

REPORT
on the income and expenditure budget
for 2017, as well as the Activity program for 2017

A. Income and expenditure budget for 2017

The following documents and reference data were taken into account when drawing up and substantiating the income and expenditure budget for 2017:

- Financial statements of 2016 (status of assets, debts and ownership equity, status of revenues and expenses, etc.);
- Structure of the turnover achieved in 2016 and forecasts for 2017;
- Investment program for 2017, with the value of 5.851 thousand EUROS (without VAT);
- Expenses with personnel made in 2016, to which an increase of 7% in 2017 is expected, by the increase of the minimum salary according to legal provisions, as well as achievement of performance indicators;
- Inflation rate of approximately 1.7 %
- Average exchange rate of 4.55 lei/EUR estimated for 2017.
- Increase of average exchange rate to 4.30 lei/USD for 2017.

Trends specific to the energy market for 2017:

- Increase of energy purchase from the Day-ahead market during the period of March – June 2017 considering the high hydraulicity from this period;

Development of the energy purchase and trading activity on OPCOM OTC platform and the increase of the number of partners for EFET contracts;

Increase of the sale quantity on the Day-ahead market in the period of September – December 2017;

- **Other elements and necessary data:**

The main budget forecasts for 2017 are structured on activities as follows:

	Achieved 2016 thousand lei	Forecasts 2017	Differences in
		thousand lei	%
I. TOTAL REVENUES	260,149	236,000	-9
out of which:			
1. Total operating activity out of which:	258,289	234,000	-9
- Total turnover out of which:	236,993	216,200	-9
1.1 licensed activity - turnover	133,699	109,900	-18
1.2. unlicensed activity - turnover	103,294	106,300	3
2. Other operating revenues	21,296	17,800	-16
2.1 licensed activity – other operating revenues	289	300	4
2.2. unlicensed activity - other operating revenues	21,007	17,500	-17
3. Financial activity	1,860	2,000	8
II. TOTAL EXPENSES	254,915	233,500	-8
out of which:			
4. Total operating activity out of which:	253,476	232,000	-8
4.1 licensed activity	140,462	109,310	-22
4.2. unlicensed activity	113,014	122,690	9
5. Financial activity	1,439	1,500	4
III. TOTAL GROSS RESULT out of which:	5,234	2,500	-52
5.1 licensed activity	-6,474	890	-114
5.2. unlicensed activity	11,708	1,110	-91
6. Financial activity	421	500	19

The activity of energy production registered a loss in 2016 following the revaluation of assets from micro-hydropower plants, with negative impact on the financial result and the activity of energy supply did not register a loss like in the previous year, being located at the profitability limit.

To be mentioned that on the date of the report the turnover for 2017 foreseen for the production activity was contracted in proportion of 40 %, the space rental services in proportion of approximately 96% and the energy sale activity in proportion of 52 %, while the energy purchase activity was contracted below 10% due to the tendency of purchase price modification for 2017.

Profit

- The gross foreseen profit for 2017 is lower with 52% than the level achieved in 2016, mainly due to the following causes:
- The decrease of revenues from licensed activity, but especially the unpredictability of energy purchase prices on the Day-ahead market;
- The increase of salary expenses and services provided by third parties following the increase of the national minimum salary starting with 01.02.2017;
- The increase of expenses with amortization following the revaluation of company assets;
- The increase of the average USD reversion rate for imports (approximately 7%);

B. Activity program for 2017

For 2017, the Board of Directors and executive management will act in the following directions:

Measures for contracting the turnover foreseen in the budget

- Increase of number of turnkey LED illumination projects which integrate more products and services provided by the company (lamps, installation design, installation, maintenance).
- Introduction in production of LED lamps with high efficiency and attractive design that support competitiveness on segments of public and commercial illumination by reducing costs and increasing product reliability.
- Increase of production capacity for plastics injection by building a new shed and purchasing new machinery. Improvement of technical solutions for increasing the robustness of power units at electromagnetic impulses determined by extreme weather phenomena that require the purchase of an impulse generator for verifying the immunity at shock waves in agreement with SR EN 61000 4-5.
- In the following period, the main objective of applied scientific research will be to determine the composition and to obtain a bituminous casting table for encapsulating electrical sources with effects in decreasing the costs and increasing the reliability of power units. The research in creating radiators and passive cooling systems from thermally conductive plastics that replace current radiators made of aluminium alloys will continue. Also, a series of niche products with specific requirements will be diversified, such as those for pedestrian, architectural illumination, stadiums, airports and festive illumination, with technical performance and competitive costs.
- The special attention will be given to designing and homologating the accumulator plant for electrical vehicles with power of 22kW according to the European standard in force SR EN 61851 and creating pilot stations on the Romanian territory.
- Participation in auctions for LED public illumination;
- Participation in auctions for telemanagement;
- Participation in auctions for safety elements of railway traffic;
- Participation in auctions for energy supply;
- Continuity of sales by networks of stores of LED lamps;
- Direct sale by the sales team;
- Export increase in the countries of the European Union;
- Sale of LED illumination systems for public illumination by financing;
- Other contracting measures for TDVs, plastics injection, miscellaneous;
- Monitoring of sales program by daily reporting of invoicing and collections;
- Research of new products and technological research by own resources, according to the research program;
- Maintenance of occupation degree of 96% of rental spaces;
- Maintenance of comfort degree of buildings for stabilizing the turnover from rental services;
- Participation in fairs and exhibitions according to the marketing program;

Investment program

- The investment program will be carried out from own financing sources, depending on financial availabilities and priorities. The investments will be oriented toward the purchase of technological equipment, TDVs, measurement and control devices and equipment, as well as equipment maintenance works and building maintenance and modernization works.

- The execution of the equipment maintenance program and hydro-technical construction behaviour monitoring program.
- Continuity of efforts to reduce costs and increase the efficiency.
- The structure of the investment program for 2017 is the following:

Crt. no.	INVESTMENTS	VALUE (Euro)
A	TANGIBLE ASSETS	5,595,790
1	BUILDING CONSTRUCTION AND MODERNIZATION WORKS	1,247,500
2	TECHNICAL INSTALLATIONS, MEANS OF TRANSPORT	2,658,290
2.1	TECHNOLOGICAL EQUIPMENT (plant and machinery)	1,463,450
2.2	TDVs, matrices of plastics injection	380,000
2.3	MEASUREMENT, CONTROL AND ADJUSTMENT DEVICES AND EQUIPMENT	489,840
2.4	MEANS OF TRANSPORT (automotive and lifting)	175,000
2.5	UTILITY VEHICLES	150,000
3	FURNITURE, OFFICE AUTOMATION DEVICES, PROTECTION SYSTEMS OF HUMAN AND MATERIAL VALUES AND OTHER TANGIBLE ASSETS	30,000
4	MODERNIZATION OF TGD FLORICA 1 and TGD C64	170,000
5	POWER INCREASE TO 5.2 MW and MODERNIZATION OF TRANSFORMER POINTS	800,000
6	MODERNIZATION OF ELECTRICAL INSTALLATION C4 , PLASTICS	250,000
7	NOT NOMINATED	240,000
8	ACTIVITY OF RENEWABLE ENERGY PRODUCTION FROM HYDRO SOURCES	200,000
B	INTANGIBLE ASSETS	255,000
GRAND TOTAL		5,850,790

Measures for licensed activity (energy production and supply)

In the first two months and a half of the year, the applications for starting the insolvency procedure were filed in court for more energy suppliers. The company exposure to these suppliers is less than 1% of the company turnover in 2016.

- Control of risk associated with the energy supply activity by maintaining the flexible portfolio of consumer clients and restructuring of provided services, depending on market conditions;
- Capitalization of market opportunities on energy trading platforms administered by Opcom;
- Diversification of contractual partners on EFET energy contracts;
- Continuity of measures for improving the energy balancing activity;
- Capitalization of own energy production capacities from renewable sources;
- Capitalization of green certificates from own production;

Financial measures

- Careful monitoring of the cash flow and taking necessary measures to maintain the corresponding liquidity level.
- Providing credit lines for the good operation of activity.
- Identification of new financing solutions for sales with large collection periods, for example for the sale of LED illumination systems for public illumination.

BOARD OF DIRECTORS

CHAIRMAN

ECONOMIC DIRECTOR

EUGEN SCHEUSAN

ILIE FRASINEANU