



STATUTORY AUDITOR'S REPORT

To,
The General Meeting of the Shareholders of ELECTROMAGNETICA S.A. Bucharest

Report on the Consolidated Financial Statements

1. We have audited the consolidated financial statements of **ELECTROMAGNETICA S.A. BUCHAREST** and its subsidiaries (the "**Group**"), attached hereto, which include the consolidated statement of the financial position at 31 December 2015, the consolidated statement of profit or loss and other components of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity for the financial year ended at this date, and a summary of significant accounting policies and other explanatory notes, numbered from page 1 to page 56.

The financial statements mentioned refer to:

- Total equity attributable to parent company shareholders: 266,588,141 lei;
- Net result of the period (loss for the period): (22,582,806) lei;

Management Responsibility for the Financial Statements

2. The management of ELECTROMAGNETICA S.A. Bucharest is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Order of the Minister of Public Finance no. 1286/2012 approving the Accounting Regulations compliant with the International Financial Reporting Standards applicable to the trading companies the shares of which are admitted to trading on a regulated market, as further amended and supplemented and with the Accounting Law no. 82/1991, as further amended and supplemented, and for such internal control as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Auditing Standards. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair

presentation of the consolidated financial statements of the Group in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, the consolidated financial statements attached hereto present fairly in all material respects the financial position of ELECTROMAGNETICA S.A. Bucharest and its subsidiaries as at 31 December 2015 and its consolidated financial performance and cash flows for the financial year ended on this date in accordance with Order of the Minister of Public Finance (OMFP) no. 1286/2012 approving the Accounting Regulations compliant with the International Financial Reporting Standards applicable to the trading companies the shares of which are admitted to trading on a regulated market, as further amended and supplemented.

Highlighting a number of aspects

Without expressing a qualified opinion, we draw attention to the aspects below:

7. The Group Electromagnetica Bucharest presents in the consolidated financial statements losses for the period 01.01.2015 - 31.12.2015 in the amount of 22,582,806 lei mainly due to the results obtained by the parent company.
As presented in Note 26 of the consolidated financial statements, "Information by Operating Segments", the loss is mainly due to the fact that the parent company deals in the sector of electricity production and supply where predictions on market evolution are difficult to anticipate both in regard of the price of electricity purchasing and selling to final consumers, and the demand-supply ratio.
We draw attention to the restructuring of the energy sector in our country, with possible significant effects on the Group's activity and performances.
8. We draw attention to Note 28 of the consolidated financial statements, "Commitments and Contingent Liabilities" regarding the lawsuit filed, during the reporting period, by an energy supplier in relation to which the parent company considered that an appropriate estimation of the outcome was not possible. Therefore, no related provision was recorded in the financial statements.
We were not able to quantify the influences pertaining to this matter.

Report on the Board of Directors Consolidated Report

9. The directors are responsible for the preparation and presentation of the Board of Directors Consolidated Report in accordance with the requirements of points 27-28 of OMFP no. 1286/2012 approving the Accounting Regulations compliant with the International Financial Reporting Standards applicable to the trading companies the shares of which are admitted to trading on a regulated market, as further amended and supplemented,

which must be free from material misstatement. The management is also responsible for such internal control as they determine is necessary to enable the preparation and fair presentation of the Board of Directors Consolidated Report that is free from material misstatement, whether due to fraud or error.

The Group ELECTROMAGNETICA Bucharest chose to present a single report of the Board of Directors, which refers to both the separate financial statements of S.C. Electromagnetica S.A. – the parent company, and the consolidated financial statements of the Group, reliant on Article 27¹ of OMFP no. 1286/2012, as further amended and supplemented.

The Board of Directors Report is presented from page 1 to page 29, and point 6 of this Report refers to the Consolidated Financial Statement of the Group.

The Board of Directors Report is not part of the consolidated financial statements.

Our opinion on the consolidated statements does not cover the Board of Directors Report.

Regarding our auditing of the consolidated financial statements, we have read the Board of Directors Report attached hereto on both the separate and the consolidated financial statements, presented from page 1 to page 29, and we report, in accordance with the requirements of points 15¹ and 30 of OMFP no. 1286/2012, as further amended and supplemented, that:

- a) we have not identified in the Board of Directors Report any information that would not be consistent, in all material respects, with the information presented in the consolidated financial statements attached hereto;
- b) the Board of Directors Report identified above includes, in all material respects, the information required by points 27-28 of OMFP no. 1286/2012;
- c) based on our knowledge and understanding acquired during the auditing of the consolidated financial statements for the financial year ended at 31 December 2015 regarding the Group and its environment, we have not identified any information included in the Board of Directors Report that would be materially erroneous.

Ploiesti – 1 April 2016

Financial Auditor,
Gheorghiu Genica - Registered with
the Chamber of Financial Auditors of Romania under no. 2810/2009

In the name of,

S.C. AUDIT EXPERT S.R.L.
Auditing company registered with
the Chamber of Financial Auditors of Romania under no. 50/2001

Managing Director
Constantin Maria – C.A.F.R. Authorisation no. 184/2001