

## Board of Directors Consolidated Report for the financial year 2014

Date of the report: 26.03.2015  
Company name: Electromagnetica SA  
Registered office: Calea Rahovei no. 266-268, Sector 5, Bucharest, postal code 64021  
Tel/ Fax: 021 404 2102/ 021 404 2195  
Tax ID 414118  
ORCTB reg. no.: J40/19/1991  
Regulated market: BVB, Equity securities sector, Shares, Category I  
Stock symbol: ELMA  
Number of shares: 676,038,704  
Nominal value: 0.1000 lei  
Share capital: 67,603,870.40 lei

### 1. Definitions:

Starting with 2014, the Group applies IFRS 10 – Consolidated Financial Statements because the parent company controls several entities. IFRS 10 supersedes IAS 27 – Consolidated and Separate Financial Statements. IFRS 10 defines the control principle and establishes the control as the basis for consolidation. It also establishes the manner of application of the control principle to determine whether an investor controls an investee and, therefore, it should consolidate the investee.

An investor controls an investee if and only if the investor has all of the following elements:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor's returns.

The following terms, as defined in IFRS 10 – Consolidated Financial Statements, are used in this report with the meanings below:

**Consolidated financial statements** – the financial statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity.

**Group** – a parent and its subsidiaries.

**Parent** – an entity that controls one or more entities.

**Subsidiary** – an entity controlled by another entity.

**Non-controlling interest** – is the equity in a subsidiary that is not attributable, directly or indirectly, to a parent.

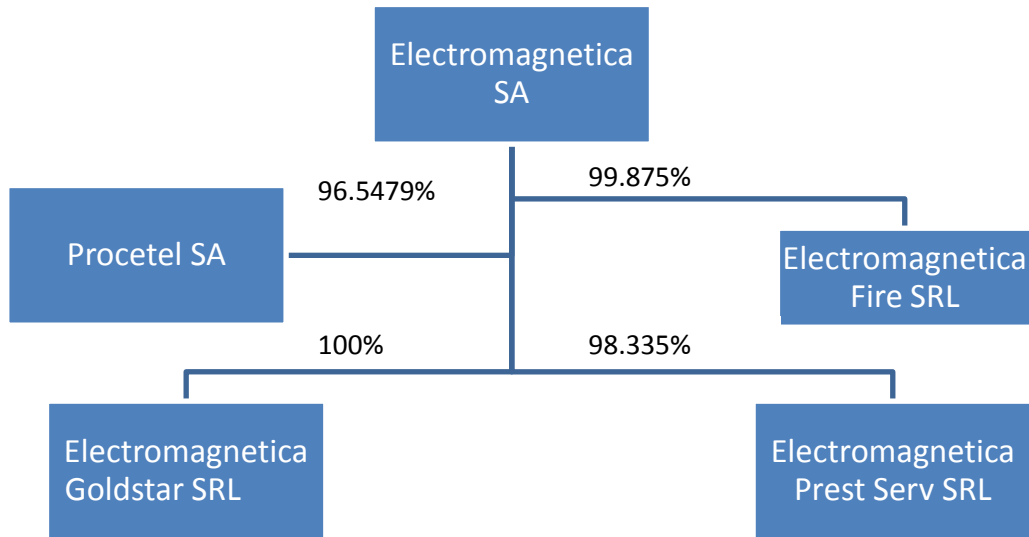
The consolidated financial statements compliant with the International Financial Reporting Standards refer to the activity of Electromagnetica SA (the parent) and the companies controlled by the same, hereinafter the subsidiaries, namely: Procetel SA, Electromagnetica Goldstar SRL, Electromagnetica Prestserv SRL and Electromagnetica Fire SRL, which, together, represent the group.

## 2. Overview

**Electromagnetica SA** is a Romanian legal entity incorporated under the legal form of joint stock company for an unlimited duration and organised and operating under its articles of incorporation, Law no. 31/1991 republished in 2004 and amended by Law no. 441/2006, Government Emergency Ordinance (GEO) no. 82/2007 and GEO no. 52/2008, and the Law no. 297/2004 on capital market. The registered office of the company is in Bucharest, Calea Rahovei no. 266-268, sector 5, Bucharest, Romania, postal code 64021, telephone 021 404 2131, 021 404 2102, fax 021 404 2195, site web [www.electromagnetica.ro](http://www.electromagnetica.ro), Tax ID Code RO 414118, registration number with the Trade Register J40/19/1991. The company share capital is 67,603,870.40 lei divided into 676,038,704 ordinary shares, registered and dematerialised, recorded in electronic account in the shareholder register held by Depozitarul Central SA. According to the company's articles of incorporation, its main object of activity

is the manufacture of instruments and appliances for measuring, testing and navigation (NACE code 2651).

Electromagnetica SA controls the companies below:



**Procetel SA**, a joint stock company with registered office in Calea Rahovei 266-268, Bucharest, sector 5, registration number with the Trade Register J40/10437/1991, Tax ID 406212, tel.: 031.700.2614, fax: 031.700.2616. S.C. Procetel SA is an unlisted joint stock company and its main object of activity is other research and experimental development on natural sciences and engineering (NACE code 7219). Currently, its research activity is significantly diminished and its results derive from its real estate renting activities.

**SC Electromagnetica Goldstar SRL** operated as a Romanian-Korean joint venture until 2011, when SC Electromagnetica took over under a share assignment the entire equity held by the Korean partners and become the sole shareholder of this company.

It is a limited liability company with registered office in Bucharest, Calea Rahovei no. 266-268, sector 5, registration number with the Trade Register Office attached to Bucharest Tribunal J40/12829/1991, Tax ID 400570; its main object of activity is the manufacture of communication

equipment (NACE code 2630). The company also carries out service and warranty activities for communication equipment and real estate renting activities.

**Electromagnetica Prestserv SRL** is a limited liability company with registered office in Calea Rahovei no. 266-268, sector 5, corp 1, etaj 2, axele A-B, stalpii 1-2, registered with the Trade Register Office attached to Bucharest Tribunal under no. J40/1528/2003, Tax ID 15182750, which provides cleaning services.

**Electromagnetica Fire SRL** is a limited liability company with registered office in Calea Rahovei no. 266-268, sector 5, corp 2, parter, axele C-D, stalpii 6 ½ - 7, registered with the Trade Register Office attached to Bucharest Tribunal under no. J40/15634/2006, Tax ID 19070708, which carries out activities pertaining to fire protection, technical assistance for fire prevention and extinction and private emergency services for civil protection.

SC Electromagnetica Prestserv SRL and SC Electromagnetica Fire SRL were set up through the outsourcing of certain services within SC Electromagnetica SA.

### 3. Statement of interest in subsidiaries at 31 December 2014

	Share capital		Of which: SC Electromagnetica		
	Value (lei)	No. of securities	Value (lei)	No. of securities	Ownership and voting right percentage (%)
Procetel SA	110,005	44,002	732,008*)	42,483	96.548%
Electromagnetica Goldstar	295,080	2,650	3,126,197*)	2,650	100%
Electromagnetica Prestserv	30,000	300	29,500	295	98.333%
Electromagnetica FIRE	80,000	800	79,782	799	99.875%

\*) Negotiated purchase value

In 2014, there were no changes in the shareholding structure of the related companies.

#### 4. Structure of the administrative and executive management of subsidiaries

##### Procetel SA

Administrative management: Florea Vlad – Sole Director, under a 4 year mandate valid until 29 April 2018

Executive management: Mihai Sanda – Accounting Officer

##### Electromagnetica Goldstar SRL

Administrative management: Florea Vlad – Sole Director, under a 4 year mandate valid until 1 August 2015

Executive management: Viorel Stroica – Executive Director

##### Electromagnetica Prest Serv SRL

Administrative management: Gheorghe Ciobanu – Sole Director, under a 4 year mandate valid until 3 November 2018.

Executive management: Gheorghe Ciobanu – Managing Director

##### Electromagnetica Fire SRL

Administrative management: Maria Rogoz – Sole Director, under a 4 year mandate valid until 26 March 2018

#### 5. Consolidated financial statements

##### a) Consolidated statement of financial position.

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	<b>31 December 2014</b>	<b>31 December 2013</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Tangible assets	216,201,059	221,268,180
Investments in real estate	2,154,439	907,248
Intangible assets	1,728,797	720,163
Other long-term non-current assets	1,515,222	1,016,700

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	<b>31 December 2014</b>	<b>31 December 2013</b>
Deferred tax assets	258,124	-
<b>Total non-current assets</b>	<b>221,857,641</b>	<b>223,912,291</b>
<b>Current assets</b>		
Inventories	16,354,495	15,916,227
Trade receivables	53,822,749	58,794,977
Cash and cash equivalents	31,449,749	15,818,377
Assets classified as held for sale	224,000	1,250,953
Other current assets	6,354,272	3,683,703
Current tax asset	773,662	-
<b>Total current assets</b>	<b>108,978,927</b>	<b>95,464,237</b>
<b>Total assets</b>	<b>330,836,568</b>	<b>319,376,528</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	67,603,870	67,603,870
Reserves	195,197,867	184,092,619
Retained earnings	9,146,067	15,729,103
Other components of equity	(1,127,303)	(1,404,363)
<b>Total equity attributable to company shareholders</b>	<b>270,820,501</b>	<b>266,021,229</b>
<b>Non-controlling interests</b>	<b>171,746</b>	<b>155,303</b>
<b>Non-current liabilities</b>		
Long-term loans	1,232,014	1,407,752
Deferred income	7,271,123	7,055,548
Deferred tax liabilities	2,023,728	1,298,290
<b>Total non-current liabilities</b>	<b>10,526,865</b>	<b>9,761,590</b>
<b>Current liabilities</b>		
Trade payables and other liabilities	47,529,859	41,192,619
Deferred income	578,097	1,033,571
Provisions	1,209,500	724,500
Current tax liability	-	487,716



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	<b>31 December 2014</b>	<b>31 December 2013</b>
<b>Total current liabilities</b>	<b>49,317,456</b>	<b>43,438,406</b>
<b>Total liabilities</b>	<b>59,844,321</b>	<b>53,199,996</b>
<b>Total equity and liabilities</b>	<b>330,836,568</b>	<b>319,376,528</b>

The influence of the subsidiaries on the consolidated financial position is presented below:

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	<b>31 December 2014</b>			<b>31 December 2013</b>		
	<b>Group</b>	<b>Parent</b>	<b>%</b>	<b>Group</b>	<b>Parent</b>	<b>%</b>
<b>Non-current assets</b>	221,857,641	218,675,837	98.57%	223,912,291	220,535,388	98.49%
<b>Current assets</b>	108,978,927	104,739,360	96.11%	95,464,237	91,186,917	95.52%
<b>Equity attributable to company shareholders</b>	270,820,501	263,926,079	97.45%	266,021,229	259,043,281	97.38%
<b>Non-current liabilities</b>	10,526,865	10,526,236	99.99%	9,761,590	9,761,590	100.00%
<b>Current liabilities</b>	49,317,456	48,962,882	99.28%	43,438,406	42,917,434	98.80%

The comparison between the separate financial position of the parent and the consolidated financial position shows that the companies controlled by Electromagnetica have very little influence on the consolidated financial position. For instance, at 31 December 2014, the influences in the consolidation are as follows:

- the share of the subsidiaries in the total non-current assets is 1.43% and their weight in the total current assets is 3.89%
- the share of subsidiaries in the total equity attributable to company shareholders is 2.55%
- the share of subsidiaries in the total liabilities is 0.73%

#### b) Consolidated statement of comprehensive income

	<b>31 December 2014</b>	<b>31 December 2013</b>
<b>Revenue</b>	<b>428,024,142</b>	<b>400,808,764</b>
Other income	8,503,696	8,200,552
Variation in stocks of finished goods and work in	9,261,518	3,890,089

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Work performed by entity and capitalised	1,991,283	6,347,728
Raw material and consumables used	(339,202,438)	(294,107,423)
Employee benefits expenses	(35,652,105)	(38,067,331)
Amortisation and depreciation expenses	(10,557,463)	(10,195,068)
Other expenses	(53,239,094)	(57,353,034)
<b>Profit before tax</b>	<b>9,129,539</b>	<b>19,524,277</b>
Current income tax expense	(1,342,245)	(3,262,334)
Deferred income tax expense	(205,689)	(114,225)
<b>Profit for the period</b>	<b>7,581,605</b>	<b>16,147,718</b>
<i>Attributable to parent</i>	<i>7,564,368</i>	<i>16,126,029</i>
<i>Attributable to non-controlling interest</i>	<i>17,237</i>	<i>21,689</i>

**31 December 2014**

**31 December 2013**

**Other comprehensive income:**

Revaluation surplus for tangible assets	278,030	2,947,811
Deferred tax recognised in equity	(44,486)	(494,555)
<b>Comprehensive income for the period</b>	<b>7,815,149</b>	<b>18,600,974</b>

The consolidation shows the following influences on the comprehensive income:

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	31 December 2014			31 December 2013		
	Consolidated profit or loss	Separate profit or loss	% individual	Consolidated profit or loss	Separate profit or loss	% individual
<b>Profit before tax</b>	9,129,539	9,026,845	98.88%	19,524,277	19,513,788	99.95%
<b>Profit for the period</b>	7,581,605	7,578,661	99.96%	16,147,718	16,273,854	100.78%

The related companies have little influence on the gross profit as they contribute with only 1.12% to the consolidated profit before tax due to the fact that their transactions are mostly conducted with the parent company (Electromagnetica SA).

For the purpose of consolidation, mutual transactions were offset.



**6. TRANSACTIONS WITH RELATED PARTIES (the parent company in relation to its subsidiaries)**

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	<b>31 December 2014</b>	<b>31 December 2013</b>
<b>Sales of goods and services</b>		
Electromagnetica Goldstar	66,775	4,182
Electromagnetica Fire	16,454	-
Electromagnetica Prestserv	20,485	-
Procetel	32,574	118,233
<b>Total</b>	<b>136,288</b>	<b>122,415</b>

**Purchases of goods and services**

Electromagnetica Goldstar	208,816	197,279
Electromagnetica Fire	559,353	332,107
Electromagnetica Prestserv	602,255	585,553
Procetel	1,000,277	1,115,358
<b>Total</b>	<b>2,370,701</b>	<b>2,230,297</b>

	<b>31 December 2014</b>	<b>31 December 2013</b>
<b>Trade payables and other liabilities</b>		
Electromagnetica Goldstar	28,584	4,005
Electromagnetica Fire	55,714	500
Electromagnetica Prestserv	63,749	63,252
Procetel	-	-
<b>Total</b>	<b>148,047</b>	<b>67,757</b>

In 2014, the transactions conducted by the parent with its related companies increased by 11% for the sales of goods and services, and 6% for the purchases of goods and services, respectively.

The sales to related companies comprise: deliveries of various materials, rentals and utilities.

The purchases from the related companies comprise: rents, utilities, cleaning and transportation services, fire prevention and extinction services.

At 31 December 2014, the parent company did not have outstanding receivables in relation to the related companies.

This report only presents the elements that are new in relation to the Board of Directors Separate Report for the year 2014 and derive from the consolidation of the financial statements of the companies listed above.

**Chairman of the Board of Directors / Managing Director**

**Eugen Scheusan**

**Economic Director**

**Ilie Frasinianu**