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CHIEF EXECUTIVE OFFICER


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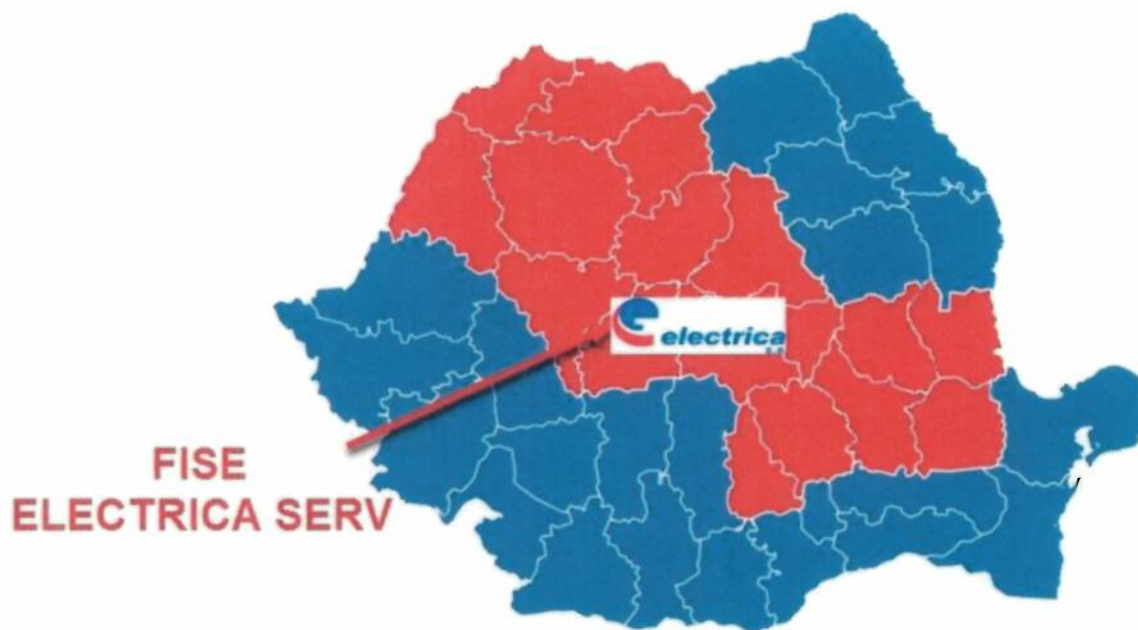
**REVIEW OF THE KEY ELEMENTS OF
THE INCOME AND EXPENSES BUDGET
FOR THE YEAR 2016**

S. FISE ELECTRICA SERV S.A.

1. GENERAL PRESENTATION

Electrica Serv S.A. (“FISE”), subsidiary of Electrica SA is presented below:

FISE ELECTRICA SERV coverage



S. Filiala de Întreținere și Servicii Energetice Electrica Serv S.A. (Electrica Serv) was founded by Government Decision (GD) no. 74/27 January 2005, as a subsidiary of Societatea Comercială de Distribuție și Furnizare a Energiei Electrice Electrica S.A., through spin-off. Electrica Serv is registered at the Trade Registry Office of Bucharest on 8 March, 2005 under the number J40/4454, with its registered office in Bucharest, District 1, 1A Stefan cel Mare Street, having sole registration number RO 17329505.

Based on GD no. 74/2005, Electrica Serv organized its structure in 8 territorial branches, one for each subsidiary of distribution and supply of electricity and had as object of activity the assurance of preventive and corrective maintenance, respectively the assurance of support activities for these subsidiaries (design, transportation, metrology, printing etc.), with the same territorial structure as the distribution companies in Electrica Group.

By Government Decision no. 760/2010 Electrica Serv was reorganized, keeping three territorial branches (SISE Electrica Transilvania Nord, SISE Electrica Transilvania Sud and SISE Electrica Muntenia Nord). Following the reorganization, five new energy service companies resulted, located in Banat, Dobrogea, Moldova, Oltenia and Muntenia areas, all being subsidiaries of Electrica S.A.

2. Presentation of methodology for drafting the Income and Expenses Budget

The substantiation for supporting the income and expenses budget for the year 2016 had in view the observance of legislation in the field and the functions that this instrument has to fulfil, which are: forecasting function, financial execution control function and the function of assuring the financial balance of the company.

The income and expenses budget for the year 2016 was accurately elaborated and based on it the company will establish the premises of a healthy financial balance in 2016, analysing all possible assumptions in the current context. The income and expenses budget for the year 2016 was drawn up for a more efficient administration of Electrica Serv's resources.

The budget structure was prepared based on the following types of income of the company:

1. "Revenues based on framework maintenance agreement", which includes all revenues from subsequent maintenance contracts, as follows:
 - -Revenues from Maintenance activity
 - Revenues from auto rental services
 - Revenues from Design activity
 - Revenues from Occupational Health and Safety activity
 - Revenues from DALI works
 - Other services provided in framework agreement
2. "Other revenues in the group" which comprise the totality of revenues from the group and which are not found in the framework maintenance agreement
3. "Other revenues with third parties" which comprise the totality of forecast revenues to be obtained from provision of services outside the group.

Regarding the structure of expenses, they were forecasted in line with the company's income structure.

3. Strategic Objectives for FISE ELECTRICA SERV

The major objective of the company is defined by ensuring preventive and corrective maintenance in terms of quality and economic and technical efficiency, respectively providing support activities for the distribution subsidiaries of Electrica SA (including design, transport, etc.).

Also Electrica Serv aims to execute an important package of works related to the investment effort of Electrica's distribution subsidiaries, meaning construction works.

Therefore the above mentioned objective approach will enable the expansion of the services/works executed by Electrica Serv (part of the Electrica Group) to other domestic/external markets which is achievable through the non-regulated nature of Electrica Serv's activity.

4. OPERATIONAL RESULTS

Table 1: Selected financial information from the income and expense budget

Indicators	2015 Budget	2016 Budget	<i>th. RON</i>	
			B. 2016 vs B. 2015 (diff.)	B. 2016 vs B. 2015 (%)
0	1	2	3=2-1	4=3/1
Total revenue out of which:	406,765	410,606	3,841	0.94%
Revenue from the main activity	375,905	382,569	6,664	1.77%
Revenue from other activities	30,860	28,037	-2,823	-9.15%
Total operation and maintenance costs, out of which:	405,175	407,355	2,180	0.54%
Expenses with salaries and other benefits	174,948	162,105	-12,843	-7.34%
Expenses with materials and raw materials	113,764	108,016	-5,748	-5.05%
Non-current assets depreciation	16,739	14,514	-2,225	-13.29%
Other expenses	99,724	122,720	22,996	23.06%
Operational profit	1,590	3,251	1,661	104.47%
Financial result	-1,287	-1,130	157	12.20%
Gross profit	303	2,121	1,818	600.00%
Tax on profit	0	0	0	
Net profit	303	2,121	1,818	600.00%

Revenues

According to the budget for 2016, Electrica Serv estimates revenue amounting to RON 410,606 th., compared to the revenues in the 2015 budget, amounting to RON 406,765 th., representing an increase of 0.94%. This growth is mainly due to the increase of revenues from services performed to third parties.

Expenditure with materials and raw materials

Regarding the costs of materials and raw materials, these are decreasing in 2016 by RON 5,748 th., mainly due to the change in the structure of the revenue for which these materials are necessary, and also due to measures to reduce this type of expenditure.

Salaries and other benefits for employees

Through a process of labour productivity increase, based on business reorganization and/or restructuring, which also includes staff reduction through voluntary leaves, the average number of employees will decrease by 10.22%, leading to a cost reduction of salaries and other employee benefits by RON 12,843 th..

Within the salary expenditure, are also included the lay-off compensation payments to be granted according to the Company's Collective Labour Agreement amounting to RON 10,273 in 2016, out of which RON 8,357 th. represent the actual lay-off compensation and RON 1,916 th. represent the related social taxes.

The current personnel situation and the estimated situation at the end of 2016:

Table 2: The trend of personnel numbers, 2016

	Electrica Serv
Personnel at the beginning of 2016	3,143
Personnel to be reduced in 2016	207
Personnel at the end of 2016	2,936

Non current assets depreciation

Non current assets depreciation provided in the budget for 2016 is lower by RON 2,225 th. than the one approved for 2015 budget, considering the fixed assets acquisitions through operational leasing, on one hand, and the reaching the end of certain assets useful life (during 2016), on the other hand.

Operating profit

As a result of the above factors, the operating profit in 2016 increases by RON 1,661 th. compared to the previous year, from RON 1,590 th. in 2015 to RON 3,251 th. in 2016. The increase in operating profit is due to increase of revenue from operations in a higher proportion than the increase in operating expenses.

Profit before tax

Profit before tax was influenced by the financial income (loss) due to the costs with the loan contracted by the company in 2015 (influencing 2016 also) to pay the debts to ANAF.

However, the financial loss estimated for 2016 is lower than the one budgeted last year, leading to a positive influence in 2016 result from financial activities (RON 157 th.).

Income tax expense

Given the previously accumulated tax loss, in 2016 it will not be the case for payment of taxes.

Net profit of the period

Following the factors presented above, we estimate that in 2016 the net profit will be RON 2,121 th..

CFO

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