

**To: Bucharest Stock Exchange
ASF, Financial Instruments and Investments Sector**

CURRENT REPORT

Report date: **10.11.2023**

Entity name: ELECTROMAGNETICA S.A.

Address: CALEA RAHOVEI NO. 266-268, DISTRICT 5, BUCHAREST

Telephone: 404.21.02; 404.21.31 FAX: 404.21.95; 404.21.94

Order number in the Trade Register: J 40/19/1991

Unique Registration Code: 414118

Subscribed and paid-up capital: 67,603,870.4 lei

The regulated market on which the issued securities are traded: Premium Category, BVB

Events to report: **Continuation of current report no. 2028 of 09.11.2023 and publication of unaudited financial statements on 30.09.2023**

In continuation of the current report no. 2028 of 09.11.2023, Electromagnetica S.A. informs shareholders and investors of the following:

Following the internal checks carried out on the company's receivables, suspicions of fraud related to a contract for the sale of telemanagement implementation services, in total value of 2,820,000 lei, were identified. This contract was recognized by Electromagnetica in accounting as being partially implemented for remote management and integration services, in the amount of 2,520,000 lei.

In this context, in compliance with the principle of prudence, in the financial statements of the company for the date of 30.09.2023, a prudential provision in the amount of 2,520,000 lei was established, with an impact on the current result.

The company will adopt the legal measures and properly inform the investors regarding this matter.

We attach the unaudited financial statements for the date of 30.09.2023, these being published according to the legal provisions on the website of the Bucharest Stock Exchange and at the address www.electromagnetica.ro, in the section Company/Investitori/Info Financiar/2023.

As a result of some recent events, the management of the company requested for the closing of the third quarter of 2023 a reanalysis of the situation of unpaid receivables.

It was found, in the contracts for the sale of finished products and the provision of services, the existence of some clauses favorable to clients (intermediaries) that gave the right of return for unused products through resale or implementation in various projects. Moreover, Electromagnetica acts as a depository of the products purchased by these customers by drawing up custody minutes and managing stocks within the company.

In accordance with IAS 8, the last three years were restated by adjusting the results in the sense of derecognizing the net income from these sales. The impact consisted in a reduction of the result by 486,188 lei for the current year, respectively 3,020,076 lei for the year 2021 and 1,904,938 lei for the year 2022.

As a result of the cancellation of the income, the stocks of the finished products that were the object of the respective transactions were reintegrated. Taking into account the age of these products, provisions have been established for the update of the stocks of finished products to a net realizable value in the market. Provisions for the net realizable value of stocks, old and slow-moving stocks constituted amounted to 5,954,068 lei.

The Board of Directors and the management team have undertaken and will continue to undertake all the necessary actions to protect the interests of the company, in compliance with the legislative framework and assure the shareholders of Electromagnetica S.A. that all the necessary measures will be taken to strengthen the corporate governance mechanisms at the company level.

Deputy General Director
Andrei Bobar