
# ELECTROMAGNETICA SA

## SEPARATE FINANCIAL STATEMENTS
## FOR THE YEAR ENDING DECEMBER 31, 2024

**Prepared in accordance with**
**Order of the Minister of Public Finance no. 2844/2016 for the approval of Accounting regulations in accordance with the International Financial Reporting Standards adopted by the European Union**
**and**
**according to the provisions of art.63 of Law 24/2017, annex 15 to the Financial Supervisory Authority Regulation No. 5/2018 and Bucharest Stock Exchange Code**

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**SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024**

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# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
ELECTROMAGNETICA S.A.

***Report on the Audit of the Financial Statements***

**Opinion**

1. We have audited the financial statements of ELECTROMAGNETICA S.A. ("the Company"), with registered office in Bucharest, district 5, 266-268 Calea Rahovei, identified by unique tax registration code 414118, which comprise the statement of financial position as at 31 December 2024, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

2. The financial statements as at 31 December 2024 are identified as follows:

| | |
|---|---|
| • Net assets / Equity | RON 384,722,511 |
| • Net loss for the financial year | RON 7,407,144 |

3. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2024, its financial performance and its cash flows for the year then ended in accordance with Ministry of Public Finance Order no. 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by the EU, with subsequent amendments.

**Basis for Opinion**

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

**Key Audit Matters**

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

   We have determined that there are no key matters to be communicated in our report.

**Other Information**

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





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Deloitte.

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

In connection with our audit of the financial statements for the year ended 31 December 2024, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

With respect to the Administrators' Report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by the EU, with subsequent amendments.
On the sole basis of the procedures performed within the audit of the financial statements, in our opinion:

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

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

Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the financial statements prepared as at 31 December 2024, we are required to report if we have identified a material misstatement of this Administrators' Report. We have nothing to report in this regard.

**Other reporting responsibilities with respect to other information – Remuneration Report**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***Report on Other Legal and Regulatory Requirements***

15. We were appointed by the General Meeting of Shareholders on 27 April 2023 to audit the financial statements of ELECTROMAGNETICA S.A. for the financial year ended 31 December 2024. The uninterrupted total duration of our commitment is 9 years, covering the financial years ended 31 December 2016 until 31 December 2024.

We confirm that:

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

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

**Report on Other Legal and Regulatory Requirements – Report on the Information Regarding Income Tax**

16. For the financial year preceding the financial year for which the financial statements were prepared, the Company was not required Ministry of Public Finance Order no. 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by the EU, with subsequent amendments, articles $60^4$-$60^6$ to publish a report on income tax information.

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

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

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

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

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

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

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

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

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

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

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

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

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

In our opinion, the financial statements for the year ended 31 December 2024 included in the annual financial report in the Digital Files comply in all materials respects with the requirements of ESEF.

In this section, we do not express an audit opinion, review conclusion or any other assurance conclusion on the financial statements. Our qualified opinion relating to the financial statements of the Company for the year ended 31 December 2024 is set out in the "*Report on the audit of the financial statements*" section above.

Răzvan Ungureanu, Audit Partner

*For signature, please refer to the original Romanian version.*

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

On behalf of:

**DELOITTE AUDIT SRL**

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

The Mark Building, 84-98 and 100-102 Calea Griviței, 9th Floor, District 1
Bucharest, Romania
24 March 2025

| | Note | Period of 12 months ended at December 31 2024 | Period of 12 months ended at December 31 2023 |
|---|---|---|---|
| **Revenue** | **22** | **97,667,983** | **195,013,303** |
| Investment income | **27** | 5,820,666 | 316,739 |
| Other net income and expenses | **22** | 3,098,513 | (14.260.319) |
| Change in inventories of finished products and work in progress | | (2,447,031) | 7,841,706 |
| Capitalized workings | | - | 2,219,694 |
| Raw materials and consumables used | **23** | (56,028,654) | (102.147.473) |
| Employees benefits expenses | **23,26** | (25,297,143) | (40,092,990) |
| Depreciation and amortization expense | **23** | (10,733,561) | (33.639.220) |
| Other expenses | **23** | (16,970,682) | (52,193,723) |
| Financial income | **24** | 1,886,960 | 1,012,559 |
| Financial expenses | **24** | (221,171) | (658,156) |
| **Profit / (Loss) before tax** | | **(3,224,120)** | **(36,587,880)** |
| Income tax | **25** | (4,183,024) | 5,554,791 |
| **Profit / (Loss) for the period** | | **(7,407,144)** | **(31,033,088)** |
| ***Other comprehensive income:*** | | **46,381,897** | **209,440** |
| of which: | | | |
| ***- items which will not be reclassified subsequently to profit or loss, of which:*** | | | |
| - surplus from revaluation of property, plant and equipment | | 55,118,967 | 249,333 |
| - deferred tax recognized in equity | **25** | (8,737,070) | (39,893) |
| **Total Other comprehensive income** | | **38,974,753** | **(30,823,648)** |
| **Earnings per share** | **29** | **(0.0110)** | **(0.0459)** |

These separate financial statements have been approved to be issued by management at **24 March 2025**:

| | |
|---|---|
| **DANIELA CUCU** | **MARIA GÂRZU** |
| **General Director** | **Chief Accountant** |

**ELECTROMAGNETICA SA**
**SEPARATE STATEMENT OF FINANCIAL POSITION**
**AS OF DECEMBER 31, 2024**
**(all amounts are in RON, unless otherwise stated)**

| | Note | December 31 2024 | December 31 2023 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | **5** | 296,843,904 | 284,561,365 |
| Investment property | **6** | 18,780,265 | 17,709,588 |
| Intangible assets | **7** | 359,541 | 566,310 |
| Investments in affiliated entities | **9** | 842,008 | 842,008 |
| Other non-current assets | **10** | 4,512,037 | 6,606,482 |
| Rights of use assets | **8** | 1,329,540 | 1,399,694 |
| **Total non-current assets** | | **322,667,295** | **311,685,446** |
| **Current assets** | | | |
| Inventories | **11** | 7,234,948 | 18,715,189 |
| Trade receivables | **12** | 12,924,372 | 35,380,716 |
| Cash and cash equivalents | **14** | 73,532,273 | 25,138,900 |
| Deposits placed with banks | **14** | 10,000,000 | - |
| Other current assets | **13** | 3,284,963 | 1,666,030 |
| Assets classified as held for sale | | 841,296 | - |
| Current tax recievables | **25** | 1,703,829 | 1,703,829 |
| **Total current assets** | | **109,521,681** | **82,604,665** |
| **Total assets** | | **432,188,976** | **394,290,111** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | **15** | 67,603,870 | 67,603,870 |
| Reserves and other equity items | **16** | 223,114,466 | 215,108,527 |
| Retained earnings | **17** | 94,004,175 | 63,035,361 |
| **Total equity attributable to shareholders** | | **384,722,511** | **345,747,758** |
| **Long-term debts** | | | |
| Trade and other payables | **20** | 1,717,399 | 867,718 |
| Investment subsidies | **18** | - | 3,757,433 |
| Deferred tax liabilities | **25** | 28,903,190 | 15,983,096 |
| Lease liabilities | **8** | 737,735 | 724,064 |
| **Total long-term liabilities** | | **31,358,324** | **21,332,310** |
| **Current liabilities** | | | |
| Trade and other payables | **20** | 12,724,364 | 24,920,540 |
| Investment subsidies | **18** | - | 163,219 |
| Provisions | **19** | 2,511,532 | 1,405,436 |
| Lease liabilities | **8** | 872,245 | 720,847 |
| **Total current liabilities** | | **16,108,141** | **27,210,043** |
| **Total liabilities** | | **47,466,465** | **48,542,353** |
| **Total equity and liabilities** | | **432,188,976** | **394,290,111** |

These separate financial statements have been approved to be issued by management at **24 March 2025**:

| | |
|---|---|
| **DANIELA CUCU** | **MARIA GÂRZU** |
| **General Director** | **Chief Accountant** |

| | Period of 12 months ended at December 31 2024 | Period of 12 months ended at December 31 2023 |
|---|---|---|
| **Profit/(loss) for the period** | **(7,407,144)** | **(31,033,088)** |
| **Adjustments :** | | |
| Dividend income | (4,749,989) | (534,796) |
| Net movement of provisions and impairment adjustments for: | | |
| - receivables | 5,011,322 | 6,988,570 |
| - inventories | (3,933,896) | 9,563,095 |
| - employee benefits | (71,460) | (762,462) |
| - provisions for guarantees to customers and other provisions | 1,177,556 | (31,440) |
| Depreciation and amortization of non-current assets, including reversals | 9,483,107 | 11,351,423 |
| Investment subsidies | (3,920,652) | (163,218) |
| Revaluation of fixed assets and investment property | 179,777 | 23,339,352 |
| Net gains on disposal of non-current assets | (1,128,569) | 6,277 |
| Interest expense | 98,570 | 92,589 |
| Interest income | (1,794,607) | (540,011) |
| Deferred tax expense (income) | 4,183,024 | (6,486,443) |
| Income tax expense | - | 931,652 |
| **Cash generated by operating activities before changes in working capital** | **(2,872,961)** | **12,721,500** |
| Payments for deposits over a period of more than 3 months | (10,000,000) | - |
| (Increase)/decrease in inventories | 6,468,919 | 1,653,263 |
| (Increase) / decrease in receivables and other assets | 28,352,700 | 21,272,401 |
| Increase / (decrease) of debts | (10,668,960) | (11,269,128) |
| Income tax paid | - | (1,580,290) |
| **Net cash from operating activities** | **11,279,698** | **22,797,746** |
| **Cash flows from investment activities** | | |
| Purchase of tangible fixed assets | (1,326,401) | (5,226,304) |
| Proceeds from sale of fixed assets | 33,585,014 | 29,510 |
| Interest accrued | 1,794,607 | 467,121 |
| Dividends received | 4,549,989 | 534,796 |
| **Net cash used in investment activities** | **38,603,209** | **(4,194,877)** |
| **Cash flows from financing activities** | | |
| Proceeds from loans | - | 1,964,851 |
| Loans repayments | - | (1,964,851) |
| Repayment of lease liability | (1,350,768) | (1,365,498) |
| Interest paid | (98,570) | (91,012) |
| Dividends paid | (40,196) | (2,721,128) |
| **Net cash used in financing activities** | **(1,489,534)** | **(4,177,638)** |
| **Net increase / (decrease) in cash and cash equivalents** | **48,393,373** | **14,425,231** |
| **Cash and cash equivalents at the beginning of the period** | **25,138,900** | **10,713,669** |
| **Cash and cash equivalents at end of period** | **73,532,273** | **25,138,900** |

These separate financial statements have been approved to be issued by management at **24 March 2025**:

**DANIELA CUCU** **MARIA GÂRZU**

**General Director** **Chief Accountant**

| | Share capital | Retained earnings | Revaluation reserves tangible assets | Other elements | Legal reserve | Deferred tax recognized in reserves | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance as of 01 January 2024** | **67,603,870** | **63,035,361** | **146,040,464** | **79,826,174** | **12,541,942** | **(23,300,053)** | **345,747,758** |
| **Total result related to the period:** | | | | | | | |
| Profit or loss for the financial year | - | (7,407,144) | - | - | - | - | (7,407,144) |
| **Other comprehensive income** | **-** | **38,375,958** | **46,631,581** | **(31,033,088)** | **-** | **(7,592,554)** | **46,381,897** |
| Net surplus from revaluation of fixed assets | - | - | 55,118,967 | - | - | - | 55,118,967 |
| Deferred tax related to revaluation | - | - | - | - | - | (8,737,070) | (8,737,070) |
| Legal reserve and other reserves | - | - | - | - | - | - | - |
| Transfer of reserves to retained earnings | - | 8,487,386 | (8,487,386) | - | - | - | - |
| Transfer of related deferred tax from revaluation reserve to retained earnings | - | (1,144,516) | - | - | - | 1,144,516 | - |
| Transfer of reserves to retained earnings | - | 31,033,088 | - | (31,033,088) | - | - | - |
| Other elements | - | - | - | - | - | - | |
| **Total result related to the period:** | **-** | **30,968,814** | **46,631,581** | **(31,033,088)** | **-** | **(7,592,554)** | **38,974,753** |
| **Transactions with shareholders, recorded directly in equity:** | | | | | | | |
| Dividends distributed to shareholders | - | - | - | - | - | - | - |
| Other elements | - | - | - | - | - | - | - |
| **Balance as of December 31, 2024** | **67,603,870** | **94,004,175** | **192,672,045** | **48,793,086** | **12,541,942** | **(30,892,607)** | **384,722,511** |

These separate financial statements have been approved to be issued by management at **24 March 2025**:

**DANIELA CUCU** — **General Director**

**MARIA GÂRZU** — **Chief Accountant**

**ELECTROMAGNETICA SA**
**SEPARATE STATEMENT OF CHANGES IN EQUITY**
**FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2024**
**(all amounts are in RON, unless otherwise stated)**

| | Share capital | Retained earnings | Revaluation reserves tangible assets | Other elements | Legal reserve | Deferred tax recognized in reserves | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance as of 01 January 2023** | **67,603,870** | **115,884,803** | **149,935,370** | **57,975,275** | **12,541,942** | **(23,989,660)** | **379,951,600** |
| **Total result related to the period:** | | | | | | | |
| Profit or loss for the financial year | - | (31,033,088) | - | - | - | - | (31,033,088) |
| **Other comprehensive income:** | | **(18,436,160)** | **(3,894,906)** | **21,850,899** | | **689,607** | **209,443** |
| Net surplus on revaluation of fixed assets | - | - | 249,333 | - | - | - | 249,333 |
| Deferred tax related to revaluation | - | - | - | - | - | (39,893) | (39,893) |
| Legal reserve and other reserves | - | (1,401,865) | - | 1,401,865 | - | - | - |
| Transfer of reserves to retained earnings | - | 4,144,240 | (4,144,240) | - | - | - | - |
| Transfer of related deferred tax from revlauation reserve to retained earnings | - | (663,078) | - | - | - | 663,078 | - |
| Transfer net profit to reserve | | (20.449.034) | - | 20.449.034 | - | | |
| Other elements | - | (66,422) | - | - | - | 66,422 | |
| **Total comprehensive income for the period** | **-** | **(49,469,248)** | **(3,894,906)** | **21,850,899** | **-** | **689,607** | **(30,823,651)** |
| **Transactions with shareholders, recorded directly in equity:** | | | | | | | |
| Dividends distributed to shareholders | - | (3,380,194) | - | - | - | - | (3,380,194) |
| Other elements | - | - | - | - | - | - | - |
| **Balance as of December 31, 2023** | **67,603,870** | **63,035,361** | **146,040,464** | **79,826,174** | **12,541,942** | **(23,300,053)** | **345,747,758** |

These separate financial statements have been approved to be issued by management at **24 March 2025**:

**DANIELA CUCU** **MARIA GÂRZU**

**General Director** **Chief Accountant**

## 1. GENERAL INFORMATION

Electromagnetica S.A. is a company organized according to the Romanian legislation that was founded in 1930 and in 2024 has carried out its activity in several fields, the most important being:

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

The production processes and products of Electromagnetica S.A. 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.

A detailed description of the activities is given in Note 31.

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

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

| | 2024 | 2023 |
|---|---|---|
| - minimum price | 0.1940 | 0.1460 |
| - maximum price | 0.2600 | 0.2240 |
| - average price | 0.2157 | 0.1856 |

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

| | 2024 | 2023 |
|---|---|---|
| Average number of employees | 211 | 350 |

These separate financial statements of Electromagnetica S.A. were authorized for issuance by management on March xx, 2025.

## 2. BASICS OF PREPARATION

### Declaration of conformity

The separate financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") in force at the reporting date of the Company, i.e. December 31, 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, as subsequently amended and clarified. These provisions comply with the requirements of International Financial Reporting Standards adopted by the European Union.

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

## 2. BASICS OF PREPARATION (continued)

**Declaration of conformity (continued)**

The details of the company's investments in subsidiaries as of December 31, 2024 and December 31, 2023 are as follows:

| **December 31, 2024**<br>**Branch name** | **No. of titles** | **Percentage of ownership and voting rights (%)** | **Value** |
|---|---|---|---|
| Electromagnetica Prestserv S.R.L. | 300 | 100% | 30,000 |
| Electromagnetica Fire S.R.L. | 800 | 100% | 80,000 |
| Procetel S.A. | 42,483 | 96.548% | 732,008 |
| **TOTAL** | | | **842,008** |

| **December 31, 2023**<br>**Branch name** | **No. of titles** | **Percentage of ownership and voting rights (%)** | **Value** |
|---|---|---|---|
| Electromagnetica Prestserv S.R.L. | 300 | 100% | 30,000 |
| Electromagnetica Fire S.R.L. | 800 | 100% | 80,000 |
| Procetel S.A. | 42,483 | 96.548% | 732,008 |
| **TOTAL** | | | **842,008** |

Financial statements are available on the website www.electromagnetica.ro within the applicable legal period.

**Principle of continuity of activity**

The financial statements have been prepared on a going concern basis, which implies that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

**Basics of preparation**

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

**Functional and presentation currency**

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

**Foreign currency**

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

Conversion differences are shown in the profit or loss account.

**2. BASICS OF PREPARATION (continued)**

**Foreign currency (continued)**

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

| | December 31 2024 | December 31 2023 |
|---|---|---|
| Exchange rate to EUR at the end of the period | 4.9741 | 4.9746 |
| Exchange rate to USD at the end of the period | 4.7768 | 4.4958 |

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

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

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

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

The company's management believes that any differences from these estimates will not have a significant influence on the financial statements in the near future, with each estimate applying the principle of prudence.

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

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

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

By their nature, unforeseen situations will be clarified at the time of occurrence of potential future events that may generate them. The assessment of 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 to the extent that it is likely that there will be taxable profit from which the losses can be covered. It is necessary to exercise professional reasoning to determine the amount of deferred tax assets that can be recognised, based on probability in terms of the period and level of future taxable profit, as well as future tax planning strategies.

## 3. APPLYING NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

***New IFRS accounting standards and amendments to existing standards effective for the current year***

In the current year, the company has applied a number of amendments to the IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union that have entered into force for the reporting period beginning on or after 1 January 2024. Their adoption did not have a material impact on the disclosures nor on the amounts reported in these financial statements.

| Standard | Title |
|---|---|
| Amendments to IAS 1 | Classification of debt into short-term debt and long-term debt and long-term debt with financial indicators |
| Amendments to IAS 7 and IFRS 7 | Financing agreements with suppliers |
| 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 entered into force***

At the time of approval of these financial statements, the company has not applied the following amended IFRS accounting standards that have been issued by the IASB and adopted by the EU but have not yet entered into force:

| Standard | Title | Date of entry into force |
|---|---|---|
| Amendments to IAS 21 | Lack of convertibility | January 1, 2025 |

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

Currently, IFRS as adopted by the EU do not differ significantly from IFRS adopted by the International Accounting Standards Board (IASB), except for the following new standards and amendments to existing standards, which were not adopted by the EU on 31 December 2024:

| Standard | Title | EU adoption status |
|---|---|---|
| Amendments to IFRS 9 and IFRS 7 | Amendments to the classification and evaluation of financial instruments (date of entry into force set by the IASB: 1 January 2026) | Not yet adopted by the EU |
| Amendments to IFRS 9 and IFRS 7 | Contracts relating to electricity dependent on natural conditions | Not yet adopted by the EU |
| Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 | Annual improvements in IFRS Accounting Standards-Volume 11 (effective date set by IASB: January 1, 2026) | Not yet adopted by the EU |
| IFRS 18 | Presentation and disclosure of information in the financial statements (effective date set by the IASB: January 1, 2027) | Not yet adopted by the EU |
| IFRS 19 | Subsidiaries without public liability: information to be provided (effective date set by the IASB: January 1, 2027) | Not yet adopted by the EU |
| IFRS 14 | Deferral accounts related to regulated activities (effective date set by: 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 (the effective date has been postponed indefinitely by the IASB, but early application is allowed) | The approval process has been postponed indefinitely until the research project on the equity method has been completed. |
| Amendments to IFRS 9 and IFRS 7 | Amendments to the classification and evaluation of financial instruments (date of entry into force set by the IASB: 1 January 2026) | Not yet adopted by the EU |

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

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated. According to the Company's estimates, the use of hedge accounting for a portfolio of financial assets and liabilities in accordance with **IAS 39: "Financial Instruments: Recognition and Measurement"** would not materially affect the financial statements if applied at the balance sheet date.

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)**

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

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

- **IFRS 19 Non-publicly accountable subsidiaries: disclosures** issued by the IASB on May 9, 2024. The standard allows subsidiaries to provide restricted information when applying IFRS accounting standards to financial statements. IFRS 19 is optional for eligible subsidiaries and sets out information provision requirements for subsidiaries that choose to apply it.

- **Amendments to IFRS 16 Leases - Lease Liabilities in a Sale and Leaseback Transaction**, issued by the IASB on September 22, 2022. Amendments to IFRS 16 require the seller-lessee to subsequently measure lease liabilities arising from a leaseback transaction in such a way that it recognizes no gain or loss on the retained right of use. The new requirements do not prevent a seller-lessee from recognizing gains or losses in the profit and loss account on the partial or total termination of a lease.

- **Amendments to IAS 1 Presentation of Financial Statements - Classification of Debt into Short-term Liabilities and Long-term Liabilities,** issued by the IASB on January 23, 2020, and Amendments to IAS 1 Presentation of Financial Statements - Long-term Liabilities with Financial Indicators issued by the IASB on October 31, 2022. The amendments issued in January 2020 provide a more general approach to the debt classification provided for in IAS 1 based on contractual agreements existing at the reporting date. The amendments issued in October 2022 clarify how the conditions that an entity must comply with within twelve months of the reporting period affect the classification of a liability and set the date of entry into force for both amendments to annual periods beginning on or after 1 January 2024.

- **Amendments to IAS 7 Cash Flow Statements and IFRS 7 Financial Instruments: Disclosures - Financing Arrangements in Supplier Relationships** issued by the IASB on May 25, 2023. The amendments add requirements for information to be provided as well as" indicators " within existing requirements for information to be provided to provide qualitative and quantitative information on financing agreements in relation to suppliers.

- **Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates** - Non-Convertibility issued by the IASB on August 15, 2023. The amendments contain guidance for entities to state when a currency is convertible and how to determine the exchange rate when it is not convertible.

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

- **Amendments to IFRS 9 and IFRS 7 - Contracts that refer to electricity dependent on natural conditions** issued by the IASB on December 18, 2024. The own-use requirements in IFRS 9 are amended to include factors that an entity shall take into account when applying IFRS 9:2.4 in contracts for the purchase and delivery of electricity from renewable sources for which the source of the electricity depends on natural conditions. The requirements for hedge accounting in IFRS 9 are amended to permit an entity that enters into a contract for renewable electricity from renewable sources that is dependent on natural conditions specified as the hedged item to designate a variable volume of forecast electricity transactions as the hedged instrument if specified criteria are met and to measure the hedged item using the same volume assumptions as those used for the hedged item. Amendments to IFRS 7 and IFRS 19 will introduce disclosure requirements for electricity contracts that are dependent on natural conditions with specified characteristics.

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)**

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

- **IFRS 14 Deferred Accounts for Regulated Activities** issued by the IASB on January 30, 2014. This standard is intended to enable first-time IFRS adopters that currently recognize defer deferral accounts related to regulated activities under previous GAAP to continue to do so on transition to IFRSs.

**Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale of or Contribution of Assets between an Investor and its Associates or Joint Ventures**, issued by the IASB on September 11, 2014. The amendments resolve the inconsistency between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, gains or losses are recognized when the assets sold or contributed are an enterprise.

## 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 short-term /long-term.

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

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

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

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

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

The 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 conducted in the normal course of business between market participants at the valuation date.

Fair value measurement is based on the presumption that the sale of the asset or the transfer of the liability occurs either:

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

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

**4.1. Significant accounting policies (continued)**

**Fair value (continued)**
The 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 are acting to achieve maximum economic benefit.

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

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

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

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

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

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

The company's financial department determines the applicable procedures for fair value assessments such as investment property, property, plant and equipment where the fair value model is adopted.

External appraisers are involved in the valuation of property, plant and equipment and investment property. This involvement is determined annually by the financial Department. Selection criteria include the appraiser's market knowledge, reputation, independence and whether professional standards are met.

**Revenue from customer contracts**

Revenue from customer contracts is recognised when control of goods and services is transferred to a value that reflects the consideration to which the 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 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 that take away the customer's right to return the products for various reasons. This return of goods operation can generate several situations.

- the customer has the right to refund, in whole or in part, the amount initially paid for the goods;

- the customer may receive a discount invoice that will decrease his future payments in relation to the seller;

- the client has the right to receive another good in exchange, or

- combination of the above

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

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

1. revenue for the transferred goods at the level of value to which the entity considers it 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 considers that it is possible that the condition of the returned goods will be much different from the one at the time of delivery, there is even a risk that the goods can not be used in continuare.In under these conditions, the value of the recognized asset will have to be made at the book value of the goods at the time of sale, reduced by any other depreciation of value or CSTs necessary for their recovery the 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 value. If the entity cannot assess the level of returns, the revenue will not be recognized until the date on which the estimate can be reasonably made, the date that may correspond to the end of the period in which the client has the right of return.

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

- the reason for the agreement with billing before delivery must be substantial (there must be written request of the customer);

- the product must be distinctly identified as belonging to the customer;

- the product must be ready for physical transfer to the customer on a current basis;

- the entity delivering the product may not have the ability to use the product or assign it to another customer.

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

More details can be found in Note 21 where the main income generating activities of the company are presented.

**Income from other sources**

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

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

**Dividends and interest**

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

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

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

**Leasing**

*Company as lessee*

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

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

For these leases, the Company recognizes payments as operating expenses linearly during the lease term. Electromagnetica fits as leases those aimed at renting spaces. Since the rental is made for periods of one year or more they are treated as accounting in a unitary manner by recognizing a right of use of the asset and a lease debt.

*Lease debt*

At the start date of the lease, the Company recognises the lease liabilities, measured at the discounted value with the marginal borrowing rate of the lease payments, over the duration of the lease. Payments include fixed payments minus any incentives to receive, variable lease payments that depend on an index or rate, and amounts that are expected to be paid in the form of residual value.
The Company uses a loan rate from information received from the financial-banking area.

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

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

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

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

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

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

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

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

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

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

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

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

### 4.1. Significant accounting policies (continued)

**Leasing (continued)**

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

a. there is a change in the amounts expected to be due in accordance with the residual value guarantee. The Company determines the revised lease payments to reflect the change in amounts 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 on the basis of revised contractual payments.

*Right to use assets*

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

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

| **Right of use assets** | **Depreciation duration (years)** |
|---|---|
| Buildings | 1-5 |
| Vehicles | 3-5 |

*Company as lessor*

The Company concludes rental contracts as lessor for the spaces in buildings registered both as property, plant and equipment and as investment property.

All leases are recognized as operational leases.

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

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

**Borrowing costs**

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

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

Interest expense is recorded using the effective interest method.

During the year ended December 31, 2024 and December 31, 2023, respectively, the Company did not capitalize on interest expense in the value of the assets, as it did not take out any loans for investments.

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

### 4.1. Significant accounting policies (continued)

**Employee benefits**

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

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

The Company is not engaged in any independent pension scheme and therefore has no obligations to do so.

The Company is not employed in any other post-employment benefits scheme. 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 profits.

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

**Taxation**

*Current corporate tax*

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

*Deferred tax*

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

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

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

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

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

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

*Current and deferred tax*

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

**Value Added Tax (VAT)**

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

- the situation in which the tax related to the acquisition of an asset or the provision of a service is not recoverable from the tax authority, in which case the VAT is recognized as part of the acquisition cost of the asset or service, as the case may be;
- the situation in which the receivables and debts are recognized with VAT included, when the net amount to be paid or recovered from the Tax Authority is included in the receivables or debts in *Statement of financial position*.

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

### 4.1. Significant accounting policies (continued)

**Property, plant and equipment**

Property, plant and equipment are represented by land , buildings, technological equipment, appliances and installations, means of transport and others, initially recognized at the cost of acquisition or production.

The cost of 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 operate in the manner desired by management.

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

The Company opted to use for valuation after initial recognition of property, plant and equipment *the model of reassessment.*

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

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

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

Depreciation also begins when assets are available for use.

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

Owned land does not pay off.

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

For all assets acquired as of January 1, 2015, the 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 as appropriate the following useful life for different categories of property, plant and equipment as follows:

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

An item of 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 the proceeds from sales and the net book value of the asset and is recognized in the statement of profit and loss at the date of derecognition.

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

### 4.1. Significant accounting policies (continued)

**Investment property**

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

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

**Intangible assets**

*Intangible assets acquired separately*

Finite life intangible assets 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 Company 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 of indefinite useful life that are purchased separately are accounted for at cost less cumulative impairment losses.

*Internally generated intangible assets-research and development expenses*

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

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

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

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

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

*Derecognition of intangible assets*

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

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

**4.1. Significant accounting policies (continued)**

**Impairment of tangible and intangible assets**

To determine whether a tangible or intangible asset valued at cost is impaired, the Company analyzes under IAS 36 to identify whether there are indications of impairment.

For intangible assets with indeterminate lifetime depreciation tests are performed annually. This applies even if there are no indications of depreciation. Impairment tests are conducted at the level of cash generating units that generate cash inflows largely independent of those from other assets or asset Companys.

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

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

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

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

**Major maintenance and repairs**

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

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

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

Inspection costs associated with major maintenance programs are capitalized and amortized until the next inspection.
The costs of capital repairs for small hydropower plants are also capitalized.
All other costs with current repairs and usual maintenance are recognized directly in expenses.

**Inventories**

The Company recognizes as inventories those assets that are:

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

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

**4.1. Significant accounting policies (continued)**

**Inventories (continued)**

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

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

For inventories of raw materials and materials, as well as for those of finished products, adjustments are made based on management estimates. The establishment and resumption of adjustments for depreciation of inventories is carried out on account of the profit and loss account.

**Prepayment expenses**

Prepayment expenses are amounts usually paid in advance for services that concern a period of up to a year or more. The part covering the period up to one year is reflected in the statement of financial position to current assets. The portion that exceeds one year is recorded under non-current assets.

**Financial instruments**

Initial recognition and measurement

**i) Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognised in the balance sheet when the Company becomes a party to the instrument's contractual obligations. 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 financial asset management refers to how it manages its financial assets to generate cash flows. Currently, the financial assets owned by the Company are represented by receivables, guarantees. The business model used is to generate cash flows.

For assets measured at fair value, gains and losses will be either recorded in profit or loss or overall result. For investments in equity instruments that are not held for trading, this will depend on whether the 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 recognised and intends to either settle on a net basis or realise 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 Company of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired; or the Company has transferred its rights to receive cash flows from the asset or has assumed the obligation to pay the cash flows received in full without significant delay to a third party under a "transfer" agreement; and either: (a) the Company has transferred substantially all the risks and benefits of the asset; or (b) the Company has neither transferred nor substantially withheld all risks and benefits of the asset, but transferred control over the asset.

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

### 4.1. Significant accounting policies (continued)

**Financial instruments (continued)**

**ii) Financial assets (continued)**

Regular purchases and sales of financial assets are recognised on the transaction date, the date on which the 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 the risks and benefits of ownership.

***Cash and cash equivalents***

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

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

***Other financial assets at amortized costs***

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

***Trade and other receivables***

Trade receivables assessed under IFRS 9 are amounts due to customers for products sold in the normal course of business. They are generally due for settlement within 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 financing components, when they are recognized at fair value at the date of initial recognition. Electromagnetica S.A. 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 claims up to 90 days past due, Electromagnetica S.A. adopted the simplified approach in accordance with IFRS 9 and measured the provision for losses on the basis of a matrix of provisions that is based on historical collection and PD experience adjusted for forward-looking factors to estimate the provision on initial and lifetime recognition of claims at an amount equal to ECL (expected credit losses). The assessment is carried out every six months and any change in the initial allowance will be recorded as gain or loss in the profit and loss account. The expected credit losses over the entire life of the receivables, as well as the adjustments recorded for receivables with more than 90 days seniority analyzed individually and those for specific losses recorded in the current year, are classified as *other expenses*.

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

***Judgments and estimates***

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

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

**4.1. Significant accounting policies (continued)**

**Financial instruments (continued)**

**iii) Financial liabilities**

The company's financial liabilities comprise mainly interest-bearing loans and loans, commercial and other liabilities.

A financial liability is derecognised when the debt obligation is extinguished, cancelled or expires. When an existing financial liability is replaced by another from the same creditor on substantially different terms, or the terms of an existing liability are substantially changed, such exchange or modification is treated as derecognition of the original liability and recognition of a new liability, and the difference between the respective book values is recognized in profit or loss.

***Interest-bearing loans and loans***

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

***Shareholder financing***

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

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

***Derivatives***

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

**Government subsidies**

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

**Provisions**

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

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

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

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

**4.1. Significant accounting policies (continued)**

**Provisions (continued)**

*Restructuring provisions*

The implicit obligation to restructure arises if a company:

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

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

The restructuring provision includes only direct restructuring-related expenses.

*Provisions for employee benefits*

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

The Company does not recognise the provision for losses from the exploitation of assets.

**Segment reporting**

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

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

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

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

- for which separate financial information is available.

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

- licensed activity-supply and production of electricity.

- unlicensed activity - industrial production and space rental.

**Dividends**

Dividends are recorded as liabilities in the Financial Statements of the company during the period in which they are approved by the shareholders of the company and are reflected accordingly by the decrease in capital.

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

### 4.2. Accounting judgments, estimates and assumptions

Separate financial statements were prepared on the basis of historical cost, with the exception of fixed assets where the revaluation method was adopted. Historical cost is generally based on the fair value of consideration made in return for assets.

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

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

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

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

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

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

In accordance with IAS 36, property, plant and equipment 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 past due by more than 90 days are analyzed individually at each reporting date and adjusted based on the information obtained, in correlation with the risk of non-collection.

## 5. PROPERTY, PLANT AND EQUIPMENT

| Cost | Land and land improvements | Construction | Technological equipment and vehicles | Other tangible assets | Property, plant and equipment pending execution | Prepayment for tangible assets | Total |
|---|---|---|---|---|---|---|---|
| **As of December 31, 2023** | **156,573,521** | **113,954,255** | **15,279,743** | **2,296,217** | **1,304,896** | **-** | **289,408,632** |
| Inflow | 19,662,992 | 36,232,224 | 734,827 | 594,573 | 782,258 | - | 58,006,874 |
| - of which: revaluation | 19,662,992 | 36,232,224 | - | - | - | - | 55,895,216 |
| - of which: transfers | - | - | 341,626 | 443,844 | - | - | 785,470 |
| Outflow | (8,531,657) | (29,132,346) | (4.713.347) | (844,296) | (785,470) | - | (44.007.116) |
| - from revaluation | (1,596,700) | (427,917) | - | - | - | - | (2,024,617) |
| - from transfer to classified assets rights held for sale | - | - | (1,053,609) | - | - | - | (1,053,609) |
| - from transfers | - | - | - | - | (785,470) | - | (785,470) |
| **As of December 31, 2024** | **167,704,856** | **121,054,133** | **11,301,223** | **2,046,494** | **1,301,684** | **-** | **303,408,390** |
| **Accumulated depreciation** | | | | | | | |
| **As of December 31, 2023** | **-** | **-** | **(1,132,588)** | **-** | **-** | **-** | **(1,132,588)** |
| Depreciation of the year | (59,468) | (5,511,769) | (3,565,982) | (582,721) | - | - | (9,719,940) |
| Accumulated depreciation on disposals | 59,468 | 5,511,769 | 646,419 | 194,181 | - | - | 6,411,837 |
| - of which the net value was determined | 59,468 | 4,888,058 | - | - | - | - | 4,947,526 |
| **As of December 31, 2024** | **-** | **-** | **(4,052,151)** | **(388,540)** | **-** | **-** | **(4,440,691)** |
| **Impairment adjustments** | | | | | | | |
| **As of December 31, 2023** | **(3,714,679)** | **-** | **-** | **-** | **-** | **-** | **(3,714,679)** |
| Impairment adjustments recognized in profit or loss | - | - | (2,123,795) | - | - | - | (2,123,795) |
| Reversals of impairment adjustments recognized in profit or loss | 3,714,679 | - | - | - | - | - | 3,714,679 |
| **As of December 31, 2024** | **-** | **-** | **(2,123,795)** | **-** | **-** | **-** | **(2,123,795)** |
| **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 December 31, 2024** | **167,704,856** | **121,054,133** | **5,125,277** | **1,657,954** | **1,301,684** | **-** | **296,843,904** |

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

| Cost | Land and land improvements | Construction | Technological equipment and vehicles | Other tangible assets | Property, plant and equipment pending execution | Prepayment for tangible assets | Total |
|---|---|---|---|---|---|---|---|
| **As of December 31, 2022** | **170,255,649** | **130,589,322** | **24,288,342** | **2,621,885** | **2,998,477** | **118,354** | **330,872,029** |
| Entries | - | 14,053,427 | 5,629,652 | 759,419 | 8,673,055 | - | 29,115,552 |
| - of which: revaluation | - | 7,344,309 | 2,616,575 | 564,596 | - | - | 10,525,479 |
| - of which: transfers | - | 6,709,118 | 2,044,286 | 193,355 | - | - | 8,946,759 |
| Exits | (13,682,128) | (30,688,494) | (14,638,251) | (1,085,087) | (10,366,636) | (118,354) | (70,578,950) |
| - of which: revaluation | (13,682,128) | (30,688,494 | (14,580,493) | (1,085,087) | - | - | (60,036,202) |
| - of which: transfers | - | - | - | - | (8,946,759) | - | (8,946,759) |
| **As of December 31, 2023** | **156,573,521** | **113,954,255** | **15,279,743** | **2,296,217** | **1,304,896** | **-** | **289,408,632** |
| | | | | | | | |
| **Accumulated depreciation** | | | | | | | |
| **As of December 31, 2022** | **(143,342)** | **(5,540,942)** | **(11,235,373)** | **(574,181)** | **-** | **-** | **(17,493,838)** |
| Depreciation for the year | (59,468) | (5,570,071) | (4.167.740) | (505,753) | - | - | (10.303.032) |
| Accumulated depreciation on disposals | 202,810 | 11,111,014 | 14,270,525 | 1,079,934 | - | - | 26,664,282 |
| - of which following the determination of the net value | 202,810 | 11,111,014 | 13,237,704 | 1,079,934 | - | - | 25,631,461 |
| **As of December 31, 2023** | **-** | **-** | **(1,132,588)** | **-** | **-** | **-** | **(1,132,588)** |
| | | | | | | | |
| **Impairment adjustments** | | | | | | | |
| **As of December 31, 2022** | **(4,129,814)** | **-** | **-** | **-** | **-** | **-** | **(4,129,814)** |
| Impairment adjustments recognized in profit or loss | (415,135) | - | - | - | - | - | (415,135) |
| Reversals of impairment adjustments recognized in profit or loss | - | - | - | - | - | - | - |
| **As of December 31, 2023** | **(3,714,679)** | **-** | **-** | **-** | **-** | **-** | **(3,714,679)** |
| | | | | | | | |
| **Net book value** | | | | | | | |
| **As of December 31, 2022** | **165,982,493** | **125,048,380** | **13,052,969** | **2,047,704** | **2,998,477** | **118,354** | **309,248,377** |
| **As of December 31, 2023** | **152,858,842** | **113,954,256** | **14,147,155** | **2,296,217** | **1,304,896** | **-** | **284,561,365** |

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

Property, plant and equipment at December 31, 2024 increased 4% compared to December 31, 2023. This increase is mainly due to the periodic revaluation of the Company's assets. The decrease in property, plant and equipment stems from the sale of micro-hydro assets (land, buildings and equipment) and the disposal of the expropriated land in Domnești.

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

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

The Company's property, plant and equipment consist of land and buildings, work equipment and furniture.
The land, buildings and special constructions have been valued at December 31, 2024, with revaluation differences recognized within equity. The revaluation was carried out by an authorized appraiser, namely Darian DRS SA, corporate member ANEVAR.

Regarding the valuation basis:

1. Valuations under IAS 16 - (tangible fixed assets held for the purpose of producing or supplying goods and services or for administrative purposes) - "when an entity adopts the fair value revaluation option under IAS16, the assets are included in the balance sheet at fair value as follows :

   a. The fair value of land and buildings is usually determined on the basis of market information through valuation normally performed by professionally qualified valuers. The fair value of items of property, plant and equipment is usually the market value determined by appraisal.
   b. If market information about the fair value of a specialized item of property, plant, and equipment is not available and the item is infrequently traded unless it is part of a continuing business activity, the entity would need to estimate the fair value of the specialized asset using the income approach or the net replacement cost approach.

IVSC believes that a qualified appraiser should report the fair market value of the asset when performing a valuation for this purpose.

2. Valuations under IAS 40 - Investment Property - (real estate held primarily for rental purposes or for capital appreciation) - where the entity chooses the fair value model for accounting for investment property, the IVSC considers that the requirements of this model are met by the valuer in adopting the market value.

Thus, the Company's fixed assets have been classified as tangible fixed assets held for the purpose of production or supply of goods and services or for administrative purposes: land, buildings, special constructions owned by the Company related to the locations, owned and operated by the Company.

In estimating the market value of real estate properties, all three valuation approaches presented by the International Valuation Standards were used, namely:
- The cost approach - was applied to all buildings and special purpose buildings;
- Market Approach - was applied to land and apartment valuation;
- Income Approach - was applied to the valuation of income generating properties.

The income approach was only applied to test for the existence of an external depreciation to be applied under the cost approach. No external impairment was found to exist.

The equipment was valued at December 31, 2023 under the income approach, the DCF method. Given that the inputs used in the valuation at December 31, 2023 did not change significantly during 2024, the carrying amount of the equipment at December 31, 2024 (fair value at December 31, 2023 less accumulated depreciation) was considered to be an estimate of the fair value at the reporting date.

The unobservable variables used in the income approach applied to test for the existence of an external impairment in applying the net replacement cost method are as follows:

For offices - monthly market rent (EUR 10/m2), occupancy rate (80%). A potential increase in these variables would result in an increase in the fair value of the properties, implying an even greater difference between the value of the property estimated using the income approach and that estimated using the cost approach;

The capitalization rate used in the property valuation model (for office 10%) - a potential increase in this variable will result in a decrease in the fair value of the property estimated using the income approach and the cost approach. The model was tested using a higher capitalization rate and no external depreciation was obtained.

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

**Fair value of property, plant and equipment (continued)**

Information about the fair value hierarchy at December 31, 2024 and December 31, 2023:

| | Tier 1 | Tier 2 | Tier 3 | Fair value at December 31 2024 |
|---|---|---|---|---|
| Land and land improvements | - | - | 167,704,856 | 167,704,856 |
| Construction | - | - | 121,054,133 | 121,054,133 |

| | Tier 1 | Tier 2 | Tier 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 2024 and 2023 there were no transfers between fair value levels.

The revaluation surpluses recorded as at 31 December 2024 amounted to RON 55,118,967, the decrease during the year mainly relates to transfers to retained earnings on the depreciation of assets. The balance cannot be distributed to shareholders.

The net book value of buildings used by the Company for both administrative and other activities is RON 121,054,133 (2023: RON 113,954,256).

*Depreciation of fixed assets*

The impact of the partial expropriation of the land located in Domnești, announced in 2022, led to the recording of an impairment adjustment of the fixed asset in the amount of RON 3,714,679 at December 31, 2023. This adjustment was determined as the difference between the fair book value of the land and the amount of compensation received for expropriation. In 2024, the expropriated land was taken out of management as a result of the update in the land register. In this context, expropriation income was recognized and the asset impairment adjustment was reversed.

As of December 31, 2024, an impairment adjustment for technological equipment and vehicles in the amount of RON 2,123,795 has been calculated, resulting from the impairment loss caused by the slowdown in production activity.

## 6. INVESTMENT PROPERTY

The company owns buildings used entirely for rental as offices. In general, leases are for a minimum initial period of one year. Subsequent extensions are negotiated with the tenants. The obligations of the parties in respect of repairs, maintenance and improvements are set out in the leases.

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

The valuation as at December 31, 2024 was performed by an ANEVAR authorized appraiser using the income approach (discounted cash flow method). Darian DRS is a company specializing in the valuation of these types of investment property and the valuation model used complies with International Valuation Standards.

## 6. INVESTMENT PROPERTY (continues)

| As of December 31, 2024, investment property are as follows: | 2024 | 2023 |
|---|---|---|
| **Initial balance** | **17,709,588** | **16,573,349** |
| Inflow of which: | 1,070,677 | 1,354,295 |
| - from fair value valuation | 1,070,677 | - |
| - transfers | - | 1,354,295 |
| Outflow of which: | - | (218,056) |
| - from fair value measurement | - | (218,056) |
| - transfers | - | - |
| **Final balance** | **18,780,265** | **17,709,588** |

The investment property income earned in 2024 amounts to RON 5,284,428 (2023: RON 3,821,614) and covers the expenses incurred by the owner.

Inflows are represented by the increase in value generated by revaluation.

The company also owns other rented premises in buildings used in conjunction with other activities. They are not classified as investment property because the share of rental income in total income is insignificant. Also, in most situations these spaces cannot be managed separately.

We note that there are no restrictions imposed on the degree of realization of investment property or on the transfer of income and proceeds from disposal.

Information about the fair value hierarchy at December 31, 2024 and December 31, 2023:

| | Tier 1 | Tier 2 | Tier 3 | Fair value at December 31 2024 |
|---|---|---|---|---|
| Investment property | - | - | 18,780,265 | 18,780,265 |

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

*The valuation techniques in investment property were:*

- Office properties are valued using the capitalization method (income approach) based on the net rental income generated by the properties. Projected rental income includes payments to tenants under current leases until completion and income based on market rates thereafter.

*The observable variables used are:*

- Market rental rates, occupancy rates, and landlord costs - increases in the variables considered will increase the fair value of investment real estate.

*The not-observables are:*

- Capitalization rates (10%) used in investment property valuation models - increasing capitalization rates will decrease the fair value of investment property.

## 7. INTANGIBLE ASSETS

Intangible assets comprise computer programs, licenses and various software. They are amortized using the straight-line method.

In the statement of financial position they are stated at historical cost less amortization and any value adjustments. Intangible fixed assets have decreased mainly due to amortization.

For most intangible assets, useful lives have been estimated at 3 years.

The status of intangible assets at December 31, 2024 is as follows:

| | Patent licensing concessions | Other intangible assets | Intangible assets outstanding | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| **As of December 31, 2023** | **1,231,660** | **3,395,731** | **-** | **4,627,392** |
| Inflow | 213 | - | - | 213 |
| Outflow | (50,834) | (20,018) | - | (70,852) |
| Transfers | - | - | - | - |
| **As of December 31, 2024** | **1,181,039** | **3,375,713** | **-** | **4,556,753** |
| **Accumulated amortization** | | | | |
| **As of December 31, 2023** | **(1,220,766)** | **(2,840,315)** | **-** | **(4,061,082)** |
| Amortization of the year | (10,953) | (196,029) | - | (206,982) |
| Cumulative amortization on outflows | 50,834 | 20,018 | - | 70,852 |
| **As of December 31, 2024** | **(1,180,885)** | **(3,016,326)** | **-** | **(4,197,211)** |
| **Net book value** | | | | |
| **As of December 31, 2023** | **10,894** | **555,417** | **-** | **566,310** |
| **As of December 31, 2024** | **154** | **359,387** | **-** | **359,541** |

| **Cost** | Patent licensing concessions | Other intangible assets | Intangible assets outstanding | Total |
|---|---|---|---|---|
| **As of December 31, 2022** | **1,233,088** | **3,395,732** | **-** | **4,628,820** |
| Inflow | - | - | - | - |
| Outflow | (1,429) | - | - | (1,429) |
| Transfers | - | - | - | - |
| **As of December 31, 2023** | **1,231,660** | **3,395,731** | **-** | **4,627,392** |
| **Accumulated amortization** | | | | |
| **As of December 31, 2022** | **(1,196,633)** | **(2,644,286)** | **-** | **(3,840,919)** |
| Amortization of the year | (25,562) | (196,029) | - | (221,592) |
| Cumulative amortization on outflows | 1,429 | - | - | 1,429 |
| **As of December 31, 2023** | **(1,220,766)** | **(2,840,315)** | **-** | **(4,061,082)** |
| **Net book value** | | | | |
| **As of December 31, 2022** | **36,455** | **751,446** | **-** | **787,902** |
| **As of December 31, 2023** | **10,894** | **555,417** | **-** | **566,310** |

## 8. RIGHTS OF USE ASSETS

| | Buildings | Vehicles | Total |
|---|---|---|---|
| **Cost** | | | |
| **As of December 31, 2023** | **2,340,104** | **230,821** | **2,570,924** |
| Additions | 1,202,439 | - | 1,202,439 |
| Disposals | (387,496) | (118,838) | (506,334) |
| **As of December 31, 2024** | **3,155,047** | **111,983** | **3,267,030** |
| **Accumulated depreciation** | | | |
| **As of December 31, 2023** | **(1,021,542)** | **(149,688)** | **(1,171,230)** |
| Depreciation of the year | (1,093,933) | (53,136) | (1,147,069) |
| Cumulative depreciation on outflows | 261,971 | 118,838 | 380,809 |
| **As of December 31, 2024** | **(1,853,504)** | **(83,986)** | **(1,937,490)** |
| **Net book value** | | | |
| **As of December 31, 2023** | **1,318,562** | **81,132** | **1,399,694** |
| **As of December 31, 2024** | **1,301,543** | **27,997** | **1,329,540** |

The following amounts have been recognized in the income statement:

| | 2024 | 2023 |
|---|---|---|
| Depreciation expense related to rights to use leased assets | 1,147,069 | 1,389,255 |
| Interest on lease liabilities | 98,570 | 91,120 |
| Expenditure related to low-value leases | 100,650 | 2,747 |
| **Total amounts recognized in the profit and loss account** | **1,346,289** | **1,483,122** |

At December 31, 2024, lease liabilities amounting to RON 1,609,980 are related to operating leases, of which short-term liabilities amounting to RON 872,245 and long-term liabilities amounting to RON 737,735.

At December 31, 2023, the amount was RON 1,444,911 (RON 720,847 short-term and RON 724,064 long-term).

## 9. INVESTMENTS IN RELATED ENTITIES

As of December 31, 2024, investments held in affiliates in the amount of RON 842,008 are stated at cost.

None of the companies in which these investments are held are listed on the stock market. Holdings are valued at cost and are tested for impairment annually. In making this determination, management utilizes a number of judgments and considers, among other factors, the length of time and extent to which the investment's carrying amount at the reporting date is less than its cost; the financial health and near-term outlook of the related entity, technological changes, and operating and financing cash flows.

## 9. INVESTMENTS IN AFFILIATES (continued)

The company's investments in subsidiaries during the reporting period, at December 31, 2024 and December 31, 2023 :

**December 31, 2024**

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

**December 31, 2023**

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

During 2023, Electromagnetica acquired a shareholding in Electromagnetica Fire SRL for 100 RON, thus becoming the sole shareholder with 100% ownership.

In view of the decision of the sole shareholder of April 30, 2024 and the fulfillment of the necessary legal conditions, the shareholders Electromagnetica Prestserv S.R.L. and Electromagnetica Fire S.R.L. have initiated the process of dissolution and liquidation of the companies, appointing Business Recovery BD&A S.P.R.L. as liquidator. The administration of Electromagnetica Fire S.R.L. and Electromagnetica Prestserv S.R.L. is provided by Business Recovery BD&A S.P.R.L., as sole administrator.

The General Shareholders' Meeting of Procetel S.A. held on 18.11.2024 approved the dissolution of Procetel S.A., the dissolution date being set at 30 days from the publication of the decision of the General Shareholders' Meeting in the Official Gazette. At 31.12.2024 the trial was ongoing.

## 10. OTHER NON-CURRENT ASSETS

| | December 31 2024 | December 31 2023 |
|---|---|---|
| Customer performance guarantees | 3,623,534 | 3,535,648 |
| Long-term staggered trade receivables | 1,062,243 | 3,545,661 |
| Adjustments to depreciate long-term trade receivables* | (185,243) | (487,623) |
| Other long-term non-current assets | 11,503 | 12,796 |
| **Total** | **4,512,037** | **6,606,482** |

*Long-term installment receivables in the net amount of RON 877,001 at December 31, 2024 have been discounted to present value and the time value of money effect was RON 185,243. The current portion is recognized in trade receivables (Note 12).

## 11. INVENTORIES

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Raw materials | 6,564,941 | 8,719,964 |
| Consumables | 1,615,365 | 2,500,351 |
| Finished products | 11,924,376 | 13,799,830 |
| Products in progress | 563,646 | 2,064,672 |
| Other inventories | 896,857 | 949,286 |
| Minus adjustments for impairment of inventories | (14,330,237) | (9,318,915) |
| **Total** | **7,234,948** | **18,715,189** |

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

The movement in inventory impairment adjustments is as follows:

| | 2024 | 2023 |
|---|---|---|
| **Balance at the beginning of period** | **(9,318,915)** | **(2,330,345)** |
| Impairment adjustment (expense) | (5,011,322) | (7,410,057) |
| Reverse impairment adjustment | - | 421,488 |
| **Balance at the end of period** | **(14,330,237)** | **(9,318,915)** |

The adjustments recorded during the reporting period relate to devaluation adjustments for slow-moving inventories based on management's best estimate.

The company has no pledged inventories on account of debts.

## 12. TRADE RECEIVABLES

| | December 31 2024 | December 31 2023 |
|---|---|---|
| Trade receivables in Romania | 21,279,654 | 44,568,062 |
| Trade receivables in other countries | 1,518,832 | 4,620,663 |
| Minus impairment adjustments trade receivables | (9,874,114) | (13,808,010) |
| **Total** | **12,924,372** | **35,380,716** |

The decrease in trade accounts receivable at December 31, 2024 compared to December 31, 2023 was due to lower sales volume and the recovery of past due receivables.

The Society has established a provisioning matrix that is based on the Society's historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment, where appropriate. This model shall be applied to outstanding receivables that are not past due or not more than 90 days overdue.

The Company also assesses impairment losses individually for receivables past due by more than 90 days if there are indications of significant increases in credit risk. Further information is disclosed in Note 32.

## 12. TRADE RECEIVABLES (continued)

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

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

| | 2024 | 2023 |
|---|---|---|
| **Balance at the beginning of period** | **(13,808,010)** | **(3,721,707)** |
| Allowance for impairment | (1,812,898) | (10,639,568) |
| Reversal of allowance for impairment | 5,746,794 | 553,265 |
| **Balance at the end of period** | **(9,874,114)** | **(13,808,010)** |

## 13. OTHER CURRENT ASSETS

| | December 31 2024 | December 31 2023 |
|---|---|---|
| Debtors | 2,548 | 14,057 |
| Prepayment expenses | 253,763 | 1,126,826 |
| Advances to suppliers | 89,593 | 155,265 |
| Claim relating to expropriation of land | 1,486,948 | - |
| VAT recoverable | 696,944 | - |
| Other current assets | 755,167 | 369,882 |
| **Total** | **3,284,963** | **1,666,030** |

The category Prepaid expenses in the amount of RON 253,763 mainly represents prepayments related to insurance premiums for insurance and various subscriptions.

Other current assets mainly include amounts recoverable from the social health insurance fund amounting to 720,186 RON.

## 14. CASH AND CASH EQUIVALENTS

| | December 31 2024 | December 31 2023 |
|---|---|---|
| Cash in the cashier | 10,922 | 16,639 |
| Cash in banks | 73,521,351 | 25,110,929 |
| Cash equivalents | - | 11,332 |
| **Total** | **73,532,273** | **25,138,900** |

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

Balances with banks include short-term deposits: December 31, 2024: RON 72,773,912 (December 31, 2023: RON 21,836,410).

In 2024, the company set up a collateral deposit in the amount of RON 10,000,000 for the issuance of bank guarantees. This has been disclosed in the separate Statement of Financial Position under "Deposits placed with banks" as it is a deposit with a placement period of more than 3 months.

## 15. SHARE CAPITAL

The subscribed and paid-up share capital amounts to 67,603,870 RON, composed of 676,038,704 fully paid-up shares with a par value of 0.10 RON/share.

The shareholder structure as of December 31, 2024 and December 31, 2023 is as follows, according to the register provided by the Central Depository:

| | December 31, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| **Shareholder** | **No. of shares** | **%** | **No. of shares** | **%** |
| INFINITY CAPITAL INVESTMENTS S.A. | 442,465,466 | 65,4497 | 442,465,466 | 65,4497 |
| Individuals | 212,498,105 | 31,4328 | 208,487,511 | 30,8396 |
| Legal entities | 21,075,133 | 3,1174 | 25,085,727 | 3,7107 |
| **Total** | **676,038,704** | **100** | **676,038,704** | **100** |

At the General Meeting of Shareholders (GMS) of Electromagnetica S.A. held on December 19, 2024, the shareholders approved the implementation of a share buyback program by the Company.

- size of the program - repurchase of a maximum of 60,000,000 own shares with a par value of RON 0.10/share;
- purchase price - the minimum purchase price will be RON 0.1/share and the maximum price will be RON 0.4/share;
- duration of the program - maximum period of 18 months from the date of registration in the Commercial Register;
- the payment for the repurchased shares will be made from the distributable profit or available reserves of the company recorded in the latest approved annual financial statement, excluding legal reserves, as per the 2023 financial statements;
- destination of the program - reduction of the share capital by cancellation of the repurchased shares.

As of December 31, 2024, the Company holds no redeemable shares, bonds, or other portfolio securities.

## 16. RESERVES

**Legal reserve**

| | 2024 | 2023 |
|---|---|---|
| **Balance at the beginning of period** | **12,541,942** | **12,541,942** |
| Increases | - | - |
| Diminutions | - | - |
| **Balance at the end of period*** | **12,541,942** | **12,541,942** |

According to Romanian law, companies must allocate an amount equal to at least 5% of pre-tax profit to legal reserves until they reach 20% of share capital. Once this level has been reached, the company can make additional allocations only from net profit. The legal reserve is deductible up to a limit of 5% applied to the accounting profit, before corporate income tax.

No legal reserve has been set up during the reporting period.

*Revaluation reserves* amount to 192,672,044 RON as of December 31, 2024. Compared to the balance at the beginning of the period, they have increased due to the surplus generated by the revaluation and have been reduced and transferred to retained earnings as the amortization of revalued fixed assets and their sale took place.

| | 2024 | 2023 |
|---|---|---|
| **Balance at the beginning of period** | **146,040,464** | **149,935,370** |
| Revaluation increases | 55,118,967 | 249,333 |
| Diminutions | (8,487,386) | (4,144.,239) |
| **Balance at the end of period** | **192,672,045** | **146,040,464** |

## 16. RESERVES (continued)

At December 31, 2024, the Company records other reserves and equity items amounting to RON 48,793,086 of which own sources of financing represent 98%.

| | 2024 | 2023 |
|---|---|---|
| **Balance at the beginning of period** | **79,826,174** | **57,975,275** |
| Increases | - | 21,850,899 |
| Diminutions | (31,033,088) | - |
| **Balance at the end of period** | **48,793,086** | **79,826,174** |

The Ordinary General Meeting of Shareholders of Electromagnetica S.A. held on April 25, 2024 approved the allocation of the accounting loss recorded as at December 31, 2023 in the amount of RON 31,033,088 to reserves.

## 17. RETAINED EARNINGS

At December 31, 2024, the retained result from the transfer of net revaluation reserves related to assets depreciated or taken out of service was RON 8,487,386.

## 18. INVESTMENT GRANTS

| | Total | Under one year | Over one year |
|---|---|---|---|
| Investment grants on december 31, 2024 | - | - | - |
| Investment grants at december 31, 2023 | 3,920,651 | 163,219 | 3,757,433 |

In 2012, the Company benefited from an investment subsidy amounting to RON 5,997,788 granted for the modernization of the Brodina 2 micro-hydropower plant (Suceava), which was transferred to income at the same time as the depreciation of the fixed assets acquired within this project was recorded.

Grants related to the transferred activity (assets sold in 2024 related to the 11 micro-hydropower plants) were fully recognized as grant income at the time of sale of the assets to which they related.

## 19. PROVISIONS

| Name | Balance January 1, 2024 | Provision entries | Provision reversals | Balance December 31, 2024 |
|---|---|---|---|---|
| Provision for performance guarantees to customers | 775,000 | 1,177,556 | - | 1,952,556 |
| Provision for employee benefits | 630,436 | 110,617 | (446,375) | 294,678 |
| Provision for disputes with employees | - | 264,298 | - | 264,298 |
| **TOTAL** | **1,405,436** | **1,552,471** | **(446,375)** | **2,511,532** |

The company has concluded contracts for the delivery of luminaires with a warranty clause for long periods, respectively 2 – 4 years. The contracts do not stipulate a percentage or amount for the performance guarantee, the provision for which is calculated based on the analysis of the history of costs incurred on products within the warranty period.

In 2024, the provision for performance guarantees to customers has been recalculated based on management's best estimate based on information available at the reporting date.

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

The company has made a provision for pending disputes with employees, estimating the amount of potential liabilities based on the most relevant information available at the reporting date.

## 20. TRADE AND OTHER PAYABLES

| Current tade payables | December 31 2024 | December 31 2023 |
|---|---|---|
| Domestic commercial debt | 1,171,737 | 4,415,839 |
| Foreign trade debts | 10,631 | 3,319,816 |
| Estimated trade liabilities | 4,078,630 | 4,719,677 |
| **Current other paybles** | | |
| Advances received from customers | 2,024,991 | 1,812,126 |
| Salaries and social insurance | 1,666,245 | 2,822,556 |
| Advance income | 811,532 | 1,695,488 |
| Other liabilities | 2,960,598 | 6,135,039 |
| **Total** | **12,724,364** | **24,920,540** |

Long-term trade and other payables amount to RON 1,717,399 (December 31, 2023: RON 867,718) These liabilities relate to guarantees received from tenants under long-term leases.

The liabilities are recorded at nominal value and are shown in the cost accounting per individual or legal entity. Liabilities denominated in foreign currencies have been valued on the basis of the exchange rate prevailing at the year-end and exchange rate differences have been recognized as income or expense for the period.

The company has no significant outstanding trade debts.

The company has no outstanding payments to employees and to the state budget, the amounts shown represent debts for the month of December 2024 and paid when due in January 2025.

The Company has no borrowings as of December 31, 2024.

As of December 31, 2024, the Company has a non-cash guarantee agreement in the amount of RON 10,000,000 for the issuance of letters of guarantee. Their status is disclosed in Note 31 to these financial statements.

Other liabilities comprise guarantees received from tenants, VAT payable, other taxes and duties.

Guarantees received from tenants and those withheld from suppliers as at December 31, 2024 amount to RON 2,333,977 and will be regularized in accordance with the contractual terms.

| | Total | Under one year | Over one year |
|---|---|---|---|
| Guarantees received at 31.12.2024 | 2,333,977 | 616,579 | 1,717,398 |
| Guarantees received at 31.12.2023 | 2,956,661 | 2,088,943 | 867,718 |

Lease liabilities are presented within current and long-term liabilities. Their total amount is RON 1,609,980 (Note 8).

## 21. THE COMPANY AS LESSOR

The Company has entered into operating leases for its investment property portfolio consisting of certain office and production buildings (see Notes 5 and 6). These leases have terms ranging from 1 to 7 years.

All rental contracts include a clause to allow for upward revision of the rental fee on an annual basis according to prevailing market conditions. The lessee is also obliged to provide a residual value guarantee on the properties, so that it covers the risks that the lessor bears in the event of any problems with the tenants.

Rental income recognized by the Company during the year is RON 17,023,468 (2023: RON 17,915,931).

## 21. COMPANY AS LESSOR (continued)

Future minimum rentals receivable under non-cancelable operating leases at December 31, 2024 are as follows:

| | 2024 | 2023 |
|---|---|---|
| - 1 year | 11,556,044 | 17,140,704 |
| - between 1 and 2 years | 8,227,345 | 8,119,516 |
| - between 2 and 3 years | 4,198,915 | 5,158,552 |
| - over 3 years | 4,129,214 | 3,058,710 |

## 22. REVENUE

| INCOME FROM CUSTOMER CONTRACTS | 2024 | 2023 |
|---|---|---|
| Revenue from the production of electricity from renewable sources and from the supply of electricity | 35,740,732 | 91,443,660 |
| Revenue from product sales (LED lighting fixtures, electric vehicle charging systems and solutions, plastic mass injection products and molds, low voltage electrical equipment, railway traffic safety elements) | 33,436,366 | 53,788,733 |
| Revenue from services rendered (complex design, delivery and assembly of LED lighting systems and electric vehicle charging stations) | 4,755,391 | 23,475,518 |
| **TOTAL REVENUE FROM CUSTOMER CONTRACTS** | **73,932,489** | **168,707,911** |
| **RENTAL INCOME*** | **23,735,494** | **26,305,392** |
| **TOTAL INCOME** | **97,667,983** | **195,013,303** |

* Rental income includes both rental income and income from recharging of utilities and services.

| The timing of revenue recognition from customer contracts | 2024 | 2023 |
|---|---|---|
| Goods and services transferred at a point in time | 33,436,366 | 53,788,733 |
| Goods and services transferred over time | 64,231,617 | 141,224,570 |
| **Total revenue from contracts with customers** | **97,667,983** | **195,013,303** |

The Society's revenue streams were:

- *Revenues from the production of electricity from renewable sources and the supply of electricity*, revenues are performance obligations fulfilled at the time the customer received the energy. Prices are identifiable and the market is regulated. Standard payment terms are between 30-60 days.

- *Revenue from sales of LED lighting, lighting fixtures, electric vehicle charging stations, fuel injectors plastic and molds, low voltage electrical equipment, railway traffic safety features*, revenues are performance obligations fulfilled at a point in time when the customer receives and/or the goods are delivered. Prices are identifiable and represent the consideration paid by the customer on the sale of finished goods. Standard payment terms are between 30-90 days. There are also no volume discounts.

- *Revenue from services provided (lighting system installation services)* - revenues are obligations performed over time. Prices are identifiable and represent the consideration paid. Standard payment terms are between 60-90 days but can be up to 2-3 years. The method used is input-based (cost-based), under which revenue is recognized based on the right's efforts to satisfy the performance obligation.

Most revenues are generated in Romania.

## 22. REVENUE (continued)

The disaggregation of revenue at the product level is:

| | 2024 | 2023 |
|---|---|---|
| Electric vehicle charging stations | 5,769,804 | 8,631,437 |
| Electrical equipment | 12,124,959 | 18,055,788 |
| Traffic safety elements CFR | 4,283,973 | 6,625,957 |
| Plastic mass injections and molds | 9,535,702 | 7,891,473 |
| LED lighting fixtures and services | 4,546,021 | 34,754,051 |
| Others | 1,931,298 | 1,305,544 |
| **TOTAL PRODUCTION** | **38,191,757** | **77,264,251** |

**OTHER NET INCOMES AND EXPENSES**

| | 2024 | 2023 |
|---|---|---|
| Income from green certificates | 836,971 | 1,248,655 |
| Income / (expense) on provisions | (3,264,940) | (16.396.927) |
| Subsidy income* | 3,920,652 | 163,218 |
| Net proceeds from the sale of tangible fixed assets | 1,128,569 | 24,490 |
| Other net income/(expense) | 477,261 | 700,245 |
| **TOTAL** | **3,098,513** | **(14.260.319)** |

*Subsidies related to the transferred activity (the sold fixed assets related to the 11 micro-hydropower plants) were fully recognized as grant income at the time of the sale of the assets to which they related. Until then, subsidies were recognized as revenue as the assets depreciated.

In 2023, the net exchange rate difference of -87,866 RON was reflected in Other net income and expenses; for comparability of results this amount has been reclassified from the above table to the Financial expenses and Financial income categories (Note 24).

The Provision income/(expense) line represents net adjustments to assets (fixed assets, receivables, inventories), as well as provisions for customer warranties, employee benefits and employee litigation.

In the year 2023, the net loss from fair value measurement of investment real estate of RON 218,066 was reported in Other income and expense, net; for comparability of results this amount has been reclassified from the table above to Investment income.

## 23. EXPENSES

| | 2024 | 2023 |
|---|---|---|
| **Raw materials and consumables used** | | |
| - Expenditure on raw materials and consumables | 14,246,603 | 43,169,195 |
| - Expenditure on goods | 34,324,250 | 51,608,056 |
| - Expenditure on energy, water, gas | 7,457,801 | 7,370,223 |
| **Total raw materials and consumables used** | **56,028,654** | **102,147,473** |
| | | |
| **Employee benefits expenses** | | |
| - Salary expenses | 15,076,849 | 24,271,510 |
| - Other personnel expenses | 10,220,294 | 15,821,480 |
| **Total employee benefits expenses** | **25,297,143** | **40,092,990** |

## 23. EXPENSES (continued)

| | 2024 | 2023 |
|---|---|---|
| **Other expenses** | | |
| - Postal and telecommunication expenses | 358,124 | 407,421 |
| - Maintenance and repair expenses | 648,141 | 333,574 |
| - Rent expenses | 330,182 | 557,008 |
| - Advertising and protocol expenses | 84,359 | 165,667 |
| - Insurance expenses | 563,925 | 692,323 |
| - Transport and travel expenses | 617,197 | 1,081,651 |
| - Subcontracted work expenses | 450,112 | 5,880,003 |
| - Expenses other taxes and fees | 1,655,105 | 1,843,784 |
| - Expenses with consultants and collaborators | 1,454,430 | 501,931 |
| - Expenditure on green certificates | 1,992,490 | 1,585,359 |
| - Contribution to the Energy Transition Fund | 110,313 | 25,892,582 |
| - Other operating expenses | 8,706,304 | 13,252,420 |
| **Total other expenses** | **16,970,682** | **52,193,723** |
| | | |
| **Depreciation and amortization expense** | | |
| - Depreciation expenses | 11,073,990 | 10,517,924 |
| - Impairment loss/gain | (340,429) | 23,121,296 |
| **Total depreciation and amortization expense** | **10,733,561** | **33,639,220** |
| | | |
| **Total expenses** | **109,030,040** | **228,073,406** |

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

In 2023, expenses for salaries of the members of the Board of Trustees, have been reported in Other Expenses. For comparability of results, this amount has been reclassified to Employee expenses.

In 2023, the impairment loss relates to micro-hydro as a result of revaluation.

## 24. FINANCIAL EXPENSES and FINANCIAL INCOME

| **Financial expenses** | **2024** | **2023** |
|---|---|---|
| Interest expenses | - | 1,469 |
| Leasing interest expenses | 98,570 | 91,120 |
| Expenses related to exchange rate differences | 116,013 | 559,412 |
| Other financial charges | 6,588 | 6,155 |
| **Total financial expenditure** | **221,171** | **658,156** |

In 2023, bank commission expenses of 369,149 RON have been included in Financial expenses, for comparability of results this amount has been reclassified from the above table to Other expenses.

| **Financial income** | **2024** | **2023** |
|---|---|---|
| Interest income | 1,794,607 | 540,011 |
| Income from exchange rate differences | 92,345 | 471,546 |
| Other financial income | 8 | 1,002 |
| **Total financial income** | **1,886,960** | **1,012,559** |

In 2023 interest income was reported in Investment Income. For comparability of results this amount has been reclassified under Financial income.

## 25. INCOME TAX

Income tax recognized in profit or loss:

| | December 31 2024 | December 31 2023 |
|---|---|---|
| **Current profit tax** | | |
| Current income tax expense | - | 931,652 |
| **Deferred corporation tax** | | |
| Deferred tax expenses | 6,369,092 | - |
| Deferred tax income | (2,186,068) | (6,486,443) |
| **Total income tax expense/(income)** | **4,183,024** | **(5,554,791)** |

Reconciliation of pre-tax profit to income tax expense in the income statement:

| Indicator | December 31 2024 | December 31 2023 |
|---|---|---|
| **Profit/(Loss) before tax** | **(3,224,120)** | **(36,587,880)** |
| Tax applied at local rate (16%) | (515,859) | (5,854,061) |
| Effect of non-deductible expenses | 7,905,775 | 286,275 |
| The effect of non-taxable income | (2,544,015) | - |
| Other elements | (662,877) | 12,995 |
| **Total income tax expense/(income)** | **4,183,024** | **(5,554,791)** |

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

At December 31, 2024 the total current income tax receivable amounts to RON 1,703,829 (December 31, 2023: RON 1,703,829).

Deferred income tax analysis for 2024 and 2023 is shown below:

| | Initial balance January 1, 2024 | Recognized in the profit or loss account (income)/ expense | Recognized in other comprehensive income | Final balance December 31, 2024 |
|---|---|---|---|---|
| Property, plant and equipment | 20,534,431 | 4,039,595 | 8,737,070 | 33,311,096 |
| Adjustment of non-current assets | (594,349) | 254,542 | - | (339,807) |
| The time-value effect of money (receivables) | (185,525) | 79,558 | - | (105,967) |
| Value adjustments receivables | (2,101,776) | 521,918 | - | (1,579,858) |
| Inventory value adjustments | (1,568,815) | (724,023) | - | (2,292,838) |
| Employee benefits | (100,870) | 11,434 | - | (89,436) |
| **TOTAL** | **15,983,096** | **4,183,024** | **8,737,070** | **28,903,190** |

## 25. INCOME TAX (continued)

| | Initial balance January 1, 2023 | Recognized in the profit or loss account (income)/ expense | Recognized in other comprehensive income | Final balance December 31, 2023 |
|---|---|---|---|---|
| Property, plant and equipment | 24,443,341 | (3,948,803) | 39,893 | 20,534,431 |
| Adjustment of non-current assets | (660,770) | 66,421 | - | (594,349) |
| The time-value effect of money (receivables) | (287,791) | 102,266 | - | (185,525) |
| Value adjustments receivables | (469,415) | (1,632,361) | - | (2,101,776) |
| Inventory value adjustments | (372,855) | (1,195,960) | - | (1,568,815) |
| Employee benefits | (222,864) | 121,994 | - | (100,870) |
| **TOTAL** | **22,429,646** | **(6,486,443)** | **39,893** | **15,983,096** |

Deferred income taxes on property, plant and equipment resulted from different accounting and tax depreciation and amortization periods and the excess recorded as a result of revaluation.

## 26. AVERAGE NUMBER OF EMPLOYEES

The average number of employees evolved as follows:

| | December 31 2024 | December 31 2023 |
|---|---|---|
| Management staff | 24 | 40 |
| Administrative staff | 46 | 125 |
| Production staff | 141 | 185 |
| **Total** | **211** | **350** |

The evolution of employee structure by level of education is presented below:

| | December 31 2024 | December 31 2023 |
|---|---|---|
| Staff with higher education | 29% | 45% |
| Staff with secondary education | 41% | 32% |
| Staff with technical education | 2% | 3% |
| Professional and qualified staff | 28% | 19% |
| **Average number of employees** | **211** | **350** |

Salary and related tax expenses recorded are as follows:

| | 2024 | 2023 |
|---|---|---|
| Expenditure on salaries | 15,076,849 | 24,271,510 |
| Other staff expenditure | 10,220,294 | 15,821,480 |
| **Total employee benefits expenses** | **25,297,143** | **40,092,990** |

The Company does not have a pension program for staff specifically contributing to the national pension program as required by law.

## 27. INVESTMENT INCOME

| Investment income | 2024 | 2023 |
|---|---|---|
| Dividend income | 4,749,989 | 534,796 |
| Income/(expenses) on revaluation of investment property | 1,070,677 | (218.057) |
| **Total investment income** | **5,820,666** | **316,739** |

The dividend income relates to the 3 subsidiaries Electromagnetica Prestserv SRL, Electromagnetica Fire SRL and Procetel SA.

## 28. RELATED PARTY TRANSACTIONS

| | 2024 | 2023 |
|---|---|---|
| **Sale of goods and services to subsidiaries** | | |
| Electromagnetica Fire | 12,619 | 22,694 |
| Electromagnetica Prestserv | 12,256 | 22,301 |
| Procetel | 50,346 | 676,850 |
| **Total** | **75,221** | **721,845** |

| | 2024 | 2023 |
|---|---|---|
| **Purchases of goods and services from subsidiaries** | | |
| Electromagnetica Fire | 365,901 | 1,581,702 |
| Electromagnetica Prestserv | 417,301 | 1,441,690 |
| Procetel | 1,304,407 | 1,692,175 |
| **Total** | **2,087,609** | **4,715,567** |

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

| | December 31 2024 | December 31 2023 |
|---|---|---|
| **Trade receivables from subsidiaries** | | |
| Electromagnetica Prestserv | 608 | - |
| **Total** | **608** | **-** |

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

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

***Procetel S.A.*** is a joint-stock company with registered office at Calea Rahovei 266-268, Bucharest, sector 5, Trade Register Order Number J40/10437/1991, CUI 406212, phone: 031.700.2614, fax: 031.700.2616, having as its main activity Research - development in other natural sciences and engineering (NACE code 7219). In its relationship with Electromagnetica it carries out space rental activities.
***Electromagnetica Prestserv S.R.L.*** it is a limited liability company with headquarters in Calea Rahovei 266-268, 5t, h district, Building 1, Floor 2, axes A-B, pillars 1-2, registered with the Trade Register Office attached to the Bucharest Court under no J40/1528/2003, unique registration code 15182750 In relation to Electromagnetica, it provides cleaning services (NACE code 4311).
***Electromagnetica Fire S.R.L.*** it is a limited liability company with headquarters in Calea Rahovei No. 266-268, 5th district, Building 2, ground floor, axes R-D, pillars 6 - 7, registered with the Trade Register Office attached to the Bucharest Court under No. J40/15634/2006, unique registration code 19070708 In relation to Electromagnetica it carries out activities in the field of fire defense, technical.

## 28. TRANSACTIONS WITH AFFILIATES (continued)

assistance in fire prevention and extinguishing, private emergency services related to civil protection, interior design, electrical works and cleaning services.

Electromagnetica provided rental services in 2024 to its affiliated companies Procetel, Electromagnetica Prestserv and Electromagnetica Fire.

Transactions with related parties are considered at market price.

**Remuneration of key staff**

The remuneration of the directors and members of the board of directors for 2024 and 2023 was as follows:

| | December 31 2024 | December 31 2023 |
|---|---|---|
| Payroll Management | 1,448,327 | 3,488,383 |
| Compensation of Management Members | 184,620 | 1,071,366 |
| Benefits of the Board of Directors | 604,685 | 631,438 |
| Bonus of the Board of Directors | - | 144,160 |
| **Total** | **2,237,632** | **5,335,347** |

The company has no contractual obligations towards former directors and administrators and has not granted advances or loans to current directors and administrators.

The Company has no future obligations of a guarantee nature on behalf of the Directors.

## 29. EARNINGS PER SHARE

**Basic earnings per share**

There were no changes in the share capital structure during the reporting period. Basic earnings per share is as reported in the statement of profit or loss and other comprehensive income. It is calculated as the ratio of the net profit on ordinary shares to the weighted average number of ordinary shares outstanding.

| | 2024 | 2023 |
|---|---|---|
| Net profit/loss attributable to shareholders | (7,407,144) | (31,033,088) |
| Weighted average number of ordinary shares | 676,038,704 | 676,038,704 |
| Result per share | (0.0110) | (0.0459) |

**Diluted earnings per share**

To calculate diluted earnings per share, the company adjusts the result attributable to the company's ordinary shareholders and the weighted average number of shares outstanding with the effects of all potentially diluted ordinary shares. For the years 2024 and 2023 the Company records basic earnings per share equal to diluted earnings per share as there are no certain securities that give the ability to be converted into common stock at some point in the future.

## 30. RECLASSIFICATIONS

Certain reclassifications have been made in the presentation of the separate financial statements in respect of previously disclosed amounts. These changes have been made to ensure a better reflection of the nature of the transactions and a clearer presentation of the Company's separate statement of profit and loss and other comprehensive income.

### 30. RECLASSIFICATIONS (continued)

| | Note | December 31, 2023 *reported | Reclassifications | December 31, 2023 reclassified |
|---|---|---|---|---|
| Investment income | | 1,070,840 | (754,101) | 316,739 |
| Other net income and expenses | 22 | (14,567,429) | 307,110 | (14.260.319) |
| Employee benefits expenses | 23 | (39,300,725) | (792,265) | (40,092,990) |
| Other expenses | 23 | (52,616,839) | 423,116 | (52,193,723) |
| Financial income | 24 | - | 1,012,559 | 1,012,559 |
| Financial expenses | 24 | (461,737) | (196,419) | (658,156) |
| **Profit / (Loss) for the period** | | **(31,033,088)** | **-** | **(31,033,088)** |

The reclassifications have no impact on the Company's total assets, total liabilities, total stockholders' equity, income statement, income, or earnings per share related to the Company as of December 31, 2023.

The reclassifications change the manner of presentation of the Separated Statements of Profit and Loss and Other Comprehensive Income and Notes 22, 23 and 24 for the year ended December 31, 2023.

### 31. INFORMATION BY BUSINESS SEGMENT

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

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

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

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

| Year 2024 | Unlicensed activity | % Total company | Licensed activity | % Total company | Total company |
|---|---|---|---|---|---|
| Net profit/loss | (2.336.254) | 32% | (5,070,890) | 68% | (7,407,144) |
| Total assets | 429,920,630 | 99% | 2,268,346 | 1% | 432,188,976 |
| Total liabilities | 44,293,316 | 93% | 3,173,149 | 7% | 47,466,465 |
| Customer revenues | 61,927,251 | 63% | 35,740,732 | 37% | 97,667,983 |
| Depreciation and amortization | 9,446,972 | 88% | 1,286,589 | 12% | 10,733,561 |

| Year 2023 | Unlicensed activity | % Total company | Licensed activity | % Total company | Total company |
|---|---|---|---|---|---|
| Net profit/loss | (16,320,748) | 53% | (14,712,340) | 47% | (31,033,088) |
| Total assets | 332,936,749 | 84% | 61,353,362 | 16% | 394,290,111 |
| Total liabilities | 26,816,892 | 55% | 21,725,461 | 45% | 48,542,353 |
| Customer revenues | 103,569,643 | 53% | 91,443,660 | 47% | 195,013,303 |
| Depreciation and amortization | 11,890,833 | 35% | 21,748,387 | 65% | 33,639,220 |

## 31. INFORMATION BY BUSINESS SEGMENT (continued)

### Main products and production structure

In the reported financial year, the company strengthened its internal processes and flows in terms of profitability of its business lines, optimizing its product portfolio to maximize the profit achieved. The process of streamlining operations has contributed to stabilizing the company's financial performance in the face of global economic challenges, and the strategy of consolidating the business and aligning with the most profitable market segments underpins the progress made in the recent period.

In this context, in view of the significant inventories of products in the nature of LED lighting fixtures, systems and solutions in the Company's warehouses, during 2024, the Company recalibrated its lighting fixtures manufacturing activity in order to align the inventories of finished products with the recorded sales. In addition, the Company re-analyzed and improved the sales process of finished products, in the sense of reorienting from direct participation in public tenders (where the collection terms were very long, on average over 360 days) to selling to business partners with whom much shorter collection ermeneas (0-90 days) were negotiated and implemented.

Also, given the existence of a inventory of electric vehicle charging stations in the Company's warehouses, mainly determined by the slow pace of sales of finished products, during 2024, the Company decided to implement a production strategy to align the inventory of finished products with the sales recorded. In addition, the Company's sales efforts were focused on customers with which market-specific collection terms (0-90 days) were implemented.

During 2024, the Company re-examined from a profitability standpoint all projects related to the plastics injection molding segment in order to optimize operations and improve financial results. These efforts resulted in commercial renegotiations of contracts disadvantageous to the Company as the cost of raw materials and labor increased significantly in 2024. In this context, in October 2024, the Company informed shareholders and investors about the termination of the contract with ABB Sace, as well as about the start of a process of sale of equipment used in the plastics injection activity (which was in progress as at December 31, 2024).

Orders for the production segment dedicated to rail traffic safety elements are closely linked to the pace of modernization of the railway infrastructure. As CFR Infrastructură is the final beneficiary of these services, the progress in the development and modernization of the rail network directly influences the requirements and needs of the market.

In 2024, the energy production and supply segment was represented by the Company's operation of 10 micro-hydropower plants in the Suceava and Brodina river basins, with an installed capacity of 5.5 MW. These assets were sold by the Company in the auction organized on August 7, 2024.

During 2024, the Company supplied electricity to a number of external customers to cover the difference between the amount produced by the micro-hydropower plants/ purchased from Hidroelectrica and the amount required for the internal production/ tenants' flow.

In the commercial space rental segment, Electromagnetica manages approximately 37,500 square meters of commercial space for rent in Bucharest and 3,270 square meters in Vârteju, Ilfov County. At the end of 2024, for the premises in Calea Rahovei 266-268, the average rental rate was 83%. For the premises in the commune of Vârteju (Magurele), the rental rate was 98%.

## 32. RISK MANAGEMENT

### General risk management framework

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

The activity is governed by the following principles:

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

## 32. RISK MANAGEMENT (continued)

**General risk management framework (continued)**

The Board of Directors is also responsible for reviewing 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 to ensure that the risks faced by the Company are identified and analyzed, appropriate limits and controls are established, and risks and compliance with established limits are monitored. The risk management policies and systems are regularly reviewed to reflect changes in market conditions and changes in the Company's activities. The Company, through its training and management standards and procedures, seeks to develop an orderly and constructive control environment in which all employees understand their roles and obligations.

The company's internal audit 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 Company's activities expose it to a number of financial risks: market risk (including foreign exchange 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 company's ability to operate under sound conditions by optimizing the capital structure (equity and debt). The analysis of the capital structure tracks the cost of capital and the risk associated with each class. In order to maintain an optimal capital structure and an appropriate leverage ratio, the company has proposed a dividend policy to shareholders in recent years in order to ensure its own sources of financing.

The company monitors capital on the basis of leverage. This indicator is calculated as the ratio of net debt to total capital employed. Net debt is calculated as the sum of total borrowings (includes lease debt under IFRS 16) and total trade and other payables (as disclosed in the statement of financial position) less cash and cash equivalents. Total capital employed is determined as the sum of net debt and equity (as disclosed in the statement of financial position).

Indebtedness at December 31, 2024 and December 31, 2023 was as follows:

| | December 31 2024 | December 31 2023 |
|---|---|---|
| Total long-term and short-term liabilities | 47,466,465 | 48,542,353 |
| Without: Cash and cash equivalents | (73,532,273) | (25,138,900) |
| **Total** | **(26,065,808)** | **23,403,453** |
| **Equity** | **384,722,511** | **345,747,758** |
| ***Debt ratio*** | **(0.0678)** | **0.0676** |

**Market risk**

Market risk includes: the risk of changes in interest rates, foreign exchange rates, the purchase price of materials and the selling price of goods.

**Currency risk management**

The company is exposed to currency risk due to sourcing of materials mainly from imports and export activities. In order to limit the effect of foreign exchange, the timing of payments has been matched with the timing of receipts in foreign currency, with the company usually realizing cash-flow surpluses. The company continuously monitors and manages its exposure to foreign exchange rate movements.

**32. RISK MANAGEMENT (continued)**

**Currency risk management (continued)**

The Company's foreign currency exposure arises from:

- transactions (sales/purchases) in foreign currencies;
- commitments;
- monetary assets and liabilities (mainly receivables, trade payables).

The foreign currencies most commonly used in transactions are EUR and USD.
Foreign currency assets are represented by trade accounts receivable and cash in foreign currency. Amounts payable in foreign currency are amounts owed to suppliers.

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

| **Currency of denomination** | **EUR** | **USD** | **Other currencies** | **Total** |
|---|---|---|---|---|
| **Functional currency** | **RON** | **RON** | **RON** | **RON** |
| | | | | |
| **December 31, 2024** | **EUR** | **USD** | **Other currencies** | **Total** |
| Total monetary assets | 1,787,473 | 97,163 | 86,654 | 1,971,290 |
| Total monetary liabilities | 10,631 | - | - | 10,631 |
| | | | | |
| **December 31, 2023** | **EUR** | **USD** | **Other currencies** | **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 the RON against the EUR and USD, as shown below, at December 31, would increase/(decrease) profit or loss and equity by the amounts shown below (without the impact in income tax).

| **Denomination currency** | **EUR** | **USD** |
|---|---|---|
| **Functional currency** | **RON** | **RON** |
| Change in exchange rate | +/- 10% | +/- 10% |
| | | |
| **December 31, 2024** | | |
| Profit and loss statement | 177,684 | 9,716 |
| Other equity | - | - |
| | | |
| **December 31, 2023** | | |
| Profit and loss statement | 186,953 | 14,010 |
| Other equity | - | - |

This analysis shows the translation risk exposure at year-end. However, the exposure during the year is continuously monitored and managed by the company.

**Interest rate risk management**

The risk with respect to changes in interest rates is kept under control due to the Company's policy of investing from its own funding sources.

As of December 31, 2024 and during 2024, the Company had no borrowings.

**Credit risk management**

As of December 31, 2024 and during 2024, the Company had no borrowings. The Company is exposed to credit risk arising from its operating activities, in particular trading activities (Note 12).

## 32. RISK MANAGEMENT (continued)

**Credit risk management (continued)**

*Receivables*

Trade receivables originate from a wide range of customers operating in various industries and geographical areas. Receivables insurance policies have been taken out on the external market. Due to the increased incidence of insolvency cases in the economy, there is a real risk of recovery of the value of products and/or services rendered prior to the declaration of insolvency. The company is committed to paying close attention to the financial soundness and discipline of its contractual partners. The Company wishes to adopt a policy of dealing only with reputable partners and to obtain sufficient collateral where appropriate to minimize the risk of financial loss resulting from default.

Exposure to credit risk is controlled through ongoing monitoring of each borrower. The Company assesses their credit risk on an ongoing basis, taking into account their financial performance, payment history and, where appropriate, requires default risk insurance.

The credit risk profile of trade receivables is presented on the basis of their maturity in terms of the impairment adjustment matrix. This matrix is initially based on the Company's observed historical default rates, adjusted for forward-looking factors specific to borrowers and the economic environment, where appropriate. Trade receivables are non-interest bearing and are generally due within 30-90 days. There are, however, a number of contracts outstanding from prior years with state authorities that include supplier credit clauses with payment terms of up to 5 years.

For these contracts the Company has calculated present value adjustments and does not expect any further losses.

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

- Determining an appropriate observation period to track the historical loss rate. The Company selected 2 prior periods ending December 31, 2023 and December 31, 2022 for data collection;
- Collecting data on trade receivables and Companying them according to their past due status in each period analyzed and by main activities;
- Analyzing the development of these balances over a 12-month period and determining the outstanding amounts in each outstanding Company to determine the proportion of balances in each past-due category that were not finally collected;
- determining the weighted average loss rate (%) by past due status for the 2 periods analyzed;
- this rate will be applied to determine the impairment loss on trade receivables at December 31, 2024.

After analyzing the receivables according to the methodology presented above, the Company has not identified a default risk for outstanding receivables with less than 90 days past due.

In addition to the receivables analysis described above, the Company analyzed customers with receivables past due more than 90 days as of December 31, 2024 as well as the administrative territorial units with receivables past due more than one year outstanding as of December 31, 2024 and, based on available information, calculated and recorded adjustments to the amount of the receivables as of December 31, 2024, correlated to the likelihood of their recovery.

The following table presents the risk profile of trade receivables based on the Company's impairment adjustment matrix. Because the Company's historical credit loss experience exhibits significantly different loss patterns for different customer segments, adjustments to loss ratios based on default risk are differentiated among the Company's different customer segments.

**32. RISK MANAGEMENT (continued)**

**Credit risk management (continued)**

*Receivables (continued)*

| **Current trade receivables** | | | **December 31 2024** |
|---|---|---|---|
| **Deadlines** | **Balances** | **Depreciation expense** | **Estimated loss rate (%)** |
| Current (not past due) | 5,862,400 | - | 0% |
| 1 – 30 days | 790,547 | (31,275) | 4% |
| 31 – 60 days | 159,283 | (31,275) | 20% |
| 61 – 90 days | 258,758 | (31,275) | 12% |
| **Total receivables analyzed globally** | **7,070,988** | **(93,825)** | **1%** |
| Receivables from licensed activities | 2,255,450 | (12,304) | 1% |
| Receivables from unlicensed activities with state authorities (municipalities) | 3,844,485 | (1,015,554) | 26% |
| Other receivables 90-180 days | 277,856 | (93,825) | 34% |
| Other receivables over 180 days | 3,976,760 | (3,285,659) | 83% |
| Uncertain receivables | 5,372,947 | (5,372,947) | 100% |
| **Total claims analyzed individually** | **15,727,498** | **(9,780,289)** | **62%** |
| **Total** | **22,798,486** | **(9,874,114)** | **43%** |

| **Current trade receivables** | | | **December 31 2023** |
|---|---|---|---|
| **Deadlines** | **Balances** | **Depreciation expense** | **Estimated loss rate (%)** |
| Current (not past due) | 5,667,200 | - | - |
| 1 – 30 days | 5,736,857 | - | - |
| 31 – 60 days | 255,702 | - | - |
| 61 – 90 days | 37,797 | - | - |
| **Total claims analyzed overall** | **11,697,556** | **-** | **-** |
| Receivables from licensed activities | 4,014,285 | - | - |
| Receivables from unlicensed activities with state authorities (municipalities) | 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 analyzed individually** | **37,491,169** | **(13,808,011)** | 37% |
| **Total** | **49,188,726** | **(13,808,011)** | **28%** |

*Financial instruments and deposits*

Receivables from unlicensed activities with state authorities (city halls) Excess liquidity is invested only with sound banks in the domestic banking system.

There is not expected to be any significant exposure from possible non-performance by counterparties of contractual obligations in respect of financial instruments.

**32. RISK MANAGEMENT (continued)**

**Liquidity risk management**

The Company shall prepare liquidity reserve forecasts and maintain an adequate level of credit facilities in order to prudently manage liquidity and cash-flow risks. At the same time, investments have been limited to its own sources of funding and to those with a direct contribution to turnover. The liquidity and cash-flow risk management policy adapts to new, more demanding commercial practices. This risk is closely linked to the risks described above.

The receivables and payables by due date are shown below:

| | December 31 2024 | 0 - 1 year | 1 - 2 years | 2 - 5 years | Over 5 years |
|---|---|---|---|---|---|
| Trade and other receivables | 22,425,201 | 17,913,164 | 4,445,380 | 66,657 | - |
| Trade and other liabilities | 16,051,743 | 14,334,344 | 616,392 | 921,302 | 179,705 |
| **Net position** | **6,373,458** | **3,578,820** | **3,828,988** | **(854.645)** | **(179,705)** |

| | December 31 2023 | 0 - 1 year | 1 - 2 years | 2 - 5 years | Over 5 years |
|---|---|---|---|---|---|
| Trade and other receivables | 45,357,027 | 38,750,545 | 5,544,239 | 1,062,243 | - |
| Trade 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**

| **Financial assets (amortized cost)** | **2024** | **2023** |
|---|---|---|
| Short and long-term trade receivables | 22,425,201 | 45,357,027 |
| Cash and cash equivalents | 73,532,273 | 25,138,900 |
| **Total** | **95,957,474** | **70,495,927** |

| **Financial liabilities (amortized cost)** | **2024** | **2023** |
|---|---|---|
| Trade and other liabilities | 14,441,763 | 25,788,259 |
| Short and long-term lease liabilities | 1,609,980 | 1,444,911 |
| **Total** | **16,051,743** | **27,233,170** |

**32. RISK MANAGEMENT (continued)**

**Liquidity risk management (continued)**

| 2024 | January 1, 2024 | Proceeds | Interest expenses | Interest payments | Payments | Leasing | Lease payments | December 31, 2024 |
|---|---|---|---|---|---|---|---|---|
| Overdraft | - | - | - | - | - | - | - | - |
| Lease liabilities | 1,444,911 | - | 98,570 | (98,570) | - | 1,515,837 | (1,350,768) | 1,609,980 |
| **Total financial liabilities** | **1,444,911** | **-** | **98,570** | **(98,570)** | **-** | **1,515,837** | **(1,350,768)** | **1,609,980** |

| 2023 | January 1, 2023 | Proceeds | Interest expenses | Interest payments | Payments | Leasing | Lease payments | December 31, 2023 |
|---|---|---|---|---|---|---|---|---|
| Overdraft | - | 1,964,851 | 1,469 | (1.469) | (1,964,851) | - | - | - |
| Lease liabilities | 2,193,541 | - | 91,012 | (91,012) | - | 616,868 | (1,365,498) | 1,444,911 |
| **Total financial liabilities** | **2,193,541** | **1,964,851** | **92,491** | **(92.481)** | **(1,964,851)** | **616,868** | **(1,365,498)** | **1,444,911** |

## 33. COMMITMENTS AND POTENTIAL LIABILITIES

**Commitments**

As of December 31, 2024, the Company has a non-cash guarantee agreement in the amount of RON 10,000,000 for the issuance of letters of guarantee. The undrawn amount at the same date amounts to RON 3,614,105. In order to secure this non-cash agreement, the company has established a pledge on the collateral deposit, in the amount of RON 10,000,000.

Commitments received from customers and tenants in the form of letters of guarantee as of December 31, 2024, amount to RON 234,590 as per the contractual terms.

*Disputes*

The disputes in which the company is involved are of amounts 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 actions.

## 34. OTHERS

The Company's separate financial statements have been audited by Deloitte Audit SRL, the fee for the 2024 audit was EUR 61,300 (2023: EUR 55,200).

## 35. SUBSEQUENT EVENTS

At the date of these financial statements, the Company continues to meet its obligations as they fall due and therefore continues to apply the going concern basis of preparation.

Management is also not aware of any events, economic changes or other factors of uncertainty that could materially affect the Company's income or liquidity other than those mentioned.

These separate financial statements have been approved to be issued by management at **24 March 2025**:

| | |
|---|---|
| **DANIELA CUCU** | **MARIA GÂRZU** |
| **General Director** | **Chief Accountant** |