

ELECTROMAGNETICA S.A.

**CONSOLIDATED 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)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
ELECTROMAGNETICA S.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the consolidated financial statements of ELCTROMAGNETICA S.A. and its subsidiaries (the Group), with registered office in Bucharest, Sector 5, 266-268 Rahova Blvd, identified by unique tax registration code 414118, which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the consolidated financial statements.
2. The consolidated financial statements as at December 31, 2022 are identified as follows:
 - Net assets / Equity RON 395,458,316
 - Net profit for the financial year RON 26,408,048
3. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Other information

6. The administrators are responsible for the preparation and presentation of the other information. The other information comprises the Administrators' Consolidated report and the Remuneration report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements for the year ended December 31, 2022, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

- a) the information included in the Administrators' consolidated report and the Remuneration report for the financial year for which the consolidated financial statements have been prepared, is consistent, in all material respects, with these consolidated financial statements;
- b) the administrators' consolidated report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, with subsequent amendments.
- c) the Remuneration report has been prepared, in all material respects, in accordance with the provisions of Law 24/2017, article no. 107.

Moreover, based on our knowledge and understanding concerning the Group and its environment gained during the audit on the consolidated financial statements prepared as at December 31, 2022, we are required to report if we have identified a material misstatement of this Administrators' consolidated report and the Remuneration report. We have nothing to report in this regard.

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

7. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.
8. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
9. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
 13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
 14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

15. We have been appointed by the General Assembly of Shareholders on April 28, 2021 to audit the consolidated 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 consolidated financial statements included in the annual financial report of ELECTROMAGNETICA S.A. ("the Company") as presented in the digital files which contain the unique LEI code 254900MYW7D8IGEFRG38.

(I) Responsibilities of management and those charged with governance for the Digital Files prepared in compliance with the ESEF

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

- the design, implementation and maintenance of internal control relevant to the application of the ESEF;
- the selection and application of appropriate iXBRL mark-ups;
- ensuring consistency between the Digital Files and the consolidated financial statements to be submitted in accordance with Order 2844/2016, with subsequent amendments.

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

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

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

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

- obtaining an understanding of the Company's process for preparation of the digital files in accordance with ESEF, including relevant internal controls;
- reconciling the digital files including the marked-up data with the audited consolidated financial statements of the Company to be submitted in accordance Order 2844/2016, with subsequent amendments;
- evaluating if the consolidated financial statements contained in the consolidated annual report have been prepared in a valid XHTML format;
- evaluating if the iXBRL mark-ups, including the voluntary mark-ups, comply with the requirements of ESEF.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the consolidated financial statements for the year ended 31 December 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 consolidated financial statements. Our audit opinion relating to the consolidated financial statements of the Company for the year ended 31 December 2022 is set out in the "Report on the audit of the consolidated financial statements" section above.

Zeno Căprariu, Audit Partner

For signature, please refer to the original Romanian version.

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

On behalf of:

DELOITTE AUDIT SRL

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

The Mark Building, 84-98 and 100-102 Calea Griviței, 9th Floor, District 1
Bucharest, Romania
March 29, 2023

ELECTROMAGNETICA SA
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
AS OF 31 DECEMBER 2022
(all amounts are expressed in RON, unless otherwise specified)

	Note	31 December 2022	31 December 2021
Revenue	21	231,927,983	340,910,872
Finance income	21	147,205	47,844
Other net incomes and expenses	21	5,374,634	4,464,607
Change in inventories of finished goods and work in progress	22	14,188,764	6,672,706
Capitalised workings	22	2,229,197	3,978,888
Raw materials and consumables used	22	(124,237,226)	(293,323,283)
Employees benefits expense	25	(39,022,831)	(35,327,205)
Depreciation and amortization expenses	22	(13,949,900)	(7,832,927)
Other expenses	22	(47,233,735)	(34,337,887)
Finance costs	23	(1,049,919)	(1,142,595)
Profit/(Loss) before tax		28,374,171	(15,888,980)
Income Tax	24	(1,966,123)	660,752
Profit/(Loss) of the year		26,408,048	(15,228,228)
Other comprehensive income			
of which:			
<i>Items which will not be reclassified subsequently to profit or loss :</i>			
- Surplus from the revaluation of property, plant and equipment		-	48,854,792
- Deferred tax recognized in equity		-	(7,816,767)
- Deferred tax related to assets disposed		-	311,570
- Other elements		-	769,314
Other comprehensive income		26,408,048	26,890,681
Profit/(Loss) of the year attributable to:			
Owners of the Group		26,373,544	(15,290,938)
Non-controlling interests		34,504	62,710
Total Other comprehensive income attributable to:			
Owners of the Group		26,373,544	26,827,971
Non-controlling interests		34,504	62,710
Earnings per share:			
Basic		0.039	n/a
Diluted		n/a	n/a

These consolidated financial statements were approved for issuance by management on March 21, 2023.

EUGEN SCHEUŞAN

General Director

CRISTINA FLOREA

Chief Financial Officer

The attached notes are an integral part of these consolidated financial statements
Free translation from the original Romanian binding version.

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

	Note	December 31 2022	December 31 2021
Assets			
Non-current assets			
Property, plant and equipment	5	310,734,538	321,032,559
Investment property	6	22,054,243	19,355,453
Intangible assets	7	789,308	143,393
Other non-current assets	9	9,928,405	14,540,480
Rights of Use Assets	8	155,290	204,667
Total fixed assets		343,661,784	355,276,552
Current assets			
Inventories	10	20,282,199	18,411,084
Trade Receivables	11	76,411,649	71,519,748
Cash and cash equivalents	13	15,417,388	7,086,289
Other current assets	12	1,725,783	2,061,387
Current tax receivable		170,213	587,265
Total current assets		114,007,231	99,665,773
Total assets		457,669,015	454,942,325
EQUITY AND LIABILITIES			
Equity			
Share capital	14	67,603,870	67,603,870
Reserves and other equity items	15	198,973,337	218,401,625
Retained earnings	16	128,517,096	82,754,937
Total equity attributable to the shareholders of the Group		395,094,303	368,760,432
Non-controlling interests		364,013	329,509
Total equity		395,458,316	369,089,941
Long-term debts			
Trade and other payables	19	700,176	975,819
Investment subsidies	17	3,920,651	4,083,869
Deferred tax liabilities	24	22,652,804	23,542,324
Lease liabilities		82,953	136,320
Total long-term debt		27,356,584	28,738,332
Current liabilities			
Trade and other payables	19	32,367,355	54,496,194
Investment subsidies	17	163,219	163,219
Provisions	18	2,248,130	2,383,554
Current income tax liabilities	24	-	-
Lease liabilities		75,410	71,085
Total current liabilities		34,854,115	57,114,052
Total liabilities		62,210,699	85,852,384
Total equity and liabilities		457,669,015	454,942,325

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EUGEN SCHEUŞAN
General Director

CRISTINA FLOREA
Chief Financial Officer

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

	Note	31 December 2022	31 December 2021
Cash flows from operating activities			
Cash receipts from customers		233,247,088	310,812,315
Payments to suppliers		(136,183,547)	(281,384,773)
Payments to employees		(39,200,801)	(34,916,391)
Other operating activities		(25,383,696)	(31,482,454)
Net cash from operating activities		32,479,044	(36,971,302)
Interest paid		(609,409)	(380,531)
Profit tax paid		(2,438,381)	(43,370)
Net cash generated from/(used in) operating activities		29,431,255	(37,395,202)
Cash flows from investing activities			
Purchase of property, plant and equipment		(382,590)	(922,052)
Proceeds on disposal of fixed assets		50,300	25,000
Interest received		239,241	130,118
Net Cash from/(used) in investing activities		(93,049)	(766,934)
Cash flows from financing activities			
Proceeds from loans	29	32,718,453	95,904,347
Loans repayments		(53,609,747)	(75,013,053)
Repayment of lease liability		(95,890)	(94,141)
Interest paid		(8,543)	(13,201)
Dividends paid		(11,379)	(22,536)
Net cash (used in)/from financing activities		(21,007,106)	20,761,416
Net increase/decrease in cash and cash equivalents		8,331,100	(17,400,720)
Cash and cash equivalents at the beginning of the period	13	7,086,289	24,487,010
Cash and cash equivalents at the end of the period	13	15,417,388	7,086,289

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EUGEN SCHEUŞAN
General Director

CRISTINA FLOREA
Chief Financial Officer

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ELECTROMAGNETICA SA
CONSOLIDATED SITUATION 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	Revaluation reserves	Deferred tax	Other elements	Legal reserve	Non- controlling interest	Total equity
Balance as at 01 January 2022	67,603,870	82,754,937	155,524,677	(24,884,159)	67,949,273	19,811,834	329,509	369,089,941
Profit or loss for the financial year	-	26,373,544	-	-	-	-	34,504	26,408,048
Other comprehensive income	-	-	-	-	-	-	-	-
Net surplus from revaluation of fixed assets	-	-	-	-	-	-	-	-
Deferred tax related to revaluation	-	-	-	-	-	-	-	-
Other equity elements	-	19,429,450	(4,242,715)	678,834	(8,617,657)	(7,247,912)	-	-
Transfer of reserves to retained earnings	-	4,242,715	(4,242,715)	-	-	-	-	-
Transfer of related deferred tax from revaluation reserve to retained earnings	-	(678,834)	-	678,834	-	-	-	-
Transfer of year result to reserves	-	(247,898)	-	-	247,898	-	-	-
Transfer of reserves and inflation adjustment to retained earnings	-	16,113,467	-	-	(7,463,590)	(8,649,877)	-	-
Legal reserve	-	-	-	-	(1,401,965)	1,401,965	-	-
Transactions with shareholders, recorded directly in equity								
Dividends distributed to shareholders	-	(16,709)	-	-	-	-	-	(16,709)
Other elements	-	(24,126)	3,939	211	(2,988)	-	-	(22,965)
Balance at 31 December 2022	67,603,870	128,509,096	151,285,901	(24,205,114)	59,328,628	12,563,922	364,013	395,458,316

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EUGEN SCHEUŞAN
General Director

CRISTINA FLOREA
Chief Financial Officer

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ELECTROMAGNETICA SA
CONSOLIDATED SITUATION 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>Reevaluation reserves</u>	<u>Deffered tax</u>	<u>Other elements</u>	<u>Legal reserve</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
Balance at 01 January 2021	67,603,870	94,830,398	113,346,666	(19,392,391)	65,732,184	19,811,734	266,799	342,199,260
Profit or loss for the financial year	-	(15,290,938)	-	-	-	-	62,710	(15,228,228)
Other comprehensive income	-	-	48,854,792	(7,816,767)	-	-	-	41,038,025
Net surplus from revaluation of fixed assets	-	-	48,854,792	-	-	-	-	48,854,792
Deferred tax related to revaluation	-	-	-	(7,816,767)	-	-	-	(7,816,767)
Other equity elements:	-	3,215,477	(6,676,781)	2,324,999	2,217,089	100	62,710	1,080,884
Legal reserve	-	(109,300)	-	-	109,300	-	-	-
Transfer of tax related to the revaluation reserve to retained earnings	-	(1,580,870)	-	1,580,870	-	-	-	-
Deferred tax related to revaluation for the disposed	-	-	-	311,570	-	-	-	311,570
Transfers of reserves to retained earnings	-	6,274,080	(6,274,080)	-	-	-	-	-
Transfer of net result to reserves	-	(2,896,437)	-	-	2,896,437	-	-	-
Transactions with shareholders, recorded directly in equity	-	1,528,004	(402,701)	432,559	(788,648)	100	62,710	769,314
Other elements	-	1,528,004	(402,701)	432,559	(788,648)	100	62,710	769,314
Balance at 31 December 2021	67,603,870	82,754,937	155,524,677	(24,884,159)	67,949,273	19,811,834	329,509	369,089,941

These consolidated financial statements were approved for issuance by management on March 21, 2023.

EUGEN SCHEUȘAN
General Director

CRISTINA FLOREA
Chief Financial Officer

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

1. GENERAL INFORMATION ABOUT THE GROUP

SC Electromagnetica SA – parent company is a joint-stock company which is organized and operates according to the statute and on the basis of Law no. 31/1991 republished in 2004 and amended by Law no.441/2006, GEO no.82/2007 and GEO no.52/2008 as well as the Law on the capital market no.297/2004. The group has its registered office in Bucharest, Calea Rahovei nr. 266-268, sector 5, Bucharest, Romania, postal code 64021, phone 021.404.21.31, 021.404.21.02, fax 021.404.21.95, website www.electromagnetica.ro, unique registration code RO 414118, registration number at the Trade Register J40 /19/1991. The share capital of the group is 67,603,870.40 lei divided into 676,038,704 shares. According to the group's statutes, the main activity is the manufacturing of instruments and devices for measurement, verification, control, navigation (CAEN code 2651).

SC Electromagnetica Fire SRL is a limited liability company based in Bucharest, Calea Rahovei nr 266-268, sect 5, corp 2, ground floor, axes C-D, pillars 6 1/2 - 7, registered at the Trade Register Office at Bucharest Tribunal under no J40 / 15634/2006, CUI 19070708, which carries out activities in the field of fire protection, technical assistance for fire prevention and extinguishing and private emergency services on civil protection (CAEN code 8299).

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

SC Electromagnetica Prestserv SRL and SC Electromagnetica Fire SRL were established by outsourcing some services within SC Electromagnetica SA, respectively cleaning services, technical assistance for fire prevention and extinguishing and private emergency services on civil protection.

SC Electromagnetica Prestserv SRL and SC Electromagnetica Fire SRL were established by outsourcing some services within SC Electromagnetica SA, respectively cleaning services, technical assistance for fire prevention and extinguishing and private emergency services regarding civil protection.

SC Procetel SA is a joint stock company based in Bucharest, Calea Rahovei 266-268, serial number at the Trade Register J40/10437/1991, CUI 406212, tel: 031.700.26.14, fax: 031.700.26.16. SC Procetel SA is a closed joint-stock company (the shares are not traded on the market) which has as its main activity research and development in other natural sciences and engineering (CAEN code 7219). Currently, the research activity has been drastically reduced, the results obtained coming mainly from the activity of renting spaces.

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

Name of subsidiary	No. Shares	Percentage of holding and right to vote (%)	Value
Electromagnetica Prestserv LTD	300	100%	30,000
Electromagnetica Fire LTD	799	99.875%	79,900
Procetel SA	42.483	96.548%	732,008
TOTAL			841,908

The structure of the administrative and executive management of the subsidiaries are as follows:

a) Electromagnetica Fire SRL

Administrative management: Maria Rogoz – sole administrator, with a 4-year mandate valid starting with April 19, 2022

Executive Board: Maria Rogoz – Administrator

b) Electromagnetica Prestserv SRL

Administrative management: Antoaneta Monica Stanila – sole administrator, with a mandate of 2 years valid until December 31, 2023.

Executive management: Mihai Sanda – chief accountant

c) Procetel SA

Administrative management: Antoaneta Monica Stanila – sole administrator, with a mandate of 4 years starting with August 22, 2022.

Executive management: Mihai Sanda – chief accountant

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

2. FINANCIAL STATEMENTS PREPARATION

Statement of compliance

The consolidated financial statements of Electromagnetica group together with its subsidiaries were prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("IFRS") in force at the Group's reporting date, 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 Group's financial statements are available on the website www.eletromagnetica.ro within the applicable legal term.

The basis of preparation

The consolidated financial statements were prepared on the basis of historical cost, except for buildings, lands and investment property which is valued at fair value as explained in accounting policies. Historical cost is generally based on the fair value of consideration in exchange for assets.

Basis of consolidation

The Group maintains its accounting records in RON and prepares its statutory consolidated financial statements in accordance with IFRS.

The consolidated financial statements incorporate the financial statements of ELECTROMAGNETICA SA. (the Parent) and entities controlled by ELECTROMAGNETICA SA (together "the Group"). Control is achieved when the Company has the power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Parent Company.

All intra-group transactions, balances, income and expenses were eliminated in full on consolidation.

Non-controlling interest in the net assets (excluding goodwill) of consolidated subsidiaries is identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. The Group shall also attribute total comprehensive income to the owners of the parent and to the non-controlling interests even if the results in the non-controlling interests having a deficit balance.

Going concern

The financial statements were prepared based on the principle of going concern, which implies that the Group will be able to realize its assets and pay its liabilities in the normal course of the business.

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 supply chain challenges.

Climate change

The Group management also took into account the impact of climate change in financial statements preparation. These considerations did not have a significant impact on the rationale and on estimates used in financial reporting. They are also not expected to have a significant impact on the going concern.

Functional and presentation currency

These consolidated financial statements are presented in RON, which is the functional currency of the Group.

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2. FINANCIAL STATEMENTS PREPARATION (continued)

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 RON 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.

Exchange rates differences are shown in the profit or loss account.

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

	December 31 2022	December 31 2021
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

Use of professional estimates and reasoning

The preparation of financial statements in accordance with IFRS adopted by the European Union requires management to use estimates and assumptions that affect the application of accounting policies, as well as the reported value of assets, liabilities, income and expenses.

The associated estimates and judgments are based on historical data and other factors considered to be eloquent in the given circumstances, and the result of these factors forms the basis of the judgments used in determining the carrying amount of assets and liabilities for which there are no other sources of valuation available. Actual results may differ from estimated values.

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

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

The Group'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, useful life of fixed assets estimation, for impairment adjustment of receivables, for provisions, for the recognition of deferred tax assets.

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

Valuation for impairment of receivables is carried out individually and is based on management's best estimate of the present value of the cash flows expected to be received. The Group shall review its trade and other receivables on an annual basis of its financial position in order to assess whether it has to record a depreciation of value in the profit and loss account. Management's professional judgement is particularly necessary for estimating value and for coordinating future cash flows when determining impairment loss. These estimates are based on assumptions about several factors and actual results may differ, leading to future changes in adjustments.

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

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

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3. APPLICATION OF NEW AND REVISED INTERNATIONAL REPORTING STANDARDS

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

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

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

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

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

- **IFRS 17 “Insurance Contracts”** including amendments to IFRS 17 issued by IASB on 25 June 2020 - adopted by the EU on 19 November 2021 (effective 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 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 “Presentation of Financial Statements”** - Disclosure of Accounting Policies adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** – Definition of Accounting Estimates adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 12 “Income Taxes”** - Deferred Tax related to Assets and Liabilities arising from a Single Transaction adopted by the EU on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023).

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

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at 31 December 2022 (the effective dates stated below is for IFRS as issued by IASB):

- **Amendments to IAS 1 “Presentation of Financial Statements”** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 “Presentation of Financial Statements”** - Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024),
- **Amendments to IFRS 16 “Leases”** - Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024),
- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

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

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4. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS, ESTIMATES AND ASSUMPTIONS

4.1. Significant accounting policies

The main accounting policies are presented below:

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other expenses line.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in the host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial instruments*, is measured at fair value with the changes in fair value recognized in the statement of profit or loss in accordance with IFRS 9.

Other contingent consideration that is not in the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair values recognized in profit or loss.

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

The Group 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 be capitalised, or intends to be sold or used it during the normal course of the business;
- it is mainly owned for trading purposes;
- expects to be capitalised within 12 months after the reporting date; or
- the asset represents its number of cash equivalents whose use is not restricted to be exchanged or used to settle a liability for a period of less than 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 course of business;
- 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 liability for at least 12 months after the reporting date.

The Group 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 sale of the asset transaction or the transfer of the liability takes place either:

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

The Group uses 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.

Free translation from the original Romanian binding version.

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4. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS, ESTIMATES AND ASSUMPTIONS (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 Group must draw up unobservable input data on the basis of the best information available in the given circumstances which may include the Group's own data.

The Group Financial Department determines the policies and procedures for both recurring fair value measurement such as investment properties, property, plant and equipment where fair value model is adopted.

External accredited valuers are involved for valuation of property, plant and equipment and investment property, this involvement is determined annually by the Group Finance Team. Selection criteria include market knowledge, reputation, independence and whatever professional standards are maintained. The Finance Team discusses with the valuers the valuation techniques and inputs to be used for each case. Finance Team also analyses the appropriateness of results obtained.

Revenues 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 Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The Group has also long term contracts with city halls paid in installements which have embedded a significant financing component.

Please more details at Note 21 for further details on Group main revenues streams.

Other incomes

Other incomes include income from transactions concerning goods (especially energy) that are within the scope of IFRS 9 Financial Instruments, as well as rental income.

Income from renting spaces are 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.

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4. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS, ESTIMATES AND ASSUMPTIONS (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 (less than RON 24,500).

For these leases, the Company recognizes payments as linear operating expenses over the term of the leasing contract. Electromagnetica recognises as leasing contracts those aimed at renting spaces. Since the lease is made for periods of one year or more, they are treated by recognizing a right to use the asset and a leasing liability.

Lease liability

At the start date of the leasing contract, the Group 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 Group estimates the interest borrowing rate taking into account data from financial institutions and related borrowing costs.

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 substance), less any lease 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 Group 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 Group 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 Group determines the revised lease payments to reflect changes in amounts due under the purchase option.

The Group 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 Group 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 Group determines the revised lease payments for the remainder of the lease term based on revised contract payments.

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

Right of use of assets

Rights of use of assets include the initial valuation of the corresponding leasing debt, 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 amortized for the shortest period between the rental term and the useful life of the underlying asset, as follows:

Right of use assets	Depreciation period (years)
Buildings	1-5
Vehicles	3-5

The Group as lessor

The Group concludes rental contracts as a lessor for the spaces in the buildings registered both as tangible assets and as investment properties.

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 Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

Borrowing costs

The borrowing costs should include interest on loans that are directly attributable to the acquisition, construction or production of a qualifying asset. They 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, no interest was capitalised as the Group did not take any borrowing for construction of qualified asset.

Employee benefits

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

The Group makes payments on behalf of its own employees to the pension system of the Romanian state, health insurance and unemployment fund, during the normal activity. All employees of the Group are members and have the obligation to contribute to the pension system of the Romanian state. All related contributions are recognised in the profit and loss account of the period when they are made. The Group has no additional obligations otherwise. The 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 Group is not engaged in any independent pension scheme and therefore has no obligations whatsoever to do so. The Group is not engaged in any other post-employment benefit scheme. The Group has no obligations to provide subsequent services to former or current employees.

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

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

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

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 Group'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 claims 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)

Income, expenses of assets are net recognized 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 debts are recognized with vat included, when the net amount to be paid or recovered from the tax authority is included in the receivables or debts in the Statement of the 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.

The Group has opted to use for the revaluation method as subsequent initial measurement of lands and buildings.

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 minus cumulated 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.

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

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

Property, plant and equipment in the form of construction in progress which are aimed to be used in production or administratively are valued at cost minus the accumulated depreciation cost. 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 the 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 Group has opted to use as a depreciation method, the straight-line method that involves the systematic allocation of the amount of depreciation over the entire economic life of the assets.

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

Property, plant and equipment	<u>Duration (years)</u>
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 arising from the disposal or disposal of an element of property, plant and equipment is determined as the difference between the sales receipts and the net carrying amount of the asset and is recognized in the Statement of Profit and Loss on the date of derecognition.

Investment property

The investment property of the Group 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 property is 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.

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, with 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.

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

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 when 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.

Impairment of tangible and intangible assets

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

For intangible assets with an indefinite lifetime, impairment 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 independent of those 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 Group 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 an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and an impairment loss is known to reduce the value of the asset to the level of its recoverable amount.

Impairment losses are recognized in the Statement of profit and loss account to the line *Amortization and depreciation adjustments of fixed assets* and reversals 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 book value (net depreciation) that would have been determined if no impairment adjustment had been recognised in previous years.

Major maintenance and repairs

The capitalised costs of capitalized inspections and repair activities are separate components of the the corresponding assets or groups of assets. Capitalized costs related to capitalized capital repairs are depreciated using the depreciation method for the underlying asset until the next repair takes place.

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

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 part of the replaced asset has not been considered a separate component, and therefore not depreciated separately, the replacement value is used to estimate the net carrying amount of the replaced asset that is scrapped immediately.

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 Group recognizes inventories 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 Group uses as a valuation method FIFO (first in, first out). For finished products, the standard cost is used. 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 amounts are booked in the statement of profit or loss of the period.

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 on current assets. The portion that exceeds one year is reflected as non current assets.

Financial instruments

i) Initial recognition and measurement

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

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. Currently the Group are represented by receivables and guarantees. The Group business model is to generate contractual cash flows.

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

Financial instruments (continued)

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

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position if, and only if, the Group has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

ii) Financial assets

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

A financial asset (or, where applicable, a 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 Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either: (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Cash and cash equivalents

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

Cash and cash equivalents are subject to impairment calculations, however the ECL amounts are immaterial due to the fact that the cash is held at reputable banks as BT, BRD, BCR.

Other financial assets at amortised costs

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

Trade and other receivables

Trade receivables financial assets carried at measured under IFRS 9 are amounts due from customers for products sold the ordinary course of business. They are generally due for settlement within 60-120 days and therefore are all classified as current. Trade receivables are recognized initially at the amount of consideration under IFRS 15 that is unconditional unless they contain significant financing components, when they are recognized at fair value at initial recognition date. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method.

The Group's trade receivables do not contain any financing component. Therefore, the Group adopted the simplified approach under IFRS 9 and measured the loss allowance based on a provision matrix that is based on historical collection and default experience adjusted for forward looking factors in order to estimate the provision on initial recognition and throughout the life of the receivables at an amount equal to lifetime ECL (Expected Credit Losses). The assessment is performed every six-months and any change in original allowance will be recorded as gain or loss in the income statement. The lifetime ECL allowance and specific loss allowance recorded in the current year are classified as other expenses as the amounts were not material.

Trade and other receivables, together with the associated allowance if any, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If collection is expected in more than one year, they are classified as non-current assets.

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

Judgements and estimates

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

iii) Financial liabilities

Financial liabilities of the Group mainly comprise interest-bearing loans and borrowings, trade and other payables.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Shareholder financing

According to IFRS 9, "Financial Instruments" shareholder loans received by the Group have been recognised at fair value.

After initial recognition, the shareholder loans are subsequently measured at amortized cost using the effective interest method; any difference between fair value of the proceeds (net of transaction costs) and the redemption amount is recognized as expense over the period of the borrowings.

Derivative financial instruments

Derivatives are recognised initially and are subsequently remeasured at fair value. The Group 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 recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

Provision for warranties 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 Group:

- 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 expense linked to restructuring.

Provisions for employee benefits

Provisions for leaves left unpaid and other provisions according to employment contracts are recorded during the financial year.

The Group does not recognize the provision for losses on the operation of assets.

Segment reporting

Taking into account that the shares of the Parent Company are traded on the Bucharest Stock Exchange and that it applies IFRS, it is presented in the annual financial statements as well as in the interim reports made according to the IAS 34- Interim Financial Reporting, information about business segments, their products and services 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 business segments as well as the quantitative thresholds described in IFRS 8, the Group has identified the following business segments for which it presents the information separately:

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

Dividends

Dividends are recorded as liabilities in the financial statements of each company in the Group during the period in which they are approved by the shareholders and are reflected accordingly by the decrease in retained earnings.

4.2. Accounting judgments, estimates and assumptions

Consolidated financial statements have been prepared on the basis of historical cost, with the exception of investment property, buildings and lands which are measured at fair value. 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.

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

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

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

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

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

In accordance with IAS 36, intangible and tangible assets are analysed to identify whether they present impairment indications as of 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 during the next periods, the net accounting value is increased until the net accounting value which could have been if no impairment would have been previously recognised.

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

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

Cost	Land and land arrangements	Constructions	Technological equipment and vehicles	Other property, plant and equipment	Construction in progress	Advances for property, plant and equipment	Total
As of 31 December 2021	171,653,309	130,458,996	22,998,851	3,018,516	1,295,319	-	329,424,991
Additions	-	130,326	1,379,759	171,669	3,193,985	118,354	4,994,092
Out of whic transfers	-	130,326	1,359,153	55,292	-	-	1,544,771
Disposals	-	-	(27,046)	(21,206)	(1,544,771)	-	(1,593,023)
Out of which transfers	-	-	-	-	(1,544,771)	-	(1,544,771)
As of 31 December 2022	171,653,309	130,589,322	24,351,564	3,168,979	2,944,533	118,354	332,826,061
Accumulated depreciation	Land and land development	Constructions	Technological equipment and vehicles	Other property, plant and equipment	Property, plant and equipment in progress	Advances for property, plant and equipment	Total
As of 31 December 2021	(83,874)	-	(8,045,713)	(262,844)	-	-	(8,392,432)
Depreciation of the year	(59,468)	(5,540,942)	(3,349,950)	(642,741)	-	-	(9,593,101)
Accumulated depreciation related to disposals	-	-	8,378	15,447	-	-	23,825
As of 31 December 2022	(143,342)	(5,540,942)	(11,387,285)	(890,138)	-	-	(17,961,708)

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5. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment adjustments	Land and land development	Constructions	Technological equipment and vehicles	Other property, plant and equipment	Property, plant and equipment in progress	Advances for property, plant and equipment	Total
As of 31 December 2021	-	-	-	-	-	-	-
Impairment adjustments recognised in profit or loss	(4,129,814)	-	-	-	-	-	(4,129,814)
As of 31 December 2022	(4,129,814)	-	-	-	-	-	(4,129,814)
Net book value							
As of 31 December 2021	171,569,435	130,458,996	14,953,138	2,755,672	1,295,319	-	321,032,559
As of 31 December 2022	167,380,153	125,048,380	12,964,279	2,278,841	2,944,533	118,354	310,734,538

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5. PROPERTY, PLANT AND EQUIPMENT (continued)

Cost	Land and land development	Constructions	Technological equipment and vehicles	Other property, plant and equipment	Property, plant and equipment in progress	Advances for property, plant and equipment	Total
As of 31 December 2020	155,049,519	109,185,646	35,580,545	4,836,288	2,540,147	301,602	307,483,196
Entries	16,894,673	33,507,015	4,011,153	1,096,513	3,306,681	-	58,816,035
of which:							
-Revaluation	16,894,673	33,061,115	340,111	630,518	-	-	50,926,417
-Transfers	-	445,900	3,654,703	450,906	(4,249,907)	(301,602)	-
Outputs	(290,883)	(12,233,665)	(16,592,847)	(2,903,734)	(4,551,509)	(301,602)	(36,874,240)
of which:							
- following the determination of the net value for revaluation	(245,007)	(11,122,963)	(14,701,005)	(2,667,037)	-	-	(28,736,012)
- decrease in value as a result of reassessment	(45,876)	(1,044,733)	(860,427)	(3,815)	-	-	(1,954,851)
As of 31 December 2021	171,653,309	130,458,996	22,998,851	3,018,516	1,295,319	-	329,424,991
Cumulative depreciation	Land and land development	Constructions	Technological equipment and vehicles	Other property, plant and equipment	Property, plant and equipment in progress	Advances for property, plant and equipment	Total
As of 31 December 2020	(328,881)	(7,518,387)	(20,208,283)	(2,546,782)	-	-	(30,626,275)
Depreciation of the year	-	(3,635,157)	(3,654,467)	(491,878)	-	-	(7,781,502)
Cumulative depreciation related to outputs from which:							
- following the determination of the net value for revaluation	245,007	11,153,544	15,817,037	2,799,758	-	-	30,015,346
	245,007	11,122,963	14,701,005	2,667,037	-	-	28,736,013
As of 31 December 2021	(83,874)	-	(8,045,713)	(262,844)	-	-	(8.392.432)

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5. PROPERTY, PLANT AND EQUIPMENT (continued)

	<u>Land and land development</u>	<u>Constructions</u>	<u>Technological equipment and vehicles</u>	<u>Other property, plant and equipment</u>	<u>Property, plant and equipment in progress</u>	<u>Advances for property, plant and equipment</u>	<u>Total</u>
Impairment adjustments							
As of 31 December 2020	-	(893,116)	(121,788)	-	-	-	(1,014,904)
Impairment adjustments recognised in profit or loss	-	-	-	-	-	-	-
Reversals of impairment adjustments recognised in profit or loss	-	893,116	121,788	-	-	-	1,014,904
As of 31 December 2021	-	-	-	-	-	-	-
Net book value							
As of 31 December 2020	154,720,638	100,774,143	15,207,907	2,308,131	2,529,596	301,602	275,842,017
As of 31 December 2021	171,569,435	130,458,996	14,953,137	2,755,670	1,295,319	-	321,032,559

All the revaluation results from 2021 was recognised in Other Comprehensive Income.

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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 annual depreciation.

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

The property, plant and equipment disposals were related to scrapping and sales.

The Group has mortgaged the following assets in favor of the respective banks, as follows:

Name of assets	Net Book Value December 31 2022	Net Book Value December 31 2021
- Buildings (cadastral lots no. 13,15) Calea Rahovei, nr. 266-268, sector 5, Bucharest	34,034,181	35,228,323
- Building no cadastral 232634 real estate + land Calea Rahovei, 266-268, sector 5, Bucharest	7,405,505	-
- Buildings (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 caption 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 Group's property, plant and equipment represented by lands and buildings are presented in the financial statements at the revalued value, this representing the fair value at the measurement date, less the accumulated depreciation and the impairment adjustments.

Last revaluation occurred as of 31 December 2021 and was performed by an accredited 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 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.

Valuation methods used were as follows:

- a. The office property is valued using the discounted cash flow method or capitalization method (income approach) based on the net rental revenue generated by the properties. The projected rental revenue comprises the tenants' payments as per the current rental contracts until their completion and revenues based on market rates thereafter. The effective rental revenue is derived by considering idleness at average market rates for each specific property type;
- b. The property which is not income-producing one (including real estate with residential destination) is valued using the market comparison method;
- c. Land plots are valued as though vacant using the market comparison method. The valuation is made using 3 comparable offers for selling lands whose asked price is adjusted in comparison grids.
- d. Investment property of the microhydor plants is valued starting from the fair value of the business unit derived through a discounted cash flow technique. The enterprise value of the HP Plants (considered one single cash generating unit) is computed starting from the projected production of electricity and awarded green certificates generating the operating revenue. The projection period for the cash flows considered is 10 years plus a terminal value calculated through cash flow capitalization. Additionally, the market value of the assets is calculated using the depreciated replacement cost method with the replacement cost derived based on unitary investment cost (EUR/MWh) multiplied by capacity (MW). As the depreciated replacement cost is found to be higher than the result of the sum of discounted cash flows, an economic depreciation (5%) is applied in the depreciated replacement cost computation.

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5. PROPERTY, PLANT AND EQUIPMENT (continued)

- e. The valuation of the movable goods within the Equipment Valuation Report is made using the depreciated replacement cost method under the cost approach. Under this method a replacement cost new for the equipment is calculated first. Next, physical, functional and economic depreciations are deducted from the replacement cost to arrive at the fair value. The replacement cost for the specialized equipment new was determined by indexation of the historical price by the percentage change in the EUR/RON exchange rate.. Physical deterioration was computed using the age/useful life method. No functional and economic obsolescence was assumed for the assets.

Unobservable inputs used are as follows :

- For office property – market rental rates (5-9 EUR/sqm/month), occupancy rates (85%-90%), landlord costs equal to monthly rental 5-9 EUR/sqm/month. Increase in related inputs will cause increase in overall fair value;
- Capitalization and discounts rates used in property valuation models (for offices 10.25% and for production premises 10.75% – increase in related inputs will generate a decrease in fair value

Observable inputs used are as follows:

- Electricity price used in Discounted Cash Flow Model for hydroplants - Electricity price set based on the mix of markets on which electricity is sold. It was calculated as average price over a historical period (12 months) and indexed by inflation. The price thus determined factors part of the price hike occurred in the second half of 2021. Increase in prices will cause an increase in fair value;
- Green Certificates price used in the Discounted Cash Flow model for microhydropower plants - price of Green Certificates assumed at the lower end of the regulated range which is consistent with the historical record and is the usual assumption in such models. Increase in prices will result in 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 arrangements	-	-	167,380,153	167,380,153
Construction	-	-	125,048,380	125,048,380
				Fair value at December 31 2021
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value at December 31 2021</u>
Land and land development	-	-	171,569,435	171,569,435
Construction	-	-	130,458,996	130,458,996

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

Revaluation surplus amounted as of December 31, 2021 RON 47.508.201 in accordance with Statement in Changes in Equity. The change in the period related to transfers to Retained Earnings as presented in Statement of Changes in Equity Note. The balance is restricted to be further distributed to shareholders.

Depreciation of fixed assets

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

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5. PROPERTY, PLANT AND EQUIPMENT (continued)

Electromagnetica is affected by this expropriation for 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 because it does not represent fair compensation established according to ICCJ Decision no. 78/2021. Pursuant to art. 19 paragraph 2 and paragraph 11 of Law no. 255 of December 14, 2010 regarding expropriation for the cause of public utility, necessary to achieve some objectives of national, county and local interest, in conjunction with art. 15 of HG no. 53 of January 19, 2011 for the approval of the Methodological Norms for the application of Law no. 255/2010, in conjunction with Law no. 33/1994, Electromagnetica SA, together with the submission of the documents attesting the ownership of the buildings, also formulated the request for the payment of compensation 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 evaluation report and, in the alternative, at the accounting 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 domain, will not accept the request in the administrative phase, the competent court will be invested in order to resolve the request.

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

6. INVESTMENT PROPERTY

The group owns premises used entirely for rent in the form of office spaces. 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 investment property. For the presentation of the investment property in the financial statements, the Group chose the fair value model.

As at 31 December 2022 and 2021, the fair values of the properties are based on valuations performed by Darian SRL, an accredited independent valuer. Darian SRL is a specialist in valuing these types of investment properties. A valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

The valuation resulted in recognising in profit or loss account a gain from revaluation in amount of RON 2.474.759 RON as of 31 December 2022 (as of 31 December 2021: 1.575.521 RON)

Rental income from investment property amounted as of Dec 31, 2022 3.313.883 RON (as of December 2021: 2.810.015 RON)

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

	2022	2021
Initial balance	19,355,453	15,394,199
Additions out of which:		
from fair value measurement	2,915,421	5,667,562
Transfers	2,691,390	2,313,834
Disposals out of which:		
from fair value measurement	224,031	-
Transfers	(216,631)	(1,706,308)
	(216,631)	(738,313)
	-	-
Final balance	22,054,243	19,355,453

The additions are represented by the investments in a building to be rented to a kindergarden.

The Group also owns other rented premises in buildings used in conjunction with other activities. They are not classified as investment properties because the share of rental revenue in total revenues is insignificant. Also, in most situations these spaces cannot be managed separately. Net book value of buildings which are used by the Group for both rental and other activities and do not represent investment property amounts 125.048.380 as of December 31, 2022 (2021:130.458.996)

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6. INVESTMENT PROPERTY (continued)

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

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>
Investment property	-	-	22,054,243	22,054,243

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value at December 31 2021</u>
Investment property	-	-	19,355,453	19,355,453

The valuation techniques in investment property valuations were as follows:

- The office properties are valued using the capitalization method (income approach) based on the net rental revenue generated by the properties. The projected rental revenue comprises the tenants' payments as per the current rental contracts until their completion and revenues based on market rates thereafter.
- Land plots are valued as though vacant using the market comparison method. The valuation is made using 3 comparable offers for selling lands whose asked price is adjusted in comparison grids.

Observable inputs used are:

- Comparable properties used for the valuation of land – increase in value will also cause an increase in investment property fair value;
- Market rental rates, occupancy rates and landlord costs – increase in the regarded inputs will determine an increase in fair value of investment property.

Unobservable inputs are:

- Capitalization rates (10%) used in investment property valuation models -increase in capitalisation rates will cause a decrease in fair value of investment properties.

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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 impairment. Intangible assets have decreased mainly due to the amortization of licenses. For most intangible assets, useful life spans have been estimated at 3 years. As of December 31, 2022, the intangible assets are as follows:

	Licenses patent concessions	Other intangible assets	Intangible assets under construction	Total
Cost				
As of 31 December 2021	1,237,821	2,613,010	-	3,850,832
Additions	-	784,116	-	784,116
Disposals	-	-	-	-
Transfers	-	-	-	-
As of 31 December 2022	1,237,821	3,397,126	-	4,634,948
Accumulated depreciation				
As of 31 December 2021	(1,094,992)	(2,612,446)	-	(3,707,438)
Depreciation of the year	(105,336)	(32,885)	-	(138,202)
Disposals accumulated depreciation	-	-	-	-
As of 31 December 2022	(1,200,328)	(2,645,311)	-	(3,845,640)
Net book value				
As of 31 December 2021	142,829	565	-	143,393
As of 31 December 2022	37,493	751,815	-	789,308

	Licenses patent concessions	Other intangible assets	Intangible assets under construction	Total
Cost				
As of 31 December 2020	1,180,618	2,612,687	57,204	3,850,509
Additions	57,203	323	-	57,526
Disposals	-	-	(57,204)	(57,204)
Transfers	57,203	-	(57,204)	-
As of 31 December 2021	1,237,821	2,613,010	-	3,850,831
Cumulative depreciation				
As of 31 December 2021	(944,874)	(2,612,301)	-	(3,557,175)
Depreciation of the year	(150,118)	(145)	-	(150,263)
Disposals accumulated depreciation	-	-	-	-
As of 31 December 2021	(1,094,992)	(2,612,446)	-	(3,707,438)
Net book value				
As of 31 December 2020	235,744	386	57,204	293,334
As of 31 December 2021	142,829	565	-	143,393

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8. RIGHT OF USE ASSETS

	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
Cost			
As of 31 December 2021	<u>-</u>	<u>263,578</u>	<u>263,578</u>
Additions	-	257,234	257,234
Disposals	-	(289,991)	(289,991)
Transfers	-	-	-
As of 31 December 2022	<u>-</u>	<u>230,821</u>	<u>230,821</u>
Accumulated depreciation			
As of 31 December 2021	<u>-</u>	<u>(58,911)</u>	<u>(58,911)</u>
Depreciation of the year	-	(96,466)	(96,466)
Cumulative depreciation related to outputs	-	79,847	79,847
As of 31 December 2022	<u>-</u>	<u>(75,531)</u>	<u>(75,531)</u>
Net book value			
As of 31 December 2021	<u>-</u>	<u>204,667</u>	<u>204,667</u>
As of 31 December 2022	<u>-</u>	<u>155,291</u>	<u>155,291</u>

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	96,466	88,224
Interest on lease liabilities	9,217	10,776
Expenses related to small-value lease contracts.	-	-
Total amounts recognized in the profit and loss account	<u>105,683</u>	<u>99,000</u>

Lease liabilities at 31 December 2022 they are worth 158,363 RON (75,410 short term and 82,953 long term).

At 31 December 2021 the value was 207,405 RON (71,085 short term and 136,320 long term).

There are not the case for short term leases.

Total cash outflow for leases amounts RON 104.433 RON (2021: 107.342 RON)

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9. OTHER FIXED ASSETS

	December 31 2022	December 31 2021
Guarantees granted to clients	2,872,490	1,481,839
Long-term trade receivables	7,022,277	12,921,014
Other non-current assets	33,637	137,628
Total	9,928,405	14,540,480

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

The long-term staggered receivables in the net value of 7,022,277 RON on December 31, 2022 were discounted to the present value, and the effect of the time value of money was in the amount of 1,010,831 RON. The current portion is recognized in trade receivables (Note 11).

10. INVENTORIES

	December 31 2022	December 31 2021
Raw materials	8,349,443	9,892,908
Consumables	2,616,895	2,567,184
Finished products	5,432,527	3,037,841
Work in progress	3,436,021	2,730,442
Other Inventories	2,777,658	2,454,844
Allowance for inventories impairment	(2,330,345)	(2,272,135)
Total	20,282,199	18,411,084

The increase of the finished products at the end of 2022 occurred in order to ensure some buffer inventory necessary to sustain 2023 sales.

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

The movement in inventories allowance for impairment is as follows:

	2022	2021
Balance at the beginning of the period	(2,272,135)	(1,818,372)
Impairment adjustment (expense)	(738,278)	(657,136)
Impairment adjustment reversal	680,068	203,373
End-of-period balance	(2,330,345)	(2,272,135)

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

The group has no pledged inventories.

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11. TRADE RECEIVABLES

	<u>December 31</u> <u>2022</u>	<u>December 31</u> <u>2021</u>
Trade Receivables from Romania	73,877,683	67,949,785
Trade Receivables from other countries	6,255,673	7,159,872
Allowance for depreciation of doubtful customers	<u>(3,721,707)</u>	<u>(3,589,909)</u>
Net trade receivables	<u>76,411,649</u>	<u>71,519,748</u>

The increase of trade receivables on December 31, 2022 compared to December 31, 2021 had as a cause the postponement of the collection of some contracts of the Parent Company in connection with the state authorities.

The concentration of credit risk is limited because the client portfolios of the Parent Company are large and unrelated. The first 5 clients in balance of the Group held a share of 36% in the total receivables in the balance as at December 31, 2022. Also, 4 clients of the Group each representing over 5% of the balance as at December 31, 2022 amounted to 33% of the total receivables in the balance.

Comparatively, as of December 31, 2021, the first 5 clients in the balance of the Group 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 parent 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 Group individually assesses impairment losses if there are indications of significant increases in credit risk at individual level. More information is given in Note 29.

The management of the Group 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>
Balance at the beginning of the year	<u>(3,589,909)</u>	<u>(4,909,054)</u>
Allowance for impairment	(405,766)	(966,988)
Reversal of allowance for impairment	<u>273,968</u>	<u>2,286,133</u>
End-of-year balance	<u>(3,721,707)</u>	<u>(3,589,909)</u>

A part of the Group'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.

12. OTHER CURRENT ASSETS

	<u>December 31</u> <u>2022</u>	<u>December 31</u> <u>2021</u>
Other receivables	41,436	31,440
Prepayments	873,588	785,174
Advances to suppliers	151,759	29,010
Other current assets	<u>659,000</u>	<u>1,215,763</u>
Total	<u>1,725,783</u>	<u>2,061,387</u>

The Prepayments caption in the amount of 868,718 lei represents mainly rentals 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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13. CASH AND CASH EQUIVALENTS

	December 31 2022	December 31 2021
Cash in hand	23,918	24,598
Cash at bank	15,391,114	7,061,274
Cash equivalents	2,356	417
Total	15,417,388	7,086,289

	December 31 2022	December 31 2021
Restricted cash	90,000	90,000
Total	90,000	90,000

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

Cash at bank caption contains also short-term deposits: 31 December 2022: 10.864.429 lei (31.12.2021: 108.302 lei)

14. SHARE CAPITAL

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

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

Shareholder	31 December 2022		31 December 2021	
	No. Of shares	%	No. Of shares	%
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
Total	676,038,704	100	676,038,704	100

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

15. RESERVES

Legal reserve

	2022	2021
Balance at the beginning of the period	19,811,834	19,811,734
Increases	1,401,865	100
Decreases	(8,649,877)	-
Balance at the end of the period*	12,563,922	19,811,834

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15. RESERVES (continued)

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 distributions 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 value of legal reserve representing the inflationary adjustment under IAS 29 application in amount of 8.469.877 RON was used in 2022 in order to cover the prior years losses.

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 in line with the depreciation of revalued fixed assets.

	<u>2022</u>	<u>2021</u>
Balance at the beginning of the period	130,640,518	93,954,274
Net revaluation increases	-	41,038,025
Other elements	4149	29,858
Decreases	(3,563,881)	(4,381,640)
End-of-period balance	127,080,786	130,640,518

The Group 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%.

	<u>2022</u>	<u>2021</u>
Balance at the beginning of the period	67,949,273	65,732,184
Increases	247,898	2,107,789
Other elements	(2,988)	-
Reductions *	(8,865,555)	(109,300)
End-of-period balance	59,328,628	67,949,273

*For 2022 this line includes the amount of 7,463,590 lei used by the Parent Group to cover the losses from the previous year.

16. RETAINED EARNINGS

As at 31 December 2022, the retained earnings resulting from the transfer of the net revaluation reserves related to the depreciated or decommissioned assets was RON 3,564,881.

17. INVESTMENT SUBSIDIES

	<u>Total</u>	<u>under one year old</u>	<u>over a year's time</u>
Investment subsidies as at 31 December 2022	4,083,869	163,219	3,920,651
	<u>Total</u>	<u>under one year old</u>	<u>over a year's time</u>
Investment subsidies as at 31 December 2021	4,247,088	163,219	4,083,869

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

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18. PROVISIONS

Name	Balance as of 01 January 2022	Increases	Decreases	Balance as of 31 December 2022
Provisions for warranties	1,120,000	-	(345,000)	775,000
Provisions for risks and charges	31,440	-	-	31,440
Provision for employee benefits	1,232,114	569,014	(359,438)	1,441,690
TOTAL	2,383,554	569,014	(704,438)	2,248,130

The Group has concluded contracts for the delivery of lighting fixtures which have warranties attached for 2-4 years. The contracts do not provide for a percentage or an amount to be covered by warranty, the provision being calculated based on historical warranty expenses.

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

19. TRADE AND OTHER PAYABLES

	December 31 2022	December 31 2021
Current trade payables		
Trade Payables towards Romanian companies	8,542,977	7,301,334
Trade debts from other countries	4,974,114	5,052,945
Estimated trade liabilities	3,519,791	10,712,386
Other current liabilities		
Advances received from customers	3,180,259	2,633,180
Employee benefits	3,425,097	3,331,776
Deferred Income	44,047	15,535
Short term loans	-	20,960,469
Other liabilities	8,681,070	4,488,568
Total trade and other payables	32,367,355	54,469,193

Trade payables are recorded at cost for each partner the Group collaborates with.

Liabilities denominated in foreign currencies were valued based on closing exchange rate as per National Bank of Romania as of 31 December 2022. The differences resulted from exchange rate translation were recognised in profit or loss account. The Group does not have significant outstanding trade payables.

The Group does not have overdue payments towards employees and state budget, the amounts presented in above note represent payables related to December 2022 and paid at the due date of January 2023.

The Group does not have any long term loans from credit institutions at year end.

The Group has concluded several short term loans contracts as of December 31, 2022. See Note 30 for further details.

Other liabilities are represented by guarantees received from tenants, VAT payable, other taxes and duties.

The guarantees received from tenants and those withheld from suppliers on December 31, 2022 are amounting to RON 3,613,757 and will be settled according to the contractual clauses.

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19. TRADE AND OTHER PAYABLES (continued)

	<u>Total</u>	<u>Under one year old</u>	<u>A year from now</u>
Guarantees received in 2022	3,615,027	2,914,850	700,176
	<u>Total</u>	<u>Under one year old</u>	<u>A year from now</u>
Guarantees received in 2021	3,235,762	2,259,943	975,819

20. GROUP AS A LESSOR

The Group has entered into operating leases on its investment property portfolio consisting of certain office and manufacturing buildings (see Note 6). These leases have terms of between 2 and 3 years

All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The lessee is also required to provide a residual value guarantee on the properties on this way it covers the risks that lessor has in case of any issues in collaboration with tenants.

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

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are, as follows:

	<u>2022</u>	<u>2021</u>
- Within one 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

21. INCOMES

	<u>2022</u>	
REVENUES FROM CONTRACTS WITH CUSTOMERS	<u>Licensed activity</u>	<u>Unlicensed activity</u>
<i>Revenues from production of electricity from renewables sources and electricity supply service</i>	113,447,919	-
<i>Revenues from the sales of led lighthening, fixtures, systems and solutionelectric vehicles charging stations, injection of plastic and molds, low voltage electrical equipment, railway traffic safety features</i>	-	66,414,898
<i>Revenues from services rendered</i>	-	34,563,992
TOTAL REVENUES FROM CONTRACTS WITH CUSTOMERS	<u>113,447,919</u>	<u>100,978,890</u>
REVENUES FROM RENTALS*	<u>-</u>	<u>17,501,175</u>
TOTAL REVENUES	<u>113,447,919</u>	<u>118,480,065</u>

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21. INCOMES (continued)

	2021	
	Licensed activity	Unlicensed activity
REVENUES FROM CONTRACTS WITH CUSTOMERS		
<i>Revenues from production of electricity from renewables sources and electricity supply service</i>	237,004,488	-
<i>Revenues from the sales of led lighthening, fixtures, systems and solutions electric vehicles charging stations, injection of plastic and molds, low voltage electrical equipment, railway traffic safety features</i>	-	64,669,812
<i>Revenues from services rendered</i>		22,419,283
TOTAL REVENUES FROM CONTRACTS WITH CUSTOMERS	237,004,488	87,089,095
REVENUES FROM RENTALS*		16,817,289
TOTAL REVENUES	237,004,448	103,906,384

Timing of revenues from contracts recognition

	2022	
	Licensed activity	Unlicensed activity
Goods and services transferred at a point in time	-	66,414,898
Goods and services transferred over time	113,447,919	34,563,992
Total revenues from contracts with customers	113,447,919	100,978,890

	2021	
	Licensed activity	Unlicensed activity
Goods and services transferred at a point in time	-	64,669,812
Goods and services transferred over time	237,004,488	22,419,283
Total revenues from contracts with customers	237,004,488	87,089,095

Group revenue streams are:

- *Revenues from production of electricity from renewables sources and electricity supply service*, revenues are performance obligations satisfied **over time** when the client received the reated energy. The prices are identifiable and market is regulated. The standard payment terms are in between 30-60 days.
- *Revenues from the sales of led lighthening, fixtures, systems and solutionelectric vehicles charging stations, injection of plastic and molds, low voltage electrical equipment, railway traffic safety features* , revenues are performance obligations satisfied at **a point in time** at the moment the client receives and/or the goods are delivered. The prices are identifiable and represent the consideration paid by the customer at the sale of finished goods. By case, the clients have established rights of returns. Management analyzed historical returns and amounts deemed to be insignificant.. The standard payment terms are in between 30-90 days. There are also no volume rebates.
- *Revenues from services rendered (lighening installation services)* - revenues are performance obligations **satisfied over time**. The prices are identifiable and represent the consideration paid by the customer. The standard payment terms are in between 60-90 days and might reach up to 2-3 years. The method used in input based method (linked to costs) according to which revenues are recognized on the basis of the entity's efforts to meet the performance obligation.

Most of revenues are generated in Romania, the exports abroad being insignificant reported to total sales.

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21. INCOMES (continued)

Dissagregation of revenues per products is as follows:

	<u>2022</u>	<u>2021</u>
Electric vehicles charging stations	12,836,758	-
Electrical appliances	16,047,551	11,503,346
Safety security elements for railways	6,645,897	6,495,542
Injections of plastics and matrixes	9,481,662	17,984,402
Leds	17,681,980	25,893,661
Others	3,721,049	2,792,861
TOTAL	66,414,898	64,669,812
Electricity production	3,074,682	3,194,653
TOTAL	69,489,580	67,864,465

Other net incomes and expenses

	<u>2022</u>	<u>2021</u>
Income/(Expense) from Green Certificates	1,673,074	2,214,221
Income/(expenses) related to provisions	(111,041)	3,068,126
Net exchange rate difference	28,561	(27,016)
Other net income/(expense)	3,784,040	(790,723)
TOTAL	5,374,634	4,464,607

Net provisions represent income from provisions for performance guarantees granted to customers, employee benefits

The net income from fair value valuation of investment property amounted of RON 2.474.759 and can be found at Other net income/(expense)

22. EXPENSES

	<u>2022</u>	<u>2021</u>
Expenses with materials	124,237,226	293,323,283
- Expenses with raw materials and consumables	58,965,295	44,343,525
- Expenses with merchandise sold	59,287,292	245,329,378
- Expenditure on energy,apa,gas	5,984,639	3,650,381
Employee benefit expenses	39,022,831	35,327,205
- Payroll expense	23,588,796	21,395,530
- Other staff costs	15,434,035	13,931,675
Other expenses	47,233,735	34,337,887

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22. EXPENSES (continued)

- Postal expenses	631,414	262,353
- Maintenance and repair costs	336,566	402,473
- Rent costs	451,513	734,852
- Advertising and entertainment expenses	196,234	165,269
- Insurance costs	610,842	536,384
- Travel costs	1,352,464	1,248,850
- Expenses on subcontracted works	9,726,582	6,100,357
- Expenses with other taxes and fees	17,172,530	1,783,907
- Expenses related to consultants and collaborators	771,013	815,131
- Expenses on green certificates	1,400,886	5,693,121
- Other operating expenses	14,583,691	16,595,190
	<u>13,949,900</u>	<u>7,832,927</u>
Depreciation and amortization expenses		
- Depreciation charges	13,949,900	8,027,301
- (Gain)/Impairment loss	-	(194,374)
	<u>224,443,692</u>	<u>370,821,302</u>
Total expenses		
	<u>14,188,764</u>	<u>6,672,706</u>
Changes in stock of finished goods and production in progress		
	<u>2,229,197</u>	<u>3,978,888</u>
Capitalised activity performed by the entity		

Spending on raw materials and materials increased with rising prices for purchases to ensure the production process.

The depreciation and amortization expenses contain the RON 4.129.814 impairment adjustment for the land expropriation in Domnesti.

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

23. FINANCIAL EXPENSES

	<u>2022</u>	<u>2021</u>
- Interest expense	540,789	455,549
- Bank fees	499,913	676,270
- Leasing interest expenses	9,217	10,776
	<u>1,049,919</u>	<u>1,142,595</u>
Total financial expenses		

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24. INCOME TAX

Corporation tax recognised in profit or loss:

	December 31 2022	December 31 2021
Current profit tax		
Current income tax expense	2,855,433	45,379
Deferred corporate tax		
Deferred tax revenue	(889,310)	(706,132)
	1,966,123	(660,753)

The reconciliation of profit before tax with the corporate income tax expense is as follows:

Indicator	December 31 2022	December 31 2021
Net Profit	26,408,048	(15,228,228)
Deductions	(7,250,107)	(3,984,723)
Non-taxable income	(6,231,082)	(9,165,928)
Non-deductible expenditure	20,009,586	13,335,078
Taxable Profit / Tax Loss	32,936,445	(15,043,801)
Tax loss from previous years	(15,043,801)	-
Current profit tax	2,862,823	45,379
Corporate tax reduction	(7,390)	-
Income tax due at the end of the period	2,855,433	45,379

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).

The analysis of the deferred income tax for the reporting period (2022) is presented below:

	Initial balance	Recognised in the profit or loss account (income)/ Expense	Recognized in other elements of the overall result	Final balance
Property, plant and equipment	24,930,405	(1,585,446)	-	23,344,959
Adjustment of fixed assets	-	660,770	-	660,770
The effect of the time value of money (receivables)	(377,555)	89,764	-	(287,791)
Debt value adjustments	(448,332)	(21,083)	-	(469,415)
Stock value adjustments	(329,268)	(43,587)	-	(372,855)
Employee benefits	(232,926)	10,062	-	(222,864)
TOTAL	23,542,324	(889,520)	-	22,652,804

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24. INCOME TAX (continued)

For 2021 :

	<u>Initial balance</u>	<u>Recognised in the profit or loss account (income)/ Expense</u>	<u>Recognized in other elements of the overall result</u>	<u>Final balance</u>
Property, plant and equipment	19,392,798	(1,017,159)	6,554,766	24,930,405
Adjustment of fixed assets	(462,002)	84,447	-	(377,555)
The effect of the time value of money (receivables)	(785,293)	336,961	-	(448,332)
Debt value adjustments	(290,940)	(38,328)	-	(329,268)
Stock value adjustments	(160,873)	(72,053)	-	(232,926)
TOTAL	17,693,690	(706,131)	6,554,766	23,542,324

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.

25. AVERAGE NUMBER OF EMPLOYEES

The average number of employees has evolved as follows:

	<u>December 31 2022</u>	<u>December 31 2021</u>
Group	416	434
Society	368	385

The payroll expenses are as follows:

	<u>2022</u>	<u>2021</u>
Expenses with salaries	23,588,796	21,395,530
-of which the parent company	21,954,297	19,960,916
Other staff costs	15,434,035	13,931,675
-of which the parent company	14,096,596	12,699,340
Total	39,022,831	35,327,205
-of which the parent company	36,050,893	32,660,256

The Group does not have a pension programme or specifically contributing to the national pension programme under the legislation in force.

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26. TRANSACTIONS WITH RELATED PARTIES

As of December 31, 2022 and December 31, 2021, respectively, the Group had no related parties outside the subsidiaries included in the consolidation. The balances and transactions with them were eliminated for the purpose of preparing the consolidated financial statements.

Compensation of key management personnel

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

	December 31 2022	December 31 2021
Management Salaries	2,802,774	2,481,667
Management bonus	-	-
Board of directors benefits	786,531	682,256
Total	3,589,305	3,163,923

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

The Group shall not be bound by any future obligations of the nature of guarantees on behalf of the directors,

27. EARNINGS PER SHARE

Basic earnings 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.

Diluted earnings per share

For the calculation of the diluted earnings per share, the Group 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 Group 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.

28. SEGMENT INFORMATION

Taking into account that the Group operates in a highly regulated environment (energy sector) and also has production activity /renders services – activity which is not regulated by the state as energy market is, the Group decided to use this aspect as an aggregation criterion for reporting on segments and identified the following business segments for which it presents the information separately:

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

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

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28. SEGMENT INFORMATION (continued)

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

Year 2022	Unlicensed activity	% Total Group	Licensed activity	% Total Group	Total Group
Net profit	(110,195)	-	26,518,244	100	26,408,048
Of which:					
-current activity	4,019,618	10	26,518,244	90	30,537,862
-loss of land expropriation	(4,129,814)	100	-	100	(4,129,814)
Total assets	379,191,710	83	78,477,305	17	457,669,015
Total liabilities	39,519,063	64	22,691,636	36	62,210,699
Customer revenue	118,480,065	51	113,447,919	49	231,927,983
Interest income	147,205	100	-	-	147,205
Depreciation and amortization	11,709,470	84	2,240,430	16	13,949,900

Year 2021	Unlicensed activity	% Total Group	Licensed activity	% Total Group	Total Group
Net loss	6,311,126	-	(21,539,354)	100	(15,228,228)
Total assets	391,969,233	86	62,973,092	14	454,942,325
Total liabilities	56,976,832	66	28,875,552	34	85,852,384
Customer revenue	103,906,384	30	237,004,488	70	340,910,872
Interest income	132,350	100	-	-	132,350
Depreciation and amortization	6,443,882	82	1,389,044	18	7,832,927

Main products and production structure

The Group benefits from a variety of technologies and equipment that allows obtaining a diversified products portfolio. The share of the main product categories in the Group turnover related to sale of finished goods (excluding services) is the following:

LED lighting fixtures, systems and solutions

For over 10 years our Group 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 is 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.

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28. SEGMENT INFORMATION (continued)

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

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.

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 Group 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 Group 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 Group from the group of the largest seller of online products, which 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.

Injection of plastics and molds

Electromagnetica benefits from a wide range of technologies, which allows the Group to produce subassemblies from injected plastics for both domestic and export. The Group 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 Group 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.

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.

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28. SEGMENT INFORMATION (continued)

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 Group holding a producer's license since 2007. The Group 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.

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 of it is mentioned that there is still a significant difference between the vacancy rates reported to 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)

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29. RISK MANAGEMENT

General framework for risk management

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

The activity is governed by the following principles:

- a. the principle of delegation of authority;
- 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 Group, as well as the corporate structure of the Group.

The Group's risk management policies are defined in such a way as to ensure the identification and analysis of the risks faced by the Group, 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 Group's activities. The Group, 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 Group 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 Group exposes it to a series of financial risks: market risk (including exchange rate risk, interest rate risk, price risk), credit risk and liquidity risk.

The Group is exposed to the following risks:

Capital risk management

Capital risk management aims to ensure the ability of the Group to carry out its activity in good conditions through an optimization of the capital structure (equity and debts).

In order to maintain an optimal capital structure and a proper degree of indebtedness, the Group 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 Group in the segments of the market where the sale is supported by the provision of commercial facilities.

The Group monitors its 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 payables (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:

	December 31 2022	December 31 2021
Total long term and short term debts	62,210,699	85,852,384
Less : Cash and cash equivalents	(15,417,388)	(7,086,289)
Total	46,793,311	78,766,095
Equity	395,458,316	369,089,941
Debt to equity ratio	0.118	0.213

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29. RISK MANAGEMENT (continued)

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

The exposure to foreign exchange risk of the Group results from:

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

The foreign currencies most often used in transactions are EUR, USD and MDL.

Foreign currency assets are represented by trade receivables denominated in foreign currency. Foreign currency liabilities are represented by trade payables denominated in foreign currency.

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

The currency in which they are denominated

Functional currency	EUR	USD	MDL	Total
	RON	RON	RON	RON
31 December 2022	EUR	USD	MDL	Total
Total monetary assets	6,451,603	544,964	81,892	7,078,459
Total monetary liabilities	4,785,951	188,165	-	4,974,116
31 December 2021	EUR	USD	MDL	Total
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%
31 December 2022		
Statement of profit and loss	166,565	35,680
Other equity	-	-
31 December 2021		
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 Group.

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29. RISK MANAGEMENT (continued)

Interest risk management

Change in interest rates risk it is kept under control due to the investment policy of the Group from its own sources of financing, which leads to the use of credit facilities only for short periods.

As of December 31, 2022, the Group did not conclude any medium or long-term loans, holding only short term loan facilities that can be used if necessary depending on the temporary cash deficit recorded.

The interest rates for the Group's loan facilities are based on ROBOR because the financing lines are in RON.

The credit lines were fully paid 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 Group'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.

In the market in which the Group operates specifically 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.

Credit risk management

The credit risk consists in the event that the contracting parties do not respect their contractual obligations leading to financial losses for the Group. The Group is exposed to credit risk arising from its operational activities, especially commercial activities (Note 11) and from financial activities that include deposits with banks.

Receivable

Trade receivables come from a wide range of clients which work in various fields of activity and in different geographical areas. In order to counteract this risk factor, the Group has applied restrictive policies of delivery of products to uncertain customers. Policies were contracted to insure the receivables on the foreign markets. Due to the increased incidence of the insolvency cases, there is a concrete risk regarding the recovery of outstanding receivables amounts before clients being declared as bankrupted. The Group pays increased attention to the creditworthiness and financial discipline of the contractual partners. The Group 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 Group 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 Group's concentration risk see Note 11.

The credit risk profile of commercial receivables is presented based on their maturity in terms of the impairment adjustment matrix. This matrix is initially based on the Group'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 Group 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 Group 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 Group 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 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 at 31 December 2022.

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29. RISK MANAGEMENT (continued)

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

The following table presents the risk profile of the trade receivables based on the Group's allowance adjustment matrix. Since the Group'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 Group.

Current trade receivables

31 December 2022

Time limits	Balance as of Dec 31, 2022	Allowance	Estimated loss rate (%)
Current (no overdue)	35,241,713	-	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%
Total receivables analyzed globally	63,289,907	-	
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%
Total receivables individually analysed	16,843,449	(3,721,707)	
Total	80,133,356	(3,721,707)	

Current commercial receivables

31 December 2021

Time limits	Gross balances	Allowance	Estimated loss rate (%)
Current (no overdue)	29,411,317	-	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%
Total receivables analyzed globally	52,777,449	-	-
Receivables for licensed activities	10,193,224	-	-
Receivables for unlicensed activities with state authorities	9,393,392	(844,317)	-
Individually analyzed claims other	2,745,592	(2,745,592)	100%
Total receivables individually analysed	22,332,208	(3,589,909)	
Total	75,109,657	(3,589,909)	

Relevant to mention that the above mentioned ECL losses are reflecting the good credit standing of public sector considering the multitude of long term of projects the Group has with city halls and other public sector authorities.

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29. RISK MANAGEMENT (continued)

For the globally analyzed receivables, the Management considered that the value resulting as impairment adjustment receivables is non-material and was not recorded.

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.

Financial instruments and deposits

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

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

Liquidity risk management

The treasury department of the Group 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:

	31 December 2022	0 - 1 year	1 - 2 years	2 - 5 years	After 5 years
Trade receivables and other receivables	88,236,050	78,307,645	5,478,114	4,450,290	-
Trade and other payables	33,225,894	32,442,765	745,412	37,717	-
Net position	55,010,156	45,864,880	4,732,702	4,412,573	-
	31 December 2021	0 - 1 year	1 - 2 years	2 - 5 years	After 5 years
Trade receivables and other receivables	88,708,881	72,168,401	6,395,993	8,144,487	-
Trade and other payables	55,679,418	54,567,279	1,055,662	56,477	-
Net position	33,029,463	17,601,122	5,340,331	8,088,010	-

Categories of financial instruments

	2022	2021
Financial assets		
-amortized cost		
Short and long term commercial receivables	88,236,050	88,708,881
Cash and cash equivalents	15,417,388	7,086,289
Total	103,653,438	95,795,170
	2022	2021
Financial liabilities		
-amortized cost		
Trade and other payables	33,067,531	55,472,013
Short- and long-term leasing liabilities	158,363	207,405
Total	33,225,894	55,679,418

**The book value of trade payables and receivables approximates the fair value as of December 31, 2022, most of the receivables are of a short-term nature and the discounting effect on the long-term part is not significant*

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29. RISK MANAGEMENT (continued)

Changes in liabilities arising from financing activities are presented as follows:

..	1 January 2022	Collection	Interest expense	Interest payments	Payments	Leasing	Lease payments	31 December 2022
Overdraft	20,891,294	32,718,453	609,409	(609,409)	53,609,747	-	-	-
Lease liabilities	207,405	-	-	-	-	46,848	(95,890)	158,363
Total financial liabilities	21,098,699	32,718,453	609,409	(609,409)	(53,609,747)	46,848	(95,890)	158,363

..	1 January 2021	Collection	Interest expense	Interest payments	Payments	Leasing	Lease payments	31 December 2021
Overdraft	-	95,904,347	380,531	(380,531)	(75,013,053)	-	-	20,891,294
Lease liabilities	305,637	-	-	-	-	(4,091)	(94,141)	207,405
Total financial liabilities	305,637	95,904,347	380,531	(380,531)	(75,013,053)	(4,091)	(94,141)	21,098,699

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29. RISK MANAGEMENT (continued)

Commitments

As of December 31, 2022, the Group has commitments granted by 5 financing banks (2021: 4 financing banks) as follows:

- for bank loans in the form of overdrafts for working capital in the amount of RON 57,000,000 (2021: RON 44.000.000);
- non-cash guarantee agreements in the amount of RON 30,000,000 (2021: 34.000.000).

As of December 31, 2022, the Group had an amount of RON 57,000,000 from the loan facilities contracted with the banks. As of December 31, 2022, the Group had an amount of RON 26,630,356, as unused, from the non-cash facilities for letters of guarantees.

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

The commitments granted are guaranteed with accounts opened with the creditor banks, receivables (amounting to RON 10,313,308), collateral deposits amounting to RON 90,000, tangible assets (land, buildings) amounting to RON 150,216,396 (Note 6).

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 Group is involved are of immaterial amounts. The parent company manages disputes through its own legal department and through collaborations with external partners specialized in managing specific conflicts.

30. SUBSEQUENT EVENTS

The regularization of the final quota of green certificates for the energy supply activity carried out in 2022 was not reflected in the financial statements due to the delayed publication of the ANRE order no. 9/24.02.2023. Regularization will not have an influence on profit.

Although the military operation in Ukraine is ongoing, it has not had a major impact on the Group's activity, trading volumes, cash flows and profitability based on management assesment.

However, the parent company and its subsidiaries continue 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 Parent Company and the subsidiaries continue to fulfill their obligations as they reach maturity and therefore continue to apply the going concern principle.

Also, the management has no knowledge of events, changes or other uncertainty factors that could significantly affect the Group revenues or it liquidity , other than those mentioned.

These consolidated financial statements were approved to be issued by the management on March 21, 2023:

EUGEN SCHEUȘAN
General Director

CRISTINA FLOREA
Chief Financial Officer



ANNUAL REPORT 2022

CONSOLIDATED FINANCIAL STATEMENTS

**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**

Free translation from the original Romanian binding version.

CONTAINED:

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1. ELECTROMAGNETIC IDENTIFICATION DATA

Date of report:	31.12.2022
Company Name:	Electromagnetica SA
Registered Office:	Bucharest, Sector 5, Calea Rahovei nr 266-268, postal code 050912
Tel/ Fax:	021 404 21 02/ 021 404 21 95
NAIL	EN 414118
No registration at ORCTB:	J40/19/1991
Regulated market:	BVB, Equity Sector, Shares, Premium Category
Symbol of the market:	ELMA
Number of shares:	676.038.704
Nominal value:	0,1000 ron
Share capital:	67.603.870,40 lei
LEI code :	254900MYW7D8IGEFRG38

2. PRESENTATION AND HISTORY OF THE GROUP

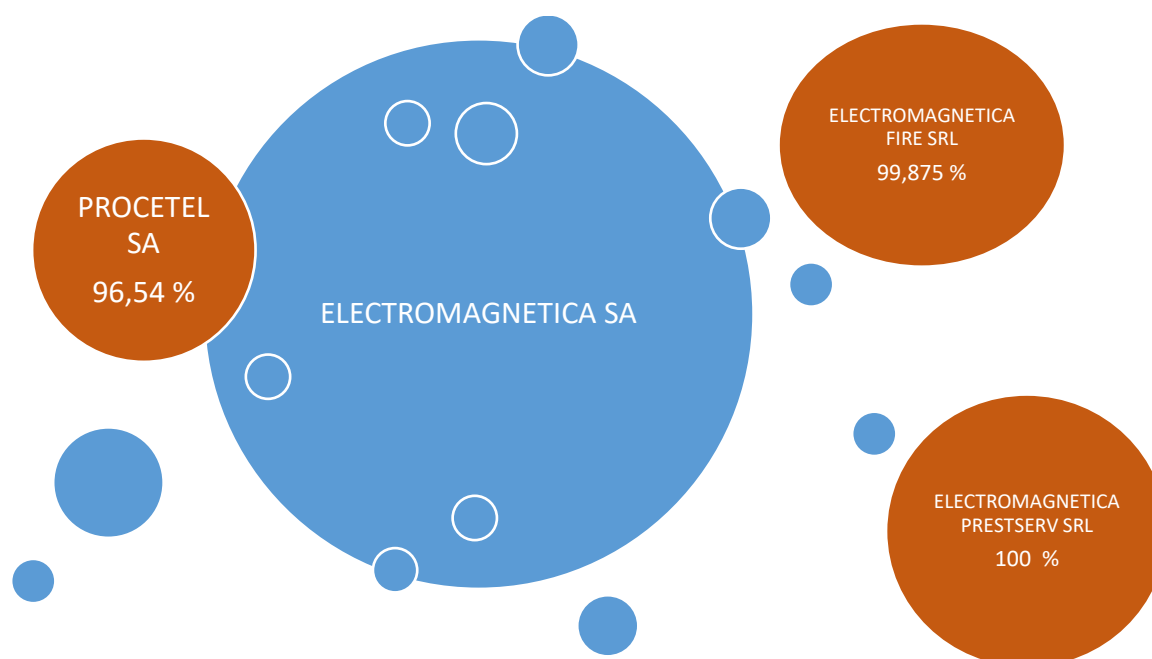
The mother company was founded in 1930, under the initial name of "Romanian Electric Standard". As regards the other entities within the Group, they have been established as follows:

Procetel SA – was founded in 1991, having as main object of activity research and development in other natural sciences and engineering.

Electromagnetica Prestserv SRL – was founded in 2003, by outsourcing some cleaning services within ELMA;

Electromagnetica Fire SRL – was founded in 2006, by outsourcing some technical assistance services for fire prevention and extinguishing and of the private emergency services regarding the civil protection.

3. GROUP STRUCTURE IN 2022



4. GENERAL PRESENTATION OF THE GROUP'S ACTIVITY

4.1. General presentation of the parent society

Electromagnetica SA is a joint stock company, founded in 1930, with Romanian legal personality and unlimited life that is organized and functions according to the statute and based on Law no. 31/1991 republished, in compliance with the Law on the capital market no.297/2004 and the Law on issuers no. 24/2017.

The share capital of the parent company is 67,603,870.40 lei divided into 676,038,704 common, nominative and dematerialized shares, registered in an electronic account in the shareholders' register kept by the Central Depository SA. According to the company's bylaws, the main object of activity is the manufacture of instruments and devices for measurement, verification, control, navigation (CAEN code 2651).

Electromagnetica SA, as a commercial company whose shares are admitted on a regulated market (Bucharest Stock Exchange, Premium category, symbol ELMA) adopted IFRS (International Financial Reporting Standard) starting with the financial year 2012. The financial statements for 2020 were prepared in accordance with the provisions of OMFP 2844/2016 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards adopted by the European Union.

The company prepares consolidated financial statements as the parent company of a group of companies.

4.2. General presentation of the subsidiaries

Procetel SA is a joint stock company with the headquarters in Calea Rahovei 266-268, Bucharest, sector 5, registration number at the Trade Register J40/10437/1991, CUI 406212, tel: 031.700.2614, fax: 031.700.2616, having as main activity Research and development in other natural sciences and engineering (CAEN code 7219). Currently, the company's revenues come mostly from the activity of renting spaces, but the company also provides activities of sale, installation and service of air conditioning. Electromagnetica SA's holding in Procetel SA is 96.54% of the capital. The company is managed by a sole administrator, Mrs. Antoinette Monica Stanila, with a mandate of 4 years starting with 22.08.2022

Electromagnetica Prestserv LTD is a limited liability company with headquarters in Calea Rahovei 266-268, sector 5, building 1, 2nd floor, axes A-B, pillars 1-2, registered at the Trade Register Office attached to the Bucharest Court under no J40 / 1528/2003, CUI 15182750, which provides cleaning services. Electromagnetica owns 100% of the company's capital. The company is managed starting with July 2021 by a sole administrator, in the person of Mrs. Antoinette Monica Stanila.

Electromagnetica Fire LTD is a limited liability company with headquarters in Calea Rahovei nr 266-268, sect 5, corp 2, ground floor, axes C-D, pillars 6 1/2 - 7, registered with the Trade Register Office attached to the Bucharest Court under no J40 / 15634/2006, CUI 19070708, which carries out activities in the field of fire protection, technical assistance for fire prevention and extinguishing and private emergency services on civil protection. Electromagnetica owns 99.875% of the share capital. The company is managed by a sole administrator, in the person of Mrs. Rogoz Maria, whose mandate was extended by another 4 years starting with 19.04.2022.

5. MERGERS, REORGANIZATIONS AND LIQUIDATIONS OF THE SUBSIDIARIES IN 2021

The group of companies within which Electromagnetica SA is a parent company consists of Procetel SA, Electromagnetica Fire SRL and Electromagnetica Prestserv SRL, these representing mainly outsourcing of some services.

6. THE TRANSACTIONS OF THE PARENT COMPANY WITH THE RELATED PARTIES

Sales of goods and services to subsidiaries, in total of 81.061 lei, include deliveries of various materials, rents and utilities. Purchases from subsidiaries, totaling 4.516.632 lei, mainly include the provision of services (repairs, cleaning and transport services, fire security and protection).

7. THE CONTRIBUTION OF THE PARENT COMPANY TO THE GROUP'S RESULT

In the table below you can see the low share of the other companies in the group at the consolidated results:

Indicators	31 December 2022			31 December 2021		
	Group	Society - mother	% parent company	Group	Society - mother	% parent company
	<i>Lei</i>	<i>Lei</i>		<i>Lei</i>	<i>Lei</i>	
Fixed assets	343.661.784	339.532.316	99%	355.276.552	351.166.167	99%
Current assets	114.007.231	108.974.073	96%	99.665.773	94.991.688	95%
Equity attributable to the shareholders of the company	395.094.303	384.560.045	97%	368.760.432	359.328.951	97%
Long-term debts	27.356.584	28.350.222	100%	28.738.333	29.172.878	100%
Current liabilities	34.854.115	35.596.123	100%	57.114.051	57.656.025	100%
Profit before tax	28.374.171	27.149.997	96%	(15.888.980)	(16.819.598)	100%
Period profit	26.408.048	25.231.093	96%	(15.228.228)	(16.113.467)	100%
EBITDA	42.864.306	42.733.520	100%	(6.946.158)	(6.874.543)	100%

8. DESCRIPTION OF THE GROUP'S ACTIVITY AND OF THE PARENT COMPANY

ELECTROMAGNETIC has the following main business lines:

- A. Products and services to increase energy efficiency
- B. Production and supply of electricity
- C. Space rental and real estate development
- D. Other products and activities developed:

The parent company provides to the subsidiaries rental and utilities supply services.

The description of electromagnetica S.A. activity can be found in **Annual Report 2022 – Individual situations** published with this report

PROCETEL SA it mainly carries out rental activities. Another activity was the delivery, installation and maintenance of air conditioners which represented 15.64% of the turnover. The rental services received by the parent company from Procetel SA are carried out with the right to rent to independent entities because the subsidiaries do not have sufficient and specialized staff for the management of these lease agreements. The subletting of the spaces is made without applying a profit margin and without charging a commission for these services provided to the affiliates.

ELECTROMAGNETICA PRESTSERV SRL provides cleaning services in the relationship with the mother company.

ELECTROMAGNETICA FIRE SRL carries out in the relationship with the parent company activities in the field of fire protection, technical assistance for fire prevention and extinguishing, private emergency services regarding civil protection, interior design, electrical works and cleaning services.

9. THE MAIN EVENTS WITH SIGNIFICANT IMPACT IN THE FUNCTIONING OF THE GROUP

Taking into account the fact that the important events in the evolution of ELECTROMAGNETICA SA were described in the Activity Report on the individual situations and the fact that the three affiliated companies carry out their activity at or in connection with the headquarters in Bucharest, we could mention only the continuation of the efforts to prevent infections with COVID 19

Sustained efforts have been made to prevent infections, applying preventive and access control measures such as monitoring the temperature at the entrance, repeated disinfection of spaces during the day, installation of antibacterial gel dispensers at the main access doors, training of slariats as well as shifting of the program. At the same time, where the activity allowed it, it was switched, by rotation, to the teleworking regime.

In case of occurrence of cases of infection with SARS-COV 2 virus or even at the suspicion of the existence of such a possibility in employees, epidemiological investigations were made and, at the company's expense, it was passed to the extended testing of the respective employees or colleagues of the infected persons. Thus, during 2022 they more than 60 PCR tests for the detection of COVID 19 were performed at the Group's expense. Disposable protective masks were distributed free of charge to the employees.

The infected persons were provided with a first counseling by the occupational medicine doctor, recommending in all cases the isolation at home and contacting the family doctor and the DSP.

Through the Legal Office, the heads of the workplaces were periodically informed of the decisions and decisions taken by the Government, the Committee for Emergency Situations, the Ministry of Health and other bodies involved, following that they will dissipate the information to the subordinated persons.

10. EVALUATION OF ASPECTS RELATED TO THE GROUP'S EMPLOYEES

Parent Society (ELECTROMAGNETICA):

The high level of training of the employees allowed the company to undertake both productive and research and development activities. In 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, 37% are highly educated and 35% have secondary education. The company's staff follows a continuous professional training program, each employee benefiting on average 26 h / year of professional training 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.

For the other companies in the group:

Company	Average number of employees
ELECTROMAGNETICA FIRE SRL	23
ELECTROMAGNETICA PRESTSERV SRL	19
PROCETEL SA	6

In 2022, no new cases of occupational illnesses or events with a major impact on the health and safety of people were recorded.

11. THE IMPACT OF THE GROUP'S ACTIVITY ON THE ENVIRONMENT.

Electromagnetica SA has all the legal environmental authorizations, necessary for carrying out the activity, having implemented an Environmental Management System according to SR EN ISO 14001:2015. The Group does not carry out activities with significant impact on the environment and does not have disputes regarding the violation of environmental protection legislation.

The other companies in the group carry out their activity in the same premises (ELECTROMAGNETICA BUSINESS PARK), do not have activities that by their nature pollute the environment and respect the same rules regarding compliance with environmental requirements.

12. RISK MANAGEMENT OBJECTIVES AND POLICIES. RISK FACTORS.

For Electromagnetica SA, detailing the risks and how they are managed is described in *Administrators' Report – Individual Situations*. The risks of the other companies in the group related to the market, non-payment and cash-flow are closely related to the parent company, for which they provide activities almost exclusively.

Independently, the risks related to sanctions (including those GDPR), those related to the lack of qualified human resources and the medical ones (e.g. the coronavirus pandemic) remain. In order to minimize these risks, the group companies participate in the compliance courses organized by the parent company and rely on the same procedures of work and action in special cases, elaborated by Electromagnetica SA.

13. PERSPECTIVE ELEMENTS OF THE GROUP

Being mostly dependent on the commercial relations with the parent company, the perspective of the companies in the group depends on its evolution. Flax **Administrators' Report – Individual Situations** are describing the market trends and commercial policies of Electromagnetica.

Procetel SA, having also activities to third parties, has proposed for 2023 an increase of 6% of the profitability of the activity by increasing the degree of renting spaces (occupancy degree minimum 90%), especially due to the modernization of the spaces offered.

14. CONSOLIDATED FINANCIAL STATEMENT OF ACCOUNTS AS AT DECEMBER 31, 2022 (ALL AMOUNTS ARE EXPRESSED IN RON, UNLESS OTHERWISE SPECIFIED)

NOTE : The results of the group are strongly influenced by the results of the parent company having the same trend.

14.1 Financial position

	December 31 2022	December 31 2021	December 31 2020
ACTIVE			
Fixed assets			
Property, plant and equipment	309.248.377	319.558.500	275.703.825
Real estate investments	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 in the long term	9.920.728	14.540.480	19.804.010
Assets related to rights of use	2.160.053	1.433.898	2.085.114
Total fixed assets	339.532.316	351.166.167	309.840.532
Current assets			
Stocks	20.209.997	18.121.309	13.402.675
Commercial claims	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 claim	177.392	599.937	949.937
Total current assets	108.974.073	94.991.688	94.954.770
Total assets	448.506.389	446.157.855	404.795.302
EQUITY AND DEBTS			
Equity			
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
Total equity attributable to the shareholders of the company	384.560.045	359.328.951	335.223.960
Long-term debts			
Commercial and other debts	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
Total long-term debt	28.350.222	29.934.135	23.463.987

	December 31 2022	December 31 2021	December 31 2020
Current liabilities			
Commercial and other debts	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
Total current liabilities	35.596.123	56.894.768	46.107.356
Total debts	63.946.345	86.828.904	69.571.343
Total equity and liabilities	448.506.389	446.157.855	404.795.302

14.2 The consolidated profit and loss result is presented as follows:

	December 31 2022	December 31 2021	December 31 2020
Income	231.502.678	340.745.893	283.151.730
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
Activity performed by the entity and capitalized	2.229.197	3.978.888	1.481.686
Raw materials and consumables used	(123.780.118)	(293.207.949)	(219.528.624)
Expenditure on employees	(36.050.893)	(32.660.256)	(30.490.094)
Depreciation and depreciation charges	(15.043.289)	(8.789.780)	(10.199.234)
Other expenditure	(49.877.259)	(36.614.462)	(37.943.201)
Financial charges	(1.129.564)	(1.193.187)	(947.166)
Profit/loss before tax	27.149.997	(16.819.598)	2.186.009
Corporate income tax	(1.918.904)	706.132	138.292
Profit/loss of the period	25.231.093	(16.113.467)	2.324.301

14.3 Consolidated cash flow

	December 31 2022	December 31 2021	December 31 2020
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

15. DIVIDEND POLICY

Of the group's companies, two have offered dividends in the last 3 years:

Electromagnetica SA

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

Procetel SA

for 2019 – dividends amounting to 660,630 lei (15.6 lei / share) were granted
for 2020 - dividends amounting to 301,413.7 lei (6.85 lei / share) were granted
for 2021 - dividends amounting to 467,313 lei (11 lei / share) were granted

16. 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"

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NOTE:

In the present material are presented only the elements characteristic of the consolidated situations respectively, those referring to the group of companies controlled by Electromagnetica. The parent company is the only one that carries out production activities. Since the activity of the group is mostly determined by the activity of the parent company (> 97% of the revenues), all the other aspects described in the *Administrators' Report – Individual Situations* are also valid for *Administrators' Report – Consolidated statements*, without being repeated in this material.

General Director
Eugen Scheusan

Chief Financial Officer
Cristina Florea