Semestrial report as at June 30, 2021

ELECTROMAGNETICA SA

Summary

Director's report

Financial Results for S1 2021 (not audited)

Declaration of responsible people

ELECTROMAGNETICA SA

Director's Report for the first semester of 2021
on the economic and financial activity of ELECTROMAGNETICA S.A.

according to the provisions of art.65 of Law 24/2017 regarding the issuers of financial instruments and market operations and annex 14 to Regulation no. 5/2018 regarding the issuers of financial instruments and market operations and the Bucharest Stock Exchange Code

1. ELECTROMAGNETICA IDENTIFICATION DATA

Report date:	**August 12, 2021**
Company:	Electromagnetica SA
Headquarters:	266-268 Calea Rahovei Street, District 5, Bucharest, postal code 050912
Phone/ Fax:	**021 404 21 02/ 021 404 21 95**
Tax ID	**RO 414118**
Trade Register no.:	**J40/19/1991**
Regulated market:	**BVB, Sector titluri de capital, Actiuni, Categoria Premium**
Stock symbol:	**ELMA**
No. of shares:	**676.038.704**
Nominal value:	**0,1000 lei**
Share capital:	**67.603.870,40 lei**
Code LEI :	**254900MYW7D8IGEFRG38**

2. COMPANY OVERVIEW

Electromagnetica SA is a joint-stock company, established in 1930, it is a Romanian legal entity with unlimited life cycle, organised and operating under its Memorandum of Association and under Law no. 31/1991 republished, in compliance with Law no. 24/2017 on the on the issuers of financial instruments and market operations, and Regulation no. 5/2018 on the issuers of financial instruments and market operations.

The company's share capital is RON 67,603,870.40 divided in 676,038,704 ordinary, registered and dematerialized shares, registered in an electronic account in the register of shareholders maintained by Depozitarul Central SA. Pursuant to the company's Memorandum of Association, the main activity is the manufacture of instruments and appliances for measuring, testing, control and navigation (NACE code 2651).

Electromagnetica SA, as a trading company whose shares are admitted on a regulated market (the Bucharest Stock Exchange, Premium category, ELMA symbol), has adopted the IFRS (International Financial Reporting Standard) beginning with the financial year 2012. The financial statements for the 1st semester of 2021 were prepared in accordance with the provisions of the Order of the Minister of Public Finance no. 2844/2016 on the approval of the Accounting Regulations compliant with the International Financial Reporting Standards adopted by the European Union.

3. IMPORTANT EVENTS IN THE FIRST SEMESTER OF 2021

3.1. Reporting according to Law 24/2017 and Regulation 5/2018

DATE OF PUBLICATION	REFERENCE	DESCRIPTION
19.02.2021	Publishing of preliminary financial results	Preliminary financial results, in English and Romanian, are available at: www.bvb.ro ELMA symbol and www.electromagnetica.ro
25.03.2021	Profit distribution proposal	The Board of Directors of ELECTROMAGNETICA SA submits for the approval of the General Ordinary Shareholders' Assembly the following method for distribution of the net profit, amounting to Lei 2,324,301, achieved by the company in 2020: - legal reserves - RON 109,300; - own financing sources, considering the investment aims to be achieved in 2021 and the policies for sale on supplier credit of lighting systems - RON 2,215,001;
25.03.2021	GOSA Notice	The notice for summoning the General Ordinary Shareholders' Assembly for April 28/29, 2021. Published convener, available at: www.bvb.roand www.electromagnetica.ro
28.04.2021	Progress of the GOSA	
29.04.2021	Publishing the GOSA resolution	The GOSA resolution, in Romanian and English, are available at: www.bvb.ro ELMA symbol and www.electromagnetica.ro
29.04.2021	Publishing the 2020 Annual Report	Annual Report available at: www.bvb.ro ELMA symbol and www.electromagnetica.ro
14.05.2021	Publishing the 2021 1st Semester Report	The 2021 1st Semester Report available at: www.bvb.ro ELMA symbol and www.electromagnetica.ro

3.2. The main events with a significant impact in the company's operation:

The unpredictable and adverse progress of the energy market:

In the 1st semester of 2021, the price of purchased energy has increased quite a lot, compared to 2020, and this is an abnormal situation for the wholesale energy market in the most recent years, even more as the predictions at the end of 2020 were indicating a progress similar to that of 2020, considering the estimate that was made, i.e. the COVID 19 pandemic continuing to strongly impact the consumption market.

The sudden hike in the price of electricity on the wholesale market, in Q1 2021, with the price having reached EUR 52.76/Mwh at the end of March, could not be sustained by sale price increases on the retail market, due to contractual clauses and RERA regulations.

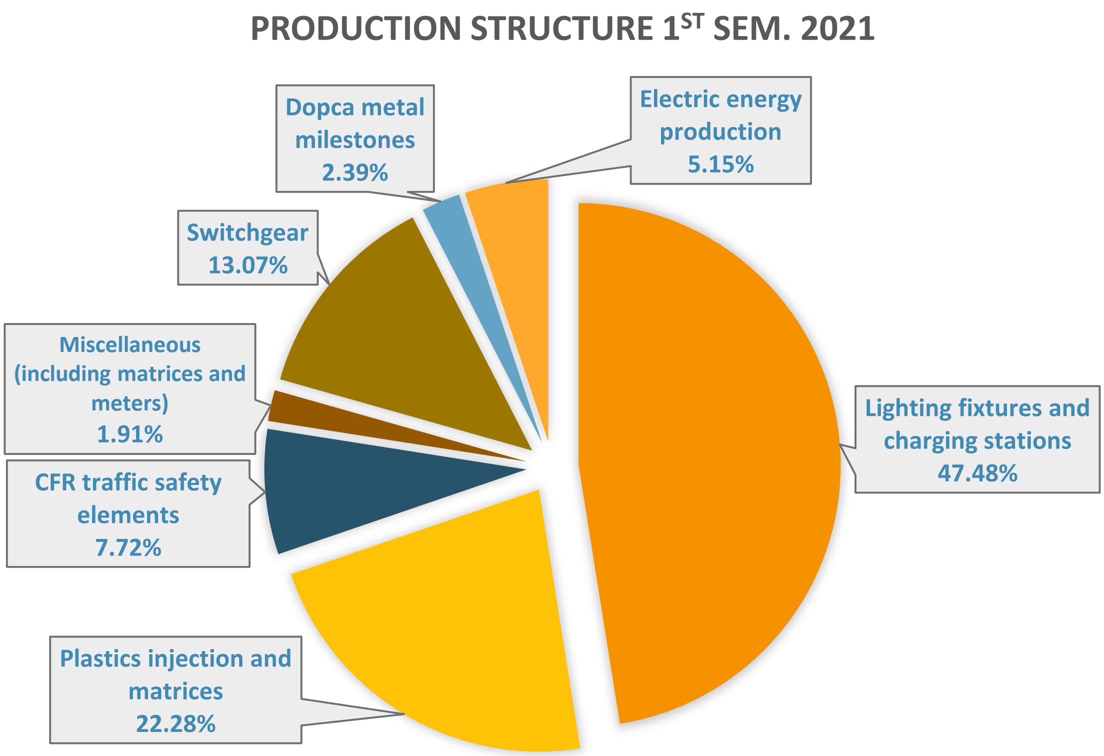
4. OVERALL EVALUATION ELEMENTS:

Ref. no.	Specification	1st semester 2021	1st semester 2020
1	Total revenue (lei)	217,401,963	175,143,351
2	Total expenses (lei)	235,488,986	173,502,072
3	Gross profit (lei)	-18,087,022	2,127,691
4	Net profit (lei)	-17,974,174	1,641,279
5	EBITDA margin (%)	-6.51 %	4.68
6	EBIT margin (%)	-8.40 %	1.20
7	Net profit ratio (%)	-8.53 %	0.99
8	Current liquidity (%)	148 %	195
9	Capital solvency (%)	77 %	81
10	ROE (%)	-5.67 %	0.49
11	Accounts receivable collection period (days)	82	93
12	Supplier payment period (days)	58	61
13	Average active employee headcount	390	413

5. MAIN PRODUCTS AND SERVICES

Electromagnetica has the following main lines of business:

A. PRODUCTS AND SERVICES FOR INCREASE OF ENERGETIC EFFICIENCY
B. PRODUCTION AND SUPPLY OF ELECTRIC ENERGY
C. LEASE OF SPACES AND REAL ESTATE DEVELOPMENT
D. OTHER PRODUCTS AND BUSINESSES DEVELOPED



5.1. PRODUCTS AND SERVICES FOR INCREASE OF ENERGETIC EFFICIENCY

5.1.1. LED lighting units, systems and solutions

Electromagnetica S.A. implements customised lighting solutions, according to customer needs, beginning with the design of products, up to the photometric testing, according to international standards, and ending with certification thereof, subsequently implementing the optimum solution agreed by the customer.

The production of LED lighting fixtures takes up the highest share of the mechandise production of the company, having (along with the electrical vehicle charging stations) a share of 47.48%. During the 1st semester of 2021, sales in this segment have been a continuous element, being similar to those in the first semester of 2020. The range of products covers almost all fields, both for public authorities (street lighting or decorative lighting for monuments) and companies (commercial and industrial areas, offices), and for natural entities (lighting fixtures for household use).

The competitive advantage of LED lighting fixtures is provided by an increased efficiency (over 160 lm/w), an extended life cycle (a minimum of 100,000 hours), as well as the high colour-rendering index (minimum of 85%). Moreover, LED lighting fixtures offer high-quality lighting, they are environmental-friendly and allow integration in the remote management systems.

In 2021, there are, amongst other things, contracts for the LED lighting of national strategic interest roads, with a contract underway for the lighting of section 2 of the Craiova - Pitesti express road. Also, another contract that is underway is the one for the LED lights of the Carpati Stadium in Brasov, as well as the indoor lighting of a new building, a contract worth EUR 1 mio.

As to the range of products, it has been supplemented with two products, one from the INDUS family, with safety lights on both sides, and one from the NABU family, for lighting in the bathroom areas adapted to the beneficiary's onsite requirements. At the same time, the EVOCITY street lighting product range was extended by an extra 4 new constructive variants meeting the requirement for equipment with NEMA connectors, such requirement set forth by the Sales Department for applications requiring the remote management of lighting fixtures.

The remote management solution, based on the PLC (Power Line Communication), was implemented in the project for the "Bacau By-Pass", the town of Harman, the town of Strehaia, and in the Republic of Moldova, for a total of 40 ignition points and 2500 LED lighting fixtures.

Also, the implementation of the remote management solution based on the Nb-IoT communication technology (Vodafone services) was initiated and is underway, for 115 LED lighting fixtures and the Smart City platform for the SaaS service in the Electromagnetica SA Cloud.

5.1.2. Electric car charging stations

Almost 2,500 new electrical and hybrid vehicles were traded in Romania, during the first three months of the current year, a rise of 65% on the same period of 2020, as shown in the data of the Automotive Manufacturers and Importers Association (APIA), inspected by Agerpres.

The market analysis shows that the share of new electrical and full hybrid vehicles in the overall local car market reached 12.2% for the period between January - March 2021, from 5.5%, in the first quarter of the previous year.

Such progress was also triggered by GEO no. 17/2019 on the amendment and supplementation of GEO no. 66/2014 on the approval of the Programme for Stimulating the Purchase of New Vehicles, with the subject matter of regulating "the promotion of green and energy-efficient road transport vehicles acting as the subject matter of the Rabla Plus Programme, so that the beneficiaries of such Programme be eligile for same, along with the beneficiaries of the Rabla Classic Programme".

To maintain such trend, it is necessary to build an extended network of charging stations throughout the country. To this end, Romania has several financing programmes, one of which being that of the Environmental Fund Administration, by which companies or territorial-administrative units may obtain financing of up to Lei 900,000 / applicant. Also, the Ministry of Energy launched the ELECTRIC UP programme for installation of photovoltaic panels for production of electricity with an installed power ranging between 27 kWp and 100 kWp, necessary for own use and delivery of the excess electricity into

the National Energy System, as well as a minimum of one charging station of minimum 2 x 22.1 kW for electrical and plug-in hybrid electrical vehicles, with a minimum of two charging points.
Electromagnetica was amongst the first native companies that, under the **ELMotion** brand, designed and built such stations beginning with 2017.
During the first half of 2021, the SIVE family of fast-charging stations was developed, with charging capacity of up to 100kW and AC of up to 43kW, holding the ability to charge up to 3 vehicles at the same time (50kW per CCS Combo 2 connector, 50kW per CHAdeMO connector, and up to 43kW per Type 2 AC connector). Also, this charging station allows charging, of up to 100kW, for vehicles with compatible Combo 2 CCS connector.
Beginning with June, the design of a new 30kW charging station with Combo 2 CCS was initiated, such station controlled via OCPP using the ELMotion application. As an option, this station allows the assembly of a device for direct card payment at the station.
In 2021, an important project of our company was the creation, within Electromagnetica, of an electrical vehicle charging HUB containing 50 charging points in the same spot and providing the nighttime charging of electrical vehicle fleets in Bucharest.

5.1.3. Low voltage electrical switchgear

The production of low voltage switchgear (for ABB Italy) is a continuity and stability element within the production for export, thereby recording a 7.1% growth. During the first semester, switchgear held the highest export share, with 54.9%.
The largest part of this business is automated and roboticized.

5.2. PRODUCTION AND SUPPLY OF ELECTRIC ENERGY

5.2.1. Production of electric energy from renewable sources

Production of electric energy is a field regulated by the RERA, as the company holds a production license even since 2007. The company holds 10 micro-hydropower plants in the basin of the Suceava river, such plants having been upgraded and automated in time, reaching an installed power of 5.5 MW. During the 1st semester of 2021, energy production in own micro-hydropower plants recorded a hike of 21.8% on the similar period of 2020.
An important part of the green certificates required for the entire client supply portfolio was also covered in the 1st semester of 2021 by the certificates achieved for the energy production achieved by own micro-hydropower plants.

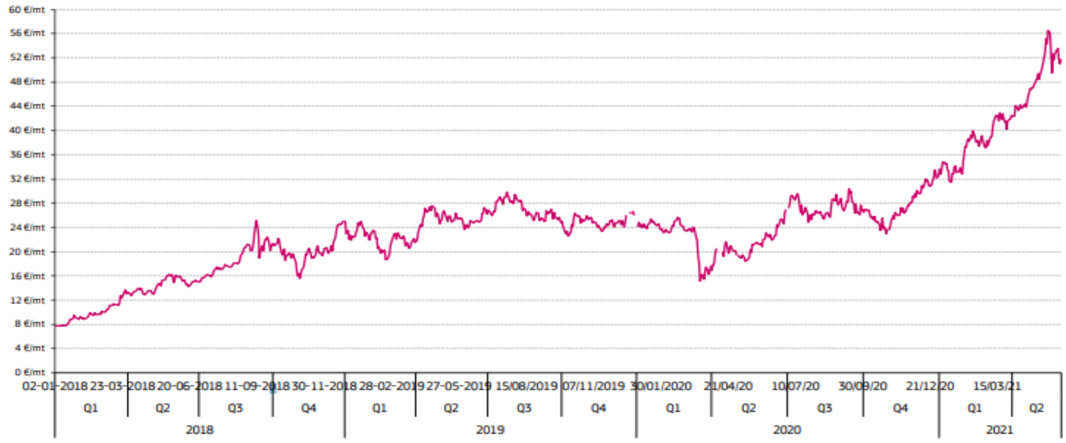
5.2.2. Supply activity of electric energy

The activity for provision of energy, operating within a framework regulated by the RERA, is, along with energy production, the segment of licensed activities. The company holds a license for energy supplier since 2001, such license renewed in 2013 based on the regulation of the new energy law (Law 123/2012), for an additional 10 years.

During the 1st semester of 2021, the licensed activity recorded a profit. During the 2nd semester, the activity was strongly impacted by the increasingly unpredictable fluctuation of purchase prices, while renegotiations of contracts with clients/consumers was carried out steadily.

The increase of prices of energy purchase, in the first semester, was mainly caused by the following factors:

- The EU's energy-climate policies impacting the price of certificates issued for carbon reduction



Source: S&P Global Platts

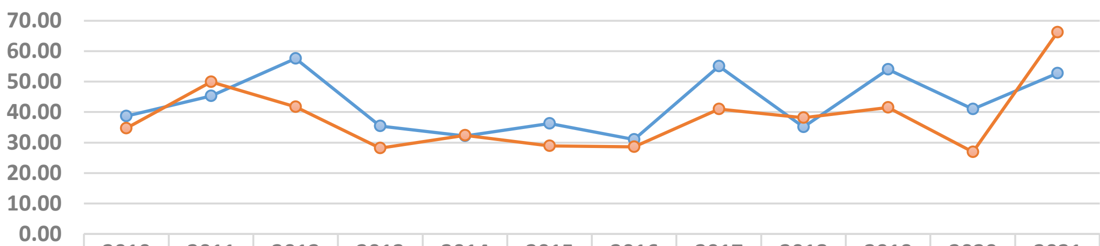
The progress of spot prices of 2018-2021 emission certificates

The average spot price of CO2 emission certificates, in Q1 of 2021, of €38 / tCO2, was a 36% increase on Q4 of 2020 and a 65% year-on-year increase. Obviously, the average price of €38 / tCO2 exceeds by far the calculation assumptions used by the PRIMES model in determining the "2016 EU Reference Scenario" of the European Commission, coming quite close to the expectations for the period 2030-2035, while the current price, of €50, complies with the 2040 forecast. Although published in 2021 (completed on July 21, 2021), the "2020 EU Reference Scenario" is not incomparably more accurate. The current price, of €50, complies, in this very recent scenario, with the 2035 forecast.

One may notice that, while the initial action, the withdrawal of certificates during 2014-2016, has brought the price of CO2 emission certificates, in 2018, to around €20, the average of the amounts forecast by the "2016 EU scenario", for the 2020-2025 term, the following measures (MSR) have led to a price of around €24, relatively stable during 2019 - Q3 of 2020, so that, beginning with Q4 of 2020, any kind of balance is lost and the price forecast using the 2016 EU scenario proves to be completely wrong, with prices rising, between Q4 of 2020 and Q2 of 2021, from around €24, to more than double, at €50. Also, the prices estimated in the "2020 EU scenario" are of €25 in 2020 and (merely) €26.5 in 2025.

- Variation of the price recorded on the daily energy exchange (according to the Operator of the Electric Energy and Natural Gas Market (OPCOM) - the Next Day Market (PZU) in 2021

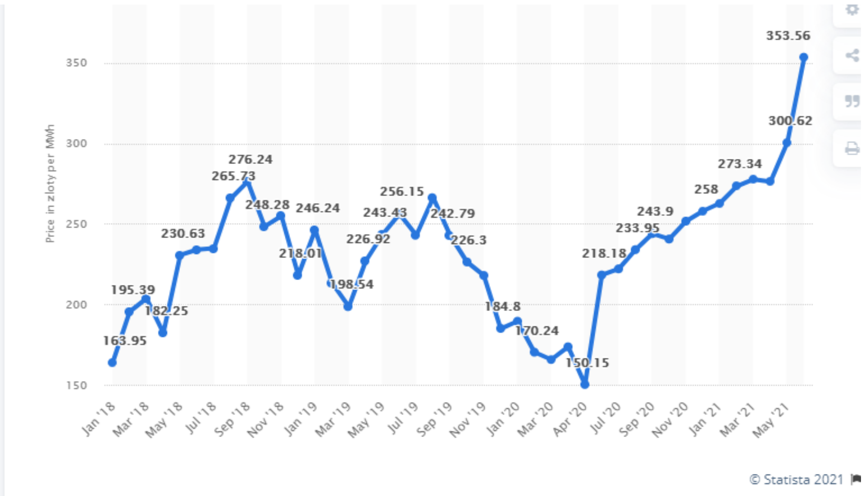
Average Q1 and Q2 PZU during 2010 - 2021



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Q1 (euro/MWh)	38.63	45.27	57.64	35.43	32.13	36.32	31.05	55.10	35.07	54.03	40.99	52.74
Q2 (euro/MWh)	34.67	49.96	41.70	28.17	32.35	28.94	28.56	41.00	38.17	41.56	26.90	66.16

Q1 (euro/MWh) Q2 (euro/MWh)

One may notice that PZU prices in Q2 of 2021 have increased abruptly and unexpectedly, considering that consumption and hydraulicity have not incurred significant changes, and the energy produced by wind farms is approximately the same as for previous years. On the other hand, the progress of the PZU price in Romania, as the one in Europe, is aligned to the trend of CO2 emission certificate prices, which explains such different progress compared to previous years.
The joint trend in the progress of the PZU price in Romania and the price of CO2 emission certificates in the EU, for the period April 2020 - April 2021



Under these circumstances, in June 2021, over half (50.76%) of the net electrical energy consumption in Romania has been traded on the PZU.
The average price, of Lei 378.82/Mwh, is a rise of 158.22% on the average price of Lei 146.71/MWh in June 2020.
With the PZU share of the consumption remaining, in June 2021, approximately the same as the one in June 202o (50.36%), the price hike led to an increase of 175.29% in the transaction amount, compared to June 2020.
Such increase, representing not less than Lei 523 mio., is reflected in the results of Electromagnetica and of the other 273 participants on the wholesale market.

Another reason for PZU increase was a hike in fuel prices, particularly gas.

Electromagnetica is active on all markets managed by OPCOM, as well as on the energy import and export market.
Please note that OPCOM's important markets, such as PCCB-LE-FLEX and PCCB-NC, do not show liquidity, which led to an increase in the volumes traded on the PZU. Moreover, the inability to execute bilateral contracts via direct negotiation, and the absence of a financial energy market leads to issues in carrying out any hedging in Romania.

Impact recovery measures starting from the 2nd semester of 2021 and 2022

Under the conditions of the current unfavourable evolution of the energy market, the priority of Electromagnetica S.A. is the integrated continuation of the activity in the field of green energy production and energy supply:

a) the sale of electricity to final consumers
b) the export - import of electricity
c) the supply of electricity to electric vehicle charging stations, including those produced by Electromagnetica

d) the wholesale sale of block exchanges on the PC-OTC market (based on EFET contracts) managed by OPCOM.
e) the assurance of Electromagnetica's own consumption for technological processes and lessors
f) the production of green electricity from the 10 micro hydropower plants owned by Electromagnetica
g) the sale of energy and green certificates related to micro hydropower plants to the client portfolio

The mentioned remedial measures can be summarized as follows:

- Renegotiating the contracts with customers for increasing the supply prices, part in July and part in August 2021.
- Permanent monitoring of the creditworthiness of both PC-OTC (EFET) market partners and consumer portfolio.
- Contracting the energy purchases for 2022 for the final consumers and block exchanges, reducing to a minimum the exposure on the DAM.
- Capitalizing on the import/export trading opportunities in the coupled Romania, Hungary, the Czech Republic, Slovakia markets (and further with the markets and stock exchanges in Western Europe), as well as the cross-border trading opportunities with Serbia.
- Increasing the amount of energy sold at electric vehicle charging stations.
- Best capitalization of energy and green certificates produced by the 10 micro hydropower plants through the customer portfolio at the new market prices

5.3. FACILITY LEASE AND REAL ESTATE DEVELOPMENT

Electromagnetica manages approximately 34,000 sqm of leasable facilities in Bucharest and 3,500 sqm in Varteju, Ilfov county. On June 30, 2021, foe the headquarters located at Calea Rahovei 266-268, the average occupancy rate was 89.58%, slightly lower due to the COVID 19 pandemic that encouraged the work from home. For the facilities locates in Varteju Commune (Magurele), the occupancy rate during the 1st semester was 100%, increasing compared to the value of 94.43% at the end of 2020. The structure of the leasable facilities by intended use on June 30, 2021 is as follows:

Ref. no.	Intended use of the leasable facilities at the headquarters	Rate %	Intended use of the leasable facilities in Varteju	
1	Offices	44.23	Offices	3.26
2	Warehouses	26.97	Warehouses	34.13
3	Production	14.42	Production	53,99
4	Service provision	14.38	Service provision	8.62

The rental and utilities provision activities recorded an overall increase in value of 8.00% compared to the first half of 2020, as a result of the increase in the leasable area and the average Eur/Leu exchange rate. Compared to the previous year, the share of facilities for offices, service provision and production remained relatively the same.
The revenue from the leasing activity will continue to be under pressure, taking into consideration the restricted activity of certain lessees or their migration to spaces with additional facilities and smaller rates, especially for the storage and production field. The high level of deliveries on the office market and especially of the modern ones shall lead to exceeding the demand for office spaces in Bucharest, thus leading to a possible decrease in the occupancy rate, especially for older buildings or those located in hard-to-reach areas.

5.4. OTHER DEVELOPED PRODUCTS AND ACTIVITIES

5.4.1. Plastic injection and molds

Electromagnetica it benefits from a wide range of technologies, allowing the company to produce injected plastic subunits for the domestic market, as well as for export. The company currently has 24 injection machines, most of the products being represented by car subunits. The company produces plastic subunits for Draexlmaier Romania that, in its turn, provides products to BMW and Maserati.
One of the important clients of this production segment is Makita Romania, which has considerably increased its orders for boxes, housings and various plastic parts, other subunits for drilling and cutting machines.
The production of injected plastic subunits and moulds increased by 93.9% compared to the same period of the last year.
This product group has the second largest share in the company's exports, with 27.1% of the total. The production of injected plastic subunits benefits from the internal design, manufacture and repair of moulds.

5.4.2. Railway traffic safety components

The sales of railway traffic safety elements increased by 4.9% compared to the 1st semester of 2020, the orders for this production segment from prestigious companies such as ALSTOM and SIEMENS being largely dependent on the pace of upgrade of the railway infrastructure, considering that CFR Infrastructura is the final beneficiary of these services.

6. ASSESSMENT OF THE ISSUES RELATED TO THE COMPANY'S EMPLOYEES

The high level of the employees' training has allowed the Company to undertake both production and research and development activities. During the 1st semester of 2021, the average number of employees was 390, decreasing by 6% compared to the average number of employees recorded in the previous year. Of the total number of employees, 37% have higher education and 36% have secondary education. The Company's staff follows a continuous professional training programme, each employee benefiting from professional training or internal and external training on quality, occupational health and safety, environmental protection, etc.
No new cases of occupational diseases were recorded during the 1st semester of 2021. The relationship between management and employees is unfolding under normal conditions. The level of unionization is approx. 69% and there were no labour disputes between the employer and union.
Given the circumstances due to the COVID-19 pandemic, three decisions were issued within Electromagnetica forpreventing the impact on the performance of the company's activities under good conditions. Trainings were also conducted by the Occupational Medicine physician on "Methods for the prevention of human coronavirus infection (2019-nCoV)" in at all the company's work sites.
The employees were constantly informed on the regulatory changes and updates related to the list of areas affected by coronavirus, published by the Romanian National Institute of Public Health and benefited from days off, upon request, according to the Law no. 19/2020. As an additional protection measure for employees, the modification of the employment contract, i.e. shifted hours or its temporary transformation into a work-at-home contract were selected in certain cases.

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

The company fully complies with the requirements of our Integrated Management System and continuously improves its effectiveness by establishing, monitoring and reviewing our objectives. Being a responsible organization, Electromagnetica aims to provide confidence to its partners and considers Quality, Occupational Health and Safety as well as the Environmental Protection as important issues, integrated in the company's culture.
The company has all the necessary environmental permits for carrying out the activity, having implemented an Environmental Management System according to SR EN ISO 14001:2015. The company does not carry out activities with a significant impact on the environment and has no disputes ongoing regarding the violation of the regulations on environmental protection.

Electromagnetica requires to its staff, contractors and suppliers to actively participate in the achievement of our objectives in terms of Quality of Operations, Occupational Health and Safety plus Environmental Protection, by implementing all relevant regulations and programmes adopted.
The company carries out an effective control of environmental risks by means of:

- implementing and complying with the waste management procedures,
- implementing and complying with the emergency situations procedures,
- refurbishing the production, design and testing of new, environmentally friendly products, their standardization and improvement.

The introduction of energy efficient and less polluting manufacturing technologies, as well as the launching of new products with low impact on the environment during use are among the objectives of the research and development activity. The production of electricity from renewable sources in micro hydropower plants is deemed an activity that has no significant impact on the environment.
Given that certain low power hydroelectric power plants are located in the network of Natura 2000 protected areas, in view of the environmental authorization, the custodian's approval was requested and obtained. "Natura 2000" ecological network – the European ecological network of protected natural areas, includes special avifauna protection areas, established in accordance with the provisions of Directive 79/409/EEC on the conservation of wild birds and special conservation areas designated by the European Commission and Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora. Natura 2000 is not a strictly protected reservation system. Human activities are allowed to the extent to which the maintenance of the species or habitat is ensured.

Additional information regarding the company's environmental policy, risk factors and key performance indicators is available in the Non-Financial Statement of the Directors for 2020, as well as in the Sustainability Report, published on the company's website www.electromagnetica.ro.

8. THE OBJECTIVES AND POLICIES REGARDING THE MANAGEMENT RISK

The risk management policies are defined so as to ensure the identification, analysis and risks the company faces, while setting exposure limits. The risk management policy ensures efficient means of control and a favourable environment, in which all employees understand their roles and obligations.

Risk generated by the COVID 19 pandemic

It remains one of the most important risks that company has also faced in 2021. The start of the vaccination campaign has led to a decrease in the incidence of cases of infection. However, the national vaccination rate on June 30, 2021 was below 50%, which, together with the increasing incidence of the Delta variant of the virus, maintains the uncertainty about the evolution of the pandemic in the second half of 2021. Electromagnetics shall continue the strict policy of prevention measures for the cases of infection in employees and lessees (including, but not limited to, temperature control and disinfection at access points, plus the obligation to wear face masks in public spaces) and continuous information of employees on the evolution of the pandemic, by disseminating official information and notifications, as well as of the relevant regulations, as soon as they are published.

Market risk (it includes price risk and also involves risk due to changes in technology)

Among the markets on which the company operates, the energy market is the one with the highest price risk, taking into consideration the volatility and the sharp increase in prices in recent years on the Day-Ahead Market and the Balancing Market (large producers preferred to maximize their profits selling large quantities on these markets to the detriment of long-term contracts), as well as the lack of long-term risk hedging mechanisms. The behaviour of the energy producers, namely selling as much energy as possible on the spot market is likely to increase the price risk on this market. In order to control the price risk on the energy market, measures were taken to limit the exposure to DAM, as well as the cancellation of contracts for which the customers refused the updating of the price according to the market conditions.

This risk is also important on the LED lighting fixtures market, as well as in terms of plastic injection, areas where there is a strong competition from both domestic manufacturers and distributors of imported products.

Foreign currency risk

The company is exposed (to a limited extent) to the foreign currency risk due to the fact that the materials are mostly supplied from imports. In order to limit the effect of foreign currency risk, the schedule of payments was correlated with the one of collections in foreign currency, the company usually achieving a positive cash flow. The change in prices for raw materials and materials required the continuous re-analysis of cost prices. In order to maintain certain products profitable, part of the prices was renegotiated and the related technological processes were improved.

Credit risk

The credit risk consists in the eventuality that the contracting parties breach their contractual obligations, leading to financial losses for the company. When possible and the practice of the market allows it, the company requests guarantees. Trade receivables come from a wide range of customers working in various fields of activity and in different geographical areas. To counteract this risk factor, the company has applied policies for pre-contractual and annual verification of the wholesale market partners and customers (through RISCO and COFACE reports and reports received or available on the websites of the relevant companies).
Even when the specific legislation during the pandemic prevented the disconnection of bad-paying consumers, the Energy Supply and Production Department did not record significant payment arrears, both due to the manner in which the consumers are selected, mentioned above, and by maintaining the permanent contact with them and daily monitoring of the payments.
In order to recover the overdue receivables, demands for payment were issued, through the Legal Department, followed by legal actions (payment orders) and then, as the case may be, foreclosures. Thus, most receivables have been recovered or are to be recovered. There were also customers who became insolvent or entered in arrangements with the creditors, but their share is low.
Insurance policies were also contracted for the foreign market receivables.

Equity risk

The euquity risk management aims at ensuring the company’s capacity to carry out its activity in good conditions through an optimization of the capital structure (equity and debts). The analysis of the capital structure follows the cost of capital and the risk associated with each class. In order to maintain an optimal capital structure and an appropriate level of indebtedness, the company has proposed to the shareholders an adequate dividend policy in the last years, which should ensure its own sources of finance. The absence of sources of finance may limit the company’s expansion on the market segments where the sales are supported by providing trade facilities.

Liquidity and cash flow risk

The company’s treasury function involves forecasts related to the liquidity reserves and maintaining an adequate level of credit facilities, so as it can prudently manage the liquidity and cash flow risks. The company has opened prudently managed revolving credits and bank guarantee letters, so that the company can fulfil its obligations in case of short-term cash deficits. At the same time, the investments were limited to its own sources of finance, establishing priorities depending on the current needs of the Electromagnetica Business Park, as well as on the most profitable and/or developing sectors of activity. The liquidity and cash flow risk management policy must adapt to the new, more demanding trade practices. This risk is closely related to the risks presented above.

Risk of lack of skilled human resources

This risk has become very important both for Electromagnetica and at the country level. Due to factors such as: mass emigration, strong competition and the relatively high level of wages in the Bucharest area, the company faced a lack of skilled workers for the production activities, such as: locksmiths, millers, lathe operators, etc. In order to counteract this situation, emphasis was placed on the reconversion and qualification of its own employees where vacancies appeared through retirement and also on continuous professional training programmes for new employees. The application of an internship programme with the possibility of keeping the respective individuals in the company after the end of the internship period is also considered.

Risk related to data protection and processing

The risk can be generated by situations such as the accidental loss or modification of data, as well as unauthorized access to personal data. Regardless of the basis of processing, Electromagnetica complies with the obligations provided by the General Regulation on Data Protection (RGPD) – Regulation (EU) 2016/679, including the obligation to inform the data subject at the time of data collection.

Sanction risk

The company manages these risks as well by means of preventive actions. Among others, this involves monitoring the regulatory changes and informing colleagues, participation in training courses and seminars (labour law, competition law, GDPR – personal data protection, risk management and corporate governance, etc.) and, last but not least, training courses on compliance for the employees involved. Among others, a **Compliance Handbook**, including competition rules, and an **Ethics Handbook** were prepared during the first six months of 2021, which were approved by the Board of Directors and subsequently adopted by all employees.

Disputes. Dispute risk

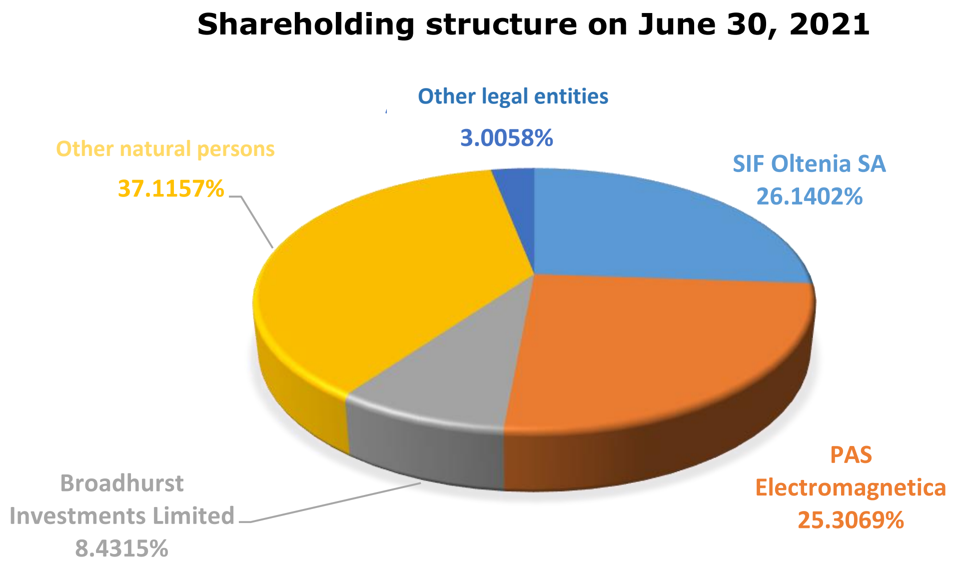
The value of the disputes the company is involved in would not affect the company's financial stability, especially since, in most cases, Electromagnetica is in the position of creditor. In all cases, including those in which it is involved as creditor to companies in insolvency/bankruptcy, the procedural positions were submitted, in most cases being present at each hearing. In 2021, hearings are scheduled before the High Court of Cassation and Justice for the appeals filed by Electromagnetica in the cases for annulment of the decisions of the Competition Council no. 82/2015 and 77/2017, respectively, and of the related fines. Given that provisions were established for these fines were in the relevant financial years, there is only the prospect of improving the financial status through a favourable judgment.

9. INVESTMENTS MADE AND FORESEEN

Investments of Lei 2,375,609 were made in the first semester of 2021, especially in the construction and upgrade of buildings (33%), technological equipment for the production activity (29%), as well as in installing electric vehicle charging stations (25%), considering the contracts that Electromagnetica has with various companies holding fleets of electric vehicles. The investments in technological equipment and in the upgrade of buildings and leasable facilities shall continue in the 2nd semester, both to meet the requirements of lessees and to comply with the legal requirements.

10. SECURITIES MARKET

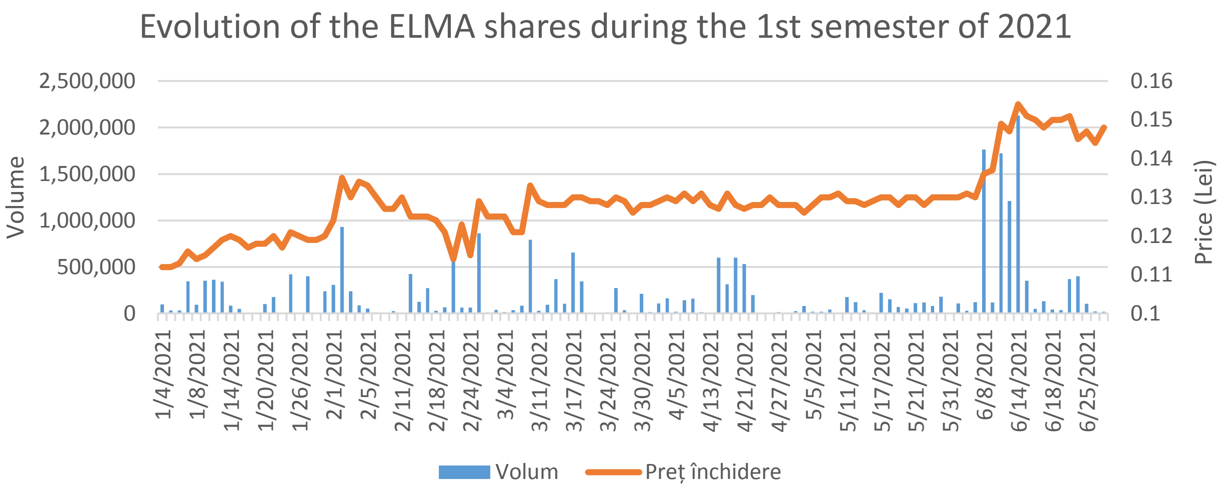
1.1 Shareholding structure:



1.2 Evolution of the price of shares:

Electromagnetica is listed under the Premium category of the BVB, where it trades with the following characteristics:

Market symbol: ELMA
Ordinary, nominal, dematerialized shares
Number of shares issued: 676,038,704
Nominal value: Lei 0.1000
Share capital: Lei 67,603,870.40
ISIN Code ROELMAACNOR2
LEI Code: 254900MYW7D8IGEFRG38
ELMA shares are included in the equity index **BET Plus**



Volume Closing price

During the 1st semester of 2021, shares representing 3.49% of the total number of shares were traded, representing 4.63% of the company's share capital, at an average price of Lei 0.1327 per share. The reference price ranged between a minimum of Lei 0.1120 per share and a maximum of Lei 0.1540 per share. The closing price at the end of the 1st semester of 2021 was Lei 0.148 per share, corresponding to a market capitalization of Lei 100,053,728.19 million.

11. SEPARATE FINANCIAL SITUATION AS AT JUNE 30, 2021

11.1. Financial statement

	June 30, 2021	December 31, 2020
ASSETS		
Fixed assets		
Tangible fixed assets	275,310,875	275,703,825
Real estate investments	11,179,966	11,114,654
Intangible assets	213,999	291,521
Investments in affiliated entities	841,408	841,408
Other long-term fixed assets	17,293,310	19,804,010
Assets related to use rights	1,925,163	2,085,114
Total fixed assets	**306,764,721**	**309,840,532**
Current assets		
Inventories	16,215,498	13,402,675
Trade receivables	82,573,844	58,611,348
Cash and cash equivalents	1,794,464	20,108,460
Financial assets measured at fair value through profit or loss	0	0
Other current assets	2,831,783	1,882,350
Current tax receivable	949,937	949,937
Total current assets	**104,365,526**	**94,954,770**
Total ASSETS	**411,130,247**	**404,495,302**
EQUITY AND DEBT		
Equity		
Share capital	67,603,870	67,603,870
Reserves and other equity items	177,547,228	176,146,894
Resunt carried forward	72,100,089	91,473,196
Total equity to be distributed to the company's shareholders	**317,251,187**	**335,223,960**
Long-term debt		
Trade and other payables	1,273,922	1,168,772
Investment grants	4,165,479	4,247,088

	June 30, 2021	December 31, 2020
Deferred tax liabilities	16,621,096	16,735,345
Leasing debts	1,130,745	1,312,782
Total long-term debt	**23,191,241**	**23,463,987**
Trade and other payables	67,522,987	42,982,576
Investment grants	163,219	163,219
Provisions	2,156,891	2,156,891
Current income tax liabilities	0	0
Leasing debts	844,722	804,669
Total current debts	**70,687,819**	**46,107,356**
Total debts	**93,879,060**	**69,571,343**
Total EQUITY AND DEBTS	**411,130,247**	**404,795,303**

11.2. The individual profit and loss result is presented as follows

	June 30, 2021	June 30, 2020
Income	**210,795,646**	**165,311,238**
Investment income	331,752	788,529
Other net income	2,379,624	1,775,329
Variation of the stock of finished products and products in progress	2,634,482	4,706,158
Activity performed by the entity and capitalized	2,542,506	821,628
Raw materials and consumables used	(198,115,427)	(132,589,951)
Employee-related expenses	(15,826,248)	(15,711,378)
Depreciation and amortization expenses	(4,530,531)	(5,633,895)
Other expenses	(17,780,928)	(16,914,383)
Financial expenses	(517,900)	(425,584)
Profit before tax	**(18,087,022)**	**2,127,691**
Corporate tax	112,849	(486,412)
Profit of the period	**(17,974,174)**	**1,641,279**

11.3. Flux :

	June 30, 2021	June 30, 2020
Net cash used in operating activities	(38,642,772)	(3,350,146)
Net cash used in investment activities	(481,331)	227,861
Net cash used in financing activities	20,810,107	1,178,605
Net decrease in cash and cash equivalents	(18,313,996)	(2,123,680)
Cash and cash equivalents at the beginning of the period	20,108,460	21,711,183
Cash and cash equivalents at the end of the period	1,794,464	19,587,503

The credit lines were used in the first half of the year more than in the similar period of 2020 being used as working capital for short periods of time,

12. RELATED PARTIES AND TRANSACTIONS WITH THE RELATED PARTIES. INFORMATION ON THE CONSOLIDATED RESULT

The group of companies in which Electromagnetica SA is a parent company consists of Procetel SA, Electromagnetica Fire SRL and Electromagnetica Prestserv SRL, There are ongoing contracts between Electromagnetica and the companies in the group, which refer to the provision of various services for the parent company (as in previous years), mainly outsourcing of monthly activities (FFE protection, cleaning), During the first semester of 2021, there were no changes in the shareholding structure of the controlled companies,

There were no significant transactions to be reported with the affiliated parties within the meaning of art, 92^3 of Law 24/2017,

The companies controlled by Electromagnetica have a small influence on the gross profit after consolidation, because the transactions they carry out are mostly with the parent company,

	Group	**Parent company**	
	June 30, 2021	**June 30, 2021**	**% of the Group**
Fixed assets	308,625,804	306,764,721	99,40%
Current assets	109,967,638	104,365,526	94,91%
Equity distributable to the company's shareholders	324,799,852	317,251,187	97,68%
Long-term debt	22,236,687	23,191,241	104,29%
Current debts	71,288,064	70,687,819	99,16%
Profit before tax	(17,954,315)	(18,087,022)	
Profit of the period	(17,862,792)	(17,974,174)	

13. FINANCIAL REPORTING CALENDAR FOR THE 2nd SEMESTER of 2021:

August 13, 2021: Presentation of the Semester Report - financial results for the first semester of 2021
August 13, 2021: Meeting with analysts to present the Half-Yearly Report
Noiember 12, 2021: Presentation of the Quarterly Report - financial results for the third quarter of 2021
Noiembrie 12, 2021: Meeting with analysts to present the Quarterly Report

More information on the activity of Electromagnetica including information of interest to investors is available on the company's website www,electromagnetica,ro, Details on social and personnel policy, occupational health and safety policy, environmental policy, risks and key performance indicators are available in the Non-Financial Statement for 2020 as well as in the Sustainability Report.

EUGEN SCHEUŞAN
Managing Director

CRISTINA FLOREA
Economic Manager

ELECTROMAGNETICA SA

INTERIM SEPARATE FINANCIAL STATEMENTS
FOR THE 6-MONTH PERIOD ENDED ON 30 JUNE 2021 (NOT AUDITED)

Prepared in accordance with
Ministry of Public Finance Order no. 2844/2016 approving the Accounting Regulations
compliant with International Financial Reporting Standards as adopted by the European Union

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

	Note	6-month period ended on June 30, 2021	6-month period ended on June 30, 2020
Revenues	**20**	**210,795,646**	**165,311,238**
Investment income	**20**	331,752	788,529
Other net income and expenses	**20**	2,379,624	1,775,329
Changes in inventories of finished goods and work in progress	**20**	2,634,482	4,706,158
Own work capitalized	**20**	1,260,459	821,628
Raw materials and consumables used	**21**	(198,115,427)	(132,589,951)
Employee-related expenses	**24**	(15,826,248)	(15,711,378)
Expenses related to depreciation and impairment	**21**	(4,530,531)	(5,633,895)
Other expenses	**21**	(16,498,881)	(16,914,383)
Financial expenses	**22**	(517,900)	(425,584)
Profit before tax		**(18,087,022)**	**2,127,691**
Income tax	**23**	112,849	(486,412)
Profit of the period		**(17,974,174)**	**1,641,279**
Other comprehensive income: of which: other comprehensive income that cannot be reclassified to profit or loss, of which: - restatement of deferred tax for revaluation of assets written off		1,401	338
Comprehensive income for the period		**(17,972,773)**	**1,641,616**
Basic/diluted earnings per share	**26**	**-**	**0.0024**

These separate financial statements were approved for issue by the management as at August 12, 2021:

EUGEN SCHEUŞAN
Managing Director

CRISTINA FLOREA
Economic Manager

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

	Note	June 30, 2021	December 31, 2020
ASSETS			
Non-current assets			
Property, plant and equipment	**4**	275,310,875	275,703,825
Investment property	**5**	11,179,966	11,114,654
Intangible assets	**6**	213,999	291,521
Investments in related entities	**8**	841,408	841,408
Other long-term non-current assets	**9**	17,293,310	19,804,010
Assets related to the rights of use	**7**	1,925,163	2,085,114
Total non-current assets		**306,764,721**	**309,840,532**
Current assets			
Inventories	**10**	16,215,498	13,402,675
Trade receivables	**11**	82,573,844	58,611,348
Cash and cash equivalents	**13**	1,794,464	20,108,460
Other current assets	**12**	2,831,783	1,882,350
Current tax assets	**23**	949,937	949,937
Total current assets		**104,365,526**	**94,954,770**
Total assets		**411,130,247**	**404,795,302**
EQUITY AND LIABILITIES			
Equity			
Share capital	**14**	67,603,870	67,603,870
Reserves and other equity	**15**	177,547,228	176,146,894
Retained earnings	**16**	72,100,089	91,473,196
Total equity attributable to company's shareholders		**317,251,187**	**335,223,960**
Non-current liabilities			
Trade payables and other liabilities	**19**	1,273,922	1,168,772
Investment subsidies	**17**	4,165,479	4,247,088
Deferred tax liabilities	**23**	16,621,096	16,735,345
Leasing debts	**7**	1,130,745	1,312,782
Total non-current liabilities		**23,191,241**	**23,463,987**
Current liabilities			
Trade payables and other liabilities	**19**	67,522,987	42,982,576
Investment subsidies	**17**	163,219	163,219
Provisions	**18**	2,156,891	2,156,891
Current income tax liabilities	**23**	-	-
Leasing debts	**7**	844,722	804,669
Total current liabilities		**70,687,819**	**46,107,356**
Total liabilities		**93,879,060**	**69,571,343**
Total equity and liabilities		**411,130,247**	**404,795,302**

These interim separate financial statements were approved for issue by the management as at August 12, 2021:

EUGEN SCHEUŞAN
Managing Director

CRISTINA FLOREA
Economic Manager

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

	Note	6-month period ended June 30, 2021	6-month period ended June 30, 2020
Cash flows from operating activities			
Cash receipts from customers		166,130,387	153,117,407
Payments to suppliers		(178,096,542)	(127,629,709)
Payments to employees		(15,819,191)	(16,356,932)
Other operating activities		(10,767,792)	(11,991,212)
Cash generated by/ (used in) operating activities		**(38,553,138)**	**(2,860,446)**
Interest paid		(89,633)	(20,562)
Income tax paid		-	(649,137)
Net cash used in operating activities		**(38,642,772)**	**(3,530,146)**
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(813,440)	(560,468)
Proceeds from sale of non-current-assets		-	7,973
Interest received		41,100	143,110
Dividends received		291,009	637,245
Net cash used in investing activities		**(481,331)**	**227,861**
Cash flows from financing activities:			
Proceeds from loans		64,645,261	33,568,71
Cash repayments of amounts borrowed		(43,237,742)	(31,708,536)
Paid leasing		(542,171)	(632,538)
Interest paid		(14,126)	(42,047)
Dividends paid		(41,115)	(6,546)
Net cash used in financing activities		**20,810,107**	**1,178,605**
Net decrease of cash and cash equivalents		**(18,313,996)**	**(2,123,680)**
Cash and cash equivalents at beginning of period	**13**	**20,108,460**	**21,711,183**
Cash and cash equivalents at end of period	**13**	**1,794,464**	**19,587,503**

These interim separate financial statements were approved for issue by the management as at August 12, 2021:

EUGEN SCHEUŞAN
Managing Director

CRISTINA FLOREA
Economic Manager

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

	Share capital	Retained earnings	Tangible assets revaluation reserve	Other reserves	Legal reserve	Other equity items	Total equity
Balance as of January 1,2021	**67,603,870**	**91,473,196**	**110,800,133**	**64,516,529**	**19,789,854**	**(18,959,622)**	**335,223,960**
Comprehensive income for the period:							
Profit or loss for the period	-	(17,974,174)	-	-	-	-	(17,974,174)
Other comprehensive income:							
Setup of legal reserve	-	(109,300)	-	109,300	-	-	-
Deffered tax recognized in equity	-	-	-	-	-	1,401	1,401
Transfer of revaluation reserve to retained earnings following the depreciation of revalued tangible assets or written off assets	-	1,097,952	(1,097,952)	-	-	-	-
Deffered tax transfer related to revaluation reserve to retained earnings	-	(172,584)	-	-	-	172,584	
Transfer of the retained earnings to reserves	-	(2,215,001)	-	2,215,001	-	-	-
Total comprehensive income for the period	**-**	**(19,373,107)**	**(1,097,952)**	**2,324,301**	**-**	**173,985**	**(17,972,773)**
Transactions with shareholders, directly registered to equity							
Dividends distributed	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-
Balance as of June 30, 2021	**67,603,870**	**72,100,089**	**109,702,181**	**66,840,830**	**19,789,854**	**(18,785,637)**	**317,251,187**

These interim separate financial statements were approved for issue by the management as at August 12, 2021:

EUGEN SCHEUŞAN
Managing Director

CRISTINA FLOREA
Economic Manager

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

	Share capital	Retained earnings	Tangible assets revaluation reserve	Other reserves	Legal reserve	Other equity items	Total equity
Balance as of January 1,2020	**67,603,870**	**91,301,725**	**113,135,988**	**62,841,298**	**19,680,554**	**(18,959,960)**	**335,603,476**
Comprehensive income for the period:							
Profit or loss for the period	-	1,641,279	-	-	-	-	1,641,279
Other comprehensive income:							
Setup of legal reserve	-	(249,060)	-	103,952	145,108	-	-
Deffered tax recognized in equity	-	-	-	-	-	338	338
Transfer of revaluation reserve to retained earnings following the depreciation of revalued tangible assets or written off assets	-	1,167,730	(1,167,730)	-	-	-	-
Transfer of the retained earnings to reserves	-	(1,535,471)	-	1,535,471	-	-	-
Total comprehensive income for the period	**-**	**1,024,478**	**(1,167,730)**	**1,639,423**	**145,108**	**338**	**1,641,616**
Transactions with shareholders, directly registered to equity							
Dividends distributed	-	(2,704,155)	-	-	-	-	(2,704,155)
Other items	-	-	-	-	-	-	-
Balance as of June 30, 2020	**67,603,870**	**89,622,047**	**111,968,257**	**64,480,721**	**19,825,662**	**(18,959,622)**	**334,540,938**

These interim separate financial statements were approved for issue by the management as at August 12, 2021:

EUGEN SCHEUŞAN
Managing Director

CRISTINA FLOREA
Economic Manager

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

1. GENERAL INFORMATION

ELECTROMAGNETICA SA is organized under the Romanian law, which was set up in 1930 and carries out activities in several sectors, out of which the most important are:

- production of LED lighting systems, tools, and molds;
- rental premises for offices, industrial sites, land and supply of utilities;
- electricity supply activity;
- production of electricity from renewable sources (produced in small power hydroelectric plants).

The production processes and products of Electromagnetica were certified under the international quality management standards. The main products are:

- LED lighting systems
- electricity distribution and corresponding measurement equipment
- electrical and electronic subassemblies, automotive parts etc,
- tools and molds
- metal and plastic subassemblies
- railway traffic safety equipment
- electricity from renewable sources (produced in small power hydroelectric plants)

The Company is headquartered in the 5th District, 266-268 Calea Rahovei , Bucharest.
Electromagnetica is listed on the Bucharest Stock Exchange (symbol ELMA). The prices per share can be analyzed as follows:

	Jan - Jun 2021	Jan - June 2020
- minimum price	0.1120	0.1040
- maximum price	0.1540	0.1660
- average price	0.1327	0.1414

The evolution of the average number of Electromagnetica employees was the following:

	Jan - Jun 2021	Jan – Jun 2020
Average no. of employees	390	413

These Separate Financial Statements are prepared in accordance with IAS 34 - the Interim Financial Reporting for the six-month period ended June 30, 2021. The Company also prepares consolidated financial statements, as it has investments in subsidiaries.

The details of the Company's investments in subsidiaries as of June 30, 2021 are as follows:

Subsidiary	Shares no.	The right to vote percentage (%)	Value
Electromagnetica Prestserv SRL	295	98.333%	29,500
Electromagnetica Fire SRL	799	99.875%	79,900
Procetel SA	42,483	96.548%	732,008
TOTAL			**841,408**

The information regarding the object of activity and the general presentation of the subsidiaries can be found in Note 25.

2. APPLICATION OF THE NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" , IFRS 4 „Insurance contracts" and IFRS 16 „Leasing contracts"** - Interest Rate Benchmark Reform - Fase 2 adopted by the EU on 13 January 2021 (in force for annual periods beginning on or after 1 January 2021),

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

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

At the date of authorization of these financial statements, the following amendments to the existing standards have been issued by the IASB and adopted by the EU but are not yet in force:

- **Amendments to IAS 16 „16 "Property, Plant and Equipment""** - Revenue before planned 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 - The cost of performing a contract adopted by the EU on June 28, 2021 (effective for annual periods beginning on or after January 1, 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 (in force for annual periods beginning on or after 1 January 2022)

- **Amendments to various standards due to "Improvements to IFRSs (2018-2020 cycle)"** resulting from the annual IFRS improvement project (IFRS 1, IFRS 9, IFRS 16 and IAS 41), mainly in order to eliminate inconsistencies and ambiguity formulation adopted by the EU on 28 June 2021 (Amendments to IFRS 1, IFRS 9 and IAS 41 are applicable for annual periods beginning on or after 1 January 2022. Amendments to IFRS 16 refer to an illustrative example only, so that no once effective.)

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

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

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),

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

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

- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 12 "Income Taxes"** - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

- **Amendments to IFRS 16 "Leases"** - Covid-19-Related Rent Concessions beyond 30 June 2021 (effective for annual reporting periods beginning on or after 1 April 2021. Earlier application permitted, including in financial statements not yet authorised for issue at the date the amendment is issued.).

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

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

- **IFRS 14 "Regulatory Deferral Accounts"** issued by IASB on 30 January 2014. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.

- **Amendments to IFRS 3 "Business Combinations"** - Reference to the Conceptual Framework with amendments to IFRS 3 issued by IASB on 14 May 2020. The amendments: (a) update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework; (b) add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and (c) add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases"** - Interest Rate Benchmark Reform — Phase 2 issued by IASB on 27 August 2020. The changes relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting:

  a) **Modification of financial assets, financial liabilities and lease liabilities -** the IASB introduces a practical expedient for modifications required by the reform (modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16.
  b) **Hedge accounting requirements -** under the amendments, hedge accounting is not discontinued solely because of the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements.

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

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

c) **Disclosures -** in order to allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition, the amendments require that an entity discloses information about:
   - how the transition from interest rate benchmarks to alternative benchmark rates is managed, the progress made at the reporting date, and the risks arising from the transition;
   - quantitative information about non-derivative financial assets, non-derivative financial liabilities and derivatives that continue to reference interest rate benchmarks subject to the reform, disaggregated by significant interest rate benchmark;
   - to the extent that the IBOR reform has resulted in changes to an entity's risk management strategy, a description of these changes and how is the entity managing those risks.

d) The IASB also amended IFRS 4 to require insurers that apply the temporary exemption from IFRS 9 to apply the amendments in accounting for modifications directly required by IBOR reform.

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** issued by IASB on 11 September 2014. The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

- **Amendments to IFRS 16 "Leases"** - Covid-19-Related Rent Concessions issued by IASB on 28 May 2020. The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021.

- **Amendments to IFRS 16 "Leases"** - Covid-19-Related Rent Concessions beyond 30 June 2021 issued by IASB on 31 March 2021. Amendments extend by one year the application period of the practical expedient in IFRS 16. The relief was extended by one year to cover rent concessions that reduce only lease payments due on or before 30 June 2022.

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current issued by IASB on 23 January 2020. The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. Amendments to IAS 1 issued by IASB on 15 July 2020 defer the effective date by one year to annual periods beginning on or after 1 January 2023.

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure of Accounting Policies issued by IASB on 12 February 2021. Amendments require entities to disclose their material accounting policies rather than their significant accounting policies and provide guidance and examples to help preparers in deciding which accounting policies to disclose in their financial statements.

- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Accounting Estimates issued by IASB on 12 February 2021. Amendments focus on accounting estimates and provide guidance how to distinguish between accounting policies and accounting estimates.

- **Amendments to IAS 12 "Income Taxes"** - Deferred Tax related to Assets and Liabilities arising from a Single Transaction issued by IASB on 6 May 2021. According to amendments, the initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities.

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

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

- **Amendments to IAS 16 "Property, Plant and Equipment"** - Proceeds before Intended Use issued by IASB on 14 May 2020. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Onerous Contracts — Cost of Fulfilling a Contract issued by IASB on 14 May 2020. The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

- **Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)"** issued by IASB on 14 May 2020. Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording. The amendments: (a) clarify that subsidiary which applies paragraph D16(a) of IFRS 1 is permitted to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs (IFRS 1); (b) clarify which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf (IFRS 9); (c) removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example (Illustrative Example 13 accompanying IFRS 16); and (d) removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique (IAS 41).

3. SIGNIFICANT ACCOUNTING POLICIES

Declaration of conformity

The Company's separate interim financial statements have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("IFRS") in force on the Company's reporting date, respectively June 30, 2021 and in accordance with the provisions of the Order of the Minister of Public Finance no. 2844/2016, for the approval of the Accounting Regulations compliant with the 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 International Financial Reporting Standards, adopted by to the European Union.

Functional and presentation currency

These separate financial statements are presented in RON, the functional currency of the Company.

Basis of preparation

The separate financial statements were prepared at historical cost, except for certain financial instruments that are measured at fair value, as explained in the accounting policies, The historical cost is generally based on the fair value of the consideration in exchange of the assets. Property, plant and equipment are presented at revaluation amount (IAS 16) and investment property are presented at fair value (IAS 40).

For obsolete or slow moving inventories, adjustments are made based on the management's estimates, The set up and reversal of allowances for inventories impairment is made usually at the end of the quarter in the profit and loss account: for obsolete inventories at 50% of the total value and for slow moving inventories at 25%.

In its first financial statements prepared in compliance with IFRS the Company applied IAS 29 – Financial Reporting in Hyperinflationary Economies and adjusted the historical cost of share capital, legal reserves

The company also prepares consolidated financial statements in accordance with IFRS adopted by the EU, which are available on the company's website. They are published together with the separate financial statements.

Foreign currency

The operations expressed in foreign currency are recorded in RON, at the official exchange rate on the date of the transaction settlement, Monetary assets and liabilities recorded in foreign currency on the date of preparation of the statement of financial position are expressed in RON, at the exchange rate of that date, The gains or losses from their settlement and the conversion of monetary assets and liabilities denominated in foreign currency at the exchange rate applicable at the end of the semester are recognized in the profit or loss for the period, The non-monetary assets and liabilities measured at historical cost in foreign currency are recorded in RON, at the exchange rate of the transaction date, The non-monetary assets and liabilities denominated in foreign currency and measured at fair value are recorded in RON, at the exchange rate applicable on the date when their fair value was determined.
Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are recorded in lei at the exchange rate on the date on which the fair value was determined.
The differences resulting from the conversion are presented in the profit and loss account.

The exchange rates of the main foreign currencies were as follows:

	Exchange rate June 30, 2021	Exchange rate June 30, 2020
EUR	4.9267	4.8423
USD	4.1425	4.3233

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates and professional judgement

The preparation of the financial statements in compliance with the IFRS adopted by the European Union requires the use by the management of estimates and assumptions that affect the application of the accounting policies and the reported value of assets, liabilities, revenues and expenses. The estimates and judgements related thereto are based on historical data and other factors deemed relevant in the given circumstances and the result of these factors represents the basis for the judgements used in determining the carrying amount of assets and liabilities for which there are no other evaluation sources available. The actual results may differ from the estimated values.

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. Estimates and associated judgments are based on historical data and other factors considered eloquent in the circumstances, and the outcome of these factors forms the basis for judgments used to determine the carrying amount of assets and liabilities for which no other measurement sources are available. Actual results may differ from estimated values.

Estimates and judgements are periodically reviewed. The reviews of accounting estimates are recognized in the period in which the estimate is reviewed, if the review affects only that period, or in the current and future periods, if the review affects both the current period and future periods.

The effect of the change for the current period is recognized as income or expense in the current period. If any, the effect on future periods is recognized as income or expense in those future periods.

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

Estimates and assumptions are used in particular for depreciation adjustments of fixed assets, the estimation of the useful life of a depreciable asset, for the adjustment of impairment of receivables, for provisions, for the recognition of deferred tax assets.

In accordance with IAS 36, intangible assets are analyzed for impairment at the balance sheet date. If the net carrying amount of an asset is greater than its recoverable amount, an impairment loss is recognized to reduce the net carrying amount of that asset by its recoverable amount. If the reasons for recognizing an 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 recognized.

The valuation for impairment of receivables is performed individually and is based on management's best estimate of the present value of the cash flows expected to be received. The company reviews its trade and other receivables at each date of the financial position to assess whether it should record an impairment loss in the income statement. Management's professional judgment is particularly necessary for estimating value and coordinating future cash flows when impairment is determined. These estimates are based on assumptions about several factors, and actual results may differ, leading to future adjustments.

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

Deferred tax assets are recognized for tax losses, to the extent that there is likely to be a taxable profit from which the losses can be covered. It is necessary to exercise professional judgment in determining

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates and professional judgement (continued)

the amount of deferred tax assets that can be recognized, based on the probability of the period and level of future taxable profit, as well as future tax planning strategies.

Accounting principles, policies and methods

According to IAS 8 - Accounting policies, changes in accounting estimates and errors, the accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.
The Company has selected and applies consistently its accounting policies for transactions, other events and similar conditions, except for the cases where a standard or an interpretation specifically provides for or allows the classification of events with regard to which the application of different accounting policies could be appropriate, If a standard or interpretation provides for or allows such a classification, an appropriate accounting policy must be selected and applied consistently to each category.
The Company changes an accounting policy only if the change:
- is required by a standard or interpretation; or
- results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance, or cash flows.
We present below a summary of the significant accounting policies applied to all the periods presented in the financial statements, except for the changes deriving from the new standards and amendments to standards with the date of initial application 1 January 2019 and presented in section 2.

Fair value

IFRS 13 - Fair Value Measurement establishes a fair value hierarchy that categorizes on three levels of input data for the evaluation techniques used to assess fair value:

- Level 1 inputs - are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date, This data provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available.

- Level 2 inputs - are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly for the assets and liabilities (for example the quoted prices for identical assets or liabilities on markets that are not active.

- Level 3 inputs - inputs are unobservable inputs for the asset or liability, The Company develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data.

Intangible assets

Initial measurement

The Company chose to measure these assets at acquisition cost or production cost (self-created) according to IAS 38 - Intangible Assets.

Measurement subsequent to initial recognition

The Company selected the cost model as the accounting policy for the measurement of intangible assets subsequent to initial recognition.

The Company chose to use the straight-line method for the amortization of intangible assets. The useful life for this group of non-current assets is between 3 and 5 years.

The Company applies IAS 36 to determine whether an intangible asset measured at cost is impaired. At the end of each reporting period, the Company assesses the indicators of impairment of these assets and, if such indicators are identified, the recoverable amount of the asset is estimated and the related impairment is recorded. The impairment loss must be recognized immediately in the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Measurement subsequent to initial recognition (continued)

For their presentation in the profit and loss account, the gains or losses occurring upon the end of use or disposal of an intangible asset are determined as the difference between the revenue generated by the asset disposal and its unamortized value, including the costs incurred for its disposal, and should be presented as net amount in the profit and loss account, according to IAS 38.

Property, plant and equipment

Initial measurement

Tangible assets are initially recognized at acquisition cost or production cost.

The cost of purchased tangible assets is given by the value of the consideration for the purchase of those assets and other costs directly necessary to bring the assets to the location and condition required for their operation in the manner intended by the management. The cost of own assets includes salaries, materials, production overheads and other costs directly attributable to bringing the assets to its current location and condition.

The Company established a value threshold for the recognition of a tangible asset item.

Measurement subsequent to initial recognition

The Company selected the ***revaluation model*** for the measurement subsequent to the initial recognition of tangible assets. According to the revaluation model, a tangible asset the fair value of which can be reliably measured should be carried at revalued amount, which is its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment.

Revaluations must be performed with sufficient regularity to ensure that the carrying amount does not differ materially from what would have been determined using fair value at the end of the reporting period.

The fair value of land and buildings is generally determined on the basis of market evidence, through an assessment by qualified professional appraisers.

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

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

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

Therefore, the revaluation frequency depends on the changes in the fair value of tangible assets, If the fair value of a revalued tangible asset at the balance sheet date materially differs from its carrying amount, a new revaluation is required. If the fair values are volatile, as the case may be for land and buildings, frequent revaluation may be required, If the fair values are determined for a long period, as the case may be for plant and equipment, less frequent revaluation may be required. IAS 16 suggests that annual revaluations may be required if there are material and volatile changes in the values.

If a tangible asset is revalued, the entire category of tangible assets the revalued asset belongs to should be revalued.

The residual value of the asset and its useful life should be revised at least at the end of the financial period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Measurement subsequent to initial recognition (continued)

The depreciation of an asset begins when the asset is available for use, i,e, it is in the location and condition required to operate as intended by the management.

The depreciation of an asset ends at the earliest of the date when the asset is classified as held for sale (or included in a group intended for disposal and classified as held for sale), according to IFRS 5, and the date when the asset is derecognized. Therefore, depreciation does not end when the asset is idle, except when the asset is completely depreciated.

Land and buildings are separable assets and are carried separately even when they are acquired together.

Land is not depreciated.

If the cost of land includes costs of dismantling, removing and restoring, these costs are depreciated during the period in which revenue is obtained as a result of these costs.

For all assets acquired starting January 1, 2015 the Company uses the straight-line method as the depreciation method which results in systematic allocation of the depreciable amount of the assets over their useful life.

The residual value, the useful life and the depreciation method are revised at the date of the financial statements.

The Company's management deemed appropriate the following durations of useful life for different categories of tangible assets:

Tangible assets	**Duration (years)**
Buildings	20 - 100
Technological equipment	5 - 12
Measurement, control and adjustment devices	3 - 8
Motor vehicles	4 - 8
Buildings	8 - 15

Impairment policy applied by the Company

The revaluation surplus of a tangible asset accumulated in equity should be directly transferred each month to retained earnings as it is depreciated, if the asset is used, and upon derecognition, when the asset is disposed of or scrapped.

If an asset is revalued, an impairment loss is recognized directly by reducing the revaluation surplus, but the loss should not exceed it.

The gain or loss resulting from the derecognition of a tangible asset is recognized in profit or loss at the date of the asset derecognition.

The carrying amount of a tangible asset is derecognized on disposal or when no future benefits are expected from its use or disposal.

If items of tangible assets that were held for rental to others are sold repeatedly, these assets are transferred to inventories at the carrying amount of the date when they cease to be rented and become held for sale. The proceeds from the sale of these assets are recognized as revenue in the profit and loss account.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible assets (continued)

Maintenance and capital repairs

Capitalized costs for capital repairs are separate components of the corresponding assets or groups of assets. Capitalized costs for capital repairs are amortized using the amortization method used for the underlying asset until the next repair.The expenditure for capital repair works includes the cost of replacing the assets or parts thereof, the costs of inspection and the costs of capital repairs. The expenditure is capitalized if an asset or a part of an asset which was amortized separately is replaced and is expected to generate future economic benefits. If a part of the replaced asset was not considered a separate component and, therefore, was not amortized separately, the replacement value is used to estimate the net carrying amount of the replaced asset(s) which is/are immediately removed. All the other costs incurred for day to day repairs and ordinary maintenance are directly recognized as expenses.

Leasing contracts

The Company applied IFRS 16 beginning with 1 January 2019, using the retrospectively modified method, without the retreatment of comparative values for the presented previous period. This applied IFRS 16 for all the contracts existing prior to 1 January 2019, classified as leasing according to IAS 17 and IFRIC 4.

The Company chose to apply the proposed standard exception for the leasing contracts for assets with a small value (below 5000 USD).

The Company recognized assets and new debts for the operational leasing contracts for motor vehicles, rented premises and equipment. Also, it was recognized an expense with the amortization of the right of asset utilization and an expense for the interest related to the leasing debt. The right to use assets on the date of transition is equal with the leasing debt, adjusted with any amount paid in advance for leasing payments that are foreseen related to leasing's as recognized in the situation of the financial position immediately prior to the date of initial application.

On the date of commencement of the leasing contract, the Company recognizes the leasing debts, assessed at the updated value with the marginal loan rate of the leasing payments, during the duration of leasing contract. Payments include fixed payments minus any incentives to be received, variable leasing payments that are subject to an index or a rate and the amounts are expected to be paid under the form of a residual value.

Investment property

Initial measurement

Investment property is initially recognized at cost according to IAS 40 - Investment property. The cost of investment property includes the purchase price plus any costs directly attributable thereto (professional fees for legal services, charges for the ownership transfer, etc,).

Measurement after recognition

The Company selected the fair value model for the presentation of investment property in its financial statements. Investments properties are not depreciated, gains and losses arising from changes in fair value of investment properties are included in profit or loss in the period in which they arise.

Financial assets

Electromagnetica SA applies IFRS 9 – Financial Instruments which entered into force on 1 January 2018 and where the classification of financial assets is based on the business model of the entity and the cash-flow characteristics of the financial asset.

Classification of financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

1. Financial asset measure d*ata amortized cost if the two requirements below are met:*

- the financial assets held within a business model whose aim is to hold financial assets in order to collect the contractual cash-flows and
- the contractual terms of the financial asset generate, at certain dates, cash flows which are exclusively payments of the principal amount and the interest related to the principal amount owed

2. *Financial asset measured at fair value through other components of the comprehensive result, if the two requirements below are met*
- the financial assets held within a business model whose aim can be reached both through the collection of the contractual cash flows and the sale of the financial assets and
- the contractual terms of the financial asset generate, at certain dates, cash flows which are exclusively payments of the principal amount and the interest related to the principal amount owed

3. *A financial asset measured at fair value through profit or loss,* except where it is measured at amortized cost in accordance with point 1 or at fair value, through other components of the comprehensive result, in accordance with point 2

Except for the trade receivables which fall under IFRS15, a financial asset or liability is initially measured at fair value, while for a financial asset or liability which is not measured at fair value through profit or loss the costs of the transaction will be added or deducted, costs which are directly attributable to the acquisition or issue of the financial asset or liability

After initial recognition, the subsequent evaluation of financial assets will be made at:
- amortized cost ;
- fair value through other components of the comprehensive result or
- fair value through profit or loss.

The financial assets include the shares held in subsidiaries, associated entities and jointly controlled entities, the loans granted to those entities, other investments held as non-corporal assets and other loans.

The Company presents its investments in subsidiaries measured at cost. The Company holds no investments in joint ventures or associated entities.

Investments in related entities

Subsidiaries are entities controlled by the Company. **IFRS 10 - Consolidated Financial Statements** defines the control principle and establishes the control as the basis for consolidation. IFRS 10 establishes the manner of application of the control principle to determine whether an investor controls an investee and, therefore, it should consolidate the investee.

An investor controls an investee if and only if the investor holds all of the following elements:

a) power over the investee;
b) exposure, or rights, to variable returns from its involvement with the investee;
c) the ability to use its power over the investee to affect the amount of the investor's returns.

Interest on loans

The interest on the loans directly attributable to the purchase, construction or manufacture of an asset with long production cycle is capitalized until the asset is prepared for its predetermined use or sale. All the other costs related to loans are recognized as expenses in the profit and loss account for the period of their occurrence. The interest expenses are carried using the effective interest method. For the six months period as at June 30, 2021, respectively as at June 30, 2020 no interest expenses were capitalized in the value of the assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

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

Inventory

According to IAS 2 - Inventories, these assets are:

- assets held for sale in the ordinary course of business
- assets in the production process for sale in the ordinary course of business or
- materials and supplies that are consumed in production or service provision

Inventories are presented at the lower of cost and net realizable value. The net realizable value is estimated on the basis of the selling price related to the normal activity, less the estimated costs for completion and sale. For stocks of raw materials and materials without movement or with slow movement, as well as for those of non-marketable finished products, adjustments are made based on management estimates.

The establishment and resumption of adjustments for the depreciation of inventories is made at the expense of the profit and loss account.

To determine the inventory outflow cost of supplied materials, the Company uses the First-In-First-Out (FIFO) method. The standard cost is used for inventory inflow and outflow of finished products. Based on the management accounting, the actual cost of the obtained products is determined at the end of each month.

Receivables and other similar assets

Beginning with January 1st, 2018, the company applied for the first time the new standard IFRS 9 *„Financial instruments”* whose result is an anticipated recognition of depreciation adjustments of debts up to the value of foreseen credit losses, calculated based on the rates of historic losses.

Receivables and other similar assets are presented at amortized cost decreased by the value adjustments.

When a receivable is expected not to be fully collected, adjustments for impairment are recorded at the level of the amount that cannot be recovered. Receivables are discarded following their collection or assignment to a third party. Current receivables can also be discarded by the mutual offset of accounts receivable and payable between third parties, under the law.The receivables with expired collection time limits are discarded after the Company obtains the documents proving that all the legal steps to recover these receivables were taken. The discarded receivables will continue to be tracked off-balance sheet.

Cash and cash equivalents

For the purpose of the preparation of the statement of cash flows, cash is considered to include the existing petty cash and the cash in current bank accounts. Cash equivalents represent deposits and investments with high liquidity and initial maturities under three months.

Liabilities

A liability is a present obligation of the Company arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

A liability is recognized in the accounting records and presented in the financial statements when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the settlement amount can be measured reliably.
Current liabilities are the liabilities that must be paid within a period of up to one year.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Liabilities (continued)

A liability should be classified as a current liability, also known as short-term liability, when:
a) it is expected to be settled in the ordinary course of the Company operating cycle;
b) it is primarily held for trading;
c) it is due to be settled within 12 months after the balance sheet date; or
d) the Company does not have the unconditional right to postpone the settlement of the liability for at least 12 months from the balance sheet date.

All the other liabilities must be classified as non-current liabilities.

Liabilities are presented at amortized cost. Deferred income classified as non-current liabilities are discounted using the effective interest rate method.The discount rate used to this effect is the rate determined according to the company's own procedures.

The Company derecognizes a liability when the contractual obligations are performed, cancelled or expired.

If the goods and services supplied in relation to current activities were not invoiced but the delivery was made and their value is available, the obligation in question is recorded as a liability.

The amounts representing dividends attributed from the net profit for the reporting period are recorded in the following year as retained earnings, to be carried as dividends payable following the approval of this destination by the general meeting of shareholders.

Current income tax

The current tax payable is based on the taxable profit for the year. The tax profit is different from the profit presented in the profit and loss account because it excludes items of income or expenses that are taxable or deductible in other years and also excludes the items that will never become taxable or deductible. The liability of the Company in relation to the current income tax is calculated using the tax rates provided for by the law or a draft legislative instrument at the end of the year. Currently, the tax rate is 16%.

Deferred tax

The deferred tax is created by analyzing the temporary differences of assets and liabilities, The tax loss carried forward is included in the calculation of the deferred tax asset, A deferred tax asset is recognized only if it is considered probable that there would be sufficient future taxable profit after the offset with the tax loss carry forward and the recoverable income tax.

Deferred tax assets and deferred tax liabilities can only be offset if the entity has this legal right and they relate to the income tax levied by the same tax authority.

Revenue recognition

Revenues are measured according to IFRS 15 – Revenues from Contracts with Customers.

IFRS 15 establishes a 5-step model to record the revenues resulted from contracts with customers:

- Step 1:Identification of a contract with a customer
- Step 2:Identification of payment obligations established in the contract
- Step 3:Determination of the transaction price
- Step 4:Allocation of the transaction price for the performance obligations included in the contract
- Step 5:Recognition of revenues as the company fulfills a performance obligation

In accordance with IFRS 15, revenues are recongnized in the amount which reflects the consideration at which an entity expects to be entitled in exchange of the transfer of goods or services to a customer.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Sale of goods

In accordance with IFRS 15, the revenues will be recognized when a customer gets control of the goods. The Company delivers goods under contractual conditions based on delivery terms. The time when the customer gets control of the goods is considered to be substantially the same for most contracts of the Company, according to IFRS 15 and IAS 18.

For the contracts with customers, where the sale of goods (mainly LED lighting units, meters, railway traffic safety elements etc.) is generally estimated to be the only performance obligation, it is expected that the adoption of IFRS 15 will have no impact on the revenues and profit or loss of the Company.

The Company expects that the revenue recognition will take place at a certain moment in time, when the control of the asset is transferred to the customer, namely upon delivery of the goods.

While preparing to adopt IFRS 15, the Company considers the following:

Variable consideration

Some contracts with customers provide volume rebates, financial cuts, trade discounts or the right to return the goods for quality defects. Currently, the revenues gained from these sales are recognized based on the price specified in the contract, return net quantities and revenue decreases, trade discounts and volume rebates recorded based on accrual accounting, when a reasonable estimation of revenue adjustment can be made.

In accordance with IFRS 15, the estimation of the variable revenue is necessary to be made at the beginning of the contract. The revenues will be recognized insofar as a significant reversal of the cumulated value of the recognized revenues is unlikely to take place.

However, because the contractual periods for most contracts coincide with the calendar years for which the annual financial statements are prepared, and because the Company currently reports its annual revenues from contracts with customers net of adjustments, such as volume rebates or financial cuts, the impact on the result carried forward from the treatment of variable revenues following the adoption of IFRS 15 is not effective. At the same time, the cases of complaints for quality (rights to return) are isolated and, according to history, they are not material, so that the Company cannot make a reasonable estimation of such a reversal of revenues at the reporting date.

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

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

Impact on the carried forward result

The Company is the principal in all the sale contractual relationships, because it is the main performer in all the revenue contracts, has the right to establish the price and is exposed to stock and credit risks.

In accordance with IFRS 15, the measurement will be based on the fact that the Company controls specific goods before transferring them to the end customer rather than these are exposed to risks and significant rewards associated to the sale of goods.

Recognition of revenues from distinct performance obligations

According to some delivery terms, the Company may provide services such as transportation to a specified destination beyond the moment of transfer of the control of goods to customers. IFRS 15 requires that an entity should keep records of each of the distinct goods or services as a separate performance obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition of revenues from distinct performance obligations (continued)

The freight services could fall within the definition of a distinct service, but a full understanding of the commercial terms is necessary to ensure that this is the case. A performance obligation for transportation generally satisfies the performance obligation criteria over a period of time, and the revenues will be recognized during the transfer of goods to the customer. Otherwise, the performance obligation is considered fulfilled at a certain moment in time and the revenues would be recognized when the customer receives the goods. This could lead to the recognition of part of the contractual revenues when the control of goods is transferred and the recognition in time of the part of revenues relating to freight services. There can be no separate obligation for an entity to transport its own goods (i.e. before transferring the control of goods to the customer).

The impact on the result carried forward from the treatment of transport services as distinct performance obligation, following the adoption of IFRS 15, is non-material.

Service provision

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

Performance obligations fulfilled in time

The Company transfers the control of a good or a service in time and therefore fulfills a performance obligation and recognizes revenues in time if one of the following criteria is met:

(a) the customer receives and simultaneously consumes the benefits offered through the performance by the entity as the entity is performing

(b) the performance by the entity creates or improves an asset (e.g. work in progress) which the customer controls, as the asset is being created or improved or

(c) the performance by the entity does not create an asset with alternative use for the entity, while the entity has an enforceable right to payment for the work performed until the respective date

Performance obligations fulfilled at a specific time

If Electromagnetica SA fulfills the obligation to execute at a specific time (such as the provision of goods with the assembly clause or putting a function at a given time), to determine the specific time when the customer obtains control over a promised asset and Electromagnetica fulfills an obligation to execute, the provisions regarding the transfer of control and the indicators of transfer of control are analyzed, especially the acceptance of the asset by the client which can be certified by signing the commissioning report or the explicit acceptance for payment.

If there is an agreement on invoicing before delivery, in addition to the above conditions for a customer to get the control of a product, the following criteria must be met:

- the reason for such agreement on invoicing before delivery must be substantial (a written request from the customer)
- usually the product must be ready for the physical transfer to the customer
- the entity which delivers the product cannot have the capacity to use it or assign it to another customer

If the contract concluded with a customer contains a provision of acceptance, then the time when a customer gets the control of a good or a service will be determined according to that provision.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Assessment of the progress in fulfilling a performance obligation entirely

For each performance obligation fulfilled in time, Scietatea recognizes the revenue in time by assessing the progress of the full fulfillment of that performance obligation. The purpose of the progress assessment is to present the transfer of control over the goods or services promised to a customer (ie the fulfillment of the execution obligation by the supplier).

Reasonable progress assessments

The Company recognizes the revenues for a performance obligation fulfilled in time only if it can reasonably assess its progress in fulfilling that obligation entirely and holds the reliable information necessary to apply an adequate progress assessment method.To assess the progress in fulfilling a future obligation, which is necessary, for example, in the contracts including a provision for placing into service or installation, the Company chose the method based on inputs, according to which revenues are recognized on the basis of inputs or of the efforts of the entity in fulfilling a performance obligation (e.g. consumed resources, number of hours worked, recorded costs, time elapsed or hours of use of machinery) as compared to the total inputs foreseen for fulfilling the respective performance obligation. If the inputs or efforts are distributed uniformly over the whole period of performance, the revenues can be recognized on a straight-line basis.

IFRS 15 requirements for recognition and assessment are also applicable to the recognition and measurement of any gains or losses resulted from the disposal of non-financial assets (such as non-current assets and intangible assets), where such disposal is not in the normal course of business. Nevertheless, upon transition, the effect of these changes are not expected to be significant for the Company.

Rental income

Rental income is recognized on a straight-line basis in the profit and loss account over the duration of the rental agreement.

Dividends and interest

The revenue arising from dividends is recognized when the shareholder's right to receive payment is established. The revenue is recorded at the gross amount that includes the tax on dividends, which is recognized as a current expense in the period in which the allocation was approved.

Interest income is recognized on an accrual basis, by reference to the principal and the effective interest rate, that rate that accurately updates the expected future flows of receivables. Interest income is recognized on an accrual basis, with reference to the principal outstanding and the effective interest rate, that rate that accurately updates the expected future flows of receivables.

Provisions

Provisions can be distinguished from other liabilities such as trade payables and accruals because there is uncertainty about the timing or amount of the future expenditure required in settlement.

Provisions are recognized for present obligations to third parties when it is probable that the obligation will be settled and the settlement amount can be estimated reliably.Provisions for individual obligations are settled at an amount equal to the best estimate of the amount necessary to settle the obligation.

Provisions are grouped by categories and are recognized for:

a) lawsuits;
b) guarantees to customers;
c) dismantling of tangible assets and other similar actions related thereto;
d) restructuring;
e) employee benefits;
f) other provisions

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

When the review by the management together with the legal advisors of the chances for the Company to loose a lawsuit leads to the conclusion that the estimated probability for loss is higher than 50%, a provision is recognized at the reliably estimated amount.

Provisions for guarantees to customers are recognized depending on the estimates of the management and the sales, technical and quality departments on the level of expenses incurred for repairs during the warranty period. The level of expenses incurred for repairs during the warranty period is determined as a percentage of the turnover for the reporting year.

Restructuring provisions

The implicit restructuring obligation occurs where an entity:

- has in place an official detailed restructuring plan that presents: the activity or part of activity it refers to, the main locations affected, the location, position and approximate number of employees to receive compensation for the termination of their activity, the expenses involved, the date of implementation of the restructuring plan;
- has generated the reasonable expectation of the affected parties that the restructuring will be performed by starting the implementation of the restructuring plan or the communication of its main features to those affected by the restructuring process.

The restructuring provision only includes the expenses directly related to the restructuring.

Provisions for employee benefits

During the financial year provisions for annual leaves not taken or other long-term employee benefits (if provided for in the labor contract). Upon their recognition as due to employees, the amount of provisions will be carried in the corresponding revenue accounts.

Other Provisions

If investments with a time or uncertain value that meet the conditions for recognizing provisions in accordance with IAS 37 but are not included in any of the categories identified above are identified, other provisions are recorded.

At the end of each reporting period, the provision is reviewed and adjusted to represent the current best estimate. When the analysis shows that outflows of resources incorporating economic benefits are no longer likely to be required to settle the obligation, the provision must be canceled.

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

Employee benefits

The obligations representing short-term employee benefits are not updated and are recognized in the profit and loss account as the related service is provided.

The short-term employee benefits are wages and salaries, bonuses, and social security contributions. Short-term benefits are recognized as expense in the period in which the services are rendered.

The Company makes payments on behalf of its employees to the Romanian public pension system, the health fund and the unemployment fund in the ordinary course of business.

All the Company employees are enrolled in and required to contribute to the Romanian public pension system. All the related contributions are recognized in the profit and loss account for the period in which they are paid. The Company does not have other additional obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

The Company is not involved in any independent pension scheme, therefore it does not have any obligations in this regard. The Company is not involved in any post-employment benefit scheme. The Company does not have any obligation to provide subsequent services to former or present employees.

At present, the Company does not grant employee benefits in the form of profit sharing.

Currently, there is no plan providing for the Company to grant benefits in the form of entity shares (or other equity instruments).

Profit or loss for the period

In accounting, the profit or loss is determined cumulatively from the beginning of the financial year. The result for the year is determined as the difference between the income and expenses for the year. The final result of the financial year is established at the end of the financial year and represents the final balance of the profit and loss account.

The distribution of the profit is made in accordance with the legal provisions in force. The amounts representing reserves constituted from the profit of the current financial year, based on some legal provisions, for example the legal reserve constituted based on the provisions of Law 31/1990 are registered at the end of the current financial year. The accounting profit remaining after this distribution is taken over at the beginning of the financial year following that for which the annual financial statements are prepared in the income statement representing undistributed profit or uncovered loss, from where it is distributed to the other destinations decided by the general meeting of shareholders. legal. The accounting accounting of the destinations of the accounting profit is performed after the general meeting of shareholders approved the distribution of the profit, by registering the amounts representing dividends due to the shareholders, reserves and other destinations, according to the law.

IAS 33 - Earnings per share requires that if an entity presents consolidated financial statements as well as separate financial statements, the presentation of earnings per share is based solely on the consolidated information. If it chooses to present the earnings per share based on its separate financial statement, it must present such information on earnings per share only in the statement of comprehensive income.
The Company presents the result per basic share for its ordinary shares. Basic earnings per share are calculated by dividing the gain or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

The weighted average number of ordinary shares outstanding during the period is the number of shares outstanding at the beginning of the period adjusted by the number of shares repurchased or issued during that period multiplied by a time weighting factor. The time weighting factor is the number of days in which those shares were in circulation, as a proportion of the total number of days in the period.

Segment reporting

An operating segment is a separate component of the Company, which is engaged in activities that could generate revenues and expenses, including revenues and expenses related to the transactions with any of the other components of the Company, and is exposed to risks and benefits that are different from those of the other segments.The main format for the Company's reporting by operating segments is represented by the segmentation by activities.

As the shares of the parent company are traded on the Bucharest Stock Exchange and as it applies IFRS, the entity presents in its annual accounts and the interim reports prepared according to IAS 34 - Interim Financial Reporting, information about the operating segments, their products and services, their geographical areas of activity and their main customers.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting (continued)

According to IFRS 8 - Operating Segments, an operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- for which distinct financial information is available,

Considering the criteria for the identification of operating segments and the quantitative thresholds described in IFRS 8, the Company identified the following operating segments for which it presents separate information:

- licensed activity – electricity supply and production,
- unlicensed activity;

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

4. PROPERTY, PLANT AND EQUIPMENT

Cost	**Land and landscaping**	**Buildings**	**Plant and machinery**	**Other tangible assets**	**Tangible assets in progress**	**Advance for tangible assets**	**Total**
As at December 31, 2020	**155,046,596**	**109,150,436**	**35,322,167**	**4,222,490**	**2,540,179**	**301,602**	**306,583,437**
Inflows	-	-	854,971	86,383	3,336,473	243,121	4,520,948
Out of which:							
- transfers							
Outflows	-	(30,759)	(550,064)	(54,933)	(1,008,159)		(1,643,915)
							-
As at June 30, 2021							
As at June 30, 2021	**155,046,596**	**109,119,677**	**35,627,074**	**4,253,940**	**4,868,493**	**544,723**	**309,460,470**

Accumulated depreciation	**Land and landscaping**	**Buildings**	**Plant and machinery**	**Other tangible assets**	**Tangible assets in progress**	**Advance for tangible assets**	**Total**
As at December 31, 2020	**328,881**	**7,518,387**	**19,754,220**	**2,263,220**	**-**	**-**	**29,864,708**
Depreciation for the year	-	1,822,567	1,842,427	228,017	-	-	3,893,011
Accumulated depreciation for outflows	-	(30,759)	(537,337)	(54,932)	-	-	(623,028)
							-
As at June 30, 2021	**328,881**	**9,310,195**	**21,059,310**	**2,436,305**	**-**	**-**	**33,134,691**

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

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment allowances	**Land and landscaping**	**Buildings**	**Plant and machinery**	**Other tangible assets**	**Tangible assets in progress**	**Advance for tangible assets**	**Total**
As at December 31, 2020	**-**	**893,116**	**121,788**	**-**	**-**	**-**	**1,014,904**
Allowances for impairment recognized in profit or loss	-	-	-	-	-		-
Reversal of allowances for impairment recognized in profit or loss	-	-	-	-			
As at June 30, 2021	**-**	**893,116**	**121,788**	**-**	**-**	**-**	**1,014,904**
Net book value							
As at December 31, 2020	**154,717,715**	**100,738,933**	**15,446,159**	**1,959,270**	**2,540,179**	**301,602**	**275,703,825**
As at June 30, 2021	**154,717,715**	**99,809,482**	**14,567,764**	**1,817,635**	**4,868,493**	**544,723**	**275,310,875**

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

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Cost	Land and landscaping	Buildings	Plant and machinery	Other tangible assets	Tangible assets in progress	Total
As at December 31, 2019	**151,433,699**	**111,277,181**	**32,518,443**	**3,799,120**	**1,185,609**	**300,214,052**
Inflows, of which:	-	-	598,660	383,245	1,359,738	2,341,643
Transfers	-	-	574,763	383,245	(958,008)	-
Outflows	-	(893,116)	(291,828)	-	(958,008)	(2,142,952)
As at June 30, 2020	**151,433,699**	**110,384,065**	**32,825,275**	**4,182,365**	**1,587,339**	**300,412,743**

Amortizare cumulată	Terenuri şi amenajare de terenuri	Construcţii	Echipamente tehnologice şi vehicule	Alte imobilizări corporale	Imobilizări corporale în curs de execuţie	Total
As at December 31, 2019	**328,881**	**4,060,867**	**16,498,199**	**1,780,952**	**-**	**22,668,899**
Depreciation for the year	-	1,880,437	1,745,355	245,250	-	3,871,042
Accumulated depreciation for outflows	-	-	(87,157)	-	-	(87,157)
As at June 30, 2020	**328,881**	**5,941,304**	**18,156,397**	**2,026,202**	**-**	**26,452,784**

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

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment allowances	Land and landscaping	Buildings	Plant and machinery	Other tangible assets	Tangible assets in progress	Total
As at December 31, 2019	**-**	**-**	**-**	**-**	**-**	**-**
Allowances for impairment recognized in profit or loss	-	-	-	-	-	-
Reversal of allowances for impairment recognized in profit or loss	-	-	-	-	-	-
As at June 30, 2020	**-**	**-**	**-**	**-**	**-**	**-**
Net book value						
As at December 31, 2019	**151,104,818**	**107,216,314**	**16,020,244**	**2,018,168**	**1,185,609**	**277,545,153**
As at June 30, 2020	**151,104,818**	**104,442,761**	**14,668,878**	**2,156,163**	**1,587,339**	**273,959,959**

The June 30, 2021 property, plant and equipment have an insignificant decrease compared to December 31, 2020 mainly due to depreciation offsets with the acquisition of new property, plant and equipment.

Tangible fixed assets inflows are represented by modernizations of the company's headquarters as well as acquisitions of technological equipment.

Outgoing property, plant and equipment show impairment losses due to sale and scrapping.

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

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Tangible assets are represented by upgrades of the headquarters of the Group as well as the acquisition of technological equipment. Outflows of assets represent write-downs due to sale and disposal.

Denumire active	Net book value as at June 30, 2021	Net book value as at December 31, 2020
- Real estate (nr. 13, 15) Calea Rahovei , nr 266-268 , 5th District, Bucuresti	26,544,560	25,971,259
- Real estate (nr. 1-3, 9,10,16,18,19,21,23-26) - Calea Rahovei, 266-268, 5th District, Bucuresti	48,451,591	33,946,154
- Land - Calea Rahovei, nr. 242 = 2.157 mp	5,160,797	5,160,797
- MHC-uri (industrial land and construction)	46,418,911	47,265,912

The tangible assets include assets purchased through government subsidies and used in the activity licensed at one of the micro hydropower plants located in Brodina commune, Suceava county. The remaining value of the investment as of June 30, 2021 is 10,474,461 lei, of which the subsidized value is 4,328,698 lei. The remaining value of the investment as of June 30, 2021 was 10,676,065 lei, of which the subsidized value was 4,491,916 lei.

Fair value of tangible assets

The tangible assets of the Company other than tangible assets in progress are presented in the financial statements at revalued amount, representing the fair value at the date of valuation, less accumulated depreciation and impairment.This method is recommended for properties, when there is sufficient and reliable data on transactions or selling offers for similar properties in the area. Analysis of prices at which transactions were made on requested or offered prices for comparable properties is followed by the performance of price corrections, in order to quantify the prices paid, required or provided, due to differences between the specific characteristics of each property in some called elements for comparison

The fair value of buildings was determined using the cost method and the income method,

The cost method requires that the maximum value of an asset for an informed buyer is the amount that is needed to buy or build a new asset with equivalent utility. When the asset is not new, the current cost of crude has low all forms of impairment that may be assigned to him, until the valuation date.
The income method provides an indication of value by converting future income flows in asset value (market value or investment value).

Information on the fair value hierarchy as at June 30, 2021 and December 31, 2020 is as follows:

	Level 1	Level 2	Level 3	Fair value at June 30, 2021
Lands and land improvements	-	-	154,717,715	154,717,715
Constructions	-	-	99,809,482	99,809,482

	Level 1	Level 2	Level 3	Fair value at December 31, 2020
Lands and land improvements	-	-	154,717,715	154,717,715
Constructions	-	-	100,738,933	100,738,933

During 2021 and 2020, there were no transfers between levels related to fair value.

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

5. INVESTMENT PROPERTY

The Company owns property that is fully used for rental, All the rental agreements have an initial duration of minimum one year. Further extensions are negotiated with the tenants. The obligations of the parties with regard to repairs, maintenance and improvements are set forth in the contracts.

According to IAS 40, this category of property is recognized as investment property.The Company selected the fair value model for the presentation of investment property in its financial statements.

As at June 30, 2021 the investment property is structured as follows:

	June 30, 2021	December, 31 2020
Opening balance	**11,114,654**	**5,182,279**
Inflows, of which:	65,312	6,247,121
fair value valuation	-	893,244
transfer	-	-
Outflows, of which:	-	(314,746)
fair value valuation	-	(314,746)
transfer	-	-
Closing balance	**11,179,966**	**11,114,654**

The incomes related to the real estate investments obtained in H1 of 2021 are in the amount of RON 1,442,146 and cover the expenses borne by the owner (H1 2020: RON 784,017).

The Company holds other rented spaces within buildings used in conjunction with other activities. These are not classified as investment property because the share in total revenues is insignificant. Also in most cases these spaces cannot be managed separately.

There are no restrictions on the level of realization of investment property or the transfer of revenue and proceeds from disposal

Information on the fair value hierarchy as at June 30, 2021 and December 31, 2020 is as follows:

	Level 1	Level 2	Level 3	Fair value at June 30, 2021
Investment property	-	-	11,179,966	11,179,966

	Level 1	Level 2	Level 3	Fair value at December 31, 2020
Investment property	-	-	11,114,654	11,114,654

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

6. INTANGIBLE ASSETS

Intangible assets include software, licenses and various software applications. They are amortized using the straight-line method.

In the statement of financial position, they are presented at historical cost, less amortization and impairment.

The decrease of intangible assets is mainly due to the amortization of some licenses.

For most intangible assets, the useful lives were estimated at 3 years.

Intangible assets as at June 30, 2021 are as follows:

Cost	**Concessions patents licenses**	**Other intangible assets**	**Intangible assets in progress**	**Total**
As at December 31, 2020	**1,175,884**	**2,611,615**	**57,203**	**3,844,702**
Inflows	8,030	-	-	8,030
Outflows	-	-	(8,030)	(8,030)
Transfers	-	-	(8,030)	(8,030)
As at June 30, 2021	**1,183,914**	**2,611,615**	**49,173**	**3,844,702**
Accumulated amortization				
As at December 31, 2020	**941,566**	**2,611,615**	**-**	**3,553,181**
Amortization for the year	77,522	-	-	77,522
Accumulated amortization for outflows	-	-	-	-
As at June 30, 2021	**1,019,088**	**2,611,615**	**-**	**3,630,703**
Net book value				
As at December 31, 2020	**234,318**	**-**	**57,203**	**291,521**
As at June 30, 2021	**164,826**	**-**	**49,173**	**213,999**

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

6. INTANGIBLE ASSETS (continued)

Cost	Concessions patents licenses	Other intangible assets	Intangible assets in progress	Total
As at December 31, 2019	**1,118,331**	**2,611,616**	**65,538**	**3,795,485**
Inflows	49,220	-	49,220	98,440
Outflows	-	-	(49,220)	(49,220)
Transfers	-	-	(49,220)	-
As at June 30, 2020	**1,167,551**	**2,611,616**	**65,538**	**3,844,705**
Accumulated amortization				
As at December 31, 2019	**778,290**	**2,550,708**	**-**	**3,328,998**
Amortization for the year	80,148	54,070	-	134,218
Accumulated amortization for outflows	-	-	-	-
As at June 30, 2020	**858,438**	**2,604,778**	**-**	**3,463,216**
Net book value				
As at December 31, 2019	**340,041**	**60,908**	**65,538**	**466,487**
As at June 30, 2020	**309,113**	**6,838**	**65,538**	**381,489**

7. ASSETS RELATING TO THE RIGHTS OF USE

IFRS 16 replaces existing leases, including IAS 17 Leasing, IFRIC 4 Determining the extent to which a commitment contains a lease, SIC-15 Operating leasing - Incentives and SIC-27 Assessing the economic nature of transactions involving the legal form of a contract leasing. The standard eliminates the current dual accounting model for tenants and requires companies to bring most leases into balance sheets in a single model, eliminating the distinction between operational and financial leases. In accordance with IFRS 16, a contract is or contains a lease where it confers the right to control the use of an identified asset for a period of time in exchange for compensation. For such contracts, the new model requires the lessee to recognize an asset related to the right of use and a debt regarding leasing contracts. The assets related to the usage rights are depreciated during the leasing contract, and the debt generates interest. Interest expenses are recorded in the income statement during the lease, being calculated at the remaining balance of the lease debt for each period. For most leases, this will result in higher expenses at the beginning of the lease, even if the tenant pays constant rents. The lessee's accounting remains largely unaffected by the introduction of the new standard, and the distinction between operational and financial leasing contracts will be maintained.

As mentioned in the notes to the accounting policies, the Company considered the following aspects related to contracts covered by IFRS 16: i) did not recognize any assets related to the right of use and no leasing debt related to contracts that expire in 12 months or less from the date of application; and ii) did not recognize any assets related to the right of use and any leasing debt for small value contracts (less than 5,000 USD

Being permitted by the standard, the Group adopted IFRS 16 as of January 1, 2019 using the modified retrospective method, without modifying the figures from previous periods.

As of June 30, 2021, the Company recognizes assets related to usage rights amounting to RON 2,972,649 and leasing debts amounting to RON 1,975,467 related to previous operating leases, of which short-term debts amounting to RON 844,722 and long-term debts. in the amount of RON 1,130,745.

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

7. ASSETS RELATING TO THE RIGHTS OF USE (continued)

	Balance at 01,01,2021	Inflows	Outflows	Balance at 30,06,2021
Right of use	**2,749,317**	**349,173**	**125,841**	**2,972,649**
Of which:				
Right of use of buildings	2,336,267	349,173	125,841	2,559,599
Right of use of vehicles	413,050	-	-	413,050
Debt from leasing	**2,117,451**	**400,187**	**542,171**	**1,975,467**
Recognized depreciation	664,203	509,123	125,840	1,047,486
Interest expense	-	41,745	-	-

Net asset value at June 30, 2021: 1,925,163 RON.

Of which:

Net value of the right to use buildings: 1,729,796 RON.
Net value of the right to use vehicles: 195,367 RON.

The remaining amount of the debts as of June 30, 2021: 1,975,467 RON.

8. INVESTMENTS IN AFFILIATED ENTITIES

As of June 30, 2021, the investments held in affiliated entities in the amount of 841,408 lei are presented at cost.

None of the companies in which these investments are held is listed on the securities market. Holdings are valued at cost and are tested for impairment annually. To establish this, management uses a range of reasoning and considers, among other factors, the duration and extent to which the value at the reporting date of the investment is less than its cost; the financial health and short-term outlook of the affiliate, technological changes and operational and financing cash flows.

The company's investments in subsidiaries remained unchanged during the reporting period, on June 30, 2021 compared to the end of 2020, being:

Description	Shares no.	Vote right percentage (%)	Value
Electromagnetica Prestserv SRL	295	98.333%	29,500
Electromagnetica Fire SRL	799	99.875%	79,900
Procetel SA	42,483	96.548%	732,008
TOTAL			**841,408**

These companies will be included in the consolidated financial statements.

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

9. OTHER NON-CURRENT ASSETS

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

The valuation is made at cost and is tested annually for impairment.

	June 30, 2021	December 31, 2020
Performance guarantees granted to customers	2,112,903	1,668,567
Trade receivables scheduled on the long-term	16,730,672	19,789,266
Adjustment trade receivables at present value	(1,811,982)	(2,097,083)
Other	261,716	443,260
Total	**17,293,310**	**19,804,010**

The long-term receivables in net value of 14,918,690 lei as of June 30, 2021 were updated to the present value, and the effect of the time-value of money was in the amount of 1,811,982 lei. The current portion is recognized in trade receivables (Note 11).

10. INVENTORY

	June 30, 2021	December 31, 2020
Raw materials	7,929,449	6,889,170
Consumables	2,564,940	1,915,843
Finished goods	3,836,834	3,621,418
Work in progress	2,047,921	1,699,973
Other inventories	1,815,270	1,094,643
Allowances for impairment of inventories	(1,978,916)	(1,818,372)
Total	**16,215,498**	**13,402,675**

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

The changes in inventory impairments is as follows:

	June 30, 2021	December 31, 2020
Balance at the beginning of period	**1,818,372**	**1,707,149**
Increase depreciation adjustments	363,914	1,045,050
Decrease depreciation adjustment	(203,370)	(933,827)
Balance at the end of period	**1,978,916**	**1,818,372**

Allowances recorded in the reporting period are for obsolete or slow moving raw materials and consumables.

The Company did not pledge inventories to secure its liabilities.

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

11. TRADE RECEIVABLES

Receivables are recorded at nominal value and are accounted for in the cost accounting for each natural or legal person. The receivables denominated in foreign currency were measured based on the exchange rate applicable at the end of the period and the exchange rate difference was recognized as income or expense for the period.

	June 30, 2021	December 31, 2020
Internal trade receivables*	80,096,513	55,114,647
External trade receivables	6,891,369	8,031,013
Estimated trade receivables	866,409	1,165,173
Adjustment of internal trade receivables at present value	(857,703)	(790,431)
Impairment of trade receivables	(4,422,744)	(4,909,054)
Net trade receivables	**82,573,844**	**58,611,348**

*Internal trade receivables also include guarantees of good execution with a maturity of less than 1 year granted to customers. As of June 30, 2021, they are worth RON 614,317 lei (December 31, 2020: ron 676,756).

The contracts for the sale or provision of services concluded with customers under credit supplier conditions have been updated to their present value. The total effect of the time-value of money was 2,669,684 lei, of which RON 857,702 for a term under one year and RON 1,811,982 over a year. The portion over one year is recognized in Other fixed assets (Note 9).

The movement in adjustments for impairment of trade receivables is as follows:

	June 30, 2021	December 31, 2020
Balance at the beginning of period	**4,909,054**	**4,940,221**
Increases of impairment allowances	122,671	759,364
Decreases of impairment allowances	(608,981)	(790,531)
Balance at the end of period	**4,422,744**	**4,909,054**

Doubtful accounts receivables or under litigation procedures are in amount of RON 4.422.744 (at December 31, 2020: RON 4.909.054).

The allowance for trade receivables recorded refers to amounts not collected from doubtful accounts or customers under litigation procedures and for which a risk of default was estimated according to the policy adopted by the Company.

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

11. TRADE RECEIVABLES (continued)

The maturity of receivables at the date of the present statement of financial position is:

	Gross value as at June 30, 2021	Provision as at June 30, 2021	Gross value as at December 31, 2020	Provision as at December 31, 2020
Outstanding	63,788,730	-	41,690,599	-
Overdue between 1 – 30 days	4,043,728	-	9,058,359	-
Overdue between 31 – 90 days	1,774,201	-	2,469,064	-
Overdue between 90 – 180 days	1,676,340	-	995,204	-
Overdue between 180 – 365 days	7,883,358	-	1,339,762	-
More than 1 year	3,286,477	(4,422,744)	7,967,414	(4,909,054)
TOTAL	**82,452,833**	**(4,422,744)**	**63,520,402**	**(4,909,054)**

12. OTHER CURRENT ASSETS

	June 30, 2021	December 31, 2020
Debtors	31,440	31,926
Prepaid expenses	1,685,898	902,401
Debtor suppliers	53,005	138,192
Other assets	1,061,440	809,831
Total	**2,831,783**	**1,882,350**

The accrued expenses of RON mainly consist of rent paid in advance, insurance premiums and various subscriptions.
Other assets also include the value of the VAT non-chargeable in amount of RON 156,770 and the value of receivables from the social security insurancein amount of RON 904,671.

13. CASH AND CASH EQUIVALENTS

	June 30, 2021	December 31, 2020
Petty cash	15,817	6,456
Bank accounts	1,746,834	20,101,494
Cash equivalents	31,813	510
Total	**1,794,464**	**20,108,460**

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

13. CASH AND CASH EQUIVALENTS (continued)

	June 30, 2021	December 31, 2020
Restricted cash	135,246	81,748
Total	**135,246**	**81,748**

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

14. SHARE CAPITAL

The share capital subscribed and paid up is RON 67,603,870, divided into 676,038,704 shares at nominal value 0.10 RON/share, fully paid-up.

The structure of the shareholders that own over 10% of the share capital as at June 30, 2021 is the following, according to the Central Depositary Register:

	June 30, 2021		December 31, 2020	
Shareholder	**Shares no.**	**%**	**Shares no.**	**%**
Asociaţia PAS	171,084,540	25.31	171,084,540	25.31
SIF Oltenia SA	176,717,594	26.14	176,717,594	26.14
Persoane fizice	250,916,471	37.11	255,182,254	37.75
Persoane juridice	77,320,099	11.44	78,605,404	10.81
Total	**676,038,704**	**100**	**676,038,704**	**100**

None of the shareholders has the control of the Company.

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

15. RESERVES

Legal reserve

	June 30, 2021	December 31, 2020
Balance as the beginning of the period	**19,789,854**	**19,680,554**
Increases of legal reserves	-	109,300
Decreases of legal reserves	-	-
Balance as the end of the period*	**19,789,854**	**19,789,854**

* The allowance for inflation following the application of IAS 29 to this reserves amounts to RON 8,649,876 at June 30, 2021 (December 31, 2020: RON 8,649,877).

According to Romanian legislation, the entities must allocate an amount at least equal to 5% of the profit before tax to the legal reserves, until the reserves reach 20% of the share capital. When this level is reached, the entity can make additional allocations exclusively from its net profit. The legal reserve is deductible within the limit of 5% of the accounting profit, before the determination of the income tax.
For the reporting period no legal reserve was constitued.

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

15. RESERVES (continued)

Revaluation reserves amount to RON 109,702,181 as of June 30, 2021. Compared to the balance at the beginning of the period, they decreased due to the transfer of revaluation reserves to the result reported as a result of depreciation.

	June 30, 2021	December 31, 2020
Balance as the beginning of the period	**110,800,133**	**113,135,988**
Increases of legal reserves	-	-
Decreases of legal reserves	(1,097,952)	(2,335,855)
Balance as the end of the period	**109,702,181**	**110,800,133**

As of June 30, 2021, the company registers **other reserves and equity elements** amounting to Ron 66,840,830 lei, of which 98% of its own financing sources.

	June 30, 2021	December 31, 2020
Balance as the beginning of the period	**64,516,529**	**62,841,298**
Increases of legal reserves	2,324,301	1,675,231
Decreases of legal reserves	-	-
Balance as the end of the period	**66,840,830**	**64,516,529**

Within the Electromagnetic OGAS of April 28, 2021, it was approved the allocation of the amount of RON 2,215,001 for reserves as own sources of financing.

16. RETAINED EARNINGD

As of June 30, 2021, the carried forward result from the transfer of revaluation reserves related to depreciated or dismissed assets was RON 1,097,952.

17. INVESTMENT SUBSIDIES

	Total	sub un an	peste un an
Investment subsidies as at June 30, 2021	4,328,698	163,219	4,165,479

	Total	sub un an	peste un an
Investment subsidies as at December 31, 2020	4,410,306	163,219	4,247,087

In 2012, the Company received an investment subsidy of 5,997,788 RON granted for the modernization of the micro-hydro power plant in Brodina (Suceava), which will be transferred to revenue concomitantly with the registration of the amortization of the non-current assets purchased under this project. The net book value of the fixed assets purchased from such grant is presented in Note 4.

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

18. PROVISIONS

Description	Balance 01,01,2021	Inflow	Outflow	Balance 30,06,2021
Provisions for performance guarantees to customers	1,120,000	-	-	1.120.000
Provisions for risks and charges	31,440	-	-	31,440
Provision for employees' benefits	1,005,451	-	-	1,005,451
TOTAL	**2,156,891**	**-**	**-**	**2,156,891**

The Company has concluded contracts for the supply of lighting units with warranty, for long periods, i,e, 2-4 years. The contracts do not provide for a percentage or amount of the performance guarantee, therefore the related provision is calculated based on the analysis of the history of costs incurred with goods under warranty.

The provision for employee benefits refers to the value of rest leave not taken in the previous year.

19. TRADE AND OTHER PAYABLES

	June 30, 2021	December 31, 2020
Trade payables		
Internal trade payables	8,736,384	7,041,778
External trade payables	4,932,685	3,448,163
Estimated trade payables	12,866,985	15,437,277
Other current payables		
Advances received from customers	1,496,361	789,218
Income in advance	2,627,286	2,864,042
Other payables	-	-
Other payables	36,863,286	13,402,097
Total trade and other payables	**67,522,987**	**42,982,576**

Liabilities are recorded at nominal value and are accounted for in the analytical records for each natural or legal person. The liabilities denominated in foreign currency were measured based on the exchange rate applicable at the end of the period and the exchange rate difference was recognized as income or expense for the period.

The Company does not have significant outstanding trade payables.
The Company does not have overdue liabilities to employees and the state budget. The amounts presented represent liabilities for June 2021, were paid on the due date, in July 2021.

The Company has approved several credit agreements as of June 30, 2021. Their situation is presented in note 29 of these financial statements.

Other debts include short-term loans, guarantees received from tenants, VAT payable, other taxes and duties and a fine received as a result of the decision of the Competition Council in the amount of RON 9,021,308. For this amount, the Company requested from ANAF the suspension according to art. 235 of the Fiscal Procedure Code.

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

19. TRADE AND OTHER PAYABLES (continued)

The guarantees received from the tenants and those withheld from the suppliers on June 30, 2021 are in the amount of RON 3,046,369 and will be regularized according to the contractual clauses.

	Total	Within one year	In more than one year
Guarantees received 2021	3,046,369	1,772,447	1,273,922

	Total	Within one year	In more than one year
Guarantees received 2020	2,977,658	1,808,887	1,168,771

Leasing debts are presented in current and long-term debts. Their total value is RON 1,975,467. (Note 7)

20. INCOME

	Jan - Jun 2021	Jan - Jun 2020
Income	**210,795,646**	**165,311,238**
- Income from sold production	40,840,149	34,981,902
- Rental income	9,355,278	8,580,398
- Income from sale of goods	160,600,219	121,748,938
Investment income	**331,752**	**788,529**
- Interest income	40,744	151,284
- Income from dividends	291,008	637,245
Variation in inventories of finished goods and work in progress	**2,634,482**	**4,706,158**
Own work capitalized	**1,260,459**	**821,628**
Other income/ Expenses	**2,379,624**	**1,775,329**
- Income from subsidies	81,609	81,609
- Net provisions	325,766	(442,364)
- Net foreign exchange difference	15,136	9,941
- Other income	1,957,113	2,126,143
Net income	**217,401,963**	**173,402,882**

Net provisions are income from adjustments for impairment of inventories and receivables as well as income /expense with provisions for good execution guarantees granted to clients.

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

21. EXPENSES

	Jan - Jun 2021	Jan - Jun 2020
Expenses related to materials	**198,115,427**	**132,589,951**
Raw materials and consumables	19,708,913	22,374,583
Goods purchased for resale	176,819,230	109,126,728
Electricity, heating and water	1,587,284	1,088,640
Employee related expenses	**15,826,248**	**15,711,378**
Salaries	15,487,701	8,498,460
Other employeerelated expenses	338,547	7,212,918
Other expenses	**16,498,881**	**16,914,383**
Post	127,365	114,943
Maintenance expenses	175,882	216,005
Rentals	324,321	103,863
Advertisement and entertainment	79,134	73,242
Insurance	234,852	266,512
Transport and travel	464,546	406,244
Subcontracted work	2,288,766	2,920,852
Other taxes	899,939	803,780
Consultants and collaborators	323,935	781,990
Costs of green certificates	3,890,600	4,537,387
Other operating expenses	7,689,491	6,689,565
Expenses related to depreciation and impairment	**4,530,531**	**5,633,895**
Depreciation	4,530,531	5,633,895
Revaluation cost	-	-
Total expenses	**236,253,134**	**170,849,607**

Raw materials and consumable have decreased compared to the previous period of 2020.

The "Other operating expenses" line shows the services rendered by third parties, banking and similar services, fees and commissions etc.

22. FINANCIAL EXPENSES

	Jan - Jun 2021	Jan - Jun 2020
Interest expenses	176,092	64,656
Bank charges	341,808	360,928
Total financial expenses	**517,900**	**425,584**

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

23. PROFIT TAX

Profit tax recognized through profit or loss:

	June 30, 2021	June 30, 2020
Current profit tax		
Current profit tax expenses	-	784,074
Deferred profit tax		
Deferred profit tax income	(112,849)	(297,662)
	(112,849)	**486,412**

Settlement of profit before tax and iprofit tax expenses in the profit and loss account:

Caption	June 30, 2021	June 30, 2020
Net accounting (loss)/profit	**(17,566,223)**	**1,641,279**
Deductions	(3,020,527)	(2,755,790)
Non-taxable income	(1,193,937)	(1,713,261)
Non-deductible expenses	5,536,437	7,752,694
Taxable (loss)/profit	(16,244,250)	4,924,922
Tax loss from previous years	-	-
Current income tax	-	787,988
Income tax reduction	-	(3,914)
Income tax due at end of period	**-**	**784,074**

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

As of June 30, 2021, the total debt regarding the current profit tax is in the amount of ROn 0 (June 30, 2020, the total debt: RON 784,074).

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

	Opening balance	Through profit or loss	Through other comprehensive income	Closing balance
Property, plant and equipment	18,434,453	(199,667)	(1,401)	18,233,385
Receivables	(462,002)	34,853	-	(427,150)
Impairment of receivables	(785,293)	77,654	-	(707,639)
Impairment of inventories	(290,940)	(25,688)	-	(316,628)
Employee-related benefits	(160,873)	-	-	(160,873)
TOTAL	**16,735,345**	**(112,848)**	**(1,401)**	**16,621,095**

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

23. PROFIT TAX (continued)

The deferred income tax resulted from different accounting and tax depreciation methods, and the one from revaluation reserves resulted from the revaluation of tangible assets registered after January 1, 2004, which are taxed concomitantly with the deduction of the tax depreciation.

24. AVERAGE NUMBER OF EMPLOYEES

Evolution of the number of employees:

	June 30, 2021	December 31, 2020
Management personel	41	38
Adminiostrative personel	162	125
Production personel	206	250
Total	**409**	**413**

Nivelul de pregătire ridicat al angajaţilor a permis societăţii sa intreprindă activităţi susținute de cercetare dezvoltare. Evoluţia structurii angajaţilor după nivelul de pregătire este prezentat mai jos:

	June 30, 2021	December 31, 2020
Higher education personel	32%	38%
Secondary education personel	36%	35%
Techincal education personel	5%	4%
Qualified trining personel	27%	23%
Average no. of employees	390	413

The expenses incurred for salaries and related taxed in the first semester for the years 2021 and 2020 are as follows:

	Jan - Jun 2021	Jan-Jun 2020
Salary expenses	9,114,185	8,498,460
Other employee expenses	6,712,063	7,212,918
Total	**15,826,248**	**15,711,378**

The Company does not have a special employee pension scheme and contributes to the national pension system under the laws in force.

25. RELATED PARTY TRANSACTIONS

	Jan - Jun 2021	Jan-Jun 2020
Sales of goods and services to subsidiaries		
Electromagnetica Fire	11,486	11,425
Electromagnetica Prestserv	10,633	10,473
Procetel	186,049	73,466
Total	**208,168**	**95,364**

	ian – iun 2021	ian – iun 2020
Purchases of goods and services from subsidiaries		
Electromagnetica Fire	709,533	717,240
Electromagnetica Prestserv	539,016	539,093
Procetel	662,216	617,141
Total	**1,910,765**	**1,873,474**

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

25. RELATED PARTY TRANSACTIONS (continued)

	ian – iun 2021	ian – iun 2020
Trade and other payables to subsidiaries		
Electromagnetica Fire	-	-
Electromagnetica Prestserv	-	-
Procetel	502,013	-
Total	**502,013**	**-**

	ian – iun 2021	ian – iun 2020
Receivable from subsidiries		
Electromagnetica Fire	159,768	148,198
Electromagnetica Prestserv	120,100	110,359
Procetel	137,101	28,092
Total	**416,969**	**286,649**

The remuneration of the members of the Board of Directors in 2021 (6 monts) was RON 145,782 lei (S1 2020: RON 145,782).

The Company does not have contractual obligations to former managers and directors and did not grant advances or loans to the current managers and directors.

The Company did not undertake future obligations of the nature of guarantees on behalf of its directors.

The sales to the related companies (subsidiaries) comprise: deliveries of various materials, rents, utilities.

The purchases from the related companies (subsidiaries) comprise: rental, utilities, cleaning and transportation services, fire prevention and extinction services.

Procetel SA is a joint-stock company with its registered office in Calea Rahovei 266-268, Bucharest, sector 5, registered with the Trade Registry under no, J40/10437/1991, Tax ID 406212, tel,: 031.700.2614, fax: 031.700.2616. Its main object of activity is Other research and experimental development on natural sciences and engineering (NACE code 7219). In relation to Electromagnetica it carries out renting activities.

Electromagnetica Prestserv SRL is a limited liability company with its registered office in Calea Rahovei no. 266-268, sector 5, corp 1, etaj 2, axele A-B, stalpii 1-2, registered with the Trade Registry Office attached to Bucharest Tribunal under no. J40/1528/2003, Tax ID 15182750. In relation to Electromagnetica it provides cleaning services (NACE code 4311).

Electromagnetica Fire SRL is a limited liability company with its registered office in Bucharest, Calea Rahovei no, 266-268, sect, 5, corp 2, parter, axele C-D, stalpii 6 ½ - 7, registered with the Trade Registry Office attached to Bucharest Tribunal under no, J40/15634/2006, Tax ID 19070708, In relation to Electromagnetica it carries out activities pertaining to fire protection, technical assistance for fire prevention and extinction and private emergency services for civil protection, interior works, electrical works and cleaning service.

Electromagnetica provides renting services to related parties Procetel, Electromagnetica Prestserv and Electromagnetica Fire.

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

26. EARNINGS PER SHARE

Basic earnings per share

During the reporting period, there were no changes in the share capital structure. The basic earnings per share are presented in the profit and loss account and other comprehensive income.It was calculated as the ratio of the net profit related to ordinary shares and the weighted average of outstanding ordinary shares.

	Jan - Jun 2021	Jan - Jun 2020
Net profit attributable to the shareholders	-	1,641,279
Average weighted number of ordinary shares	676,038,704	676,038,704
Earnings per share	-	0,0024

As of June 30, 2021, the Company records a loss as a result and there is no profit attributable to shareholders.

Diluted earnings per share

To calculate the diluted earnings per share, the company adjusts the profit attributable to the ordinary shareholders of the mother-company and the weighted average of outstanding shares by the effects of all the potentially diluting ordinary shares. For 2021 and 2020, the Company registers the basic earnings per share as equal to the diluted earnings per share as there are no certain securities that could be converted into ordinary shares in the future.

27. INFORMATION ON SEGMENTS OF ACTIVITY

The Company used as the aggregation criteria, for reporting according to the operating segments, the nature of the regulatory framework and identified the following operating segments for which it presents separate information:

- Licensed activity – electricity supply and production
- Unlicensed activity

The aggregation criteria relies on the license needed to run business and the conditions required by the license, such as presentation of separate financial statements. The electricity production and supply were aggregated as they constitute an integrated process for such operations.

Segment information is reported according to the activities of the Company. The assets and liabilities by operating segments include both the items directly attributable to those segments and the items that can be allocated on a reasonable basis.

H1 2021	Unlicensed activity	% Total Company	Licensed activity	% Total Company	Total Company
Net profit	3,490,174	-	(21,464,347)	100%	(17,974,174)
Total assets	364,909,560	89%	46,220,687	11%	411,130,247
Total liabilities	43,448,934	46%	50,430,126	54%	93,879,060
Customer revenue	49,027,755	23%	161,767,891	77%	210,795,646
Interest income	41,915	100%	-	-	41,915
Impairment and depreciation	3,109,633	78%	877,303	22%	3,986,936

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

H1 2020	Unlicensed activity	% Total Company	Licensed activity	% Total Company	Total Company
Net profit	(2,006,173)	n/a	3,647,452	n/a	1,641,279
Total assets	308,336,609	75.05	102,513,011	24.95	410,849,620
Total liabilities	37,544,681	51.66	35,132,185	48,34	72,676,866
Customer revenue	42,533,711	25.73	122,777,527	74.27	165,311,238
Interest income	152,236	100.00	-	-	152,236
Impairment and depreciation	3,628,983	64.41	2,004,913	35.59	5,633,895

Main products and production structure

The Company benefits from a wide range of technologies and equipment that enables it to obtain a rich diversity of products. The share of the main groups of products in the production-related turnover (excluding services) is as follows:

LED lighting units, systems and solutions

The production of LED lighting fixtures occupies the largest share in the group's production of goods, having (along with electric vehicle charging stations) a share of 47.48%. In the first half of 2021, sales in this segment were an element of continuity, being approximately the same as in the first half of 2020. The product range covers almost all areas, both for public authorities (street lighting or ornamental for monuments) and companies (commercial and industrial spaces, offices) as well as for individuals (lighting fixtures for domestic use).

Electric car charging stations

Electromagnetica was among the first local companies that under the ELMotion brand designed and built such stations since 2017.

In the first half of 2021, a family of SIVE fast charging stations was developed with charging capacities of up to 100kW and AC of up to 43kW, which has the capacity to charge up to 3 vehicles at the same time. Starting with June has begun designing a new 30kW charging station with CCS Combo 2 connector, controlled by OCPP from the ELMotion application. Optionally, on this station it will be possible to mount a device for direct payment with the card at the station.
An important project of our Group in 2021 was the creation inside Electromagnetica of an electric car charging HUB that includes 50 charging points in the same place and that ensures the charging during the night of the electric car fleets in Bucharest.

Low voltage electrical switchgear

The production of low voltage electrical appliances (for ABB Italy) represents an element of continuity and stability in the production for export, registering an increase of 7.1%. Electrical equipment had the highest share of exports in the first half with 54.9%.
Most of this activity is automated and robotic.

Plastic injection and molds

Electromagnetics benefits from a wide range of technologies, which allows the company to produce injection-molded plastic subassemblies for both the domestic market and for export. The Group currently has 24 industrial machines, most of the products being represented by car subassemblies.
The production of injected plastic subassemblies and molds increased by 93.9% compared to the same period last year.
This product group has the second largest share in the company's exports, with 27.1% of the total. The production of injected plastic subassemblies benefits from the design, manufacture and internal repair of molds.

25. INFORMATION ON SEGMENTS OF ACTIVITY (continued)

Railway traffic safety components

Sales of railway traffic safety items increased by 4.9% without the first half of 2020, orders for this production segment, from prestigious companies such as ALSTOM and SIEMENS, being largely dependent on the pace of modernization of railway infrastructure, considering that CFR Infrastructure is the final beneficiary of these services.

Electricity production from renewable sources

Energy production is an area regulated by ANRE, the group has had a producer license since 2007. The Company owns 10 micro hydropower plants in the Suceava river basin, which have been modernized and automated over time, reaching an installed capacity of 5.5 MW . In the first half of 2021, energy production in its own micro hydropower plants increased by 21.8% compared to the similar period of 2020.

Electricity supply service

The energy supply activity is regulated by ANRE. The Company has had a supplier license since 2001, which was renewed in 2013 based on the regulations of the new energy law (L123 / 2012) for another 10 years.

In 2021, energy prices have risen unexpectedly compared to 2020, negatively influencing the company's activity in this field. The increase in the energy purchase price is due to external factors such as: the doubling of the price of carbon certificates, the increase in the price of natural gas, the energy deficit produced in the SE area of Europe, the volatility of renewable energy produced and spot price volatility.
For the second semester, the Company took a series of measures in order to counteract the effects of market disruptors and to optimize the activity.

Services for renting and providing utilities

Electromagnetica manages approximately 34,000 sqm of spaces for rent in Bucharest and 3,500 sqm in Varteju locality, Ilfov county. On 30.06.2021, for the headquarters in Calea Rahovei 266-268, the average occupancy rate was 89.58% slightly lower due to the COVID 19 pandemic that encouraged work from home. For the spaces in Varteju commune (Magurele), the occupancy rate in the first semester was 100% increasing compared to the value of 94.43% at the end of 2020.
The activity of renting and providing utilities registered an overall value increase of 8.00% compared to the first half of 2020, as a result of the increase in the area to be rented and the average euro/ron exchange rate. Comparative with the previous year, the share of rental space for offices, services and production remained relatively the same.

28. RISK MANAGEMENT

TheCompany is exposed to the following risks:

Equity risk

Equity risk management aims to ensure the capacity of the Group to carry out its activity in good conditions through the optimization of the capital structure (equity and liabilities).The analysis of the capital structure is focused on the cost of capital and the risk associated to each category. To maintain an optimum capital structure and an appropriate debt ratio, in the last years the Group proposed to its shareholders an adequate dividend policy, able to secure own sources of funding. The absence of funding sources can limit the Group expansion on the market segments where the sale is supported through the commercial facilities offered.
The Group monitors capital based on the debt ratio. This indicator is calculated as the ratio of the net debt and the total capital employed. The net debt is calculated as the sum of the total loans, total suppliers and other liabilities (as presented in the statement of the financial position) less the cash and cash equivalents. The total capital employed is determined as the sum of the net debt and equity (as presented in the financial position).

The debt ratio as at June 30, 2021 compared to December 31, 2020 was as follows:

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

28. RISK MANAGEMENT (continued)

	June 30, 2021	December 31, 2020
Total loans (lease debts IFRS 16)	1,975,467	2,117,451
Suppliers and other liabilities	67,522,987	42,982,576
Less: Cash and cash equivalents	(1,794,464)	(20,108,460)
Net Liabilities/(Assets)	**67,703,989**	**24,991,567**
Equity	**317,251,187**	**335,223,960**
TOTAL BORROWED CAPITAL	**384,955,176**	**360,215,527**
Debt ratio	**17,59%**	**6,94%**

Credit risk

Credit risk is the possibility that contracting parties breach their contractual obligations resulting in financial loss for the Group. When possible and allowed by market practices, the Group requests guarantees.Trade receivables derive from a wide range of customers operating in various fields of activity and different geographical areas.To counteract this risk factor, the Group applied restrictive policies to the delivery of products to doubtful customers. Insurance policies were contracted for foreign market receivables. Due to the increase of insolvency cases in the economy, there is a concrete risk related to the recovery of the equivalent value of products and/or services supplied prior to the declaration of insolvency. The Company is paying more attention to the creditworthiness and financial discipline of its contractual partners.

	June 30, 2021	December 31, 2020
Trade receivables (long and short terms)	99,605,437	77,972,098
Other receivables (long and short terms)	4,043,436	3,275,547
Cash and cash equivalents	1,794,464	20,108,460
	105,443,338	**101,356,105**

Market risk

The risk related to **changes in interest rates** is managed due to the Group's investment policy according to which investments are exclusively covered by own sources of funding, therefore credit lines are only used for short periods.

The Group is exposed to **foreign exchange risk** because the supply of materials mainly comes from import and the share of exports increased, To limit the effect of foreign exchange, the payment schedule was correlated with the proceeds in foreign currency, the Group usually recording cash-flow surplus, The Group monitors and manages on a permanent basis its exposure to exchange rate differences.

The foreign currencies most frequently used in transactions are EUR and USD. The assets denominated in foreign currencies are represented by customers and available cash in foreign currency. The liabilities denominated in foreign currency are represented by suppliers.

At June 30, 2021, their situation is as follows:

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

28. RISK MANAGEMENT (continued)

	Assets	Liabilities	Net exposure
EUR	1,324,128	936,563	387,565
USD	-	76,890	(76,890)
MDL	1,552,832	-	1,552,832

At December 31, 2021, their situation is as follows:

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

The analysis of the foreign exchange risk sensitivity for a +/- 10% variation in the exchange rate shows an impact on the gross result of the period of +/- RON 194,836.

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

Price risk includes the risk of changes in the purchase price of goods, the exchange rate and interest rates. Among the markets in which the company operates, the energy market is the one with the highest price risk, taking into account the volatility of prices on the Next Day Market and the Balancing Market, as well as the non-existence of long-term risk hedging mechanisms. The behavior of energy producers to sell as much of the energy as possible in the spot market is likely to amplify the price risk in this market. In order to control the price risk on the energy market, measures were taken to reduce the company's exposure by maintaining an optimal portfolio of customers.

The company is exposed to currency risk due to the fact that the supply of materials is mostly imported. In order to limit the effect of foreign exchange, the schedule of payments was correlated with that of receipts in foreign currency, the company usually achieving a surplus of cash flow. The change in raw material and material prices required the continuous reanalysis of cost prices. In order to keep some products in a profitable state, we acted on suppliers for price control and the related technological processes were improved.

Liquidity and cash flow risk

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

Below is the statement of receivables and payables by maturity:

	June 30, 2021	0 - 1 year	1 - 2 years	2 - 5 years	Over 5 years
Trade receivables	99,636,878	82,906,206	7,292,795	9,437,877	-
Trade liabilities	69,927,653	69,927,653*	-	-	-

*) The amount of RON 69,927,653 includes the amount of RON 9,021,307 representing the fine notified by the Competition Council. The company requested to ANAF the suspension of this amount according to art. 235 of the Fiscal Procedure Code.

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

28. RISK MANAGEMENT (continued)

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

*) The amount of RON 44,267,529 includes the amount of RON 9,021,307 representing the fine notified by the Competition Council. The company requested to ANAF the suspension of this amount according to art. 235 of the Fiscal Procedure Code.

Fair value of financial instruments

June 30, 2021	Carrying value	Fair value	Level
Financial assets			
Trade receivables	99,605,438	99,605,438	Level 1
Cash and cash equivalents	1,794,464	1,794,464	Level 1
Other current assets	4,043,436	4,043,436	Level 1
	105,443,338	**105,443,338**	

June 30, 2021	Valoare contabilă	Valoare justă	Level
Long term financial liabilities			
Trade and other payables	2,404,667	2,404,667	Level 1
	2,404,667	**2,404,667**	
Short term financial liabilities			
Trade payables	68,367,709	68,367,709	Level 1
	68,367,709	**68,367,709**	

31 decembrie 2020	Carrying value	Fair value	Level
Active financiare			
Creanţe comerciale	77,972,098	77,972,098	Level 1
Numerar si echivalente de numerar	20,108,460	20,108,460	Level 1
Alte active curente	3,275,547	3,275,547	Level 1
	101,356,105	**101,356,105**	

31 decembrie 2020	Carrying value	Fair value	Level
Datorii financiare pe termen lung			
Datorii comerciale şi alte datorii	2,481,554	2,481,554	Level 1
	2,481,554	**2,481,554**	
Datorii financiare pe termen scurt			
Datorii comerciale şi alte datorii	43,787,245	43,787,245	Level 1
	43,787,245	**43,787,245**	

28. RISK MANAGEMENT (continued)

Risk related to the lack of qualified human resources

This risk has become important both for Electromagnetics and in the country. Due to factors such as: mass emigration, strong competition and the relatively high level of wages in the Bucharest area, the company faced a lack of qualified workers for productive activities, such as: locksmiths, millers, lathes, etc. In order to counteract this situation, emphasis was placed on the reconversion and qualification of its own employees where vacancies appeared through retirement and also on continuous professional training programs for new employees. The application of an internship program with the possibility of keeping the respective persons in the company after the end of the internship period is also considered.

Risk induced by the COVID pandemic 19

It remains one of the most important risks that society has faced in 2021. The start of the vaccination campaign has led to a decrease in the incidence of infections. However, the national vaccination rate on June 30, 2021 was below 50%, which, along with the increasing incidence of the Delta variant of the virus, maintains uncertainty about the evolution of the pandemic in the second half of 2021. Electromagnetics will continue the strict policy of measures prevention of cases of infection in employees and tenants (including, but not limited to temperature control and disinfection at access points plus the obligation to wear masks in public spaces) as well as continuous information of employees on the evolution of the pandemic, by disseminating information and official communiqués as well as incidental legislation as soon as they appear.

General framework for risk management

The Board of Directors of the parent Company has the general responsibility for the establishment and supervision of the risk management framework at Company level,

The activity is governed by the following principles:

a) the principle of delegation;
b) the principle of decision-making autonomy;
c) the principle of objectivity;
d) the principle of investor protection;
e) the principle of promotion of stock market development;
f) the principle of proactivity.

The Board of Directors is also responsible for the review and approval of the strategic, operational and financial plan of Company’s corporate structure.

The company's risk management policies are defined in such a way as to ensure the identification and analysis of the risks faced by the Company, the establishment of appropriate limits and controls, as well as the monitoring of risks and compliance with the established limits. Risk management policies and systems are regularly reviewed to reflect changes in market conditions and the company's activities. The company, through its training and management standards and procedures, aims to develop an orderly and constructive control environment, in which all employees understand their roles and obligations.

The internal audit of the company's entities oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks it faces.

29. COMMITMENTS AND CONTINGENT LIABILITIES

As of June 30, 2021, the Company has commitments granted by four financing banks as follows:

- for bank loans in the form of an overdraft account for working capital amounting to RON 44,000,000;
- non-cash guarantee agreements amounting to RON 34,000,000.

On June 30, 2021, the Company had at its disposal an amount of RON 25,502,994 not drawn from the loan facilities contracted with the banks.

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

28. RISK MANAGEMENT (continued)

On June 30, 2021, the Group had at its disposal the amount of RON 4,822,966, as unused, from the non-cash facilities for letters of guarantee.

According to the current loan agreements, the Company is subject to the fulfillment of certain conditions imposed by the banks. On June 30, 2021, the Company met all the financial indicators required in the financing contracts.

The commitments granted to the Company are guaranteed with accounts opened with creditor banks, receivables, collateral deposits in the amount of RON 225,246, tangible assets (land, buildings) in the amount of RON 121,415,062 (Note 4).

The commitments received from clients and tenants in the form of letters of guarantee on June 30, 2021, are worth RON 178,543 according to the contractual clauses.

Litigation

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

30. SUBSEQUENT EVENTS

The management has no knowledge of events, economic changes or other factors of uncertainty that could significantly affect the group's income or liquidity, other than those mentioned.

These interim separate financial statements were approved for issue by the management as at August 12, 2021:

EUGEN SCHEUŞAN	**CRISTINA FLOREA**
General Manager	**Economic Manager**

ELECTROMAGNETICA SA

SEPARATE QUARTERLY REPORT FOR
2ND QUARTER OF 2021

Separate financial results for the 2nd quarter of 2021 (T2 2021)
Compared with the 2nd quarter of 2020 (T2 2020)
(unaudited)

ELECTROMAGNETICA SA
INTERIM SEPARATE STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE 3 MONTHS PERIOD ENDED ON JUNE 30, 2021
(all the amounts are expressed in RON, unless otherwise specified)

Q2 2021	Q2 2020		6 months period Ended on June 30, 2021	6 months period Ended on June 30, 2020
118,003,131	**83,451,687**	**Revenues**	**210,795,646**	**165,311,238**
305,118	720,439	Investment income	331,752	788,529
1,944,687	1,885,936	Other net income and expenses	2,379,624	1,775,329
839,471	2,447,524	Changes in inventories of finished goods and work in progress	2,634,482	4,706,158
(218,293)	246,762	Own work capitalized	1,260,459	821,628
(121,464,525)	(70,131,657)	Raw materials and consumables used	(198,115,427)	(132,589,951)
(8,083,511)	(7,715,712)	Employee-related expenses	(15,826,248)	(15,711,378)
(2,263,907)	(2,292,048)	Expenses related to depreciation and impairment	(4,530,531)	(5,633,895)
(8,681,818)	(7,734,042)	Other expenses	(16,498,881)	(16,914,383)
(324,439)	(215,287)	Financial expenses	(517,900)	(425,584)
(19,944,087)	**663,601**	**Profit before tax**	**(18,087,022)**	**2,127,691**
498,136	(42,227)	Tax	112,849	(486,412)
(19,445,951)	**621,375**	**Profit for the period**	**(17,974,174)**	**1,641,279**
		Other comprehensive income:		
68	-	of which: other comprehensive income that cannot be reclassified to profit or loss, of which: - restatement of deferred tax for revaluation of assets written off	1,401	338
(19,445,883)	**621,375**	**Comprehensive result for the period**	**(17,972,773)**	**1,641,616**
-	**0.0009**	**Basic/diluted earnings per share**	**-**	**0.0024**

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

	Note	June 30, 2021	December 31, 2020
ASSETS			
Non-current assets			
Property, plant and equipment	**4**	275,310,875	275,703,825
Investment property	**5**	11,179,966	11,114,654
Intangible assets	**6**	213,999	291,521
Investments in related entities	**8**	841,408	841,408
Other long-term non-current assets	**9**	17,293,310	19,804,010
Assets related to the rights of use	**7**	1,925,163	2,085,114
Total non-current assets		**306,764,721**	**309,840,532**
Current assets			
Inventories	**10**	16,215,498	13,402,675
Trade receivables	**11**	82,573,844	58,611,348
Cash and cash equivalents	**13**	1,794,464	20,108,460
Other current assets	**12**	2,831,783	1,882,350
Current tax assets	**23**	949,937	949,937
Total current assets		**104,365,526**	**94,954,770**
Total assets		**411,130,247**	**404,795,302**
EQUITY AND LIABILITIES			
Equity			
Share capital	**14**	67,603,870	67,603,870
Reserves and other equity	**15**	177,547,228	176,146,894
Retained earnings	**16**	72,100,089	91,473,196
Total equity attributable to company's shareholders		**317,251,187**	**335,223,960**
Non-current liabilities			
Trade payables and other liabilities	**19**	1,273,922	1,168,772
Investment subsidies	**17**	4,165,479	4,247,088
Deferred tax liabilities	**23**	16,621,096	16,735,345
Leasing debts	**7**	1,130,745	1,312,782
Total non-current liabilities		**23,191,241**	**23,463,987**
Current liabilities			
Trade payables and other liabilities	**19**	67,522,987	42,982,576
Investment subsidies	**17**	163,219	163,219
Provisions	**18**	2,156,891	2,156,891
Current income tax liabilities	**23**	-	-
Leasing debts	**7**	844,722	804,669
Total current liabilities		**70,687,819**	**46,107,356**
Total liabilities		**93,879,060**	**69,571,343**
Total equity and liabilities		**411,130,247**	**404,795,302**

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

Q2 2021	Q2 2020		6 months period Ended on June 30, 2021	6 months period Ended on June 30, 2020
		Cash flows from operating activities		
106,344,445	72,251,795	Cash receipts from customers	166,130,387	153,117,407
(117,814,264)	(57,678,280)	Payments to suppliers	(178,096,542)	(127,629,709)
(7,923,404)	(7,768,533)	Payments to employees	(15,819,191)	(16,356,932)
(5,919,956)	(5,680,965)	Other operating activities	(10,767,792)	(11,991,212)
(25,313,179)	**1,124,017**	**Cash generated by/ (used in) operating activities**	**(38,553,138)**	**(2,860,446)**
(85,813)	(17,270)	Interest paid	(89,633)	(20,562)
-	(649,137)	Income tax paid	-	(649,137)
(25,398,992)	**457,610**	**Net cash used in operating activities**	**(38,642,772)**	**(3,530,146)**
		Cash flows from investing activities:		
(579,888)	(451,074)	Acquisition of property, plant and equipment	(813,440)	(560,468)
-	10,234	Proceeds from sale of non-current-assets	-	7,973
14,171	85,178	Interest received	41,100	143,110
291,009	637,245	Dividends received	291,009	637,245
(274,708)	**281,583**	**Net cash used in investing activities**	**(481,331)**	**227,861**
		Cash flows from financing activities:		
47,542,990	25,448,666	Proceeds from loans	64,645,261	33,568271
(28,199,227)	(25,760,029)	Cash repayments of amounts borrowed	(43,237,742)	(31,708,536)
(272,288)	(326,170)	Paid leasing	(542,171)	(632,538)
(19,425)	(19,768)	Interest paid	(14,126)	(42,047)
(6,842)	-	Dividends paid	(41,115)	(6,546)
19,045,209	**(657,300)**	**Net cash used in financing activities**	**(20,810,107)**	**1,178,605**
(6,628,492)	**81,893**	**Net decrease of cash and cash equivalents**	**(18,313,996)**	**(2,123,680)**
8,422,956	**19,505,610**	**Cash and cash equivalents at beginning of period**	**20,108,460**	**21,711,183**
1,794,464	**19,587,503**	**Cash and cash equivalents at end of period**	**1,794,464**	**19,587,503**

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

	Share capital	**Retained earnings**	**Tangible assets revaluation reserve**	**Other reserves**	**Legal reserve**	**Other equity items**	**Total equity**
Balance as of January 1,2021	**67,603,870**	**91,473,196**	**110,800,133**	**64,516,529**	**19,789,854**	**(18,959,622)**	**335,223,960**
Comprehensive income for the period:							
Profit or loss for the period	-	(17,974,174)	-	-	-	-	(17,974,174)
Other comprehensive income:							
Setup of legal reserve	-	(109,300)	-	109,300	-	-	-
Deffered tax recognized in equity	-	-	-	-	-	1,401	1,401
Transfer of revaluation reserve to retained earnings following the depreciation of revalued tangible assets or written off assets	-	1,097,952	(1,097,952)	-	-	-	-
Deffered tax transfer related to revaluation reserve to retained earnings	-	(172,584)	-	-	-	172,584	
Transfer of the retained earnings to reserves	-	(2,215,001)	-	2,215,001	-	-	-
Total comprehensive income for the period	**-**	**(19,373,107)**	**(1,097,952)**	**2,324,301**	**-**	**173,985**	**(17,972,773)**
Transactions with shareholders, directly registered to equity							
Dividends distributed	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-
Balance as of June 30, 2021	**67,603,870**	**72,100,089**	**109,702,181**	**66,840,830**	**19,789,854**	**(18,785,637)**	**317,251,187**

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

	Share capital	Retained earnings	Tangible assets revaluation reserve	Other reserves	Legal reserve	Other equity items	Total equity
Balance as of January 1,2020	**67,603,870**	**91,301,725**	**113,135,988**	**62,841,298**	**19,680,554**	**(18,959,960)**	**335,603,476**
Comprehensive income for the period:							
Profit or loss for the period	-	1,641,279	-	-	-	-	1,641,279
Other comprehensive income:							
Setup of legal reserve	-	(249,060)	-	103,952	145,108	-	-
Deffered tax recognized in equity	-	-	-	-	-	338	338
Transfer of revaluation reserve to retained earnings following the depreciation of revalued tangible assets or written off assets	-	1,167,730	(1,167,730)	-	-	-	-
Transfer of the retained earnings to reserves	-	(1,535,471)	-	1,535,471	-	-	-
Total comprehensive income for the period	**-**	**1,024,478**	**(1,167,730)**	**1,639,423**	**145,108**	**338**	**1,641,616**
Transactions with shareholders, directly registered to equity							
Dividends distributed	-	(2,704,155)	-	-	-	-	(2,704,155)
Other items	-	-	-	-	-	-	-
Balance as of June 30, 2020	**67,603,870**	**89,622,047**	**111,968,257**	**64,480,721**	**19,825,662**	**(18,959,622)**	**334,540,938**

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

1. GENERAL INFORMATION

Electromagnetica S.A. ("Company" or "Electromagnetics") is a joint stock company established in 1930 and operates in several fields, the most important being:

• Activities in the field of energy efficiency (production of bodies, systems and solutions for LED lighting, equipment for distribution and measurement of electricity, remote management systems);
• Rental of office space, industrial space, land and provision of utilities;
• Production of electricity from renewable sources (produced in low power hydropower plants) and supply of electricity.

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

2. BASIS OF PREPARATION

The financial figures are prepared in accordance with the Order of the Minister of Public Finance no. 2844/2016, which is in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union. The functional and presentation currency is the Romanian leu (RON).

The financial information for June 30, 2021 was not audited and was not subject to review by an external auditor.

3. SIGNIFICANT ACCOUNTING POLICIES

In this individual quarterly report, the same accounting policies and calculation methods were used as those applied in preparing the Company's individual financial statements as of December 31, 2020, except for the adoption of the new standards in force as of January 1, 2021. The Company has not adopted any other standard, interpretation or amendment that has been issued but is not yet in force.

4. EXPLANATORY NOTES

4.1. Individual profit or loss situation

Revenues

Q2 2021	**Q2 2020**		**6 months period Ended on June 30, 2021**	**6 months period Ended on June 30, 2020**
24,896,682	18,713,396	Unlicenced activity revenues	49,027,755	42,533,711
93,106,449	64,738,290	Licensed activity revenues	161,767,891	122,777,527
118,003,131	**83,451,687**	**Total**	**210,795,646**	**165,311,238**

The Company's turnover in the six-month period ended June 30, 2021 increased by 28% compared to the same period last year due primarily to the increase in electricity supply activity. Also, the turnover increased by 41% compared to the same period last year.

The company registered a loss of 17,974,174 lei, a loss concentrated in the activity of electricity supply due to the unfavorable evolution of the regulated market in the field.

4.1. Individual situation for the financial position

Fixed assets

Fixed assets registered a slight decrease of 1% compared to the end of 2020, amid depreciation and reduction of receivables with a collection period of more than one year.

Current assets

Current assets increased by 10% compared to December 31, 2020, mainly due to the increase in trade receivables, prepaid expenses and receivables represented by the recovery of the contribution to social health insurance.

Trade receivables increased by 41% due to the increase in trading volumes on the electricity market. Cash and cash equivalents decreased by more than 90%, due to the use of own financing resources to support the electricity supply activity, which registered major variations with an impact on the increase of purchase prices.

The stocks registered an increase of 21% compared to the beginning of the year, due to the orders expected to be completed in the next period.Capitaluri proprii

As of June 30, 2021, the equity reached a level of RON 317,251,187, registering a reduction of 5.4% compared to the end of 2020, as a result of the loss in the amount of RON 17,974,174 during the reporting period.

Liabilities

Long-term debts registered a slight decrease of 1.2% compared to the end of 2020, as a result of the decrease of leasing debts for certain subleased spaces.

Current liabilities increased by 53% due to the increase in debts to suppliers and short-term loans, also influenced by the level of electricity trading on regulated markets.

4.2. Individual situasion of the cash-flow

On June 30, 2021, the Company registered cash and cash equivalents in the amount of RON 1,794,464, decreasing by 91% compared to the beginning of the year.

The net cash flow from the operational activity had a negative value on the background of the support of the regulated activity in the difficult period it went through, which was mainly generated by the volatility of the energy acquisition price.

The financing activity registered a net positive cash flow, being influenced by the withdrawals from the overdraft facilities available to the Company.

In the first half of 2021, credit facilities were used to a greater extent than in the same period of 2020.

ECONOMIC-FINANCIAL INDICATORS

Description	Formula	6 months period Ended on June30, 2021	6 months period Ended on June30, 2020
Current liquidity	Current assets/Current liabilities	1,76	1,95
Level of indebtness	Long term borrowed capital/ Share capital x 100	0,76	0,62
	Long term borrowed capital / Invested capital x 100	0,72	0,62
Days sales outstanding ratio	Average client balance / Turnover x 180	72,80	56,40
Fixed assets turnover	(Turnover x 360/ 180)/ Fixed assets	1,45	1,07

Note:

1. **Current liquidity** provides a guarantee related to covering the current liabilities from current assets.

2. **Level of indebtedness** expresses the effectiveness of the credit risk management, showing potential financing, liquidity issues, with effects on honoring the commitments undertaken

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

Invested capital = Borrowed capital + Share capital

3. **Days sales outstanding ratio** expresses the Company's effectiveness in collecting its receivables,

namely the number of days until the date on which the debtors pay their debts to the Company.

4. **Fixed assets turnover** expresses the effectiveness of the fixed assets management, by examining

the turnover generated by a certain quantity of fixed assets

EUGEN SCHEUŞAN
Managing Director

CRISTINA FLOREA
Economic Manager

ELECTROMAGNETICA SA

CONSOLIDATED INTERIM FINANCIAL REPORTS
FOR THE SIX MONTHS PERIOD ENDED IN JUNE 30, 2021 (UNAUDITED)

Prepared in accordance with
Minister of Finance no. 2844/2016 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards adopted by the European Union

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

	Note	Six month period ended on June 2021	Six month period ended on June 2020
Income	**19**	**211,009,338**	**165,894,420**
Investment income	**19**	40,931	151,284
Other income and net expenses	**19**	2,471,997	2,057,993
Stock variation of finished products and production in progress	**19**	2,634,482	4,706,126
The activity performed by the entity and capitalized	**19**	1,260,459	821,628
Raw materials and consumables used	**20**	(198,239,213)	(132,822,552)
Employee expenses	**23**	(17,119,836)	(17,333,018)
Depreciation and amortization expenses	**20**	(4,062,873)	(5,229,487)
Other expenses	**20**	(15,459,973)	(16,307,995)
Financial expenses	**21**	(489,527)	(403,263)
Profit before tax		**(17,954,315)**	**1,535,135**
Income tax	**22**	91,524	(506,478)
Profit of the period		**(17,862,792)**	**1,028,658**
For the parent company		(17,862,792)	1,028,658
For the interest that do not control		(12,066)	(16,541)
Other elements of the overall result			
out of which:		-	-
Other elements of the overall result which cannot be clasiffied in profit or loss, out of which:		-	-
- Deferred tax related to assets derecognised		1,401	338
Overall result		**(17,873,457)**	**1,012,455**

These consolidated financial statements have been approved by the management as at August 12, 2021.

Eugen Scheuşan
General Manager

Cristina Florea
Economic Manager

ELECTROMAGNETICA SA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021
(all amounts are expressed in RON, unless otherwise specified)

	Note	June 30, 2021	December 31, 2020
ASSETS			
Non-current assets			
Property, plant and equipment	**4**	275,400,767	275,842,017
Investment property	**5**	15,459,511	15,394,199
Intangible assets	**6**	215,658	293,334
Other long-term non-current assets	**8**	17,300,986	19,804,010
Assets related to the rights of use	**7**	248,881	296,981
Total non-current assets		**308,625,804**	**311,630,542**
Current assets			
Inventories	**9**	16,702,825	13,668,013
Trade receivables	**10**	86,418,334	58,165,420
Cash and cash equivalents	**11**	3,056,890	24,487,010
Other current assets	**12**	2,850,765	1,923,621
Current tax assets	**22**	938,824	939,275
Total current assets		**109,967,638**	**99,183,339**
Total assets		**418,593,442**	**410,813,880**
EQUITY AND LIABILITIES			
Equity			
Share capital			
Reserves and other equity	**13**	67,603,870	67,603,870
Retained earnings	**14**	178,672,670	179,498,193
		78,523,311	94,830,398
	15		
Total equity attributable to company's shareholders		**324,799,852**	**341,932,461**
Non controlling interests		268,841	266,799
Total equity		**325,068,692**	**342,199,260**
Non-current liabilities			
Trade payables and other liabilities	**18**	1,273,922	1,168,772
Investment subsidies	**16**	4,165,479	4,247,088
Deferred tax liabilities	**22**	16,621,306	17,693,690
Leasing debts	**7**	175,980	209,274
Total non-current liabilities		**22,236,687**	**23,318,824**
Current liabilities			
Trade payables and other liabilities			
Investment subsidies	**18**	68,884,812	42,836,933
Provisions	**16**	163,219	163,219
Current income tax liabilities	**17**	2,156,891	2,199,281
Leasing debts	**7**	83,141	96,363
Total current liabilities		**71,288,064**	**45,295,796**
Total liabilities		**93,524,750**	**68,614,620**
Total equity and liabilities		**418,593,443**	**410,813,880**

These consolidated financial statements were approved for issue by the management as at August 12, 2021.

Eugen Scheuşan
General Manager

Cristina Florea
Economic Manager

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

	Nota	Perioada de 6 luni încheiată la 30 iunie 2021	Perioada de 6 luni încheiată la 30 iunie 2020
Cash flows from operating activities			
Cash receipts from customers		168,449,421	117,318,397
Payments to suppliers		(178,670,856)	(128,657,622)
Payments to employees		(17,830,198)	(18,722,099)
Other operating activities		(13,322,740)	(11,808,092)
Cash generated by/ (used in) operating activities		**(41,374,373)**	**(2,636,109)**
Interest paid		(89,633)	(20,562)
Income tax paid		(20,874)	(670,532)
Net cash used in operating activities		**(41,484,880)**	**(3,327,025)**
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(813,440)	(560,468)
Proceeds from sale of non-current-assets		58,095	164,130
Interest received		0	7,973
Net cash used in investing activities		**(755,345)**	**(388,365)**
Cash flows from financing activities:			
Proceeds from loans		64,645,261	33,568,271
Cash repayments of amounts borrowed		(43,237,742)	(31,708,536)
Paid leasing		(542,171)	(632,538)
Interest paid		(41,115)	(42,047)
Dividends paid		(14,126)	(6,546)
Net cash used in financing activities		**20,810,107**	**1,178,605**
Net (decrease)/increase of cash and cash equivalents		**(21,430,119)**	**(2,536,784)**
Cash and cash equivalents at beginning of period	**12**	**24,487,010**	**26,219,735**
Cash and cash equivalents at end of period	**12**	**3,056,890**	**23,682,951**

These consolidated financial statements were approved for issue by the management as at August 12, 2021.

Eugen Scheuşan
General Manager

Cristina Florea
Economic Manager

ELECTROMAGNETICA SA
CONSOLIDATED SITUATION OF CHANGES IN EQUITY
FOR THE PERIOD ENDED ON JUNE 30,2021
(all amounts are expressed in RON, unless otherwise specified)

	Share capital	Retained earnings	Tangible assets revaluation reserve	Other reserves	Legal reserve	Other equity items	Total equity
Balance as of January 1, 2021	**67,603,870**	**94,830,398**	**93,954,275**	**65,732,184**	**19,811,734**	**266,799**	**342,199,259**
Comprehensive income for the period:							
Profit of the period	-	(17,874,858)	-	-	-	2,042	(17,872,816)
Other comprehensive income:							
Setup of legal reserve	-	(109,300)	-	109,300	-	-	-
Transfer of reserve to retained earnings	-	3,241,783	(3,241,783)	-	-	-	-
Deferred tax recognized in equity	-	(172,584)	172,584	-	-	-	-
Transfer of revaluation reserve to retained earnings following the depreciation of revalued tangible assets or written off assets	-	-	1,401	-	-	-	1,401
Transfer of the retained earnings to reserves	-	(1,966,704)	-	1,966,704	-	-	-
Total comprehensive income for the period	**-**	**(16,881,663)**	**(3,067,798)**	**2,076,004**	**-**	**2,042**	**(17,871,415)**
Transactions with shareholders, directly registered to equity							
Dividends distributed	-	-	-	-	-	-	-
Other items	-	574,576	29,857	136,414	-	-	740,847
Balance as of June 1, 2021	**67,603,870**	**78,523,311**	**90,916,334**	**67,944,602**	**19,811,734**	**268,841**	**325,068,692**

These consolidated financial statements were approved for issue by the management as at August 12, 2021.

Eugen Scheuşan
General Manager

Cristina Florea
Economic Manager

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

	Capital social	**Rezultatul reportat**	**Rezerve reevaluare active corporale**	**Alte elemente**	**Rezerva legală**	**Interese care nu controleaza**	**Total capitaluri proprii**
Balance as of January 1, 2020	**67,603,870**	**100,076,893**	**96,320,962**	**63,389,766**	**19,702,434**	**273,089**	**347,367,013**
Comprehensive income for the period:							
Profit of the period	-	1,028,658	-	-	-	(16,541)	1,012,117
Other comprehensive income:							
Setup of legal reserve	-	(249,060)	-	103,952	145,108	-	-
Transfer of reserve to retained earnings	-	1,231,282	(1,231,282)	-	-	-	-
Deferred tax recognized in equity	-	-	338	-	-	-	338
Transfer of the retained earnings to reserves	-	(1,565,451)	-	1,565,451	-	-	-
Total comprehensive income for the period	**-**	**445,429**	**(1,230,944)**	**1,669,403**	**145,108**	**(16,541)**	**1,012,455**
Transactions with shareholders, directly registered to equity							
Dividends distributed	-	(2,704,155)	-	-	-	-	(2,704,155)
Other items	-	(14,960)	-	(38)	-	-	(14,998)
Balance as of June 1, 2020	**67,603,870**	**97,803,207**	**95,090,018**	**65,059,131**	**19,847,542**	**256,548**	**345,660,317**

These consolidated financial statements were approved for issue by the management as at August 12, 2021.

Eugen Scheuşan
General Manager

Cristina Florea
Economic Manager

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

3. GENERAL INFORMATION ON THE GROUP

Electromagnetica SA – parent company – is a Romanian legal entity incorporated under the legal form of joint-stock company for an unlimited duration, organised and operating under its articles of incorporation, Law no, 31/1991 republished in 2004 and amended by Law no, 441/2006, Government Emergency Ordinance (GEO) no, 82/2007 and GEO no, 52/2008, and Law no, 297/2004 on the capital market, The registered office of the company is in Bucharest, Calea Rahovei no, 266-268, sector 5, Bucharest, Romania, postal code 64021, telephone 021,404,21,31, 021,404,21,02, fax 021,404,21,95, website www,electromagnetica,ro, Tax ID Code RO 414118, registration number with the Trade Register J40/19/1991, The company share capital is RON 67,603,870,40 divided into 676,038,704 ordinary shares, registered and dematerialised, recorded in electronic account in the shareholder register held by Depozitarul Central SA, According to the company's articles of incorporation, its main object of activity is the manufacture of instruments and appliances for measuring, testing and navigation (NACE code 2651).

Electromagnetica Fire SRL is a limited liability company with registered office in Bucharest, Calea Rahovei no, 266-268, sect, 5, corp 2, parter, axele C-D, stalpii 6 ½ - 7, registered with the Trade Register Office attached to Bucharest Tribunal under no, J40/15634/2006, Tax ID 19070708, which carries out activities pertaining to fire protection, technical assistance for fire prevention and extinction and private emergency services for civil protection (NACE code 8299).

Electromagnetica Prestserv SRL is a limited liability company with registered office in Calea Rahovei no, 266-268, sector 5, corp 1, etaj 2, axele A-B, stalpii 1-2, registered with the Trade Register Office attached to Bucharest Tribunal under no, J40/1528/2003, Tax ID 15182750, which provides cleaning services (NACE code 4311).

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

SC Procetel SA is a joint-stock company with registered office in Bucharest, Calea Rahovei 266-268, registration number with the Trade Register J40/10437/1991, Tax ID 406212, tel,: 031,700,26,14, fax: 031,700,26,16, SC Procetel SA is an unlisted joint-stock company (its shares are not traded on the stock exchange) and its main object of activity is other research and experimental development on natural sciences and engineering (NACE code 7219), Currently, its research activity is significantly diminished and its results mainly derive from its real estate renting activities.

Statement of interest in subsidiaries:

Afiliate	No, of securities	Ownership and voting right percentage (%)	Value
Electromagnetica Prestserv SRL	295	98.333%	29,500
Electromagnetica Fire SRL	799	99.875%	79,900
Procetel SA	42,483	96.548%	732,008
TOTAL			**841,408**

During the reporting period, there were no changes in the shareholding structure of the subsidiaries.

1. GENERAL INFORMATION ON THE GROUP (continued)

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

a) Electromagnetica Fire SRL

Administrative management: Maria Rogoz – Sole Director, under a 4 year mandate valid until March 26th, 2022
Executive management: Maria Rogoz – Managing Director

b) Electromagnetica Prestserv SRL

Administrative management: Gheorghe Ciobanu – Sole Director, under a 4 year mandate valid until November 3rd, 2023
Executive management: Gheorghe Ciobanu – Managing Director

c) Procetel SA

Administrative management: Antoaneta Monica Stanila – Sole Director, under a 4 year mandate valid until August 15th, 2022
Executive management: Mihai Sanda – Chief Accountant

4. APPLICATION OF THE NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" , IFRS 4 „Insurance contracts" and IFRS 16 „Leasing contracts"** - Interest Rate Benchmark Reform - Fase 2 adopted by the EU on 13 January 2021 (in force for annual periods beginning on or after 1 January 2021),
-

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

At the date of authorization of these financial statements, the following amendments to the existing standards have been issued by the IASB and adopted by the EU but are not yet in force:

- **Amendments to IAS 16 „16 "Property, Plant and Equipment""** - Revenue before planned 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 - The cost of performing a contract adopted by the EU on June 28, 2021 (effective for annual periods beginning on or after January 1, 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 (in force for annual periods beginning on or after 1 January 2022)

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

- **Amendments to various standards due to "Improvements to IFRSs (2018-2020 cycle)"** resulting from the annual IFRS improvement project (IFRS 1, IFRS 9, IFRS 16 and IAS 41), mainly in order to eliminate inconsistencies and ambiguity formulation adopted by the EU on 28 June 2021 (Amendments to IFRS 1, IFRS 9 and IAS 41 are applicable for annual periods beginning on or after 1 January 2022. Amendments to IFRS 16 refer to an illustrative example only, so that no once effective.)

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

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

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

- **Amendments to IAS 1 "Presentation of Financial Statements"** – presentation of the accounting policies (in force for the annual periods on or after 1st of January, 2023).

- **Amendment to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" –** Definition of accounting provisions (in force for the annual periods on or after 1st of January, 2023).

- **Amendments to IAS 12 "Income Taxes" -** Deferred tax on assets and liabilities arising from a single transaction (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

- **Amendments to IFRS 16 "Leasing"** - Leases related to Covid-19 after June 30, 2021 (valid for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted, including in financial statements that have not been still authorized for issue at the date of issue of the amendment.).

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.

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

- **IFRS 14 "Regulatory Deferral Accounts"** issued by IASB on 30 January 2014. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.

- **Amendments to IFRS 3 "Business Combinations"** - Reference to the Conceptual Framework with amendments to IFRS 3 issued by the IASB on May 14, 2020. Amendments: (a) update IFRS

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

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

3, so that it refers to the Conceptual Framework 2018 instead of the one from 1989; (b) add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, a acquires to apply IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and (c) add to IFRS 3 an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" , IFRS 4 „Insurance contracts" and IFRS 16 „Leasing contracts" -** Interest Rate Benchmark Reform - Fase 2 adopted by the EU on August 27, 2020. The amendments relate to changes in financial assets, financial liabilities and leasing liabilities, specific hedge accounting requirements and disclosure requirements for the application of IFRS 7 to accompany amendments to amendments and hedge accounting:

e) **Modification of financial assets, financial liabilities and lease liabilities -** the IASB introduces a practical expedient for modifications required by the reform (modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16.

f) **Hedge accounting requirements -** under the amendments, hedge accounting is not discontinued solely because of the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements.

g) **Disclosures -** in order to allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition, the amendments require that an entity discloses information about:
   - how the transition from interest rate benchmarks to alternative benchmark rates is managed, the progress made at the reporting date, and the risks arising from the transition;
   - quantitative information about non-derivative financial assets, non-derivative financial liabilities and derivatives that continue to reference interest rate benchmarks subject to the reform, disaggregated by significant interest rate benchmark;
   - to the extent that the IBOR reform has resulted in changes to an entity's risk management strategy, a description of these changes and how is the entity managing those risks.

h) The IASB also amended IFRS 4 to require insurers that apply the temporary exemption from IFRS 9 to apply the amendments in accounting for modifications directly required by IBOR reform.

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** issued by IASB on 11 September 2014. The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

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

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

- **Amendments to IFRS 16 "Leases"** - Covid-19-Related Rent Concessions issued by IASB on 28 May 2020. The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021.

- **Amendments to IFRS 16 "Leases"** - Covid-19-Related Rent Concessions beyond 30 June 2021 issued by IASB on 31 March 2021. Amendments extend by one year the application period of the practical expedient in IFRS 16. The relief was extended by one year to cover rent concessions that reduce only lease payments due on or before 30 June 2022.

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current issued by IASB on 23 January 2020. The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. Amendments to IAS 1 issued by IASB on 15 July 2020 defer the effective date by one year to annual periods beginning on or after 1 January 2023.

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure of Accounting Policies issued by IASB on 12 February 2021. Amendments require entities to disclose their material accounting policies rather than their significant accounting policies and provide guidance and examples to help preparers in deciding which accounting policies to disclose in their financial statements.

- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Accounting Estimates issued by IASB on 12 February 2021. Amendments focus on accounting estimates and provide guidance how to distinguish between accounting policies and accounting estimates.

- **Amendments to IAS 12 "Income Taxes"** - Deferred Tax related to Assets and Liabilities arising from a Single Transaction issued by IASB on 6 May 2021. According to amendments, the initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities.

- **Amendments to IAS 16 "Property, Plant and Equipment"** - Proceeds before Intended Use issued by IASB on 14 May 2020. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Onerous Contracts — Cost of Fulfilling a Contract issued by IASB on 14 May 2020. The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

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

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

- **Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)"** issued by IASB on 14 May 2020. Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording. The amendments: (a) clarify that subsidiary which applies paragraph D16(a) of IFRS 1 is permitted to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs (IFRS 1); (b) clarify which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf (IFRS 9); (c) removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example (Illustrative Example 13 accompanying IFRS 16); and (d) removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique (IAS 41).

3. SIGNIFICANT ACCOUNTING POLICIES

Declaration of conformity

The consolidated financial statements of the Group were prepared in compliance with the International Financial Reporting Standards adopted by the European Union ("IFRS") effective on the reporting date, i,e, June 30, 2021, and in compliance with Order of the Minister of Public Finance no, 2844/2016 approving the Accounting Regulations compliant with the International Financial Reporting Standards applicable to the companies the shares of which are admitted to trading on a regulated market, as further amended and clarified, These provisions are consistent with the requirements of the International Financial Reporting Standards adopted by the European Union.

Functional and presentation currency

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

Basis of preparation

The consolidated financial statements were prepared at historical cost, except for certain financial instruments that are measured at fair value, as explained in the accounting policies, The historical cost is generally based on the fair value of the consideration in exchange of the assets.

Property, plant and equipment are presented at revaluation amount (IAS 16) and investment property are presented at fair value (IAS 40).

For obsolete or slow moving inventories, adjustments are made based on the management's estimates, The set up and reversal of allowances for inventories impairment is made usually at the end of the quarter in the profit and loss account: for obsolete inventories at 50% of the total value and for slow moving inventories at 25%.

In its first financial statements prepared in compliance with IFRS the Company applied IAS 29 – Financial Reporting in Hyperinflationary Economies and adjusted the historical cost of share capital, legal reserves

3. SIGNIFICANT ACOUNTING POLICIES (continued)

Basis of preparation (continued)

and other reserves set up from the net profit by the effect of inflation until December 31, 2003. These adjustments were recorded in reserve accounts (see Note 14).

Foreign currency

The operations expressed in foreign currency are recorded in RON, at the official exchange rate on the date of the transaction settlement, Monetary assets and liabilities recorded in foreign currency on the date of preparation of the statement of financial position are expressed in RON, at the exchange rate of that date, The gains or losses from their settlement and the conversion of monetary assets and liabilities denominated in foreign currency at the exchange rate applicable at the end of the semester are recognized in the profit or loss for the period, The non-monetary assets and liabilities measured at historical cost in foreign currency are recorded in RON, at the exchange rate of the transaction date, The non-monetary assets and liabilities denominated in foreign currency and measured at fair value are recorded in RON, at the exchange rate applicable on the date when their fair value was determined.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are recorded in lei at the exchange rate on the date on which the fair value was determined.

The differences resulting from the conversion are presented in the profit and loss account.

The exchange rates of the main foreign currencies were as follows:

	Exchange rate as at June 30, 2021	Exchange rate as at June 30, 2020
EUR	4.9267	4.8423
USD	4.1425	4.3233

Use of estimates and professional judgement

The preparation of the financial statements in compliance with the IFRS adopted by the European Union requires the use by the management of estimates and assumptions that affect the application of the accounting policies and the reported value of assets, liabilities, revenues and expenses. The estimates and judgements related thereto are based on historical data and other factors deemed relevant in the given circumstances and the result of these factors represents the basis for the judgements used in determining the carrying amount of assets and liabilities for which there are no other evaluation sources available. The actual results may differ from the estimated values.

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. Estimates and associated judgments are based on historical data and other factors considered eloquent in the circumstances, and the outcome of these factors forms the basis for judgments used to determine the carrying amount of assets and liabilities for which no other measurement sources are available. Actual results may differ from estimated values.

Estimates and judgements are periodically reviewed. The reviews of accounting estimates are recognized in the period in which the estimate is reviewed, if the review affects only that period, or in the current and future periods, if the review affects both the current period and future periods.

The effect of the change for the current period is recognized as income or expense in the current period. If any, the effect on future periods is recognized as income or expense in those future periods.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates and professional judgement (continued)

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, the prudential principle being applied to each estimate.

Estimates and assumptions are used in particular for depreciation adjustments of fixed assets, the estimation of the useful life of a depreciable asset, for the adjustment of impairment of receivables, for provisions, for the recognition of deferred tax assets.

In accordance with IAS 36, intangible assets are analyzed for impairment at the balance sheet date. If the net carrying amount of an asset is greater than its recoverable amount, an impairment loss is recognized to reduce the net carrying amount of that asset by its recoverable amount. If the reasons for recognizing an 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 recognized.

The valuation for impairment of receivables is performed individually and is based on management's best estimate of the present value of the cash flows expected to be received. The Group reviews its trade and other receivables at each date of the financial position to assess whether it should record an impairment loss in the income statement. Management's professional judgment is particularly necessary for estimating value and coordinating future cash flows when impairment is determined. These estimates are based on assumptions about several factors, and actual results may differ, leading to future adjustments.

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

Deferred tax assets are recognized for tax losses, to the extent that there is likely to be a taxable profit from which the losses can be covered. It is necessary to exercise professional judgment in determining the amount of deferred tax assets that can be recognized, based on the probability of the period and level of future taxable profit, as well as future tax planning strategies.

Accounting principles, policies and methods

According to IAS 8 - Accounting policies, changes in accounting estimates and errors, the accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

The Group has selected and applies consistently its accounting policies for transactions, other events and similar conditions, except for the cases where a standard or an interpretation specifically provides for or allows the classification of events with regard to which the application of different accounting policies could be appropriate, If a standard or interpretation provides for or allows such a classification, an appropriate accounting policy must be selected and applied consistently to each category.

The Group changes an accounting policy only if the change:

- is required by a standard or interpretation; or
- results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance, or cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting principles, policies and methods (continued)

We present below a summary of the significant accounting policies applied to all the periods presented in the financial statements, except for the changes deriving from the new standards and amendments to standards with the date of initial application 1 January 2019 and presented in section 2.

Fair value

IFRS 13 - Fair Value Measurement establishes a fair value hierarchy that categorizes on three levels of input data for the evaluation techniques used to assess fair value:

- Level 1 inputs - are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date, This data provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available.

- Level 2 inputs - are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly for the assets and liabilities (for example the quoted prices for identical assets or liabilities on markets that are not active.

- Level 3 inputs - inputs are unobservable inputs for the asset or liability, The Group develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data.

Intangible assets

Initial measurement

The Group chose to measure these assets at acquisition cost or production cost (self-created) according to IAS 38 - Intangible Assets.

Measurement subsequent to initial recognition

The Group selected the cost model as the accounting policy for the measurement of intangible assets subsequent to initial recognition.

The Group chose to use the straight-line method for the amortization of intangible assets. The useful life for this group of non-current assets is between 3 and 5 years.

The Group applies IAS 36 to determine whether an intangible asset measured at cost is impaired. At the end of each reporting period, the Group assesses the indicators of impairment of these assets and, if such indicators are identified, the recoverable amount of the asset is estimated and the related impairment is recorded. The impairment loss must be recognized immediately in the profit or loss.

For their presentation in the profit and loss account, the gains or losses occurring upon the end of use or disposal of an intangible asset are determined as the difference between the revenue generated by the asset disposal and its unamortized value, including the costs incurred for its disposal, and should be presented as net amount in the profit and loss account, according to IAS 38.

Property, plant and equipment

Initial measurement

Tangible assets are initially recognized at acquisition cost or production cost.

The cost of purchased tangible assets is given by the value of the consideration for the purchase of those assets and other costs directly necessary to bring the assets to the location and condition required for their operation in the manner intended by the management. The cost of own assets includes salaries, materials,

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

InitialMeasurement (continued)

production overheads and other costs directly attributable to bringing the assets to its current location and condition.

The Group established a value threshold for the recognition of a tangible asset item.

Measurement subsequent to initial recognition

The Group selected the ***revaluation model*** for the measurement subsequent to the initial recognition of tangible assets. According to the revaluation model, a tangible asset the fair value of which can be reliably measured should be carried at revalued amount, which is its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment.

Revaluations must be performed with sufficient regularity to ensure that the carrying amount does not differ materially from what would have been determined using fair value at the end of the reporting period.

The fair value of land and buildings is generally determined on the basis of market evidence, through an assessment by qualified professional appraisers.

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

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

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

Therefore, the revaluation frequency depends on the changes in the fair value of tangible assets, If the fair value of a revalued tangible asset at the balance sheet date materially differs from its carrying amount, a new revaluation is required. If the fair values are volatile, as the case may be for land and buildings, frequent revaluation may be required, If the fair values are determined for a long period, as the case may be for plant and equipment, less frequent revaluation may be required. IAS 16 suggests that annual revaluations may be required if there are material and volatile changes in the values.

If a tangible asset is revalued, the entire category of tangible assets the revalued asset belongs to should be revalued.

The residual value of the asset and its useful life should be revised at least at the end of the financial period.

The depreciation of an asset begins when the asset is available for use, i,e, it is in the location and condition required to operate as intended by the management.

The depreciation of an asset ends at the earliest of the date when the asset is classified as held for sale (or included in a group intended for disposal and classified as held for sale), according to IFRS 5, and the date when the asset is derecognized. Therefore, depreciation does not end when the asset is idle, except when the asset is completely depreciated.

Land and buildings are separable assets and are carried separately even when they are acquired together.

Land is not depreciated.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Measurement subsequent to initial recognition (continued)

If the cost of land includes costs of dismantling, removing and restoring, these costs are depreciated during the period in which revenue is obtained as a result of these costs.

For all assets acquired starting January 1, 2015 the Group uses the straight-line method as the depreciation method which results in systematic allocation of the depreciable amount of the assets over their useful life.

The residual value, the useful life and the depreciation method are revised at the date of the financial statements.

The Group management deemed appropriate the following durations of useful life for different categories of tangible assets:

Tangible assets	Duration (years)
Buildings	20 - 100
Technological equipment	5 - 12
Measurement, control and adjustment devices	3 - 8
Motor vehicles	4 - 8
Buildings	8 - 15

Impairment policy applied by the Group

The revaluation surplus of a tangible asset accumulated in equity should be directly transferred each month to retained earnings as it is depreciated, if the asset is used, and upon derecognition, when the asset is disposed of or scrapped.

If an asset is revalued, an impairment loss is recognized directly by reducing the revaluation surplus, but the loss should not exceed it.

The gain or loss resulting from the derecognition of a tangible asset is recognized in profit or loss at the date of the asset derecognition.

The carrying amount of a tangible asset is derecognized on disposal or when no future benefits are expected from its use or disposal.

If items of tangible assets that were held for rental to others are sold repeatedly, these assets are transferred to inventories at the carrying amount of the date when they cease to be rented and become held for sale. The proceeds from the sale of these assets are recognized as revenue in the profit and loss account.

Maintenance and capital repairs

Capitalized costs for capital repairs are separate components of the corresponding assets or groups of assets. Capitalized costs for capital repairs are amortized using the amortization method used for the underlying asset until the next repair.The expenditure for capital repair works includes the cost of replacing the assets or parts thereof, the costs of inspection and the costs of capital repairs. The expenditure is capitalized if an asset or a part of an asset which was amortized separately is replaced and is expected to generate future economic benefits. If a part of the replaced asset was not considered a separate component and, therefore, was not amortized separately, the replacement value is used to estimate the net carrying amount of the replaced asset(s) which is/are immediately removed. All the other costs incurred for day to day repairs and ordinary maintenance are directly recognized as expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing contracts

The Group applied IFRS 16 beginning with 1 January 2019, using the retrospectively modified method, without the retreatment of comparative values for the presented previous period. This applied IFRS 16 for all the contracts existing prior to 1 January 2019, classified as leasing according to IAS 17 and IFRIC 4.

The Group chose to apply the proposed standard exception for the leasing contracts for assets with a small value (below 5000 USD).

The Group recognized assets and new debts for the operational leasing contracts for motor vehicles, rented premises and equipment. Also, it was recognized an expense with the amortization of the right of asset utilization and an expense for the interest related to the leasing debt. The right to use assets on the date of transition is equal with the leasing debt, adjusted with any amount paid in advance for leasing payments that are foreseen related to leasing's as recognized in the situation of the financial position immediately prior to the date of initial application.

On the date of commencement of the leasing contract, the Group recognizes the leasing debts, assessed at the updated value with the marginal loan rate of the leasing payments, during the duration of leasing contract. Payments include fixed payments minus any incentives to be received, variable leasing payments that are subject to an index or a rate and the amounts are expected to be paid under the form of a residual value.

Investment property

Initial measurement

Investment property is initially recognized at cost according to IAS 40 - Investment property. The cost of investment property includes the purchase price plus any costs directly attributable thereto (professional fees for legal services, charges for the ownership transfer, etc,).

Measurement after recognition

The Group selected the fair value model for the presentation of investment property in its financial statements. Investments properties are not depreciated, gains and losses arising from changes in fair value of investment properties are included in profit or loss in the period in which they arise.

Financial assets

The Group and SC Electromagnetica SA applies IFRS 9 – Financial Instruments which entered into force on 1 January 2018 and where the classification of financial assets is based on the business model of the entity and the cash-flow characteristics of the financial asset.

Classification of financial assets

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

4. Financial asset measure d*ata amortized cost if the two requirements below are met:*

- the financial assets held within a business model whose aim is to hold financial assets in order to collect the contractual cash-flows and
- the contractual terms of the financial asset generate, at certain dates, cash flows which are exclusively payments of the principal amount and the interest related to the principal amount owed

5. *Financial asset measured at fair value through other components of the comprehensive result, if the two requirements below are met*

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

- the financial assets held within a business model whose aim can be reached both through the collection of the contractual cash flows and the sale of the financial assets and
- the contractual terms of the financial asset generate, at certain dates, cash flows which are exclusively payments of the principal amount and the interest related to the principal amount owed

6. *A financial asset measured at fair value through profit or loss,* except where it is measured at amortized cost in accordance with point 1 or at fair value, through other components of the comprehensive result, in accordance with point 2

Except for the trade receivables which fall under IFRS15, a financial asset or liability is initially measured at fair value, while for a financial asset or liability which is not measured at fair value through profit or loss the costs of the transaction will be added or deducted, costs which are directly attributable to the acquisition or issue of the financial asset or liability

After initial recognition, the subsequent evaluation of financial assets will be made at:
- amortized cost ;
- fair value through other components of the comprehensive result or
- fair value through profit or loss.

The financial assets include the shares held in subsidiaries, associated entities and jointly controlled entities, the loans granted to those entities, other investments held as non-corporal assets and other loans.

The Group presents its investments in subsidiaries measured at cost. The Group holds no investments in joint ventures or associated entities.

Investments in related entities

Subsidiaries are entities controlled by the Group. **IFRS 10 - Consolidated Financial Statements** defines the control principle and establishes the control as the basis for consolidation. IFRS 10 establishes the manner of application of the control principle to determine whether an investor controls an investee and, therefore, it should consolidate the investee.

An investor controls an investee if and only if the investor holds all of the following elements:

d) power over the investee;
e) exposure, or rights, to variable returns from its involvement with the investee;
f) the ability to use its power over the investee to affect the amount of the investor's returns.

Interest on loans

The interest on the loans directly attributable to the purchase, construction or manufacture of an asset with long production cycle is capitalized until the asset is prepared for its predetermined use or sale. All the other costs related to loans are recognized as expenses in the profit and loss account for the period of their occurrence. The interest expenses are carried using the effective interest method. For the six months period as at June 30, 2021, respectively as at June 30, 2020 no interest expenses were capitalized in the value of the assets.

Government grants

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

According to IAS 2 - Inventories, these assets are:

- assets held for sale in the ordinary course of business
- assets in the production process for sale in the ordinary course of business or
- materials and supplies that are consumed in production or service provision

Inventories are presented at the lower of cost and net realizable value. The net realizable value is estimated on the basis of the selling price related to the normal activity, less the estimated costs for completion and sale. For stocks of raw materials and materials without movement or with slow movement, as well as for those of non-marketable finished products, adjustments are made based on management estimates.

The establishment and resumption of adjustments for the depreciation of inventories is made at the expense of the profit and loss account.

To determine the inventory outflow cost of supplied materials, the Group uses the First-In-First-Out (FIFO) method. The standard cost is used for inventory inflow and outflow of finished products. Based on the management accounting, the actual cost of the obtained products is determined at the end of each month.

Receivables and other similar assets

Beginning with January 1st, 2018, the parent-company applied for the first time the new standard IFRS 9 *„Financial instruments”* whose result is an anticipated recognition of depreciation adjustments of debts up to the value of foreseen credit losses, calculated based on the rates of historic losses.

Receivables and other similar assets are presented at amortized cost decreased by the value adjustments.

When a receivable is expected not to be fully collected, adjustments for impairment are recorded at the level of the amount that cannot be recovered. Receivables are discarded following their collection or assignment to a third party. Current receivables can also be discarded by the mutual offset of accounts receivable and payable between third parties, under the law.The receivables with expired collection time limits are discarded after the Group obtains the documents proving that all the legal steps to recover these receivables were taken. The discarded receivables will continue to be tracked off-balance sheet.

Cash and cash equivalents

For the purpose of the preparation of the statement of cash flows, cash is considered to include the existing petty cash and the cash in current bank accounts. Cash equivalents represent deposits and investments with high liquidity and initial maturities under three months.

Liabilities

A liability is a present obligation of the Group arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

A liability is recognized in the accounting records and presented in the financial statements when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the settlement amount can be measured reliably.
Current liabilities are the liabilities that must be paid within a period of up to one year.
A liability should be classified as a current liability, also known as short-term liability, when:

e) it is expected to be settled in the ordinary course of the Group operating cycle;
f) it is primarily held for trading;

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Liabilities (continued)

g) it is due to be settled within 12 months after the balance sheet date; or
h) the Group does not have the unconditional right to postpone the settlement of the liability for at least 12 months from the balance sheet date.

All the other liabilities must be classified as non-current liabilities.

Liabilities are presented at amortized cost. Deferred income classified as non-current liabilities are discounted using the effective interest rate method.The discount rate used to this effect is the rate determined according to the company's own procedures.

The Group derecognizes a liability when the contractual obligations are performed, cancelled or expired.

If the goods and services supplied in relation to current activities were not invoiced but the delivery was made and their value is available, the obligation in question is recorded as a liability.

The amounts representing dividends attributed from the net profit for the reporting period are recorded in the following year as retained earnings, to be carried as dividends payable following the approval of this destination by the general meeting of shareholders.

Current income tax

The current tax payable is based on the taxable profit for the year. The tax profit is different from the profit presented in the profit and loss account because it excludes items of income or expenses that are taxable or deductible in other years and also excludes the items that will never become taxable or deductible. The liability of the Group in relation to the current income tax is calculated using the tax rates provided for by the law or a draft legislative instrument at the end of the year. Currently, the tax rate is 16%.

Deferred tax

The deferred tax is created by analyzing the temporary differences of assets and liabilities, The tax loss carried forward is included in the calculation of the deferred tax asset, A deferred tax asset is recognized only if it is considered probable that there would be sufficient future taxable profit after the offset with the tax loss carry forward and the recoverable income tax.

Deferred tax assets and deferred tax liabilities can only be offset if the entity has this legal right and they relate to the income tax levied by the same tax authority.

Revenue recognition

Revenues are measured according to IFRS 15 – Revenues from Contracts with Customers.

IFRS 15 establishes a 5-step model to record the revenues resulted from contracts with customers:

- Step 1:Identification of a contract with a customer
- Step 2:Identification of payment obligations established in the contract
- Step 3:Determination of the transaction price
- Step 4:Allocation of the transaction price for the performance obligations included in the contract
- Step 5:Recognition of revenues as the group fulfills a performance obligation

In accordance with IFRS 15, revenues are recongnized in the amount which reflects the consideration at which an entity expects to be entitled in exchange of the transfer of goods or services to a customer.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Sale of goods

In accordance with IFRS 15, the revenues will be recognized when a customer gets control of the goods. The Group delivers goods under contractual conditions based on delivery terms. The time when the customer gets control of the goods is considered to be substantially the same for most contracts of the Group, according to IFRS 15 and IAS 18.

For the contracts with customers, where the sale of goods (mainly LED lighting units, meters, railway traffic safety elements etc.) is generally estimated to be the only performance obligation, it is expected that the adoption of IFRS 15 will have no impact on the revenues and profit or loss of the Group.

The Group expects that the revenue recognition will take place at a certain moment in time, when the control of the asset is transferred to the customer, namely upon delivery of the goods.

While preparing to adopt IFRS 15, the Group considers the following:

Variable consideration

Some contracts with customers provide volume rebates, financial cuts, trade discounts or the right to return the goods for quality defects. Currently, the revenues gained from these sales are recognized based on the price specified in the contract, return net quantities and revenue decreases, trade discounts and volume rebates recorded based on accrual accounting, when a reasonable estimation of revenue adjustment can be made.

In accordance with IFRS 15, the estimation of the variable revenue is necessary to be made at the beginning of the contract. The revenues will be recognized insofar as a significant reversal of the cumulated value of the recognized revenues is unlikely to take place.

However, because the contractual periods for most contracts coincide with the calendar years for which the annual financial statements are prepared, and because the Group currently reports its annual revenues from contracts with customers net of adjustments, such as volume rebates or financial cuts, the impact on the result carried forward from the treatment of variable revenues following the adoption of IFRS 15 is not effective. At the same time, the cases of complaints for quality (rights to return) are isolated and, according to history, they are not material, so that the Group and the Group cannot make a reasonable estimation of such a reversal of revenues at the reporting date.

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

In accordance with IFRS 15, the valuation will be based on the criterion of whether the Group controls the specific goods before transferring them to the end customer, rather than whether they are exposed to significant risks and rewards associated with the sale of the goods.

Impact on the carried forward result

The Group is the principal in all the sale contractual relationships, because it is the main performer in all the revenue contracts, has the right to establish the price and is exposed to stock and credit risks.

In accordance with IFRS 15, the measurement will be based on the fact that the Group controls specific goods before transferring them to the end customer rather than these are exposed to risks and significant rewards associated to the sale of goods.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition of revenues from distinct performance obligations

According to some delivery terms, the Group may provide services such as transportation to a specified destination beyond the moment of transfer of the control of goods to customers. IFRS 15 requires that an entity should keep records of each of the distinct goods or services as a separate performance obligation.

Recognition of revenues from distinct performance obligations (continued)

The freight services could fall within the definition of a distinct service, but a full understanding of the commercial terms is necessary to ensure that this is the case. A performance obligation for transportation generally satisfies the performance obligation criteria over a period of time, and the revenues will be recognized during the transfer of goods to the customer. Otherwise, the performance obligation is considered fulfilled at a certain moment in time and the revenues would be recognized when the customer receives the goods. This could lead to the recognition of part of the contractual revenues when the control of goods is transferred and the recognition in time of the part of revenues relating to freight services. There can be no separate obligation for an entity to transport its own goods (i.e. before transferring the control of goods to the customer).

The impact on the result carried forward from the treatment of transport services as distinct performance obligation, following the adoption of IFRS 15, is non-material.

Service provision

The Group provides various services as main activities (construction-installation works) and occasional activities. The revenue is measured at the fair value of the compensation received or to be received. In accordance with IFRS 15, the total consideration in the service contracts will be allocated for all the services based on their individual sale prices. The independent sale prices will be established based on the list prices at which the Group provides the respective services in separate transactions.

Performance obligations fulfilled in time

The Group transfers the control of a good or a service in time and therefore fulfills a performance obligation and recognizes revenues in time if one of the following criteria is met:

(c) the customer receives and simultaneously consumes the benefits offered through the performance by the entity as the entity is performing

(d) the performance by the entity creates or improves an asset (e.g. work in progress) which the customer controls, as the asset is being created or improved or

(c) the performance by the entity does not create an asset with alternative use for the entity, while the entity has an enforceable right to payment for the work performed until the respective date

Performance obligations fulfilled at a specific time

If there is an agreement on invoicing before delivery, in addition to the above conditions for a customer to get the control of a product, the following criteria must be met:

- the reason for such agreement on invoicing before delivery must be substantial (a written request from the customer)
- usually the product must be ready for the physical transfer to the customer
- the entity which delivers the product cannot have the capacity to use it or assign it to another customer

If the contract concluded with a customer contains a provision of acceptance, then the time when a customer gets the control of a good or a service will be determined according to that provision.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Assessment of the progress in fulfilling a performance obligation entirely

For each performance obligation fulfilled in time the Group recognizes the revenues in time through the assessment of the progress in fulfilling that performance obligation entirely. The purpose of such assessment is to present the transfer of control of the goods or services promised to a customer client (i.e. the fulfilment of the performance obligation by the supplier).

Reasonable progress assessments

The Group recognizes the revenues for a performance obligation fulfilled in time only if it can reasonably assess its progress in fulfilling that obligation entirely and holds the reliable information necessary to apply an adequate progress assessment method.
To assess the progress in fulfilling a future obligation, which is necessary, for example, in the contracts including a provision for placing into service or installation, the Group and the Company chose the method based on inputs, according to which revenues are recognized on the basis of inputs or of the efforts of the entity in fulfilling a performance obligation (e.g. consumed resources, number of hours worked, recorded costs, time elapsed or hours of use of machinery) as compared to the total inputs foreseen for fulfilling the respective performance obligation. If the inputs or efforts are distributed uniformly over the whole period of performance, the revenues can be recognized on a straight-line basis.
IFRS 15 requirements for recognition and assessment are also applicable to the recognition and measurement of any gains or losses resulted from the disposal of non-financial assets (such as non-current assets and intangible assets), where such disposal is not in the normal course of business. Nevertheless, upon transition, the effect of these changes are not expected to be significant for the Group.

Rental income

Rental income is recognized on a straight-line basis in the profit and loss account over the duration of the rental agreement.

Dividends and interest

The revenue arising from dividends is recognized when the shareholder's right to receive payment is established. The revenue is recorded at the gross amount that includes the tax on dividends, which is recognized as a current expense in the period in which the allocation was approved.

Interest income is recognized on an accrual basis, by reference to the principal and the effective interest rate, that rate that accurately updates the expected future flows of receivables. Interest income is recognized on an accrual basis, with reference to the principal outstanding and the effective interest rate, that rate that accurately updates the expected future flows of receivables.

Provisions

Provisions can be distinguished from other liabilities such as trade payables and accruals because there is uncertainty about the timing or amount of the future expenditure required in settlement.

Provisions are recognized for present obligations to third parties when it is probable that the obligation will be settled and the settlement amount can be estimated reliably.Provisions for individual obligations are settled at an amount equal to the best estimate of the amount necessary to settle the obligation.

Provisions are grouped by categories and are recognized for:

a) lawsuits;
b) guarantees to customers;
c) dismantling of tangible assets and other similar actions related thereto;
d) restructuring;
e) employee benefits;
f) other provisions

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

When the review by the management together with the legal advisors of the chances for the Group to lose a lawsuit leads to the conclusion that the estimated probability for loss is higher than 50%, a provision is recognized at the reliably estimated amount.

Provisions for guarantees to customers are recognized depending on the estimates of the management and the sales, technical and quality departments on the level of expenses incurred for repairs during the warranty period. The level of expenses incurred for repairs during the warranty period is determined as a percentage of the turnover for the reporting year.

Restructuring provisions

The implicit restructuring obligation occurs where an entity:

- has in place an official detailed restructuring plan that presents: the activity or part of activity it refers to, the main locations affected, the location, position and approximate number of employees to receive compensation for the termination of their activity, the expenses involved, the date of implementation of the restructuring plan;

- has generated the reasonable expectation of the affected parties that the restructuring will be performed by starting the implementation of the restructuring plan or the communication of its main features to those affected by the restructuring process.

The restructuring provision only includes the expenses directly related to the restructuring.

Provisions for employee benefits

During the financial year provisions for annual leaves not taken or other long-term employee benefits (if provided for in the labor contract). Upon their recognition as due to employees, the amount of provisions will be carried in the corresponding revenue accounts.

Other provisions

If liabilities of uncertain timing or amount that meet the conditions of recognition of provisions according to IAS 37 are identified but not found in any of the above categories, other provisions are recorded.

At the end of each reporting period, the provision is remeasured and adjusted to represent the best present estimate. When the analysis shows that the outflow of resources embodying economic benefits to settle the obligation is no longer probable, the provision must be cancelled.

The Group does not recognize provisions for operating losses. The forecast of operating losses indicates that certain operating assets can be impaired, in which case these assets are tested in accordance with IAS 36 – Impairment of Assets.

Employee benefits

The obligations representing short-term employee benefits are not updated and are recognized in the profit and loss account as the related service is provided.

The short-term employee benefits are wages and salaries, bonuses, and social security contributions. Short-term benefits are recognized as expense in the period in which the services are rendered.

The Group makes payments on behalf of its employees to the Romanian public pension system, the health fund and the unemployment fund in the ordinary course of business.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

All the Group employees are enrolled in and required to contribute to the Romanian public pension system. All the related contributions are recognized in the profit and loss account for the period in which they are paid. The Group does not have other additional obligations.

The Group is not involved in any independent pension scheme, therefore it does not have any obligations in this regard. The Group is not involved in any post-employment benefit scheme. The Group does not have any obligation to provide subsequent services to former or present employees.

At present, the Group does not grant employee benefits in the form of profit sharing.

Currently, there is no plan providing for the Group to grant benefits in the form of entity shares (or other equity instruments).

Profit or loss for the period

In accounting, the profit or loss is determined cumulatively from the beginning of the financial year. The result for the year is determined as the difference between the income and expenses for the year. The final result of the financial year is established at the end of the financial year and represents the final balance of the profit and loss account.

The distribution of the profit is made in accordance with the legal provisions in force. The amounts representing reserves constituted from the profit of the current financial year, based on some legal provisions, for example the legal reserve constituted based on the provisions of Law 31/1990 are registered at the end of the current financial year. The accounting profit remaining after this distribution is taken over at the beginning of the financial year following that for which the annual financial statements are prepared in the income statement representing undistributed profit or uncovered loss, from where it is distributed to the other destinations decided by the general meeting of shareholders. legal. The accounting accounting of the destinations of the accounting profit is performed after the general meeting of shareholders approved the distribution of the profit, by registering the amounts representing dividends due to the shareholders, reserves and other destinations, according to the law.

IAS 33 - Earnings per share requires that if an entity presents consolidated financial statements as well as separate financial statements, the presentation of earnings per share is based solely on the consolidated information. If it chooses to present the earnings per share based on its separate financial statement, it must present such information on earnings per share only in the statement of comprehensive income.
The Group presents the result per basic share for its ordinary shares. Basic earnings per share are calculated by dividing the gain or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

The weighted average number of ordinary shares outstanding during the period is the number of shares outstanding at the beginning of the period adjusted by the number of shares repurchased or issued during that period multiplied by a time weighting factor. The time weighting factor is the number of days in which those shares were in circulation, as a proportion of the total number of days in the period.

Segment reporting

An operating segment is a separate component of the Group, which is engaged in activities that could generate revenues and expenses, including revenues and expenses related to the transactions with any of the other components of the Group, and is exposed to risks and benefits that are different from those of the other segments.The main format for the Group's reporting by operating segments is represented by the segmentation by activities.

As the shares of the parent company are traded on the Bucharest Stock Exchange and as it applies IFRS, the entity presents in its annual accounts and the interim reports prepared according to IAS 34 - Interim

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting (continued)

Financial Reporting, information about the operating segments, their products and services, their geographical areas of activity and their main customers.

According to IFRS 8 - Operating Segments, an operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- for which distinct financial information is available,

Considering the criteria for the identification of operating segments and the quantitative thresholds described in IFRS 8, the Group identified the following operating segments for which it presents separate information:

- licensed activity – electricity supply and production,
- unlicensed activity;

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

4. PROPERTY, PLANT AND EQUIPMENT

Cost	**Land and landscaping**	**Buildings**	**Plant and machinery**	**Other tangible assets**	**Tangible assets in progress**	**Total**
As at December 31, 2020	**155,049,519**	**109,185,646**	**35,580,545**	**5,137,890**	**2,540,147**	**307,483,196**
Inflows	-	-	854,253	268,504	1,359,738	4,459,230
Out of which:						
- transfers	-	-	-	-	(958,008)	-
Outflows	-	(30,759)	(782,165)	(92,103)	(958,008)	(1,913,186)
As at June 30, 2021	**155,049,519**	**109,185,646**	**35,652,633**	**5,314,291**	**1,587,339**	**310,029,240**

Accumulated depreciation	**Terenuri şi amenajare de terenuri**	**Construcţii**	**Echipamente tehnologice şi vehicule**	**Alte imobilizări corporale**	**Imobilizări corporale în curs de execuţie**	**Total**
As at December 31, 2020	**328,881**	**7,518,387**	**20,208,283**	**2,546,782**	**-**	**30,626,275**
Depreciation for the year	-	1,822,567	1,531,314	228,017	-	3,581,898
Accumulated depreciation for outflows	-	(30,759)	(537,337)	(26,508)	-	(594,604)
As at June 30, 2021	**328,881**	**9,310,195**	**21,202,260**	**2,748,291**	**-**	**33,613,569**

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

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment allowances	Land and landscaping	Buildings	Plant and machinery	Other tangible assets	Tangible assets in progress	Total
As at December 31, 2020	**-**	**-**	**-**	**-**	**-**	**-**
Allowances for impairment recognized in profit or loss	-	(893,116)	(121,788)	-	-	(1,014,904)
Reversal of allowances for impairment recognized in profit or loss	-	-	-	-	-	-
As at June 30, 2021	**-**	**(893,116)**	**(121,788)**	**-**	**-**	**(1,014,904)**
Net book value						
As at December 31, 2020	**154,720,638**	**110,74,143**	**15,250,474**	**2,591,108**	**2,540,147**	**275,842,017**
As at June 30, 2021	**154,720,638**	**99,844,692**	**14,328,585**	**2,566,000**	**4,868,461**	**275,400,767**

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

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Cost	Land and landscaping	Buildings	Plant and machinery	Other tangible assets	Tangible assets in progress	Total
As at December 31, 2019	**154,589,917**	**115,344,527**	**33,911,929**	**4,310,286**	**1,185,609**	**309,342,268**
Inflows	-	-	599,378	587,853	1,359,738	2,507,132
Out of which:						
- transfers	-	-	574,763	383,245	(958,008)	-
Outflows	-	(893,116)	(1,131,045)	(116,502)	(958,008)	(3,058,835)
As at June 30, 2020	**154,589,917**	**114,451,411**	**33,380,262**	**4,781,637**	**1,587,339**	**308,790,566**

Accumulated depreciation	Terenuri şi amenajare de terenuri	Construcții	Echipamente tehnologice şi vehicule	Alte imobilizări corporale	Imobilizări corporale în curs de execuție	Total
As at December 31, 2019	**328,881**	**4,115,098**	**17,753,590**	**2,057,194**	**-**	**24,254,763**
Depreciation for the year	-	1,976,305	1,808,939	253,491	-	4,038,735
Accumulated depreciation for outflows	-	(68,752)	(715,955)	(20,014)	-	(804,721)
As at June 30, 2020	**328,881**	**6,022,651**	**18,846,573**	**2,290,671**	**-**	**27,488,776**
As at December 31, 2019	**154,261,036**	**111,229,429**	**16,158,339**	**2,253,092**	**1,185,609**	**285,087,505**
As at June 30, 2020	**154,261,036**	**108,428,760**	**14,533,688**	**2,490,966**	**1,587,339**	**281,301,789**

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

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Tangible assets are represented by upgrades of the headquarters of the Group as well as the acquisition of technological equipment. Outflows of assets represent write-downs due to sale and disposal.

Denumire active	Net book value as at June 30, 2021	Net book value as at December 31, 2020
- Real estate (nr. 13, 15) Calea Rahovei , nr 266-268 , 5th District, Bucuresti	26,544,560	25,971,259
- Real estate (nr. 1-3, 9,10,16,18,19,21,23-26) - Calea Rahovei, 266-268, 5th District, Bucuresti	48,451,591	33,946,154
- Land - Calea Rahovei, nr. 242 = 2.157 mp	5,160,797	5,160,797
- MHC-uri (industrial land and construction)	46,418,911	47,265,912

The tangible assets include assets purchased through government subsidies and used in the activity licensed at one of the micro hydropower plants located in Brodina commune, Suceava county. The remaining value of the investment as of June 30, 2021 is 10,474,461 lei, of which the subsidized value is 4,328,698 lei. The remaining value of the investment as of June 30, 2021 was 10,676,065 lei, of which the subsidized value was 4,491,916 lei.

Fair value of tangible assets

The tangible assets of the Group other than tangible assets in progress are presented in the financial statements at revalued amount, representing the fair value at the date of valuation, less accumulated depreciation and impairment.

This method is recommended for properties, when there is sufficient and reliable data on transactions or selling offers for similar properties in the area. Analysis of prices at which transactions were made on requested or offered prices for comparable properties is followed by the performance of price corrections, in order to quantify the prices paid, required or provided, due to differences between the specific characteristics of each property in some called elements for comparison

The fair value of buildings was determined using the cost method and the income method,

The cost method requires that the maximum value of an asset for an informed buyer is the amount that is needed to buy or build a new asset with equivalent utility. When the asset is not new, the current cost of crude has low all forms of impairment that may be assigned to him, until the valuation date.

The income method provides an indication of value by converting future income flows in asset value (market value or investment value).

Information on the fair value hierarchy as at June 30, 2021 and December 31, 2020 is as follows:

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

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Fair value of tangible assets (continued)

	Level 1	Level 2	Level 3	Fair value at June 30, 2021
Lands and land improvements	-	-	154,720,638	154,720,638
Constructions	-	-	99,844,692	99,844,692

	Level 1	Level 2	Level 3	Fair value at December 31, 2020
Lands and land improvements	-	-	154,720,638	154,720,638
Constructions	-	-	100,774,143	100,774,143

During 2021 and 2020, there were no transfers between levels related to fair value.

5. INVESTMENT PROPERTY

The Group owns property that is fully used for rental, All the rental agreements have an initial duration of minimum one year. Further extensions are negotiated with the tenants. The obligations of the parties with regard to repairs, maintenance and improvements are set forth in the contracts.

According to IAS 40, this category of property is recognized as investment property.The Group selected the fair value model for the presentation of investment property in its financial statements.

As at June 30, 2021 the investment property is structured as follows:

	June 30, 2021	December, 31 2020
Opening balance	**15,394,199**	**9,445,159**
Inflows, of which:	65,312	6,263,786
fair value valuation	-	909,909
transfer	-	3,395,501
Outflows, of which:	-	(314,746)
fair value valuation	-	(314,746)
transfer	-	-
Closing balance	**15,459,511**	**15,394,199**

The Group holds other rented spaces within buildings used in conjunction with other activities. These are not classified as investment property because the share in total revenues is insignificant. Also in most cases these spaces cannot be managed separately.

There are no restrictions on the level of realization of investment property or the transfer of revenue and proceeds from disposal

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

5. INVESTMENT PROPERTY (continued)

Information on the fair value hierarchy as at June 30, 2021 and December 31, 2020 is as follows:

	Level 1	Level 2	Level 3	Fair value at June 30, 2021
Investment property	-	-	15,459,511	15,459,511

	Level 1	Level 2	Level 3	Fair value at December 31, 2020
Investment property	-	-	15,394,199	15,394,199

6. INTANGIBLE ASSETS

Intangible assets include software, licenses and various software applications. They are amortized using the straight-line method.

In the statement of financial position, they are presented at historical cost, less amortization and impairment.
The decrease of intangible assets is mainly due to the amortization of some licenses.

Intangible assets as at June 30, 2021 are as follows:

Cost	**Concessions patents licenses**	**Other intangible assets**	**Intangible assets in progress**	**Total**
As at December 31, 2020	**1,180,618**	**2,612,687**	**57,204**	**3,850,509**
Inflows	8,030	-	-	8,030
Outflows	-	-	(8,030)	(8,030)
Transfers	-	-	(8,030)	(8,030)
As at June 30, 2021	**1,188,648**	**2,612,687**	**49,174**	**3,850,509**
Accumulated amortization				
As at December 31, 2020	**944,874**	**2,612,301**	**-**	**3,557,175**
Amortization for the year	77,621	55	-	77,676
Accumulated amortization for outflows	-	-	-	-
As at June 30, 2021	**1,022,495**	**2,612,356**	**-**	**3,634,851**
Net book value				
As at December 31, 2020	**235,744**	**386**	**57,204**	**293,334**
As at June 30, 2021	**166,153**	**331**	**49,174**	**215,658**

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

6. INTANGIBLE ASSETS (continued)

Cost	Concessions patents licenses	Other intangible assets	Intangible assets in progress	Total
As at December 31, 2019	**1,163,759**	**2,707,434**	**65,539**	**3,936,732**
Inflows				
Outflows	49,221	453	49,220	98,894
Transfers	-	-	(49,220)	(49,220)
As at June 30, 2020	**1,212,980**	**2,707,887**	**65,539**	**3,986,406**
Accumulated amortization				
As at December 31, 2019	**824,888**	**2,646,474**	**-**	**3,471,362**
Amortization for the year	80,245	54,132	-	134,377
Accumulated amortization for outflows	-	-	-	-
As at June 30, 2020	**905,133**	**2,700,606**	**-**	**3,605,739**
Net book value				
As at December 31, 2019	**338,871**	**60,960**	**65,539**	**465,370**
As at June 30, 2020	**307,847**	**7,281**	**65,539**	**380,667**

7. ASSETS RELATING TO THE RIGHTS OF USE

IFRS 16 replaces existing leases, including IAS 17 Leasing, IFRIC 4 Determining the extent to which a commitment contains a lease, SIC-15 Operating leasing - Incentives and SIC-27 Assessing the economic nature of transactions involving the legal form of a contract leasing. The standard eliminates the current dual accounting model for tenants and requires companies to bring most leases into balance sheets in a single model, eliminating the distinction between operational and financial leases. In accordance with IFRS 16, a contract is or contains a lease where it confers the right to control the use of an identified asset for a period of time in exchange for compensation. For such contracts, the new model requires the lessee to recognize an asset related to the right of use and a debt regarding leasing contracts. The assets related to the usage rights are depreciated during the leasing contract, and the debt generates interest. Interest expenses are recorded in the income statement during the lease, being calculated at the remaining balance of the lease debt for each period. For most leases, this will result in higher expenses at the beginning of the lease, even if the tenant pays constant rents. The lessee's accounting remains largely unaffected by the introduction of the new standard, and the distinction between operational and financial leasing contracts will be maintained.

As mentioned in the notes to the accounting policies, the Group considered the following aspects related to contracts covered by IFRS 16: i) did not recognize any assets related to the right of use and no leasing debt related to contracts that expire in 12 months or less from the date of application; and ii) did not recognize any assets related to the right of use and any leasing debt for small value contracts (less than 5,000 USD

Being permitted by the standard, the Group adopted IFRS 16 as of January 1, 2019 using the modified retrospective method, without modifying the figures from previous periods.

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

7. ASSETS RELATING TO THE RIGHTS OF USE (continued)

As of June 30, 2021, the Group recognizes assets related to usage rights amounting to RON 413,050 and leasing debts amounting to RON 259,121 related to previous operating leases, of which short-term debts amounting to RON 83,141 and long-term debts. in the amount of RON 175,980.

	Balance as at January 1, 2021	Inflows	Outflows	Balance as at Jun 30, 2021
Right of use	413,050	-	-	413,050
Of which:				
Right of use of vehicles	413,050	-	-	413,050
Debt from Leasing	305,637	-	(46,516)	259,121
Recognized depreciation	116,069	48,100	-	164,169
Interest expense	-	6,247	-	-

Net asset value at June 30, 2021: 248,881 RON

Of which:
Net value of the right to use vehicles: 248,881 RON
The remaining amount of the debts as of June 30, 2021: 259,121 RON

8. OTHER NON-CURRENT ASSETS

This category mainly includes the performance guarantees granted to customers, which were classified as non-current according to the respective contracts.

These assets are measured at cost and are tested for impairment annually.

	June 30, 2021	December 31, 2020
Performance guarantees granted to customers	2,120,580	1,668,567
Trade receivables scheduled on the long-term	16,730,672	19,789,266
Adjustment trade receivables at present value	(1,811,982)	(2,097,083)
Other	261,716	443,260
Total	**17,300,986**	**19,804,010**

The long-term receivables in net value of 14,918,690 lei as of June 30, 2021 were updated to the present value, and the effect of the time-value of the money was in the amount of 1,811,982 lei. The current portion is recognized in trade receivables (Note 10).

9. INVENTORY

	June 30, 2021	December 31, 2020
Raw materials	7,929,449	6,889,170
Consumables	2,566,148	1,917,971
Finished goods	3,836,834	3,621,418
Work in progress	2,047,921	1,699,973
Other inventories	2,301,389	1,357,853
Allowances for impairment of inventories	(1,978,916)	(1,818,372)
Total	**16,702,825**	**13,668,013**

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

9. INVENTORY (CONTINUED)

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

The changes in inventory impairments is as follows:

	June 30, 2021	December 31, 2020
Balance at the beginning of period	**1,818,372**	**1,802,984**
Increase depreciation adjustments	363,914	1,045,050
Decrease depreciation adjustment	(203,370)	(1,029,662)
Balance at the end of period	**1,978,916**	**1,818,372**

Allowances recorded in the reporting period are for obsolete or slow moving raw materials and consumables.

The Group did not pledge inventories to secure its liabilities.

10. TRADE RECEIVABLES

Receivables are recorded at nominal value and are accounted for in the cost accounting for each natural or legal person. The receivables denominated in foreign currency were measured based on the exchange rate applicable at the end of the period and the exchange rate difference was recognized as income or expense for the period.

	June 30, 2021	December 31, 2020
Internal trade receivables*	83,941,003	54,668,719
External trade receivables	6,891,369	8,031,013
Estimated trade receivables	866,409	1,165,173
Adjustment of internal trade receivables at present value	(857,703)	(790,431)
Impairment of trade receivables	(4,422,744)	(4,909,054)
Net trade receivables	**86,418,334**	**58,165,420**

* Domestic trade receivables also include guarantees of good execution with a maturity of less than 1 year granted to customers. As of June 30, 2021, they are worth 614,317 lei (December 31, 2020: 684,434 lei).

The sale contracts or services provision contracts concluded with customers under credit facilities have been discounted at present value. The total effect of the discount was RON 2.669.684, of which RON 857.702 due in one year and RON 1.811.982 due in more than one year. The portion over one year is recognized in other fixed assets (Note 8).

The balance of bills receivable from customers as of June 30, 2021 was RON 0 (at December 31, 2020: RON 501,319)

The movement in adjustments for impairment of trade receivables is as follows:

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

10. TRADE RECEIVABLES (continued)

	Ian – Jun 2021	Year 2020
Balance at the beginning of period	**4,909,054**	**4,940,221**
Increases of impairment allowances	122,671	759,364
Decreases of impairment allowances	(608,981)	(790,531)
Balance at the end of period	**4,422,744**	**4,909,054**

Doubtful accounts receivables or under litigation procedures are in amount of RON 4.422.744 (at December 31, 2020: RON 4.909.054).

The allowance for trade receivables recorded refers to amounts not collected from doubtful accounts or customers under litigation procedures and for which a risk of default was estimated according to the policy adopted by the Group.

The maturity of receivables as at the preparation date of the statement of financial position is:

	Gross value as at June 30, 2021	Provision as at June 30, 2021	Gross value as at December 31, 2020	Provision as at December 31, 2020
Outstanding	67,633,220	-	41,243,701	-
Overdue between 1 – 30 days	4,043,728	-	9,058,359	-
Overdue between 31 – 90 days	1,774,201	-	2,469,064	-
Overdue between 90 – 180 days	1,676,340	-	995,204	-
Overdue between 180 – 365 days	7,883,358	-	1,339,762	-
More than 1 year	3,286,477	(4,422,744)	7,969,384	(4,909,054)
TOTAL	**86,297,323**	**(4,422,744)**	**63,074,474**	**(4,909,054)**

11 OTHER CURRENT ASSETS

	June 30, 2021	December 31, 2020
Debtors	31,440	31,926
Prepaid expenses	2,636,886	906,301
Debtor suppliers	53,005	138,192
Other assets	129,434	847,202
Total	**2,850,765**	**1,923,621**

The accrued expenses of RON mainly consist of rent paid in advance, insurance premiums and various subscriptions.
Other assets also include the value of the VAT non-chargeable in amount of RON 129.434 (at December 31, 2020: RON 193.886).

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

12. CASH AND CASH EQUIVALENTS

	June 30, 2021	December 31, 2020
Petty cash	24,994	14,748
Current accounts with banks	3,000,574	24,471,752
Cash equivalents	31,322	510
Total	**3,056,890**	**24,487,010**

	June 30, 2021	December 31, 2020
Restricted cash	135,246	81,748
Total	**135,246**	**81,748**

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

13. SHARE CAPITAL

For the mother-company, the share capital subscribed and paid up is RON 67,603,870, divided into 676,038,704 shares at nominal value 0.10 RON/share, fully paid-up.

The structure of the shareholders that own over 10% of the share capital as at June 30, 2021 is the following, according to the Central Depositary Register:

	June 30, 2021		December 31, 2020	
Shareholder	**No. of shares**	**%**	**No. of shares**	**%**
Asociaţia PAS	171,084,540	25.31	171,084,540	25.31
SIF Oltenia SA	176,717,594	26,14	176,717,594	26.14
Persons	250,916,471	37,11	255,182,254	37.75
Legal persons	77,320,099	11,44	78,605,404	10.81
Total	**676,038,704**	**100**	**676,038,704**	**100**

The Group does not own bonds, redeemable shares or other portfolio securities.

14. RESERVES

Legal reserves	**Ian – Jun 2021**	**Year 2020**
Balance as the beginning of the period	**19,811,734**	**19,702,434**
Increases of legal reserves	-	109,300
Decreases of legal reserves	-	-
Balance as the end of the period*	**19,811,734**	**19,811,734**

* The allowance for inflation following the application of IAS 29 to this reserves amounts to RON 8,649,876 at June 30, 2021 (December 31, 2020: RON 8,649,877).

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

14. RESERVES (continued)

According to Romanian legislation, the entities must allocate an amount at least equal to 5% of the profit before tax to the legal reserves, until the reserves reach 20% of the share capital. When this level is reached, the entity can make additional allocations exclusively from its net profit. The legal reserve is deductible within the limit of 5% of the accounting profit, before the determination of the income tax.

Revaluation reserves are in amount of RON 90,916,334 as at June 30, 2021.

Reported at the beginning of the period, they decreased due to the transfer of the revaluation reserve to retained earnings as a result of amortization.

	Ian – Jun 2021	Year 2020
Balance as the beginning of the period	**93,954,274**	**96,320,962**
Increases	-	-
Reductions	(3,039,341)	(2,367,026)
Other elements	1,401	338
Balance as the end of the period	**90,916,334**	**93,954,274**

At December 31, 2020 the Group has **other reserves** amounting to RON 67,944,602 of which reserves for own sources of founding represent 98%,

	Ian – Jun 2021	Year 2020
Balance as the beginning of the period	**65,732,184**	**63,389,766**
Increases	2,324,301	2,342,456
Reductions	(111,883)	(38)
Balance as the end of the period	**67,944,602**	**65,732,184**

15. RETAINED EARNINGS

As at December 31, 2020, the retained earnings arising from the transfer of reserves from revaluation related to depreciated or decommissioned assets was in amount of RON 925,368 lei.

16. INVESTMENT SUBSIDIES

	Total	Within one year	In more than one year
Investment subsidies as at June 30, 2021	4,328,698	163,219	4,165,479

	Total	Within one year	In more than one year
Investment subsidies as at December 31, 2020	4,410,306	163,219	4,247,087

In 2012, the Parent Company benefited from an investment subsidy of 5,997,788 RON granted for the modernization of the micro-hydro power plant in Brodina (Suceava), which will be transferred to revenue concomitantly with the registration of the amortization of the non-current assets purchased under this project. The net book value of the fixed assets purchased from such grant are presented in Note 4.

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

17. PROVISIONS

Description	Balance January 01, 2021	Inflows (set-up)	Outflows (reversals)	Balance June 30, 2021
Provisions for performance guarantees to customers	1,120,000	-	-	1,120,000
Provisions for risks and charges	31,440	-	-	31,440
Provision for employees' benefits	1,047,841	-	(42,390)	1,005,451
TOTAL	**2,199,281**	**-**	**(42,390)**	**2,156,891**

The Parent Company has concluded contracts for the supply of lighting units with warranty, for long periods, i,e, 2-4 years. The contracts do not provide for a percentage or amount of the performance guarantee, therefore the related provision is calculated based on the analysis of the history of costs incurred with goods under warranty.

18. TRADE AND OTHER PAYABLES

	June 30, 2021	December 31, 2020
Trade payables		
Internal trade payables	9,263,294	6,565,553
External trade payables	4,932,685	3,448,163
Estimated trade payables	12,866,985	15,437,277
Other current payables		
Advances received from customers	1,496,361	789,218
Income in advance	2,807,595	3,038,328
Other payables	-	22,756
Other current payables	37,517,892	13,535,637
Total trade and other payables	**68,884,812**	**42,836,933**

Liabilities are recorded at nominal value and are accounted for in the analytical records for each natural or legal person. The liabilities denominated in foreign currency were measured based on the exchange rate applicable at the end of the period and the exchange rate difference was recognized as income or expense for the period.

The Group does not have significant outstanding trade payables.
The Group does not have overdue liabilities to employees and the state budget. The amounts presented represent liabilities for June 2021, were paid on the due date, in July 2021.

The Group has approved several credit agreements as of June 30, 2021. Their situation is presented in note 27 of these financial statements.

Other payables include guarantees received from tenants, VAT to be paid, other taxes and the fine in amount of RON 9,021,308. For this amount the Parent Company requested ANAF the suspension according to Art. 235 of the Fiscal Procedure Code.

The guarantees received as June 30, 2021 amount to RON 3.059.627 and will be settled according to the contractual terms.

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

18. TRADE AND OTHER PAYABLES (continued)

	Total	Within one year	In more than one year
Guarantees received 2021	3,059,627	1,785,705	1,273,922
	Total	**Sub un an**	**Peste un an**
Guarantees received 2020	3,039,983	1,871,211	1,168,771

19. INCOME

	Jan – Jun 2021	Jan – Jun 2020
Income	**211,009,338**	**165,894,420**
- Income from sold production	41,327,511	35,245,076
- Rental income	9,337,678	8,698,051
- Income from sale of goods	160,344,149	121,951,293
Investment income	**40,931**	**151,284**
- Interest income	40,931	151,284
- Income from dividends	-	-
	-	-
Variation in inventories of finished goods and work in progress	2,634,482	4,706,126
Own work capitalized	1,260,459	821,628
Other income / expenses	**2,471,997**	**2,057,993**
- Income from subsidies	81,609	81,609
- Net provisions	585,985	119,647
- Net foreign exchange difference	15,136	9,853
- Other income	1,789,267	1,846,884
Net income	**217,417,207**	**173,631,451**

Net provisions are income from adjustments for impairment of inventories and receivables as well as income /expense with provisions for good execution guarantees granted to clients.

20. EXPENSES

	Jan – Jun 2021	Jan – Jun 2020
Expenses related to materials	**198,239,312**	**132,822,552**
Raw materials and consumables	19,463,611	21,931,181
Goods purchased for resale	176,842,238	109,254,746
Electricity, heating and water	1,933,463	1,636,625
Employee related expenses	**17,119,836**	**17,333,018**
Salaries	9,772,909	9,326,847
Other employeerelated expenses	7,346,927	8,006,171
Other expenses	**15,459,973**	**16,307,995**
Post	128,391	122,642

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

20. EXPENSES (continued)

Maintenance expenses	185,782	287,695
Rentals	329,023	69,866
Advertisement and entertainment	91,837	380,179
Insurance	239,625	274,608
Transport and travel	471z,388	613,549
Subcontracted work	1,056,295	2,944,199
Other taxes	956,231	847,449
Consultants and collaborators	1,018,856	1,045,229
Costs of green certificates	3,890,600	4,537,387
Other operating expenses	7,091,945	5,185,192
Expenses related to depreciation and impairment	**4,062,873**	**5,229,487**
Depreciation	4,062,873	5,229,487
Total expenses	**234,881,994**	**171,693,052**

The "Other operating expenses" line shows the services rendered by third parties, banking and similar services, fees and commissions etc.

21. FINANCIAL EXPENSES

	Jan – Jun 2021	Jan – Iun 2020
Interest expenses	144,401	37,860
Bank charges	345,126	365,403
Total financial expenses	**489,527**	**403,263**

22. PROFIT TAX

Profit tax recognized through profit or loss:

	June 30, 2021	June 30, 2020
Current profit tax		
Current profit tax expenses	(21,325)	804,140
Deferred profit tax		
Deferred profit tax income	112,849	(297,662)
	(91,524)	**506,478**

Settlement of profit before tax and income tax expenses in the profit and loss account:

Caption	June 30, 2021	June 30, 2020
Net accounting (loss)/profit	**(17,466,907)**	**1,028,658**
Deductions	(3,020,527)	(2,148,389)
Non-taxable income	(1,193,937)	(1,708,281)
Non-deductible expenses	5,536,437	7,853,887
Taxable (loss)/profit	(16,144,934)	5,025,875
Tax loss from previous years	-	-
Current income tax	-	808,054
Income tax reduction	-	(3,914)
Income tax due at end of period	**-**	**804,140**

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

22. PROFIT TAX (continued)

As at June 30, 2021 the receivable income tax is RON 949,937 (at June 30, 2020 : RON 615,296).

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

	Opening balance	Through profit or loss	Through other comprehensive income	Closing balance
Property, plant and equipment	18,434,453	(199,667)	(1,401)	18,233,385
Receivables	(462,002)	34,853	-	(427,150)
Impairment of receivables	(785,293)	77,654	-	(707,639)
Impairment of inventories	(290,940)	(25,688)	-	(316,628)
Employee-related benefits	(160,873)	-	-	(160,873)
TOTAL	**16,735,345**	**(112,848)**	**(1,401)**	**16,621,095**

The deferred income tax resulted from different accounting and tax depreciation methods, and the one from revaluation reserves resulted from the revaluation of tangible assets registered after January 1, 2004, which are taxed concomitantly with the deduction of the tax depreciation.

23. AVERAGE NUMBER OF EMPLOYEES

Evolution of the number of employees:

	June 30 2021	December 31 2020
Group	476	476
Parent Company	390	413

The expenses incurred for salaries and related taxed in the first semester for the years 2021 and 2020 are as follows:

	Jan – Jun 2021	Jan – Jun 2020
Expenses related to salaries	**9,772,909**	**9,326,847**
of witch the Parent Company	9,114,185	8,498,460
Other related taxes	**7,346,927**	**8,006,171**
of witch the Parent Company	6,712,063	7,212,918
Total	**17,119,836**	**17,333,018**
din care societatea mama	15,826,248	15,711,378

The Group does not have a special employee pension scheme and contributes to the national pension system under the laws in force.

24. RELATED PARTY TRANSACTIONS

At June 30, 2021 and December 31, 2020, the Group had no related parties apart from the subsidiaries included in the consolidation, Balances and transactions with them were eliminated in the preparation of the consolidated financial statements.

The Group does not have contractual obligations to former managers and directors and did not grant advances or loans to the current managers and directors.

The Group did not undertake future obligations of the nature of guarantees on behalf of its directors.

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

25. INFORMATION ON SEGMENTS OF ACTIVITY

The Group used as the aggregation criterion for the reporting by operating segments the nature of the regulatory framework and identified the following operating segments for which it presents separate information:

- Licensed activity – electricity supply and production
- Unlicensed activity

The aggregation criterion relies on the license needed to run business and the conditions required by the license, such as presentation of separate financial statements. The electricity production and supply were aggregated as they constitute an integrated process for some of the operations.

Segment information is reported according to the activities of the Group. The assets and liabilities by operating segments include both the items directly attributable to those segments and the items that can be allocated on a reasonable basis.

1st Sem 2021	Unlicensed activity	% Total Group	Licensed activity	% Total Group	Total Group
Net profit	3,510,032	n/a	(21,464,3470)	100%	(17,954,315)
Total assets	374,072,000	89	44,521,442	11	418,593,442
Total liabilities	51,148,630	55	42,376,120	45	93,524,750
Customer revenue	49,241,447	23	161,767,891	77	211,009,338
Interest income	58,910	100	-	-	58,910
Impairment and depreciation	3,185,570	78	877,303	22	4,062,873

1st sem 2020	Unlicensed activity	% Total Group	Licensed activity	% Total Group	Total Group
Net profit	(2,618,794)	n/a	3,647,452	n/a	1,028,658
Total assets	318,587,339	75,66	102,513,011	24,34	421,100,350
Total liabilities	40,307,848	53,43	35,132,185	46,57	75,440,033
Customer revenue	43,116,893	26,00	122,777,527	74,00	165,894,420
Interest income	173,255	100	-	-	173,255
Impairment and depreciation	3,224,574	78,89	2,004,913	21,11	5,229,487

Main products and production structure

The Group benefits from a wide range of technologies and equipment that enables it to obtain a rich diversity of products. The share of the main groups of products in the production-related turnover (excluding services) is as follows:

LED lighting units, systems and solutions

The production of LED lighting fixtures occupies the largest share in the group's production of goods, having (along with electric vehicle charging stations) a share of 47.48%. In the first half of 2021, sales in this segment were an element of continuity, being approximately the same as in the first half of 2020. The product range covers almost all areas, both for public authorities (street lighting or ornamental for monuments) and companies (commercial and industrial spaces, offices) as well as for individuals (lighting fixtures for domestic use).

Electric car charging stations

Electromagnetica was among the first local companies that under the ELMotion brand designed and built such stations since 2017.

25. INFORMATION ON SEGMENTS OF ACTIVITY (continued)

Electric car charging stations (continued)

In the first half of 2021, a family of SIVE fast charging stations was developed with charging capacities of up to 100kW and AC of up to 43kW, which has the capacity to charge up to 3 vehicles at the same time. Starting with June has begun designing a new 30kW charging station with CCS Combo 2 connector, controlled by OCPP from the ELMotion application. Optionally, on this station it will be possible to mount a device for direct payment with the card at the station.
An important project of our Group in 2021 was the creation inside Electromagnetica of an electric car charging HUB that includes 50 charging points in the same place and that ensures the charging during the night of the electric car fleets in Bucharest.

Low voltage electrical switchgear

The production of low voltage electrical appliances (for ABB Italy) represents an element of continuity and stability in the production for export, registering an increase of 7.1%. Electrical equipment had the highest share of exports in the first half with 54.9%.
Most of this activity is automated and robotic.

Plastic injection and molds

Electromagnetics benefits from a wide range of technologies, which allows the company to produce injection-molded plastic subassemblies for both the domestic market and for export. The Group currently has 24 industrial machines, most of the products being represented by car subassemblies.
The production of injected plastic subassemblies and molds increased by 93.9% compared to the same period last year.
This product group has the second largest share in the company's exports, with 27.1% of the total. The production of injected plastic subassemblies benefits from the design, manufacture and internal repair of molds.

Railway traffic safety components

Sales of railway traffic safety items increased by 4.9% without the first half of 2020, orders for this production segment, from prestigious companies such as ALSTOM and SIEMENS, being largely dependent on the pace of modernization of railway infrastructure, considering that CFR Infrastructure is the final beneficiary of these services.

Electricity production from renewable sources

Energy production is an area regulated by ANRE, the group has had a producer license since 2007. The Group owns 10 micro hydropower plants in the Suceava river basin, which have been modernized and automated over time, reaching an installed capacity of 5.5 MW . In the first half of 2021, energy production in its own micro hydropower plants increased by 21.8% compared to the similar period of 2020.

Electricity supply service

The energy supply activity is regulated by ANRE. The Group has had a supplier license since 2001, which was renewed in 2013 based on the regulations of the new energy law (L123 / 2012) for another 10 years.

In 2021, energy prices have risen unexpectedly compared to 2020, negatively influencing the company's activity in this field. The increase in the energy purchase price is due to external factors such as: the doubling of the price of carbon certificates, the increase in the price of natural gas, the energy deficit produced in the SE area of Europe, the volatility of renewable energy produced and spot price volatility.
For the second semester, the Group took a series of measures in order to counteract the effects of market disruptors and to optimize the activity.

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

25. INFORMATION ON SEGMENTS OF ACTIVITY (continued)

Services for renting and providing utilities

Electromagnetica manages approximately 34,000 sqm of spaces for rent in Bucharest and 3,500 sqm in Varteju locality, Ilfov county. On 30.06.2021, for the headquarters in Calea Rahovei 266-268, the average occupancy rate was 89.58% slightly lower due to the COVID 19 pandemic that encouraged work from home. For the spaces in Varteju commune (Magurele), the occupancy rate in the first semester was 100% increasing compared to the value of 94.43% at the end of 2020.
The activity of renting and providing utilities registered an overall value increase of 8.00% compared to the first half of 2020, as a result of the increase in the area to be rented and the average euro/ron exchange rate. Comparative with the previous year, the share of rental space for offices, services and production remained relatively the same.

26. RISK MANAGEMENT

The Group is exposed to the following risks:

Equity risk

Equity risk management aims to ensure the capacity of the Group to carry out its activity in good conditions through the optimization of the capital structure (equity and liabilities).The analysis of the capital structure is focused on the cost of capital and the risk associated to each category. To maintain an optimum capital structure and an appropriate debt ratio, in the last years the Group proposed to its shareholders an adequate dividend policy, able to secure own sources of funding. The absence of funding sources can limit the Group expansion on the market segments where the sale is supported through the commercial facilities offered.
The Group monitors capital based on the debt ratio. This indicator is calculated as the ratio of the net debt and the total capital employed. The net debt is calculated as the sum of the total loans, total suppliers and other liabilities (as presented in the statement of the financial position) less the cash and cash equivalents. The total capital employed is determined as the sum of the net debt and equity (as presented in the financial position).

The debt ratio as at June 30, 2021 compared to December 31, 2020 was as follows:

	June 30, 2021	Decembeer 31, 2020
Total loans (lease debts IFRS 16)	259,121	305,637
Suppliers and other liabilities	68,884,812	43,317,218
Less: Cash and cash equivalents	-3,056,890	-24,487,010
Net Liabilities/(Assets)	**66,087,043**	**19,135,845**
Equity	**325,068,692**	**341,932,461**
TOTAL BORROWED CAPITAL	**391,155,735**	**361,068,306**
Debt ratio	**16.90%**	**5.30%**

Credit risk

Credit risk is the possibility that contracting parties breach their contractual obligations resulting in financial loss for the Group. When possible and allowed by market practices, the Group requests guarantees.Trade receivables derive from a wide range of customers operating in various fields of activity and different geographical areas.To counteract this risk factor, the Group applied restrictive policies to the delivery of products to doubtful customers. Insurance policies were contracted for foreign market

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

26. RISK MANAGEMENT (continued)

Credit risk (continued)

receivables. Due to the increase of insolvency cases in the economy, there is a concrete risk related to the recovery of the equivalent value of products and/or services supplied prior to the declaration of insolvency. The Group is paying more attention to the creditworthiness and financial discipline of its contractual partners.

	June 30, 2021	December 31, 2020
Trade receivables (long and short terms)	101,337,024	77,526,170
Other receivables (long and short terms)	3,521,120	3,279,447
Cash and cash equivalents	3,056,890	24,487,010
Total	**107,915,034**	**105,292,627**

Market risk

The risk related to **changes in interest rates** is managed due to the Group's investment policy according to which investments are exclusively covered by own sources of funding, therefore credit lines are only used for short periods.

The Group is exposed to **foreign exchange risk** because the supply of materials mainly comes from import and the share of exports increased, To limit the effect of foreign exchange, the payment schedule was correlated with the proceeds in foreign currency, the Group usually recording cash-flow surplus, The Group monitors and manages on a permanent basis its exposure to exchange rate differences.

The foreign currencies most frequently used in transactions are EUR and USD. The assets denominated in foreign currencies are represented by customers and available cash in foreign currency. The liabilities denominated in foreign currency are represented by suppliers.

At June 30, 2021, their situation is as follows:

	Assets	Liabilities	Net exposure
EUR	1,324,128	936,563	387,565
USD	-	76,890	(76,890)
MDL	1,552,832	-	1,552,832

At December 31, 2020, their situation was as follows:

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

The analysis of the foreign exchange risk sensitivity for a +/- 10% variation in the exchange rate shows an impact on the gross result of the period of +/- RON 194,836.

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

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

26. RISK MANAGEMENT (continued)

Price risk includes the risk of changes in acquisition prices, exchange rate and interest rate. Among the markets where the Group is present, the energy market has the highest level of price risk, given the volatility of prices on the Day Ahead Market and the Balancing Market, as well as the absence of long-term risk coverage mechanisms. The behavior of the electric power producers, consisting in selling as much as possible on the spot market, increases the price risk on that market.To control the price risk on the energy market, the parent-Company took action for reducing its exposure by re-dimensioning its customer portfolio and externalized the balancing services.

Liquidity and cash flow risk

Each of the Group's cash flow department prepares forecasts on the liquidity reserve and maintains the appropriate level of credit facilities in order to be able to prudently manage the liquidity and cash flow risks. At the same time, investments were limited to own sources of funding and to those with direct impact on the turnover.The liquidity and cash-flow risk management policy should be adapted to the resized activity of electricity supply. This risk is closely related to the risks described.

The status of trade receivables and payables according to maturity is presented below:

	Jun 30, 2021	0 - 1 year	1 - 2 years	2 - 5 years	More than 5 years
Trade receivables	103,481,368	86,750,696	7,292,795	9,437,877	-
Trade liabilities	70,417,855	70,417,855	-	-	-

	Dec 31, 2020	0 - 1 year	1 - 2 years	2 - 5 years	More than 5 years
Trade receivables	78,368,182	59,558,612	7,552,175	11,703,323	-
Trade liabilities	44,415,737	44,415,737	-	-	-

Fair value of financial instruments

June 30, 2021	Carrying value	Fair value	Level
Financial assets			
Trade receivables	101,337,024	101,337,024	Level 1
Cash and cash equivalents	3,056,890	3,056,890	Level 1
Other current assets	3,521,120	3,521,120	Level 1
	107,915,034	**107,915,034**	

June 30, 2021	Carrying value	Fair value	Level
Long term financial liabilities			
Trade and other payables	1,449,902	1,449,902	Level 1
	1,449,902	**1,449,902**	
Short term financial liabilities			
Trade payables	68,967,953	68,967,953	Level 1
	68,967,953	**68,967,953**	

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

26. RISK MANAGEMENT (continued)

Fair value of financial instruments (continued)

December 31, 2020	**Carrying value**	**Fair value**	**Level**
Financial assets			
Trade receivables	77,526,170	77,526,170	Level 1
Cash and cash equivalents	24,487,010	24,487,010	Level 1
Other current assets	3,279,447	3,279,447	Level 1
	105,292,627	**105,292,627**	

December 31, 2020	**Carrying value**	**Fair value**	**Level**
Long term financial liabilities			
Trade and other payables	1,378,045	1,378,045	Level 1
	1,378,045	**1,378,045**	
Short term financial liabilities			
Trade payables	42,933,296	42,933,296	Level 1
	42,933,296	**42,933,296**	

The risk of natural desasters

The activity of electricity production in the center of low power, so without storage lakes, is assumed to be at risk of destruction caused by floods. Under these conditions, the Group acted to conclude disaster insurance policies to protect the MHCs.

Risk related to the lack of qualified human resources

Although the COVID 19 pandemic has generated significant layoffs in the labor market, the group is still facing a shortage of qualified personnel.

General framework for risk management

The Board of Directors of the parent Company has the general responsibility for the establishment and supervision of the risk management framework at Company level,

The activity is governed by the following principles:

a) the principle of delegation;
b) the principle of decision-making autonomy;
c) the principle of objectivity;
d) the principle of investor protection;
e) the principle of promotion of stock market development;
f) the principle of proactivity.

The Board of Directors is also responsible for the review and approval of the strategic, operational and financial plan of the Group and the Group's corporate structure.

The risk management policies of the group companies are defined so as to ensure the identification and analysis of the risks the Group is facing, determine the appropriate limits and controls and monitor the risks and compliance with the limits set. The risk management policies and systems are regularly reviewed to reflect the changes occurred in the market conditions and the activities of the Group.

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

26. RISK MANAGEMENT (continued)

General framework for risk management (continued)

Through its training and management standards and procedures, the Group aims at developing an orderly and constructive control environment where all employees understand their roles and duties.

The internal audit of the Group's entities supervises the manner in which the management monitors the compliance with the risk management policies and procedures and reviews the appropriateness of the risk management framework against the risks the entities are facing.

27. COMMITMENTS AND CONTINGENT LIABILITIES

As of June 30, 2021, the Group has commitments granted by four financing banks as follows:

- for bank loans in the form of an overdraft account for working capital amounting to RON 44,000,000;
- non-cash guarantee agreements amounting to RON 34,000,000.

On June 30, 2021, the Group had at its disposal an amount of RON 25,502,994 not drawn from the loan facilities contracted with the banks.

On June 30, 2021, the Group had at its disposal the amount of RON 4,822,966, as unused, from the non-cash facilities for letters of guarantee.

According to the current loan agreements, the Group is subject to the fulfillment of certain conditions imposed by the banks. On June 30, 2021, the Group met all the financial indicators required in the financing contracts.

The commitments granted to the Group are guaranteed with accounts opened with creditor banks, receivables, collateral deposits in the amount of RON 225,246, tangible assets (land, buildings) in the amount of RON 121,415,062 (Note 4).

The commitments received from clients and tenants in the form of letters of guarantee on June 30, 2021, are worth RON 178,543 according to the contractual clauses.

Litigation

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

28. SUBSEQUENT EVENTS

The management has no knowledge of events, economic changes or other factors of uncertainty that could significantly affect the group's income or liquidity, other than those mentioned.

Eugen Scheuşan	**Cristina Florea**
General Manager	Economic Manager

DECLARATION OF RESPONSIBLE PERSONS

In accordance with the provisions of Art. 65 of Law 24/2017 on issuers of financial instruments and market operations, the undersigned Eugen Scheusan - General Manager, as legal representative and Cristina Florea, as Economic Manager of Electromagnetica SA, based in Calea Rahovei, 266-268, Sector 5, Bucharest, registered at the Trade Register with no. J40 / 19/1991, fiscal identification code RO 414118, we declare that we assume responsibility for the preparation of individual and consolidated half-yearly financial statements 2021 and confirm that, to our knowledge, the half-yearly financial statement, prepared in accordance with applicable accounting standards:

a) offers a correct image and in accordance with the reality of the assets, liabilities, financial position, profit and loss account of the company and its subsidiaries included in the process of consolidating the financial statements;
b) presents correctly and completely the information about the issuer,

General Manager	**Economic Manager**
Eugen Scheusan	**Cristina Florea**