

ADMINISTRATORS' REPORT

with regard to the economical-financial results on the year 2014

CHAP. I THE ACTIVITY OF THE COMMERCIAL COMPANY

The SC Servicii Energetice Muntenia SA has its registered office in Bucharest, Bd. Ion Mihalache no.41-43, district 1.

The Company was established based on the Government Decision no. 760/21.07.2010, by reorganization of the SC Filiala de Intretinere si Servicii Energetice Electrica Serv SA, and of the law 31/1990 with regard to the commercial companies, and is registered with the Commerce Register under the number 40/14063/2011, having CUI no.29384120, RO fiscal attribute.

The Company has been operated within Bucharest Municipality area having as component 23 (twenty three) working points/secondary offices.

The SC Servicii Energetice Muntenia SA has a social capital of 25,380,250 lei divided in 2,538,025 shares, with a nominal value on each share of 10 lei.

The shareholding structure as per 31.12.2014 in compliance with the Commerce Register Office to the Bucharest Court of Law is as follows:

Share holders	No. of shares	%	Value of social capital
Commercial Company for Electricity Distribution and Supply-ELECTRICA SA	2,538,025	100%	25,380,250
TOTAL	2,538,025	100%	25,380,250

By the Board of Directors Decision no.7/14.10.2014 has been approved the opening of general procedure of insolvency by the reorganization of the SC



Servicii Energetice Muntenia SA, by virtue of the Law no. 85/2014 with regard to the insolvency prevention and insolvency procedures.

On 26.11.2014, the Bucharest Court of Law pronounced the conclusion in the File No. 40081/3/2014 by which the insolvency procedure by reorganization of the S.C. Servicii Energetice Muntenia S.A., and ROMINSOLV SPRL has been appointed as judicial administrator.

By the Decision of Shareholders' General Assembly of the SERVICII ENERGETICE MUNTENIA SA no.1/14.01.2015 was approved the appointment of Mr. Mustafa Sinan as special administrator of the SC Servicii Energetice Muntenia SA, based on the art.52 of Law no.85/2014 with regard to the insolvency prevention and insolvency procedures.

The Company's main object of activity is the construction of urban projects for electricity and telecommunications, CAEN code 4222.

The main activity developed by SC SERVICII ENERGETICE MUNTENIA SA is represented by the performance of maintenance services, repairs, investment works and technical consultancy supplied to the local distribution operator, the ENEL DISTRIBUTIE MUNTEANIA SA, sale of goods resulted from the amortized fixed assets, as well as of the motionless materials to the third parties.

The weight of every category of services within the total turnover is as follows:

	December 31, 2013	December 31, 2014
Income from works and services provided	43,652,957	36,271,930
Income from renting	46,093	126,710
Income from sale of goods	107,228	62,289
Income from miscellaneous activities	146,761	75,077
Income from sale of waste	11,870	39,357
Total	43.964.909	36,575,363

We observe that within the turnover total figure the largest weigh – 99.17% - is registered by the income from the works carried out and services provided, followed by the income from miscellaneous activities (renting protocol halls, accommodation services) - 0,34%.

To realize its object of activity the SC Servicii Energetice Muntenia SA is cooperating with about 35 clients, out of which the most important are listed in the table below.

The situation of Company's main clients as the volume of commercial relations during the year 2014 is as follows:

Ref.no.	Partner	MU	Com. rel. volume in 2014
1	ENEL DISTRIBUTIE MUNTENIA SA	RON	42,058,405.71
2	FISE ELECTRICA SERV	RON	632,269.68
3	ELEKTRA INVEST	RON	539,227.64
4	ENEL DISTRIBUTIE BANAT	RON	361,658.47
5	RADET	RON	241,848.34
6	RCS&RDS	RON	203,311.54
7	EON MOLDOVA DISTRIBUTIE	RON	151,240.87
8	SMART SA	RON	109,856.41
	TOTAL		44,297,818.66

The total of issued invoices in 2014 is in amount of 45,310,869.74 lei, so we can observe that SC SERVICII ENERGETICE MUNTENIA SA is dependent in 92% of the services asked by de ENEL DISTRIBUTIE MUNTENIA SA, that represent a very high risk for activity continuity, under the condition when there are a large number of competitors in the market for energy services, who bid at very low prices compared with SC Servicii Energetice Muntenia SA, as the fact that, based on framework-contracts concluded, the beneficiary is not compelled to launch orders for works.

During the period analyzed, the SC Servicii Energetice Muntenia SA had an effective average number of 552 employees, with labour contracts on undetermined period, out of which:

- "TESA" [technical-economic and socio-administrative] personnel - 111 employees,

- operational personnel - 441 employees, out of which:

- direct operational personnel – 415 employees
- indirect operational personnel - 26 employees.

Within the SC Servicii Energetice Muntenia SA the monthly average salary per employee during the analyzed period was of 2.916 lei.

CHAP.II THE MANAGEMENT OF THE COMPANY

The Shareholders General Meeting of SC Servicii Energetice Muntenia SA developed its activity in compliance with the Company Articles of Association, its own Regulation of Organization and Operation and the laws in force for the year 2014. The Shareholders General Meeting operated with the components as follows:

1. Ioan Olariu
2. Iuliana Manea
3. Silvia Nijloveanu

The SC Servicii Energetice Muntenia SA Board of Directors developed its activity according to the Company Articles of Association, its own Regulation of Organization and Operation and the laws in force for the year 2014.

The components of Board of Directors are as follows:

1. President – Dan Stanculescu
2. Member - Luiza Chirimeacă
3. Member - Cătălina Groza
4. Member – Ioan Dumbrava
5. Member - Aurel Moise, during the period 01.01.2014-16.12.2014.
6. Member – Gheorghe Smadu, during the period 17.12.2014- at present.

The executive management of the Company was provided by:



1. Aurel Moise, appointed in the position of Company General Manager, during the period 01.01.2014- 16.12.2014,
2. Gheorghe Smadu, appointed in the position of Company General Manager, during the period 17.12.2014- at present
3. Crinela Maria Misaroş, appointed in the position of Economic Director,
4. Petre Badea, appointed in the position of director, Direction of Production.

CHAP.III THE SITUATION OF CAPITAL ASSETS

The SC Servicii Energetice Muntenia SA has as per 31.12.2014 of capital assets in net value of 138,869,240 lei, composed of :

1.Licences and other intangible assets.....	18,379 lei
2. Lands and buildings.....	136,301,221 lei
3.Technical installations and machines.....	2,545,352 lei
4. Other installations, equipment and furniture	22,667 lei.

We mention that:

- on 31.12.2014 the re-evaluated values for lands and buildings were recorded in the accountancy, re-evaluated at market costs, resulting a diminution with 102,710,938 lei of net assets value;
- their majority presents a high degree of physical and moral wear, requiring a large amount of expenses with maintenance and repairs.

CHAP. IV THE SITUATION OF CURRENT ASSETS

1. *Stocks situation on age groups as per 31.12.2013 was as follows:*

	Total value 31.12.2013	Total value 31.12.2014	Operational stocks (till 6 months)	Slow moving stocks (6 months - 1 year)	Motionless stocks (older than 1 year)
Auxiliary materials	3,160,761	2,461,521	814,460	617,464	1,029,598
Non-technological fuel	37,625	12,861	11,515	1,346	-
Spare parts	16,918,438	14,464,486	4,632,784	5,203,589	4,628,113
Other supplies	277,772	252,331	89,596	74,419	88,316
Inventory objects	684,038	577,614	206,674	69,520	301,420
Packing	84,945	70,393	31,033	30,472	8,887
Total	21,163,579	17,839,206	5,786,062	5,996,810	6,056,334

We observe a diminution on total with 3,324,373 lei compared with the end of the year 2013, approx. 15.70%, due to:

- the sale of materials and packing existent in the stocks to the third parties in value of 91,884 lei;
- the removal from financial management of protective equipment for employees in value of 98,101 lei;
- the rest of 3,134,388 lei represents the removal from financial management, based on consumption bills, of materials used at the works performed to the beneficiaries.

2. The situation of inventory

The organization and the performance of the inventory developed according the Law of Accountancy no. 82/1991, the O.M.F.P. for the approval of Norms with regard to the organization and performance of patrimony inventory no.2861/2009, based on the Decision no.824/22.10.2014 issued by the company's management.

The goods inventoried based on this decision were: lands, fixed assets,

inventory objects in storage and in use, goods, bank accounts, managers' warranties, printed papers with special internal regime, receivables and payables, accounts of the balance at 31.10.2014.

During the year 2014, the cash in lei was inspected, and no differences in plus in minus were found.

Following the annual inventory no minus/plus of inventory resulted.

3. Debts situation

On 31.12.2014, the debt volume registered by the Company was of 23,102,833 lei, structured as follows:

	December 31, 2013	December 31, 2014
Performance securities given to the clients	64,540	105,547
Clients	18,125,109	15,035,564
Doubtful clients	2,091,627	1,855,143
Clients – invoices to be done	14,145	1,161,708
Depreciation clients	(2,192,481)	(809,680)
Settlements with personnel (guaranties)	-	-
Ineligible VAT	255,251	260,454
Income tax	88,324	0
Other debts with state budget	207,282	286,622
Debts with local budgets	566	0
Various debtors	4,797,629	4,069,556
Depreciation various debtors	(371,168)	(348,641)
Advances for services carried out	22,009	13,128
Total	23,102,833	21,629,401

Compared with 31.12.2013, we observe a diminution with 6.37 % of receivables in balance, mainly due to the number and value diminution of

work orders received from the main client, ENEL DISTRIBUTIE MUNTENIA SA. (according to the framework-agreement concluded, the works are carried out based on orders).

For the outstanding receivables were made recovery efforts, both amicably, and by procedures in court, with different terms of settlement.

In preparing the financial statements was respected company policy regarding the recognition of clients' depreciation.

The Annex no .1 shows the Company's receivables situation in details.

CHAP. V THE SITUATIA OF COMPANY'S DEBTS

On 31.12.2014 the Company registered a volume of debts in amount of 27,500,091 lei, out of which:

- debts to be paid during a period until one year: 3,041,330 lei, composed of:

- debts to suppliers – 1,007,694 lei
- other debts, debts concerning the social insurances included – 2,033,636 lei.

- debts to be paid during a period greater than one year: 24,458,761 lei, composed of:

- invoices to the suppliers in balance at 26.11.2014, the entry date in insolvency procedure, -6,174,983 lei;
- debts in balance at 26.11.2014, the entry date in insolvency procedure, to various debtors, state budget and social insurance budget, local budgets – 18,283,778 lei.

Of all the company's debts 31.12.2014, the biggest weigh is the debt to the FISE ELECTRICA SERV, in value of 14,824,181 lei, taken by foundation protocol, on 01.02.2012, and unpaid up until 31.12.2014, consisting of :

- 3,826,707 lei - the remaining payment of 4,635,980 lei debt taken over by Protocol, spread over 5 years, related to the implementation and operation of SAP information system and other services performed for which the Convention of rescheduling of payment was concluded, registered under no.693/31.08. 2012; for this debt was instituted a real estate mortgage in amount of 5,314,119 lei on the worth of lands and buildings in str. Crementitei No. 27, Sector 2, Bucharest and Sos. Sloboziei 137 A, Giurgiu;

- 10,997,474 lei - the rest of 11,204,974 lei from the debt taken over by the Protocol, spread over 54 months, related to the contract of loan concluded on 20.01.2011 under no.28 by FISE Electrica Serv, as borrower, and FDEE SC Electrica SA as the lender, in which the part of 12,534,378 lei was used by the borrower exclusively in the benefit of the Company SISE Electrica Muntenia Sud (whose assets and liabilities were taken over by SC SERVICII ENERGETICE MUNTENIA SA) in the aim of restructuring, reorganization and business efficiency; for this debt has been established the real estate mortgage on the lands and buildings in str. Complex Peace no. 38, village of Izvorani, Ciolpani commune, Ilfov County (in amount of 19,922,710 lei) in favour of SC FDEE ELECTRICA SA. This mortgage was removed in the last quarter by SC FDEE ELECTRICA SA.

Because the company has not had sufficient financial resources to pay the instalments related to this Convention, SC ELECTRICA SA, proceeded to the enforcement of the mortgage beginning with 05/04/2013, by B.E.J. ASOCIATI DORINA GONT, LUCIAN GONT AND MARIAN PANAIT. Following the revaluation carried out by SC PRECISS CONSULTING SRL, the movement value of mortgaged property was set at 16,321,175 lei, value with which started the sale through auction. Until 31.12.2013 two sessions were held for sale at public auction, sale not completed until now.

The short-term debts at 31.12.2013 against 31.12.2014 decreased due to blocking to payment of debts that SC Muntenia SA ENERGY SERVICES had to 26.11.2014, the entry into insolvency proceedings.

During the year, the company paid partly its obligations to the state, social health insurance budget, and local budgets, remaining arrears on 26.11.2014, the entry date into insolvency proceedings, in amount of 3,442,538 lei.

The reason for the no-payment of this amount on due time is the attachment of current account receipts in December 2013 by BEJ DUICĂ CLAUDIU AND DUICĂ ALEXANDRA CLAUDIA in the execution file no. 58/2013, after the definitive judgment no. 4195/11.27.2013 pronounced by the High Court of Cassation and Justice in 37502/3/2006 file, as well as at the request of the creditor SC AUTO COURIER SRL, by the liquidator BNP Consult SPRL, and by diminishing the revenues from the basic activity throughout the year 2014.

The Annex no 2 shows the detailed situation of Company's debts.

CHAP. VI FINANCIAL AND ACCOUNTING SITUATION

The situation of realization of revenues, expenditures and financial results during the period January-December 2014 is as follows:

- Income from operation: 37,066,250 lei
- Expenses from operation : 45.114,516 lei
- Financial income: 38,971 lei
- Financial income: 29,532 lei

From structural checking results, that from the operating activity was realized a loss of 8,048,266 lei, and from the financial activity resulted a profit of 9,439 lei, resulting a gross loss of 8,038,827 lei (Annex No.3 - Profit and Loss Account).

The analysis of realization of Revenue and Expenditure Budget for the year 2014 compared to the approved budget (Annex No. 4), indicates that 8,038,827 lei loss is due to:

- a) the failure to achieve the revenues forecasted, as no sufficient works orders have been received to achieve the planned value (according to the framework-contract concluded with the main client, ENEL

DISTRIBUTIE MUNTENIA SA, the works are carried out based on orders). The incomes had been realized in percentage of 63.64% compared to the approved budget.

We specify that the remaining value of contracts with the main customer, SC ENEL DISTRIBUTIE MUNTENIA SA, on the year 2014 was of 76,650 thousand lei, which would have been sufficient to ensure the financing and business continuity of SERVICII ENERGETICE MUNTENIA SA, but the client is not obliged to issue orders up to the maximum contract value. In recent years there has been a continuous decrease of works and services that we are asked to perform.

Another cause that has begun to affect continuing the activity of SERVICII ENERGETICE MUNTENIA is the fact that on the month of November 2014 ended the contract concluded in 2012 with ENEL DISTRIBUTIE MUNTENIA SA

For the next 36 months were auctioned by SC ENEL DISTRIBUTIE MUNTENIA SA, on the Bucharest town area, 3 (three) framework-contracts, existing the restriction to do not participate as prime contractor on more than one contract. Because SC SERVICII ENERGETICE SA had outstanding debts to the state budget, health insurance budget, and local budgets amounted to 4,323 thousand lei on 30.09.2014, and due to the conditions required by the specifications, the only solution was to participate in the tenders as a subcontractor of SC F.I.S.E. - ELECTRICA SERV SA, on the east-west zone. The estimated monthly value of the works on the new contract is of maximum 2,000,000 lei, which requires drastic measures of reorganization in the aim to reduce the expenses.

b) Making expenses in proportion of 77.56% compared to the level approved due to:

- the increase of expenses with the electricity given to the employees based on the collective employment contract;
- the expenses with auxiliary materials, spare parts and supplies required by the beneficiaries, which could not be quantified at the moment of drawing up the Revenues and Expenditures Budget for the year 2014;

- the very large expenses with utilities, security services, maintenance, with charges and local taxes on buildings and lands owned in the company's heritage, not all of which are used 100% for the productive activity.

- the registration of depreciation adjustment of the land in Snagov, resulting from the re-evaluation, in amount of 3.006 thousand lei.

The analysis in the structure of revenues and expenses is presented in details in Annex no. 4.

The accounting loss for the year 2014 amounting to 8,038,827 lei will be transferred into the "Carried forward result" account, it will be recovered, according to the law, during the next 7 (seven) consecutive years.

CHAP. VII INVESTMENTS PERFORMED IN 2014

Due to the lack of liquidities, in 2014 the company was not engaged in significant investment projects.

In 2014, we do not record any investments.

CHAP. VIII THE SITUATION OF COMPANY'S DISPUTES

The Legal Department is working on at the end of 2014, a total of 29 lawsuits, which have been prepared and supported before the competent courts (Annex No. 5)

CHAP. IX ECONOMICAL-FINANCIAL INDICATORS



1. Liquidity indicators:

- a). Current liquidity indicator = current assets/current debts = 15,07
- b). Immediate liquidity indicator =(current assets-stocks)/current debts=8,85

2. Risk indicators:

Gearing indicator = borrowed capital/equity *100=16

3. Activity indicators:

- a). Speed of turnover = sale cost/ average stock = 1.88
- b). Speed of debts/clients = clients balance/issued invoices value*365=122days
- c). Speed of total assets = turnover/total assets = 0,20

4. Profitability indicators:

- a). Return of capital employed = profit/capital employed = 0
- b). Gross margin of sales = profit/turnover = 0

CHAP. X RISKS

1. Market risk

The risks to which the company is subject, by virtue of its main object of activity were evaluated by company's management, and policies were applied with regard to the increasing strong competition on the energy services market in Romania.

It should be noted that approximately 92% of the turnover was made on behalf

of ENEL DISTRIBUTIE MUNTENIA contracts, which represents a very high risk.

2. Financial risks

The main financial risk arises from the result recorded at December 31, 2014, respectively 8,038,827 lei loss, as well as from the accounting losses not covered on the years 2012 and 2013, amounting to 21,323,226 lei. From the analysis of the structure of the profit and loss account results a turnover with 16.80% lower than the previous year, while operating expenses were reduced by 35.96%.

There has been also registered a high value of average duration of customers' collection, which affects the cash flow, as the liquidity and solvency indicators implicitly.

3. Other risks

We mention that the company is subject to other controls made by the various authorities, such as those for environmental protection, labour safety, etc., whose effects cannot be estimated by the auditor.

CHAP.XI THE REQUEST TO OFFLOAD THE ADMINISTRATORS OF FINANCIAL ADMINISTRATION

Within the SC Servicii Energetice Muntenia SA did not register changes in the shareholding structure and there were no cases of conflict of interest of any kind.

They respected the tasks stipulated at Article 10 of the Accounting Law



82/1991, republished, with regard to the organization and correct record and updated accounting.

Economic and financial operations on the financial year 2014 were recorded in the legal documents and in the accounting, as reflected in the analytical balance and the balance sheet at 31.12.2014.

All the positions written in the balance sheet correspond to the data recorded and are consistent with the real situation of patrimonial elements.

There were no compensations performed between balance sheet accounts and nor between income and expenses of the account of profit and losses.

They respected the accounting principles, the rules and models provided by the procedures in force.

Special Administrator,

Sinan MUSTAFA

24.03.2015.....



The undersigned, **GUIU Victoria**, interpreter & translator authorized for the languages English and French, by virtue of the licence no. 207/1998 issued by the Ministry of Justice of Romania, do hereby certify the conformity of the translation made from Romanian into English language, that the text presented was translated completely, with no omissions, and, by translation, the contents and the meaning of the document were not distorted.

THE SWORN TRANSLATOR & INTERPRETER,

GUIU Victoria

