



## **ANNUAL REPORT 2022**

## **SEPARATE FINANCIAL STATEMENTS**

**according to the provisions of art.63 of law 24/2017, annex 15 to the ASF Regulation no. 5/2018 and the BVB Code**

**And**

**THE REPORT OF THE ADMINISTRATORS REGARDING THE ECONOMIC AND FINANCIAL ACTIVITY OF ELECTROMAGNETICA SA ACCORDING TO THE PROVISIONS OF ART.63 OF LAW 24/2017, Annex 15 to the ASF Regulation no. 5/2018 and the Bucharest Stock Exchange Code**

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## 1. MESSAGE FROM THE GENERAL DIRECTOR



Dear shareholders, clients, partners and employees

The year 2022 was a very important one for our society, because it came after two difficult years in which the global effects of the COVID19 pandemic have put their mark. We have been and are aware that our shareholders' expectations are high and their trust must be rewarded. We are glad that the final results have show a profit and we can distribute dividends.

The positive evolution was possible under the conditions of a sustainable development in which we emphasized the preservation of the qualified human resource and the protection of the environment through effective and quantifiable measures, including through a circular economy.

We want the positive evolution in 2022 to be continued in the coming years through an organic development both on the Romanian market and abroad. We remain true to our belief that business ethics is the foundation of our commercial relationships characterized by honesty, integrity, mutual trust and social responsibility. In relations with partners and shareholders we always obey the law and fairness. We do not accept corruption, evasion, monopolization or intimidation.

I want to thank Electromagnetica's employees and partners for the effort made in the difficult conditions we mentioned above.

**Eugen Scheusan**  
**General Director**

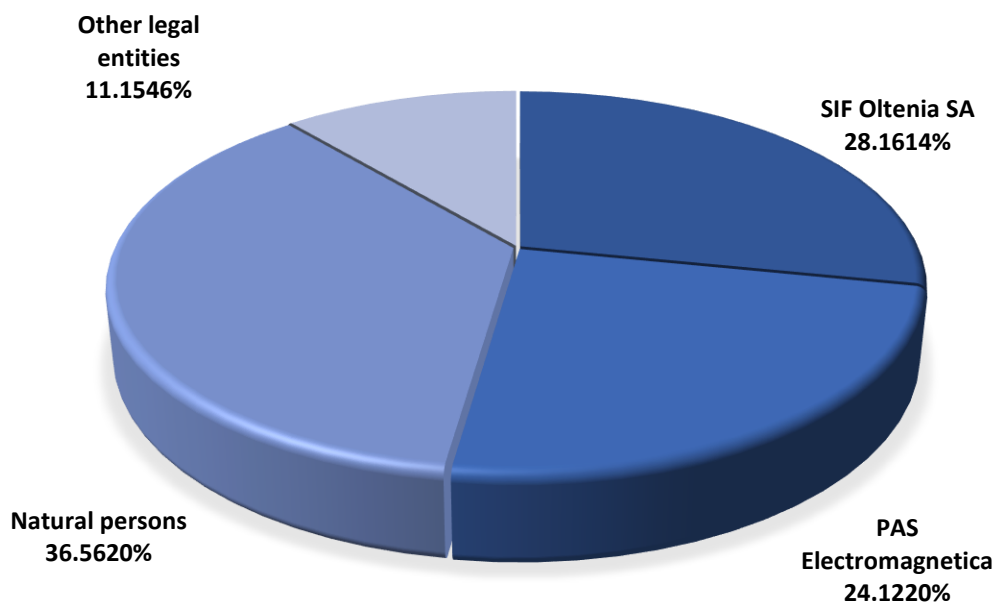
## 2. ELECTROMAGNETICA IDENTIFICATION DATA

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**  
Fiscal code: **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**  
Share capital: **67.603.870,40 lei**  
LEI code : **254900MYW7D8IGEFRG38**

## 3. SHAREHOLDING STRUCTURE

At 31.12.2022 the company had a number of 6,180 shareholders. According to the records of the Central Depository, the synthetic structure at the end of the year is as follows:

### SHAREHOLDING STRUCTURE 31 .12. 2022



#### 4. GENERAL PRESENTATION OF THE COMPANY

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 on the basis of Law no. 31/1991 republished, in compliance with the Law on the capital market no.297/2004 and the Law on issuers 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 statute, the main object of activity is the manufacturing of instruments and devices for measurement, verification, control, navigation (CAEN code 2651).

Electromagnetica SA, as a commercial company whose shares are traded 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 2022 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.

##### 4.1 MISSION, VISION, VALUES

The mission of Electromagnetica's management and employees is to offer products and services based on new technologies to fully satisfy customers needs, promoting a sustainable development with a focus on social responsibility and being environmentally friendly, while taking into account the interest of its shareholders.

Management vision considers essentially to develop products and methods resulting from its own research and design activity also expanding into complementary areas, with high growth potential, which ensure superior capitalization of research and development resources and its technological base.

Also, Electromagnetica assumes responsibility for everything it produces, in full respect for the law, for the clients and for the other interested parties, both in warranty and also post warranties periods.

The values that permanently define and shape the company's identity and organizational culture are:

<b>Creativity</b>	We are innovative and we seek to apply every time the latest technologies and the most appropriate solutions;
<b>Business ethics</b>	It is the foundation of our commercial relationships, based on honesty, integrity, communication and mutual trust;
<b>Social responsibility</b>	We consider our employees as one of the most important resources and we seek to motivate them and ensure them the best working conditions as well as continuous training;
<b>Environmental protection</b>	We act responsibly for protecting the environment, both by promoting energy-efficient products and by selective recycling measures provided in the production places
<b>Resiliency.</b>	We are constantly adapting to the demands of the market, looking for and discovering new opportunities, but constantly remaining focused on the needs and expectations of shareholders.

##### 4.2. ETHICS, COMPLIANCE, SUSTAINABILITY

The basis of ELECTROMAGNETICA activity is the **CODE OF ETHICS**, elaborated, approved and put into practice in 2021. It is available at: <https://www.electromagnetica.ro/despre-companie/>.

In 2022, the **MANUAL OF COMPLIANCE WITH THE COMPETITION RULES** was created through which the company informs all employees and collaborators of the governing principles and competition legislation. It assumes a competition policy that respects these principles and legal norms. This manual is available at <https://www.electromagnetica.ro/despre-companie/>.

**SUSTAINABILITY REPORT** prepared for the first time in 2021, is one of the most important concerns and challenges for the management of the company and comes to complete **Non-financial statement** annual in the spirit [Directive 2014/95/EU](#) and the new requirements of the European Commission. It is found at <https://www.electromagnetica.ro/despre-companie/>.

#### 4.3 DESCRIPTION OF THE BASIC ACTIVITY

Electromagnetica 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**

#### 4.4 MERGERS, LIQUIDATIONS OR REORGANIZATIONS OF ELECTROMAGNETICA CONTROLLED COMPANIES IN 2022

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 in order to streamline the activities.

In 2022 there were no liquidations, mergers or reorganizations within the group

#### 4.5. THE MAIN EVENTS WITH SIGNIFICANT IMPACT IN THE FUNCTIONING OF THE COMPANY

A. The main event that influenced the results of the activity in 2022 was the war in Ukraine triggered on February 24, 2022, a conflict that influenced both directly and indirectly the activity of the society.

On the one hand, it has led to the reduction of orders for a number of products/parts such as those made of plastics. Electromagnetica supplies plastic boxes and subassemblies for the factory located in Romania of a large world producer of power tools. It had over 50% of exports to Russia and this market practically disappeared with the applied sanctions. On the other hand, the sanctions against Russia have determined the reduction of the import of gas/oil and important increases in the price of gas and, implicitly, of the price of electricity.

B. The emergence of legislative measures adopted abruptly by the government, without consultation with the parties involved (GEO 118/2021, GEO 27/2022, GEO 119/2022 and GEO 153/2022) has triggered the energy markets. Suppliers found themselves in the situation of being decapitalized because both the legislation on the compensation of distribution tariffs and the price cap determining many energy suppliers to collect the amounts owed from the state even after 6 months (in the case of compensation) or to be forced to sell at capped prices by which they can not cover their acquisition costs either. During this time they had to pay producers and distribution operators up-to-date all contractual obligations.

**As can be seen at the time of writing this report, the big winners were the big producers of energy products (gas, fuel, electricity) that ended with double or triple profits compared to the previous year.**

C. And during 2022, the COVID 19 pandemic had an impact (lower than in 2020 and 2021) on Electromagnetica's activity, affecting the company's results.

Further sustained efforts were 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 the postponement of the program.

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, epidemiological investigations were made and the extended testing of the respective employees or of the colleagues of the infected persons was passed. Thus, during 2022, over 60 PCR tests were performed at the company's expense. Disposable protective masks were distributed free of charge weekly to employees. The infected persons were provided with a first aid by the occupational medicine doctor, recommending in all cases the isolation at home and contacting the family doctor and the DSP.

#### 4.6. ELEMENTS OF GENERAL COMPANY RESULTS

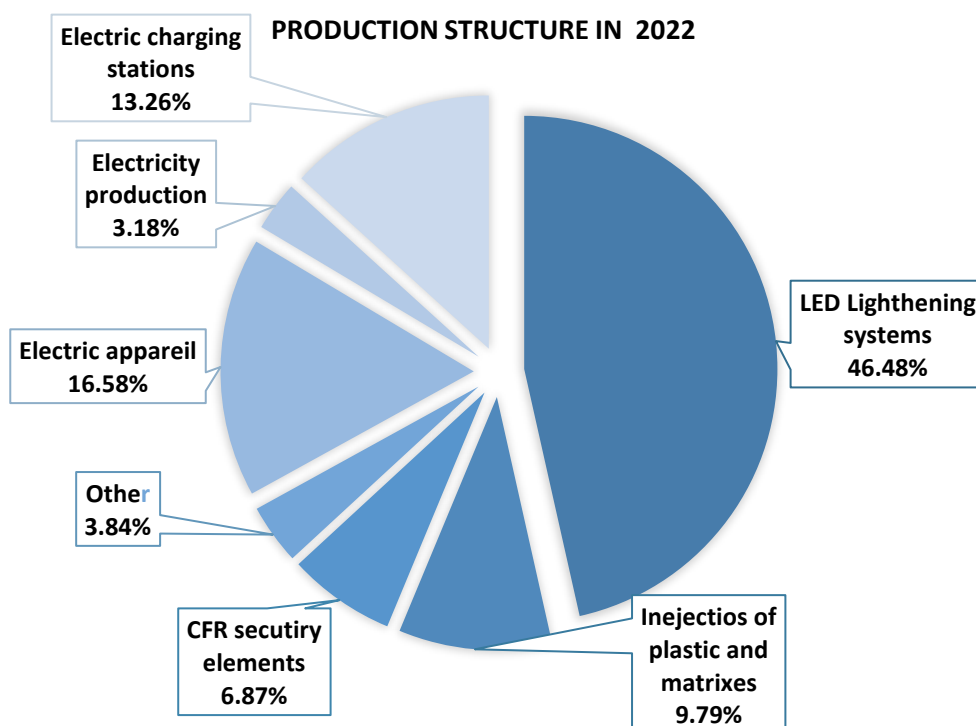
No Crt	Specification	2022	2021
1	Total revenues (lei)	253.218.155	363.463.626
2	Total expenses (lei)	226.068.158	379.577.093
3	Gross profit (lei)	27.149.997	(16.113.467)
4	Net profit (lei)	25.231.093	(16.113.467)
5	Export (lei)	21.006.965	18.961.330
6	EBITDA Margin	18,46 %	-1,89 %
7	EBIT margin	10,94 %	-4,31 %
8	Net profit ratio	9,96 %	-4,43 %
9	Current liquidity ratio	306,14 %	167,00 %
10	Patrimonial solvency ratio	85,74 %	81,00 %
11	ROE	6,56 %	-4,48%
12	Recievables turnover (days)	134	90
13	Suppliers turnover (days)	86	67
14	Average number of employees	368	385

The annual result is positive, with a net profit rate well above that of previous years. The return to profit was mainly due to the activity of producing and supplying energy, which capitalized (in prudential regime, however) certain opportunities on the energy market.

#### 5. PRODUCTS AND SERVICES OFFERED BY ELECTROMAGNETICA:

##### 5.1. 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:



Free translation from the original Romanian binding version.

## 5.2. PRODUCTS AND SERVICES TO INCREASE ENERGY EFFICIENCY

### 5.2.1. LED lighting fixtures, systems and solutions

For over 10 years our company has invested important resources in the research and production of LED lighting systems and electric vehicle charging stations.

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 / smart city systems. The focus is currently on the control and management of energy consumption, taking into account the important increases in the price of electricity, as well as the management of the efficient use and management of the maintenance of the lighting system. On the other hand, the efficient management of the data generated by the sensors attached to the management system is very useful to the final beneficiary.

On the lighting side, projects financed on European and national programs ROP and AFM are underway, where ELECTROMAGNETICA has developed 3 Smart City and Telemanagement platforms with the purpose of managing the automation of lighting devices in order to decrease the CO2 carbon footprint, by reducing the light intensity depending on the time or at the command of some sensors, solutions that are very stable and reliable, ELECTROMAGNETICA offering a complete smart lighting solution included in the SmartCity platforms. The 3 main platforms developed are the following:

1. Smart Server IoT: ILIC – Intelligent Luminaire Informations Center, used in public street lighting projects: Craiova Express Road Pitesti lot 1 and 2 (Slatina and Bals), CAHUL City Republic of Moldova, Tasnad City Satu Mare county. Currently, we are still implementing this telemanagement system in numerous projects among which we mention: Craiova Pitesti Express Road lot 3, Draganesti Olt City, Olt County Road, Dj401 Ilfov County Road.

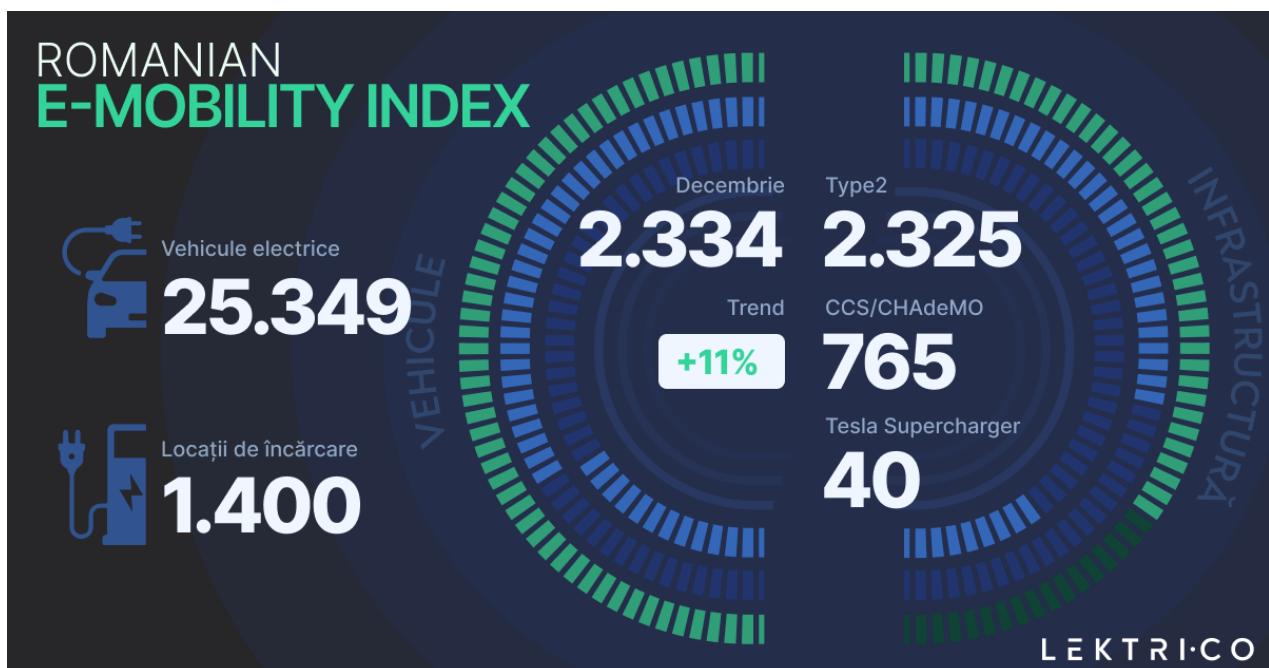
2. Radio telemanagement in mesh technology 6LoWPAN - Neptun CMS, used in public street lighting projects: Panciu, Vrancea county, Baneasa, Constanta county.

3. 4G/GPRS/ NB-IoT Smart City: used in public street lighting projects: Buftea city, Ilfov county, Ciurea, Iasi county, Valea Seaca, Iasi county.

Solar panels have also been integrated into these lighting systems so that the consumption of energy and implicitly the cost of energy is an advantage for the final beneficiary. The company aims to develop the photovoltaic parks and installation works of solar panels taking into account the financing that can be obtained through the PNRR and AFM program.

### 5.2.2. Charging stations for electric vehicles

In recent years, the hybrid and electric vehicle market has experienced an accelerated development both in Europe and in Romania. "Green" cars, the electric ones along with hybrids, have registered in our country in 2022, an accelerated growth.





In order to reduce the CO footprint, ELECTROMAGNETICA continues the development and production of FAST CHARGE and ULTRA FAST CHARGE stations (50kWm 100kW, 150kW and 350kW). We mention that ELECTROMAGNETICA has increased its network of stations and improved the ELMOTION software operating platform for the management of the stations. It is monitored and participates in the auctions organized by the mayors on the financing programs for the stations carried out by the AFM, recently completing 2 projects in two county residences. The company is watching with interest the appearance of the PNRR program in which Electromagnetica stations meet all the imposed requirements, and in order to facilitate operation, Electromagnetica is ready to implement the bank card (POS) as soon as the tax legislation allows it. A large share of station deliveries was made last year on the ELECTRIC UP program where the stations produced by us were adapted to the requirements of the financing guide. An important contract for the delivery of fast charge stations was concluded with a company from the group of the largest seller of online products, who will purchase a package of 100 charging stations 50kW DC + 22kW AC.

Regarding the charging power of the stations there is an increased requirement on the ultra-fast charge area defined by the DC 150 kW stations. Among the customers who have purchased stations produced by Electromagnetica we can mention: BMW and Mercedes car dealers, various partners and distributors, local authorities and private customers (hotels, pensions, and car service)

The advantage of ELECTROMAGNETICA is that it offers complete delivery solutions for installation and commissioning as well as the management part of the stations with its own ELMOTION operating platform, practically offering a complete service, with dispatch and intervention for quick troubleshooting in case of need.

### **5.3. PRODUCTION AND SUPPLY OF ELECTRICITY:**

#### **5.3.1. 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, which have been modernized and automated over time, reaching an installed power of 5.5 MW. In 2022, the energy production in its own small hydropower plants was 9,816 MWh, down by 8.7% on the background of a drier year.

The need for green certificates for the entire portfolio of supply customers was covered in 2022 by the certificates obtained for the energy production made by their own small hydropower plants.

#### **5.3.2. Electricity supply activity**

In 2022, the measures of recovery and streamlining of the activity started in the 2nd semester of 2021 were continued through the integrated operation of activities in the field of electricity production and supply.

Optimization measures can be summarized as follows:

- Renegotiation of contracts with customers;
- 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 and 2023 for the final consumers and block exchanges, minimizing the exposure on dam;
- Increasing the amount of energy sold at electric car charging stations.
- Making the best use of the new energy market prices and the green certificates produced by the 10 small hydropower plants through the client portfolio.

The results were evident in 2022 when the supply activity registered profit, paid off the bank credit loans and recovered the loss in 2021.



#### 5.4. SPACE RENTAL AND REAL ESTATE DEVELOPMENT

Electromagnetica manages approximately 35,500 sqm of spaces for rent in Bucharest and 3,500 sqm in Varteju, Ilfov County. At the end of 2022, for the headquarters in Calea Rahovei 266-268, the average rental rate was 93%. For the spaces in varteju village (Magurele), the rent rate was 99%. According to specialized reports, the stock of modern office spaces in Bucharest reached 3.19 million square meters, excluding the buildings owned by those who occupy them, while the vacancy rate increased slightly, to 14.9%. An important thing to mention is that there is still a significant difference between the vacancy rates reported for the office classes in Bucharest, respectively 12.5% for those of class A and 23% for those of class B.

The structure by destinations of the spaces for rent on 31.12.2022 is 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	30.45	Offices	3.36
2	Deposits	30.28	Deposits	29.01
3	Production	14.70	Production	58.74
4	Provision of services	24.57	Provision of services	8.88

The activity of renting and supplying utilities registered an increase of 30% compared to the previous year, resulting from the increase of the average exchange rate euro / leu, which evolved favorably compared to 2021, of the changes in tariffs per square meter and of the increasing changes in tariffs for utilities. Compared to the previous year, the structure of office rental spaces decreased, the share of spaces for service provision increased and those for production and storage remained relatively the same.

Electromagnetica's efforts are still to offer tenants quality services, with various facilities (indoor gym, canteen / grill, English garden with green spaces) and at competitive prices, in the conditions of a competitive real estate market. In the Center-West area (of which we are a part) the offer of available spaces has increased from year to year and the tendency for storage and production spaces is to move to the outskirts of the city (taking into account the traffic restrictions).

#### 5.5 OTHER PRODUCTS AND ACTIVITIES DEVELOPED

##### 5.5.1. 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 parts and components for power tools and, in addition, injected parts for the automotive market. The company produces plastic subassemblies for Draexlmaier Romania.

One of the important and constant customers in this production segment is the world's largest producer of power tools with orders for boxes, housings and various plastic parts. If with the beginning of the war in Ukraine and the sanctions imposed on Russia (quarters 2, 3 and 4) were significant decreases, orders register an increase in 2023, considering also the reorientation of the producer to the markets of South America and Australia.

The production of injected plastic subassemblies and molds decreased by 44.5% compared to the previous year but the outlook for 2023 is encouraging.

Important to note, the injected plastics benefit from the design, manufacture and internal repair of the molds through a dedicated compartment.

##### 5.5.2. Low voltage electrical equipment

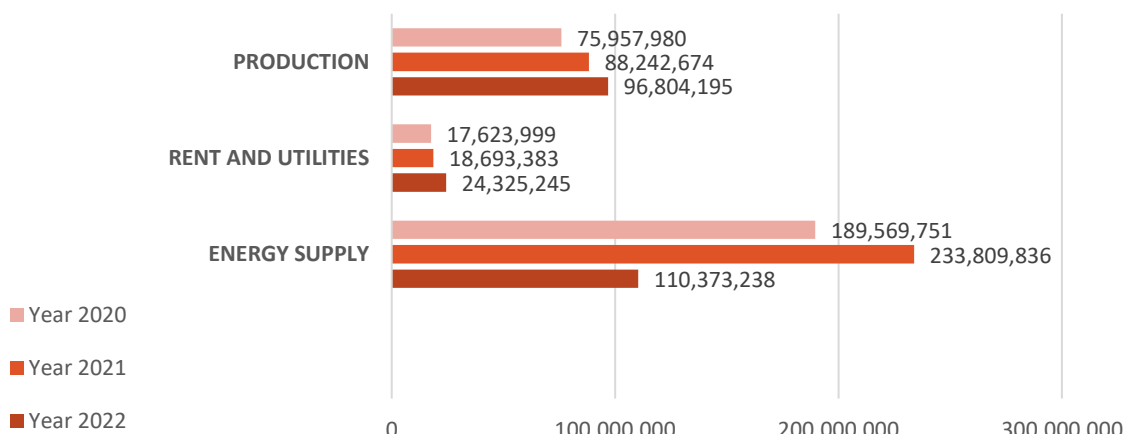
The production of low voltage electrical equipment (ABB Italy) represents an element of continuity and stability within the production for export, registering an increase of 39.5% to a turnover over 3.21 mil. Euro in 2022. The electrical equipment had in 2022 the highest share of exports with 76.39%.

Most of this activity is automated and robotic.

### 5.5.3. Railway traffic safety features

Sales of railway traffic safety elements remained almost constant compared to last year (slight increase of 2.3%) orders for this segment of production, 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.

### 5.6 THE EVOLUTION OF THE MAIN BUSINESS LINES IN THE LAST 3 YEARS (the amounts are expressed in RON)



## 6. EVALUATION OF THE SUPPLY ACTIVITY

The supply of raw materials and components for all production segments: electric vehicle charging stations, LED lighting fixtures, plastic mass injection, electrical equipment assembly, was also carried out in 2022 under the sign of difficulties caused both by the prolongation of the COVID-19 pandemic in China and by the appearance of war in Ukraine. Thus, the upward slope of the price evolution in 2021 was maintained in 2022.

However, compared to the course of 2021 when the price increases for conductors, plastic mass, ferrous and non-ferrous materials were predominant reaching by the end of the year percentages of 60% to 100%, in 2022 the price increases were more temperate, being between 8% and 16% but affected all categories of materials including electronic components, electrical equipment, packaging.

Also, amid the energy crisis and rising inflation, service providers (painting, laser cutting, mechanical processing, transport) increased prices by percentages ranging from 10 to 22%.

In parallel with the increase in prices, we faced difficulties caused by delivery times that have become increasingly long and difficult to control in 2022, starting from 3-4 months at the plastic table and reaching up to 7-8 months for power supplies, emerging equipment and controllers, suppliers invoking the lack of microchips, increasing the demand for components worldwide and logistics issues.

However, based on firm forecasts from external customers ABB, Yazaki, DRX, on medium and long term and keeping in constant contact with suppliers, through a cyclic supply we managed to continuously supply with materials the equipment assembly sections and plastics without generating interruptions on the production flow. We also maintained a rhythmic supply of LEDs, lenses, housings, we created a safety stock at the power supplies for the luminaires correlated with the structure of the "smart city" lighting projects.

For the production of electric vehicle charging stations, the supply went well, the imports grouped on component kits facilitated a fluent manufacturing without registering delays compared to the deadlines promised to the customers.

For the next period, under the impact of the effects of the energy crisis, inflation, price increases and high delivery times communicated by producers, we intend to pay increased attention to planning the supply activity and managing the risks that may occur in the supply chain. The main objective is to optimize the costs of the components for charging stations for electric vehicles and to ensure on time and quality the necessary materials for all production sections.

## 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 LED lighting fixtures and systems is mainly made directly by the company through the profile division within the commercial direction. There is also a specialized office for participation in SEAP auctions (both for LED luminaires and for electric vehicle charging stations).

Regarding the charging stations, within the ELECTROMAGNETICA BUSINESS PARK platform we have installed 57 charging stations, both for charging for a fee to electric car fleets and for tenants.

The sale of charging stations will be an important pillar of growth in the future, given the growing need of this equipment in Romania.

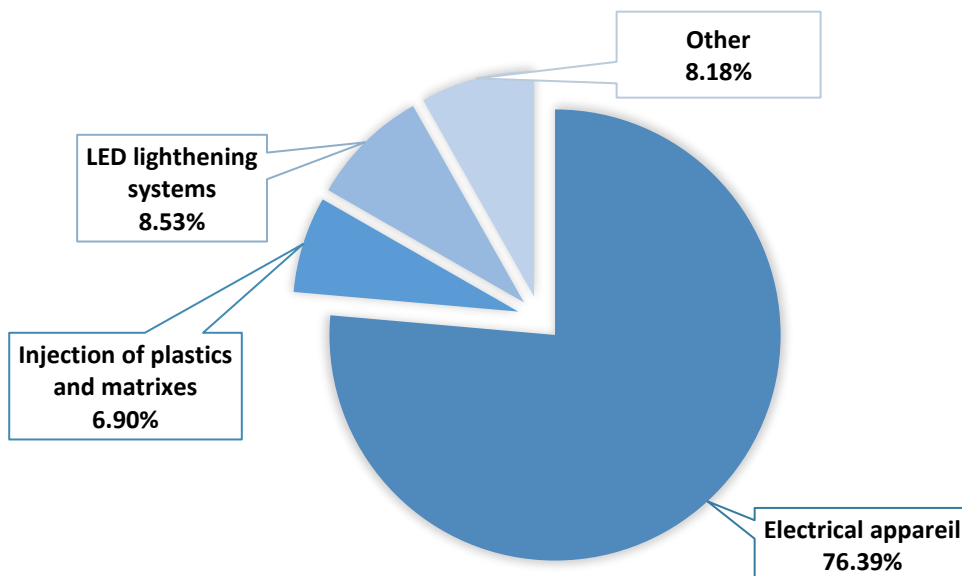


The licensed activities of production and supply of electricity are carried out exclusively on the internal market. Similarly, the production of elements for the safety of railway traffic has exclusive sales on the internal market.

The export is traditionally supported by the low voltage electrical equipment and by a large part of the production of plastic mass injection. In the next period, the production of plastics will be gradually oriented towards products with a high degree of complexity, a change that will also lead to an increase in profitability.

In 2022 Electromagnetica exported products worth 21.006.964 lei, about 4.201.392 EURO (10.8% increase)

#### EXPORT STRUCTURE FOR 2022



Regarding the medium and long-term termination insurance, we specify that the average duration of the rental contracts is about 2 years, that of the energy supply contracts is 1 year, while the production is generally executed based on medium and short term orders.

## **7.2. Main competitors**

LED lighting technology is currently the most efficient lighting solution, gaining a lot in notoriety. Electromagnetica is the main domestic producer, entering into competition with imported products. Electromagnetica products with the best presence on the market are those for the lighting of commercial and industrial spaces as well as those for public lighting. The company has a diversified range of LED products with which it competes on several price segments. The company's main competitors are: Signify (formerly Philips) and Schreder (high price segment); Elba, Amiras, Urbio, Electromax, (average price); Arc Electronic, Spot Vision, Arelux, Ledvance (low price)

On the market of retail electricity supply services, competition is very high, currently activating on this market 52 suppliers (including the 6 suppliers of last resort) and 20 producers who also have supply activity (<https://www.anre.ro/ro/info-consumatori/operatori-economici/energie-electrica1391006213/furnizare-catre-consumatori1391006442>)

On the local market of railway traffic safety systems, orders depend on the progress of the programs for the modernization of the railway infrastructure, with the mention that the company takes the necessary measures for the profile production to be flexible and to be able to cope with the fluctuating character of the orders.

Regarding the operating network of electric vehicle charging stations, Elmotion, the competition has grown exponentially in recent years. The main competitors are: Renovatio, the major suppliers and distribution operators ENEL (ENEL X) E.ON (E.ON DRIVE), the gas station chains Rompetrol and Mol, EV-MAG, EV-CONNECT, Polyfazer, Nextcharge. All competitors use charging stations that are imported.

## **7.3. Significant dependence of the company towards a client or a group of clients**

The products with a high weight at the moment, such as LED luminaires, electrical equipment and plastic injection, approach a diverse range of beneficiaries and are not dependent on a particular customer or group of customers. In the same situation is the supply of electricity. The elements for railway traffic safety, which have as final beneficiary CFR Infrastructure, depend on the modernization program of the railway infrastructure in Romania

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

The high level of training of the employees allowed the company to undertake both productive and research and development activities. In 2022 the average number of employees was 368, down by 0.5% compared to the previous year. The decrease was due to natural causes (retirement).

Of the employees, 40% are highly educated and 39% have secondary education. The company's staff follows a continuous professional training program, each employee benefiting on average 26 h / year of professional training or 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 employers' association 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 2022 published together with this report on the company's website [www.electromagnetica.ro](http://www.electromagnetica.ro).

## **9. EVALUATION OF ASPECTS RELATED TO THE IMPACT ON THE ENVIRONMENT, HEALTH AND SAFETY AT WORK (OSH)**

The company fully complies with the requirements of our Integrated Management System and continuously improves its effectiveness, by establishing, monitoring and reviewing our objectives, being a responsible organization, Electromagnetica aims to offer confidence to its partners and considers Quality, Health and Safety at Work as well as the Environment, as important aspects, integrated in the company culture.

The company has all the 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.

In order to be known and understood by the entire staff of the organization, the environmental policy and the OSH policy is displayed at all the communication points arranged in the premises and is included in the topics of trainings related to OSH documentation.

Electromagnetica SA requires its staff, contractors and suppliers to actively participate in the achievement of our objectives in terms of the quality of operations, health and safety as well as environmental protection, by implementing all the relevant regulations and programs adopted.

### **9.1 Assessment of compliance with legal requirements and other requirements to which Electromagnetica subscribes**

The company has undertaken all the necessary measures to comply with Law no. 211/2011, republished in 2014, and amended by O.U.G. no. 68/2016 from the point of view of:

- Analysis reports for hazardous waste;
- Decisions for the waste management officer;
- Waste prevention plan;
- Waste balance sheet for 2022.

In 2022 the company acted for the management of hazardous waste in accordance with the legal requirements, by handing them over to the authorized companies RIAN CONSULT SRL.

### **9.2 Communication with external stakeholders, including complaints**

In the period January – March 2022 there were transmitted to the Environmental Protection Agency, the annual reports regarding:

- management of the waste generated in Electromagnetica SA in 2021;
- the centralizer of the dangerous chemical substances and preparations used in the society in 2021;
- the centralizer of the packaging placed on the market by the company in 2021;
- analysis bulletins for the environmental factor "wastewater" in 2021;
- inventory of gas emissions and immissions in the atmosphere in 2021.

During 2022, the reports and analysis bulletins for the wastewater resulting from the company's activity were transmitted to the competent authorities that monitor the environmental factors of Electromagnetica SA, respectively Romanian Waters and Apa Nova.

Quarterly, the monitoring of drinking water was ensured by performing analyzes at the Health Department of Bucharest.

For the consultation and involvement of the employees in making decisions regarding the occupational health and safety measures, at the level of the company there is the Committee for Safety and Health at Work whose president is the General Director.

The committee consists of 9 members (4 persons from the employer, 4 representatives of the employees and the occupational medicine doctor) and operates based on its own rules of operation.

The reports and minutes of all the meetings of the Occupational Safety and Health Committee were elaborated and transmitted to the competent authorities (Territorial Labour Inspectorate).

In 2022, zero work accidents were recorded and no suspicions of occupational diseases were recorded.

Specifically, the company achieves an efficient control of environmental risks by:

- A) **Implementation and compliance with waste management procedures**, by their selective collection and by transferring the responsibilities regarding the waste management to authorized companies in order to fulfill the obligations of recovery and recycling of waste, which take over the responsibility of collecting and recycling waste, electrical, wood, plastic, cardboard, etc.
- B) **Monitoring of environmental factors:**

#### **Water**

Monthly wastewater analysis was performed, based on the contract concluded with BIOSOL PSI S.R.L. - Ploiesti. In this purpose wastewater samples were taken from the five connections for the discharge of wastewater to the city sewerage. The values of the concentrations of the analyzed pollutants were below the allowable limit values stipulated in gd 188/2002 annex 2 (NTPA 002/2002).

On a quarterly basis, disinfections were carried out of the own water sources, respectively of the three medium-depth drillings and of the water storage basin. The disinfection was carried out according to the provisions of the POM procedure – 03 "Disinfection of own water sources, storage tanks and checking the drinking water".

There were performed quarterly analyzes of drinking water from the microbiological and physico-chemical point of view, by the laboratory of the Public Health Department of Bucharest, finding and recording on the test bulletins by the specialist doctor, the observance of the limits allowed by the law.

#### **Air**

Air emissions and immissions analyses were performed biannually, based on the contract with TEDNOVA SRL.

#### **Waste**

In order to comply with the provisions of Law nr. 211/2011 on waste regime, amended by O.U.G nr. 68/2016, G.D. 1292/2010 for amending and supplementing G.D. 349/2005 on waste disposal, GD 1061/2008 on the transport of hazardous and non-hazardous waste on the territory of Romania, O.U.G. no. 5/2015 on waste electrical and electronic equipment, GD 235/ 2007 on the management of waste oils, the following were undertaken:

- the waste resulting from the production was delivered rhythmically in order to avoid the formation of stocks, to authorized economic agents;
- the hazardous waste and the used oil were handed over based on the contract with SC RIAN CONSULT SRL;
- the program of compliance with the legal requirements imposed by Law 211/2011 has been drawn up;
- the waste management officer is designated by decision, who is trained according to the legislation in force;
- the re-analysis and classification of the hazardous waste generated in SC Electromagnetica SA was carried out, for which the characterization must be carried out according to law 211/2011;
- the Waste Prevention Plan has been drawn up.

### **C) Monitoring of risks regarding Health and Safety at work**

#### **Monitoring of professional nuisances**

It was not necessary to determine the professional nuisances, the jobs being within the conditions imposed by the law for proper functioning.

#### ***Occupational risk assessment***

Through periodical checks and the preparation of Notes ascertaining the environment and safety at work, the responsible of the Department of Environmental Management – Safety and Health at Work to check at the workplaces, the way in which the legal provisions regarding the preservation of the employees' health and the ensuring of the safety at work are observed, as well as the way of protecting the environment.

#### ***Granting of protective equipment***

The company provides free of charge the protective equipment, depending on all the risks at the workplace. It is drawn up and kept, at the level of the workplace, evidence with PPE granted under the signature of the entitled employees.

#### ***Analysis of the health status of Electromagnetica sa employees for 2022***

The analysis of the health status of the employees was made with the observance and application of the norms resulting from Law no. 319/2006 of occupational safety and health and of GD nr. 355/2007, updated, regarding the surveillance of the health status of the workers within the economic agents.

### **D) Authorizations and approvals**

In December 2022, the application for the annual visa of the environmental permit was submitted to APM Bucharest with No. 72 from 04.03.2019 – issued by the Bucharest Environmental Protection Agency has validity for an indefinite period with the obligation of annual targeting.

It was obtained the water management authorization nr. 327-B from 02.12.2019 – issued by the Romanian Waters National Administration has a validity of 5 years, until 31.12.2024.

In January, 2022, the documentation for the annual visa was submitted to the sanitary and functioning authorization for the management of water resources, issued by the Public Health Authority of Bucharest, having no.. 294/29.02.2021.

On 22.12.2022, the request for the extension of the takeover agreement was submitted and the Takeover Agreement no. 9/05.01.2023 for the headquarters, issued by APA NOVA Bucharest, valid until 05.07.2023.

The evacuation acceptance 268/27.04.2011 for the headquarters in Str.Veseliei, issued by APA NOVA Bucharest, has unlimited validity.

The water management permits for the ten small hydropower plants in Suceava County, issued by SGA Suceava, have been renewed and have validity terms until July 2026, respectively until October 2027. The environmental authorizations, for the ten small hydropower plants in Suceava County, have validity for an indefinite period, with the obligation to submit, annually, the documentation for the visa.

Taking into account that some small hydropower plants are located in the Natura 2000 network of protected areas, for the purpose of environmental authorisation, the custodian's approval was requested and obtained. Ecological network "Natura 2000" - the European ecological network of protected natural areas, includes special avifaunistic protection areas, established in accordance with the provisions of Directive 79/409/EEC on the conservation of wild birds and special areas of conservation designated by the European Commission and of Directive 92/43/EEC on the conservation of natural habitats, wild fauna and flora. Natura 2000 is not a system of strictly protected reserves. Human activities are allowed to the extent that it ensures the maintenance of the species or habitat.

Further information on the company's environmental policy, risk factors and key performance indicators is available in the Non-Financial Statement of Directors for 2022, published together with this report on the company's website [www.electromagnetica.ro](http://www.electromagnetica.ro).

## **10. EVALUATION OF THE RESEARCH AND DEVELOPMENT ACTIVITY**

In 2022, the research-design and development activity was focused on two main directions: LED lighting solutions and systems, as well as Equipment and charging stations for electric vehicles.

This activity was attended by approximately 6.7% of the company's staff, within the following departments: Design Research Department, Electrical Equipment design and communications department, Photometry and Electromagnetic Compatibility Laboratory and Autoutilization Design Workshop. It is worth noting that most Electromagnetica products are of their own design and contain innovative solutions.

### **10.1. LED lighting solutions and systems**

#### **10.1.1. Research in the field of lighting solutions**

Within the Research-Design Department, a new range of products from the ElmaRO family (LED luminaire with plastic housing and plastic-thermal heatsink) was completed, completing the range of power up to 125W of the already existing family. For this, new molds for plastic injection and new dies for metal parts were designed and made. Through the vaning department, tools and devices were made in order to implement the series manufacturing for these new variants of products from the ElmaRO family. Also, in the series production, the implementation of the use of pre-painted sheet was continued in order to reduce and eliminate, as the case may be, the collaborations for electrostatic painting. This technical solution, compared to manual painting, reduces the costs of the products and eliminates the transport of the products to the collaborators.

Within the Photometry Laboratory, a study on the control of the light degradation of a lighting system with the "luminary control" method is underway, as well as another study on the measurement of light degradation and the evaluation of the service life and performance of ElmaRO LED luminaires, in accordance with SR EN 62722 and LM-84/TM-82 standards.

By self-mutilation, technical solutions for circuit handling were made using pneumatic devices to increase the quality of the production of luminaires and avoid contamination of LED structures.

It is worth mentioning that in the year 2022 have been put into production 30 types of new luminaires in current manufacture and 3 types of new charging stations for electric cars. Thus, in the database are operational 184 types of LED lighting fixtures, organized in 20 of product families and 8 types of charging stations.



For 2023, Electromagnetica aims to start the series manufacturing for the new product variants of the ElmaRO family, thus increasing the contribution and the production capacity in the factory, as well as reducing the dependence on aluminum housings from external manufacturers, for street lighting fixtures.

#### 10.1.2. Research in the field of lighting systems

In 2022, the Neptune CMS, iCIS CMS platforms were integrated into their own IT facilities, the Neptune CMS platforms, iCIS CMS, street lighting management projects were realized by using Nb-IoT, 6LoWPAN, 4G/3G/GPRS, 2.4GHz Zigbee radio communication technologies, and LON-IoT communications through the power ways. The projects have integrated, as appropriate, car traffic monitoring cameras, PIR/D4i sensors for pedestrian crossings, parking sensors and artificial intelligence elements have been integrated. The visibility-fog sensor was integrated into the 6LoWPAN radio network, and the software integrations in the platform of interaction with sensors and data publication of artificial intelligence elements, visibility sensor, solution for monitoring the light degradation of lighting devices. IoT automation of flashpoints is in progress.

For 2023 we intend to continue the integration in the IoT solutions for Smart City with which we work, namely Neptune CMS (Paradox Engineering), iCIS CMS and SSIIoT CMS (LVX Global) and SCSL CMS (Fonda Tech) platforms, through RESTful API technologies, interactions with Artificial Intelligence elements (embedded applications for pedestrian detection in prohibited areas, detection of vehicles stationed on the road, detection of vehicles moving on prohibited directions, monitoring of crowds of people, detection of abnormal behavior in front of an electric vehicles charging station), which progressively allow us migration to Cognitive City solutions.

#### 10.2. Electrical machine supply equipment

In the year 2022 new models of AC stations were made using processors of the new CHARX series from Phoenix Contact. Also in 2022, an AC charging processor was designed and realized within the Design Research Department, thus eliminating the need to purchase processors for AC charging stations, its manufacture within Electromagnetica allowing the increase of added value and greater flexibility in terms of market requirements. The AC charging processor will be used for the first time in the 2x22KW double charging stations with OCPP.

In the year 2023 the double alternating current station of 2x22kW will be certified and will be introduced into production. Based on the processor designed within the Design Research Department, simple 22kW AC stations with and without OCPP will be made, as well as other models of charging stations required by the market.

Within the Design Research Department, the development of the processor for DC charging stations (CCS and CHAdeMO) will continue and a dc fast charging station will be realized based on a processor developed within ELECTROMAGNETICA.

In order to integrate the critical components of electric vehicle charging stations, the hardware and software design and realization of a 30 KW rectifier with Vienna-type power factor correction (PFC) will continue.

### 11. EVALUATION OF THE INTEGRATED MANAGEMENT SYSTEM

#### 11.1 Quality policy

As in previous years, in 2022 Electromagnetica aims to provide a **total compliance** to the explicit requirements and expectations of the clients as well as to the regulations and legal provisions,

Consistent with the stated policy principles, the necessary resources have been provided to:

- design, development, execution, marketing and after-sales support of the products and services offered that fully satisfy the requirements and expectations of our customers regarding quality, legal and regulatory requirements as well as the reasonable expectations of the interested parties, using clean and safe technologies that lead to the improvement of environmental performances – occupational health and safety;
- setting annual measurable 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 effectiveness of the Integrated Management System in order to fulfill the policy and achieve the proposed objectives;
- continuous monitoring, measurement and improvement of the customer satisfaction level;
- monitoring, measuring and ensuring the economic efficiency, in all the actions undertaken in 2022 .

## 11.2 Certifications for management systems and laboratories

In 2022 all previously obtained system certifications have been maintained. Thus we can mention:

- a) Maintaining certification Integrated general management system: **EN ISO 9001:2015** -" Quality management systems. Requirements."; **EN ISO 14001:2015** -"Environmental management systems - Requirements with user guide" and **ISO 45001:2018** "Occupational health management systems. Requirements and guidelines for use";
- b) Maintaining certification 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) Supervision 1 of the Photometric and Electromagnetic Compatibility Laboratory according to the specific standard **ISO 17025 : 2018** .

## 11.3 Objectives and indicators

In order to carry out the activity in an organized manner, specific objectives have been defined for each of the policies established by the management at the highest level. In the context of complying with 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 tracking and evaluation of the obtained results is made.

According to the monitoring and reports made, in 2022 all the specific objectives have been achieved and all the key indicators have been respected.

## 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 2022 the existing certifications of the products from the updated manufacturing portfolio have been maintained.

## 11.5. Audits

Also In the year 2022 within the company were carried out 20 external audits by various bodies, respectively 3 system audits and 17 product manufacturing audits for certified products.

External system audits:

- audit of supervision of the Integrated Management System, led by **AEROQ**
- audit surveillance a **Quality Management System on self-explanatory products**, led by **Intertek**;
- audit of reaccreditation a ItPhotometric aborator and Electromagnetic Compatibility , **ISO 17025**, led by **RENAR**.

External product audits:

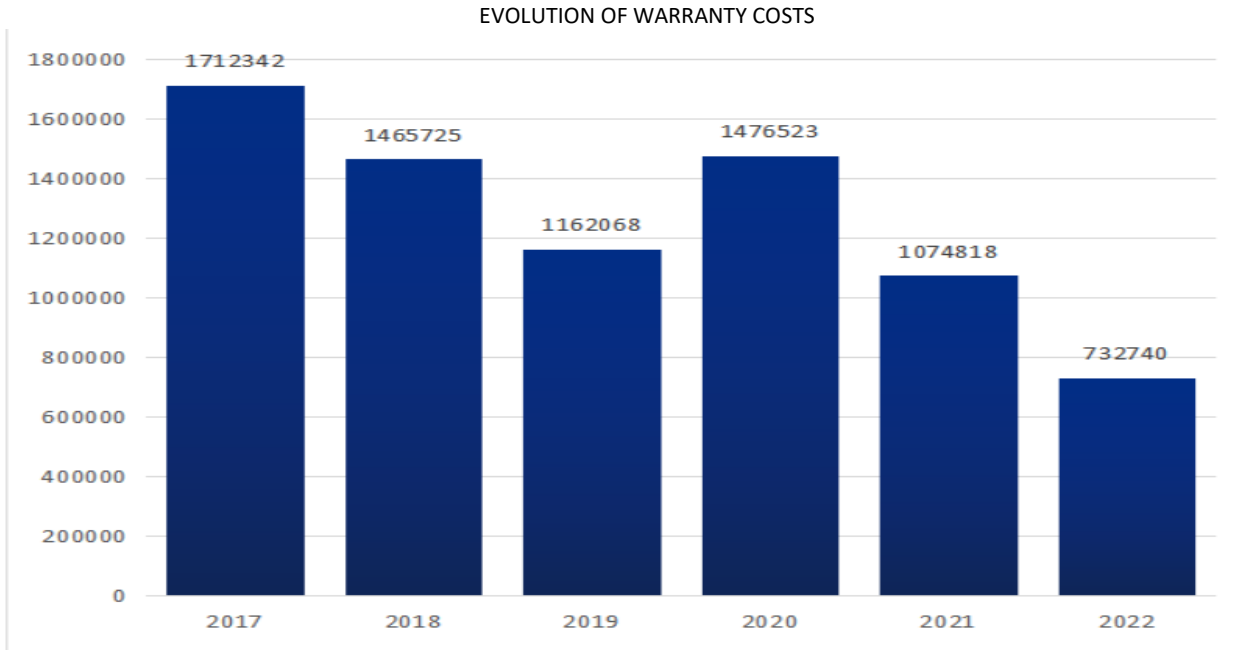
- 12 manufacturing surveillance audits Products **ABB** run by different certification bodies for different countries (**UL, CQC, CSA, IMQ, LCIE, RINA**);
- surveillance audit of the fabrication of lighting fixtures **EvoCity License ENEC**, driven by **TUV RHEILAND**;
- audit of supervision fabrication 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**.
- audit of supervision fabrication of lighting fixtures **SELENA**, driven by **OICPE**.

**All external audits have been completed with no major nonconformities.**

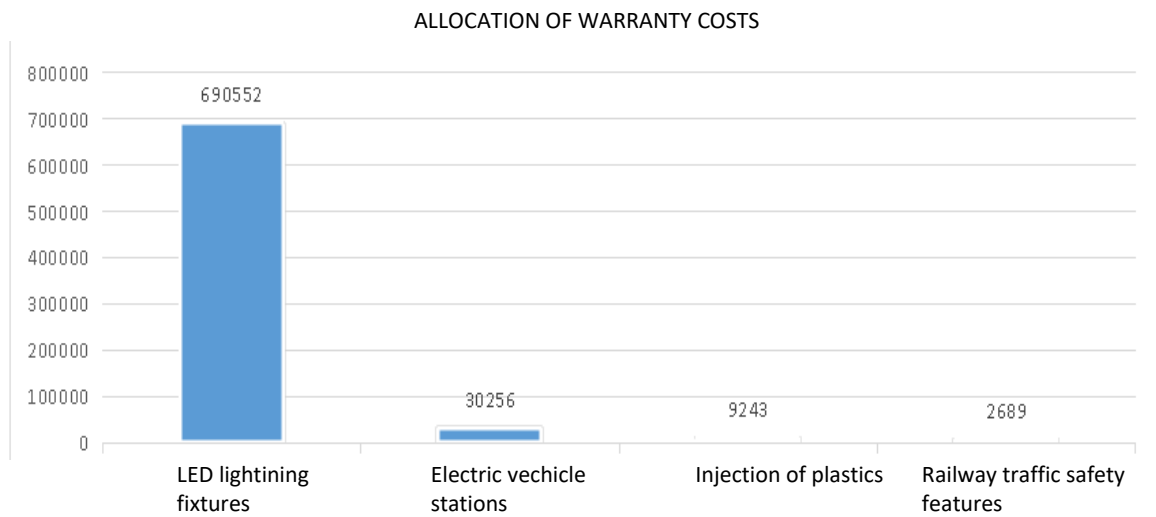
The activity of internal auditing was carried out according to Audit programme per year 2022.

### 11.6 The cost of damaged products under warranty

As a result of the quality policy and strategies adopted, in 2022 the cost generated by the guarantees was on a decreasing slope compared to previous years, as it results from the adjacent graphs (the amounts are expressed in RON)



+



As illustrated in the graph, a large part of the value of the costs assumed in 2022, respectively over 690,552 lei, is due to lighting fixtures (94%)

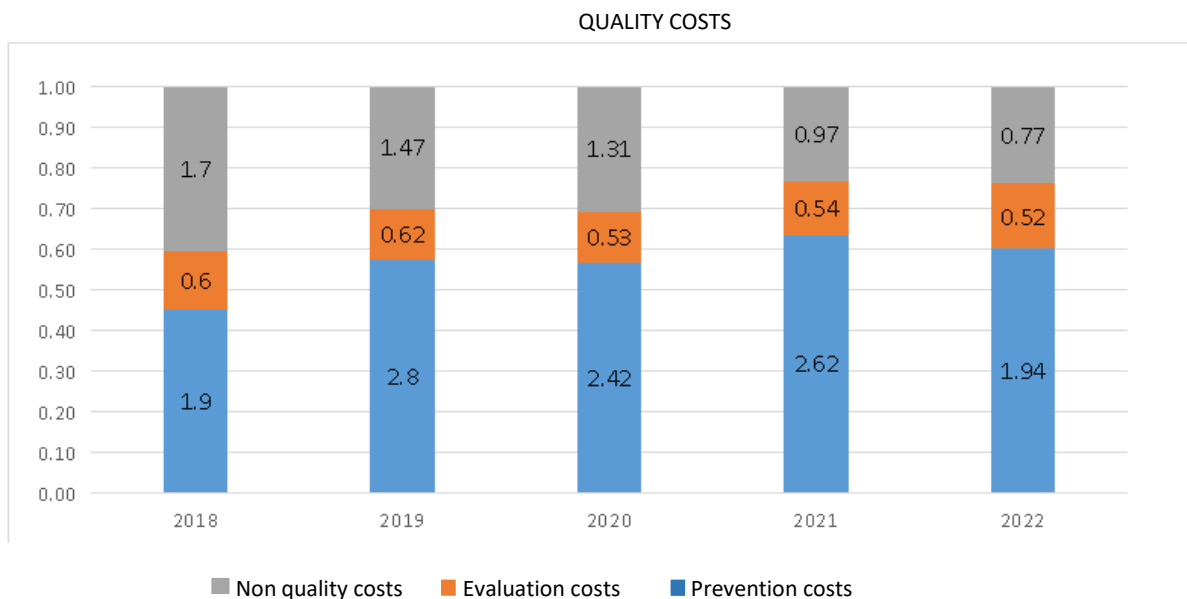
The forecast for 2023 is to maintain the decreasing trend globally, but with an increase in the share for charging stations.

## 11.7 Costs Quality

Quality costs per year 2022 represents 5.98 % of the production value, they are maintained between 5% and 10%, as recommended by specialized standards.

In quality costs 60% represents the costs of quality assurance, and among these, large shares have the activity of product research and development and maintaining product certifications.

Costs with non-quality are inscribed in the same downward curve as in previous years, they decrease in 2022 with 21% towards 2021 so they got underneath 1,5% of the production of the goods.



For the year 2023 the following activities are planned:

- maintaining the accreditation of the Photometric and Electromagnetic Compatibility Laboratory;
- maintaining the certification Quality Management System for self-explanatory products based on plastic injection according to the standard **IATF 16949:2016**;
- maintaining certifications Integrated general management system by 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 guidelines for use";
- maintaining the existing product certifications for the products in the sales portfolio and extending them as a form of adaptability to the market requirements;
- monitoring the effectiveness and efficiency of the integrated management system through costs.

## 12. OBJECTIVES AND POLICIES OF RISK MANAGEMENT AND RELATED RISK FACTORS

Risk management policies are defined in such a way as to ensure the identification, analysis, prevention and management of the risks faced by the company, while setting the exposure limits. The risk management policy ensures effective means of control and a favorable environment, in which all employees understand their roles and obligations.

### Market risk (includes price risk)

On the markets in which the company operates, the energy market is the one with the highest risk of price and legislative changes. However, taking certain measures to reduce risks (acquisition of energy at firm and long-term prices, analysis of the creditworthiness of contractual partners, a balanced sales structure between end customers and block exchanges) is a segment of activity that can bring a pretty good profit, especially since Electromagnetica has been acting for many years on this market (over 20) and already has a reputation being considered a reliable partner.

Related to LED lighting systems, the products have been designed so that they can be used in different conditions and requirements on the light control side using various telemanagement systems that can be applied on the bodies produced by us. Basically ELMA products support various types of telemanagement that keep up with current technologies and are not limited to a single manufacturer. As for the charging stations, they are built to be upgraded in the future to higher charging powers, the tendency being that the power of the stations to gradually increase to ever higher values. Thus, there is no need to replace all the equipment if you want a higher power but you can make a direct upgrade to the locations where the existing stations are mounted in a simple way. At the same time, the stations have an OCPP communication protocol that allows cheating and integration into any management platform of any manufacturer so that the stations are equipped that have a large scale of use not limited by us as a manufacturer.

#### **Currency risk**

The company is exposed (limited) to foreign exchange risk due to the fact that the supply of materials is mostly made of import. In order to limit the effect of foreign exchanges, the calendar of payments was correlated with that of foreign currency receipts, the company usually achieving a cash-flow surplus. The change in the prices of raw materials and materials imposed the continuous reconsideration of the cost prices. In order to keep some products in a profitable state, some of the prices have been renegotiated and the related technological processes have been improved.

#### **Risk of non-payment**

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. Trade 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 applied pre-contractual verification policies of the clients (such as RISCO and COFACE reports). Policies were contracted to insure the receivables on the foreign market.

In order to recover the receivables with exceeded payment term, through the Invoice Collection Bureau and the Legal Department, constant steps were taken (e.g. payment orders), a part of them followed by court actions (payment ordinances) and then, as the case may be, forced execution. Thus, a large part of the receivables have been recovered or are to be recovered. The largest debtor in insolvency will repay through the recovery plan 40% of the receivable, which is a good percentage for a company in special procedure.

#### **Liquidity and cash-flow risk**

The treasury function of the company involves forecasts regarding the liquidity reserve and maintaining an adequate level of credit facilities, so that it can prudently manage liquidity and cash-flow risks. The company has opened credit lines and bank letters of guarantee, within the limit of 60% of the total fixed assets, less receivables, so that the company can honor the obligations in case of short-term cash deficits. At the same time, the investments were limited to their own sources of financing, setting priorities according to the current needs of Electromagnetica Business Park as well as to the most profitable and / or developing sectors of activity. 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.

#### **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 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 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.

### **Risk of sanctions**

The company manages these risks through preventive actions. This involves, among other things, monitoring legislative changes and informing colleagues, attending courses and seminars (labor legislation, competition legislation, GDPR - data protection with personal care, risk management and corporate governance, etc.) and not in the last place, compliance courses with the salaries involved. We recall that in 2021, among other things, a **Manual of compliance with the rules of competition** which was approved in the Board of Directors and subsequently acquired by all employees of Sales, Acquisitions and Energy Production/ Supply

### **Litigation and dispute risk**

Disputes in which the company is involved **have no at all** values that affect the financial stability of the company, especially since in most cases Electromagnetica is in the position of creditor. The two cases of claims against Electromagnetica, pending before the courts, do not exceed 0.1% of the turnover. In all cases, including those as creditors to companies in insolvency / bankruptcy, procedural positions were formulated, in most cases being ensured the presence at each procedural term.

### **Political and legislative risk**

It became more important with the significant increase in energy prices, the Government compensating and then capping the tariffs and the final price both by Ordinance 118/2021 and subsequently by GEO 27/2022 and GEO 119/2022. Moreover, the sudden appearance of the contribution to the Energy Transition Fund created imbalances/ losses that could not be anticipated at the beginning of the year.

### **Risk related to the relegation from premium categoria to standard categoria to BVB**

One of the necessary conditions for maintaining trading in the Premium category is also the existence of an increased liquidity and a free-float (the existence of shares distributed to the general public) worth at least 40 million Euro. Electromagnetica although it has a very good free-float (percentage) does not meet at this moment the limit of 40 mil. Euro and it is possible that BVB will downgrade the company from premium category to standard category.

### **Risks covered by insurance policies**

These include: the risk of natural disasters, the risk of accidental damage, the risk of interruption of the activity, the risk of recovering the receivables of various debtors, the risk of injury to the exposed employees, the protection of assets through insurance, liability to third parties, liability as a producer, professional liability for some professions, liability of administrators. The activity of producing electricity in small power plants (without storage lakes) is subject to risks of destruction caused by floods. In these conditions, the company acted in order to conclude insurance policies against disasters that would protect the MHPP's as well as the buildings at the headquarters.

## **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 in all major projects of modernization of lighting systems so that the growth potential is preserved. In order to increase competitiveness, it is necessary to increase the quality of the products to a level that allows the extension of the warranty period and the decrease of the costs with the replacements. Another market trend is the increase in revenues from activities related to the production of LED lighting fixtures, for example through installation design and assembly services.

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

The climatic factor is also important, the hydrological and wind regime greatly influencing energy prices. In fact, the energy market is affected by several factors. Although Romania has a large installed capacity, it exists only theoretically, because in reality many groups are unavailable. Romania is a net importer of energy and this together with the operation in coupling with the neighboring countries (and especially the coupling of dam - Day-Ahead Market) will keep the selling prices high, at least at the level of 2023.

## **13.2 Forecasts and projects for 2023**

### **Sale of lighting systems and charging stations:**

Electromagnetica aims to continue participating in the auctions announced by AFM, PNRR, POR, Electric –UP.

A smartcity lighting project is underway in PANCIU, as well as the modernization of the night at a stadium in Brasov, with a LED system. Among the ongoing projects we also mention: Craiova Express Road Pitesti lot 3, Modernization of lighting in two cities county residence, Draganesti City, DJ 401 Ilfov county as well as the extension of lighting in Harman jud Brasov.

For the stations, it is aimed at the development and implementation of the ultra-fast charge stations of 150 kW and 350 kW, but also the implementation of the own management platform of the stations, the ELMOTION mobile platform and application on stations produced and installed by other competitors on the market in order to create their own national network for the management of charging stations and the use of electric vehicle charging stations. There are ongoing projects of stations with delivery to car dealerships, retailers, various hotels and pensions in the Horeca industry on the Electric-UP program financed by the Ministry of Energy.

Also, the area of power plants with photovoltaic panels will be developed where the financing programs developed by the Ministry of Energy will be participated. Also, on the photovoltaic area, a project is implemented for its own consumption with photovoltaic panels on the factory's own roof, as well as for covered parking lots.

On the design area, it is planned to continue carrying out technical projects and feasibility studies for the 3 areas: intelligent lighting with various radio telemanagement systems, charging stations with powers up to 350 kW and power plants with photovoltaic panels

### **Production and sale / supply of electricity**

In 2023, it is estimated that high prices will continue on the energy market as well as an increased 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 at competitive prices (2023-2024), being active on all OPCOM markets
- Increasing the share of energy sold to large end customers (even at the capped price of 1,300 lei) at the expense of the energy sold on OPCOM platforms
- Increasing the amount of energy sold at electric car charging stations.

### **Management and valorization of real estate assets**

Electromagnetica aims in 2023 to execute modernization works, especially at the headquarters (Electromagnetica Business Park) which include obtaining a power increase up to 5.2 MW, the modernization of two transformer stations as well as the completion of the installation of photovoltaic panels on the C60 body.

Negotiations are being held for the purchase of a building (land + building) adjacent to Electromagnetica Business Park for the extension of the useful area.

In the Official Gazette of Romania part I, no. 746 bis. from 25.07.2022 was published the Decision of the Romanian Government on the initiation of the procedures for the expropriation of all privately owned buildings that constitute the expropriation corridor of the public utility works of national interest" 4-lane widening of the Road Belt of Bucharest South".

Electromagnetica is affected by this expropriation for a part of the land owned in Domnesti, Ilfov County. The amount offered by the expropriator in the amount of 1,402,265.34 lei, i.e. 15.98 lei/sqm as compensation cannot be accepted as it does not represent the fair compensation established according to the HCCJ Decision no. 78/2021. Pursuant to art. 19 para. 2 and para. 11 of Law no. 255 of December 14, 2010 on expropriation for the cause of public utility, necessary to achieve objectives of national, county and local interest corroborated with art. 15 of GD no. 53 of 19 January 2011 for the approval of the Methodological Norms for the application of Law no. 255/2010, corroborated with Law no. 33/1994, Electromagnetica SA, once with the delivery of the documents certifying the ownership right over the buildings, also formulated the request that the payment of compensations related to the real estate included in the expropriation corridor identified according to Annex 2 of GD no. 928/2022, to be at the value established according to the valuation report and in the subsidiary at the book value recorded on December 31, 2021, according to the financial statements approved by the Ordinary General Meeting of Shareholders of April 28, 2022.

If the Commission established according to the related legislation in the field, will not admit the request in the administrative phase, the competent court will be invested in order to solve the request.

The impact of the announcement of expropriation of a part of the land owned in the Domnesti locality led to the registration of an adjustment of active depreciation in the amount of 4,129,814 lei calculated as the difference between the fair book value and the value of the compensation for expropriation.

### **Plastic Injection**

It is estimated a return to production in 2020, so an increase of 20%

### **CFR safety features**

The production of CFR relays is ensured for the entire year 2023. There may be slight increases with the implementation of sustainable transport section chapter "Modernization and renewal of railway infrastructure". Unfortunately, we cannot increase the current production capacity too much because it would mean special material and human costs for a new production line

### **Supply activity**

In the supply activity under the impact of the fears created by the war and by the trends of the world economy (price evolution, long delivery terms communicated by producers (4-6 months at the plastic table), the raw material and energy crisis, 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 2023**

In 2023, the investments will be oriented especially in maintenance activities related to the MHPP's in the county. Suceava (over 34%) and from its headquarters in Bucharest (power increase up to 5.2 MW, the modernization of two transformer stations as well as the completion of the installation of photovoltaic panels on the C60 body) as well as the modernization of the real estate assets to meet the tenants' requirements and to ensure a high degree of safety and comfort.

### **14. THE COMPANY'S TANGIBLE ASSETS:**

**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, which are located in the Suceava river, 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 constructions, in Bucharest, jud. Ilfov and jud. Dambovită . 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 portfolio 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**

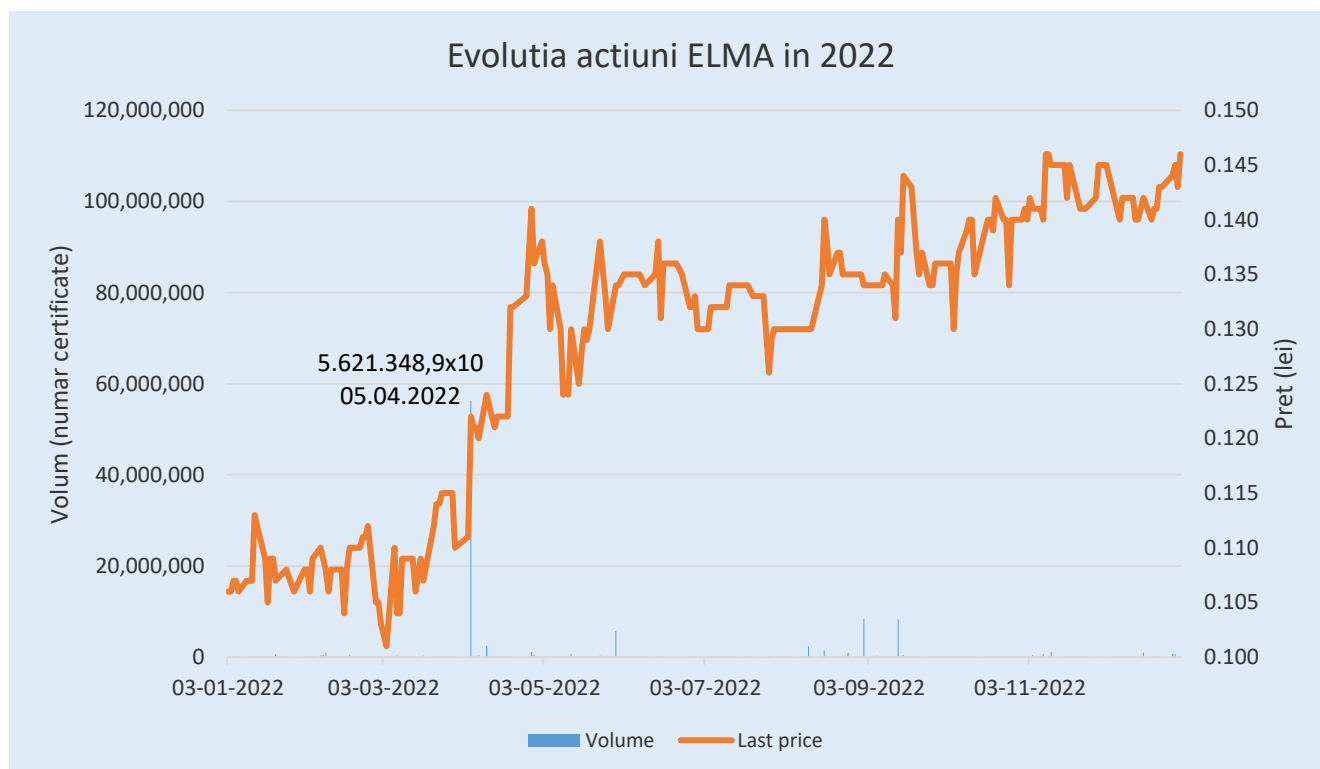
ISIN code **ROELMAACNOR2**

LEI code: **254900MYW7D8IGEFRG38**

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

VEKTOR score at BVB : **7.5 out of 10**

Free float at 30.09.2022 : **75,878 %**



During 2022, shares representing **16,25 %** of the total number of shares, cumulating 162.56% of the company's capital at an average price of 0.1253 lei/share. The reference price oscillated between a minimum of 0.1010 lei/share and a maximum of 0.1460 lei/share.

#### **15.2 Dividends granted:**

Electromagnetica SA has always taken into account the interest of shareholders both in terms of development policy and in terms of granting dividends. When financial results allowed, Electromagnetica granted dividends to shareholders. In the last three years the situation is as follows:

for 2019 - a dividend of 0.004 lei/share was granted,  
for 2020 - no dividends were granted,  
for 2021 - no dividends were given.

Regarding the year for which it is reported, the decision will be taken at the SGM in April 2023.

## 16. SEPARATE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2022

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

### 16.1. Financial position

	December 31 2022	December 31 2021	December 31 2020
<b>ASSETS</b>			
<b>Fixed assets</b>			
Property, plant and equipment	309.248.377	319.558.500	275.703.825
Investment property	16.573.349	14.649.783	11.114.654
Intangible assets	787.901	141.598	291.521
Investments in affiliated entities	841.908	841.908	841.408
Other non-current assets	9.920.728	14.540.480	19.804.010
Righ of Use Assets	2.160.053	1.433.898	2.085.114
<b>Total fixed assets</b>	<b>339.532.316</b>	<b>351.166.167</b>	<b>309.840.532</b>
<b>Current assets</b>			
Inventories	20.209.997	18.121.309	13.402.675
Trade and trade recievables	76.173.055	71.277.365	58.611.348
Cash and cash equivalents	10.713.669	2.923.410	20.108.460
Other current assets	1.699.960	2.069.666	1.882.350
Current tax recievable	177.392	599.937	949.937
<b>Total current assets</b>	<b>108.974.073</b>	<b>94.991.688</b>	<b>94.954.770</b>
<b>Total assets</b>	<b>448.506.389</b>	<b>446.157.855</b>	<b>404.795.302</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	67.603.870	67.603.870	67.603.870
Reserves and other equity items	196.462.928	216.140.275	176.146.894
Retained earnings	120.493.247	75.584.806	91.473.196
<b>Total equity attributable to the shareholders of the company</b>	<b>384.560.045</b>	<b>359.328.951</b>	<b>335.223.960</b>
<b>Long-term liabilities</b>			
Trade and other payables	700.176	1.737.076	1.168.772
Investment grants	3.920.651	4.083.869	4.247.088
Deferred tax liabilities	22.429.646	23.318.956	16.735.345
Leasing liabilities	1.299.749	794.234	1.312.782
<b>Total long-term liabilities</b>	<b>28.350.222</b>	<b>29.934.135</b>	<b>23.463.987</b>
<b>Current liabilities</b>			
Tarde and other liabilities	32.339.773	53.709.372	42.982.576
Investment grants	163.219	163.219	163.219
Provisions	2.199.338	2.341.163	2.156.891
Current income tax liabilities	-	-	-
Leasing liabilities	893.792	681.015	804.669
<b>Total current liabilities</b>	<b>35.596.123</b>	<b>56.894.768</b>	<b>46.107.356</b>
<b>Total liabilities</b>	<b>63.946.345</b>	<b>86.828.904</b>	<b>69.571.343</b>
<b>Total equity and liabilities</b>	<b>448.506.389</b>	<b>446.157.855</b>	<b>404.795.302</b>

**16.2. The individual profit and loss statement is presented as follows:**

	<b>December 31 2022</b>	<b>December 31 2021</b>	<b>December 31 2020</b>
<b>Revenues</b>	<b>231.502.678</b>	<b>340.745.893</b>	<b>283.151.730</b>
Investment income	638.614	331.513	932.082
Other net income and expenses	4.471.866	3.917.036	10.794.514
Change in the stock of finished products and production in progress	14.188.764	6.672.706	7.934.317
Capitalised activity performed by the company	2.229.197	3.978.888	1.481.686
Raw materials and consumables used	(123.780.118)	(293.207.949)	(219.528.624)
Employees costs	(36.050.893)	(32.660.256)	(30.490.094)
Depreciation and impairment expenses	(15.043.289)	(8.789.780)	(10.199.234)
Other expenses	(49.877.259)	(36.614.462)	(37.943.201)
Financial expenses	(1.129.564)	(1.193.187)	(947.166)
<b>Profit/loss before tax</b>	<b>27.149.997</b>	<b>(16.819.598)</b>	<b>2.186.009</b>
Corporate income tax	(1.918.904)	706.132	138.292
<b>Profit/loss of the period</b>	<b>25.231.093</b>	<b>(16.113.467)</b>	<b>2.324.301</b>

**16.3. Cash -Flow**

	<b>December 31 2022</b>	<b>December 31 2021</b>	<b>December 31 2020</b>
Net cash used in operating activities	29.743.975	(36.343.446)	1.464.125
Net cash used in investment activities	302.310	(558.014)	138.063
Net cash used in financing activities	22.256.026	19.716.410	(3.204.911)
(Decrease) net cash and cash equivalents	7.790.259	(17.185.050)	(1.602.723)
Cash and cash equivalents at the beginning of the period	2.923.410	20.108.460	21.711.183
Cash and cash equivalents at the end of the period	10.713.669	2.923.410	20.108.460

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

At the time of writing this material, the Prosecutor's Office attached to the Sector 1 Court issued a Closure Ordinance in a criminal case 597/P/2017, in which there were investigated possible defeats in service of an employee of Electrica SA in the tendering processes of measurement systems organized by Electrica SA and its subsidiaries. Although the file found multiple conversations and anti-competitive behaviors between that person and employees of several companies producing meters (without Electromagnetica being involved), the criminal investigation bodies found that these facts do not constitute criminal acts, but contraventions. Moreover, the Competition Council also fined the mentioned companies for anti-competitive behavior.

**18. CORPORATE GOVERNANCE STATEMENT:****18.1 Relevant Corporate Governance Code**

The company's management believes that a high level of transparency, continuous and real-time communication of important information together with investor protection is the key to the long-term support of the company's development strategy by shareholders and maximizing the value of shares.

Strict application of the incidental legal framework (Law 31/1990 – commercial companies law, republished; Law 297/2004 – capital market law with subsequent amendments and completions; Issuers Law 24/2017; The ASF Regulation 5/2018 and the Bucharest Stock Exchange Code) offer the premises for compliance with the internationally established Corporate Governance requirements.

The Board of Directors decided to voluntarily apply the BVB Code of Corporate Governance with the mention that, according to the specificity of the company, some provisions will be partially respected. The current state of compliance with the BVB CGC, the reasons for partial application and the measures adopted to achieve the objectives of corporate governance are presented in the Annex to the Corporate Governance Statement published together with this Report.

## 18.2. General meetings and shareholders' rights

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

Currently, the administration system is a unitary one, the Company being led by a Board of Directors consisting of 7 members.

## 18.4. Corporate governance structures

The main administrative, management and supervisory structures of the company are the Board of Directors, directors, audit committee, external auditor and internal auditor.

### 18.4.1. Board of Directors

The election of the board members was made by cumulative vote within the OGMS of September 19, 2019, the candidates being proposed by the shareholders. In 2022, an administrator was replaced as a result of the renunciation of the mandate of Mrs. Rodica Cristina HODEA. The composition of the board of directors faithfully reflects the participation in the capital. There are no family ties between the administrators or members of the executive management with third parties due to whom they were elected / appointed to office.

The managerial experience and professional training of the members of the board of directors allows them to periodically evaluate the aspects related to the evaluation of the company's activity in general of the directors, as well as of the activities of nomination, remuneration or internal audit.

Name	Function	Term of office	Profession, job	Individual holdings of ELMA shares	Functions held in other listed companies
Scheusan Eugen	BOD President	18 Oct 2019 18 Oct 2023	Engineer	0.2428%	-
Stancu Traian	BOD member	18 Oct 2019 18 Oct 2023	Engineer	0.0462%	-
Stancu Ioan	BOD member	18 Oct 2019 18 Oct 2023	Technician	0.0027%	-
Macovei Octavian	BOD member	18 Oct 2019 18 Oct 2023	Engineer	0%	-
Busu Cristian	BOD member	28 Sept 2021 18 Oct 2023	PhD in Economics	0%	
Zoescu Mihai	BOD member	28 Sept 2021 18 Oct 2023	Economist	0%	Biofarm SA – Chief Financial Officer
Gagea Cristina-Gabriela	Provisional BOD member	15 August 2022 28-29 Apr 2023	Economist	0%	Member of BOD of Casa de Bucovina Club de Munte SA

Most of the members of the board of directors are non-executive directors so that a balance of authority is ensured. In 2022, the board of directors met with a monthly attendance, with all members being present in person or using postal voting. The level of indemnities of the board members is established by the decision of the shareholders in the general meeting.

NOTE: Considering that we are a company listed on the Bucharest Stock Exchange (BVB) and we have reporting obligations both to BVB and to the FSA, the amendments within the Board of Directors as well as the amendment of the Constitutive Act in this regard were notified to BVB and ASF at that time.

#### 18.4.2. Directors

According to the statutory provisions, the chairman of the board of directors also performs the function of general manager and legally represents the company. The Board of Directors delegates some of its powers to one or more directors on the basis of mandate contracts, while fixing their tasks. The executive management during 2022 was provided by 4 directors, as follows:

Name/ Surname	Quality	Individual shareholdings at Dec 31, 2022	Other positions held in listed companies
Scheusan Eugen	General Manager	0.2428%	-
Macovei Octavian	Technical Director	0%	-
Florea Cristina	Chief Financial Officer	0%	-
Stoica Mihail	Commercial Director	0%	-

The directors' remunerations are established by the decision of the Ca. The annual gross remuneration and other advantages, including the one approved by the AGA through the BVC due to the management cannot exceed 5% of the value of the own capital, established by the annual balance sheet.

For compliance with the legal obligations introduced by Law no. 158/2020 amending Law no. ANRE President's Order no. 24/2017 on issuers of financial instruments and market operations, the remuneration policy of directors, executive directors and members of the Audit Committee was developed, which was approved in the AGA 2021. This remuneration policy was completed on 26.04.2022 with the Specifications published on the [www.bvb.ro](http://www.bvb.ro) And [www.electromagnetica.ro](http://www.electromagnetica.ro).

#### 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 cooperates closely with the Audit Committee, the Internal Auditor and financial control in matters related to financial reporting, internal control and risk management. The managerial experience and professional training of the board members allows them to appreciate the effectiveness of the internal control system.

The company has an internal/managerial control system, the design and application of which allow the executive management and the board of directors to provide a reasonable assurance that the company's funds allocated for the purpose of achieving the general and specific objectives have been used in conditions of legality, regularity, efficiency and economy. The internal/managerial control system includes both self-control mechanisms and subsequent control performed through the Office of Budgetary Monitoring and Execution and the Internal Auditor, respectively the Audit Committee, and the application of measures aimed at increasing its effectiveness are based on risk assessment.

The internal accounting and financial control of the company was applied in order to ensure an accounting management and a financial follow-up of the Company's activity. The internal control activity concerned:

- ensuring compliance with the legislation in force;
- applying the decisions taken by the company's management;
- the proper functioning of the internal activity of the company;
- reliability of financial information;
- 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 observations

#### 18.4.5. Audit Committee

In accordance with the provisions of audit law 162/2017 and EU regulation 537/2014 on auditing and with the BVB recommendations for listed companies, the Board of Directors decided in 2018 to set up an Audit Committee.

It is an important structure within the corporate governance, providing in many cases the interface with the financial auditor and having an important role in the preparation of the annual audit reports and the proper functioning of the company.

The audit committee establishes the responsibilities regarding: the quality and integrity of the financial statements of the company; the company's compliance with legal and regulatory requirements; the company's risk management process globally; performing the internal audit function of the company;

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

During 2022, 4 audit missions were carried out, as follows:

- audit report of the acquisition activity
- auditing the contracting activity
- audit of the electricity supply activity
- audit of the inventory activity

as well as other activities such as:

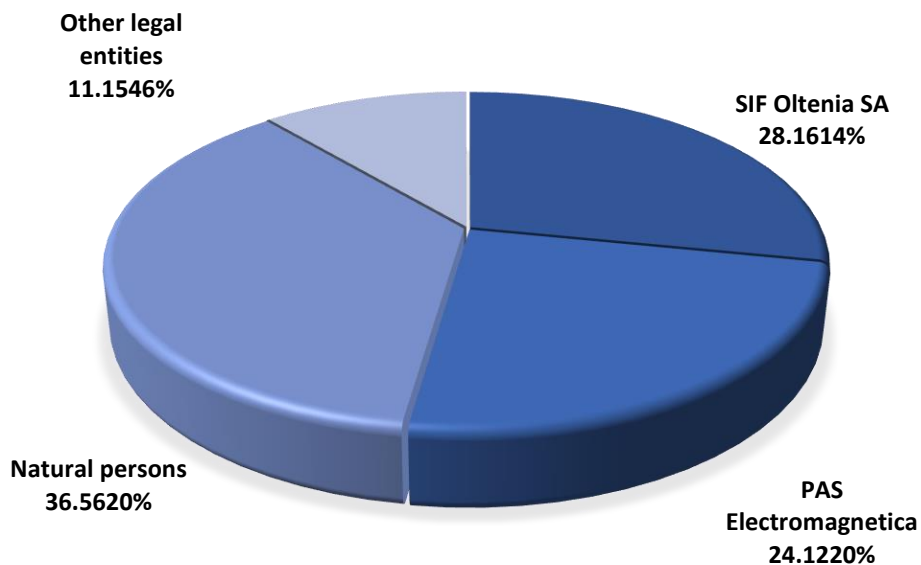
- checking the implementation of the recommendations made by the internal auditor in the missions carried out during the period 1.01.2021-31.12.2021
- risk assessment on risk areas (activities)

As a result of the missions completed in 2022, recommendations have been developed to improve the internal control of management, mainly targeting:

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

#### 18.5. Capital structure and significant shareholders:

### SHAREHOLDING STRUCTURE 31.12.2022



#### **18.6. Administration of conflicts of interest, transactions with the parties involved and the regime of confidential information**

Administrators in a potential conflict of interest inform the council and refrain from debating the issues in question and voting. The transactions with the parties involved are concluded under non-preferential conditions and are negotiated by the members of the management who are not related to the parties involved, being reported to the FSA and the BVB, if applicable. The external auditor will report and analyse accordingly these transactions. The Company draws up and updates the list of persons who are presumed to have access to inside information. Annually, the directors and directors of the company and of the other affiliated parties give affidavits regarding conflicts of interest and the performance of competitive activities.

#### **18.7. Acquisition of own shares**

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

#### **18.8. 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 2022, no such transactions were notified to the FSA.

#### **18.9. Amendments to the articles of incorporation**

The articles of incorporation were updated on 28 April 2022 by amending art. 16, point 16.1, the change of the BOD component, respectively the appointment as administrators of Mr. Cristian Busu and Mr. Mihai Zoescu (former provisional administrators) until the end of the mandate, as well as on July 29, 2022 by appointing Mrs. Cristina-Gabriela GAGEA as provisional administrator following the submission of the mandate by Mrs. Rodica-Cristina HODEA.

#### **18.10. Dissemination of corporate information**

The company establishes and publishes annually, on the BVB website and on its own website, a financial reporting calendar. The company prepares and disseminates periodic and continuous information relevant to the investment decision, information published both on its own website and on the BVB website (symbol "ELMA"). The staff dedicated to this activity is permanently trained, trained and professionally trained on the aspects regarding the relationship of a company with its shareholders and the principles of corporate governance. During 2022, the information was disseminated in Romanian and English, for those categories of documents provided by the applicable legal framework.

Meetings were organized with investors and analysts on 21.02.2022, 29.04.2022, 12.08.2022 and 14.11.2022. The company encourages communication with shareholders through the section **Investors** from its web page available at <https://www.electromagnetica.ro/investitori-info/> and for additional information, investors can contact tel. 021.404.21.31, fax: 021.404.21.95 and email: [juridic@electromagnetica.ro](mailto:juridic@electromagnetica.ro).

#### **18.11. Activity within ARIR:**

ELECTROMAGNETICA SA founding member of the **ARIR – Association for Investor Relations on the Romanian Stock Exchange** actively participated in the meetings and conferences organized by this association (including the meetings with the ASF) seeking thereby to improve the way of communication with investors and to be aware of the legislative changes that are expected in the Capital Market (European regulations and draft laws in Romania).

A delegation of two people from Electromagnetica participated in the Paris on 16.10.2022 at **Forum – Europe Pan-European event for heads of IR** organized by IR Magazine, then completed with a working visit **at the EURONEXT Stock Exchange in Paris**

In the VEKTOR methodology, which quantifies the way of communication with investors, created by ARIR together with BVB, our company appears in the first third of the companies on the Stock Exchange, keeping its communication standards (the evaluation criteria have changed from year to year, becoming more and more demanding)

An	VEKTOR	Data evaluării	Ultima actualizare
2022	★★★★★★★★★ 7,50	Decembrie 2022	30.01.2023 11:04:28
2021	★★★★★★★★★ 8,50	Decembrie 2021	31.01.2022 10:00:49
2020	★★★★★★★★★ 5,50	Decembrie 2020	27.01.2021 09:50:46
2019	★★★★★★★★★ 2,00	Decembrie 2019	30.01.2020 06:30:35

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

Attached to this Report is Corporate Governance Statement

**General Director**  
Eugen Scheusan

**Chief Financial Officer**  
Cristina Florea



**ANNEX TO THE CORPORATE GOVERNANCE STATEMENT**

<b>Provisions of the BVB CGC</b>	<b>The company respects</b>	<b>The company does not respect or partially respect</b>	<b>Reason for non-compliance / measures taken / achievement of the objective</b>
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.	Respect		
A.2. Provisions for the management of conflicts of interest should be included in the Council Regulation. In any case, 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 the discussions (including by not appearing, unless failure to appear would prevent the quorum from forming) and from voting for a decision on the matter giving rise to that conflict of interest.	Respect		
A.3. The Board of Directors or the Supervisory Board shall consist of at least five members.	Respect		

Provisions of the BVB CGC	The company respects	The company does not respect or partially respect	Reason for non-compliance / measures taken / achievement of the objective
<p>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.</p> <p>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:</p>	Respect		
<p>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;</p>	Respect		Of the 7 members of the BOD, 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.
<p>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;</p>	Respect		
<p>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;</p>	Respect		
<p>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;</p>	Respect		
<p>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;</p>	Respect		

<b>Provisions of the BVB CGC</b>	<b>The company respects</b>	<b>The company does not respect or partially respect</b>	<b>Reason for non-compliance / measures taken / achievement of the objective</b>
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;	Respect		
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;	Respect		
A.4.8. has not been a non-executive director of the company for more than twelve years;	Respect		
A.4.9. has no family ties with a person in the situations referred to in A.4.1. and A.4.4.	Respect		
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.	Respect		
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.	Respect		
A.7. The company must appoint a Secretary of the Board responsible for supporting the work of the Council.	Respect		
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.		Partially respect	The Board of Directors did not adopt a policy/guide on the Evaluation of the Council. Annually, during the general meeting, the granting of incentives according to the fulfillment of the performance indicators and in accordance with the provisions of the articles of incorporation is subject to the OGMS approval.
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.	Respect		

Free translation from the original Romanian binding version.

<b>Provisions of the BVB CGC</b>	<b>The company respects</b>	<b>The company does not respect or partially respect</b>	<b>Reason for non-compliance / measures taken / achievement of the objective</b>
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.	Respect		
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 respect	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 BOD.
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.	Respect		The Audit Committee is made up of three members, independent non-executive administrators, all with economic training and the Chairman of the Committee has relevant experience in auditing and accounting.
B.2. The chair of the audit committee shall be an independent non-executive member.	Respect		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.	Respect		
B.4. The evaluation shall take into account the effectiveness and coverage of the internal audit function, the adequacy of the 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.	Respect		

<b>Provisions of the BVB CGC</b>	<b>The company respects</b>	<b>The company does not respect or partially respect</b>	<b>Reason for non-compliance / measures taken / achievement of the objective</b>
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.	Respect		
B.6. The audit committee shall assess the effectiveness of the internal control system and the risk management system.	Respect		
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.	Respect		
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.	Respect		
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.	Respect		
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.	Respect		
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.	Respect		
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.	Respect		

Free translation from the original Romanian binding version.

Provisions of the BVB CGC	The company respects	The company does not respect or partially respect	Reason for non-compliance / measures taken / achievement of the objective
<p>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.</p> <p>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.</p>	Respect		The company has developed a remuneration policy that was adopted at the SGM in April 2021 and published on its website and then completed in 2022.
<p>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;</p>	Respect		

Free translation from the original Romanian binding version.

Provisions of the BVB CGC	The company respects	The company does not respect or partially respect	Reason for non-compliance / measures taken / achievement of the objective
<p>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;</p> <p>D.1.4. Information on general meetings of shareholders: agenda and information materials; the procedure for electing the members of the Council; the arguments supporting the proposals for candidates for election to the Council, together with their professional CVs; the shareholders' questions about the items on the agenda and the company's answers, including the decisions taken;</p>			
<p>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;</p> <p>D.1.6. Name and contact details of a person who will be able to provide relevant information upon request;</p> <p>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.</p>	Respect		
<p>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.</p>	Respect		The company adopted and published in 2022, the Dividends Policy, available at: <a href="https://www.electromagnetica.ro/investitori-info/">https://www.electromagnetica.ro/investitori-info/</a>

<b>Provisions of the BVB CGC</b>	<b>The company respects</b>	<b>The company does not respect or partially respect</b>	<b>Reason for non-compliance / measures taken / achievement of the objective</b>
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 respect	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.5. The external auditors will be present at the general meeting of shareholders when their reports are presented at these meetings.	Respect		
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.	Respect		
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.		Don't respect	The statute of the company does not provide for the participation in the SGM as guests of analysts, accredited journalists, experts, consultants, specialists. Currently, besides the shareholders, the administrators, directors, auditors and other guests participate in the SGM 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.	Respect		
D.9. A company will hold at least two meetings/teleconferences with analysts and investors each year. The information presented on these	Respect		

Free translation from the original Romanian binding version.



Provisions of the BVB CGC	The company respects	The company does not respect or partially respect	Reason for non-compliance / measures taken / achievement of the objective
occasions will be published in the investor relations section of the company's website at the time of the meetings/ teleconferences.			
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 respect	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 DECEMBER 31, 2022**

**Prepared in accordance with  
Order of the Minister of Public Finance 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)**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders,  
ELECTROMAGNETICA S.A.

### Report on the Audit of the Financial Statements

#### Opinion

1. We have audited the 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 statement of financial position as at December 31, 2022, and the statement of comprehensive income, 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).
2. The financial statements as at December 31, 2022 are identified as follows:
  - Net assets / Equity RON 384,560,045
  - Net profit for the financial year RON 25,231,093
3. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) / 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.

#### Other information

6. The administrators are responsible for the preparation and presentation of the other information. The other information comprises the Administrators' report and 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, 2022, 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, 2022, 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 IFRSs / 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 28 April 2021 to audit the financial statements of ELECTROMAGNETICA S.A. for the financial year ended December 31, 2022. The uninterrupted total duration of our commitment is 7 years, covering the financial years ended December 31, 2016 until the December 31, 2022.

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 2022 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 2022 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, 9<sup>th</sup> Floor, District 1  
Bucharest, Romania  
March 28, 2023

**ELECTROMAGNETICA SA**  
**SEPARATE STATEMENT OF PROFIT OR LOSS**  
**AND OTHER COMPREHENSIVE INCOME**  
**FOR THE 12-MONTH PERIOD ENDED AS OF 31 DECEMBER 2022**  
**(all amounts are expressed in RON, unless otherwise specified)**

	Note	Period of 12 months ended on December 31 2022	Period of 12 months ended on December 31 2021
<b>Revenues</b>	<b>22</b>	<b>231.502.678</b>	<b>340.745.893</b>
Investment income		638.614	338.665
Other net income and expenses	<b>22</b>	4.471.866	3.909.884
Change in the stock of finished products and production in progress	<b>23</b>	14.188.764	6.672.706
Activity performed by the entity and capitalized	<b>23</b>	2.229.197	3.978.888
Raw materials and consumables used	<b>23</b>	(123.780.118)	(293.207.949)
Employees costs	<b>26</b>	(36.050.893)	(32.660.256)
Depreciation and impairment expenses	<b>23</b>	(15.043.289)	(8.789.780)
Other expenses	<b>23</b>	(49.877.259)	(36.614.462)
Financial expenses	<b>24</b>	(1.129.564)	(1.193.187)
<b>Profit before tax</b>		<b>27.149.997</b>	<b>(16.819.598)</b>
Corporate income tax	<b>25</b>	(1.918.904)	706.132
<b>Net Profit/(Loss)</b>		<b>25.231.093</b>	<b>(16.113.467)</b>
<b>Other elements of the other comprehensive income:</b>			
Out 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	<b>25</b>	-	(7.601.312)
- the deferred tax related to the disposed fixed assets		-	311.570
<b>Total Other Comprehensive Income:</b>		<b>25.231.093</b>	<b>24.104.992</b>
<b>Earnings per share</b>	<b>28</b>	<b>0,0373</b>	<b>(0,0238)</b>

These separate financial statements were approved for issuance by management on March 21, 2023:

**EUGEN SCHEUŞAN**  
General Director

**CRISTINA FLOREA**  
Chief Financial Officer

**ELECTROMAGNETICA SA**  
**SEPARATE STATEMENT OF THE FINANCIAL POSITION**  
**AS OF 31 DECEMBER 2022**  
(all amounts are expressed in RON, unless otherwise specified)

	Note	December 31 2022	December 31 2021
<b>ASSETS</b>			
<b>Fixed assets</b>			
Property, plant and equipment	5	309.248.377	319.558.500
Investment property	6	16.573.349	14.649.783
Intangible assets	7	787.901	141.598
Investments in affiliated entities	9	841.908	841.908
Other non-current assets	10	9.920.728	14.540.480
Right of Use Assets	8	2.160.053	1.433.898
<b>Total fixed assets</b>		<b>339.532.316</b>	<b>351.166.167</b>
<b>Current assets</b>			
Inventories	11	20.209.997	18.121.309
Trade Receivables	12	76.173.055	71.277.365
Cash and cash equivalents	14	10.713.669	2.923.410
Other current assets	13	1.699.960	2.069.666
Current tax receivable	25	177.392	599.937
<b>Total current assets</b>		<b>108.974.073</b>	<b>94.991.688</b>
<b>Total assets</b>		<b>448.506.389</b>	<b>446.157.855</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	15	67.603.870	67.603.870
Reserves and other equity items	16	196.462.928	216.140.275
Retained earnings	17	120.493.247	75.584.806
<b>Total equity attributable to the shareholders of the company</b>		<b>384.560.045</b>	<b>359.328.951</b>
<b>Long-term liabilities</b>			
Trade and other payables	20	700.176	975.819
Investment grants	18	3.920.651	4.083.869
Deferred tax liabilities	25	22.429.646	23.318.956
Leasing liabilities	8	1.299.749	794.234
<b>Total long-term liabilities</b>		<b>28.350.222</b>	<b>29.172.878</b>
<b>Current liabilities</b>			
Trade and other payables	20	32.339.773	54.470.629
Investment grants	18	163.219	163.219
Provisions	19	2.199.338	2.341.163
Current income tax liabilities	25	-	-
Leasing liabilities	8	893.792	681.015
<b>Total current liabilities</b>		<b>35.596.123</b>	<b>57.656.025</b>
<b>Total liabilities</b>		<b>63.946.345</b>	<b>86.828.904</b>
<b>Total equity and liabilities</b>		<b>448.506.389</b>	<b>446.157.855</b>

These separate financial statements were approved for issuance by management on March 21, 2023:

**EUGEN SCHEUȘAN**  
General Director

**CRISTINA FLOREA**  
Chief Financial Officer



**ELECTROMAGNETICA SA**  
**SEPARATE STATEMENT OF CASH FLOWS**  
**FOR THE 12-MONTH PERIOD ENDED AS OF 31 DECEMBER 2022**  
**(all amounts are expressed in RON, unless otherwise specified)**

	<b>Note</b>	<b>Period of 12 months ended on December 31 2022</b>	<b>Period of 12 months ended on December 31 2021</b>
<b>Cash flows from the operating activities :</b>			
Cash receipts from customers		227.029.562	306.040.320
Payments to suppliers		(134.594.654)	(280.003.053)
Payments to employees		(34.862.886)	(30.902.954)
Other operating operations		(24.832.968)	(31.097.228)
<b>Cash generated by/ (used in) the operating activity</b>		<b>32.739.054</b>	<b>(35.962.915)</b>
Interest paid		(609.409)	(380.531)
Profit tax paid		(2.385.670)	-
<b>Net cash generated by/(used in) operating activities</b>		<b>29.743.975</b>	<b>(36.343.446)</b>
<b>Cash flows from investment activities:</b>			
Purchase of property, plant and equipment		(382.590)	(922.052)
Proceeds from the sale of fixed assets		50.300	25.000
Interest received		142.286	48.029
Dividends received		492.313	291.009
<b>Net Cash generated in investment activities</b>		<b>302.310</b>	<b>(558.014)</b>
<b>Cash flows from financing activities:</b>			
Cash receipts from loans	30	32.718.453	95.904.347
Cash repayments of the amounts borrowed	30	(53.609.747)	(75.013.053)
Rent paid		(1.257.256)	(1.078.259)
Interest paid		(96.097)	(74.089)
Dividends paid		(11.379)	(22.536)
<b>Net cash used in financing activities</b>		<b>(22.256.026)</b>	<b>19.716.410</b>
<b>Increase/Decrease net cash and cash equivalents</b>		<b>7.790.259</b>	<b>(17.185.050)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	14	<b>2.923.410</b>	<b>20.108.460</b>
<b>Cash and cash equivalents at the end of the period</b>	14	<b>10.713.669</b>	<b>2.923.410</b>

These separate financial statements were approved for issuance by management on March 21, 2023:

**EUGEN SCHEUŞAN**  
General Director

**CRISTINA FLOREA**  
Chief Financial Officer

**ELECTROMAGNETICA SA**  
**SEPARATE STATEMENT OF CHANGES IN EQUITY**  
**FOR THE 12-MONTH PERIOD ENDED AS OF 31 DECEMBER 2022**  
**(all amounts are expressed in RON, unless otherwise specified)**

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Reserves revaluation of tangible assets</u>	<u>Other elements</u>	<u>Lega Reserve</u>	<u>Deferred tax recognized in reserves</u>	<u>Total equity</u>
<b>Balance as at 01 January 2022</b>	<b>67.603.870</b>	<b>75.584.806</b>	<b>154.178.085</b>	<b>66.840.830</b>	<b>19.789.854</b>	<b>(24.668.494)</b>	<b>359.328.951</b>
Profit or loss for the financial year	-	25.231.093	-	-	-	-	25.231.093
<b>Other elements of the other comprehensive income:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Revaluation surplus of fixed assets	-	-	-	-	-	-	-
Deferred tax related to revaluation surplus	-	-	-	-	-	-	-
<b>Other capital items:</b>	<b>-</b>	<b>19.677.348</b>	<b>(4.242.715)</b>	<b>(8.865.555)</b>	<b>(7.247.912)</b>	<b>678.834</b>	<b>-</b>
Transfer of the revaluation reserve to retained earnings as a result of depreciation and outflows of fixed assets	-	4.242.715	(4.242.715)	-	-	-	-
Transfer of tax related to the revaluation reserve to retained earnings	-	(678.834)	-	-	-	678.834	-
Transfer of reserves and adjustment to inflation to retained earnings	-	16.113.467	-	(7.463.590)	(8.649.877 )	-	-
Establishment of legal reserve and other reserves	-	-	-	(1.401.965)	1.401.965	-	-
<b>Transactions with shareholders, recorded directly in equity:</b>							
Other elements	-	-	-	-	-	-	-
<b>Balance at 31 December 2022</b>	<b>67.603.870</b>	<b>120.493.248</b>	<b>149.935.370</b>	<b>57.975.275</b>	<b>12.541.942</b>	<b>(23.989.660)</b>	<b>384.560.045</b>

These separate financial statements were approved for issuance by management on March 21, 2023:

\_\_\_\_\_  
**EUGEN SCHEUŞAN**  
General Director

\_\_\_\_\_  
**CRISTINA FLOREA**  
Chief Financial Officer

Free translation from the original Romanian binding version.

**ELECTROMAGNETICA SA**  
**SEPARATE STATEMENT OF CHANGES IN EQUITY**  
**FOR THE 12-MONTH PERIOD ENDED AS OF 31 DECEMBER 2022**  
**(all amounts are expressed in RON, unless otherwise specified)**

	Share capital	Retained earnings	Reserves revaluation of tangible assets	Other elements	Legal Reserve	Deferred tax recognized in reserves	Total equity
<b>Balance at 01 January 2021</b>	<b>67.603.870</b>	<b>91.473.196</b>	<b>110.800.133</b>	<b>64.516.529</b>	<b>19.789.854</b>	<b>(18.959.622)</b>	<b>335.223.960</b>
Profit or loss for the financial year	-	(16.113.467)	-	-	-	-	(16.113.467)
<b>Other elements of the other comprehensive income:</b>	-	-	<b>47.508.201</b>	-	-	<b>(7.601.312)</b>	<b>39.906.889</b>
Revaluation surplus of fixed assets	-	-	47.508.201	-	-	-	47.508.201
Deferred tax related to revaluation surplus	-	-	-	-	-	(7.601.312)	(7.601.312)
<b>Other capital items:</b>	-	<b>225.078</b>	<b>(4.130.249)</b>	<b>2.324.301</b>	-	<b>1.892.440</b>	<b>311.570</b>
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 deferred from management	-	-	-	-	-	311.570	311.570
Transfer of net profit to reserves	-	(2.215.001)	-	2.215.001	-	-	-
Establishment of legal reserve and other reserves	-	(109.300)	-	109.300	-	-	-
<b>Transactions with shareholders, recorded directly in equity:</b>							
Other elements	-	-	-	-	-	-	-
<b>Balance at 31 December 2021</b>	<b>67.603.870</b>	<b>75.584.807</b>	<b>154.178.085</b>	<b>66.840.830</b>	<b>19.789.854</b>	<b>(24.668.494)</b>	<b>359.328.951</b>

These separate financial statements were approved for issuance by management on March 21, 2023:

\_\_\_\_\_  
**EUGEN SCHEUŞAN**  
General Director

\_\_\_\_\_  
**CRISTINA FLOREA**  
Chief Financial Officer

Free translation from the original Romanian binding version.

**ELECTROMAGNETICA SA**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS**  
**FOR THE 12-MONTH PERIOD ENDED AS OF 31 DECEMBER 2022**  
**(all amounts are expressed in RON, unless otherwise specified)**

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**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 Calea Rahovei nr.266-268, sector 5, Bucharest.

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

	<u>2022</u>	<u>2021</u>
- minimum price	0,1010	0,1000
- maximum price	0,1460	0,1540
- average price	0,1253	0,1273

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

	<u>2022</u>	<u>2021</u>
Average number of employees	368	385

Electromagnetica's present separate financial statements were authorized for issuance by the management on March 21, 2023.

**2. THE BASICS OF DRAWING UP**

**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 reporting date of the Company, respectively 31 December 2022 and in accordance with the provisions of the Order of the Minister of Public Finance 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.

The company also prepares consolidated financial statements, as it holds investments in subsidiaries.

**ELECTROMAGNETICA SA**  
**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**(all amounts are expressed in RON, unless otherwise specified)**

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**2. BASICS OF PREPARATION (continued)**

**Declaration of conformity (continued)**

The details of the Company's investments in subsidiaries as at December 31, 2022 and December 31, 2021 are as follows:

<b>Name of subsidiary</b>	<b>No. Titles</b>	<b>Percentage of holding and right to vote (%)</b>	<b>Value</b>
Electromagnetica Prestserv LTD	300	100%	30.000
Electromagnetica Fire LTD	799	99.875%	79.900
Procetel SA	42.483	96.548%	732.008
<b>TOTAL</b>			<b>841.908</b>

The financial statements are available on the website [www.eletromagnetica.ro](http://www.eletromagnetica.ro) within the applicable legal term.

**The principle of going concern**

The financial statements were prepared based on the principle of going concern, which implies that the Company will be able to realize its assets and pay its liabilities under normal conditions of activity.

**Impact of the conflict in Ukraine**

The outbreak of conflict between Russia and Ukraine on February 24, 2022 suddenly led to market volatility, resulting in an increase in prices and problems in supply chains.

**Climate change**

When preparing the financial statements, the management took into account the impact of climate change. These considerations did not have a significant impact on the rationale and estimates used in financial reporting. They are also not expected to have a significant impact on the continuity of the activity in the next period.

**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.

**Functional and presentation currency**

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

**Foreign currency**

Operations denominated in foreign currency are recorded in RON 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 RON 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 RON at the rate on which the fair value was determined.

Conversion differences are shown in the profit or loss account.

**ELECTROMAGNETICA SA**  
**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**(all amounts are expressed in RON, unless otherwise specified)**

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**2. BASICS OF PREPARATION (continued)**

**Foreign currency (continued)**

The exchange rates at the end of the period of the main currencies were as follows:

	<b>Exchange rate December 31 2022</b>	<b>Exchange rate December 31 2021</b>
Exchange rate to EUR at the end of the period	4,9474	4,9481
USD exchange rate at the end of the period	4,6346	4,3707

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 judgements 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 judgements used to determine the carrying amount of assets and liabilities for which there are no other sources of measurement available. Actual results may differ from estimated values.

Estimates and judgments are periodically reviewed. 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 the future periods.

The effect of the change for the current period 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 mainly used for impairment adjustments for fixed assets, for estimating the useful life of fixed assets, for adjusting the impairment of assets, for provisions, for recognising deferred tax assets.

In accordance with IAS 36, intangible assets, plant and equipment, are analysed to identify whether they present impairment indications 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.

The assessment for the impairment of receivables is carried out individually and is based on the best management estimate of the present value of the cash flows expected to be received. The company revises its trade and other receivables on an annual basis of its financial position to assess whether it needs to record an impairment of value in the profit and loss account. Management's professional judgement is particularly necessary for estimating value and coordinating future cash flows when determining the 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, unforeseen situations will be clarified only when one or more future events occur or not. The assessment of these situations inherently involves the use of significant assumptions and estimates of the outcome of future events.

Deferred tax claims are recognised for tax losses to the extent that it is likely that there will be taxable profit from which losses can be covered. It is necessary to exercise professional judgement 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.

**ELECTROMAGNETICA SA**  
**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
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**3. 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 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),
- **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).

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:

- **IFRS 17 "Insurance Contracts"** including amendments to IFRS 17 issued by the IASB on 25 June 2020 - adopted by the EU on 19 November 2021 (applicable for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 17 "Insurance contracts"** – Initial application of IFRS 17 and IFRS 9 — Comparative information, adopted by the EU on 8 September 2022 (applicable for annual periods as of or after 1 January 2023),
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Presentation of the accounting policies adopted by the EU on 2 March 2022 (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 adopted by the EU on 2 March 2022 (applicable for annual periods from or after 1 January 2023).
- **Amendments to IAS 12 "Income Tax"** – Deferred tax on single-transaction assets and liabilities adopted by the EU on 11 August 2022 (applicable for annual periods from or after 1 January 2023).

**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.

- **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"** – Long-term debts with financial indicators (applicable for annual periods from or after 1 January 2024),

**ELECTROMAGNETICA SA**  
**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**(all amounts are expressed in RON, unless otherwise specified)**

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**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)**

- **Amendments to IFRS 16 "Leases"** – Lease liabilities in a sale and leaseback transaction (applicable for annual periods from or after 1 January 2024),
- **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 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 application period.

**4. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

**4.1. Significant accounting policies**

The main accounting policies are presented below:

**Short-term classification versus long-term classification of assets and liabilities**

The company presents its assets and liabilities in the statement of financial position as classified as short-term / long-term.

An asset is classified in the short term if:

- expects to capitalize on the asset, or intends to sell or use it during the normal operating cycle;
- it is mainly owned for trading purposes;
- expects to capitalize on the asset within 12 months after the reporting date; or
- the asset is cash or cash equivalents whose use is not restricted to be exchanged or used to settle a liability for a period of at least 12 months after the reporting period.

All other assets are classified as long-term (non-current assets).

A liability is classified in the short term (current) if:

- it is expected to be settled in the normal cycle of operation of the company;
- it is owned for the main purpose of being traded;
- is settled within 12 months after the reporting date;
- there is no unconditional right to postpone the settlement of the debt for at least 12 months after the reporting date.

The company classifies all other liabilities as long-term.

**Fair value**

Fair value is the price that could be received as a result of the sale of an asset or paid to transfer a liability in a transaction carried out in the normal course of activity between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction of sale of the asset or the transfer of the liability takes place either:

- on the main market of the asset and liability
- in the absence of a main market, on the most advantageous market for an asset or a liability.

The company values the fair value of an asset or liability on the basis of assumptions that market participants would use when pricing the asset or liability, assuming that participants act to achieve maximum economic benefit.



**ELECTROMAGNETICA SA**  
**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
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**4. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**4.1. Significant accounting policies (continued)**

The fair value measurement of a non-financial asset takes into account the ability of market participants to generate economic benefits through the most intense and best use of the asset or by selling another market participant who in turn would give it the most intense and best use.

With regard to valuation techniques, they are appropriate taking into account the circumstances for which sufficient data is available for fair value measurement, maximising the use of observable inputs and minimising the use of unobservable inputs.

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

- Input data of **level 1** – are quoted prices (unadjusted) in active 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
- Input data of **level 2** – 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 assets)
- Input data of **level 3** – 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.

The Company's Finance Department determines the procedures applicable to both recurring fair value measurements such as investment property, property, plant and equipment where the fair value model is adopted.

External valuers are involved in the valuation of property, plant and equipment and investment property; this involvement is determined annually by the finance department. The selection criteria shall include the market knowledge of the valuer, reputation, independence and compliance with professional standards.

**Revenue from contracts with customers**

Revenues from contracts with customers are recognized when control of goods and services is transferred to a value that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. In general, the Company concluded that it is the main beneficiary of the revenues because it controls the goods or services before transferring them to the customer.

The company also has long-term contracts with the municipalities that are paid in installments, these according to IFRS 15 have included a significant financing component.

More details can be found in Note 22 where the main revenue generating activities of the Company are presented.

**Income from other sources**

Income from other sources includes income from commodity transactions (especially energy) that fall within IFRS 9 Financial Instruments, as well as rental income.

The income from the space rental is recognized in the linear profit and loss account, for the duration 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 that exactly updates the expected future cash flows over the life of the financial instrument to the net carrying amount of the financial asset.

**ELECTROMAGNETICA SA**  
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**4. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**4.1. Significant accounting policies (continued)**

**Leasing**

*The company as lessee*

The company assesses whether a contract is or contains a rental clause at the beginning of the contract.

The company recognizes a right to use the asset and an appropriate leasing liability in relation to all lease agreements in which it is a lessee / user, except for short-term contracts (defined as leasing for a rental period of 12 months or less) and rentals of low-value assets (under 24,500 RON).

For these leases, the Company recognizes payments as linear operating expenses over the term of the leasing contract.

Electromagnetica frames as leasing contracts those aimed at renting spaces. Since the lease is made for periods of one year or more, they are treated as a unitary accountant by recognizing a right to use the asset and a leasing liability.

*Lease liability*

At the start date of the leasing contract, the Company recognizes the leasing liabilities, valued at the present value with the interest borrowing 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.

The company uses interest borrowing rate from the information received from the financial-banking area.

The lease payments included in the measurement of the lease liability comprise the following payments relating to the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease:

- a. fixed payments (including fixed payments in the fund) less any leasing incentives receivable;
- b. variable lease payments that depend on an index or rate, initially measured on the basis of the index or rate at the start date of commencement
- c. expected amounts due by the lessee on the basis of guarantees relating to the residual value;
- d. the strike price of a purchase option if the lessee has a reasonable certainty that he will exercise the option); and
- e. payments of penalties for terminating the lease, if the lease term reflects the lessee's exercise of an option to terminate the lease.

The leasing liability is presented as a separate line in the Statement of Financial Position.

The company revalues the lease liability by discounting the revised lease payments using a revised discount rate, if either:

- a. there is a change in the lease term. The company determines the revised lease payments on the basis of a revised lease term;
- b. a change occurs when measuring an option to buy the underlying asset, measured against the events and circumstances described in IFRS 16 in the context of a buy option.
- c. The company determines the revised lease payments to reflect changes in amounts due under the purchase option.

The company revalues the liability arising from the lease by updating the revised lease payments in any of the following situations:

- a. there is a change in the amounts expected to be due under the residual value guarantee. The company determines the revised lease payments to reflect the change in the amounts expected to be due under the residual value guarantee.
- b. there is a change in future lease payments resulting from a change in an index or rate used to determine those payments, including, for example, a change that reflects changes in market rent rates as a result of a review of market rents in the market. The lessee shall reassess the liability arising from the lease to reflect those revised lease payments only when there is a change in cash flows (ie when the adjustment of the lease payments occurs). The company determines the revised lease payments for the remainder of the lease term on the basis of the revised contractual payments.

**ELECTROMAGNETICA SA**  
**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
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**(all amounts are expressed in RON, unless otherwise specified)**

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**4. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**4.1. Significant accounting policies (continued)**

**Leasing (continued)**

*Right of use of assets*

Rights of use of assets include the initial valuation of the corresponding leasing liability, leasing payments made on or before the start day, minus the leasing incentives received and any initial direct costs. Subsequently, they are evaluated on the basis of the cost minus the accumulated depreciation and impairment losses.

The rights of use are depreciated for the shortest period between the rental term and the useful life of the underlying asset, as follows:

<b>Right of active use</b>	<b><u>Depreciation period (years)</u></b>
Spaces	1-5
Means of transport	3-5

*The company as lessor*

The company concludes lease agreements as a lessor for the spaces in the buildings registered both as tangible assets and as real estate investments.

All leases are recognized as operational leasing.

Rental income from operating leases is recognised in a linear manner over the term of that lease.

The Company has determined, on the basis of an assessment of the terms and conditions of the agreements, such as the rental term that does not constitute a major part of the economic life of the property and on the basis of the present value of the minimum lease payments that do not amount to the fair value of the property, that it substantially retains all the risks and rewards of ownership of these properties and accounts for the contracts as an operating lease.

**Borrowing costs**

The costs of undrinking shall consist of interest on loans that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalised until 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, 2022 and December 31, 2021, respectively, the Company did not capitalize interest expenses in the value of the assets, as it did not take out any loan for investments.

**Employee benefits**

Short-term benefits to employees include salaries, bonuses and social security contributions.

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. 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.

The company is not employed in any independent pension system and therefore has no obligations whatsoever in this regard.

The company is not engaged in any other post-employment benefit system. 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.

**ELECTROMAGNETICA SA**  
**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
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**(all amounts are expressed in RON, unless otherwise specified)**

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**4. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**4.1. Significant accounting policies (continued)**

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.

**Taxation**

*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.

Deferred tax assets are 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 income tax to be recovered.

The tax loss carried forward is included in the calculation of the deferred income tax asset.

Currently, the tax losses generated by the Romanian companies can be recovered for a period of 7 years.

Deferred tax liabilities are generally recognised for all taxable temporary differences

Deferred income tax receivables and liabilities are net disclosed if this right exists and when they relate to the same entity and if they are due to the same tax authority.

*Current and deferred tax*

The current and deferred tax are recognized in the Statement of Profit and Loss unless they refer to items that are recognized in Other comprehensive income or directly in equity, in which case the current and deferred tax are also recognized in Other comprehensive income, respectively equity.

**Value Added Tax (VAT)**

Incomes, expenses and assets are recognized net by VAT except for:

- the situation in which the tax related to the acquisition of an asset or the provision of a service is not recoverable from the tax authority, in which case the VAT is recognized as part of the acquisition cost of the asset or service, as the case may be;
- the situation in which the receivables and liabilities are recognized with the VAT included, when the net amount to be paid or recovered from the tax authority is included in receivables or debts in the Statement of financial position.

**Property, plant and equipment**

Property, plant and equipment are represented by land, buildings, technological equipment, appliances and installations, means of transport and others, initially recognized at the cost of acquisition or production.

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.

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**4. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**4.1. Significant accounting policies (continued)**

**Property, plant and equipment (continued)**

The company has opted to use for the valuation after the initial recognition of property, plant and equipment *the valuation model*.

The land and buildings used in the production activity or for the supply of goods and services, or for administrative purposes are presented in the Statement of financial position at cost less cumulative depreciation and minus cumulative impairment losses. 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.

Other property, plant and equipment (equipment, apparatus, installations) are valued at cost less cumulative depreciation and cumulative impairment loss.

Property, plant and equipment in progress to be used in production or administratively are valued at cost less cumulative impairment loss. These assets are classified in the appropriate categories of property, plant and equipment when they are finished or ready to be used for the purposes for which they were intended.

Depreciation also begins when assets are available for use.

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

The land owned shall not be depreciated.

The residual value, the estimated useful life and the depreciation method shall be reviewed at the end of each reporting period, any modification of which shall be accounted for prospectively.

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

<b>Property, plant and equipment</b>	<b><u>Duration (years)</u></b>
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

An item of property, plant and equipment is no longer recognised as a result of the disposal or when future economic benefits are no longer expected from the continued use of the asset. Any gain or loss resulting from the disposal or disposal of an element of the property, plant and equipment is determined as the difference between the sales receipts and the net carrying amount of the asset and is recognised in the Statement of Profit and Loss on the date of derecognition.

**Investment Property**

The investment properties of the Company are initially valued at the cost that is made up of the acquisition price plus any directly attributable expenses (professional fees for legal services, fees for the transfer of ownership, etc.).

After initial recognition, investment properties are recognised in the financial statements at fair value. 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.

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**4. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**4.1. Significant accounting policies (continued)**

**Intangible assets**

*Intangible assets acquired separately*

Intangible assets with a finite life that are purchased separately are initially recognized at cost and are subsequently accounted for at cost less cumulative depreciation and impairment loss. Depreciation is linearly recognized over their useful life spans. The useful life span for this group of fixed assets is between 3 and 5 years. Their useful life and depreciation method are reviewed at the end of each reporting period, having the effect that any changes in estimates are accounted for on a prospective basis.

Intangible assets with an indefinite useful life that are purchased separately are accounted for at cost less cumulative impairment losses.

*Intangible assets generated internally - research and development expenses*

Expenses for research activities are recognized as such during the period in which they were carried out.

An internally generated property, plant and equipment, resulting from development (or from the stage of development of an internal project) is recognized if all the following criteria have been demonstrated:

- the technical feasibility necessary to complete the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and to use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development of the intangible asset and for its use or sale;
- the ability to credibly assess the costs attributable to the intangible asset during its development.

The value initially recognized for internally generated intangible assets represents the sum of the costs incurred from the date on which the intangible asset meets for the first time the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenses are recognized in profit and loss during the period in which they are made.

After the initial recognition, the internally generated intangible assets are incurred at cost less the cumulative depreciation and the cumulative impairment loss, on the same basis as the intangible assets acquired separately.

*Derecognition of intangible assets*

An intangible asset is derecognised upon disposal or when it is expected that no further benefit will be obtained from its use or disposal. Gains or losses arising from the derecognition of an intangible asset, measured as the difference between the net proceeds from the sale and the net carrying amount of the asset, are recognised in profit and loss when the asset is derecognised.

**Depreciation of tangible and intangible assets**

To determine whether a property, plant or equipment valued at cost is impaired, the company analyses according to IAS 36 to identify whether there are indications of impairment.

For intangible assets with an indefinite lifetime, the depreciation tests are performed annually. This is applicable even if there are no indications of impairment. Impairment tests are performed at the level of cash generating units that generate cash inflows largely independently of those coming from other assets or groups of assets.

For assets representing property, plant and equipment if there is an indication or when an annual impairment test is required the Company estimates the recoverable value of the asset as the highest of the fair value less its sale costs and its value of use.

In measuring the use value, the estimated future cash flows are discounted at present value using a discount rate that reflects current market valuations of the time value of money and the risks specific to the asset or cash-generating units.

If the net carrying amount of a cash-generating asset or unit exceeds its recoverable amount, the asset is considered to be impaired and an impairment loss is recognised to reduce the value of the asset to the level of its recoverable amount.

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**4. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**4.1. Significant accounting policies (continued)**

**Depreciation of tangible and intangible assets (continued)**

Impairment losses are recognized in the Statement of profit and loss at the line Depreciation and Impairment Expenses of or operating expenses.

If the reasons for the impairment are no longer applicable in a subsequent period, an impairment reversal is recognized in the Statement of Profit and Loss. The book value increased by the reversal of an impairment adjustment shall not exceed the carrying amount (net depreciation) that would have been determined if no impairment adjustment had been recognised in previous years.

**Major maintenance and repairs**

Capitalised costs of inspections and repairs are separate components of the corresponding assets or groups of assets. Capitalized costs and capitalized capital repairs are depreciated using the depreciation method for the underlying asset until the next repair.

The costs of major repair activities include the cost of replacing the assets or parts of the assets, the costs of inspection and the costs of capital repairs.

These costs 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.

The inspection costs associated with major maintenance programs are capitalized and amortized until the next inspection.

The costs of capital repair activities for small hydropower plants are also capitalized. All other costs of current repairs and usual maintenance are recognised directly in the expenses.

**Inventories**

The company recognizes stocks those 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.

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

For the inventories of raw materials and materials without movement or with slow movement, as well as for those of unsaleable finished products, adjustments are made based on management estimates. The postings and reversals of impairment adjustments to inventories shall be made on behalf of the profit and loss account.

**Prepayments**

Prepayments are amounts paid in advance usually for services that concern a period of up to one year or more. The part that targets the period of up to one year is reflected in the Statement of financial position in current assets. The portion that exceeds one year is reflected in non current assets.

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**4. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**4.1. Significant accounting policies (continued)**

**Financial instruments**

Initial recognition and measurement:

**i) Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and to a financial liability or equity instrument of another entity. Financial instruments are recognised on the balance sheet when the Company becomes a party to the contractual obligations of the instrument. The company determines the classification of its financial assets and liabilities at initial recognition.

For a financial asset to be classified and measured at amortised cost or fair value through comprehensive income, it shall give rise to cash flows that are exclusively payments of principal and interest on the outstanding principal amount. This assessment is called the SPPI test and is carried out at the instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. At the moment, the financial fixed assets held by the group are represented by receivables, guarantees. The business model used is to generate cash flows.

For assets measured at fair value, gains and losses will be recognised either in profit or loss or in comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Company made an irrevocable choice at the time of the initial recognition to account for the equity investment at fair value through another comprehensive income (FVOCI).

A financial asset and a financial liability are cleared and the net amount is reported in the statement of financial position if, and only if, the Company has a legally enforceable right to set off amounts recognised and intends either to settle on a net basis or to realise the asset and extinguish the liability simultaneously.

**ii) Financial assets**

The financial assets of the Company mainly include cash and cash equivalents, trade receivables and other receivables, equity investments and financial assets at fair value through profit or loss.

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired; or the Company has transferred its rights to receive cash flows from the asset or has assumed the obligation to pay in full the cash flows received, without significant delay, to a third party, under a "transfer" agreement; and either: (a) The company has transferred substantially all the risks and benefits of the asset; or (b) The company has neither transferred nor substantially withheld all the risks and benefits of the asset, but has transferred control of the asset.

Regular purchases and sales of financial assets are recognised on the transaction date, the date on which the Company undertakes to buy or sell the asset. Financial assets are derecognised when the rights to receive cash flows from financial assets have expired or have been transferred and the Company has substantially transferred all risks and benefits related to ownership.

**Cash and cash equivalents**

Cash and cash equivalents include highly liquid investments that are easily convertible into cash and that are subject to insignificant risk of a change in value. Such an investment includes cash, cash balances with banks and short-term bank deposits with an initial maturity of three months or less.

Cash and cash equivalents are subject to impairment calculations, however, the amounts are insignificant because the amounts are held with reputable banks such as BRD, BCR, BT.



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**4. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**4.1. Significant accounting policies (continued)**

**Financial instruments (continued)**

**ii) Financial assets (continued)**

***Other financial assets at amortised costs***

The company classifies its financial assets at amortised cost only if both criteria are met: the asset is held in a business model whose objective is to collect contractual cash flows, and contractual conditions give rise to cash flows that are exclusively payments of principal and interest. Interest income from financial assets is included in financial income using the effective interest rate method. Any gain or loss resulting from derecognition is recognised directly in profit or loss and presented in other expenses.

***Trade receivables and other receivables***

Trade receivables measured in accordance with IFRS 9 are amounts due to customers on products sold in the normal course of business. They are generally due for settlement within 60-120 days and therefore all are classified as current. Trade receivables are recognised initially at the amount of consideration in accordance with IFRS 15 that is unconditional, unless they contain significant financing components when recognised at fair value at the date of initial recognition. The company holds the commercial receivables with the objective of collecting the contractual cash flows and therefore subsequently values them at amortised cost using the effective interest method.

The company's commercial receivables do not contain any financing component. Therefore, the Company adopted the simplified approach in accordance with IFRS 9 and measured the provision for losses based on a provisioning matrix that relies on historical collection and default experience adjusted for prospective factors to estimate the provision at initial recognition and throughout the life of the receivable at an amount equal to ECL (Expected Credit Losses). The evaluation is carried out every six months and any change in the initial allowance will be recorded as a gain or loss in the profit and loss account. Expected credit losses over the lifetime of receivables as well as adjustment for specific losses recorded in the current year are classified as other expenses because the amounts were not significant.

Trade receivables and other receivables, together with the associated impairment adjustment, if any, are voided when there is no realistic prospect of future recovery and all warranties have been made or transferred to the Company. If collection is expected in more than one year, they are classified as non-current assets.

***Judgments and estimates***

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The company uses its reasoning to select a variety of methods (including the investee's performance, budget and annual plan, the external equity transactions of the investees and the value of the enterprise using future cash flows) and to make assumptions that are primarily based on the market conditions prevailing at the end of each reporting period.

**iii) Financial liabilities**

The financial liabilities of the Company mainly comprise loans and loans bearing interest, trade payables and other payables.

A financial liability is derecognised when the obligation relating to the debt is extinguished, cancelled or expires. When an existing financial liability is replaced by another from the same creditor under substantially different conditions, or the terms of an existing liability are substantially altered, such an exchange or amendment is treated as a derecognition of the original debt and the recognition of a new debt, and the difference between those carrying amounts is recognised in profit or loss.

***Interest-bearing loans and loans***

All loans and loans are initially recognised at the fair value of the consideration received, net of transaction costs, and are then measured at amortised cost using the effective interest rate method. The effective interest rate is the rate that discounts exactly the estimated future cash payments over the expected lifetime of the financial liability or, where applicable, for a shorter period. The calculation shall take into account any discount on the acquisition and shall include transaction costs and fees that are an integral part of the effective interest rate.

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**4. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**4.1. Significant accounting policies (continued)**

**Financial instruments (continued)**

***Shareholder financing***

According to IFRS 9, loans to shareholders of "Financial Instruments" received by the Company were recognised at fair value.

After initial recognition, the shareholders' loans are then valued at amortised cost using the effective interest method; any difference between the fair value of the proceeds (net of transaction costs) and the redemption amount is recognised as an expense over the term of the loans.

***Derivatives***

Derivatives are recognised initially and are subsequently revalued at fair value. The company does not have significant derivatives.

**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.

**Provisions**

Provisions are recognised when the Company has a present obligation (legal or implied) as a result of a past event; it is likely that the Society will extinguish the obligation [through a resource output incorporating economic benefits](#) and a credible estimate of the amount of the obligation can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties related to the obligation. Where a provision is measured using the estimated cash flows to settle a current obligation, its carrying amount shall be the present value of those cash flows.

*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.

***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 untaken holidays and other provisions according to employment contracts are recorded. When they are recognized as liabilities towards employees, the amount of provisions will be reversed through the corresponding income accounts.

The company does not recognize the provision for losses on asset operation.

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**4. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**4.1. Significant accounting policies (continued)**

**Segment reporting**

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.

**Dividends**

Dividends are recorded as liabilities in the financial statements of the Company during the period in which they are approved by the shareholders of the Company and are reflected accordingly by the decrease of the capital.

**4.2. Accounting judgments, estimates and assumptions**

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.

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.

Is 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.

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**4. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**4.1. Significant accounting policies (continued)**

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, for the estimation of fixed assets useful life, for impairment adjustments 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 indications 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 recognizing the impairment loss disappear in the following 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.

For non-moving or slow-moving inventories, adjustments are made based on management estimates. The postings and reversals of adjustments for the impairment of inventories 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%.

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.

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**5. PROPERTY, PLANT AND EQUIPMENT**

<b>Cost</b>	<b>Land and land improvements</b>	<b>Constructions</b>	<b>Technological equipment and vehicles</b>	<b>Other property, plant and equipment</b>	<b>Property, plant and equipment in progress</b>	<b>Advances for property, plant and equipment</b>	<b>Total</b>
<b>As of 31 December 2021</b>	<b>170.255.649</b>	<b>130.458.996</b>	<b>22.956.235</b>	<b>2.576.713</b>	<b>1.295.318</b>	<b>-</b>	<b>327.542.911</b>
Additons	-	130.326	1.359.153	55.292	3.247.930	118.354	4.911.055
- out of which:	-	-	-	-	-	-	-
Transfers	-	130.326	1.359.153	55.292	-	-	1.544.771
Disposals	-	-	(27.046)	(10.120)	(1.544.771)	-	(1.581.937)
- from the determination of the net value for revaluation	-	-	-	-	-	-	-
-Transfers	-	-	-	-	(1.544.771)	-	(1.544.771)
<b>As of 31 December 2022</b>	<b>170.255.649</b>	<b>130.589.322</b>	<b>24.288.342</b>	<b>2.621.885</b>	<b>2.998.477</b>	<b>118.354</b>	<b>330.872.029</b>
<b>Cumulative depreciation</b>	<b>Land and land improvements</b>	<b>Constructions</b>	<b>Technological equipment and vehicles</b>	<b>Other property, plant and equipment</b>	<b>Property, plant and equipment in progress</b>	<b>Advances for property, plant and equipment</b>	<b>Total</b>
<b>As of 31 December 2021</b>	<b>(83.874)</b>	<b>-</b>	<b>(7.900.537)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7.984.411)</b>
Depreciation of the year	(59.468)	(5.540.942)	(3.343.214)	(578.542)	-	-	(9.522.166)
Cumulative depreciation related to disposals	-	-	8.378	4.361	-	-	12.739
- of which following the determination of the net value	-	-	-	-	-	-	-
<b>As of 31 December 2022</b>	<b>(143.342)</b>	<b>(5.540.942)</b>	<b>(11.235.373)</b>	<b>(574.181)</b>	<b>-</b>	<b>-</b>	<b>(17.493.838)</b>

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**5. PROPERTY, PLANT AND EQUIPMENT (continued)**

<b>Impairment adjustments</b>	<b>Land and land improvements</b>	<b>Constructions</b>	<b>Technological equipment and vehicles</b>	<b>Other property, plant and equipment</b>	<b>Property, plant and equipment in progress</b>	<b>Advances for property, plant and equipment</b>	<b>Total</b>
<b>As of 31 December 2021</b>	-	-	-	-	-	-	-
Impairment adjustments recognised in profit or loss	(4.129.814)	-	-	-	-	-	(4.129.814)
Reversals of impairment adjustments recognised in profit or loss	-	-	-	-	-	-	-
<b>As of 31 December 2022</b>	<b>(4.129.814)</b>	-	-	-	-	-	<b>(4.129.814)</b>
<b>Net book value</b>							
<b>As of 31 December 2021</b>	<b>170.171.775</b>	<b>130.458.996</b>	<b>15.055.699</b>	<b>2.576.713</b>	<b>1.295.318</b>	-	<b>319.558.500</b>
<b>As of 31 December 2022</b>	<b>165.982.493</b>	<b>125.048.380</b>	<b>13.052.969</b>	<b>2.047.704</b>	<b>2.998.477</b>	-	<b>309.248.377</b>

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**5. PROPERTY, PLANT AND EQUIPMENT (continued)**

<b>Cost</b>	<b>Land and land improvements</b>	<b>Constructions</b>	<b>Technological equipment and vehicles</b>	<b>Other property, plant and equipment</b>	<b>Property, plant and equipment in progress</b>	<b>Advances for property, plant and equipment</b>	<b>Total</b>
<b>As of 31 December 2020</b>	<b>155.046.596</b>	<b>109.150.436</b>	<b>35.322.167</b>	<b>4.222.490</b>	<b>2.540.179</b>	<b>301.602</b>	<b>306.583.437</b>
Additions	15.499.936	33.507.015	3.994.814	1.081.424	3.306.681	-	57.389.870
- of which:	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)	-
Disposals:	(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)
<b>As of 31 December 2021</b>	<b>170.255.649</b>	<b>130.458.996</b>	<b>22.956.235</b>	<b>2.576.713</b>	<b>1.295.318</b>	<b>-</b>	<b>327.542.911</b>
<b>Cumulative depreciation</b>	<b>Land and land improvements</b>	<b>Constructions</b>	<b>Technological equipment and vehicles</b>	<b>Other property, plant and equipment</b>	<b>Property, plant and equipment in progress</b>	<b>Advances for property, plant and equipment</b>	<b>Total</b>
<b>As of 31 December 2020</b>	<b>(328.881)</b>	<b>(7.518.387)</b>	<b>(19.754.220)</b>	<b>(2.263.220)</b>	<b>-</b>	<b>-</b>	<b>(29.864.708)</b>
Depreciation of the year	-	(3.635.157)	(3.650.917)	(460.340)	-	-	(7.746.414)
Cumulative depreciation related to disposals	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
<b>As of 31 December 2021</b>	<b>(83.874)</b>	<b>-</b>	<b>(7.900.537)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7.984.411)</b>

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**5. PROPERTY, PLANT AND EQUIPMENT (continued)**

<b>Impairment adjustments</b>	<b>Land and land improvements</b>	<b>Constructions</b>	<b>Technological equipment and vehicles</b>	<b>Other property, plant and equipment</b>	<b>Property, plant and equipment in progress</b>	<b>Advances for property, plant and equipment</b>	<b>Total</b>
<b>As of 31 December 2020</b>	-	(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
<b>As of 31 December 2021</b>	-	-	-	-	-	-	-
<b>Net book value</b>							
<b>As of 31 December 2020</b>	<b>154.717.715</b>	<b>100.738.933</b>	<b>15.446.159</b>	<b>1.959.270</b>	<b>2.540.179</b>	<b>301.602</b>	<b>275.703.825</b>
<b>As of 31 December 2021</b>	<b>170.171.775</b>	<b>130.458.996</b>	<b>15.055.699</b>	<b>2.576.713</b>	<b>1.295.318</b>	-	<b>319.558.500</b>

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**5. PROPERTY, PLANT AND EQUIPMENT (continued)**

As of December 31, 2022, property, plant and equipment decreased compared to December 31, 2021 by 3% mainly as a result of the annual depreciation.

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

The property, plant and equipment disposals represent sale and scrapping.

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

Name of assets	Carrying amount December 31 2022	Carrying amount December 31 2021
- Buildings (cadastral lots no. 13,15) Calea Rahovei, nr. 266-268, sector 5, Bucharest	34.034.181	35.228.323
- Building cadastral no 232634 real estate + land Calea Rahovei, 266-268, sector 5, Bucharest	7.405.505	-
- Real estate (cadastral lots 1-3,9,10,16,18,19,21,23-26) Calea Rahovei, 266-268, sector 5, Bucharest	58.743.414	59.115.059
- Land Calea Rahovei, nr. 242 = 2,157 sqm	5.902.198	5.902.198
- MHPP's (land + industrial and urban constructions)	44.131.098	46.195.350

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 the commune of Brodina Suceava County. The remaining value of the investment as of December 31, 2022 is 9,533,641 lei out of which the subsidized value 4,083,870 lei. The remaining value of the investment as at December 31, 2021 was 9,882,457 lei, out of which the subsidized value was 4,247,088 lei.

**Fair value of property, plant and equipment**

The company's tangible assets, represented by land, buildings, equipment and vehicles, are presented in the financial statements at the revalued value, this representing the fair value at the valuation date, less the accumulated depreciation and impairment adjustments.

The last revaluation was carried out on December 31, 2021, being carried out by an authorized valuer.

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.

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**5. PROPERTY, PLANT AND EQUIPMENT (continued)**

The valuation methods used were as follows:

a. *Office spaces* were valued using the discounted cash flow method or the capitalisation method (income approach) based on net rental income generated by properties. The projected rental income comprises the tenants' payments according to the current leases until their completion and the income based on the subsequent market rates. Actual rental income is obtained by taking into account inactivity at average market rates for each specific type of property;

b. *Property that does not produce income* (including residential real estate) is valued by the market comparison method;

c. *Land is valued as vacant using the market comparison method.* The evaluation is made using 3 comparable offers for sale and prices are respectively adjusted.

d. *The real estate of micro-hydropower plants* is measured on the basis of the fair value of the business unit derived by a discounted cash flow technique. The enterprise value of micro-hydropower plants (considered as a single cash-generating unit) is calculated from the projected production of electricity and granted green certificates that generate operating income. The projection period for the cash flows taken into account is 10 years plus a terminal value calculated by capitalising the cash flows. In addition, the market value of the assets is calculated using the depreciated replacement cost method with the replacement cost derived from the unit cost of the investment (EUR/MWh) multiplied by the capacity (MW). As the amortised replacement cost is found to be higher than the result of the discounted cash flow amount, economic depreciation (5%) is applied in the calculation of the amortised replacement cost.

e. *The valuation of movable property in the equipment* valuation report is done using the replacement cost method. According to this method, a new replacement cost for the equipment is first calculated. Further, physical, functional and economic depreciation is deducted from the replacement cost to reach fair value. The replacement cost for the new specialized equipment was determined by indexing the historical price to the percentage change in the EUR/RON exchange rate. Physical damage was calculated using the age/useful duration method. No functional and economic ageing was assumed for assets.

*The unobservable inputs used are as follows:*

- For offices – rental rates on the market (5-9 EUR/m<sup>2</sup>), occupancy rates (85-90%), landlord costs – equal to a monthly rent (5-9 EUR/m<sup>2</sup>). The increase in related variables will lead to an increase in the overall fair value;

- Capitalization and discount rates used in property valuation models (for offices 10.25%, 10.75% for industrial spaces) – the increase in related variables will generate a decrease in fair value

*The observable inputs used are as follows:*

- The price of electricity used in the Cash Flow Model - The price of electricity set based on the mix of markets on which the electricity is sold. It was calculated as the average price over a historical period (12 months) and indexed to inflation. The price thus caused some of the price increase occurred in the second half of 2021. The increase in prices will lead to an increase in fair value;

- Green Certificates price used in the Discounted Cash Flow model for small hydropower plants - the price of Green Certificates assumed at the lower end of the regulated range that is consistent with the history and is the usual hypothesis in such models. The increase in prices will lead to an increase in fair value.

Fair value hierarchy information as at December 31, 2022 and December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value at December 31 2022</u>
Land and land improvements	-	-	165.982.493	165.982.493
Constructions	-	-	125.048.380	125.048.380

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**5. PROPERTY, PLANT AND EQUIPMENT (continued)**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value at December 31 2021</u>
Land and land improvements	-	-	170.171.775	170.171.775
Constructions	-	-	130.458.996	130.458.996

There were no transfers between fair value levels during both 2022 and 2021.

The revaluation surpluses as at 31 December 2021 amounted to RON 48,854,792, the change in the year mainly related to transfers to retained earnings. The balance cannot be distributed to shareholders.

*Depreciation of fixed assets*

In the Official Gazette of Romania part I, no. 746 bis. from 25.07.2022 was published the Decision of the Romanian Government on the initiation of the procedures for the expropriation of all privately owned buildings that constitute the expropriation corridor of the public utility works of national interest" 4-lane widening of the Road Belt of Bucharest South".

Electromagnetica is affected by this expropriation for a part of the land owned in Domnesti, Ilfov County. The amount offered by the expropriator in the amount of 1,402,265.34 lei, i.e. 15.98 lei/sqm as compensation cannot be accepted as it does not represent the fair compensation established according to the HCCJ Decision no. 78/2021. Pursuant to art. 19 para. 2 and para. 11 of Law no. 255 of December 14, 2010 on expropriation for the cause of public utility, necessary to achieve objectives of national, county and local interest corroborated with art. 15 of GD no. 53 of 19 January 2011 for the approval of the Methodological Norms for the application of Law no. 255/2010, corroborated with Law no. 33/1994, Electromagnetica SA, once with the delivery of the documents certifying the ownership right over the buildings, also formulated the request that the payment of compensations related to the real estate included in the expropriation corridor identified according to Annex 2 of GD no. 928/2022, to be at the value established according to the valuation report and in the subsidiary at the book value recorded on December 31, 2021, according to the financial statements approved by the Ordinary General Meeting of Shareholders of April 28, 2022. If the Commission established according to the related legislation in the field, will not admit the request in the administrative phase, the competent court will be invested in order to solve the request.

The impact of the announcement of expropriation of a part of the land owned in the Domnesti locality led to the registration of an impairment adjustment in the amount of 4,129,814 lei calculated as the difference between the fair book value and the value of the compensation for expropriation.

**6. INVESTMENT PROPERTY**

The company owns real estate used entirely for rent in the form of offices. 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, 2022 was carried out by an ANEVAR authorized valuer who used the income approach (discounted cash flow method). Darian DRS SA is a company specialized in evaluating these types of real estate investments. The assessment model used is in accordance with the International Valuation Standards.

As a result of the valuation carried out on 31 December 2022, the Company recorded a revaluation gain in the amount of RON 1,720,775 (2021: 919.714 RON)

Income from investment property amounted to RON 3,313,883 at 31 December 2022 (2021: 2.810.015)

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**6. INVESTMENT PROPERTY (continued)**

As of December 31, 2022, the investment properties are as follows:

	<b>2022</b>	<b>2021</b>
<b>Opening balance</b>	<b>14.649.783</b>	<b>11.114.654</b>
Additions out of which:	1.944.806	4.273.442
from fair value measurement	1.720.775	919.714
Transfers	224.031	-
Disposals out of which:	(21.240)	(738.313)
from fair value measurement	(21.240)	(738.313)
Transfers	-	-
<b>Closing balance</b>	<b>16.573.349</b>	<b>14.649.783</b>

The incomes related to the investment properties obtained in 2022 are worth 3,313,883 and cover the expenses incurred by the owner (the value of the incomes recorded during 2021 was in the amount of 2,810,015 lei).

The additions are represented by the investments in a building with a kindergarden destination.

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

The net book value of the spaces used by the company both for the purpose of renting them and in other activities is worth RON 125,048,380 at 31 December 2022 (2021: 130,458,996).

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

Fair value hierarchy information as at December 31, 2022 and December 31, 2021:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair value at December 31 2022</b>
Investment Property	-	-	16.573.349	16.573.349
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair value at December 31 2021</b>
Investment Property	-	-	14.649.783	14.649.783

*The valuation techniques in the valuation of investment properties were as follows:*

- Office properties are valued using the capitalization method (income approach) based on net income from rent generated by properties. Projected rental income includes tenants' payments according to contracts current rental until their completion and revenue based on subsequent market rates.

- Land is valued as vacant using the market comparison method. The evaluation is made using 3 offers comparable for sale land whose price is adjusted with comparison grids.

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**6. INVESTMENT PROPERTY (continued)**

*The observable inputs used are:*

- Comparable properties used for land valuation – the increase in value will also lead to an increase in value fair investment property;

- Rental rates on the market, occupancy rates and landlord costs – increasing the variables considered will lead to an increase in the fair value of investment property.

*The unobservable inpputs are:*

- Capitalization rates (10%) used in real estate investment valuation models - increase in capitalization rates will lead to a decrease in the fair value of investment property.

**7. 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 2022 is as follows:

	<b>Licenses, patent, concessions</b>	<b>Other intangible assets</b>	<b>Intangible assets under construction</b>	<b>Total</b>
<b>Cost</b>				
<b>As of 31 December 2021</b>	<b>1.233.088</b>	<b>2.611.616</b>	-	<b>3.844.704</b>
Additions	-	784.116	-	784.116
Disposals	-	-	-	-
Transfers	-	-	-	-
<b>As of 31 December 2022</b>	<b>1.233.088</b>	<b>3.395.731</b>	-	<b>4.628.820</b>
<b>Cumulative depreciation</b>				
<b>As of 31 December 2021</b>	<b>(1.091.491)</b>	<b>(2.611.615)</b>	-	<b>(3.703.106)</b>
Depreciation of the year	(105.142)	(32.671)	-	(149.923)
Cumulative depreciation related to disaposals	-	-	-	-
<b>As of 31 December 2022</b>	<b>(1.196.633)</b>	<b>(2.644.286)</b>	-	<b>(3.840.919)</b>
<b>Net book value</b>				
<b>As of 31 December 2021</b>	<b>141.598</b>	-	-	<b>141.598</b>
<b>As of 31 December 2022</b>	<b>36.455</b>	<b>751.445</b>	-	<b>787.901</b>

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**7. INTANGIBLE ASSETS (continued)**

	<u>Licenses, patents concessions</u>	<u>Other intangible assets</u>	<u>Intangible assets under construction</u>	<u>Total</u>
<b>Cost</b>				
<b>As of 31 December 2020</b>	<b>1.175.884</b>	<b>2.611.616</b>	<b>57.203</b>	<b>3.844.703</b>
Additions	57.203	-	-	57.203
Disposals	-	-	(57.203)	(57.203)
Transfers	57.203	-	(57.203)	-
<b>As of 31 December 2021</b>	<b>1.233.088</b>	<b>2.611.616</b>	<b>-</b>	<b>3.844.704</b>
<b>Cumulative depreciation</b>				
<b>As of 31 December 2020</b>	<b>(941.567)</b>	<b>(2.611.615)</b>	<b>-</b>	<b>(3.553.182)</b>
Depreciation of the year	(149.923)	-	-	(149.923)
Cumulative depreciation related to disposals	-	-	-	-
<b>As of 31 December 2021</b>	<b>(1.091.491)</b>	<b>(2.611.615)</b>	<b>-</b>	<b>(3.703.106)</b>
<b>Net book value</b>				
<b>As of 31 December 2020</b>	<b>234.318</b>	<b>-</b>	<b>57.203</b>	<b>291.521</b>
<b>As of 31 December 2021</b>	<b>141.598</b>	<b>-</b>	<b>-</b>	<b>141.598</b>

**8. RIGHT OF USE ASSETS**

	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
<b>Cost</b>			
<b>As of 31 December 2021</b>	<b>2.073.115</b>	<b>263.578</b>	<b>2.336.692</b>
Additions	3.736.875	257.234	3.950.595
Disposals	(3.186.378)	(289.991)	(3.476.369)
Transfers	-	-	-
<b>As of 31 December 2022</b>	<b>2.623.612</b>	<b>230.821</b>	<b>2.854.433</b>
<b>Cumulative depreciation</b>			
<b>As of 31 December 2021</b>	<b>(843.883)</b>	<b>(58.911)</b>	<b>(902.794)</b>
Depreciation of the year	(1.156.120)	(96.466)	(1.252.586)
Cumulative depreciation related to disposals	1.381.155	79.847	1.461.002
<b>As of 31 December 2022</b>	<b>(618.849)</b>	<b>(75.531)</b>	<b>(694.379)</b>
<b>Net book value</b>			
<b>As of 31 December 2021</b>	<b>1.229.232</b>	<b>204.667</b>	<b>1.433.899</b>
<b>As of 31 December 2022</b>	<b>2.004.763</b>	<b>155.291</b>	<b>2.160.053</b>

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**8. RIGHT OF USE ASSETS (continued)**

The following amounts were recognized in the profit and loss account:

	<u>2022</u>	<u>2021</u>
Depreciation expense related to the rights of use of the rented assets	1.252.586	1.087.271
Interest on leasing liabilities	96.923	74.933
Expenses related to small-value leasing contracts.	<u>2.219</u>	<u>21.969</u>
<b>Total amounts recognized in the profit and loss account</b>	<b><u>1.351.728</u></b>	<b><u>1.184.173</u></b>

As of December 31, 2022, leasing liabilities amounting to RON 2,193,541 related to operational leasing contracts, of which short-term leases amounting to RON 893,792 and long-term leases amounting to RON 1,299,749.

As at 31 December 2021, the value was 1,475,249 RON (681,015 short term and 794,234 long term).

**9. INVESTMENTS IN AFFILIATED ENTITIES**

As of December 31, 2022, 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 are 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 during the reporting period, as of December 31, 2022 and on 31.12.2021:

<b>Name of subsidiary</b>	<b><u>No titles</u></b>	<b><u>Percentage of holding and voting right (%)</u></b>	<b><u>Value</u></b>
Electromagnetica Prestserv LTD	300	100%	30.000
Electromagnetica Fire LTD	799	99.875%	79.900
Procetel SA	42.483	96.548%	<u>732.008</u>
<b>TOTAL</b>			<b><u>841.908</u></b>

**10. OTHER FIXED ASSETS**

	<b><u>December 31 2022</u></b>	<b><u>December 31 2021</u></b>
Performance guarantees granted to customers	2.864.813	1.481.839
Long-term receivables	8.033.108	14.436.414
Impairment adjustments for long-term receivables*	(1.010.831)	(1.515.401)
Other non-current assets	<u>33.637</u>	<u>137.628</u>
<b>Total</b>	<b><u>9.920.728</u></b>	<b><u>14.540.480</u></b>

\* The long-term outstanding receivables in net value of RON 7,022,277 as of December 31, 2022 have been discounted at the present value, and the effect of the time value of the money was worth 1,010,831 RON. The current portion is recognized in trade receivables (Note 12).

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**11. INVENTORIES**

	<u>December 31 2022</u>	<u>December 31 2021</u>
Raw materials	8.349.443	9.892.908
Consumables	2.613.535	2.564.033
Finished products	5.432.527	3.037.841
Work in progress	3.436.021	2.730.442
Other inventories	2.708.816	2.168.220
Minus adjustments for inventories impairment	<u>(2.330.345)</u>	<u>(2.272.135)</u>
<b>Total</b>	<b><u>20.209.997</u></b>	<b><u>18.121.309</u></b>

The increase of the inventories of finished products at the end of 2022 was achieved in order to ensure some buffer stocks necessary for the development of the sale program in the first part of 2023.

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

The movement in inventory impairment allowance is as follows:

	<u>2022</u>	<u>2021</u>
<b>Balance at the beginning of the period</b>	<b><u>(2.272.135)</u></b>	<b><u>(1.818.372)</u></b>
Impairment adjustment (expense)	(738.278)	(657.136)
Impairment adjustment reversal	<u>680.068</u>	<u>203.373</u>
<b>End-of-period balance</b>	<b><u>(2.330.345)</u></b>	<b><u>(2.272.135)</u></b>

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

The company has no pledged inventories.

**12. Trade receivables**

	<u>December 31 2022</u>	<u>December 31 2021</u>
Trade receivables from Romania*	73.639.089	67.707.402
Trade receivables from abroad	6.255.673	7.159.872
Impairment allowances for trade receivables	<u>(3.721.707)</u>	<u>(3.589.909)</u>
<b>Net Trade Receivables</b>	<b><u>76.173.055</u></b>	<b><u>71.277.365</u></b>

The increase of trade receivables as at December 31, 2022 compared to December 31, 2021 was due to the postponement of the collection of some contracts in connection with the state authorities.

The concentration of credit risk is limited because the Company's client portfolios are large and unrelated.

The first 5 clients in balance of the Company held a share of 36% in the total receivables in the balance as at December 31, 2022.

Also, 4 clients of the Company each representing over 5% of the balance as at December 31, 2022 amounted to 33% of the total receivables in the balance.



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**12. TRADE RECEIVABLES (continued)**

Comparatively, as of December 31, 2021, the first 5 clients in the balance of the Company held a share of 28% in the total receivables and a client representing over 5% of the balance held 12% of the total receivables in the balance.

The Company has established a matrix of provisions that is based on the experience of historical losses from receivables of the Company, adjusted with prospective factors specific to debtors and the economic environment, if applicable.

The company individually assesses impairment losses if there are indications of significant increases in credit risk at individual level. More information is given in Note 30.

The Company's management considers that no other adjustments for impairment losses are necessary than those presented in the financial statements.

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

	<u>2022</u>	<u>2021</u>
<b>Opening balance</b>	<b>(3.589.909)</b>	<b>(4.909.054)</b>
Allowance for receivables	(405.766)	(966.988)
Reversal of allowance for receivables	273.968	2.286.133
<b>Closing balance</b>	<b>(3.721.707)</b>	<b>(3.589.909)</b>

A part of the Company's receivables 10.313.308 RON at 31 December 2022 and 1.522.411 RON at 31 December 2021 are pledged to guarantee the loans obtained from banks.

**13. OTHER CURRENT ASSETS**

	<u>December 31 2022</u>	<u>December 31 2021</u>
Sundry receivables	41.436	31.440
Prepayments	868.718	775.029
Advances to suppliers	151.759	29.010
Other current assets	638.047	1.234.187
<b>Total</b>	<b>1.699.960</b>	<b>2.069.666</b>

The Prepayments Category in the amount of 868,718 lei represents mainly rents paid in advance, insurance premiums for civil liability insurance administrators and various subscriptions.

In *Other current assets* are included mainly non-due VAT in the amount of 134,519 lei, amounts to be recovered from social health insurance in the amount of 537,165 lei.

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**14. CASH AND CASH EQUIVALENTS**

	<b>December 31 2022</b>	<b>December 31 2021</b>
Petty cash	18.536	15.492
Cash at banks	10.692.777	2.907.501
Cash equivalents	2.356	417
<b>Total</b>	<b>10.713.669</b>	<b>2.923.410</b>
	<b>December 31 2022</b>	<b>December 31 2021</b>
Restricted cash	90.000	90.000
<b>Total</b>	<b>90.000</b>	<b>90.000</b>

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

The availability at banks contains short-term deposits: 31 December 2022: 7.764.429 lei (31.12.2021: 108.302 lei)

**15. 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, fully paid up.

The structure of shareholders holding over 10% of the share capital as of December 31, 2022 is as follows, according to the Central Depository Register:

	<b>31 December 2022</b>		<b>31 December 2021</b>	
	<b>No. Of shares</b>	<b>%</b>	<b>No. Of shares</b>	<b>%</b>
PAS Association	163.074.260	24,1220	163.688.186	24,2128
SIF Oltenia SA	190.381.673	28.1614	176.717.594	26,1402
Individuals	247.173.583	36.5620	258.948.826	38,3038
Legal persons	75.409.188	11,1546	76.684.098	11,3432
<b>Total</b>	<b>676.038.704</b>	<b>100</b>	<b>676.038.704</b>	<b>100</b>

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

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

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**16. RESERVES**

**Legal reserve**

	<b>2022</b>	<b>2021</b>
<b>Balance at the beginning of the period</b>	<b>19.789.854</b>	<b>19.789.854</b>
Increases	1.401.865	-
Decreases	(8.649.877)	-
<b>Balance at the end of the period*</b>	<b>12.541.842</b>	<b>19.789.854</b>

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 amounting to 1,401,865 lei was established.

The amount of the legal reserve representing the balance of the inflation adjustment calculated from the application of IAS 29, in the amount of RON 8,649,877 was used in 2022 to cover the loss of the previous year.

*Revaluation reserves* are in the amount of 149,935,371 lei as of December 31, 2022. Compared to the balance of the beginning of the period, they decreased and were transferred to the retained earnings as the depreciation of the revalued fixed assets was recognised.

	<b>2022</b>	<b>2021</b>
<b>Balance at the beginning of the period</b>	<b>154.178.085</b>	<b>110.800.133</b>
Net revaluation increases	-	47.508.201
Decreases	(4.242.714)	(4.130.249)
<b>End-of-period balance</b>	<b>149.935.371</b>	<b>154.178.085</b>

The company registers on 31 December 2022 *other reserves and equity items* amounting to 59,377,240 lei, out of which own sources of financing represent 98%.

	<b>2022</b>	<b>2021</b>
<b>Balance at the beginning of the period</b>	<b>66.840.830</b>	<b>64.516.529</b>
Increases	-	2.215.001
Decreases	(7.463.590)	109.300
<b>End-of-period balance</b>	<b>59.377.240</b>	<b>66.840.830</b>

Within the ElectromagneticA OGMS dated April 28, 2022, it was approved the allocation of 7,463,590 lei to cover the loss of the previous year.

**17. RETAINED EARNINGS CARRIED OVER**

As at 31 December 2022, the retained earnings from the transfer of net revaluation reserves related to depreciated or decommissioned assets was RON 3,563,881.

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**18. INVESTMENT GRANTS**

	<u>Total</u>	<u>under one year</u>	<u>over a year</u>
Investment grants at 31 Dec.2022	4.083.869	163.219	3.920.651
	<u>Total</u>	<u>under one year</u>	<u>over a year</u>
Investment grants at Dec. 31, 2021	4.247.088	163.219	4.083.869

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 5.

**19. PROVISIONS**

<b>Name</b>	<u>Balance 01.01.2021</u>	<u>INs (creation)</u>	<u>OUTs (reversals)</u>	<u>Balance 31.12.2022</u>
Provisions for performance guarantees to customers	1.120.000	-	(345.000)	775,000
Provisions for risks and charges	31.440	-	-	31.440
Provision for employee benefits	1.189.723	562.613	(359.438)	1.392.898
<b>TOTAL</b>	<b>2.341.163</b>	<b>562.613</b>	<b>(704.438)</b>	<b>2.199.338</b>

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.

**20. TRADE AND OTHER PAYABLES**

	<u>December 31 2022</u>	<u>December 31 2021</u>
<b>Current trade payables</b>		
Domestic trade payables	8.525.340	7.284.898
External trade payables	4.974.114	5.052.945
Accruals	3.519.791	10.706.476
<b>Other current payables</b>		
Advances received from customers	3.180.259	2.633.180
Salaries and social security payables	3.191.617	3.106.963
Accrued income	37.547	10.612
Short term loans	-	20.960.469
Other payables	8.911.105	4.715.086
<b>Total trade and other payables</b>	<b>32.339.773</b>	<b>54.470.629</b>

The liabilities 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.

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**20. TRADE AND OTHER PAYABLES (continued)**

The company does not register significant outstanding liabilities.

The company does not register overdue payments to employees and to the state budget, the amounts presented represent payables related to December 2022 and paid at the due date of January 2023.

The company does not have long-term loans taken out as of December 31, 2022.

The company has approved several credit agreements as of December 31, 2022. Their statement is set out in Note 30 of these financial statements.

Other liabilities 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 amounting to RON 3,613,757 and will be settled according to the contractual clauses.

	<u>Total</u>	<u>Under one year</u>	<u>Exceeds one year</u>
Guarantees received for 2022	3.613.757	2.913.580	700.176
	<u>Total</u>	<u>Under one year</u>	<u>Exceeds one year</u>
Guarantees received for 2021	3.260.132	2.284.313	975.819

Leasing liabilities are presented in current and long-term liabilities. Their total value is 2,193,541 (Note 8).

**21. COMPANY AS LESSOR**

The company entered into operating leases for its real estate investment portfolio consisting of certain office and production buildings (see Note 6). These lease agreements have terms ranging from 2 to 3 years

All leases include a clause to allow upward revision of the rental fee on an annual basis, depending on the prevailing market conditions. The lessee is also required to provide a guarantee of the residual value on the properties so that it covers the risks that the lessor has in the event of any problems in collaboration with the tenants.

Rental income recognized by the Company during the year is RON 17,534,596 (2021: RON 16,793,197)

The minimum future rental receivable under non-recurring operating leases at 31 December are as follows:

	<u>2022</u>	<u>2021</u>
- 1 year	16.857.194	8.309.023
- Between 1 and 2 years	9.942.010	5.052.260
- Between 2 and 3 years	5.116.016	2.508.054

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**22. REVENUES**

	<b>2022</b>	
	<u>Licensed activity</u>	<u>Unlicensed activity</u>
<b>REVENUE FROM CONTRACTS WITH CUSTOMERS</b>		
<i>Revenue from the production of electricity from renewable sources and from the supply of electricity</i>	113.447.919	-
<i>Revenues from sales of LED lighting, lighting fixtures, electric vehicle charging systems and solutions, plastic injectors and molds, low voltage electrical equipment, railway traffic safety features</i>	-	66.414.898
<i>Income from services rendered</i>	-	34.138.686
<b>TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS</b>	<b>113.447.919</b>	<b>100.553.584</b>
<b>RENTAL INCOME*</b>	-	<b>17.501.175</b>
<b>TOTAL REVENUE</b>	<b>113.447.919</b>	<b>118.054.759</b>
	<b>2021</b>	
<b>REVENUE FROM CONTRACTS WITH CUSTOMERS</b>		
<i>Revenue from the production of electricity from renewable sources and from the supply of electricity</i>	237.004.488	-
<i>Revenue from sales of LED lighting, lighting fixtures, electric vehicle charging systems and solution, plastic injectors and molds, low voltage electrical equipment, railway traffic safety features</i>	-	64.669.812
<i>Income from services rendered</i>	-	22.254.304
<b>TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS</b>	<b>237.004.488</b>	<b>86.924.116</b>
<b>RENTAL INCOME*</b>	-	<b>16.817.289</b>
<b>TOTAL REVENUE</b>	<b>237.004.488</b>	<b>103.741.405</b>

**The moment of recognition of revenues from contracts with customers**

	<b>2022</b>	
	<u>Licensed activity</u>	<u>Unlicensed activity</u>
Goods and services transferred at a point in time	-	64.414.898
Goods and services transferred over time	113.447.919	34.138.686
<b>Total revenue from contracts with customers</b>	<b>113.447.919</b>	<b>100.553.584</b>
	<b>2021</b>	
	<u>Licensed activity</u>	<u>Unlicensed activity</u>
Goods and services transferred at a point in time	-	64.669.812
Goods and services transferred over time	237.004.488	22.254.304
<b>Total revenue from contracts with customers</b>	<b>237.004.488</b>	<b>86.924.116</b>

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**22. REVENUE (continued)**

The revenues streams of the Company are:

- *Revenue from the production of electricity from renewable sources and the supply of electricity*, revenues represent performance obligations fulfilled **over time** when the customer received the energy. Prices are identifiable and the market is regulated. Standard payment terms are between 30-60 days.
- *Revenues from sales of LED lighting, lighting fixtures, electric vehicle charging station, plastic injectors and molds, low voltage electrical equipment, railway traffic safety features*, revenues are performance obligations fulfilled at **a point in time** when the customer receives and/or the goods are delivered. The prices are identifiable and represent the consideration paid by the customer on the sale of finished products. According to the concluded contracts, the customers have established return rights. The management analyzed the historical yields and the amounts considered insignificant. Standard payment terms are between 30-90 days. Also, there are no volume discounts.
- *Revenue from services rendered (installation services of the lighting system)* - revenues are obligations executed **over time**. The prices are identifiable and represent the consideration paid. Standard payment terms are between 60-90 days, but can reach up to 2-3 years. The method used in the input-based (cost-based) method according to which revenues are recognised on the basis of the efforts of the right to meet the performance obligation.

Most of the revenues are generated in Romania.

The disaggregation of revenue at the product level is:

	<b>2022</b>	<b>2021</b>
Electric vehicle charging stations	12.836.758	0
Electrical appliances	16.047.551	11.503.346
Security features for CFR	6.645.897	6.495.542
Plastic injections and molds	9.481.662	17.984.402
LED luminaires	17.681.980	25.893.661
Others	3.721.049	2.792.861
<b>TOTAL INDUSTRIAL PRODUCTION</b>	<b>66.414.898</b>	<b>64.669.812</b>
Energy production	3.074.682	3.194.653
<b>TOTAL</b>	<b>69.489.580</b>	<b>67.864.465</b>
<b>OTHER NET INCOME AND EXPENSES</b>		
	<b>2022</b>	<b>2021</b>
Revenue/(Expenditure) from Green Certificates	1.673.074	2.214.221
Revenue/(expense) related to provisions	456.387	3.068.126
Net exchange rate difference	28.561	(27.016)
Other net income/(expenses)	2.313.844	(1.345.447)
<b>TOTAL</b>	<b>4.471.866</b>	<b>3.909.884</b>

Net provisions represent income from performance provisions granted to customers, benefits to employees

The net income from the fair value measurement of the investment property was RON 2,474,759 and can be found under Other net income/(expenses)

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**23. EXPENSES**

	<b>2022</b>	<b>2021</b>
<b>Material expenses</b>	<b>123.780.118</b>	<b>293.207.949</b>
- Expenses on raw materials and consumables	58.831.398	44.305.973
- Expenses on goods acquisitions	58.964.157	245.251.595
- Expenses on energy, water, gas	5.984.563	3.650.381
<b>Expenses on employees</b>	<b>36.050.893</b>	<b>32.660.256</b>
- Employees costs	21.954.297	19.960.916
- Other staff costs	14.096.596	12.699.340
<b>Other expenses</b>	<b>49.877.259</b>	<b>36.614.463</b>
	<b>2022</b>	<b>2021</b>
- Postal expenses	631.030	261.888
- Maintenance and repair costs	315.721	385.287
- Rent costs	516.877	734.852
- Advertising and entertainment expenses	192.118	156.782
- Insurance costs	599.808	526.506
- Travel and journey costs	1.336.938	1.495.448
- Expenses on subcontracted works	12.786.372	8.779.127
- Expenses other taxes and fees	17.155.716	1.766.061
- Expenses related to consultants and collaborators	388.289	522.377
- Expenses on green certificates	1.400.886	5.693.121
- Other operating expenses	14.553.504	16.293.014
<b>Depreciation and depreciation expenses</b>	<b>15.043.289</b>	<b>8.789.780</b>
- Depreciation expenses	10.913.475	8.984.154
- Loss/gain from impairment	4.129.814	(194.374)
<b>Total expenses</b>	<b>224.751.558</b>	<b>371.272.448</b>
Change in the stock of finished products and production in progress	14.188.764	6.672.706
Activity performed by the entity and capitalized	2.229.197	3.978.888

Spending on raw materials and commodity materials increased with rising prices for purchases for production.

Depreciation and impairment expenses include the allowance of 4,129,814 for the expropriation of the land in Domnesti.

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.



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**24. FINANCIAL EXPENSES**

	<u>2022</u>	<u>2021</u>
- Interest expense	540.234	449.143
- Bank fees	492.407	669.111
- Leasing interest expenses	96.923	74.933
<b>Total</b>	<b><u>1.129.564</u></b>	<b><u>1.193.187</u></b>

**25. CORPORATE TAX**

Corporation tax recognised in profit or loss:

	<u>December 31 2022</u>	<u>December 31 2021</u>
<b>Current profit tax</b>		
Current income tax expense	2.808.214	-
<b>Deferred corporate tax</b>		
Deferred tax revenue	(889.310)	(706.132)
	<b><u>1.918.904</u></b>	<b><u>(706.132)</u></b>

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

<b>Indicator</b>	<u>December 31 2022</u>	<u>December 31 2021</u>
<b>Net profit</b>	<b><u>25.231.093</u></b>	<b><u>(16.113.467)</u></b>
Deductions	(5.447.684)	(3.971.274)
Non-taxable income	(6.231.082)	(9.165.928)
Non-deductible expenses	19.962.367	13.333.501
Taxable Profit / Tax Loss	33.514.695	(15.917.168)
Tax loss from previous years	(15.917.168)	-
Current profit tax	2.815.604	-
Corporate tax reduction	(7.390)	-
<b>Income tax due at the end of the period</b>	<b><u>2.808.214</u></b>	<b><u>-</u></b>

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

As at 31 December 2022, the total claim regarding the current profit tax is in the amount of 177,392 lei (31 December 2021: 599,937 lei).

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**25. CORPORATE TAX (continued)**

The analysis of the deferred corporate tax for 2022 and 2021 is presented below:

	Opening balance 1 January 2022	Recognised in the profit or loss account (income)/ Expense	Recognized in other elements of other comprehensive income	Closing balance 31 December 2022
Property, plant and equipment	24.707.037	(1.585.236)	-	23.121.801
Allowances for impairment of fixed assets	-	660.770	-	660.770
The effect of the time value of money (receivables)	(377.555)	89.764	-	(287.791)
Allowances for trade receivables	(448.332)	(21.083)	-	(469.415)
Allowances for inventories	(329.268)	(43.587)	-	(372.855)
Provisions for employee benefits	(232.926)	10.062	-	(222.864)
<b>TOTAL</b>	<b>23.318.956</b>	<b>(889.310)</b>	<b>-</b>	<b>22.429.646</b>

	Opening 1 January 2021	Recognised in the profit or loss account (income)/ Expense	Recognized in other elements of other comprehensive income	Closing balance 31 December 2021
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)
Allowances for trade receivables	(785.293)	336.961	-	(448.332)
Allowances for inventories	(290.940)	(38.328)	-	(329.268)
Provisions for employee benefits	(160.873)	(72.053)	-	(232.926)
<b>TOTAL</b>	<b>16.735.345</b>	<b>(706.132)</b>	<b>7.289.742</b>	<b>23.318.956</b>

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.

**26. AVERAGE NUMBER OF EMPLOYEES**

The average number of employees has evolved as follows:

	December 31 2022	December 31 2021
Management staff	42	43
Administrative staff	136	142
Production staff	190	200
<b>Total</b>	<b>368</b>	<b>385</b>

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**26. AVERAGE NUMBER OF EMPLOYEES (continued)**

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:

	<b>December 31 2022</b>	<b>December 31 2021</b>
Highly educated staff	40%	37%
Staff with secondary education	39%	35%
Staff with technical studies	4%	5%
Staff with professional and qualified education	17%	23%
Average number of employees	368	385

The expenditures on salaries and taxes related to the registration are as follows:

	<b>2022</b>	<b>2021</b>
Expenditure on salaries	21.954.297	19.960.916
Other staff costs	14.096.596	12.699.340
<b>Total</b>	<b>36.050.893</b>	<b>32.660.256</b>

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

**27. TRANSACTIONS WITH RELATED PARTIES**

	<b>2022</b>	<b>2021</b>
<b>Sale of goods and services to subsidiaries</b>		
Electromagnetica Fire	23.118	21.869
Electromagnetica Prestserv	21.645	21.025
Procetel	36.298	202.515
<b>Total</b>	<b>81.061</b>	<b>245.409</b>

	<b>2022</b>	<b>2021</b>
<b>Purchases of goods and services from subsidiaries</b>		
Electromagnetica Fire	1.669.599	1.447.123
Electromagnetica Prestserv	1.308.735	1.136.465
Procetel	1.538.298	1.340.696
<b>Total</b>	<b>4.516.632</b>	<b>3.924.284</b>

	<b>December 31 2022</b>	<b>December 31 2021</b>
<b>Trade and other payables</b>		
Electromagnetica Fire	132.899	182.879
Electromagnetica Prestserv	256.302	120.633
Procetel	22.865	226.848
<b>Total</b>	<b>412.066</b>	<b>530.360</b>

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**27. TRANSACTIONS WITH RELATED PARTIES (continued)**

	<b>December 31 2022</b>	<b>December 31 2021</b>
<b>Trade receivables</b>		
Electromagnetic Wires	-	-
Electromagnetic Prestserv	-	-
Procetel	-	197.497
<b>Total</b>	<b>-</b>	<b>197.497</b>

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 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 based in Calea Rahovei nr 266-268, sect. 5, building 2, ground floor, axes C-D, pillars 6 1/2 - 7, registered at the Trade Register Office attached to the Bucharest Tribunal 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.

Transactions carried out with related parties are considered at market price.

**Remuneration of key management**

The remuneration of directors and other management members between 2022 and 2021 was as follows:

	<b>December 31 2022</b>	<b>December 31 2021</b>
Management Remuneration	2.802.774	2.481.667
Management Bonus	-	-
Boar of Directors Benefits	297.835	288.217
<b>Total</b>	<b>3.100.609</b>	<b>2.769.884</b>

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

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

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**28. EARNING PER SHARE**

**Basic Earning per Share**

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.

	<u>2022</u>	<u>2021</u>
Net profit attributable to shareholders	25.231.093	(16.113.467)
Weighted average number of ordinary shares	676.038.704	676.038.704
Result per action	0,0373	(0,0238)

**Diluted Earning per Share**

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 2022 and 2021 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.

**29. INFORMATION BY ACTIVITY SEGMENTS**

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.

<b>Year 2022</b>	<u>Unlicensed activity</u>	<u>% Total company</u>	<u>Licensed activity</u>	<u>% Total company</u>	<u>Total company</u>
Net profit	(1.287.150)	-	26.518.244	100	25.231.093
Of which:					
-current activity	2.842.664	10	26.518.244	90	29.360.908
-loss of land expropriation	(4.129.814)	100	-	100	(4.129.814)
Total assets	370.029.084	83	78.477.305	17	448.506.389
Total liabilities	41.254.709	65	22.691.636	35	63.946.345
Customer revenue	118.054.760	51	113.447.919	49	231.502.678
Depreciation and amortization	12.802.859	85	2.240.430	15	15.043.289
<b>Year 2021</b>	<u>Unlicensed activity</u>	<u>% Total company</u>	<u>Licensed activity</u>	<u>% Total company</u>	<u>Total company</u>
Net Loss/Profit	5.425.887	-	(21.539.354)	100	(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
Depreciation and amortization	7.400.736	82,13	1.389.044	17,87	8.789.780

Free translation from the original Romanian binding version.

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**29. INFORMATION BY ACTIVITY SEGMENTS (continued)**

**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**

For over 10 years our company has invested important resources in the research and production of LED lighting systems and electric vehicle charging stations.

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. The focus is currently on the control and management of energy consumption given the important increases in the price of electricity.

On the lighting side, projects financed on European and national programs ROP and AFM are underway, where ELECTROMAGNETICA has developed 3 Smart City and Telemanagement platforms with the purpose of managing the automation of lighting devices in order to decrease the CO2 carbon footprint, by reducing the light intensity depending on the time or at the command of some sensors, solutions that are very stable and reliable, ELECTROMAGNETICA offering a complete smart lighting solution included in the SmartCity platforms. The 3 main platforms developed are the following:

1. Smart Server IoT: ILIC – Intelligent Luminaire Informations Center, used in public street lighting projects: Craiova Express Road Pitesti lot 1 and 2 (Slatina and Bals), CAHUL City Republic of Moldova, Tasnad City Satu Mare county. Currently, we are still implementing this telemanagement system in numerous projects among which we mention: Craiova Pitesti Express Road lot 3, Draganesti Olt city jud Olt, DJ 401 Ilfov.
2. Radio telemanagement in mesh technology 6LoWPAN - Neptun CMS, used in public street lighting projects: Panciu city vrancea county, Baneasa commune jud Constanta.
3. 4G/GPRS/ NB-IoT Smart City: used in public street lighting projects: Buftea city Ilfov county, Ciurea commune, Iasi county, Valea Seaca commune, Iasi county.

In these lighting systems, solar panels have been integrated more recently so that the energy consumption and implicitly the energy cost to be an advantage for the final beneficiary. The company aims to develop photovoltaic parks and installation works of solar panels, having in view the financing that can be obtained through the PNRR and AFM program.

**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 along with the hybrid ones, registered in our country in 2022, an accelerated growth.

In order to reduce the footprint of CO2 ELECTROMAGNETICA continues the development and production of FAST CHARGE and ULTRA FAST CHARGE stations (50kWm 100kW, 150kW and 350kW). We mention that ELECTROMAGNETICA has increased its network of stations and improved the ELMOTION software operating platform for the management of the stations. It is monitored and participates in the auctions organized by the mayors on the financing programs for the stations carried out by the AFM, recently completing 2 projects in two county residences. The company is watching with interest the appearance of the PNRR program in which electromagnetica stations meet all the imposed requirements, and in order to facilitate operation, Electromagnetica is ready to implement the bank card (POS) immediately after the tax legislation will allow it. A large share of station deliveries was made last year on the ELECTRIC UP program where the stations produced by us were adapted to the requirements of the financing guide. An important contract for the delivery of fast charge stations was concluded with a company from the group of the largest seller of online products, who will purchase a package of 100 charging stations 50kW DC + 22kW AC.

Regarding the charging power of the stations there is an increased requirement on the ultra-fast charge area defined by the DC 150 kW stations. Among the customers who have purchased stations produced by Electromagnetica we can mention: BMW and Mercedes car dealers, various partners and distributors, local authorities and private customers (hotels, pensions, and car service).

The advantage of ELECTROMAGNETICA is that it offers complete installation and commissioning delivery solutions as well as the management part of the stations with its own ELMOTION operating platform, practically offering a complete service, with dispatch and intervention for quick troubleshooting in case of need.

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**29. 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 parts and components for power tools and, in addition, injected parts for the automotive market. The company produces plastic subassemblies for DraexImaier Romania.

One of the important and constant customers in this production segment is the world's largest producer of power tools with orders for boxes, housings and various plastic parts. If with the beginning of the war in Ukraine and the sanctions imposed on Russia (quarters 2, 3 and 4) were significant decreases, orders register an increase in 2023, considering also the reorientation of the producer to the markets of South America and Australia.

The production of injected plastic subassemblies and molds decreased by 44.5% compared to the previous year but the outlook for 2023 is encouraging.

Important to note, the injected plastics benefit 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 (ABB Italy) represents an element of continuity and stability within the production for export, registering an increase of 39.5% to a turnover over 3.21 mil. Euro in 2022. The electrical equipment had in 2022 the highest share of exports with 76.39%.

Most of this activity is automated and robotic.

**Railway traffic safety features**

Sales of railway traffic safety elements remained almost constant compared to last year (slight increase of 2.3%) orders for this segment of production, 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 2022, the energy production in its own small hydropower plants was 9,816 MWh, down by 8.7% on the background of a drier year.

The need for green certificates for the entire portfolio of supply customers was covered in 2022 by the certificates obtained for the energy production made by their own small hydropower plants.

**Electricity supply service**

In 2022, the measures of recovery and streamlining of the activity started in the 2nd semester of 2021 were continued through the integrated operation of activities in the field of electricity production and supply.

Optimization measures can be summarized as follows:

- Renegotiation of contracts with customers;
- 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 and 2023 for the final consumers and block exchanges, minimizing the exposure on dam;
- Increasing the amount of energy sold at electric car charging stations.
- The best possible 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 were evident in 2022 when the supply activity registered profit, paid off the bank credit lines and recovered the loss in 2021.

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**29. INFORMATION BY ACTIVITY SEGMENTS (continued)**

**Rental and utilities supply services**

Electromagnetica manages approximately 35,500 sqm of spaces for rent in Bucharest and 3,500 sqm in Varteju, Ilfov County. At the end of 2022, for the headquarters in Calea Rahovei 266-268, the average rental rate was 93%. For the spaces in varteju village (Magurele), the rent rate was 99%. According to specialized reports, the stock of modern office space reached 3.19 million square meters, excluding the buildings owned by those who occupy them, while the vacancy rate increased slightly, to 14.9%. An important thing to mention is that there is still a significant difference between the vacancy rates reported for the office classes in Bucharest, respectively 12.5% for those of class A and 23% for those of class B.

The activity of renting and supplying utilities registered an increase of 30% compared to the previous year, resulting from the increase of the average exchange rate euro / leu, which evolved favorably compared to 2021, of the changes in tariffs per square meter and of the increasing changes in tariffs for utilities. Compared to the previous year, the structure of office rental spaces decreased, the share of spaces for service provision increased and those for production and storage remained relatively the same.

Electromagnetica's efforts are still to offer tenants quality services, with various facilities (indoor gym, canteen / grill, English garden with green spaces) and at competitive prices, in the conditions of a very competitive real estate market. In the Center-West area (of which we are part) the offer of available spaces has increased from year to year and the tendency for storage and production spaces is to move to the outskirts of the city (taking into account the traffic restrictions)

**30. RISK MANAGEMENT**

**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 authorities;
- 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 involvement.

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. The activities carried out by the Company expose it to a series of financial risks: market risk (including exchange rate risk, interest rate risk, price risk), credit risk and liquidity risk.

The company is exposed to the following risks:



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**30. RISK MANAGEMENT (continued)**

**Capital risk management**

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 between net debt and total capital committed. Net liability is calculated as the sum of total loans (including lease liability in accordance with IFRS 16) and total suppliers and other liabilities (as presented in the statement of financial position) less cash and cash equivalents. Total committed capital is determined as the sum between net liability and equity (as shown in the financial position).

The indebtedness at 31 December 2022 was as follows:

	<b>December 31 2022</b>	<b>December 31 2021</b>
Total long-term and short-term liabilities	63.946.345	86.828.904
None: Cash and Cash Equivalents	(10.713.669)	(2.923.410)
<b>Total</b>	<b>53.232.676</b>	<b>83.905.494</b>
<b>Equity</b>	<b>384.560.045</b>	<b>359.328.951</b>
<b>Leverage ratio</b>	<b>0,138</b>	<b>0,233</b>

**Market risk**

Market risk includes: the risk of changing the interest rates, the exchange rate, the purchase price of the goods and the sale of the goods.

**Currency risk management**

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 exposure to foreign exchange risk of the Company results from:

- transactions (sales / purchases) in foreign currencies;
- Commitments
- monetary assets and liabilities (especially receivables, commercial debts)

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.

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**30. RISK MANAGEMENT (continued)**

The book value of the company's monetary assets and liabilities denominated in foreign currencies at the reporting date was as follows:

The currency in which they are denominated	EUR	USD	MDL	Total
Functional currency	RON	RON	RON	RON
<b>31 December 2022</b>	<b>EUR</b>	<b>USD</b>	<b>MDL</b>	<b>Total</b>
Total monetary assets	6.451.603	544.964	81.892	7.078.459
Total monetary liabilities	4.785.951	188.165	-	4.974.116
<b>31 December 2021</b>	<b>EUR</b>	<b>USD</b>	<b>MDL</b>	<b>Total</b>
Total monetary assets	7.808.635	83.941	458.800	8.351.376
Total monetary liabilities	3.514.321	559.816	-	4.074.137

*Exchange rate sensitivity analysis*

An appreciation/(depreciation) of RON against EUR and USD, as indicated below, at December 31, would increase/(decrease) the profit or loss and the equity with the amounts presented below (without the impact in the corporate tax)

Denomination currency	EUR	USD
Functional currency	RON	RON
Change in exchange rate	+/- 10%	+/- 10%
<b>31 December 2022</b>		
Statement of profit and loss	166.565	35.680
Other equity	-	-
<b>31 December 2021</b>		
Statement of profit and loss	429.431	47.587
Other equity	-	-

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.

**Interest risk management**

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.

As of December 31, 2022, the Company has not concluded medium or long-term loans, holding only credit lines that can be accessed if necessary depending on the temporary cash deficit recorded.

The interest rates for the Company's loan facilities are based on ROBOR because they are financing lines in RON. The credit lines were fully covered during 2022 so at the end of the year there was no balance to be repaid in the future.

**Price risk**

*Price risk* is the risk that the Company's future revenues will be negatively impacted by the price changes on the energy market, but it also includes the risk of changing the purchase price of the raw materials and materials necessary for the production.

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.

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**30. RISK MANAGEMENT (continued)**

**Credit risk management**

The credit risk consists in the event that the contracting parties violate their contractual obligations leading to financial losses for the company. The company is exposed to credit risk arising from its operational activities, especially commercial activities (Note 12) and from financial activities that include deposits with banks

*Receivable*

Trade 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. The company has adopted the policy of trading only with reliable partners and of obtaining sufficient guarantees where appropriate, in order to minimize the risk of financial losses resulting from non-fulfillment of obligations. Exposure to credit risk is controlled by permanent monitoring of each borrower. The company permanently assesses their credit risk taking into account their financial performance, payment history and, when applicable, requires the insurance of the risk of non-payment.

For the company's concentration risk see Note 12.

The credit risk profile of trade receivables is presented based on their maturity in terms of the impairment adjustment matrix. This matrix is initially based on the company's observed historical default rates, adjusted for prospective factors specific to debtors and the economic environment, when appropriate. Commercial receivables are not interest-bearing and are generally within 30-90 days. There are, however, a number of contracts in progress for previous years with state authorities that include supplier credit clauses with payment for a period of up to 5 years.

For these contracts, the Company has calculated adjustments to the present value and does not estimate any other losses as the risk of non-payment is almost non-existent.

The methodology used by the Company to measure the expected losses for commercial receivables could be described as follows:

- determining an appropriate observation period to track the historical loss rate. The company has selected 2 previous periods ended on December 31, 2021 and December 31, 2020 for data collection;
- collecting data on commercial receivables and grouping them according to their due stage in each analyzed period and on main activities;
- analyzing the evolution of these balances over a period of 12 months and determining the amounts still unpaid from each outstanding group in order to determine the proportion of the balances in each due category that was not finally collected;
- determination of the weighted average rate of losses (%) depending on the maturity status for the 2 analyzed periods;
- this rate will be applied to determine the impairment loss of commercial receivables as at December 31, 2022.

In addition, there are commercial receivables from third parties for which the Company has made individual assessments, presented below.

The following table presents the risk profile of the commercial receivables based on the company's depreciation adjustment matrix. Since the company's historical experience of credit losses presents significantly different loss models for different customer segments, the adjustments for loss quotas based on the risk of default are differentiated between the different customer segments of the Company.

It is relevant to note that the loss rates mentioned below reflect the good lending status of the public sector, given the multitude of long-term projects that the Group has with municipalities and other public sector authorities.

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**30. RISK MANAGEMENT (continued)**

**Credit risk management (continued)**

**Current trade receivables**

**31 December 2022**

Time limits	Balance	Depreciation expense	Expected credit loss (%)
Current (not overdue)	35.003.119	-	0,02%
1 – 30 days	5.394.679	-	0,07%
31 – 60 days	4.671.198	-	0,40%
61 – 90 days	632.318	-	0,72%
90 – 180 days	3.288.551	-	1,54%
Over 180 days	14.061.446	-	1,54%
<b>Total receivables analyzed globally</b>	<b>63.051.313</b>	<b>-</b>	
Receivables for licensed activities	7.273.081	-	-
Receivables for unlicensed activities with state authorities	6.636.523	(787.862)	-
Individually analyzed receivables	2.933.845	(2.933.845)	100%
<b>Total receivables individually analysed</b>	<b>16.843.449</b>	<b>(3.721.707)</b>	
<b>Total</b>	<b>79.894.762</b>	<b>(3.721.707)</b>	

**31 December 2021**

**Current trade receivables**

Time limits	Gross balances	Depreciation expense	Expected credit loss (%)
Current (no overdue)	29.168.934	-	0,01%
1 – 30 days	13.948.606	-	0,02%
31 – 60 days	932.258	-	0,04%
61 – 90 days	244.562	-	0,06%
90 – 180 days	524.573	-	0,08%
Over 180 days	7.716.134	-	0,08%
<b>Total receivables analyzed globally</b>	<b>52.535.066</b>	<b>-</b>	<b>-</b>
Receivables for licensed activities	10.193.224	-	-
Receivables for unlicensed activities with state authorities	9.393.392	(844.317)	-
Individually analyzed receivables	2.745.592	(2.745.592)	100%
<b>Total receivables individually analysed</b>	<b>22.332.208</b>	<b>(3.589.909)</b>	
<b>Total</b>	<b>74.867.275</b>	<b>(3.589.909)</b>	

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.

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**30. RISK MANAGEMENT (continued)**

**Credit risk management (continued)**

*Financial instruments and deposits*

The credit risk resulting from the transactions with the banks is managed by the specialized department within the Company. The investment of excess liquidity is done only with approved banks.

It is estimated that there is no significant exposure from the possible non-fulfilment of contractual obligations by counterparties in respect of financial instruments.

**Liquidity risk management**

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 adapts 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:

	<b>December 31 2022</b>	<b>0 - 1 year</b>	<b>1 - 2 years</b>	<b>2 - 5 years</b>	<b>Over 5 years</b>
Trade and other receivables	87.971.135	78.042.731	5.478.114	4.450.290	-
Trade and other payables	35.233.490	34.440.361	745.412	37.717	-
<b>Net position</b>	<b>52.737.645</b>	<b>43.602.370</b>	<b>4.732.702</b>	<b>4.412.573</b>	-
	<b>December 31 2021</b>	<b>0 - 1 year</b>	<b>1 - 2 years</b>	<b>2 - 5 years</b>	<b>Over 5 years</b>
Trade and other receivables	88.487.448	73.946.968	6.395.993	8.144.487	-
Trade and other payables	56.921.697	55.809.558	1.055.662	56.477	-
<b>Net position</b>	<b>31.565.751</b>	<b>18.137.410</b>	<b>5.340.331</b>	<b>8.088.010</b>	-

**Categories of financial instruments**

	<b>2022</b>	<b>2021</b>
<b>Financial assets</b>		
- amortized cost		
Short and long term trade receivables	87.971.135	88.487.448
Cash and cash equivalents	10.713.669	2.923.410
<b>Total</b>	<b>98.684.804</b>	<b>91.410.858</b>
	<b>2022</b>	<b>2021</b>
<b>Financial liabilities</b>		
- amortized cost		
Trade and other payables	33.039.949	55.446.448
Short- and long-term leasing liabilities	2.193.541	1.475.249
<b>Total</b>	<b>35.233.490</b>	<b>56.921.697</b>

\* The carrying amount of trade liabilities and receivables approximates the fair value at 31 December 2022 and 31 December 2021 respectively. Most of the receivables are short-term, and the effect of the time value of money is not significant.

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**30. RISK MANAGEMENT (continued)**

The statement of changes in cash flows from the financing activity is as follows:

<b>2022</b>	<b>1 January 2022</b>	<b>Collections</b>	<b>Interest expense</b>	<b>Interest payments</b>	<b>Payments</b>	<b>Leasing</b>	<b>Lease payments</b>	<b>31 December 2022</b>
Overdraft	20.891.294	32.718.453	609.409	(609.409)	(53.609.747)	-	-	-
Leasing liabilities	1.475.249	-	-	-	-	1.975.548	(1.257.256)	2.193.541
<b>Total financial liabilities</b>	<b>22.366.543</b>	<b>32.718.453</b>	<b>609.409</b>	<b>(609.409)</b>	<b>(53.609.747)</b>	<b>1.975.548</b>	<b>(1.257.256)</b>	<b>2.193.541</b>
<b>2021</b>	<b>1 January 2021</b>	<b>Collections</b>	<b>Interest expense</b>	<b>Interest payments</b>	<b>Payments</b>	<b>Leasing</b>	<b>Lease payments</b>	<b>31 December 2021</b>
Overdraft	-	95.904.347	380.531	(380.531)	(75.013.053)	-	-	20.891.294
Leasing liabilities	2.117.451	-	-	-	-	436.057	(1.078.259)	1.475.249
<b>Total financial liabilities</b>	<b>2.117.451</b>	<b>95.904.347</b>	<b>380.531</b>	<b>(380.531)</b>	<b>(75.013.053)</b>	<b>436.057</b>	<b>(1.078.259)</b>	<b>22.366.543</b>

Free translation from the original Romanian binding version.

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**31. COMMITMENTS AND POTENTIAL LIABILITIES**

**Commitments**

As of December 31, 2022, 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 57,000,000;
- non-cash guarantee agreements in the amount of RON 30,000,000.

As of December 31, 2022, the Company had at its disposal an amount of RON 57,000,000 from the loan facilities contracted with the banks.

As of December 31, 2022, the Company had at its disposal the amount of RON 26,630,356, 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. On December 31, 2022, 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 (amounting to RON 10,313,308), collateral deposits in the amount of RON 90,000, tangible assets (land, buildings) amounting to RON 150,216,396 (Note 5).

The commitments received from customers and tenants in the form of letters of guarantee as of December 31, 2022, are worth 191,830 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. The entity manages disputes through its own legal department and through collaborations with external partners specialized in managing specific conflicts.

**32. SUBSEQUENT EVENTS**

The regularization of the final quota of green certificates for the energy supply activity carried out in 2022 was not reflected in the financial statements due to the delayed publication of the ANRE order no. 9/27.02.2023. Regularization will have no influence on profit.

Although the military operation in Ukraine is ongoing, it has not had a major impact on the Company's activity, traded volumes, cash flows and profitability.

However, the Company continues the effort to overcome all the obstacles that could affect its activity by finding alternative, sustainable solutions.

At the time of these financial statements, the Company continues to fulfill its obligations and is going concern.

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 21, 2023.

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**EUGEN SCHEUŞAN**  
General Director

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**CRISTINA FLOREA**  
Chief Financial Officer

## STATEMENT

The undersigned **SCHEUSAN EUGEN**, as **President** of the Board of Directors of ELECTROMAGNETICA SA and **FLOREA CRISTINA**, as **Economic Director** at ELECTROMAGNETICA SA, , with headquarters in Bucharest, Calea Rahovei no. 266-268, sector 5, registered at the Trade Register under no. J40/19/1991, C.U.I 414118, we declare on our own responsibility, to the best of my knowledge and knowing the provisions of the criminal code regarding false declarations, the following:

1. The individual annual financial accounting situation for 2022 was drawn up according to the applicable accounting standards, it provides a correct picture and conforms to the reality of the assets, liabilities, financial position, profit and loss account of the company
2. The individual annual report of the board of directors includes a correct analysis of the company's development and performance, as well as a description of the main risks and uncertainties specific to the activity carried out.
3. The annual consolidated financial and accounting situation for 2022 was drawn up according to the applicable accounting standards, it provides a correct picture and complies with the reality of the assets, liabilities, financial position, profit and loss account of the company and the entities included in the consolidation process
4. The consolidated annual report of the board of directors includes a correct analysis of the development and performance of the company and the entities included in the consolidation process, as well as a description of the main risks and uncertainties specific to the activity carried out.

Prepared and signed on my own responsibility, knowing that false statements are punished according to the law

SIGNATURE