

REPORT
on the Income and Expenditure Budget
and the Work Programme for 2016

A. The Income and Expenditure Budget for 2016

In the preparation and substantiation of the income and expenditure budget for 2016 the following reference documents and data have mainly been taken into account:

- Financial statements for 2015 (statement of assets, liabilities and equity, the statement of revenue and expenditure etc);
- The structure of the turnover achieved in 2015 and of the forecasts for 2016;
- Investment program for 2016, in amount of 3,181 thousand EURO (w/o VAT);
- An increase by approx. 1 % of the number of employees as compared to the average of 2015 (only in case of production increase);
- The staff expenditure made in 2015, where an increase by 6% is foreseen for 2016, as a result of the increase of the minimum wage, in accordance with the legal provisions, as well as of the achievement of the performance indicators;
- Specific trends in the energy market for 2016, such as:
 - * increasing the share of the electricity supply on DAM (from 40% to over 50% in 2016, as estimated), with unpredictable effects on the results of the Company, due to purchase prices;
 - * switching from the customers who used to generate imbalances, who did not have a steady load curve and those who recorded late payments of invoices;
 - * optimizing the expenditure with imbalances by transferring this activity to specialized firms;
 - * developing the energy purchase and trading activity on OTC OPCOM Platform and growing business in the field of EFET agreements;
 - * terminating the long-term bilateral agreements for green certificates purchase due to the risk of legislation promoting renewable sources of energy;
- Other necessary elements and information:
 - * Average exchange rate of 4.50 Lei/Euro estimated for 2016.
 - * Increase of the average LEU/US dollar exchange rate by approximately 10% relative to the average results in 2015.
 - * Inflation rate of approximately 1.4%.

The main provisions of the budget for 2016 are structured by activity, as follows:

	Achieved 2015 thousand lei	Provisions 2016 thousand lei	% differences %
I. TOTAL REVENUE	400,081	182,400	-54
of which:			
1. Total operating activity, of which:	398,196	181,000	-55
- -Total turnover, of which :	385,540	175,600	-55
1.1 Licensed activity - Turnover	287,352	74,800	-74
1.2. Non-licensed activity - Turnover	98,188	100,800	3
2. Financial activity	1,885	1,400	-26
II. TOTAL EXPENDITURE	422,718	179,400	-58
of which:			
3. Total operating activity, of which:	421,990	178,000	-58
3.1 Licensed activity	314,836	75,000	-76
3.2. Non-licensed activity	107,154	103,000	-4
4. Financial activity	728	1,400	92
III. TOTAL GROSS RESULT, of which	-22,637	3,000	
4.1 Licensed activity	-27,289	0	
4.2. Non-licensed activity	4,652	3,000	-36

It should be noted that, at the date of this report, the estimated turnover for the production activity in 2016 has been contracted in a proportion of 32%, the real estate renting business in proportion of approx. 97%, the electricity supply activity in proportion of 60 %, while the electricity purchase activity was contracted in a less than 50% proportion due to the trend in changing the purchase prices for 2016.

The Profit

The Company aims to annihilate the causes which generated a loss in 2015 and to ensure the potential for growth in the following years. Therefore, a minimum gross profit of 3.0 million lei has been budgeted for 2016.

B. The Work Programme for 2016

For 2016, the Board of Managers and the executive management shall work in the following directions:

Measures for contracting the turnover estimated in the budget

- Participation in tenders for LED public lighting
- Participation in tenders for remote management equipment
- Participation in tenders for railway traffic safety elements
- Participation in tenders for electricity supply
- Continuation of sales of LED lighting units through store networks
- Direct sales made by the sales team
- Growth of exports to the countries of the European Union
- Sales through financing of LED lighting units designed for public lighting
- Other measures for contracting tools, devices and checkers (TDCs), plastic injection moulding, various products
- Tracking the sales programme through daily reports on invoicing and receipts
- New products research and technological research through own resources, according to the research programme
- Maintenance of the occupation of rented premises at the level of 97%
- Maintenance of the level of comfort in the buildings, for stabilizing the turnover achieved from renting services
- Participation in fairs and exhibitions in accordance with the marketing programme

- Supporting the activity of the producers associations acting in the business areas of the Company (Association of Romanian Manufacturers in Lighting Industry) in order to establish quality and good practice standards

The Investment Programme

- The investment programme will be achieved from own financing resources, depending on financial availabilities and priorities. The investment will be directed to the purchase of technological equipment, tools, devices and checkers, measuring and checking equipment and installations, as well as the maintenance of equipment and the modernization of building.
- The performance of the equipment maintenance programme and monitoring the behaviour of the hydro-technical constructions.
- The continuation of efforts to reduce costs and to increase efficiency
- The structure of the investment programme for 2016 is the following:

No.	INVESTMENT	VALUE (euro)
A	CURRENT ASSETS	3,025,700.00
1	WORKS OF CONSTRUCTION AND MODERNIZATION OF BUILDINGS	460,000.00
2	TECHNICAL INSTALLATIONS, MEANS OF TRANSPORT	1,945,700.00
2.1	TECHNOLOGICAL EQUIPMENT (machinery, equipment and working facilities)	906,000.00
2.2	TDCs, plastic injection moulds	480,000.00
2.3	MEASURING, CONTROL AND ADJUSTING EQUIPMENT AND INSTALLATIONS	201,700.00
2.4	MEANS OF TRANSPORT (vehicles and lifting equipment)	208,000.00
2.5	SELF-EQUIPPING	150,000.00
3	FURNITURE, OFFICE EQUIPMENT, PROTECTION SYSTEMS FOR HUMAN AND MATERIAL VALUES AND OTHER CURRENT ASSETS	30,000.00
4	MODERNIZATION Main general distribution boards	150,000.00
5	NON-NOMINATED	240,000.00
6	PRODUCTION OF RENEWABLE ELECTRICAL ENERGY FROM HYDRO SOURCES	200,000.00
B	NON-CURRENT ASSETS	155,000.00
OVERALL TOTAL		3,180,700.00

Measures for the licensed activity (electricity production and supply)

- Control of the risk associated to the electricity supply activity, by maintaining a flexible portfolio of customers and consumers and restructuring the services performed, according to the market conditions
- Seize the market opportunities on the energy trading platforms administered by Opcom
- Diversification of contractual partners through EFET energy trade agreements
- Continuation of the measures for optimizing the energy balancing activity
- Better use of own capacities of electricity production from renewable sources
- Recovery of green certificates from own production

Financial measures

- Careful monitoring of the cash flow and taking the necessary steps to maintain an appropriate amount of liquidity
- Ensure credit lines for the good functioning of the business
- Identification of new financing solutions for the sales with long periods of collection, e.g. for the sale of LED lighting systems designed for public lighting

THE BOARD OF DIRECTORS

CHAIRMAN

EUGEN SCHEUSAN

ECONOMIC MANAGER

ILIE FRASINEANU

S.C ELECTROMAGNETICA S.A

RECTIFIED INCOME AND EXPENDITURE BUDGET FOR 2016

INDICATOR NAME	Line no.	BVC 2016	
		Value Lei	%
	0	5	6
Net turnover (line 02+03-04+05)	01	175,600,000	97.02
Sales (acc. 701+702+703+704+705+706+708)	02	103,100,000	56.96
Sale of goods purchased for resale (acc. 707)	03	70,000,000	38.67
Trade discounts offered (acc. 709)	04		
Subsidies related to the turnover (acc. 7411)	05	2,500,000	1.38
Revenues associated with the costs of the completed production (acc.711)		4,400,000	2.43
Balance C	06	4,400,000	2.43
Balance D	07		
Own work capitalized and investment property (line 9+10)	08	700,000	0.39
Capitalised costs of tangible and intangible non-current assets (acc.721+722)	09	700,000	0.39
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 revaluation 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	300,000	0.17
OPERATING REVENUES (line 01+06-07+08+11+12+13+14+15+16)	17	181,000,000	100.00
Revenues from shares in related parties (acc. 7611)	18		
Revenues from long term investments in associates (acc.7613)	19		0.00
Revenues from short term financial investments (acc.762)	20		
Revenues from long term receivables (acc.763)	21		
Foreign exchange gains (acc.765)	22	800,000	57.14
Interest income (acc.766*)	23		
Other financial revenues (acc.7615+764+767+768)	24	600,000	42.86
FINANCIAL REVENUES - TOTAL (rd.18+19+20+21+22+23+24)	25	1,400,000	100
TOTAL REVENUES (line 17+25)	26	182,400,000	100
a) Raw materials and consumables (acc. 601+602-7412)	27	42,000,000	23.20
Other materials (acc.603+604+608)	28	1,200,000	0.66
b)Electricity, heating and water (acc.605-7413)	29	2,200,000	1.22
c)Goods for resale (acc.607)	30	46,750,000	25.83
Trade discounts received (acc.609)	31		
Personnel expenses (line 21+22) of which:	32	34,500,000	19.06
a) Salaries and wages (acc.641+642+643+644-7414)	33	28,100,000	15.52
b)Social security contributions (acc.645-7415)	34	6,400,000	3.54
Value adjustments of intangible and tangible assets, investment property and biological assets valued at cost (line 36-37)	35	9,500,000	5.25

a.1) Expenses (acc.6811+6813+6816+6817)	36	9,500,000	5.25
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		

INDICATOR NAME	Line no.	BVC 2016	
		Value Lei	%
	0	5	6
Other operating expenses (rd.42 la 50)	41	40,950,000	22.62
Third party services (acc.611+611+612+613+614+621+622+623+624+625+626+627+628-7416)	42	21,900,000	12.10
Other taxes, duties and similar expenses (acc.635)	43	1,000,000	0.55
Expenses with the environment protection (acc.652)	44	17,550,000	9.70
Expenses for non-current assets (or disposal groups) classified as held for sale (acc.653)	45		
Expenses for revaluation of tangible and intangible assets (acc.655)	46		
Expenses for 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	500,000	0.28
Adjustments related to provisions (line 52-53)	51	900,000	0.50
- Expenses (acc.6812)	52	900,000	0.50
- Revenues (acc.7812)	53		
OPERATING EXPENSES - TOTAL (rd.27+28+29+30-31+32+35+38+41+51)	54	178,000,000	98.34
OPERATING RESULT (line 17-line 36)	55	3,000,000	1.66
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	200,000	14.29
- of which expenses incurred by relationship with group entities	62		
Other financial expenses (acc.663+664+665+667+668)	63	1,200,000	85.71
FINANCIAL EXPENSES - TOTAL (line 56+57+58+59+60+64+63)	64	1,400,000	100.00
FINANCIAL RESULT (line 25-rd.64)	65	0	0.00
TOTAL EXPENDITURE (line 54+64)	66	179,400,000	98.36
GROSS RESULT (line 26-line 66)	67	3,000,000	1.64

GENERAL MANAGER
EUGEN SCHEUSAN

ECONOMIC MANAGER
ILIE FRASINEANU