



**Quarterly Report on September 30,  
2023**



**ELECTROMAGNETICA SA**

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**ELECTROMAGNETICA SA**

**SEPARATED QUARTERLY REPORT FOR  
THE 3RD QUARTER OF 2023**

**Separated financial results for the third quarter of the year 2023 (Q3 2023)  
compared to the third quarter of the year 2022 (Q3 2022)  
(unaudited)**

## Separated Quarterly Report Q3 2023

### Highlights of the 3-month period ended on September 30, 2023 (Q3 2023)

- Following internal management reviews, it identified for certain sale contracts of finished products and provision of services, the existence of clauses giving the right of return for unused products through resale or implementation in various projects. Moreover, Electromagnetica acted as a depositary of the products purchased by these customers by drawing up custody records and managing stocks on the company's premises.
- For the Q3/2023 quarterly report, the above corrections were made in respect of the sale of finished goods which under the contractual terms had a right of return or right to keep in custody. Thus, the last three years have been restated by adjusting the results for the derecognition of net income from these sales. The impact was a decrease in the result by RON 486 thousand for the current year, respectively RON 3,020 thousand for 2021 and RON 1,905 thousand for 2022. At the same time, the company recognized in the financial statements the inventories from custodianships and returns. Following the impairment analysis of all stocks, value adjustments were made in the amount of RON 5,954 thousand.
- Also, following the analysis of receivables, suspicions of fraud were raised for a contract for the sale of telemanagement implementation services, a contract that Electromagnetica admitted to have been partially implemented. For this contract, a provision with impact on the current result in the amount of RON 2,520 thousand was prudentially constituted, until the completion of the internal and external purchases requested by the Board of Directors of Electromagnetica S.A..
- The Company's turnover of RON 46,056 thousand in Q3/2023 is 27% lower than in Q3/2022, mainly due to the reduction in the level of income from licensed activities (from RON 31,593 thousand to RON 25,060) and income from non-licensed activities (from RON 31,712 to RON 20,996);
- The negative EBITDA result Q3/2023 is mainly affected by provisions for finished products and bad debt adjustments. Inventories have been adjusted to net probable value.
- Regarding the licensed activities, the reduction in turnover in Q3/2023 compared to Q3/2022 was due to: the introduction by GEO 119/2022 to amend and supplement GEO 27/2022 of the new contribution to the Energy Transition Fund starting in September 2022 led to the overcharging of trading activities  
Reduction of electricity prices in Q3/2023 compared to Q3/2022;

Indicator	Q3	Q3	Q1 -Q3	Q1 -Q3
	2023	2022	2023	2022
Revenues from unlicensed activities (thousand RON)	20,996	31,712	84,021	87,673
Revenues from licensed activities (thousand RON)	25,060	31,593	68,795	85,212
<b>Cifra de afaceri (thousand RON)</b>	<b>46,056</b>	<b>63,305</b>	<b>152,815</b>	<b>172,885</b>
<b>EBITDA* (thousand RON)</b>	<b>-8,455</b>	<b>13,844</b>	<b>14,542</b>	<b>36,327</b>
<b>EBITDA marja (%)</b>	<b>-18.36%</b>	<b>21.87%</b>	<b>9.52%</b>	<b>21.02%</b>
<b>Net Result (thousand RON)</b>	<b>-9,977</b>	<b>5,609</b>	<b>-1,546</b>	<b>23,492</b>
<b>Net Result per share (RON)</b>	<b>-0.0148</b>	<b>0.0083</b>	<b>-0.0023</b>	<b>0.0347</b>

\*EBITDA represents profit before taxation, expense with interest, depreciation and impairment.

Compared to the same period last year the following aspects had implications on the company's outcome:

- adjustments for inventories up to the net probable value of completion in the amount of RON 5,954,068
- adjustment of doubtful debt RON 2,520,000.

## Acquisitions

Supply sources are both from the external market (EU countries, China) and from the domestic market. They are selected and periodically evaluated based on criteria of technical performance, quality, commercial conditions, for each material there are alternative suppliers/producers, so that the security of supply does not depend on the relationship with a particular supplier.

There have been no syncopes in the supply process affecting the production flow, the supply of materials and components for all production segments, both for the own production of LED lighting fixtures and electric vehicle charging stations as well as for the assembly of ABB electrical fittings, has been carried out continuously and constantly mainly on the basis of firm projects contracted by the Sales department, and for export, on the basis of forecasts received from the export department.

For the production of electric vehicle charging stations, grouped supply of component kits facilitated smooth manufacturing. Already in the first quarter of 2023, we have seen a reduction in delivery times, especially for LED drivers where lead times are no longer more than 6-8 weeks compared to 16-20 weeks during 2022.

The logistics component has also seen a significant improvement, evidenced both by the reduction in transit times and the drop in prices for sea and air freight from China, which in previous years had reached alarming levels, returning to pre-pandemic rates in Q3.

In terms of purchase prices of raw materials and supplies, the first part of the year shows a softening of the upward trend, with a linear trend and even a slight decrease in the second quarter for certain categories of materials such as: galvanized and aluminium sheet, cast aluminium housings. The same linear trend was also seen in plastic granules, the small plus or minus variations were due to the price of oil on international markets.

The situation is not the same when it comes about processing services contracted in the country, as rising energy prices in the first part of the year and inflation kept prices high.

For the coming period, we plan to pay more attention to resource management, the main objective being to optimise material costs for electric vehicle charging stations and light fittings and to ensure timely and quality component requirements for the production sections.

## Sales

Electromagnetica is a company operating in several areas, among the most important:

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

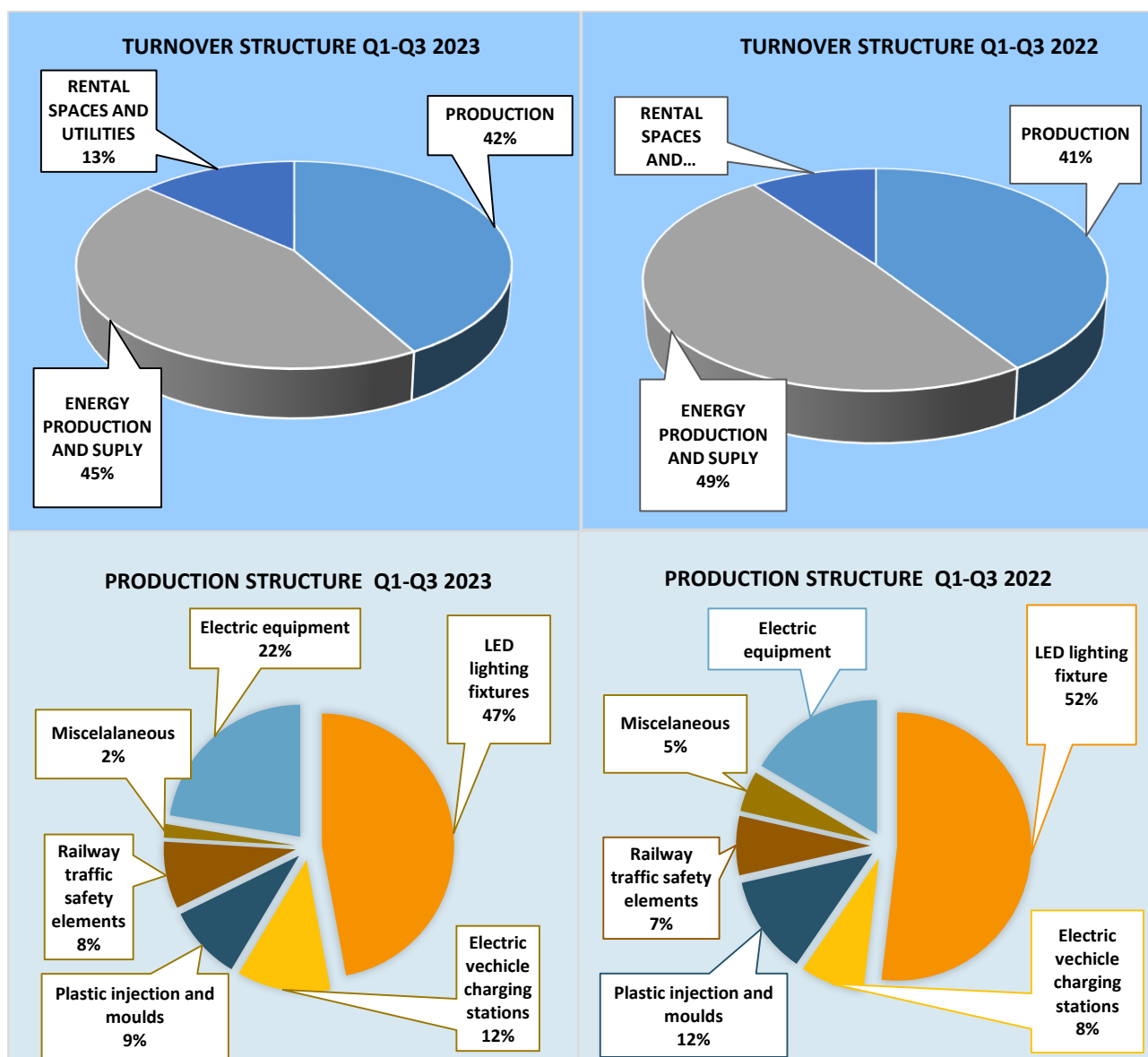
The company has used the nature of the regulatory environment as an aggregation criterion for segment reporting and has identified the following business segments for which separate reports are prepared:

- Licensed activity - generation and supply of electricity
- Non-licensed activity - industrial production and rental of premises

The aggregation criterion is based on the licence required to carry out certain activities and the conditions imposed by the licence, including the presentation of separate financial statements. Electricity generation and supply activities have been aggregated, taking into account that they represent an integrated process for part of their operations.

Q1-Q3 2023	Unlicensed activities	% Total Company	Licensed activities	% Total Company	Total Company
Net profit/loss	-7,534,560	10%	5,988,000	0%	-1,546,560
Total assets	344,974,728	80%	84,340,628	19%	429,315,355
Total liabilities	46,093,391	83%	9,469,781	17%	55,563,162
Customer revenue	84,020,702	55%	68,794,614	45%	152,815,316
Impairment and depreciation	6,710,095	81%	1,557,269	19%	8,267,365

Q1-Q3 2022	Unlicensed activities	% Total Company	Licensed activities	% Total Company	Total Company
Net profit/loss of which:	-2,884,874	0%	26,376,447	100%	23,491,571
Current activity	1,244,940		26,376,447		27,621,387
Loss expropriation of land	-4,129,814		-		-4,129,814
Total assets	371,582,152	82%	84,067,329	18%	455,649,481
Total liabilities	57,687,818	79%	15,141,140	21%	72,828,958
Customer revenue	87,672,794	51%	85,212,001	49%	172,884,794
Interest income	51,808	100%	-	n/a	51,808
Impairment and depreciation	10,616,099	86%	1,680,084	14%	12,296,184



**Products and services for increasing energy efficiency:**

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

Electromagnetica offers complete services in the field of intelligent lighting, from energy audit, technical projects, implementation of intelligent lighting systems, tailored to the specific needs of the beneficiary, from ignition points to intelligent management software of the intelligent lighting system, including photovoltaic systems for electricity production and storage. Thus, we can provide turnkey solutions for any type of project.

On the lighting side, we are currently working on projects financed by European and national programs POR and AFM.

In addition, Electromagnetica offers full warranty and post-warranty services, as well as maintenance services for lighting systems.

In the area of electric vehicle charging stations, Electromagnetica is the only manufacturer in Romania on all categories of charging stations, from low power AC to fast charge and ultra fast charge, integrating the complete chain of this field starting with charging stations design, their production in our company, the development of new functions of the Elmotion management software, charging stations installation and operation and ensuring their maintenance throughout Romania.

Currently, we operate 215 charging stations nationwide, manufactured by us and not only, as the platform is compatible with various types of charging stations on the market.

Regarding the rental activity, the rental rate decreased by 3% compared to the beginning of the year.

At the end of the reporting period, the rental rate was 88%, a satisfactory percentage for a declining rental market. We continue to take care of the normal maintenance of the buildings and services offered, without reducing the comfort and facilities offered to customers.

<u>Q3 2023</u>	<u>Q3 2022</u>		<u>Q1-Q3 2023</u>	<u>Q1-Q3 2022</u>
<b>46,055,293</b>	<b>63,304,794</b>	<b>Revenues</b>	<b>152,815,316</b>	<b>172,884,794</b>
176,797	35,628	Investment income	855,894	541,880
-9,522,696	891,923	Other net income and expenses	-7,592,255	2,464,859
1,368,714	1,904,541	Change in the stock of finished products and the production in progress	8,278,749	10,649,682
1,443,872	1,046,148	Activity performed by the entity capitalized	2,199,191	1,488,797
-25,259,958	-29,793,795	Raw materials and consumables used	-78,896,434	-93,574,905
-9,532,536	-8,685,958	Employees costs	-29,989,050	-26,046,408
-2,763,245	-6,872,987	Depreciation and impairment expenses	-8,267,365	-12,296,183
-13,651,877	-14,740,569	Other expenses	-40,858,290	-29,687,634
-113,261	-193,088	Financial expenses	-387,633	-986,345
<b>-11,798,897</b>	<b>6,896,637</b>	<b>Profit/Loss before tax</b>	<b>-1,841,876</b>	<b>25,438,538</b>
1,822,324	-1,287,241	Profit tax	295,317	-1,946,967
<b>-9,976,574</b>	<b>5,609,396</b>	<b>Profit/Loss for the period</b>	<b>-1,546,560</b>	<b>23,491,571</b>

The amount of 9,522,696 includes provisions for receivables and stocks amounting to RON 8,474,068. Provisions for the net probable value of stocks, old and slow-moving stocks amounted to RON 5,954,068 and the provision for doubtful debts was RON 2,520,000.

	<u>September 30, 2023</u>	<u>December 31, 2022 (restated)</u>	<u>December 31, 2021 (restated)</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	309,197,708	309,248,377	319,558,500
Investment property	17,927,644	16,573,349	14,649,783
Intangible assets	620,405	787,901	141,598
Investments in affiliated companies	841,908	841,908	841,908
Other long-term non-current assets	6,676,169	9,920,728	14,540,480
Assets related to right-of-use	1,735,938	2,160,053	1,433,898
<b>Total non-current assets</b>	<b>336,999,773</b>	<b>339,532,316</b>	<b>351,166,167</b>
<b>Current assets</b>			
Inventories	22,627,504	26,996,318	22,084,910
Trade receivables	52,411,198	64,461,720	64,293,688
Cash and cash equivalents	13,022,878	10,713,669	2,923,410
Other current assets	2,702,139	1,699,960	2,069,666
Current tax assets	1,551,863	177,392	599,937



<b>Total current assets</b>	<b>92,315,582</b>	<b>104,049,060</b>	<b>91,971,612</b>
<b>Total assets</b>	<b>429,315,355</b>	<b>443,581,376</b>	<b>443,137,779</b>
<b>EQUITIES AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	67,603,870	67,603,870	67,603,870
Reserves and other of equity	215,697,440	196,462,928	216,140,275
Retained earnings	90,450,883	115,568,233	72,564,730
<b>Total equity attributable to the company's shareholders</b>	<b>373,752,193</b>	<b>379,635,031</b>	<b>356,308,876</b>
<b>Non-current liabilities</b>			
Trade payable and other liabilities	886,799	700,176	975,819
Subsidies for investments	3,798,237	3,920,651	4,083,869
Deferred tax liabilities	21,928,510	22,429,646	23,318,956
Leasing debts	887,872	1,299,749	794,234
<b>Total non-current liabilities</b>	<b>27,501,418</b>	<b>28,350,222</b>	<b>29,172,878</b>
<b>Current liabilities</b>			
Trade payables and other liabilities	24,874,372	32,339,773	54,470,629
Subsidies for investments	163,219	163,219	163,219
Provisions	2,129,392	2,129,392	2,341,163
Current income tax liabilities	-	-	-
Leasing payables	894,761	893,792	681,015
<b>Total current debts</b>	<b>28,061,744</b>	<b>35,596,123</b>	<b>57,656,025</b>
<b>Total liabilities</b>	<b>55,563,162</b>	<b>63,946,345</b>	<b>86,828,904</b>
<b>Total equity and liabilities</b>	<b>429,315,355</b>	<b>443,581,376</b>	<b>443,137,779</b>

In the light of recent events, the company's management has requested for the closing of the third quarter of 2023 a review of the bad debt situation. The contracts for the sale of finished products and provision of services revealed the existence of clauses favorable to customers (intermediaries) giving the right of return for products not capitalized through resale or implementation in various projects. Moreover, Electromagnetica acted as a depository of the products purchased by these customers by drawing up custody records and managing stocks on the company's premises.

In accordance with IAS 8, the last three years have been restated by adjusting the results for the derecognition of net revenue from these sales. The impact was a decrease of the result by RON 486,188 for the current year, respectively RON 3,020,076 for 2021 and RON 1,904,938 for 2022.

As a result of the income cancellation, stocks of finished products that were the subject of the respective transactions were replenished. In view of the age of these products, provisions have been made to update the stocks of finished products to a net realisable market value. Provisions for the net realisable value of stocks, old and slow-moving stocks were established in the amount of RON 5,954,068.

In addition, following the analysis of the receivables, suspicions of fraud were raised for a contract related to the sale of telemanagement implementation services, which Electromagnetica admitted to have been partially implemented. For this contract, a provision with impact on the current result has been prudentially constituted in the amount of RON 2,520,000, until the completion of the internal and external investigations requested by the Board of Directors of Electromagnetica S.A..

Q3 2023	Q3 2022		Q1-Q3 2023	Q1-Q3 2022
		<b>Cash flows from operating activities:</b>		
63,506,293	60,467,503	Cash receipts from customers	174,508,878	161,376,582
-37,560,836	-31,119,988	Payments to suppliers	-98,600,974	-96,237,445
-10,475,891	-8,503,691	Payments to employees	-31,662,884	-25,984,004
-10,147,712	-2,795,383	Other exploitation operations	-32,665,176	-10,218,306
<b>5,321,854</b>	<b>18,048,441</b>	<b>Cash generated by/ (used in) operating activity</b>	<b>11,579,844</b>	<b>28,936,827</b>
-	-136,301	Interest paid	-1,469	-607,082
-539,670	-348,597	Income tax paid	-1,580,290	-348,597
<b>4,782,184</b>	<b>17,563,543</b>	<b>Net cash generated by/ (used in) operating activities</b>	<b>9,998,085</b>	<b>27,981,148</b>
		<b>Cash flows from investment activities:</b>		
-2,616,075	-31,400	Purchasing of tangible assets	-4,462,486	-97,620
-	17,000	Proceeds from the sale of non-current assets	24,490	50,300
140,479	31,342	Interest received	322,940	45,337
42,483	-	Dividends received	534,796	492,313
<b>-2,433,114</b>	<b>16,942</b>	<b>Net cash generated by/ (used in) investing activities</b>	<b>-3,580,260</b>	<b>490,330</b>
		<b>Cash flows from financing activities:</b>		
-	5,321,401	Proceeds from loans	1,964,851	31,357,916
-	-14,822,142	Cash repayments of borrowed amounts	-1,964,851	-51,493,258
-355,437	-328,390	Leasing paid	-1,025,081	-921,018
-22,021	-25,118	Leasing interest paid	-73,446	-72,674
-3,004,394	-3,157	Dividends paid	-3,010,089	-9,468
<b>-3,381,852</b>	<b>-9,857,406</b>	<b>Net cash generated by/ (used in) financing activities</b>	<b>-4,108,616</b>	<b>-21,138,502</b>
<b>-1,032,782</b>	<b>7,723,080</b>	<b>Net increase/decrease in cash and cash equivalents</b>	<b>2,309,209</b>	<b>7,332,976</b>
<b>14,055,660</b>	<b>2,533,306</b>	<b>Cash and cash equivalents at the beginning of the period</b>	<b>10,713,669</b>	<b>2,923,410</b>
<b>13,022,878</b>	<b>10,256,386</b>	<b>Cash and cash equivalents at the end of the period</b>	<b>13,022,878</b>	<b>10,256,386</b>

	Share capital	Retained earnings	Revaluation reserve tangible assets	Other equity items	Legal reserve	Deferred tax recognized in reserves	Total equity
<b>Balance on January 1, 2023 (restated*)</b>	<b>67,603,870</b>	<b>115,568,232</b>	<b>149,935,370</b>	<b>57,975,275</b>	<b>12,541,942</b>	<b>(23,989,660)</b>	<b>379,635,030</b>
<b>Comprehensive income for the period</b>							
Result for the period	-	(1,546,560)	-	-	-	-	(1,546,560)
<b>Other elements of the comprehensive income:</b>							
Establishment of legal reserve and other reserves	-	(1,401,865)	-	1,401,865	-	-	-
Transfer of reserve from revaluation to the retained earning following amortization and writing off of the revaluated tangible assets	-	3,114,747	(3,114,746)	-	-	-	-
Transfer of the tax related to the reserve from reevaluation to the retained earning	-	(498,360)	-	-	-	498,360	-
Transfer of net profit to reserves	-	(20,449,034)	-	20,449,034	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(20,781,072)</b>	<b>(3,114,746)</b>	<b>21,850,899</b>	<b>-</b>	<b>498,360</b>	<b>(1,546,560)</b>
<b>Transactions with shareholders recorded directly in equity:</b>							
Dividends distributed	-	(3,380,194)	-	-	-	-	(3,380,194)
Other elements	-	(956,083)	-	-	-	-	(956,083)
<b>Balance on September 30, 2023</b>	<b>67,603,870</b>	<b>90,450,881</b>	<b>146,820,624</b>	<b>79,826,174</b>	<b>12,541,942</b>	<b>(23,491,300)</b>	<b>373,752,193</b>

Note:

\*Correction following the identification, for certain sale contracts of finished products and provision of services, of the existence of clauses giving the right of return for unused products through resale or implementation in various projects. Moreover, Electromagnetica acted as a depository of the products purchased by these customers by drawing up custody records and managing stocks on the company's premises. This correction also had an impact on the result of previous years.

This treatment will be disclosed in the financial statements as at December 31, 2023 in accordance with all provisions of IFRS (IAS 8).

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Revaluation reserve tangible assets</u>	<u>Other equity items</u>	<u>Legal reserve</u>	<u>Deferred tax recognized in reserves</u>	<u>Total equity</u>
<b>Balance on January 1, 2022 (restated*)</b>	<b>67,603,870</b>	<b>72,564,730</b>	<b>154,178,085</b>	<b>66,840,830</b>	<b>19,789,854</b>	<b>-24,668,494</b>	<b>356,308,876</b>
<b>Comprehensive income for the period</b>							
Result for the period	-	23,491,571	-	-	-	-	23,491,571
<b>Other elements of the comprehensive income:</b>							
Establishment of legal reserve and other reserves	-	-	-	-	-	-	-
Transfer of reserve from revaluation to the retained earning following amortization and writing off of the revaluated tangible assets	-	3,215,884	-3,215,884	-	-	-	-
Transfer of the tax related to the reserve from reevaluation to the retained earning	-	-514,541	-	-	-	514,541	-
Transfer of reserves and inflation adjustment to retained earnings	-	16,113,467	-	-7,463,590	-8,649,877	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>42,306,380</b>	<b>-3,215,884</b>	<b>-7,463,590</b>	<b>-8,649,877</b>	<b>514,541</b>	<b>23,491,571</b>
<b>Transactions with shareholders recorded directly in equity:</b>							
Dividends distributed	-	-	-	-	-	-	-
Other elements	-	-	-	-	-	-	-
<b>Balance on December 31, 2022(restated*)</b>	<b>67,603,870</b>	<b>114,871,111</b>	<b>150,962,201</b>	<b>59,377,240</b>	<b>11,139,977</b>	<b>-24,153,953</b>	<b>379,800,447</b>

Note:

\*Correction following the identification, for certain sale contracts of finished products and provision of services, of the existence of clauses giving the right of return for unused products through resale or implementation in various projects. Moreover, Electromagnetica acted as a depositary of the products purchased by these customers by drawing up custody records and managing stocks on the company's premises. This correction also had an impact on the result of previous years.

This treatment will be disclosed in the financial statements as at December 31, 2023 in accordance with all provisions of IFRS (IAS 8).

**ELECTROMAGNETICA SA**

**SEPARATE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE 9-MONTH PERIOD ENDING ON SEPTEMBER 30, 2023  
(UNAUDITED)**

**ELECTROMAGNETICA SA**  
**INTERIM SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE 9- MONTH PERIOD ENDED SEPTEMBER 30,2023 (UNAUDITED)**  
(all amounts are expressed in RON,unless otherwise specified)

	<b>Note</b>	<b>9-month period ending on September 30, 2023</b>	<b>9-month period ending on September 30, 2022</b>
<b>Revenues</b>		<b>152,815,316</b>	<b>172,884,794</b>
Investment income		855,894	541,880
Other net income and expences		-7,592,255	2,464,859
Change in the stock of finished products and the production in progress		8,278,749	10,649,682
Activity performed by the entity capitalized		2,199,191	1,488,797
Raw materials and consumables used	5	-78,896,434	-93,574,905
Employees costs	5	-29,989,050	-26,046,408
Depreciation and impairment expences	5	-8,267,365	-12,296,183
Other expences	5	-40,858,290	-29,687,634
Financial expences	5	-387,633	-986,345
<b>Profit/Loss before taxation</b>		<b>-1,841,876</b>	<b>25,438,538</b>
Profit tax	6	295,317	-1,946,967
<b>Profit/Loss for the period</b>		<b>-1,546,560</b>	<b>23,491,571</b>
<b>Other components of comprehensive income:</b>			
of which:			
other comprehensive income items that cannot be reclassified in the profit and loss account, of which:			
- Deferred tax related to written off assets		-	-
<b>Comprehensive income for the period</b>		<b>-1,546,560</b>	<b>23,491,571</b>
<b>Basic/diluted earnings per share</b>	7	<b>-0.0023</b>	<b>0.0347</b>

These separate financial statements were approved for disclosure by the management on November 10, 2023:

**DANIELA-ADI CUCU**  
Chairman of the Board of Directors

**CRISTINA FLOREA**  
Financial Director

**ELECTROMAGNETICA SA**  
**INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2023 (UNAUDITED)**  
(all amounts are expressed in RON, unless otherwise specified)

	Note	September 30, 2023	December 31, 2022 (restated)	December 31, 2021 (restated)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	8	309,197,708	309,248,377	319,558,500
Investment property		17,927,644	16,573,349	14,649,783
Intangible assets	8	620,405	787,901	141,598
Investments in affiliated companies		841,908	841,908	841,908
Other long-term non-current assets	10	6,676,169	9,920,728	14,540,480
Assets related to right-of-use	9	1,735,938	2,160,053	1,433,898
<b>Total non-current assets</b>		<b>336,999,773</b>	<b>339,532,316</b>	<b>351,166,167</b>
<b>Current assets</b>				
Inventories	11	22,627,504	26,996,318	22,084,910
Trade receivables	12	52,411,198	64,461,720	64,293,688
Cash and cash equivalents	13	13,022,878	10,713,669	2,923,410
Other current assets		2,702,139	1,699,960	2,069,666
Current tax assets		1,551,863	177,392	599,937
<b>Total current assets</b>		<b>92,315,582</b>	<b>104,049,060</b>	<b>91,971,612</b>
<b>Total assets</b>		<b>429,315,355</b>	<b>443,581,376</b>	<b>443,137,779</b>
<b>EQUITIES AND LIABILITIES</b>				
<b>Equity</b>				
Share capital		67,603,870	67,603,870	67,603,870
Reserves and other of equity		215,697,440	196,462,928	216,140,275
Retained earnings		90,450,883	115,568,233	72,564,730
<b>Total equity attributable to the company's shareholders</b>		<b>373,752,193</b>	<b>379,635,031</b>	<b>356,308,876</b>
<b>Non-current liabilities</b>				
Trade payable and other liabilities	14	886,799	700,176	975,819
Subsidies for investments		3,798,237	3,920,651	4,083,869
Deferred tax liabilities		21,928,510	22,429,646	23,318,956
Leasing debts		887,872	1,299,749	794,234
<b>Total non-current liabilities</b>		<b>27,501,418</b>	<b>28,350,222</b>	<b>29,172,878</b>
<b>Current liabilities</b>				
Trade payables and other liabilities		24,874,372	32,339,773	54,470,629
Subsidies for investments		163,219	163,219	163,219
Provisions		2,129,392	2,129,392	2,341,163
Current income tax liabilities		-	-	-
Leasing payables		894,761	893,792	681,015
<b>Total current debts</b>		<b>28,061,744</b>	<b>35,596,123</b>	<b>57,656,025</b>
<b>Total liabilities</b>		<b>55,563,162</b>	<b>63,946,345</b>	<b>86,828,904</b>
<b>Total equity and liabilities</b>		<b>429,315,355</b>	<b>443,581,376</b>	<b>443,137,779</b>

These separate financial statements were approved for disclosure by the management on November 10, 2023:

**DANIELA-ADI CUCU**  
Chairman of the Board of Directors

**CRISTINA FLOREA**  
Financial Director

**ELECTROMAGNETICA SA**  
**INTERIM SEPARATE STATEMENT OF CASH FLOWS**  
**FOR THE 9-MONTH PERIOD ENDED SEPTEMBER 30,2023 (UNAUDITED)**  
(all amounts are expressed in RON,unless otherwise specified)

	<b>Note</b>	<b>9-month period ending on September 30, 2023</b>	<b>9-month period ending on September 30, 2022</b>
<b>Cash flows from operating activities:</b>			
Cash receipts from customers		174,508,878	161,376,582
Payments to suppliers		-98,600,974	-96,237,445
Payments to employees		-31,662,884	-25,984,004
Other exploitation operations		-32,665,176	-10,218,306
<b>Cash generated by/ (used in) operating activity</b>		<b>11,579,844</b>	<b>28,936,827</b>
Interest paid		-1,469	-607,082
Income tax paid		-1,580,290	-348,597
<b>Net cash generated by/ (used in) operating activities</b>		<b>9,998,085</b>	<b>27,981,148</b>
<b>Cash flows from investment activities:</b>			
Purchasing of tangible assets		-4,462,486	-97,620
Proceeds from the sale of non-current assets		24,490	50,300
Interest received		322,940	45,337
Dividends received		534,796	492,313
<b>Net cash generated by/ (used in) investing activities</b>		<b>-3,580,260</b>	<b>490,330</b>
<b>Cash flows from financing activities:</b>			
Proceeds from loans		1,964,851	31,357,916
Cash repayments of borrowed amounts		-1,964,851	-51,493,258
Leasing paid		-1,025,081	-921,018
Leasing interest paid		-73,446	-72,674
Dividends paid		-3,010,089	-9,468
<b>Net cash generated by/ (used in) financing activities</b>		<b>-4,108,616</b>	<b>-21,138,502</b>
<b>Net increase/decrease in cash and cash equivalents</b>		<b>2,309,209</b>	<b>7,332,976</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>13</b>	<b>10,713,669</b>	<b>2,923,410</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>13</b>	<b>13,022,878</b>	<b>10,256,386</b>

These separate financial statements were approved for disclosure by the management on November 10, 2023:

**DANIELA-ADI CUCU**  
Chairman of the Board of Directors

**CRISTINA FLOREA**  
Financial Director



**ELECTROMAGNETICA SA**  
**INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY**  
**FOR THE 9-MONTH PERIOD ENDED SEPTEMBER 30, 2023 (UNAUDITED)**  
(all amounts are expressed in RON, unless otherwise specified)

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Revaluation reserve tangible assets</u>	<u>Other equity items</u>	<u>Legal reserve</u>	<u>Deferred tax recognized in reserves</u>	<u>Total equity</u>
<b>Balance on January 1, 2023 (restated*)</b>	<b>67,603,870</b>	<b>115,568,232</b>	<b>149,935,370</b>	<b>57,975,275</b>	<b>12,541,942</b>	<b>(23,989,660)</b>	<b>379,635,030</b>
<b>Comprehensive income for the period</b>							
Result for the period	-	(1,546,560)	-	-	-	-	(1,546,560)
<b>Other elements of the comprehensive income:</b>							
Establishment of legal reserve and other reserves	-	(1,401,865)	-	1,401,865	-	-	-
Transfer of reserve from revaluation to the retained earning following amortization and writing off of the revaluated tangible assets	-	3,114,747	(3,114,746)	-	-	-	-
Transfer of the tax related to the reserve from reevaluation to the retained earning	-	(498,360)	-	-	-	498,360	-
Transfer of net profit to reserves	-	(20,449,034)	-	20,449,034	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(20,781,072)</b>	<b>(3,114,746)</b>	<b>21,850,899</b>	<b>-</b>	<b>498,360</b>	<b>(1,546,560)</b>
<b>Transactions with shareholders recorded directly in equity:</b>							
Dividends distributed	-	(3,380,194)	-	-	-	-	(3,380,194)
Other elements	-	(956,083)	-	-	-	-	(956,083)
<b>Balance on September 30, 2023</b>	<b>67,603,870</b>	<b>90,450,881</b>	<b>146,820,624</b>	<b>79,826,174</b>	<b>12,541,942</b>	<b>(23,491,300)</b>	<b>373,752,193</b>

*Note:*  
\*Correction following the identification, for certain sale contracts of finished products and provision of services, of the existence of clauses giving the right of return for unused products through resale or implementation in various projects. Moreover, Electromagnetica acted as a depositary of the products purchased by these customers by drawing up custody records and managing stocks on the company's premises. This correction also had an impact on the result of previous years. This treatment will be disclosed in the financial statements as at 31 December 2023 in accordance with all provisions of IFRS (IAS 8).

These separate financial statements were approved for disclosure by the management on November 10, 2023:

**DANIELA-ADI CUCU**  
Chairman of the Board of Directors

**CRISTINA FLOREA**  
Financial Director

**ELECTROMAGNETICA SA**  
**INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY**  
**FOR THE 9-MONTH PERIOD ENDED SEPTEMBER 30, 2023 (UNAUDITED)**  
(all amounts are expressed in RON, unless otherwise specified)

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Revaluation reserve tangible assets</u>	<u>Other equity items</u>	<u>Legal reserve</u>	<u>Deferred tax recognized in reserves</u>	<u>Total equity</u>
<b>Balance on January 1, 2022 (restated*)</b>	<b>67,603,870</b>	<b>72,564,730</b>	<b>154,178,085</b>	<b>66,840,830</b>	<b>19,789,854</b>	<b>-24,668,494</b>	<b>356,308,876</b>
<b>Comprehensive income for the period</b>							
Result for the period	-	23,491,571	-	-	-	-	23,491,571
<b>Other elements of the comprehensive income:</b>							
Establishment of legal reserve and other reserves	-	-	-	-	-	-	-
Transfer of reserve from revaluation to the retained earning following amortization and writing off of the revaluated tangible assets	-	3,215,884	-3,215,884	-	-	-	-
Transfer of the tax related to the reserve from reevaluation to the retained earning	-	-514,541	-	-	-	514,541	-
Transfer of reserves and inflation adjustment to retained earnings	-	16,113,467	-	-7,463,590	-8,649,877	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>42,306,380</b>	<b>-3,215,884</b>	<b>-7,463,590</b>	<b>-8,649,877</b>	<b>514,541</b>	<b>23,491,571</b>
<b>Transactions with shareholders recorded directly in equity:</b>							
Dividends distributed	-	-	-	-	-	-	-
Other elements	-	-	-	-	-	-	-
<b>Balance on December 31, 2022(restated*)</b>	<b>67,603,870</b>	<b>114,871,111</b>	<b>150,962,201</b>	<b>59,377,240</b>	<b>11,139,977</b>	<b>-24,153,953</b>	<b>379,800,447</b>

*Note:*  
\*Correction following the identification, for certain sale contracts of finished products and provision of services, of the existence of clauses giving the right of return for unused products through resale or implementation in various projects. Moreover, Electromagnetica acted as a depositary of the products purchased by these customers by drawing up custody records and managing stocks on the company's premises. This correction also had an impact on the result of previous years. This treatment will be disclosed in the financial statements as at 31 December 2023 in accordance with all provisions of IFRS (IAS 8).

These separate financial statements were approved for disclosure by the management on November 10, 2023:

**DANIELA-ADI CUCU**  
Chairman of the Board of Directors

**CRISTINA FLOREA**  
Financial Director

**ELECTROMAGNETICA SA**  
**NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS**  
**FOR THE 9-MONTH PERIOD ENDED SEPTEMBER 30,2023**  
**(all amounts are expressed in RON,unless otherwise specified)**

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### 1. GENERAL INFORMATION

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

- ✓ the activities related to energy efficiency (production of lighting fittings, lighting systems and LED lighting solutions, electric car charging stations;
- ✓ rental of office and industrial spaces, lands and utility services;
- ✓ production of electricity from renewable sources (produced in small power hydroelectric plants) and electricity supply.

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

### 2. BASIS OF REPORT PREPARATION

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

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

As a result of recent events, the company's management has requested for the closing of the third quarter of 2023 a review of the situation of uncollected receivables.

The contracts for the sale of finished products and provision of services revealed the existence of clauses favorable to customers (intermediaries) giving the right of return for products not capitalized through resale or implementation in various projects. Moreover, Electromagnetica acted as a depository of the products purchased by these customers by drawing up custody records and managing stocks on the company's premises.

In accordance with IAS 8, the last three years have been restated by adjusting the results for the derecognition of net revenue from these sales. The impact was a decrease of the result by RON 486,188 for the current year, respectively RON 3,020,076 for 2021 and RON 1,904,938 for 2022.

As a result of the income cancellation, stocks of finished products that were the subject of the respective transactions were replenished. In view of the age of these products, provisions have been made to update the stocks of finished products to a net realisable market value. Provisions for the net realisable value of stocks, old and slow-moving stocks were established in the amount of RON 5,954,068.

In addition, following the analysis of the receivables, suspicions of fraud were raised for a contract related to the sale of telemanagement implementation services, which Electromagnetica admitted to have been partially implemented. For this contract, a provision with impact on the current result has been prudentially constituted in the amount of RON 2,520,000, until the completion of the internal and external investigations requested by the Board of Directors of Electromagnetica S.A

The financial information for September 30, 2023 was neither audited, nor subject to review by an external auditor.

### 3. MAIN ACCOUNTING POLICIES

#### ***New and amended IFRS Accounting Standards that are effective for the current year***

*In the current year, the Company has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) and adopted by the EU that are mandatorily effective for reporting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.*

<b>Standard</b>	<b>Title</b>
IFRS 17	New standard IFRS 17 “Insurance Contracts” including the June 2020 and December 2021 Amendments to IFRS 17
Amendments to IAS 1	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

#### **New and revised IFRS Accounting Standards in issue and adopted by the EU but not yet effective**

At the date of authorisation of these financial statements, no new and revised IFRS Accounting Standards have been issued and adopted by the EU but are not yet effective.

**ELECTROMAGNETICA SA**  
**NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS**  
**FOR THE 9-MONTH PERIOD ENDED SEPTEMBER 30,2023**  
**(all amounts are expressed in RON,unless otherwise specified)**

**New and revised IFRS Accounting Standards in issue but not adopted by the EU**

At present, IFRS as adopted by the EU do not significantly differ from IFRS adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not adopted by the EU as at the date of authorisation of these financial statements:

Standard	Title	EU adoption status
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules (IASB effective date: 1 January 2023*)	Not yet adopted by EU
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants (IASB effective date: 1 January 2024)	Not yet adopted by EU
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback (IASB effective date: 1 January 2024)	Not yet adopted by EU
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements (IASB effective date: 1 January 2024)	Not yet adopted by EU
Amendments to IAS 21	Lack of Exchangeability (IASB effective date: 1 January 2025)	Not yet adopted by EU
IFRS 14	Regulatory Deferral Accounts (IASB effective date: 1 January 2016)	the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred by IASB indefinitely but earlier application permitted)	Endorsement process postponed indefinitely until the research project on the equity method has been concluded

\* exception specified in amendments to IAS 12 (that an entity does not recognise and does not disclose information about deferred tax assets and liabilities related to the OECD pillar two income taxes) is applicable immediately upon issuance of the amendments and retrospectively in accordance with IAS 8. The remaining disclosure requirements are required for annual reporting periods beginning on or after 1 January 2023.

The Company do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated. According to the Company's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39: "Financial Instruments: Recognition and Measurement"** would not significantly impact the financial statements, if applied as at the balance sheet date.

**APPENDIX: BRIEF DESCRIPTIONS OF NEW AND REVISED STANDARDS**

- **IFRS 17 "Insurance Contracts"** issued by IASB on 18 May 2017. The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 "Insurance Contracts" and related interpretations while applied. Amendments to IFRS 17 "Insurance Contracts" issued by IASB on 25 June 2020 defer the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023. Additionally, the amendments issued on 25 June 2020 introduce simplifications and clarifications of some requirements in the Standard and provide additional reliefs when applying IFRS 17 for the first time.
- **Amendments to IFRS 16 "Leases" - Lease Liability in a Sale and Leaseback** issued by IASB on 22 September 2022. Amendments to IFRS 16 require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

**ELECTROMAGNETICA SA**  
**NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS**  
**FOR THE 9-MONTH PERIOD ENDED SEPTEMBER 30,2023**  
**(all amounts are expressed in RON,unless otherwise specified)**

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- **Amendments to IFRS 17 “Insurance contracts” - Initial Application of IFRS 17 and IFRS 9 – Comparative Information** issued by IASB on 9 December 2021. It is a narrow-scope amendment to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time.
- **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 1 “Presentation of Financial Statements” - Classification of Liabilities as Current or Non-Current** issued by IASB on 23 January 2020 and **Amendments to IAS 1 “Presentation of Financial Statements” - Non-current Liabilities with Covenants** issued by IASB on 31 October 2022. Amendments issued on January 2020 provide more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. Amendments issued on October 2022 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability and set the effective date for both amendments to annual periods beginning on or after 1 January 2024.
- **Amendments to IAS 7 “Statement of Cash Flows” and IFRS 7 “Financial Instruments: Disclosures” - Supplier Finance Arrangements** issued by IASB on 25 May 2023. Amendments add disclosure requirements, and ‘signposts’ within existing disclosure requirements to provide qualitative and quantitative information about supplier finance arrangements.
- **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 12 “Income Taxes” - International Tax Reform — Pillar Two Model Rules** issued by IASB on 23 May 2023. The amendments introduced a temporary exception to the accounting for deferred taxes arising from jurisdictions implementing the global tax rules and disclosure requirements about company’s exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect.
- **Amendments to IAS 21 “The Effects of Changes in Foreign Exchange Rates” - Lack of Exchangeability** issued by IASB on 15 August 2023. Amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.
- **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 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.

**ELECTROMAGNETICA SA**  
**NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS**  
**FOR THE 9-MONTH PERIOD ENDED SEPTEMBER 30,2023**  
(all amounts are expressed in RON,unless otherwise specified)

**4. REVENUES**

**Q1-Q3 2023**

<b>REVENUE FROM CONTRACTS WITH CUSTOMERS</b>	<b>Licensed activity</b>	<b>Unlicensed activity</b>
<i>Revenue from the production of electricity from renewable sources and from the supply of electricity</i>	68,794,614	-
<i>Revenues from product sales (LED lighting fixtures, electric vehicle charging stations, plastic injections and moulds, electroc equipment, railway safety elements)</i>	-	43,450,005
<i>Revenue from services rendered (works on systems and solutions for lighting and charging electric vehicles)</i>	-	20,056,673
<b>REVENUE FROM CONTRACTS WITH CUSTOMERS</b>	<b>68,794,614</b>	<b>63,506,678</b>
<b>INCOME FROM RENT OF SPACE</b>	<b>-</b>	<b>20,514,024</b>
<b>TOTAL REVENUE</b>	<b>68,794,614</b>	<b>84,020,702</b>

**Q1-Q3 2022**

<b>REVENUE FROM CONTRACTS WITH CUSTOMERS</b>	<b>Licensed activity</b>	<b>Unlicensed activity</b>
<i>Venituri din productia de energie electrica din surse regenerabile si din furnizare a energiei electrice</i>	85,212,001	-
<i>Venituri din vanzarile de produse finite, marfuri si altele (corpuri de iluminat cu LED-uri, statii de incarcare a vehiculelor electrice, injectoare de plastic si matrite, echipamente electrice de joasa tensiune, elemente de siguranta a traficului feroviar)</i>	-	40,858,513
<i>Venituri din servicii prestate (lucrari de sisteme si solutii pentru iluminat si incarcare vehicule electrice)</i>	-	29,674,272
<b>REVENUE FROM CONTRACTS WITH CUSTOMERS</b>	<b>85,212,001</b>	<b>70,532,785</b>
<b>INCOME FROM RENT OF SPACE</b>	<b>-</b>	<b>17,140,007</b>
<b>TOTAL REVENUE</b>	<b>85,212,001</b>	<b>87,672,792</b>

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

**Q1-Q3 2023**

	<b>Licensed activity</b>	<b>Unlicensed activity</b>
Goods and services transferred at a point in time	-	43,450,005
Goods and services transferred over time	68,794,614	20,056,673
<b>Total revenue from contracts with customers</b>	<b>68,794,614</b>	<b>63,506,678</b>

**Q1-Q3 2022**

	<b>Licensed activity</b>	<b>Unlicensed activity</b>
Goods and services transferred at a point in time	-	40,858,513
Goods and services transferred over time	85,212,001	29,674,272
<b>Total revenue from contracts with customers</b>	<b>85,212,001</b>	<b>70,532,785</b>

**ELECTROMAGNETICA SA**  
**NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS**  
**FOR THE 9-MONTH PERIOD ENDED SEPTEMBER 30,2023**  
(all amounts are expressed in RON,unless otherwise specified)

Most of the revenues are generated in Romania.

The disaggregation of revenue at product level is as follows

	<u>Q1-Q3 2023</u>	<u>Q1-Q3 2022</u>
Electric vehicle charging stations	7,384,811	5,448,494
Electric equipment	14,414,359	11,637,908
Railway traffic safety elements	5,291,267	5,028,127
Plastic injection and moulds	5,899,615	8,374,245
LED lighting fixtures	29,449,069	36,577,356
Others	1,067,557	3,466,655
<b>TOTAL PRODUCTION</b>	<b><u>63,506,678</u></b>	<b><u>70,532,785</u></b>

**OTHER NET INCOME**

	<u>Q1-Q3 2023</u>	<u>Q1-Q3 2022</u>
Revenues from green certificates	1,127,267	1,422,585
Revenue/(expense) related to provisions	(8,834,157)	366,954
Net exchange rate difference	(69,287)	8,864
Other net income	183,922	666,456
<b>TOTAL</b>	<b><u>(7,592,255)</u></b>	<b><u>2,464,859</u></b>

**Provisions include the amount of 8,474,068 adjustments of inventories to net realisable value and doubtful debts.** Provisions for the net realisable value of stocks, old and slow-moving stocks amounted to RON 5,954,068 and the provision for doubtful debts was RON 2,520,000.

**5. EXPENSES**

	<u>Q1-Q3 2023</u>	<u>Q1-Q3 2022</u>
<b>Material expenses</b>	<b><u>78,896,434</u></b>	<b><u>93,574,905</u></b>
- Expenses on raw materials and consumables	35,900,954	44,562,890
- Expenses on goods acquisitions	37,445,296	44,327,837
- Expenses on energy, water, gas	5,550,544	4,684,178
<b>Expenses on employees</b>	<b><u>29,989,050</u></b>	<b><u>26,046,408</u></b>
<b>Other expenses</b>	<b><u>40,858,290</u></b>	<b><u>29,687,634</u></b>
- Transport and travel expenses	808,633	968,202
- Expenses on subcontracted works	5,073,067	9,692,623
- Expenses other taxes and fees	21,413,952	5,919,951
- Expenses on green certificates	1,192,656	1,160,316
- Other operating expenses	12,369,983	11,946,541
<b>Depreciation and depreciation expenses</b>	<b><u>8,267,365</u></b>	<b><u>12,296,183</u></b>
- Depreciation expenses	8,267,365	12,296,183
- Loss/gain from impairment	-	-
<b>Financial expenses</b>	<b><u>387,633</u></b>	<b><u>986,345</u></b>
<b>Total expenses</b>	<b><u>158,398,772</u></b>	<b><u>162,591,475</u></b>

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

**6. PROFIT TAX**

	<u>Q1-Q3 2023</u>	<u>Q1-Q3 2022</u>
<b>Current profit tax</b>		
Current income tax expense	1,561,670	2,985,606
<b>Deferred corporate tax</b>		
Deferred tax revenue	<u>(1,856,987)</u>	<u>(1,038,639)</u>
<b>Total profit tax</b>	<u>(295,317)</u>	<u>1,946,967</u>

**7. EARNING PER SHARE**

	<u>Q1-Q3 2023</u>	<u>Q1-Q3 2022</u>
Net profit attributable to shareholders	-1,546,560	23,491,571
Weighted average number of ordinary shares	676,038,704	676,038,704
Earning per share	-0.0023	0.0347

The basic and diluted earning pe share are identical, as the Company has no potentially dilutive securities.

**8. NON-CURRENT ASSETS**

At 30 September 2023 fixed assets had an insignificant variation (less than 1%) compared to the end of 2022.

**9. RIGHT OF USE ASSETS**

	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
<b>Cost</b>			
<b>As at 31 December 2022</b>	<u>2,623,612</u>	<u>230,821</u>	<u>2,854,432</u>
Additions	861,153	23,068	884,221
Disposals	<u>(429,959)</u>	<u>(23,068)</u>	<u>(453,027)</u>
<b>As at 30 September 2023</b>	<u>3,054,806</u>	<u>230,821</u>	<u>3,285,626</u>
<b>Cumulative depreciation</b>			
<b>La 31 decembrie 2022</b>	<u>(618,849)</u>	<u>(75,530)</u>	<u>(694,379)</u>
Depreciation of the period	(979,233)	(48,614)	(1,027,847)
Cumulative depreciation related to disposals	<u>172,537</u>	<u>-</u>	<u>172,537</u>
<b>La 30 septembrie 2023</b>	<u>(843,721)</u>	<u>(124,144)</u>	<u>(1,549,688)</u>
<b>Net book value</b>			
<b>As at 31 December 2022</b>	<u>2,004,763</u>	<u>155,291</u>	<u>2,160,053</u>
<b>As at 30 September 2023</b>	<u>1,629,261</u>	<u>106,677</u>	<u>1,735,938</u>



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

	<u>Q1-Q3 2023</u>	<u>Q1-Q3 2022</u>
Depreciation expense related to the rights of use of the rented assets	332,234	923,884
Interest on leasing liabilities	26,917	73,093
Expenses related to small-value leasing contracts.	<u>7,872</u>	<u>-</u>
<b>Total amounts recognized in the profit and loss account</b>	<b><u>1,118,907</u></b>	<b><u>996,977</u></b>

As at 30 September 2023 the amount of leasing debts was RON 1,782,633 (894,761 short term and 887,872 long term).

As at 31 December 2022, lease liabilities of RON 2,193,541 related to operating leases, of which short-term liabilities of RON 893,792 and long-term liabilities of RON 1,299,749.

**10. INVENTORIES**

	<u>September 30, 2023</u>	<u>December 31, 2022 (restated)</u>
Raw materials	8,904,698	8,349,443
Consumables	2,654,388	2,613,535
Finished products	12,893,697	12,218,848
Work in progress	5,322,747	3,436,021
Other inventories	1,547,952	2,708,816
Adjustments for inventories impairment	<u>(8,695,978)</u>	<u>(2,330,345)</u>
<b>Total</b>	<b><u>22,627,504</u></b>	<b><u>26,996,318</u></b>

The company has no pledged stocks on account of debts

**11. TRADE RECEIVABLES AND OTHER**

Trade receivables decreased by 19% compared to 31 December 2022 (restated) mainly as a result of lower sales volume in the third quarter for non-traded activities combined with the collection of overdue receivables.

**12. CASH AND CASH EQUIVALENTS**

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Petty cash	16,412	18,536
Cash at banks	13,004,714	10,692,777
Cash equivalents	<u>1,752</u>	<u>2,356</u>
<b>Total</b>	<b><u>13,022,878</u></b>	<b><u>10,713,669</u></b>

Cash and cash equivalents increased by 22%, due to higher receipts.

During the nine months ended 30 September 2023 the credit lines were only slightly drawn down, with all drawings fully repaid by the end of the reporting period. In the third quarter there were no drawings on the credit lines.

Dividends and related taxes were paid as per the profit distribution proposal approved at the General Meeting of Shareholders on 27 April 2023.

**13. TRADE AND OTHER PAYABLES**

Long-term liabilities did not record significant changes compared to the end of 2022 (-3%).

Current liabilities recorded a decrease of 23%, due to lower sales in Q3/2023 mainly for the production activity.

**ELECTROMAGNETICA SA**  
**NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS**  
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**14. TRANSACTIONS WITH RELATED PARTIES**

	<u>T1-T3 2023</u>	<u>T1-T3 2022</u>
<b>Sale of goods and services to subsidiaries</b>		
Electromagnetica Fire	17,116	17,685
Electromagnetica Prestserv	16,828	16,332
Procetel	670,730	28,998
<b>Total</b>	<b>704,674</b>	<b>63,015</b>
	<u>T1-T3 2023</u>	<u>T1-T3 2022</u>
<b>Purchase of goods and services from subsidiaries</b>		
Electromagnetica Fire	1,058,033	1,268,129
Electromagnetica Prestserv	837,434	982,411
Procetel	1,041,440	1,132,189
<b>Total</b>	<b>2,936,907</b>	<b>3,382,729</b>
	<u>30 septembrie 2023</u>	<u>31 decembrie 2022</u>
<b>Trade payables and other debts toward subsidiaries</b>		
Electromagnetica Fire	138,121	132,899
Electromagnetica Prestserv	290,156	256,302
Procetel	213,013	22,865
<b>Total</b>	<b>641,290</b>	<b>412,066</b>
	<u>30 septembrie 2023</u>	<u>31 decembrie 2022</u>
<b>Trade receivables</b>		
Electromagnetica Fire	-	-
Electromagnetica Prestserv	-	-
Procetel	729,876	-
<b>Total</b>	<b>729,876</b>	<b>-</b>

Transactions between affiliated entities are carried out under normal market conditions.  
The affiliated companies do not carry out operations that have an impact on the group's result.  
More than 90% of the Group's indicators are influenced by those of the parent company – Electromagnetica.

**15. COMMITMENTS AND POTENTIAL LIABILITIES**

**Commitments**

As of September 30th, 2023, the Company has commitments from two financing banks as follows:

- For bank loans in the form of overdraft for working capital in the amount of RON 19,000,000;
- Non-cash guarantee agreements in the amount of RON 30,000,000.

As at September 30th, 2023 the Company had at its disposal RON 19,000,000 not withdrawn from the loan facilities contracted with banks.

Also as at September 30th, 2023 the Company had at its disposal the amount of RON 26,963,326 as unused from non-cash facilities for letters of guarantee.

Under the current loan agreements, the Company is subject to the fulfilment of certain conditions of the banks. As at September 30th, 2023 the Company was in compliance with all financial indicators required by the loan agreements.

**ELECTROMAGNETICA SA**  
**NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS**  
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Commitments received from customers and tenants in the form of letters of guarantee and checks by September 30th, 2023 are worth RON 1,191,830 as under the contractual terms.

***Disputes***

The disputes in which the company is involved represent amounts that are not likely to affect the financial stability of the company.

**16. SUBSEQUENT EVENTS**

An internal investigation for suspected fraud, amounting to RON 2,520,000, is underway and we are in the process of appointing an external consultant to undertake an independent investigation. Specifically, following the analysis of Electromagnetica receivables, suspicions of fraud were raised for a contract for the sale of telemanagement implementation services that Electromagnetica admitted to have been partially implemented. For this contract, a provision with impact on the current result in the amount of RON 2,520,000 thousand was prudentially constituted, until the completion of the internal and external investigations requested by the Board of Directors of Electromagnetica S.A..

**ELECTROMAGNETICA SA**  
**RATIOS IN ACCORDANCE WITH APPENDIX 13° FROM REGULATION 5/2018**  
**ISSUED BY FSA FOR THE 9-MONTH PERIOD ENDED SEPTEMBER 30,2023 (UNAUDITED)**

**RATIOS**

Ratio description	Calculation formula	9-MONTH PERIOD ENDED SEPTEMBER 30,2023	9-MONTH PERIOD ENDED SEPTEMBER 30,2022
Current ratio	Current assets/Current liabilities	3.29	2.67
Gearing ratio	Long-term borrowed capital/ Equity x 100	0.24	0.39
	Long-term borrowed capital/ Capital employed x 100	0.24	0.39
Receivables turnover	Receivables average balance/ Turnover x 270	103.25	121.0
Non-current assets turnover	(Turnover x 360/ 270)/ Non-current assets	0.60	0.68

**Note:**

1. **Current ratio** provides a guarantee related to covering the current liabilities from current assets.
2. **Gearing ratio** expresses the effectiveness of the credit risk management, showing potential financing, liquidity issues, influencing the fulfilment the commitments undertaken.

Borrowed capital = Loans exceeding one year and other loans bearing interest  
Capital employed = Borrowed capital + Equity

3. **Receivables turnover** 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. **Non-current assets turnover** expresses the effectiveness of the non-circulating assets management, by examining the turnover generated by a certain quantity of non-circulating assets.

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**DANIELA-ADI CUCU**

Chairman of the Board of Directors

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**CRISTINA FLOREA**

Financial Director