

Electromagnetica SA
Board of Directors

REPORT
on the Income and Expenditure Budget for 2015

In the preparation and substantiation of the income and expenditure budget for 2015 the following reference documents and data have mainly been taken into account:

- Financial statements for 2014 (statement of assets, liabilities and equity and the statement of revenue and expenditure etc);
- Structure of turnover achieved in 2014;
- Investment program for 2015, in amount of 2.511 thousand EURO (w/o VAT);
- For 2015 we have foreseen a 3% increase in staffing level relative to 2014 average;
- Personnel expenses incurred in 2014, to which a 6% increase has been foreseen for 2015 by salary indexation for inflation (according to the collective agreement) and the increase of the average salary as laid down by law.
- Specific trends in the energy market for 2015, such as:
 - o maintenance of the decline of energy consumption at national level, which will have implications for purchase and sale price volatility, directly correlated with the situation of electricity prices in Western Europe de Vest where the sale prices have lowered.
 - o Increase of the share of this business on the day-ahead market (from 40% to over 50% in 2015, as estimated), with unpredictable effects on the company's results.
- Other necessary elements and information:
 - o Average exchange rate of 4.50 Lei/Euro estimated for 2015.
 - o Increase of the average LEU/US dollar exchange rate by approximately 25% relative to the average results in 2014.
 - o Inflation rate of approximately 3.0%.

The main provisions of the budget for 2015 are structured by activity, as follows:

	Achieved 2014 thousand Lei	Provisions 2015 thousand Lei	% differences
I. TOTAL REVENUE of which:	445,989	405,325	-9
1. Operating activity, of which:	441,852	403,325	-9
1.1. Turnover	429,586	402,325	-6
2. Financial activity	4,137	2,000	-52
II. TOTAL EXPENDITURE of which:	436,962	395,648	-9
1. Operating activity	435,040	393,648	-10
2. Financial activity	1,922	2,000	4
III. TOTAL GROSS RESULT	9,027	9,677	7

It should be noted that, at the date of this report, the expected production was contracted in the proportion of over 34%; the space rental services were contracted in the proportion of 94%; the electricity supply activity was less than 60% contracted, while the electricity purchase activity less than 50% due to the lowering trend of the purchase prices.

Profit

The gross profit estimated for 2015 is 7% higher than the one achieved in 2014, based mainly on the increase of income from the production activity, but it may be subject to rectification in the context of completion of the investigations into the electricity supply activity started by the European Commission in 2012.

Investment Program

For 2015 we estimate to carry out an investment program of 2511 thousand EUR (w/o VAT), in particular for the production activities.

The investment program will be carried out with own financial sources, depending on the company's cash on hand.

Although the conditions of the outlet markets are fluctuating, the executive management and the Board of Directors aim at exceeding the budget estimation for 2015.

CHIEF EXECUTIVE OFFICER

EUGEN SCHEUSAN

CHIEF FINANCIAL OFFICER

ILIE FRASINEANU

INCOME AND EXPENDITURE BUDGET FOR 2015

INDICATOR NAME	Line no	BVC 2015	
		Value Lei	%
	0	1	2
Net turnover (line 02+03-04+05)	01	402.324.980	99,75
Sales (acc.701+702+703+704+705+706+708)	02	119.324.980	29,59
Sale of goods purchased for resale (acc.707)	03	280.000.000	69,42
Trade discounts offered (acc.709)	04		0,00
Subsidies related to the turnover (acc.7411)	05	3.000.000	0,74
Revenues associated with the costs of the completed production (acc.711)		900.000	0,22
Balance C	06	900.000	0,22
Balance D	07		
Own work capitalized and investment property (line 9+10)	08		
Capitalised costs of tangible and intangible non-current assets (acc.721+722)	09		
Income from investment property production (acc.725)	10		
Income from non-current assets (or disposal groups) classified as held for sale (acc.753)	11		
Income from reevaluation of tangible and intangible assets (acc.755)	12		
income from investment property (acc.756)	13		
Income from biological assets and agricultural produce (acc.757)	14		
Subsidies related to other income (acc. 7417)	15		
Other operating revenues (acc.758+7419)	16	100.000	0,02
OPERATING REVENUES (line 01+06-07+08+11+12+13+14+15+16)	17	403.324.980	100,00
Revenues from shares in related parties (acc. 7611)	18		
Revenues from long term investments in associates (acc.7613)	19	500.000	25,00
Revenues from short term financial investments (acc.762)	20		
Revenues from long term receivables (acc.763)	21		
Foreign exchange gains (acc.765)	22	700.000	35,00
Interest income (acc.766*)	23	100.000	5,00
Other financial revenues (acc.7615+764+767+768)	24	700.000	35,00
FINANCIAL REVENUES - TOTAL (line18+19+20+21+22+23+24)	25	2.000.000	100
TOTAL REVENUES (line 17+25)	26	405.324.980	100
a) Raw materials and consumables (acc. 601+602-7412)	27	46.200.000	11,45
Other materials (acc.603+604+608)	28	1.347.758	0,33
b)Electricity, heating and water (acc.605-7413)	29	2.500.000	0,62
c)Goods for resale (acc.607)	30	245.000.000	60,75
Trade discounts received (acc.609)	31		
Personnel expenses (line 21+22) of which:	32	39.600.000	9,82
a) Salaries and wages (acc.641+642+643+644-7414)	33	32.300.000	8,01
b)Social security contributions (acc.645-7415)	34	7.300.000	1,81
Value adjustments of intangible and tangible assets, investment property and biological assets valued at cost (line 36-37)	35	9.000.000	2,23
a.1) Expenses (acc.6811+6813+6816+6817)	36	9.000.000	2,23
a.2) revenues (acc.7813+7816)	37		
b) Value adjustments of current assets (39-line 40)	38		
Expenses (acc.654+6814)	39		
Revenues (754+7814)	40		
Other operating expenses (line42 la 50)	41	49.200.000	12,20
(acc.611+611+612+613+614+621+622+623+624+625+626+627+628-7416)	42	19.000.000	4,71
Other taxes, duties and similar expenses (acc.635)	43	1.300.000	0,32
Expenses with the environment protection (acc.652)	44	27.900.000	6,92
Expenses for non-current assets (or disposal groups) classified as held for sale (acc.653)	45		

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		Valoare Lei	%
	0	3	4
Expenses for revaluation of tangible and intangible assets (acc.655)	46		
Expenses fro investment property (acc.656)	47		
Expenses for biological assets and agricultural produce (acc.657)	48		
Subsidies related to other income (acc.6587)	49		
Other expenses (acc.6581+6582+6583+6585+6588)	50	1.000.000	0,25
Adjustments related to provisions (line 52-53)	51	800.000	0,20
-Expenses (acc.6812)	52	800.000	0,20
-Revenues (acc.7812)	53		
OPERATING EXPENSES - TOTAL (line27+28+29+30-31+32+35+38+41+51)	54	393.647.758	97,60
OPERATING RESULT (line 17-line 36)	55	9.677.222	2,40
value adjustment for financial assets and financial investment held as current assets (line 57-58)	56		
Expenses (acc.686)	57		
Revenues (786)	58		
Expenses with securities transactions and other financial instruments (acc.661)	59		
Expenses for derivatives operations (acc.662)	60		
Interest expenses (acc.666*-7418)	61	100.000	5,00
- of which expenses incurred by relationship with group entities	62		
Other financial expenses (acc.663+664+665+667+668)	63	1.900.000	95,00
FINANCIAL EXPENSES - TOTAL (line 56+57+58+59+60+64+63)	64	2.000.000	100,00
FINANCIAL RESULT (line 25-line64)	65		
TOTAL EXPENDITURE (line 54+64)	66	395.647.758	97,61
GROSS RESULT (line 26-line 66)	67	9.677.222	2,39

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