and to provide guidance and examples to help authors of financial statements decide which accounting policies to disclose in their financial statements.

- **Amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors"** – Definition of the accounting estimates issued by the IASB on 12 February 2021. The amendments focus on accounting estimates and provide guidance on the distinction between accounting policies and accounting estimates.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Further information on certain standards, amendments to existing standards and interpretations that may be used where appropriate (continued)

- **Amendments to IAS 12 "Income Tax"** – Deferred tax on assets and liabilities arising from a single transaction issued by the IASB on 6 May 2021. According to the amendments, the exemption from initial recognition does not apply to transactions in which both deductible and taxable temporary differences occur at the initial recognition, which lead to the recognition of equal deferred tax assets and liabilities.

- **Amendments to IAS 16 "Property, plant and equipment"** – Pre-use proceeds issued by the IASB on 14 May 2020. The amendments prohibit the deduction from the cost of an item of property, plant and equipment from any proceeds from the sale of items produced during the transfer of that asset to the place and condition necessary for it to be operated as planned by management. Instead, the entity recognises the proceeds from the sale of those items, and the cost of producing those items in the profit and loss account.

- **Amendments to IAS 37 "Provisions, contingent liabilities and contingent assets'** - Onerous contracts — The cost of performing the contract, issued by the IASB on May 14, 2020. According to the amendments, the 'cost of performance' of a contract includes 'costs directly linked to the contract'. Costs directly related to the contract can be either incremental costs of performance of the contract, or an allocation of other costs directly related to the execution of contracts.

- **Amendments to various standards due to "IFRS improvements (2018-2020 cycle)"** issued by the IASB on 14 May 2020. Amendments to various standards resulting from the annual draft improvement IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) with the main purpose of eliminating inconsistencies and clarifying certain formulations. The amendments: (a) clarify that the subsidiary applying paragraph D16(a) of IFRS 1 may cumulatively measure the differences in foreign exchange using the amounts reported by the parent, depending on the date of the parent's transition to IFRS (IFRS 1); (b) clarify the fees that an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 to assess whether it needs to take a financial liability out of the records. An entity includes only fees paid or received between the entity (borrower) and the lender, including fees paid or received either by the entity or by the lender on behalf of the other (IFRS 9); (c) remove from the example the presentation of the lessor's reimbursement of expenses for improvements to the rented space in order to resolve any possible confusion about the treatment of lease incentives that might arise due to the way in which the lease incentives are presented in that example (illustrative example 13 attached to IFRS 16); and (d) removes the requirement in paragraph 22 of IAS 41 for entities to exclude cash flows with taxation when measuring the fair value of a biological asset by using a present value technique (IAS 41).

3. SIGNIFICANT ACCOUNTING POLICIES

Declaration of conformity

The Consolidated Financial Statements of the Group were prepared in accordance with the International Financial Reporting Standards adopted by the European Union („IFRS") in force at the Company's reporting date, respectively 31 December 2021 and in accordance with the provisions of the Order of the Minister of Public Finance no. ANRE President's Order no. 2844/2016, for the approval of accounting regulations in accordance with International Financial Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, with subsequent amendments and clarifications. These provisions correspond to the requirements of the International Financial Reporting Standards adopted by the European Union.

Functional and presentation currency

These consolidated financial statements are presented in RON, which is the functional currency of the Group.

The basics of drawing up

Consolidated financial statements have been prepared on the basis of historical cost, with the exception of certain financial instruments which are measured at fair value as explained in accounting policies. Historical cost is generally based on the fair value of consideration in exchange for assets.

Property, plant and equipment are presented at revalued amounts in accordance with IAS 16 and investment property at fair value in accordance with IAS 40.

For non-moving or slow-moving stocks, adjustments are made based on management estimates. The establishment and resumption of adjustments for the depreciation of stocks shall be made quarterly on the reporting data on behalf of the profit and loss account as follows: for non-moving stocks 50% of the total value and for those with slow motion 25%.

In the first set of IFRS-compliant financial statements, the group applied IAS 29 Financial Reporting in Hyperinflationary Savings, correcting the historical cost of share capital, legal provisions and other net profit reserves with the effect of inflation until 31 December 2003. These adjustments were recorded in reserve accounts (see Note 14).

Foreign currency

Operations denominated in foreign currency are recorded in lei at the official exchange rate from the settlement date of the transaction. Monetary assets and liabilities recorded in foreign currency at the date of preparation of the statement of financial position are expressed in lei at the exchange rate of the respective day. Gains or losses on their settlement and on the conversion of monetary assets and liabilities denominated in foreign currency using the exchange rate at the end of the analysis period are recognised in the result of the financial year. Non-monetary assets and liabilities that are valued at historical cost in foreign currency are recorded in lei at the exchange rate from the transaction date.

Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are recorded in lei at the rate on which the fair value was determined.

Conversion differences are shown in the profit or loss account.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The exchange rates of the main currencies were as follows:

	Exchange rate December 31 2021	Exchange rate December 31 2020
EUR	4.9481	4.8694
USD	4.3707	3.9660

Use of professional estimates and reasoning

The preparation of financial statements in accordance with IFRS adopted by the European Union requires management to use estimates and assumptions that affect the application of accounting policies, as well as the reported value of assets, liabilities, income and expenses. The associated estimates and judgments are based on historical data and other factors considered to be eloquent in the given circumstances, and the result of these factors forms the basis of the judgments used in determining the carrying amount of assets and liabilities for which there are no other sources of valuation available. Actual results may differ from estimated values.

Estimates and judgments are reviewed periodically. Revisions of accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the current period and in future periods, if the revision affects both the current and future periods.

The effect of the change related to the current period it is recognised as income or expense in the current period. If any, the effect on future periods is recognised as income or expense in those future periods.

The company's management considers that any differences from these estimates will not have a significant influence on the financial statements in the near future, for each estimate being applied the principle of prudence.

Estimates and assumptions are used mainly for impairment adjustments of fixed assets, estimation of service life usefulness of an asset depreciable, for impairment adjustment of receivables, for provisions, for the recognition of deferred tax assets.

In accordance with IAS 36, intangible assets are analysed to identify whether they present impairment indices at the balance sheet date. If the net carrying amount of an asset is greater than its recoverable amount, an impairment loss is recognised to reduce the net carrying amount of that asset to the level of its recoverable amount. If the reasons for recognising the impairment loss disappear in subsequent periods, the net carrying amount of the asset is increased to the level of the net carrying amount, which would have been determined if no impairment loss had been recognised.

Valuation for impairment of receivables is carried out individually and is based on management's best estimate of the present value of the cash flows expected to be received. The Group shall review its commercial and other claims on an annual basis of its financial position in order to assess whether it has to record a depreciation of value in the profit and loss account. Management's professional judgement is particularly necessary for estimating value and for coordinating future cash flows when determining impairment loss. These estimates are based on assumptions about several factors and actual results may differ, leading to future changes in adjustments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of professional estimates and reasoning (continued)

By their nature, contingencies will only be clarified when one or more future events happen or not. The assessment of contingencies inherently involves the use of significant assumptions and estimates of the outcome of future events.

Deferred tax assets are recognised for tax losses to the extent that it is probable that there will be taxable profit from which the losses can be covered. It is necessary to exercise professional reasoning to determine the amount of deferred tax assets that can be recognised, based on the probability in terms of the period and level of future taxable profit, as well as future tax planning strategies.

Accounting principles, policies and methods

In accordance with IAS 8— Accounting policies, changes in accounting estimates and errors, accounting policies represents the specific principles, bases, conventions, rules and practices applied by the entity in the preparation and presentation of financial statements.

The group has selected and applies accounting policies consistently for transactions, other events and similar conditions, unless a standard or an interpretation provides, or it specifically allows the classification of items for which it might be appropriate to apply different accounting policies.

If a standard or interpretation provides for or permits such classification, it must be selected, and applied to each category, in a consistent manner, an appropriate accounting policy.

The Group shall amend an accounting policy only if the change has one of the following effects:

- it is required by a standard or an interpretation; or
- results in a situationii financial that provides reliable and more relevant information on the effects of the transactionilor, of other events or conditionii on positioni financial, performance financial or cash flows of the entityli.

We present a summary of the significant accounting policies that have been applied for all periods presented in the financial statements, except for changes arising from new standards and amendments to standards with the date of initial application on 1 January 2020 and presented in paragraph 2.

Fair value

IFRS 13 – Fair value measurement establishes a fair value hierarchy that classifies the inputs for measurement techniques used to measure fair value into three levels:

- Level 1 inputs—are quoted (unadjusted) prices in asset markets for identical assets and liabilities to which the entity has access at the measurement date. This data provides the most reliable evidence of fair value and should be used wherever available

- Level 2 inputs — are inputs other than quoted prices included in Tier 1 that are observable directly or indirectly for the asset or liability (e.g. quoted prices for identical or similar assets or liabilities in markets that are not active)

- Level 3 inputs – are unobservable inputs for the asset or liability. The group must produce unobservable inputs on the basis of the best information available in the given circumstances which may include the company's own data.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Initial assessment

The group chose to be valued at acquisition or production cost according to **IAS 38— Intangible Assets.**

Assessment after initial recognition

The group chose the cost-based model as its accounting policy for the valuation of intangible assets after initial recognition.

The group opted to use the straight-line method of depreciation for depreciation of intangible assets. The useful life span for this group of fixed assets is between 3 and 5 years.

To determine whether an intangible asset valued at cost is impaired, the group applies IAS 36. At the end of each reporting period, the group shall estimate whether there are indications of impairment of these assets and, if identified, estimate the recoverable amount of the asset and record the related impairment. An impairment loss shall be recognised immediately in profit or loss.

For the purposes of disclosure in the profit and loss account, gains or losses arising from the cessation of use or exit of an intangible asset shall be determined as the difference between the income generated by the outflow of the asset and its unamortised amount, including the expenses occasioned by its de-listing and shall be shown as net worth in the profit and loss account, according to IAS 38.

Property, plant and equipment

Initial assessment

Property, plant and equipment is recognised initially at acquisition or production cost.

The cost of the purchased property, plant and equipment is represented by the value of the consideration made for the acquisition of the respective assets as well as the value of other costs directly attributable to the bringing of the assets to the location and condition necessary for them to be able to operate in the manner desired by management. The cost of self-constructed assets includes wage, material, indirect production costs and other costs directly attributable to bringing the assets to the current location and condition.

The group has set a value ceiling for the recognition of an element of the nature of property, plant and equipment.

Assessment after initial recognition

The group opted to use property, plant and equipment for valuation after initial recognition ***the model of the reassessment***. Caccording to the revaluation model, an item of property, plant and equipment the fair value of which can be measured reliably shall be carried at a revalued amount, which is its fair value at the date of the revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

Revaluations should be made on a regular basis sufficient regularity to ensure that the carrying amount does not differ materially from what would have been determined by the use of fair value at the end of the reporting period.

The fair value of land and buildings is generally determined on the basis of market evidence through a valuation by qualified professional valuers.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Assessment after initial recognition (continued)

The fair value of items of property, plant and equipment is generally their market value determined by measurement.

The frequency of revaluations depends on changes in the fair value of the revalued property, plant and equipment. If the fair value of an asset differs significantly from the carrying amount, a new revaluation is required.

When an asset item is revalued, any accumulated depreciation at the revaluation date is removed from the gross carrying amount of the asset and the net amount is restated to the revalued value of the asset.

Therefore, the frequency of revaluations depends on changes in the fair value of property, plant and equipment. If the fair value of a revalued item of property, plant and equipment at the balance sheet date differs significantly from its carrying amount, a revaluation is required. Where fair values are volatile, as may be the case with land and buildings, frequent revaluations may be necessary. If fair values are stable over a long period of time, as may be the case with installations and machinery, valuations may be needed less often. IAS 16 suggests that annual revaluations may be necessary if there are significant and volatile changes in values.

If an item of property, plant and equipment is revalued then the entire class of property, plant and equipment to which that item belongs is revalued.

The residual value of the asset and the useful life of the asset shall be reviewed at least at the end of the financial year.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary to be able to operate in the manner desired by management.

Depreciation of an asset ceases on the first date from the date when the asset is classified as held for sale (or included in a disposal group that is classified as held for sale in accordance with IFRS 5) and the date on which the asset is derecognised. Therefore, depreciation does not cease when the asset is not used unless it is fully depreciated.

Land and buildings are separable assets and are accounted for separately even when acquired together.

The land owned shall not be depreciated.

If the cost of the land includes the costs of decommissioning, removal, restoration, these costs are depreciated for the period when benefits are obtained as a result of these costs.

For all assets acquired since 1 January 2015, the Group has opted to use as a depreciation method, the straight-line method that involves the systematic allocation of the amount of depreciation over the entire economic life of the assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Assessment after initial recognition (continued)

The residual value, service life and depreciation method shall be revised at the time of the financial statements. The company's management estimated as adequate the following useful life spans for different categories of property, plant and equipment as follows:

Property, plant and equipment	Duration (years)
Construction	20 - 100
Technological equipment	5 - 12
Measuring, controlling and adjusting apparatus and installations	3 - 8
Means of transport	4 - 8
Furniture, office equipment, equipment for the protection of human and material values	8 - 15

Depreciation policy applied by the group

The revaluation surplus included in equity relating to an item of property, plant and equipment shall be transferred monthly, directly to retained earnings when the asset is used to match its depreciation and when it is derecognised, upon disposal or disposal.

In the case of a revalued asset, an impairment loss is recognised directly by reducing any surplus resulting from the revaluation of the asset, provided that the impairment loss does not exceed the surplus from its revaluation.

The gain or loss resulting from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised.

The carrying amount of an item of property, plant and equipment shall be derecognised upon disposal or when no future benefit is expected from its use or disposal.

If items of property, plant and equipment that have been held for rent are repeatedly sold to others, these assets will be transferred to stocks at book value at the time when they cease to be leased and are held for sale. Proceeds from the sale of these assets are recognised as income in the profit and loss account.

Major maintenance and repairs

The capitalised costs of capitalized inspections and repair activities are separate components of the the corresponding assets or groups of assets. Capitalized capitalized costs with capitalized capital repairs are depreciated using the depreciation method for the underlying asset until the next repair. Expenditure on major repair activities shall comprise the cost of replacing assets or parts of assets, inspection costs and capital repair costs. These expenses are capitalized if an asset or part of an asset that has been depreciated separately is replaced and is likely to bring future economic benefits. If a part of the replaced asset has not been considered as a separate component and has therefore not been depreciated separately, the replacement value shall be used to estimate the net carrying amount of the replaced asset that is immediately discarded. All other costs of current repairs and usual maintenance are recognised directly in the expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing contracts

The Group has applied IFRS 16 since January 1, 2019, using the modified retrospective method, without restating the comparative values for the previous period presented. It applied IFRS 16 to all existing contracts prior to January 1, 2019, classified as leases under IAS 17 and IFRIC 4.

The Group has chosen to apply the exemption proposed by the standard for leasing contracts with a duration of less than 12 months from the date of initial application and for leasing contracts for low-value assets (less than USD 5000).

The Group has recognized new assets and liabilities for operational leasing contracts for vehicles, rented spaces and equipment. Also, an expense with the depreciation of the right to use the asset and an interest expense related to the leasing debt was recognized. The right to use the assets at the date of transition is equal to the leasing liability, adjusted for any amount paid in advance or preliminated leasing payments related to the leases recognized in the statement of the financial position immediately before the date of initial application.

At the start date of the leasing contract, the Group recognizes the leasing debts, valued at the present value with the marginal loan rate of the leasing payments, for the duration of the leasing contract. Payments include fixed payments minus any incentives to be received, variable lease payments that depend on an index or rate, and amounts expected to be paid as a residual value.

Real estate investments

Initial assessment

The valuation of investment property at initial recognition is made at cost in accordance with IAS 40 Investment Property. The cost of a real estate investment consists of the purchase price plus any directly attributable expenses (professional fees for legal services, fees for the transfer of ownership, etc.).

Evaluation after recognition

The Group chose the fair value model for the presentation of real estate investments in the financial statements. Investment property is not depreciated, and gains or losses arising from changes in their fair value are included in the profit or loss of the period in which they occur.

Financial assets

The parent company applies IFRS 9 – Financial instruments that entered into force on January 1, 2018 and which uses for the classification of financial assets, the entity's business model and the cash flow characteristics of the financial asset according to the contract.

Classification of financial assets

According to IFRS 9 Financial Instruments, financial assets are qualified in:

1. financial asset *assessed at amortized cost if both of the following conditions are met:*

- the financial asset is held under a business model whose objective is to own the financial assets in order to collect the contractual cash flows, and
- the contractual terms of the financial asset generate on certain dates, cash flows that are exclusively payments of principal and interest on the principal amount outstanding

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

2. *financial asset measured at fair value through other comprehensive income if both of the following conditions are met*

- the financial asset is held within a business model whose objective is met both by collecting the contractual cash flows and by selling the financial assets and
- the contractual terms of the financial asset generate, on certain dates, cash flows that are exclusively payments of principal and interest related to the principal amount outstanding

3. *a financial asset measured at fair value through profit or loss* unless measured at amortised cost in accordance with paragraph 1 or at fair value by other comprehensive income in accordance with paragraph 2.

With the exception of commercial receivables that fall within the scope of IFRS 15, a financial asset or financial liability is initially measured at fair value, and in the case of a financial asset or a financial liability that is not at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability are added or subtracted.

After the initial recognition, the subsequent valuation of the financial assets is made at:

- amortised cost
- fair value through other comprehensive income, or
- fair value through profit or loss

Financial assets comprise shares held in subsidiaries, associated entities and jointly controlled entities, loans granted to such entities, other investments held as fixed assets and other loans.

The Group presents investments in subsidiaries at cost. Also, the group has no investments in joint ventures or associated entities.

Investments in affiliated entities

Subsidiaries are entities under the control of the company. In **IFRS 10 — Consolidated Financial Statements** the principle of control shall be defined and control shall be established as a basis for consolidation. IFRS 10 sets out how to apply the principle of control to identify whether an investor controls an investment and therefore requires to strengthen the investment.

An investor controls an investment if and only if the investor fully holds the following:

a) authority over the investee;

b) exposure or variable income rights based on its participation in the investees;

c) the ability to use its authority over the investee to influence the amount of the investor's income

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest on loans

Interest on loans that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalised until such time as the asset is ready for predetermined use or sale. All other borrowing costs are recognised as expenses in the profit and loss account of the period in which they arise. Interest charges shall be recorded using the effective interest method. During the year ended December 31, 2021 and December 31, 2020, respectively, no interest expenses in the value of assets were capitalized.

Government subsidies

In accordance with IAS 20, government grants are recognised only when there is sufficient certainty that all conditions attached to their award will be met and that the grants will be received. Subsidies that meet these criteria are presented as liabilities and are systematically recognised in the profit and loss account over the useful life of the assets to which they relate.

Stocks

In accordance with IAS 2—Inventories, these are assets that are:

- held for resale during the normal course of business
- in the course of production for such a sale, or
- in the form of materials and other consumables to be used in the production process or for the provision of services

Inventories are shown at the lowest of cost and net realisable value. Net realisable value is estimated on the basis of the selling price of the normal activity, less the estimated costs for completion and sale. For the stocks of raw materials and materials without movement or with slow motion, as well as for those of unsaleable finished products, adjustments are made based on management estimates.

The formation and resumption of impairment adjustments to stocks shall be made on behalf of the profit and loss account.

The group uses for the determination of the cost at the exit of the supplied materials the first entry first output method (FIFO). For finished products, the standard cost is used for entry and exit from management. At the end of each month, on the basis of the management accounting, the actual cost of the products obtained shall be determined.

Claims and other similar assets

As of January 1, 2018, the parent company applied for the first time the new IFRS 9 standard "*Financial instruments*" which results in an early recognition of impairment adjustments to receivables up to the value of expected credit losses, calculated on the basis of historical loss rates.

Receivables and other similar assets are presented at amortised cost less than value adjustments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Claims and other similar assets (continued)

When it is estimated that a claim will not be fully collected, impairment adjustments shall be recorded in the accounts at the level of the amount that can no longer be recovered. The de-listing of claims shall take place as a result of their collection or transfer to a third party. Current claims may be deducted from the records and by mutual compensation between third parties of claims and debts, in compliance with the legal provisions. The deduction from the records of claims whose collection periods are time-barred shall be made after the group obtains documents proving that all legal steps have been taken to recover them. The out-of-the-booked claims shall continue to be subject to extra-account.

Cash and cash equivalents

For the preparation of the cash flow statement, cash is considered to be the cash existing in the cashier and in the current bank accounts. Cash equivalents are deposits and investments with a high degree of liquidity, with initial maturities of less than three months.

Debt

A liability is a current obligation of the company arising from past events and the settlement of which is expected to result in an outflow of resources that incorporates economic benefits.

A liability is recognised in the accounts and presented in the financial statements when it is probable that an outflow of resources bearing economic benefits will result from the liquidation of a present obligation and when the amount at which this settlement will be made can be measured reliably.

Current liabilities are those debts which must be paid within a period of up to one year.

A liability shall be classified as a short-term liability, also referred to as a current liability, where:

a) expects to be settled during the normal course of the company's operating cycle;

b) held primarily for trading purposes;

c) it shall be due within 12 months of the balance sheet date; or

d) the group shall not have the unconditional right to defer payment of the debt for at least 12 months from the balance sheet date.

All other debts must be classified as ***long-term debts***.

Debts are presented at amortised cost. Accrued income classified as long-term liabilities is discounted using the effective interest method. The discount rate used for this purpose is the rate determined according to its own procedures developed by the company's management.

The group derecognises a debt when the contractual obligations are paid, cancelled or expire.
If the goods and services supplied in connection with the current activities have not been invoiced, but if the delivery has been effected and their value is available, that obligation shall be recorded as a liability.

Dividend amounts apportioned from the net profit of the reporting period are shown in the following year in retained earnings following that, after the approval by the general meeting of shareholders of this destination, they will be recorded as dividends to be paid to the shareholders.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Current corporate income tax

The current tax payable shall be determined on the basis of the taxable profit of the year. Tax profit is different from profit reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and also excludes items that will never become taxable or deductible. The company's current corporate tax liability is calculated using tax rates that were required by law or in a bill at the end of the year. Currently the tax rate is 16%.

Deferred tax

The deferred tax is constituted by analyzing the temporary differences in assets and liabilities. The tax loss carried forward is included in the calculation of the deferred income tax asset. The deferred tax claim is recognised only to the extent that it is probable that taxable profit will be obtained in the future, after offsetting against the tax loss of previous years and the corporation tax to be recovered.

Deferred income tax assets and liabilities shall be cleared where such a right exists and is related to income taxes levied by the same tax authority.

Recognition of revenue

Revenues are measured in accordance with IFRS 15 – Revenue from contracts with customers.

IFRS 15 establishes a five-step model to record revenues from contracts with customers:

- Step 1: Identify the contract with a customer
- Step 2: Identify the payment obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Assigning the price of the transaction for the performance obligations under the contract
- Step 5: Recognize revenues as the group fulfills an enforcement obligation

In accordance with IFRS 15, revenue is recognised in the amount that reflects the consideration to which an entity expects to be entitled in exchange for the transfer of goods or services to a customer.

Sale of goods

In accordance with IFRS 15, revenue will be recognised when a customer obtains control of the assets. The group delivers goods under contractual conditions based on delivery conditions. The moment the customer obtains control of the goods is considered to be substantially the same for most of the Group's contracts under IFRS 15, as is under IAS 18.

In the case of contracts with customers in which the sale of goods (mainly LED lighting fixtures, meters, railway traffic safety elements, etc.) is generally estimated to be the only obligation to provide, it is estimated that the adoption of IFRS 15 will not have any impact on the income and profit or loss of the Group.

The group expects that the recognition of income will take place at a time in time, at which point the control of the asset is transferred to the customer, namely the delivery of the goods.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Sale of goods (continued)

In preparation for the adoption of IFRS 15, the Group considered the following:

Variable consideration

Some contracts with customers involve volume risks, financial discounts, price reductions or the right of return for quality defects. Currently, the revenues obtained from these sales are recognized based on the price specified in the contract, net returns and decreases of income, commercial discounts and volume reductions recorded on the basis of accrual accounting when a reasonable estimate of income adjustments can be made.

In accordance with IFRS 15, it is necessary to estimate the variable income at the beginning of the contract. Revenue will be recognised to the extent that a significant reversal of the amount of recognised cumulative income is likely not to occur.

However, since the contractual periods for most contracts coincide with the calendar years for which the annual financial statements are prepared, and due to the fact that the Group currently reports the annual revenues from contracts with net clients for adjustments, such as volume reductions or financial discounts, the impact on the retained earnings from the treatment of variable income as a result of the adoption of IFRS 15 is not material. At the same time, cases of quality complaints (return rights) are isolated and based on the intangible history, so that the Group cannot make a reasonable estimate of such a reversal of revenues at the reporting date. Impact on the retained earnings.

The Group has the quality of principal in all contractual sales relationships, because it is the main provider in all income contracts, has the right to set the price and is exposed to the risks related to stocks and credit risk.

In accordance with IFRS 15, the measurement will be based on the criterion of whether the Group controls the specific goods before transferring them to the final customer, rather than whether they have exposure to significant risks and rewards associated with the sale of goods.

Recognition of income from distinct supply obligations

According to some delivery conditions, the Group can provide services such as transport to a specified destination beyond the moment of transferring the control of goods to customers. IFRS 15 requires an entity to account for each separate good or service as a separate supply obligation. Freight services might fit into the definition of a distinct service, but a full understanding of the commercial terms is necessary to ensure that this is the case. An obligation to provide the transport generally meets the criteria of obligation to provide for a period of time, and the revenues will be recognized during the transfer to the client. If it does not meet the criteria, the enforcement obligation is considered fulfilled at one point in time, and the revenues would be recognized when the client receives the goods. This could lead to the recognition of a part of the income from the contract when the control of the goods is transferred and the recognition in time of the part of the revenues related to the freight transport services. There can be no separate obligation for an entity to transport its own goods (i.e. before the transfer of control of the goods to the customer).

The impact on the retained earnings from the treatment of transport services as separate supply obligations as a result of the adoption of IFRS 15 is immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Sale of goods (continued)

Provision of services

The group provides various services as main activities (assembly construction works) and as occasional activities. The income is measured at the fair value of the consideration received or receivable. In accordance with IFRS 15, the total consideration from the service contracts will be allocated to all services based on their individual selling prices. Independent selling prices will be determined based on the list prices at which the Group provides the respective services in separate transactions.

Performance obligations fulfilled over time

The parent company transfers control of a good or service over time and therefore fulfils a performance obligation and recognises revenue over time if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits offered by the entity as the entity executes

(b) the entity's execution creates or improves an asset (eg output in progress) that the customer controls as the asset is created or improved, or

(c) the entity's performance does not create an alternative-use asset for the entity and the entity has an enforceable right to payment for performance by that date

Performance obligations fulfilled at a specific time

If the parent company fulfills the obligation of execution at a specific time (such as the supply of goods with the installation or commissioning clause at a certain time) in order to determine the specific moment when the client obtains control over a promised asset and SC Electromagnetica fulfills an obligation of execution, it is analyzed both the provisions regarding the transfer of control but also the indicators of transfer of control are analyzed, in particular acceptance of the asset by the client that can be certified by signing the commissioning protocol, or explicit acceptance for payment.

In the case of pre-delivery billing agreements in addition to the conditions mentioned above for a customer to gain control over a product in an agreement with invoicing before delivery, all the following criteria must be met:

- the reason for the agreement with invoicing before delivery must be substantial (there must be a written request of the customer
- the product must be ready for the physical transfer to the customer in the current way
- the entity delivering the product may not have the ability to use the product or assign it to another customer

If in the contract concluded with a client there is an acceptance clause then the moment when a client obtains control over a good or service is evaluated according to this clause.

Assessment of progress in fulfilling a performance obligation in its entirety

For each performance obligation fulfilled over time the Treasury recognizes the revenues over time by assessing the progress of fully fulfilling that performance obligation. The purpose of assessing progress is to present the performance of the transfer of control over the promised goods or services to a customer (i.e. the fulfilment of the performance obligation by the supplier).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Sale of goods (continued)

Reasonable assessments of progress

The Group shall recognise revenue for a performance obligation fulfilled over time only if it can reasonably assess its progress in fully fulfilling the performance obligation and has the reliable information necessary for the application of an appropriate method of assessing progress.

The Group shall recognise revenue for a performance obligation fulfilled over time only if it can reasonably assess its progress in fully fulfilling the performance obligation and has the reliable information necessary for the application of an appropriate method of assessing progress.

In order to evaluate the progress in fulfilling a future obligation, necessary for example in the contracts that have the commissioning or assembly clause, the Group has opted for the input-based method according to which revenues are recognised on the basis of the entity's inputs or efforts to meet a performance obligation (for example, resources consumed, hours of work spent, recorded costs, time elapsed or hours of machine use) in relation to the total inputs expected to meet that performance obligation. If inputs or efforts are evenly distributed throughout the execution period, revenue can be recognised on a straight-line basis.

The recognition and measurement requirements of IFRS 15 are also applicable to the recognition and measurement of any gains or losses arising from the disposal of non-financial assets (such as fixed assets and intangible assets) when such disposal is not in the normal course of business. However, upon transition, the effect of these changes is not expected to be significant for the Group.

Rental income

Rental income is recognised in the linear profit and loss account for the term of the lease.

Dividends and interest

Dividend income is recognised when the shareholder's right to receive payment is established. Dividend income is recorded at the gross amount that includes the dividend tax, which is recognised as a current expense during the period in which the distribution was approved.

Interest income is recognised on the basis of accrual accounting, by reference to the outstanding principal and the effective interest rate, that rate which exactly updates the expected future flows of amounts receivable.

Provisions

Provisions are presented separately from other liabilities such as commercial or estimated ones because there is uncertainty regarding when and the value at which the settlement will be made in the future.

Provisions shall be made for current liabilities to third parties where those liabilities are likely to be met and the amount necessary to discharge the obligations can be estimated reliably. Provisions for individual liabilities shall be constituted at an amount equal to the best estimate of the amount necessary to settle the obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

Provisions shall be grouped in the accounts by category and shall be constituted for:

a) disputes;

b) guarantees granted to customers;

c) decommissioning of property, plant and equipment and other similar actions related to them;

d) restructuring;

e) employee benefits;

(f) other provisions

When, based on the analysis carried out by the management together with the lawyers on the chances of loss of the trial by the Group, it is concluded that the estimated chances of loss are higher than 50% constitutes a provision at the estimated credible value.

Provision for guarantees to customers is constituted according to the estimates made by the management and the sales, technical and quality departments regarding the level of repair costs within warranty. The level of repair costs over the warranty period shall be determined as a percentage of the turnover of the reporting year.

Restructuring provisions

The implicit restructuring obligation arises where a company:

- it has a detailed official plan for restructuring in which to be highlighted: the activity or part of the activity to which it refers, the main locations affected, the location, the position and the approximate number of employees who will receive compensation for the termination of their activity, implicit expenses, the date on which the restructuring plan will be implemented

- generated a justified expectation to those affected that the restructuring will be carried out by starting the implementation of that restructuring plan or by communicating its main characteristics to those who will be affected by the restructuring process.

The restructuring provision shall include only direct expenditure linked to restructuring.

Provisions for employee benefits

During the financial year, provisions for leave left unpaid and other provisions according to employment contracts are recorded during the financial year. When they are recognized as liabilities to employees, the amount of provisions will be replenished through the corresponding income accounts.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

Other provisions

If they are identified time-placement or uncertainty liabilities that meet the conditions for recognition of provisions in accordance with IAS 37 but are not found in any of the categories identified above are recorded as other provisions.

At the end of each repurchase period, the provision shall be reconsidered and adjusted so as to represent the current best estimate. Where the analysis shows that there is no longer likely to be a need for outflows of resources incorporating economic benefits to settle the obligation, the provision shall be cancelled.

The group does not recognize the provision for losses on the operation of assets. The forecast of operating losses indicates that certain operating assets may be impaired and in this case these assets are tested in accordance with IAS 36 Impairment of Assets.

Employee benefits

The obligations with short-term benefits granted to employees are not updated and are recognized in profit and loss as the related service is provided.

Short-term benefits to employees include salaries, bonuses and social security contributions. Short-term benefits are recognised as an expense when services are provided.

The group makes payments on behalf of its own employees to the pension system of the Romanian state, health insurance and unemployment fund, during the normal activity.

All employees of the company are members and have the obligation to contribute to the pension system of the Romanian state. All related contributions are recognised in the profit and loss account of the period when they are made. The Group has no additional obligations otherwise.

The Group is not engaged in any independent pension scheme and therefore has no obligations whatsoever to do so. The Group shall not be engaged in any other post-employment benefit scheme. The Group shall not be obliged to provide any subsequent services to former or current employees.

The Group does not currently provide benefits in the form of employee participation in profit.

There is currently no plan under which the Group's obligation to provide benefits in the form of the entity's own shares (or other equity instruments) is stipulated.

Profit or loss for the financial year

In the accounts, the profit or loss shall be determined cumulatively from the beginning of the financial year.

The result for the financial year shall be determined as the difference between the revenue and expenditure of the financial year.

The final profit or loss for the financial year shall be established at the close of the financial year and shall represent the final balance of the profit and loss account.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Profit or loss for the financial year (continued)

The profit distribution is carried out in accordance with the legal provisions in force. The amounts representing reserves constituted from the profit of the current financial year, based on legal provisions, for example the legal reserve established on the basis of the provisions of Law 31/1990, shall be recorded at the end of the current year. The accounting profit remaining after this distribution shall be taken over at the beginning of the financial year following that for which the annual financial statements are drawn up in the retained earnings account representing the non-distributed profit or the uncovered loss, from where it is distributed to the other destinations decided by the general meeting of shareholders, in compliance with the legal provisions. The accounting of the destinations of the accounting profit is made after the general meeting of shareholders has approved the distribution of profit, by recording the amounts representing dividends due to shareholders, reserves and other destinations, according to the law.

Result per action

IAS 33—Income per share requires that if an entity presents both consolidated financial statements and separate financial statements, the disclosure of income per share is made solely on the basis of consolidated information. If it chooses to present the result per share on the basis of its separate financial statement, it must present such information relating to the earnings per share only in the statement of comprehensive income.

The parent company chose to present the result per share in the separate financial statements.

The parent company presents the result on basic action for its ordinary shares. The profit or loss per share is calculated by dividing the gain or loss attributable to the holders of the company's ordinary shares by the weighted average of the ordinary shares in circulation over the period.

The weighted average of the ordinary shares in circulation during the period represents the number of shares in outstanding at the beginning of the period adjusted by the number of shares repurchased or issued in that period multiplied by a time weighting factor.

The time weighting factor is the number of days on which those shares were in circulation, as a proportion of the total number of days of the period.

Segment reporting

An operating segment is a distinct component of the company which engages in activities as a result of which it could obtain income and incur expenses, including income and expenses related to transactions with any of the other components of the company and which is subject to risks and benefits different from those of the other segments. The group's main segmental reporting format is represented by segmentation by activity.

Taking into account that the shares of the parent company are traded on the Bucharest Stock Exchange and that it applies IFRS, it is presented in the annual financial statements as well as in the interim reports made according to the IAS 34- Interim Financial Reporting, information about business segments, their products and services, the geographical areas in which they operate and the main customers.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting (continued)

According to IFRS 8 - Business Segments, a segment of activity is a component of an entity:

- who engages in business activities from which he can obtain income and from which he can bear expenses (including income related to transactions with other components of the same entity);
- the results of which are regularly examined by the entity's main operational decision-maker with a view to deciding on the allocation of resources by segment and evaluating its performance, and
- for which separate financial information is available.

Taking into account the criteria for identifying business segments as well as the quantitative thresholds described in IFRS 8, the Group has identified the following business segments for which it presents the information separately:

- licensed activity – supply and production of electricity.
- unlicensed activity – industrial production and space rental.

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

4. PROPERTY, PLANT AND EQUIPMENT

Cost	Land and land development	Construction	Technological equipment and vehicles	Other tangible asstes	Tangible asstets in progress	Advances for tangible assets	Total
As of 31 December 2020	**155,049,519**	**109,185,646**	**35,580,545**	**4,836,288**	**2,540,147**	**301,602**	**307,483,196**
Entries	16,894,673	33,507,015	4,011,153	1,096,513	3,306,681	-	58,816,035
of which:							
- reassessment	16,894,673	33,061,115	340,111	630,518	-	-	50,926,417
- transfers	-	445,900	3,654,703	450,906	(4,249,907)	(301,602)	-
Outputs	(290,883)	(12,233,665)	(16,592,847)	(2,903,734)	(4,551,509)	(301,602)	(36,874,240)
of which:							
- following the determination of the net value for revaluation	(245,007)	(11,122,963)	(14,701,005)	(2,667,037)	-	-	(28,736,012)
- decrease in value as a result of reassessment	(45,876)	(1,044,733)	(860,427)	(3,815)	-	-	(1,954,851)
As of 31 December 2021	**171,653,309**	**130,458,996**	**22,998,851**	**3,018,516**	**1,295,319**	**-**	**329,424,991**

Cumulative depreciation	Land and land development	Construction	Technological equipment and vehicles	Other property, plant and equipment	Property, plant and equipment in progress	Advances for property, plant and equipment	Total
As of 31 December 2020	**328,881**	**7,518,387**	**20,208,283**	**2,546,782**	**-**	**-**	**30,626,275**
Depreciation of the year	-	3,635,157	3,654,467	491,878	-	-	7,781,502
Cumulative depreciation related to outputs from which:	(245,007)	(11,153,544)	(15,817,037)	(2,799,758)	-	-	(30,015,346)
- following the determination of the net value for revaluation	(245,007)	(11,122,963)	(14,701,005)	(2,667,037)	-	-	(28,736,013)
As of 31 December 2021	**83,874**	**-**	**8,045,713**	**262,844**	**-**	**-**	**8,392,4323**

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

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment adjustments	Land and land development	Construction	Technological equipment and vehicles	Other tangible asstes	Tangible asstets in progress	Advances for tangible assets	Total
As of 31 December 2020	**-**	**893,116**	**121,788**	**-**	**-**	-	**1,014,904**
Impairment adjustments recognised in profit or loss	-	-	-	-	-	-	-
Reversals of impairment adjustments recognised in profit or loss	-	(893,116)	(121,788)	-	-	-	(1,014,904)
As of 31 December 2021	**-**	**-**	**-**	**-**	**-**	-	**-**
Net book value							
As of 31 December 2020	**154,720,638**	**100,774,143**	**15,207,907**	**2308,131**	**2,529,596**	**301,602**	**275,842,017**
As of 31 December 2021	**171,569,435**	**130,458,996**	**14,953,137**	**2,755,670**	**1,295,319**	**-**	**321,032,559**

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

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Cost	Land and land development	Construction	Technological equipment and vehicles	Other tangible asstes	Tangible asstets in progress	Advances for tangible assets	Total
As of 31 December 2019	**154,589,917**	**115,344,527**	**33,911,929**	**4,310,286**	**1,185,609**	**-**	**309,342,268**
Entries	459,602	41,701	3,117,660	576,266	5,079,614	301,602	9,576,445
of which:							
- transfers	-	41,701	3,117,660	576,266	(3,735,627)	-	-
Outputs	-	(6,200,582)	(1,449,044)	(50,264)	(3,735,627)	-	(11,435,516)
As of 31 December 2020	**155,049,519**	**109,185,646**	**35,580,545**	**4,836,288**	**2,540,147**	**301,602**	**307,483,196**

Cumulative depreciation	Land and land development	Construction	Technological equipment and vehicles	Other property, plant and equipment	Property, plant and equipment in progress	Advances for property, plant and equipment	Total
As of 31 December 2019	**328,881**	**4,115,098**	**17,753,590**	**2,057,194**	**-**	**-**	**24,254,764**
Depreciation of the year	-	3,809,750	3,664,972	536,502	-	-	8,011,225
Cumulative depreciation related to outputs	-	(406,461)	(1,167,713)	(65,539)	-	-	(1,639,713)
As of 31 December 2020	**328,881**	**7,518,387**	**20,208,283**	**2,546,782**	**-**	**-**	**30,626,275**

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

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment adjustments	**Land and land development**	**Construction**	**Technological equipment and vehicles**	**Other tangible asstes**	**Tangible asstets in progress**	**Advances for tangible assets**	**Total**
As of 31 December 2019	**-**	**-**	**-**	**-**	**-**	-	**-**
Impairment adjustments recognised in profit or loss	-	893,116	121,788	-	-	-	1,014,904
Reversals of impairment adjustments recognised in profit or loss	-	-	-	-	-	-	-
As of 31 December 2020	**-**	**893,116**	**121,788**	**-**	**-**	-	**1,014,904**
Net book value							
As of 31 December 2019	**154,261,036**	**111,229,429**	**16,158,339**	**2,253,092**	**1,185,609**	**-**	**285,087,505**
As of 31 December 2020	**154,720,638**	**100,774,143**	**15,207,907**	**2,308,131**	**2,529,596**	**301,602**	**275,842,017**

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

4. PROPERTY, PLANT AND EQUIPMENT (continued)

The inflows of property, plant and equipment are represented by modernizations of the company's headquarters as well as acquisitions of technological equipment. The output property, plant and equipment represents decreases in value as a result of the sale and scrapping.

Name of assets	Value net bookkeeping December 31 2021	Value net bookkeeping December 31 2020
- Buildings (cadastral lots no. 13,15) Calea Rahovei, nr. 266-268, sector 5, Bucharest	35,228,323	25,971,259
- Buildings (cadastral lots 1-3,9,10,18,19,21,23-26) Calea Rahovei, 266-268, sector 5, Bucharest	40,931,491	33,946,154
- Land Calea Rahovei, nr. 242 = 2,157 sqm	5,902,198	5,160,797
- MHPP's (land + industrial and urban constructions)	46,195,350	47,265,912

Within the property, plant and equipment are included assets acquired through government subsidy and used in the licensed activity at one of the small hydropower plants located in Brodina, Suceava County. The remaining value of the investment as of December 31, 2021 is 9,992,457 lei, of which the subsidized value is 4,247,088 lei. The remaining value of the investment as at 31 December 2020 was 10,523,945 lei, of which the subsidized value was 4,410,306 lei.

Fair value of property, plant and equipment

Group property, plant and equipment, other than current property, plant and equipment, are presented in the financial statements at the revalued amount, which represents fair value at the measurement date, less accumulated depreciation and impairment adjustments.

This method is recommended for properties, when there is sufficient and reliable data on transactions or offered for sale with similar properties in the area. The analysis of the prices at which the transactions were made or of the prices requested or offered for the comparable properties is followed by the performance of corrections of their prices, in order to quantify the differences between the prices paid, demanded or offered, caused by the differences between the specific characteristics of each property, called comparison elements.

The fair value of the buildings was determined using the cost approach and the income approach.
The cost approach assumes that the maximum value of an asset for an informed buyer is the amount that is required to buy or build a new asset with equivalent utility. When the asset is not new, all forms of depreciation that can be attributed to it must be deducted from the gross current cost until the valuation date.
The income approach provides an indication of value by converting future income streams into asset value (market value or investment value).

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

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Fair value of property, plant and equipment continued)

Information regarding the fair value hierarchy as at 31 December 2021 and 31 December 2020:

	Level 1	Level 2	Level 3	Fair value at 31 December 2021
Land and land development	-	-	172,967,095	172,967,095
Construction	-	-	130,458,996	130,458,996

	Level 1	Level 2	Level 3	Fair value at 31 December 2020
Land and land development	-	-	154,723,560	154,723,560
Construction	-	-	100,774,143	100,774,143

There were no transfers between fair value levels during year 2021 or 2020.

5. REAL ESTATE INVESTMENTS

The group owns real estate used entirely for rent. All lease agreements shall provide for an initial period of at least one year. Subsequent extensions are negotiated with the tenants. The obligations of the parties relating to repairs, maintenance and improvements are set out in the contracts concluded.

These properties are recognised in accordance with IAS 40 as real estate investment. For the presentation of real estate investments in the financial statements, the Group chose the fair value model.

As of December 31, 2021, the real estate investments are presented as follows:

	2021	2020
Initial balance	**15,394,199**	**9,445,159**
Entries from which:	5,667,562	6,263,786
from fair value measurement	2,313,834	909,909
Transfers	-	3,395,501
Outputs from which:	(1,706,308)	(314,746)
from fair value measurement	(738,313)	(314,746)
Transfers	-	-
Final balance	**19,355,453**	**15,394,199**

The Group also owns other rented premises in buildings used in conjunction with other activities. They are not classified as real estate investments because the share of rental income in total income is insignificant. Also, in most situations these spaces cannot be managed separately.

We would like to point out that there are no restrictions imposed on the degree of real estate investments or on the transfer of income or receipts from sales.

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

5. REAL ESTATE INVESTMENTS (continued)

Information regarding the fair value hierarchy as at 31 December 2021 and 31 December 2020:

	Level 1	Level 2	Level 3	Fair value at December 31 2021
Real estate investments	-	-	19,355,453	19,355,453

	Level 1	Level 2	Level 3	Fair value at December 31 2020
Real estate investments	-	-	15,394,199	15,394,199

6. INTANGIBLE ASSETS

Intangible assets include software, licenses and various software. They are depreciated by the linear method. In the statement of financial position are presented at historical cost, less depreciation and any adjustments in value. Intangible assets have declined mainly due to the amortization of some licenses.

The situation of intangible assets as at 31 December 2021 is as follows:

Cost	Licenses patent concessions	Other intangible assets	Intangible assets in progress	Total
As of 31 December 2020	**1,180,618**	**2,612,687**	**57,204**	**3,850,509**
Inflows	57,203	323	-	57,526
Outflows	-	-	(57,204)	(57,204)
Transfers	57,203	-	(57,204)	-
As of 31 December 2021	**1,237,821**	**2,613,010**	**-**	**3,850,831**
Cumulative depreciation				
As of 31 December 2021	**944,874**	**2,612,301**	**-**	**3,557,175**
Depreciation of the year	150,118	145	-	150,263
Cumulative depreciation related to outflows	-	-	-	-
As of 31 December 2021	**1,094,992**	**2,612,446**	**-**	**3,707,438**
Net book value				
As of 31 December 2020	**235,744**	**386**	**57,204**	**293,334**
As of 31 December 2021	**142,829**	**565**	**-**	**143,393**

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

6. INTANGIBLE ASSETS (continued)

Cost	Licenses patent concessions	Other intangible assets	Intangible assets under construction	Total
As of 31 December 2019	**1,163,759**	**2,707,434**	**65,539**	**3,936,732**
Inflows	60,344	454	49,218	110,016
Outflows	(43,485)	(95,201)	(57,553)	(196,239)
As of 31 December 2020	**1,180,618**	**2,612,687**	**57,204**	**3,850,509**
Cumulative depreciation				
As of 31 December 2019	**824,888**	**2,646,474**	**-**	**3,471,362**
Depreciation of the year	163,471	61,027	-	224,498
Cumulative depreciation related to outflows	(43,485)	(95,200)	-	(138,685)
As of 31 December 2020	**944,874**	**2,612,301**	**-**	**3,557,175**
Net book value				
As of 31 December 2019	**338,871**	**60,960**	**65,539**	**465,370**
As of 31 December 2020	**235,744**	**386**	**57,204**	**293,334**

7. ASSETS RELATED TO RIGHTS OF USE

As of December 31, 2021, the Group recognizes assets related to the rights of use in the amount of RON 263,578 and of leasing liabilities in the amount of RON 207,405, of which short-term liabilities amounting to RON 71,085 and long-term liabilities of RON 136,320.

	Balance at 1 Jan 2021	Inputs	Exits	Balance at 31 Dec 2021
Right of use	**413,050**	**-**	**(149,472)**	**263,578**
Of which:				
Right to use vehicles	413,050	-	(149,472)	263,578
Lease liability	**305,637**	**436,056**	**(98,232)**	**207,405**
Recognized depreciation	116,069	88,224	(145,382)	58,911
Interest expense	-	748	-	-

Net value of assets at 31 December 2021: 204,667 RON

Of which:

Net value of the right to use vehicle: 204,667 RON

The remaining value of the debts at 31 December 2021: 207,405 RON

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

8. OTHER FIXED ASSETS

In this category are recorded the performance guarantees granted to customers who have been classified for the long term according to the concluded contracts.

The evaluation is done at cost and is tested annually for depreciation.

	December 31 2021	December 31 2020
Performance guarantees granted to customers	1,481,839	1,668,567
Trade receivables scheduled on the long term	14,436,415	19,789,266
Adjustment trade receivables to present value	(1,515,401)	(2,097,083)
Other non-current assets in the long term	137,628	443,260
Total	**14,540,480**	**19,804,010**

The long-term staggered receivables with a net value of RON 12,921,014 as of December 31, 2021 have been updated at the present value, and the effect of the time-value of the money was worth 1,515,401 lei. The current portion is recognized in commercial receivables (Note 10).

9. INVENTORIES

	December 31 2021	December 31 2020
Raw materials	9,892,908	6,889,170
Consumables	2,567,184	1,917,971
Finished products	3,037,841	3,621,418
Work in progress	2,730,442	1,699,973
Other inventories	2,454,844	1,357,853
Adjustments for depreciation of inventories	(2,272,135)	(1,818,372)
Total	**18,411,084**	**13,668,013**

Other stocks include inventory items, finished products or materials in custody of third parties and advances paid to suppliers of goods.

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

9. INVENTORIES (continued)

The movement in stock depreciation adjustments was as follows:

	December 31 2021	December 31 2020
Balance at the beginning of the period	**1,818,372**	**1,802,984**
Depreciation adjustment record	657,136	1,045,050
Impairment adjustment mitigation	(203,373)	(1,029,662)
Balance at the end of the period	**2,272,135**	**1,818,372**

The adjustments recorded during the reporting period relate to raw materials and materials without movement or with slow motion and finished products without movement.

The group has no pledged inventories on account of debts.

10. TRADE RECEIVABLES

Receivables are recorded at face value and are recorded in the analytical accounts for each natural or legal person. Foreign currency claims were assessed on the basis of the exchange rate in force at the end of the year and exchange differences were recognised as income or expenses of the period.

	December 31 2021	December 31 2020
Domestic trade receivables*	63,160,641	54,668,719
External trade receivables	7,159,872	8,031,013
Estimated trade receivables	4,789,144	1,165,173
Adjustment of internal receivables at present value	(844,317)	(790,431)
Impairment adjustments for trade receivables	(2,745,592)	(4,909,054)
Net trade receivables	**71,519,748**	**58,165,420**

* Trade receivables also include performance guarantees with a maturity of less than 1 year granted to customers. As of December 31, 2021 they are worth 1,495,403 lei (31 December 2020: 684,434 lei).

Sales or service contracts concluded with customers under supplier credit terms have been discounted to present value. The total effect of the time value of the money was 2,359,719 lei, of which 844,317 lei for the term under one year and 1,515,401 lei over one year. The portion over one year is recognized in other fixed assets (Note 8).

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

10. COMMERCIAL CLAIMS (continued)

The movement within the impairment adjustments for trade receivables is as follows:

	Year 2021	Year 2020
Balance at the beginning of the period	**4,909,054**	**4,948,467**
Increases of impairment allowances	122,671	759,364
Decreases of impairment allowances	(2,286,133)	(798,777)
Balance at the end of the period	**2,745,592**	**4,909,054**

Inquired or disputed customers are on December 31, 2021 in value of 2,745,592 lei (as of 31 December 2020 there are 4,909,054 lei).

The recorded value impairments refer to amounts not collected from inquired or disputed customers and for which it has been estimated that there is a risk of non-collection, corresponding to the policy adopted by the group.

The debt recovery period decreased in 2021 to 90 days compared to 95 days in the same period last year.

The situation of the seniority of the receivables at the date of drawing up the situation of the financial position was:

	Gross value December 31 2021	Provision December 31 2021	Gross value December 31 2020	Provision December 31 2020
Shortcomings at maturity	45,956,669	-	41,243,701	-
Maturity exceeded between 1 – 30 days	14,525,950	-	9,058,359	-
Maturity exceeded between 31 – 90 days	1,437,305	-	2,469,064	-
Maturity exceeded between 90 – 180 days	848,511	-	995,204	-
Maturity exceeded between 180–365 days	3,221,172	-	1,339,762	-
More than a year	8,275,733	(2,745,592)	7,968,384	(4,909,054)
TOTAL	**74,265,340**	**(2,745,592)**	**63,074,474**	**(4,909,054)**

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

11. OTHER CURRENT ASSETS

	December 31 2021	December 31 2020
Debtors	31,440	31,926
Prepaid expenses	785,174	906,301
Debtor suppliers	29,010	138,192
Other assets	1,215,763	847,202
Total	**2,061,387**	**1,923,621**

Upfront expenditure in the amount of 785,114 lei represents mainly rents paid in advance, insurance premiums for civil liability insurance administrators and various subscriptions.

In **Other assets** are mainly included non-chargeable VAT in the amount of 87,600 lei (as of December 31, 2020: 193,886 lei).

12. CASH AND CASH EQUIVALENTS

	December 31 2021	December 31 2020
Cash in the cashier's office	24,598	14,748
Current accounts with banks	7,061,274	24,471,752
Cash equivalents	417	510
Total	**7,086,289**	**24,487,010**

	December 31 2021	December 31 2020
Restricted cash	90,000	81,748
Total	**90,000**	**81,748**

Restricted cash is used to guarantee obligations (collateral cash).

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

13. SHARE CAPITAL

Share capital subscribed and paid up of the Parent Company is worth 67,603,870 lei, composed of 676,038,704 shares with a nominal value of 0.10 lei / share, fully paid up.

The structure of shareholders holding over 10% of the share capital as of December 31, 2021 is as follows, according to the Central Depository Register:

	31 December 2021		31 December 2020	
Shareholder	**No. Of shares**	**%**	**No. Of shares**	**%**
PAS Association	163,688,186	24.2128	171,084,540	25.3069
SIF Oltenia SA	176,717,594	26.1402	176,717,594	26.1402
Individuals	258,948,826	38.3038	255,182,254	37.7467
Legal persons	76,684,098	11.3432	73,054,316	10.8062
Total	**676,038,704**	**100**	**676,038,704**	**100**

The group does not hold bonds, redeemable shares or other portfolio securities.

14. RESERVES

Legal reserve	**2021**	**2020**
Balance at the beginning of the period	**19.811.734**	**19.702.434**
Increases	100	109.300
Mitigations	-	-
Balance at the end of the period*	**19.811.834**	**19.811.734**

According to the Romanian legislation, companies must distribute an amount equal to at least 5% of the profit before tax, in legal reserves, until they reach 20% of the share capital. When this level has been reached, the group may make additional allocations only from the net profit. The legal reserve is deductible up to a rate of 5% applied to the accounting profit, before determining the corporate tax.

*From the value of the legal reserve as at December 31, 2021, the amount of RON 8,649,876 represents the balance of the inflation adjustment calculated from the application of IAS 29 (December 31, 2020: RON 8,649,876).

Revaluation reserves are in the amount of 130,640,518 lei as of December 31, 2021.

The decrease was recorded with the transfer of the revaluation reserve to retained earnings as a result of depreciation.

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

14. RESERVES (continued)

	2021	2020
Balance at the beginning of the period	**93,954,274**	**96,320,962**
Net revaluation increases	40,816,493	-
Mitigations	(4,130,249)	(2,367,026)
Other elements	-	338
Balance at the end of the period	**130,640,518**	**93,954,274**

The group registers as of 31 December 2021 **other reservations** amounting to 67,949,273 lei, out of which own sources of financing represent 98%.

	2021	2020
Balance at the beginning of the period	**65,732,184**	**63,389,766**
Increases	2,107,789	2,342,456
Mitigations	(109,300)	(38)
Balance at the end of the period	**67,949,273**	**65,732,184**

15. RETAINED EARNINGS

As of 31 December 2021, the retained earnings resulting from the transfer of revaluation reserves related to depreciated or decommissioned assets was RON 6,274,080.

16. INVESTMENT GRANTS

	Total	Less than a year	More than a year
Investment grants as at 31 December 2021	4,247,088	163,219	4,083,869
Investment grants as at 31 December 2020	4,410,306	163,219	4,247,087

In 2012, the parent company benefited from an investment subsidy of 5,997,788 lei granted for the modernization of the small hydropower plant from Brodina 2 (Suceava), which is transferred to income simultaneously with the registration of depreciation of the fixed assets purchased within this project. The net book value of the fixed assets acquired through this subsidy are presented in Note 4.

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

17. PROVISIONS

Name	Balance 01.01.2021	Entries (establishment)	Outputs cancellation	Balance 31.12.2021
Provisions for performance guarantees to customers	1,120,000	-	-	1,120,000
Provisions for risks and charges	31,440	-	-	31,440
Provision for employee benefits	1,047,841	967,012	-782,739	1,232,114
TOTAL	**2,199,281**	**967,012**	**-782,739**	**2,383,554**

The parent company has concluded contracts for the delivery of lighting fixtures with warranty clause for long periods, respectively 2-4 years. The contracts do not provide for a percentage or an amount for the performance guarantee, the provision for which shall be calculated on the basis of the analysis of the history of the costs incurred with the products within the guarantee period.

18. TRADE AND OTHER LIABILITIES

Commercial debts	December 31 2021	December 31 2020
Internal trade payables	7,301,334	6,565,553
External trade payables	5,052,945	3,448,163
Estimated trade payables	10,712,386	15,437,277
Advances received from customers	2,633,180	789,218
Income in advance	15,535	22,756
Other payables	25,449,037	13,535,637
Total trade and other payables	**54,496,194**	**42,836,933**

The debts are recorded at face value and are recorded in the analytical accounts for each natural or legal person. Foreign currency liabilities were assessed on the basis of the exchange rate in force at the end of the year and exchange differences were recognised as income or expense of the period.

The group does not have significant outstanding trade liabilities.

The group does not register overdue payments to employees and to the state budget, the amounts presented represent debts related to December 2021 and paid at the due date of January 2022.

The group does not have long-term loans taken out as of December 31, 2020.

The parent company has several credit agreements approved as of December 31, 2021. Their statement is set out in note 28 of these financial statements. The debts regarding the loans to be repaid under one year and the related interests as of December 31, 2021 are worth 20,960,469 (2020: 579 lei)

Other debts are composed of guarantees received from tenants, VAT payable, other taxes and duties

The guarantees received on December 31, 2021 are worth 3,235,762 lei and will be regularized according to the contractual clauses.

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

18. TRADE AND OTHER LIABILITIES (continued)

	Total	Less than a year	More than a year
Guarantees received for 2021	3,235,762	2,259,943	975,819

	Total	Less than a year	More than a year
Guarantees received for 2020	3,039,983	1,871,211	1,168,772

19. INCOME

	2021	2020
Income	**340,910,872**	**284,241,630**
- Income from the production sold	86,500,874	75,054,805
- Rental income	18,594,207	17,854,867
- Proceeds from the sale of goods	235,815,791	191,331,958
Investment income	**47,844**	**294,837**
- Interest income	47,844	294,837
- Net income from fair value valuation investment property	-	-
Change in the stock of finished goods and work in progress	6,672,706	7,935,885
Activity performed by the entity and capitalized	3,978,888	1,481,686
Other revenue/(expenditure)	**4,464,607**	**3,849,923**
- Revenue from subsidies	2,214,221	3,491,118
- Net provisions	(184,272)	(926,393)
- Net exchange rate difference	(27,016)	63,299
- Other net income	2,461,674	1,221,899
Net income	**356,074,917**	**297,803,961**

Net provisions represent income from impairment adjustments for inventories and receivables as well as income/expenses with provisions for performance guarantees granted to clients.

Net income from the fair value measurement of investment property is found in Other net income.

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

20. EXPENSES

	2021	2020
Material expenses	**293,323,283**	**219,985,251**
- Expenses on raw materials and consumables	44,343,525	43,559,276
- Expenses on goods	245,329,378	173,923,537
- Expenses on energy, water, gas	3,650,381	2,502,438
Employees expenses	**35,327,205**	**33,725,428**
- Expenditure on salaries	21,395,530	20,310,870
- Other staff costs	13,931,675	13,414,558

	2021	2020
Other expenses	**34,337,887**	**36,829,837**
- Postal expenses	262,353	258,352
- Maintenance and repair costs	402,473	478,443
- Rent costs	734,852	616,960
- Advertising and entertainment expenses	165,269	151,130
- Insurance costs	536,384	519,611
- Travel and journey costs	1,248,850	1,037,829
- Expenditure on subcontracted works	6,100,357	7,852,788
- Expenditure other taxes and fees	1,783,907	1,876,250
- Expenses related to consultants and collaborators	815,131	651,877
- Expenditure on green certificates	5,693,121	8,859,234
- Other operating expenses	16,595,190	14,527,363
Depreciation and impairments	**7,832,927**	**9,062,943**
- Depreciation charges	8,027,301	8,048,039
- (Gain)/Impairment loss	(194,374)	1,014,904
Total expenses	**370,821,302**	**299,603,459**

On the line "Other operating expenses" are highlighted the services performed by third parties, banking and assimilated services, expenses related to fees and commissions etc.

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

21. FINANCIAL EXPENSES

	2021	2020
- Interest expense	466,325	30,301
- Bank fees	676,270	719,947
Total financial expenses	**1,142,595**	**750,248**

22. CORPORATE TAX

Corporation tax recognised in profit or loss:

	December 31 2021	December 31 2020
Current profit tax		
Current income tax expense	45,379	500,470
Deferred corporate tax		
(Revenue)/Deferred tax expense	(706,131)	(597,504)
	(660,752)	**(97,034)**

Reconciling current profit before tax with income tax expense in the profit and loss account:

Indicator	December 31 2021	December 31 2020
Net accounting profit	**(15,228,228)**	**(2,452,714)**
Deductions	(3,984,723)	(6,482,490)
Non-taxable income	(9,165,928)	(12,789,215)
Non-deductible expenses	13,335,078	18,572,019
Taxable profit	(15,043,801)	(3,152,400)
Tax loss from previous years	-	-
Current profit tax	45,379	504,384
Corporate tax reduction	-	(3,914)
Income tax due at the end of the period	**45,379**	**500,470**

As of 31 December 2021, the total claim regarding the current profit tax is in the amount of 587,266 lei (31 December 2020: 939,275 lei).

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

22. CORPORATE TAX (continued)

The analysis of the deferred income tax for the reporting period is presented below:

	Initial balance	Recognised in the profit or loss account (income)/ Expense	Recognized in other elements of the comprehensive income	Final balance
Property, plant and equipment	19,392,798	(1,017,159)	6,554,766	24,930,405
The effect of the time value of money (receivables)	(462,002)	84,447	-	(377,555)
Impairment of receivables	(785,293)	336,961	-	(448,332)
Impairment of inventories	(290,940)	(38,328)	-	(329,268)
Employee related benefits	(160,873)	(72,053)	-	(232,926)
TOTAL	**17,693,690**	**(706,131)**	**6,554,766**	**23,542,324**

The deferred profit tax for property, plant and equipment resulted from different accounting and fiscal depreciation periods and the surplus recorded as a result of the revaluation

23. AVERAGE NUMBER OF EMPLOYEES

The average number of employees has evolved as follows:

	December 31 2021	December 31 2020
Group	434	455
Out of which parent company	385	387

The expenses with salaries and related taxes recorded in 2021 and 2020 are as follows:

	2021	2020
Expenses on salaries	21,395,530	20,310,870
of which the parent company	19,960,916	18,184,409
Other staff costs	13,931,675	13,414,558
of which the parent company	12,699,340	12,305,685
Total	**35,327,205**	**33,725,428**
of which the parent company	32,660,256	30,490,094

The Group does not have a staff pension programme specifically contributing to the national pension programme under the legislation in force.

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

24. TRANSACTIONS WITH RELATED PARTIES

As of December 31, 2021 and December 31, 2020, respectively, the Group had no related parties outside the subsidiaries included in the consolidation. The balances and transactions with them were eliminated for the purpose of preparing the consolidated financial statements.

The Group has no contractual obligations to former directors and directors and has not granted advances or credits to current directors and administrator.

The Group shall not be bound by any future obligations of the nature of guarantees on behalf of the directors.

25. INFORMATION BY ACTIVITY SEGMENTS

The group used the nature of the regulatory environment as an aggregation criterion for reporting by activity segments and identified the following business segments for which it presents the information separately:

- Licensed activity – supply and production of electricity
- Unlicensed activity – industrial production and space rental

The aggregation criterion is based on the license required to carry out activities as well as the conditions imposed by it, including the presentation of separate financial statements. The electricity generation and supply activities have been aggregated, taking into account the fact that they represent an integrated process for a part of their operations.

Segment information is reported based on the Company's activities. Segment assets and liabilities include both items directly attributable to those segments and items that can be allocated on a reasonable basis.

Year 2021	**Unlicensed activity**	**% Total group**	**Licensed activity**	**% Total group**	**Total group**
Net loss	6,311,126	-41.44	(21,539,354)	141.44	(15,228,228)
Total assets	391,969,233	86.16	62,973,092	13.84	454,942,325
Total liabilities	56,976,832	66.37	28,875,552	33.63	85,852,384
Customer revenue	103,906,384	30.48	237,004,488	69.52	340,910,872
Interest income	132,350	100	-	-	132,350
Depreciation and amortization	6,443,882	82.27	1,389,044	17.73	7,832,927

Year 2020	**Unlicensed activity**	**% Total group**	**Licensed activity**	**% Total group**	**Total group**
Net profit	(3,404,024)	138.79	951,311	-38.79	(2,452,714)
Total assets	306,308,579	75.59	104,505,301	25.41	410,813,880
Total liabilities	37,337,168	54.73	31,277,452	45.27	68,614,620
Customer revenue	91,752,769	32.28	192,488,861	67.72	284,241,630
Interest income	336,111	100	-	-	336,111
Depreciation and amortization	6,084,669	67.14	2,978,274	32.86	9,062,943

25. INFORMATION BY ACTIVITY SEGMENTS (continued)

LED lighting fixtures, systems and solutions

The production of LED lighting fixtures occupies the largest share in the production of goods of the company having (along with the charging stations for electric vehicles) a share of 52.44%. In 2021, the sales in this segment were an element of continuity, being in a slight increase, with 6.4% compared to those of 2020. The range of products covers almost all areas, both for public authorities (street or ornamental lighting for monuments) and companies (commercial and industrial spaces, offices) and for individuals (lighting fixtures for domestic use).

The competitive advantage of LED lighting equipment is due to the high efficiency (over 160 lm/w), the long service life (minimum 100,000 hours) as well as the high color rendering index (minimum 85%). In addition, LED luminaires offer quality light, are environmentally friendly and allow integration into telemanagement systems.

In 2021, 79 lighting fixtures and 5 charging stations for electric cars were introduced into manufacturing. Thus, 359 LED lighting fixtures are operational in the database, organized in 32 product families and 12 charging stations.

Electric vehicle charging stations

In recent years, the hybrid and electric vehicle market has experienced an accelerated development both in Europe and in Romania. The "green" cars, the electric ones together with the hybrid ones, have registered in our country, an accelerated growth.

Electromagnetica was among the first local companies that under the ELMotion brand designed and built such stations starting with 2017.

At the moment we have 12 types of charging stations, including those for fast charging (reaching up to 100 kW)
In order to support the owners of hybrid / electric vehicles, elmotion software was also developed that allows the identification of charging stations at national level and their availability. The application can be installed on mobile phones from Google Play and AppStore.

Injection of plastics and molds

Electromagnetica benefits from a wide range of technologies, which allows the company to produce subassemblies from injected plastics for both domestic and export. The company currently has 25 injection machines, most of the products made being represented by injection parts for Makita Romania and in part, by injected parts for the automotive market. The company produces plastic subassemblies for Draexlmaier Romania which in turn supplies products for BMW and Maserati.

One of the important customers in this production segment is Makita Romania which has steadily increased its orders for boxes, housings and various plastic parts.

The production of subassemblies from injected plastics and molds increased 50.5% compared to the previous year and in the context in which Electromagnetica developed a new lamp in which it uses as a thermal dissipation element an innovative radiator, produced by injecting a thermoconductive plastic material.

This product group has the second largest share of the company's exports, with 25.7 % of the total. The production of injected plastic subassemblies benefits from the internal design, manufacture and repair of the molds through a dedicated compartment.

25. INFORMATION BY ACTIVITY SEGMENTS (continued)

Low voltage electrical equipment

The production of low voltage electrical equipment (for ABB Italy) represents an element of continuity and stability within the production for export, registering an increase of 11.6% to a turnover of over 2.5 mil. Euro in 2021 . The electrical equipment had in 2021 the highest share of exports with 60.7%.
Most of this activity is automated and robotic.

Railway traffic safety features

The sales of railway traffic safety elements increased by 19.4% since 2020, the orders for this production segment, from prestigious companies such as ALSTOM and SIEMENS, being largely dependent on the pace of modernization of the railway infrastructure, given that CFR Infrastructura is the final beneficiary of these services.

Production of electricity from renewable sources

Energy production is a field regulated by ANRE, the company holding a producer's license since 2007. The company owns 10 small hydropower plants in the Suceava river basin, which have been modernized and automated over time, reaching an installed power of 5.5 MW. In 2021, the energy production in its own small hydropower plants was 10,751 MWh, with a turnover increasing by 9.4%

Approximately 38% of the need for green certificates for the entire portfolio of supply customers was also covered in 2021 by the certificates obtained for the energy production made by their own small hydropower plants.

Electricity supply service

The energy supply activity, operating within the framework regulated by ANRE, constitutes, together with the energy production, the segment of the licensed activities. The company holds the supplier license since 2001, which was renewed in 2013 based on the regulations of the new energy law (L123/2012), for another 10 years.
In the first quarter of 2021, the licensed activity recorded a profit. In the second quarter the activity was strongly affected by the unpredictable increasing evolution of the purchase prices, while the renegotiation of the contracts with the clients/consumers was achieved gradually.

The increase in prices on all markets but especially on dam (the average price for 2021 higher by 280% compared to 2020) and the fact that dam had a market share of 45.14% in Romania was reflected negatively in the results of Electromagnetica and the other 273 participants in the wholesale market.

However, even in the conditions of an unpredictable and unfavorable energy market, Electromagnetica has not terminated any trading or supply contracts, managing to renegotiate them in order to obtain more favorable conditions. Turnover for supply activity increased by 23.3%.

Starting with November, the company informed consumers of the provisions of GEO 118 regarding the electricity compensation scheme, subsequently applying the legal prescriptions to the consumers who were classified and sent the necessary documentation.

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

25. INFORMATION BY ACTIVITY SEGMENTS (continued)

Rental and utilities supply services

Electromagnetica manages approximately 34,500 sqm of spaces for rent in Bucharest and 3,500 sqm in Varteju, Ilfov County. At the end of 2021, for the headquarters in Calea Rahovei 266-268, the average rental rate was 90.02%. For the spaces in the village Varteju (Magurele), the rent rate was 100%.

The activity of renting and supplying utilities registered an increase of 6.1% compared to the previous year, a result of the increase of the average euro / leu exchange rate that evolved favorably compared to 2020, of the maintenance of rental rates and of tenant inflows slightly higher than their exits, given the reduction of the rental degree from 94.34% to 90.02% amid the evolution of the rental market during the extended period of the pandemic.

26. RISK MANAGEMENT

The Group shall be exposed to the following risks:

Capital risk

Capital risk management aims to ensure the ability of the company to carry out its activity in good conditions through an optimization of the capital structure (equity and debts). In the analysis of the capital structure, the cost of capital and the risk associated with each class are monitored. In order to maintain an optimal capital structure and a proper degree of indebtedness, the company has proposed to the shareholders in recent years an adequate dividend policy, which would ensure its own sources of financing. The absence of financing sources may limit the expansion of the company in the segments of the market where the sale is supported by the provision of commercial facilities.

The group monitors capital based on its indebtedness. This indicator is calculated as the ratio between net debt and total capital committed. Net liability is calculated as the sum of total loans and total suppliers and other liabilities (as shown in the statement of financial position) minus cash and cash equivalents. Total committed capital is determined as the sum between net liability and equity (as shown in the financial position).

The debt ratio as at 31 December 2021 was as follows:

	December 31 2021	December 31 2020
Total loans (IFRS 16 lease liability)	207,405	305,637
Suppliers and other current debts	54,496,194	43,317,218
None: Cash and Cash Equivalents	(7,086,289)	(24,487,010)
Net current liabilities/(assets)	**47,617,310**	**19,135,845**
Equity	**368,760,432**	**341,923,461**
TOTAL COMMITTED CAPITAL	**416,377,742**	**361,068,306**
Leverage ratio	**11.44%**	**5.3%**

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

26. RISK MANAGEMENT (continued)

Credit risk

The credit risk consists in the event that the contracting parties violate their contractual obligations leading to financial losses for the company. When possible and the practice of the market allows it the group asks for guarantees. Commercial receivables come from a wide range of clients who work in various fields of activity and in different geographical areas. For

counteracting this risk factor, the group has applied restrictive policies of delivery of products to uncertain customers. Policies were contracted to insure the receivables on the foreign market. Due to the increased incidence in the economy of the insolvency cases, there is a concrete risk regarding the recovery of the value of the products and / or services provided before the declaration of the state of insolvency. The Group pays increased attention to the creditworthiness and financial discipline of the contractual partners.

	December 31 2021	December 31 2020
Trade receivables (TL and TS)	85,922,600	77,526,170
Other receivables (TL and TS)	2,786,289	3,279,447
Cash and cash equivalents	7,086,289	24,487,010
	95,795,178	**105,292,627**

Market risk

Market risk includes: the risk of changes in interest rates, exchange rate, purchase price of goods.

Risk with regard to **change in interest rates** it is kept under control due to the investment policy of the company from its own sources of financing, which leads to the use of credit lines only for short periods.

The group is exposed **currency risk** due to the fact that the supply of materials is mostly made of import and due to the fact that the share of export has increased. In order to limit the effect of foreign exchanges, the calendar of payments was correlated with that of foreign currency receipts, the Group usually achieving cash-flow surplus. The Group continuously monitors and manages the exposure to exchange rate changes.

The foreign currencies most often used in transactions are EUR and USD. Foreign currency assets are represented by customers and available in foreign currency. Foreign currency liabilities are represented by suppliers.

As of December 31, 2021, their situation is as follows:

	Asset	Debt	Net exposure
EUR	1,578,108	710,237	867,871
USD	21,610	128,084	(108,878)
MDL	1,862,767	-	1,862,767

As of December 31, 2020, their situation is as follows:

	Asset	Debt	Net exposure
EUR	1,531,352	648,630	882,721
USD	21,610	73,051	(51,442)
MDL	1,744,402	-	1,744,402

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

26. RISK MANAGEMENT (continued)

Market risk (continued)

From the analysis of the sensitivity of the currency risk to a variation of +/- 10% of the exchange rate, the impact on the gross result of the year is +/- 427,724 lei.

This analysis shows the exposure to the risk of translation at the end of the year; however, the exposure during the year is continuously monitored and managed by the group companies.

Price risk cuprinde the risk of changing the purchase price of the goods, the exchange rate and the interest rates. Of the markets in which the Group operates, the energy market is the one with the highest price risk, taking into account the one with the highest price risk, taking into account

price volatility on the Day-Ahead Market and the Balancing Market, as well as the non-existence of long-term hedging mechanisms. The behaviour of energy producers to sell as much of the energy as possible on the spot market is likely to amplify the price risk on this market. In order to control the price risk on the energy market, measures have been taken to reduce the company's exposure by maintaining an optimal portfolio of clients.

The group is exposed to currency risk due to the fact that the supply of materials is made mostly from import. In order to limit the effect of foreign exchanges, the calendar of payments was correlated with that of foreign currency receipts, the group usually achieving cash-flow surplus. The change in prices of raw materials and materials has required the continuous reconsideration of cost prices. In order to maintain some products in a state of profitability, the suppliers were operated to control the prices and the related technological processes were improved.

Liquidity and cash-flow risk

The treasury function of the company prepares forecasts regarding the liquidity reserve and maintains an adequate level of credit facilities so that it can prudently manage liquidity and cash-flow risks. At the same time, the investments were limited to their own sources of financing and to those that have a direct contribution to the turnover. The liquidity and cash-flow risk management policy must adapt to the new, more demanding commercial practices. This risk is closely related to the risks presented above.

Below is the statement of commercial receivables and debts according to maturity:

	31 Dec 2021	**0 - 1 year**	**1 - 2 years**	**2 - 5 years**	**over 5 years**
Trade receivables and other receivables	87,228,139	72,687,659	6,395,993	8,144,487	-
Trade and other debts	55,679,418	55,679,418	-	-	-

	31 Dec 2020	**0 - 1 year**	**1 - 2 years**	**2 - 5 years**	**over 5 years**
Trade receivables and other receivables	78,368,182	59,558,612	7,552,175	11,703,323	-
Tradel and other debts	44,415,737	44,415,737	-	-	-

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

26. RISK MANAGEMENT (continued)

Fair value hierarchy of financial assets and financial liabilities

31 December 2021	**Book value**	**Fair value**	**Level**
Financial assets			
Trade receivables	85,922,600	85,922,600	Level 1
Cash and cash equivalents	7,086,289	7,086,289	Level 1
Other current assets	2,648,652	2,648,652	Level 1
	95,657,541	**95,657,541**	

31 December 2021	**Book value**	**Fair value**	**Level**
Long-term financial liabilities			
Commercial and other debts	1,112,139	1,112,139	Level 1
	1,112,139	**1,112,139**	
Short-term financial liabilities			
Commercial debts	54,567,279	54,567,279	Level 1
	54,567,279	**54,567,279**	

31 December 2021	**Book value**	**Fair value**	**Level**
Financial assets			
Commercial receivables	77,526,170	77,526,170	Level 1
Cash and cash equivalents	24,487,010	24,487,010	Level 1
Other current assets	3,279,447	3,279,447	Level 1
	105,292,627	**105,292,627**	

31 December 2020	**Book value**	**Fair value**	**Level**
Long-term financial liabilities			
Commercial and other debts	1,378,045	1,378,045	Level 1
	1,378,045	**1,378,045**	
Short-term financial liabilities			
Commercial debts	42,933,296	42,933,296	Level 1
	42,933,296	**42,933,296**	

26. RISK MANAGEMENT (continued)

Political and legislative risk

It has become more important with the significant increase in energy prices, the Government trying through Ordinance 118/2021 and subsequent amendments to cap energy prices or to impose the deduction from invoices of regulated tariffs (for non-household consumers) with immediate effects in the cash-flow of energy suppliers. These measures, especially if they are extended after April 2022, will affect almost exclusively the electricity suppliers, who will have to resort to lines of credit to finance its activity, given that in the supply activity the profit margin is very small and the return of the money by the state has been delayed and will probably be very difficult even after a few months.

Risk related to the lack of qualified human resources:

This risk has become an important one both for Electromagnetica and at the country level. Due to factors such as: massive emigration, strong competition and relatively high wage level in Bucharest area, the company faced at the recruitment announcements a lack of skilled workers for productive activities, such as: locksmiths, millers, lathes, etc. In order to counter this situation, emphasis was placed on the retraining and qualification of their own employees where vacancies appeared through retirement and also on continuous professional training programs for new employees. The application is also considered an internship program with the possibility of keeping those people in society after the end of the internship period.

Risk regarding data protection and processing

The risk can be generated by situations such as accidentally losing or modifying data, as well as unauthorized access to personal data. Regardless of the basis of the processing, Electromagnetica complies with the obligations stipulated in the General Data Protection Regulation (GDPR) – Regulation (EU) 2016/679 including the obligation to inform the data subject, at the time of data collection.

Medical risks (Covid 19 pandemic)

It remains one of the most important risks that the company will face in 2022. Although at the time of writing this Report, the rate of infection with the Omicron variant is decreasing and many countries have begun to lift restrictions, it cannot be said that the pandemic is over this year. The return to normal will have a certain inertia especially regarding the orders or the reduction of the deadlines for the acquisition of raw materials. At the Electromagnetic level, we will continue to implement all the measures so far, especially related to access, temperature measurement and the possibility of disinfection at the access points and in crowded areas.

The group will continue its strict policy of measures to prevent cases of infection in employees and tenants.

General framework for risk management

The Board of Directors of the company has general responsibility for the establishment and supervision of the risk management framework at the level of the company.

The activity is governed by the following principles:

a. the principle of delegation of powers;
b. the principle of decision-making autonomy;
c. the principle of objectivity;
d. the principle of investor protection;
e. the principle of promoting the development of the stock market;
f. the principle of active role.

26. RISK MANAGEMENT (continued)

The Board of Directors is also responsible for examining and approving the strategic, operational and financial plan of the company, as well as the corporate structure of the company.

The company's risk management policies are defined in such a way as to ensure the identification and analysis of the risks faced by the Company, the establishment of appropriate limits and controls, as well as the monitoring of risks and compliance with the established limits. Risk management policies and systems are regularly reviewed to reflect changes in market conditions and in the company's activities. The company, through its standards and procedures of training and management, aims to develop an orderly and constructive control environment, within which all employees understand their roles and obligations.

The internal audit of the company's entities supervises the way in which the management monitors the compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks it faces.

27. COMMITMENTS AND POTENTIAL LIABILITIES

Commitments

As of December 31, 2021, the Parent Company has commitments granted by four financing banks as follows:

- for bank loans in the form of overdrafts for working capital in the amount of RON 44,000,000;
- non-cash guarantee agreements in the amount of RON 34,000,000.

As of December 31, 2021, the Company had at its disposal an amount of RON 23,108,706 from the loan facilities contracted with the banks.

As of December 31, 2021, the Company had at its disposal the amount of RON 4,233,387, as unused, from the non-cash facilities for letters of guarantee.

According to the current loan agreements, the Company is subject to the fulfillment of certain conditions imposed by the banks. As of December 31, 2021, the Company complied with all the financial indicators imposed in the financing contracts.

The commitments granted to the Company are guaranteed with accounts opened with the creditor banks, receivables, collateral deposits in the amount of RON 90,000, tangible assets (land, buildings) in the amount of RON 128,257,362 (Note 4).

The commitments received from customers and tenants in the form of letters of guarantee as of December 31, 2021, are worth 178,650 lei according to the contractual clauses.

Litigation

The disputes in which the Group is involved are of values that are not likely to affect its financial stability. The mother company manages disputes through its own legal department and through collaborations with external partners specialized in managing specific conflicts.

28. SUBSEQUENT EVENTS

The regularization of the final quota of green certificates for the energy supply activity carried out in 2021 was not reflected in the financial statements due to the delayed publication of the ANRE order no. 14/23.02.2022. Regularization will not have an influence on profit.

The ongoing military operation in Ukraine and the related targeted sanctions against the Russian Federation may have an impact on European and global economies. The entity has no significant direct exposure to Ukraine, Russia or Belarus. However, the impact on the overall economic situation may require a review of certain assumptions and estimates. This may lead to significant adjustments to the carrying amount of certain assets and liabilities in the following financial year. At this stage, management cannot reasonably estimate the impact, as events unfold day by day.

The longer-term impact can also affect trading volumes, cash flows and profitability. However, at the date of these consolidated financial statements, the Company continues to fulfil its obligations as they fall due and therefore continues to apply the business continuity preparation basis.

Also, the management has no knowledge of other events, economic changes or other uncertainty factors that could significantly affect the income or liquidity of the company, other than those mentioned.

These consolidated financial statements were approved for issuance by management on March 23, 2022.

EUGEN SCHEUŞAN	**CRISTINA FLOREA**
General Manager	**Director Economic**