ELECTROMAGNETICA S. A. ADMINISTRATORS' REPORT FOR 2023

- SEPARATE FINANCIAL STATEMENTS -

according to the provisions of art.63 Law No. 24/2017 on issuers of financial instruments and market operations, annex 15 to Financial Supervisory Authority Regulation no. 5/2018 on issuers of financial instruments and market operations and the Bucharest Stock Exchange Code.

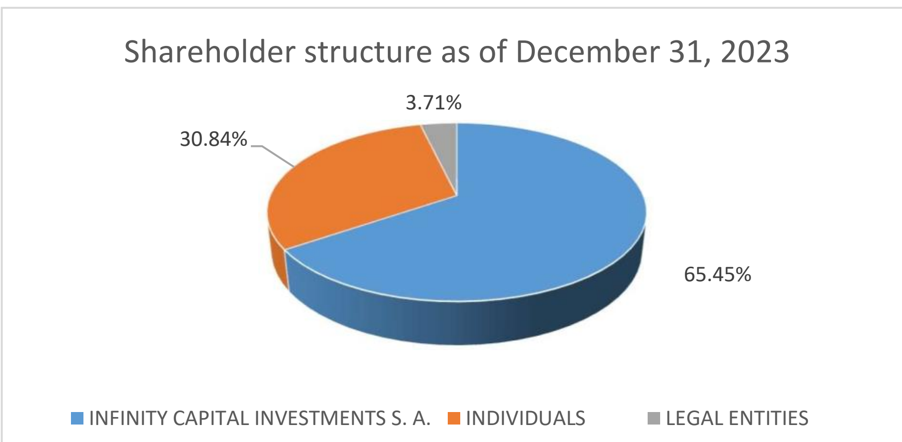
Contents:	Page

1. COMPANY IDENTIFICATION DATA

Company Name:	**Electromagnetica SA**
Registered Office:	Bucharest, 5th district, Calea Rahovei no. 266-268, postal code 050912
Phone number / Fax:	**021 404 21 02/ 021 404 21 94**
Unique registration no.	**414118**
Trade Registry number:	**J40/19 / 1991**
Regulated market:	**Bucharest Stock Exchange, Capital securities department, Shares, Premium category**
Market symbol:	**ELMA**
Number of shares:	**676.038.704**
Nominal value:	**0.1000 lei**
Share Capital:	**67,603,870. 40 lei**
LEI Code:	**254900MYW7D8IGEFRG38**

2. SHAREHOLDER STRUCTURE:

On 31.12.2023 the company had a number of **6.241** shareholders. According to the records of Depozitarul Central S.A., the synthetic structure at the end of the year is as follows:



3. COMPANY OVERVIEW:

Electromagnetica SA is a joint stock company, founded in 1930, with Romanian legal personality and unlimited lifetime, which is organized and operates according to the statute and on the basis of Law no. 31/1990 republished, in compliance with the legislation on the capital market and Law no. 24/2017 on issuers of financial instruments and market operations.

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

Electromagnetica SA, as a trading company whose shares are admitted on a regulated market (Bucharest Stock Exchange, Premium category, Elma symbol) adopted IFRS (International Financial Reporting Standard) starting with the financial year of 2012. The financial statements for 2023 were prepared in accordance with the Ordinance of the Public Finances Ministry no. 2844/2016 for the approval of Accounting regulations in accordance with the International Financial Reporting Standards adopted by the European Union.

3.1. MISSION, VISION, VALUES

The mission of the highest level management and employees of Electromagnetica S.A. is to offer high-performance products and services based on new technologies to fully satisfy the customers, promoting a sustainable and sustainable development, with an emphasis on social responsibility and environmental friendliness, taking into account, at the same time, the interest of its shareholders.

Electromagnetica S.A. assumes responsibility for everything it produces, in full respect to the law, to the customers and to the other interested parties, ensuring the support of the products and services made available on the market, during the warranty period but also in post-warranty. Moreover, reliability, stability and prompt response to requests are assets that have helped us to gain and maintain an important market share.

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

Creativity	We are innovative and we seek to apply every time the latest technologies and the most suitable solutions;
Business ethics	It is the foundation of our commercial relationships, based on honesty, integrity, communication and mutual trust;
Social responsibility	We consider our employees as one of the most important resources and we seek to motivate them and provide them with the best working conditions as well as continuous training;
Environment Protection	We act responsibly for the protection of the environment, both through the promotion of energy efficient products and through the selective collection and recycling measures provided in the production sites
Adaptability.	We constantly adapt to market demands, looking for and discovering new opportunities, but remaining constantly focused on the needs and expectations of shareholders.

3.2. ETHICS. COMPLIANCE. SUSTAINABILITY

At the basis of ELECTROMAGNETICA S.A. activity stands *THE* ***CODE OF ETHICS AND PROFESSIONAL CONDUCT*****,** developed, approved and put into practice in 2021.

THE SUSTAINABILITY REPORT prepared for the first time in 2020 and updated regularly, it represents one of the most important concerns and challenges for the management of the company and completes the annual **Non-financial statement**, in the spirit of Directive 2014/95 / EU and the new requirements of the European Commission.

The company offers great importance to respect ***THE COMPETITION RULES COMPLIANCE MANUAL*** by which the company informs all employees and collaborators of the principles and legislation of thecompetition and assumes a competition policy that complies with these principles and legal norms. This manual is available at https://electromagnetica.ro/companie/manual-de-conformare-cu-regulile-de- concurenta/

3.3. LEGAL FRAMEWORK:

During the reporting period the company carried out its activity in compliance with the legal provisions contained, in particular, in:

- Law no. 31/1990 on companies, republished, with subsequent amendments and completions;
- Law no. 24/2017 on issuers of financial instruments and market operations, republished;
- Law no. 123/2012, with subsequent amendments and completions;
- Law no. 107/1996, with subsequent amendments and completions;
- Financial Supervisory Authority Regulation no. 5 / 2018, on issuers of financial instruments and market operations, with subsequent amendments and completions;
- National Regulatory Authority order is no. 5 / 2023 for the approval of the regulation on the supply of electricity to the final customers, as well as for the modification and completion of some orders of the president of the National Regulatory Authority in the Energy field, with subsequent amendments and completions;
- The Bucharest Stock Exchange Code;

as well as in other regulations primary and secondary legislation in the fields of activity in which it operates, as well as in compliance with the provisions of

- The Articles of Association updated according to the decision Extraordinary General Meeting of shareholders of July 3, 2023.

3.4. DESCRIPTION OF THE BASIC ACTIVITY

In 2023, Electromagnetica S.A. had the following main lines of business:

PRODUCTION OF GOODS
LED lighting systems, AV charging stations, electrical equipment, railway safety elements, plastic injection

PRODUCTION AND SUPPLY OF ELECTRICITY

RENTAL SPACES AND REAL ESTATE DEVELOPMENT

3.5. MERGERS, LIQUIDATIONS OR REORGANIZATIONS OF COMPANIES CONTROLLED BY ELECTROMAGNETICA IN 2023

The group of companies within which Electromagnetica S. A. is a parent company was formed by Procetel S. A., Electromagnetica Fire S.R.L. and Electromagnetica Prestserv S.R.L., representing mainly outsourcing of services with the purpose of streamlining activities.

In 2023 there were no liquidations, mergers or reorganizations within the group.

3.6. MAIN EVENTS WITH SIGNIFICANT IMPACT IN THE FUNCTIONING OF THE COMPANY

A. In 2023 there were several important events, in chronological order:

21.03.2023	Taking into account the profit obtained in 2022, the Board of Directors proposes to grant dividends in gross value of Ron 3,380,194 or Ron 0.005 / share
27.04.2023	Annual Regular Company Shareholders' General Assembly. The granting of dividends according to the above proposal is also approved.
28.04.2023	Renouncing the mandate of member of the Board of Directors on May 28, 2023 and the mandate of Executive Director on April 28, 2023 of Mr. Octavian Macovei. As a result of the vacancy held by Mr. Macovei, the Board of Directors appoints Mr. Mihail Stoica-interim administrator, with mandate starting with May 28 2023 and until the meeting of the General Assembly.
03.07.2023	Ordinary and Extraordinary Company Shareholders' General Assembly. The election of Mr. Sorin-Iulian Cioaca as member of the Board of Directors in the vacant seat held by Mr. Octavian Macovei, with a mandate until October 18, 2023. Election of a new council administration with a mandate of 4 years, starting with 18.10.2023.
22.09.2023	Notification to Infinity Capital Investments S. A. on exceeding the threshold of 33% of the share capital of Electromagnetica S. A.
18.10.2023	First meeting of the new Board of Directors. Appointment Daniela-Adi CUCU as president of the Board of Directors and as general manager with mandate until the selection of a General Manager. Mandate revocation of the Sales Manager Mihail Stoica and mandate revocation Property Manager, Stanila Antoaneta Monica
01.11.2023	Starting the mandate of Deputy General Manager and taking over the duties of General Manager
13.11.2023	Approval of the new organizational chart of the company.
17.11.2023	Threshold notification holdings by the shareholder Infinity Capital Investments S. A. (>50 %)
20.11.2023	Commencement of mandate Financial Director, Mr. Cristian Radu
06.12.2023	Renouncing the mandate of member of the board of Directors of Mr. Eugen Scheusan the seat became vacant on 6 January 2024.
18.12.2023	Term of Office of Deputy Director General

Detailed information is available at:

https://www.bvb.ro/FinancialInstruments/Details/FinancialInstrumentsDetails.aspx?s=ELMA

B. Following the analyses carried out at the request of the Board of Directors, it was found that, in certain contracts for the sale of finished products and services, there were some clauses favorable to customers (intermediaries) giving the right of return for products not valued by resale or implementation in various projects. Moreover, Electromagnetica acted as depositary of the products purchased by these customers by drawing up custody minutes and stock management within the company.

In accordance with IAS 8, the last three years have been restated, by adjusting the results, in the sense of derecognition of net revenues from these sales. The impact was a decrease of the result by RON 1,918,800 for 2022 and RON 2,689,644 for 2021.

3.7. ELEMENTS OF GENERAL EVALUATION

No.	Specification	2023	2022 restated
1	Total revenue (lei)	211.881.862	249.922.175
2	Total expenses (lei)	248.469.742	225.056.464
3	Gross Profit (lei)	(36.587.880)	24.865.711
4	Gross profit rate	-17,27 %	9,95%
5	Net profit (lei)	(31.033.088)	23.312.293
6	Net profit rate	-14,65 %	9,33 %
7	Average number of employees	350	368

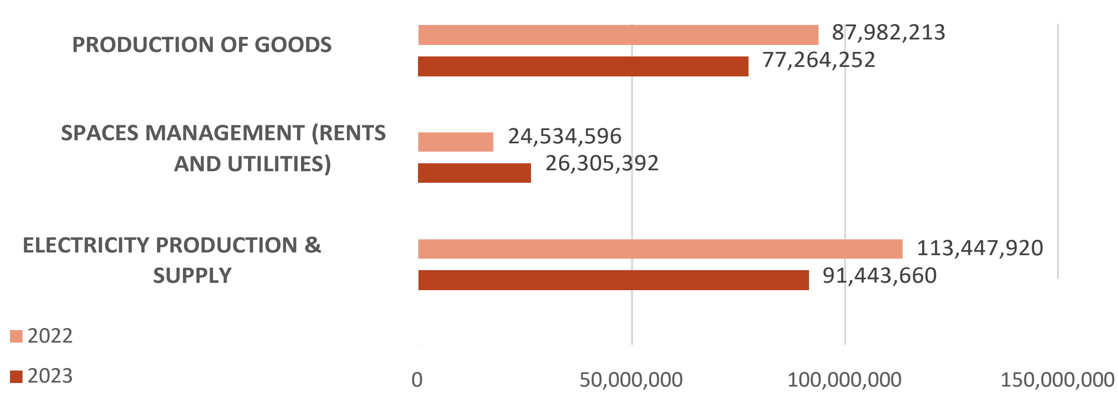
In 2023, the profit and loss account was strongly influenced by the revaluation of the company's assets (especially the assets of the micro-hydropower plants) which led to the reduction of the result by the amount of 23,339,361 lei.

Also, taking into account the returns of unvalued products by the customers, the last three years were restated, by adjusting the results in the sense of derecognizing the net revenues related to those contracts. Stocks were re-established with the finished products that were the subject of the respective transactions and, taking into account the age of these products, provisions were made for updating the stocks of finished products to a net realizable value on the market. The provisions for the net realizable value of stocks, old and slow-moving stocks constituted related to finished products were in the amount of RON 5,674,647.

More details can be found in the Financial Statements and their Explanatory Notes.

4. PRODUCTS AND SERVICES OFFERED BY ELECTROMAGNETICA:

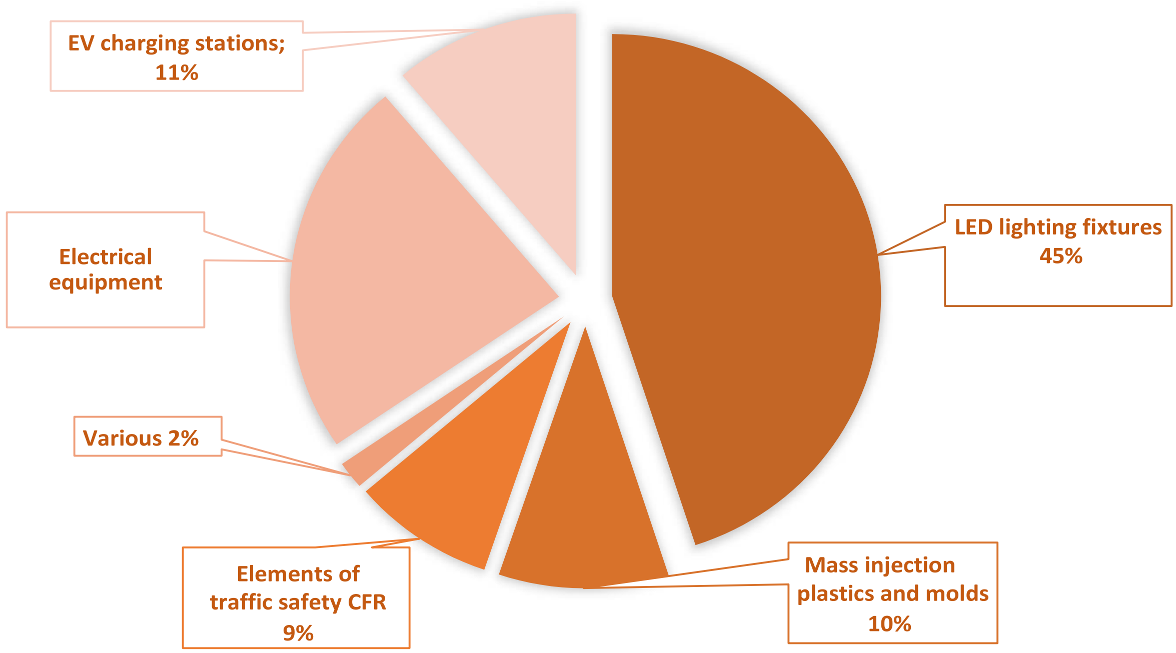
4.1. TURNOVER STRUCTURE (CA):



4.2. PRODUCTION OF GOODS:

The company benefits from a diversity of technologies and equipment that allows obtaining a diversified nomenclature of products. The share of the main product groups in the turnover related to the production of goods (excluding services), is presented below:

STRUCTURE OF PRODUCTION OF GOODS IN 2023



4.2.1. PRODUCTS AND SERVICES TO INCREASE ENERGY EFFICIENCY

4.2.1.1 LED lighting fixtures, systems and solutions

For over 12 years our company has invested important resources in the research and production of LED lighting systems and electric vehicle charging stations.

The competitive advantage of LED lighting equipment is due to high efficiency (over 160 lm/w), long service life (minimum 100,000 hours) and high color rendering index (minimum 85 %). In addition, LED luminaires provide quality light, are environmentally friendly and allow integration into tele-management/ smart city systems.

Currently, there are ongoing projects financed by European and national programs ROP and AFM, in which the company has developed complete solutions through 3 Smart City and Tele-management platforms, with the purpose of managing the automation of lighting devices by reducing the light intensity depending on time or on the command of sensors. Also, in order to improve energy efficiency and reduce the CO2 carbon footprint, the lighting systems designed and implemented by the company successfully integrate the use of photovoltaic panels. The 3 main smart city and Tele-management platforms developed by the company are the following:

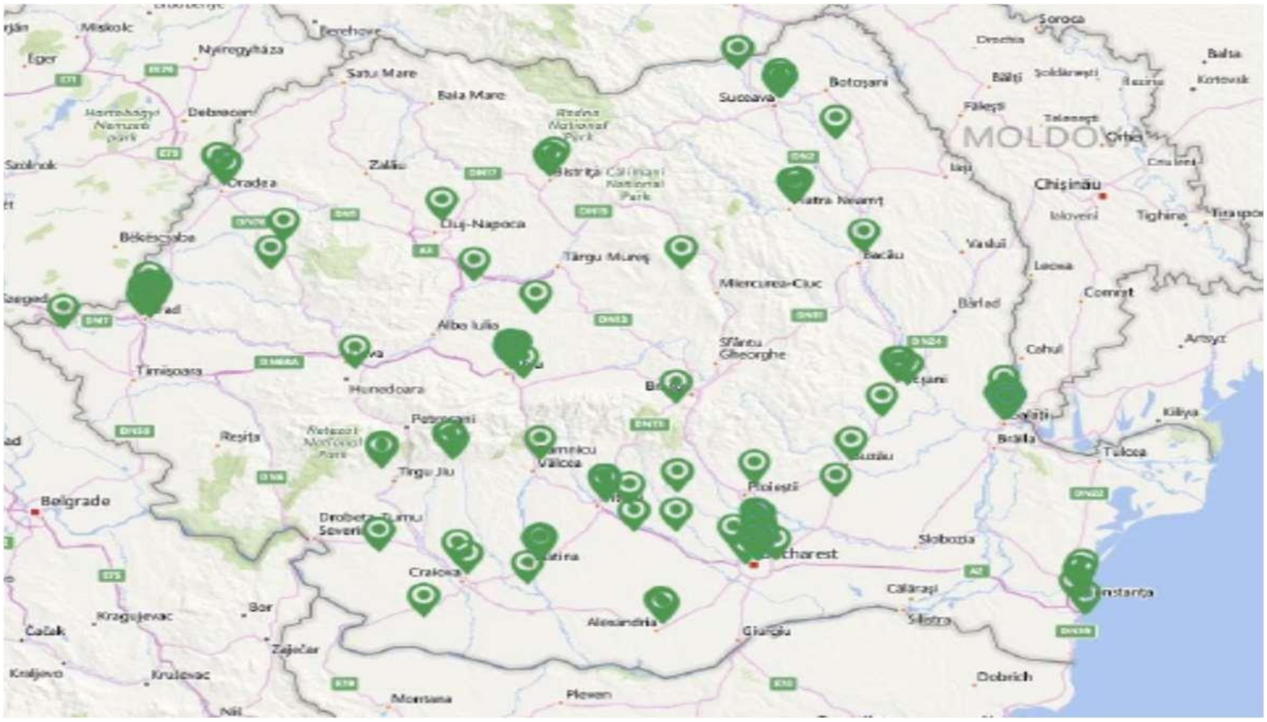
1. Smart IoT Server: ILIC- Inteligent Luminaire Informations Center, used in public street lighting projects: Craiova Expressway Pitesti lot 1 and 2 (Slatina town and Bals town), Cahul town (Republic of Moldova), Tasnad Town Satu Mare County. Currently we continue to implement this system of Management in numerous projects, among which we mention: Craiova Expressway Pitesti lot 3, Draganesti Olt city.
2. Radio Tele-management in mesh 6LoWPAN - Neptun CMS technology, used in public street lighting projects: Panciu City, Vrancea County, Baneasa Commune, Constanta County.
3. 4G/ GPRS / NB-IoT Smart City: used in public street lighting projects in Buftea City, Ilfov County, Ciurea Commune, Iasi County, Valea Seaca Commune, Iasi County.

Although they have the largest share in the production of goods, the turnover decreased by approx. 15%, mainly due to return policies, payment system in credit-supplier system for 3 or 5 years, outsourcing of some activities (ex. installation), unfavorable payment conditions and accumulation of overdue payment from some partners.

4.2.1.2. Electric vehicle charging stations

ELECTROMAGNETICA S. A. offers complete solutions for delivery, installation and commissioning and station management with its own ELMOTION operating platform, including dispatching and intervention for quick troubleshooting in case of need.

ELMOTION NETWORK IN ROMANIA: **237** stations of which **50** in Bucharest.



In recent years, the market of hybrid and electric vehicles has experienced an accelerated development both in Europe and in Romania. According to the analysis of motor vehicle registrations by APIA (Association of Automobile Manufacturers and Importers), "electrified" cars have an increase of 25.9%, achieving a market share of 24.4%.

Given the increase in the share of electric vehicles and the fact that the infrastructure of electric charging stations is developing much more slowly, ELECTROMAGNETICA S.A. continued the development and production of fast CHARGE and ULTRA FAST CHARGE stations in direct voltage (DC 50kW, DC 100kW, DC 150kW). The company also expanded its station network and improved its software operating and station management platform, ELMOTION.

Regarding the charging power of the stations there is an increased requirement on the ultra-fast charge area defined by DC stations 150 kW and higher. In 2023, the 150kW variant of the DC charging station was made, a model that can charge from 0 to 100% a 60kWh battery electric vehicle in less than 30 minutes. The new model complements the existing 50kW and 100kW family, with charging voltages up to 1000V, thus ensuring the possibility of charging for the latest generation cars but also for heavy-duty electric vehicles. The main challenge encountered in the installation of stations over 100 kW continues to be related to the existence of an electricity connection capable of supporting the energy consumption, these stations requiring an electricity transformer station nearby.

At the same time, in 2023, the CE certification for charging stations was extended, providing a higher degree of protection (IP55 compared to IP54) and an operating temperature between -30 and + 55mm.

The turnover of this business segment recorded a decrease of 22% in 2023 compared to 2022, mainly generated by the elimination / minimization of "bill and hold" sales (sale of products and their delivery at later dates, including in subsequent reporting periods), the reorganization of the sales activity and the implementation of minimum requirements regarding the company's ability to collect receivables generated by the sale of stations.

4.2.2. OTHER PRODUCTS DEVELOPED

4.2.2.1. Injection of plastics and molds

Electromagnetica benefits from a wide range of technologies, which allows the company to produce subassemblies from injected plastics both for the domestic market and for export. The company currently has 25 injection machines, most of the products made being parts and components for LED luminaires, power tools, electrical circuit protection apparatus as well as injected parts for the automotive market.

The war in Ukraine further caused a decrease in sales in these areas (the case of a large manufacturer of power tools) and implicitly of orders to Electromagnetica S.A. An important partner, Draexlmaier Romania, has several products in the ”end of life " cycle and depends in turn on the orders of the major car manufacturers.

The best and constant evolution was the segment of equipment for distribution boards (for example different types of fuses), where the production recorded in 2023 a volume increase of 13 %.

4.2.2.2. Railway traffic safety elements

The sales of railway traffic safety elements remained almost constant compared to last year, the orders for this production segment being largely dependent on the pace of modernization of the railway infrastructure, considering that CFR Infrastructura is the final beneficiary of these services.

Sales for this segment were located approx. $ 6.6 million lei the main partners being IMSAT SA Bucuresti, SIEMENS MOBILITY SRL, GTS ROMANIA SRL (formerly THALES SYSTEM ROMANIA SRL).

4.3. PRODUCTION AND SUPPLY OF ELECTRICITY:

4.3.1. Production of electricity from renewable sources

Energy production is an area regulated by ANRE, the company having a producer license since 2007. The company owns 10 small hydropower plants in the Suceava and Brodina rivers basin, which have been modernized and automated over time, reaching an installed power of 5.5 MW.

In 2023, the energy production in its own small hydropower plants was 11,669 MWh, an increase of about 19% compared to 2022, on the background of good hydraulics.

A significant part, 62% of the need for green certificates for the entire portfolio of supply customers was covered in 2023 by certificates obtained by their own small hydropower plants.

During 2023, important maintenance works were made, among which the removal of a large area from the entrance to the Bilca common channel (MHC Bilca 1, MHC Bilca 2, MHC Bilca 3):

Also, the adduction pipe from MHC Brodina de jos was replaced, the pipe from PAFSIND with a diameter of 1300 mm.

4.3.2. Electricity supply activity

In 2023, the measures to streamline the activity from 2022 and to adapt to the legislative changes were continued, through the integrated functioning of the activities in the field of electricity production and supply. Optimization measures can be summarized as follows:

- Renegotiation of customer contracts;

- Permanent monitoring of creditworthiness for both PC-OTC Market Partners (EFET) and consumer portfolio;
- Contracting the purchase of energy for final consumers when opportunities appeared in the market.

The net profit of the electricity supply and production activity was significantly impacted by the approval of GEO no. 27/2022 with subsequent amendments, as a result of which the Company incurred costs of approx. 25.9 million lei, related to the contribution to the Energy Transition Fund.

4.4. SPACE RENTAL AND REAL ESTATE DEVELOPMENT

The company manages approximately 35,500 sqm of spaces for rent in Bucharest and 3,500 sqm in Varteju, Ilfov County. At the end of 2023, for the headquarters in Calea Rahovei 266-268, the average rental rate was 86%. For the spaces in Varteju (Magurele), the rental rate was 95%.

The activity of renting and supplying utilities recorded an increase compared to the previous year, the result of the increase in the euro/leu average rate, which evolved favorably compared to 2022, the changes in tariffs per square meter and the increasing changes in tariffs for utilities. Compared to the previous year, the structure of office rental spaces decreased, the share of spaces intended for service provision increased and those for production and storage remained relatively the same.

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

5. ASSESSMENT OF SUPPLY ACTIVITY:

The supply of raw materials and materials was carried out in accordance with the procedure implemented within the integrated management system and in compliance with the requirements imposed by the standards in the fields in which the company operates.

The sources of supply are both from the foreign market (EU countries, China) and from the country, the suppliers are selected and evaluated periodically based on technical performance criteria, quality, commercial conditions. For each material there are alternative suppliers/ manufacturers, so that the security of supply does not depend solely on the relationship with a particular supplier.

There were no syncopes in the supply process that affect the production flow, since the first part of 2023 there was a reduction in delivery terms for plastic mass suppliers and electronic electrical components suppliers but especially for LED drivers, alleviating the worldwide chip crisis having a positive contribution.

For the production of electric vehicle charging stations, the supply was optimized on component kits in larger batches, being ensured a constant production, significantly reducing the deadline for fulfilling orders to customers.

Regarding the purchase prices for materials, in the first part of the year there was a softening of the upward slope, even speaking of a price stability starting with the second quarter in most categories of materials (plastic table, galvanized and aluminum sheet, LEDs, cast aluminum cases) stability that was maintained throughout the year. However, at the processing services contracted in the country (electrostatic painting, forging and coatings for the components of railway safety elements, laser cutting of metal parts), the caution generated by the continuation of the war in Ukraine, the energy price increase and inflation have led suppliers to keep prices high, even recording a slight increase in the second part of the year.

6. EVALUATION OF SALES ACTIVITY:

6.1. Internal and external sales evolution and medium and long-term sales prospects

The sale of LED lighting fixtures and systems was mainly made by the company through the profile Division of the commercial directorate. Also there was a specialized Office for participation in the SEAP auctions (both for LED luminaires and electric vehicle charging stations). With the approval of the new organizational chart on 13.11.2023, a reorganization of the sales services and participation in auctions was also carried out.

In terms of charging stations, within the ELECTROMAGNETICA BUSINESS PARK platform there were 27 charging stations, for charging for a fee both to fleets of electric cars of car sharing type and to tenants.

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

The licensed, production and supply of electricity activities are carried out exclusively on the domestic market through the Department of energy supply and production which includes the Radauti Hydroelectric Plant. Similarly, the production of elements for the safety of railway traffic has exclusive outlets on the domestic market.

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

Regarding the medium and long term sale insurance, we specify that the average duration of the lease contracts as well as that of the energy supply contracts is 1 year, while the production is executed generally based on medium and short term orders.

6.2. Main competitors

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

On the retail electricity supply market competition is very high, currently operating on this market 89 suppliers (including the 5 last resort suppliers) and 20 manufacturers who also have supply activity (data available at the end of 2023).

On the local market of railway traffic safety systems, there are no significant competitors but orders depend on the progress of the railway infrastructure modernization programs, with the mention that the company takes the necessary measures to make the profile production flexible and able to cope with the fluctuating character of orders.

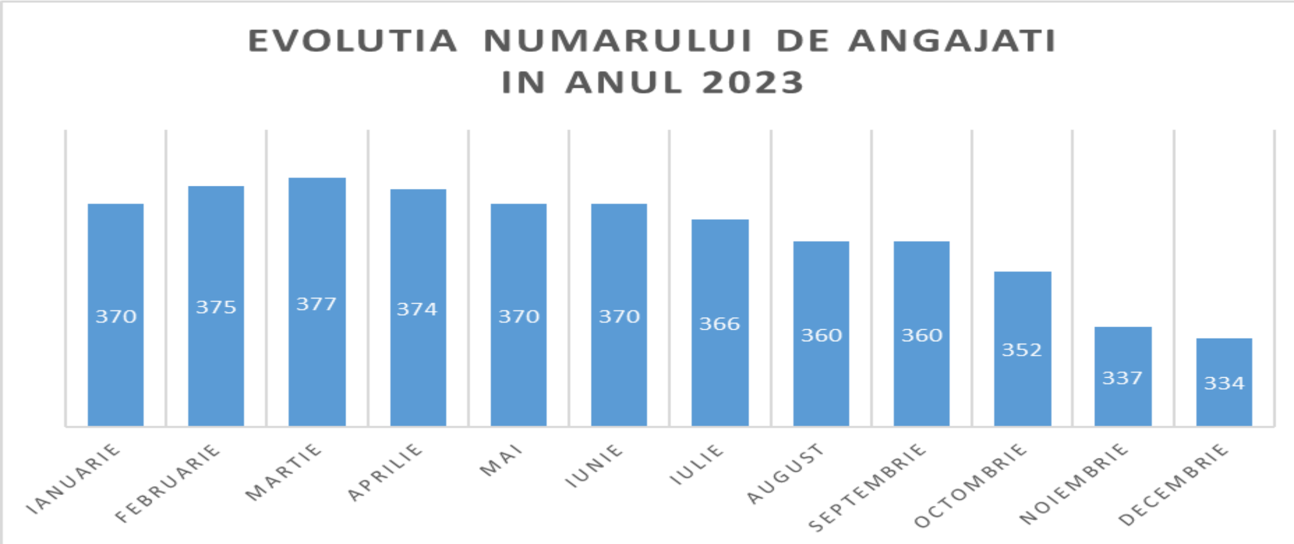
In terms of the operating network of electric vehicle charging stations, ElMotion, the competition has grown exponentially in recent years. The main competitors are: Renovatio, EV-MAG, EV-CONNECT, Polyfazer, Nextcharge, respectively charging stations produced outside the country.

6.3. Significant dependence of the company on a client or a group of clients

Products with high weight at the moment, such as LED luminaires, electrical appliances and plastic injection, address a diverse range of beneficiaries and are not dependent on a specific customer or group of customers. In the same situation is the supply of electricity. The elements for the safety of railway traffic have as final beneficiary CFR Infrastructura S.A. but given the continuous need to modernize the CFR network in Romania, we do not consider that there are significant risks.

7. EVALUATION OF ASPECTS RELATED TO THE COMPANY'S EMPLOYEES:

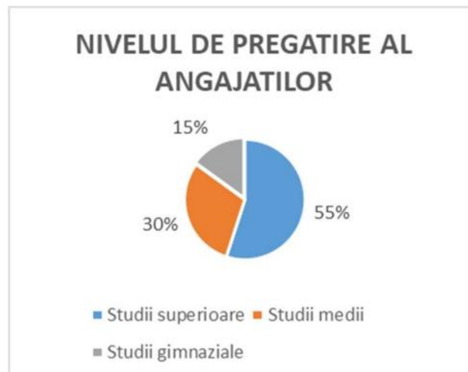
The high level of training of the employees allowed the company to undertake both productive activities and research development. In 2023 the average number of employees was 350, down by about 4.9% compared to the previous year.



The decreasing evolution occurred both due to the reorganization process started in September and due to natural causes (retirement).

The high level of training and qualification of the employees allows both the production of new benchmarks and the change of the workplace within the company, depending on the need.

During 2023 the employees of the company benefited from blood tests, flu vaccines, COVID testing, as well as various social benefits, mainly provided as a result of medical emergencies.



Relations between management and employees are carried out in normal conditions. The degree of unionization is about 55% and there were no labor conflicts between the employer and the trade union.

8. ENVIRONMENTAL IMPACT ASSESSMENT AND OCCUPATIONAL HEALTH AND SAFETY (OSH) :

a) Assessment of compliance with legal requirements and other requirements to which Electromagnetica S.A. subscribes.

Following the assessment of the compliance of Electromagnetica S.A. activity with the applicable legal and other requirements (authorizations, agreements, opinions) of environment, safety and health at work, to which the organization subscribes, it was found compliance with them.

In 2023 the company acted for the management of hazardous waste in accordance with the legal requirements, by handing them over to authorized companies, RIAN CONSULT SRL and ELECTRIC GREEN RECYCLING S. R. L.

In 2023, the company complied with the legal requirements regarding the waste regime, including the provisions of the government Emergency Ordinance No. 92/2021 on the waste regime approved in 2023 by Law no. 17/2023.

The company has taken all necessary measures to comply with Law no. 90/2021 for amending and supplementing some normative acts, in order to transpose some legal acts of the European Union in the field of Environmental Protection and GEO No. 92/2021 on the waste regime, in terms of:

- Hazardous waste analysis bulletins;
- Decisions for the waste management officer;
- Waste prevention plan;
- Waste balance.

The program of compliance with the legal requirements imposed by law no. 90/2021 for amending and supplementing some normative acts, in order to transpose some legal acts of the European Union in the field of Environmental Protection and GEO No. 92/2021 on the waste regime and was designated by decision the waste management officer who participated in the appropriate external training.

It was carried out to reanalyze the hazardous substances used and the hazardous waste generated in the company for which the characterization must be carried out according to law no. 90/2021 for amending and supplementing some normative acts, in order to transpose some legal acts of the European Union in the field of Environmental Protection and GEO No. 92/2021 on the waste regime.

The company has taken all necessary measures to comply with all regulations regarding safety and health at work, and to apply the legislation in force.

Also, the company analyzed the specific risks regarding the respect and protection of the environment and environmental requirements and planned their follow-up, emissions monitoring, efficient use of machinery and resources, correct waste management.

In the field of Occupational Safety and Health, the risks of injury and occupational disease on each workplace were analyzed. In these categories of risks it was planned to follow them through the Prevention and Protection Plan.

b) Communication (s) with interested external parties, including complaints.

In the period January-March 2023, were sent to the Environmental Protection Agency-Bucharest, the annual reports on:

- *waste management generated in Electromagnetica SA in 2022;*
- *centralizer of hazardous chemical substances and preparations used in society in 2022;*
- *centralizer of packaging placed on the market by the company in 2022;*
- *analysis bulletins for the environmental factor "wastewater" in 2022;*
- *inventory of emissions and immissions of gases in the atmosphere in 2022;*

In March 2023 the company submitted to the territorial Labor Inspectorate the updated lists of hazardous substances that were used in 2022.

During 2023, reports and analysis bulletins for wastewater resulting from the company's activity were sent to the competent authorities that monitor the environmental factors in Electromagnetica SA, respectively the national administration" Romanian Waters" and Apa Nova Bucuresti S. A.

Quarterly the monitoring of drinking water was ensured by carrying out analyzes at the Health Department of Bucharest.

In order to consult and involve employees in making decisions on safety and health measures at work, the Occupational Safety and Health Committee of which the general director is the president operates at the level of the company.

The committee consists of 7 members (3 persons from the employer, 3 employees' representatives and the occupational medicine doctor) and operates on the basis of its own regulations.

Reports and minutes of all meetings of the Occupational Safety and health committee have been prepared and sent to the competent authorities (Territorial Labor Inspectorate).

We mention that there were no complaints regarding environmental aspects in the activities carried out within Electromagnetica S. A.

In 2023 was registered an accident at work, route (a slight motorcycle accident on the way to work that did not require hospitalization). There were no suspicions of occupational diseases.

c) Environmental, Occupational safety and health performance of Electromagnetica S.A.

In order to control the environmental, safety and health aspects of the company, the following were undertaken:

c.1) Monitoring of environmental factors:

Water

Monthly wastewater analyses were performed, based on the contract concluded with BIOSOL PSI S.R.L. - Ploiesti. Wastewater samples were taken from the five wastewater discharge connections to the city sewer. The values of the concentrations of the analyzed pollutants were slightly above the permissible limit values provided in the normative on the conditions of wastewater discharge in the sewerage networks of localities and directly in the treatment plants, NTPA 002/ 2002, approved by GO no. 188/2002 for the approval of certain rules on the conditions of discharge into the aquatic environment of waters annex 2 (NTPA 002/2002).

There were performed quarterly disinfection of own water sources, respectively of the three medium depth boreholes and of the water storage basin.

The disinfection was carried out according to the provisions of the POM – 03 procedure “disinfection of own water sources, storage basins and verification of water drinking”.

Quarterly water potability analyses were performed from the micro-bacteriological and physico-chemical point of view by the laboratory of the Public Health Department of Bucharest, finding and being recorded on the test bulletins by the specialist doctor, respecting the limits allowed by law.

Air

Air emission and immission analyses were carried out on a semi-annual basis, based on the contract with SC TEDNOVA SRL. For emissions, air samples were taken from:

- Source S1-Central heating;
- Source S5-Tooling Department-mechanical processing machines and SDV;

In all cases, the concentrations of the analyzed pollutants were below the emission limit values allowed by order M.M.A.P. no. 462/1993 and government decision no. 699 of 2003 as well as under alert threshold according to M.M.A.P. order no.756 of 1997 for the approval of the regulation on environmental pollution assessment.

Air samples at imises:

Air samples were taken at three points-at the limit of the company's premises:

- I1-boundary enclosure, in the vicinity of the main access gate in the unit
- I2-boundary enclosure, in the vicinity of body no. 5
- I3-boundary enclosure, in the vicinity of body no. 4 (plastic band) the concentrations of the analyzed pollutants are located below the limit values according to the M.M.A.P. order. 592 of 2002 and STAS 12574 of 1997 as well as below the alert thresholds according to order M.M.A.P no. 756 of 1997 for the approval of the regulation on environmental pollution assessment.

Waste

In order to comply with the provisions of Law No. 17/2023, regarding the waste regime, and GEO no. 92/2021 regarding the waste regime, GO no. 2/2021, GD no. 1061/2008 on the transport of hazardous and non-hazardous waste on the territory of Romania, GEO no. 5/2015 regarding the waste of Electrical and electronic equipment, the following were undertaken:

- the waste resulting from the production was handed over rhythmically in order to avoid the formation of stocks, to authorized economic agents with whom the company has contracts;
- hazardous waste and waste oil were handed over based on the contract with the company SC RIAN CONSULT SRL;
- the program for compliance with the legal requirements imposed by law no. 90/2021 for

amending and supplementing some normative acts, in order to transpose some legal acts of the European Union in the field of Environmental Protection
- the waste management officer was appointed by decision, who is trained according to the legislation in force;
- the reanalysis and classification of hazardous waste generated in SC Electromagnetica SA was carried out, for which the characterization must be carried out according to law 90/2021 for amending and supplementing some normative acts, in order to transpose some legal acts of the European Union in the field of Environmental Protection;
- the Waste Prevention Plan has been drawn up.

c.2) Monitoring Occupational Safety and Health risks

Occupational hazards monitoring

It was not necessary to determine the occupational hazards, the workplaces being within the conditions imposed by law for proper functioning.

Occupational risk assessment

Through regular checks and drawing up notes on Environment and safety and health at work, the coordinator of the Department of Environmental Management – Safety and Health at work made checks at workplaces on how to comply with the legal provisions regarding the preservation of employees ' health and ensuring safety at work, as well as the way to protect the environment.

Grant of protective equipment

The company grants free of charge the protective equipment established and approved by the CSSM, depending on the totality of the risks at work. It is drawn up and kept, at the level of the workplace, the record with the equipment granted under the signature of the entitled employees.

Health analysis of employees Electromagnetica SA for 2023

The analysis of the employees ' health status was made in compliance with and application of the norms resulting from law no. 319/2006 of safety and health at work, updated, of safety and Health at work and of GD no. 355/2007 on health surveillance of workers, updated. In QHSE the occupational medicine doctor presented these analyzes.

c.3) Authorizations and opinions

In December 2023, she was submitted to A.P.M. Bucuresti application for the annual Environmental Permit Visa with no. 72 of 04.03.2019, revised on 09.02.2021 – issued by the agency for Environmental Protection Bucharest which is valid indefinitely with the obligation of annual visitation. The visa was applied for the period 04.03.2024-04.03. 2025.

The water management authorization no. 627-B from 02.12.2019-issued by the National Administration" Romanian Waters", with a validity of 5 years, until 31.12.2024.

In June 2023, **a new Sanitary Authorization was obtained from the Public Health Department of Bucharest, with the number 756/29.06.2023**. This will be targeted annually, its validity being until 28.06.2024.

The takeover agreement no. 871/11.12. 2023 for the head office, issued by APA NOVA Bucuresti S.A., valid until 05.07.2024. The evacuation agreement 268/27.04. 2011 for the headquarters in Str. Veseliei, issued by APA NOVA Bucuresti S. A. It is valid indefinitely.

Water management authorizations for the ten small hydropower plants in Suceava County, issued by S.G.A. Suceava have been renewed and have validity terms until July 2026 and September 2027 respectively.

The environmental permits for the ten small hydropower plants in Suceava County are valid indefinitely with their annual targeting.

c.4) External inspections and audits

Between January 2023 and December 2023, an inspection by ITM Suceava took place, as a result of which no non – conformities were found.

9. EVALUATION OF DEVELOPMENT RESEARCH ACTIVITY

In 2023 the research-design and development activity was focused on two main directions: LED lighting devices and systems as well as equipment and charging stations for electric vehicles.

This activity was attended by the staff of the Design Research Department, the electrical and Communications Equipment Design Department, the photometry and Electromagnetic Compatibility Laboratory and the van Design Workshop. It is worth noting that most Electromagnetica products are of their own design and contain innovative solutions.

9.1. LED lighting devices and systems

9.1.1. LED lighting devices

Within the Research-design department were designed and completed the product ranges of the ElmaRO family of luminaires (LED luminaire with plastic housing and heat-conductive plastic radiator) intended for street lighting with new variants of equipment with telegraphy modules (in the range of power 18W-125W). Through these new equipment variants, the range of products from this family for street lighting has been expanded and modernized, with new technical and functional characteristics, so as to respond as best as possible to the market requirements. This family of street lighting equipment allows the company to reduce its dependence on imports from China, to reduce the supply time, respectively to shorten the manufacturing time. The integration of several manufacturing benchmarks in Electromagnetica S. A. (such as standard and thermo-conductive plastic table benchmarks – parts of the luminaire housing), determines the increase of added value per product.

The company also continued to expand the EVOCity product family with other new variants. These new variants are equipped with telegraphy modules (communication technologies 6LoWPAN, WiFi/ZigBee, LoRa) and sensors, being adapted to the new requirements of the luminaires market. These new variants, which correspond the requirements of the current market for equipment with remote management modules allow connection in SmartCity platforms and are similar in characteristics and operation to the products of top competitors.

Also, we mention the research and development of a method of sealing and sealing the fixing areas of the optical compartment for the heat-conductive plastic injected radiator, a technical solution that improves and ensures the fixation by thermal riveting to the products of the ElmaRO family. For the application of the sealing material, a robotic arm installation was developed that works in semi-automatic mode and that performs this leveling casting operation more accurately, safer and without operator intervention, increasing the productivity and quality of the manufacturing process.

Also, the company continues the implementation in the series production of Interior luminaires of pre-painted sheet metal (for product families: Sigma, Eris, Aries, Gemma, Atria, Argo), with the aim of diminishing and eliminating, as the case may be, collaborations for electrostatic painting. Pre-painted sheet is produced industrially on automatic production line, with uniform and controlled deposition of paint, offering a better quality of the painted surface and eliminating the transport of parts to painting (in collaboration) reducing the production cycle and implicitly the delivery times.

In the photometry laboratory was completed with very good results a study on the measurement of light degradation and evaluation of the life and performance of ElmaRO LED luminaires, in accordance with the standards SR EN 62722 and LM-84/TM-82.

It is worth mentioning that in 2023, 13 types of new luminaires were introduced in the current production and 5 types of new charging stations for electric cars. Thus, in the database are operational 197 types of LED luminaires, organized into 20 product families and 12 types of charging stations.

9.1.2. Lighting systems

In 2023, street lighting management projects were realized using 6LoWPAN, LoRa mesh and Lon-IoT communication technologies through power circuits. A complete mobile for radio actions in LoRa mesh networks was built, and in street lighting projects were integrated, as the case may be, video cameras for monitoring car traffic, PIR/D4i sensors for pedestrian crossings, parking sensors and artificial intelligence elements. It has also been integrated into the 6LoWPAN Radio Network the visibility-fog sensor and software integrations in the platform for interaction with sensors and data publishing, artificial intelligence elements, the visibility sensor as well as the IoT automation of flashpoints are in development.

For 2024 we intend to continue the implementation of IoT solutions for Smart City including the development of artificial intelligence interactions with Neptune CMS (Paradox Engineering), iCIS CMS and SSIOT CMS (LVX Global) and SCSL CMS (Fonda Tech) software platforms through API technologies. We aim to complement our solutions with current artificial intelligence elements (detection of pedestrians in prohibited areas, detection of vehicles parked on the roadway, detection of vehicles moving in prohibited directions, monitoring crowds of people, detection of abnormal behavior in front of a charging station electric vehicles) and we aim to orient our development efforts towards Aerial robotix solutions as well.

9.2. Electric vehicle power equipment

In 2023, new models of AC stations were made using charging processors from the new series developed by Electromagnetica. Thus, an AC charging processor was designed and realized within the Design Research Department, which eliminated the need to purchase processors for AC charging stations, its manufacture within Electromagnetica S. A. allowing increased added value and greater flexibility in terms of market requirements. The AC charging processor is used in the 2X22KW dual charging station with OCPP and the 22kW Wallbox type station. The 2x22kw dual AC station has been certified and entered series production.

From the point of view of DC charging stations, in 2023 was realized 150kW variant of DC charging station. As performed, this new model can charge from 0 to 100% a 60kWh battery electric vehicle in less than 30 minutes.

Another important achievement is obtaining OCPP 1.6 certification for DC charging stations after testing by DNV GL (Netherlands), which confirms that the charging stations produced by ELECTROMAGNETICA S.A. comply with all load scenarios and can be used together with other software platforms that comply with this standard.

For the ELMotion platform, the year 2023 was extremely busy, being prepared a major application update. This will make the transition to wallet, a new graphical interface but also new interconnection options. The new version will allow station owners in ELMotion to benefit from a web API integration through which they can transmit commands and check States.

In 2024, simple 22kW AC stations with and without OCPP will be realized, as well as other models of charging stations requested by the market, based on the processor designed within the Design Research Department. The development of the processor for DC charging stations (CCS and CHAdeMO) will continue within the Design Research Department and it will be analyzed the realization of a fast DC charging station based on a processor developed within Electromagnetica S.A..

9.3. Railway safety elements ("CFR Relays")

In 2023 were approved 6 families of CFR relays (PIC relays, neutral type and fisa type) in accordance with the technical requirements in the railway field. This approval is repeated every 5 years. It has been revised and updated the documentation, updated the international standards and technical specifications, for the approval of the certification body. The relays were subjected to a set of complex tests in order to determine the technical capability of both the products and the manufacturing processes.

In 2024 the approvals for the products whose certificates will expire will continue.

10. QUALITY SYSTEM. CERTIFICATIONS & ATTESTATIONS

10.1. Quality policy

As in previous years, in 2023 Electromagnetica aims to ensure a **total compliance** to the explicit requirements and expectations of the customers as well as to the regulations and legal provisions.
Consistent with the principles of the stated policy, the necessary resources were provided for:

- design, development, execution, marketing and after-sale support of the products and services offered to fully meet the requirements and expectations of our customers regarding quality, legal and regulatory requirements, as well as reasonable expectations of interested parties, using clean and safe technologies that lead to the improvement of environmental performance Occupational Health and safety;
- setting measurable annual targets and performance indicators adequate to maintain balance and societal development;
- maintaining the certifications of the Integrated Management System according to the reference standards;
- continuous improvement of the effectiveness of the Integrated Management System for the fulfillment of the policy and the achievement of the proposed objectives;
- monitoring, measurement and continuous improvement of the level of customer satisfaction;
- monitoring, measuring and ensuring economic efficiency in all actions undertaken in 2023.

In addition, in order to prepare the future sustainability report was opened on the website www.electromagnetica.ro a questionnaire that collects relevant data from all interested parties.

10.2. Certifications for management systems and laboratories

In 2023 All system certifications obtained previously were maintained.

a) Maintaining the certification of the Integrated General management System: **ISO 9001:2015** - "Quality management systems. Requirements.”; **EN ISO 14001: 2015** - "Environmental management systems - requirements with user guide" and **ISO 45001:2018** "Occupational health management systems. Requirements and guidelines for use”;

b) Maintaining quality management system certification for automotive products based on plastic injection: **IATF 16949:2016** - "Quality management systems requirements for automotive production and relevant service parts organizations"

c) Surveillance 1 of photometric Laboratory and Electromagnetic Compatibility according to specific standard **ISO 17025 : 2018** .

10.3. Objectives and indicators

For the organized development of the activity, specific objectives were defined for each of the policies established by the executive management. In the context of compliance with the requirements of the standards according to which the Integrated Management System has been certified, measurable key performance indicators have been established, according to which the follow-up and evaluation of the obtained results are made.

According to the monitoring and reporting made in 2023 all the specific objectives were achieved and all the key indicators were respected.

10.4. Product certifications

The company's manufacturing complies with the requirements imposed by the following directives:

- Directive 2011/65 / EU on restrictions on the use of certain hazardous subsets in Electrical and electronic equipment;

- Directive 2012/19/EU on Waste electrical and electronic equipment

- Directive 2014/35 / EU-on the approximation of the laws of the Member States relating to the making available on the market of electrical equipment intended for use within certain voltage limits;

- Directive 2014/30 / EU on the approximation of the laws of the Member States relating to magnetic compatibility;

- Directive 2009/125 / EU establishing a framework for setting environmental design requirements for energy-related products

In 2023 the existing certifications of the products from the updated manufacturing portfolio were maintained.

10.5. Audits

Also in 2023 within the company were carried out 20 external audits by various institutions, respectively 3 system audits and 17 product manufacturing audits for certified products. External system audits:

- *supervisory audit of the Integrated Management System, led by* ***AEROQ***
- *supervisory audit* ***Quality management system on automotive products****, led by* INTERTEK;
- *re-crediting audit of photometric Laboratory and Electromagnetic Compatibility,* ***ISO 17025****, led by* ***RENAR.***

External product audits:

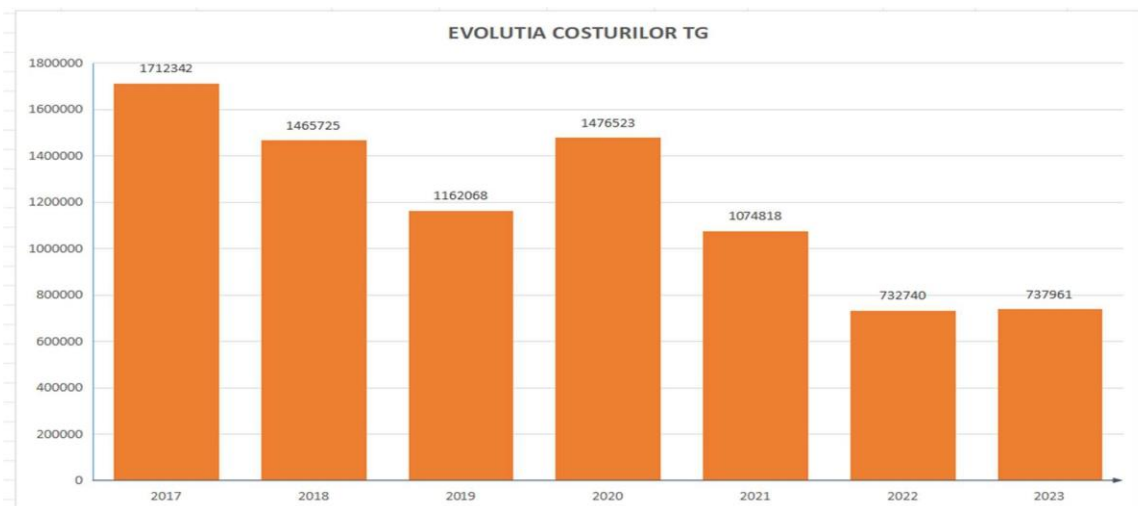
- *a customer audit (****ABB****);*
- *11 product manufacturing surveillance audits* ***ABB,*** *run by various certification bodies for various countries (****UL, CQC, CSA, IMQ, LCIE****);*
- *supervisory audit of luminaire manufacturing* ***EvoCity ENEC license,*** *led by* ***TUV RHEILAND****;*
- *supervisory audit of luminaire manufacturing* ***EvoCity ENEC+ license*** *led by* ***TUV RHEILAND****;*
- *supervisory audit of luminaire manufacturing* ***EvoCity,*** *led by* ***OICPE****;*
- *supervisory audit of luminaire manufacturing* ***ELMARo,*** *led by* ***OICP.***
- *supervisory audit of luminaire manufacturing* ***SELENA,*** *led by* ***OICP.***

All external audits were completed without major non-compliance.

The internal audit activity was carried out according to the audit program for 2023.

10.6. Cost of damaged products under warranty

In **2023** the cost generated by guarantees (“TG”) was capped, having a value similar to that of 2022.



A large part of the value of the costs assumed in 2023 (> 95%), is generated by the luminaires, especially by the related field work activities (dismantling and mounting on poles).

The forecast for 2024 is a decrease in TG costs, with a decrease in the share of luminaires and an increase in the share of costs with charging stations.

For the year **2024** are planned:

- maintaining the accreditation of the photometric Laboratory and Electromagnetic Compatibility;
- renouncing the certification of the Quality Management System for automotive products based on

plastic injection according to the standard **IATF 16949:2016** if production volumes for this type of products do not increase significantly in the first half of the year;

- maintaining the certifications of the Integrated General management System according to the standards **ISO 9001:2015**

- "Quality management systems. Requirements."; **EN ISO 14001: 2015** - "Environmental management systems - requirements with user guide" and **SR ISO 45001:2018** - "Occupational health management systems. Requirements and guidelines for use";

- maintaining the necessary product certifications for the products in the sales portfolio and giving up those for which equivalences can be made or cannot be justified in terms of production volumes;

- tracking the effectiveness and efficiency of the integrated management system through costs.

11. LEGAL DEPARTMENT - Compliance. Prevention. Debt recovery.

In 2023, as in previous years, the Legal Department provided assistance to the company's management through specialized analysis when there is suspicion of dysfunctionalities/difficulties in payment or in the case of companies with which the company has disputes, through legal assistance in signing contracts and by issuing notices or summonses. Also, the Directorate provides specific assistance in obtaining / prolonging certain documents / opinions and maintaining the licenses and certifications necessary for the company's activity.

The legal department has taken steps to recover receivables both through the simplified procedure of the payment ordinance and through actions in claims on the common law or by registering at the credal table in the case of insolvent companies, there are numerous trips to the courts all over the country for supporting cases on deadlines.

On 31.12.2023, the legal department had initiated and ongoing 16 insolvency files, 57 enforcement files, 37 claims action files, 9 files for dissolution of contracts and deregistration mention Registered office/work point from the Trade Register, 5 property disputes (land outside the main office) and two criminal complaints for destruction at MHCs in Northern Moldova. Electromagnetica had in 2023 a labor dispute and two actions in claims, the most important of which amounting to approx. 165,000 lei was rejected by the court.

Being a joint stock company, listed on the stock exchange, with over 6,000 shareholders, the company has multiple obligations for both periodic and continuous reporting (on its own website and on the websites bvb.ro and asfromania.ro), mentioned in Law no. 31 / 1990 republished the companies as well as the Specific Legislation (Law no. 24/2017 on issuers of financial instruments and market operations, Regulation No. 5 of the F. S. A. on issuers of financial instruments and market operations as well as the B.V.B. Code), which are ensured by the Legal Department.

Also, the legal direction takes care of convening and conducting the boards of Directors as well as of the General Meetings of the shareholders, including the drafting of minutes, decisions and decisions as well as the publication of specific reports on bvb.ro, asfromania.ro and its own website.

Complementary to the information regarding the specific legislation regarding the human resources activity, the employees of the Legal Department provided support in specific cases such as disciplinary research , signing of addendums to the employment contract , drawing up / modifying job descriptions, analyzing applications and finding solutions for granting aid to employees with serious health problems as well as to the negotiation, signing and annual registration of the collective labor agreement.

When there is a control from a central institution (ANAF, Competition Council, ITM) or local (District 5 City Hall, local police) an employee of the legal department participates in all phases of the control ensuring that, in full legality, the interests of the company are defended and there is no risk of abuses.

12. RISK MANAGEMENT OBJECTIVES AND POLICIES. RISK FACTORS.

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

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

Among the markets in which the company operates, the energy market is the one with the highest risk of price and legislative changes. However, taking certain risk reduction measures (energy acquisition at firm and long-term prices, analysis of the creditworthiness of contractual partners, supply of electricity to power stations the production and supply of electricity were (both individually and together) profitable business segments. Electromagnetica S.A. has been operating for many years on this market (over 20) and already has a good reputation as a reliable partner.

With regard to LED lighting systems, the products have been designed so that they can be used in different conditions and requirements on the light control side using various telegraphy systems that can be applied on the bodies produced by the company. ELMA products accept diverse systems solutions that keep up with current technologies and are not limited to one manufacturer. In terms of charging stations, demand is constant and growing, and is affected by new developments in technology and potential legislative changes.

Currency risk

The company is exposed to (limited) currency risk due to the fact that the supply of materials is made largely from imports. In order to limit the effect of foreign exchange, the timing of payments was correlated with that of foreign currency receipts, the company achieving, as a rule, surplus cash flow. The change in prices for raw materials and materials required the continuous review of cost prices. In order to maintain some products in a state of profitability, some of the prices have been renegotiated and the related technological processes have been improved.

Risk of default

The credit risk consists in the event that the contracting parties breach their contractual obligations leading to financial losses for the company. Where possible and market practice allows the company to request guarantees. Commercial receivables come from a wide range of clients operating in various fields of activity and in different geographical areas. In order to counteract this risk factor, the company has applied pre-contractual verification policies for customers (such as RISCO and COFACE reports). Insurance policies were contracted for claims on the foreign market.

The company's management makes a consistent effort to recover commercial receivables and have made constant steps (eg. payment orders), some of them followed by court actions (payment orders) and then, as the case may be, forced execution. In parallel, internal measures were also taken, both in terms of trade policy and related to the reorganization of the commercial direction.

Liquidity risk and cash flow

The treasury function of the company involves forecasting the liquidity reserve and maintaining an adequate level of credit facilities, so that it can prudently manage liquidity and cash - flow risks. The company has open lines of credit and letters of Bank Guarantee, up to 60% of the total fixed assets, less receivables, so that the company can honor its obligations in case of short-term cash deficits. At the same time, the investments were limited to their own sources of financing, setting priorities according to the current needs of Electromagnetica Business Park as well as the most profitable and/or developing sectors. Liquidity and cash-flow risk management policy must adapt to new, more demanding business practices. This risk is closely related to the risks presented above.

Data protection and processing risk

The risk may be generated by situations such as accidental loss or modification of data, as well as unauthorized access to personal data. Regardless of the basis for processing, Electromagnetica complies with the obligations set out in the general Data Protection Regulation (GDPR) – regulation (EU) 2016/679 including the obligation to inform the data subject at the time of data collection.

Risk of sanctions

The company manages these risks through preventive actions. This involves, among other things, monitoring legislative changes and informing colleagues, participating in courses and seminars (labor legislation, competition, GDPR - personal data protection, risk management and corporate governance, etc.) and not in the last row, compliance courses with the employees involved. Recall that in 2021 was developed, among other things, a **Competition rules compliance manual** which was approved in the Board of Directors and subsequently acquired by all employees in sales, procurement and energy production and supply department.

Litigation. Litigation risk

Disputes in which the company is involved **do not have** values that affect the financial stability of the company especially since in the vast majority of cases Electromagnetica is in the position of creditor. The two cases of claims against Electromagnetica, pending before the courts, do not exceed 0.4% of the turnover. In all cases, including those as creditors to companies in insolvency / bankruptcy, procedural positions were formulated, in most cases being ensured presence at each procedural term.

Risks covered by insurance policies

Among them are: the risk of natural disasters, the risk of accidental damage, the risk of business interruption, the risk of recovering the debts of various debtors, the risk of injury of exposed employees, the protection of assets through insurance, liability to third parties, liability as producer, professional liability for some professions, liability of administrators. The activity of producing electricity in low power plants (without reservoirs) is subject to risks of destruction caused by floods. In these circumstances, the company acted in the sense of concluding insurance policies against disasters to protect the MHCs as well as the buildings of the headquarters.

13. ELEMENTS OF PERSPECTIVE

13.1. Presentation and analysis of trends, elements, events or uncertainty factors that could affect the profitability and liquidity of the company compared to the same period of the previous year.

Market trends

LED lighting technology is preferred in all major lighting modernization projects so that the potential for sale (including for the products in stock) is preserved. In order to increase the competitiveness, it is necessary to increase the quality of the products to a level that allows the extension of the warranty period and the decrease of the replacement costs. Another market trend is the increase in revenues from activities related to the production of LED luminaires, for example through installation design and assembly services.

According to our estimations, the market of vehicle charging stations will develop in a sustained way, more and more companies and local authorities having in the project the payment of electric vehicle charging stations, some acquisitions being stimulated by the aforementioned financing programs

In the energy market, at the moment, the price has a downward trend, below the values of the ceilings imposed for industrial consumers. The rapid growth of renewable energy generation capacities, in order to meet the EU targets, should help maintain the downward trend in electricity prices. Although the price of energy is on a downward trend, due to the tense situation at regional and global level (including ongoing conflicts) it can have unpredictable variations.

13.2. Forecasts and projects for the year 2024

Sale of lighting systems and charging stations:

For 2024, the company will prioritize the sale of the products in stock, both in terms of lighting and related to charging stations both by direct sale and by participating in auctions. We expect auctions for power stations to increase.

Production and sale / supply of electricity

In 2024 the main directions of action will be:

- Making the best possible use at the new prices in the energy market and of the green certificates produced by the 10 micro-hydropower plants through the client portfolio
- Finding new end customers (even older customers with whom we had a good collaboration), with a good consumption profile (like linear consumption or with a significant load at night)
- Increase the amount of Energy sold at electric car charging stations.

Management and capitalization of real estate assets

Electromagnetica S. A. estimates a **similar degree of load of spaces** and in 2024. However, taking into account certain clauses introduced in the lease agreement, designed to reduce the risk of non-payment and non-release of space, as well as the increase in the supply of spaces for rent, it is possible that the company will record a decrease of up to 10% in the degree of load, offset by an increase in average revenues per sqm rented.

Plastic injection

It will keep relatively constant for tool boxes and electrical appliances. Management will aim to offset the decline in automotive volume by winning new projects.

CFR safety elements

There are ongoing contracts with delivery in Q1 2024 as well as advanced discussions for concluding new contracts for the purchase of products. We believe, based on the data so far, that at least 85% of last year's value will be achieved

Sourcing activity

Electromagnetica aims to pay increased attention to the planning of the supply activity based on the medium and long term forecasts received from the sales and export departments, maintaining close relationship with suppliers so as to keep costs under control and to ensure the materials on time and in the same terms of technical and qualitative performance.

13.3. Expected investments in 2024

In 2024 the investments will be mainly oriented in maintenance and modernization activities, most of them at the micro-hydropower plants in the county. Suceava but also at the headquarters (Electromagnetica Business Park) in Bucharest including the continuation of the implementation of an increase in the power capacity of 0.75 MW).

14. TANGIBLE ASSETS OF THE COMPANY:

The production capacities of the company are located, mainly, at the headquarters, on Calea Rahovei 266-268, 5th district, Bucharest, except for the electricity production capacities in SRE, which are located in Suceava River Basin, Radauti area, on a length of about 70 km. The production capacities of the company refer to technologies for the production of LED luminaires, electric vehicle charging stations, plastic injection, mold making, technological assembly operations, etc. They are characterized by complexity, accuracy, flexibility, automation, etc. The spaces for rent are exclusively in Bucharest and Ilfov county, most of them at the headquarters in Calea Rahovei 266-268, where they are rented approx. 33,000 sq.

The company owns land and constructions in Bucharest, Ilfov county and Dambovita county. For three of the lands in Bucharest, feasibility studies for real estate development were carried out and subsequently rent. Also, in order to diversify the portfolio of activities and for a better exploitation of land were carried out feasibility studies for the lands with agricultural potential.

The company does not have disputes related to the ownership of its land.

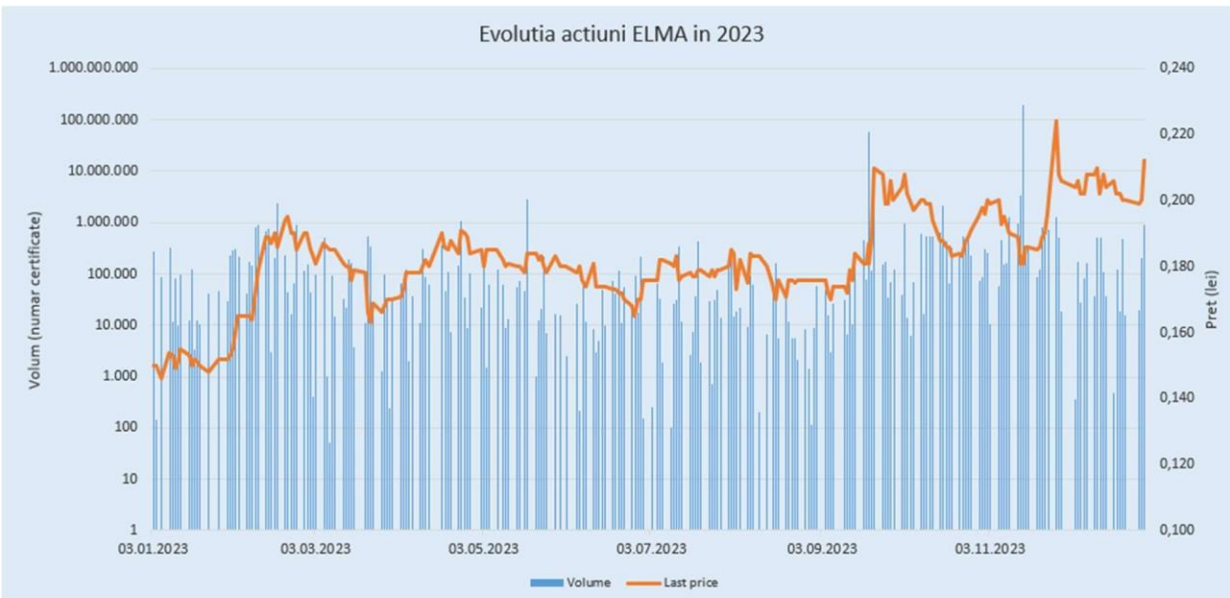
15. SECURITIES VALUES MARKET

15.1. Stock price evolution:

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

Market symbol **ELMA**
Ordinary shares, nominative, dematerialized
number of shares issued: **676.038.704**

Nominal value: **0.1000 lei**
Share Capital: **67,603,870. 40 lei**
ISIN code **ROELMAACNOR2**
Code LEI: **254900MYW7D8IGEFRG38**
ELMA shares are included in the stock index **BET Plus**



During 2023 were traded (on all markets) 304,144,064 shares representing 44.99% of the total number of shares, at an average price of 0.1856 lei/share. The reference price fluctuated between a minimum of 0.1460 lei/share and a maximum of 0.2240 lei/share. The shares have been on an upward trend recording highs in the last 5 years. An example is the fact that the 2022 stock maximum was the 2023 stock minimum.

15.2. Dividends granted:

Electromagnetica S.A. has always taken into account the interest of shareholders both in terms of development policy and in terms of granting dividends. When financial results allowed Electromagnetica S.A. awarded dividends to shareholders. Thus, in 2023 (for 2022,) a unit dividend of 0.005 lei/share was granted, increasing by 25% compared to the previous one. Regarding the year for which it is reported, the decision will be taken at the G.A.A. in April 2024.

16. INDIVIDUAL FINANCIAL STATEMENT AS AT DECEMBER 31, 2023 (ALL AMOUNTS ARE EXPRESSED IN LEI, UNLESS OTHERWISE SPECIFIED)

16.1. Position financial

	December 31 2023	December 31 2022 restated	December 31 2021 restated
ASSETS			
Non-current assets			
Property, plant and equipment	284.561.365	309.248.377	319.558.500
Real estate investments	17.709.588	16.573.349	14.649.783
Intangible assets	566.310	787.901	141.598
Investments in affiliated entities	842.008	841.908	841.908
Other long-term non-current assets	6.606.482	9.920.728	14.540.480
Rights of use assets	1.399.694	2.160.053	1.433.898
Total non-current assets	**311.685.446**	**339.532.316**	**351.166.167**
Current assets			
Stocks	18.715.189	27.357.022	22.234.669
Commercial receivables	35.380.716	63.443.787	64.086.049
Cash and cash equivalents	25.138.900	10.713.669	2.923.410
Other current assets	1.666.030	1.699.960	2.069.666
Current tax claim	1.703.829	1.055.191	1.112.250
Total current assets	**82.604.665**	**104.269.629**	**92.426.044**
Total assets	**394.290.111**	**443.801.945**	**443.592.211**
EQUITY AND LIABILITIES			
Equity			
Share Capital	67.603.870	67.603.870	67.603.870
Reserves and other equity items	215.108.527	196.462.928	216.140.275
Retained earnings	63.035.361	115.884.803	72.895.162
Total equity attributable to shareholders of the company	**345.747.758**	**379.951.600**	**356.639.307**
Commercial and other liabilities	867.718	700.176	975.819
Investment grants	3.757.433	3.920.651	4.083.869
Deferred tax liabilities	15.983.096	22.429.646	23.318.956
Lease liabilities	724.064	1.299.749	794.234
Total long-term liabilities	**21.332.310**	**28.350.222**	**29.172.878**
Current liabilities			
Commercial and other liabilities	24.920.540	32.243.773	54.594.629
Investment grants	163.219	163.219	163.219
Provisions	1.405.436	2.199.338	2.341.163
Lease liabilities	720.847	893.792	681.015
Total current liabilities	**27.210.043**	**35.500.123**	**57.780.025**
Total liabilities	**48.542.353**	**63.850.345**	**86.952.904**
Total equity and liabilities	**394.290.111**	**443.801.945**	**443.592.211**

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

	12-month period ended December 31 2023	12-month period ended December 31 2022 *(restated)*
Revenue	**195.013.303**	**225.964.727**
Investment income	1.070.840	638.614
Other income and expenses, net	(14.567.429)	4.471.866
Change in the stock of finished products and production in progress execution	7.841.706	17.222.428
Activity performed by the entity and capitalized	2.219.694	2.229.197
Raw materials and consumables used	(102.147.473)	(123.780.118)
Employee expenses	(39.300.725)	(36.050.893)
Depreciation and amortization expense	(33.639.220)	(15.043.289)
Other expenses	(52.616.839)	(49.657.259)
Financial expenses	(461.737)	(1.129.564)
Profit/loss before tax	**(36.587.880)**	**24.865.711**
Corporate tax	5.554.791	(1.553.418)
Period profit	**(31.033.088)**	**23.312.293**

16.3. Cash flows Statement

	December 31 2023	December 31 2022
Net cash used in operating activities	**22.797.746**	**29.743.975**
Net cash used in investment activities	**(4.194.877)**	**302.310**
Net cash used in financing activities	**(4.177.638)**	**(22.256.026)**
(Decrease) net cash and equivalents of cash	**14.425.232**	**7.790.259**
Cash and cash equivalents at the beginning of the period	**10.713.669**	**2.923.410**
Cash and cash equivalents at end of period	**25.138.900**	**10.713.669**

17. IMPORTANT EVENTS OCCURRED AFTER THE CLOSE OF THE FINANCIAL YEAR :

There are no important events that affect the results of last year or the development of Electromagnetica activity in 2024

18. CORPORATE GOVERNANCE STATEMENT:

18.1. Relevant corporate governance code

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

Strict application of the incident Legal Framework (Law No. 31/1990-companies law, republished; law no. 24/2017 on issuers of financial instruments and market operations; ASF Regulation No. 5/2018 on issuers of financial instruments and market operations and the Bucharest Stock Exchange Code) offer the premises for compliance with the corporate governance requirements established at international level.

The board of Directors decided to voluntarily apply the Corporate Governance Code of BVB with the mention that, according to the specifics of the company, some provisions will be partially respected. The current state of compliance with the GCC of the B.V.B., The reasons for the partial application and the measures taken to achieve the corporate governance objectives are set out in the Annex to the Corporate Governance Statement published together with this report.

18.2. General meetings and rights shareholders

The rights of shareholders and the procedure for participation in the general meetings of shareholders are mentioned in the convening notice of the general meetings and have been summarized in a regulation, available in the Corporate Governance section on the company's website at https://www.electromagnetica.ro/investitori-info/

18.3. Administration system

Currently the management system is a unitary one, the company being led by a Board of Directors consisting of 5 members.

18.4. Governance structures corporate

The main Management, Management and supervisory structures of the company are the Board of Directors, Executive Directors, Audit Committee, external auditor and internal auditor.

18.4.1 Board of directors (BoD)

In 2023, a system with 7 administrators was changed to one with 5 administrators. Chronologically the evolution of the Board of Directors was as follows:

BoD composed of 7 members:

The election of the board members was made by cumulative vote at the OGMS of September 19, 2019, the candidates being proposed by the shareholders.

Period: 01.01.2023 – 28.05.2023

Name	Position	Term of office	Profession	ELMA Individual stock holdings	Positions held in other listed companies
Scheusan Eugen	Board of Directors President	18 oct 2019 18 oct 2023	Licensed in engineering,	0.2428%	-
Stancu Traian	Board of Directors Member	18 oct 2019 18 oct 2023	Licensed in engineering,	0.0462%	-
Stancu Ioan	Board of Directors Member	18 oct 2019 18 oct 2023	Technician	0.0027%	-
Octavian Macovei	Board of Directors Member	18 oct 2019 18 oct 2023	Licensed in engineering,	0 %	-
Busu Cristian	Board of Directors Member	28 sept 2021 18 oct 2023	Licensed in economics	0 %	
Zoescu Mihai	Board of Directors Member	28 sept 2021 18 oct 2023	Licensed in economics	0 %	Biofarm SA-Financial Manager Infinity Capital Investments- Board of Directors member
Cristina Gagea-Gabriela	Board of Directors Member	August 15, 2022 28-29 apr 2023	Licensed in economics	0 %	Casa de Bucovina Club de Munte SA - Board of Directors member

Period: 28.05.2023 – 03.07.2023

Name	Position	Term of office	Profession	ELMA Individual stock holdings	Positions held in other listed companies
Scheusan Eugen	Board of Directors President	18 oct 2019 18 oct 2023	Licensed in engineering,	0.2428%	-
Stancu Traian	Board of Directors Member	18 oct 2019 18 oct 2023	Licensed in engineering,	0.0462%	-
Stancu Ioan	Board of Directors Member	18 oct 2019 18 oct 2023	Technician ,	0.0027%	-
Mihail Stoica	Board of Directors Member	02 May 2023 03 Jul 2023	Licensed in engineering,	0 %	-
Busu Cristian	Board of Directors Member	28 sept 2021 18 oct 2023	Licensed in economics	0 %	
Zoescu Mihai	Board of Directors Member	28 sept 2021 18 oct 2023	Licensed in economics	0 %	Biofarm SA- Financial Manager Infinity Capital Investments- Board of Directors Member
Gagea Cristina-Gabriela	Board of Directors Member	August 15, 2022 28-29 apr 2023	Licensed in economics	0 %	Casa de Bucovina Club de Munte SA - Board of Directors

Period: 03.07.2023 – 18.10.2023

Name	Position	Term of office	Profession	ELMA Individual stock holdings	Positions held in other listed companies
Scheusan Eugen	Board of Directors President	18 oct 2019 18 oct 2023	Licensed in engineering,	0.2428%	-
Stancu Traian	Board of Directors Member	18 oct 2019 18 oct 2023	Licensed in engineering,	0.046 2 %	-
Stancu Traian	Board of Directors Member	18 oct 2019 18 oct 2023	Licensed in engineering,	0.046 2 %	-
Stancu Ioan	Board of Directors Member	18 oct 2019 18 oct 2023	Technician	0.002 7 %	-
Cioaca Sorin-Iulian	Board of Directors Member	03 Jul 2023 18 oct 2023	Bachelor of Science in mathematics	%	Infinity Capital Investments-Board of Directors President
Busu Cristian	Board of Directors Member	28 sept 2021 18 oct 2023	Doctor in Economy	0 %	

Zoescu Mihai	Board of Directors Member	28 sept 2021 18 oct 2023	Economist	0 %	Biofarm SA- Financial Manager Infinity Capital Investments- Board of Directors Member
Cristina Gagea-Gabriela	Board of Directors Member	August 15, 2022 28-29 apr 2023	Economist	0 %	Casa de Bucovina Club de Munte SA - Board of Directors member

B. C. A. composed of 5 members:

The election of the board members was made by cumulative vote at the OGMS of 03 July 2023, the candidates being appointed by the shareholders.

Period : 18.10.2023-31.12.2023

Name	Position	Term of office	Profession	ELMA Individual stock holdings	Positions held in other listed companies
Daniela-Adi Cucu		18 oct 2023 18 oct 2027	Licensed in legal sciences,	0 %	-
Cristina-Gabriela Gagea	Board of Directors Member	18 oct 2023 18 oct 2027	Licensed in economic sciences,	0 %	Casa de Bucovina Club de Munte SA - Board of Directors member
Sorin-Iulian Cioaca	Board of Directors Member	18 oct 2023 18 oct 2027	Licensed in mathematics and economics,	0 %	Infinity Capital Investments-Board of Directors, President
Mihai Trifu	Board of Directors Member	18 oct 2023 18 oct 2027	Licensed in economic sciences	0%	Infinity Capital Investments-Board of Directors, Vice President
Scheusan Eugen	Board of Directors Member	18 oct 2023 18 oct 2027	Licensed in engineering	0.2428 %	

The majority of board members are non-executive directors so a balance of authority is ensured. In 2023 the Board of Directors met at least monthly, all members being present in person or using voting by correspondence. The level of indemnities of the members is established by the decision of the shareholders in the general meeting.

Note: Considering that Electromagnetica S. A. is a company listed on the Bucharest Stock Exchange (BVB) and we have reporting obligations to both B.V.B. and A.S.F, the amendments within the Board of Directors as well as the amendment of the Articles of incorporation in this respect were notified to B.V.B. and A.S.F. at that time.

18.4.2. Directors

According to the statutory provisions and the decision of the first Board of Directors since the establishment, the president of the Board of Directors can also be the General Director and legally represent the company. The board of Directors shall delegate part of its powers to one or more directors on the basis of mandate contracts, fixing their tasks at the same time. The executive leadership during 2023 was ensured as follows:

A. Period: 01.01.2023 – 04.04.2023

Name/ Surname	Quality	ELMA Individual stock holdings	Other positions held in listed companies
Scheusan Eugen	General Manager	0.2428 %	-
Macovei Octavian	Technical Director	0%	-
Florea Cristina	Economic Director	0%	-
Stoica Mihail	Commercial Director	0%	-

B. Period: 04.04.2023 – 18.10.2023

Name/ Surname	Quality	ELMA Individual stock holdings	Other positions held in listed companies
Scheusan Eugen	General Manager	0.2428 %	-
Macovei Octavian	Technical Director	0%	-
Florea Cristina	Economic Director	0%	-
Stoica Mihail	Commercial Director	0%	-
Daniela-Adi	Legal Director	0%	-
Monica Stanila	Property Manager	0%	-

C. Period : 18.10.2023 – 01.11.2023

Name/ Surname	Quality	ELMA Individual stock holdings	Other positions held in listed companies
Daniela-Adi	General Manager	0 %	-
Florea Cristina	Economic Director	0 %	-

D. Period: 01.11.2023 – 13.11.2023

Name/ Surname	Quality	ELMA Individual stock holdings	Other positions held in listed companies
Daniela-Adi	Legal Director	0 %	-
Andrei Bobar	Deputy Director - General	0 %	-
Florea Cristina	Economic Director	0 %	-

E. Period: 14.11.2023 – 19.11.2023

Name/ Surname	Quality	ELMA Individual stock holdings	Other positions held in listed companies
Daniela-Adi	Legal Director	0 %	-
Andrei Bobar	Deputy Director - General	0 %	-

F. Period: 20.11.2023 – 18.12.2023

Name/ Surname	Quality	ELMA Individual stock holdings	Other positions held in listed companies
Daniela-Adi	Legal Director	0 %	-
Andrei Bobar	Deputy Director - General	0 %	-
Cristian Radu	Chief Financial Officer	0 %	-

G. Period: 19.12.2023-31.12.2023

Name/ Surname	Quality	ELMA Individual stock holdings	Other positions held in listed companies
Daniela-Adi	General Manager	0 %	-
Cristian Radu	Chief Financial Officer	0 %	-

The remuneration of the directors is determined by the decision of the Board of Directors. Annual gross remuneration and other advantages, including that approved by A.G.A. through B.V.C., due to management may not exceed 5% of the value of equity, established by the annual balance sheet.

For compliance with the legal obligations introduced by Law no. 158/2020 by which Law no. 24/2017 on issuers of financial instruments and market operations, the remuneration policy of directors, executive directors and members of the Audit Committee was developed, which was approved at the 2021 GMS. This remuneration policy was completed on 26.04.2022 with the specifications published on www.bvb.ro and www.electromagnetica.ro.

18.4.3. Independent external auditor

Following the OGMS of April 2023, it was decided to mandate Deloitte Audit SRL in order to audit the financial statements related to the years 2023 and 2024. The audit company is represented by Mr. Razvan Ungureanu – Audit partner.

Identification data of **Deloitte Audit SRL** are the following:

Fiscal Identification Code RO 7756924,

Trade Registry number 40/6775/1995

Authorization Chamber of financial auditors of Romania no.25/25.06.
2001
Company headquarters-Bucharest, 1st district, Calea Grivitei 82-98, building,, The
Mark" Phone number 021/222.16.61, Fax 021/319. 51. 00

18.4.4. Internal control

The Board of Directors shall work closely with the Audit Committee, Internal Auditor and financial control on matters relating to financial reporting, internal control and risk management. The management experience and professional training of the board members allow them to appreciate the effectiveness of the internal control system.

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

The internal accounting and financial control of the company was applied in order to ensure an accounting management and a financial tracking of the company's activity. The internal control activity was aimed at:

- ensuring compliance with the legislation in force;
- application of decisions taken by the company's management;
- proper functioning of the internal activity of the company;
- reliability of financial information;
- efficient use of resources;
- risk prevention and control.

The control activity was carried out with the Internal Auditor, taking into account his recommendations and observations

18.4.5. Audit Committee

In accordance with the provisions of the audit law no. 162/2017 and EU Regulation No. 537/2014 on Audit and with the recommendations of BVB for listed companies, the Board of Directors decided in 2018 to set up an Audit Committee.

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

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

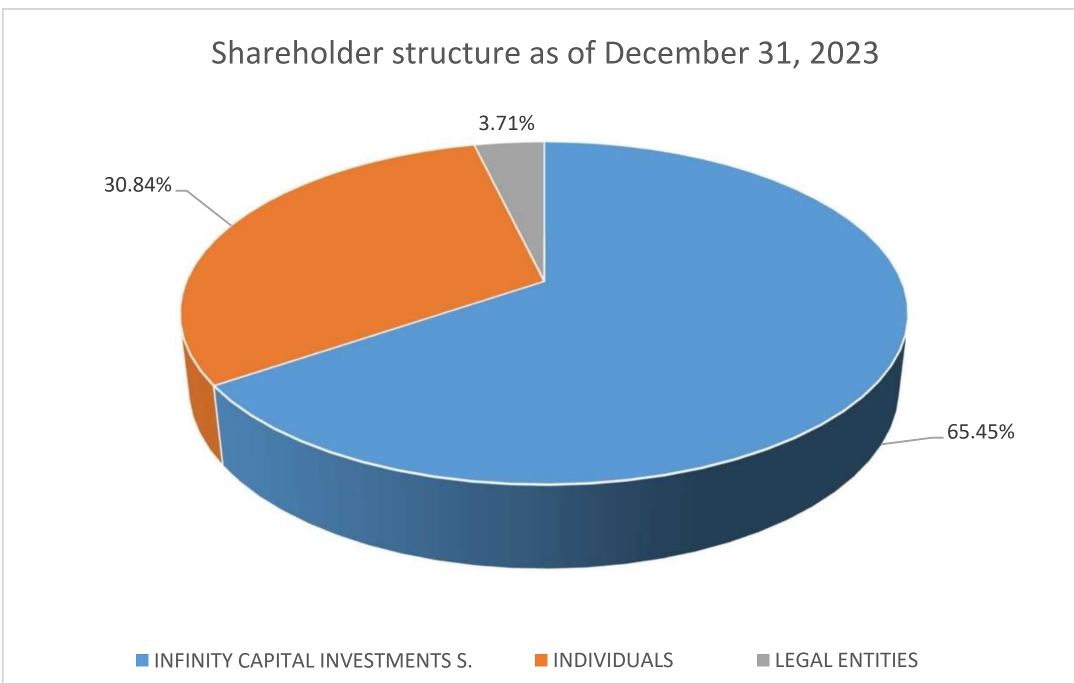
It also approves the audit program and coordinates the work of the internal auditor which is an outsourced service.

During 2023, 4 audit missions were carried out, as follows:

- audit of insurance activity financial resources
- audit of the contracting activity verification of the implementation mode on the recommendations made by the internal auditor in the missions carried out in the period 01.01.2022-31.12.2022.
- audit of electricity supply activity
- audit of inventory activity

The Audit Committee of Electromagnetica consists of: Ms. Cristina-Gabriela GAGEA, President; Mr. Sorin-Iulian CIOACA, member; Mr. Mihai TRIFU, member

18.5. Capital structure and significant shareholders:



18.6. Management of conflicts of interest, transactions with the parties involved and the regime of confidential information

Directors in a potential conflict of interest shall inform the board and refrain from debating matters and voting. Transactions with the parties involved are concluded on non-preferential terms and are negotiated by management members who are not related to the parties involved, being reported to ASF and BVB, if applicable. The external auditor will appropriately report and analyze these transactions in his or her report. The company prepares and updates the list of persons presumed to have access to inside information. Annually, the directors and directors of the company and of the other affiliated parties give statements on their own responsibility regarding conflicts of interest and non-disclosure of competitive activities.

18.7. Acquisition of own shares

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

18.8. Reporting transactions of directors and other persons involved with the company's shares

The company does not apply additional rules, other than those provided by the legal norms, regarding the transactions with the company's shares made by the directors or other persons involved.

During 2023 *according to EU Regulation No. 596/2014 art 3 Para (25) si (26), art 19 para (1) and (8) and EU Regulation no. 523/2016,* four such notifications were received from Infinity Capital Partners S.A. (two notifications) after reaching the thresholds of 33 % and subsequently of 50% respectively from the parties that sold at that time and fell below 5 % (S.I.F. Muntenia and P.A.S. Electromagnetica).

Notifications are available on www.electromagnetica.ro respectively www.bvb.ro

18.9. Amendments to the articles of incorporation

The articles of incorporation have been updated to :

- April 27, 2023 by amending art. 16, pp. 16.1, the change of the Board of Directors component, namely the appointment of Mrs. Cristina-Gabriela GAGEA (former interim administrator) until the end of the mandate
- 03 July 2023 by amending art. 16, pp. 16.1, the change of the Board of Directors component, namely the appointment of Mr. Sorin – Iulian CIOACA (former provisional administrator) until the end of the mandate.
- October 18, 2023 by amending art. 16, pp. 16.1, change of the number (decrease from 7 to 5 members) and of the Board of Directors component according to the G.A.A. decision of 03.07.2023,

18.10. Dissemination of information corporate

The company establishes and publishes annually, on the BVB website and on its own website, a financial reporting calendar. The company prepares and disseminates periodic and continuous information relevant to the investment decision, Information published both on its own website and on the BVB website (symbol" ELMA"). The staff dedicated to this activity is permanently trained, trained and professionally trained on aspects regarding the relationship of a company with its shareholders and the principles of corporate governance.

During 2023 the dissemination of information was made in Romanian and in English, for those categories of documents provided by the applicable legal framework. There were organized meetings with investors and analysts on 20.02.2023, 15.05.2023, 11.08.2023 and 13.11.2023.

The company encourages communication with shareholders through the section **Investors** from its Web page available at **https://www.electromagnetica.ro/investitori-info/** and for additional information investors can address at tel 021.404.21.31, fax: 021.404.21.95 and email: juridic@electromagnetica.ro .

Attached to this report is the Corporate Governance Statement

Board of Directors President/General Manager	**Chief Financial Officer**
Daniela-Adi Cucu	**Cristian Radu**

ANNEX TO THE CORPORATE GOVERNANCE STATEMENT

Provisions of the BVB GCC	The company complies	The company does not comply or partially complies	Reason for non-compliance / measures taken / achievement of the objective
A. 1. All companies must have an internal board regulation that includes the terms of reference/responsibilities of the board and key management functions of the company, and that applies the general principles of Section A.	Complies		.
A. 2. Provisions for the management of conflicts of interest should be included in the council regulation. In any event, the members of the Council shall notify the Council of any conflicts of interest which have or may arise and shall refrain from participating in the discussions (by no-show, unless a no-show would prevent the formation of a quorum) and from voting for a decision on the issue giving rise to the conflict of interest.	Complies		
A. 3. The Board of Directors or Supervisory Board shall consist of at least five members.	Complies		
A. 4. Most members of the Board of Directors must not have an executive position. At least one member the Board of directors or the Supervisory Board shall be independent in the case of companies in the Standard category. In the case of premium companies, no less than two non-executive members of the management board or Supervisory Board shall be independent. Each independent member of the Management Board or supervisory board, as the case may be, shall submit a declaration at the time of his nomination for election or re-election and when any change in his status occurs, indicating that he is independent of his character and judgment and according to the following criteria:		Partially complies	Of the 5 members of the Board of Directors, one is an executive director and 4 Non-Executive Members; 1 member is independent

A. 4. 1. is not a Executive Director / General Manager of the company or of a company controlled by it and has not held a such function in the last five (5) years;		Partially complies	Of the 5 members of the Board of Directors, 4 are not independent according to A. 4.4.
A. 4. 2. Is not an employee of the company or of a company controlled by it and has not held such a position in last five (5) years;			
A. 4. 3. Does not receive and has not received additional remuneration or other advantages from the company or a company controlled by it, other than those corresponding to the quality of non-executive director;			
A. 4. 4. is not or was not an employee or does not have or did not have during the previous year a contractual relationship with a significant shareholder of the company, controlling shareholder over 10% from voting rights, or with a company controlled by it;			
A. 4. 5. has not and has not had in the previous year a business or professional relationship with the company or with a company controlled by it, either directly or in the capacity of customer, partner, shareholder, board member/Administrator, managing director/executive director or employee of a company if, by its substantial nature, this ratio may affect their objectivity;	Complies		
A. 4. 6. is not and has not been for the last three years the external or internal auditor or partner or salaried associate of the current external financial auditor or internal auditor of the company or of a company controlled by this;	Complies		
A. 4. 7. is not a managing director / executive director of another company where another managing director / executive director of the company is a non-executive director;	Complies		
A. 4. 8. he was not a non-executive director of the company a period of more than twelve years;	Complies		
A. 4. 9. has no family ties with a person in the situations referred to in points A. 4.1. and A. 4. 4.	Complies		

A. 5. Other relatively permanent professional commitments and obligations of a board member, including executive and non-executive positions on the Board of non-profit companies and institutions, must be disclosed to shareholders and prospective investors prior to nomination and during his mandate.	Complies		
A. 6. Any member of the board must submit to the Board information on any relationship with a shareholder who directly or indirectly owns shares representing more than 5% of all voting rights. This obligation covers any kind of report that may affect the position of the member on matters decided by the Council.	Complies		
A. 7. The company must appoint a secretary of Council responsible for supporting the work of the Council.	Complies		
A. 8. The Corporate Governance Statement will inform whether a board review has taken place under the direction of the chairman or the Nominating Committee and, if so, summarize the key measures and changes resulting from it. The company must have a policy / guide on the evaluation of the board comprising the purpose, criteria and frequency of the evaluation process.	Complies	Partially complies	The Board of Directors regulation is under review, meaning that specific provisions on the evaluation of the council will be taken into account.
A. 9. The Corporate Governance Statement should contain information on the number of board and committee meetings during the last year, the participation of directors (in person and in absentia) and a report by the board and committees on their activities.	Complies		
A. 10. The Corporate Governance Statement shall include information on the exact number of independent members of the Board of directors, or from the Supervisory Board.	Complies		

Provisions of the BVB GCC	The company complies	The company does not comply or partially complies	Reason for non-compliance / measures taken / achievement of the objective
A. 11. The Board of Premium companies must set up a nominating committee of non-executive members, which will conduct the procedure of nominating new members to the board and make recommendations to the board. Majority of nominating committee members it must be independent.		Partially complies	A nominating committee made up of non-executive directors who were, in their majority, independent directors could not be set up. The board of directors as a whole is the one who nominates the provisional members and makes recommendations to the OGMS for the election of new members in the Board of Directors.
B. 1. The board must establish an audit committee in which at least one member must be an independent non-executive administrator. The majority of the members, including the chair, must have demonstrated adequate qualifications relevant to the functions and responsibilities of the committee. At least one member of the audit committee must have proven and appropriate audit or accounting experience. For premium companies, the audit committee shall consist of at least three members and a majority of members the audit committee must be independent.	Complies		
B. 2. The chairman of the audit committee must be a independent non-executive member.	Complies		
B. 3. Within its responsibilities, the audit committee it must carry out an annual assessment of the internal control system.	Complies		
B. 4. The assessment shall take into account the effectiveness and coverage of the internal audit function, the adequacy of the risk management and internal control reports submitted to the board's audit Committee, the timeliness and effectiveness with which the executive management addresses the deficiencies or weaknesses identified as a result of internal control and the submission of relevant reports to the attention of the Council.	Complies		
B. 5. Audit committee to assess conflicts of interest interests in relation to transactions of the company and subsidiaries	Complies		

Provisions of the BVB GCC	The company complies	The company does not comply or partially complies	Reason for non-compliance / measures taken / achievement of the objective
with related parties.			
B. 6. The audit committee shall assess the effectiveness of the internal control system and the management risk system.	Complies		
B. 7. The audit committee shall monitor the application of legal standards and generally accepted internal audit standards. The audit committee shall receive and evaluate the reports of the internal audit team.	Complies		
B. 8. Whenever the code mentions reports or analyses initiated by the Audit Committee, they must be followed by regular reports (at least annually) or adhoc which must subsequently submitted to the Council.	Complies		
B. 9. No shareholder may be granted preferential treatment over other shareholders in connection with transactions and agreements concluded by the company with shareholders and their affiliates.	Complies		
B. 10. The board must adopt a policy to ensure that any transaction of the company with any of the companies with which it has close relations the value of which is equal to or greater than 5% of the company's net assets (as per the latest financial report) is approved by the board following a binding opinion of the board's audit Committee and fairly disclosed to shareholders and potential investors, insofar as these transactions fall under the subject to reporting requirements.	Complies		

Provisions of the BVB GCC	The company complies	The company does not comply or partially complies	Reason for non-compliance / measures taken / achievement of the objective
B. 11. Internal audits must be carried out by a structurally separate division (internal audit department) within company or by hiring an independent third party entity.	Complies		
B. 12. In order to ensure the performance of the main functions of the Internal audit Department, it must report functionally to the council through the audit committee. For administrative purposes and within the framework of management's obligations to monitor and reduce risks, it must report directly to the director general.	Complies		
C. 1. The company must publish the remuneration policy on its website and include in the annual report a statement on the implementation of the remuneration policy during the annual period under review. The remuneration policy should be formulated in such a way as to enable shareholders to understand the principles and arguments underlying the remuneration of board members and the director-general, as well as of the members of the board in the dual system. It should describe the management of the remuneration process and decision-making, detail the components of executive remuneration (such as salaries, annual bonuses, long-term incentives related to the value of shares, benefits in kind, pensions and others) and describe the purpose, principles and assumptions underlying each component (including the general performance criteria for any form of variable remuneration). In addition, the remuneration policy must specify the duration of the executive director's contract and the notice period provided for in the contract, as well as possible compensation for unjust revocation.	Complies		

Provisions of the BVB GCC	The company complies	The company does not comply or partially complies	Reason for non-compliance / measures taken / achievement of the objective
The remuneration report shall set out the implementation of the remuneration policy for the persons identified in the remuneration policy during the annual period under review. Any key change in remuneration policy should be published on the company's website in a timely manner.			
D.1. The company must organize an investor relations service-indicating to the general public the person (s) responsible or the organizational unit. In addition to the information required by the legal provisions, the company must include on its website a section dedicated to investor relations, in Romanian and English, with all relevant information of interest to investors, including: D. 1.1. Main corporate regulations: articles of incorporation, procedures for general meetings of shareholders; D.1.2. Professional CVs of members of the company's management bodies, other professional commitments of board members, including executive and non-executive positions on boards of companies or non-profit institutions; D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual) – at least those referred to in Point D. 8 – including current reports with detailed information on non-compliance with this code; D.1.4. Information on the general meetings of the shareholders: agenda and information materials;	Complies		

Provisions of the BVB GCC	**The company complies**	**The company does not comply or partially complies**	**Reason for non-compliance / measures taken / achievement of the objective**
the procedure for electing board members; the arguments supporting the proposals of candidates for election to the board, together with their professional CVS; the questions of the shareholders on the points on the daily agenda and the responses of the society, including the decisions adopted;			
D.1.5. Information on corporate events, such as the payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of a shareholder's rights, including deadlines and principles applied to such operations. That information will be published within a time limit enabling investors to take investment decisions; D.1.6. Name and contact details of a person who will be able to provide relevant information on request; D.1.7. Company presentations (e.g. investor presentations, quarterly results presentations, etc.), financial statements (quarterly, half-yearly, annual), audit reports and annual reports.	Complies		
D. 2. The Company shall have a policy on the annual distribution of dividends or other benefits to shareholders, proposed by the managing director or the board and adopted by the board, in the form of a set of guidelines that the company intends to follow with respect to the distribution of net profit. The principles of the annual distribution policy to shareholders will be published on the website of the company.	Complies		

Provisions of the BVB GCC	The company complies	The company does not comply or partially complies	Reason for non-compliance / measures taken / achievement of the objective
D. 3. The company will adopt a policy in relation to the forecasts, whether they are made public or not. Forecasts refer to quantified conclusions of studies aimed at determining the overall impact of a number of factors for a future period (so-called assumptions): by its nature, this projection has a high level of uncertainty, the actual results may differ significantly from the original forecasts. The forecast policy will set out the frequency, period and content of the forecasts. If published, forecasts may only be included in annual, half-yearly or quarterly reports. Forecast policy will be published on the company's website.		Partially complies	The company has not adopted a forecast policy setting out their frequency, period and content, whether or not to be made public. Forecasts with a certain level of uncertainty are contained each time in the annual reports of the administrators.
D. 4. The rules of general meetings of shareholders should not limit the participation of shareholders in general meetings and the exercise of their rights. Changes to the rules will take effect, at the earliest, from the next shareholders ' meeting.	Complies		
D. 5. External auditors will be present at the general meeting of shareholders when their reports are presented at such meetings.	Complies		
D. 6. The board will present to the Annual General Meeting of shareholders a brief assessment on the internal control and management systems of significant risks, as well as opinions on matters subject to the decision of the general assembly.	Complies		

Provisions of the BVB GCC	**The company complies**	**The company does not comply or partially complies**	**Reason for non-compliance / measures taken / achievement of the objective**
D. 7. Any specialist, consultant, expert or financial analyst may attend the shareholders ' meeting on the basis of a prior invitation from the board. Accredited journalists may also attend the general meeting of shareholders unless the president of the Council shall act otherwise.	Complies		
D. 8. The quarterly and semi-annual financial reports will include information in both Romanian and English on key factors influencing changes in the level of sales, operating profit, net profit and other relevant financial indicators, both from quarter to quarter and from year to year.	Complies		
D. 9. A company will hold at least two meetings / teleconferences with analysts and investors each year. The information presented on these occasions will be published in the Investor Relations section of the Investor Relations company's internet page at the date of the meetings/ teleconferences.	Complies		
D. 10. Where a society supports various forms of artistic and cultural expression, sports, educational or scientific activities and considers that their impact on the innovativeness and competitiveness of society is part of its mission; and its development strategy, will publish policy on its work in this area.		Partially complies	The society has not adopted or published a policy to support forms of artistic and cultural expression, sports, educational or scientific activities. However, numerous past actions to support the above areas have been accompanied by press releases and promoted on the company's website.

ELECTROMAGNETICA SA

SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

Prepared in accordance with

Order of the Minister of Public Finance no. 2844/2016 for the approval of Accounting regulations in accordance with the International Financial Reporting Standards adopted by the European Union

and

according to the provisions of art.63 of Law 24/2017, annex 15 to the Financial Supervisory Authority Regulation No. 5/2018 and Bucharest Stock Exchange Code

CONTENTS **PAGE**

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

Deloitte.

Deloitte Audit S.R.L.
The Mark Tower,
82-98 Calea Griviței,
Sector 1, 010735
Bucharest, Romania

T: +40 21 222 16 61
F: +40 21 222 16 60
www.deloitte.ro

INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
ELECTROMAGNETICA S.A.

Report on the Audit of the Financial Statements

Opinion

1. We have audited the financial statements of ELECTROMAGNETICA S.A. ("the Company"), with registered office in in Bucharest Sector 5, 266-268 Rahova Blvd, identified by unique tax registration code 414118, which comprise the statement of financial position as at December 31, 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

2. The financial statements as at December 31, 2023 are identified as follows:

• Net assets / Equity	RON 345, 747,758
• Net loss for the financial year	RON (31,033,088)

3. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (herein after referred to as "the Regulation") and Law 162/2017 on the statutory audit of annual financial statements and annual consolidated financial statements and on amending other pronouncements (herein after referred to as "the Law 162/2017". Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law 162/2017 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients.
Please see www.deloitte.com/about to learn more.

Deloitte.

Key audit matters	How our audit addressed the key audit matter
Revenue recognition with respect to bill and hold arrangements	
As presented in **Note 4.3** to the financial statements, during 2023 the Company has reassessed the revenue recognition criteria with respect to bill and hold arrangements. As a consequence, it has restated the comparative financial information for the prior year presented in the financial statements. In particular, the Company has entered into bill and hold arrangements with part of its customers in the years ended December 31, 2019, December 31, 2021 and December 31, 2022 for which the goods are still at the premises of the Company as at December 31, 2023. Whether revenue with respect to these contracts should have been recognized at the date of billing and retaining physical possession is based on the specific requirements outlined by IFRS 15. In view of the significant judgements, the application of the revenue recognition criteria and also restatement including related disclosures, this matter was considered a significant risk and a Key Audit Matter.	We have assessed the Company's revenue recognition criteria for bill and hold arrangements by performing the following procedures: • We have obtained a list containing all transactions concluded by the management containing a bill and hold arrangement; • We have inspected the supporting documents (including contracts signed, custody minutes and other supporting documents pertaining to the specific transactions) related to the bill and hold arrangements concluded by the management; • We have assessed whether the criteria applied by the management with respect to fulfilling the specific requirements under IFRS 15 for bill and hold arrangements have been met at the date of concluding the transactions; • We have participated at the stock count of the goods including goods under bill and hold arrangements; • We assessed the adequacy of the restatement of the comparative financial information including related disclosure in the financial statements.

Other information

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

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

In connection with our audit of the financial statements for the year ended December 31, 2023, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Other responsibilities of reporting with respect to other information – Administrators' report

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

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

a) the information included in the Administrators' report, for the financial year for which the financial statements have been prepared is consistent, in all material respects, with these financial statements;

b) the Administrators' report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards.

Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the financial statements prepared as at December 31, 2023, we are required to report if we have identified a material misstatement of this Administrators' report. We have nothing to report in this regard.

Deloitte.

Other reporting responsibilities with respect to other information – Remuneration report

With respect to the Remuneration report, we read it to determine if it presents, in all material respects, the information required by article 107, paragraphs (1) and (2) of Law 24/2017 regarding the issuers of financial instruments and market operations, republished. We have nothing to report in this regard.

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

7. Management is responsible for the preparation and fair presentation of the financial statements in accordance with Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

8. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

9. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

    - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

    - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Deloitte.

12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

15. We were appointed by the General Meeting of Shareholders on April 27, 2023 to audit the financial statements of [the full name of the Company] for the financial year ended December 31, 2023. The uninterrupted total duration of our commitment is 8 years, covering the financial years ended December 31, 2016 until December 31, 2023.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued this report. Also, in conducting our audit, we have retained our independence from the audited entity.

- No non-audit services referred to in Article 5 (1) of EU Regulation no. 537/2014 were provided.

The engagement partner on the audit resulting in this independent auditor's report is Răzvan Ungureanu.

Report on compliance with Law no. 162/2017 on the statutory audit of annual financial statements and annual consolidated financial statements and on amending other pronouncements ("Law 162/2017"), and Commission Delegated Regulation (EU) 2018/815 on the European Single Electronic Format Regulatory Technical Standard ("ESEF")

16. We have undertaken a reasonable assurance engagement on the compliance with Law 162/2017, and Commission Delegated Regulation (EU) 2018/815 applicable to the financial statements included in the annual financial report of ELECTROMAGNETICA SA ("**the Company**") as presented in the digital files which contain the unique LEI code 254900MYW7D8IGEFRG38.

(I) Responsibilities of Management and Those Charged with Governance for the Digital Files prepared in compliance with ESEF

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

- the design, implementation and maintenance of internal controls relevant to the application of ESEF;

- ensuring consistency between the Digital Files and the financial statements to be submitted in accordance with Order 2844/2016

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

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

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

Deloitte.

Our firm applies International Standard on Quality Management 1 (“ISQM1”), and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

- obtaining an understanding of the Company’s process for preparation of the digital files in accordance with ESEF, including relevant internal controls;

- reconciling the digital files with the audited financial statements of the Company to be submitted in accordance with Order 2844/2016;

- evaluating if the financial statements contained in the annual report have been prepared in a valid XHTML format.

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

In our opinion, the financial statements for the year ended 31 December 2023 included in the annual financial report in the Digital Files comply in all materials respects with the requirements of ESEF.

In this section, we do not express an audit opinion, review conclusion or any other assurance conclusion on the financial statements. Our audit opinion relating to the financial statements of the Company for the year ended 31 December 2023 is set out in the “Report on the audit of the financial statements” section above.

Răzvan Ungureanu, Audit Partner

For signature, please refer to the original Romanian version.

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under AF 4866

On behalf of:

DELOITTE AUDIT SRL

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

The Mark Building, 84-98 and 100-102 Calea Grivițεi, 9th Floor, District 1
Bucharest, Romania
March 21, 2024

ELECTROMAGNETICA SA
SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023
(all amounts are in RON, unless otherwise stated)

	Note	Period of 12 months ended at December 31 2023	Period of 12 months ended at December 31 2022
			(restated)
Revenue	**22**	**195,013,303**	**225,964,727**
Finance income		1,070,840	638,614
Other net incomes and expenses	**22**	(14,567,429)	4,471,866
Change in inventories of finished goods and work in progress		7,841,706	17,222,428
Capitalised workings		2,219,694	2,229,197
Raw materials and consumables used	**23**	(102,147,473)	(123,780,118)
Emloyees benefits expense	**23,26**	(39,300,725)	(36,050,893)
Depreciation and amortization expenses	**23**	(33,639,220)	(15,043,289)
Other expenses	**23**	(52,616,839)	(49,657,259)
Finance costs	**24**	(461,737)	(1,129,564)
Profit/(Loss) before tax		**(36,587,880)**	**24,865,711**
Income Tax	**25**	5,554,791	(1,553,418)
Profit/(Loss) of the year		**(31,033,088)**	**23,312,293**
Other comprehensive income			
of which:			
Items which will not be reclassified subsequently to profit or loss :			
- Surplus from the revaluation of property, plant and equipment		249,333	-
- Deferred tax recognized in equity	**25**	(39,893)	-
Other comprehensive income		**(30,823,648)**	**23,312,293**
Earnings per share	**28**	**(0.0459)**	**0.0345**

These separate financial statements have been approved to be issued by management at **March 21, 2024**:

DANIELA-ADI CUCU
General Manager

CRISTIAN RADU
Chief Financial Officer

ELECTROMAGNETICA SA
SEPARATE STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023
(all amounts are in RON, unless otherwise stated)

	Note	December 31 2023	December 31 2022	January 1 2022
ASSETS			*(restated)*	*(restated)*
Non-current assets				
Property, plant and equipment	**5**	284,561,365	309,248,377	319,558,500
Investment property	**6**	17,709,588	16,573,349	14,649,783
Intangible assets	**7**	566,310	787,901	141,598
Investments in affiliated entities	**9**	842,008	841,908	841,908
Other non-current assets	**10**	6,606,482	9,920,728	14,540,480
Rights of Use Assets	**8**	1,399,694	2,160,053	1,433,898
Total fixed assets		**311,685,446**	**339,532,316**	**351,166,167**
Current assets				
Inventories	**11**	18,715,189	27,357,022	22,234,669
Trade Recievables	**12**	35,380,716	63,443,787	64,086,049
Cash and cash equivalents	**14**	25,138,900	10,713,669	2,923,410
Other current assets	**13**	1,666,030	1,699,960	2,069,666
Current tax recievable	**25**	1,703,829	1,055,191	1,112,250
Total current assets		**82,604,665**	**104,269,629**	**92,426,044**
Total assets		**394,290,111**	**443,801,945**	**443,592,211**
EQUITY AND LIABILITIES				
Equity				
Share capital	**15**	67,603,870	67,603,870	67,603,870
Reserves and other equity items	**16**	215,108,527	196,462,928	216,140,275
Retained earnings	**17**	63,035,361	115,884,803	72,895,162
Total equity attributable to the shareholders		**345,747,758**	**379,951,600**	**356,639,307**
Long-term debts				
Trade in other payables	**20**	867,718	700,176	975,819
Investment subsidies	**18**	3,757,433	3,920,651	4,083,869
Deferred tax liabilities	**25**	15,983,096	22,429,646	23,318,956
Lease liabilities	**8**	724,064	1,299,749	794,234
Total long-term debt		**21,332,310**	**28,350,222**	**29,172,878**
Current liabilities				
Trade and other payables	**20**	24,920,540	32,243,773	54,594,629
Investment subsidies	**18**	163,219	163,219	163,219
Provisions	**19**	1,405,436	2,199,338	2,341,163
Lease liabilities	**8**	720,847	893,792	681,015
Total current liabilities		**27,210,043**	**35,500,123**	**57,780,025**
Total liabilities		**48,542,353**	**63,850,345**	**86,952,904**
Total equity and liabilities		**394,290,111**	**443,801,945**	**443,592,211**

These separate financial statements have been approved to be issued by management at **March 21, 2024**:

DANIELA-ADI CUCU
General Manager

CRISTIAN RADU
Chief Financial Officer

ELECTROMAGNETICA SA
SEPARATE STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023
(all amounts are in RON, unless otherwise stated)

	Note	Period of 12 months ended at December 31 2023	Period of 12 months ended at December 31 2022
Cash flows from operating activities			
Cash receipts from customers		233,296,622	227,029,562
Payments to suppliers		(131,789,588)	(134,594,654)
Payments to employees		(37,799,811)	(34,862,886)
Other operating activities		(39,327,718)	(24,832,968)
Cash generated by / (used in) the operating activities		**24,379,505**	**32,739,054**
Interest paid		(1,469)	(609,409)
Profit tax paid		(1,580,290)	(2,385,670)
Net cash generated by / (used in) operating activities		**22,797,746**	**29,743,975**
Cash flows from investing activities			
Purchase of property, plant and equipment		(5,226,304)	(382,590)
Proceeds on disposal of fixed assets		29,510	50,300
Interest recieved		467,121	142,286
Dividends received		534,796	492,313
Net Cash generated by /(used in) investing activities		**(4,194,877)**	**302,310**
Cash flows from financing activities			
Proceeds from loans	30	1,964,851	32,718,453
Loans repayments	30	(1,964,851)	(53,609,747)
Repayment of lease liability	**30**	(1,365,498)	(1,257,256)
Interest paid	**30**	(91,012)	(96,097)
Dividends paid		(2,721,128)	(11,379)
Net cash generated by / (used in) financing activities		**(4,177,638)**	**(22,256,026)**
Net increase/decrease in cash and cash equivalents		**14,425,232**	**7,790,259**
Cash and cash equivalents at the beginning of the period	**14**	**10,713,669**	**2,923,410**
Cash and cash equivalents at the end of the period	**14**	**25,138,900**	**10,713,669**

These separate financial statements have been approved to be issued by management at **March 21, 2024**:

DANIELA-ADI CUCU
General Manager

CRISTIAN RADU
Chief Financial Officer

ELECTROMAGNETICA SA
SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023
(all amounts are in RON, unless otherwise stated)

	Share capital	Retained earnings	Revaluation reserves tangible assets	Other elements	Legal reserve	Deferred tax recognized in reserves	Total equity
Balance as at January 01, 2023 (previously reported)	**67,603,870**	**120,493,248**	**149,935,370**	**57,975,275**	**12,541,942**	**(23,989,660)**	**384,560,045**
Balance as at January 01, 2023 (restated)	**67,603,870**	**115,884,803**	**149,935,370**	**57,975,275**	**12,541,942**	**(23,989,660)**	**379,951,600**
Total result related to the period:							
Profit or loss for the financial year	-	(31,033,088)	-	-	-	-	(31,033,088)
Other comprehensive income:		**(18,436,160)**	**(3,894,906)**	**21,850,899**		**689,607**	**209,443**
Net surplus from revaluation of fixed assets	-	-	249,333	-	-	-	249,333
Deferred tax related to revaluation	-	-	-	-	-	(39,893)	(39,893)
Legal reserve and other reserves	-	(1,401,865)	-	1,401,865	-	-	-
Transfer of reserves to retained earnings	-	4,144,240	(4,144,240)	-	-	-	-
Transfer of related deferred tax from revlauation reserve to retained earnings	-	(663,078)	-	-	-	663,078	-
Transfer net profit to reserves		(20,449,034)	-	20,449,034	-		
Other elements	-	(66,422)	-	-	-	66,422	
Total result related to the period:	**-**	**(49,469,248)**	**(3,894,906)**	**21,850,899**	**-**	**689,607**	**(30,823,651)**
Transactions with shareholders, recorded directly in equity:							
Dividends distributed to shareholders	-	(3,380,194)	-	-	-	-	(3,380,194)
Other elements	-	-	-	-	-	-	-
Balance at December 31, 2023	**67,603,870**	**63,035,365**	**146,040,464**	**79,826,174**	**12,541,942**	**(23,300,053)**	**345,747,758**

These separate financial statements have been approved to be issued by management at **March 21, 2024**:

DANIELA-ADI CUCU
General Manager

CRISTIAN RADU
Chief Financial Officer

ELECTROMAGNETICA SA
SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023
(all amounts are in RON, unless otherwise stated)

	Share capital	Retained earnings	Revaluation reserves tangible assets	Other elements	Legal reserve	Deferred tax recognized in reserves	Total equity
Balance as at January 01, 2022 (restated)	**67,603,870**	**75,584,806**	**154,178,085**	**66,840,830**	**19,789,854**	**(24,668,494)**	**359,328,951**
Adjustments (Note 4.3)	-	(2,689,644)	-	-	-	-	(2,689,644)
Balance as at 01 January 2022 (restated)	**67,603,870**	**72,895,163**	**154,178,085**	**66,840,830**	**19,789,854**	**(24,668,494)**	**356,639,307**
Total result related to the period:							
Profit or loss for the financial year	-	23,312,293	-	-	-	-	23,312,294
Other comprehensive income:	**-**	**19,677,347**	**(4,242,715)**	**(8,865,555)**	**(7,147,912)**	**678,834**	**-**
Legal reserve	-	-	-	(1,401,965)	1,401,965	-	-
Transfer of reserves to retained earnings	-	4,242,715	(4,242,715)	-	-	-	-
Transfer of related deferred tax from revlauation reserve to retained earnings	-	(678,834)	-	-	-	678,834	-
Transfer of reserves and inflation adjustment to retained earnings	-	16,113,467	-	(7,463,590)	(8,649,877)	-	-
Total result related to the period:	**-**	**42,989,640**	**(4,242,715)**	**(8,865,555)**	**(7,247,912)**	**678,834**	**23,312,294**
Transactions with shareholders, recorded directly in equity:							
Dividends distributed to shareholders	-	-	-	-	-	-	-
Other elements	-	-	-	-	-	-	-
Balance as at December 31, 2022 (restated)	**67,603,870**	**115,884,803**	**149,935,370**	**57,975,275**	**12,541,942**	**(23,989,660)**	**379,951,600**

These separate financial statements have been approved to be issued by management at **March 21, 2024**:

DANIELA-ADI CUCU
General Manager

CRISTIAN RADU
Chief Financial Officer

1. GENERAL INFORMATION

ELECTROMAGNETICA SA is a company organized according to Romanian legislation that was founded in 1930 and operates in several fields, the most important being:

- production in the field of energy efficiency;
- rental of premises for offices, industrial premises, land and provision of utilities.
- electricity supply activity;
- production of electricity from renewable sources (produced in low-power hydroelectric plants);

Electromagnetica's production processes and products have been certified in accordance with international standards for quality assurance. The main products are as follows:

- LED lighting systems
- electric car charging stations
- electrical and electronic subassemblies, automotive, etc
- metal and plastic subassemblies
- railway traffic safety equipment

The headquarters of the company is located in Calea Rahovei no.266-268, 5th district, Bucharest.

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

	2023	2022
- minimum price	0.1460	0.1010
- maximum price	0.2240	0.1460
- average price	0.1856	0.1253

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

	2023	2022
Average number of employees	350	368

These separate financial statements of Electromagnetica have been authorized for issuance by management on **March 13, 2024**.

2. BASICS OF PREPARATION

Declaration of conformity

The company's separate financial statements were prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("IFRS") in force at the company's reporting date, namely 31 December 2023 and in accordance with the provisions of the Order of the Minister of Public Finance no. 2844/2016, for the approval of accounting regulations in accordance with International Financial Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, with subsequent amendments and clarifications. These provisions comply with the requirements of International Financial Reporting Standards adopted by the European Union.

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

2. BASICS OF PREPARATION (continued)

Declaration of conformity (continued)

The details of the company's investments in subsidiaries as of December 31, 2023 and December 31, 2022 are as follows:

December 31, 2023 **Branch name**	**Number of titles**	**Percentage of ownership and voting rights (%)**	**Value**
Electromagnetica Prestserv SRL	300	100%	30,000
Electromagnetica Fire SRL	800	100%	80,000
Procetel SA	42,483	96,548%	732,008
TOTAL			**842,008**

December 31, 2022 **Branch name**	**No, titles**	**Percentage of ownership and voting rights (%)**	**Value**
Electromagnetica Prestserv SRL	300	100%	30,000
Electromagnetica Fire SRL	799	99,875%	79,900
Procetel SA	42,483	96,548%	732,008
TOTAL			**841,908**

During 2023, Electromagnetica acquired a share of Electromagnetica Fire SRL at the value of 100 RON, thus becoming the sole shareholder with 100% ownership.

Financial statements are available on the website www.eletromagnetica.ro within the applicable legal term.

Principle of continuity of activity

The financial statements were prepared based on the principle of business continuity, which implies that the company will be able to realize its assets and pay off its debts under normal business conditions.

Basics of preparation

Separate financial statements were prepared on the basis of historical cost, with the exception of fixed assets and fixed investments that are presented using the revaluation method. Historical cost is generally based on the fair value of consideration made in return for assets.

Functional and presentation currency

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

Foreign currency

Transactions denominated in foreign currency are recorded in RON at the official exchange rate as of the settlement date of the transaction. The monetary assets and liabilities recorded in foreign currency at the date of the Financial Statement are expressed in RON at the rate of that day. Gains or losses from their settlement and the conversion of monetary assets and liabilities denominated in foreign currency using the exchange rate at the end of the period under review shall be recognised in the year-end result. Non-monetary assets and liabilities that are valued at historical cost in foreign currency are recorded inron at the exchange rate from the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are recorded in RON at the rate of the date on which the fair value was determined.

Conversion differences are shown in the profit or loss account.

2. BASICS OF PREPARATION (continued)

Foreign currency (continued)

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

	Exchange rate December 31 2023	Exchange rate December 31 2022
EUR exchange rate at the end of period	4.9746	4.9474
USD exchange rate at the end of period	4.4958	4.6346

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

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

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

The effect of the change related to 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 believes that any differences from these estimates will not have a significant influence on the financial statements in the near future, for each estimate applying the principle of prudence.

Estimates and assumptions are primarily used for impairment adjustments of non-current assets, estimation of the useful life of fixed assets, for impairment adjustments of receivables and inventories, for provisions, for recognition of deferred tax assets.

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

The assessment for the impairment of receivables is conducted individually and globally, by categories of receivables with similar characteristics 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 on an annual basis of its financial position to assess whether it needs to record an impairment in value in the profit and loss account. Management's professional reasoning is particularly necessary for estimating value and coordinating future cash flows when determining impairment loss. These estimates are based on assumptions about several factors, and actual results may differ, leading to future changes in adjustments.

By their nature, unforeseen situations will be clarified when the potential future events that may generate them occur. Assessing these situations inherently involves the use of significant assumptions and estimates about the occurrence and outcome of future events.

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

3. APLICATION OF NEW AND REVISED INTERNATIONAL REPORTING STANDARDS

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.

Standard	Title
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
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules*

** 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.*

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, the Company has not applied the following revised IFRS Accounting Standards that have been issued by IASB and adopted by EU but are not yet effective:

Standard	Title	Effective date
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants	1 January 2024

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 December,31 2023:

Standard	Title	EU adoption status
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

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.

3. APLICATION OF NEW AND REVISED INTERNATIONAL REPORTING STANDARDS (continued)

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.

- **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.

3. APLICATION OF NEW AND REVISED INTERNATIONAL REPORTING STANDARDS (continued)

BRIEF DESCRIPTIONS OF NEW AND REVISED STANDARDS (continued):

- 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.

4. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS, ESTIMATES AND ASSUMPTIONS

4.1. Significant accounting policies

The main accounting policies are presented below:

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

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

An asset is classified as short-term (net) if:

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

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

A debt is classified as short-term (current) if:

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

The company classifies all other liabilities as long term.

Fair value

Fair value is the price that could be received from the sale of an asset or paid to transfer a liability in a transaction in the normal course of business between market participants at the valuation date.

Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

4.1. Significant accounting policies (continued)

Fair value (continued)

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

As regards valuation techniques, they shall be appropriate taking into account circumstances for which sufficient data are available for fair value measurement, maximising the use of observable input data and minimising the use of unobservable input data.

Fair value measurement establishes a fair value hierarchy that classifies into three levels the input data for valuation techniques used to measure fair value:

- Input data **Level 1** - are quoted (unadjusted) prices on active markets for identical assets and liabilities to which the entity has access at the valuation date. These data provide the most reliable evidence of fair value and should be used whenever available

- Input data **Level 2** - are input data different from the quoted prices included in Tier 1 that are directly or indirectly observable for the asset or liability (e.g. quoted prices for identical or similar assets or liabilities in non-active markets)

- Input data **Level 3** - it is unobservable input data for the asset or liability. The Company shall draw up unobservable input data on the basis of the best information available in the given circumstances which may comprise the company's own data.

The Company's financial department determines the applicable procedures for fair value assessments such as real estate investments, tangible assets where the fair value model is adopted.

External appraisers are involved in the valuation of tangible assets and real estate investments. This involvement is determined annually by the finance department. The selection criteria include the appraiser's market knowledge, reputation, independence and compliance with professional standards.

Revenue from customer contracts

Revenue from customer contracts is recognised when control of goods and services is transferred to a value that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In general, the company concluded that it is the main beneficiary of the revenue, since it controls the goods or services before transferring them to the customer.

Since previous years, the company has long-term contracts with the Mayors, which are paid in installments, these according to IFRS 15 have included a significant financing component.

The company has contractual agreements agreed between the seller and the buyer by which the customer's right to return the products for various reasons is deducted. This return of goods operation can generate several situations.

- the customer has the right to refund, in whole or in part, the amount initially paid for the goods;
- the customer may receive a discount invoice that will decrease his future payments in relation to the seller;
- the client has the right to receive another good in exchange, or
- combination of the above

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

4.1. Significant accounting policies (continued)

Revenue from customer contracts (continued)

In the case of transfers of goods, when there is a right of return, the company recognizes the following:

1. the proceeds for the transferred goods at the level of value to which the entity believes it is entitled, So the company will not recognize the goods that are expected to be returned;

2. debt to be repaid; and

3. an asset, together with the related adjustment of the cost of the goods sold, to reflect the seller's right to recover the goods from the customer in order to constitute the debt to be repaid.

The company also takes into account that it is possible that the condition of the returned goods will be much different from the one at the time of delivery, there is even a risk that the goods can not be used in continuare.In under these conditions, the value of the recognized asset will have to be made at the book value of the goods at the time of sale, diminished by any other depreciation of value or necessary costs for their recovery the company will assess and adjust correctly, at the date of preparation of the financial statements, the expected level of returns and the related debt to be returned, changing accordingly the level of income.Furthermore, the value of the recognized asset will change whenever the amount of the liability changes or there are indications that there is an impairment of valoare.In if the entity cannot assess the level of returns, the revenue will not be recognized until the date on which the estimate can be reasonably made, the date that may correspond to the end of the period in which the client has the right of return.

In the case of pre-delivery billing agreements in addition to the aforementioned conditions for a customer to gain control over a product in a pre-delivery billing agreement, all of the following criteria must be met :

- the reason for the agreement with billing before delivery must be substantial (there must be written request of the customer;
- the product must be distinctly identified as belonging to the customer;
- the product must be ready for physical transfer to the customer on a current basis;
- the entity delivering the product may not have the ability to use the product or assign it to another customer.

If there is an acceptance clause in the contract concluded with a client, then the moment when a client gains control over a good or service is evaluated according to this clause.

If in the contract concluded with a client there is an acceptance clause, then the moment when a client gains control over a good or service is evaluated according to this clause.

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

Income from other sources

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

Rental income is recognised in the profit and loss account for the duration of the lease.

Dividends and interest

Dividend income is recognized when the shareholder's right to receive payment is established. Dividend income is recorded at the gross amount that includes dividend tax, which is recognized as a current expense during the period in which the distribution was approved.

Interest income is recognised on the basis of accrual accounting, by reference to the principal and the effective interest rate, that rate which exactly updates the expected future cash flows over the life of the financial instrument to the net carrying amount of the financial asset.

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

4.1. Significant accounting policies (continued)

Leasing

Company as lessee

The Company assesses whether a contract is or contains a lease clause at the beginning of the contract.

The Company recognizes a right of use of the asset and a corresponding lease liability in connection with all leases in which it is lessee/user, except for short-term contracts (defined as leases for a rental period of 12 months or less) and leases of low-value assets (less than RON 24,500).

For these leases, the company recognizes payments as operating expenses linearly over the duration of the lease.
Electromagnetics frames as leases those aimed at renting premises. Since the lease is carried out for periods of one year or more they are treated in a unitary manner by recognising a right of use of the asset and a lease liability.
The company evaluates whether a contract is or contains a lease clause at the beginning of the contract.

Lease liability

At the start date of the lease, the company recognizes the lease liabilities, measured at present value with the marginal borrowing rate of the lease payments, during the lease term. Payments include fixed payments minus any incentives to receive, variable lease payments that depend on an index or rate, and amounts that are expected to be paid in the form of residual value.

The company uses a loan rate from information received from the financial-banking area.

The lease payments included in the valuation of the debt arising from the lease agreement include the following payments related to the right to use the underlying asset during the lease that are not paid at the date of commencement of the lease:

a. fixed payments (including fixed payments to the fund), less any lease incentives receivable;

b. variable lease payments that depend on an index or rate, initially assessed on the basis of the index or rate at the start date

c. expected amounts due by the lessee on the basis of collateral related to the residual value;

d. the exercise price of a purchase option if the lessee is reasonably certain to exercise the option); and

e. payments of lease termination penalties if the lease term reflects the lessee's exercise of a lease termination option.

Leasing debt is presented as a separate line in *Statement of financial position*.

The company revalues the debt arising from the lease agreement by updating the revised lease payments using a revised discount rate, if either:

a. there is a change in the duration of the lease. The company determines the revised lease payments on the basis of a revised lease term; or

b. there is a change in the valuation of an option to buy the underlying asset, measured against the events and circumstances described in IFRS 16 in the context of an option to buy.

c. The company determines the revised lease payments to reflect the change in amounts due under the purchase option.

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

4.1. Significant accounting policies (continued)

Leasing (continued)

The company revalues the debt arising from the lease agreement by updating the revised lease payments in any of the situations below:

a. there is a change in the amounts expected to be due in accordance with the residual value guarantee. The company determines the revised lease payments to reflect the change in amounts that are expected to be due under the residual value guarantee.

b. there is a change in future lease payments resulting from a change in an index or rate used to determine those payments, including, for example, a change reflecting changes in market rates of rents as a result of a review of market rents. The lessee must reassess the debt arising from the lease to reflect those revised lease payments only when a change in cash flows occurs (i.e. when the adjustment of lease payments occurs). The company determines revised lease payments for the remainder of the lease term based on revised contract payments.

Asset use rights

Asset use rights include the initial valuation of the corresponding lease liability, lease payments made on or before the commencement day, less lease incentives received, and any initial direct costs. They are then assessed on the basis of cost less accrued depreciation and impairment losses.

The rights of use are amortized for the shortest period between the lease term and the useful life of the underlying asset, thus:

Asset use rights	**Depreciation duration (years)**
Spaces	1-5
Means of transport	3-5

Company as lessor

The Company concludes lease contracts as lessor for the premises in buildings registered both as tangible assets and as real estate investments.

All leases are recognized as operational leases.

Rental income from operating leases is recognised linearly over the duration of that lease.

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

Borrowing costs

Borrowing costs consist of interest on loans that are directly attributable to the acquisition, construction or production of a long production cycle asset and are capitalised until the asset is ready for pre-determined use or sale.

All other borrowing costs are recognised as expenses in the profit and loss account of the period in which they arise.

Interest expense is recorded using the effective interest method.

During the year ended December 31, 2023 and December 31, 2022, respectively, the company did not capitalize on interest expense in the value of assets, as it did not take out any investment loans.

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

4.1. Significant accounting policies (continued)

Employee benefits

Short - term benefits to employees include wages, premiums and Social Security contributions.

The Company makes payments on behalf of its employees to the Romanian state pension system, health insurance and unemployment fund, in the course of normal activity. All employees of the company are members and have the obligation to contribute to the pension system of the Romanian state. All related contributions are recognised in the profit and loss account of the period when they are made. The company has no other additional obligations. Obligations with short-term benefits granted to employees are not updated and are recognized in the profit and loss account as the related service is provided.

The Company is not engaged in any independent pension scheme and therefore has no obligations in this regard.

The Company is not employed in any other post-employment benefit system. The company has no obligations to provide subsequent services to former or current employees.

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

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

Taxation

Current corporate tax

The current payment fee is determined on the basis of the taxable profit of the year. Tax profit is different from the profit reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years, and it also excludes items that will never become taxable or deductible. The company's debt related to the current corporation tax is calculated using tax percentages that were prescribed by law or in a bill at the end of the year. Currently the tax rate is 16%.

Deferred tax

Deferred tax is made up of temporary differences in assets and liabilities.

Deferred tax assets are recognised only to the extent that taxable profit is likely to be obtained in the future, after offset against the tax loss of previous years and the income tax to be recovered.

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

Currently tax losses generated by companies in Romania can be recovered over a period of 7 years.

Deferred tax liabilities are generally recognized for all taxable temporary differences.

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

Current and deferred tax

Current and deferred taxes are recognized in the profit and loss statement unless they relate to items that are recognized in *Other comprehensive income* or directly in equity, in which case the current and deferred tax are also recognized in *Other comprehensive income* equity, respectively.

Value Added Tax (VAT)

Income, related expenses, assets are recognized net of VAT except:

- the situation in which the tax related to the acquisition of an asset or the provision of a service is not recoverable from the tax authority, in which case the VAT is recognized as part of the acquisition cost of the asset or service, as the case may be;

- where claims and liabilities are recognised with VAT included, where the net amount to be paid or recovered from the Tax Authority is included in claims or liabilities in *Statement of financial position*.

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

4.1. Significant accounting policies (continued)

Property, plant and equipment

Tangible assets are represented by land, buildings , technological equipment, apparatus and facilities, means of transportation and others, initially recognized at the cost of acquisition or production.

The cost of purchased property, plant and equipment is represented by the amount of consideration incurred for the acquisition of those assets as well as the amount of other costs directly attributable to bringing the assets to the location and condition necessary for them to be able to operate in the manner desired by management.

The cost of self-built assets includes wage, material, indirect production costs and other costs directly attributable to bringing the assets to their current location and condition.

The company opted to use for valuation after initial recognition of tangible assets *the model of reassessment.*

Land and buildings used in the production activity or for the supply of goods and services, or for administrative purposes are presented in *Statement of financial position* at cost minus cumulative depreciation and minus cumulative impairment losses.
If the cost of the land includes costs of decommissioning, removal, restoration, these costs are amortized during the period when benefits are obtained as a result of carrying out these costs.

Other tangible assets (equipment, appliances, installations) are measured at cost minus the cumulative depreciation and the cumulative impairment loss.

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

Depreciation also begins when assets are available for use.

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

Owned land does not pay off.

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

For all assets acquired starting with January 1, 2015, the company opted to use as a method of depreciation, the linear method, which involves the systematic allocation of depreciation value over the entire economic life of the assets.

The management of the company estimated the following useful life for different categories of property, plant and equipment as appropriate:

Property, plant and equipment	**Duration (years)**
Construction	20 - 100
Technological equipment	5 - 12
Measuring, control and adjustment apparatus and installations	3 - 8
Means of transport	4 - 8
Furniture, office equipment, protective equipment human values and materials	8 - 15

An item of property, plant and equipment is no longer recognised as a result of disposal or when future economic benefits are no longer expected from the continued use of the asset. Any gain or loss resulting from the disposal or disposal of an item of property, plant and equipment is determined as the difference between sales proceeds and the net book value of the asset and is recognised in the statement of profit and loss at the date of derecognition.

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

4.1. Significant accounting policies (continued)

Investment property

The investment properties of the Company are initially valued at cost which is formed by the purchase price plus any directly attributable expenses (professional fees for legal services, fees for the transfer of ownership, etc.).

After initial recognition, investment properties are recognized in the financial statements at fair value. Investment property is not depreciated, and gains or losses arising from changes in their fair value are included in the profit or loss of the period in which they occur.

Intangible assets

Intangible assets acquired separately

Intangible assets with a finite life that are purchased separately are initially recognized at cost and are subsequently accounted for at cost minus cumulative depreciation and impairment loss. Depreciation is recognized linearly throughout their useful lives. The useful life for this group of fixed assets is from 3 to 5 years. Their useful life and depreciation method are reviewed at the end of each reporting period, with the effect that any changes in estimates are accounted for on a forward-looking basis.

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

Internally generated intangible assets-research and development expenses

Expenditure on research activities shall be recognised as such during the period in which it was carried out.

An Internally Generated body immobilisation resulting from development (or from the development stage of an internal project) is recognised if all of the following criteria have been demonstrated:

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

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

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

Derecognition of intangible assets
An intangible asset is derecognised upon disposal or when it is expected that no benefit will be derived from its use or disposal. Gains or losses resulting from the derecognisation of an intangible asset, measured as the difference between the net proceeds from the sale and the net book value of the asset, are recognised in profit and loss when the asset is derecognised.

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

4.1. Significant accounting policies (continued)

Impairment of tangible and intangible assets

In order to determine whether a tangible or intangible asset valued at cost is impaired, the Company shall examine in accordance with IAS 36 to identify whether there are indications of impairment.

For intangible assets of indefinite service life, depreciation tests are carried out annually. This applies even if there are no indications of depreciation. Impairment tests are performed at the level of cash generating units that generate cash inflows largely independent of those from other assets or groups of assets.

For assets representing tangible assets, if there is an indication or when an annual impairment test is required, the company estimates the recoverable value of the asset as the greater of fair value less selling costs and its use value.

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

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

Impairment losses are recognized in *Profit and loss statement* to the line *Depreciation and amortization of non-current assets*.

If the reasons for the impairment are no longer applicable at a later period, a reversal of impairment in *Profit and loss statement*. The book value increased by the reversal of an impairment adjustment will not exceed the book value (net of depreciation) that would have been determined if no impairment adjustment had been recognized in prior years.

Major maintenance and repairs

Capital inspection and repair costs are separate components of the corresponding assets or groups of assets. Capitalized capital repair costs are amortized using the amortization method for the underlying asset until the next repair.

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

These costs are capitalized if an asset or part of an asset that has been separately depreciated is replaced and it is likely that it will bring future economic benefits. If a part of the replaced asset has not been considered a separate component and has therefore not been written off separately, the replacement value shall be used to estimate the net carrying value of the replaced asset that is immediately written off.

Inspection costs associated with major maintenance programs are capitalized and amortized until the next inspection.
The costs of capital repair activities for small hydropower plants are also capitalized.

All other costs with current repairs and usual maintenance are recognized directly in expenses.

Inventories

The Company recognizes as inventories those assets that are:

- held for sale in the normal course of business
- in production for such a sale, or
- in the form of materials and other consumables to be used in the production process or for the provision of services

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

4.1. Significant accounting policies (continued)

Inventories (continued)

Inventories are presented at the lowest value between cost and net realizable value. Net realizable value is estimated based on the sale price of normal business, less estimated costs for completion and sale.

The Company uses the first in first out (FIFO) method for determining the cost of the first out of management of the supplied materials. For finished products, the standard cost is used for input and output. At the end of each month on the basis of management accounting, the actual cost of the products obtained is determined.

For inventories of raw materials and materials, as well as for the inventories of finished products, adjustments shall be made on the basis of the approved provisioning policy. The establishment and resumption of adjustments for depreciation of inventories are booked in the statement of profit and loss of the period.

Prepayment expenses

Prepayment expenses are amounts usually paid in advance for services that cover a period of up to a year or more. The part aimed at the period up to one year is reflected in the statement of financial position to current assets. The portion exceeding one year is reflected in non-current assets.

Financial instruments

Initial recognition and measurement

i) Financial instruments

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

For a financial asset to be classified and measured at amortized cost or fair value by comprehensive result, it must give rise to cash flows that are exclusively principal and interest payments on the outstanding principal amount. This assessment is referred to as the SPPI test and is performed at the instrument level.

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

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

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

ii) Financial assets

The Company's financial assets primarily include cash and cash equivalents, trade and other receivables, equity investments.

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

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

4.1. Significant accounting policies (continued)

Financial instruments (continued)

ii) Financial assets

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

Cash and cash equivalents

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

Cash and cash equivalents are subject to depreciation calculations, however, the amounts are insignificant, since the amounts are held at such reputable banks as BCR, OTP.

Other financial assets at amortized costs

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

Commercial and other receivables

Trade receivables assessed in accordance with IFRS 9 are amounts owed by the company's customers for products sold by the company in the normal course of business. They are generally due for settlement within 30-120 days and are therefore all classified as current. Trade receivables are initially recognised at consideration under IFRS 15 which is unconditional unless they contain significant funding components, in which case they are recognised at fair value at the date of initial recognition. The company holds the trade receivables with the objective of collecting the contractual cash flows and therefore subsequently assesses them at amortized cost using the effective interest method.

Most of the company's commercial receivables do not contain financing component.

For receivables up to 90 days past due, the Company adopted the simplified approach in accordance with IFRS 9 and measured the provision for losses based on a provision matrix that is based on historical collection and PD experience adjusted for forward - looking factors to estimate the provision at initial and lifetime recognition of claims at an amount equal to ECL ("Estimated Credit Losses"). The assessment is carried out every six months and any change in the initial allowance will be recorded as gain or loss in the profit and loss account. The expected credit losses over the lifetime of the receivables, as well as the adjustments recorded for receivables older than 90 days analyzed individually and those for specific losses recorded in the current year, are classified as *other expenses*.

Trade and other claims, together with The Associated impairment adjustment, if any, are written off when there is no realistic prospect of future recovery and all guarantees have been realized or transferred to the company. If the collection is expected in more than one year, they are classified as non-current assets.

Judgments and estimates

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

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

4.1. Significant accounting policies (continued)

Financial instruments (continued)

iii) Financial liabilities

The company's financial liabilities comprise mainly commercial and other liabilities.

A financial liability is derecognised when the debt obligation is extinguished, cancelled or expires. Where an existing financial liability is replaced by another from the same creditor on substantially different terms, or the terms of an existing liability are substantially changed, such exchange or change shall be treated as derecognition of the original liability and recognition of a new liability , and the difference between those carrying amounts shall be recognised in profit or loss.

Interest-bearing loans and loans

All loans are initially recognized at the fair value of the consideration received, net of transaction costs, and are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate is the rate that exactly updates the expected future cash payments over the expected life of the financial debt or, as the case may be, over a shorter period. The calculation takes into account any discount on the purchase and includes transaction costs and commissions that are an integral part of the effective interest rate.

Shareholder financing

According to IFRS 9, "Financial Instruments" shareholder loans received by the company were recognized at fair value.

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

Derivatives

Derivatives are initially recognised and subsequently revalued at fair value. The company has no significant derivatives.

Government subsidies

Under IAS 20, government subsidies are only recognised when there is sufficient certainty that all the conditions attached to granting them will be met and that the grants will be received. Subsidies that meet these criteria are presented as liabilities and are systematically recognised in the profit and loss account over the useful life of the assets to which they relate.

Provisions

Provisions are recognized when the company has a present obligation (legal or implied) as a result of a past event, it is likely that the company will be required to extinguish the obligation, and a credible estimate of the amount of the obligation can be made. .

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

Provision for customer guarantees it is formed according to the estimates made by the management and the departments sales, technical and quality on the level of expenses for repairs within the warranty period. The level of repair expenses during the warranty period is also determined as a percentage of the turnover of the reporting year.

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

4.1. Significant accounting policies (continued)

Provisions (continued)

Restructuring provisions

The implicit obligation to restructure arises if a company:

- it has a detailed official plan for the restructuring in which to be highlighted: the activity or part of the activity to which it refers, the main locations affected, the location, the function and the approximate number of employees who will receive compensation for the termination of their activity, implicit expenses, the date on which the restructuring plan will be implemented

- it has generated a justified expectation to those affected that the restructuring will be achieved by starting the implementation of that restructuring plan or by communicating its main characteristics to those who will be affected by the restructuring process.

The restructuring provision includes only direct restructuring-related expenses.

Provisions for employee benefits

During the financial year, there are recorded provisions for holidays left unpaid and other provisions according to employment contracts. At the time of their recognition as liabilities to employees, the amount of provisions will be resumed through the corresponding income accounts.

The company does not recognize provision for losses on the exploitation of assets.

Segment reporting

Takink into account that the shares of the Parent Company are traded on the Bucharest Stock Exchange and that it applies IFRS, it is presented in the annual financial statements as well as in the interim reports made according to IAS 34 – Interim Financial Reporting, information about the activity segments, about their products and services and about the main customers.

According to *IFRS 8-business segments*, a business segment is a component of an entity:

- which engages in business activities from which it can obtain income and from which it can incur expenses (including income related to transactions with other components of the same entity);

- whose business results are regularly reviewed by the entity's main operational decision-maker with a view to deciding on the allocation of resources by segment and assessing its performance, and

- for which separate financial information is available.

Taking into account the criteria for identifying business segments as well as the quantitative thresholds described in IFRS 8, the company has identified the following business segments for which it presents the information separately:

- licensed activity-supply and production of electricity.

- unlicensed activity-industrial production and space rental.

Dividends

Dividends are recorded as liabilities in the company's financial statements during the period in which they are approved by the company's shareholders and are appropriately reflected by the decrease inretained earnings.

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

4.2. Accounting judgments, estimates and assumptions

Separate financial statements have been prepared on the basis of historical cost, with the exception of fixed assets and real estate investments that are at revalued value. Historical cost is generally based on the fair value of consideration made in return for assets.

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

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

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

The effect of the change related to 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 believes that any differences from these estimates will not have a significant influence on the financial statements in the near future, for each estimate the principle of prudence is applied.

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

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

Tangible assets are presented at revalued values according to IAS 16 and real estate investments at fair values according to IAS 40.

For inventories, adjustments are made based on management's estimates of net realizable value. The establishment and resumption of adjustments for depreciation of inventories is carried out quarterly on the reporting dates on the account of the profit and loss account.

Receivables with maturity exceeding more than 90 days are analyzed individually at each reporting date and are adjusted according to the information obtained, in correlation with the risk of non-receipt.

4.3. Correction of errors

In 2023 it was found that a series of sales contracts with certain clients contained clauses giving the right of return for products not valued by resale or implementation in various projects. Moreover, Electromagnetica acted as depositary of the products purchased by these customers by drawing up custody minutes and inventories management within the company.

In accordance with IAS 8, the last three years have been restated to correct errors in revenue recognition and to properly apply the specific clauses of IFRS 15.

As a result of the cancellation of revenues, the inventories that were the subject of those transactions were reunited. Taking into account the age of these products, provisions were made for adjusting inventories to net realizable value (Note 11 Inventories).

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

4.3. Correction of errors (continued)

Lines affected by corrective operations in *Statement of financial position* are the following:

	December 31 2021	**Adjustments 2021**	**December 31 2021**
			(restated)
Inventories	18,121,309	4,113,359	22,234,669
Trade receivables	71,277,365	(7,191,317)	64,086,049
Current tax claim	599,937	512,313	1,112,250
Total	**89,998,611**	**(2,565,644)**	**87,432,967**
Retained earnings	75,584,806	(2,689,644)	72,895,162
Commercial and other liabilities	54,470,629	124,000	54,594,629
Total	**130,055,435**	**(2,565,644)**	**127,489,791**

	December 31 2022	**Adjustments 2022**	**December 31 2022**
	(restated with adjustments 2021)		***(restated)***
Inventories	24,323,357	3,033,664	27,357,022
Trade receivables	68,981,738	(5,537,951)	63,443,787
Tax claim	689,705	365,486	1,055,191
Total	**93,994,800**	**(2,138,800)**	**91,856,000**
Retained earnings	117,803,603	(1,918,800)	115,884,802
Commercial and other liabilities	32,463,773	(220,000)	32,243,773
Total	**150,267,376**	**(2,138,800)**	**148,128,576**

Lines affected by corrective operations in *Profit and loss statement* are the following:

	2021	**Adjustments 2021**	**2021**
			(restated)
Revenue	340,745,893	(7,191,317)	333,554,576
Change in the inventories of finished products and production in progress	6,672,706	4,113,359	10,786,065
Corporate tax	706,132	512,313	1,218,445
Total	**348,124,731**	**(2,565,644)**	**345,559,087**

	2022	**Adjustments 2022**	**2022**
	(restated)		***(restated)***
Revenue	231,502,678	(5,537,951)	225,964,727
Change in the inventories of finished products and production in progress	14,188,764	3,033,664	17,222,428
Other expenses	(49,877,259)	220,000	(49,657,259)
Income tax	(1,918,904)	365,486	(1,553,418)
Total	**193,895,279**	**(1,918,800)**	**191,976,479**

5. PROPERTY, PLANT AND EQUIPMENT

Cost	Land and land improvements	Construction	Technological equipment and vehicles	Other tangible assets	Property, plant and equipment in progress	Prepayment for tangible assets	Total
As of December 31, 2022	**170,255,649**	**130,589,322**	**24,288,342**	**2,621,885**	**2,998,477**	**118,354**	**330,872,029**
Inflow	-	14,053,427	5,629,652	759,419	8,673,055	-	29,115,552
- of which: revaluation	-	7,344,309	2,616,575	564,596	-	-	10,525,479
Transfers	-	6,709,118	2,044,286	193,355	-	-	8,946,759
Outflow	(13,682,128)	(30,688,494)	(14,638,251)	(1,085,087)	(10,366,636)	(118,354)	(70,578,950)
- from revaluation	(13,682,128)	(30,688,494	(14,580,493)	(1,085,087)	-	-	(60,036,202)
- Transfers	-	-	-	-	(8,946,759)	-	(8,946,759)
As of December 31, 2023	**156,573,521**	**113,954,255**	**15,279,743**	**2,296,217**	**1,304,896**	**-**	**289,408,632**

Cumulative amortization	Land and land improvements	Construction	Technological equipment and vehicles	Other tangible assets	Property, plant and equipment in progress	Prepayment for tangible assets	Total
As of December 31, 2022	**(143,342)**	**(5,540,942)**	**(11,235,373)**	**(574,181)**	**-**	**-**	**(17,493,838)**
Amortization of the year	(59,468)	(5,570,071)	(4,167,740)	(505,753)	-	-	(10,303,032)
Cumulative amortization on outflows	202,810	11,111,014	14,270,525	1,079,934	-	-	26,664,282
- of which the net value was determined	202,810	11,111,014	13,237,704	1,079,934	-	-	25,631,461
As of December 31, 2023	**-**	**-**	**(1,132,588)**	**-**	**-**	**-**	**(1,132,588)**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment adjustments	Land and land improvements	Construction	Technological equipment and vehicles	Other tangible assets	Property, plant and equipment in progress	Prepayment for tangible assets	Total
As of December 31, 2022	**(4,129,814)**	**-**	**-**	**-**	**-**	-	**(4,129,814)**
Impairment adjustments recognized in profit or loss	(415,135)	-	-	-	-	-	(415,135)
Revisions to impairment adjustments recognized in profit or loss	-	-	-	-	-	-	-
As of December 31, 2023	**(3,714,679)**	**-**	**-**	**-**	**-**	-	**(3,714,679)**
Net book value							
As of December 31, 2022	**165,982,493**	**125,048,380**	**13,052,969**	**2,047,704**	**2,998,477**	**118,354**	**309,248,377**
As of December 31, 2023	**152,858,842**	**113,954,256**	**14,147,155**	**2,296,217**	**1,304,896**	**-**	**284,561,365**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Cost	Land and land improvements	Construction	Technological equipment and vehicles	Other tangible assets	Property, plant and equipment in progress	Prepayment for tangible assets	Total
As of December 31, 2021	**170,255,649**	**130,458,996**	**22,956,235**	**2,576,713**	**1,295,318**	**-**	**327,542,911**
Inflow	-	130,326	1,359,153	55,292	3,247,930	118,354	4,911,055
- of which: revaluation	-	-	-	-	-	-	-
Transfers	-	130,326	1,359,153	55,292	-	-	1,544,771
Outflow	-	-	(27,046)	(10,120)	(1,544,771)	-	(1,581,937)
- from the determination of the net revaluation amount	-	-	-	-	-	-	-
- Transfers	-	-	-	-	(1,544,771)	-	(1,544,771)
As of December 31, 2022	**170,255,649**	**130,589,322**	**24,288,342**	**2,621,885**	**2,998,477**	**118,354**	**330,872,029**

Cumulative amortization	Land and land improvements	Construction	Technological equipment and vehicles	Other tangible assets	Property, plant and equipment pending execution	Prepayment for tangible assets	Total
As of December 31, 2021	**(83,874)**	**-**	**(7,900,537)**	**-**	**-**	**-**	**(7,984,411)**
Amortization of the year	(59,468)	(5,540,942)	(3,343,214)	(578,542)	-	-	(9,522,166)
Cumulative amortization on outflows	-	-	8,378	4,361	-	-	12,739
- of which the net value was determined	-	-	-	-	-	-	-
As of December 31, 2022	**(143,342)**	**(5,540,942)**	**(11,235,373)**	**(574,181)**	**-**	**-**	**(17,493,838)**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment adjustments	Land and land improvements	Construction	Technological equipment and vehicles	Other tangible assets	Property, plant and equipment in progress	Prepayment for tangible assets	Total
As of December 31, 2021	-	-	-	-	-	-	-
Impairment adjustments recognized in profit or loss	(4,129,814)	-	-	-	-	-	(4,129,814)
Revisions to impairment adjustments recognized in profit or loss	-	-	-	-	-	-	-
As of December 31, 2022	**(4,129,814)**	-	-	-	-	-	**(4,129,814)**
Net book value							
As of December 31, 2021	**170,171,775**	**130,458,996**	**15,055,699**	**2,576,713**	**1,295,318**	-	**319,558,500**
As of December 31, 2022	**165,982,493**	**125,048,380**	**13,052,969**	**2,047,704**	**2,998,477**	-	**309,248,377**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

On December 31, 2023, tangible assets decreased compared to December 31, 2022 by 8% mainly as a result of the periodic revaluation of the company's assets. Small hydropower plants recorded the biggest drop as a result of the revaluation.

The inflows of tangible assets are represented by the modernization of the company's headquarters and investments in small hydropower plants.

Tangible assets other than those from the determination of the net value for revaluation represent sales and write-offs.

For most buildings the remaining useful life is between 26-69 years.

In order to guarantee the guarantee agreements and credit agreements signed with the financing banks, the company mortgaged the following assets in favor of those banks, thus:

Name of assets	Value net accounting December 31 2023	Value net accounting December 31 2022
- Real estate (Cadastral lots no. 13,15) Calea Rahovei, no. 266-268, 5th district, Bucharest	-	34,034,181
- Building cadastral no 232634 building+land Calea Rahovei, 266-268, 5th district, Bucharest	-	7,405,505
- Real estate (Cadastral lots 1-3,9,10,16,18,19,21,23-26) Calea Rahovei, 266-268, 5th district, Bucharest	-	58,743,414
- Land Calea Rahovei, no. 242	-	5,902,198
- Building Calea Rahovei 266-268 (Lot 18)	8,803,206	8,922,686
- MHPP’s (land+industrial and urban constructions)	29,865,566	44,131,098

The property, plant and equipment includes assets acquired through government subsidy and used in the licensed activity at one of the micro hydro power plants located in Brodina Commune Suceava County. The remaining amount of the investment as of December 31, 2023 is RON 5.516.713 of which the subsidized value RON 3.920.651. The remaining value of the investment as of December 31, 2022 was RON 9,533,641, of which the subsidized value was RON 4,083,870 .

Fair value of tangible assets

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

The last revaluation was carried out on 31 December 2023, being carried out by an authorized appraiser.

This method is recommended for properties, when there is sufficient and reliable data on transactions or offers for sale with similar properties in the area. The analysis of the prices at which the transactions were made or of the prices demanded or offered for comparable properties is followed by making corrections to their prices, in order to quantify the differences between the prices paid, demanded or offered, caused by the differences between the specific characteristics of each property, called comparison elements.

The evaluation methods used were as follows:

a. Office space was assessed using the discounted cash flow method or capitalization method (income approach) based on net rental income generated by the properties. Projected rental income comprises tenant payments under current leases until they are completed and income based on market rates thereafter. Effective income from rent is obtained by taking into account inactivity at average market rates for each specific type of property;

b. Non-income-producing property (including residential real estate) is assessed using the market comparison method;

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Fair value of tangible assets (continued)

c. Land is assessed as vacant using the market comparison method. The evaluation is made using 3 comparable offers for sale of land whose asking price is adjusted in comparison grids.

d. The real estate of the micro-hydropower plants is measured from the fair value of the business unit derived by an updated cash flow technique. The enterprise value of micro-hydropower plants (considered as a single cash-generating unit) is calculated from the projected production of electricity and awarded green certificates that generate operating income. The projection period for the cash flows considered is 6 years plus a terminal value calculated by capitalization of cash flows.

e. Evaluation of movable property within the framework of the equipment evaluation report is made using the replacement cost method. According to this method, a new replacement cost for the equipment is first calculated. Next, physical, functional and economic depreciation is deducted from the replacement cost to reach fair value. The replacement cost for the new specialized equipment was determined by indexing the historical price to the percentage change in the EUR/RON exchange rate. Physical damage was calculated using the seniority / useful duration method. Functional and economic obsolescence for assets was not assumed.

The unobservable variables used are as follows:

- For offices-rental rates on the market (5-9 EUR/sqm), occupancy rates (75-82%), landlord costs-equal to a monthly rent (5-9 EUR/sqm). Increase in related variables will cause General fair value to increase;

- Capitalization and discount rates used in property valuation models (for offices 11%, 10.79% for industrial premises) - the increase in related variables will generate a decrease in fair value

The observable variables used are as follows:

- Electricity price used in the cash flow model-electricity price determined based on the mix of markets where electricity is sold. It was calculated as the average price over a historical period (12 months) and indexed after inflation. The price thus calculated caused part of the price decrease that occurred in 2023. Falling prices will result in a reduction in fair value;

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

Information relating to the fair value hierarchy at December 31, 2023 and December 31, 2022:

	Level 1	Level 2	Level 3	Fair value at December 31 2023
Land and land improvements	-	-	152,858,842	152,858,842
Construction	-	-	113,954,256	113,954,256

	Level 1	Level 2	Level 3	Fair value at December 31 2022
Land and land improvements	-	-	165,982,493	165,982,493
Construction	-	-	125,048,380	125,048,380

During both 2023 and 2022 there were no transfers between fair value levels.

The revaluation surpluses recorded at December 31, 2023 amounted to RON 249,333, the decrease from the year mainly related to transfers to retained earnings as assets amortization. The balance cannot be distributed to shareholders.

The net book value of the constructions used by the company for both administrative purposes and other activities is RON 113,954,256 as of December 31, 2022 (2022: 125,048,380).

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Fair value of tangible assets (continued)

Depreciation of non-current assets

The impact of the announcement of expropriation (from 2022) of a part of the land owned in Domnesti resulted in the recording of an active depreciation adjustment in the amount of RON 3,714,679 calculated as the difference between the Fair book value and the amount of compensation for expropriation. At the date of the financial statements December 31, 2023, this value has been updated in accordance with the new fair value established by the valuation report.

6. INVESTMENT PROPERTY

The Company owns real estate totally used for rent in the form of offices. In general, leases provide for an initial period of at least one year. Further extensions are negotiated with the tenants. The obligations of the parties relating to repairs, maintenance and improvements are prescribed in the concluded contracts.

These buildings are recognized in accordance with IAS 40 as investment property. For the presentation of real estate investments in the financial statements, the company chose the model based on fair value.

The assessment as of December 31, 2023 was carried out by an anevar authorized appraiser (Colliers) who used the income approach (discounted cash flow method). Colliers is a company specialized in the valuation of these types of real estate investments and the valuation model used complies with International Valuation Standards.

On December 31, 2023 real estate investments are presented as follows:

	2023	2022
Initial balance	**16,573,349**	**14,649,783**
Inflow of which:	1,354,295	1,944,806
from fair value valuation	-	1,720,775
transfers	1,354,295	224,031
Outflow of which:	(218,056)	(21,240)
from fair value valuation	(218,056)	(21,240)
transfers	-	-
Final balance	**17,709,589**	**16,573,349**

The income related to real estate investments obtained in 2023 is worth 3,821,614 and covers the expenses incurred by the owner (the amount of income recorded during 2022 was in the amount of 3,313,883 RON).

Inflows are represented by investments in a building with a school destination.

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

We specify that there are no restrictions imposed on the degree of realization of real estate investments or on the transfer of income and proceeds from disposal.

6. INVESTMENT PROPERTY (continued)

Information relating to the fair value hierarchy at December 31, 2023 and December 31, 2022:

	Level 1	Level 2	Level 3	Fair value at December 31 2023
Investment property	-	-	17,709,589	17,709,589

	Level 1	Level 2	Level 3	Fair value at December 31 2022
Investment property	-	-	16,573,349	16,573,349

Valuation techniques in real estate investment valuation were:

- Office properties are valued using the capitalization method (income approach) based on the net rental income generated by the properties. Projected rental income comprises tenant payments under current leases until they are completed and income based on market rates thereafter.

The observable variables used are:

- Market rental rates, occupancy rates and landlord costs – the increase in the considered variables will cause an increase in the fair value of real estate investments.

The unobservable variables are:

- Capitalization rates (10%) used in real estate investment valuation models - increasing capitalization rates will cause a decrease in the fair value of investment properties.

7. INTANGIBLE ASSETS

Intangible assets include software, licenses and various software. They are amortized by the linear method.

In the statement of financial position are presented at historical cost, less depreciation and possible value adjustments. Intangible assets decreased primarily due to the amortization of some licenses.

For most intangible assets, useful life was estimated at 3 years.

The statement of intangible assets as of December 31, 2023 is as follows:

	Patent licensing concessions	Other intangible assets	Intangible assets outstanding	Total
Cost				
As of December 31, 2022	**1,233,088**	**3,395,732**	**-**	**4,628,820**
Inflow	-	-	-	-
Outflow	(1,429)	-	-	(1,429)
Transfers	-	-	-	-
As of December 31, 2023	**1,231,660**	**3,395,731**	**-**	**4,627,392**

7. INTANGIBLE ASSETS (continued)

	Patent licensing concessions	Other intangible assets	Intangible assets outstanding	Total
Accumulated amortization				
As of December 31, 2022	**(1,196,633)**	**(2,644,286)**	**-**	**(3,840,919)**
Amortization of the year	(25,562)	(196,029)	-	(221,592)
Cumulative amortization on outflows	1,429	-	-	1,429
As of December 31, 2023	**(1,220,766)**	**(2,840,315)**	**-**	**(4,061,082)**
Net book value				
As of December 31, 2022	**36,455**	**751,446**	**-**	**787,902**
As of December 31, 2023	**10,894**	**555,417**	**-**	**566,310**

	Patent licensing concessions	Other intangible assets	Intangible assets outstanding	Total
Cost				
As of December 31, 2021	**1,233,088**	**2,611,616**	**-**	**3,844,704**
Inflow	-	784,116	-	784,116
Outflow	-	-	-	-
Transfers	-	-	-	-
As of December 31, 2022	**1,233,088**	**3,395,731**	**-**	**4,628,820**
Accumulated amortization				
As of December 31, 2021	**(1,091,491)**	**(2,611,615)**	**-**	**(3,703,106)**
Amortization of the year	(105,142)	(32,671)	-	(137,813)
Cumulative amortization on outflows	-	-	-	-
As of December 31, 2022	**(1,196,633)**	**(2,644,286)**	**-**	**(3,840,919)**
Net book value				
As of December 31, 2021	**141,598**	**-**	**-**	**141,598**
As of December 31, 2022	**36,455**	**751,445**	**-**	**787,901**

8. RIGHTS OF USE ASSETS

	Buildings	Vehicles	Total
Cost			
As of December 31, 2022	**2,623,612**	**230,821**	**2,854,433**
Additions	660,585	-	660,585
Disposals	(944,093)	-	(944,093)
Transfers	-	-	-
As of December 31, 2023	**2,340,104**	**230,821**	**2,570,924**
Accumulated depreciation			
As of December 31, 2022	**(618,849)**	**(75,530)**	**(694,379)**
Amortization of the year	(1,160,390)	(74,158)	(1,234,548)
Cumulative amortization on outflows	757,698	-	757,698
As of December 31, 2023	**(1,021,542)**	**(149,688)**	**(1,171,230)**
Net book value			
As of December 31, 2022	**2,004,763**	**155,291**	**2,160,053**
As of December 31, 2023	**1,318,562**	**81,132**	**1,399,694**

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

	2023	2022
Depreciation expense related to the rights to use leased assets	1,389,255	1,252,586
Interest on lease liabilities	91,120	96,923
Expenses related to low-value leases.	2,747	2,219
Total amounts recognized in the profit and loss account	**1,483,122**	**1,351,728**

As of December 31, 2023, leasing liabilities amounting to RON 1,444,911 related to operational leases, of which short-term liabilities amounting to RON 720,847 and long-term liabilities amounting to RON 724,064.

On 31 December 2022 the value was RON 2,193,541 (893,792 short term and 1,299,749 long term).

9. INVESTMENTS IN RELATED ENTITIES

On December 31, 2023, investments held in affiliated entities in the amount of RON 842,008 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 number of reasoning and considers, in addition to 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 affiliated entity, technological changes and operational and financing cash flows.

The company's investments in subsidiaries in the reporting period, on December 31, 2023 and on 31.12.2022 :

Branch name	Number of titles	Percentage of ownership and voting rights (%)	Value
Electromagnetica Prestserv SRL	300	100%	30,000
Electromagnetica Fire SRL	800	100%	80,000
Procetel SA	42,483	96,548%	732,008
TOTAL			**842,008**

Branch name	Number of titles	Percentage of ownership and voting rights (%)	Value
Electromagnetica Prestserv SRL	300	100%	30,000
Electromagnetica Fire SRL	799	99,875%	79,900
Procetel SA	42,483	96,548%	732,008
TOTAL			**841,908**

During 2023 Electromagnetica acquired a social part of Electromagnetica Fire SRL at the value of 100 RON, thus becoming the sole shareholder with 100% ownership .

10. OTHER NON-CURRENT ASSETS

	December 31 2023	December 31 2022	December 31 2021
Customer performance guarantees	3,535,648	2,864,813	1,481,839
Long-term staggered trade receivables	3,545,661	8,033,108	14,436,414
Adjustments to depreciate long-term trade receivables*	(487,623)	(1,010,831)	(1,515,401)
Other long-term non-current assets	12,796	33,637	137,628
Total	**6,606,482**	**9,920,728**	**14,540,480**

* The staggered long-term receivables worth RON 3,058,038 as of December 31, 2023 were updated to the present value, and the time-value effect of money was worth RON 487,623. The current portion is recognized in commercial receivables (Note 12).

11. INVENTORIES

	December 31, 2023	December 31, 2022	December 31, 2021
		(restated)	*(restated)*
Raw materials	8,719,964	8,349,443	9,892,908
Consumables	2,500,351	2,613,535	2,564,033
Finished products	13,799,830	12,579,551	7,151,200
Products in progress	2,064,672	3,436,021	2,730,442
Other inventories	949,286	2,708,816	2,168,220
Minus adjustments for impairment of inventories	(9,318,915)	(2,330,345)	(2,272,135)
Total	**18,715,189**	**27,357,022**	**22,234,669**

Other inventories include inventory items, finished products or materials in custody with third parties and advances paid to suppliers of goods. Details related to the restatement of the years 2022 and 2021 are in Note 4.3

The movement within the framework of adjustments for depreciation of inventories is as follows:

	2023	2022	2021
Balance at the beginning of the period	**(2,330,345)**	**(2,272,135)**	**(1,818,372)**
Allowance for impairment	(7,410,057)	(738,278)	(657,136)
Reversal of allowance for impairment	421,488	680,068	203,373
Balance at the end of period	**(9,318,915)**	**(2,330,345)**	**(2,272,135)**

Adjustments recorded during the reporting period relate to slow-moving inventories during the financial year.

The company has no pledged inventories on account of debts.

12. NET TRADE RECEIVABLES

	December 31 2023	December 31 2022	December 31 2021
		(restated)	*(restated)*
Commercial receivables in Romania	44,568,062	60,909,821	60,516,085
Trade receivables from other countries	4,620,663	6,255,673	7,159,872
Minus impairment adjustments trade receivables	(13,808,010)	(3,721,707)	(3,589,909)
Total	**35,380,716**	**63,443,787**	**64,086,048**

The decrease in commercial receivables at December 31, 2023 compared to December 31, 2022 had as a cause a decrease in sales volume . At the same time, depreciation adjustments were recorded for a number of receivables for which there were suspicions about the collection because the deadlines were much exceeded.

The company has established a matrix of provisions that is based on the experience of the company's historical losses on receivables, adjusted for forward-looking factors specific to debtors and the economic environment, if applicable. This model applies to receivables on balance that do not have an overdue maturity or that have a maturity exceeding 90 days.

At the same time, the company individually evaluates impairment losses for receivables with a maturity exceeding more than 90 days if there are indications of significant increases in credit risk. More information is given in Note 30.

12. NET TRADE RECEIVABLES (continued)

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

Details related to the restatement of the years 2022 and 2021 are in Note 4.3

The movement within the framework of adjustments for the depreciation of trade receivables is as follows:

	2023	2022	2021
Balance at the beginning of the period	**(3,721,707)**	**(3,589,909)**	**(4,909,054)**
Impairment adjustment (expense)	(10,639,568)	(405,766)	(966,988)
Reverse impairment adjustment	553,265	273,968	2,286,133
Balance at end of period	**(13,808,010)**	**(3,721,707)**	**(3,589,909)**

13, OTHER CURRENT ASSETS

	December 31 2023	December 31 2022	December 31 2021
Debtors	14,057	41,436	31,440
Prepayment expenses	1,126,826	868,718	775,029
Prepayment to suppliers	155,265	151,759	29,010
Other current assets	369,882	638,047	1,234,187
Total	**1,666,030**	**1,699,960**	**2,069,666**

Category *Prepayment expenses* in the amount of RON 1,126,826 mainly represents advance payments related to green certificates, insurance premiums for civil liability insurance administrators and various subscriptions.

In *Other current assets are* included mainly non-excisable VAT amounting to RON 56,961, amounts to be recovered from social health insurance amounting to RON 464,788.

14. CASH AND CASH EQUIVALENTS

	December 31 2023	December 31 2022	December 31 2021
Cash in the cashier	16,639	18,536	15,492
Availability in banks	25,110,929	10,692,777	2,907,501
Cash equivalents	11,332	2,356	417
Total	**25,138,900**	**10,713,669**	**2,923,410**

	December 31 2023	December 31 2022	December 31 2021
Restricted cash	90,000	90,000	90,000
Total	**90,000**	**90,000**	**90,000**

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

Bank availability includes short term deposits: December 31, 2023: RON 21,836,410 (December 31, 2022: RON 7,764,429).

15. SHARE CAPITAL

Share capital subscribed and paid up is Ron 67,603,870, composed of 676,038,704 shares with nominal value of RON 0.10/share, paid up ntegral.

The structure of the shareholders holding over 10% of the share capital as of December 31, 2023 is as follows, according to the Central Depository register:

	December 31, 2023		December 31, 2022	
Shareholder	**Numenr of shares**	**%**	**Number of shares**	**%**
INFINITY CAPITAL INVESTMENTS S. A.	442,465,466	65.4497	190,381,673	28.1614
PAS Association	-	-	163,074,260	24.1220
Individuals	208,487,511	30.8396	247,173,583	36.5620
Legal entities	25,085,727	3.7107	75,409,188	11.1546
Total	**676,038,704**	**100**	**676,038,704**	**100**

Share capital subscribed and paid up is RON 67,603,870, composed of 676,038,704 shares with nominal value of RON 0.10/share, fully paid up.

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

16. RESERVES

Legal reserve

	2023	2022
Balance at the beginning of the period	**12,541,942**	**19,789,854**
Increases	-	1,401,865
Diminutions	-	(8,649,877)
Balance at end of period*	**12,541,942**	**12,541,942**

Under Romanian law, companies must distribute a value equal to at least 5% of pre-tax profit in legal reserves until they reach 20% of the share capital. When this level has been reached, the company can make additional allocations only from net Profit. The statutory reserve is deductible within the limit of a 5% rate applied on the accounting profit, before the determination of the corporation tax.

The statutory reserve was not established during the reporting period.

Revaluation reserves they are in the amount of 146,040,465 lei as of December 31, 2023. Relative to the balance of the beginning of the period, these increased with the surplus related to the revaluation and decreased and transferred to the retained earnings as the depreciation of the revalued fixed assets.

	2023	2022
Balance at the beginning of the period	**149,935,370**	**154,178,085**
Revaluation increases	249,333	-
Diminutions	(4,144,239)	(4,242,714)
Balance at end of period	**146,040,464**	**149,935,370**

16. RESERVES (continued)

Legal reserve (continued)

The company registers on December 31, 2023 *other reserves and equity items* in the amount of 79,826,174 lei of which the own sources of financing represent 98%.

	2023	2022
Balance at the beginning of the period	**57,975,275**	**66,840,830**
Increases	21,850,899	-
Diminutions	-	(8,865,555)
Balance at end of period	**79,826,174**	**57,975,275**

During the meeting of the AGOA Electromagnetica on April 28, 2023, the allocation of 20,449,034 lei to reserves from the previous year's profit was approved.

17. RETAINED EARNINGS

As of December 31, 2023, the retained earnings from the transfer of net revaluation reserves related to depreciated or decommissioned assets amounted to Ron 4,144,240.

The result of the previous years was adjusted in 2022 and 2021 by RON 1,918,800, respectively RON 2,689,644.

Details according to IAS 8 in Note 4.3.

18. INVESTMENT SUBSIDIES

	Total	Under one year	Over a year
Investment subsidies on 31 dec.2023	3,920,651	163,219	3,757,433

	Total	Under one year	Over a year
Investment subsidies on 31 dec.2022	4,083,869	163,219	3,920,651

In 2012, the company benefited from an investment grant of RON 5,997,788 granted for the modernization of the Brodina 2 micro-hydro power plant (Suceava), which is transferred to revenues simultaneously with the registration of depreciation of the assets purchased under this project. The net accounting value of fixed assets acquired through this subsidy are presented in Note 5.

19. PROVISIONS

Name	Balance January 1 2022	Inflow (establishment)	Outflow (cancellation)	Balance December 31 2023
Provision for performance guarantees to customers	775,000	-	-	775,000
Provisions for risks and expenses	31,440	-	(31,440)	-
Provision for employee benefits	1,392,898	1,090,235	(1,852,697)	630,436
TOTAL	**2,199,338**	**1,090,235**	**(1,884,137)**	**1,405,436**

The company has concluded contracts for the delivery of luminaires with warranty clause for long periods, respectively 2 - 4 years. The contracts do not provide a percentage or amount for the performance guarantee, the provision for them being calculated on the basis of the analysis of the cost history made with the products within the warranty period.

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

20. COMMERCIAL AND OTHER LIABILITIES

Current commercial liabilities	December 31 2023	December 31 2022 *(adjusted)*	December 31 2021 *(adjusted)*
Domestic commercial debt	4,415,839	8,429,340	7,408,898
Foreign trade debts	3,319,816	4,974,114	5,052,945
Estimated trade liabilities	4,719,677	3,519,791	10,706,476
Other current liabilities			
Advances received from customers	1,812,126	3,180,259	3,633,180
Salaries and social insurance	2,822,556	3,191,617	3,106,963
Prepayment income	1,695,488	37,547	10,612
Loans under one year	-	-	20,960,469
Other liabilities	6,135,039	8,911,105	4,715,086
Total	**24,920,540**	**32,243,773**	**54,594,629**

Debts are recorded at face value and are highlighted in analytical accounting on each individual or legal entity. Foreign currency liabilities were assessed on the basis of the currency exchange rate in force at the end of the year and exchange differences were recognised as income or expense of the period.

The Company does not record significant outstanding commercial debt.

The Company does not record overdue payments to employees and to the state budget, the amounts presented represent debts related to December 2023 and paid at the deadline of January 2024.

The Company has no long-term loans as of December 31, 2023.

The Company has approved several credit agreements as of December 31, 2023. Their statement is set out in Note 31 of these financial statements.

Other debts have in the composition guarantees received from tenants, VAT payment, other taxes and fees.

The guarantees received from the tenants and those withheld from the suppliers on December 31, 2023 are in the amount of RON 2,956,661 will be regularized according to the contractual clauses.

20. COMMERCIAL AND OTHER LIABILITIES (continued)

	Total	Under one year	Over a year
Guarantees received year 2023	2,956,661	2,088,943	867,718
Guarantees received year 2022	3,613,757	2,913,580	700,176

Lease liabilities are presented within current and long-term liabilities. Their total value is RON 1,444,911 (Note 8).

21. COMPANY AS A LESSOR

The company has entered into operating leases for its real estate investment portfolio consisting of certain office and production buildings (see Notes 5 and 6). These leases have terms ranging from 1 to 6 years

All leases include a clause to allow the rental fee to be revised upwards on an annual basis depending on prevailing market conditions. The lessee is also obliged to provide a guarantee of the residual value on the properties, so this covers the risks that the lessor takes in the event of any problems in cooperation with the tenants.

Rental income recognized by the Company during the year is 17.915.931 RON (2022: RON 17,534,596).

Future minimum rents receivable under nonrevocable operating leases at December 31, 2023 are as follows:

	2023	**2022**
- 1 year	17,140,704	16,857,194
- Between 1 and 2 years	8,119,516	9,942,010
- Between 2 and 3 years	5,158,552	5,116,016
- over 3 years	3,058,710	-

22. REVENUE

2023

REVENUE FROM CUSTOMER CONTRACTS	**Licensed activity**	**Unlicensed activity**
Revenue from the production of electricity from renewable sources and from the supply of electricity	91,443,660	-
Revenue from product sales (LED lighting fixtures, electric vehicle charging systems and solutions, plastic mass injection products and molds, low voltage electrical equipment, railway traffic safety elements)	-	53,788,733
Revenue from services rendered (complex design, delivery and assembly of LED lighting systems and electric vehicle charging stations)	-	23,475,518
TOTAL REVENUE FROM CUSTOMER CONTRACTS	**91,443,660**	**77,264,251**
RENTAL INCOME	-	**26,305,392**
TOTAL REVENUE	**91,443,660**	**103,569,643**

22. REVENUE (continued)

2022 *(restated)*

REVENUE FROM CUSTOMER CONTRACTS	**Licensed activity**	**Unlicensed activity restated**
Revenue from the production of electricity from renewable sources and from the supply of electricity	113,447,919	-
Revenue from product sales (LED lighting fixtures, electric vehicle charging systems and solutions, plastic mass injection products and molds, low voltage electrical equipment, railway traffic safety elements)	-	49,984,068
Revenue from services rendered (complex design, delivery and assembly of LED lighting systems and electric vehicle charging stations)	-	37,998,144
TOTAL REVENUE FROM CUSTOMER CONTRACTS	**113,447,919**	**87,982,212**
RENTAL INCOME	**-**	**24,534,596**
TOTAL REVENUE	**113,447,919**	**112,516,808**

<u>Timing of recognition of revenue from contracts with customers</u>

2023	**Licensed activity**	**Unlicensed activity**
Goods and services transferred at a given time	-	53,788,733
Goods and services transferred over time	91,443,660	49,780,910
Total revenue from customer contracts	**91,443,660**	**103,569,643**

2022 restated	**Licensed activity**	**Unlicensed activity**
Goods and services transferred at a given time	-	49,984,068
Goods and services transferred over time	113,447,919	62,532,740
Total revenue from customer contracts	**113,447,919**	**112,516,808**

The company's revenue streams are:

- *Revenues from the production of electricity from renewable sources and the supply of electricity*, revenues are fulfilled execution obligations **in time** when the customer received the restored energy**.** Prices are identifiable and the market is regulated. Standard payment terms are between 30-60 days.
- *Revenue from sales of LED lighting, lighting fixtures, electric vehicle charging stations, fuel injectors plastic and molds, low voltage electrical equipment, railway traffic safety features* , revenues are performance obligations met at ***a moment in time*** when the customer receives and / or the goods are delivered. Prices are identifiable and represent the consideration paid by the customer on the sale of finished products. Standard payment terms are between 30-90 days. There are also no volume discounts.
- *Revenue from services provided (lighting system installation services)* - income is executed obligations ***over time.*** Prices are identifiable and represent the consideration paid. Standard payment terms are between 60-90 days, but can reach up to 2-3 years. The method used in the input-based (cost-based) method, according to which income is recognized on the basis of the efforts of the right to fulfill the obligation of execution.

Most of the revenue is generated in Romania.

22. REVENUE (continued)

The disaggregation of revenue at the product level is:

	2023	2022
		(restated)
Electric vehicle charging stations	8,631,437	11,041,433
Electrical equipment	18,055,788	16,047,551
Traffic safety elements CFR	6,625,957	6,645,897
Plastic mass injections and molds	7,891,473	9,481,662
LED lighting fixtures and services	34,754,051	41,044,620
Other	1,305,544	3,721,049
TOTAL PRODUCTION	**77,264,251**	**87,982,213**

OTHER NET INCOME AND EXPENSES

	2023	2022
Income from green certificates	1,248,655	1,673,074
Income / (expense) on provisions	(16,396,927)	456,387
Net exchange rate difference	(87,866)	28,561
Other net income/(expense)	668,708	2,313,844
TOTAL	**(14,567,429)**	**4,471,866**

Line *Income / (expense) on provisions* represents net asset adjustments (fixed assets, receivables, inventories), as well as provisions for guarantees granted to customers and employee benefits.

Net income from the fair value measurement of the real estate investment was Ron 218,066 and can be found in other net income / (expenses)

As a result of the adjustment of the sales with delivery after invoicing (goods kept in the custody of the company) and the restatement of the results of previous years, *Profit and loss statement* it has undergone the following changes:

- sales line-decrease RON 5,537,951 in 2022 and RON 7,191,317 in 2021
- line revenues from stored production-growth 3,033,665 in 2022 and RON 4,113,359 in 2021
- line other expenses-minus RON 220,000 in 2022

23. EXPENSES

	2023	2022
		(restated)
Material expenses	**102,147,473**	**123, 780,118**
- Expenditure on raw materials and consumables	43,169,195	57,570,664
- Expenditure on goods	51,608,056	58,964,157
- Expenditure on energy, water, gas	7,370,223	7,245,297
Employee expenses	**39,300,725**	**36,050,893**
- Salary expenses	23,479,245	21,954,297
- Other personnel expenses	15,821,480	14,096,596

23. EXPENSES (continued)

	2023	2022 *(restated)*
Other expenses	**52,616,838**	**49,657,259**
- Postal expenses	407,421	631,030
- Maintenance and repair expenses	333,574	315,721
- Rent expenses	557,008	516,877
- Advertising and protocol expenses	165,667	192,118
- Insurance expenses	692,323	599,808
- Transport and travel expenses	1,081,651	1,336,938
- Subcontracted work expenses	5,880,003	12,566,372
- Expenses other taxes and fees	1,843,784	1,794,925
- Expenses with consultants and collaborators	815,398	388,289
- Expenditure on green certificates	1,585,359	1,400,886
- Contribution to the Energy Transition Fund	25,892,582	15,360,791
- Other operating expenses	13,362,069	14,553,504
Depreciation and amortization expense	**33,639,220**	**15,043,289**
- Depreciation expense	10,517,924	10,913,475
- Impairment loss	23,121,296	4,129,814
Total expenses	**227,704,256**	**224,531,559**

In the line" Other operating expenses " are highlighted services performed by third parties, banking and assimilated services, expenses regarding fees and commissions, etc.

The impairment loss is related to small hydropower plants as a result of revaluation.

24. FINANCIAL EXPENSES

	2023	2022
- Interest expense	1,469	540,234
- Bank fees	369,149	492,407
- Lease interest expense	91,120	96,923
Total financial expenses	**461,737**	**1,129,564**

25. CORPORATE TAX

Income tax recognized in profit or loss:

	December 31 2023	December 31 2022 (restated)
Current income tax		
Current income tax expense	931,652	2,442,728
Deferred income tax		
Deferred tax income	(6,486,443)	(889,310)
	(5,554,791)	**1,553,418**

25. INCOME TAX (continued)

Reconciliation of pre-tax profit to income tax expense in the profit and loss account:

Indicator	December 31 2023	December 31 2022 *(restated)*
Profit / (loss) before tax	**(36,587,880)**	**24,865,711**
Tax applied at local rate (16%)	5,854,061	3,978,514
Effect of non-deductible expenses	(286,275)	(714,556)
Effect of non-taxable income	-	78,770
Other	(12,995)	(1,789,310)
Total income tax expense / (income)	**(5,554,791)**	**1,553,418**

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

As of December 31, 2023 the total receivable on the current income tax is 826,030 RON (December 31, 2022: 177,392 RON).

The analysis of the deferred income tax for 2023 and 2022 is presented below:

	Initial balance January 1 2023	Recognised in the profit or loss account (income)/ expense	Recognised in other comprehensive income	Final balance December 31, 2023
Property, plant and equipment	24,443,341	(3,948,803)	39,893	20,534,431
Adjustment of non-current assets	(660,770)	66,421	-	(594,349)
The time-value effect of money (receivables)	(287,791)	102,266	-	(185,525)
Value adjustments receivables	(469,415)	(1,632,361)	-	(2,101,776)
Inventories value adjustments	(372,855)	(1,195,9605	-	(1,568,815)
Employee benefits	(222,864)	121,994	-	(100,870)
TOTAL	**22,429,646**	**(6,486,443)**	**39,893**	**15,983,096**

	Initial balance January 1 2022	Recognised in the profit or loss account (income)/ expense	Recognised in other comprehensive income	Final balance December 31, 2022
Property, plant and equipment	24,707,037	(263,696)	-	24,443,341
Adjustment of non-current assets	-	(660,770)	-	(660,770)
The time-value effect of money (receivables)	(377,555)	89,764	-	(287,791)
Value adjustments receivables	(448,332)	(21,083)	-	(469,415)
Inventories value adjustments	(329,268)	(43,587)	-	(372,855)
Employee benefits	(232,926)	10,062	-	(222,864)
TOTAL	**23,318,956**	**(889,310)**	**-**	**22,429,646**

The deferred income tax for tangible assets resulted from different periods of accounting and fiscal depreciation and the surplus recorded as a result of the revaluation.

26. AVERAGE NUMBER OF EMPLOYEES

The average number of employees evolved as follows:

	December 31 2023	December 31 2022
Management staff	40	42
Administrative staff	125	136
Production staff	185	190
Total	**350**	**368**

The high level of training of the employees allowed the company to undertake research and development activities. The evolution of the structure of employees by level of training is presented below:

	December 31 2023	December 31 2022
Staff with higher education	45%	40%
Staff with secondary education	32%	39%
Staff with technical education	3%	4%
Staff with professional and qualification education	19%	17%
Average number of employees	**350**	**368**

Expenses with salaries and related taxes recorded are as follows:

	2023	2022
Salary expenses	23,479,245	21,954,297
Other personnel expenses	15,821,480	14,096,596
Total	**39,300,725**	**36,050,893**

The company does not have a pension program for staff specifically contributing to the National Pension Program according to the legislation in force.

27. RELATED PARTY TRANSACTIONS

	2023	2022
Sale of goods and services to subsidiaries		
Electromagnetic Fire	22,694	23,118
Electromagnetica Prestserv	22,301	21,645
Procetel	676,850	36,298
Total	**721,845**	**81,061**

	2023	2022
Purchases of goods and services from subsidiaries		
Electromagnetic Fire	1,581,702	1,669,599
Electromagnetica Prestserv	1,441,690	1,308,735
Procetel	1,692,175	1,538,298
Total	**4,715,567**	**4,516,632**

27. RELATED PARTY TRANSACTIONS (continued)

	December 31 2023	December 31 2022
Commercial and other liabilities to subsidiaries		
Electromagnetic Fire	120,082	132,899
Electromagnetica Prestserv	144,060	256,302
Procetel	4,830	22,865
Total	**268,972**	**412,066**

Sales to affiliated companies include: miscellaneous material deliveries, rents, utilities.

Purchases from affiliated companies include: rents, utilities, cleaning and transportation services, fire prevention and extinguishing services.

Procetel SA is a joint stock company with headquarters in Calea Rahovei 266-268, Bucharest, 5th district, Order Number J40/10437/1991, CUI 406212, phone number: 031.700.2614, fax: 031.700.2616, having as main activity research and development in other natural sciences and engineering (NACE code 7219). In relation to electromagnetics carry out rental activities premises.

Electromagnetica Prestserv SRL is a limited liability company with headquarters in Calea Rahovei 266-268, 5th district, building 1, 2nd floor, axes A-B, pillars 1-2, registered at the Trade Register Office attached to the Bucharest Tribunal with no J40/1528/2003, CUI 15182750. In relation to electromagnetics provides cleaning services (CAEN code 4311).

Electromagnetica Fire SRL is a limited liability company based in Calea Rahovei No. 266-268, 5th district, building 2, ground floor, axes C-D, pillars 6 - 7, registered at the Trade Register Office attached to the Bucharest Court with no J40/15634/2006, CUI 19070708. In relation to Electromagnetica carries out activities in the field of fire defense, fire prevention and extinguishing technical assistance, private emergency services on civil protection, interior design, electrical works and cleaning services.

Electromagnetica provides rental services to its affiliated companies Procetel, Electromagnetica Prestserv and Electromagnetica Fire.

Transactions with related parties are considered at market price.

Remuneration of key management personnel

The remuneration of directors and other members of Management in 2023 and 2022 was as follows:

	December 31 2023	December 31 2022
Payroll management	3,488,383	2,802,774
Compensation members management	1,071,366	-
Benefits Board of directors	631,438	297,835
Bonus Board of directors	144,160	-
Total	**5,335,347**	**3,100,609**

The Company has no contractual obligations to former directors and directors and has not granted advances or credits to current directors and directors.

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

28. EARNINGS PER SHARE

Basic earnings per share

During the reporting period, no changes occurred in the structure of the share capital. Basic earnings per share is that shown in the statement of profit or loss and other comprehensive income. It was calculated as the ratio between the net profit of ordinary shares and the weighted average of ordinary shares outstanding.

	2023	2022 *(restated)*
Net Profit / Loss attributable to shareholders	(31,033,088)	23,312,293
Weighted average number of ordinary shares	676,038,704	676,038,704
Earnings per share	(0.0459)	0.0345

Diluted earnings per share

For the calculation of diluted earnings per share, the company adjusts the earnings attributable to the company's ordinary shareholders and the weighted average of shares outstanding to the effects of all potentially diluted ordinary shares. For the years 2023 and 2022 the company records basic earnings per share equal to diluted earnings per share as there are no certain securities that enable it to be converted to ordinary shares at some point in the future.

29. INFORMATION BY BUSINESS SEGMENT

The company used the nature of the regulatory environment as an aggregation criterion for reporting by business segment and identified the following business segments for which it presents the information separately:

- Licensed activity-electricity supply and production
- Unlicensed activity-industrial production and rental of premises.

The aggregation criterion is based on the license necessary to carry out activities and the conditions imposed by it, among which the presentation of separate financial statements. The electricity generation and supply activities were aggregated taking into account that they represent an integrated process for part of their operations.

Information by segment is reported according to the activities of the company. Segment assets and liabilities include both items directly attributable to those segments and items that can be allocated using a reasonable basis.

Year 2023	Unlicensed activity	% Total company	Licensed activity	% Total company	Total company
Net loss/Profit	(16,320,748)	53%	(14,712,340)	47%	(31,033,088)
Total assets	332,936,749	84%	61,353,362	16%	394,290,111
Total liabilities	26,816,892	55%	21,725,461	45%	48,542,353
Customer revenue	103,569,643	53%	91,443,660	47%	195,013,303
Depreciation and amortization	11.890.833	35%	21.748.387	65%	33.639.220

Year 2022 *(restated)*	Unlicensed activity	% Total company	Licensed activity	% Total company	Total company
Net profit	(3,205,951)	-	26,518,244	100%	23,312,293
Of which:					
- current activity	*923,863*	*2%*	*26,518,244*	*98%*	*27,442,107*
- land expropriation loss	*(4,129,814)*	*100%*	-	-	*(4,129,814)*
Total assets	365,324,640	82%	78,477,305	18%	443,801,945
Total liabilities	41,158,709	64%	22,691,636	36%	63,850,345
Customer revenue	112,516,809	50%	113,447,919	50%	225,964,727
Depreciation and amortization	12,802,859	93%	2,240,430	7%	15,043,289

29. INFORMATION BY BUSINESS SEGMENT (continued)

Main products and production structure

The company benefits from a diversity of technologies and equipment that allows obtaining a diversified nomenclature of products. The share of the main product groups in the production turnover (excluding services) is as follows:

LED lighting fixtures, systems and solutions

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

The competitive advantage of LED lighting equipment is due to high efficiency (over 160 lm/w), long service life (minimum 100,000 hours) and high color rendering index (minimum 85 %). In addition, LED luminaires provide quality light, are environmentally friendly and allow integration into telemanagement systems. The focus is currently on the control and management of energy consumption given the important increases in the price of electricity.

LED lighting fixtures, systems and solutions

With regard to the led lighting activity, there are ongoing projects funded on European and national programs ROP and AFM, where ELECTROMAGNETICA has developed 3 Smart City and Telemanagement platforms with the purpose of managing the automation of lighting devices in order to decrease the CO2 carbon footprint, by reducing the luminous intensity depending on time or on the command of sensors, solutions that are very stable and reliable , ELECTROMAGNETICA offering a complete intelligent lighting solution included in the SmartCity platforms. The 3 main platforms developed are the following:

1. Smart IoT Server: ILIC-Smart Luminaire Informations Center, used in public street lighting projects: Craiova Expressway Pitesti lot 1 and 2 (Slatina and Bals), CAHUL City Republic Of Moldova, Tășnad City Satu Mare County.

2. Radio Telemanagement in mesh 6LoWPAN - Neptun CMS technology, used in street lighting projects: Panciu City Vrancea County, Baneasa Commune Constanta County.

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

In these lighting systems have been integrated more recently and solar panels so that the energy consumption and implicitly the energy cost to be an advantage for the final beneficiary.

Electric vehicle charging stations

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

In order to reduce the electromagnetic CO2 footprint continue the development and production of fast CHARGE and ULTRA FAST CHARGE stations (50KWM 100kW, 150kW and 350kW). We mention that ELECTROMAGNETICA has increased its station network and improved the elmotion station management software operating platform.

The advantage of ELECTROMAGNETICA is that it offers complete solutions for delivery, installation and commissioning as well as the station management side with its own elmotion operating platform, providing a complete service with dispatch and intervention for quick troubleshooting in case of need.

Plastic injection and moulding

Electromagnetica benefits from a wide range of technologies, which allows the company to produce subassemblies from injected plastics both for the domestic market and for export. The company currently has 25 injection machines, most of the products made being parts and components for power tools.

Important to note, injected plastics benefit from internally designing, manufacturing and repairing molds through a dedicated compartment.

29. INFORMATION BY BUSINESS SEGMENT (continued)

Railway traffic safety elements

The sales of railway traffic safety elements remained almost constant compared to last year, the orders for this production segment from prestigious companies being largely dependent on the pace of modernization of the railway infrastructure, given that CFR Infrastructura is the final beneficiary of these services.

Electricity production from renewable sources and Electricity supply service

The production and supply of energy is a domain regulated by the National Energy Regulatory Authority, the company holding the producer license since 2007. The company owns 10 small hydropower plants in the Suceava River Basin, which have been modernized and automated over time, reaching an installed power of 5.5 MW. In 2023, the energy production in its own small hydropower plants was 11,669 MWh, in line with the Multiannual average of approx. 12,000 MWh.

The profitability of the company's licensed activity was significantly affected by the legislative regulations implemented in 2022, so that the company's production and supply activity generated a loss in 2023. For 2024, the management continues the activities of identifying opportunities for the best possible capitalization through the client portfolio of energy produced by the 10 micro-hydro power plants and secured by contracts with large players in the Romanian energy market.

Rental and utility services

Electromagnetica manages approximately 35,500 sqm of spaces for rent in Bucharest and 3,500 sqm in Varteju, Ilfov County. At the end of 2023, for the headquarters in Calea Rahovei 266-268, the average rental rate was 86 %. For the spaces in Varteju (Magurele) commune, the rental rate was 94.92%. According to expert reports, the stock of modern office space reached 3.19 million square meters, excluding buildings owned by those who occupy them, while the vacancy rate increased slightly, to 14.9%. An important thing to mention is that there is still a significant difference between the vacancy rates reported for office classes in Bucharest, namely 12.5% for Class A and 23% for Class B.

The activity of renting and supplying utilities recorded an increase of 8% compared to the previous year, the result of the increase in the euro/leu average rate, which evolved favorably compared to 2021, the changes in tariffs per square meter and the increasing changes in tariffs for utilities. Compared to the previous year, the structure of office rental spaces decreased, the share of spaces intended for service provision increased and those for production and storage remained relatively the same.

Electromagnetica's efforts continue to provide tenants with quality services, with various facilities (on-site gym, cafeteria/grill, English garden with green spaces) and at competitive prices, in conditions of a very competitive real estate market. In the Center-West area (of which we are part) the offer of available spaces has increased from year to year and the trend for storage and production spaces is to move to the outskirts of the city (considering also the traffic restrictions)

30. RISK MANAGEMENT

General risk management framework

The Board of Directors of the company has overall responsibility for establishing and supervising the risk management framework at the company level.

The activity is governed by the following principles:

a. principle of delegation of power;
b. principle of decision-making autonomy;
c. principle of objectivity;
d. principle of investor protection;
e. the principle of promoting the development of the stock market;
f. the principle of active role.

The Board of Directors is also responsible for examining and approving the strategic, operational and financial plan of the company, as well as the corporate structure of the company.

30. RISK MANAGEMENT (continued)

General risk management framework (continued)

The company's risk management policies are defined in such a way as to ensure the identification and analysis of risks faced by the company, the establishment of appropriate limits and controls, as well as the monitoring of risks and compliance with 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, seeks to develop an orderly and constructive control environment, within which all employees understand their roles and obligations.

The internal audit of the company's entities 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 they face.
The activities that the company carries out expose it to a number of financial risks: market risk (including exchange rate risk, interest rate risk, price risk), credit risk and liquidity risk.

The company is exposed to the following risks:

Capital risk management

Capital risk management aims to ensure the ability of the company to conduct its business in good conditions through an optimization of the capital structure (equity and debt). In the analysis of the capital structure, the cost of capital and the risk associated with each class are tracked. In order to maintain an optimal capital structure and an appropriate degree of indebtedness, the company has proposed to shareholders in recent years an appropriate dividend policy that ensures its own sources of financing. The absence of funding sources may limit the company's expansion into market segments where the sale is supported by offering commercial facilities.

The company monitors capital based on indebtedness. This indicator is calculated as the ratio of net debt to total capital employed. Net debt is calculated as the sum of total loans (includes leasing debt as per IFRS 16) and total suppliers and other liabilities (as presented in the statement of financial position) less cash and cash equivalents. Total committed capital is determined as the sum between net debt and equity (as presented in the financial position).

The indebtedness at December 31, 2023 was as follows:

	December 31 2023	**December 31 2022** *(restated)*
Total long and short term liabilities	48,542,353	63,850,345
Excluding: Cash and cash equivalents	(25,138,900)	(10,713,669)
Total	**23,403,453**	**53,136,676**
Equity	**345,747,758**	**379,951,601**
Debt ratio	**0.0676**	**0.139**

Market risk

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

30. RISK MANAGEMENT (continued)

Currency risk management

The company is exposed *currency risk* due to the fact that the supply of materials is made mostly from imports. In order to limit the effect of foreign exchange, the timing of payments was correlated with that of foreign currency receipts, the company realizing, as a rule, surplus cash flow. The company continuously monitors and manages the exposure to exchange rate changes.

The company's currency risk exposure results from:

- transactions (sales/purchases) in foreign currencies;
- commitments
- monetary assets and liabilities (in particular receivables, commercial liabilities)

Foreign currencies most often used in transactions are EUR, USD and MDL.
Assets in foreign currency are represented by client receivables and available in foreign currency. Foreign currency debts are represented by debts to suppliers.

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

Currency in which they are denominated	**EUR**	**USD**	**MDL**	**Total**
Functional currency	**RON**	**RON**	**RON**	**RON**
December 31, 2023	**EUR**	**USD**	**MDL**	**Total**
Total monetary assets	5,183,140	146,312	86,559	5,416,010
Total monetary liabilities	3,313,608	6,208	-	3,319,816
December 31, 2022	**EUR**	**USD**	**MDL**	**Total**
Total monetary assets	6,451,603	544,964	81,892	7,078,459
Total monetary liabilities	4,785,951	188,165	-	4,974,116

Exchange rate sensitivity analysis

An appreciation / (depreciation) of RON against EUR and USD, as indicated below, on December 31, would increase / (decrease) profit or loss and equity by the amounts shown below (excluding the impact in corporation tax)

Denomination currency	**EUR**	**USD**
Functional currency	**RON**	**RON**
Change in exchange rate	+/- 10%	+/- 10%
December 31, 2023		
Profit and loss statement	186,953	14,010
Other equity	-	-
December 31, 2022		
Profit and loss statement	166,565	35,680
Other equity	-	-

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

30. RISK MANAGEMENT (continued)

Interest Risk Management

Risk with regard to *change in interest rates* it is kept under control due to the investment policy of the company from its own sources of financing, which leads to the use of credit lines only for short periods.

As of December 31, 2023, the company has no medium or long term loans, owning only credit lines that can be accessed at will depending on the temporary cash deficit registered.

The interest rates for the company's loan facilities are based on ROBOR because they are lines of financing in RON.
The lines of credit were fully covered during 2023 so that at the end of the year there was no balance to be repaid in the future.

Price risk

Price risk it is the risk that the future income of the company will be negatively impacted by changes in the price on the energy market, but also includes the risk of changing the purchase price of raw materials and materials necessary for production.

Among the markets in which the Company operates, the energy market is the one with the highest price risk, taking into account the price volatility on the day-ahead market and the balancing market, as well as the non-existence of long-term risk hedging mechanisms.

Credit risk management

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

Receivables

Commercial receivables come from a wide range of clients working in various fields of activity and in different geographical areas. Foreign market claims insurance policies were contracted. Due to the increased incidence in the economy of insolvency cases, there is a concrete risk regarding the recovery of the value of products and/or services provided prior to the declaration of insolvency. The company aimed to pay increased attention to the creditworthiness and financial discipline of the contractual partners. The company wishes to adopt the policy of trading only with trusted partners and to obtain sufficient guarantees where appropriate to minimize the risk of financial losses resulting from non-fulfillment of obligations.

Exposure to credit risk is controlled through the constant monitoring of each borrower. The company assesses their credit risk on an ongoing basis taking into account their financial performance, payment history and, where appropriate, asks for default risk insurance.

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

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

The methodology used by the company to measure expected losses on trade claims could be described as follows:

- determination of an appropriate follow-up observation period for the historical loss rate. The company selected 2 prior periods ended December 31, 2022 and December 31, 2021 for data collection ;
- collecting data on commercial receivables and grouping them according to their maturity stage in each analyzed period and by main activities ;
- analyzing the evolution of these balances over a period of 12 months and determining the amounts still unpaid in each outstanding group to determine the proportion of balances in each maturity category that was not ultimately collected ;
- determination of the weighted average loss rate (%) according to the maturity status for the 2 analyzed periods ;
- this rate will be applied to determine the impairment loss on trade receivables as of December 31, 2023.

30. RISK MANAGEMENT (continued)

Credit risk management (continued)

Claims (continued)

Following the analysis of receivables according to the methodology presented above, the company did not identify a risk of default for receivables on balance with maturities exceeding less than 90 days.

In addition to the analysis of receivables described above, the company analyzed clients with receivables whose maturities exceeded 90 days on December 31, 2023, as well as territorial administrative units with receivables with maturities exceeded more than one year on balance on December 31, 2023 and, depending on the available information, calculated and recorded adjustments to the amount of receivables as of December 31, 2023, correlated with the probability of their recovery.

The following table presents the risk profile of trade receivables based on the company's impairment adjustment Matrix. Since the company's historical credit loss experience shows significantly different loss patterns for different customer segments, adjustments for loss rates based on default risk differ among the company's different customer segments.

Current trade receivables			**December 31 2023**
Deadlines	**Balances**	**Depreciation expense**	**Estimated loss rate (%)**
Current (not past due)	5,667,200	-	-
1 – 30 days	5,736,857	-	-
31 – 60 days	255,702	-	-
61 – 90 days	37,797	-	-
Total receivables analyzed globally	**11,697,556**	**-**	**-**
Receivables licensed activities	4,014,285	-	-
Unlicensed activities with state authorities (city halls)	13,458,710	(1,082,455)	8%
Other receivables 90-180 days	4,263,253	(321,839)	8%
Other receivables over 180 days	12,359,509	(9,008,304)	73%
Uncertain claims	3,395,412	(3,395,412)	100%
Total receivables analyzed individually	**37,491,169**	**(13,808,011)**	37%
Total	**49,188,726**	**(13,808,011)**	**28%**

Current trade receivables			**December 31 2022 (restated)**
Deadlines	**Balances**	**Depreciation expense**	**Estimated loss rate (%)**
Current (not past due)	35,003,119	-	-
1 – 30 days	5,394,679	-	-
31 – 60 days	4,671,198	-	-
61 – 90 days	632,318	-	-
90 – 180 days	3,288,551	-	-
Over 180 days	1,332,178	-	-
Total receivables analyzed globally	**50,322,043**	**-**	
Receivables licensed activities	7,273,081	-	-
Claims unlicensed activities with state authorities	6,636,523	(787,862)	12%
Claims analyzed individually	2,933,845	(2,933,845)	100%
Total receivables analyzed individually	**16,843,449**	**(3,721,707)**	22%
Total	**67,165,492**	**(3,721,707)**	**5.5%**

30. RISK MANAGEMENT (continued)

Credit risk management (continued)

Financial instruments and deposits

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

It is estimated that there is no significant exposure from possible non-compliance by counterparties with respect to financial instruments.

Liquidity risk management

The treasury function of the company makes forecasts on the liquidity reserve and maintains an adequate level of credit facilities so that it can prudently manage liquidity and cash-flow risks. At the same time, investments were limited to their own sources of financing and those that have a direct contribution to the turnover. The liquidity and cash-flow risk management policy adapts to new, more demanding business practices. This risk is closely related to the risks presented above.
Below is the statement of claims and liabilities by maturity:

	December 31 2023	**0 - 1 year**	**1 - 2 years**	**2 - 5 years**	**More than 5 years**
Commercial and other receivables	45,357,027	38,750,545	5,544,239	1,062,243	-
Commercial and other liabilities	27,233,170	25,641,390	1,000,849	522,538	68,393
Net position	**18,123,857**	**13,109,155**	**4,543,390**	**539,705**	**(68,393)**

	December 31 2022 *(restated)*	**0 - 1 year**	**1 - 2 years**	**2 - 5 years**	**More than 5 years**
Commercial and other receivables	76,119,666	66,198,938	5,474,276	4,446,452	-
Commercial and other liabilities	35,137,491	33,137,566	1,608,187	391,738	-
Net position	**40,982,175**	**33,061,372**	**3,866,089**	**4,054,714**	**-**

Categories of financial instruments

	2023	**2022** ***(restated)***
Financial assets		
- **amortized cost**		
Short and long term trade receivables	45,357,027	76,119,666
Cash and cash equivalents	25,138,900	10,713,669
Total	**70,495,927**	**86,833,335**

	2023	**2022** ***(restated)***
Financial liabilities		
- **amortized cost**		
Commercial and other liabilities	25,788,259	32,943,950
Short and long term lease liabilities	1,444,911	2,193,541
Total	**27,233,170**	**35,137,491**

30. RISK MANAGEMENT (continued)

2023	January 1 2023	Proceeds	Interest expense	Interest payments	Payments	Leasing	Lease payments	December 31, 2023
Overdraft	-	1,964,851	1,469	(1,469)	(1,964,851)	-	-	-
Lease liabilities	2,193,541	-	91,012	(91,012)	-	616,868	(1,365,498)	1,444,911
Total financial liabilities	**2,193,541**	**1,964,851**	**92,481**	**(92,481)**	**(1,964,851)**	**590,988**	**(1,365,498)**	**1,419,031**

2022	January 1 2022	Proceeds	Interest expense	Interest payments	Payments	Leasing	Lease payments	December 31, 2022
Overdraft	20,891,294	32,718,453	609,409	(609,409)	53,609,747	-	-	-
Lease liabilities	1,475,249	-	96,097	(96,097)	-	1,975,548	(1,257,256)	2,193,541
Total financial liabilities	**22,366,543**	**32,718,453**	**705,506**	**(705,506)**	**53,609,747**	**1,975,548**	**(1,257,256)**	**2,193,541**

31. COMMITMENTS AND POTENTIAL LIABILITIES

Commitments

As of December 31, 2023, the company has commitments granted by two financing banks:

- for bank loans in the form of overdraft for working capital in the amount of RON 10,000,000 and SGB issuance ceiling in the amount of maximum RON 2,000,000.
- non-cash guarantee agreements worth RON 10,000,000.

As of December 31, 2023, the company had at its disposal an amount of RON 10,000,000 net of the contracted loan facility and the amount of Ron 1,247,792 as unused, from the non-cash facility for letters of guarantee.

The commitments granted to the company are guaranteed by accounts opened with creditor banks, receivables, collateral deposits in the amount of RON 90,000, tangible assets (land, buildings) in the amount of RON 38,668,772 (Note 5).

According to the current loan agreements, the company is subject to certain conditions imposed by the banks. On December 31, 2023, the company was included in all financial indicators imposed in the financing contracts.

The commitments received from customers and tenants in the form of letters of guarantee on December 31, 2023, are worth 1,191,830 lei according to the contractual clauses.

Litigation

Disputes in which the company is involved are of values that are not likely to affect the financial stability of the company. Scotland manages disputes through its own legal department and through collaborations with external partners specializing in the management of specific conflicts.

32. Other

The Company's separate financial statements were audited by Deloitte Audit SRL, the fee for the 2023 audit was EUR 55,200 (2022: EUR 44,800).

33. SUBSEQUENT EVENTS

As of the date of these financial statements, the company continues to fulfill its obligations as they come to maturity and therefore continues to apply the business continuity training base.

Also, management also has no knowledge of events, economic changes or other factors of uncertainty that could materially affect the company's revenues or liquidity other than those mentioned.

These separate financial statements have been approved to be issued by management at **March 21, 2024**:

DANIELA-ADI CUCU	**CRISTIAN RADU**
General Manager	**Chief Financial Officer**

ELECTROMAGNETICA S.A. ADMINISTRATORS' REPORT FOR 2023

- CONSOLIDATED FINANCIAL STATEMENTS -

according to the provisions of art.63 Law 24/2017, annex 15 to the Financial Supervisory Authority Regulation no. 5/2018 and the Bucharest Stock Exchange Code

Contents:	Page

1. IDENTIFICATION DATA OF ELECTROMAGNETICA:

Company Name:	**Electromagnetica SA**
Registered Office:	**Bucharest, 5th district, Calea Rahovei no. 266-268, postal code 050912**
Phone number / Fax:	**021 404 21 02/ 021 404 21 95**
Unique registration no.	**414118**
Trade Registry number:	**J40/19 / 1991**
Regulated market:	**Bucharest Stock Exchange, Capital securities department, Shares, Premium category**
Market symbol:	**ELMA**
Number of shares:	**676.038.704**
Nominal value:	**0.1000 lei**
Share Capital:	**67,603,870. 40 lei**
LEI Code:	**254900MYW7D8IGEFRG38**

2. PRESENTATION AND HISTORY OF THE GROUP

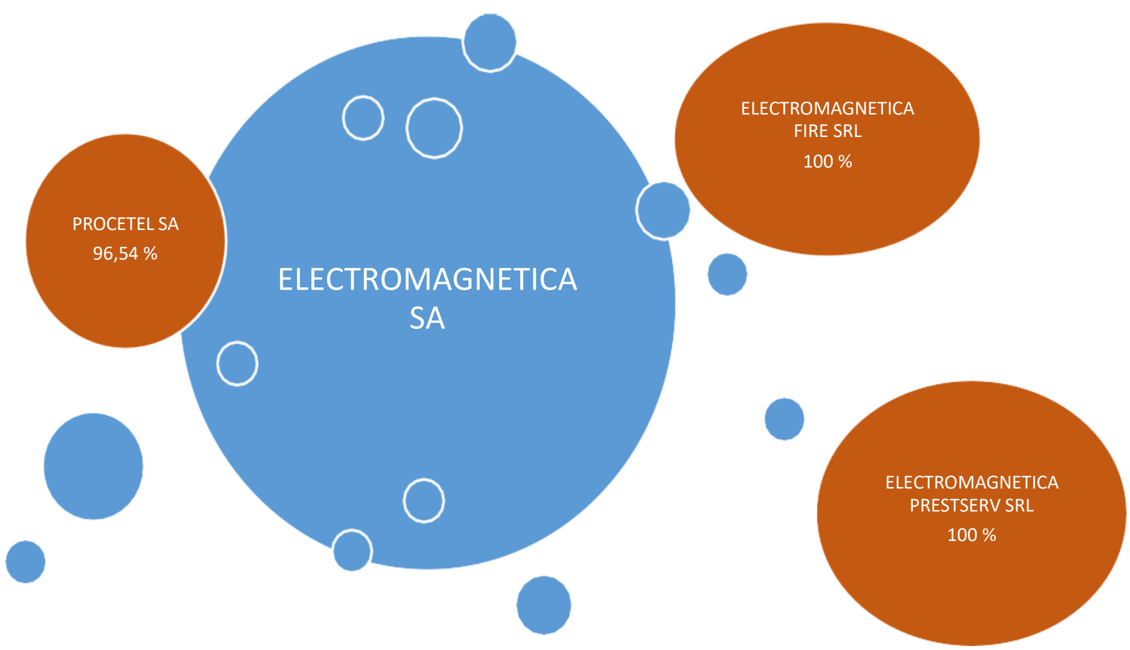
The parent company was founded in 1930, under the original name of "Standard Electrica Romana". As regards the other entities within the Group, they were established as follows:

Procetel SA- was established in 1991, having as main activity research and development in other natural sciences and engineering.

Electromagnetica Prestserv SRL - was established in 2003 by outsourcing cleaning services within ELMA;

Electromagnetica Fire SRL - was established in 2006, by outsourcing technical assistance services for fire prevention and extinguishing and private emergency services for civil protection.

3. GROUP STRUCTURE IN 2023:



4. OVERVIEW OF THE GROUP'S ACTIVITY

4.1. General presentation of Electromagnetica SA

Electromagnetica SA is a joint stock company, founded in 1930, with Romanian legal personality and unlimited lifetime, which is organized and operates according to the statute and on the basis of Law no. 31/1990 republished, in compliance with the legislation on the capital market and Law no. 24/2017 on issuers of financial instruments and market operations.

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

Electromagnetica SA, as a trading company whose shares are admitted on a regulated market (Bucharest Stock Exchange, Premium category, Elma symbol) adopted IFRS (International Financial Reporting Standard) starting with the financial year of 2012. The financial statements for 2023 were prepared in accordance with the Ordinance of the Public Finances Ministry no. 2844/2016 for the approval of Accounting regulations in accordance with the International Financial Reporting Standards adopted by the European Union.

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

4.2. Overview of subsidiaries

Procetel SA is a joint stock company with headquarters in Calea Rahovei 266-268, Bucharest, 5th district, trade registry number J40 / 10437 / 1991, Unique registration number 406212, phone number: 031.700.2614, fax: 031.700.2616, having as main activity research and development in other natural sciences and engineering (NACE code 7219). Currently, the company's revenues come mostly from the rental business, but the company also provides sales, assembly and service of air conditioning. Electromagnetica SA's holding in Procetel SA is 96.54% of the capital. The company is managed by a sole administrator, Mr. Cristian-Iulian Radu, with mandate from 29.12.2023 until 22.08.2026.

Electromagnetica Prestserv SRL is a limited liability company with headquarters in Calea Rahovei 266-268, 5th district, Building 1, 2nd floor, axes A-B, poles 1-2, registered at the Trade Register Office attached to the Bucharest Court with no. J40 / 1528 / 2003, Unique registration number 15182750, which provides cleaning services. Electromagnetica SA owns 100% of the company's capital. The company is managed starting with 15.12.2023 by a sole administrator, in the person of Mr. Cristian - Iulian RADU.

Electromagnetica Fire SRL is a limited liability company with headquarters in Calea Rahovei No. 266-268, 5th district, Building 2, ground floor, axes R-D, poles 6 - 7, registered with the Trade Register Office attached to the Bucharest Court with no. J40 / 15634 / 2006, Unique registration number 19070708, which carries out activities in the field of fire defense, fire prevention and extinguishing technical assistance and private emergency services on civil protection. Electromagnetica SA owns 100% of the share capital. The company is managed by a sole administrator, in the person of Mr. Cristian-Iulian RADU, with mandate from 15.12.2023 until 19.04.2026.

5. MERGERS, REORGANIZATIONS AND LIQUIDATIONS OF SUBSIDIARIES IN 2023

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

In 2023 there were no mergers, reorganizations and liquidations of Electromagnetica SA subsidiaries.

6. TRANSACTIONS OF THE PARENT COMPANY WITH RELATED PARTIES

Sales of goods and services to subsidiaries, totaling 721,845 lei, include deliveries of various materials, rents and utilities. Purchases from subsidiaries, totaling 4,715,567 lei, mainly include services (repairs, cleaning and transportation services, fire protection and security).

7. THE CONTRIBUTION OF ELECTROMAGNETICA SA TO THE RESULT OF THE GROUP

In the table below we can see the reduced weight of the other companies in the group to the consolidated results:

	December 31, 2023			31 December 2022 (restated)		
	Group	Parent company	% parent company	Group	Parent company	% parent company
	lei	lei		lei	lei	
Non-current assets	316.804.323	311.685.446	98,38%	343.661.784	339.532.316	98,80%
Current assets	88.644.343	82.604.665	93,19%	109.302.787	104.269.629	95,40%
Attributable equity to shareholders of the company	357.783.055	345.747.758	96,64%	390.849.872	379.951.600	97,21%
Long term liabilities	20.863.669	21.332.310	102,25%	27.356.584	28.350.222	103,63%
Current liabilities	26.801.943	27.210.043	101,52%	34.758.115	35.500.123	102,13%

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

In 2023 Electromagnetica SA had the following main lines of business:

PRODUCTION OF GOODS
- LED lighting systems, AV charging stations, electrical equipme...
- CFR relays, plastic injection

PRODUCTION AND SUPPLY OF ELECTRICITY

RENTAL SPACES AND REAL ESTATE DEVELOPMENT

Electromagnetica SA provides rental and utility services to subsidiaries. Description of its electromagnetic activity is found in **Annual Report 2023-Individual statements** published alongside the present report.

PROCETEL SA operates mainly rental activities to its Electromagnetica. Another activity was the delivery, assembly and maintenance of air conditioners which accounted for 15% of the turnover. The rental services received by Electromagnetica SA from Procetel SA are carried out with the right to rent to independent entities because the subsidiaries do not have sufficient and specialized personnel to manage these rental contracts. Sublease of spaces is done without applying a profit margin and without charging a commission for these services provided to affiliates.

ELECTROMAGNETICA PRESTSERV SRL provides cleaning services in relation to Electromagnetica SA.

ELECTROMAGNETICA FIRE SRL it carries out in relation to Electromagnetica SA activities in the field of fire defense, private emergency services regarding civil protection, interior design, electrical works and cleaning services.

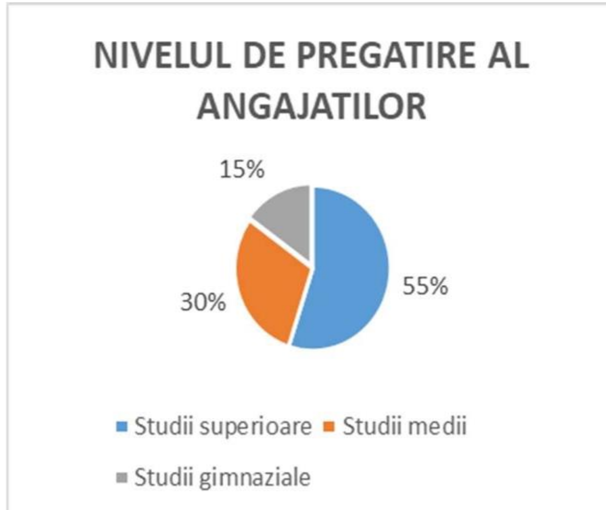
9. MAIN EVENTS WITH IMPACT IN THE FUNCTIONING OF THE GROUP:

There were no events with impact in the functioning of the Group. The important events in its electromagnetic evolution were described in the Activity report on the individual situations of the company. On 13.10.2023, Electromagnetica SA bought a share of Electromagnetica Fire SRL, so that the parent company is the sole shareholder with 100% of the share capital.

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

ELECTROMAGNETICA SA

The high level of training of the employees allowed the company to undertake both productive activities and research development. In 2023 the average number of employees was 3w50, down by about 2.8% compared to the previous year. The structure of employees at the company level is presented in the attached chart.



No new cases of professional illnesses have been registered and the relations between the executive management and employees are carried out in normal conditions. The degree of unionization is about 55% and there were no labor conflicts between the employer and the trade union.

For the other companies in the group:

Company	Average employees no.
ELECTROMAGNETICA FIRE SRL	26
ELECTROMAGNETICA PRESTSERV SRL	22
PROCETEL SA	8

In 2023 there were no new cases of occupational diseases or events with major impact on the health and safety of people.

11. IMPACT OF GROUP ACTIVITY ON ENVIRONMENT.

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

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

12. RISK MANAGEMENT OBJECTIVES AND POLICIES. RISK FACTORS.

For Electromagnetica SA, the details of the risks and how they are managed are described in *Administrators report - Individual statements.* The risks of the other companies in the group related to the market, non-payment and cash-flow are closely related to Electromagnetica SA, for which they perform almost exclusively activities.

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

13. PERSPECTIVE ELEMENTS OF THE COMPANY

Being dependent mostly on commercial relations with Electromagnetica SA, the perspective of the group companies depends on its evolution. In **Administrators report- Individual statements** the market trends and commercial policies of Electromagnetica SA are presented.

14. CONSOLIDATED FINANCIAL STATEMENT AS OF DECEMBER 31, 2023 (ALL AMOUNTS ARE EXPRESSED IN LEI, UNLESS OTHERWISE SPECIFIED)

Note: The results of the group are strongly influenced by the results of Electromagnetica SA, having the same trend.

14.1 Financial position

	31 dec. 2023	31 dec. 2022	31 dec. 2021
Assets		*(restated)*	*(restated)*
Non-current assets			
Property, plant and equipment	285.980.090	310.734.538	321.032.559
Real estate investments	23.569.292	22.054.243	19.355.453
Intangible assets	567.327	789.308	143.393
Other long-term non-current assets	6.606.482	9.928.405	14.540.480
Rights of use assets	81.132	155.290	204.667
Total non-current assets	**316.804.323**	**343.661.784**	**355.276.552**
Current assets			
Stocks	18.753.989	27.429.223	22.524.443
Commercial receivables	35.412.343	63.682.382	64.328.431
Cash and cash equivalents	30.888.179	15.417.388	7.086.289
Other current assets	1.889.429	1.725.783	2.061.387
Current tax claim	1.700.402	1.048.012	1.099.579
Total current assets	**88.644.343**	**109.302.787**	**97.100.128**
Total assets	**405.448.666**	**452.964.570**	**452.376.681**
EQUITY AND LIABILITIES			
Equity			
Share Capital	67.603.870	67.603.870	67.603.870
Reserves and other capital items own	217.810.770	198.973.337	218.401.625
Retained earnings	71.976.006	123.908.652	80.065.292
Total equity attributable to shareholders of the company	**357.390.646**	**390.485.859**	**366.070.788**
Minority Interests	**392.409**	**364.013**	**329.509**
Total equity	**357.783.055**	**390.849.872**	**366.400.297**
Long-term debt			
Commercial and other liabilities	867.718	700.176	975.819
Investment grants	3.757.433	3.920.651	4.083.869
Deferred tax liabilities	16.208.824	22.652.804	23.542.324
Lease liabilities	29.694	82.953	136.320
Total long-term liabilities	**20.863.669**	**27.356.584**	**28.738.333**
Current liabilities			
Commercial and other liabilities	25.178.506	32.271.355	54.620.194
Investment grants	163.219	163.219	163.219
Provisions	1.405.436	2.248.130	2.383.553
Corporate current tax liabilities	-	-	-
Lease liabilities	54.781	75.410	71.085
Total current liabilities	**26.801.943**	**34.758.115**	**57.238.051**
Total liabilities	**47.665.611**	**62.114.699**	**85.976.384**
Total equity and liabilities	**405.448.666**	**452.964.570**	**452.376.681**

14.2 Consolidated profit and loss results are presented as follows:

	The 12-month period ended at 31 dec. 2023	The 12-month period ended at 31 dec. 2022 *(restated)*
Revenue	**195.145.330**	**226.390.032**
Investment income	536.044	147.205
Other income and expenses, net	(13.848.794)	5.374.634
Change in the stock of finished products and production in progress execution	7.841.706	17.222.429
Activity performed by the entity and capitalized	2.219.694	2.229.197
Raw materials and consumables used	(102.353.203)	(124.237.226)
Employee expenses	(42.395.092)	(39.022.831)
Depreciation and amortization expense	(32.401.726)	(13.949.900)
Other expenses	(49.821.571)	(47.013.735)
Financial expenses	(383.281)	(1.049.919)
Profit before tax	**(35.460.893)**	**26.089.885**
Corporate tax	5.502.777	(1.600.637)
Period profit	**(29.958.115)**	**24.489.248**

14.3 Consolidated statement of cash flows

	The 12-month period ended at 31 dec. 2023	The 12-month period ended at 31 dec. 2022
Cash flows from operating activities:		
Cash receipts from customers	235.829.931	233.247.088
Payments to suppliers	(132.839.233)	(136.183.547)
Payments to employees	(42.163.228))	(39.200.801)
Other operating operations	(36.438.638)	(25.383.696)
Cash generated by / (used in) the business of exploitation	**24.388.832**	**32.479.044**
Interest paid	(1.469)	(609.409)
Income tax paid	(1.617.183)	(2.438.381)
Net cash generated by / (used in) the activities of exploitation	**22.770.180**	**29.431.255**
Cash flows from investment activities:		
Purchase of property, plant and equipment	(5.226.304)	(382.590)
Proceeds from sale of fixed assets	29.510	50.300
Interest accrued	751.676	239.241
Dividends received	-	-
Net cash generated by / (used in) the activities of investments	**(4.445.118)**	**(93.049)**
Cash flows from financing activities:		
Cash proceeds from loans	1.964.851	32.718.453
Cash repayments of borrowed amounts	(1.964.851)	(53.609.747)
Lease paid	(90.259)	(95.890)

Interest paid	(42.884)	(8.543)
Dividends paid	(2.721.128)	(11.379)
Net cash generated by / (used in) financing activities	**(2.854.272)**	**(21.007.106)**
Net increase / (decrease) of cash and cash equivalents	**15.470.791**	**8.331.100**
Cash and cash equivalents at the beginning of the period	**15.417.388**	**7.086.289**
Cash and cash equivalents at end of period	**30.888.179**	**15.417.388**

15. DIVIDEND POLICY

Given the results achieved in 2023, the following proposals were formulated:

Electromagnetica SA:

Given that in 2023 a negative result was recorded, the proposal of the Board of Directors is to cover the loss by using the account ”other reserves".

Procetel SA:

Taking into account the results of 2023 and the amounts highlighted in the ”other reserves” account, the sole administrator proposes to distribute as dividends the total amount of RON 3,520,160, representing RON 80/share.

Electromagnetica Prestserv SRL:

The sole administrator formulated the proposal to distribute the amount of RON 500,000 in the form of dividends for 2023.

Electromagnetica Fire SRL

The sole administrator formulated the proposal to grant the amount of RON 851,348.71 in the form of dividends related to 2023.

16. EXTERNAL AUDITOR INDEPENDENT

Following the Ordinary general meeting of April 2023, it was decided to mandate Deloitte Audit SRL in order to audit the financial statements related to the years 2023 and 2024. The audit company is represented by Mr. Razvan Ungureanu – Audit partner. Identification data of **Deloitte Audit SRL** are the following:

Fiscal Identification Number RO 7756924, Registration number with the Trade Register 40/6775/1995 Authorization Chamber of Financial Auditors of Romania no.25/25. 06. 2001
Company headquarters-Bucharest, 1st district , Calea Grivitei 82-98, building ,,The Mark” Phone number 021/222.16.61, Fax 021/319. 51. 00

Note:
In this material are presented only the elements characteristic of the consolidated statements respectively, those related to the group of companies controlled by Electromagnetica SA. The parent company is the only one that carries out production activities. Since the activity of the group is mostly determined by the activity of the parent company (> 97 % of income), all other aspects described in *Administrators' Report- Individual statements* are also valid for *Administrators' Report -Consolidated Statements*, without being reprinted in this material.

CA President/General Manager
Daniela-Adi CUCU

Financial manager
Cristian-Iulian RADU

ELECTROMAGNETICA SA

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2023

Prepared in accordance with

Order of the Minister of Public Finance no. 2844/2016 for the approval of Accounting regulations in accordance with the International Financial Reporting Standards adopted by the European Union

and

according to the provisions of art.63 of Law 24/2017, annex 15 to the Financial Supervisory Authority Regulation No. 5/2018 and Bucharest Stock Exchange Code

CONTENTS **PAGE**

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

Deloitte Audit S.R.L.
The Mark Tower,
82-98 Calea Griviței,
Sector 1, 010735
Bucharest, Romania

T: +40 21 222 16 61
F: +40 21 222 16 60
www.deloitte.ro

INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
ELECTROMAGNETICA SA

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the consolidated financial statements of ELECTROMAGNETICA SA and its subsidiaries ("the Group"), with registered office in Bucharest, Sector 5, 266-268 Rahova Blvd, identified by unique tax registration code 414118, which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

2. The financial statements as at December 31, 2023 are identified as follows:

• Net assets / Equity	RON 357,783,055
• Net loss for the financial year	RON (29,958,115)

3. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Ministry of Public Finance Order no. 2844/2016, with subsequent amendments for the approval of accounting regulations conforming with International Financial Reporting Standards.

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (herein after referred to as "the Regulation") and Law 162/2017 on the statutory audit of annual financial statements and annual consolidated financial statements and on amending other pronouncements (herein after referred to as "the Law 162/2017"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law 162/2017 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients.
Please see www.deloitte.com/about to learn more.

Key audit matters	How our audit addressed the key audit matter
Revenue recognition with respect to bill and hold arrangements	
As presented in **Note 4.3** to the financial statements, during 2023 the Group has reassessed the revenue recognition criteria with respect to bill and hold arrangements. As a consequence, it has restated the comparative financial information for the prior year presented in the financial statements. In particular, the Group has entered into bill and hold arrangements with part of its customers in the years ended December 31, 2019, December 31, 2021 and December 31, 2022 for which the goods are still at the premises of the Group as at December 31, 2023. Whether revenue with respect to these contracts should have been recognized at the date of billing and retaining physical possession is based on the specific requirements outlined by IFRS 15. In view of the significant judgements, the application of the revenue recognition criteria and also restatement including related disclosures, this matter was considered a significant risk and a Key Audit Matter.	We have assessed the Group's revenue recognition criteria for bill and hold arrangements by performing the following procedures: • We have obtained a list containing all transactions concluded by the management containing a bill and hold arrangement; • We have inspected the supporting documents (including contracts signed, custody minutes and other supporting documents pertaining to the specific transactions) related to the bill and hold arrangements concluded by the management; • We have assessed whether the criteria applied by the management with respect to fulfilling the specific requirements under IFRS 15 for bill and hold arrangements have been met at the date of concluding the transactions; • We have participated at the stock count of the goods including goods under bill and hold arrangements; • We assessed the adequacy of the restatement of the comparative financial information including related disclosure in the financial statements.

Other information

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

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

   In connection with our audit of the consolidated financial statements for the year ended December 31, 2023, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

   Other reporting responsibilities with respect to other information – Administrators' consolidated report

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

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

   a) the information included in the Administrators' consolidated report for the financial year for which the consolidated financial statements have been prepared, is consistent, in all material respects, with the consolidated financial statements;

   b) the Administrators' consolidated report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards, with subsequent amendments.

Moreover, based on our knowledge and understanding concerning the Group and its environment gained during the audit on the financial statements prepared at December 31, 2023, we are required to report if we have identified a material misstatement of this Administrators' consolidated report. We have nothing to report in this regard.

Other reporting responsibilities with respect to other information – Remuneration report

With respect to the Remuneration report, we read it to determine if it presents, in all material respects, the information required by article 107, paragraphs (1) and (2) of Law 24/2017 regarding the issuers of financial instruments and market operations, republished. We have nothing to report in this regard.

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

7. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards with subsequent amendments and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

8. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

9. Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

10. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

    - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Deloitte.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

15. We were appointed by the General Meeting of Shareholders on April 27, 2023 to audit the financial statements of ELECTROMAGNETICA SA for the financial year ended December 31, 2023. The uninterrupted total duration of our commitment is 8 years, covering the financial years ended December 31, 2016 until December 31, 2023.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued this report. Also, in conducting our audit, we have retained our independence from the audited entity.

- No non-audit services referred to in Article 5 (1) of EU Regulation no. 537/2014 were provided.

The engagement partner on the audit resulting in this independent auditor's report is Răzvan Ungureanu.

Report on compliance with the Law 162/2017 on the statutory audit of annual financial statements and annual consolidated financial statements and on amending other pronouncements ("Law 162/2017"), and Commission Delegated Regulation (EU) 2018/815 on the European Single Electronic Format Regulatory Technical Standard ("ESEF")

16. We have undertaken a reasonable assurance engagement on the compliance with Law 162/2017, and Commission Delegated Regulation (EU) 2018/815 applicable to the consolidated financial statements included in the annual financial report of ELECTROMAGNETICA SA ("the Group") as presented in the digital files which contain which contain the unique LEI code 254900MYW7D8IGEFRG38.

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

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

- the design, implementation and maintenance of internal control relevant to the application of the ESEF;

- the selection and application of appropriate iXBRL mark-ups;

- ensuring consistency between the Digital Files and the consolidated financial statements to be submitted in accordance with Order 2844/2016.

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

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

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

Our firm applies International Standard on Quality Management 1 ("ISQM1"), and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

- obtaining an understanding of the Company's process for preparation of the digital files in accordance with ESEF, including relevant internal controls;

- reconciling the digital files including the marked-up data with the audited consolidated financial statements of the Company to be submitted in accordance with Order 2844/2016;

- evaluating if all financial statements contained in the consolidated annual report have been prepared in a valid XHTML format;

- evaluating if the iXBRL mark-ups, including the voluntary mark-ups, comply with the requirements of ESEF.

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

In our opinion, the consolidated financial statements for the year ended 31 December 2023 included in the annual financial report in the Digital Files comply in all materials respects with the requirements of ESEF.

In this section, we do not express an audit opinion, review conclusion or any other assurance conclusion on the consolidated financial statements. Our audit opinion relating to the consolidated financial statements of the Group for the year ended 31 December 2023 is set out in the "*Report on the audit of the consolidated financial statements*" section above.

Răzvan Ungureanu, Audit Partner

For signature, please refer to the original Romanian version.

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under AF 4866

On behalf of:

DELOITTE AUDIT SRL

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

The Mark Building, 84-98 and 100-102 Calea Griviței, 9th Floor, District 1
Bucharest, Romania
March 21, 2024

ELECTROMAGNETICA SA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2023
(all amounts are in RON, unless otherwise stated)

	Note	Period of 12 months ended at December 31 2023	Period of 12 months ended at December 31 2022 *(restated)*
Revenue	**21**	**195,145,330**	**226,390,032**
Finance income		536,044	147,205
Other net incomes and expenses	**21**	(13,848,794)	5,374,634
Change in inventories of finished goods and work in progress		7,841,706	17,222,429
Capitalised workings		2,219,694	2,229,197
Raw materials and consumables used	**22**	(102,353,203)	(124,237,226)
Emloyees benefits expense	**22**	(42,395,092)	(39,022,831)
Depreciation and amortization expenses	**22**	(32,401,726)	(13,949,900)
Other expenses		(49,821,571)	(47,013,735)
Finance costs	**23**	(383,281)	(1,049,919)
Profit/(Loss) before tax		**(35,460,893)**	**26,089,885**
Income Tax	**24**	5,502,777	(1,600,637)
Profit/(Loss) of the year		**(29,958,115)**	**24,489,248**
Other comprehensive income			
of which:			
Items which will not be reclassified subsequently to profit or loss :			
- Surplus from the revaluation of property, plant and equipment		249,333	-
- Deferred tax recognized in equity	**24**	(39,893)	-
Total Other comprehensive income		**(29,748,675)**	**24,489,248**
Profit/(loss) of the year attributable to:			
Owners of the Group		(29,986,511)	24,454,744
Non-controlling interests		28,396	34,504
Earnings per share:			
Earnings per share diluted		**n / a**	**n / a**

These consolidated financial statements have been approved to be issued by management at **March 21, 2024**:

DANIELA-ADI CUCU
General Manager

CRISTIAN RADU
Chief Financial Officer

ELECTROMAGNETICA SA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023
(all amounts are in RON, unless otherwise stated)

	Note	December 31 2023	December 31 2022	December 31 2021
ASSETS				
			(restated)	*(restated)*
Non-current assets				
Property, plant and equipment	**5**	285,980,090	310,734,538	321,032,559
Investment property	**6**	23,569,292	22,054,243	19,355,453
Intangible assets	**7**	567,327	789,308	143,393
Other non-current assets	**9**	6,606,482	9,928,405	14,540,480
Rights of Use Assets	**8**	81,132	155,290	204,667
Total fixed assets		**316,804,323**	**343,661,784**	**355,276,552**
Current assets				
Inventories	**10**	18,753,989	27,429,223	22,524,443
Trade Recievables	**11**	35,412,343	63,682,382	64,328,431
Cash and cash equivalents	**13**	30,888,179	15,417,388	7,086,289
Other current assets	**12**	1,889,429	1,725,783	2,061,387
Current tax recievable		1,700,402	1,048,012	1,099,579
Total current assets		**88,644,343**	**109,302,787**	**97,100,128**
Total assets		**405,448,666**	**452,964,570**	**452,376,681**
EQUITY AND LIABILITIES				
Equity				
Share capital	**14**	67,603,870	67,603,870	67,603,870
Reserves and other equity items		217,810,770	198,973,337	218,401,625
Retained earnings	**16**	71,976,006	123,908,652	80,065,292
Total equity attributable to the shareholders		**357,390,646**	**390,485,859**	**366,070,788**
Non-controlling interets		**392,409**	**364,013**	**329,509**
Total equity		**357,783,055**	**390,849,872**	**366,400,297**
Long-term debts				
Trade in other payables		867,718	700,176	975,819
Investment subsidies	**17**	3,757,433	3,920,651	4,083,869
Deferred tax liabilities		16,208,824	22,652,804	23,542,324
Lease liabilities		29,694	82,953	136,320
Total long-term debt		**20,863,669**	**27,356,584**	**28,738,333**
Current liabilities				
Trade and other payables	**19**	25,178,506	32,271,355	54,620,194
Investment subsidies		163,219	163,219	163,219
Provisions	**18**	1,405,436	2,248,130	2,383,553
Current income tax liability		-	-	-
Lease liabilities		54,781	75,410	71,085
Total current liabilities		**26,801,943**	**34,758,115**	**57,238,051**
Total liabilities		**47,665,611**	**62,114,699**	**85,976,384**
Total equity and liabilities		**405,448,666**	**452,964,570**	**452,376,681**

These consolidated financial statements have been approved to be issued by management at **March 21, 2024**:

DANIELA-ADI CUCU
General Manager

CRISTIAN RADU
Chief Financial Officer

ELECTROMAGNETICA SA
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2023
(all amounts are in RON, unless otherwise stated)

	Note	Period of 12 months ended at December 31 2023	Period of 12 months ended at December 31 2022
Cash flows from operating activities			
Cash receipts from customers		235.829.931	233.247.088
Payments to suppliers		(132.839.233)	(136.183.547)
Payments to employees		(42.163.228))	(39.200.801)
Other operating activities		(36.438.638)	(25.383.696)
Cash generated by / (used in) the operating activities		**24.388.832**	**32.479.044**
Interest paid		(1.469)	(609.409)
Profit tax paid		(1.617.183)	(2.438.381)
Net cash generated by / (used in) operating activities		**22.770.180**	**29.431.255**
Cash flows from investing activities			
Purchase of property, plant and equipment		(5.226.304)	(382.590)
Proceeds on disposal of fixed assets		29.510	50.300
Interest recieved		751.676	239.241
Dividends received		-	-
Net Cash generated by / (used in) investing activities		**(4.445.118)**	**(93.049)**
Cash flows from financing activities			
Proceeds from loans	29	1.964.851	32.718.453
Loans repayments	29	(1.964.851)	(53.609.747)
Repayment of lease liability		(90.259)	(95.890)
Interest paid		(42.884)	(8.543)
Dividends paid		(2.721.128)	(11.379)
Net cash generated by / (used in) financing activities		**(2.854.272)**	**(21.007.106)**
Net increase/decrease in cash and cash equivalents		**15.470.791**	**8.331.100**
Cash and cash equivalents at the beginning of the period	**13**	**15.417.388**	**7.086.289**
Cash and cash equivalents at the end of the period	**13**	**30.888.179**	**15.417.388**

These consolidated financial statements have been approved to be issued by management at **March 21, 2024**:

DANIELA-ADI CUCU
General Manager

CRISTIAN RADU
Chief Financial Officer

ELECTROMAGNETICA SA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2023
(all amounts are in RON, unless otherwise stated)

	Capital social	Retained earnings	Revaluation reserves tangible assets	Other elements	Legal reserve	Deferred tax recognized in reserves	Non-controlling interests	Total equity
Balance as at January 01, 2023 (previously reported)	**67,603,870**	**128,517,096**	**151,285,901**	**59,328,628**	**12,563,922**	**(24,205,114)**	**364,013**	**395,458,316**
Balance as at January 01, 2023 (restated)	**67,603,870**	**123,908,652**	**151,285,901**	**59,328,628**	**12,563,922**	**(24,205,114)**	**364,013**	**390,849,872**
Total result related to the period:								
Profit or loss for the financial year	-	(29,986,511)	-	-	-	-	28,396	(29,958,115)
Other comprehensive income	**-**	**(18,518,340)**	**(3,894,906)**	**21,999,502**		**623,185**		**209,440**
Net surplus from revaluation of fixed assets	-	-	249,333	-	-	-	-	249,333
Deferred tax related to revaluation	-	-	-	-	-	(39,893)	-	(39,893)
Legal reserve and other reserves	-	(1,401,865)	-	1,401,865	-	-		-
Transfer of reserves to retained earnings	-	4,144,240	(4,144,240)	-	-	-	-	-
Transfer of related deferred tax from revlauation reserve to retained earnings	-	(663,078)	-	-	-	663,078	-	-
Transfer net profit to reserves		(20,597,637)	-	20,597,637	-	-	-	
Total result related to the period	**-**	**(48,504,851)**	**(3,894,906)**	**21,999,502**	**-**	**623,185**	**28,396**	**(29,748,675)**
Transactions with shareholders, recorded directly in equity:								
Dividends distributed to shareholders	-	(3,398,422)	-	-	-	-	-	(3,398,422)
Other elements	-	(29,372)	-	43,211	20	66,421	-	80,280
Balance at December 31, 2023	**67,603,870**	**71,976,006**	**147,390,995**	**81,371,341**	**12,563,942**	**(23,515,508)**	**392,409**	**357,783,055**

These consolidated financial statements have been approved to be issued by management at **March 21, 2024**:

DANIELA-ADI CUCU
General Manager

CRISTIAN RADU
Chief Financial Officer

ELECTROMAGNETICA SA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2023
(all amounts are in RON, unless otherwise stated)

	Capital social	Retained earnings	Revaluation reserves tangible assets	Other elements	Legal reserve	Deferred tax recognized in reserves	Non-controlling interests	Total equity
Balance as at January 01, 2022 (restated)	**67,603,870**	**82,754,937**	**155,524,677**	**67,949,273**	**19,811,834**	**(24,884,159)**	**329,509**	**369,089,941**
Adjustments (Note 4.3)		(2,689,644)						(2,689,644)
Balance as at January 01, 2022 (restated*)*	**67,603,870**	**80,065,293**	**155,524,677**	**67,949,273**	**19,811,834**	**(24,884,159)**	**329,509**	**366,400,297**
Total result related to the period:								
Profit or loss for the financial year	-	24,454,744	-	-	-	-	34,504	24,489,248
Other comprehensive income:	**-**	**19,429,450**	**(4,242,715)**	**(8,617,657)**	**(7,247,912)**	**678,833**	**-**	**-**
Legal reserve	-	-	-	(1,401,965)	1,401,965	-		-
Transfer of reserves to retained earnings	-	4,242,715	(4,242,715)	-	-	-	-	-
Transfer of related deferred tax from revlauation reserve to retained earnings	-	(678,834)	-	-	-	678,834	-	-
Transfer net profit to reserves	-	(247,898)	-	247,898	-	-		
Transfer of reserves and inflation adjustment to retained earnings	-	16,113,467	-	(7,463,590)	(8,649,877)	-	-	-
Total result related to the period	**-**	**43,884,194**	**(4,242,715)**	**(8,617,657)**	**(7,247,912)**	**678,833**	**34,504**	**24,489,248**
Transactions with shareholders, recorded directly in equity:								
Dividends distributed to shareholders	-	(16,709)	-	-	-	-		(16,709)
Other elements	-	(24,126)	3,939	(2,988)	-	211	-	(22,964)
Balance at December 31, 2022 (restated)	**67,603,870**	**123,908,652**	**151,285,901**	**59,328,628**	**12,563,922**	**(24,205,114)**	**364,013**	**390,849,872**

These consolidated financial statements have been approved to be issued by management at **March 21, 2024**:

DANIELA-ADI CUCU
General Manager

CRISTIAN RADU
Chief Financial Officer

1. GENERAL INFORMATION ABOUT THE GROUP

SC Electromagnetica SA-parent company it is a joint stock company with Romanian legal personality, with unlimited lifetime, which is organized and operates according to the statute and on the basis of Law no. 31/1991 republished in 2004 and amended by Law no.441/2006, GEO no.82/2007 and GEO no.52/2008 and the law on the capital market no.297/2004. The group has its Registered office in Bucharest, Calea Rahovei no. 266-268, 5th district, Bucharest, Romania, postal code 64021, phone number 021.404.21.31, 021.404.21.02, fax 021.404.21.95, website www.electromagnetica.ro, unique registration code RO 414118, business registration number J40/19/1991. The share capital of the group is 67,603,870.40 lei divided into 676,038,704 common shares, nominative and dematerialized, registered in electronic account in the register of shareholders kept by Depozitarul Central SA. According to the statutes of the group, the main object of activity is the manufacture of instruments and devices for measurement, verification, control, navigation (NACE code 2651).

SC Electromagnetica Fire SRL it is a limited liability company with headquarters in Bucharest, Calea Rahovei No. 266-268, 5th district, Building 2, ground floor, axes R-D, pillars 6 - 7, registered with the Trade Register Office attached to the Bucharest Court under No. J40/15634/2006, unique registration code 19070708, which carries out activities in the field of fire defense, technical assistance for fire prevention and extinguishing and private emergency services on civil protection (NACE code 8299).

SC Electromagnetica Prestserv SRL it is a limited liability company with headquarters in Bucharest, Calea Rahovei 266-268, 5t, h district, Building 1, Floor 2, axes A-B, pillars 1-2, registered with the Trade Register Office attached to the Bucharest Court under no J40/1528/2003, unique registration code 15182750, which provides cleaning services (CAEN code 4311).

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

SC Procetel SA it is a joint stock company with headquarters in Bucharest, Calea Rahovei 266-268, order number J40/10437/1991, unique registration code 406212, phone number: 031.700.26.14, fax: 031.700.26.16. SC Procetel SA is a closed joint stock company (shares are not traded on the market) which has as main activity research and development in other natural sciences and engineering (NACE code 7219). Currently the research activity has drastically reduced, the results obtained coming mainly from the rental activity.

The details of the parent company's investments in subsidiaries as of December 31, 2023 and December 31, 2022 are as follows:

Branch name	**Number of titles**	**Percentage of ownership and voting rights (%)**	**Value**
Electromagnetica Prestserv SRL	300	100%	30,000
Electromagnetica Fire SRL	800	100%	80,00
Procetel SA	42,483	96.548%	732,008
TOTAL year 2023			**842,008**

Branch name	**Number of titles**	**Percentage of ownership and voting rights (%)**	**Value**
Electromagnetica Prestserv SRL	300	100%	30,000
Electromagnetica Fire SRL	799	99.875%	79,900
Procetel SA	42,483	96.548%	732,008
TOTAL year 2022			**841,908**

During 2023, Electromagnetica acquired from the affiliated company Electromagnetica Fire SRL a share at the nominal value of 100 lei, as a result, the ownership increased to 100%.

Financial statements are available on the website www.eletromagnetica.ro within the applicable legal term.

Administrative management is provided by Mr. Radu Cristian - Iulian-sole administrator of SC Electromagnetica Fire SRL SC Electromagnetica Prestserv SRL and SC Procetel SA.

2. BASICS OF PREPARATION

Declaration of conformity

The Consolidated Financial Statements of Electromagnetica group together with its subsidiaries have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("IFRS") in force at the reporting date of the company, namely December 31, 2023 and in accordance with the provisions of the Order of the Minister of Public Finance no. 2844/2016, for the approval of accounting regulations in accordance with International Financial Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, with subsequent amendments and clarifications. These provisions comply with the requirements of International Financial Reporting Standards adopted by the European Union.

Financial statements are available on the website www.eletromagnetica.ro within the applicable legal term.

Basics of preparation

Consolidated financial statements were prepared on the basis of historical cost, except for tangible assets where the revaluation method was adopted. Historical cost is generally based on the fair value of consideration made in return for assets.

Basis of consolidation

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

The consolidated financial statements include the financial statements of ELECTROMAGNETICA SA. (Parent company) and entities controlled by ELECTROMAGENTICA SA (together the "Group"). Control is obtained when the company has control over the investee, when it has exposure or rights to variable results based on its participation in the investee, and has the ability to use its authority over the investee to influence the value of the results.

Results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of profit or loss and other comprehensive results from the effective date of acquisition or to the effective date of disposal, as applicable.

Where necessary, adjustments shall be made to the financial statements of subsidiaries to align their accounting policies with those applied by the parent company.

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

Non-controlling interests in the net assets (excluding goodwill) of the consolidated subsidiaries is identified separately from the group's equity. Non-controlling interests consist of the value of those interests at the date of the initial business combination and the minority share of changes in equity at the date of the combination. The group will also assign the overall total result to the owners of the parent company and non-controlling interests, even if a deficient balance of non-controlling interests results.

Principle of continuity of activity

The financial statements were prepared based on the principle of business continuity, which implies that the group will be able to realize its assets and pay off its debts under normal business conditions.

Functional and presentation currency

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

Foreign currency

Transactions denominated in foreign currency are recorded in lei at the official exchange rate from the settlement date of the transaction. Monetary assets and liabilities registered in foreign currency at the date of the Financial Statement are expressed in lei at the exchange rate of that day. Gains or losses from their settlement and the conversion of monetary assets and liabilities denominated in foreign currency using the exchange rate at the end of the period under review shall be recognised in the year-end result. Non-monetary assets and liabilities that are valued at historical cost in foreign currency are recorded in lei at the exchange rate from the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are recorded in lei at the rate of the date on which the fair value was determined.

Conversion differences are shown in the profit or loss account.

2. BASICS OF PREPARATION (continued)

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

	Exchange rate December 31 2023	Exchange rate December 31 2022
EUR exchange rate at the end of period	4.9746	4.9474
USD exchange rate at the end of period	4.4958	4.6346

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

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

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

The effect of the change related to 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 Group's management believes that any differences from these estimates will not have a significant influence on the financial statements in the near future, for each estimate applying the principle of prudence.

Estimates and assumptions are primarily used for impairment adjustments of non-current assets, estimation of the useful life of fixed assets, for impairment adjustments of receivables and inventories, for provisions, for recognition of deferred tax assets.

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

The assessment for the impairment of receivables is conducted individually and globally, by categories of receivables with similar characteristics 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 on an annual basis of its financial position to assess whether it needs to record an impairment in value in the profit and loss account. Management's professional reasoning is particularly necessary for estimating value and coordinating future cash flows when determining impairment loss. These estimates are based on assumptions about several factors, and actual results may differ, leading to future changes in adjustments.

By their nature, unforeseen situations will be clarified when the potential future events that may generate them occur. Assessing these situations inherently involves the use of significant assumptions and estimates about the occurrence and outcome of future events.

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

3. APLICATION OF NEW AND REVISED INTERNATIONAL REPORTING STANDARDS

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

In the current year, the Group 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.

Standard	Title
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
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules*

** 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.*

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, the Group has not applied the following revised IFRS Accounting Standards that have been issued by IASB and adopted by EU but are not yet effective:

Standard	Title	Effective date
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants	1 January 2024

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 December,31 2023:

Standard	Title	EU adoption status
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

The Group do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group 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 Group'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.

3. APLICATION OF NEW AND REVISED INTERNATIONAL REPORTING STANDARDS (continued)

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.

- **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.

3. APLICATION OF NEW AND REVISED INTERNATIONAL REPORTING STANDARDS (continued)

BRIEF DESCRIPTIONS OF NEW AND REVISED STANDARDS (continued):

- 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.

4. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS, ESTIMATES AND ASSUMPTIONS

4.1. Significant accounting policies

The main accounting policies are presented below:

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

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

An asset is classified as short-term (net) if:

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

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

A debt is classified as short-term (current) if:

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

The group classifies all other liabilities as long-term.

Fair value

Fair value is the price that could be received from the sale of an asset or paid to transfer a liability in a transaction conducted in the normal course of business between market participants at the valuation date.

Fair value measurement is based on the presumption that the sale of the asset or the transfer of the liability occurs either:

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

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

4.1. Significant accounting policies (continued)

Fair value (continued)

The Group evaluates the fair value of an asset or liability based on assumptions that market participants would use when pricing the asset or liability, assuming that participants are acting to achieve maximum economic benefit.

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

As regards valuation techniques, they shall be appropriate taking into account the circumstances for which sufficient data are available for fair value measurement, maximising the use of observable input data and minimising the use of unobservable input data.

Fair value measurement establishes a fair value hierarchy that classifies into three levels the input data for valuation techniques used to measure fair value:

- Input data **Level 1** - are quoted (unadjusted) prices on active markets for identical assets and liabilities to which the entity has access at the valuation date. This data provides the most reliable evidence of fair value and should be used whenever available

- Input data **Level 2** - are input data different from the quoted prices included in Tier 1 that are directly or indirectly observable for the asset or liability (e.g. quoted prices for identical or similar assets or liabilities in non-active markets)

- Input data **Level 3** - it is unobservable input data for the asset or liability. The group shall draw up unobservable input data on the basis of the best available information in the given circumstances that may comprise the company's own data.

The company's financial department determines the applicable procedures for fair value assessments such as real estate investments, tangible assets where the fair value model is adopted.

External appraisers are involved in the valuation of tangible assets and real estate investments. This involvement is determined annually by the financial Department. Selection criteria include the appraiser's market knowledge, reputation, independence and whether professional standards are met.

Revenue from customer contracts

Revenue from customer contracts is recognised when control of goods and services is transferred to a value that reflects the consideration to which the group expects to be entitled in exchange for those goods or services. In general, the group concluded that it is the main beneficiary of the revenue, since it controls the goods or services before transferring them to the customer.

Since previous years, the group has long-term contracts with mayors, which are paid in installments, these according to IFRS 15 have included a significant financing component.

The Group has contractual agreements agreed between the seller and the buyer that take away the customer's right to return the products for various reasons. This return of goods operation can generate several situations.

- the customer has the right to refund, in whole or in part, the amount initially paid for the goods;
- the customer may receive a discount invoice that will decrease his future payments in relation to the seller;
- the client has the right to receive another good in exchange, or
- combination of the above

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

4.1. Significant accounting policies (continued)

Revenue from customer contracts (continued)

In the case of transfers of goods, when there is a right of return, the group recognizes the following:

1. revenue for the transferred goods at the level of value to which the entity considers it entitled, So the group will not recognize the goods that are expected to be returned;

2. debt to be repaid; and

3. an asset, together with the related adjustment of the cost of the goods sold, to reflect the seller's right to recover the goods from the customer in order to constitute the debt to be repaid.

The Group also considers that it is possible that the condition of the returned goods will be much different from the one at the time of delivery, there is even a risk that the goods can not be used in continuare.In under these conditions, the value of the recognized asset will have to be made at the book value of the goods at the time of sale, reduced by any other depreciation of value or CSTs necessary for their recovery the group will assess and adjust, correctly, at the date of preparation of the financial statements, the expected level of returns and the related debt to be returned, changing accordingly the level of income. Furthermore, the value of the recognized asset will change whenever the amount of the liability changes or there are indications that there is an impairment of valoare.In if the entity cannot assess the level of returns, the revenue will not be recognized until the date on which the estimate can be reasonably made, the date that may correspond to the end of the period in which the client has the right of return.

In the case of pre-delivery billing agreements in addition to the aforementioned conditions for a customer to gain control over a product in a pre-delivery billing agreement, all of the following criteria must be met :

- the reason for the agreement with billing before delivery must be substantial (there must be written request of the customer);

- the product must be distinctly identified as belonging to the customer;

- the product must be ready for physical transfer to the customer on a current basis;

- the entity delivering the product may not have the ability to use the product or assign it to another customer.

If there is an acceptance clause in the contract concluded with a client, then the moment when a client gains control over a good or service is evaluated according to this clause. If in the contract concluded with a client there is an acceptance clause, then the moment when a client gains control over a good or service is evaluated according to this clause.

More details can be found in Note 21 where the main income generating activities of the company are presented.

Income from other sources

Revenue from other sources includes revenue from commodity transactions (especially energy) that are within the scope of IFRS 9 Financial Instruments, as well as rental income.

Rental income is recognized in the linear profit and loss account for the duration of the lease.

Dividends and interest

Dividend income is recognized when the shareholder's right to receive payment is established. Dividend income is recorded at the gross amount that includes dividend tax, which is recognized as a current expense during the period in which the distribution was approved.

Interest income is recognised on the basis of accrual accounting, by reference to the principal and the effective interest rate, that rate which exactly updates the expected future cash flows over the life of the financial instrument, to the net carrying amount of the financial asset.

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

4.1. Significant accounting policies (continued)

Leasing

Group as lessee

The Group evaluates whether a contract is or contains a lease clause at the beginning of the contract.

The group recognizes a right of use of the asset and a corresponding lease liability in relation to all leases in which it is lessee/user, with the exception of short-term contracts (defined as leases for a rental period of 12 months or less) and leases of low-value assets (less than RON 24,500).

For these leases, the group recognizes payments as operating expenses linearly during the lease term.
Electromagnetica fits as leases those aimed at renting spaces. Since the rental is made for periods of one year or more they are treated as accounting in a unitary manner by recognizing a right of use of the asset and a lease debt.

Lease liabilities

At the start date of the lease, the Group recognises the lease liabilities, measured at the discounted value with the marginal borrowing rate of the lease payments, over the duration of the lease. Payments include fixed payments minus any incentives to receive, variable lease payments that depend on an index or rate, and amounts that are expected to be paid in the form of residual value.
The group uses a loan rate from information received from the financial-banking area.

The lease payments included in the valuation of the debt arising from the lease agreement include the following payments related to the right to use the underlying asset during the lease that are not paid at the date of commencement of the lease:

a. fixed payments (including fixed payments to the fund), less any lease incentives receivable;

b. variable lease payments that depend on an index or rate, initially assessed on the basis of the index or rate at the start date

c. expected amounts due by the lessee on the basis of collateral related to the residual value;

d. the exercise price of a purchase option if the lessee is reasonably certain to exercise the option); and

e. payments of lease termination penalties if the lease term reflects the lessee's exercise of a lease termination option.

Leasing debt is presented as a separate line in *Statement of financial position*.

The Group revalues the debt arising from the lease agreement by updating the revised lease payments using a revised discount rate, if either:

a. there is a change in the duration of the lease. The group determines the revised lease payments on the basis of a revised lease term; or

b. there is a change in the valuation of an option to buy the underlying asset, measured against the events and circumstances described in IFRS 16 in the context of an option to buy.

c. The Group determines the revised lease payments to reflect the change in amounts due under the purchase option.

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

4.1. Significant accounting policies (continued)

Leasing (continued)

The group revalues the debt arising from the lease agreement by updating the revised lease payments in any of the situations below:

a. there is a change in the amounts expected to be due in accordance with the residual value guarantee. The group determines the revised lease payments to reflect the change in amounts expected to be due under the residual value guarantee.

b. there is a change in future lease payments resulting from a change in an index or rate used to determine those payments, including, for example, a change reflecting changes in market rates of rents as a result of a review of market rents. The lessee must reassess the debt arising from the lease to reflect those revised lease payments only when a change in cash flows occurs (i.e. when the adjustment of lease payments occurs). The group determines revised lease payments for the remainder of the lease term on the basis of revised contractual payments.

Right to use assets

Asset use rights include the initial valuation of the corresponding lease liability, lease payments made on or before the commencement day, less lease incentives received and any initial direct costs. They are then assessed on the basis of cost less accumulated depreciation and impairment losses.

The rights of use are amortized for the shortest period between the lease term and the useful life of the underlying asset, thus:

Right of use assets	**Depreciation duration (years)**
Spaces	1-5
Means of transport	3-5

Group as lessor

The Group concludes rental contracts as lessor for the spaces in buildings registered both as tangible assets and as real estate investments.

All leases are recognized as operational leases.

Rental income from operating leases is recognized linearly over the duration of that lease.

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

Borrowing costs

Borrowing costs consist of interest on loans that are directly attributable to the acquisition, construction or production of a long production cycle asset and are capitalized until the asset is ready for pre-determined use or sale.

All other borrowing costs are recognised as expenses in the profit and loss account of the period in which they arise.

Interest expense is recorded using the effective interest method.

During the year ended December 31, 2023 and December 31, 2022, respectively, the group did not capitalize on interest expense in the value of the assets, as it did not take out any loans for investments.

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

4.1. Significant accounting policies (continued)

Employee benefits

Short - term benefits to employees include wages, premiums and Social Security contributions.

The Group makes payments on behalf of its employees to the Romanian state pension system, health insurance and unemployment fund, in the course of normal activity. All employees of the company are members and have the obligation to contribute to the pension system of the Romanian state. All related contributions are recognised in the profit and loss account of the period when they are made. The group has no further obligations. Obligations with short-term benefits granted to employees are not updated and are recognized in profit and loss as the related service is provided.

TheGgroup is not engaged in any independent pension scheme and therefore has no obligations to do so.

The Group is not employed in any other post-employment benefits scheme. The Group has no obligation to provide subsequent services to former or current employees.

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

There is currently no plan to require the group to provide benefits in the form of the entity's own shares (or other equity instruments).

Taxation

Current corporate tax

The current payment fee is determined on the basis of the taxable profit of the year. Tax profit is different from the profit reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years, and it also excludes items that will never become taxable or deductible. The company's debt related to the current corporation tax is calculated using tax percentages that were prescribed by law or in a bill at the end of the year. Currently the tax rate is 16%.

Deferred tax

Deferred tax is made up of temporary differences in assets and liabilities.

Deferred tax receivables are recognized only to the extent that taxable profit is likely to be obtained in the future, after offsetting with the tax loss of previous years and with the income tax to be recovered.

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

Currently tax losses generated by companies in Romania can be recovered over a period of 7 years.

Deferred tax liabilities are generally recognized for all taxable temporary differences.

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

Current and deferred tax

Current and deferred tax are recognized in the statement of profit and loss unless they relate to items that are recognized in *Other comprehensive income* or directly in equity, in which case the current and deferred tax are also recognized in *Other comprehensive income* equity, respectively.

Value Added Tax (VAT)

Income, related expenses assets are recognized net of VAT except:

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

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

4.1. Significant accounting policies (continued)

Property, plant and equipment

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

The cost of purchased tangible assets is represented by the amount of consideration incurred for the acquisition of those assets as well as the amount of other costs directly attributable to bringing the assets to the location and condition necessary for them to operate in the manner desired by management.

The cost of self-built assets includes wage, material, indirect production costs and other costs directly attributable to bringing the assets to their current location and condition.

The group opted to use for valuation after initial recognition of tangible assets *the model of reassessment.*

Land and buildings used in the production activity or for the supply of goods and services, or for administrative purposes are presented in *Statement of financial position* at cost minus cumulative depreciation and minus cumulative impairment losses.
If the cost of the land includes costs of decommissioning, removal, restoration, these costs are amortized during the period when benefits are obtained as a result of carrying out these costs.

Other tangible assets (equipment, appliances, installations) are measured at cost minus the cumulative depreciation and the cumulative impairment loss.

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

Depreciation also begins when assets are available for use.

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

Owned land does not pay off.

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

For all assets acquired as of January 1, 2015, the group opted to use as a method of amortization, the linear method which involves the systematic allocation of depreciation value over the entire economic life of the assets.

The management of the company estimated as appropriate the following useful life for different categories of property, plant and equipment as follows:

Property, plant and equipment	**Duration (years)**
Construction	20 - 100
Technological equipment	5 - 12
Measuring, control and adjustment apparatus and installations	3 - 8
Means of transport	4 - 8
Furniture, office equipment, protective equipment human values and materials	8 - 15

An item of tangible assets is no longer recognized as a result of disposal or when future economic benefits are no longer expected from the continued use of the asset. Any gain or loss resulting from the disposal or disposal of an item of property, plant and equipment is determined as the difference between the proceeds from sales and the net book value of the asset and is recognized in the statement of profit and loss at the date of derecognition.

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

4.1. Significant accounting policies (continued)

Investment property

The investment property of the Company are initially valued at cost which is formed by the purchase price plus any directly attributable expenses (professional fees for legal services, fees for the transfer of ownership, etc.).

After initial recognition, investments properties are recognized in financial statements at fair value. Investment property is not depreciated, and gains or losses arising from changes in their fair value are included in the profit or loss of the period in which they occur.

Intangible assets

Intangible assets acquired separately

Intangible assets with a finite life that are purchased separately are initially recognized at cost and are subsequently accounted for at cost minus cumulative depreciation and impairment loss. Depreciation is recognized linearly throughout their useful lives. The useful life for this group of fixed assets is from 3 to 5 years. Their useful life and depreciation method are reviewed at the end of each reporting period, with the effect that any changes in estimates are accounted for on a forward-looking basis.

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

Intangible assets generated Internally-research and development expenses

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

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

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

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

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

Derecognition of intangible assets

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

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

4.1. Significant accounting policies (continued)

Impairment of tangible and intangible assets

To determine whether a tangible or intangible asset valued at cost is impaired, the Group analyzes under IAS 36 to identify whether there are indications of impairment.

For intangible assets with indeterminate lifetime depreciation tests are performed annually. This applies even if there are no indications of depreciation. Impairment tests are conducted at the level of cash generating units that generate cash inflows largely independent of those from other assets or asset groups.

For assets representing tangible assets if there is an indication or when an annual impairment test is required the group estimates the recoverable value of the asset as the greater of fair value less selling costs and its use value.

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

If the net carrying value of an asset or cash-generating unit exceeds its recoverable value, the asset is considered impaired and an impairment loss is recognized to reduce the asset's value to the recoverable value level.

Impairment losses are recognized in *Profit and loss statement* to the line *Depreciation and amortization adjustments of non-current assets* and reversals or operating expenses.

If the reasons for the impairment are no longer applicable at a later period, an impairment reversal is recognized in the statement of profit and loss'the book value increased by the reversal of an impairment adjustment shall not exceed the book value (net depreciation) that would have been determined if no impairment adjustment had been recognized in prior years.

Major maintenance and repairs

Capital inspection and repair costs are separate components of the corresponding assets or groups of assets. Capitalized capital repair costs are amortized using the amortization method for the underlying asset until the next repair.

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

These costs are capitalized if an asset or part of an asset that has been separately depreciated is replaced and it is likely that it will bring future economic benefits. If a part of the replaced asset has not been considered a separate component and has therefore not been written off separately, the replacement value shall be used to estimate the net carrying value of the replaced asset that is immediately written off.

Inspection costs associated with major maintenance programs are capitalized and amortized until the next inspection.
The costs of capital repairs for small hydropower plants are also capitalized.
All other costs with current repairs and usual maintenance are recognized directly in expenses.

Inventories

The Group recognizes as inventories those assets that are:

- held for sale in the normal course of business
- in production for such a sale, or
- in the form of materials and other consumables to be used in the production process or for the provision of services

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

4.1. Significant accounting policies (continued)

Inventories (continued)

Inventories are presented at the lowest value between cost and net realizable value. Net realizable value is estimated based on the sale price of normal business, less estimated costs for completion and sale.

The Group uses the first in first out (FIFO) method to determine the cost of out-of-management of supplied materials. For finished products, the standard cost is used for input and output. At the end of each month on the basis of management accounting, the actual cost of the products obtained is determined.

For the inventories of raw materials and materials, as well as for those of finished products, adjustments are made based on management estimates. The establishment and resumption of adjustments for depreciation of inventories are booked in the statement of profit or loss of the period.

Prepayment expenses

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

Financial instruments

Initial recognition and measurement

i) Financial instruments

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

For a financial asset to be classified and measured at amortized cost or fair value by comprehensive result, it must give rise to cash flows that are exclusively principal and interest payments on the outstanding principal amount. This assessment is referred to as the SPPI test and is performed at the instrument level.

The Group's business model for financial asset management refers to how it manages its financial assets to generate cash flows. Currently, the financial assets owned by the group are represented by receivables, guarantees. The business model used is to generate cash flows.

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

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

ii) Financial assets

The Group's financial assets primarily include cash and cash equivalents, trade and other receivables, equity investments.

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

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

4.1. Significant accounting policies (continued)

Financial instruments (continued)

ii) Financial assets (continued)

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

Cash and cash equivalents

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

Cash and cash equivalents are subject to depreciation calculations, however, the amounts are insignificant, since the amounts are held at such reputable banks as BCR, OTP.

Other financial assets at amortized costs

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

Commercial and other receivables

Trade receivables assessed under IFRS 9 are amounts due to customers for products sold in the normal course of business. They are generally due for settlement within 60-120 days and are therefore all classified as current. Trade receivables are initially recognized at consideration under IFRS 15 which is unconditional, unless they contain significant financing components, when they are recognized at fair value at the date of initial recognition. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore subsequently assesses them at amortized cost using the effective interest method.

Most of the Group's commercial receivables do not contain financing component.

For claims up to 90 days past due, the Group adopted the simplified approach in accordance with IFRS 9 and measured the provision for losses on the basis of a matrix of provisions that is based on historical collection and PD experience adjusted for forward-looking factors to estimate the provision on initial and lifetime recognition of claims at an amount equal to ECL (expected credit losses). The assessment is carried out every six months and any change in the initial allowance will be recorded as gain or loss in the profit and loss account. The expected credit losses over the entire life of the receivables, as well as the adjustments recorded for receivables with more than 90 days seniority analyzed individually and those for specific losses recorded in the current year, are classified as *other expenses*.

Trade and other claims, together with The Associated impairment adjustment, if any, are written off when there is no realistic prospect of future recovery and all guarantees have been realized or transferred to the group. If the collection is expected in more than one year, they are classified as non-current assets.

Judgments and estimates

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

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

4.1. Significant accounting policies (continued)

Financial instruments (continued)

iii) Financial liabilities

The company's financial liabilities comprise mainly interest-bearing loans and loans, commercial and other liabilities.

A financial liability is derecognised when the debt obligation is extinguished, cancelled or expires. When an existing financial liability is replaced by another from the same creditor on substantially different terms, or the terms of an existing liability are substantially changed, such exchange or modification is treated as derecognition of the original liability and recognition of a new liability. , and the difference between the respective book values is recognized in profit or loss.

Interest-bearing loans and loans

All loans are initially recognized at the fair value of the consideration received, net of transaction costs, and are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate is the rate that exactly updates the expected future cash payments over the expected life of the financial debt or, as the case may be, over a shorter period. The calculation takes into account any discount on the purchase and includes transaction costs and commissions that are an integral part of the effective interest rate.

Shareholder financing

According to IFRS 9, "Financial Instruments" shareholder loans received by the group were recognised at fair value.

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

Derivatives

Derivatives are initially recognised and subsequently revalued at fair value. The group has no significant derivatives.

Government subsidies

Under IAS 20, government subsidies are only recognised when there is sufficient certainty that all the conditions attached to granting them will be met and that the grants will be received. Subsidies that meet these criteria are presented as liabilities and are systematically recognised in the profit and loss account over the useful life of the assets to which they relate.

Provisions

Provisions are recognized when the group has a present obligation (legal or implied) as a result of a past event, it is likely that the group will be required to extinguish the obligation, and a credible estimate of the amount of the obligation can be made. .

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

Provision for customer guarantees it is formed according to the estimates made by the management and the departments sales, technical and quality on the level of expenses for repairs within the warranty period. The level of repair expenses during the warranty period is also determined as a percentage of the turnover of the reporting year.

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

4.1. Significant accounting policies (continued)

Provisions (continued)

Restructuring provisions

The implicit obligation to restructure arises if a company:

- it has a detailed official plan for the restructuring in which to be highlighted: the activity or part of the activity to which it refers, the main locations affected, the location, the function and the approximate number of employees who will receive compensation for the termination of their activity, implicit expenses, the date on which the restructuring plan will be implemented

- it has generated a justified expectation to those affected that the restructuring will be achieved by starting the implementation of that restructuring plan or by communicating its main characteristics to those who will be affected by the restructuring process.

The restructuring provision includes only direct restructuring-related expenses.

Provisions for employee benefits

During the financial year, there are recorded provisions for holidays left unpaid and other provisions according to employment contracts. At the time of their recognition as liabilities to employees, the amount of provisions will be resumed through the corresponding income accounts.

The group does not recognise the provision for losses from the exploitation of assets.

Segment reporting

Taking into account that the shares of the Parent Company are traded on the Bucharest Stock Exchange and that it applies IFRS, it is presented in the annual financial statements as well as in the interim reports made according to IAS 34 – Interim Financial Reporting, information about the activity segments, about their products and services and about the main customers.

According to *IFRS 8-business segments*, a business segment is a component of an entity:

- which engages in business activities from which it can obtain income and from which it can incur expenses (including income related to transactions with other components of the same entity);

- whose business results are regularly reviewed by the entity's main operational decision-maker with a view to deciding on the allocation of resources by segment and assessing its performance, and

- for which separate financial information is available.

Taking into account the criteria for identifying business segments and the quantitative thresholds described in IFRS 8, the group identified the following business segments for which it presents the information separately:

- licensed activity-supply and production of electricity.

- unlicensed activity - industrial production and space rental.

Dividends

Dividends are recorded as liabilities in the Financial Statements of the company during the period in which they are approved by the shareholders of the company and are reflected accordingly by the decrease in retained earnings.

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

4.2. Accounting judgments, estimates and assumptions

Consolidated financial statements were prepared on the basis of historical cost, with the exception of fixed assets where the revaluation method was adopted. Historical cost is generally based on the fair value of consideration made in return for assets.

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

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

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

The effect of the change related to 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 Group's management believes that any differences from these estimates will not have a significant influence on the financial statements in the near future, for each estimate the principle of prudence is applied.

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

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

Tangible assets are presented at revalued values according to IAS 16 and real estate investments at fair values according to IAS 40.

For inventories, adjustments are made based on management's estimates of net realizable value. The establishment and resumption of adjustments for depreciation of inventories is carried out quarterly on the reporting dates on the account of the profit and loss account.

Receivables with a maturity exceeding more than 90 days are analyzed individually at each date of raportare.In depending on the information obtained, an adjustment percentage is estimated that is in correlation with the risk of non-receipt.

4.3. Correction of errors

In 2023 it was found that a series of sales contracts with customers (intermediaries) contained clauses giving the right of return for products not valued by resale or implementation in various projects. Moreover, Electromagnetica acts as a depositary of the products purchased by these customers by drawing up custody minutes and inventories management within the group.

In accordance with IAS 8, the last three years have been restated to correct errors in revenue recognition and to properly apply the specific clauses of IFRS 15.

As a result of the cancellation of revenues, the inventories that were the subject of those transactions were reunited. Taking into account the age of these products, provisions were made for adjusting inventories to net realizable value (Note 10 Inventories).

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

4.3. Correction of errors (continued)

Lines affected by corrective operations in *Statement of financial position* are the following:

	December 31 2021	Adjustments 2021	December 31 2021 *(restated)*
Inventories	18,411,084	4,113,359	22,524,443
Trade receivables	71,519,748	(7,191,317)	64,328,431
Current tax claim	587,266	512,313	1,099,579
Total	**90,518,097**	**(2,565,644)**	**87,952,453**
Retained earnings	82,754,937	(2,689,644)	80,065,292
Commercial and other liabilities	54,496,194	124,000	54,620,194
Total	**137,251,131**	**(2,565,644)**	**134,685,486**

	31 December 2022 *(restated adjustments 2021)*	Adjustments 2022	December 31 2022 *(restated)*
Inventories	24,395,558	3,033,665	27,429,223
Trade receivables	69,220,333	(5,537,951)	63,682,382
Current tax claim	682,526	365,486	1,048,012
Total	**94,298,417**	**(2,138,800)**	**92,159,617**
Retained earnings	125,827,452	(1,918,800)	123,908,652
Commercial and other liabilities	32,491,355	(220,000)	32,271,355
Total	**158,318,807**	**(2,138,800)**	**156,180,007**

Lines affected by corrective operations in *Profit and loss statement* are the following:

	2021	Adjustments 2021	2021 *(restated)*
Revenue	340,910,872	(7,191,317)	333,719,555
Change in the inventories of finished products and production in progress	6,672,706	4,113,359	10,786,065
Income tax	660,753	512,313	1,173,066
Total	**348,244,330**	**(2,565,644)**	**345,554,686**

	2022 *(restated)*	Adjustments 2022	2022 *(restated)*
Revenue	231,927,983	(5,537,951)	226,390,032
Change in the inventories of finished products and production in progress	14,188,764	3,033,665	17,222,429
Other expenses	(47,233,735)	220,000	(47,013,735)
Income tax	(1,966,123)	365,486	(1,600,637)
Total	**196,916,889**	**(1,918,800)**	**194,998,089**

5. PROPERTY, PLANT AND EQUIPMENT

Cost	Land and land improvements	Construction	Technological equipment and vehicles	Other tangible assets	Property, plant and equipment pending execution	Prepayment for tangible assets	Total
As of December 31, 2022	**171,653,309**	**130,589,322**	**24,351,564**	**3,168,979**	**2,944,533**	**118,354**	**332,826,061**
Inflow	-	14,053,427	5,631,115	759,419	8,640,791		29,084,752
- of which: revaluation	-	7,344,309	2,616,575	564,596	-	-	10,525,479
Transfers	-	6,709,118	2,044,286	193,355	-	-	8,946,759
Outflow	(13,682,128)	(30,688,494)	(14,638,251)	(1,184,573)	(10,366,636)	(118,354)	(70,678,436)
- from the determination of the net revaluation amount	(13,479,318)	(19,577,480)	(342,112)	-	-	-	(33,398,910)
- Transfers	-	-	-	-	(8,946,759)	-	(8,946,759)
As of December 31, 2023	**157,971,181**	**113,954,255**	**15,344,428**	**2,743,825**	**1,218,688**	**-**	**291,232,377**

Cumulative amortization	Land and land improvements	Construction	Technological equipment and vehicles	Other tangible assets	Property, plant and equipment pending execution	Prepayment for tangible assets	Total
As of December 31, 2022	**(143,342)**	**(5,540,942)**	**(11,387,285)**	**(890,138)**	**-**	**-**	**(17,961,708)**
Amortization of the year	(59,468)	(5,570,071)	(4,175,127)	(505,753)	-	-	(10,310,419)
Cumulative amortization on outflows	202,810	11,111,014	14,270,525	1,079,934	-	-	26,734,518
- of which the net value was determined	202,810	11,111,014	13,237,704	1,079,934	-	-	25,631,461
As of December 31, 2023	**-**	**-**	**(1,291,887)**	**(245,722)**	**-**	**-**	**(1,537,608)**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment adjustments	**Land and land improvements**	**Construction**	**Technological equipment and vehicles**	**Other tangible assets**	**Property, plant and equipment pending execution**	**Prepayment for tangible assets**	**Total**
As of December 31, 2022	**(4,129,814)**	**-**	**-**	**-**	**-**	-	**(4,129,814)**
Impairment adjustments recognized in profit or loss	(415,135)	-	-	-	-	-	(415,135)
Revisions to impairment adjustments recognized in profit or loss	-	-	-	-	-	-	-
As of December 31, 2023	**(3,714,679)**	**-**	**-**	**-**	**-**	-	**(3,714,679)**
Net book value							
As of December 31, 2022	**167,380,153**	**125,048,380**	**12,964,279**	**2,278,841**	**2,944,533**	**118,354**	**310,734,538**
As of December 31, 2023	**154,256,502**	**113,954,256**	**14,052,541**	**2,498,103**	**1,218,688**	**-**	**285,980,090**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Cost	Land and land improvements	Construction	Technological equipment and vehicles	Other tangible assets	Property, plant and equipment pending execution	Prepayment for tangible assets	Total
As of December 31, 2021	**171,653,309**	**130,458,996**	**22,998,851**	**3,018,516**	**1,295,319**	**-**	**329,424,991**
Inflow	-	130,326	1,379,759	171,669	3,193,985	118,354	4,994,092
- of which: revaluation	-	-	-	-	-	-	-
Transfers	-	130,326	1,359,153	55,292	-	-	1,544,771
Outflow	-	-	(27,046)	(21,206)	(1,544,771)	-	(1,593,023)
- from the determination of the net revaluation amount	-	-	-	-	-	-	-
- Transfers	-	-	-	-	(1,544,771)	-	(1,544,771)
As of December 31, 2022	**171,653,309**	**130,589,322**	**24,351,564**	**3,168,979**	**2,944,533**	**118,354**	**332,826,061**

Cumulative amortization	Land and land improvements	Construction	Technological equipment and vehicles	Other tangible assets	Property, plant and equipment pending execution	Prepayment for tangible assets	Total
As of December 31, 2021	**(83,874)**	**-**	**(8,045,713)**	**(262,844)**	**-**	**-**	**(8,392,432)**
Amortization of the year	(59,468)	(5,540,942)	(3,349,950)	(642,741)	-	-	(9,593,101)
Cumulative amortization on outflows	-	-	8,378	15,447	-	-	23,825
- of which the net value was determined	-	-	-	-	-	-	-
As of December 31, 2022	**(143,342)**	**(5,540,942)**	**(11,387,285)**	**(890,138)**	**-**	**-**	**(17,961,708)**

5, PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment adjustments	**Land and land improvements**	**Construction**	**Technological equipment and vehicles**	**Other tangible assets**	**Property, plant and equipment pending execution**	**Prepayment for tangible assets**	**Total**
As of December 31, 2021	**-**	**-**	**-**	**-**	**-**	-	**-**
Impairment adjustments recognized in profit or loss	(4,129,814)	-	-	-	-	-	(4,129,814)
Revisions to impairment adjustments recognized in profit or loss	-	-	-	-	-	-	-
As of December 31, 2022	**(4,129,814)**	**-**	**-**	**-**	**-**	-	**(4,129,814)**
Net book value							
As of December 31, 2021	**171,569,435**	**130,458,996**	**14,953,138**	**2,755,672**	**1,295,319**	**-**	**321,032,559**
As of December 31, 2022	**167,380,153**	**125,048,380**	**12,964,279**	**2,278,841**	**2,944,533**	118,354	**310,734,538**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

On December 31, 2023, tangible assets decreased compared to December 31, 2022 by 8% mainly as a result of the periodic revaluation of the company's assets. Small hydropower plants recorded the biggest drop as a result of the revaluation.

The inflows of tangible assets are represented by the modernization of the company's headquarters and investments in small hydropower plants.
Outgoing tangible assets represent sales and write-offs other than those from the determination of the net revaluation value.

For most buildings the remaining useful life is between 26-69 years.

In order to guarantee the guarantee agreements and credit agreements signed with the financing banks, the group mortgaged the following assets to those banks, thus:

Name of assets	Value net accounting December 31 2023	Value net accounting December 31 2022
- Real estate (Cadastral lots no. 13,15) Calea Rahovei, no. 266-268, 5th district, Bucharest	-	34,034,181
- Building cadastral no 232634 building+land Calea Rahovei, 266-268, 5th district, Bucharest	-	7,405,505
- Real estate (Cadastral lots 1-3,9,10,16,18,19,21,23-26) Calea Rahovei, 266-268, 5th district, Bucharest	-	58,743,414
- Land Calea Rahovei, no. 242	-	5,902,198
- Building Calea Rahovei 266-268 (Lot 18)	8,803,206	8,922,686
- MHPP's (land+industrial and municipal constructions)	29,865,566	44,131,098

The property, plant and equipment includes assets acquired through government subsidy and used in the licensed activity at one of the micro hydro power plants located in Brodina Commune Suceava County. The remaining amount of the investment as of December 31, 2023 is RON 5.516.713 of which the subsidized value RON 3.920.651. The remaining value of the investment as of December 31, 2022 was RON 9,533,641, of which the subsidized value was RON 4,083,870.

Fair value of tangible assets

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

The last revaluation was carried out on 31 December 2023, being carried out by an authorized appraiser.

This method is recommended for properties, when there is sufficient and reliable data on transactions or offers for sale with similar properties in the area. The analysis of the prices at which the transactions were made or of the prices demanded or offered for comparable properties is followed by making corrections to their prices, in order to quantify the differences between the prices paid, demanded or offered, caused by the differences between the specific characteristics of each property, called comparison elements.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Fair value of tangible assets (continued)

The evaluation methods used were as follows:

a. Office space was assessed using the discounted cash flow method or capitalization method (income approach) based on net rental income generated by the properties. Projected rental income comprises tenant payments under current leases until they are completed and income based on market rates thereafter. Effective income from rent is obtained by taking into account inactivity at average market rates for each specific type of property;

b. Non-income-producing property (including residential real estate) is assessed using the market comparison method;

c. Land is assessed as vacant using the market comparison method. The evaluation is made using 3 comparable offers for sale of land whose asking price is adjusted in comparison grids.

d. The real estate of the micro-hydropower plants is measured from the fair value of the business unit derived by an updated cash flow technique. The enterprise value of micro-hydropower plants (considered as a single cash-generating unit) is calculated from the projected production of electricity and awarded green certificates that generate operating income. The projection period for the cash flows considered is 6 years plus a terminal value calculated by capitalization of cash flows.

e. Evaluation of movable property within the framework of the equipment evaluation report is made using the replacement cost method. According to this method, a new replacement cost for the equipment is first calculated. Next, physical, functional and economic depreciation is deducted from the replacement cost to reach fair value. The replacement cost for the new specialized equipment was determined by indexing the historical price to the percentage change in the EUR/RON exchange rate. Physical damage was calculated using the seniority / useful duration method. Functional and economic obsolescence for assets was not assumed.

The unobservable variables used are as follows:

- For offices-rental rates on the market (5-9 EUR/m2), occupancy rates 75-82%, landlord costs-equal to a monthly rent (5-9 EUR/m2). Increase in related variables will cause General fair value to increase;

- Capitalization and discount rates used in property valuation models – for offices 11%, 10.79% for industrial premises) - the increase in related variables will generate a decrease in fair value

The observable variables used are as follows:

- Electricity price used in the cash flow model-electricity price determined based on the mix of markets where electricity is sold. It was calculated as the average price over a historical period (12 months) and indexed after inflation. The price thus calculated caused part of the price decrease that occurred in 2023. Falling prices will result in a reduction in fair value;

- The price of green certificates used in the discounted Cash Flow model for small hydropower plants - the price of green certificates assumed at the lower end of the regulated range which is consistent with history and is the usual assumption in such models. Rising prices will lead to an increase in fair value.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Information relating to the fair value hierarchy at December 31, 2023 and December 31, 2022:

	Level 1	Level 2	Level 3	Fair value at December 31 2023
Land and land improvements	-	-	154,256,502	154,256,502
Construction	-	-	113,954,256	113,954,256

	Level 1	Level 2	Level 3	Fair value at December 31 2022
Land and land improvements	-	-	167,380,153	167,380,153
Construction	-	-	125,048,380	125,048,380

During both 2023 and 2022 there were no transfers between fair value levels.

The revaluation surpluses recorded at December 31, 2023 amounted to RON 249,346, the decrease from the year mainly related to transfers to retained earnings as assets amortization. The balance cannot be distributed to shareholders.

The net book value of the constructions used by the group for both administrative purposes and other activities is RON 113,954,256 as of December 31, 2022 (2022: RON 125,048,380).

Depreciation of non-current assets

The impact of the announcement of expropriation (from 2022) of a part of the land owned in Domnesti resulted in the recording of an active depreciation adjustment amounting to RON 3,714,679 calculated as the difference between the fair accounting value and the amount of compensation for expropriation. At the date of the financial statements December 31, 2023, this value has been updated in accordance with the new fair value established by the valuation report.

6. INVESTMENT PROPERTY

The Group owns real estate fully used for rent in the form of offices. In general, leases provide for an initial period of at least one year. Further extensions are negotiated with the tenants. The obligations of the parties relating to repairs, maintenance and improvements are prescribed in the concluded contracts.

These buildings are recognized in accordance with IAS 40 as investment property. For the presentation of real estate investments in the financial statements, the group chose the model based on fair value.

The assessment as of December 31, 2023 was carried out by an anevar authorized appraiser who used the income approach (discounted cash flow method). Colliers is a company specializing in the valuation of these types of real estate investments. The evaluation model used complies with international evaluation standards.

On December 31, 2023 real estate investments are presented as follows:

	2023	2022
Initial balance	**22,054,243**	**19,355,453**
Inflow of which:	1,733,105	2,915,421
from fair value valuation	378,809	2,691,230
transfers	1,354,295	224,031
Outflow of which:	(218,056)	(216,631)
from fair value valuation	(218,056)	(216,631)
transfers	-	-
Final balance	**23,569,292**	**22,054,243**

6. INVESTMENT PROPERTY (continued)

The income related to real estate investments obtained in 2023 is worth RON 3,821,614 and covers the expenses incurred by the owner (the amount of income recorded during 2022 was in the amount of RON 3,313,883).

Inflows are represented by investments in a building with a school destination.

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

We specify that there are no restrictions imposed on the degree of realization of real estate investments or on the transfer of income and proceeds from disposal.

Information relating to the fair value hierarchy at December 31, 2023 and December 31, 2022:

	Level 1	**Level 2**	**Level 3**	**Fair value at December 31 2023**
Investment property	-	-	23,569,292	23,569,292

	Level 1	**Level 2**	**Level 3**	**Fair value at December 31 2022**
Investment property	-	-	22,054,243	22,054,243

Valuation techniques in real estate investment valuation were:

- Office properties are valued using the capitalization method (income approach) based on income net of rent generated by property. Projected rental income comprises tenant payments under contracts current rental until their completion and income based on market rates thereafter.

The observable variables used are:

- Market rental rates, occupancy rates and landlord costs-increase in considered variables will cause an increase in the fair value of real estate investments.

The unobservable variables are:

- Capitalization rates (10%) used in real estate investment valuation models-increasing capitalization rates will cause a decrease in the fair value of investment properties.

7. INTANGIBLE ASSETS

Intangible assets include software, licenses and various software. They are amortized by the linear method.
In the statement of financial position are presented at historical cost, less depreciation and possible value adjustments.
Intangible assets decreased primarily due to the amortization of some licenses.
For most intangible assets, useful life was estimated at 3 years.

The statement of intangible assets as of December 31, 2023 is as follows:

	Patent licensing concessions	Other intangible assets	Intangible assets outstanding	Total
Cost				
As of December 31, 2022	**1,237,821**	**3,397,126**	**-**	**4,634,947**
Inflow	-	-	-	-
Outflow	(1,429)	-	-	(1,429)
Transfers	-	-	-	-
As of December 31, 2023	**1,236,393**	**3,397,126**	**-**	**4,633,519**
Accumulated amortization				
As of December 31, 2022	**(1,200,328)**	**(2,645,311)**	**-**	**(3,845,640)**
Amortization of the year	(25,562)	(196,420)	-	(221,982)
Cumulative amortization on outflows	1,429	-	-	1,429
As of December 31, 2023	**(1,224,461)**	**(2,841,731)**	**-**	**(4,066,193)**
Net book value				
As of December 31, 2022	**37,493**	**751,815**	**-**	**789,309**
As of December 31, 2023	**11,932**	**555,395**	**-**	**567,327**
COST				
As of December 31, 2021	**1,237,821**	**2,613,010**	**-**	**3,850,832**
Inflow	-	784,116	-	784,116
Outflow	-	-	-	-
Transfers	-	-	-	-
As of December 31, 2022	**1,237,821**	**3,397,126**	**-**	**4,634,948**
Accumulated amortization				
As of December 31, 2021	**(1,094,992)**	**(2,612,446)**	**-**	**(3,707,438)**
Amortization of the year	(105,336)	(32,885)	-	(138,202)
Cumulative amortization on outflows	-	-	-	-
As of December 31, 2022	**(1,200,328)**	**(2,645,311)**	**-**	**(3,845,640)**
Net book value				
As of December 31, 2021	**142,829**	**565**	**-**	**143,393**
As of December 31, 2022	**37,493**	**751,815**	**-**	**789,308**

8. RIGHTS OF USE ASSETS

	Buildings	Vehicles	Total
Cost			
As of December 31, 2022	**-**	**230,821**	**230,821**
Additions	-	-	-
Disposals	-	-	-
Transfers	-	-	-
As of December 31, 2023	**-**	**230,821**	**230,821**
Accumulated depreciation			
As of December 31, 2022	**-**	**(75,530)**	**(75,530)**
Depreciation of the year	-	(74,158)	(74,158)
Cumulative depreciations related to outputs	-	-	-
As of December 31, 2023	**-**	**(149,688)**	**(149,688)**
Net book value			
As of December 31, 2022	**-**	**155,291**	**155,291**
As of December 31, 2023	**-**	**81,132**	**81,132**

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

	2023	2022
Depreciation expense related to the rights to use leased assets	74,158	96,466
Interest on lease liabilities	135	9,217
Expenses related to low-value leases.	-	-
Total amounts recognized in the profit and loss account	**74,293**	**105,683**

As of December 31, 2023, leasing liabilities amounting to RON 84,475 related to operational leases, of which short-term liabilities amounting to RON 29,694 and long-term liabilities amounting to RON 54,781.

On 31 December 2022 the value was RON 158,363 (75,410 short term and 82,953 long term).

Total leasing payments RON 133,143 (2022: RON 104,433)

9. OTHER NON-CURRENT ASSETS

	December 31 2023	December 31 2022	December 31 2021
Customer performance guarantees	3,535,648	2,872,490	1,481,839
Long-term staggered trade receivables	3,545,661	8,033,108	14,436,414
Adjustments to depreciate long-term trade receivables*	(487,623)	(1,010,831)	(1,515,401)
Other long-term non-current assets	12,796	33,637	137,628
Total	**6,606,482**	**9,928,405**	**14,540,480**

* The staggered long-term receivables worth Ron 3,058,038 as of December 31, 2023 were updated to the present value, and the time-value effect of money was worth RON 487,623. The current portion is recognized in commercial receivables (Note 11).

10. INVENTORIES

	December 31, 2023	December 31, 2022 (*restated*)	December 31, 2021 (*restated*)
Raw materials	8,719,964	8,349,443	9,892,908
Consumables	2,501,572	2,613,535	2,567,184
Finished products	13,799,830	12,579,551	7,151,200
Products in progress	2,064,672	3,436,021	2,730,442
Other inventories	986,865	2,777,658	2,454,844
Minus adjustments for impairment of inventories	(9,318,915)	(2,330,345)	(2,272,135)
Total	**18,753,989**	**27,429,223**	**22,524,443**

Other inventories include inventory items, finished products or materials in custody with third parties and advances paid to suppliers of goods. Details related to the restatement of the years 2022 and 2021 are in note 4.3

The movement within the framework of adjustments for depreciation of inventories is as follows:

	2023	2022	2021
Balance at the beginning of period	**(2,330,345)**	**(2,272,135)**	**(1,818,372)**
Impairment adjustment (expense)	(7,410,057)	(738,278)	(657,136)
Reverse impairment adjustment	421,488	680,068	203,373
Balance at the end of period	**(9,318,915)**	**(2,330,345)**	**(2,272,135)**

Adjustments recorded during the reporting period relate to depeciation adjustments for slow moving inventories based on elri better management estimates.

The Group has no pledged inventories on account of debt.

11. NET TRADE RECEIVABLES

	December 31 2023	December 31 2022 (*restated*)	December 31 2021 (*restated*)
Commercial receivables in Romania	43,927,785	61,148,415	60,758,468
Trade receivables from other countries	4,620,663	6,255,673	7,159,872
Minus impairment adjustments trade receivables	(13,136,105)	(3,721,707)	(3,589,909)
Total	**35,412,343**	**63,682,381**	**64,328,431**

The decrease in commercial receivables at December 31, 2023 compared to December 31, 2022 had as a cause a decrease in sales volume. At the same time, depreciation adjustments were recorded for a number of receivables for which there were suspicions about the collection because the deadlines were much exceeded.

The group has established a matrix of provisions that is based on the experience of historical losses on the company's receivables, adjusted for forward-looking factors specific to debtors and the economic environment, if applicable. This model applies to receivables on balance that do not have an overdue maturity or that have a maturity exceeding 90 days.

At the same time, the group individually evaluates impairment losses for receivables with a maturity exceeding more than 90 days if there are indications of significant increases in credit risk. More information is given in Note 29.

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

Details related to the restatement of the years 2022 and 2021 are in note 4.3

The movement within the framework of adjustments for the depreciation of trade receivables is as follows:

	2023	2022	2021
Balance at the beginning of the period	**(3,721,707)**	**(3,589,909)**	**(4,909,054)**
Allowance for impairment	(9,967,663)	(405,766)	(966,988)
Reversal of allowance for impairment	553,265	273,968	2,286,133
Balance at end of period	**(13,136,105)**	**(3,721,707)**	**(3,589,909)**

12, OTHER CURRENT ASSETS

	December 31 2023	December 31 2022	December 31 2021
Debtors	14,057	41,436	31,440
Prepayment expenses	1,131,815	873,588	785,174
Advances to suppliers	155,265	151,759	29,010
Other current assets	588,292	659,000	1,215,763
Total	**1,889,429**	**1,725,783**	**2,061,387**

Category *Prepayment expenses* in the amount of RON 1,131. 815 mainly represents advance payments related to green certificates, insurance premiums for civil liability insurance administrators and various subscriptions.

In *Other current assets are* included mainly non-excisable VAT in the amount of RON 56,961, amounts to be recovered from social health insurance in the amount of RON 464,788i.

13. CASH AND CASH EQUIVALENTS

	December 31 2023	December 31 2022	December 31 2021
Cash in the cashier	21,873	23,919	24,598
Availability in banks	30,854,974	15,391,114	7,061,274
Cash equivalents	11,332	2,356	417
Total	**30,888,179**	**15,417,388**	**7,086,289**

	December 31 2023	December 31 2022	December 31 2021
Restricted cash	90,000	90,000	90,000
Total	**90,000**	**90,000**	**90,000**

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

Bank availability includes short term deposits: December 31, 2023: RON 25,136,410 (RON 31.12.2022: RON 10,864,429)

14. SHARE CAPITAL

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

The structure of the shareholders holding over 10% of the share capital as of December 31, 2023 is as follows, according to the Central Depository register:

	December 31, 2023		December 31, 2022	
Shareholder	**Number of shares**	**%**	**Number of shares**	**%**
INFINITY CAPITAL INVESTMENTS S. A.	442,465,466	65,4497	190,381,673	28,1614
PAS Association	-	-	163,074,260	24,1220
Individuals	208,487,511	30,8396	247,173,583	36,5620
Legal entities	25,085,727	3,7107	75,409,188	11,1546
Total	**676,038,704**	**100**	**676,038,704**	**100**

Share capital subscribed and paid up is RON 67,603,870, composed of 676,038,704 shares with nominal value of RON 0.10/share, fully paid up.

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

15. RESERVES

Legal reserve

	2023	2022
Balance at the beginning of period	**12,563,922**	**19,811,834**
Increases	20	1,401,865
Diminutions	-	(8,649,877)
Balance at the end of period*	**12,563,942**	**12,563,922**

Under Romanian law, companies must distribute a value equal to at least 5% of pre-tax profit in legal reserves until they reach 20% of the share capital. When this level has been reached, the group may make additional allocations only from the net profit. The statutory reserve is deductible within the limit of a 5% rate applied on the accounting profit, before the determination of the corporation tax.

Revaluation reserves they are in the amount of RON 147,390,995 as of December 31, 2023. Relative to the balance of the beginning of the period, these increased with the surplus related to the revaluation and decreased and transferred to the retained earnings as the depreciation of the revalued fixed assets.

	2023	2022
Balance at the beginning of period	**151,285,901**	**155,524,677**
Revaluation increases	249,333	-
Other elements	-	3,939
Diminutions	(4,144,239)	(4,242,715)
Balance at the end of period	**147,390,995**	**151,285,901**

The Group records on December 31, 2023 *other reserves and equity items* in the amount of 81,371,341 lei of which the own sources of financing represent 98%.

	2023	2022
Balance at the beginning of the period	**59,328,628**	**67,949,273**
Increases	22,042,713	247,898
Diminutions	-	(8,868,543)
Balance at the end of period	**81,371,341**	**59,328,628**

During the meeting of the AGOA Electromagnetica on April 28, 2023, the allocation of 20,449,034 lei to reserves from the previous year's profit was approved.

16. RETAINED EARNINGS

As of December 31, 2023, the retained earnings from the transfer of net revaluation reserves related to depreciated or decommissioned assets amounted to Ron 4,144,239.

The result of the previous years was adjusted in 2022 and 2021 by (RON 1,918,800) respectively (RON 2,689,644). Details according to IAS 8 in Note 4.3.

17. INVESTMENT SUBSIDIES

	Total	Under one year	Over a year
Investment grants as of December 31, 2023	3,920,651	163,219	3,757,433

	Total	Under one year	Over a year
Investment grants as of December 31, 2022	4,083,869	163,219	3,920,651

In 2012, the parent company benefited from an investment grant of 5,997,788 lei granted for the modernization of the Brodina 2 micro-hydro power plant (Suceava), which is transferred to revenues simultaneously with the registration of depreciation of the assets purchased under this project. The net accounting value of fixed assets acquired through this subsidy are presented in Note 5.

18. PROVISIONS

Name	Balance 01.01.2023	Entries (establishment)	Exits (cancellation)	Balance 31.12.2023
Provision for performance guarantees to customers	775,000	-	-	775,000
Provisions for risks and expenses	31,440	-	(31,440)	-
Provision for employee benefits	1,441,690	1,090,235	(1,852,697)	630,436
TOTAL	**2,248,130**	**1,090,235**	**(1,852,697)**	**1,405,436**

The parent company has concluded contracts for the delivery of luminaires with warranty clause for long periods, respectively 2 - 5 years. The contracts do not provide a percentage or amount for the performance guarantee, the provision for them being calculated on the basis of the analysis of the cost history made with the products within the warranty period.

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

19. COMMERCIAL AND OTHER LIABILITIES

	December 31 2023	December 31 2022 *(adjusted)*	December 31 2021 *(adjusted)*
Current commercial liabilities			
Domestic commercial debt	4,421,017	8,332,977	7,425,334
Foreign trade debts	3,319,816	4,974,114	5,052,945
Estimated trade liabilities	4,720,526	3,519,791	10,712,386
Other current liabilities			
Advances received from customers	1,812,126	3,180,259	2,633,180
Salaries and social insurance	2,970,920	3,425,097	3,331,776
Advance income	1,695,488	44,047	15,535
Loans under one year	-	-	20,960,469
Other liabilities	6,238,614	8,795,070	4,488,568
Total	**25,178,507**	**32,271,355**	**54,620,193**

19. COMMERCIAL AND OTHER LIABILITIES (continued)

Debts are recorded at face value and are highlighted in analytical accounting on each individual or legal entity. Foreign currency liabilities were assessed on the basis of the currency exchange rate in force at the end of the year and exchange differences were recognised as income or expense of the period.

The Group does not record significant outstanding commercial debt.

The Group does not record overdue payments to employees and to the state budget, the amounts presented represent debts related to December 2023 and paid at the deadline of January 2024.

The Group has no long-term loans as of December 31, 2023.

The Parent- company has approved several credit agreements as of December 31, 2023. Their situation is presented in Note 30 of these financial statements.

Other debts have in the composition guarantees received from tenants, VAT payment, other taxes and fees.

The guarantees received from the tenants and those withheld from the suppliers on December 31, 2023 are in the amount of RON 2,949,825 will be regularized according to the contractual clauses.

	Total	Under one year	Over a year
Guarantees received year 2023	2,949,825	2,082,107	867,718
	Total	**Under one year**	**Over a year**
Guarantees received year 2022	3,615,027	2,914,850	700,176

Lease liabilities are presented within current and long-term liabilities. Their total value is 84,475 lei. (Note 8).

20. GROUP AS A LESSOR

The Group has entered into operating leases for its property investment portfolio consisting of certain office and production buildings (See Note 6). These leases have terms ranging from 1 to 6 years

All leases include a clause to allow the rental fee to be reviewed on an annual basis according to prevailing market conditions. The lessee is also obliged to provide a guarantee of the residual value on the properties, so this covers the risks that the lessor takes in the event of any problems in cooperation with the tenants.

Rental income recognized by the Group during the year is RON 17,915,931 (2022: RON 17,534,596)

Future minimum rents receivable under nonrevocable operating leases at December 31, 2023 are as follows:

	2023	2022
- 1 year	17,140,704	16,857,194
- Between 1 and 2 years	8,119,516	9,942,010
- Between 2 and 3 years	5,158,552	5,116,016
- Over 3 years	3,058,710	-

21. REVENUE

2023

REVENUE FROM CUSTOMER CONTRACTS	**Licensed activity**	**Unlicensed activity**
Revenue from the production of electricity from renewable sources and from the supply of electricity	91,443,660	-
Revenue from product sales (LED lighting fixtures, electric vehicle charging systems and solutions, plastic mass injection products and molds, low voltage electrical equipment, railway traffic safety elements)	-	53,788,733
Revenue from services rendered (complex design, delivery and assembly of LED lighting systems and electric vehicle charging stations)	-	23,607,545
TOTAL REVENUE FROM CUSTOMER CONTRACTS	**91,443,660**	**77,396,278**
RENTAL INCOME	**-**	**26,305,392**
TOTAL REVENUE	**91,443,660**	**103,701,670**

2022 restated

REVENUE FROM CUSTOMER CONTRACTS	**Licensed activity**	**Unlicensed activity**
Revenue from the production of electricity from renewable sources and from the supply of electricity	113,447,919	-
Revenue from product sales (LED lighting fixtures, electric vehicle charging systems and solutions, plastic mass injection products and molds, low voltage electrical equipment, railway traffic safety elements)	-	60,876,947
Revenue from services rendered (complex design, delivery and assembly of LED lighting systems and electric vehicle charging stations)	-	27,563,992
TOTAL REVENUE FROM CUSTOMER CONTRACTS	**113,447,919**	**88,440,939**
RENTAL INCOME	**-**	**24,501,175**
TOTAL REVENUE	**113,447,919**	**112,942,114**

Timing of recognition of revenue from contracts with customers

2023	**Licensed activity**	**Unlicensed activity**
Goods and services transferred at a given time	-	53,939,117
Goods and services transferred over time	91,443,660	49,762,553
Total revenue from customer contracts	**91,443,660**	**103,701,670**

2022 restated	**Licensed activity**	**2022 Unlicensed activity**
Goods and services transferred at a given time	-	60,876,947
Goods and services transferred over time	113,447,919	52,065,167
Total revenue from customer contracts	**113,447,919**	**112,942,114**

21. REVENUE (continued)

The company's revenue streams are:

- *Revenues from the production of electricity from renewable sources and the supply of electricity*, revenues are fulfilled execution obligations **in time** when the customer received the restored energy**.** Prices are identifiable and the market is regulated. Standard payment terms are between 30-60 days.

- *Revenue from sales of LED lighting, lighting fixtures, electric vehicle charging stations, fuel injectors plastic and molds, low voltage electrical equipment, railway traffic safety features* , revenues are performance obligations met at ***a moment in time*** when the customer receives and / or the goods are delivered. Prices are identifiable and represent the consideration paid by the customer on the sale of finished products. Standard payment terms are between 30-90 days. There are also no volume discounts.

- *Revenue from services provided (lighting system installation services)* - revenues are obligations executed over time. Prices are identifiable and represent the consideration paid. Standard payment terms are between 60-90 days, but can reach up to 2-3 years. The method used in the input-based (cost-based) method, according to which income is recognized on the basis of the efforts of the right to fulfill the obligation of execution.

Most of the revenue is generated in Romania.

The disaggregation of revenue at the product level is:

	2023	2022 *(restated)*
Electric vehicle charging stations	8,631,437	11,041,433
Electrical equipment	18,055,788	12,304,925
Traffic safety elements CFR	6,625,957	6,645,897
Plastic mass injections and molds	7,891,473	9,481,662
LED lighting fixtures and services	34,754,050	45,245,973
Other	1,437,572	3,721,049
TOTAL PRODUCTION	**77,396,278**	**88,440,939**

OTHER NET INCOME AND EXPENSES	**2023**	**2022**
Income from green certificates	1,248,655	1,673,074
Income / (expense) on provisions	(15,708,971)	(111,041)
Net exchange rate difference	(87,866)	28,561
Other net income/(expense)	699,388	3,784,040
TOTAL	**(13,848,794)**	**5,374,634**

Line *Income / (expense) on provisions* represents net asset adjustments (fixed assets, receivables, inventories), as well as provisions for guarantees granted to customers and employee benefits. The increase in provisions in 2023 compared to 2022 was mainly generated by adjustments to the value of receivables in line with the degree of their collection and adjustments to the value of inventories.

The decrease in the line of other net income/(expense) is primarily generated by a decrease in net income from the fair value measurement of the real estate investment in 2023 compared to 2022.

As a result of the adjustment of the sales with delivery after invoicing (goods kept in the custody of the company) and the restatement of the results of previous years, *Profit and loss statement* it has undergone the following changes in 2022:

- sales line-decrease RON 5,537,951
- line revenue from stored production-increase RON 3,033,665
- line other expenses-decrease RON 220,000

22. EXPENSES

	2023	2022 *(restated)*
Material expenses	**102,353,203**	**124,237,226**
- Expenditure on raw materials and consumables	43,316,755	58,965,295
- Expenditure on goods	51,665,525	59,287,292
- Expenditure on energy, water, gas	7,370,223	5,984,639
Employee expenses	**42,395,092**	**39,022,831**
- Salary expenses	39,400,418	23,588,796
- Other personnel expenses	2,994,674	15,434,035
Other expenses	**49,821,571**	**47,013,735**
- Postal expenses	412,050	631,404
- Maintenance and repair expenses	393,537	336,566
- Rent expenses	528,035	451,513
- Advertising and protocol expenses	168,535	196,234
- Insurance expenses	706,845	610,842
- Transport and travel expenses	1,088,053	1,352,464
- Subcontracted work expenses	2,696,569	9,506,582
- Expenses other taxes and fees	1,862,108	1,811,739
- Expenses with consultants and collaborators	1,091,461	771,013
- Expenditure on green certificates	1,585,359	1,400,886
- Contribution to the Energy Transition Fund	25,892,582	15,360,791
- Other operating expenses	13,396,436	14,583,691
Depreciation and amortization expense	**32,401,726**	**13,949,900**
- Depreciation expense	9,280,431	9,820,086
- Impairment loss / gain	23,121,296	4,129,814
Total expenses	**226,971,592**	**224,223,682**

In the line" Other operating expenses " are highlighted services performed by third parties, banking and assimilated services, expenses regarding fees and commissions, etc.

The impairment loss is mainly related to small hydropower plants, as a result of the revaluation.

23. FINANCIAL EXPENSES

	2023	2022
- Interest expense	1,469	540,789
- Bank fees	375,523	499,913
- Lease interest expense	6,289	9,217
Total financial expenses	**383,281**	**1,049,919**

24, INCOME TAX

Income tax recognized in profit or loss:

	December 31 2023	December 31 2022
Current income tax		
Current income tax expense	983,666	2,490,157
Deferred income tax		
Deferred tax income	(6,486,443)	(889,520)
	(5,502,777)	**1,600,637**

Reconciliation of pre-tax profit to income tax expense in the profit and loss account:

Indicator	December 31 2023	December 31 2022 *(restated)*
Profit / (loss) before tax	**(35,460,893)**	**26,089,885**
Tax applied at local rate (16%)	(5,673,743)	4,174,382
Effect of non-deductible expenses	286,275	(714,556)
Effect of non-taxable income	-	78,770
Other	(115,310)	(1,937,959)
Total income tax expense / (income)	**(5,502,777)**	**1,600,637**

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

As of December 31, 2023 the total receivable on the current income tax is in the amount of RON 1,700,402 (December 31, 2022: RON 1,048,012).

The analysis of the deferred income tax for 2023 and 2022 is presented below:

	Initial balance January 1, 2023	Recognised in the profit or loss account (income)/ expense	Recognised in other comprehensive income	Final balance December 31, 2023
Property, plant and equipment	24,666,499	(3,946,233)	39,893	20,760,159
Adjustment of non-current assets	(660,770)	66,421	-	(594,349)
The time-value effect of money (receivables)	(287,791)	102,266	-	(185,525)
Value adjustments receivables	(469,415)	(1,632,361)	-	(2,101,776)
Stock value adjustments	(372,855)	(1,195,960)	-	(1,568,815)
Employee benefits	(222,864)	121,994	-	(100,870)
TOTAL	**22,652,804**	**(6,486,443)**	**39,893**	**16,208,824**

24. INCOME TAX (continued)

	Initial balance January 1 2022	Recognised in the profit or loss account (income)/ expense	Recognised in other comprehensive income	Final balance December 31, 2022
Property, plant and equipment	24,930,405	(263,906)	-	24,666,499
Adjustment of non-current assets	-	(660,770)	-	(660,770)
The time-value effect of money (receivables)	(377,555)	89,764	-	(287,791)
Value adjustments receivables	(448,332)	(21,083)	-	(469,415)
Inventories value adjustments	(329,268)	(43,587)	-	(372,855)
Employee benefits	(232,926)	10,062	-	(222,864)
TOTAL	**23,542,324**	**(889,520)**	**-**	**22,652,804**

The deferred income tax for tangible assets resulted from different periods of accounting and fiscal depreciation and the surplus recorded as a result of the revaluation.

25. AVERAGE NUMBER OF EMPLOYEES

The average number of employees evolved as follows:

	December 31 2023	December 31 2022
Group	406	416
Company	350	368

Expenses with salaries and related taxes recorded are as follows**:**

	2023	2022
Salary expenses	**25,627,833**	**23,588,796**
- of which the parent company	23,479,245	21,954,297
Other personnel expenses	**16,767,258**	**15,434,035**
- of which the parent company	15,821,480	14,096,596
Total	**42,395,092**	**39,022,831**
- of which the parent company	39,300,725	36,050,893

The group does not have a pension program for staff specifically contributing to the National Pension Program under current law.

26. RELATED PARTY TRANSACTIONS

At 31 December 2023 and 31 December 2022 respectively, the group had no affiliated parties other than the subsidiaries included in the consolidation. Balances and transactions with them have been removed for the purpose of preparing consolidated financial statements.

Compensation of key personnel

The remuneration of directors and other members of Management in 2023 and 2022 was as follows:

	December 31 2023	December 31 2022
Payroll management	3,488,383	2,802,774
Compensation member management	1,071,366	-
Board of directors benefits	1,214,170	786,531
Total	**5,774,019**	**3,589,305**

The group has no contractual obligations to former directors and directors and has not granted advances or credits to current directors and directors.

The group has no future obligations of a guarantee nature on behalf of the directors.

27. EARNINGS PER SHARE

Basic earnings per share

During the reporting period, no changes occurred in the structure of the share capital. Basic earnings per share is that shown in the statement of profit or loss and other comprehensive income. It was calculated as the ratio between the net profit of ordinary shares and the weighted average of ordinary shares outstanding.

Diluted earnings per share

For the calculation of diluted earnings per share, the group adjusts the earnings attributable to ordinary shareholders of the parent company and the weighted average shares outstanding against the effects of all potentially diluted ordinary shares.

For the years 2023 and 2022 the group records basic earnings per share equal to diluted earnings per share as there are no certain securities that enable it to be converted into ordinary shares at some point in the future.

28. INFORMATION BY BUSINESS SEGMENT

The Group used the nature of the regulatory environment as an aggregation criterion for reporting by business segment and identified the following business segments for which it presents the information separately:

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

The aggregation criterion is based on the license necessary to carry out activities and the conditions imposed by it, among which the presentation of separate financial statements. The electricity generation and supply activities were aggregated taking into account that they represent an integrated process for part of their operations.

Information by segment is reported according to the activities of the company. Segment assets and liabilities include both items directly attributable to those segments and items that can be allocated using a reasonable basis.

28. INFORMATION BY BUSINESS SEGMENT (continued)

Year 2023	Unlicensed activity	% Total Group	Licensed activity	% Total Group	Total Group
Net loss/Profit	(15,245,775)	51%	(14,712,340)	49%	(29,958,115)
Total assets	344,095,304	85%	61,353,362	15%	405,448,666
Total liabilities	25,940,150	54%	21,725,461	46%	47,665,611
Customer revenue	103,701,670	53%	91,443,660	47%	195,145,330
Depreciation and amortization	10,653,339	33%	21,748,387	67%	32,401,726

Year 2022	Unlicensed activity	% Total Group	Licensed activity	% Total Group	Total Group
Net Profit	(2,028,996)	-	26,518,244	100%	24,489,248
Of which:					
- land expropriation loss	*(4,129,814)*	*100%*	-	*0%*	*(4,129,814)*
Total assets	374,487,266	83%	78,477,305	17%	452,964,571
Total liabilities	39,423,063	63%	22,691,636	37%	62,114,699
Customer revenue	112,942,113	50%	113,447,919	50%	226,390,032
Depreciation and amortization	11,709,470	84%	2,240,430	16%	13,949,900

Main products and production structure

The group benefits from a diversity of technologies and equipment that allows obtaining a diversified nomenclature of products. The share of the main product groups in the production turnover (excluding services) is as follows:

LED lighting fixtures, systems and solutions

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

The competitive advantage of LED lighting equipment is due to high efficiency (over 160 lm/w), long service life (minimum 100,000 hours) and high color rendering index (minimum 85 %). In addition, LED luminaires provide quality light, are environmentally friendly and allow integration into telemanagement systems. The focus is currently on the control and management of energy consumption given the important increases in the price of electricity
With regard to the led lighting activity, there are ongoing projects funded on European and national programs ROP and AFM, where ELECTROMAGNETICA has developed 3 Smart City and Telemanagement platforms with the purpose of managing the automation of lighting devices in order to decrease the CO2 carbon footprint, by reducing the luminous intensity depending on time or on the command of sensors, solutions that are very stable and reliable , ELECTROMAGNETICA offering a complete intelligent lighting solution included in the SmartCity platforms. The 3 main platforms developed are the following:

1. Smart IoT Server: ILIC-Smart Luminaire Informations Center, used in public street lighting projects: Craiova Expressway Pitesti plot 1 and 2 (Slatina and Bals), CAHUL City Republic Of Moldova, Tășnad City Satu Mare County.

2. Radio Telemanagement in mesh technology 6LoWPAN - Neptun CMS, used in street lighting projects: Panciu City Vrancea County, Baneasa Commune Constanta County.

3. 4G/ GPRS / NB-IoT Smart City: used in public street lighting projects: Buftea City Ilfov County, Ciurea Commune Iasi County, Vales Seaca commune Iasi County.

In these lighting systems have been integrated more recently and solar panels so that the energy consumption and implicitly the energy cost to be an advantage for the final beneficiary.

28. INFORMATION BY BUSINESS SEGMENT (continued)

Electric vehicle charging stations

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

In order to reduce the electromagnetic CO2 footprint continue the development and production of fast CHARGE and ULTRA fast CHARGE stations (50KWM 100kW, 150kW and 350kW). We mention that ELECTROMAGNETICA has increased its station network and improved the elmotion station management software operating platform.

The advantage of ELECTROMAGNETICA is that it offers complete solutions for delivery, installation and commissioning as well as the station management side with its own elmotion operating platform, providing a complete service with dispatch and intervention for quick troubleshooting in case of need.

Plastic injection and moulding

Electromagnetica benefits from a wide range of technologies, which allows the company to produce subassemblies from injected plastics both for the domestic market and for export. The group currently has 25 injection machines, most of the products made being parts and components for power tools.

Important to note, injected plastics benefit from internally designing, manufacturing and repairing molds through a dedicated compartment.

Railway traffic safety elements

The sales of railway traffic safety elements remained almost constant compared to last year, the orders for this production segment from prestigious companies being largely dependent on the pace of modernization of the railway infrastructure, given that CFR Infrastructura is the final beneficiary of these services.

Electricity production from renewable sources and Electricity Supply Service

Energy production and supply is an area regulated by ANRE, the group has held the producer license since 2007. The group owns 10 small hydropower plants in the Suceava River Basin, which have been modernized and automated over time, reaching an installed power of 5.5 MW. In 2023, the energy production in its own small hydropower plants was 11,669 MWh, in line with the Multiannual average of approx. 12,000 MWh.

The profitability of the company's licensed activity was significantly affected by the legislative regulations implemented in 2022, so that the company's production and supply activity generated a loss in 2023. For 2024, the management continues the activities of identifying opportunities for the best possible capitalization through the client portfolio of energy produced by the 10 micro-hydro power plants and secured by contracts with large players in the Romanian Energy Market.

Rental and utility services

Electromagnetica manages approximately 35,500 sqm of spaces for rent in Bucharest and 3,500 sqm in Varteju, Ilfov County. At the end of 2023, for the headquarters in Calea Rahovei 266-268, the average rental rate was 86 %. For the spaces in Varteju (Magurele) commune, the rental rate was 94.92%. According to expert reports, the stock of modern office space reached 3.19 million square meters, excluding buildings owned by those who occupy them, while the vacancy rate increased slightly, to 14.9%. An important thing to mention is that there is still a significant difference between the vacancy rates reported for office classes in Bucharest, namely 12.5% for Class A and 23% for Class B.

The activity of renting and supplying utilities recorded an increase of 8% compared to the previous year, the result of the increase in the euro/leu average rate, which evolved favorably compared to 2021, the changes in tariffs per square meter and the increasing changes in tariffs for utilities. Compared to the previous year, the structure of office rental spaces decreased, the share of spaces intended for service provision increased and those for production and storage remained relatively the same.

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

29. RISK MANAGEMENT

General risk management framework

The Board of Directors of the company has overall responsibility for establishing and supervising the risk management framework at the company level.

The activity is governed by the following principles:

a. principle of delegation of power;
b. principle of decision-making autonomy;
c. principle of objectivity;
d. principle of investor protection;
e. the principle of promoting the development of the stock market;
f. the principle of active role.

The Board of Directors is also responsible for examining and approving the strategic, operational and financial plan of the company, as well as the corporate structure of the company.

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

The internal audit of the company's entities 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 they face.
The activities that the group carries out expose it to a number of financial risks: market risk (including exchange rate risk, interest rate risk, price risk), credit risk and liquidity risk.

The group is exposed to the following risks:

Capital risk management

Capital risk management aims to ensure the ability of the company to conduct its business in good conditions through an optimization of the capital structure (equity and debt). In the analysis of the capital structure, the cost of capital and the risk associated with each class are tracked. In order to maintain an optimal capital structure and an appropriate degree of indebtedness, the group has proposed to shareholders in recent years an appropriate dividend policy that ensures its own sources of funding. The absence of funding sources may limit the company's expansion into market segments where the sale is supported by offering commercial facilities.

The group monitors capital based on indebtedness. This indicator is calculated as the ratio of net debt to total capital employed. Net debt is calculated as the sum of total loans (includes leasing debt as per IFRS 16) and total suppliers and other liabilities (as presented in the statement of financial position) less cash and cash equivalents. Total committed capital is determined as the sum between net debt and equity (as presented in the financial position).

The indebtedness at December 31, 2023 was as follows:

	December 31 2023	December 31 2022 *(restated)*
Total long and short term liabilities	47,665,611	62,114,699
Excluding: cash and cash equivalents	(30,888,179)	(15,417,388)
Total	**16,777,432**	**46,697,311**
Equity	**357,783,055**	**390,849,872**
Debt ratio	***0.0469***	***0.1195***

29. RISK MANAGEMENT (continued)

Market risk

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

Currency risk management

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

The company's currency risk exposure results from:

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

Foreign currencies most often used in transactions are EUR, USD and MDL.
Assets in foreign currency are represented by clients and available in foreign currency. Foreign currency debts are represented by suppliers.

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

Currency in which they are denominated	**EUR**	**USD**	**MDL**	**Total**
Functional currency	**RON**	**RON**	**RON**	**RON**
December 31, 2023	**EUR**	**USD**	**MDL**	**Total**
Total monetary assets	5,183,140	146,312	86,559	5,416,010
Total monetary liabilities	3,313,608	6,208	-	3,319,816
December 31, 2022	**EUR**	**USD**	**MDL**	**Total**
Total monetary assets	6,451,603	544,964	81,892	7,078,459
Total monetary liabilities	4,785,951	188,165	-	4,974,116

Exchange rate sensitivity analysis
An appreciation / (depreciation) of RON against EUR and USD, as indicated below, on December 31, would increase / (decrease) profit or loss and equity by the amounts shown below (excluding the impact in corporation tax)

Denomination currency	**EUR**	**USD**
Functional currency	**RON**	**RON**
Change in exchange rate	+/- 10%	+/- 10%
December 31, 2023		
Profit and loss statement	186,953	14,010
Other equity	-	-
December 31, 2022		
Profit and loss statement	166,565	35,680
Other equity	-	-

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

29. RISK MANAGEMENT (continued)

Interest Risk Management

Risk with regard to *change in interest rates* it is kept under control due to the investment policy of the company from its own sources of financing, which leads to the use of credit lines only for short periods.

As of December 31, 2023, the group has no medium or long-term loans, holding only credit lines that can be accessed as needed depending on the temporary cash deficit registered.

The interest rates for the company's loan facilities are based on ROBOR because they are financing lines in RON.
The lines of credit were fully covered during 2023 so that at the end of the year there was no balance to repay in the future.

Price risk

Price risk it is the risk that the future income of the company will be negatively impacted by changes in the price on the energy market, but also includes the risk of changing the purchase price of raw materials and materials necessary for production.

Among the markets in which the parent company operates, the energy market is the one with the highest price risk, taking into account the price volatility in the day-ahead market and the balancing market, as well as the lack of long-term hedging mechanisms.

Credit risk management

The credit risk consists in the event that the contracting parties breach their contractual obligations leading to financial losses for the group. The group is exposed to credit risk arising from its operational activities, in particular commercial activities (Note 11) and financial activities including deposits with banks.

Receivables

Commercial receivables come from a wide range of clients operating in various fields of activity and in different geographical areas. Insurance policies were contracted for claims on the foreign market. Due to the increased incidence in the economy of insolvency cases, there is a concrete risk regarding the recovery of the value of the products and/or services provided prior to the declaration of insolvency. The group aims to pay more attention to the creditworthiness and financial discipline of the contractual partners. The group wants to adopt the policy of trading only with trusted partners and obtain sufficient guarantees where appropriate to minimize the risk of financial losses resulting from non-fulfillment of obligations.

Exposure to credit risk is controlled through the permanent monitoring of each borrower. The group continuously assesses their credit risk taking into account their financial performance, payment history and, where appropriate, requires insurance of the risk of default.

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

For these contracts the group has calculated adjustments to the present value and does not estimate other losses because the risk of default is almost non-existent.

The methodology used by the group to measure expected losses on trade claims could be described as follows:

- determination of an appropriate follow-up observation period for the historical loss rate. The group selected 2 prior periods ended December 31, 2022 and December 31, 2021 for data collection;
- collecting data on commercial receivables and grouping them according to their maturity stage in each analyzed period and by main activities;
- analyzing the evolution of these balances over a period of 12 months and determining the amounts still unpaid in each outstanding group to determine the proportion of balances in each maturity category that was not ultimately collected;
- determination of the weighted average loss rate (%) according to the maturity status for the 2 analyzed periods;
- this rate will be applied to determine the impairment loss on trade receivables as of December 31, 2023.

29. RISK MANAGEMENT (continued)

Receivables (continued)

Following the analysis of receivables according to the methodology presented above, the group did not identify a risk of default for outstanding receivables with maturities exceeding less than 90 days.

In addition to the receivables analysis described above, the group analyzed clients with receivables whose maturities exceeded 90 days on 31 December 2023 as well as territorial administrative units with receivables with maturities exceeded more than one year on balance on 31 December 2023 and, depending on the available information, calculated and recorded adjustments to the amount of receivables as of 31 December 2023, correlated with the probability of their recovery.

The following table shows the risk profile of commercial receivables based on the company's impairment adjustment Matrix. As the company's historical credit loss experience shows significantly different loss patterns for different customer segments, adjustments for loss rates based on the risk of default differentiate between the different customer segments of the group.

Current trade receivables			**December 31, 2023**
Deadlines	**Balances**	**Depreciation expense**	**Estimated loss rate (%)**
Current (not past due)	5,698,829	-	-
1 – 30 days	5,736,857	-	-
31 – 60 days	255,702	-	-
61 – 90 days	37,797	-	-
Total receivables analyzed globally	**11,729,185**	**-**	**-**
Receivables licensed activities	4,014,285	-	-
Unlicensed activities with state authorities (mayors)	13,458,710	(1,082,455)	8%
Other receivables 90-180 days	4,263,253	(321,839)	8%
Other receivables over 180 days	12,359,509	(9,008,304)	73%
Uncertain claims	3,395,412	(3,395,412)	100%
Total receivables analyzed individually	**37,491,169**	**(13,808,011)**	37%
Total	**49,220,354**	**(13,808,011)**	**28%**

Current trade receivables			**31 December 2022 (restated)**
Deadlines	**Balances**	**Depreciation expense**	**Estimated loss rate (%)**
Current (not past due)	35,241,713	-	-
1 – 30 days	5,394,679	-	-
31 – 60 days	4,671,198	-	-
61 – 90 days	632,318	-	-
90 – 180 days	3,288,551	-	-
More than 180 days	1,332,179	-	-
Total receivables analyzed globally	**50,560,638**	**-**	
Receivables licensed activities	7,273,081	-	-
Claims unlicensed activities with state authorities	6,636,523	(787,862)	12%
Claims analyzed individually	2,933,845	(2,933,845)	100%
Total receivables analyzed individually	**16,843,449**	**(3,721,707)**	22%
Total	**67,404,087**	**(3,721,707)**	**5.5%**

29. Risk management (continued)

Financial instruments and deposits

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

It is estimated that there is no significant exposure from possible non-fulfillment of contractual obligations by counterparties in relation to financial instruments.

Liquidity risk management

The treasury function of the company prepares forecasts regarding the liquidity reserve and maintains an adequate level of credit facilities so that it can prudently manage liquidity and cash-flow risks. At the same time, the investments were limited to their own sources of financing and those that have a direct contribution to the turnover. The liquidity and cash-flow risk management policy adapts to new, more demanding business practices. This risk is closely related to the risks presented above.
Below is the statement of claims and liabilities by maturity:

	December 31 2023	0 - 1 year	1 - 2 years	2 - 5 years	More than 5 years
Commercial and other receivables	45,608,657	39,002,175	5,544,239	1,062,243	-
Commercial and other liabilities	26,130,700	25,233,288	306,480	522,538	68,393
Net position	**19,477,957**	**13,768,887**	**5,237,759**	**539,705**	**(68,393)**

	December 31 2022	0 - 1 year	1 - 2 years	2 - 5 years	More than 5 years
Commercial and other receivables	76,384,581	66,456,176	5,474,270	4,454,135	-
Commercial and other liabilities	33,129,894	32,346,766	391,392	339,230	52,506
Net position	**43,254,687**	**34,109,410**	**5,082,878**	**4,114,905**	**(52,506)**

Categories of financial instruments

	2023	2022 *(restated)*
Financial assets		
- **amortized cost**		
Short and long term trade receivables	45,608,657	76,384,581
Cash and cash equivalents	30,888,179	15,417,388
Total	**76,496,836**	**91,801,969**

	2023	2022 *(restated)*
Financial liabilities		
- **amortized cost**		
Commercial and other liabilities	26,046,224	32,971,532
Short and long term lease liabilities	84,476	158,363
Total	**26,130,700**	**33,129,895**

29. RISK MANAGEMENT (continued)

2023	January 1 2023	Proceeds	Interest expense	Interest payments	Payments	Leasing	Lease payments	December 31, 2023
Overdraft	-	1,964,851	1,469	(1,469)	(1,964,851)	-	-	-
Lease liabilities	158,363		42,884	(42,884)	-	16,372	(90,259)	84,476
Total financial liabilities	**158,363**	**1,964,851**	**44,353**	**(44,353)**	**(1,964,851)**	**16,372**	**(90,259)**	**84,476**

2022	January 1 2022	Proceeds	Interest expense	Interest payments	Payments	Leasing	Lease payments	December 31, 2022
Overdraft	20,891,294	32,718,453	609,409	(609,409)	(53,609,747)	-	-	-
Lease liabilities	207,405	-	8,543	(8,543)	-	46,848	(95,890)	158,363
Total financial liabilities	**21,098,699**	**32,718,453**	**617,952**	**(617,952)**	**(53,609,747)**	**46,848**	**(95,890)**	**158,363**

30. COMMITMENTS AND POTENTIAL LIABILITIES

Commitments

As of December 31, 2023, the parent company has commitments granted by two financing banks:

- for bank loans in the form of overdraft for working capital in the amount of RON 10,000,000 and SGB issuance ceiling in the amount of maximum RON 2,000,000.

- non-cash guarantee agreements worth RON 10,000,000.

On December 31, 2023, the parent company had at its disposal an amount of RON 10,000,000 undrawn from the loan facility contracted and the amount of Ron 1,247,792 as unused, from the non-cash facility for letters of guarantee.

The commitments granted to the company are guaranteed by accounts opened with creditor banks, receivables, collateral deposits in the amount of RON 90,000, tangible assets (Land, Buildings) in the amount of RON 38,668,772 (Note 5).

According to the current loan agreements, the parent company is subject to certain conditions imposed by the banks. As of December 31, 2023, the parent company was within all financial indicators imposed in the financing contracts.

The commitments received from customers and tenants in the form of letters of guarantee on December 31, 2023, are worth 1,191,830 lei according to the contractual clauses.

Litigation

The disputes in which the group is involved are of values that are not likely to affect the financial stability of the company. The Group manages disputes through its own legal department and through collaborations with external partners specializing in the management of specific conflicts.

31. Other

The consolidated financial statements of the Group were audited by Deloitte Audit SRL, the tariff for the 2023 audit was EUR 55,200 (2022: EUR 44,800).

32. SUBSEQUENT EVENTS

As of the date of these financial statements, the Group continues to fulfil its obligations as they come to maturity and therefore continues to apply the business continuity preparation basis.

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

These consolidated financial statements have been approved to be issued by management at **March 21, 2024**:

DANIELA-ADI CUCU	**CRISTIAN RADU**
General Manager	**Chief Financial Officer**