# Half-year report as at June 30, 2024

ELECTROMAGNETICA SA

# Summary


## Board of Directors' Report

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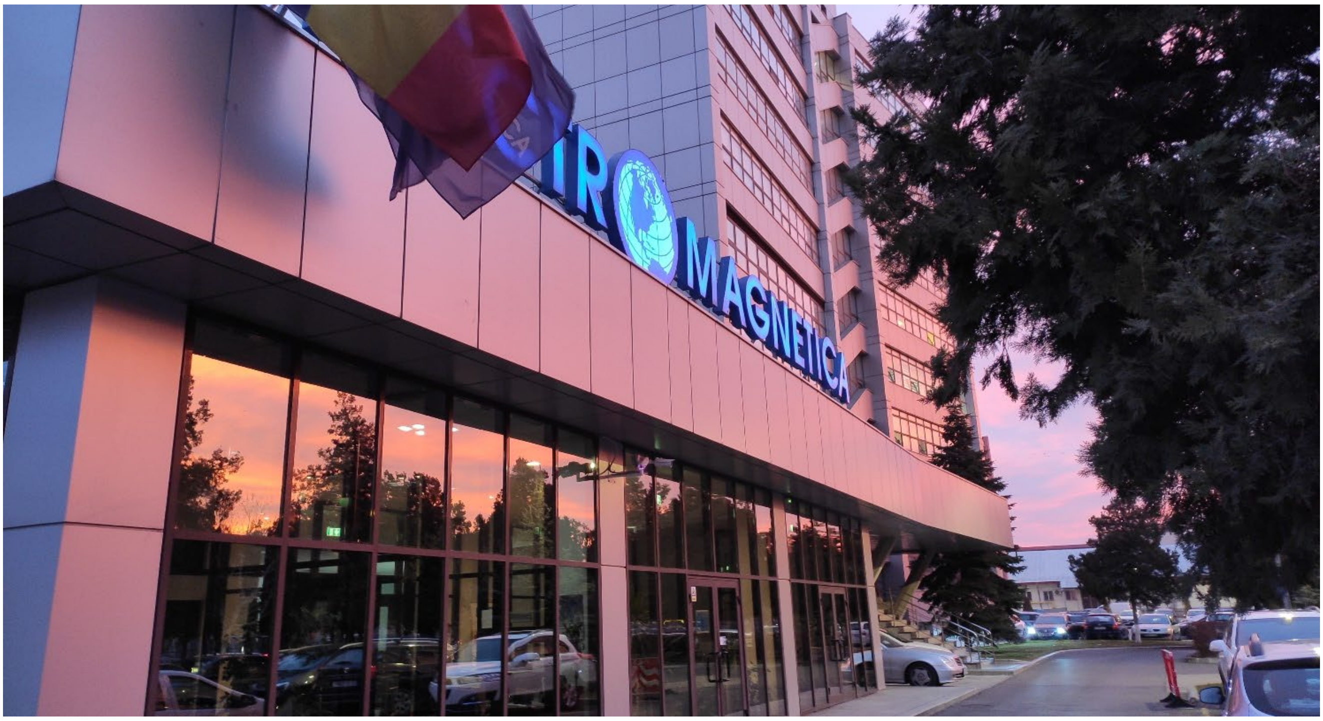


**ELECTROMAGNETICA S.A.**

**BOARD of DIRECTORS' REPORT**

**- HALF YEAR 2024 -**

**prepared according to the provisions of art. 67 of Law no. 24/2017 on issuers of financial instruments and market operations, Annex 14 to FSA Regulation no. 5/2018 on issuers of financial instruments and market operations and the Bucharest Stock Exchange Code**

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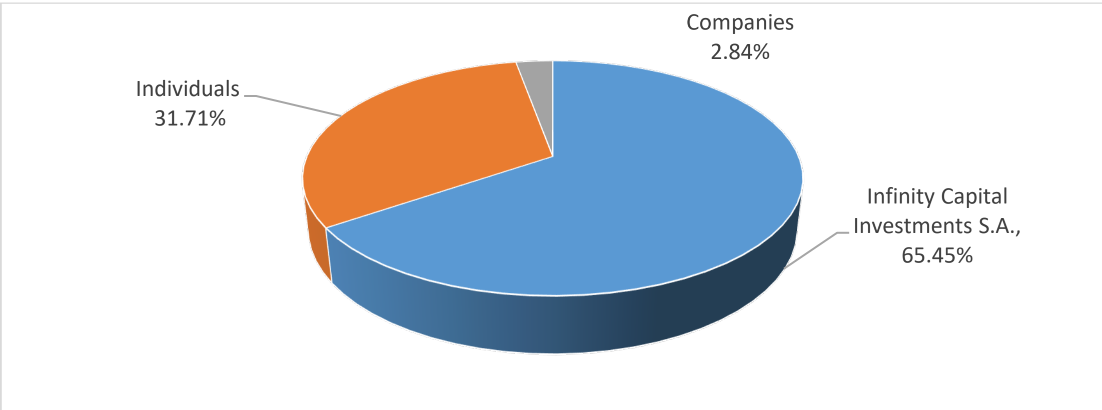
## 1. IDENTIFICATION DATA OF ELECTROMAGNETICA S.A.:

| | |
|---|---|
| Company Name: | **Electromagnetica S.A.** |
| Registered Office: | **Bucharest, Sector 5, Calea Rahovei nr 266-268, postal code 050912** |
| Tel/ Fax: | **021 404 21 02/ 021 404 21 94** |
| NAIL | **RO 414118** |
| Inreg No. at ORCTB: | **J40/19/1991** |
| Regulated market: | **BVB, Capital Securities Sector, Shares, Premium Category** |
| Market symbol: | **ELMA** |
| Number of shares: | **676.038.704** |
| Face value: | **0,1000 lei** |
| Share capital: | **67,603,870.40 lei** |
| LEI Code : | **ID: 254900MYW7D8IGEFRG38** |

## 2. SHAREHOLDER STRUCTURE:

As of 30.06.2024, the company had a number of 6,166 shareholders. According to the records of Depozitarul Central S.A., as of 30.06.2024, the synthetic structure was as follows:




## 3. COMPANY OVERVIEW

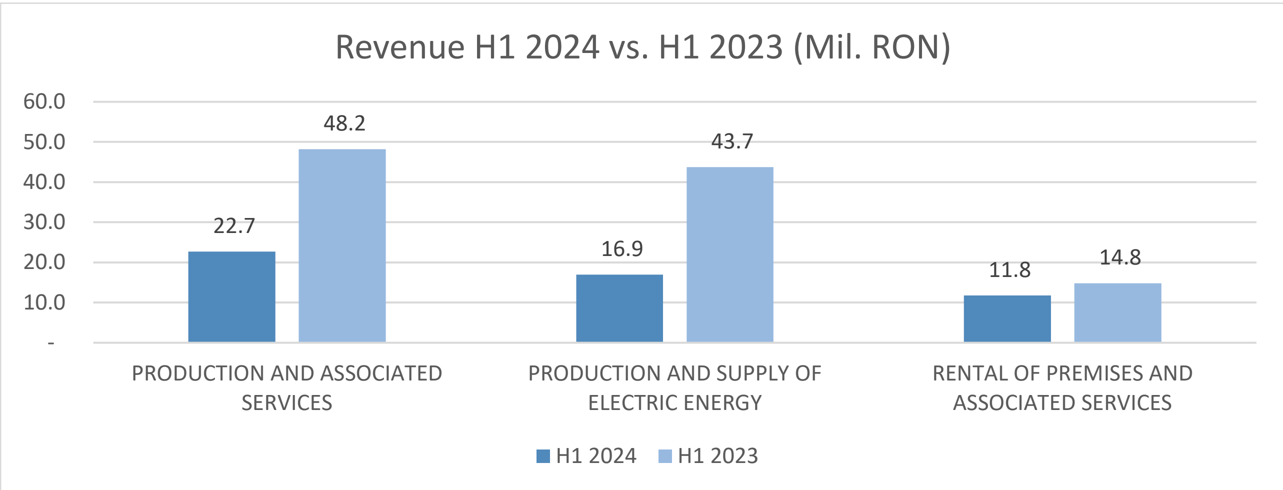
Electromagnetica S.A. is a joint-stock company established in 1930 as a Romanian company and with unlimited lifespan that is organized and operates according to the articles of incorporation and based on Law no. 31/1991 regarding companies republished, and Law no. 24/2017 regarding issuers of financial instruments and market operations.

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

Electromagnetica S.A., as a commercial company whose shares are admitted on a regulated market (Bucharest Stock Exchange, Premium category, symbol ELMA) has adopted IFRS (International Financial Reporting Standard) starting with the financial year 2012. The interim financial statements for the first half of 2024 were prepared in accordance with the provisions of O.M.F.P. no. 2844/2016 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards adopted by the European Union.

Electromagnetica S.A. has the following main lines of activity:

- **A. Activities in the field of energy efficiency (production of LED lighting fixtures, electric car charging stations);**
- **B. Other production activities (plastic injection elements, electrical equipment, railway safety elements);**
- **C. Rental of office space, industrial space, land and supply of utilities; and**
- **D. Renewable electric energy generation (produced in low-power hydroelectric power plants) and electric energy supply.**



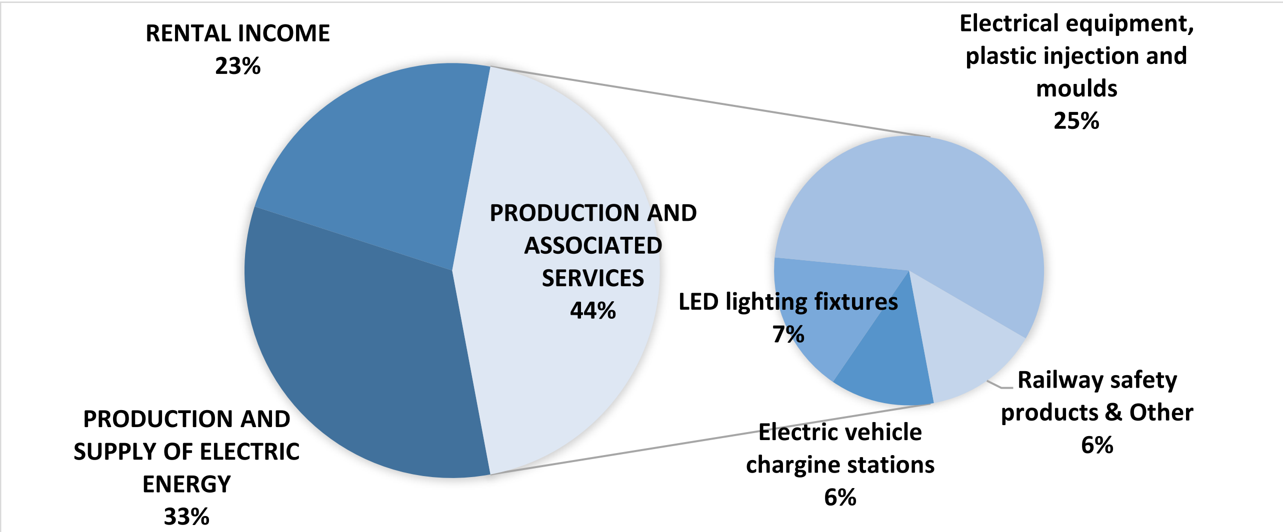

As noted above, electricity production and supply activities reached a level of RON 16.9 million as of 30.06.2024 (compared to RON 43.7 million as of 30.06.2023), as a result of the significant decrease in the price of electricity (average monthly prices in the Next Day Market decreasing in H1 2024, on average, by 29% compared to the same period last year) and the effects induced by the current legislation (GEO 27/18.03.2022).

Also, sales related to the production activity decreased by 53% in H1 2024 compared to the same period of 2023, mainly due to the decrease in revenues generated by the LED lighting fixtures and services and electric vehicle charging stations business lines, amid the measures adopted to streamline the company's activities.

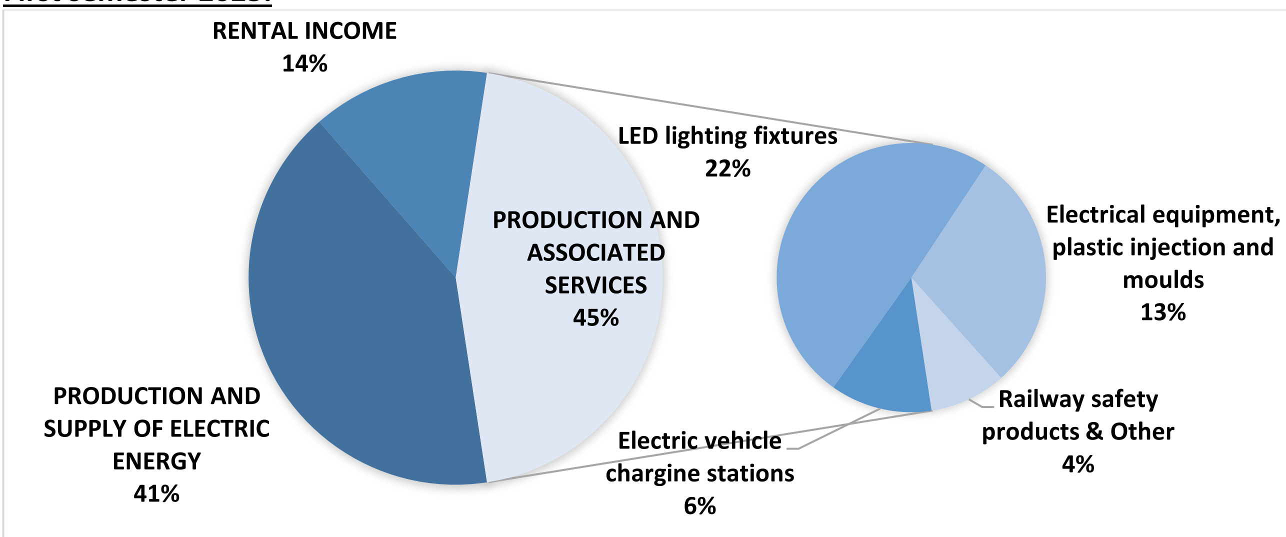
Rental income decreased marginally in H1 2024 by 5% compared to H1 2023, due to the relative decrease in the occupancy rate of the spaces in Electromagnetica's headquarters, as a result of the alignment of rental rates with the market. The decrease of 3 mln. RON of revenues associated with the rental activity (from 14.8 mln. RON in H1 2023 at 11.8 mln. RON in H1 2024) is mainly generated by changes in revenues related to services provided and utilities billed to tenants.

**Turnover structure in the first half of 2024 compared to the first half of 2023**

**First semester 2024:**




**First semester 2023:**




As noted above, in the context of the decrease of the income generated by the electric energy supply activity and those of the LED lighting fixtures and electric charging stations production activities, the share in the total turnover of the value generated by the electrical equipment and plastics activities has increased significantly. Railway safety features also decreased significantly in H1 2024 compared to the same period last year, mainly due to the decrease in orders compared to the previous period in H1 2023.

**A. PRODUCTS AND SERVICES TO INCREASE ENERGY EFFICIENCY**

**A.1 LED lighting fixtures, systems and solutions**

For over 13 years, Electromagnetica has invested significant resources in the research and production of LED lighting systems (optionally accompanied by smartcity control and monitoring systems) as well as electric vehicle charging stations.

Regarding the lighting activity, Electromagnetica has developed 3 Smart City and Telemanagement platforms, with the purpose of managing and automating lighting fixtures in order to decrease the CO2 carbon footprint, by reducing the light intensity depending on time or by ordering sensors, solutions that are stable and reliable, Electromagnetica offering a complete smart lighting solution included in the SmartCity platforms.

Solar panels have also been integrated into these lighting systems, so that energy consumption and, implicitly, the cost of energy is an advantage for the final beneficiary.

**A.2. Electric vehicle charging stations**

In recent years, the hybrid and electric vehicle market has experienced accelerated development both in Europe and in Romania.

Electromagnetica offers complete solutions for delivery, installation and commissioning, as well as the management part of the stations, with its own ELMOTION operating platform, offering practically a complete service, with dispatch and intervention for quick troubleshooting in case of need.

**B. LOCAL ELECTRICITY PRODUCTION AND EFFICIENT USE OF ENERGY**

The electricity production and supply activity decreased compared to the previous year, as most of the electricity sales were concentrated to the Electromagnetica park and the markets managed by OPCOM, which led Electromagnetica to limit electricity purchases to contracts concluded in 2022 (under current disadvantageous conditions), from which the Company cannot exit without incurring significant costs, and to the activity of electricity production through its own micro-hydroelectric power plants in the Suceava river basin.

In the context of the negative impact induced on Electromagnetica by the developments in the energy market, the management continues to monitor this field of activity, in order to adopt measures that bring added value to the company.

**C. SPACE RENTAL AND REAL ESTATE DEVELOPMENT**

Electromagnetica administers approx. 38,500 sqm of spaces for rent in Bucharest (of which about 35,500 sqm own, the rest of the Procetel S.A. subsidiary) and 3,500 sqm in Vârteju, Ilfov County. At the end of the first semester of 2024, for the headquarters in Calea Rahovei no. 266-268, the average occupancy was approximately 83%, and for the spaces in Vârteju (Măgurele), Ilfov County, the occupancy was 92%.

The structure by destination of the spaces for rent on 30.06.2023 is as follows:

| Nr.crt. | The destination of the spaces for rent at the headquarters | Weight % | Destination of the spaces for rent in Vârteju | Weight % |
|---|---|---|---|---|
| 1 | Offices | 30% | Offices | 5% |
| 2 | Warehouses | 28% | Warehouses | 36% |
| 3 | Production | 16% | Production | 48% |
| 4 | Services | 26% | Services | 11% |

The rental income registered a slight decrease compared to the previous year, mainly due to the decrease from 89% to 83% of the occupancy rate, as a result of the change in rental rates compared to the previous year, for the purpose of alignment with the Bucharest practice. There were no significant changes in the rented spaces ratio by destination located within the rental spaces located in Electromagnetica's headquarters in Bucharest, and the changes in the destinations of the rental spaces in Vârteju generally consisted of a slight increase (from 28% in H1 2023 to 36% in H1 2024) of the spaces allocated to warehouses and a decrease in production spaces (from 57% in H1 2023 to 48% in H1 2024).

Electromagnetica S.A.'s efforts are to continue to offer tenants quality services, with various facilities (gym on the premises, cafeteria, English garden with green spaces), in the conditions of a very competitive real estate market.

**4. HUMAN RESOURCES:**

In the first half of 2024, the average number of employees was 287, down by about 29% compared to the first half of the previous year. The decrease was due to the activities of streamlining and resizing the workforce, in the context of the decrease in the company's turnover and affected all lines of activity, including the administrative staff.

Of the employees, 19% have higher education and 41% have secondary education. The company's staff follows continuous professional training programs, each employee benefiting from professional training services or internal and external training on quality, occupational health and safety, environment, etc., depending on the needs of the jobs occupied.

No cases of occupational diseases were registered. Relations between management and employees are carried out under normal conditions. As of June 30, 2024, the degree of unionization is approximately 43% and no labor conflicts between employers and unions have been recorded.

## 5. MERGERS, LIQUIDATIONS OR REORGANIZATIONS OF COMPANIES CONTROLLED BY ELECTROMAGNETICA IN THE FIRST HALF OF 2024.

The group of companies in which Electromagnetica S.A. holds control is made up of Procetel S.A., Electromagnetica Fire S.R.L. and Electromagnetica Prestserv S.R.L., these mainly representing outsourcing of services associated with the rental activity.

In the first half of 2024, as a result of the streamlining of the activity and the outsourcing to third parties of some services provided by Electromagnetica Fire S.R.L. and Electromagnetica Prestserv S.R.L., their operational activity ceased. Consequently, in the first half of 2024, the Board of Directors of Electromagnetica S.A. authorized the start of the closure of these entities, process estimated to be completed within the second half of 2024.

## 6. EVENTS WITH A SIGNIFICANT IMPACT ON THE FUNCTIONING OF SOCIETY

In addition to the comments in the previous chapters, and the events mentioned below, in 2024 there were no major events that significantly affected the company's activity and its proper functioning.

At the company level, steps to streamline the company's activity are under analysis and are to be implemented, in order to reduce/eliminate the negative impact on the financial results induced by underperforming business segments or at the level of which structural or operational inefficiencies are manifested. The efficiency efforts aim to strengthen the company and its viability in the medium and long term, by focusing the activity on the segments that can bring increased profitability.

**Reporting according to Law no. 24/2017 and Regulation no. 5/2018**

| PUBLICATION DATE | REGARDING | DESCRIPTION |
|---|---|---|
| 23.02.2024 | Publication of preliminary financial results 2023 | Preliminary financial results 2023 available at: www.bvb.ro symbol ELMA and www.electromagnetica.ro |
| 21.03.2024 | Convene the A.G.O.A. / A.G.E.A. | Convening of the Ordinary General Meeting of Shareholders and the Extraordinary General Meeting of Shareholders for April 25/26, 2024. Publication of the convening notice, available at: www.bvb.ro and www.electromagnetica.ro |
| 21.03.2024 | Information on Accounting Loss recorded on 31.12.2023 | |

| PUBLICATION DATE | REGARDING | DESCRIPTION |
|---|---|---|
| 25.04.2024 | Conduct of the A.G.O.A. and A.G.E.A. | Following the termination of the mandate of Mr. Mihai Zoescu as provisional administrator on the date of the General Shareholders' Meeting, the General Meeting of Shareholders appoints Mr. Mihai Zoescu, with a mandate for a period equal to the remaining mandate of the administrators of Electromagnetica S.A.<br>The amendment of the articles of incorporation of Electromagnetica S.A. is approved. |
| 26.04.2024 | Publication of 2023 annual results | |
| 09.05.2024 | First Quarter 2024 Report | Publication of the Financial Results for the First Quarter of 2024 |

## 7. PRODUCT CERTIFICATIONS. AUDITS/EVALUATIONS:

The company complies with the requirements imposed by the normative acts governing its activity, and in the first half of 2024, the necessary certifications for the products in the manufacturing portfolio were maintained.

The internal audit activity was carried out according to the Audit Program for the first semester of 2024. In this regard, the audit mission "Auditing the inventory activity" was carried out, as well as the audit mission initiated at the request of the Board of Directors, "Analysis of commercial transactions of ELECTROMAGNETICA S.A. with customers".

## 8. ELEMENTS OF GENERAL EVALUATION

| No. | Specification | H1 2024 | H1 2023 |
|---|---|---|---|
| 1 | Total revenues (lei) | 52,114,785 | 116,449,837 |
| 2 | Total expenses (lei) | 62,088,541 | 106,492,816 |
| 3 | Gross profit (lei) | (9,973,756) | 9,957,021 |
| 4 | Net profit (lei) | (8,973,474) | 8,430,014 |
| 5 | Export (lei) | 9,104,494 | 11,720,231 |
| 6 | EBITDA margin | -8.9 % | 14.7 % |
| 7 | EBIT margin | -19.1 % | 9.5 % |
| 8 | Net Profit Rate | -17.2 % | 8.6 % |
| 9 | Current liquidity | 382.0 % | 310.1 % |
| 10 | Equity solvency | 89.4 % | 85.5 % |
| 11 | Return on capital (ROE) | -2.7 % | 2.2 % |
| 12 | Receivables collection period (days) | 90 | 152 |
| 13 | Payment duration of suppliers (days) | 81 | 80 |
| 14 | Average number of employees | 287 | 360 |

## 9. INDIVIDUAL INTERIM FINANCIAL STATEMENT AS OF 30.06.2024
**(all amounts are expressed in RON, unless otherwise specified)**

| 9.1. Financial position: | June 30, 2024 | December 31, 2023 |
|---|---|---|
| **ASSETS** | | |
| **Fixed assets** | | |
| Property, plant and equipment | 279.732.644 | 284.561.365 |
| Investment property | 17.709.588 | 17.709.588 |
| Intangible assets | 458.957 | 566.310 |
| Investments in affiliated entities | 842.008 | 842.008 |
| Other non-current assets | 5.128.732 | 6.606.482 |
| Right of Use Assets | 2.158.865 | 1.399.694 |
| **Total non-current assets** | **306.030.794** | **311.685.446** |
| **Current assets** | | |
| Inventories | 11.537.594 | 18.715.189 |
| Trade receivables | 23.281.136 | 35.380.716 |
| Cash and cash equivalents | 31.954.351 | 25.138.900 |
| Other current assets | 2.252.552 | 1.666.030 |
| Current tax receivable | 1.703.829 | 1.703.829 |
| **Total current assets** | **70.729.462** | **82.604.664** |
| **Total ASSETS** | **376.760.256** | **394.290.111** |
| **EQUITY AND LIABILITIES** | | |
| Equity | | |
| Share capital | 67.603.870 | 67.603.870 |
| Reserves and other equity items | 212.486.913 | 215.108.527 |
| Retained earnings | 56.683.501 | 63.035.361 |
| **Total equity attributable to the company's shareholders** | **336.774.284** | **345.747.758** |

| **9.1. Financial position:** | **June 30, 2024** | **December 31, 2023** |
|---|---|---|
| **Long-term liabilities** | | |
| Trade and other payables | 1.140.024 | 867.718 |
| Investment grants | 3.675.823 | 3.757.433 |
| Deferred tax liabilities | 14.982.814 | 15.983.096 |
| Lease liabilities | 1.673.089 | 724.064 |
| **Total long-term liabilities** | **21.471.750** | **21.332.310** |
| | | |
| **Current liabilities** | | |
| Trade payables and other liabilities | 16.284.037 | 24.920.540 |
| Investment grants | 163.219 | 163.219 |
| Provisions | 1.286.942 | 1.405.436 |
| Lease liability | 780.024 | 720.847 |
| **Total current liabilities** | **18.514.222** | **27.210.043** |
| **Total liabilities** | **39.985.973** | **48.542.353** |
| **Total EQUITY AND LIABILITIES** | **376.760.256** | **394.290.111** |

**9.2. The separate profit and loss result is presented as follows:**

| | **H1 2024** | **H1 2023** |
|---|---|---|
| Revenues | 51.437.586 | 106.760.023 |
| | 1.616.158 | 679.097 |
| Investment income | (1.328.289) | 1.930.441 |
| Other net income and expenses | (1.964.787) | 6.910.035 |
| Change in the stock of finished products and production in progress | 65.889 | 755.319 |
| Activity performed by the entity and capitalized | (29.280.328) | (53.636.476) |
| Raw materials and consumables | (14.694.334) | (20.456.514) |
| Employees costs | (5.933.461) | (5.504.120) |
| Depreciation and amortization | (9.755.976) | (27.206.413) |
| Other expenses | (136.214) | (274.372) |
| **Profit before tax** | **(9.973.756)** | **9.957.021** |
| Corporate income tax | 1.000.282 | (1.527.007) |
| **Profit for the period** | **(8.973.474)** | **8.430.014** |

### 9.3. Cash – Flow:

| | June 30, 2024 | June 30, 2023 |
|---|---|---|
| Net cash generated by/(used in) operating activities | 5.758.475 | 5.215.901 |
| Net cash generated by/(used in) investment activities | 1.769.418 | (1.147.146) |
| Net cash generated by/(used in) in financing activities | (712.442) | (726.764) |
| Net cash flow generated by/(used in) operations | 6.815.451 | 3.341.991 |
| Cash and equity. cash at the beginning of the period | 25.138.900 | 10.713.669 |
| Cash and equity. cash at the end of the period | 31.954.351 | 14.055.660 |

## 10. RELATED PARTIES AND TRANSACTIONS. INFORMATION ON CONSOLIDATED RESULT:

The group of companies within which Electromagnetica S.A. holds control consists of Procetel S.A., Electromagnetica Fire S.R.L. and Electromagnetica Prestserv S.R.L. Between Electromagnetica S.A. and the companies in the group ("Group") there have been ongoing contracts referring to the provision of various services for Electromagnetica (as in previous years), mainly outsourcing of PSI protection services, cleaning. During the first half of 2024, there were no changes in the shareholding structure of the controlled companies.

There were no significant transactions to report with related parties within the meaning of art. 108 of Law no. 24/2017 on issuers of financial instruments and market operations republished. The companies controlled by Electromagnetica S.A. have little influence on the gross profit following consolidation, as the transactions they carry out are mostly with the parent company.

In addition, the majority stake of Electromagnetica S.A. is held by Infinity Capital Investments S.A., which controls 13 companies, including Electromagnetica. In the first half of 2024, no transactions were carried out with Infinity Capital Investments S.A. or affiliated companies, other than those in which Electromagnetica S.A. holds the majority stake in the shares.

| | Group | Electromagnetica S.A. | |
|---|---|---|---|
| | June 30, 2024 | June 30, 2024 | % of the group |
| Fixed assets | 310,419,984 | 306,030,794 | 98,59 % |
| Current assets | 75,435,061 | 70,729,462 | 93,76 % |
| Equity attributable to shareholders of the company | 347,691,616 | 336,774,284 | 96,86 % |
| Long-term debts | 20,257,918 | 21,471,750 | 105,99 % |
| Current payables | 17,621,184 | 18,514,222 | 105,07 % |
| Profit before tax | (10,692,911) | (9,973,756) | 93,27 % |
| Profit for the period | (9,780,975) | (8,973,474) | 91,74 % |

## 11. SECURITIES MARKET:

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

Market Symbol**: ELMA**

Ordinary, registered, dematerialized shares

Number of issued shares: **676,038,704**

Face value: **0.1000 lei**

Share capital: **67,603,870.40 lei**

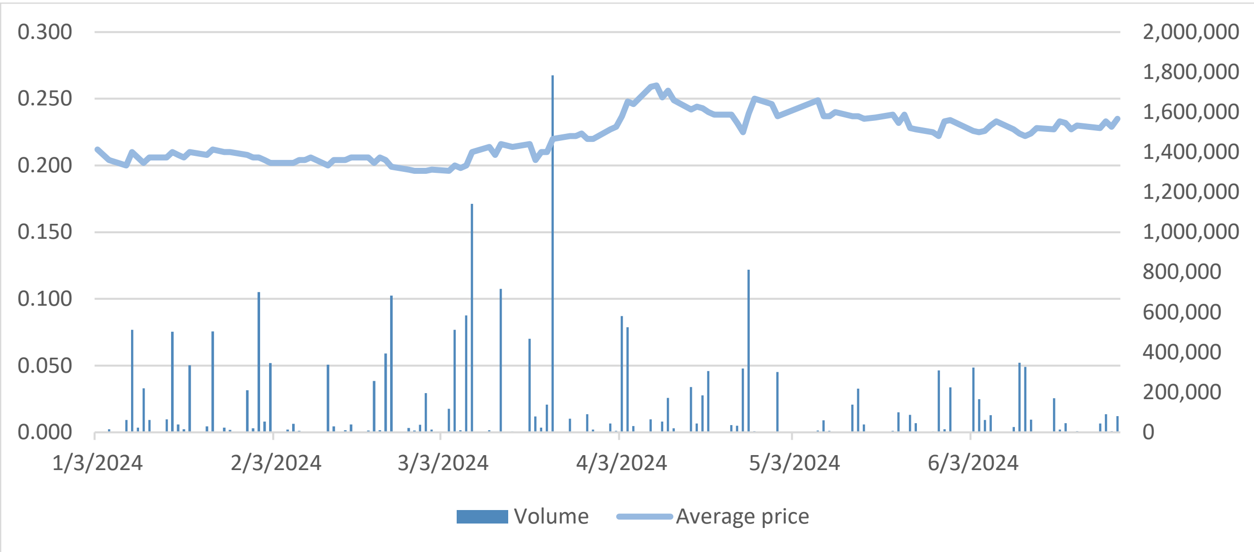
ISIN code **ROELMAACNOR2**

LEI Code: **ID: 254900MYW7D8IGEFRG38**

ELMA shares are included in the **BET Plus** stock index

VEKTOR score: **4.5 out of 10**

**Evolution of the average price and volume of shares / day**




In the first half of 2024, a number of 18,548,944 shares were traded (representing approximately 3% of the company's issued shares) at an average price of RON 0.218/share. The reference price oscillated between a minimum of RON 0.194/share and a maximum of RON 0.268/share.

## 12. PROJECTS AND PERSPECTIVES OF THE COMPANY'S ACTIVITY. RISKS AND UNCERTAINTIES:

At the company level, steps to streamline the company's activity are under analysis and are to be implemented, in order to reduce/eliminate the negative impact on the financial results induced by underperforming business segments or at the level of which structural or operational inefficiencies are manifested. The efficiency efforts aim to strengthen the company and its viability in the medium and long term, by focusing the activity on the segments that can bring increased profitability.

In the second semester, the following important efficiency projects will be carried out:

- Completion of the transfer of ownership of micro-hydropower plants.
- Renegotiation / decrease in value / termination of contracts with plastics and assembly customers / electrical equipment segment;
- Analysis of the opportunity to continue an investment to achieve a power increase of 700 kW at the headquarters of Electromagnetica S.A., considering the development prospects of the rental activity.

The risks faced by the company in the first half of 2024 remain at levels almost similar to those highlighted in the Activity Report for 2023, published together with the 2023 Financial Statements.

On the other hand, the increase in salary costs from July 1, 2024 has generated additional costs that the company is trying to recover from customers. The inability to recover all or part of the additional cost generated by the increase will put increasing pressure on the company's business lines, especially on the business lines related to the production of plastics and electrical equipment, which have low profitability margins.

## 13. FINANCIAL REPORTING CALENDAR FOR THE SECOND HALF OF 2024 :

August 14, 2024: Presentation of the Half-Year Report - financial results for the first half of 2024
November 11, 2024: Presentation of the Quarterly Report - financial results for the third quarter of 2024

More information about the activity of Electromagnetica S.A., including information of interest to investors, is available on the website of www.electromagnetica.ro.

## 14. IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE:

On July 7, 2024, the members of the Board of Directors approved the sale of some assets within the category of fixed assets of the company, whose value, individually or cumulatively, was no more than 35% of the total fixed assets, less receivables, as approved by the EGMS of April 25, 2024, respectively the 11 Small Power Hydroelectric Power Plants located in the Suceava river basin, composed of land, buildings and equipment.

On August 7, 2024, the assets put up for sale were awarded to a buyer in the first auction at the total price of 33.55 mln. RON. At the date of the report, the procedures for the transfer of ownership of the business between Electromagnetica and the buyer are ongoing, with the procedures expected to be completed at the latest at the beginning of the fourth quarter of 2024.

Details are available on: https://bvb.ro/FinancialInstruments/SelectedData/NewsItem/ELMA-Vanzare-active/A3510 or on Electromagnetica.ro website, investors section: https://electromagnetica.ro/investitori/rapoarte-curente-si-comunicate/

| | |
|---|---|
| **Chairman of the** | |
| **Board of Directors& General Manager** | **Chief Financial Officer** |
| **Daniela Adi Cucu** | **Cristian Iulian Radu** |

# ELECTROMAGNETICA SA

**SEPARATE INTERIM FINANCIAL STATEMENTS**
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024 (UNAUDITED)**

**Prepared in accordance with the**
**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**

**ELECTROMAGNETICA SA**
**SEPARATE STATEMENT OF PROFIT OR LOSS**
**AND OTHER COMPREHENSIVE INCOME**
**FOR THE 6 MONTH PERIOD ENDED JUNE 30, 2024**
**(all amounts are expressed in RON, unless otherwise specified)**

| | Note | Period of 6 months ended June 30 2024 | Period of 6 months ended June 30 2023 |
|---|---|---|---|
| **Revenues** | **21** | **51,437,586** | **106,760,023** |
| Finance income | | 1,616,158 | 679,097 |
| Other net income and expenses | **21** | (1,328,289) | 1,930,441 |
| Change in the inventories of finished products and production in progress | | (1,964,787) | 6,910,035 |
| Capitalized workings | | 65,889 | 755,319 |
| Raw materials and consumables | **22** | (29,280,328) | (53,636,476) |
| Employee benefits expenses | **25** | (14,694,334) | (20,456,514) |
| Depreciation and amortization | **22** | (5,933,461) | (5,504,120) |
| Other expenses | **22** | (9,755,976) | (27,206,413) |
| Finance expenses | **23** | (136,214) | (274,372) |
| **Profit / (Loss) before tax** | | **(9,973,756)** | **9,957,021** |
| Corporate Income tax | **24** | 1,000,282 | (1,527,007) |
| **Net Profit** | | **(8,973,474)** | **8,430,014** |
| **Other comprehensive income:** | | | |
| of which: | | | |
| other comprehensive income which cannot be reclassified to the profit and loss account, of which: | | | |
| - deferred tax related to the disposed fixed assets | | - | - |
| **Total comprehensive income** | | **(8,973,474)** | **8,430,014** |
| **Earnings per share/Earning per share diluted** | **27** | **(0.0133)** | **0.0125** |

These separate interim financial statements were approved for issuance by management on August 14, 2024:

**DANIELA ADI CUCU**
**General Director**

**CRISTIAN IULIAN RADU**
**Chief Financial Officer**

**ELECTROMAGNETICA SA**
**SEPARATE INTERIM STATEMENT OF THE FINANCIAL POSITION**
**AS OF JUNE 30, 2024**
**(all amounts are expressed in RON, unless otherwise specified)**

| | Note | June 30 2024 | December 31 2023 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | **5** | 279,732,644 | 284,561,365 |
| Investment property | **6** | 17,709,588 | 17,709,588 |
| Intangible assets | **7** | 458,957 | 566,310 |
| Investments in affiliated entities | **9** | 842,008 | 842,008 |
| Other non-current assets | **10** | 5,128,732 | 6,606,482 |
| Right of Use Assets | **8** | 2,158,865 | 1,399,694 |
| **Total non-current assets** | | **306,030,794** | **311,685,446** |
| **Current assets** | | | |
| Inventories | **11** | 11,537,594 | 18,715,189 |
| Trade receivables | **12** | 23,281,136 | 35,380,716 |
| Cash and cash equivalents | **14** | 31,954,351 | 25,138,900 |
| Other current assets | **13** | 2,252,552 | 1,666,030 |
| Current tax receivable | **23** | 1,703,829 | 1,703,829 |
| **Total current assets** | | **70,729,463** | **82,604,664** |
| **Total assets** | | **376,760,256** | **394,290,111** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | **15** | 67,603,870 | 67,603,870 |
| Reserves and other equity items | **16** | 212,486,913 | 215,108,527 |
| Retained earnings | **17** | 56,683,501 | 63,035,361 |
| **Total equity attributable to the company's shareholders** | | **336,774,284** | **345,747,758** |
| **Long-term liabilities** | | | |
| Trade and other liabilities | **20** | 1,140,024 | 867,718 |
| Investment subsidies | **18** | 3,675,823 | 3,757,433 |
| Deferred tax liabilities | **23** | 14,982,814 | 15,983,096 |
| Lease liabilities | **8** | 1,673,089 | 724,064 |
| **Total non-current liabilities** | | **21,471,750** | **21,332,310** |
| **Current liabilities** | | | |
| Tade and other liabilities | **20** | 16,284,037 | 24,920,540 |
| Investment subsidies | **18** | 163,219 | 163,219 |
| Provisions | **19** | 1,286,942 | 1,405,436 |
| Lease liabilities | **8** | 780,024 | 720,847 |
| **Total current liabilities** | | **18,514,222** | **27,210,043** |
| **Total liabilities** | | **39,985,972** | **48,542,353** |
| **Total equity and liabilities** | | **376,760,256** | **394,290,111** |

These separate financial statements were approved for issuance by management on August 14, 2024:

**DANIELA ADI CUCU**
**General Director**

**CRISTIAN IULIAN RADU**
**Chief Financial Officer**

**ELECTROMAGNETICA SA**
**SEPARATE INTERIM STATEMENT OF CASH-FLOWS**
**FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2024**
**(all amounts are expressed in RON, unless otherwise specified)**

| | Note | Period of 6 months ended on June 30 2024 | Period of 6 months ended on June 30 2023 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from customers | | 69,354,095 | 111,002,585 |
| Payments to suppliers | | (42,871,458) | (61,040,138) |
| Payments to employees | | (15,057,592) | (21,186,993) |
| Other operating activities | | (5,666,570) | (22,517,464) |
| **Cash generated by/(used in) operating activity** | | **5,758,475** | **6,257,990** |
| Interest paid | | - | (1,469) |
| Profit tax paid | | - | (1,040,620) |
| **Net cash generated by/(used in) operating activities** | | **5,758,475** | **5,215,901** |
| **Cash flows from investment activities:** | | | |
| Purchase of property, plant and equipment | | (56,366) | (1,846,411) |
| Proceeds from the sale of fixed assets | | 89,027 | 24,490 |
| Interest received | | 585,408 | 182,462 |
| Dividends received | | 1,151,349 | 492,313 |
| **Net Cash generated by/ (used in) investing activities** | | **1,769,418** | **(1,147,146)** |
| **Cash flows from financing activities:** | | | |
| Cash receipts from loans | | - | 1,964,851 |
| Loan repayments | | - | (1,964,851) |
| Repayment of lease liability | | (630,020) | (669,644) |
| Interest paid | | (55,236) | (51,425) |
| Dividends paid | | (27,186) | (5,695) |
| **Net cash generated by/ (used in) financing activities** | | **(712,442)** | **(726,764)** |
| **Net Increase in cash and cash equivalents** | | **6,815,451** | **3,341,991** |
| **Cash and cash equivalents at the beginning of the period** | **14** | **25,138,900** | **10,713,669** |
| **Cash and cash equivalents at the end of the period** | **14** | **31,954,351** | **14,055,660** |

These separate interim financial statements were approved for issuance by management on August 14, 2024:

**DANIELA ADI CUCU**
**General Director**

**CRISTIAN RADU**
**Chief Financial Officer**

**ELECTROMAGNETICA SA**
**SEPARATE INTERIM STATEMENT OF CHANGES IN EQUITY**
**FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2024**
**(all amounts are expressed in RON, unless otherwise specified)**

| | Share capital | Retained earnings | Revaluation reserves tangible assets | Other elements | Legal Reserve | Deferred tax recognized in reserves | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance as of January 1, 2024** | **67,603,870** | **63,035,361** | **146,040,464** | **79,826,174** | **12,541,942** | **(23,300,053)** | **345,747,758** |
| Profit or loss for the period | - | (8,973,474) | - | - | - | - | (8,973,474) |
| **Other comprehensive income:** | | **2,621,614** | **(3,120,786)** | | | **499,172** | |
| Transfer of reserves to retained earnings | - | 3,120,786 | (3,120,786) | - | - | - | - |
| Transfer of related deferred tax from revaluation reserve to retained earnings | - | (449,172) | - | - | - | 499,172 | |
| | - | - | - | - | - | - | - |
| **Total comprehensive income for the period** | **-** | **(6,351,860)** | **(3,120,786)** | **-** | **-** | **499,172** | **(8,973,474)** |
| **Transactions with shareholders, recorded directly in equity** | | | | | | | |
| Dividends distributed to shareholders | - | - | - | - | - | - | - |
| Other elements | - | - | - | - | - | - | - |
| **Balance as of June 30, 2024** | **67,603,870** | **56,683,501** | **142,919,678** | **79,826,174** | **12,541,942** | **(22,800,821)** | **336,774,284** |

These interim separate financial statements were approved for issuance by management on August 14, 2024:

**DANIELA ADI CUCU**
**General Director**

**CRISTIAN IULIAN RADU**
**Chief Financial Officer**

**ELECTROMAGNETICA SA**
**SEPARATE INTERIM STATEMENT OF CHANGES IN EQUITY**
**FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2024**
**(all amounts are expressed in RON, unless otherwise specified)**

| | Share capital | Retained earnings | Revaluation reserve tangible assets | Other elements | Legal Reserve | Deferred tax recognized in reserves | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance as of 01 January 2023** | **67,603,870** | **120,493,248** | **149,935,370** | **57,975,275** | **12,541,942** | **(23,989,660)** | **384,560,045** |
| Profit or loss for the period | - | 8,430,014 | - | - | - | - | 8,430,014 |
| **Other comprehensive income:** | | (20,103,152) | (2,080,652) | 21,850,899 | | 332,905 | |
| Legal reserve and other reserves | - | (1,401,865) | - | 1,401,865 | - | - | - |
| Transfer of reserves to retained earnings | - | 2,080,652 | (2,080,652) | - | - | - | - |
| Transfer of related deferred tax from revaluation reserve to retained earnings | - | (332,905) | - | - | - | 332,905 | |
| Transfer of net profit to reserves | - | (20,449,034) | - | 20,449,034 | - | - | - |
| **Total comprehensive income for the period** | **-** | **(11,673,139)** | **(2,080,652)** | **21,850,899** | **-** | **332,905** | **8,430,014** |
| **Transactions with shareholders, recorded directly in equity** | | | | | | | |
| Dividends distributed to shareholders | - | (3,380,194) | - | - | - | - | (3,380,194) |
| Other elements | - | - | - | - | - | - | - |
| **Balance as of June 30, 2023** | **67,603,870** | **105,439,915** | **147,854,719** | **79,826,174** | **12,541,942** | **(23,656,755)** | **389,609,865** |

These interim separate financial statements were approved for issuance by management on August 14, 2024:

**DANIELA ADI CUCU**
**General Director**

**CRISTIAN IULIAN RADU**
**Chief Financial Officer**

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

## 1. GENERAL INFORMATION

ELECTROMAGNETICA S.A. is a company organized according to the 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 office space, industrial spaces, land and utilities supply.
- electric energy supply;
- the activity of electricity production from renewable sources (produced in small hydroelectric power 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 nr.266-268, sector 5, Bucharest.

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

| | H1 2024 | H1 2023 |
|---|---|---|
| - maximum price | 0.2680 | 0.1950 |
| - minimum price | 0.1940 | 0.1460 |
| - average price | 0.2210 | 0.1760 |

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

| | H1 2024 | H1 2023 |
|---|---|---|
| Average number of employees | 287 | 360 |

## 2. BASIS OF PREPARATION

### Declaration of conformity

The separate financial statements of the Company were prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("IFRS") in force at the reporting date of the Company, respectively June 30, 2024 and in accordance with the provisions of the Order of the Minister of Public Finance no. 2844/2016, for the approval of accounting regulations in accordance with International Financial Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, with subsequent amendments and clarifications. These provisions correspond to the requirements of the International Financial Reporting Standards adopted by the European Union.

The interim separate financial statements as of June 30, 2024 have not been audited and have not been subject to an external audit review.

These separate financial statements are prepared in accordance with IAS 34 – Interim financial report for the six-month period ended June 30, 2024. The company also prepares consolidated financial statements, as it holds investments in subsidiaries

Information regarding the scope of activity and the general presentation of the subsidiaries can be found in Note 26.

The details of the Company's investments in subsidiaries as at June 30, 2024 and December 31, 2023 are as follows:

| Name of subsidiary | No. Titles | Percentage of holding and right to vote (%) | 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** |

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

**The principle of going concern**

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

**Basis of preparation**

Separate financial statements have been prepared on the basis of historical cost, with the exception of certain financial instruments that are measured at fair value as explained in accounting policies. Historical cost is generally based on the fair value of consideration in exchange for assets.

**Functional and presentation currency**

These separate financial statements are presented in RON, which is the company's functional currency.

**Foreign currency**

Transactions denominated in foreign currency are recorded in RON at the official exchange rate from the settlement date of the transaction. Monetary assets and liabilities recorded in foreign currency at the date of preparation of the statement of financial position are expressed in RON at the exchange rate of the respective day. Gains or losses on their settlement and on the conversion of monetary assets and liabilities denominated in foreign currency using the exchange rate at the end of the analysis period are recognized in the result of the financial year. Non-monetary assets and liabilities that are valued at historical cost in foreign currency are recorded in RON at the exchange rate from the transaction date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are recorded in RON at the exchange rate on the date which the fair value was determined.

Conversion differences are shown in the profit or loss account.

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

| | Exchange rate June 30, 2024 | Exchange rate December 31, 2023 | Exchange rate June 30, 2023 |
|---|---|---|---|
| EUR exchange rate at the end of the period | 4.9771 | 4.9746 | 4.9634 |
| USD exchange rate at the end of the period | 4.6489 | 4.4958 | 4.5750 |

The preparation of separate interim 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 judgments are based on historical data and other factors considered to be eloquent in the given circumstances and the result of these factors forms the basis 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.

The estimates and associated 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 material 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, and for recognition of deferred tax assets.

In accordance with IAS 36, intangible and tangible assets are analyzed to identify whether they show impairment indicators at the balance sheet date. If the net carrying value of an asset is greater than its recoverable value, an impairment loss is recognized to reduce the net carrying value of that asset to the level of recoverable value. If the grounds 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.

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 only be clarified when one or more future events occur or not. 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 recognized, based on probability in terms of the period and level of future taxable profit, as well as future tax planning strategies.

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

## 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 2024. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

| Standard | Title |
|---|---|
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants |
| Amendments to IAS 7 and IFRS 7 | Supplier Finance Arrangements |
| Amendments to IFRS 16 | Lease Liability in a Sale and Leaseback transaction |

***New and revised IFRS Accounting Standards in issue and adopted by the EU but not yet in force***
At the date of authorization of these financial statements, no new and revised IFRS Accounting Standards have been issued and adopted by the EU but are not yet effective.

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

| Standard | Title | EU adoption status |
|---|---|---|
| Amendments to IAS 21 | Lack of Exchangeability (IASB effective date: 1 January 2025) | Not yet adopted by EU |
| Amendments to IFRS 9 and IFRS 7 | Amendments to the Classification and valuation of Financial Instruments (IASB effective date: 1 January 2026) | Not yet adopted by EU |
| Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 | Annual Improvements to IFRS Accounting Standards - Volume 11 (IASB effective date: 1 January 2026) | Not yet adopted by EU |
| IFRS 18 | Presentation and Disclosures in Financial Statements (IASB effective date: 1 January 2027) | Not yet adopted by EU |
| IFRS 19 | Subsidiaries without Public Accountability: Disclosures (IASB effective date: 1 January 2027) | Not yet adopted by EU |
| IFRS 14 | Regulatory Deferral Accounts (IASB effective date: 1 January 2016) | 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'sestimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to IAS 39: Financial Instruments: Recognition and Measurement would not significantly impact the financial statements, if applied as at the balance sheet date.

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

- **IFRS 18 Presentation and Disclosures in Financial Statements** issued by IASB on 9 April 2024 will replace IAS 1 Presentation of Financial Statements. Standard introduces three sets of new requirements to improve companies' reporting of financial performance and give investors a better basis for analyzing and comparing companies. The main changes in the new standard compared with IAS 1 comprise: (a) The introduction of categories (operating, investing, financing, income tax and discontinued operations) and defined subtotals in the statement of profit or loss; (b) the introduction of requirements to improve aggregation and disaggregation; (c) The introduction of disclosures on Management-defined Performance Measures (MPMs) in the notes to the financial statements.

- **IFRS 19 Subsidiaries without Public Accountability: Disclosures** issued by IASB on 9 May 2024. Standard permits a subsidiary to provide reduced disclosures when applying IFRS Accounting Standards in its financial statements. IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

- **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 recognize 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 recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease.

- **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 in 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 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.

- **Amendments to IFRS 9 and IFRS 7 - Amendments to the Classification and Measurement of Financial Instruments** issued by IASB on 30 May 2024. Amendments clarify the classification of financial assets with environmental, social and corporate governance (ESG) and similar features. Amendments also clarify the date on which a financial asset or financial liability is derecognised and introduce additional disclosure requirements regarding investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features.

- **Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 - Annual Improvements to IFRS Accounting Standards - Volume 11** issued by IASB on 18 July 2024. These amendments include clarifications, simplifications, corrections and changes in the following areas: (a) hedge accounting by a first-time adopter (IFRS 1); (b) gain or loss on derecognition (IFRS 7); (c) disclosure of deferred difference between fair value and transaction price (IFRS 7); (d) introduction and credit risk disclosures (IFRS 7); (e) lessee derecognition of lease liabilities (IFRS 9); (f) transaction price (IFRS 9); (g) determination of a 'de facto agent' (IFRS 10); (h) cost method (IAS 7).

- **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 recognize 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 liability 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.

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 to the valuation techniques, they shall be appropriate taking into account circumstances for which sufficient data are available for fair value measurement, maximizing the use of observable input data and minimizing 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 contracts with customers**

Revenue from customer contracts is recognized 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

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 cannot 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 21 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.

The income from renting spaces is recognized in the profit and loss account on a straight-line basis, during the duration of the lease agreement.

**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 recognized 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.

**Leasing**

*Company as lessee*

The Company assesses whether a contract is or contains an embedded lease 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.
Electromagnetica classifies as leasing contracts 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 recognizing 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 at 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 a rate and amounts that are expected to be paid in the form of residual value.

The company uses as reference rate a borrowing rate received from the financial-banking sector.

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 to be received;

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 a purchase option.

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.

*Right of 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 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 recognized 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 capitalized until the asset is ready for pre-determined use or sale.

All other borrowing costs are recognized 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 period of six months ended June 30, 2024, and December 31, 2023, respectively, the company did not capitalize on interest expense in the value of assets, as it did not take out any investment loans.

**Employee benefits**

Short - term benefits to employees include salaries, bonuses 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 recognized 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 obligation 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 income 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 recognized 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 5 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 recognized 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*.

**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 *the revaluation model* as valuation after initial recognition of tangible assets*.*

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 is not depreciated.

The residual value estimated useful life and amortization/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 starting 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 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 sales proceeds and the net book value of the asset and is recognized in the statement of profit and loss at the date of derecognition.

**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 recognized as such during the period in which it was carried out.

An internally generated tangible asset resulting from development (or from the development stage of an internal project) is recognizzed 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 recognized 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 amortization and cumulative impairment loss on the same basis as separately acquired intangible assets.

*Derecognition of intangible assets*

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

**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.

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 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**

Capitalized 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

Inventories are presented at the lower of 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.

**Prepaid expenses**

Prepaid expenses/prepayments 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 recognized 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 derecognized 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.

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.

***Trade receivables 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 recognized at consideration under IFRS 15 which is unconditional unless they contain significant funding components, in which case they are recognized 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 receivables and other receivables, together with the associated impairment adjustment, if any, are cancelled when there is no realistic prospect of future recovery, and all collateral has been realized or transferred to the Group. If collection is expected in more than one year, they are classified as long term 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.

**iii) Financial liabilities**

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

A financial liability is derecognized 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 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 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 recognized and subsequently revalued at fair value. The company has no derivatives.

**Government subsidies**

Under IAS 20, government subsidies are only recognized 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 recognized 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 recognized 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 (warranty reserves)* 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.

*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 use of assets.

**Segment reporting**

Taking into account that the shares of the Electromagnetica S.A. 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 in equity.

**4.2. Accounting judgments, estimates and assumptions**

The interim 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, the principle of prudence is applied for each estimate.

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.

Property, plant and equipment are presented at revalued values according to IAS 16 and investment property 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.

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

## 5. PROPERTY, PLANT AND EQUIPMENT

| **Cost** | **Land and land improvements** | **Construction** | **Technological equipment and vehicles** | **Other tangible assets** | **Property, plant and equipment pending execution** | **Advance payments on property, plant and equipment** | **Total** |
|---|---|---|---|---|---|---|---|
| **As of December 31, 2023** | **156,573,521** | **113,954,255** | **15,279,743** | **2,296,217** | **1,304,896** | **-** | **289,408,632** |
| Additions | - | - | 391,318 | 562,120 | 119,053 | - | 1,072,491 |
| - of which: revaluation | - | - | 82,963 | 562,120 | - | - | 645,083 |
| Transfers | - | - | - | (469) | (645,083) | - | (645,552) |
| Disposals | - | - | - | - | - | - | - |
| from the determination of the net revaluation amount | - | - | - | - | - | - | - |
| **As of June 30, 2024** | **156,573,521** | **113,954,255** | **15,671,061** | **2,857,868** | **778,866** | **-** | **289,835,571** |

| **Cumulative amortization** | **Land and land improvements** | **Construction** | **Technological equipment and vehicles** | **Other tangible assets** | **Property, plant and equipment pending execution** | **Advance payments on property, plant and equipment** | **Total** |
|---|---|---|---|---|---|---|---|
| **As of December 31, 2023** | **-** | **-** | **(1,132,588)** | **-** | **-** | **-** | **(1,132,588)** |
| Depreciation of the period | (29,734) | (2,918,856) | (1958,444) | (349,079) | - | - | (5,256,113) |
| Cumulative depreciation on disposals | - | - | - | 453 | - | - | 453 |
| - of which the net value was determined | | | | | | | - |
| **As of June 30, 2024** | **(29,734)** | **(2,918,856)** | **(3,091,032)** | **(348,626)** | **-** | **-** | **(6,388,248)** |

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

## 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 | Advance payments on property, plant and equipment | Total |
|---|---|---|---|---|---|---|---|
| **As of December 31, 2023** | **(3,714,679)** | **-** | **-** | **-** | **-** | - | **(3,714,679)** |
| Impairment adjustments recognized in profit or loss | - | - | - | - | - | | - |
| Revisions to impairment adjustments recognized in profit or loss | - | - | - | - | | | - |
| **As of June 30, 2024** | **(3,714,679)** | **-** | **-** | **-** | **-** | - | **(3,714,679)** |
| **Net book value** | | | | | | | |
| **As of December 31, 2023** | **152,858,842** | **113,954,256** | **14,147,155** | **2,296,217** | **1,304,896** | **-** | **284,561,365** |
| **As of June 30, 2024** | **152,829,108** | **111,035,399** | **12,580,029** | **2,509,242** | **778,866** | **-** | **279,732,644** |

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

## 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** | **Advance payments on property, plant and equipment** | **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** |
| Additions | - | 2,736,958 | 1,128,836 | 40,797 | 4,222,656 | 256,523 | 8,385,770 |
| -of which:Transfers | | 2,736,958 | 1,128,836 | 40,797 | | | 3,906,591 |
| Disposals | - | - | (81) | (21) | (3,971,301) | - | (3,972,403) |
| of which:<br>- Transfers | - | - | - | | (3,906,591) | | (3,906,591) |
| - from the determination of the net revaluation amount | - | - | - | | - | - | - |
| **As of June 30, 2023** | **170,255,649** | **133,326,280** | **25,417,097** | **2,662,661** | **3,249,832** | **374,877** | **335,286,396** |

| **Cumulative depreciation** | **Land and land improvements** | **Construction** | **Technological equipment and vehicles** | **Other tangible assets** | **Property, plant and equipment pending execution** | **Advance payments on property, plant and equipment** | **Total** |
|---|---|---|---|---|---|---|---|
| **As of December 31, 2022** | **(143,342)** | **(5,540,942)** | **(11,235,373)** | **(574,181)** | **-** | **-** | **(17,493,838)** |
| Amortization of the period | (29,734) | (2,764,094) | (1,656,334) | (259,276) | - | - | (4,709,438) |
| Cumulative depreciation on disposals | - | - | 5 | 1 | - | - | 6 |
| - of which the net value was determined | | | | | | | - |
| **As of June 30, 2023** | **(173,076)** | **(8,305,036)** | **(12,891,702)** | **(833,456)** | **-** | **-** | **(22,203,270)** |

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

**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** | **Advance payments on property, plant and equipment** | **Total** |
|---|---|---|---|---|---|---|---|
| **As of December 31, 2022** | **(4,129,814)** | **-** | **-** | **-** | **-** | **-** | **(4,129,814)** |
| Impairment adjustments recognized in profit or loss | - | - | - | - | - | | - |
| Revisions to impairment adjustments recognized in profit or loss | - | - | - | - | | | - |
| **As of June 30, 2023** | **(4,129,814)** | **-** | **-** | **-** | **-** | **-** | **(4,129,814)** |
| **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 June 30, 2023** | **165,952,759** | **125,021,244** | **12,525,395** | **1,829,205** | **3,249,832** | **374,877** | **308,953,312** |

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

## 5. PROPERTY, PLANT AND EQUIPMENT (continued)

As of June 30, 2024, tangible assets decreased by 1.7% compared to December 31, 2023, mainly as a result of depreciation in the reporting period.

PPE additions are represented by modernization of the parking system and purchases of technological equipment and vehicles.

In order to guarantee the 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 June 30 2024 | Value net accounting December 31 2023 |
|---|---|---|
| - Building Calea Rahovei 266-268 (Lot 18) | - | 8,803,206 |
| - MHPP's (land+industrial and urban constructions) | 28,984,530 | 29,865,566 |

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 June 30, 2024 is RON 5,388,418 of which the subsidized value RON 3,839,042. The remaining value of the investment as December 31 2023 was RON 5,516,713 of which the subsidized value was RON 3,920,651.

**Fair value of property, plant and equipment**

The company's property, plant and equipment, 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, asked or offered, caused by the differences between the specific characteristics of each property, called comparators.

Information relating to the fair value hierarchy at June 30, 2024 and December 31, 2023:

| | Level 1 | Level 2 | Level 3 | Fair value at June 30,2024 |
|---|---|---|---|---|
| Land and land improvements | - | - | 152,829,108 | 152,829,108 |
| Construction | - | - | 111,035,399 | 111,035,399 |

| | 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 |

During both first semester of 2024 and 2023 there were no transfers between fair value levels.

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

## 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 properties 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 fair value model.

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 June 30,2024 investments properties are presented as follows:

| | H1 2024 | FY 2023 |
|---|---|---|
| **Initial balance** | **17,709,588** | **16,573,349** |
| Inflow of which: | - | 1,354,295 |
| from fair value valuation | - | - |
| transfers | - | 1,354,295 |
| Outflow of which: | - | (218,056) |
| from fair value valuation | - | (218,056) |
| transfers | - | - |
| **Final balance** | **17,709,588** | **17,709,588** |

The income of investments properties in HS1 of 2024 is worth 1,904,317 RON and covers the expenses borne by the owner (S1 2023 1,922,170 RON).

The company also owns other leased premises in buildings shared 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 investments properties on the transfer of income and proceeds from the sale.

Information regarding the fair value hierarchy as of June 30, 2024 and December 31, 2023:

| | Level 1 | Level 2 | Level 3 | Fair value |
|---|---|---|---|---|
| Investment property as of June 30,2024 | - | - | 17,709,588 | 17,709,588 |
| Investment property as of December 31,2023 | - | - | 17,709,588 | 17,709,588 |

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

## 7. INTANGIBLE ASSETS

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

The statement of intangible assets as of June 30, 2024 is as follows:

| Cost | Patent licensing concessions | Other intangible assets | Intangible assets outstanding | Total |
|---|---|---|---|---|
| **As of December 31, 2023** | **1,231,660** | **3,395,731** | **-** | **4,627,392** |
| Additions | | | | |
| Disposals | 213 | - | - | 213 |
| Transfers | - | - | - | - |
| **As of June 30, 2024** | **1,231,873** | **3,395,731** | **-** | **4,627,605** |
| **Cumulative depreciation** | | | | |
| **As of December 31, 2023** | **(1,220,766)** | **(2,840,315)** | **-** | **(4,061,082)** |
| Amortization of the period | (9,552) | (98,015) | - | (107,566) |
| Cumulative amortization related to disposals | - | - | - | - |
| **As of June 30, 2024** | **(1,230,318)** | **(2,938,329)** | **-** | **(4,168,648)** |
| **Net book value** | | | | |
| **As of December 31, 2023** | **10,894** | **555,417** | **-** | **566,310** |
| **As of June 30, 2024** | **1,555** | **457,403** | **-** | **458,957** |

| Cost | Patent licensing concessions | Other intangible assets | Intangible assets outstanding | Total |
|---|---|---|---|---|
| **As at December 31, 2022** | **1,233,088** | **3,395,731** | **-** | **4,628,820** |
| Additions | - | - | - | - |
| Disposals | - | - | - | - |
| Transfers | - | - | - | - |
| **As of June 30, 2023** | **1,233,088** | **3,395,731** | **-** | **4,628,820** |
| **Cumulative depreciation** | | | | |
| **As of December 31, 2022** | **(1,196,633)** | **(2,644,286)** | **-** | **(3,840,919)** |
| Amortization of the period | (15,013) | (98,015) | - | (113,028) |
| Cumulative amortization related to disposals | - | - | - | - |
| **As of June 30, 2023** | **(1,211,646)** | **(2,742,301)** | **-** | **(3,953,947)** |
| **Net book value** | | | | |
| **As of December 31, 2022** | **36,455** | **751,445** | **-** | **787,901** |
| **As of June 30, 2023** | **21,442** | **653,430** | **-** | **674,874** |

## 8. RIGHTS OF USE ASSETS

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

| | Buildings | Vehicles | Total |
|---|---|---|---|
| **Cost** | | | |
| **As at December 31, 2023** | **2,340,104** | **230,821** | **2,570,924** |
| Additions | 1,342,876 | - | 1,342,876 |
| Disposals | (37,541) | - | (37,541) |
| Transfers | - | - | - |
| **As of June 30, 2024** | **3,645,439** | **230,821** | **3,876,259** |
| **Cumulative depreciation** | | | |
| **As of December 31, 2023** | **(1,021,542)** | **(149,688)** | **(1,171,230)** |
| Amortization of the period | (540,293) | (30,900) | (571,193) |
| Cumulative amortization of disposals | 25,028 | - | 25,028 |
| **As of June 30, 2024** | **(1,536,807)** | **(180,588)** | **(1,717,395)** |
| **Net book value** | | | |
| **As of December 31, 2023** | **1,318,562** | **81,132** | **1,399,694** |
| **As of June 30, 2024** | **2,108,632** | **50,233** | **2,158,865** |

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

| | H1 2024 | H1 2023 |
|---|---|---|
| Depreciation expense related to the rights of use of the leased assets | 571,192 | 681,655 |
| Interest on leasing liabilities | 55,244 | 51,505 |
| Expenses related to low-value leasing contracts. | 57,170 | 4,279 |
| **Total amounts recognized in the profit and loss account** | **683,606** | **737,439** |

On June 30, 2024, leasing debts in the amount of 2,206,432 RON related to operational leasing contracts and 246,682 RON related to financial leasing contracts, of which short-term debts in the amount of 780,024 RON and long-term debts in the amount of 1,673. 089 RON.

On December 31, 2023, the value of leasing liabilities was 1,444,911 RON (720,847 RON short-term and 724,064 RON long-term).

## 9. INVESTMENTS IN RELATED ENTITIES

On June 30, 2024, 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 June 30, 2024 and on December 31, 2023:

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

| 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** |

These companies will be included in the consolidated financial statements.

## 10. OTHER NON-CURRENT ASSETS

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| Performance guarantees granted to customers | 3,408,610 | 3,535,648 |
| Long-term trade receivables | 2,044,923 | 3,545,661 |
| Adjustments to depreciate long-term trade receivables* | (324,801) | (487,623) |
| Other long-term non-current assets | - | 12,796 |
| **Total** | **5,128,732** | **6,606,482** |

The long-term staggered receivables with a net value of RON 1,720,122 on June 30, 2024 were updated to the present value, and the effect of the time value of money was RON 324,801. The current portion is recognized in trade receivables (Note 12).

## 11. INVENTORIES

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| Raw materials | 8,166,100 | 8,719,964 |
| Consumables | 2,264,198 | 2,500,351 |
| Finished products | 12,940,463 | 13,799,830 |
| Products in progress | 320,377 | 2,064,672 |
| Other inventory | 1,019,971 | 949,286 |
| Inventory impairment adjustments | (13,173,515) | (9,318,915) |
| **Total** | **11,537,594** | **18,715,189** |

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

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

| | H1 2024 | 2023 |
|---|---|---|
| **Balance at the beginning of the period** | **(9,318,915)** | **(2,330,345)** |
| Allowance for impairment | (3,854,600) | (7,410,057) |
| Reversal of allowance for impairment | - | 421,488 |
| **Balance at the end of period** | **(13,173,515)** | **(9,318,915)** |

The adjustments recorded during the reporting period relate to raw materials, materials and finished products without movement. The group has no stocks pledged on account of debts.

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

## 12. TRADE RECEIVABLES

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| Trade receivables domestic customers | 31,234,374 | 44,568,062 |
| Trade receivables foreign customers | 4,493,055 | 4,620,663 |
| Minus impairment adjustments trade receivables | (12,446,293) | (13,808,010) |
| **Net trade receivables** | **23,281,136** | **35,380,716** |

The decrease in trade receivables as of June 30, 2024 compared to December 31, 2023 was due to the reduction in sales volume and the collection of overdue receivables.

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

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| **Balance at the beginning of the period** | **(13,808,010)** | **(3,721,707)** |
| Impairment adjustment (expense) | (1,682,689) | (10,639,568) |
| Reverse impairment adjustment | 3,044,406 | 553,265 |
| **Balance at end of period** | **(12,446,293)** | **(13,808,010)** |

## 13, OTHER CURRENT ASSETS

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| Debtors | 11,161 | 14,057 |
| Prepayments | 1,492,081 | 1,126,826 |
| Advance payments to suppliers | 95,196 | 155,265 |
| Other current assets | 654,114 | 369,882 |
| **Total** | **2,252,552** | **1,666,030** |

The category *Prepayments* in the amount of RON 1,492,081 mainly represents local taxes, insurance premiums for administrators' civil liability insurance and various subscriptions.

In *Other current assets* mainly include non-excisable VAT in the amount of RON 95,061, amounts to be recovered from social health insurance in the amount of RON 541,768.

## 14. CASH AND CASH EQUIVALENTS

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| Petty cash | 11,259 | 16,639 |
| Cash in banks | 31,928,515 | 25,110,929 |
| Cash equivalents | 14,577 | 11,332 |
| **Total** | **31,954,351** | **25,138,900** |

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| Restricted cash | 90,000 | 90,000 |
| **Total** | **90,000** | **90,000** |

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

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

Cash in banks include short-term deposits: June 30, 2024: RON 27,951,347 (31.12.2023: RON 21,836,410).

## 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 June 30, 2024 is as follows, according to the Central Depository register:

| | June 30, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| **Shareholder** | **Number of shares** | **%** | **Number of shares** | **%** |
| Infinity Capital Investments SA | 442.465.466 | 65.4497 | 442,465,466 | 65.4497 |
| Persoane fizice | 214.347.116 | 31.7063 | 208,487,511 | 30.8396 |
| Persoane juridice | 19.226.122 | 2.2839 | 25,085,727 | 3.7107 |
| **Total** | **676.038.704** | 100 | **676,038,704** | **100** |

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

## 16. RESERVES

**The legal reserve** is in the amount of RON 12,541,942 and during the reporting period the legal reserve was not established. This has not undergone changes compared to the end of 2023.

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 corporate income tax.

**The revaluation reserves** are in the amount of 142,919,678 lei as of June 30, 2024. Compared to the balance at the beginning of the period, they increased with the surplus related to the revaluation and decreased and were transferred to the retained earnings in accordance with the depreciation of the revalued fixed assets.

| | H1 2024 | 2023 |
|---|---|---|
| **Balance at the beginning of the period** | **146,040,464** | **149,935,370** |
| Revaluation increases | - | 249,333 |
| Diminutions | (3,120,786) | (4,144,239) |
| **Balance at end of period** | **142,919,678** | **146,040,464** |

On June 30, 2024, the company registers other **reserves and equity elements** in the amount of RON 79,826,174, of which its own financing sources represent 98%,

| | H1 2024 | 2023 |
|---|---|---|
| **Balance at the beginning of the period** | **79,826,174** | **57,975,275** |
| Revaluation increases | - | 21,850,899 |
| Diminutions | - | - |

| | | |
|---|---|---|
| **Balance at end of period** | **79,826,174** | **79,826,174** |

## 17. RETAINED EARNINGS

On June 30, 2024, the carried forward result has the value of RON 56,683,501. The final balance was influenced by the transfer of net revaluation reserves related to depreciated or decommissioned assets in the amount of RON 2,621,614 and by the loss recorded in the first semester of 2024 (RON 8,973,474).

## 18. INVESTMENT SUBSIDIES

| | Total | Under one year | Over a year |
|---|---|---|---|
| Investment subsidies as of June 30,2024 | 3,839,042 | 163,219 | 3,675,823 |
| Investment subsidies as of December 31,2023 | 3,920,651 | 163,219 | 3,757,433 |

In 2012, Electromagnetica S.A. benefited from an investment subsidy of RON 5,997,788 granted for the modernization of the Brodina 2 micro-hydropower plant (Suceava), which is transferred to revenues at the same time as the depreciation of the fixed assets acquired within this project is recorded. The net book value of the fixed assets acquired through this subsidy are presented in Note 5.

## 19. PROVISIONS

| Name | Balance January 1 2024 | Inflow (establishment) | Outflow (cancellation) | Balance June 30 2024 |
|---|---|---|---|---|
| Warranty reserves | 775,000 | - | - | 775,000 |
| Provision for employee benefits | 630,436 | 107,295 | (225,789) | 511,942 |
| **TOTAL** | **1,405,436** | **107,295** | **(225,789)** | **1,286,942** |

The group has concluded contracts for the delivery of lighting fixtures and charging stations for electric vehicles with a warranty clause for long periods, respectively 2 - 4 years. The contracts do not provide for a percentage or an amount for the performance guarantee, the provision for them being calculated based on the analysis of the historical costs incurred with the products within the warranty period.

The provision for employee benefits refers to the value of untaken vacation.

## 20. TRADE AND OTHER LIABILITIES

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| **Current trade payables** | | |
| Domestic trade payables | 5,133,928 | 4,415,839 |
| Foreign trade payables | 2,696,524 | 3,319,816 |
| Accrues trade liabilities | 3,720,483 | 4,719,677 |
| **Other current liabilities** | | |
| Advances received from customers | 1,168,600 | 1,812,126 |
| Salaries and social security insurance & taxes | 2,094,296 | 2,822,556 |
| Deferred Income | 1,076,959 | 1,695,488 |
| Other liabilities | 1,533,271 | 6,135,039 |
| **Total trade payables and other liabilities** | **17,424,061** | **24,920,540** |

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

Liabilities are recorded at nominal value and are highlighted in the analytical accounting for each individual or legal entity. Liabilities in foreign currency were valued based on the exchange rate in force at the end of the year, and exchange rate differences were recognized as income or expenses of the period.

The company has no significant outstanding trade payables.
The company does not record outstanding payments to employees and to the state budget, the amounts presented represent debts related to June 2024 and paid at the due date of July 2024.

The company has no contracted long-term loans as of June 30, 2024.

Other liabilities include dividends to be paid from previous years, VAT to be paid, other fees and taxes.

Domestic trade payables consist of guarantees received from tenants and those retained from suppliers on June 30, 2024, in the amount of RON 3,056,064 (December 31, 2023:RON 2,956,661) and will be regularized according to the contractual clauses.

| | Total | Under one year | Over a year |
|---|---|---|---|
| Guarantees received as of June 30, 2024 | 3,056,064 | 1,916,040 | 1,140,024 |
| Guarantees received as of December 31,2023 | 2,956,661 | 2,088,943 | 867,718 |

Leasing liabilities are presented under current and long-term liabilities. Their total value is RON 2,453,114. (Note 8)

## 21. REVENUE

| **REVENUE FROM CONTRACTS WITH CUSTOMERS** | **H1 2024** | **H1 2023** |
|---|---|---|
| Revenue from the production of electricity from renewable sources and from the supply of electricity | 16,946,194 | 43,734,774 |
| *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)* | 19,853,531 | 30,937,442 |
| Revenue from services rendered (complex design, delivery and assembly of LED lighting systems and electric vehicle charging stations) | 2,830,804 | 17,287,145 |
| **TOTAL REVENUE FROM CUSTOMER CONTRACTS** | **39,630,529** | **91,959,361** |
| **RENTAL INCOME** | **11,807,057** | **14,800,662** |
| **TOTAL REVENUE** | **51,437,586** | **106,760,023** |

**Timing of recognition of revenue from contracts with customers**

| | **H1 2024** | **H1 2023** |
|---|---|---|
| Goods and services transferred at a point in time | 19,853,531 | 30,937,442 |
| Goods and services transferred over time | 31,584,055 | 75,822,581 |
| **Total revenue from customer contracts** | **51,437,586** | **106,760,023** |

Most of the revenues are generated in Romania.
The disaggregation of income at the product level is:

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

| | H1 2024 | H1 2023 |
|---|---|---|
| Electric vehicle charging stations | 2,834,997 | 5,904,571 |
| Electrical equipment | 8,284,288 | 9,988,071 |
| Railway traffic safety elements | 2,965,806 | 3,553,879 |
| Plastic mass injections and molds | 4,610,448 | 4,028,452 |
| LED lighting fixtures and services | 3,857,860 | 23,860,308 |
| Other | 130,936 | 889,304 |
| **TOTAL PRODUCTION** | **22,684,335** | **48,224,587** |

| **OTHER NET INCOME AND EXPENSES** | **H1 2024** | **H1 2023** |
|---|---|---|
| Income from green certificates | 609,959 | 884,560 |
| Income / (expense) on provisions | (2,211,567) | 965,687 |
| Net exchange rate difference | 2,300 | (79,439) |
| Other net income/(expense) | 271,019 | 159,633 |
| **TOTAL** | **(1,328,289)** | **1,930,441** |

## 22. EXPENDITURES

| | H1 2024 | H1 2023 |
|---|---|---|
| **Material expenses** | **29,280,328** | **53,636,476** |
| - Expenditure on raw materials and consumables | 9,395,210 | 28,126,862 |
| - Expenditure on goods | 16,176,875 | 21,563,736 |
| - Expenditure on energy, water, gas | 3,708,243 | 3,945,878 |
| **Employee costs** | **14,694,334** | **20,456,514** |
| **Other expenses** | **9,755,976** | **27,206,413** |
| - Postal expenses | 195,391 | 200,377 |
| - Maintenance and repair expenses | 137,265 | 168,945 |
| - Rent expenses | 113,547 | 265,288 |
| - Advertising and protocol expenses | 22,014 | 101,770 |
| - Insurance expenses | 306,960 | 339,077 |
| - Transport and travel expenses | 369,661 | 548,670 |
| - Subcontracted work expenses | 415,311 | 3,264,131 |
| - Expenses other taxes and fees | 808,297 | 921,880 |
| - Expenses with consultants and collaborators | 1,118,198 | 448,973 |
| - Expenditure on green certificates | 962,873 | 740,589 |
| - Contribution to the Energy Transition Fund | 5,306,459 | 5,926,112 |
| - Other operating expenses | - | 14,280,601 |
| **Depreciation and amortization expense** | **5,933,461** | **5,504,120** |
| - Depreciation expense | 5,933,461 | 5,504,120 |
| - Impairment loss | - | - |
| **Total expenses** | **59,664,099** | **106,803,523** |

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

## 23, FINANCIAL EXPENSES

| | H1 2024 | H1 2023 |
|---|---|---|
| - Interest expense | - | 1,469 |
| - Lease interest expense | 55,244 | 51,505 |
| - Bank fees | 80,970 | 221,398 |
| **Total financial expenses** | **136,214** | **274,372** |

## 24. CORPORATE INCOME TAX

Income tax recognized in profit or loss:

| | H1 2024 | H1 2023 |
|---|---|---|
| **Current income tax** | | |
| Current income tax expense | - | 1,757,682 |
| **Deferred income tax** | | |
| Deferred tax income | (1,000,282) | (230,675) |
| | **(1,000,282)** | **1,527,007** |

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

| Indicator | H1 2024 | H1 2023 |
|---|---|---|
| **Profit / (loss) before tax** | **(9,973,756)** | **9,957,021** |
| Tax applied at local rate (16%) | (1,595,801) | 1,593,123 |
| Effect of non-deductible expenses | 867,007 | 1,059,132 |
| Effect of non-taxable income | (184,216) | (411,434) |
| Other | (87,272) | (713,814) |
| **Total corporate income tax expense / (income)** | **(1,000,282)** | **1,527,007** |

The tax rate used for the above reconciliations is 16%.
On June 30, 2024, the total current profit tax claim amounts to RON 1,703,829 (December 31, 2023 total claim: RON 1,703,829).

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

| | Initial balance January 1 2024 | Recognized in the profit or loss account (income)/ expense | Recognized in other comprehensive income | Ending balance June 30, 2024 |
|---|---|---|---|---|
| Property, plant and equipment | 20,534,431 | (384,797) | - | 20,149,634 |
| Adjustment of non-current assets | (594,349) | - | - | (594,349) |
| The time-value effect of money (receivables) | (185,525) | 15,466 | - | (170,059) |
| Value adjustments receivables | (2,101,776) | (98,916) | - | (2,200,692) |
| Inventories value adjustments | (1,568,815) | (532,035) | - | (2,100,850) |
| Employee benefits | (100,870) | - | - | (100,870) |
| **TOTAL** | **5,983,096** | **(1,000,282)** | **-** | **14,982,814** |

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

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

## 25. NUMBER OF EMPLOYEES

The number of employees as of June 30, 2024 and June 30, 2023, respectively, evolved as follows:

| | June 30 2024 | June 30 2023 |
|---|---|---|
| Management staff | 13 | 44 |
| Administrative staff | 61 | 131 |
| Production staff | 133 | 185 |
| **Total** | **207** | **360** |

The evolution of the structure of employees by level of training is presented below:

| | June 30 2024 | June 30 2023 |
|---|---|---|
| Staff with higher education | 19% | 37% |
| Staff with secondary education | 41% | 39% |
| Staff with technical education | 6% | 5% |
| Staff with professional and qualification education | 34% | 19% |

Expenses with salaries and related taxes recorded are as follows:

| | H1 2024 | H1 2023 |
|---|---|---|
| Employee expenses, including contributions and taxes | **14,694,334** | **20,456,514** |
| Board of Directors remuneration | 295,225 | 382,390 |
| **Total** | **14,989,559** | **20,838,904** |

In the first semester, no bonuses were granted for the members of the management or the Board of Directors.
Also, the Company has no contractual obligations to the former directors and administrators and has not granted advances or loans to the current directors and administrators.

The company has not assumed future obligations of the nature of guarantees on behalf of the administrators.

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

## 26. RELATED PARTY TRANSACTIONS

| | H1 2024 | H1 2023 |
|---|---|---|
| **Sale of goods and services to subsidiaries** | | |
| Electromagnetic Fire | 12,484 | 14,330 |
| Electromagnetica Prestserv | 11,709 | 11,476 |
| Procetel | 38,226 | 669,260 |
| **Total** | **64,419** | **695,066** |

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

| | H1 2024 | H1 2023 |
|---|---|---|
| **Purchases of goods and services from subsidiaries** | | |
| Electromagnetic Fire | 365,901 | 848,475 |
| Electromagnetica Prestserv | 417,301 | 717,522 |
| Procetel | 674,273 | 824,030 |
| **Total** | **1,457,475** | **2,309,027** |

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| **Trade receivables** | | |
| Electromagnetica Fire | - | - |
| Electromagnetica Prestserv | 1,216 | - |
| Procetel | 1,506 | - |
| **Total** | **2,722** | **-** |

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| **Trade payables and other liabilities to subsidiaries** | | |
| Electromagnetic Fire | - | 120,082 |
| Electromagnetica Prestserv | - | 144,060 |
| Procetel | 259,532 | 4,830 |
| **Total** | **259,532** | **268,972** |

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.

On June 30, 2024 and December 31, 2023 respectively, the majority stake of Electromagnetica S.A. is owned by Infinity Capital Investments S.A., which controls a number of 13 companies, including Electromagnetica. In the first semester of 2024, no transactions were carried out with Infinity Capital Investments S.A. or with affiliated companies, other than those to which Electromagnetica S.A. owns the majority of shares and are described above.

## 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.

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

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| | H1 2024 | H1 2023 |
|---|---|---|
| Net Profit / Loss attributable to shareholders | (8,973,474) | 8,430,014 |
| Weighted average number of ordinary shares | 676,038,704 | 676,038,704 |
| Earnings per share | (0.0133) | 0.0125 |

**Diluted earnings per share**

For the calculation of the diluted earnings per share, the company adjusts the earnings attributable to the ordinary shareholders of the company-Electromagnetica S.A. and the weighted average of outstanding shares with the effects of all potentially diluted ordinary shares. For the 6-month period of the year 2024 and the similar period of the year 2023, the Company records the basic earnings per share equal to the diluted earnings per share since there are no certain titles that give the possibility to be converted into ordinary shares at a given moment in the future.

## 28. 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 electric-energy 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.

| H1 2024 | Unlicensed activity | % Total company | Licensed activity | % Total company | Total company |
|---|---|---|---|---|---|
| Net loss/Profit | (5,802,845) | 65% | (3,170,630) | 35% | (8,973,475) |
| Total assets | 344,739,388 | 90% | 32,020,868 | 10% | 376,760,256 |
| Total liabilities | 27,450,034 | 69% | 12,535,938 | 31% | 39,985,972 |
| Customer revenue | 34,491,392 | 67% | 16,946,194 | 33% | 51,437,586 |
| Depreciation and amortization | 4,978,974 | 84% | 954,487 | 16% | 5,933,461 |

| H1 2023 | Unlicensed activity | % Total company | Licensed activity | % Total company | Total company |
|---|---|---|---|---|---|
| Net loss/Profit | 4,587,540 | 54% | 3,842,474 | 46% | 8,430,014 |
| Total assets | 376,747,639 | 83% | 79,080,087 | 17% | 455,827,726 |
| Total liabilities | 48,002,469 | 72% | 18,215,392 | 28% | 66,217,861 |
| Customer revenue | 63,025,248 | 59% | 43,734,774 | 41% | 106,760,023 |
| Depreciation and amortization | 4,470,485 | 81% | 1,033,635 | 19% | 5,504,120 |

**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 13 years, Electromagnetica has invested significant resources in the research and production of LED lighting systems (optionally accompanied by smartcity control and monitoring systems) as well as electric vehicle charging stations.

Regarding the lighting activity, Electromagnetica has developed 3 Smart City and Telemanagement platforms, with the aim of managing and automating the lighting devices in order to reduce the CO2 carbon footprint, by reducing the light intensity depending on time or at the command of some sensors, solutions that are stable and reliable, Electromagnetica offering a complete intelligent lighting solution included in the SmartCity platforms.

More recently, solar panels have also been integrated into these lighting systems, so that energy consumption and, implicitly, the cost of energy is 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.
Electromagnetica offers complete solutions for delivery, installation and commissioning as well as the management part of the stations with its own ELMOTION operating platform, practically offering a complete service, with dispatch and intervention for quick troubleshooting in case of need.

**Plastic injection and moulding**

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

The company also produces and assembles low-voltage electrical appliances (electrical equipment), mainly for export.

**Rail traffic safety elements**
The sales of railway traffic safety elements decreased 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, considering that CFR Infrastructure is the end beneficiary of these services.

**Electricity production from renewable sources and Electricity Supply Service**

Electricity production and supply activity decreased compared to the previous year, as most electricity sales were concentrated to the Electromagnetica park and the markets managed by OPCOM, which led Electromagnetica to limit electricity purchases to contracts concluded in 2022 (under current disadvantageous conditions), from which the Company cannot exit without incurring significant costs, and to the activity of electricity production through its own micro hydropower plants in the Suceava river basin.

In the context of the negative impact induced on Electromagnetica by developments in the energy market, the management continues to monitor this field of activity, in order to adopt measures that bring added value to the company.

**Rental and utility services**

Electromagnetica manages approximately 38,500 square meters of rental space in Bucharest (of which approximately 35,500 square meters own, the rest belonging to the subsidiary Procetel S.A.) and 3,500 square meters in the town of Vârteju, Ilfov county. At the end of the first semester of 2024, for the headquarters in Calea Rahovei no. 266-268, the average occupancy rate was approximately 83%, and for the spaces in Vârteju (Măgurele), Ilfov county, the occupancy rate was 92%.

The rental income registered a slight decrease compared to the previous year, mainly caused by the decrease from 89% to 83% of the occupancy rate, as a result of the change in the rental rates compared to the previous year, in order to align them with the market rental rates in Bucharest.

Electromagnetica S.A. efforts are aimed to continue to offer tenants quality services, with various facilities (gym on premises, canteen, English garden with green spaces), in the conditions of a very competitive real estate market.

At the company level, steps to streamline the company's activity are under analysis and are to be implemented, in order to reduce/eliminate the negative impact on the financial results induced by underperforming business segments or at the level of which structural or operational inefficiencies are manifested. The efficiency efforts aim to strengthen the company and its viability in the medium and long term, by focusing the activity on the segments that can bring increased profitability.

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

## 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 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.

At the company level, steps to streamline the company's activity are under analysis and are to be implemented, in order to reduce/eliminate the negative impact on the financial results induced by underperforming business segments or at the level of which structural or operational inefficiencies are manifested. The efficiency efforts aim to strengthen the company and its viability in the medium and long term, by focusing the activity on the segments that can bring increased profitability.

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).

Indebtness ratio as of June 30, 2024 was as follows:

| | **June 30, 2024** | **December 31, 2023** |
|---|---|---|
| Total long and short term liabilities | 39,985,973 | 48,542,353 |
| Excluding: Cash and cash equivalents | (31,954,351) | (25,138,900) |

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

| | | |
|---|---|---|
| **Total** | **8,031,622** | **23,403,453** |
| **Equity** | **336,774,284** | **345,747,758** |
| **Indebtedness ratio** | ***0.0238*** | ***0.0676*** |

**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 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** |
| **June 30, 2024** | **EUR** | **USD** | **MDL** | **Total** |
| Total monetary assets | 6,447,014 | 151,294 | 87,367 | 6,685,675 |
| Total monetary liabilities | 2,684,884 | 10,327 | - | 2,695,211 |
| **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 |

*Exchange rate sensitivity analysis*
An appreciation/(depreciation) of RON compared to EUR and USD, as indicated below, on June 30, 2024, would increase/(decrease) profit or loss and equity by the amounts shown below (without the impact on corporate tax )

| **Denomination currency** | **EUR** | **USD** |
|---|---|---|
| **Functional currency** | **RON** | **RON** |
| Change in exchange rate | +/- 10% | +/- 10% |
| **December 31, 2023** | | |
| Profit and loss statement | 376,214 | 14,097 |
| Other equity | - | - |
| **December 31, 2023** | | |
| Profit and loss statement | 186,953 | 14,010 |
| 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.

**Interest rate risk management**
The risk regarding changes in interest rates is kept under control due to the company's investment policy from its own funding sources, which leads to the use of credit lines only for short periods.

As of June 30, 2024, with the exception of leasing contracts, the Company has no medium or long-term credits, holding only a non-cash financing line for issuing bank guarantee letters.

**Price risk**
The price risk is the risk that the Company's future revenues will be negatively impacted by price changes on the energy market, but it also includes the risk of changes in the purchase price of raw materials and materials needed for production.

Among the markets on which the Company operates, the energy market is the one with the highest price risk, taking into account the volatility of prices on the Day-Ahead Market and the Balancing Market, as well as the lack of long-term risk coverage mechanisms.

**Credit risk management**
The credit risk consists in the possibility that the contracting parties violate their contractual obligations leading to financial losses for the Company. The company is exposed to credit risk arising from its operational activities, especially commercial activities (Note 12) and from financial activities that include bank deposits.

Trade receivables come from a wide range of customers operating in various fields of activity and in different geographical areas. Foreign market receivables insurance policies were contracted. Due to the increased incidence of insolvency cases in the economy, 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 company pays more attention to the creditworthiness and financial discipline of contractual partners. The Company adopted the policy of transacting only with trusted partners and obtain sufficient collateral where appropriate to minimize the risk of financial loss resulting from default.

Exposure to credit risk is controlled by the permanent monitoring of each borrower. The company constantly evaluates their credit risk, taking into account their financial performance, payment history and, when appropriate, requires non-payment risk insurance.

The credit risk profile of trade receivables is presented based on 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 non-interest bearing and are generally within 30-90 days. However, there are a number of ongoing contracts from previous years with state authorities that include supplier credit clauses with payment over a period of up to 5 years.

For these contracts, the Company has calculated adjustments to the present value and does not estimate any other losses since the risk of non-payment is almost non-existent.

The methodology used by the Company to measure expected losses for trade receivables could be described as follows:

- determining an appropriate observation period for tracking the historical loss rate. The company selected 2 previous periods ending on December 31, 2022 and December 31, 2021 for data collection;
- collecting data on commercial receivables and grouping them according to their maturity status in each analyzed period and by main activities;
- analyzing the evolution of these balances over a period of 12 months and determining the still unpaid amounts from each outstanding group to determine the proportion of balances from each maturity category that was not finally collected;
- determination of the weighted average rate of losses (%) according to the due status for the 2 analyzed periods;
- this rate will be applied to determine the impairment loss of trade receivables on June 30, 2024.

The above analysis was applied to current receivables and receivables aged up to 90 days past due. In addition to the analysis of receivables described above, the Company analyzed customers with receivables whose maturities exceeded 90 days on June 30, 2024, as well as territorial administrative units with receivables with maturities exceeding one year in the balance on June 30 June 2024 and, depending on the available information, calculated and recorded adjustments to the amount of receivables as of June 30, 2024, correlated with the probability of their recovery.

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

The following table shows the risk profile of trade receivables based on the Company's impairment adjustment matrix. As the Company's historical credit loss experience exhibits significantly different loss patterns for different customer segments, the adjustments for default risk-based loss ratios differ among the Company's different customer segments.

| **Current trade receivables** | | | **June 30 2024** |
|---|---|---|---|
| **Deadlines** | **Balance** | **Impairment** | **Est. credit loss (%)** |
| Current (not past due) | 6,386,026 | - | - |
| 1 – 30 days | 838,691 | - | - |
| 31 – 60 days | 568,894 | - | - |
| 61 – 90 days | - | - | - |
| **Total receivables analyzed globally** | **7,793,611** | **-** | **-** |
| Receivables licensed activities | 695,514 | - | - |
| Unlicensed activities with state authorities (city halls) | 8,986,059 | (562,797) | 6% |
| Other receivables 90-180 days | 182,009 | - | - |
| Other receivables over 180 days | 14,979,083 | (8,792,343) | 59% |
| Uncertain claims | 3,091,153 | (3,091,153) | 100% |
| **Total receivables analyzed individually** | **27,933,818** | **(12,446,293)** | 45% |
| **Total** | **35,727,429** | **(12,446,293)** | **35%** |

| **Current trade receivables** | | | **December 31, 2023** |
|---|---|---|---|
| **Deadlines** | **Balance** | **Impairment** | **Est. credit loss (%)** |
| 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%** |

*Financial instruments and deposits*

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

It is estimated that there is no significant exposure arising from a possible breach of contractual obligations by counterparties with respect to financial instruments.

**Liquidity risk management**

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

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 the own sources of financing and those that have a direct contribution to the turnover. The liquidity and cash-flow risk management policy adapts to the new, more demanding commercial practices. This risk is closely related to the previously presented risks.

*Below is presented the situation of receivables and debts according to maturity:*

| | **June 30 2024** | **0 - 1 year** | **1 - 2 years** | **2 - 5 years** | **More than 5 years** |
|---|---|---|---|---|---|
| Commercial and other receivables | 32,366,249 | 30,321,326 | 1,611,710 | 433,212 | - |
| Commercial and other liabilities | 19,877,174 | 18,204,085 | 1,137,152 | 535,937 | - |
| **Net position** | **12,489,075** | **12,117,242** | **474,558** | **(102,725)** | **-** |

| | **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)** |

**Categories of financial instruments**

| | **June 30, 2024** | **December 31, 2023** |
|---|---|---|
| **Financial assets** | | |
| - **amortized cost** | | |
| Short and long term trade receivables | 32,366,249 | 45,357,027 |
| Cash and cash equivalents | 31,954,351 | 25,138,900 |
| **Financial assets** | **64,320,600** | **70,495,927** |

| | **June 30, 2024** | **December 31, 2023** |
|---|---|---|
| **Financial assets** | | |
| - **amortized cost** | | |
| Short and long term trade receivables | 17,424,061 | 25,788,259 |
| Cash and cash equivalents | 2,453,114 | 1,444,911 |
| **Financial assets** | **19,877,175** | **27,233,170** |

## 30. COMMITMENTS AND POTENTIAL LIABILITIES

**Commitments**

On June 30, 2024, the Company has only one commitment granted by a financing bank, respectively:

• non-cash guarantee agreement in the amount of RON 10,000,000.

The commitments granted to the Company are guaranteed by accounts opened with creditor banks, collateral deposits in the amount of RON 90,000, tangible assets (land, buildings) in the amount of RON 28,984,530 (Note 5).

In addition to bank commitments, the Company has a commitment issued by a non-banking financial company in the amount of RON 472,967 guaranteed by a promissory note.

The commitments received from customers and tenants in the form of letters of guarantee on June 30, 2024, amount to RON 193,330 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.
.

## 31. SUBSEQUENT EVENTS

On July 7, 2024, the members of the Board of Directors approved the disposal of some assets from the company's fixed assets category, the value of which, individually or cumulatively, was no more than 35% of the total fixed assets, less receivables, as approved by the AGEA of April 25, 2024, respectively the 11 Small Power Hydroelectric Power Plants (CHEMPs) located in the hydrographic basin of the Suceava River, composed of land, constructions and equipment.

On August 7, 2024, the assets put up for sale were awarded by a buyer in the first auction at the total price of 33.55 million RON. At the date of the report, the procedures for the transfer of the ownership of the activity between Electromagnetica and the buyer are ongoing, the procedures being estimated to be completed at the beginning of the fourth quarter of 2024 at the latest.

Details are available at: https://bvb.ro/FinancialInstruments/SelectedData/NewsItem/ELMA-Vanzare-active/A3510 or on the Electromagnetica.ro website, investors section: https://electromagnetica.ro/investitori/rapoarte- current-and-communications/

These individual interim financial statements have been approved for issue by management on August 14, 2024:

**DANIELA ADI CUCU**
**General Manager**

**CRISTIAN IULIAN RADU**
**Chief Financial Officer**

**ELECTROMAGNETICA SA**

**SEPARATE QUARTERLY REPORT FOR**
**2ND TRIMESTER OF 2024**

**Separate financial results for the 2nd trimester of 2024 (Q2 2024)**
**compared with the 2nd trimester of 2022 (Q2 2023)**
**(unaudited)**

**ELECTROMAGNETICA SA**
**INTERIM SEPARATE STATEMENT OF PROFIT OR LOSS**
**AND OTHER COMPREHENSIVE INCOME**
**FOR THE 3 MONTHS PERIOD ENDED ON JUNE 30, 2024**
**(all the amounts are expressed in RON, unless otherwise specified)**

| Q2 2024 | Q2 2023 | | 6 months period ended on June 30, 2024 | 6 months period ended on June 30, 2023 |
|---|---|---|---|---|
| **24,294,383** | **53,537,283** | **Revenues** | **51,437,586** | **106,760,023** |
| 1,535,177 | 591,743 | Investment income | 1,616,158 | 679,097 |
| (2,128,426) | 1,614,478 | Other net income | (1,328,289) | 1,930,441 |
| (1,838,483) | 4,755,199 | Changes in inventories of finished goods and work in progress | (1,964,787) | 6,910,035 |
| 61,092 | 410,471 | Own work capitalized | 65,889 | 755,319 |
| (13,631,465) | (28,563,013) | Raw materials and consumables used | (29,280,328) | (53,636,476) |
| (6,415,130) | (10,900,055) | Employee-related expenses | (14,694,334) | (20,456,514) |
| (2,971,588) | (2,787,746) | Expenses related to depreciation and impairment | (5,933,461) | (5,504,120) |
| (5,387,680) | (13,261,142) | Other expenses | (9,755,976) | (27,206,413) |
| (73,020) | (142,668) | Financial expenses | (136,214) | (274,372) |
| **(6,555,139)** | **5,254,549** | **Profit/(Loss) before tax** | **(9,973,756)** | **9,957,021** |
| 720,684 | (755,070) | Profit tax | 1,000,282 | (1,527,007) |
| **(5,834,455)** | **4,499,480** | **Profit/(Loss) for the period** | **(8,973,474)** | **8,430,014** |
| | | **Other comprehensive income:** | | |
| | | of which: | | |
| | | cannot be reclassified to profit or loss, of which: | | |
| - | - | restatement of deferred tax for revaluation of assets written off | - | - |
| **(5,834,455)** | **4,499,480** | **Comprehensive result for the period** | **(8,973,474)** | **8,430,014** |
| - | - | **Basic/diluted earnings per share** | **(0.0133)** | **0.0125** |

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

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant and equipment | 279,732,644 | 284,561,365 |
| Investment property | 17,709,588 | 17,709,588 |
| Intangible assets | 458,957 | 566,310 |
| Investments in related entities | 842,008 | 842,008 |
| Other long-term non-current assets | 5,128,732 | 6,606,482 |
| Rights of use assets | 2,158,865 | 1,399,694 |
| **Total non-current assets** | **306,030,794** | **311,685,446** |
| **Current assets** | | |
| Inventories | 11,537,594 | 18,715,189 |
| Trade receivables | 23,281,136 | 35,380,716 |
| Cash and cash equivalents | 31,954,351 | 25,138,900 |
| Other current assets | 2,252,552 | 1,666,030 |
| Current income tax assets | 1,703,829 | 1,703,829 |
| **Total current assets** | **70,729,462** | **82,604,664** |
| **Total assets** | **376,760,256** | **394,290,111** |
| **EQUITY AND LIABILITIES** | | |
| **Equity** | | |
| Share capital | 67,603,870 | 67,603,870 |
| Reserves and other equity | 212,486,913 | 215,108,527 |
| Retained earnings | 56,683,501 | 63,035,361 |
| **Total equity attributable to company's shareholders** | **336,774,284** | **345,747,758** |
| **Non-current liabilities** | | |
| Trade and other liabilities | 1,140,024 | 867,718 |
| Investment subsidies | 3,675,823 | 3,757,433 |
| Deferred tax liabilities | 14,982,814 | 15,983,096 |
| Lease liabilities | 1,673,089 | 724,064 |
| **Total non-current liabilities** | **21,471,750** | **21,332,310** |
| **Current liabilities** | | |
| Trade and other liabilities | 16,284,037 | 24,920,540 |
| Investment subsidies | 163,219 | 163,219 |
| Provisions | 1,286,942 | 1,405,436 |
| Lease liabilities | 780,024 | 720,847 |
| **Total current liabilities** | **18,514,222** | **27,210,043** |
| **Total liabilities** | **39,985,972** | **48,542,353** |
| **Total equity and liabilities** | **376,760,256** | **394,290,111** |

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

| Q2 2024 | Q2 2023 | | 6 months period ended on June30, 2023 | 6 months period ended on June30, 2022 |
|---:|---:|---|---:|---:|
| | | **Cash flows from operating activities** | | |
| 33,324,674 | 59,277,817 | Cash receipts from customers | 69,354,095 | 111,002,585 |
| (19,843,896) | (30,064,268) | Payments to suppliers | (42,871,458) | (61,040,138) |
| (6,694,944) | (12,199,214) | Payments to employees | (15,057,592) | (21,186,993) |
| (352,493) | (9,456,903) | Other operating activities | (5,666,570) | (22,517,464) |
| **6,433,341** | **7,557,433** | **Cash generated by/ (used in) operating activities** | **5,758,475** | **6,257,990** |
| - | - | Interest paid | - | (1,469) |
| - | (1,040,620) | Income tax paid | - | (1,040,620) |
| **6,433,341** | **6,516,813** | **Net cash generated by/ (used in) operating activities** | **5,758,475** | **5,215,901** |
| | | **Cash flows from investing activities:** | | |
| (8,524) | (1,222,915) | Acquisition of property, plant and equipment | (56,366) | (1,846,411) |
| - | 12,340 | Proceeds from sale of non-current-assets | 89,027 | 24,490 |
| 347,432 | 91,542 | Interest received | 585,408 | 182,462 |
| 1,151,349 | 492,313 | Dividends received | 1,151,349 | 492,313 |
| **1,490,256** | **(626,720)** | **Net cash generated by/ (used in) investing activities** | **1,769,418** | **(1,147,146)** |
| | | **Cash flows from financing activities:** | | |
| - | - | Proceeds from loans | - | 1,964,851 |
| - | - | Cash repayments of amounts borrowed | - | (1,964,851) |
| (353,202) | (342,322) | Paid leasing | (630,020) | (669,644) |
| (29,466) | (24,553) | Interest paid | (55,236) | (51,425) |
| (15,194) | (3,568) | Dividends paid | (27,186) | (5,695) |
| **(397,862)** | **(370,443)** | **Net cash generated by/ (used in) financing activities** | **(712,442)** | **(726,764)** |
| **7,525,735** | **5,519,649** | **Net increase / (decrease) of cash and cash equivalents** | **6,815,451** | **3,341,991** |
| **24,428,616** | **8,536,010** | **Cash and cash equivalents at beginning of period** | **25,138,900** | **10,713,669** |
| **31,954,351** | **14,055,660** | **Cash and cash equivalents at end of period** | **31,954,351** | **14,055,660** |

**ELECTROMAGNETICA SA**
**INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY**
**FOR THE 6 MONTHS ENDED ON JUNE 30, 2024**
**(all amounts are expressed in RON, unless otherwise specified)**

| | Share capital | Retained earnings | Revaluation reserve for Tangible assets | Other reserves | Legal reserve | Deferred tax for revaluation reserves | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance as of January 1, 2024** | **67,603,870** | **63,035,361** | **146,040,464** | **79,826,174** | **12,541,942** | **(23,300,053)** | **345,747,758** |
| **Global Comprehensive Income** | | | | | | | |
| Profit or loss for the period | - | (8,973,474) | - | - | - | - | (8,973,474) |
| **Other capital items:** | | **2,621,614** | **(3,120,786)** | | | **499,172** | |
| Legal reserve and other reserves | - | - | | - | - | - | - |
| Transfer of the reserve to retained earnings | - | 3,120,786 | (3,120,786) | - | - | - | - |
| Transfer of deferred tax related to the transfer of revaluation reserve to retained earnings | - | (449,172) | - | - | - | 499,172 | |
| Transfer net profit to reserves | - | - | - | - | - | - | - |
| **Other comprehensive income** | **-** | **(6,351,860)** | **(3,120,786)** | **-** | **-** | **499,172** | **(8,973,474)** |
| **Transactions with shareholders, recorded directly in equity::** | | | | | | | |
| Dividends distributed | - | - | - | - | - | - | - |
| Other elements | - | - | - | - | - | - | - |
| **Balance at June 30, 2024** | **67,603,870** | **56,683,501** | **142,919,678** | **79,826,174** | **12,541,942** | **(22,800,821)** | **336,774,284** |

ELECTROMAGNETICA SA
INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS ENDED ON JUNE 30, 2024
(all amounts are expressed in RON, unless otherwise specified)

| | Share capital | Retained earnings | Revaluation reserve for Tangible assets | Other reserves | Legal reserve | Deferred tax for revaluation reserves | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance as at 01 January 2023** | **67,603,870** | **120,493,248** | **149,935,370** | **57,975,275** | **12,541,942** | **(23,989,660)** | **384,560,045** |
| **Global Comprehensive Income** | | | | | | | |
| Profit or loss for the period | - | 8,430,014 | - | - | - | - | 8,430,014 |
| **Other capital items:** | | (20,103,152) | (2,080,652) | 21,850,899 | | 332,905 | |
| Legal reserve and other reserves | - | (1,401,865) | - | 1,401,865 | - | - | - |
| Transfer of reserve to retained earnings | - | 2,080,652 | (2,080,652) | - | - | - | - |
| Transfer of deferred tax related to the transfer of revaluation reserve to retained earnings | - | (332,905) | - | - | - | 332,905 | |
| Transfer net profit to reserves | - | (20,449,034) | - | 20,449,034 | - | - | - |
| **Other comprehensive income** | **-** | **(11,673,139)** | **(2,080,652)** | **21,850,899** | **-** | **332,905** | **8,430,014** |
| **Transactions with shareholders, recorded directly in equity::** | | | | | | | |
| Dividends distributed | - | (3,380,194) | - | - | - | - | (3,380,194) |
| Other elements | - | - | - | - | - | - | - |
| **Balance at 30 June 2023** | **67,603,870** | **105,439,915** | **147,854,719** | **79,826,174** | **12,541,942** | **(23,656,755)** | **389,609,865** |

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

## 1. GENERAL INFORMATION

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

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

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

- LED lighting fixtures, systems and solutions
- Electric vehicle charging stations
- Low voltage electrical equipment
- Injection of plastics and molds
- Railway traffic safety features
- Production of electricity from renewable sources

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

## 2. BASES OF PREPARATION

The financial figures are prepared in accordance with the Order of the Minister of Public Finance no. 2844/2016, which is in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union. The functional and presentation currency is the Romanian leu (RON).
The financial statements and information as of June 30, 2024 were not audited and were not subject to an external auditor review

## 3. MAIN ACCOUNTING POLICIES

In this separate quarterly report, the same accounting policies and calculation methods were used as those applied in the preparation of the Company's individual financial statements as of December 31, 2023, except for the adoption of the new standards in force as of January 1, 2024. The Company has not adopted any other standards, interpretations or amendments that have been issued but are not yet in force.

## 4. NOTES

### 4.1. The individual profit or loss situation

**Sales revenue**

| Q2 2024 | Q2 2023 | | 6 months period ended on June 30, 2024 | 6 months period ended on June 30, 2023 |
|---|---|---|---|---|
| 15,613,357 | 30,509,542 | Income from unlicensed activities | 34,491,392 | 63,025,248 |
| 8,681,026 | 23,027,742 | Income from licensed activities | 16,946,194 | 43,734,774 |
| **24,294,383** | **53,537,283** | **Total** | **51,437,586** | **106,760,023** |

The Company's turnover in the six-month period ending on June 30, 2024 decreased by 52% compared to the same period last year, primarily as a result of the reduction in sales.
Also, the turnover of the second quarter experienced a decrease of 55% compared to the same period last year.
The company recorded a loss of 8,973,474 RON, of which 65% was allocated to unlicensed activities and 35% to licensed activities.

### 4.2. The individual situation of the financial position

**Fixed assets**
Fixed assets registered a decrease of 1.8% compared to the end of 2023, due to the amortization and reduction of receivables with a collection term of more than one year.

**Current assets**
Current assets decreased by 14% compared to December 31, 2023, mainly due to the decrease in trade receivables and inventories.

*Trade receivables* decreased by 34% due to the significant reduction in sales as well as the collection of some obsolete receivables on December 31, 2024.

*Cash and cash equivalents* increased by 27%.

*Inventories* registered a decrease of 38%, those with reduced sales potential being adjusted.

**Equity**
On June 30, 2024, equity reached a level of 336,774,284 RON, registering a decrease of 2.6% compared to the end of 2023, as a result of the loss from the reporting period.

**Liability**
Long-term debt shows an insignificant increase of less than 1% compared to the beginning of the year.

Current liabilities decreased by 32% in line with the decrease in activity.

### 4.3. Individual statement of cash flows

On June 30, 2024, the Company recorded cash and cash equivalents in the amount of 31,954,351 RON, registering a 27% increase compared to the beginning of the year.
The net cash flow from operational activity had a positive value, which led to the possibility of accumulating financial resources.

**ECONOMIC AND FINANCIAL RATIOS**

| Indicator name | Formula | 6 months period ended on June30, 2024 | 6 months period ended on June30, 2023 |
|---|---|---|---|
| Current liquidity | Current assets/Current liabilities | 3.03 | 3.10 |
| Degree of indebtedness | Long term borrowed capital/ Share capital x 100 | 0.49 | 0.44 |
| | Long term borrowed capital / Invested capital x 100 | 0.49 | 0.43 |
| Turnover speed of customer debts (days) | Average client balance / Turnover x 180 | 105.6 | 130.0 |
| Turnover speed of fixed assets | (Turnover x 360/ 180)/ Fixed assets | 0.08 | 0.65 |

**Note:**

1. **Current liquidity** guarantees that current liabilities are covered from current assets.

2. **The degree of indebtedness** evaluates the efficiency of credit risk management, indicating potential funding or liquidity issues affecting the performance of commitments. Borrowed capital = Loans over more than one year and other interest bearing loans
Capital employed = Borrowed capital + Equity

3. **Turnover speed for customer debts** evaluates the efficiency of the company in collecting its receivables, i.e. the number of days until the date when debtors pay their debts to the company.

4**. Turnover speed for fixed assets** evaluates the efficiency of fixed asset management by examining the value of the turnover generated by a certain quantity of fixed assets.

**DANIELA ADI CUCU**
**General Director**

**CRISTIAN RADU**
**Chief Financial Officer**

# ELECTROMAGNETICA SA

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**
**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024 (UNAUDITED)**

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

**ELECTROMAGNETICA SA**
**CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS**
**AND OTHER COMPREHENSIVE INCOME**
**FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2024**
**(all amounts are expressed in RON, unless otherwise specified)**

| | Note | Period of 6 months ended June 30, 2024 | Period of 6 months ended on June 30, 2023 |
|---|---|---|---|
| **Revenue** | **20** | **51,444,998** | **106,799,047** |
| Finance income | | 464,809 | 186,784 |
| Other net income and expenses | **20** | (1.228,404) | 2,.103,262 |
| Change in the inventories of finished products and work in progress | | (1,964,787) | 6,910,035 |
| Capitalized workings | | 65,891 | 755,319 |
| Raw materials and consumables | **21** | (29,316,577) | (53,740,784) |
| Employee benefits expenses | **21** | (15,630,503) | (22,116,241) |
| Depreciation and amortization | **21** | (5,425,705) | (4,899,649) |
| Other expenses | **21** | (9,014,288) | (25,854,404) |
| Finance expenses | **22** | (88,345) | (229,752) |
| **Profit / (Loss) before tax** | | **(10,692,911)** | **9,913,619** |
| Corporate income tax | **23** | 911,936 | (1,560,124) |
| **Net Profit** | | **(9,780,975)** | **8,353,495** |
| Assignable to the parent company | | (9,794,410) | 8,357,967 |
| Assignable to non-controlling interests | | 13,435 | (4,472) |
| **Other comprehensive income** | | | |
| of which: | | - | - |
| Other comprehensive income items that cannot be reclassified to the profit and loss account, of which: | | - | - |
| - deferred tax related to disposed fixed assets | | - | - |
| **Total comprehensive income** | | **(9,780,975)** | **8,353,495** |
| **Attributable period result:** | | | |
| Shareholders of the parent company | | (9,794,410) | 8,357,967 |
| Non-controlling interests | | 13,435 | (4,472) |
| **Total comprehensive income for the period attributable:** | | | |
| Shareholders of the parent company | | (9,794,410) | 8,357,967 |
| Non-controlling interests | | 13,435 | (4,472) |
| Earnings per share | | (0.0145) | 0.0124 |
| Diluted earnings per share | | n/a | n/a |

These consolidated interim financial statements were approved to be issued by management on August 14, 2024.

**DANIELA ADI CUCU**
Managing Director

**CRISTIAN RADU**
Chief Financial Officer

**ELECTROMAGNETICA SA**
**CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**
**AS OF 30 JUNE 2024**
**(all amounts are expressed in RON, unless otherwise specified)**

| | Note | June 30, 2024 | December 31, 2023 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | **5** | 281,204,259 | 285,980,090 |
| Investment property | **6** | 23,569,292 | 23,569,292 |
| Intangible assets | **7** | 459,790 | 567,327 |
| Other non-current assets | **9** | 5,136,409 | 6,606,482 |
| Right of Use Assets | **8** | 50,234 | 81,132 |
| **Total non-current assets** | | **310,419,984** | **316,804,323** |
| **Current assets** | | | |
| Inventories | **10** | 11,611,009 | 18,753,989 |
| Trade receivables | **11** | 23,302,409 | 35,412,343 |
| Cash and cash equivalents | **13** | 36,710,670 | 30,888,179 |
| Other current assets | **12** | 2,154,769 | 1,889,429 |
| Current tax receivable | **23** | 1,656,204 | 1,700,402 |
| **Total current assets** | | **74,435,061** | **88,644,343** |
| **Total assets** | | **385,855,045** | **405,448,666** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | **14** | 67,603,870 | 67,603,870 |
| Reserves and other equity items | **15** | 214,654,360 | 217,810,770 |
| Retained earnings | **16** | 65,433,385 | 71,976,006 |
| **Total equity attributable to the company's shareholders** | | **347,691,616** | **357,390,646** |
| Non-controlling interests | | 284,328 | 392,409 |
| **Total equity** | | **347,975,943** | **357,783,055** |
| **Long-term liabilities** | | | |
| Trade and other liabilities | **19** | 1,140,024 | 867,718 |
| Investment subsidies | **17** | 3,675,823 | 3,757,433 |
| Deferred tax liabilities | **23** | 15,205,972 | 16,208,824 |
| Lease liabilities | **8** | 236,099 | 29,694 |
| **Total long-term liabilities** | | **20,257,918** | **20,863,669** |
| **Current liabilities** | | | |
| Trade and other liabilities | **19** | 16,113,682 | 25,178,506 |
| Investment subsidies | **17** | 163,219 | 163,219 |
| Provisions | **18** | 1,286,942 | 1,405,436 |
| Lease liabilities | **8** | 57,341 | 54,781 |
| **Total current liabilities** | | **17,621,184** | **26,801,943** |
| **Total liabilities** | | **37,879,102** | **47,665,611** |
| **Total equity and liabilities** | | **385,855,045** | **405,448,666** |

These consolidated interim financial statements were approved to be issued by management on August 14, 2024.

**DANIELA-ADI CUCU**
Managing Director

**CRISTIAN RADU**
Chief Financial Officer

**ELECTROMAGNETICA SA**
**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**
**FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2024**
**(all amounts are expressed in RON, unless otherwise specified)**

| | Note | Period of 6 months ended June 30, 2024 | Period of 6 months ended June 30, 2023 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from customers | | 71,197,653 | 113,866,988 |
| Payments to suppliers | | (43,222,401) | (61,810,454) |
| Payments to employees | | (16,479,901) | (23,491,564) |
| Other operating activities | | (6,212,784) | (22,918,741) |
| **Cash generated by/(used in) operating activity** | | **5,282,567** | **5,646,229** |
| Interest paid | | - | (1,469) |
| Profit tax paid | | (42,592) | (1,053,270) |
| **Net cash generated by/(used in) operating activities** | | **5,239,975** | **4,591,490** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (56,366) | (1,846,411) |
| Interest received | | 678,026 | 24,490 |
| Proceeds from the sale of fixed assets | | 89,027 | 304,361 |
| **Net cash generated by/(used in) investing activities** | | **710,687** | **(1,517,560)** |
| **Cash flows from financing activities** | | | |
| Cash receipts from loans | | - | 1,964,851 |
| Loan repayments | | - | (1,964,851) |
| Repayment of lease liability | | (99,398) | (47,910) |
| Interest paid | | (1,587) | (3,297) |
| Dividends paid | | (27,186) | (5,695) |
| **Net cash generated by/(used in) financing activities** | | **(128,171)** | **(56,902)** |
| **Net increase in cash and cash equivalents** | | **5,822,491** | **3,017,028** |
| **Cash and cash equivalents at the beginning of the period** | **13** | **30,888,179** | **15,417,388** |
| **Cash and cash equivalents at the end of the period** | **13** | **36,710,670** | **18,434,416** |

These consolidated interim financial statements were approved to be issued by management on August 14, 2024.

**DANIELA - ADI CUCU**
Managing Director

**CRISTIAN RADU**
Chief Financial Officer

**ELECTROMAGNETICA SA**
**CONSOLIDATED INTERIM STATEMENT OF EQUITY CHANGE**
**FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2024**
**(all amounts are expressed in RON, unless otherwise specified)**

| | Share capital | Retained earnings | Revaluation reserves tangible assets | Deferred tax recognized in reserves | Other elements | Legal reserve | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Balance as of January 1, 2024** | **67,603,870** | **71,976,006** | **147,390,995** | **(23,515,508)** | **81,371,341** | **12,563,942** | **392,409** | **357,783,055** |
| Profit or loss for the period | - | (9,794,410) | - | - | - | - | 13,435 | (9,780,975) |
| **Other comprehensive income** | - | **2,621,614** | **(3,120,786)** | **499,172** | - | - | - | - |
| Transfer of reserves to retained earnings | - | 3,120,786 | (3,120,786) | - | - | - | - | - |
| Transfer of related deferred tax from revaluation reserve to retained earnings | - | (499,172) | - | 499,172 | - | - | - | - |
| | - | - | - | - | - | - | - | - |
| **Total comprehensive income for the period** | | **(7,172,796)** | **(3,120,786)** | **499,172** | | | **13,435** | **(9,780,975)** |
| **Transactions with shareholders, recorded directly in equity** | | | | | | | | |
| Dividends distributed to shareholders | - | - | - | - | - | - | (121,516) | (121,516) |
| Other elements | - | 630,175 | - | - | (534,796) | - | - | 95,379 |
| **Balance as of June 30, 2024** | **67,603,870** | **65,433,385** | **144,270,209** | **(23,016,336)** | **80,836,545** | **12,563,942** | **284,328** | **347,975,943** |

These consolidated interim financial statements were approved to be issued by management on August 14, 2024.

**DANIELA - ADI CUCU**
Managing Director

**CRISTIAN RADU**
Chief Financial Officer

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

| | Share capital | Retained earnings | Revaluation reserves of fixed assets | Deferred tax recognized in reserves | Other elements | Legal reserve | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Balance as of 01 January 2023** | **67,603,870** | **128,517,096** | **151,285,901** | **(24,205,114)** | **59,328,628** | **12,563,922** | **364,013** | **395,458,316** |
| Profit or loss for the period | - | 8,357,967 | - | - | - | - | (4,472) | 8,353,495 |
| **Other comprehensive income** | - | **(20,251,755)** | **(2,080,652)** | **332,905** | **21,999,502** | - | - | - |
| Transfer of reserves to retained earnings | - | 2,080,652 | (2,080,652) | - | - | - | - | - |
| Transfer of related deferred tax from revaluation reserve to retained earnings | - | (332,905) | - | 332,905 | - | - | - | - |
| Transfer of net profit to reserves | - | (20,597,637) | - | - | 20,597,637 | - | - | - |
| Legal reserve and other reserves | - | (1,401,865) | - | - | 1,401,865 | - | - | - |
| **Total comprehensive income for the period** | | **(11,893,788)** | **(2,080,652)** | **332,905** | **21,999,502** | | **(4,472)** | **8,353,495** |
| **Transactions with shareholders, registered directly in equity** | | | | | | | | |
| Dividends distributed to shareholders | - | (3,440,905) | - | - | - | - | - | (3,440,905) |
| Other elements | - | 80,414 | - | - | (185) | - | - | 80,229 |
| **Balance as of June 30, 2023** | **67,603,870** | **113,262,817** | **149,205,249** | **(23,872,209)** | **81,327,945** | **12,563,922** | **359,541** | **400,451,135** |

These consolidated interim financial statements were approved to be issued by management on August 14, 2024.

**DANIELA - ADI CUCU**
Managing Director

**CRISTIAN RADU**
Chief Financial Officer

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

## 1. GENERAL INFORMATION ABOUT THE GROUP

**SC Electromagnetica SA –** is a joint-stock company, with Romanian legal personality, with an unlimited lifespan, which is organized and operates according to the statute and based on Law no. 31/1991 republished in 2004 and amended by Law no. 441/2006, GEO no. 82/2007 and GEO no. 52/2008 as well as the Capital Market Law no. 297/2004. The Group has its registered office in Bucharest, Calea Rahovei no. 266-268, sector 5, Bucharest, Romania, postal code 64021, telephone 021.404.21.31, 021.404.21.02, fax 021.404.21.95, www.electromagnetica.ro website, unique registration code RO 414118, registration number at the Trade Register J40/19/1991. The share capital of Electromagnetica S.A.: is RON 67,603,870.40 divided into 676,038,704 common shares, registered and dematerialized, registered in an electronic account in the shareholders' register kept by Depozitarul Central SA. According to the statute, the main object of activity is the manufacture of instruments and devices for measurement, verification, control, navigation (NACE code 2651).
The Company has control in the following companies:

**SC Electromagnetica Fire SRL** is a limited liability company with headquarters in Bucharest, Calea Rahovei nr 266-268, sect. 5, building 2, ground floor, axes C-D, pillars 6 1/2 - 7, registered at the Trade Register Office attached to the Bucharest Tribunal with no. J40/15634/2006, CUI 19070708, which carries out activities in the field of fire protection, technical assistance for fire prevention and extinguishing and private emergency services on civil protection (NACE code 8299).
**SC Electromagnetica Prestserv SRL** is a limited liability company with headquarters in Bucharest, Calea Rahovei 266-268, sector 5, building 1, floor 2, axes A-B, poles 1-2, registered at the Trade Register Office attached to the Bucharest Tribunal with no. J40/1528/2003, CUI 15182750, which provides cleaning services (NACE code 4311).

SC Electromagnetica Prestserv SRL and SC Electromagnetica Fire SRL were established by outsourcing services within SC Electromagnetica SA, namely cleaning services, technical assistance for fire prevention and extinguishing and private emergency services regarding civil protection.
In the first half of 2024, as a result of the streamlining of the activity and the outsourcing to third parties of some services provided by Electromagnetica Fire S.R.L. and Electromagnetica Prestserv S.R.L., their operational activity ceased. Consequently, in the first half of 2024, the Board of Directors of Electromagnetica S.A. authorized the initiation of closure procedures for these entities, which are expected to be finalized during the second half of 2024.

**SC Procetel SA** is a joint-stock company headquartered in Bucharest, Calea Rahovei 266-268, trade register number J40/10437/1991, CUI 406212, tel: 031.700.26.14, fax: 031.700.26.16. SC Procetel SA is a closed joint-stock company (the shares are not traded on the market) whose main activity is research and development in other natural sciences and engineering (NACE code 7219). Presently, the research activity has been drastically reduced, the results obtained coming mainly from the activity of renting spaces.

The details of Electromagnetica S.A.'s investments in subsidiaries as of June 30, 2024, and December 31, 2023 are as follows:

| Branch name | No. of titles | Percentage of ownership and voting rights (%) | Value |
|---|---|---|---|
| Electromagnetica Prestserv SRL | 8,300 | 100% | 30,000 |
| Electromagnetica Fire SRL | 800 | 100% | 80,000 |
| Procetel SA | 42,483 | 96.548% | 732,008 |
| **TOTAL** | | | **842,008** |

The oversights and management of these companies is provided by Mr. Radu Cristian-Iulian – sole administrator of SC Electromagnetica Fire SRL, SC Electromagnetica Prestserv SRL and SC Procetel SA.

In addition, the majority of outstanding shares of Electromagnetica S.A. is owned by Infinity Capital Investments S.A., which controls 13 companies, including Electromagnetica. In the first half of 2024, no transactions were carried out with Infinity Capital Investments S.A. or its affiliated companies, other than those in which Electromagnetica S.A. owns the majority of outstanding shares and which are presented above.

## 2. DATABASES PREPARATION

### Declaration of conformity

The consolidated interim financial statements of the 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 on the Company's reporting date, respectively June 30, 2024 and in accordance with the provisions of the Order of the Minister of Public Finance no. 2844/2016, for the approval of the Accounting Regulations in accordance with International Financial Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, with subsequent amendments and clarifications. These provisions correspond to the requirements of the International Financial Reporting Standards, adopted by the European Union.

The financial statements are available on the website www.eletromagnetica.ro within the applicable legal term.
The consolidated interim financial statements as of June 30, 2024 have not been audited and have not been subject to an external audit review.

**Basis of preparation**

The consolidated interim financial statements have been prepared on the basis of historical cost, with the exception of property, plant and equipment where the revaluation method has been adopted. Historical cost is generally based on the fair value of the consideration made in exchange for assets.

**Basis of consolidation**

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

The consolidated interim financial statements include the financial statements of Electromagnetica S.A. and entities controlled by Electromagnetica S.A. (together the "Group"). Control is obtained when the company has control over the entity in which it has invested, when it has exposure to or rights to variable results based on its participation in the entity in which it has invested and has the ability to use its authority over the entity in which it has invested to influence the value of the results.

The 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 the acquisition or until the effective date of the disposal, as applicable.

Where necessary, adjustments are made to the financial statements of the subsidiaries in order to align their accounting policies with those applied by Electromagnetica S.A..

All intra-group transactions, balances, income and expenses were fully eliminated at consolidation.

Non-controlling interests in the net assets (excluding goodwill) of the consolidated subsidiaries are identified separately from the Group's equity. Non-controlling interests shall consist of the value of those interests at the date of the initial business combination and the minority interest in changes in equity at the date of the combination. The Group will also attribute total comprehensive income to the owners of the parent company and non-controlling interests, even if a deficit balance of non-controlling interests results.

**Principle of going concern**

The financial statements have been prepared based on the principle of business continuity, which means that the Group will be able to realize its assets and pay its debts under normal business conditions.

**Functional and presentation currency**

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

**Foreign currency**

Transactions denominated in foreign currency are recorded in RON at the official exchange rate on the date of settlement of the transaction. Monetary assets and liabilities recorded in foreign currency at the date of preparation of the financial statement are expressed in RON at the exchange rate of that day. Gains or losses on their settlement and on the translation of monetary assets and liabilities denominated in foreign currency using the exchange rate at the end of the period under review are recognized in profit or loss. Non-monetary assets and liabilities that are measured at historical cost in foreign currency are recorded in RON at the exchange rate on 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 exchange rate on the date on which the fair value was determined.

Conversion differences are shown in the profit or loss account.

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

The period-end exchange rates of the major currencies were as follows:

| | Exchange rate June 30, 2024 | Exchange rate December 31, 2023 | Exchange rate June 30, 2023 |
|---|---|---|---|
| Exchange rate to EUR at end of period | 4.9771 | 4.9746 | 4.9634 |
| USD exchange rate at the end of the period | 4.6489 | 4.4958 | 4.5750 |

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

The estimates and associated judgments are based on historical data and other factors considered to be eloquent in the given circumstances, and the result of these factors forms the basis of the reasoning 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.

The 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 in future periods, if the revision affects both the current period and the future period.

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

The Group's management believes that any deviations from these estimates will not have a material influence on the financial statements in the near future, with the prudential principle being applied to each estimate.

Estimates and assumptions are mainly used for impairment adjustments of fixed assets, estimation of the useful life of fixed assets, for adjustment of impairment of receivables and inventories, for provisions, and for recognition of deferred tax assets.

In accordance with IAS 36, intangible and tangible assets are analyzed to identify whether they show impairment indicators at the balance sheet date. If the net carrying value of an asset is greater than its recoverable value, an impairment loss is recognized to reduce the net carrying value of that asset to the level of recoverable value. If the grounds 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.

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 only be clarified when one or more future events occur or not. Assessing these situations inherently involves the use of meaningful assumptions and estimates of the 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.
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(all amounts are expressed in RON, unless otherwise specified)

## 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

***New IFRS accounting standards and amendments to existing standards, which are in force in 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 2024. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

| Standard | Title |
|---|---|
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants |
| Amendments to IAS 7 and IFRS 7 | Supplier Finance Arrangements |
| Amendments to IFRS 16 | Lease liabilities in a sale and leaseback transaction |

***New IFRS accounting standards and amendments to existing standards issued and adopted by the EU but not yet in force***

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

***New IFRS accounting standards and amendments to existing standards issued but not yet adopted by the EU***

Currently, IFRS as adopted by the EU does not differ significantly from IFRS adopted by the International Accounting Standards Board (IASB), with the exception of the following new standards and amendments to existing standards, which have not been adopted by the EU:

| Standard | Title | EU adoption status |
|---|---|---|
| Amendments to IAS 21 | Lack of convertibility (effective date set by the IASB: January 1, 2025) | They have not yet been adopted by the EU |
| Amendments to IFRS 9 and IFRS 7 | Amendments to the classification and valuation of financial instruments (effective date set by the IASB: 1 January 2026) | They have not yet been adopted by the EU |
| Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 | Annual Improvements to IFRS Accounting Standards - Volume 11 (effective date set by the IASB: January 1, 2026) | They have not yet been adopted by the EU |
| IFRS 18 | Presentation and disclosure of information in the financial statements (effective date set by the IASB: January 1, 2027) | They have not yet been adopted by the EU |
| IFRS 19 | Non-public liability subsidiaries: information to be provided (effective date set by the IASB: January 1, 2027) | They have not yet been adopted by the EU |
| IFRS 14 | Deferral accounts related to regulated activities (effective date set for: 1 January 2016) | The European Commission has decided not to start the approval process of this interim standard and to wait for the final standard. |
| Amendments to IFRS 10 and IAS 28 | Sale of or contribution of assets between an investor and its associates or joint ventures and subsequent amendments (effective date has been postponed indefinitely by the IASB, but early application is permitted) | The approval process was postponed indefinitely until the completion of the research project on the equity method. |

The Group anticipates that the adoption of these new standards and amendments to existing standards will not have a material impact on the Group's financial statements in the future.

Hedge accounting against the risks of 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 use of hedging accounting against the risks of a portfolio of financial assets and liabilities under **IAS 39: Financial instruments: recognition and measurement** would not materially affect the financial statements, if applied at the balance sheet date.

**ANNEX: BRIEF DESCRIPTION OF NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS**

- **IFRS 18 Presentation and Disclosures in Financial Statements** issued by IASB on 9 April 2024 will replace IAS 1 Presentation of Financial Statements. Standard introduces three sets of new requirements to improve companies' reporting of financial performance and give investors a better basis for analyzing and comparing companies. The main changes in the new standard compared with IAS 1 comprise: (a) The introduction of categories (operating, investing, financing, income tax and discontinued operations) and defined subtotals in the statement of profit or loss; (b) the introduction of requirements to improve aggregation and disaggregation; (c) The introduction of disclosures on Management-defined Performance Measures (MPMs) in the notes to the financial statements.

- **IFRS 19 Subsidiaries without Public Accountability: Disclosures** issued by IASB on 9 May 2024. Standard permits a subsidiary to provide reduced disclosures when applying IFRS Accounting Standards in its financial statements. IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

- **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 recognize 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 recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease.

- **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 in 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 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.

- **Amendments to IFRS 9 and IFRS 7 - Amendments to the Classification and Measurement of Financial Instruments** issued by IASB on 30 May 2024. Amendments clarify the classification of financial assets with environmental, social and corporate governance (ESG) and similar features. Amendments also clarify the date on which a financial asset or financial liability is derecognised and introduce additional disclosure requirements regarding investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features.

- **Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 - Annual Improvements to IFRS Accounting Standards - Volume 11** issued by IASB on 18 July 2024. These amendments include clarifications, simplifications, corrections and changes in the following areas: (a) hedge accounting by a first-time adopter (IFRS 1); (b) gain or loss on derecognition (IFRS 7); (c) disclosure of deferred difference between fair value and transaction price (IFRS 7); (d) introduction and credit risk disclosures (IFRS 7); (e) lessee derecognition of lease liabilities (IFRS 9); (f) transaction price (IFRS 9); (g) determination of a 'de facto agent' (IFRS 10); (h) cost method (IAS 7).

- **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 recognize 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 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 liability is classified as short-term (current) if:

- it is expected to be settled in the normal operating cycle of the Group;
- 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 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 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 act 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 circumstances for which sufficient data are available for fair value measurement, maximizing the use of observable input data and minimizing 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 contracts with customers**

Income from customer contracts is recognized when control of the goods and services is transferred at a value that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Overall, the Group concluded that it is the main beneficiary of revenue, as it controls the goods or services before passing them on to the customer.

The group has long-term contracts with municipalities in progress since previous years, which are paid in installments, which according to IFRS 15 included a significant financing component .

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

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

In the case of transfers of goods, when there is a right of return, the Group acknowledges the following:

1. income from the transferred goods at the level of the amount to which the entity believes it is entitled, therefore the Group will not recognise the goods expected to be returned;
2. debt to be repaid; And
3. an asset, together with the related adjustment of the cost of goods sold, to reflect the seller's right to recover the goods from the customer in order to constitute the debt to be returned.

The Group also takes into account that it is possible that the condition of the returned goods will be much different from that at the time of delivery, and there is even a risk that the goods will not be able to be used further. 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 impairments or costs necessary for their recovery. The Group will evaluate and adjust accordingly, at the date of preparation of the financial statements, the expected level of returns and the related debt to be refunded, corresponding change in the level of income. Moreover, the value of the recognised asset will change whenever the value of the debt changes or there are indications that there is an impairment in value. If the entity is unable to estimate the level of returns, revenue will not be recognised until the date on which the estimate can reasonably be made, which may correspond to the end of the period in which the customer is entitled to return.

In the case of pre-delivery billing agreements, in addition to the conditions mentioned above, 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 invoicing before delivery must be substantial (there must be a written request from 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 that delivers the product cannot 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 customer, then the moment when a customer gains control over a good or service is evaluated according to this clause. If there is an acceptance clause in the contract concluded with a customer, then the moment when a customer gains control over a good or service is evaluated according to this clause.

More details can be found in Note 20 where the Company's main income-generating activities 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.

The income from renting spaces is recognized in the profit and loss account on a straight-line basis, during the duration of the lease agreement.

**Dividends and interest**

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

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

**Leasing**

*The Group as a lessee*

The group assesses whether a contract is or contains an embedded lease at the beginning of the contract.

The Group acknowledges a right to use the asset and a corresponding lease debt in relation to all leases in which it is a lessee/user, with the exception of short-term contracts (defined as leases for a lease period of 12 months or less) and leases of assets with a low value (less than RON 24,500).

For these leases, the Group recognizes the payments as straight-line operating expenses over the term of the lease.
Electromagnetica classifies as leasing contracts those aimed at renting spaces. As the lease is carried out for periods of one year or more, they are treated in a unitary accounting manner by recognizing a right to use the asset and a leasing debt.

*Lease liability*

At the start date of the lease agreement, the Group recognizes the lease liabilities, measured at the present value at the marginal lease payment rate , over the term of the lease. Payments include fixed payments minus any incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid in the form of residual value.

The Group uses as reference rate a borrowing rate received from the financial-banking sector.

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

a. fixed payments (including fixed fund payments), less any leasing incentives to be received;
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.

The leasing liability is presented as a separate line in *the Statement of Financial Position*.

The Group shall revalue the lease liability by discounting the revised lease payments using a revised discount rate, where 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 Group determines revised lease payments to reflect changes in amounts due under a purchase option.

The Group revalues the lease liability by updating the revised lease payments in any of the following situations:

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 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.

*Right of 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 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 |

*Group as lessor*

The Group 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 recognized linearly over the duration of that lease.

The Group 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-cycle asset and are capitalized until the asset is ready for predetermined use or sale.

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

Interest expense is recorded using the effective interest method.

During the six-month period ended June 30, 2024 and the year ended December 31, 2023, the Group did not capitalize interest expense in the value of assets, as it did not take out any investment loans.

**Employee benefits**

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

The Group makes payments on behalf of its employees to the pension system of the Romanian state, health insurance and the unemployment fund, in the course of carrying out its 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 for the period when they are made. The group has no other additional 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.

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

The group is not employed in any other post-employment benefits scheme. The Group has no obligation to provide further services to former or current employees.

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

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 income tax*

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

*Deferred tax*

The deferred tax is constituted by analyzing the temporary differences in assets and liabilities.

Deferred tax claims are recognized only to the extent that taxable profit is likely to be obtained in the future, after offsetting the tax loss of previous years and the income tax to be recovered.

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

Currently, the tax losses generated by companies in Romania can be recovered over a period of 5 years.

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

The receivables and liabilities regarding the deferred corporate income tax are presented clearly 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 Statement of profit and loss unless they refer to items that are recognized in *Other items of comprehensive income* or directly in equity, in which case current and deferred taxes are also recognized in *Other items of comprehensive income*, respectively equity.

**Value Added Tax (VAT)**

Income, expenses related to 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 liabilities in *the Statement of Financial Position*.

**Property, plant and equipment**

Tangible fixed 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 fixed assets is represented by the value of the consideration made for the acquisition of the respective assets as well as the value of other costs directly attributable to bringing the assets to the location and the necessary condition for them to be able to operate in the manner desired by management.

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

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

Land and buildings used in production or for the supply of goods and services, or for administrative purposes are presented in *the 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 these costs.

Other property, plant and equipment (equipment, appliances, installations) are measured at cost minus cumulative depreciation and amortization and accumulated impairment loss.

Tangible assets in progress to be used in production or administrative are measured at cost minus cumulative impairment loss. These assets are classified in the appropriate categories of property, plant and equipment when they are completed 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.

The land owned is not depreciated.

The residual value, the estimated useful life and the amortization/depreciation method are revised at the end of each reporting period, any change therein being accounted for prospectively.

For all assets acquired as of January 1, 2015, the Group has opted to use as a depreciation method, the straight-line method, which involves the systematic allocation of the depreciation value over the entire economic life of the assets.

The company's management has estimated the following useful life for different categories of tangible assets as appropriate as follows:

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

An item of property, plant and equipment 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 arising 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 carrying amount of the asset and is recognized in the Statement of Profit and Loss at the date of recognition.

**Investment property**

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

After initial recognition, real estate investments are recognized in the financial statements at fair value**.** Real estate investments are not depreciated, 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*

Finite life intangible assets that are purchased separately are initially recognized at cost and are subsequently accounted for at cost less accumulated depreciation and impairment. Depreciation is recognized linearly over their useful lives. The useful life for this group of fixed assets is between 3 and 5 years. Their useful life and depreciation method are revised at the end of each reporting period, with the effect that any changes to the 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 minus cumulative impairment losses.

*Internally generated intangible assets – research and development expenses*

Expenses for research activities are recognized as such during the period in which they were carried out.

An internally generated tangible asset resulting from development (or from the development stage of an internal project) is recognised if all of the following criteria have been demonstrated:

- the technical feasibility necessary to complete the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and to use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate 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;
- the ability to reliably assess the costs attributable to the intangible asset during its development.

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

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

*Derecognition of intangible assets*

An intangible asset is derecognized when it is disposed of or when it is expected that no benefit will be derived from its use or disposal. Gains or losses arising from the derecognition of an intangible asset, measured as the difference between the net proceeds from the sale and the net carrying amount of the asset, are recognized in profit and loss when the asset is derecognized.

**Impairment of tangible and intangible assets**

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

For intangible assets with an indefinite lifespan, impairment tests are carried out annually. This is applicable even if there are no indications of depreciation. Impairment tests are carried out at the level of cash-generating units that generate cash inflows that are largely independent of those from other assets or groups of assets.

For assets representing property, plant and equipment, if there is an indication or when an annual impairment test is required, the Group estimates the recoverable amount of the asset as the greater of fair value minus costs of sale and its value in use.

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

If the net carrying amount of a cash-generating asset or unit exceeds its recoverable amount, the asset is considered to be impaired and an impairment loss is recognized to reduce the value of the asset to the level of recoverable amount.

Impairment losses are recognized in *the Statement of profit and loss* on the line *Depreciation and impairment adjustments of fixed assets* and reversals or operating expenses.

If the underlying 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 carrying amount increased by reversing an impairment adjustment shall not exceed the carrying amount (net of depreciation) that would have been determined if no impairment adjustment had been recognized in prior years.

**Major maintenance and repairs**

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

Major repair costs 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 depreciated separately is replaced and is likely to bring future economic benefits. If a part of the replaced asset has not been considered a separate component and has therefore not been depreciated separately, the replacement value shall be used to estimate the net carrying amount 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 micro-hydropower plants are also capitalized.
All other costs of current repairs and routine 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 sale, or
- in the form of materials and other consumables to be used in the production process or for the provision of services

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

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

For inventories of raw materials and materials, as well as for stocks of finished products, adjustments are made based on management estimates. The constitution and resumption of adjustments for the depreciation of inventories shall be made on account of the profit and loss account.

**Prepaid expenses**

Prepaid expenses/prepayments are amounts paid in advance usually for services that concern a period of up to one year or more. The part that refers to the period of up to one year is reflected in the Statement of Financial Position in current assets. The portion that exceeds one year is reflected in non-currrent 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 recognized 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 group'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 group 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 Group's financial assets mainly include cash and cash equivalents, trade receivables and other receivables, equity investments.

A financial asset (or, as the case may be, a part of a financial asset or a part of a group of similar financial assets) is derecognized 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 assets or has assumed an obligation to pay in full the cash flows received, without significant delay, to a third party under a 'transfer' agreement; and either: (a) the Group has substantially passed on all risks and rewards of the asset; or (b) The Group has neither transferred or retained substantially all of the risks and rewards of the asset, but has transferred control of the asset.

Regular purchases and sales of financial assets are recognized at 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 substantially transferred all the risks and rewards associated with 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 Group 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.

***Trade receivables and other receivables***

Trade receivables measured under IFRS 9 are amounts owed to customers for products sold in the normal course of business. These are generally due for settlement within 30-120 days and are therefore all classified as current. Trade receivables are initially recognized at the value of consideration under IFRS 15 which is unconditional, unless they contain significant financing components, when recognized at fair value at the initial recognition date. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore subsequently measures them at amortized cost using the effective interest method.

Most of the Group's trade receivables do not contain the financing component.

For receivables maturing up to 90 days overdue, the Group has adopted the simplified approach in accordance with IFRS 9 and has measured the loss provision based on a provisioning matrix that is based on historical collection and forecast-adjusted default experience to estimate the provision at initial recognition and over the life of the receivables at an amount equal to the ECL (Expected Credit Losses).  The valuation is carried out every six months and any changes to the initial allowance will be recorded as a gain or loss in the profit and loss account. Expected credit losses throughout the life of the receivables, as well as 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 receivables and other receivables, together with the associated impairment adjustment, if any, are cancelled when there is no realistic prospect of future recovery, and all collateral has been realized or transferred to the Group. If collection is expected in more than one year, they are classified as long term 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 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.

**iii) Financial liabilities**

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

A financial liability is derecognized 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 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 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 recognized and subsequently revalued at fair value. The company has no derivatives.

**Government subsidies**

Under IAS 20, government subsidies are only recognized 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 recognized 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 recognized 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 (warranty reserves)* 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.

*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 recognize provisions for losses on the use of assets.

**Segment reporting**

Given that Electromagnetica's shares are traded on the Bucharest Stock Exchange and that it applies IFRS, information about the business segments, their products and services and their main customers is presented in the annual financial statements as well as in the interim reports made in accordance with IAS 34 – Interim Financial Reporting.

In accordance with *IFRS 8 - Business Segments*, a business segment is a component of an entity:

- that engages in business activities from which it can derive 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 in order to make decisions on the allocation of resources by segments and to evaluate its performance, and

- for which separate financial information is available.

Taking into account the criteria for identifying business segments as well as the quantitative thresholds described in IFRS 8, the Group has identified the following business segments for which it presents 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 reflected accordingly by the decrease in equity.

### 4.2. Accounting judgments, estimates and assumptions

The interim 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 Group's management believes that any deviations from these estimates will not have a significant influence on the financial statements in the near future, the principle of prudence being applied for each estimate.

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

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

Property, plant and equipment are presented at revalued values in accordance with IAS 16 and investment property at fair values in accordance with IAS 40.

For inventories, adjustments are made based on management's estimates of the net realizable value. The constitution and resumption of adjustments for the depreciation of inventories shall be made quarterly to the reporting data on 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.

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

## 5. PROPERTY, PLANT AND EQUIPMENT

| Cost | Land and land improvements | Construction | Technological equipment and vehicles | Other tangible assets | Property, plant and equipment pending execution | Advance payments on property, plant and equipment | Total |
|---|---|---|---|---|---|---|---|
| **As of December 31, 2023** | **157,971,181** | **113,954,255** | **15,344,428** | **2,743,825** | **1,218,688** | **-** | **291,232,377** |
| Additions | - | - | 391,318 | 562,120 | 205,262 | - | 1,158,700 |
| - of which: revaluation | - | - | - | - | - | - | - |
| Transfers | - | - | 82,963 | 562,120 | - | - | 645,083 |
| Disposals | - | - | (4,293) | (4,249) | - | - | (8,542) |
| from the determination of the net revaluation amount | - | - | - | - | - | - | - |
| -Transfers | - | - | - | - | (645,083) | - | (645,083) |
| **As of June 30, 2024** | **157,971,181** | **113,954,255** | **15,731,453** | **3,301,696** | **778,867** | **-** | **291,737,452** |

| Cumulative depreciation | Land and land improvements | Construction | Technological equipment and vehicles | Other tangible assets | Property, plant and equipment pending execution | Advance payments on property, plant and equipment | Total |
|---|---|---|---|---|---|---|---|
| **As of December 31, 2023** | **-** | **-** | **(1,291,887)** | **(245,722)** | **-** | **-** | **(1,537,608)** |
| Depreciation of the period | (29,734) | (2,918,856) | (1,962,062) | (377,310) | - | - | (5,287,962) |
| Cumulative depreciation on diposals | - | - | 4,293 | 2,764 | - | - | 7,057 |
| - of which the net value was determined | - | - | - | - | - | - | - |
| **As of June 30, 2024** | **(29,734)** | **(2,918,856)** | **(3,249,656)** | **(620,268)** | **-** | **-** | **(6,818,513)** |

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

**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** | **Advance payments on property, plant and equipment** | **Total** |
|---|---|---|---|---|---|---|---|
| **As of December 31, 2023** | **(3,714,679)** | **-** | **-** | **-** | **-** | **-** | **(3,714,679)** |
| Impairment adjustments recognized in profit or loss | - | - | - | - | - | - | - |
| Revisions of impairment adjustments recognized in profit or loss | - | - | - | - | - | - | - |
| **As of June 30, 2024** | **(3,714,679)** | **-** | **-** | **-** | **-** | **-** | **(3,714,679)** |
| **Net book value** | | | | | | | |
| **As of December 31, 2023** | **154,256,502** | **113,954,256** | **14,052,541** | **2,498,103** | **1,218,688** | **-** | **285,980,090** |
| **As of June 30, 2024** | **154,226,768** | **111,035,400** | **12,481,797** | **2,681,428** | **778,867** | **-** | **281,204,259** |

**5. PROPERTY, PLANT AND EQUIPMENT (continued)**

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

| Cost | Land and land improvements | Construction | Technological equipment and vehicles | Other tangible assets | Property, plant and equipment pending execution | Advance payments on property, plant and equipment | 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** |
| Additions | - | 2,736,958 | 1,130,299 | 48,521 | 4,255,195 | 256,523 | 8,427,496 |
| - of which: revaluation | - | - | - | - | - | - | - |
| - Transfers | - | 2,736,958 | 1,130,299 | 48,521 | - | - | 3,915,778 |
| Disposals | - | - | (81) | (12,908) | (3,980,486) | - | (3,993,475) |
| - from the determination of the net revaluation amount | - | - | - | - | - | - | - |
| -Transfers | - | - | - | - | (3,915,778) | - | (3,915,778) |
| **As of June 30, 2023** | **171,653,309** | **133,326,280** | **25,481,782** | **3,204,592** | **3,219,242** | **374,877** | **337,260,082** |

| Cumulative depreciation | Land and land improvements | Construction | Technological equipment and vehicles | Other tangible assets | Property, plant and equipment pending execution | Advance payments on property, plant and equipment | Total |
|---|---|---|---|---|---|---|---|
| **As of December 31, 2022** | **(143,342)** | **(5,540,942)** | **(11,387,285)** | **(890,138)** | **-** | **-** | **(17,961,708)** |
| Amortization of the year | (29,734) | (2,764,094) | (1,659,909) | (265,023) | - | - | (4,718,760) |
| Cumulative depreciation on disposals | - | - | 5 | 1 | - | - | 6 |
| - as a result of the determination of the net value | - | - | - | - | - | - | - |
| **As of June 30, 2023** | **(173,076)** | **(8,305,036)** | **(13,047,189)** | **(1,155,160)** | **-** | **-** | **(22,680,461)** |

**5. PROPERTY, PLANT AND EQUIPMENT (continued)**

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

| **Impairment adjustments** | **Land and land improvements** | **Construction** | **Technological equipment and vehicles** | **Other tangible assets** | **Property, plant and equipment pending execution** | **Advance payments on property, plant and equipment** | **Total** |
|---|---|---|---|---|---|---|---|
| **As of December 31, 2022** | **(4,129,814)** | **-** | **-** | **-** | **-** | - | **(4,129,814)** |
| Impairment adjustments recognized in profit or loss | - | - | - | - | - | - | - |
| Revisions of impairment adjustments recognized in profit or loss | - | - | - | - | - | - | - |
| **As of June 30, 2023** | **(4,129,814)** | **-** | **-** | **-** | **-** | - | **(4,129,814)** |
| | | | | | | | |
| **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 June 30, 2023** | **167,350,419** | **125,021,244** | **12,434,593** | **2,049,432** | **3,219,242** | **374,877** | **310,449,807** |

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

**5. PROPERTY, PLANT AND EQUIPMENT (continued)**

As of June 30, 2024, property, plant and equipment decreased by 1.6% compared to December 31, 2023, mainly as a result of depreciation in the reporting period.
The additions of tangible assets are represented by modernizations of the parking system and purchases of technological equipment and vehicles.

In order to guarantee the agreements and credit agreements signed with the financing banks, Electromagnetica S.A. has mortgaged the following assets in favor of the respective banks, as follows:

| Asset name | Value Net accounting June 30 2024 | Value Net accounting December 31 2023 |
|---|---|---|
| - Calea Rahovei building (lot 18) | - | 8,803,206 |
| - MHPP's (land + industrial and municipal constructions) | 28,984,530 | 29,865,566 |

The property, plant and equipment include assets acquired through a government subsidy and used in the licensed activity at one of the micro-hydropower plants located in Brodina commune, Suceava county. The remaining value of the investment as of June 30, 2024 is RON 5,388,418, of which the subsidized value is RON 3,839,042. The remaining value of the investment as of December 31, 2023 was RON 5,516,713, of which the subsidized value was RON 3,920,651.

**Fair value of property, plant and equipment**

The Group's property, plant and equipment, represented by land, buildings, equipment and vehicles, are presented in the financial statements at the revalued value, which represents the fair value at the valuation date, less accumulated depreciation and amortization and impairment adjustments.

The last revaluation was carried out on December 31, 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, asked or offered, caused by the differences between the specific characteristics of each property, called comparators.

Information regarding the fair value hierarchy as at June 30, 2024 and December 31, 2023:

| | Level 1 | Level 2 | Level 3 | Fair value at June 30, 2024 |
|---|---|---|---|---|
| Land and land development | - | - | 154,226,768 | 154,226,768 |
| Construction | - | - | 111,035,400 | 111,035,400 |

| | Level 1 | Level 2 | Level 3 | Fair value at December 31, 2023 |
|---|---|---|---|---|
| Land and land development | - | - | 154,256,502 | 154,256,502 |
| Construction | - | - | 113,954,256 | 113,954,256 |

There were no transfers between fair value levels in both the first half of 2024 and 2023.

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

## 6. INVESTMENT PROPERTY

The group owns properties used entirely for rent in the form of offices. All lease agreements provide for an initial period of at least one year. Subsequent extensions are negotiated with the tenants. The obligations of the parties regarding repairs, maintenance and improvements are stipulated in the concluded contracts.

These properties are recognized in accordance with IAS 40 as investment property. For the presentation of real estate investments in the financial statements, the Group has chosen the fair value model.

As of June 30, 2024, real estate investments are presented as follows:

| | H1 2024 | 2023 |
|---|---|---|
| **Initial Balance** | **23,569,292** | **22,054,243** |
| Inflow of which: | - | 1,733,105 |
| measured at fair value | - | 378,809 |
| Transfers | - | 1,354,295 |
| Outflow of which: | - | (218,056) |
| measured at fair value | - | (218,056) |
| Transfers | - | - |
| **Ending Balance** | **23,569,292** | **23,569,292** |

The group also owns other rented spaces 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 regarding the fair value hierarchy as of June 30, 2024 and December 31, 2023:

| | Level 1 | Level 2 | Level 3 | Fair value |
|---|---|---|---|---|
| Real estate investments June 30, 2024 | | | 23,569,292 | 23,569,292 |
| Real estate investments 31 December 2023 | - | - | 23,569,292 | 23,569,292 |

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

## 7. INTANGIBLE ASSETS

Intangible assets include software, licenses and various software. They are amortized using the straight line method.
In the statement of the financial position, they are presented at historical cost, less depreciation and any value adjustments.
Intangible assets decreased mainly due to the amortization of some licenses.
For most intangible assets, useful lives have been estimated at 3 years.

The statement of intangible assets as of June 30, 2024 is as follows:

| **Cost** | **Patents, licenses** | **Other intangible assets** | **Intangible assets outstanding** | **Total** |
|---|---|---|---|---|
| **As of December 31, 2023** | **1,236,393** | **3,397,126** | **-** | **4,633,519** |
| Additions | 213 | - | - | 213 |
| Disposals | - | - | - | - |
| Transfers | - | - | - | - |
| **As of June 30, 2024** | **1,236,606** | **3,397,126** | **-** | **4,633,732** |
| **Cumulative depreciation** | | | | |
| **As of December 31, 2023** | **(1,224,461)** | **(2,841,731)** | **-** | **(4,066,193)** |
| Amortization of the period | (9,647) | (98,102) | - | (107,749) |
| Cumulative amortization related to disposals | - | - | - | - |
| **As of June 30, 2024** | **(1,234,108)** | **(2,939,833)** | **-** | **(4,173,942)** |
| **Net book value** | | | | |
| **As of December 31, 2023** | **11,932** | **555,395** | **-** | **567,327** |
| **As of June 30, 2024** | **2,498** | **457,293** | **-** | **459,790** |

| **Cost** | **Patents, licenses** | **Other intangible assets** | **Intangible assets outstanding** | **Total** |
|---|---|---|---|---|
| **As of December 31, 2022** | **1,237,821** | **3,397,126** | **-** | **4,634,947** |
| Additions | - | - | - | - |
| Disposals | - | - | - | - |
| Transfers | - | - | - | - |
| **As of June 30, 2023** | **1,237,821** | **3,397,126** | **-** | **4,634,947** |
| **Cumulative depreciation** | | | | |
| **As of December 31, 2022** | **(1,200,328)** | **(2,645,311)** | **-** | **(3,845,638)** |
| Amortization of the period | (15,111) | (98,113) | - | (113,224) |
| Cumulative amortization related to disposals | - | - | - | - |
| **As of June 30, 2023** | **(1,215,439)** | **(2,743,424)** | **-** | **(3,958,862)** |
| **Net book value** | | | | |
| **As of December 31, 2022** | **37,493** | **751,815** | **-** | **789,309** |
| **As of June 30, 2023** | **22,382** | **653,702** | **-** | **676,086** |

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

## 8. RIGHTS OF USE ASSETS

| | Buildings | Vehicles | Total |
|---|---|---|---|
| **Cost** | | | |
| **As of December 31, 2023** | **-** | **230,821** | **230,821** |
| Additions | - | - | - |
| Disposals | - | - | - |
| Transfers | - | - | - |
| **As of June 30, 2024** | **-** | **230,821** | **230,821** |
| **Cumulative depreciation** | | | |
| **As of December 31, 2023** | **-** | **(149,688)** | **(149,688)** |
| Amortization of the period | - | (30,899) | **(30,899)** |
| Cumulative amortization of disposals | - | - | - |
| **As of June 30, 2024** | **-** | **(180,587)** | **(180,587)** |
| **Net book value** | | | |
| **As of December 31, 2023** | **-** | **81,133** | **81,132** |
| **As of June 30, 2024** | **-** | **50,234** | **50,234** |

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

| | H1 2024 | H1 2023 |
|---|---|---|
| Depreciation expense related to rights of use of leased assets | 30,899 | 37,188 |
| Interest on leasing liabilities | 1,595 | 2,953 |
| Expenses related to low-value leasing contracts. | - | - |
| **Total amounts recognized in the profit and loss account** | **32,494** | **40,141** |

## 9. OTHER NON-CURRENT ASSETS

| | June 30 2024 | December 31 2023 |
|---|---|---|
| Performance guarantees granted to customers | 3,416,287 | 3,535,648 |
| Long-term trade receivables | 2,044,923 | 3,545,661 |
| Adjustments to depreciate long-term trade receivables * | (324,801) | (487,623) |
| Other long-term non-current assets | - | 12,796 |
| **Total** | **5,136,409** | **6,606,482** |

Long-term installment receivables in net amount of RON 1,720,122 as of June 30, 2024 were updated to the present value, and the time-value effect of money was RON 324,801. The current portion is recognized in trade receivables (Note 11).

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

## 10. INVENTORIES

| | June 30 2024 | December 31 2023 |
|---|---|---|
| Raw materials | 8,166,100 | 8,719,964 |
| Consumables | 2,264,198 | 2,501,572 |
| Finished products | 12,940,463 | 13,799,830 |
| Products in progress | 320,377 | 2,064,672 |
| Other inventory | 1,093,386 | 986,865 |
| Inventory impairment adjustments | (13,173,515) | (9,318,915) |
| **Total** | **11,611,009** | **18,753,989** |

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

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

| | H1 2024 | 2023 |
|---|---|---|
| **Balance at the beginning of the period** | **(9,318,915)** | **(2,330,345)** |
| Depreciation adjustment posting | (3,854,600) | (7,410,057) |
| Impairment adjustment reduction | - | 421,488 |
| **Balance at the end of the period** | **(13,173,515)** | **(9,318,915)** |

The adjustments recorded during the reporting period relate to raw materials, materials and finished products without movement.
The group has no stocks pledged on account of debts.

## 11. TRADE RECEIVABLES

| | June 30 2024 | December 31 2023 |
|---|---|---|
| Trade receivables domestic customers | 31,255,648 | 43,927,785 |
| Trade receivables foreign customers | 4,493,055 | 4,620,663 |
| Adjustments for impairment of trade receivables | (12,446,293) | (13,136,105) |
| **Net trade receivables** | **23,302,409** | **35,412,343** |

The decrease in trade receivables as of June 30, 2024 compared to December 31, 2023 was due to the reduction in sales volume and the collection of overdue receivables.

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

| | H1 2024 | 2023 |
|---|---|---|
| **Balance at the beginning of the period** | **(13,136,105)** | **(3,721,707)** |
| Depreciation adjustment posting | (1,573,581) | (9,967,663) |
| Reverse impairment adjustments | 2,263,392 | 553,265 |
| **Balance at the end of the period** | **(12,446,293)** | **(13,136,105)** |

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

## 12. OTHER CURRENT ASSETS

| | June 30 2024 | December 31 2023 |
|---|---|---|
| Debtors | 11,161 | 14,057 |
| Prepayments | 1,493,255 | 1,131,815 |
| Advance payments to suppliers | 95,196 | 155,265 |
| Other current assets | 555,157 | 588,292 |
| **Total** | **2,154,769** | **1,889,429** |

The *Prepayments* category in the amount of RON 1,493,255 mainly represents local taxes, insurance premiums and various subscriptions.

*Other current assets include* amounts to be recovered from health insurance in the amount of RON 541,768.

## 13. CASH AND CASH EQUIVALENTS

| | June 30, 2023 | December 31, 2023 |
|---|---|---|
| Petty cash | 12,274 | 21,873 |
| Cash in banks | 36,683,819 | 30,854,974 |
| Cash equivalents | 14,577 | 11,332 |
| **Total** | **36,710,670** | **30,888,179** |

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| Restricted Cash | 90,000 | 90,000 |
| **Total** | **90,000** | **90,000** |

Restricted cash is used to secure certain obligations (cash collateral deposit).
Cash in banks contain short-term deposits: June 30, 2024: RON 27,951,347 (12/31/2023: RON 21,836,410).

## 14. SHARE CAPITAL

**The** subscribed and paid-up share capital of the parent company is RON 67,603,870, consisting of 676,038,704 shares with a nominal value of RON 0.10/share, fully paid.

The structure of shareholders holding more than 10% of the share capital as of June 30, 2024 is as follows, according to the Central Depository Register:

| | June 30, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| **Shareholder** | **No. of Shares** | **%** | **No. of Shares** | **%** |
| Infinity Capital Investments SA | 442,465,466 | 65.4497 | 442,465,466 | 65.4497 |
| Individuals | 214,347,116 | 31.7063 | 208,487,511 | 30.8396 |
| Legal entities | 19,226,122 | 2.2839 | 25,085,727 | 3.7107 |
| **Total** | **676,038,704** | **100** | **676,038,704** | **100** |

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

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

## 15. RESERVES

**The legal reserve** is worth RON 12,563,942 and the legal reserve was not constituted during the reporting period.
It has not changed since the end of 2023.

According to Romanian law, companies must distribute an amount equal to at least 5% of their 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 the net profit. The legal reserve is deductible up to a rate of 5% applied to the accounting profit, before determining the corporate income tax.

**The revaluation reserves** amount to RON 147,270,209 as of June 30, 2024. Compared to the balance at the beginning of the period, they decreased due to the transfer of the reserve from revaluation to the retained earnings as a result of depreciation.

| | H1 2024 | 2023 |
|---|---|---|
| **Balance at the beginning of the period** | **147,390,995** | **151,285,901** |
| Revaluation increases | - | 249,333 |
| Other elements | - | - |
| Diminutions | (3,120,786) | (4,144,239) |
| **Balance at the end of the period** | **144,270,209** | **147,390,995** |

As of June 30, 2024, the Group recorded **other reserves and equity items** in the amount of RON 80,836,545, of which its own sources of financing represent 98%,

| | H1 2024 | 2023 |
|---|---|---|
| **Balance at the beginning of the period** | **81,371,341** | **59,328,628** |
| Increases | - | 22,042,713 |
| Diminutions | (534,796) | - |
| **Balance at the end of the period** | **80,836,545** | **81,371,341** |

## 16. RETAINED EARNINGS

As of June 30, 2024, the retained earnings amount to RON 65,433,385 . The final balance was influenced by the transfer of net revaluation reserves related to depreciated or decommissioned assets was RON 2,621,614 and the loss recorded in H1 2024 (RON 9,780,975 ).

## 17. INVESTMENT SUBSIDIES

| | Total | Under one year | In a year |
|---|---|---|---|
| Investment subsidies as of June 30, 2024 | 3,839,042 | 163,219 | 3,675,823 |
| Investment subsidies as of December 31, 2023 | 3,920,651 | 163,219 | 3,757,433 |

In 2012, Electromagnetica S.A. benefited from an investment subsidy of RON 5,997,788 granted for the modernization of the Brodina 2 micro-hydropower plant (Suceava), which is transferred to revenues at the same time as the depreciation of the fixed assets acquired within this project is recorded. The net book value of the fixed assets acquired through this subsidy are presented in Note 5.

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

## 18. PROVISIONS

| Name | Balance 01.01.2024 | Entries (constitute) | Outputs (cancel) | Balance 30.06.2024 |
|---|---|---|---|---|
| Warranty reserves | 775,000 | - | - | 775,000 |
| Provision for employee benefits | 630,436 | 107,295 | (225,789) | 511,942 |
| **TOTAL** | **1,405,436** | **107,295** | **(225,789)** | **1,286,942** |

The group has concluded contracts for the delivery of lighting fixtures and charging stations for electric vehicles with a warranty clause for long periods, respectively 2 - 4 years. The contracts do not provide for a percentage or an amount for the performance guarantee, the provision for them being calculated based on the analysis of the historical costs incurred with the products within the warranty period.

The provision for employee benefits refers to the value of untaken vacation.

## 19. TRADE AND OTHER LIABILITIES

| | June 30 2024 | December 31 2023 |
|---|---|---|
| **Current trade payables** | | |
| Domestic trade payables | 3,222,231 | 5,288,735 |
| Foreign trade payables | 2,696,524 | 3,319,816 |
| Accrued trade liabilities | 3,720,483 | 4,720,526 |
| **Other current liabilities** | | |
| Advances received from customers | 1,168,600 | 1,812,126 |
| Salaries and social security insurance & taxes | 2,061,907 | 2,970,920 |
| Deferred Income | 1,076,859 | 1,695,488 |
| Other liabilities | 3,307,101 | 6,238,614 |
| **Total trade payables and other liabilities** | **17,253,706** | **26,046,224** |

The liabilities are recorded at nominal value and are highlighted in the analytical accounting for each natural or legal person. Foreign currency liabilities were measured on the basis of the exchange rate in force at the end of the year, and exchange rate differences were recognized as income or expenses for the period.

The Group does not have significant outstanding trade payables.
The Group does not record outstanding payments to employees and to the state budget, the amounts presented represent debts related to June 2024 and paid by the due date of July 2024.

The Group has no long-term loans as of June 30, 2024.

Other debts consist of dividends payable for previous years, VAT payable, other taxes and duties.

The guarantees received from tenants and those withheld from suppliers on June 30, 2024 are worth RON 3,057,985 and will be regularized according to the contractual clauses.

| | Total | Under one year | In a year |
|---|---|---|---|
| Guarantees received June 30, 2024 | 3,057,985 | 1,917,961 | 1,140,024 |
| Guarantees received December 31, 2023 | 2,949,825 | 2,082,107 | 867,718 |

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

## 20. REVENUE

| **REVENUE FROM CONTRACTS WITH CUSTOMERS** | **H1 2024** | **H1 2023** |
|---|---|---|
| Revenues from the production of electricity from renewable sources and from the supply of electricity | 16,946,194 | 43,734,774 |
| Revenue from product sales *(LED lighting fixtures, electric vehicle charging systems and solutions, plastic injection products and molds, low-voltage electrical equipment, rail traffic safety elements)* | 19,853,531 | 30,937,442 |
| Income from services rendered *(complex works of design, delivery and installation of LED lighting systems and electric vehicle charging stations)* | 2,830,804 | 17,326,169 |
| **TOTAL REVENUE FROM CUSTOMER CONTRACTS** | **39,630,529** | **91,998,385** |
| **RENTAL INCOME** | **11,814,469** | **14,800,662** |
| **TOTAL REVENUE** | **51,444,998** | **106,760,023** |

**Timing of recognition of revenue from contracts with customers**

| | **H1 2024** | **H1 2024** |
|---|---|---|
| Goods and services transferred at a point in time | 19,853,531 | 30,937,442 |
| Goods and services transferred over time | 31,591,467 | 75,822,581 |
| **Total revenue from customer contracts** | **51,444,998** | **106,760,023** |

Most of the revenues are generated in Romania.
The disaggregation of revenues at the product level is:

| | **H1 2024** | **H1 2023** |
|---|---|---|
| Electric Vehicle Charging Stations | 2,834,997 | 5,904,571 |
| Electrical equipment | 8,284,288 | 9,988,071 |
| Railway traffic safety elements | 2,965,806 | 3,553,879 |
| Plastic Injections & Molds | 4,610,448 | 4,028,452 |
| LED lighting fixtures | 3,857,860 | 23,860,308 |
| Other | 130,936 | 928,328 |
| **TOTAL** | **22,684,335** | **48,263,611** |

| **OTHER NET INCOME AND EXPENSES** | **H1 2024** | **H1 2023** |
|---|---|---|
| Income from green certificates | 609,959 | 884,560 |
| Income/(expenses) related to provisions | (2,211,567) | 950,308 |
| Net exchange rate difference | 2,300 | (79,439) |
| Other net income | 370,905 | 347,833 |
| **TOTAL** | **(1.228.404)** | **2.103.262** |

## 21. EXPENDITURES

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

| | H1 2024 | H1 2023 |
|---|---|---|
| **Material expenses** | **29,316,577** | **53,740,784** |
| - Expenses with raw materials and consumables | 9,430,088 | 27,463,487 |
| - Expenses related to goods | 16,178,149 | 21,579,497 |
| - Energy, water, gas expenses | 3,708,340 | 4,697,800 |
| **Employee costs** | **15,630,503** | **22,116,241** |
| **Other expenses** | **9,014,288** | **25,854,404** |
| - Postal expenses | 197,142 | 201,196 |
| - Maintenance and repair expenses | 113,461 | 221,685 |
| - Rental expenses | 56,377 | 265,288 |
| - Advertising and protocol expenses | 22,014 | 103,076 |
| - Insurance expenses | 319,155 | 343,888 |
| - Transportation and travel expenses | 370,261 | 551,644 |
| - Subcontracted works expenses | 93,601 | 1,607,814 |
| - Expenses other taxes and fees | 850,703 | 938,682 |
| - Expenses with consultants and collaborators | 949,619 | 659,832 |
| - Expenses with green certificates | 962,873 | 740,589 |
| - Other operating expenses | 5,079,082 | 5,940,108 |
| - Energy Transition Fund Contribution | - | 14,280,601 |
| **Depreciation and amortization expenses** | **5,425,705** | **4,899,649** |
| - Depreciation expenses | 5,425,705 | 4,899,649 |
| **Total expenses** | **59,387,073** | **106,611,078** |

## 22. FINANCIAL EXPENSES

| | H1 2024 | H1 2023 |
|---|---|---|
| - Interest expenses | - | 1,469 |
| - Bank fees | 88,020 | 224,686 |
| - Lease interest expenses | 4,324 | 3,597 |
| **Total financial expenditure** | **88,345** | **229,752** |

## 23. CORPORATE INCOME TAX

Corporate income tax recognized as profit or loss:

| | H1 2024 | H1 2023 |
|---|---|---|
| **Current corporate income tax** | | |
| Current income tax expenses | 88,346 | 1,790,799 |
| **Deferred corporate income tax** | | |
| Deferred tax income | (1,000,282) | (230,675) |
| | **911,936** | **1,560,124** |

Reconciliation of current profit before tax with income tax expense in the profit and loss account:

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

| **Indicator** | **H1 2024** | **H1 2023** |
|---|---|---|
| **Profit/(Loss) before tax** | **(10,692,911)** | **9,913,619** |
| Tax applied at the local rate (16%) | (1,710,866) | 1,586,179 |
| Effect of non-deductible expenses | 867,007 | 1,030,837 |
| Effect of non-taxable income | - | (332,664) |
| Others | (68,077) | (724,228) |
| **Total corporate income tax expense/(income)** | **(911,936)** | **(1,560,124)** |

The tax rate used for the above reconciliations is 16%.
As of June 30, 2024, the total current income tax receivable is RON 1,656,205 (December 31, 2023, total receivable: RON 1,700,402).

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

| | **Initial Balance January 1, 2024** | **Recognized in profit or loss account (income)/ Expense** | **Recognized in other comprehensive income** | **Ending Balance June 30, 2024** |
|---|---|---|---|---|
| Property, plant and equipment | 20,534,431 | (384,797) | - | 20,149,634 |
| Non-current asset adjustment | (594,349) | - | - | (594,349) |
| The time-value effect of money (receivables) | (185,525) | 15,466 | - | (170,059) |
| Adjustments to the value of receivables | (2,101,776) | (98,916) | - | (2,200,692) |
| Inventory value adjustments | (1,568,815) | (532,035) | - | (2,100,850) |
| Employee benefits | (100,870) | - | - | (100,870) |
| **TOTAL** | **15,983,096** | **(1,000,282)** | **-** | **14,982,814** |

The deferred corporate income tax for tangible fixed assets resulted from different accounting and tax depreciation methods and durations and the surplus recorded as a result of the revaluation.

## 24. NUMBER OF EMPLOYEES

The number of employees as of June 30, 2024 and June 30, 2023, respectively, evolved as follows:

| | **H1 2024** | **H1 2023** |
|---|---|---|
| Group | 208 | 406 |
| Electromagnetica S.A. | 207 | 360 |

The expenses with salaries and related taxes recorded are as follows:

| | **H1 2024** | **H1 2023** |
|---|---|---|
| **Employee expenses, including contributions and taxes** | **15,630,503** | **22,116,241** |
| Expenses with Board of Directors remuneration | 309,103 | 702,382 |
| *of which, the* remuneration *of BoD Electromagnetica S.A:* | *295,225* | *382,390* |
| **Total** | **15,939,606** | **22,818,623** |

The Group does not have a pension program for personnel specifically contributing to the national pension program according to the legislation in force.

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

In the first semester, no bonuses were granted to the members of the Management or the Board of Directors
The Group also has no contractual obligations to former directors and directors and has not granted advances or loans to current directors and directors.

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

## 25. RELATED PARTY TRANSACTIONS

The balances and transactions with the entities controlled by Electromagnetica S.A. were eliminated for the purpose of preparing the consolidated interim financial statements.

As of June 30, 2024 and December 31, 2023, respectively, the majority of outstanding shares in Electromagnetica S.A. is owned by Infinity Capital Investments S.A., which controls 13 companies, including Electromagnetica. In the first half of 2024, no transactions were carried out with Infinity Capital Investments S.A. or affiliated companies, other than those in which Electromagnetica S.A. holds the majority of outstanding shares.

## 26. EARNINGS PER SHARE

**Basic earnings per share**

During the reporting period, there were no changes in the share capital structure. Basic earnings per share are those presented 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 earnings attributable to ordinary shareholders of the parent company and the weighted average of shares outstanding by the effects of all potentially diluted ordinary shares.

For the period of 6 months 2024 and 6 months 2023, the Group records basic earnings per share equal to diluted earnings per share as there are no certain securities that allow them to be converted into ordinary shares at any point in the future.

## 27. INFORMATION BY BUSINESS SEGMENT

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

- Licensed activity – supply and production of electric energy
- Unlicensed activity – industrial production and space rental.

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

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

| **H1 2024** | **Unlicensed Activity** | **% Total group** | **Licensed activity** | **% Total group** | **Total group** |
|---|---|---|---|---|---|
| Net profit | (6,610,345) | 68% | (3,170,630) | 32% | (9,780,975) |
| Total assets | 353,834,177 | 90% | 32,020,868 | 10% | 385,855,045 |
| Total Liabilities | 25,343,164 | 67% | 12,535,938 | 33% | 37,879,102 |
| Customer revenue | 34,498,804 | 67% | 16,946,194 | 33% | 51,444,998 |
| Depreciation and amortization | 4,471,218 | 82% | 954,487 | 18% | 5,425,705 |

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

| H1 2023 | Unlicensed Activity | % Total group | Licensed activity | % Total group | Total group |
|---|---|---|---|---|---|
| Net profit | 4,511,022 | 54% | 3,842,474 | 46% | 8,353,495 |
| Total assets | 386,184,805 | 83% | 79,080,087 | 17% | 465,264,892 |
| Total Liabilities | 46,598,365 | 72% | 18,215,392 | 28% | 64,813,757 |
| Customer revenue | 63,064,273 | 59% | 43,734,774 | 41% | 106,799,047 |
| Depreciation and amortization | 3,866,014 | 79% | 1,033,635 | 21% | 4,899,649 |

**Main products and production structure**

The group benefits from a diversity of technologies and equipment that allows it to obtain a diversified nomenclature of products, among which the most important business lines are:

- Activities in the field of energy efficiency (production of LED lighting fixtures, electric car charging stations);
- Other production activities (plastic injection elements, electrical equipment, railway safety elements);
- Rental of office space, industrial space, premises and utility supply;
- Renewable electricity generation (produced in low-power hydroelectric power plants) and electric energy supply.

At the company level, steps to streamline the company's activity are under analysis and are to be implemented, in order to reduce/eliminate the negative impact on the financial results induced by underperforming business segments or at the level of which structural or operational inefficiencies are manifested. The efficiency efforts aim to strengthen the company and its viability in the medium and long term, by focusing the activity on the segments that can bring increased profitability.

## 28. RISK MANAGEMENT

**General risk management framework**

The Company's Board of Directors has overall responsibility for establishing and overseeing the company's risk management framework.

The activity is governed by the following principles:

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

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

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

At the level of Electromagnetica S.A., steps to streamline the company's activity are under analysis and are to be implemented, in order to reduce/eliminate the negative impact on the financial results induced by underperforming business segments or at the level of which structural or operational inefficiencies are manifested. The efficiency efforts aim to strengthen the company and its viability in the medium and long term, by focusing the activity on the segments that can bring increased profitability.

The internal audit of the company's entities oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks it faces.
The activities carried out by the Company expose it to a number of financial risks: market risk (including exchange rate risk, interest rate risk, price risk), credit risk and liquidity risk.

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

The Company is exposed to the following risks:

**Capital Risk Management**

Capital risk management aims to ensure the Group's ability to operate 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 followed. In order to maintain an optimal capital structure and an appropriate degree of indebtedness, Electromagnetica S.A. has proposed to shareholders in recent years an adequate dividend policy, which would ensure its own sources of financing. The absence of sources of financing may limit the expansion of the company on the market segments where the sale is supported by offering commercial facilities.

The Group monitors capital on the basis of indebtedness. This indicator is calculated as the ratio between the net debt and the total capital employed. Net debt is calculated as the sum of total loans (includes leasing debt under IFRS 16) and total suppliers and other liabilities (as shown in the statement of financial position) minus cash and cash equivalents. Total capital employed is determined as the sum of net debt and equity (as presented in the financial position).

The indebtedness ratio as of June 30, 2024 was as follows:

| | June 30 2024 | December 31 2023 |
|---|---|---|
| Total long-term and short-term debts | 37,879,102 | 47,665,611 |
| Without: Cash and cash equivalents | (36,710,670) | (30,888,179) |
| **Total** | **1,168,432** | **16,777,432** |
| **Equity** | **347,691,616** | **357,783,055** |
| **Debt ratio** | ***0.0034*** | ***0.0469*** |

**Market risk**
Market risk includes: the risk of changes in interest rates, exchange rate, purchase price of goods and sale of goods.

**Currency risk management**
The group is exposed *to currency risk* due to the fact that the supply of materials is largely made from imports and that the share of exports has increased. In order to limit the effect of foreign exchange rates, the payment schedule was correlated with that of foreign currency receipts, the Group usually achieving a cash flow surplus. The Group continuously monitors and manages exposure to exchange rate fluctuations.

The Group's exposure to currency risk results from:
- transactions (sales/purchases) in foreign currencies;
- commitments
- monetary assets and liabilities (in particular receivables, trade debts)

The foreign currencies most often used in transactions are EUR, USD and MDL.
Foreign currency assets are represented by customers and available in foreign currency. Debts in foreign currency are represented by suppliers.

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

| **Currency in which they are denominated** | **EUR** | **USD** | **CDM** | **Total** |
|---|---|---|---|---|
| **Functional currency** | **RON** | **RON** | **RON** | **RON** |
| **June 30, 2024** | **EUR** | **USD** | **CDM** | **Total** |
| Total monetary assets | 6,447,014 | 151,294 | 87,367 | 6,685,675 |
| Total monetary debts | 2,684,884 | 10,327 | - | 2,695,211 |

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

| **December 31, 2023** | **EUR** | **USD** | **CDM** | **Total** |
|---|---|---|---|---|
| Total monetary assets | 5,183,140 | 146,312 | 86,559 | 5,416,010 |
| Total monetary debts | 3.313.608 | 6.208 | - | 3.319.816 |

*Exchange rate sensitivity analysis*
An appreciation/(depreciation) of RON against EUR and USD, as indicated below, on June 30, 2024, would increase/(decrease) profit or loss and equity by the amounts presented below (without the impact on corporate tax)

| **Denomination currency** | **EUR** | **USD** |
|---|---|---|
| **Functional currency** | **RON** | **RON** |
| Exchange rate change | +/- 10% | +/- 10% |
| | | |
| **June 30, 2024** | | |
| Profit and loss statement | 376,214 | 14,097 |
| Other equity | - | - |
| | | |
| **December 31, 2023** | | |
| Profit and loss statement | 186,953 | 14,010 |
| Other equity | - | - |

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

**Interest rate risk management**

The risk of *interest rate changes* is kept under control due to the Group's policy of investing from own sources of financing, which leads to the use of credit lines only for short periods.

As of June 30, 2024, the Group has no medium or long-term loans, holding only a non-cash credit facility for issuing bank letters of guarantee.

**Credit risk management**

The credit risk consists in the possibility 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 operating activities, in particular commercial activities (Note 11) and from financial activities including deposits with banks.

Trade receivables come from a wide range of clients operating in various fields of activity and in different geographical areas. Policies have been contracted to insure receivables on the foreign market. Due to the increased incidence of insolvency cases in the economy, 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 close 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 to obtain sufficient guarantees where necessary, in order to minimize the risk of financial losses resulting from non-fulfillment of obligations.

Exposure to credit risk is controlled by permanent monitoring of each borrower. The Group permanently assesses their credit risk taking into account their financial performance, payment history and, where appropriate, requests default risk insurance.

The credit risk profile of trade receivables is presented based on their maturity in terms of the impairment adjustment matrix. This matrix is initially based on the Company's observed historical default rates, adjusted for prospective factors specific to debtors and the economic environment, where applicable. Trade receivables are non-interest-bearing and are generally within 30-90 days. However, there are a number of ongoing 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 Group has calculated adjustments to the present value and does not estimate other losses as the risk of non-payment is almost non-existent.

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

The methodology used by the Group to measure the expected losses on trade receivables could be described as follows:

- determining an appropriate observation period to track the historical loss rate. The group selected 2 previous periods ended on 31 December 2022 and 31 December 2021 for data collection;
- collecting data on trade receivables and grouping them according to their maturity 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 in order to determine the proportion of balances in each maturity category that have not been finally 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 of trade receivables on June 30, 2024.

The above analysis was applied by the Group for current receivables with a maturity of less than 90 days. In addition to the analysis of receivables described above, the Group analyzed customers with receivables whose maturities exceeded 90 days as of June 30, 2024, as well as territorial administrative units with receivables with maturities exceeded more than one year in the balance as of June 30, 2024 and, depending on the information available, calculated and recorded adjustments to the value of receivables as of June 30, 2024, 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. 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 Group's different customer segments.

| **Current trade receivables** | | | **June 30, 2024** |
|---|---|---|---|
| **Time limits** | **Hips** | **Depreciation expense** | **Estimated loss rate (%)** |
| Current (no expiry date) | 6,407,299 | - | - |
| 1 – 30 days | 838,691 | - | - |
| 31 – 60 days | 566,894 | - | - |
| 61 – 90 days | - | - | - |
| **Total receivables analyzed globally** | **7,814,885** | **-** | **-** |
| Receivables from licensed activities | 695,514 | - | - |
| Receivables of unlicensed activities with state authorities (mayoralties) | 8,986,059 | (562,797) | 6% |
| Other receivables 90-180 days | 182,009 | - | 8% |
| Other receivables over 180 days | 14,979,083 | (8,792,344) | 59% |
| Uncertain receivables | 3,091,153 | (3,091,153) | 100% |
| **Total receivables analyzed individually** | **27,933,818** | **(12,446,293)** | 45% |
| **Total** | **35,748,702** | **(12,446,293)** | **35%** |

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

| **Current trade receivables** | | | **December 31, 2023** |
|---|---|---|---|
| **Time limits** | **Hips** | **Depreciation expense** | **Estimated loss rate (%)** |
| Current (no expiry date) | 5,698,829 | - | - |
| 1 – 30 days | 5,736,857 | - | - |
| 31 – 60 days | 255,702 | - | - |
| 61 – 90 days | 37,797 | - | - |
| **Total receivables analysed globally** | **11,729,185** | **-** | **-** |
| Receivables from licensed activities | 4,014,285 | - | - |
| Receivables of unlicensed activities with state authorities (mayoralties) | 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 receivables | 3,395,412 | (3,395,412) | 100% |
| **Total receivables analysed individually** | **37,491,169** | **(13,808,011)** | **37%** |
| **Total** | **49,220,354** | **(13,808,011)** | **28%** |

*Financial instruments and deposits*

The credit risk resulting from transactions with banks is managed by the specialized department within the Group. Investing excess liquidity is done only with approved banks.
It is estimated that there is no significant exposure from possible non-fulfilment of contractual obligations by counterparties in relation to financial instruments.

**Liquidity risk management**

The Group's treasury function prepares liquidity buffer forecasts and maintains an adequate level of credit facilities so that it can prudently manage liquidity and cash-flow risks. At the same time, the investments were limited to their own sources of financing and to those that have a direct contribution to the turnover. The liquidity and cash-flow risk management policy adapts to new, more demanding commercial practices. This risk is closely related to the risks presented above.
Below is the situation of receivables and debts according to maturity:

| | **June 30 2024** | **0 - 1 year** | **1 - 2 years** | **2 - 5 years** | **Across 5 years** |
|---|---|---|---|---|---|
| Trade receivables and other receivables | 32,249,792 | 30,204,870 | 1,611,710 | 433,212 | - |
| Trade and other liabilities | 17,547,145 | 15,874,056 | 1,137,152 | 535,937 | - |
| **Net position** | **14,702,647** | **14,330,814** | **474,558** | **(102,726)** | **-** |

| | **December 31 2023** | **0 - 1 year** | **1 - 2 years** | **2 - 5 years** | **Across 5 years** |
|---|---|---|---|---|---|
| Trade receivables and other receivables | 45,608,657 | 39,002,175 | 5,544,239 | 1,062,243 | - |
| Trade 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)** |

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

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| **Financial assets** | | |
| - **Amortized cost** | | |
| Short and long term trade receivables | 32,249,792 | 45,608,657 |
| Cash and cash equivalents | 36,710,670 | 30,888,179 |
| **Total** | **68,960,462** | **76,496,836** |

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| **Financial liabilities** | | |
| - **Amortized cost** | | |
| Trade and other liabilities | 17,253,706 | 26,046,224 |
| Short and long term lease liabilities | 293,439 | 84,476 |
| **Total** | **17,547,145** | **26,130,700** |

## 29. COMMITMENTS AND POTENTIAL LIABILITIES

On June 30, 2024, Electromagnetica S.A. had at his disposal the amount of RON 3,579,680, as unused, from the non-cash facility for letters of guarantee.
The commitments granted to the Company are guaranteed by cash collateral deposits in the amount of RON 90,000, and tangible fixed assets (land, buildings) in the amount of RON 28,984,530 (Note 5).

In addition to bank commitments, Electromagnetica S.A. also has a commitment issued by a non-banking financial company in the amount of RON 472,967 guaranteed with a promissory note.

The commitments received from customers and tenants in the form of letters of guarantee as of June 30, 2024, are worth RON 193,330 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 company manages disputes through its own legal department and through collaborations with external partners specialized in managing specific conflicts.

## 30. SUBSEQUENT EVENTS

At the date of these financial statements, the Group continues to meet its obligations as they mature and therefore continues to apply the business continuity readiness basis.

On July 7, 2024, the members of the Board of Directors approved the disposal of some assets from Electromagnetica fixed assets category, the value of which, individually or cumulatively, was no more than 35% of the total fixed assets, less receivables, as approved by the AGEA of April 25, 2024, respectively the 11 Small Power Hydroelectric Power Plants (CHEMPs) located in the hydrographic basin of the Suceava River, composed of land, constructions and equipment.

On August 7, 2024, the assets put up for sale were awarded by a buyer in the first auction at the total price of 33.55 million RON. At the date of the report, the procedures for the transfer of the ownership of the activity between Electromagnetica and the buyer are ongoing, the procedures being estimated to be completed at the beginning of the fourth quarter of 2024 at the latest.

Details are available at: https://bvb.ro/FinancialInstruments/SelectedData/NewsItem/ELMA-Vanzare-active/A3510 or on the Electromagnetica.ro website, investors section: https://electromagnetica.ro/investitori/rapoarte- current-and-communications/

These consolidated interim financial statements were approved to be issued by management on August 14 , 2024:

**DANIELA ADI CUCU**
Managing Director

**CRISTIAN RADU**
Chief Financial Officer

**DECLARATION OF RESPONSIBLE PERSONS**

In accordance with the provisions of Art. 65 of Law 24/2017 on issuers of financial instruments and market operations, the undersigned Daniela Cucu – General Manager, as legal representative and Cristian Radu, as Financial Director of Electromagnetica SA, with headquarters in Calea Rahovei, 266-268, Sector 5, Bucharest, registered with the Trade Register under no. J40/19/1991, tax identification code RO 414118, we declare that we assume responsibility for the preparation of the individual and consolidated 2024 half-year financial statements and confirm that, to our knowledge, the half-yearly financial accounting statement is prepared in accordance with the applicable accounting standards:

a) provides a correct and realistic picture of the assets, obligations, financial position, profit and loss account of the company and its subsidiaries included in the process of consolidating the financial statements;
b) correctly and completely present the information about the issuer.

| | |
|---|---|
| **Managing Director** | **Chief Financial Officer** |
| **DANIELA ADI CUCU** | **CRISTIAN RADU** |