ELECTROMAGNETICA SA

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2023

Prepared in accordance with

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

and

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

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
ELECTROMAGNETICA SA

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

• Net assets / Equity	RON 357,783,055
• Net loss for the financial year	RON (29,958,115)

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

Basis for Opinion

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

Key Audit Matters

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

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

Other information

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

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

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

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

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

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

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

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

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

Other reporting responsibilities with respect to other information – Remuneration report

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

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

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

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

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

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

We confirm that:

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

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

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

Report on compliance with the Law 162/2017 on the statutory audit of annual financial statements and annual consolidated financial statements and on amending other pronouncements ("Law 162/2017"), and Commission Delegated Regulation (EU) 2018/815 on the European Single Electronic Format Regulatory Technical Standard ("ESEF")

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

(I) Responsibilities of management and those charged with governance for the Digital Files prepared in compliance with the ESEF

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

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

- the selection and application of appropriate iXBRL mark-ups;

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

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

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

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

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

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

- obtaining an understanding of the Company's process for preparation of the digital files in accordance with ESEF, including relevant internal controls;
- reconciling the digital files including the marked-up data with the audited consolidated financial statements of the Company to be submitted in accordance with Order 2844/2016;
- evaluating if all financial statements contained in the consolidated annual report have been prepared in a valid XHTML format;
- evaluating if the iXBRL mark-ups, including the voluntary mark-ups, comply with the requirements of ESEF.

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

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

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

Răzvan Ungureanu, Audit Partner

For signature, please refer to the original Romanian version.

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

On behalf of:

DELOITTE AUDIT SRL

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

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

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

	Note	Period of 12 months ended at December 31 2023	Period of 12 months ended at December 31 2022 *(restated)*
Revenue	**21**	**195,145,330**	**226,390,032**
Finance income		536,044	147,205
Other net incomes and expenses	**21**	(13,848,794)	5,374,634
Change in inventories of finished goods and work in progress		7,841,706	17,222,429
Capitalised workings		2,219,694	2,229,197
Raw materials and consumables used	**22**	(102,353,203)	(124,237,226)
Emloyees benefits expense	**22**	(42,395,092)	(39,022,831)
Depreciation and amortization expenses	**22**	(32,401,726)	(13,949,900)
Other expenses		(49,821,571)	(47,013,735)
Finance costs	**23**	(383,281)	(1,049,919)
Profit/(Loss) before tax		**(35,460,893)**	**26,089,885**
Income Tax	**24**	5,502,777	(1,600,637)
Profit/(Loss) of the year		**(29,958,115)**	**24,489,248**
Other comprehensive income			
of which:			
Items which will not be reclassified subsequently to profit or loss :			
- Surplus from the revaluation of property, plant and equipment		249,333	-
- Deferred tax recognized in equity	**24**	(39,893)	-
Total Other comprehensive income		**(29,748,675)**	**24,489,248**
Profit/(loss) of the year attributable to:			
Owners of the Group		(29,986,511)	24,454,744
Non-controlling interests		28,396	34,504
Earnings per share:			
Earnings per share diluted		**n / a**	**n / a**

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

DANIELA-ADI CUCU
General Manager

CRISTIAN RADU
Chief Financial Officer

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

	Note	December 31 2023	December 31 2022	December 31 2021
ASSETS				
			(restated)	*(restated)*
Non-current assets				
Property, plant and equipment	5	285,980,090	310,734,538	321,032,559
Investment property	6	23,569,292	22,054,243	19,355,453
Intangible assets	7	567,327	789,308	143,393
Other non-current assets	9	6,606,482	9,928,405	14,540,480
Rights of Use Assets	8	81,132	155,290	204,667
Total fixed assets		**316,804,323**	**343,661,784**	**355,276,552**
Current assets				
Inventories	10	18,753,989	27,429,223	22,524,443
Trade Recievables	11	35,412,343	63,682,382	64,328,431
Cash and cash equivalents	13	30,888,179	15,417,388	7,086,289
Other current assets	12	1,889,429	1,725,783	2,061,387
Current tax recievable		1,700,402	1,048,012	1,099,579
Total current assets		**88,644,343**	**109,302,787**	**97,100,128**
Total assets		**405,448,666**	**452,964,570**	**452,376,681**
EQUITY AND LIABILITIES				
Equity				
Share capital	14	67,603,870	67,603,870	67,603,870
Reserves and other equity items		217,810,770	198,973,337	218,401,625
Retained earnings	16	71,976,006	123,908,652	80,065,292
Total equity attributable to the shareholders		**357,390,646**	**390,485,859**	**366,070,788**
Non-controlling interets		**392,409**	**364,013**	**329,509**
Total equity		**357,783,055**	**390,849,872**	**366,400,297**
Long-term debts				
Trade in other payables		867,718	700,176	975,819
Investment subsidies	17	3,757,433	3,920,651	4,083,869
Deferred tax liabilities		16,208,824	22,652,804	23,542,324
Lease liabilities		29,694	82,953	136,320
Total long-term debt		**20,863,669**	**27,356,584**	**28,738,333**
Current liabilities				
Trade and other payables	19	25,178,506	32,271,355	54,620,194
Investment subsidies		163,219	163,219	163,219
Provisions	18	1,405,436	2,248,130	2,383,553
Lease liabilities		-	-	-
Current liabilities		54,781	75,410	71,085
Total current liabilities		**26,801,943**	**34,758,115**	**57,238,051**
Total liabilities		**47,665,611**	**62,114,699**	**85,976,384**
Total equity and liabilities		**405,448,666**	**452,964,570**	**452,376,681**

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

DANIELA-ADI CUCU
General Manager

CRISTIAN RADU
Chief Financial Officer

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

	Note	Period of 12 months ended at December 31 2023	Period of 12 months ended at December 31 2022
Cash flows from operating activities			
Cash receipts from customers		235.829.931	233.247.088
Payments to suppliers		(132.839.233)	(136.183.547)
Payments to employees		(42.163.228))	(39.200.801)
Other operating activities		(36.438.638)	(25.383.696)
Cash generated by / (used in) the operating activities		**24.388.832**	**32.479.044**
Interest paid		(1.469)	(609.409)
Profit tax paid		(1.617.183)	(2.438.381)
Net cash generated by / (used in) operating activities		**22.770.180**	**29.431.255**
Cash flows from investing activities			
Purchase of property, plant and equipment		(5.226.304)	(382.590)
Proceeds on disposal of fixed assets		29.510	50.300
Interest recieved		751.676	239.241
Dividends received		-	-
Net Cash generated by / (used in) investing activities		**(4.445.118)**	**(93.049)**
Cash flows from financing activities			
Proceeds from loans	29	1.964.851	32.718.453
Loans repayments	29	(1.964.851)	(53.609.747)
Repayment of lease liability		(90.259)	(95.890)
Interest paid		(42.884)	(8.543)
Dividends paid		(2.721.128)	(11.379)
Net cash generated by / (used in) financing activities		**(2.854.272)**	**(21.007.106)**
Net increase/decrease in cash and cash equivalents		**15.470.791**	**8.331.100**
Cash and cash equivalents at the beginning of the period	**13**	**15.417.388**	**7.086.289**
Cash and cash equivalents at the end of the period	**13**	**30.888.179**	**15.417.388**

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

DANIELA-ADI CUCU
General Manager

CRISTIAN RADU
Chief Financial Officer

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

	Capital social	Retained earnings	Revaluation reserves tangible assets	Other elements	Legal reserve	Deferred tax recognized in reserves	Non-controlling interests	Total equity
Balance as at January 01, 2023 (previously reported)	**67,603,870**	**128,517,096**	**151,285,901**	**59,328,628**	**12,563,922**	**(24,205,114)**	**364,013**	**395,458,316**
Balance as at January 01, 2023 (restated)	**67,603,870**	**123,908,652**	**151,285,901**	**59,328,628**	**12,563,922**	**(24,205,114)**	**364,013**	**390,849,872**
Total result related to the period:								
Profit or loss for the financial year	-	(29,986,511)	-	-	-	-	28,396	(29,958,115)
Other comprehensive income	**-**	**(18,518,340)**	**(3,894,906)**	**21,999,502**		**623,185**		**209,440**
Net surplus from revaluation of fixed assets	-	-	249,333	-	-	-	-	249,333
Deferred tax related to revaluation	-	-	-	-	-	(39,893)	-	(39,893)
Legal reserve and other reserves	-	(1,401,865)	-	1,401,865	-	-		-
Transfer of reserves to retained earnings	-	4,144,240	(4,144,240)	-	-	-	-	-
Transfer of related deferred tax from revlauation reserve to retained earnings	-	(663,078)	-	-	-	663,078	-	-
Transfer net profit to reserves		(20,597,637)	-	20,597,637	-	-	-	
Total result related to the period	**-**	**(48,504,851)**	**(3,894,906)**	**21,999,502**	**-**	**623,185**	**28,396**	**(29,748,675)**
Transactions with shareholders, recorded directly in equity:								
Dividends distributed to shareholders	-	(3,398,422)	-	-	-	-	-	(3,398,422)
Other elements	-	(29,372)	-	43,211	20	66,421	-	80,280
Balance at December 31, 2023	**67,603,870**	**71,976,006**	**147,390,995**	**81,371,341**	**12,563,942**	**(23,515,508)**	**392,409**	**357,783,055**

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

DANIELA-ADI CUCU
General Manager

CRISTIAN RADU
Chief Financial Officer

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

	Capital social	Retained earnings	Revaluation reserves tangible assets	Other elements	Legal reserve	Deferred tax recognized in reserves	Non-controlling interests	Total equity
Balance as at January 01, 2022 (restated)	**67,603,870**	**82,754,937**	**155,524,677**	**67,949,273**	**19,811,834**	**(24,884,159)**	**329,509**	**369,089,941**
Adjustments (Note 4.3)		(2,689,644)						(2,689,644)
Balance as at January 01, 2022 (restated*)*	**67,603,870**	**80,065,293**	**155,524,677**	**67,949,273**	**19,811,834**	**(24,884,159)**	**329,509**	**366,400,297**
Total result related to the period:								
Profit or loss for the financial year	-	24,454,744	-	-	-	-	34,504	24,489,248
Other comprehensive income:	**-**	**19,429,450**	**(4,242,715)**	**(8,617,657)**	**(7,247,912)**	**678,833**	**-**	**-**
Legal reserve	-	-	-	(1,401,965)	1,401,965	-		-
Transfer of reserves to retained earnings	-	4,242,715	(4,242,715)	-	-	-	-	-
Transfer of related deferred tax from revlauation reserve to retained earnings	-	(678,834)	-	-	-	678,834	-	-
Transfer net profit to reserves	-	(247,898)	-	247,898	-	-		
Transfer of reserves and inflation adjustment to retained earnings	-	16,113,467	-	(7,463,590)	(8,649,877)	-	-	-
Total result related to the period	**-**	**43,884,194**	**(4,242,715)**	**(8,617,657)**	**(7,247,912)**	**678,833**	**34,504**	**24,489,248**
Transactions with shareholders, recorded directly in equity:								
Dividends distributed to shareholders	-	(16,709)	-	-	-	-		(16,709)
Other elements	-	(24,126)	3,939	(2,988)	-	211	-	(22,964)
Balance at December 31, 2022 (restated)	**67,603,870**	**123,908,652**	**151,285,901**	**59,328,628**	**12,563,922**	**(24,205,114)**	**364,013**	**390,849,872**

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

DANIELA-ADI CUCU
General Manager

CRISTIAN RADU
Chief Financial Officer

1. GENERAL INFORMATION ABOUT THE GROUP

SC Electromagnetica SA-parent company it is a joint stock company with Romanian legal personality, with unlimited lifetime, which is organized and operates according to the statute and on the basis of Law no. 31/1991 republished in 2004 and amended by Law no.441/2006, GEO no.82/2007 and GEO no.52/2008 and the law on the capital market no.297/2004. The group has its Registered office in Bucharest, Calea Rahovei no. 266-268, 5th district, Bucharest, Romania, postal code 64021, phone number 021.404.21.31, 021.404.21.02, fax 021.404.21.95, website www.electromagnetica.ro, unique registration code RO 414118, business registration number J40/19/1991. The share capital of the group is 67,603,870.40 lei divided into 676,038,704 common shares, nominative and dematerialized, registered in electronic account in the register of shareholders kept by Depozitarul Central SA. According to the statutes of the group, the main object of activity is the manufacture of instruments and devices for measurement, verification, control, navigation (NACE code 2651).

SC Electromagnetica Fire SRL it is a limited liability company with headquarters in Bucharest, Calea Rahovei No. 266-268, 5th district, Building 2, ground floor, axes R-D, pillars 6 - 7, registered with the Trade Register Office attached to the Bucharest Court under No. J40/15634/2006, unique registration code 19070708, which carries out activities in the field of fire defense, technical assistance for fire prevention and extinguishing and private emergency services on civil protection (NACE code 8299).

SC Electromagnetica Prestserv SRL it is a limited liability company with headquarters in Bucharest, Calea Rahovei 266-268, 5t, h district, Building 1, Floor 2, axes A-B, pillars 1-2, registered with the Trade Register Office attached to the Bucharest Court under no J40/1528/2003, unique registration code 15182750, which provides cleaning services (CAEN code 4311).

SC Electromagnetica Prestserv SRL and SC Electromagnetica Fire SRL were formed by outsourcing some services within SC Electromagnetica SA, respectively cleaning services, fire prevention and extinguishing technical assistance and private emergency services regarding civil protection.

SC Procetel SA it is a joint stock company with headquarters in Bucharest, Calea Rahovei 266-268, order number J40/10437/1991, unique registration code 406212, phone number: 031.700.26.14, fax: 031.700.26.16. SC Procetel SA is a closed joint stock company (shares are not traded on the market) which has as main activity research and development in other natural sciences and engineering (NACE code 7219). Currently the research activity has drastically reduced, the results obtained coming mainly from the rental activity.

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

Branch name	Number of titles	Percentage of ownership and voting rights (%)	Value
Electromagnetica Prestserv SRL	300	100%	30,000
Electromagnetica Fire SRL	800	100%	80,00
Procetel SA	42,483	96.548%	732,008
TOTAL year 2023			**842,008**

Branch name	Number of titles	Percentage of ownership and voting rights (%)	Value
Electromagnetica Prestserv SRL	300	100%	30,000
Electromagnetica Fire SRL	799	99.875%	79,900
Procetel SA	42,483	96.548%	732,008
TOTAL year 2022			**841,908**

During 2023, Electromagnetica acquired from the affiliated company Electromagnetica Fire SRL a share at the nominal value of 100 lei, as a result, the ownership increased to 100%.

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

Administrative management is provided by Mr. Radu Cristian - Iulian-sole administrator of SC Electromagnetica Fire SRL SC Electromagnetica Prestserv SRL and SC Procetel SA.

2. BASICS OF PREPARATION

Declaration of conformity

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

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

Basics of preparation

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

Basis of consolidation

The Group registers accounting records in lei and prepares its statutory consolidated financial statements in accordance with IFRS.

The consolidated financial statements include the financial statements of ELECTROMAGNETICA SA. (Parent company) and entities controlled by ELECTROMAGENTICA SA (together the "Group"). Control is obtained when the company has control over the investee, when it has exposure or rights to variable results based on its participation in the investee, and has the ability to use its authority over the investee to influence the value of the results.

Results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of profit or loss and other comprehensive results from the effective date of acquisition or to the effective date of disposal, as applicable.

Where necessary, adjustments shall be made to the financial statements of subsidiaries to align their accounting policies with those applied by the parent company.

All intra-group transactions, balances, income and expenses were eliminated in full upon consolidation.

Non-controlling interests in the net assets (excluding goodwill) of the consolidated subsidiaries is identified separately from the group's equity. Non-controlling interests consist of the value of those interests at the date of the initial business combination and the minority share of changes in equity at the date of the combination. The group will also assign the overall total result to the owners of the parent company and non-controlling interests, even if a deficient balance of non-controlling interests results.

Principle of continuity of activity

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

Functional and presentation currency

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

Foreign currency

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

Conversion differences are shown in the profit or loss account.

2. BASICS OF PREPARATION (continued)

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

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

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

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

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

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

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

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

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

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

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

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

3. APLICATION OF NEW AND REVISED INTERNATIONAL REPORTING STANDARDS

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

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

Standard	Title
IFRS 17	New standard IFRS 17 “Insurance Contracts” including the June 2020 and December 2021 Amendments to IFRS 17
Amendments to IAS 1	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules*

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

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

At the date of authorisation of these financial statements, the Group has not applied the following revised IFRS Accounting Standards that have been issued by IASB and adopted by EU but are not yet effective:

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

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

At present, IFRS as adopted by the EU do not significantly differ from IFRS adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not adopted by the EU as at December,31 2023:

Standard	Title	EU adoption status
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements (IASB effective date: 1 January 2024)	Not yet adopted by EU
Amendments to IAS 21	Lack of Exchangeability (IASB effective date: 1 January 2025)	Not yet adopted by EU
IFRS 14	Regulatory Deferral Accounts (IASB effective date: 1 January 2016)	the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred by IASB indefinitely but earlier application permitted)	Endorsement process postponed indefinitely until the research project on the equity method has been concluded

The Group do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods
Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated. According to the Group’s estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to IAS 39: “Financial Instruments: Recognition and Measurement” would not significantly impact the financial statements, if applied as at the balance sheet date.

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

BRIEF DESCRIPTIONS OF NEW AND REVISED STANDARDS:

- **IFRS 17 "Insurance Contracts"** issued by IASB on 18 May 2017. The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 "Insurance Contracts" and related interpretations while applied. Amendments to IFRS 17 "Insurance Contracts" issued by IASB on 25 June 2020 defer the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023. Additionally, the amendments issued on 25 June 2020 introduce simplifications and clarifications of some requirements in the Standard and provide additional reliefs when applying IFRS 17 for the first time.

- **Amendments to IFRS 16 "Leases" - Lease Liability in a Sale and Leaseback** issued by IASB on 22 September 2022. Amendments to IFRS 16 require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

- **Amendments to IFRS 17 "Insurance contracts" - Initial Application of IFRS 17 and IFRS 9 – Comparative Information** issued by IASB on 9 December 2021. It is a narrow-scope amendment to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time.

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

- **Amendments to IAS 1 "Presentation of Financial Statements" - Classification of Liabilities as Current or Non-Current** issued by IASB on 23 January 2020 and **Amendments to IAS 1 "Presentation of Financial Statements" - Non-current Liabilities with Covenants** issued by IASB on 31 October 2022. Amendments issued on January 2020 provide more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. Amendments issued on October 2022 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability and set the effective date for both amendments to annual periods beginning on or after 1 January 2024.

- **Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" - Supplier Finance Arrangements** issued by IASB on 25 May 2023. Amendments add disclosure requirements, and 'signposts' within existing disclosure requirements to provide qualitative and quantitative information about supplier finance arrangements.

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

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

- **Amendments to IAS 12 "Income Taxes" - International Tax Reform — Pillar Two Model Rules** issued by IASB on 23 May 2023. The amendments introduced a temporary exception to the accounting for deferred taxes arising from jurisdictions implementing the global tax rules and disclosure requirements about company's exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect.

- Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates" - Lack of Exchangeability issued by IASB on 15 August 2023. Amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

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

BRIEF DESCRIPTIONS OF NEW AND REVISED STANDARDS (continued):

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

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

4. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS, ESTIMATES AND ASSUMPTIONS

4.1. Significant accounting policies

The main accounting policies are presented below:

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

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

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

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

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

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

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

The group classifies all other liabilities as long-term.

Fair value

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

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

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

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

4.1. Significant accounting policies (continued)

Fair value (continued)

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

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

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

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

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

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

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

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

External appraisers are involved in the valuation of tangible assets and real estate investments. This involvement is determined annually by the financial Department. Selection criteria include the appraiser's market knowledge, reputation, independence and whether professional standards are met.

Revenue from customer contracts

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

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

The Group has contractual agreements agreed between the seller and the buyer that take away the customer's right to return the products for various reasons. This return of goods operation can generate several situations.

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

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

4.1. Significant accounting policies (continued)

Revenue from customer contracts (continued)

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

1. revenue for the transferred goods at the level of value to which the entity considers it entitled, So the group will not recognize the goods that are expected to be returned;

2. debt to be repaid; and

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

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

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

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

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

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

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

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

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

Income from other sources

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

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

Dividends and interest

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

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

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

4.1. Significant accounting policies (continued)

Leasing

Group as lessee

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

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

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

Lease liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

4.1. Significant accounting policies (continued)

Leasing (continued)

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

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

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

Right to use assets

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

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

Right of use assets	Depreciation duration (years)
Spaces	1-5
Means of transport	3-5

Group as lessor

The Group concludes rental contracts as lessor for the spaces in buildings registered both as tangible assets and as real estate investments.

All leases are recognized as operational leases.

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

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

Borrowing costs

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

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

Interest expense is recorded using the effective interest method.

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

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

4.1. Significant accounting policies (continued)

Employee benefits

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

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

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

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

The Group does not currently provide benefits in the form of employee participation in profits.

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

Taxation

Current corporate tax

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

Deferred tax

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

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

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

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

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

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

Current and deferred tax

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

Value Added Tax (VAT)

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

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

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

4.1. Significant accounting policies (continued)

Property, plant and equipment

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

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

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

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

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

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

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

Depreciation also begins when assets are available for use.

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

Owned land does not pay off.

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

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

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

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

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

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

4.1. Significant accounting policies (continued)

Investment property

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

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

Intangible assets

Intangible assets acquired separately

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

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

Intangible assets generated Internally-research and development expenses

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

An Internally generated property, plant and equipment resulting from development (or from the development stage of an internal project) is recognized if all of the following criteria have been demonstrated:

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

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

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

Derecognition of intangible assets

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

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

4.1. Significant accounting policies (continued)

Impairment of tangible and intangible assets

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

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

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

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

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

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

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

Major maintenance and repairs

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

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

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

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

Inventories

The Group recognizes as inventories those assets that are:

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

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

4.1. Significant accounting policies (continued)

Inventories (continued)

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

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

For the inventories of raw materials and materials, as well as for those of finished products, adjustments are made based on management estimates. The establishment and resumption of adjustments for depreciation of inventories are booked in the statement of profit or loss of the period.

Prepayment expenses

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

Financial instruments

Initial recognition and measurement

i) Financial instruments

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

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

The Group's business model for financial asset management refers to how it manages its financial assets to generate cash flows. Currently, the financial assets owned by the group are represented by receivables, guarantees. The business model used is to generate cash flows.

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

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

ii) Financial assets

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

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

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

4.1. Significant accounting policies (continued)

Financial instruments (continued)

ii) Financial assets (continued)

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

Cash and cash equivalents

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

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

Other financial assets at amortized costs

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

Commercial and other receivables

Trade receivables assessed under IFRS 9 are amounts due to customers for products sold in the normal course of business. They are generally due for settlement within 60-120 days and are therefore all classified as current. Trade receivables are initially recognized at consideration under IFRS 15 which is unconditional, unless they contain significant financing components, when they are recognized at fair value at the date of initial recognition. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore subsequently assesses them at amortized cost using the effective interest method.

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

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

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

Judgments and estimates

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

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

4.1. Significant accounting policies (continued)

Financial instruments (continued)

iii) Financial liabilities

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

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

Interest-bearing loans and loans

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

Shareholder financing

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

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

Derivatives

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

Government subsidies

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

Provisions

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

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

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

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

4.1. Significant accounting policies (continued)

Provisions (continued)

Restructuring provisions

The implicit obligation to restructure arises if a company:

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

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

The restructuring provision includes only direct restructuring-related expenses.

Provisions for employee benefits

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

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

Segment reporting

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

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

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

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

- for which separate financial information is available.

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

- licensed activity-supply and production of electricity.

- unlicensed activity - industrial production and space rental.

Dividends

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

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

4.2. Accounting judgments, estimates and assumptions

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

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

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

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

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

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

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

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

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

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

Receivables with a maturity exceeding more than 90 days are analyzed individually at each date of raportare.In depending on the information obtained, an adjustment percentage is estimated that is in correlation with the risk of non-receipt.

4.3. Correction of errors

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

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

As a result of the cancellation of revenues, the inventories that were the subject of those transactions were reunited. Taking into account the age of these products, provisions were made for adjusting inventories to net realizable value (Note 10 Inventories).

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

4.3. Correction of errors (continued)

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

	December 31 2021	Adjustments 2021	December 31 2021 *(restated)*
Inventories	18,411,084	4,113,359	22,524,443
Trade receivables	71,519,748	(7,191,317)	64,328,431
Current tax claim	587,266	512,313	1,099,579
Total	**90,518,097**	**(2,565,644)**	**87,952,453**
Retained earnings	82,754,937	(2,689,644)	80,065,292
Commercial and other liabilities	54,496,194	124,000	54,620,194
Total	**137,251,131**	**(2,565,644)**	**134,685,486**

	31 December 2022 *(restated adjustments 2021)*	Adjustments 2022	December 31 2022 *(restated)*
Inventories	24,395,558	3,033,665	27,429,223
Trade receivables	69,220,333	(5,537,951)	63,682,382
Current tax claim	682,526	365,486	1,048,012
Total	**94,298,417**	**(2,138,800)**	**92,159,617**
Retained earnings	125,827,452	(1,918,800)	123,908,652
Commercial and other liabilities	32,491,355	(220,000)	32,271,355
Total	**158,318,807**	**(2,138,800)**	**156,180,007**

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

	2021	Adjustments 2021	2021 *(restated)*
Revenue	340,910,872	(7,191,317)	333,719,555
Change in the inventories of finished products and production in progress	6,672,706	4,113,359	10,786,065
Income tax	660,753	512,313	1,173,066
Total	**348,244,330**	**(2,565,644)**	**345,554,686**

	2022 *(restated)*	Adjustments 2022	2022 *(restated)*
Revenue	231,927,983	(5,537,951)	226,390,032
Change in the inventories of finished products and production in progress	14,188,764	3,033,665	17,222,429
Other expenses	(47,233,735)	220,000	(47,013,735)
Income tax	(1,966,123)	365,486	(1,600,637)
Total	**196,916,889**	**(1,918,800)**	**194,998,089**

5. PROPERTY, PLANT AND EQUIPMENT

Cost	Land and land improvements	Construction	Technological equipment and vehicles	Other tangible assets	Property, plant and equipment pending execution	Prepayment for tangible assets	Total
As of December 31, 2022	**171,653,309**	**130,589,322**	**24,351,564**	**3,168,979**	**2,944,533**	**118,354**	**332,826,061**
Inflow	-	14,053,427	5,631,115	759,419	8,640,791		29,084,752
- of which: revaluation	-	7,344,309	2,616,575	564,596	-	-	10,525,479
Transfers	-	6,709,118	2,044,286	193,355	-	-	8,946,759
Outflow	(13,682,128)	(30,688,494)	(14,638,251)	(1,184,573)	(10,366,636)	(118,354)	(70,678,436)
- from the determination of the net revaluation amount	(13,479,318)	(19,577,480)	(342,112)	-	-	-	(33,398,910)
- Transfers	-	-	-	-	(8,946,759)	-	(8,946,759)
As of December 31, 2023	**157,971,181**	**113,954,255**	**15,344,428**	**2,743,825**	**1,218,688**	**-**	**291,232,377**

Cumulative amortization	Land and land improvements	Construction	Technological equipment and vehicles	Other tangible assets	Property, plant and equipment pending execution	Prepayment for tangible assets	Total
As of December 31, 2022	**(143,342)**	**(5,540,942)**	**(11,387,285)**	**(890,138)**	**-**	**-**	**(17,961,708)**
Amortization of the year	(59,468)	(5,570,071)	(4,175,127)	(505,753)	-	-	(10,310,419)
Cumulative amortization on outflows	202,810	11,111,014	14,270,525	1,079,934	-	-	26,734,518
- of which the net value was determined	202,810	11,111,014	13,237,704	1,079,934	-	-	25,631,461
As of December 31, 2023	**-**	**-**	**(1,291,887)**	**(245,722)**	**-**	**-**	**(1,537,608)**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment adjustments	**Land and land improvements**	**Construction**	**Technological equipment and vehicles**	**Other tangible assets**	**Property, plant and equipment pending execution**	**Prepayment for tangible assets**	**Total**
As of December 31, 2022	**(4,129,814)**	**-**	**-**	**-**	**-**	-	**(4,129,814)**
Impairment adjustments recognized in profit or loss	(415,135)	-	-	-	-	-	(415,135)
Revisions to impairment adjustments recognized in profit or loss	-	-	-	-	-	-	-
As of December 31, 2023	**(3,714,679)**	**-**	**-**	**-**	**-**	-	**(3,714,679)**
Net book value							
As of December 31, 2022	**167,380,153**	**125,048,380**	**12,964,279**	**2,278,841**	**2,944,533**	**118,354**	**310,734,538**
As of December 31, 2023	**154,256,502**	**113,954,256**	**14,052,541**	**2,498,103**	**1,218,688**	**-**	**285,980,090**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Cost	Land and land improvements	Construction	Technological equipment and vehicles	Other tangible assets	Property, plant and equipment pending execution	Prepayment for tangible assets	Total
As of December 31, 2021	**171,653,309**	**130,458,996**	**22,998,851**	**3,018,516**	**1,295,319**	**-**	**329,424,991**
Inflow	-	130,326	1,379,759	171,669	3,193,985	118,354	4,994,092
- of which: revaluation	-	-	-	-	-	-	-
Transfers	-	130,326	1,359,153	55,292	-	-	1,544,771
Outflow	-	-	(27,046)	(21,206)	(1,544,771)	-	(1,593,023)
- from the determination of the net revaluation amount	-	-	-	-	-	-	-
- Transfers	-	-	-	-	(1,544,771)	-	(1,544,771)
As of December 31, 2022	**171,653,309**	**130,589,322**	**24,351,564**	**3,168,979**	**2,944,533**	**118,354**	**332,826,061**

Cumulative amortization	Land and land improvements	Construction	Technological equipment and vehicles	Other tangible assets	Property, plant and equipment pending execution	Prepayment for tangible assets	Total
As of December 31, 2021	**(83,874)**	**-**	**(8,045,713)**	**(262,844)**	**-**	**-**	**(8,392,432)**
Amortization of the year	(59,468)	(5,540,942)	(3,349,950)	(642,741)	-	-	(9,593,101)
Cumulative amortization on outflows	-	-	8,378	15,447	-	-	23,825
- of which the net value was determined	-	-	-	-	-	-	-
As of December 31, 2022	**(143,342)**	**(5,540,942)**	**(11,387,285)**	**(890,138)**	**-**	**-**	**(17,961,708)**

5, PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment adjustments	Land and land improvements	Construction	Technological equipment and vehicles	Other tangible assets	Property, plant and equipment pending execution	Prepayment for tangible assets	Total
As of December 31, 2021	**-**	**-**	**-**	**-**	**-**	-	**-**
Impairment adjustments recognized in profit or loss	(4,129,814)	-	-	-	-	-	(4,129,814)
Revisions to impairment adjustments recognized in profit or loss	-	-	-	-	-	-	-
As of December 31, 2022	**(4,129,814)**	**-**	**-**	**-**	**-**	-	**(4,129,814)**
Net book value							
As of December 31, 2021	**171,569,435**	**130,458,996**	**14,953,138**	**2,755,672**	**1,295,319**	**-**	**321,032,559**
As of December 31, 2022	**167,380,153**	**125,048,380**	**12,964,279**	**2,278,841**	**2,944,533**	**118,354**	**310,734,538**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

The inflows of tangible assets are represented by the modernization of the company's headquarters and investments in small hydropower plants.
Outgoing tangible assets represent sales and write-offs other than those from the determination of the net revaluation value.

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

In order to guarantee the guarantee agreements and credit agreements signed with the financing banks, the group mortgaged the following assets to those banks, thus:

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

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

Fair value of tangible assets

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

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

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Fair value of tangible assets (continued)

The evaluation methods used were as follows:

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

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

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

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

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

The unobservable variables used are as follows:

- For offices-rental rates on the market (5-9 EUR/m2), occupancy rates 75-82%, landlord costs-equal to a monthly rent (5-9 EUR/m2). Increase in related variables will cause General fair value to increase;

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

The observable variables used are as follows:

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

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

	Level 1	Level 2	Level 3	Fair value at December 31 2022
Land and land improvements	-	-	167,380,153	167,380,153
Construction	-	-	125,048,380	125,048,380

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

The revaluation surpluses recorded at December 31, 2023 amounted to RON 249,346, the decrease from the year mainly related to transfers to retained earnings as assets amortization. The balance cannot be distributed to shareholders.

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

Depreciation of non-current assets

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

6. INVESTMENT PROPERTY

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

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

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

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

	2023	2022
Initial balance	**22,054,243**	**19,355,453**
Inflow of which:	1,733,105	2,915,421
from fair value valuation	378,809	2,691,230
transfers	1,354,295	224,031
Outflow of which:	(218,056)	(216,631)
from fair value valuation	(218,056)	(216,631)
transfers	-	-
Final balance	**23,569,292**	**22,054,243**

6. INVESTMENT PROPERTY (continued)

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

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

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

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

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

	Level 1	Level 2	Level 3	Fair value at December 31 2023
Investment property	-	-	23,569,292	23,569,292

	Level 1	Level 2	Level 3	Fair value at December 31 2022
Investment property	-	-	22,054,243	22,054,243

Valuation techniques in real estate investment valuation were:

- Office properties are valued using the capitalization method (income approach) based on income net of rent generated by property. Projected rental income comprises tenant payments under contracts current rental until their completion and income based on market rates thereafter.

The observable variables used are:

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

The unobservable variables are:

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

7. INTANGIBLE ASSETS

Intangible assets include software, licenses and various software. They are amortized by the linear method.
In the statement of financial position are presented at historical cost, less depreciation and possible value adjustments.
Intangible assets decreased primarily due to the amortization of some licenses.
For most intangible assets, useful life was estimated at 3 years.

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

	Patent licensing concessions	Other intangible assets	Intangible assets outstanding	Total
Cost				
As of December 31, 2022	**1,237,821**	**3,397,126**	**-**	**4,634,947**
Inflow	-	-	-	-
Outflow	(1,429)	-	-	(1,429)
Transfers	-	-	-	-
As of December 31, 2023	**1,236,393**	**3,397,126**	**-**	**4,633,519**
Accumulated amortization				
As of December 31, 2022	**(1,200,328)**	**(2,645,311)**	**-**	**(3,845,640)**
Amortization of the year	(25,562)	(196,420)	-	(221,982)
Cumulative amortization on outflows	1,429	-	-	1,429
As of December 31, 2023	**(1,224,461)**	**(2,841,731)**	**-**	**(4,066,193)**
Net book value				
As of December 31, 2022	**37,493**	**751,815**	**-**	**789,309**
As of December 31, 2023	**11,932**	**555,395**	**-**	**567,327**
COST				
As of December 31, 2021	**1,237,821**	**2,613,010**	**-**	**3,850,832**
Inflow	-	784,116	-	784,116
Outflow	-	-	-	-
Transfers	-	-	-	-
As of December 31, 2022	**1,237,821**	**3,397,126**	**-**	**4,634,948**
Accumulated amortization				
As of December 31, 2021	**(1,094,992)**	**(2,612,446)**	**-**	**(3,707,438)**
Amortization of the year	(105,336)	(32,885)	-	(138,202)
Cumulative amortization on outflows	-	-	-	-
As of December 31, 2022	**(1,200,328)**	**(2,645,311)**	**-**	**(3,845,640)**
Net book value				
As of December 31, 2021	**142,829**	**565**	**-**	**143,393**
As of December 31, 2022	**37,493**	**751,815**	**-**	**789,308**

8. RIGHTS OF USE ASSETS

	Buildings	Vehicles	Total
Cost			
As of December 31, 2022	**-**	**230,821**	**230,821**
Additions	-	-	-
Disposals	-	-	-
Transfers	-	-	-
As of December 31, 2023	**-**	**230,821**	**230,821**
Accumulated depreciation			
As of December 31, 2022	**-**	**(75,530)**	**(75,530)**
Depreciation of the year	-	(74,158)	(74,158)
Cumulative depreciations related to outputs	-	-	-
As of December 31, 2023	**-**	**(149,688)**	**(149,688)**
Net book value			
As of December 31, 2022	**-**	**155,291**	**155,291**
As of December 31, 2023	**-**	**81,132**	**81,132**

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

	2023	2022
Depreciation expense related to the rights to use leased assets	74,158	96,466
Interest on lease liabilities	135	9,217
Expenses related to low-value leases.	-	-
Total amounts recognized in the profit and loss account	**74,293**	**105,683**

As of December 31, 2023, leasing liabilities amounting to RON 84,475 related to operational leases, of which short-term liabilities amounting to RON 29,694 and long-term liabilities amounting to RON 54,781.

On 31 December 2022 the value was RON 158,363 (75,410 short term and 82,953 long term).

Total leasing payments RON 133,143 (2022: RON 104,433)

9. OTHER NON-CURRENT ASSETS

	December 31 2023	December 31 2022	December 31 2021
Customer performance guarantees	3,535,648	2,872,490	1,481,839
Long-term staggered trade receivables	3,545,661	8,033,108	14,436,414
Adjustments to depreciate long-term trade receivables*	(487,623)	(1,010,831)	(1,515,401)
Other long-term non-current assets	12,796	33,637	137,628
Total	**6,606,482**	**9,928,405**	**14,540,480**

* The staggered long-term receivables worth Ron 3,058,038 as of December 31, 2023 were updated to the present value, and the time-value effect of money was worth RON 487,623. The current portion is recognized in commercial receivables (Note 11).

10. INVENTORIES

	December 31, 2023	December 31, 2022 (*restated*)	December 31, 2021 (*restated*)
Raw materials	8,719,964	8,349,443	9,892,908
Consumables	2,501,572	2,613,535	2,567,184
Finished products	13,799,830	12,579,551	7,151,200
Products in progress	2,064,672	3,436,021	2,730,442
Other inventories	986,865	2,777,658	2,454,844
Minus adjustments for impairment of inventories	(9,318,915)	(2,330,345)	(2,272,135)
Total	**18,753,989**	**27,429,223**	**22,524,443**

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

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

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

Adjustments recorded during the reporting period relate to depeciation adjustments for slow moving inventories based on elri better management estimates.

The Group has no pledged inventories on account of debt.

11. NET TRADE RECEIVABLES

	December 31 2023	December 31 2022 (*restated*)	December 31 2021 (*restated*)
Commercial receivables in Romania	43,927,785	61,148,415	60,758,468
Trade receivables from other countries	4,620,663	6,255,673	7,159,872
Minus impairment adjustments trade receivables	(13,136,105)	(3,721,707)	(3,589,909)
Total	**35,412,343**	**63,682,381**	**64,328,431**

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

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

At the same time, the group individually evaluates impairment losses for receivables with a maturity exceeding more than 90 days if there are indications of significant increases in credit risk. More information is given in Note 29.

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

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

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

	2023	2022	2021
Balance at the beginning of the period	**(3,721,707)**	**(3,589,909)**	**(4,909,054)**
Allowance for impairment	(9,967,663)	(405,766)	(966,988)
Reversal of allowance for impairment	553,265	273,968	2,286,133
Balance at end of period	**(13,136,105)**	**(3,721,707)**	**(3,589,909)**

12, OTHER CURRENT ASSETS

	December 31 2023	December 31 2022	December 31 2021
Debtors	14,057	41,436	31,440
Prepayment expenses	1,131,815	873,588	785,174
Advances to suppliers	155,265	151,759	29,010
Other current assets	588,292	659,000	1,215,763
Total	**1,889,429**	**1,725,783**	**2,061,387**

Category *Prepayment expenses* in the amount of RON 1,131. 815 mainly represents advance payments related to green certificates, insurance premiums for civil liability insurance administrators and various subscriptions.

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

13. CASH AND CASH EQUIVALENTS

	December 31 2023	December 31 2022	December 31 2021
Cash in the cashier	21,873	23,919	24,598
Availability in banks	30,854,974	15,391,114	7,061,274
Cash equivalents	11,332	2,356	417
Total	**30,888,179**	**15,417,388**	**7,086,289**

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

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

Bank availability includes short term deposits: December 31, 2023: RON 25,136,410 (RON 31.12.2022: RON 10,864,429)

14. SHARE CAPITAL

Share capital subscribed and paid up of the parent company is in the amount of 67,603,870 lei, composed of 676,038,704 shares with a nominal value of 0.10 lei/share, fully paid up.

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

	December 31, 2023		December 31, 2022	
Shareholder	**Number of shares**	**%**	**Number of shares**	**%**
INFINITY CAPITAL INVESTMENTS S. A.	442,465,466	65,4497	190,381,673	28,1614
PAS Association	-	-	163,074,260	24,1220
Individuals	208,487,511	30,8396	247,173,583	36,5620
Legal entities	25,085,727	3,7107	75,409,188	11,1546
Total	**676,038,704**	**100**	**676,038,704**	**100**

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

The group does not own bonds, redeemable shares or other portfolio securities.

15. RESERVES

Legal reserve

	2023	2022
Balance at the beginning of period	**12,563,922**	**19,811,834**
Increases	20	1,401,865
Diminutions	-	(8,649,877)
Balance at the end of period*	**12,563,942**	**12,563,922**

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

Revaluation reserves they are in the amount of RON 147,390,995 as of December 31, 2023. Relative to the balance of the beginning of the period, these increased with the surplus related to the revaluation and decreased and transferred to the retained earnings as the depreciation of the revalued fixed assets.

	2023	2022
Balance at the beginning of period	**151,285,901**	**155,524,677**
Revaluation increases	249,333	-
Other elements	-	3,939
Diminutions	(4,144,239)	(4,242,715)
Balance at the end of period	**147,390,995**	**151,285,901**

The Group records on December 31, 2023 *other reserves and equity items* in the amount of 81,371,341 lei of which the own sources of financing represent 98%.

	2023	2022
Balance at the beginning of the period	**59,328,628**	**67,949,273**
Increases	22,042,713	247,898
Diminutions	-	(8,868,543)
Balance at the end of period	**81,371,341**	**59,328,628**

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

16. RETAINED EARNINGS

As of December 31, 2023, the retained earnings from the transfer of net revaluation reserves related to depreciated or decommissioned assets amounted to Ron 4,144,239.

The result of the previous years was adjusted in 2022 and 2021 by (RON 1,918,800) respectively (RON 2,689,644).
Details according to IAS 8 in Note 4.3.

17. INVESTMENT SUBSIDIES

	Total	Under one year	Over a year
Investment grants as of December 31, 2023	3,920,651	163,219	3,757,433

	Total	Under one year	Over a year
Investment grants as of December 31, 2022	4,083,869	163,219	3,920,651

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

18. PROVISIONS

Name	Balance 01.01.2023	Entries (establishment)	Exits (cancellation)	Balance 31.12.2023
Provision for performance guarantees to customers	775,000	-	-	775,000
Provisions for risks and expenses	31,440	-	(31,440)	-
Provision for employee benefits	1,441,690	1,090,235	(1,852,697)	630,436
TOTAL	**2,248,130**	**1,090,235**	**(1,852,697)**	**1,405,436**

The parent company has concluded contracts for the delivery of luminaires with warranty clause for long periods, respectively 2 - 5 years. The contracts do not provide a percentage or amount for the performance guarantee, the provision for them being calculated on the basis of the analysis of the cost history made with the products within the warranty period.

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

19. COMMERCIAL AND OTHER LIABILITIES

	December 31 2023	December 31 2022 *(adjusted)*	December 31 2021 *(adjusted)*
Current commercial liabilities			
Domestic commercial debt	4,421,017	8,332,977	7,425,334
Foreign trade debts	3,319,816	4,974,114	5,052,945
Estimated trade liabilities	4,720,526	3,519,791	10,712,386
Other current liabilities			
Advances received from customers	1,812,126	3,180,259	2,633,180
Salaries and social insurance	2,970,920	3,425,097	3,331,776
Advance income	1,695,488	44,047	15,535
Loans under one year	-	-	20,960,469
Other liabilities	6,238,614	8,795,070	4,488,568
Total	**25,178,507**	**32,271,355**	**54,620,193**

19. COMMERCIAL AND OTHER LIABILITIES (continued)

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

The Group does not record significant outstanding commercial debt.

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

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

The Parent- company has approved several credit agreements as of December 31, 2023. Their situation is presented in Note 30 of these financial statements.

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

The guarantees received from the tenants and those withheld from the suppliers on December 31, 2023 are in the amount of RON 2,949,825 will be regularized according to the contractual clauses.

	Total	Under one year	Over a year
Guarantees received year 2023	2,949,825	2,082,107	867,718

	Total	Under one year	Over a year
Guarantees received year 2022	3,615,027	2,914,850	700,176

Lease liabilities are presented within current and long-term liabilities. Their total value is 84,475 lei. (Note 8).

20. GROUP AS A LESSOR

The Group has entered into operating leases for its property investment portfolio consisting of certain office and production buildings (See Note 6). These leases have terms ranging from 1 to 6 years

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

Rental income recognized by the Group during the year is RON 17,915,931 (2022: RON 17,534,596)

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

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

21. REVENUE

2023

REVENUE FROM CUSTOMER CONTRACTS	**Licensed activity**	**Unlicensed activity**
Revenue from the production of electricity from renewable sources and from the supply of electricity	91,443,660	-
Revenue from product sales (LED lighting fixtures, electric vehicle charging systems and solutions, plastic mass injection products and molds, low voltage electrical equipment, railway traffic safety elements)	-	53,788,733
Revenue from services rendered (complex design, delivery and assembly of LED lighting systems and electric vehicle charging stations)	-	23,607,545
TOTAL REVENUE FROM CUSTOMER CONTRACTS	**91,443,660**	**77,396,278**
RENTAL INCOME	**-**	**26,305,392**
TOTAL REVENUE	**91,443,660**	**103,701,670**

2022 restated

REVENUE FROM CUSTOMER CONTRACTS	**Licensed activity**	**Unlicensed activity**
Revenue from the production of electricity from renewable sources and from the supply of electricity	113,447,919	-
Revenue from product sales (LED lighting fixtures, electric vehicle charging systems and solutions, plastic mass injection products and molds, low voltage electrical equipment, railway traffic safety elements)	-	60,876,947
Revenue from services rendered (complex design, delivery and assembly of LED lighting systems and electric vehicle charging stations)	-	27,563,992
TOTAL REVENUE FROM CUSTOMER CONTRACTS	**113,447,919**	**88,440,939**
RENTAL INCOME	**-**	**24,501,175**
TOTAL REVENUE	**113,447,919**	**112,942,114**

Timing of recognition of revenue from contracts with customers

2023	**Licensed activity**	**Unlicensed activity**
Goods and services transferred at a given time	-	53,939,117
Goods and services transferred over time	91,443,660	49,762,553
Total revenue from customer contracts	**91,443,660**	**103,701,670**

2022 restated	**Licensed activity**	**2022 Unlicensed activity**
Goods and services transferred at a given time	-	60,876,947
Goods and services transferred over time	113,447,919	52,065,167
Total revenue from customer contracts	**113,447,919**	**112,942,114**

21. REVENUE (continued)

The company's revenue streams are:

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

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

– *Revenue from services provided (lighting system installation services)* - revenues are obligations executed over time. Prices are identifiable and represent the consideration paid. Standard payment terms are between 60-90 days, but can reach up to 2-3 years. The method used in the input-based (cost-based) method, according to which income is recognized on the basis of the efforts of the right to fulfill the obligation of execution.

Most of the revenue is generated in Romania.

The disaggregation of revenue at the product level is:

	2023	**2022**
		(restated)
Electric vehicle charging stations	8,631,437	11,041,433
Electrical equipment	18,055,788	12,304,925
Traffic safety elements CFR	6,625,957	6,645,897
Plastic mass injections and molds	7,891,473	9,481,662
LED lighting fixtures and services	34,754,050	45,245,973
Other	1,437,572	3,721,049
TOTAL PRODUCTION	**77,396,278**	**88,440,939**

OTHER NET INCOME AND EXPENSES	**2023**	**2022**
Income from green certificates	1,248,655	1,673,074
Income / (expense) on provisions	(15,708,971)	(111,041)
Net exchange rate difference	(87,866)	28,561
Other net income/(expense)	699,388	3,784,040
TOTAL	**(13,848,794)**	**5,374,634**

Line *Income / (expense) on provisions* represents net asset adjustments (fixed assets, receivables, inventories), as well as provisions for guarantees granted to customers and employee benefits. The increase in provisions in 2023 compared to 2022 was mainly generated by adjustments to the value of receivables in line with the degree of their collection and adjustments to the value of inventories.

The decrease in the line of other net income/(expense) is primarily generated by a decrease in net income from the fair value measurement of the real estate investment in 2023 compared to 2022.

As a result of the adjustment of the sales with delivery after invoicing (goods kept in the custody of the company) and the restatement of the results of previous years, *Profit and loss statement* it has undergone the following changes in 2022:

- sales line-decrease RON 5,537,951
- line revenue from stored production-increase RON 3,033,665
- line other expenses-decrease RON 220,000

22. EXPENSES

	2023	2022 *(restated)*
Material expenses	**102,353,203**	**124,237,226**
- Expenditure on raw materials and consumables	43,316,755	58,965,295
- Expenditure on goods	51,665,525	59,287,292
- Expenditure on energy, water, gas	7,370,223	5,984,639
Employee expenses	**42,395,092**	**39,022,831**
- Salary expenses	39,400,418	23,588,796
- Other personnel expenses	2,994,674	15,434,035
Other expenses	**49,821,571**	**47,013,735**
- Postal expenses	412,050	631,404
- Maintenance and repair expenses	393,537	336,566
- Rent expenses	528,035	451,513
- Advertising and protocol expenses	168,535	196,234
- Insurance expenses	706,845	610,842
- Transport and travel expenses	1,088,053	1,352,464
- Subcontracted work expenses	2,696,569	9,506,582
- Expenses other taxes and fees	1,862,108	1,811,739
- Expenses with consultants and collaborators	1,091,461	771,013
- Expenditure on green certificates	1,585,359	1,400,886
- Contribution to the Energy Transition Fund	25,892,582	15,360,791
- Other operating expenses	13,396,436	14,583,691
Depreciation and amortization expense	**32,401,726**	**13,949,900**
- Depreciation expense	9,280,431	9,820,086
- Impairment loss / gain	23,121,296	4,129,814
Total expenses	**226,971,592**	**224,223,682**

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

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

23. FINANCIAL EXPENSES

	2023	2022
- Interest expense	1,469	540,789
- Bank fees	375,523	499,913
- Lease interest expense	6,289	9,217
Total financial expenses	**383,281**	**1,049,919**

24, INCOME TAX

Income tax recognized in profit or loss:

	December 31 2023	December 31 2022
Current income tax		
Current income tax expense	983,666	2,490,157
Deferred income tax		
Deferred tax income	(6,486,443)	(889,520)
	(5,502,777)	**1,600,637**

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

Indicator	December 31 2023	December 31 2022 *(restated)*
Profit / (loss) before tax	**(35,460,893)**	**26,089,885**
Tax applied at local rate (16%)	(5,673,743)	4,174,382
Effect of non-deductible expenses	286,275	(714,556)
Effect of non-taxable income	-	78,770
Other	(115,310)	(1,937,959)
Total income tax expense / (income)	**(5,502,777)**	**1,600,637**

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

As of December 31, 2023 the total receivable on the current income tax is in the amount of RON 1,700,402 (December 31, 2022: RON 1,048,012).

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

	Initial balance January 1, 2023	Recognised in the profit or loss account (income)/ expense	Recognised in other comprehensive income	Final balance December 31, 2023
Property, plant and equipment	24,666,499	(3,946,233)	39,893	20,760,159
Adjustment of non-current assets	(660,770)	66,421	-	(594,349)
The time-value effect of money (receivables)	(287,791)	102,266	-	(185,525)
Value adjustments receivables	(469,415)	(1,632,361)	-	(2,101,776)
Stock value adjustments	(372,855)	(1,195,960)	-	(1,568,815)
Employee benefits	(222,864)	121,994	-	(100,870)
TOTAL	**22,652,804**	**(6,486,443)**	**39,893**	**16,208,824**

24. INCOME TAX (continued)

	Initial balance January 1 2022	Recognised in the profit or loss account (income)/ expense	Recognised in other comprehensive income	Final balance December 31, 2022
Property, plant and equipment	24,930,405	(263,906)	-	24,666,499
Adjustment of non-current assets	-	(660,770)	-	(660,770)
The time-value effect of money (receivables)	(377,555)	89,764	-	(287,791)
Value adjustments receivables	(448,332)	(21,083)	-	(469,415)
Inventories value adjustments	(329,268)	(43,587)	-	(372,855)
Employee benefits	(232,926)	10,062	-	(222,864)
TOTAL	**23,542,324**	**(889,520)**	**-**	**22,652,804**

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

25. AVERAGE NUMBER OF EMPLOYEES

The average number of employees evolved as follows:

	December 31 2023	December 31 2022
Group	406	416
Company	350	368

Expenses with salaries and related taxes recorded are as follows**:**

	2023	2022
Salary expenses	**25,627,833**	**23,588,796**
- of which the parent company	23,479,245	21,954,297
Other personnel expenses	**16,767,258**	**15,434,035**
- of which the parent company	15,821,480	14,096,596
Total	**42,395,092**	**39,022,831**
- of which the parent company	39,300,725	36,050,893

The group does not have a pension program for staff specifically contributing to the National Pension Program under current law.

26. RELATED PARTY TRANSACTIONS

At 31 December 2023 and 31 December 2022 respectively, the group had no affiliated parties other than the subsidiaries included in the consolidation. Balances and transactions with them have been removed for the purpose of preparing consolidated financial statements.

Compensation of key personnel

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

	December 31 2023	December 31 2022
Payroll management	3,488,383	2,802,774
Compensation member management	1,071,366	-
Board of directors benefits	1,214,170	786,531
Total	**5,774,019**	**3,589,305**

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

The group has no future obligations of a guarantee nature on behalf of the directors.

27. EARNINGS PER SHARE

Basic earnings per share

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

Diluted earnings per share

For the calculation of diluted earnings per share, the group adjusts the earnings attributable to ordinary shareholders of the parent company and the weighted average shares outstanding against the effects of all potentially diluted ordinary shares.

For the years 2023 and 2022 the group records basic earnings per share equal to diluted earnings per share as there are no certain securities that enable it to be converted into ordinary shares at some point in the future.

28. INFORMATION BY BUSINESS SEGMENT

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

- Licensed activity-electricity supply and production
- Unlicensed activity-industrial production and space rental

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

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

28. INFORMATION BY BUSINESS SEGMENT (continued)

Year 2023	Unlicensed activity	% Total Group	Licensed activity	% Total Group	Total Group
Net loss/Profit	(15,245,775)	51%	(14,712,340)	49%	(29,958,115)
Total assets	344,095,304	85%	61,353,362	15%	405,448,666
Total liabilities	25,940,150	54%	21,725,461	46%	47,665,611
Customer revenue	103,701,670	53%	91,443,660	47%	195,145,330
Depreciation and amortization	10,653,339	33%	21,748,387	67%	32,401,726

Year 2022	Unlicensed activity	% Total Group	Licensed activity	% Total Group	Total Group
Net Profit	(2,028,996)	-	26,518,244	100%	24,489,248
Of which:					
- land expropriation loss	*(4,129,814)*	*100%*	-	*0%*	*(4,129,814)*
Total assets	374,487,266	83%	78,477,305	17%	452,964,571
Total liabilities	39,423,063	63%	22,691,636	37%	62,114,699
Customer revenue	112,942,113	50%	113,447,919	50%	226,390,032
Depreciation and amortization	11,709,470	84%	2,240,430	16%	13,949,900

Main products and production structure

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

LED lighting fixtures, systems and solutions

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

The competitive advantage of LED lighting equipment is due to high efficiency (over 160 lm/w), long service life (minimum 100,000 hours) and high color rendering index (minimum 85 %). In addition, LED luminaires provide quality light, are environmentally friendly and allow integration into telemanagement systems. The focus is currently on the control and management of energy consumption given the important increases in the price of electricity
With regard to the led lighting activity, there are ongoing projects funded on European and national programs ROP and AFM, where ELECTROMAGNETICA has developed 3 Smart City and Telemanagement platforms with the purpose of managing the automation of lighting devices in order to decrease the CO2 carbon footprint, by reducing the luminous intensity depending on time or on the command of sensors, solutions that are very stable and reliable , ELECTROMAGNETICA offering a complete intelligent lighting solution included in the SmartCity platforms. The 3 main platforms developed are the following:

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

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

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

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

28. INFORMATION BY BUSINESS SEGMENT (continued)

Electric vehicle charging stations

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

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

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

Plastic injection and moulding

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

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

Railway traffic safety elements

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

Electricity production from renewable sources and Electricity Supply Service

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

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

Rental and utility services

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

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

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

29. RISK MANAGEMENT

General risk management framework

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

The activity is governed by the following principles:

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

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

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

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

The group is exposed to the following risks:

Capital risk management

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

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

The indebtedness at December 31, 2023 was as follows:

	December 31 2023	December 31 2022 *(restated)*
Total long and short term liabilities	47,665,611	62,114,699
Excluding: cash and cash equivalents	(30,888,179)	(15,417,388)
Total	**16,777,432**	**46,697,311**
Equity	**357,783,055**	**390,849,872**
Debt ratio	***0.0469***	***0.1195***

29. RISK MANAGEMENT (continued)

Market risk

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

Currency risk management

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

The company's currency risk exposure results from:

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

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

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

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

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

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

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

29. RISK MANAGEMENT (continued)

Interest Risk Management

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

As of December 31, 2023, the group has no medium or long-term loans, holding only credit lines that can be accessed as needed depending on the temporary cash deficit registered.

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

Price risk

Price risk it is the risk that the future income of the company will be negatively impacted by changes in the price on the energy market, but also includes the risk of changing the purchase price of raw materials and materials necessary for production.

Among the markets in which the parent company operates, the energy market is the one with the highest price risk, taking into account the price volatility in the day-ahead market and the balancing market, as well as the lack of long-term hedging mechanisms.

Credit risk management

The credit risk consists in the event that the contracting parties breach their contractual obligations leading to financial losses for the group. The group is exposed to credit risk arising from its operational activities, in particular commercial activities (Note 11) and financial activities including deposits with banks.

Receivables

Commercial receivables come from a wide range of clients operating in various fields of activity and in different geographical areas. Insurance policies were contracted for claims on the foreign market. Due to the increased incidence in the economy of insolvency cases, there is a concrete risk regarding the recovery of the value of the products and/or services provided prior to the declaration of insolvency. The group aims to pay more attention to the creditworthiness and financial discipline of the contractual partners. The group wants to adopt the policy of trading only with trusted partners and obtain sufficient guarantees where appropriate to minimize the risk of financial losses resulting from non-fulfillment of obligations.

Exposure to credit risk is controlled through the permanent monitoring of each borrower. The group continuously assesses their credit risk taking into account their financial performance, payment history and, where appropriate, requires insurance of the risk of default.

The credit risk profile of trade receivables is presented based on their maturity in terms of the impairment adjustment Matrix. This matrix is based initially on the company's observed historical default rates, adjusted for forward-looking factors specific to borrowers and the economic environment, when applicable. Trade receivables are not interest-bearing and are generally within 30-90 days. There are, however, a number of contracts of previous years with state authorities that include supplier credit clauses with payment for a period of up to 5 years.

For these contracts the group has calculated adjustments to the present value and does not estimate other losses because the risk of default is almost non-existent.

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

- determination of an appropriate follow-up observation period for the historical loss rate. The group selected 2 prior periods ended December 31, 2022 and December 31, 2021 for data collection;
- collecting data on commercial receivables and grouping them according to their maturity stage in each analyzed period and by main activities;
- analyzing the evolution of these balances over a period of 12 months and determining the amounts still unpaid in each outstanding group to determine the proportion of balances in each maturity category that was not ultimately collected;
- determination of the weighted average loss rate (%) according to the maturity status for the 2 analyzed periods;
- this rate will be applied to determine the impairment loss on trade receivables as of December 31, 2023.

29. RISK MANAGEMENT (continued)

Receivables (continued)

Following the analysis of receivables according to the methodology presented above, the group did not identify a risk of default for outstanding receivables with maturities exceeding less than 90 days.

In addition to the receivables analysis described above, the group analyzed clients with receivables whose maturities exceeded 90 days on 31 December 2023 as well as territorial administrative units with receivables with maturities exceeded more than one year on balance on 31 December 2023 and, depending on the available information, calculated and recorded adjustments to the amount of receivables as of 31 December 2023, correlated with the probability of their recovery.

The following table shows the risk profile of commercial receivables based on the company's impairment adjustment Matrix. As the company's historical credit loss experience shows significantly different loss patterns for different customer segments, adjustments for loss rates based on the risk of default differentiate between the different customer segments of the group.

Current trade receivables			**December 31, 2023**
Deadlines	**Balances**	**Depreciation expense**	**Estimated loss rate (%)**
Current (not past due)	5,698,829	-	-
1 – 30 days	5,736,857	-	-
31 – 60 days	255,702	-	-
61 – 90 days	37,797	-	-
Total receivables analyzed globally	**11,729,185**	**-**	**-**
Receivables licensed activities	4,014,285	-	-
Unlicensed activities with state authorities (mayors)	13,458,710	(1,082,455)	8%
Other receivables 90-180 days	4,263,253	(321,839)	8%
Other receivables over 180 days	12,359,509	(9,008,304)	73%
Uncertain claims	3,395,412	(3,395,412)	100%
Total receivables analyzed individually	**37,491,169**	**(13,808,011)**	37%
Total	**49,220,354**	**(13,808,011)**	**28%**

Current trade receivables			**31 December 2022 (restated)**
Deadlines	**Balances**	**Depreciation expense**	**Estimated loss rate (%)**
Current (not past due)	35,241,713	-	-
1 – 30 days	5,394,679	-	-
31 – 60 days	4,671,198	-	-
61 – 90 days	632,318	-	-
90 – 180 days	3,288,551	-	-
More than 180 days	1,332,179	-	-
Total receivables analyzed globally	**50,560,638**	**-**	
Receivables licensed activities	7,273,081	-	-
Claims unlicensed activities with state authorities	6,636,523	(787,862)	12%
Claims analyzed individually	2,933,845	(2,933,845)	100%
Total receivables analyzed individually	**16,843,449**	**(3,721,707)**	22%
Total	**67,404,087**	**(3,721,707)**	**5.5%**

29. Risk management (continued)

Financial instruments and deposits

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

It is estimated that there is no significant exposure from possible non-fulfillment of contractual obligations by counterparties in relation to financial instruments.

Liquidity risk management

The treasury function of the company prepares forecasts regarding the liquidity reserve and maintains an adequate level of credit facilities so that it can prudently manage liquidity and cash-flow risks. At the same time, the investments were limited to their own sources of financing and those that have a direct contribution to the turnover. The liquidity and cash-flow risk management policy adapts to new, more demanding business practices. This risk is closely related to the risks presented above.
Below is the statement of claims and liabilities by maturity:

	December 31 2023	0 - 1 year	1 - 2 years	2 - 5 years	More than 5 years
Commercial and other receivables	45,608,657	39,002,175	5,544,239	1,062,243	-
Commercial and other liabilities	26,130,700	25,233,288	306,480	522,538	68,393
Net position	**19,477,957**	**13,768,887**	**5,237,759**	**539,705**	**(68,393)**

	December 31 2022	0 - 1 year	1 - 2 years	2 - 5 years	More than 5 years
Commercial and other receivables	76,384,581	66,456,176	5,474,270	4,454,135	-
Commercial and other liabilities	33,129,894	32,346,766	391,392	339,230	52,506
Net position	**43,254,687**	**34,109,410**	**5,082,878**	**4,114,905**	**(52,506)**

Categories of financial instruments

	2023	2022 *(restated)*
Financial assets		
- **amortized cost**		
Short and long term trade receivables	45,608,657	76,384,581
Cash and cash equivalents	30,888,179	15,417,388
Total	**76,496,836**	**91,801,969**

	2023	2022 *(restated)*
Financial liabilities		
- **amortized cost**		
Commercial and other liabilities	26,046,224	32,971,532
Short and long term lease liabilities	84,476	158,363
Total	**26,130,700**	**33,129,895**

29. RISK MANAGEMENT (continued)

2023	**January 1 2023**	**Proceeds**	**Interest expense**	**Interest payments**	**Payments**	**Leasing**	**Lease payments**	**December 31, 2023**
Overdraft	-	1,964,851	1,469	(1,469)	(1,964,851)	-	-	-
Lease liabilities	158,363		42,884	(42,884)	-	16,372	(90,259)	84,476
Total financial liabilities	**158,363**	**1,964,851**	**44,353**	**(44,353)**	**(1,964,851)**	**16,372**	**(90,259)**	**84,476**

2022	**January 1 2022**	**Proceeds**	**Interest expense**	**Interest payments**	**Payments**	**Leasing**	**Lease payments**	**December 31, 2022**
Overdraft	20,891,294	32,718,453	609,409	(609,409)	(53,609,747)	-	-	-
Lease liabilities	207,405	-	8,543	(8,543)	-	46,848	(95,890)	158,363
Total financial liabilities	**21,098,699**	**32,718,453**	**617,952**	**(617,952)**	**(53,609,747)**	**46,848**	**(95,890)**	**158,363**

30. COMMITMENTS AND POTENTIAL LIABILITIES

Commitments

As of December 31, 2023, the parent company has commitments granted by two financing banks:

- for bank loans in the form of overdraft for working capital in the amount of RON 10,000,000 and SGB issuance ceiling in the amount of maximum RON 2,000,000.

- non-cash guarantee agreements worth RON 10,000,000.

On December 31, 2023, the parent company had at its disposal an amount of RON 10,000,000 undrawn from the loan facility contracted and the amount of Ron 1,247,792 as unused, from the non-cash facility for letters of guarantee.

The commitments granted to the company are guaranteed by accounts opened with creditor banks, receivables, collateral deposits in the amount of RON 90,000, tangible assets (Land, Buildings) in the amount of RON 38,668,772 (Note 5).

According to the current loan agreements, the parent company is subject to certain conditions imposed by the banks. As of December 31, 2023, the parent company was within all financial indicators imposed in the financing contracts.

The commitments received from customers and tenants in the form of letters of guarantee on December 31, 2023, are worth 1,191,830 lei according to the contractual clauses.

Litigation

The disputes in which the group is involved are of values that are not likely to affect the financial stability of the company. The Group manages disputes through its own legal department and through collaborations with external partners specializing in the management of specific conflicts.

31. Other

The consolidated financial statements of the Group were audited by Deloitte Audit SRL, the tariff for the 2023 audit was EUR 55,200 (2022: EUR 44,800).

32. SUBSEQUENT EVENTS

As of the date of these financial statements, the Group continues to fulfil its obligations as they come to maturity and therefore continues to apply the business continuity preparation basis.

Also, management has no knowledge of events, economic changes or other factors of uncertainty that could materially affect the Group's revenues or liquidity other than those mentioned.

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

DANIELA-ADI CUCU	**CRISTIAN RADU**
General Manager	**Chief Financial Officer**