

REPORT
on the income and expenditure budget
for 2018, as well as the Activity program for 2018

A. Income and expenditure budget for 2018

The following documents and reference data were taken into account when drawing up and substantiating the income and expenditure budget for 2018:

- Financial statements of 2017 (status of assets, debts and ownership equity, status of revenues and expenses, etc.);
- Structure of the turnover achieved in 2017 and forecasts for 2018;
- Investment program for 2018, with the value of 2,617.2 thousand EUROS (without VAT);
- The staff costs for 2017, to which a 1% decrease is estimated for 2018 following the Company's reorganization plan.
- Inflation rate of approximately 3 %
- Average exchange rate of 4.75 lei/EUR estimated for 2018.
- Increase of average exchange rate to 4.0 lei/USD for 2018.

The main budget forecasts for 2018 are structured on activities as follows:

	Achieved 2017 thousand lei	Forecasts 2018 thousand lei	Differences in %
I. TOTAL REVENUES			
out of which:	243.068	272.100	11,94
1. Total operating activity out of which:	241.408	270.400	12,01
- Total turnover out of which:	224.959	255.500	13,58
1.1 licensed activity - turnover	134.202	155.476	15,85
1.2. unlicensed activity - turnover	90.757	100.024	10,21
2. Other operating revenues	16.449	14.900	-9,42
2.1 licensed activity – other operating revenues	256	200	-21,88
2.2. unlicensed activity - other operating revenues	16.193	14.700	- 9,22
3. Financial activity	1.660	1.700	2,41
II. TOTAL EXPENSES			
out of which:	258.038	264.600	2,54
4. Total operating activity out of which:	256.701	263.400	2,61

4.1 licensed activity	132.437	150.576	13,70
4.2. unlicensed activity	124.264	112.824	-9,21
5. Financial activity	1.337	1.200	-10,25
III. TOTAL GROSS RESULT out of which:	-14.970	7.500	
5.1 licensed activity	2.021	5.100	152,35
5.2. unlicensed activity	-17.314	1.900	
6. Financial activity	323	500	54,80

In 2017, the turnover for electricity-supply maintained at the level of the previous year as a result of the stabilization of the customer portfolio to a size that allows a more effective risk management. Due to the prudential policies implemented on medium term and the quality of the customer portfolio, until the end of the year the Company succeeded in covering the loss suffered in the first part of 2017 when it faced an extreme volatility of prices in the energy market. In 2018, the turnover will increase by approximately 16% as compared to the achievements of 2017.

The electricity production slightly exceeded the average of the last years. An approximate percentage of 45% from the demand of the green certificates necessary for electricity supply was provided by the green certificates related to the Company's own production of electricity. For 2018 we estimate to maintain production at the same level and to increase the number of green certificates.

It should be noted that, at the date of this report, the 2018 turnover estimated for the production activities was contracted in a proportion of 30 %, the rental services were contracted in a proportion of 98%, while the electricity supply in a proportion of 70 % for sales and 60% for purchasing.

In 2018 we foresee to get a profit of 7.5 million lei for all the activities of the Company.

B. Activity program for 2018

For 2018, 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 lighting projects which integrate more products and services provided by the company (lamps, installation design, installation, maintenance);
- Technological improvements which would lead to a reduction of manufacturing costs;
- In 2018, our priority is to get a balanced structure of the production of LED lighting units, increasing the share of lighting products for the commercial and office sectors up to the level of public lighting products;
- We will develop semi-automatic assembling technologies and generalize the encapsulation with compounds for the light sources.
- We will continue to research, design and introduce into production led lighting units, new types of charging stations for electric vehicles and also to implement lighting management systems,
- We will start to integrate the automation systems into the platform of Smart City solution and continue our program for the development of the smart electricity measuring system EnergySys;
- Our currently existing technology broadly covers the achievement of these objectives. Additional assets have to be allocated only for the construction of tools and devices;
- As for our ensured medium and long-term outlet, we note that the average duration of the rental contracts is approximately 2 years, the electricity supply contracts is 1 year, while production is generally executed based on short-term orders, except for the supplier credits for meters and led lighting units, which run over 5 or 6 years;
- The LED lighting technology is currently the main lighting solution, gaining a lot of acknowledgment;

- Our Company is the main domestic manufacturer of such products which are competing with the imported products;
 - Our lighting products designed for commercial and industrial spaces, as well as for public lighting, are the best visible in the market.
 - The Company has a diverse range of LED products with which we compete on several price segments.
 - Participation in auctions for LED public lighting;
 - 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 lighting systems for public lighting 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 98% 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;
 - We will monitor the electricity purchase through bilateral agreements, in order to minimize the risk of price volatility on the day ahead market and ensure competitive prices for the electricity required by our customers;
 - The energy produced by hydro micro power plants, as well as the related green certificates will be entirely sold to our portfolio of customers;
- The additional purchase of electricity, necessary for the trading activity, will be optimized.

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 2018 is the following:

Crt. no.	INVESTMENTS	VALUE (euro)
A	TANGIBLE ASSETS	2.579.230
1	BUILDING CONSTRUCTION AND MODERNIZATION WORKS	557.500
2	TECHNICAL INSTALLATIONS, MEANS OF TRANSPORT	598.000
2.1	TECHNOLOGICAL EQUIPMENT (plant and machinery)	30.000
2.2	TDVs, matrices of plastics injection	285.000
2.3	MEASUREMENT, CONTROL AND ADJUSTMENT DEVICES AND EQUIPMENT	3.000
2.4	MEANS OF TRANSPORT (automotive and lifting)	107.000
2.5	UTILITY VEHICLES	173.000
3	FURNITURE, OFFICE AUTOMATION DEVICES, PROTECTION SYSTEMS OF HUMAN AND MATERIAL VALUES AND OTHER TANGIBLE ASSETS	30.000

Crt. no.	INVESTMENTS	VALUE (euro)
4	POWER GAIN TO 5.2 MW and MT LINES CONSTRUCTION AND PT MODERNIZATION	800.000
5	MODERNIZATION OF ELECTRICAL INSTALLATION C4 , PLASTICS	250.000
6	NOT NOMINATED	240.000
7	ACTIVITY OF RENEWABLE ENERGY PRODUCTION FROM HYDRO SOURCES	103.730
B	INTANGIBLE ASSETS	38.000
GRAND TOTAL		2,617,230

Measures for licensed activity (energy production and supply)

- 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.

BOARD OF DIRECTORS

CHAIRMAN

ECONOMIC DIRECTOR

EUGEN SCHEUSAN

CRISTINA FLOREA