

ELECTROMAGNETICA SA

Quarterly Report on March 31,2022

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ELECTROMAGNETICA SA

**SEPARATED QUARTERLY REPORT
FOR THE FIRST QUARTER OF 2022**

**Separated financial results for the first quarter of 2022 (Q1 2022)
as compared to the first quarter of 2021 (Q1 2021)
(unaudited)**

Separated Quarterly Report for Q1 2022

Highlights of the three months ended on March 31, 2022 (Q1 2022)

- The turnover of the Company of RON 54,270 thousand during Q1 2022, is by 41,5% lower than Q1 2021;
- Sales of unlicensed activities in the period of 3 months 2022, increased by 12.7% compared to the same period in 2021;
- Licensed activities, especially energy supply, have been reduced prudently to continue safely and efficiently, taking into account the following external and internal factors:
 - The international conjuncture of increasing the prices of CO2 emission certificates, the increases of prices for gas, electricity and oil;
 - The current energy crisis generated by the increase in post-pandemic consumption and the conflict in Ukraine;
 - Reducing the production of electricity and gas to ensure the demand from Romania, simultaneously with the increase of imports of electricity and gas;
 - Increasing financing costs.

Indicator	Q1 2022	Q1 2021
Revenues from unlicensed activities	27,188	24,131
Revenues from licensed activities	27,082	68,662
Turnover (thousand RON)	54,270	92,793
EBITDA* (thousand RON)	11,915	4,130
EBITDA margin (%)	22.0%	4.5%
Net Result (thousand RON)	9,726	1,472
Net Result per share (RON)	0.0144	0.0022

* EBITDA represents earnings before interest, taxes, depreciation, and amortization.

The following aspects finalized the obtaining of the results in the first quarter of the year:

- The production activity took place in more difficult supply conditions than in previous years. The consequences of the COVID-19 pandemic and the war in Ukraine are high prices of raw materials and materials that fueled rising inflation and extended delivery times, in many cases up to 6 months.
- For the licensed activity, the decrease of the expenses meant a reduction of the costs specific to the activity, an efficiency of it, although the sales decreased.
- Activities for arranging and improving the buildings from Calea Rahovei 266-268 were carried out in order to better manage and maintain competitiveness on the rental space market;
- Continuation of the development programs for the charging equipment for electric cars which started in the previous years.

Sales

Electromagnetica is a company that operates in several fields, the most important being:

- Activities in the field of energy efficiency (production of LED lighting fixtures, systems and solutions of LED lighting);
- Renting office space, industrial space, land and provision of utilities;
- Production of electricity from renewable sources (produced in low power hydroelectric power plants) and supply of electricity.

As aggregation criterion for reporting per business segments, the Company used the type of the regulatory environment and identified the following business segments for which it presents the information individually:

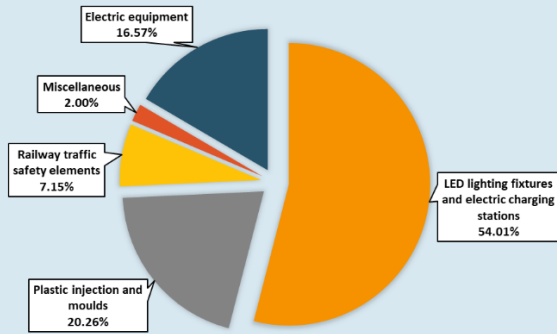
- Licensed activity - electricity supply and production
- Unlicensed activity - industrial production and space rental.

The aggregation criterion is based on the necessary license for carrying out certain activities, as well as its requirements, including the submission of individual financial statements. The activities of production and supply of electricity have been aggregated, taking into consideration the fact that they represent an integrated process for a part of their operations.

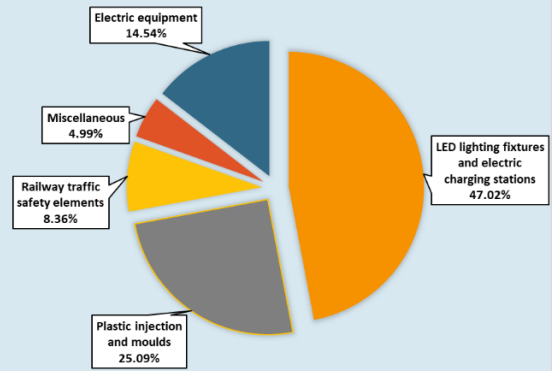
- RON -

	<u>Unlicensed activity</u>	<u>% Total Company</u>	<u>Licensed activity</u>	<u>% Total Company</u>	<u>Total Company</u>
Q1 2022					
Net profit	111,801	1.00	9,614,070	99.00	9,725,871
Total assets	385,007,327	85.00	65,979,351	15.00	450,986,678
Total liabilities	60,015,085	73.00	21,916,772	27.00	81,931,856
Customer revenue	27,188,489	50.00	27,081,639	50.00	54,270,128
Interest income	5,342	100.0	-	-	5,342
Impairment and depreciation	2,149,675	79.00	555,779	21.00	2,705,454
Q1 2021					
Net profit	1,438,286	98.00	33,491	2.00	1,471,777
Total assets	309,478,943	75.00	104,505,301	25.00	413,984,244
Total liabilities	32,995,961	43.00	44,291,614	57.00	77,287,175
Customer revenue	24,131,072	26.00	68,661,443	74.00	92,792,515
Interest income	27,201	100.0	-	-	27,201
Impairment and depreciation	1,803,618	80.00	463,005	20.00	2,266,624

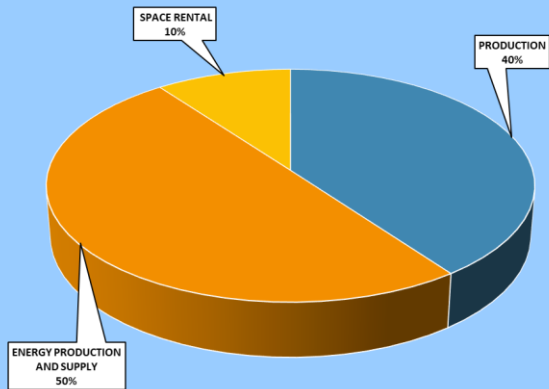
PRODUCTION STRUCTURE IN Q1 2022



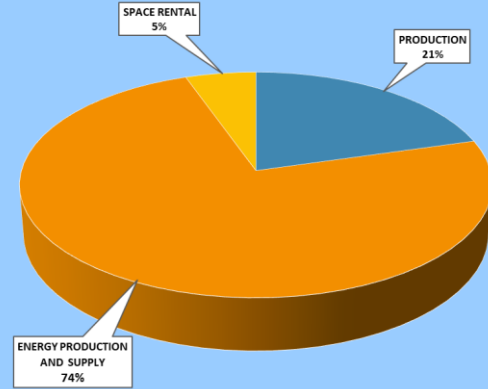
PRODUCTION STRUCTURE IN Q1 2021



TURNOVER STRUCTURE IN Q1 2022



TURNOVER STRUCTURE IN Q1 2021



ELECTROMAGNETICA SA
INTERIM SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE 3- MONTH PERIOD ENDED MARCH 31,2022 (UNAUDITED)
(all amounts are expressed in RON,unless otherwise specified)

	Note	3-month period ended March 31,2022	3-month period ended March 31,2021
Revenues	4	54,270,128	92,792,515
Investment income	4	4,543	26,634
Other net income and expenses	4	224,998	434,937
Changes in inventories of finished goods and wor in progress	4	6,153,280	1,795,011
Own work capitalized	4	346,779	1,478,752
Raw materials and consumables used	5	(32,638,042)	(76,650,902)
Employee-related expenses	5	(8,379,915)	(7,742,737)
Expenses related to depreciation and impairment	5	(2,705,454)	(2,266,624)
Other expenses	5	(7,419,533)	(7,817,062)
Financial expenses	5	(410,664)	(193,460)
Profit before tax		9,446,121	1,857,065
Income tax	6	279,749	(385,287)
Profit of the period		9,725,871	1,471,777
Other comprehensive income: of which: Other comprehensive income thatcannot be reclassified to profit or loss, of which: - restatement of deferred tax for revaluation of assets written off		-	1,333
Comprehensive income for the period		9,725,871	1,473,110
Basic/diluted earnings per share	7	0.0144	0.0022

These separate financial statements were approved for issue by the management as at April 27, 2022:

EUGEN SCHEUŞAN
Managing Director

CRISTINA FLOREA
Economic Manager

ELECTROMAGNETICA SA
INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2022 (UNAUDITED)
(all amounts are expressed in RON, unless otherwise specified)

	Note	March 31, 2022	December 31, 2021
ASSETS			
Non-current assets			
Property, plant and equipment	8	317,293,356	319,558,500
Investment property		14,873,814	14,649,783
Intangible assets		111,488	141,598
Investments in related entities		841,408	841,408
Other long-term non current assets		14,412,624	14,540,480
Assets related to the rights of use	9	2,356,951	1,433,898
Total non-current assets		349,890,140	351,166,167
Current assets			
Inventories	10	21,109,612	18,121,309
Trade receivable	11	73,656,191	71,277,365
Cash and cash equivalents	12	2,219,655	2,923,410
Other current assets		3,511,143	2,069,666
Current tax assets		599,937	599,937
Total current assets		101,096,538	94,991,688
Total assets		450,986,678	446,157,855
EQUITY AND LIABILITIES			
Equity			
Share capital		67,603,870	67,603,870
Reserves and other equity		215,236,902	216,140,275
Retained earnings		86,214,050	75,584,806
Total equity attributable to company's shareholders		369,054,822	359,328,951
Non-current liabilities			
Trade payables and other liabilities	13	1,074,645	975,819
Investment subsidies		4,043,065	4,083,869
Deferred tax liabilities		23,039,207	23,318,956
Leasing debts		1,323,569	794,234
Total non-current liabilities		29,480,486	29,172,878
Current liabilities			
Trade payables and other liabilities	13	49,002,237	54,470,629
Investment subsidies		163,219	163,219
Provisions		2,239,928	2,341,163
Current income tax liabilities		-	-
Leasing debts	9	1,045,986	681,015
Total current liabilities		52,451,370	57,656,025
Total liabilities		81,931,856	86,828,904
Total equity and liabilities		450,986,678	446,157,855

These separate financial statements were approved for issue by the management as at April 27, 2022:

EUGEN SCHEUŞAN
Managing Director

CRISTINA FLOREA
Economic Manager

ELECTROMAGNETICA SA
INTERIM SEPARATE STATEMENT OF CASH FLOWS
FOR THE 3-MONTH PERIOD ENDED MARCH 31,2022 (UNAUDITED)
(all amounts are expressed in RON,unless otherwise specified)

	Note	3-month period ended March 31,2022	3-month period ended March 31,2021
Cash flows from operating activities			
Cash receipts from customers		50,834,519	59,785,941
Payments to suppliers		(35,501,894)	(60,282,278)
Payments to employees		(8,634,704)	(7,895,787)
Other operating activities		(4,100,895)	(4,847,836)
Cash generated by/ (used in) operating activities		2,597,026	(13,239,959)
Interest paid		(222,422)	(3,820)
Income tax paid		-	-
Net cash used in operating activities		2,374,604	(13,243,780)
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(31,572)	(233,552)
Proceeds from sale of non-current-assets		33,300	-
Interest received		4,583	26,929
Dividends received		-	-
Net cash used in investing activities		6,311	(206,623)
Cash flows from financing activities:			
Proceeds from loans		18,830,126	17,102,271
Cash repayments of amounts borrowed		(21,602,946)	(15,038,515)
Paid leasing		(284,908)	(269,883)
Interest paid		(24,429)	(21,690)
Dividends paid		(2,514)	(7,284)
Net cash used in financing activities		(3,084,671)	1,764,898
Net decrease of cash and cash equivalents		(703,755)	(11,685,504)
Cash and cash equivalents at beginning of period		2,923,410	20,108,460
Cash and cash equivalents at end of period	12	2,219,655	8,422,956

These separate financial statements were approved for issue by the management as at April 27, 2022:

EUGEN SCHEUŞAN
Managing Director

CRISTINA FLOREA
Economic Manager

ELECTROMAGNETICA SA
INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE 3-MONTH PERIOD ENDED MARCH 31, 2022(UNAUDITED)
(all amounts are expressed in RON,unless otherwise specified)

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Tangible assets revaluation reserve</u>	<u>Other reserves</u>	<u>Legal reserve</u>	<u>Other equity items</u>	<u>Total equity</u>
Balance as of January 1, 2022	67,603,870	75,584,806	154,178,085	66,840,830	19,789,854	(24,668,494)	359,328,951
Comprehensive income for the period:							
Profit of the period	-	9,725,871	-	-	-	-	9,725,871
Other comprehensive income:							
Setup of legal reserve	-	-	-	-	-	-	-
Transfer of revaluation reserve to retained earnings following the depreciation of revalued tangible assets or written off assets	-	1,075,444	(1,075,444)	-	-	-	-
Transfer deferred tax recognized in equity to retained earnings	-	(172,071)	-	-	-	172,071	-
Transfer of the retained earnings to reserves	-	-	-	-	-	-	-
Total comprehensive income for the period	-	10,629,244	(1,075,444)	-	-	172,071	9,725,871
Transactions with shareholders, directly registered to equity							
Dividends distributed	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-
Balance as of March 31, 2022	67,603,870	86,214,050	153,102,641	66,840,830	19,789,854	(24,496,423)	369,054,822

These separate financial statements were approved for issue by the management as at April 27, 2022:

EUGEN SCHEUŞAN
Managing Director

CRISTINA FLOREA
Economic Manager

ELECTROMAGNETICA SA
INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE 3-MONTH PERIOD ENDED MARCH 31, 2022(UNAUDITED)
(all amounts are expressed in RON,unless otherwise specified)

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Tangible assets revaluation reserve</u>	<u>Other reserves</u>	<u>Legal reserve</u>	<u>Other equity items</u>	<u>Total equity</u>
Balance as of January 1, 2021	<u>67,603,870</u>	<u>91,473,196</u>	<u>110,800,133</u>	<u>64,516,529</u>	<u>19,789,854</u>	<u>(18,959,622)</u>	<u>335,223,960</u>
Comprehensive income for the period:							
Profit of the period	-	1,471,777	-	-	-	-	1,471,777
Other comprehensive income:							
Setup of legal reserve	-	-	-	-	-	-	-
Deferred tax recognized in equity	-	-	-	-	-	1,333	1,333
Transfer of revaluation reserve to retained earnings following the depreciation of revalued tangible assets or written off assets	-	558,127	(558,127)	-	-	-	-
Transfer deferred tax recognized in equity to retained earnings	-	(87,545)	-	-	-	87,545	-
Transfer of the retained earnings to reserves	-	-	-	-	-	-	-
Total comprehensive income for the period	<u>-</u>	<u>1,942,359</u>	<u>(558,127)</u>	<u>-</u>	<u>-</u>	<u>88,878</u>	<u>1,473,110</u>
Transactions with shareholders, directly registered to equity							
Dividends distributed	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-
Balance as of March 31, 2021	<u>67,603,870</u>	<u>93,415,555</u>	<u>110,242,006</u>	<u>64,516,529</u>	<u>19,789,854</u>	<u>(18,870,744)</u>	<u>336,697,070</u>

These separate financial statements were approved for issue by the management as at April 27, 2022:

EUGEN SCHEUŞAN
Managing Director

CRISTINA FLOREA
Economic Manager

ELECTROMAGNETICA SA
NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS
FOR THE 3-MONTH PERIOD ENDED MARCH 31,2022
(all amounts are expressed in RON,unless otherwise specified)

1. GENERAL INFORMATION

Electromagnetica S.A.("the Company" or "Electromagnetica") is a joint stock company set up in 1930 and it carries out business in several areas of which the most important are:

- ✓ The activities related to energy efficiency (production of LED lighting fittings, systems and solutions of LED lighting)
- ✓ Rental of office and industrial spaces, lands and utility services;
- ✓ Production of electricity from renewable sources (in micro-hydropower plants) and electricity supply.

The shares of Electromagnetica S.A. are traded on **Bucharest Stock Exchange under "ELMA" symbol**. The registered office and administrative headquarters of the Company are located in Bucharest, district 5, 266-268 Calea Rahovei Street.

2. BASIS OF REPORT PREPARATION

The financial statements are prepared in accordance with the Order no. 2844/2016 of the Ministry of Public Finance, which are compliant with the International Financial Reporting Standards (IFRS) adopted by the European Union.

The functional and presentational currency is the Romanian Leu (RON).

The financial information for 31 March 2022 was neither audited, nor subject to review by an external auditor.

3. MAIN ACCOUNTING POLICY

This separate quarterly report has used the same accounting policies and calculation methods as those applied in the preparation of the Company's individual financial statements on 31 December 2021, except for the adoption of the new standards in force as of 1 January 2022.The Company has not adopted any other standard, interpretation or amendment that was issued but not yet in force.

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

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

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases"** - Interest Rate Benchmark Reform — Phase 2 adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 16 "Leases"** - Covid-19-Related Rent Concessions beyond 30 June 2021 adopted by the EU on 30 August 2021 (effective from 1 April 2021 for financial years starting, at the latest, on or after 1 January 2021),

The adoption of amendments to the existing standards has not led to any material changes in the Company's financial statements.

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

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

The accompanying notes form an integral part of these financial statements.

ELECTROMAGNETICA SA
NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS
FOR THE 3-MONTH PERIOD ENDED MARCH 31,2022
(all amounts are expressed in RON,unless otherwise specified)

- **Amendments to IAS 1 “Presentation of Financial Statements”** - Disclosure of Accounting Policies adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** - Definition of Accounting Estimates adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 16 “Property, Plant and Equipment”** - Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”** - Onerous Contracts - Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 3 “Business Combinations”** - Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to various standards due to “Improvements to IFRSs (cycle 2018 -2020)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.).

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

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU.

- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **Amendments to IAS 1 “Presentation of Financial Statements”** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 12 “Income Taxes”** - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

The accompanying notes form an integral part of these financial statements.

ELECTROMAGNETICA SA
NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS
FOR THE 3-MONTH PERIOD ENDED MARCH 31,2022
(all amounts are expressed in RON,unless otherwise specified)

More details about individual standards, amendments to existing standards and interpretations that can be used as appropriate:

- **IFRS 14 “Regulatory Deferral Accounts”** issued by IASB on 30 January 2014. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.
- **Amendments to IFRS 3 “Business Combinations”** - Reference to the Conceptual Framework with amendments to IFRS 3 issued by IASB on 14 May 2020. The amendments: (a) update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework; (b) add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and (c) add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.
- **Amendments to IFRS 4 “Insurance Contracts”** – Extension of the Temporary Exemption from Applying IFRS 9 issued by IASB on 25 June 2020. Amendments change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
- **Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement”, IFRS 7 “Financial Instruments: Disclosures”, IFRS 4 “Insurance Contracts” and IFRS 16 “Leases”** - Interest Rate Benchmark Reform — Phase 2 issued by IASB on 27 August 2020. The changes relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting:
 - a) **Modification of financial assets, financial liabilities and lease liabilities** - the IASB introduces a practical expedient for modifications required by the reform (modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16.
 - b) **Hedge accounting requirements** - under the amendments, hedge accounting is not discontinued solely because of the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements.
 - c) **Disclosures** - in order to allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity’s progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition, the amendments require that an entity discloses information about:
 - how the transition from interest rate benchmarks to alternative benchmark rates is managed, the progress made at the reporting date, and the risks arising from the transition;
 - quantitative information about non-derivative financial assets, non-derivative financial liabilities and derivatives that continue to reference interest rate benchmarks subject to the reform, disaggregated by significant interest rate benchmark;
 - to the extent that the IBOR reform has resulted in changes to an entity’s risk management strategy, a description of these changes and how is the entity managing those risks.
 - d) The IASB also amended IFRS 4 to require insurers that apply the temporary exemption from IFRS 9 to apply the amendments in accounting for modifications directly required by IBOR reform.
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** issued by IASB on 11 September 2014. The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

The accompanying notes form an integral part of these financial statements.

ELECTROMAGNETICA SA
NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS
FOR THE 3-MONTH PERIOD ENDED MARCH 31,2022
(all amounts are expressed in RON,unless otherwise specified)

- **Amendments to IFRS 16 "Leases"** - Covid-19-Related Rent Concessions issued by IASB on 28 May 2020. The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021.
- **Amendments to IFRS 16 "Leases"** - Covid-19-Related Rent Concessions beyond 30 June 2021 issued by IASB on 31 March 2021. Amendments extend by one year the application period of the practical expedient in IFRS 16. The relief was extended by one year to cover rent concessions that reduce only lease payments due on or before 30 June 2022.
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current issued by IASB on 23 January 2020. The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. Amendments to IAS 1 issued by IASB on 15 July 2020 defer the effective date by one year to annual periods beginning on or after 1 January 2023.
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure of Accounting Policies issued by IASB on 12 February 2021. Amendments require entities to disclose their material accounting policies rather than their significant accounting policies and provide guidance and examples to help preparers in deciding which accounting policies to disclose in their financial statements.
- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Accounting Estimates issued by IASB on 12 February 2021. Amendments focus on accounting estimates and provide guidance how to distinguish between accounting policies and accounting estimates.
- **Amendments to IAS 12 "Income Taxes"** - Deferred Tax related to Assets and Liabilities arising from a Single Transaction issued by IASB on 6 May 2021. According to amendments, the initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities.
- **Amendments to IAS 16 "Property, Plant and Equipment"** - Proceeds before Intended Use issued by IASB on 14 May 2020. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Onerous Contracts — Cost of Fulfilling a Contract issued by IASB on 14 May 2020. The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)"** issued by IASB on 14 May 2020. Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording. The amendments: (a) clarify that subsidiary which applies paragraph D16(a) of IFRS 1 is permitted to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs (IFRS 1); (b) clarify which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf (IFRS 9); (c) removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example (Illustrative Example 13 accompanying IFRS 16); and (d) removes the

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requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique (IAS 41).

4. REVENUE

	Q1 2022	Q1 2021
Revenue	54,270,128	92,792,515
- Revenue from sold production	21,650,113	19,606,391
- Rental income	5,507,383	5,043,944
- Revenue from sale of goods	27,112,632	68,142,180
Investment income	4,543	26,634
- Interest income	4,543	26,634
Finished goods inventory variation and production in progress	6,153,280	1,795,011
Work performed and capitalized by the entity	346,779	1,478,752
Other revenues/(expenses)	224,998	434,937
- Green certificates revenues	389,858	493,756
- Revenue/costs related to provisions, net	(143,402)	(226,066)
- Net foreign exchange difference	(32,419)	33,246
- Other net revenues	10,961	134,001
Net revenue	60,999,729	96,527,849

5. EXPENSES

	Q1 2022	Q1 2021
Expenses related to materials	32,638,042	76,650,902
- Raw materials and consumables	16,022,367	10,460,826
- Goods purchased for resale	14,864,454	65,430,746
- Electricity, heating and water	1,751,221	759,330
Employee-related expenses	8,379,915	7,742,737
Other expenses	7,419,533	7,817,062
- Transport and travel	239,378	214,465
- Subcontracted work	2,705,834	785,747
- Other taxes	351,519	442,604
- Cost of green certificates	591,803	1,958,099
- Other operating expenses	3,530,999	4,416,147

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Expenses related to depreciation and impairment	2,705,454	2,266,624
- Depreciation	2,705,454	2,266,624
- Net impairment	-	-
Financial expenses	410,664	193,460
Total expenses	51,553,607	94,670,785

6. INCOME TAX

	Q1 2022	Q1 2021
Current income tax		
Current income tax expenses	-	495,772
Deferred income tax		
Deferred income tax income	(279,749)	(110,485)
	(279,749)	385,287

7. EARNINGS PER SHARE

	Q1 2022	Q1 2021
Net profit attributable to the shareholders	9,725,871	1,471,777
Average weighted number of ordinary shares	676,038,704	676,038,704
Earnings per share	0.0144	0.0022

The basic and the diluted result are identical, as the Company does not have securities with dilution potential.

8. NON-CURRENT ASSETS

At March 31, 2022, non-current assets had an insignificant change (less than 1%) compared to the end of 2021.

9. ASSETS RELATING TO THE RIGHTS OF USE

	Balance as at January 1, 2022	Inflows	Outflows	Balance as at March 31, 2022
Right of use of which:	2,336,692	2,670,458	2,351,044	2,656,106
Right of use of buildings	2,073,115	2,415,962	2,093,480	2,395,596
Right of use of vehicles	263,578	254,496	257,564	260,510
Debt from Leasing, of which:	1,475,248	2,656,464	1,760,157	2,369,556
Recognized depreciation	902,794	272,156	875,796	299,155

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Interest expense	-	24,429	24,429
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10. INVENTORIES

	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Raw materials	9,494,314	9,892,908
Consumables	2,291,325	2,564,033
Finished products	5,766,978	3,037,841
Pending production	4,057,272	2,730,442
Other stocks	1,971,388	2,168,220
Adjustments for stocks depreciation	<u>(2,471,665)</u>	<u>(2,272,135)</u>
Total	<u>21,109,612</u>	<u>18,121,309</u>

The Company no longer holds stock pledged against debt.

11. TRADE RECEIVABLES

Trade receivables increased by 3% compared to December 31, 2021, mainly due to the non-timely collection of receivables financed by government programs.

12. CASH AND CASH EQUIVALENTS

	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Petty cash	7,566	15,492
Cash at bank	2,209,042	2,907,501
Cash equivalents	<u>3,047</u>	<u>417</u>
Total	<u>2,219,655</u>	<u>2,923,410</u>

Cash and cash equivalents decreased by 24% due to the increase in uncollected receivables and repayments made to credit lines.

13. TRADE PAYABLES

The non-current liabilities did not change significantly compared to the end of 2021, standing at + 1%.

The current liabilities decreased by 10%, due to the restriction of the energy supply activity.

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14. TRANZATIONS WITH RELATED PARTIES

	<u>Q1 2022</u>	<u>Q1 2021</u>
Sale of goods and services to subsidiaries		
Electromagnetica Fire	6,847	6,057
Electromagnetica Prestserv	5,926	5,403
Procetel	9,582	179,926
Total	22,355	191,386
	<u>Q1 2022</u>	<u>Q1 2021</u>
Purchase of goods and services from subsidiaries		
Electromagnetica Fire	442,588	339,598
Electromagnetica Prestserv	327,551	263,603
Procetel	313,842	284,857
Total	1,083,981	888,058
	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Trade and other liabilities toward subsidiaries		
Electromagnetica Fire	164,577	182,879
Electromagnetica Prestserv	132,930	120,633
Procetel	314,897	226,848
Total	612,404	530,360
	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Trade receivables		
Electromagnetica Fire	-	-
Electromagnetica Prestserv	-	-
Procetel	196,350	197,497
Total	196,350	197,497

The transactions between related parties are carried out under normal market conditions. The affiliates do not carry out operations that have an impact on the group's results. The Group's indicators are affected by over 90% by those of the Parent Company, Electromagnetica.

15. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

As of March 31, 2022, the Company had the following commitments granted by four financing banks:

- For bank credits as working capital the amount of RON 44,090,000;
- Non-cash guarantee agreements in amount of RON 34,000,000.

As of March 31, 2022, the Company had at its disposal an amount of RON 25,971,526 not drawn from the loan facilities contracted with the banks.

As of March 31, 2022, the Company had at its disposal the amount of RON 19,595,783 as unused, from the non-cash facilities for letters of guarantee.

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According to the current loan agreements, the Company is subject to the fulfillment of certain conditions imposed by the banks. On March 31, 2022, the Company complied with all financial indicators imposed in the financing contracts.

The commitments received from clients and tenants in the form of letters of guarantee on March 31, 2022, are worth RON 178,642 according to the contractual clauses.

Litigation

The litigations in which the company is involved are values that are not likely to affect the financial stability of the company.

16. EVENTS AFTER THE REPORTING DATE

The agenda of the General Meeting of Shareholders of April 28, 2022 includes the proposal regarding the coverage from reserves of the accounting loss registered in the previous year.

**RATIOS IN ACCORDANCE WITH APPENDIX 13° FROM REGULATION 5/2018
ISSUED BY FSA**

Name of the indicatori	Calculation formula	Q1 2022	Q1 2021
Current ratio	Currents assets/Current liabilities	1,93	1,91
Level of indebtedness	Long term borrowed capital/ Share capital x 100	0,29	0,38
	Long term borrowed capital/ Invested capital x 100	0,29	0,38
Days sales outstanding ratio	Average client balance/ Turnover x 90	120,0	66,0
Fixed assets turnover	(Turnover x 360/ 90)/ Non-current assets	0,62	1,19

Note:

1. **Current ratio** provides a guarantee related to covering the current liabilities from current assets.
2. **Level of indebtedness** expresses the effectiveness of the credit risk management, showing potential financing, liquidity issues, with effects on honoring the commitments undertaken

Borrowed capital = Loans exceeding one year and other loans bearing interest

Invested capital = Borrowed capital + Share capital

3. **Days sales outstanding ratio** expresses the Company's effectiveness in collecting its receivables, namely the number of days until the date on which the debtors pay their debts to the Company.
4. **Fixed assets turnover** expresses the effectiveness of the fixed assets management, by examining the turnover generated by a certain quantity of fixed assets

Eugen Scheuşan
Managing Director

Cristina Florea
Economic Manager