

Board of Directors Separated 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

Company 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, Tax ID 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, in its capacity of trading company whose shares are admitted to trading on a regulated market, has adopted the IFRS (International Financial Reporting Standards) starting with the financial year 2012, in accordance with the Order of the Minister of Public Finance (OMFP) no. 881/2012 and OMFP no. 1286/2012 approving the accounting regulations compliant with the International Financial Reporting Standards. The year 2014 is the third year to which the international accounting standards are applied.

The aspects pertaining to the consolidated annual financial result are presented separately in chapter 6 of this report; all the other information in the report refers to the separate statements of Electromagnetica SA.

1. Analysis of the activity of Electromagnetica SA

1.1.a) Description of the main activity

The company carries out several manufacturing activities and services mainly in the sector of electricity and LED lighting systems, as follows:

Manufacture

- LED lighting units, systems and solutions
- Injection mould plastic subassemblies, electrical, electronic and metallic products for the domestic and external market
- Electricity distribution and metering equipment
- Electricity obtained from hydro renewable sources
- Low voltage switchgear
- Tools and dies
- Railway traffic safety components

Services

- Electricity supply
- Rental of real estate and supply of utilities for offices, industrial activities, etc.

Electromagnetica invested at an early stage in the research and development of LED lighting systems and launched the first products on the market in 2011. Currently, the over 300 available models of LED lighting products represent the highest share of Electromagnetica production, the company being the main domestic producer. The traditional production of electrical meters was modernised and the production of metering systems was developed by the design of new features. Its wide range of technologies enabled the company both to produce for the domestic market and export electrical switchgear, metallic and injection mould plastic subassemblies, tools, and dies. A parallel concern was to take full profit of the company real estate by fitting out and renting surplus premises which underwent significant modernisation (building envelope, double-glazed windows, floors and ceilings, restored electrical installations, thermal insulation and climate control equipment, telephone and internet lines, parking spaces, etc.). The current structure of the company activity is the result of the reorientation and diversification of its fields of activities, meant to improve the use of the company technological and human resources.

The production of electricity takes place in 10 micro-hydroelectric plants (of which two are newly built) located in Suceava County.

The production activity, including the research and development, uses over 80% of the company human resources; the remaining resources work in the services area (electricity supply, real estate services) and the administrative area.

1.1.b) Merger and reorganisation of the companies controlled by Electromagnetica in 2014

In 2014, there were no changes in the shareholding structure of the related companies, which are presented below.

Procetel SA is 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; 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. Electromagnetica SA owns 96.54% of the share capital of Procetel SA.

Electromagnetica Goldstar SRL 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 owns 100% of the share capital of Electromagnetica Goldstar SRL.

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 owns 98.335% of the company capital.

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. Electromagnetica owns 99.875% of its share capital.

Except for Electromagnetica Goldstar SRL, all the other companies carry out their activities in direct relation with their parent. The impact of subsidiaries on the consolidated comprehensive income of Electromagnetica SA is minor and is presented in chapter 6 of this report.

1.1.c) Main purchases and/or alienations of assets

The company did not purchase or alienate independent assets in 2014.

The main purchases of equipment were made to modernise technological processes: CNC 3-axis vertical milling centre for graphite processing, X-ray inspection equipment, silicone moulding machine using numerical coordinates, metal marking laser equipment, tox press, measuring and control devices, device tools and testers, etc. In 2014, several licences and software applications were purchased for an amount exceeding 1,575 thousand lei and representing the largest investments of this type over the last years. At the end of 2014, the total non-current assets amounted to 218,675.8 thousand lei. Over the same period, there were no alienations of important tangible assets; the company discarded a few items and made a few low value purchases following the putting out of service of old equipment.

1.1. d) Main events with significant impact

During 2014, the main elements significantly impacting on company activity were:

- Expansion of production by new LED lighting units, accompanied by an increase in the related sales totalling in 2014 over 44 million lei (+34.6% compared to 2013). The LED lighting technology became more widely known on the local market and event entered the field of public lighting. In 2014, several contracts for the export of LED lighting units and systems were launched, with a potential for growth over the next period.
- Continued investments in technological renewal and completion of the implementation of the new ERP information system.
- Changes in the energy market conditions, namely: the decrease of domestic electricity consumption, changes in the structure of energy production (wind power and photovoltaic) leading to a decrease in long-term purchase transactions in favour of short-term transactions with more volatile prices.
- Expansion of the customer portfolio for the supply of energy and increase of the volume of supplied electricity to counterbalance the decreasing trend in electricity consumption.
- Increase of production for export (+6.2%), sustained by the increase of injection mould plastic subassemblies and LED lighting units. The export represents over 23% of the total production.
- Temporary suspension of calls for tenders for remote management systems and energy meters leading to a severe reduction in the related production
- Decrease of revenue from renting activities by 2.38% due to the adjustment of expired contracts to market levels.
- The implementation of GEO no. 57/2013, which stipulates a trading delay for the period 1 July 2013 - 31 March 2017 for a part of the green certificates received for the energy produced by the new micro-hydroelectric plants, continues to affect the revenues from the production of renewable energy. At the same time, there is a surplus of green certificates on the market estimated at 20%. Under these circumstances, the energy supply and renewable energy production activities carried out by the company in parallel represent an important advantage.

1.1.1. Overall evaluation elements

Item no.	Specification	2014	2013	2014 vs 2013
1	Total revenue (lei)	445,989,068	417,528,700	6.82%
2	Total expenses (lei)	436,962,223	398,014,912	9.79%
3	Gross profit (lei)	9,026,845	19,513,788	-53.74%
4	EBIT DA margin	3.84%	6.62%	-2.78%
5	EBIT margin	1.53%	4.24%	-2.71%
6	Net profit ratio	1.70%	3.90%	-2.2%
7	Current liquidity	213.92%	212.47%	1.45%
8	Capital solvency	81.61%	83.10%	-1.49%
9	ROE	2.87%	6.28%	-3.41%
10	Accounts receivable collection period (days)	46	53	-7
11	Supplier payment period (days)	44	42	2
12	Average active employee headcount	626	601	4.2%

The analysis of the above elements shows the increase in 2014 of volume indicators along with the decrease of company profitability, as the increase in total expenses exceeded the increase in revenues (9.79% increase, compared to 6.82%). Under these circumstances, the EBIT operating margin diminished to 1.53% compared to 4.24% in 2013.

The most important increases in turnover were recorded for the supply of electricity (+7.8%), the production of LED lighting units (+34.6%) and injection mould plastic products (+10.9%), and the production of dies (+129.7%).

The decreases in turnover were recorded for the production of meters and remote management systems (-71.7%), the production of electrical switchgear (-17%), and the production of electricity (-13.2%), with negative effects on company profitability.

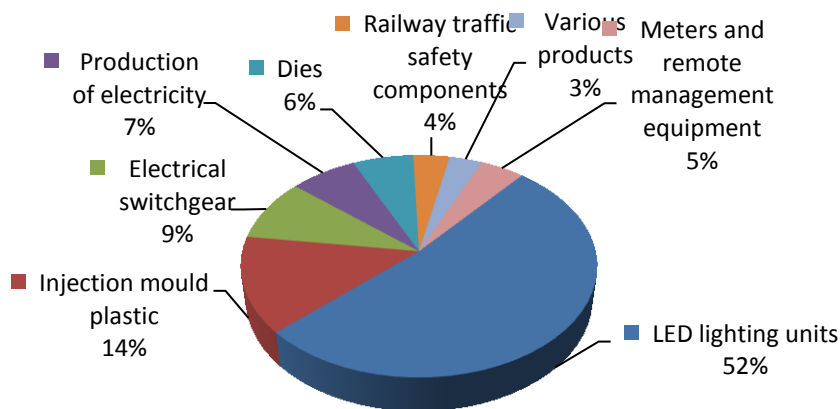
The current liquidity and solvency indicators maintained the same good level as in the previous years. Sustained efforts were required to maintain a satisfying liquidity level in the absence of which the activities covered by licences could not be continued under the best possible conditions.

1.1.2. Evaluation of the company technical level

1.1.2.1. Main products and production structure

The company benefits from a wide range of technologies and equipment that enabled it to obtain a rich diversity of products. The share of the main groups of products in the turnover related to industrial production (exclusive of services) is as follows:

Production structure in 2014



LED lighting units, systems and solutions

In 2014, the production of LED lighting units maintained its increasing trend. Almost half of the company production is represented by this category of products. Export sales became more significant. LED lighting became better known and entered the sector of public street lighting. The main sectors in which LED lighting solutions were applied are:

- Commercial premises (supermarkets, commercial galleries, gas stations, warehouses, stands, parks, showcases, advertising panels);
- Industrial premises (plants, warehouses, etc.);
- street lighting;
- offices;
- public buildings (institutions, hospitals, schools);
- residential sector.

The competitive advantage of LED lighting equipment is due to energy savings, long service life (over 50,000 hours) and minimum maintenance costs. LED lighting units provide quality lighting, are environmentally friendly and generate low heat emissions. LED lighting units are modular, therefore very flexible, and are designed to replace traditional lighting systems. The revenues obtained in 2014 exceeded by 34.6% the revenues for the previous year. The domestic market is increasingly considering LED lighting solutions; however, as this technology is new, the products are not always differentiated based on the quality/price criterion. The new range of street lighting bodies opens the way to a new market segment with a high potential. The LED lighting units, systems and solutions are mainly distributed on the market directly by the company by means of the division set up within the commercial department.

Electricity distribution and metering equipment

The entire production of energy meters and metering and distribution equipment is intended for the domestic market. The ENERGSys system is a well-established product on this market, currently covering approx. 50,000 households and small economic operators in over 40 cities and other localities. Over 25 projects for the installation of ENERGSys systems were successfully completed between 2005 and 2014. In 2014, the decrease in the production of energy measuring systems was due to the delays in the organisation of new calls for tenders by distributing companies. The further success of this product depends on the capacity to develop the system according to the new requirements of the Romanian Energy Regulatory Authority (ANRE) through the adoption of a new electricity metering code in the near future.

Injection mould plastic subassemblies

The expansion of the customer base, both domestic and external, led to another year of increase in the production of injection mould plastic subassemblies. Revenues increased by 10.94% compared to the previous year. Production capacity utilisation improved compared to the previous period due to the recent purchases of new equipment for both the injection processes and the manufacture of dies for injection mould plastic.

Dies

The sustained injection mould plastic activity also had a positive impact on the manufacture of tools and dies, which recorded a turnover increase compared to the previous year. The investments

made in 2013 and 2014 increased the production capacity. The expansion of the LED lighting units production and the introduction of new manufacturing technologies requires more tools and devices.

Low voltage electrical switchgear

The production of low voltage electrical switchgear (support for ABB fuses) was an element of continuity in the production intended for export. This group of products represents 6.9% of the production related turnover.

Production of electricity from renewable sources

Energy production is regulated by ANRE; the company has been a licensed producer since 2007. In 2014, total investments amounted to 455 thousand lei as the investments in previous years only made necessary works of a smaller scale, among which the modernisation of the fish ladder at CHEMP Ehreste and Brodina 1, the completion of the fish ladder at CHEMP Bilca 3, the installation of alarm and anti break-in systems for all the plants, the purchase of a movable lifting installation, etc.

Thanks to better hydrological conditions, the electricity production in 2014 reached an all-time high of 14,257 MWh, higher by 18.66% than the production in 2013.

In 2014, revenues decreased by 13.2% compared to 2012 due to the decrease in electricity average prices on the day-ahead market, and in particular to the decrease in the price of green certificates and the effects of the application of GEO no. 57/2013, which stipulates the trading delay of one green certificate for each MWh produced in new micro-hydroelectric plants.

For the year 2015, we estimate a production of 12,200 MWh and 22,500 green certificates.

Railway traffic safety components

As the Romanian railway network is not extending and there are no modernisation projects, the sales of these products are limited to the demand of spare parts for the maintenance of the existing railway transport infrastructure. Railway traffic safety components are among the oldest products of Electromagnetica and only account for 3.7% of the company production.

Other industrial products

This category includes the production of subassemblies for motor vehicles, electrical and electronic subassemblies, metal works, etc.; their total share in 2014 was 3.4% of the production, slightly decreasing compared to the previous year.

1.1.2.2. Main services provided

Electricity supply services

The supply of electricity is regulated by ANRE. The company has been an authorised supplier since 2001; the licence was renewed in 2013 under the provisions of the new energy law (Law no. 123/2012) for another 10 years.

The supply of electricity was carried out in a challenging environment marked by the decrease in energy consumption, the change in the production structure at national level and the amendments to legislation. The increasing share of the wind and solar energy reflected in an increased volatility of the volumes and prices on the day-ahead market (DAM) and the increased share of short-term energy purchase contracts, to the detriment of long-term contracts. These circumstances led to the frequent renegotiation of supply contracts. In this risky environment, Electromagnetica focused on retaining its customers and diversifying its customer portfolio in order to create a balanced mix of large and small customers from different economic sectors. In 2014, about 7% of the green certificates necessary for the entire portfolio of supply customers were covered by the certificates obtained for the production of energy by means of the company's own micro-hydroelectric plants.

The turnover related to the energy supply activity increased in 2014 by 7.8% due to the increase in the energy quantities supplied to customers. The decreasing trend in customer consumption was compensated by the expansion of the portfolio to over 400 supply customers; therefore, the total quantity of supplied energy increased by 14%. A proactive approach was required given the increased customer mobility on the market (migration from a supplier to another) and the increase of the level of unpredictability. We mention that Electromagnetica operates as the Balancing Responsibility Party (BRP) for its customers. The supply activity improved through the profiling and adjustment of the energy required by customers at peak load hours and the purchase to this effect of 25 MW power from photovoltaic sources.

Renting and utilities supply services

Electromagnetica administers approximately 32,500 m² of rentable premises in Bucharest, as well as 3,500 m² in Varteju commune, Ilfov County. The average occupation level for the headquarters in Calea Rahovei 266-268 was 94.12% at the end of 2014. For the premises in Varteju commune (Magurele), the level of occupation was 81.48%. At 31 December 2014, the structure of the rentable premises by their destination was as follows:

Item no.	Destination of rentable premises at the headquarters	Share %	Destination of rentable premises in Varteju	
1	Offices	57.8		6.3
2	Warehouses	22.1		28.5
3	Manufacture	12.6		54.6
4	Services	7.4		10.4
5	Conference rooms	0.1		0

The decrease in turnover reduced to only 2.38% compared to the previous year due to the reduction of the average rental rate by the adjustment of rates to the market price, under the circumstances of a better occupation level. The decreasing trend of revenues will continue in the following period due to the renegotiation of expired rental agreements and the reduced activities of certain tenants or their migration to premises with a lower price/m², given the increase in the offer of premises for rent on the market. Given that the company has to follow the trends of the real estate market, i.e. the decrease in rental rates, additional efforts must be undertaken by the company to mitigate the effects and maintain itself on the market, possibly by reconsidering the facilities granted.

1.1.2.3. New products to be allocated additional assets. Development stage of new products.

The portfolio of LED lighting units was extended in 2014. The new models were gradually launched into production depending on the demand. Important funds were allocated in 2014 to the further diversification of the LED products range by means of facilities and machinery meant to increase work productivity and product quality and sustain the fast-growing demand in this sector. The development programme performed in 2013 continued in 2014 by the purchase of new technological equipment with a total value exceeding 2.5 million Euro; X-ray inspection equipment, metal marking laser equipment, CNC 3-axis vertical milling centre for graphite processing, tox press, etc., as well as metering devices and equipment and SDVs for the manufacture of LED lighting units. Both the design of new types of LED light bulbs and lighting units and the enhancement of the existing models performance require the allocation of additional assets, the introduction of new technologies in the manufacturing process and the manufacture of specific SDVs.

1.1.3. Evaluation of the supply activity

The supply prices of raw materials and production supplies increased being mainly affected by the increase of the exchange rate. In the absence of domestic suppliers, the company had to make most of its purchases from import or local dealers. As the delivery deadlines became increasingly longer, the optimisation of the value of lots and inventories became more difficult and negatively impacted on the production costs.

In general, the sources of production supplies are reliable and the objective is to maintain a minimum number of 2 suppliers / product type.

In terms of ensuring the energy resources necessary for the energy supply activity, the price predictability was low given that the new producers of wind and solar power sold their production on DAM at volatile prices, to the detriment of long-term contracts. Under these circumstances, the company ensured its energy supply from several sources, using the specific market mechanisms.

About 7% of the green certificates necessary for the supply customers were covered by the certificates obtained for the own energy production by means of the company's 10 micro-hydroelectric plants, the remaining certificates being purchased on the market.

1.1.4. Evaluation of the sale activity

a) Evolution of sales on the domestic and external market and perspectives for medium- and long-term sales

The licensed production and supply of electricity are carried out exclusively on the domestic market. The production of meters, electricity remote management systems, and railway traffic safety components is also exclusively distributed on the domestic market, as well as the renting services. Export is sustained by the low voltage electrical switchgear, a large part of the production of injection mould plastic, and the LED lighting units. Other exported products are dies. In 2014, several contracts for the export of LED lighting units and systems were launched in several European countries. The objective for 2015 is for a fourth of the total company exports to be achieved by the export of LED products.

Compared to the previous year, both the production intended for the domestic market and the production intended for export increased in 2014 (+6.28% and, respectively, +6.22%) due to the development of connections with several European countries.

The evolution of sales in the supply of energy depended on the energy selling price, the national level of the energy consumption and the expansion of the customer portfolio; it increased by 7.8% compared to the previous year.

With respect to the assurance of medium- and long-term distribution, we mention that the average duration of rental agreements is approximately 2 years, while the average duration of energy supply contracts is 1 year while production is based, in general, on short-term orders, except for the production of meters and remote management systems that are contracted annually.

b) Market shares and competitors

LED lighting units are no longer a novelty on the market and are increasingly better known. Electromagnetica is the main manufacturer on the local market, in competition with imported products. Among Electromagnetica products, the most successful were the lighting units for commercial and industrial premises together with a new and improved range of public lighting units. The objective set for 2014 was reached: the 44,065 thousand lei turnover represents an increase by 34.5% compared to 2013.

Energy meters and metering and distribution equipment are intended for the energy distribution Subsidiaries of Electrica, which resumed at the end of 2014 the calls for tenders for electricity meters and remote management systems. The main local manufacturers and competitors of Electromagnetica are AEM Timisoara and Elster.

The company has no competitors on the local market of railway traffic safety systems but the demand for these products depends on the infrastructure modernisation programmes.

Significant changes in market shares are taking place on the market of electricity supply services due, on the one hand, to the migration of important industrial consumers from a supplier to another and, on the other hand, to the emergence of new suppliers focused on small and medium customers. The share of Electromagnetica on the competitive market slightly increased by 3.8% in the first 7 months of 2014, as shown by the ANRE report on the monitoring of the energy market for July 2014.

c) Significant dependencies of the company on a customer or group of customers

The products with the largest current share, such as LED lighting bodies and injection mould products, as well as the production intended for export, address a wide customer portfolio and do not depend on a certain group of customers. For the remote management systems and meters, the company depends on the traditional beneficiaries, i.e. the distribution subsidiaries of Electrica SA. The same applies to the railway traffic safety components intended for the ultimate beneficiary CFR Infrastructura. The possible difficulties these customers are confronted with in the founding of their modernisation programmes may affect the specific production of the company.

1.1.5. Evaluation of the aspects related to company employees

The total average headcount increased by 4% following the allocation of additional human resources to the manufacture of LED lighting units and injection mould plastic subassemblies. The sales team responsible for the domestic market and export was also consolidated. The high qualification level of employees enabled the company to carry out sustained research and development activities. In 2014, the average headcount was 626, of which 36.9% employees with higher education and 36% with secondary education. Company employees follow a continuing vocational training programme. The management and employees interact in normal conditions. The unionisation rate is approximately 80% and there were not labour conflicts between the management and the union. In 2015, the number of employees will continue to increase for the sales, injection mould plastic, and tools and dies production activities.

1.1.6. Impact of the company activity on the environment

The company holds all the environmental permits required under the law for its activity. The issuer does not carry out activities with significant impact on the environment and there are no litigations related to breaches of the legislation on environmental protection.

The production of energy from renewable sources in low power plants is considered to be clean. The improvements made within the investment programme for the construction, modernisation and retrofitting of MHPs strictly complied with environmental regulations.

The company takes steps on a permanent basis to monitor environmental factors in compliance with the requirements of the permits issued by competent authorities. The company ensures the maintenance of water sources and compliance with all the environmental requirements set forth by the environmental permits. The company took steps to raise the awareness of its employees and tenants of the significant impact on the environment and its prevention. The operation of the integrated quality-environmental management system was improved by the AEROQ recertification.

1.1.7. Evaluation of the research and development activity

The research-design-development activity is carried out by three departments: the Research and Design Department, which includes the Photometry and Electromagnetic Compatibility Laboratory, the Electrical Equipment Design and Communication Department, and the Self-Equipping Design Workshop. Considering that the products of Electromagnetica are completely designed internally, approximately 11% of the company employees work in the research-design-development sector.

1.1.7.1. Research and Design Department

Most of the activity of this department is dedicated to the LED lighting sector. In 2014, the department continued its efforts to generate by innovation the technical and technological solutions enabling the manufacture of energy and light efficient LED lighting units (LLU) at competitive costs, power sources for LLUs and remotely managed lighting systems. The progress achieved was recognised by the experts invited at the LED Light Symposium, 3rd edition, organised and hosted by Electromagnetica in 2014.

The X-ray quality inspection technology for the assembling of electronic circuits, the bar code marking technology and the LED blister packaging technology were introduced in 2014. The entire research and development activity relies on the thorough analysis of the technical performance and prices of competing companies products in order to maintain the competitive advantage of Electromagnetica products on the lighting equipment market. A secondary activity of the Research and Design Department was the technical support provided to the Sales, Marketing and Production Departments in order to increase the company market share.

In the coming period, the main goal of the research and development activity is to diversify the power sources and the smart lighting systems and services and significantly improve the design of LED lighting units. To obtain a design that answers market requirements it is necessary to manufacture radiators, die cast casings and plastic parts for which 20 new tools for plastic injection and aluminium alloy die casting will be produced. The capability of the Photometry and Electromagnetic Compatibility Laboratory will be extended through the purchase of equipment for

the testing of photo-biological safety requirements. Another objective is the scientific research and design of LLUs for horticulture and UV radiation LLUs.

1.1.7.2. Electrical Equipment Design and Communication Department

The programme for the development of the ENERGSys remote reading and management system, registered trademark of Electromagnetica SA, was continued in 2014. In 2015, when the development programme is to be completed, the ENERGSys system is going to fully ensure the features specific to "Smart Metering" systems, as these are set forth in the European and national legislation. The development activities mainly involve the restructuring and reorganisation of the entire system in order to increase architectural and operational flexibility, integrate new technologies and means of communication (GPRS) and define new functions, which should lead to the active involvement and awareness of household consumers within the system with regard to the measures aimed at increasing energy efficiency. Considering the ANRE plan for the wide scale implementation of electricity smart metering systems in Romania by 2020 and the provisions of the new draft of the electricity metering code, currently in public debate, the continuation of the programme for the development of the ENERGSys system is appropriate and essential for the company to take full profit of its opportunities on the market.

1.1.7.3. Self-Equipping Design Workshop

This workshop created the devices and testers necessary in the production activity to increase product quality and manufacturing processes productivity, such as: laser marking of individual items and LLUs, LLU endurance stands, hydraulic press modernisation, elevator for the PCB supply of the SMT-Samsung line, wire reel unwinder, etc. The diversification of the LED lighting unit production requires further design and creation of an increased number of devices necessary to launch into production new lighting units and competitive technologies, along with the modernisation of the existing ones.

1.1.8. Risk management objectives and policies

Equity risk

Equity risk management aims to ensure the capacity of the company to carry out its activity in good conditions through the optimisation of the capital structure (equity and liabilities). The analysis of the capital structure is focused on the cost of capital and the risk associated to each category. To maintain an optimum capital structure and an appropriate debt ratio, the company proposes to its shareholders an adequate dividend policy, able to secure own sources of funding. The absence of funding sources can limit company expansion on very dynamic market segments such as public lighting using LED lighting systems.

Credit risk

Credit risk is the possibility that contracting parties breach their contractual obligations resulting in financial loss for the company. When possible and allowed by market practices, the company requests guarantees. Trade receivables derive from a wide range of customers operating in various fields of activity and different geographical areas. To counteract this risk factor, the company applied restrictive policies to the delivery of products to doubtful customers. Insurance policies were contracted for foreign market receivables. Due to the increase of insolvency cases in the economy, there is a concrete risk related to the recovery of the equivalent value of products and/or services supplied prior to the declaration of insolvency. The company is paying more attention to the creditworthiness and financial discipline of its customers. It should be mentioned that the currently established practice on the electricity supply market is to pay for the energy after the month of consumption, without advance payments and letters of guarantee.

Market risk

Market risk comprises the risk of changes in the merchandise purchase price, foreign exchange rate and interest rates. The risk related to the changes in interest rates is controlled due to the company's policy according to which investments are exclusively covered by own sources of funding, therefore credit lines are only used for short periods. The company is exposed to foreign exchange risk because the supply of materials mainly comes from import and the export costs increased. To limit the effect of foreign exchange, the payment schedule was correlated with the proceeds in foreign currency, the company usually recording cash-flow surplus. The changes in the prices of raw materials and production supplies required the permanent reconsideration of the cost prices. To maintain the profitability of certain products, action was taken at the level of suppliers in order to control prices and the related technological processes were improved.

Liquidity and cash flow risk

The company cash flow department prepares forecasts on the liquidity reserve and maintains the appropriate level of credit facilities in order to be able to prudently manage the liquidity and cash flow risks. To this effect, the decision of the general meeting of shareholders of 29 April 2014 extended the mortgage agreements in favour of the banks with which the company has open credit lines and letters of bank guarantee within the limit of 40% of the total non-current assets, less receivables, to ensure the company's capacity to perform its obligations in case of short-term cash deficit. Although these credit lines were seldom accessed, the intention was to maintain a ceiling as high as possible because the specific nature of the energy supply activity so requires. At the same time, investments were limited to own sources of funding and to those with direct impact on the turnover.

Sanctions risk

In 2012, the European Commission opened the investigation no. SA. 33451 of the alleged state aid granted by Hidroelectrica through the contracts concluded with eight electricity traders. As the risk of sanctions against Electromagnetica, in its capacity of interested third party, could not be assessed, this risk does not meet the legal requirements to be included in the company's financial statements.

Calamity risk

The production of electricity in low power plants without dams is subject to the risk of destruction caused by floods. Under these circumstances, the company concluded insurance policies to protect MHPs and headquarter buildings against disasters.

Political and regulatory risk

Political decisions on the energy policy that are made in the absence of an assessment of their impact on local industry represent an actual risk for the smooth running of the company. The company's activity on regulated markets, such as the energy supply and production market, exposes the company to regulatory risk. For instance, the specific market can be influenced by the elimination of the minimum price of green certificates or the opening of the market through bilateral agreements between EU member states thus allowing the export/import of energy from renewable sources concomitantly with the participation in the compensation scheme of the state of consumption.

The national implementation of European directives on energy efficiency can stimulate the sale of LED lighting solutions; at the same time, their delayed or inappropriate regulation can disturb the specific market. In this regard, a preliminary activity aimed at reaching consensus between the academic environment and the industry was already performed, to be followed by the determination of the type and level of amendments to legislation on the public lighting service and the manner of its implementation.

1.1.9. Company activity prospects

a) Presentation and analysis of trends, elements, events or uncertainty factors that affect or could affect company liquidity compared to the same period of the previous year.

Market trends

LED lighting technology is preferred in all the large projects for the modernisation of lighting systems. The potential for growth remains important in a context in which high performance LED lighting systems have entered the sector of public lighting. The launching of export to several European countries represents the basis for the growth of the share of exported LED products in 2015.

The decreasing trend in the national consumption of electricity directly impacts on the energy supply activity by the reduced consumption of supply customers. In 2015, we expect a reduction in the decreasing trend of the energy consumption in the economy.

The company expects an upswing on the meters and remote management market and prepares to start the production of the GPRS ENERGSys system in 2015 and to launch on the market the single phase LCD display meter.

Commercial policy trends

The company's commercial policy aims to control the number of days agreed under contract for the payment of receivables by its customers. The company will continue to sell its LED lighting systems under supplier credit facilities for medium and large scale projects. The application of this commercial policy requires a sufficient level of available cash; therefore, the company intends to identify additional funding sources.

The commercial policy underlying the energy supply activity is adapted to the general trend of the specific market according to which customers can pay for the energy supplied after the month of consumption; this practice puts pressure on company liquidities.

Change of the fiscal framework

The amendments to the tax code, currently in public debate, will be effective as of 2016; however, certain taxation provisions such as the tax on special constructions (the tax on utility poles) stipulate a reduction of the rate from 1.5% to 1% as of 2015.

Uncertainty factors

For the revenues from the production of energy, the main factor of uncertainty is the level of rainfall which influences the physical production of electricity in micro-hydroelectric plants.

The supply of energy is confronted with the volatility of energy prices. The increase of production capabilities in wind and solar power plants adds a factor of uncertainty with regard to the quantitative offer on the day-ahead market and increases the volatility of energy prices.

The accelerated dynamics of worldwide innovation in the field of LED lighting technology adds a factor of uncertainty with regard to the prices of the new materials and components.

b) Presentation and analysis of the effects of current or expected capital expenditure on the company financial standing

The year 2014 was the second consecutive year in which investments were focused on the refurbishing and modernisation of production capabilities with the purpose to maintain a high technical level and increase the production capability and productivity with the result of improved export competitiveness. Another result of these investments was the decrease in the duration of production cycles. The most important machinery purchased were: CNC 3-axis vertical milling centre for graphite processing, X-ray inspection equipment, silicone moulding machine using numerical coordinates, metal marking laser equipment, tox press, metering and control devices,

device tools and testers. The purchases of technological equipment exceeded 2,500 thousand lei, plus additional investments of 2,600 thousand lei in SDVs and self-equipping.

The completion in the previous years of the investments in the energy production segment had an immediate effect on revenues through the accreditation of all the micro-hydroelectric plants in compliance with the system for the promotion of energy production from renewable sources. In 2014, the production of energy in micro-hydroelectric plants only required small scale investments, of about 455 thousand lei, which were performed without the temporary interruption of production.

The other purchases of tangible assets consisted of means of transportations necessary for the sales team and the LED lighting unit assembly and service teams, which had a positive effect on the sales of the company. Software purchases, amounting to 1,576 thousand lei, were three times higher than in the previous year and were determined by the migration in 2014 to an ERP (Enterprise Resource Planning) information system which will improve the activity of the company.

2. Tangible assets of the company

2.1. The production facilities of the company are mainly located at its headquarters in Calea Rahovei 266-268, sector 5, Bucharest, except for the facilities producing energy from renewable sources, which are located in Suceava river basin, Radauti area, over approximately 70 km. The production facilities of the company cover technologies such as: machining, sheet metal processing (stamping, bending, cutting, milling), plastic injection, technological assembling operations, etc. They are characterised by complexity, accuracy, flexibility, automation, etc.

2.2. The company is not involved in any litigation related to the ownership of the land pertaining to its headquarters in Bucharest, str. Calea Rahovei no. 266 - 268 or to its micro-hydroelectric plants in Radauti area. There are two litigations pending before the civil courts in relation to two plots of land owned by the company in the locations: Calea Rahovei no. 242 (2,157 m²) and str. Petre Ispirescu no. 23 - 37, sector 5, with an aggregate area of 5,010 mp. The appropriate provisions were made for these risks.

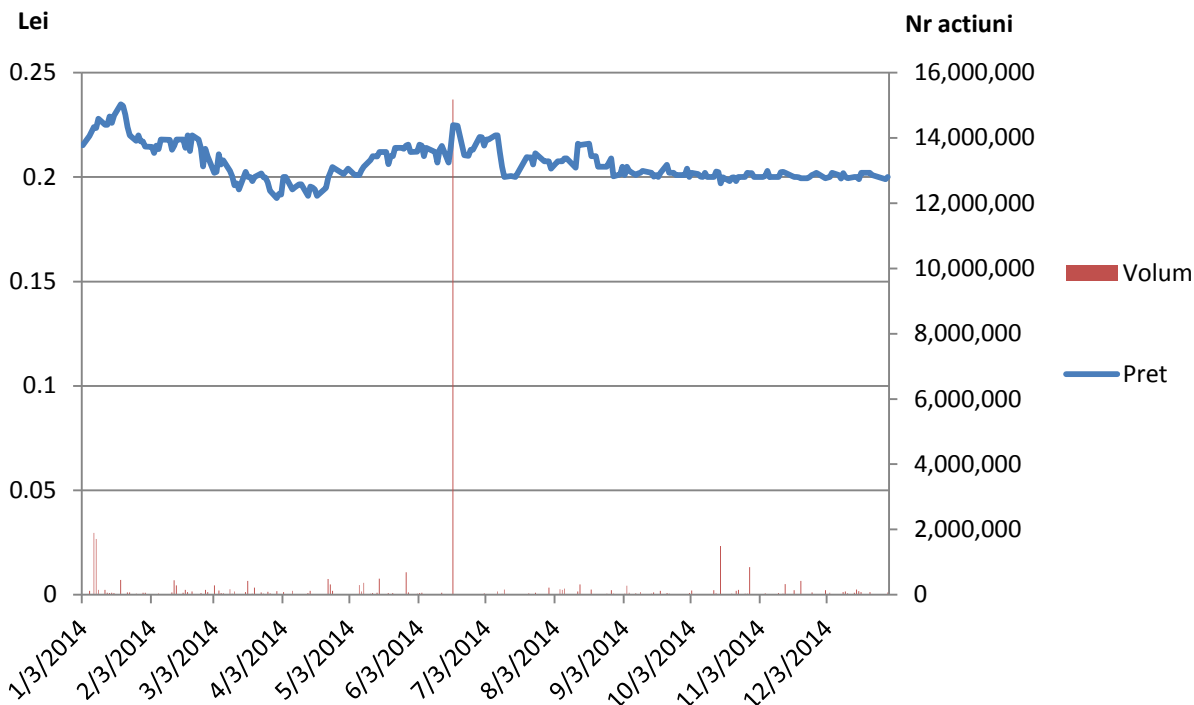
3. Securities market

Electromagnetica is listed on the Bucharest Stock Exchange (BVB), Premium Category, with the following trading characteristics:

- Stock symbol: ELMA
- Ordinary, nominative, dematerialised shares
- Number of issued shares: 676,038,704
- Nominal value: 0.1000 lei
- Share capital: 67,603,870.40 lei
- ISIN code ROELMAACNOR2
- Bloomberg ID: BBG000CMQBR5
- Reuters symbol: ROELMA.BX

ELMA shares are part of several indices with a share of 0.78% in BET-BK, 0.35% in BETPlus and 0.35% in BET-XT.

Evolution of ELMA shares in 2014



The shares traded in 2014 totalled only 5.37% of the company capital; the average price was 0.2156 (cumulated for all market segments). Therefore, shares liquidity remained at the same low level as in the previous year. The reference price varied between minimum 0.1875 and maximum 0.2375/share. The closing price at the end of 2014 was 0.2 lei/share, lower by 8% than the price of the previous year and corresponding to a market capitalisation of 135.2 million lei.

Dividend policy:

The ordinary meeting of shareholders of 29 April 2014 established for the financial year 2013 gross dividends amounting to 2,704 thousand lei for all the shareholders registered on 30.05.2014, i.e. 0.004 lei/share. After the payment of dividends in the period July - November 2015, 1519 Electromagnetica shareholders received dividends representing 87.97% of the total dividend value for the year 2013. In the same period, the shareholders could also receive the dividends not collected for the previous years. Thus, in the above mentioned period, they have received dividends amounting to 15.1 thousand lei for the financial year 2010, 14.98 thousand lei for the year 2011, and 30.1 thousand lei for the year 2012.

The remaining dividends uncollected at 31 December 2014 amount to 1,058.1 thousand lei, of which 264.86 thousand lei for 2010, 248.92 thousand lei for 2011, 257.76 thousand lei for 2012, and 286.56 thousand lei for 2013.

4. Corporate governance

The company management considers that a high level of transparency in the relation between the executive management and shareholders along with the protection of investors are the prerequisites that support company development in the long run and maximise the value provided to shareholders.

The strict application of the relevant legislation (Law no. 31/1990 – company law, republished; Law no. 297/2004 – capital market law, as further amended and supplemented; Regulation no. 6/2009 on shareholders' rights; Regulation no. 1/2006 on issuers and the Executive Order no. 26/2012 of the National Securities Market Commission (CNVM)) and the company's articles of incorporation provides the best corporate governance practices, adapted to its specific characteristics, activities and needs. As Electromagnetica is listed on the Bucharest Stock Exchange (BVB), it is subject to the recommendations of the BVB Corporate Governance Code. The recommendations that are not applied by the company are expressly indicated, with justifications, in the Apply or Explain Statement attached to this report.

Management system

The company is currently managed under the one-tier system consisting of a Board of Directors composed of 9 members. This system answers the current administration needs and the implementation of the two-tier system is not necessary.

Corporate governance structures

The main administration, management and supervisory structures of the company are the Board of Directors, the Managers, and the external auditor. The professional qualification and management experience of the members of the Board enables them to assess on a regular basis the aspects related to the review of the managers' activity, nomination and remuneration or internal audit. Separate permanent advisory committees, such as audit, remuneration or nomination committees, were not set up; the Board of Directors can delegate to one or more of its members certain powers in relation with specific issues and appeal to experts for the analysis of certain aspects. The need to establish advisory committees will be regularly analysed by the BoD.

Board of Directors and Managers

The members of the Board of Directors were elected by cumulative voting; the candidates were nominated by the shareholders or the Board. The structure of the Board of Directors is a fair image of the participation in the company capital (over 70% of the capital is represented). The diversity of the members of the Board enables the efficient use of complementary skills and professional experience and knowledge from various sectors.

Most of the members of the Board are non-executive managers, which ensure the proper balance of authority. The Board of Directors did not assess the independence of its non-executive members according to the recommendation of the BVB Corporate Governance Code because the

establishment of advisory committees was not discussed. In 2014, the Board of Directors met every month in the presence of all the Board members, in person or by representative. According to statutory provisions, the chairman of the board is also the managing director and the legal representative of the company. The Board of Directors delegates a part of its powers to one or more directors, under mandate contracts that establish the duties of the latter.

The level of remuneration of the Board members is determined by the decision of the general meeting of shareholders while the managers' remunerations are established by the decision of the Board. The gross annual remuneration and other benefits, including the remuneration approved for the management by the general shareholders' meeting as part of the income and expenditure budget, cannot exceed 5% of the value of the equity determined in the annual balance sheet. There are no agreements providing for compensations for directors if they resign or are revoked in the absence of reasonable grounds.

The members of the administrative, management and supervisory bodies have the joint obligation to ensure that the annual financial statements and the annual directors' report are prepared and published in accordance with national legislation.

Internal control

The Board of Directors works closely with the internal and external auditor and organises regular meeting with the latter to discuss the financial reporting, the internal control and the management of risks. As the management experience and professional qualification of the Board members enables them to assure the above processes, the company did not deem necessary to establish an audit committee.

The company has in place an internal control / management review system designed and implemented to enable the executive management and the Board of Directors to provide reasonable assurance that the company funds allocated to the achievement of general and specific objectives were used lawfully, regularly, efficiently, effectively and economically.

The internal control / management review system comprises both self-control and subsequent control mechanisms applied by the Budgetary Surveillance and Execution Office and the Internal Control and Audit Department; the implementation of the measures aimed at increasing its efficiency is also based on the assessment of risks.

The accounting and financial internal review is a major component of internal control. The company applied the internal accounting and financial review to ensure the accounting management and the surveillance of the company activity from the financial perspective.

The internal control activity was focused on:

- ensuring compliance with applicable legislation;
- implementing the decisions made by company management;
- the smooth conduct of the company internal activity;
- the reliability of financial information;
- the efficient use of resources;
- risk prevention and control.

The control activity observes a schedule approved by the company management followed by the presentation of irregularities found and the establishing of concrete measures.

Independent auditor

The general shareholders' meeting of 14.04.2011 designated the company Audit Expert SRL Ploiesti as the auditor of the financial years 2011, 2012, 2013 and 2014. The audit company is managed by Constantin Maria – general manager, and the audit mission is led by Gheorghiu Genica, financial auditor.

The identification data of Audit Expert SRL are:

- Tax ID RO 10117602
- Registration number with the Trade Register J29/68/1998
- Authorisation issued by the Chamber of Financial Auditors of Romania no. 50/2001
- Registered office - Strada Mircea cel Batran no. 14A, Ploiesti, Prahova County
- Tel/fax 0244 571 692, e-mail: auditexpert2004@yahoo.com

General meetings of shareholders and the rights of shareholders

The rights of the shareholders and the procedure for participation in the general meetings of shareholders are described in the notice convening the general meeting and were summarised in a regulation available in the Corporate Governance section of the company's website at the address www.electromagnetica.ro/companie/info.

Disclosure of corporate information

The company establishes and publishes annually a financial reporting calendar. The company prepares and discloses periodically and permanently information that is relevant for investment decisions. The staff dedicated to this activity is permanently trained, educated and instructed on the aspects related to the company's relation with its shareholders and the corporate governance principles. In 2014, the information was disclosed exclusively in Romanian; in 2015, the information will be disclosed in Romanian and English for the categories of documents envisaged by the most recent amendments to applicable legislation. The company encourages communications with shareholders via its website; for additional information, investors can use the telephone no. 021.404.2132, the fax no. 021.404.2195 or the e-mail addresses: juridic@electromagnetica.ro or actionariat@electromagnetica.ro.

Structure of the administrative and executive management

The mandates of the BoD members are valid for 4 years and expire on 18 October 2015; the mandates of managers are valid until revoked. There are no family connections between the directors or the members of the executive management with third parties due to which they were elected / appointed in their positions. The list of directors, their experiences, the shares held and their management positions with other listed companies are presented below:

Item no.	Surname / Name	Capacity	Seniority	Age, qualification, professional experience	Shares held at 31.12.2014	Other positions within listed companies
1	Scheusan Eugen	BoD Chairman	25 years	61 years, engineer, Electromagnetica SA	0.2428%	-
2	Vlad Florea	BoD member	16 years	67 years, economist, Electromagnetica SA	4.1699%	-
3	Stancu Traian	BoD member	24 years	62 years, engineer, Electromagnetica SA	0.0462%	-
4	Preda Cristinel Laurentiu	BoD member	4 years	35 years, attorney,	0.000015%	Flaros SA Bucharest - director
5	Sichigea Elena	BoD member	4 years	60 years, economist, SIF Oltenia	0%	Sif Oltenia – head of economic department
6	Stancu Ioan	BoD member	16 years	65 years, technician, Electromagnetica SA	0.0027%	-
7	Bucur Vasilica	BoD member	4 years	57 years, legal advisor, SIF Oltenia	0%	Sif Oltenia – head of legal department
8	Tudor Dumitru	BoD member	4 years	67 years, engineer, Managing Director Vidraru SA	0.1878%	Vidraru SA – Chairman/Managing Director;
9	Macovei Octavian	BoD member	4 years	65 years, engineer, Electromagnetica SA	0%	-

The executive management is ensured by 3 managers, as follows:

Item no.	Surname / Name	Capacity	Shares held at 31.12.2014	Other positions with listed companies
1	Scheusan Eugen	Managing Director	0.2428%	-
2	Frasineanu Ilie	Economic Manager	0.0486%	-
3	Stancu Traian	Production Manager	0.0462%	-
4	Macovei Octavian	Technical Manager	0%	-
5	Vlad Florea	Deputy Managing Director Coordinator	4.1699%	-
6	Balmus Dumitru	Commercial Manager	0.0001%	-

Capital structure and significant shareholders

The company did not issue shares that grant special controlling rights or other types of rights. At 31.12.2014, the company had 6,551 shareholders. In 2014, there were no suspensions of voting rights or restrictions related to the ownership of shares. The members of the executive management are also members of the Electromagnetica Association of Shareholding Employees (PAS); this association is not controlled by a single person.

Synthetic structure at 31.12.2014

Shareholder	Ownership
PAS Electromagnetica	29,6289%
SIF Oltenia SA	24,9261%
Natural persons	29,0198%
Legal persons	16,4253%
TOTAL	100,00%

Conflict of interests, transactions with stakeholders and treatment of confidential information

The directors involved in potential conflicts of interests must inform the Board and abstain from the debates and voting on those matters. Transactions with stakeholders are concluded in fair conditions and are negotiated by the management members who are not related to the stakeholders concerned. The external auditor must signal and analyse accordingly these transactions in the audit report. The company prepares and publishes on its website the list of persons that are deemed to have access to insider information. Annually, the directors and managers of the company and the other controlled companies make declarations on the conflicts of interests and the conduct of competing activities.

Share repurchase

There is no approved programme for the repurchase of share or price stabilisation and there is no scheme for the granting of shares to employees or managers.

Reporting the transactions made by directors and other stakeholders with company shares

The company does not apply additional rules, other than those provided for by legislation, to the transactions conducted with the shares of the company by the directors or other stakeholders. The directors are aware of the legislation on transactions with company shares.

5. Separate financial statement at 31 December 2014

(all the amounts are expressed in lei, unless otherwise specified)

5. a) Financial position

	31 December 2014	31 December 2013
ASSETS		
Non-current assets		
Tangible assets	210,298,840	213,923,671
Investments in real estate	907,248	907,248
Intangible assets	1,728,797	720,163
Investments in associates	3,967,606	3,967,606
Other long-term non-current assets	1,515,222	1,016,700
Deferred tax assets	258,124	-
Total non-current assets	218,675,837	220,535,388
Current assets		
Inventories	15,936,949	15,386,542
Trade receivables	53,390,194	58,292,732
Cash and cash equivalents	28,226,288	13,437,768
Assets classified as held for sale	44,800	407,478

	31 December 2014	31 December 2013
Other current assets	7,141,129	3,662,397
Total current assets	104,739,360	91,186,917
Total assets	323,415,197	311,722,305
EQUITY AND LIABILITIES		
Equity		
Share capital	67,603,870	67,603,870
Reserves	186,991,790	175,925,186
Retained earnings	10,457,093	16,918,588
Other components of equity	(1,126,674)	(1,404,363)
Total equity attributable to company shareholders	263,926,079	259,043,281
Non-current liabilities		
Long-term loans	1,232,014	1,407,752
Deferred income	7,271,123	7,055,548
Provisions	-	-
Deferred tax liabilities	2,023,099	1,298,290
Total non-current liabilities	10,526,236	9,761,590
Current liabilities		
Trade payables and other liabilities	47,177,095	40,700,329
Short-term loans	-	-
Deferred income	576,287	1,033,094
Provisions	1,209,500	724,500
Current tax liability	-	459,511
Total current liabilities	48,962,882	42,917,434
Total liabilities	59,489,118	52,679,024
Total equity and liabilities	323,415,197	311,722,305

The comparative analysis of balance sheet items showed:

- An increase of equity by 1.88% due to the profit recorded and, to a lesser extent, to the recording of reserves from the revaluation of tangible assets.
- An increase of total assets by 3.75% compared to 2013, mainly due to the increase of tangible assets following the completion of the investment programme and the increase of current assets due to the increase of cash available in the company's accounts.
- The positive effect on the tangible assets of the purchases of technological equipment required for production and the completion of the construction and modernisation works

on micro-hydroelectric plants; however, the total tangible assets decreased by 1.69%, mainly due to depreciation.

- An increase of current assets by 14.86% as an effect of the increase of available cash, advances paid to suppliers and recoverable income tax. The average accounts receivable collection period decreased by 7 days compared to the previous year, while the average supplier payment period increased by 2 days, which led to the increase of available cash.
- A slight increase of the share of liabilities in the total assets, from 16.9% in 2013 to 18.39% in 2014, exceeding the average for the last years.

5. b) The separate comprehensive income is presented below:

	31 December 2014	31 December 2013
Revenue	426,040,897	399,376,154
Other income	8,695,372	7,914,729
Variation in stocks of finished goods and work in progress	9,261,516	3,890,089
Work performed by entity and capitalised	1,991,283	6,347,728
Raw material and consumables used	(338,381,729)	(293,238,504)
Employee benefits expenses	(33,295,483)	(35,872,959)
Amortisation and depreciation expenses	(10,297,549)	(9,945,207)
Other expenses	(54,987,462)	(58,958,242)
Profit before tax	9,026,845	19,513,788
Current income tax expense	(1,242,495)	(3,125,709)
Deferred income tax expense	(205,689)	(114,225)
Profit for the period	7,578,661	16,273,854
Basic/diluted earnings per share	0.0116	0.0240

The total revenue increased by 6.82 compared to 2013, while the total expenses increased by over 9.79%, which led to the reduction of profit before tax by 53.74%.

The revenue related to the production activity increased by 2.2%, mainly due to the increase of the revenue from the production of LED lighting units and systems, injection mould plastic and dies, while the revenue from the production of remote management systems, electrical switchgear and energy decreased significantly. In general, the expenses of the company followed the trends visible in the structure of revenues.

5. c) Cash –Flow

	Year 2014	Year 2013
Net cash from operating activities	24,708,416	14,115,516
Net cash from investment activities	(5,319,155)	(15,621,137)
Net cash from funding activities	(2,300,370)	(2,510,464)

Cash and cash equivalents net increase/decrease	14,788,521	(4,016,085)
Cash and cash equivalents at beginning of period	13,437,767	17,453,852
Cash and cash equivalents at end of period	28,226,288	13,437,767

At the end of the period, the cash increased by 110% compared to the beginning of the reporting period, which was mainly due to the acceleration of proceeds from customers, the decrease of the value of investments made in 2014 compared to 2013, and the extension of the average period for the payment of trade payables.

The level of the investment activity was inferior to 2013. The own sources of funding created from the profit of 2013 and amounting to 12,659 thousand lei were partially used for the payment of the investments made to develop the activity, which totalled 6.251 thousand lei. The investments in technological equipment had the largest share in this total.

The credit facilities were used to a much lesser extent than in the previous year and did not influence the net cash because they were only used on short-term and were fully repaid.

6. Consolidated financial statement

Electromagnetica prepares consolidated financial statements including the four controlled companies (Electromagnetica Goldstar SRL, Procetel SA, Electromagnetica Prest Serv SRL, Electromagnetica Fire SRL). Detailed information is available in the explanatory notes to the consolidated financial statements. The analysis of the separate and consolidate financial statements shows that the companies controlled by Electromagnetica have very little influence on the consolidated financial position, as follows:

- lei-

	31 December 2014			31 December 2013		
	Group	Parent	%	Group	Parent	%
Non-current assets	221,857,641	218,675,837	98.57%	223,912,291	220,535,388	98.49%
Current assets	108,978,927	104,739,360	96.11%	95,464,237	91,186,917	95.52%
Equity attributable to company shareholders	270,820,501	263,926,079	97.45%	266,021,229	259,043,281	97.38%
Non-current liabilities	10,526,865	10,526,236	99.99%	9,761,590	9,761,590	100.00%
Current liabilities	49,317,456	48,962,882	99.28%	43,438,406	42,917,434	98.80%
Profit before tax	9,129,539	9,026,845	98.88%	19,524,277	19,513,788	99.95%
Profit for the period	7,581,605	7,578,661	99.96%	16,147,718	16,273,854	100.78%

The reduced contribution of the four companies controlled by the parent is explained by the fact that three of these companies carry out their activity in close connection with the parent company.

7. Important events occurred after the closing of the financial year

In March 2015, ANRE has announced the share of green certificates imposed to energy suppliers for 2014. The financial statements at 31 December 2014 include the full effect of this modification.

8. Activity prospects for 2015

In 2015, the Board of Directors and the executive management will act in accordance with the objectives below:

- Contracting the turnover provided for in the budget.
- Launching into production new families and types of LED lighting units and permanent modernisation of the existing ones in order to increase the photometric and electrical performance to reach the level of the global technological progress.
- Expanding the range of switching sources for the power supply of LED lighting units
- Launching into production high power switching sources for the power supply of LED lighting systems used in industrial applications
- Expanding the sales activity by long collection periods to answer market requirements and increase competitiveness.
- Identifying new funding solutions for the sale of LED lighting units intended for public lighting thus avoiding the capping of the sales volume as a result of the constraints imposed by the limited capacity of the company to ensure funding from its own sources. The company has available the technical and production capabilities required to expand the production on this segment but local administrations are confronted with difficulties in funding the purchases of LED lighting systems.
- Expanding the manufacturing of products intended for export.
- Developing the ENERGSys system
- Retaining and expanding the customer portfolio for the supply activity.
- Increasing the sales activities carried out by the own sales force and the distribution by specialised networks.
- Optimising the tracking of the cash flow.
- Monitoring the investment programme thoroughly and efficiently.

- Implementing activities to complement the LED lighting equipment (assembly, service, production of small series).
- Taking steps to set up the Association of Romanian Manufacturers in the Lighting Industry (APRIL) to contribute to the establishment of standards and guidelines in the lighting industry in order to promote efficient lighting practices that benefit the environment and the comfort and health of consumers.

On the date of preparation of this report, the management of the company is not aware of any events, economic changes or other factors of uncertainty that could significantly affect the company revenues or liquidities, other than those mentioned herein.

Chairman of the Board of Directors / Managing Director
Eugen Scheusan

Economic Manager
Ilie Frasineanu