



STEERING COMMITTEE REPORT

S.C. VES S.A. SIGHISOARA

Annual report elaborated as per Regulation 1/2006 of the National Securities Commission, Annex 32

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For the financial exercise 2014

Report date: 25.03.2015

Name of commercial company: S.C. VES S.A. Sighișoara

Registered offices: Sighișoara, str. Mihai Viteazul 102, Mureș

Phone no.: 0265.773.840

Fax no.: 0265.778.865

Registered with the Trade Registry Office under no.: 1223604

Order no. with the Trade Registry: J26/2/1991

Regulated market where securities issues are traded: BVB (*Bucharest Stock Exchange*), 2nd class, technical system BVB - ARENA - REGS

Share capital, paid-up and subscribed: RON 11,881,718.5

Main characteristics of securities issued by this commercial company: ordinary registered shares.

STEERING COMMITTEE REPORT

S.C. VES S.A. SIGHISOARA

OVERVIEW OF COMMERCIAL COMPANY'S ACTIVITY

1.1. a) Overview of commercial company's core activity

The core activity developed by S.C. VES S.A. consists in: manufacturing and trading of enamel- and Teflon-coated vessels, natural gas convectors, cooking and heating stoves, solid fuel fireplaces, garden grills, electrostatically painted products, and miscellaneous enameled or painted sheet metal items.

b) The incorporation date of the commercial company

In 1976, the "Întreprinderea de vase emailate Sighișoara" company is incorporated (abbreviated IVES), based on presidential decree no. 19/1976 – state-owned enterprise, manufacturer of enameled vessels.

c) Overview of any significant merger or reorganization of the commercial company, of its subsidiaries or companies under its control, during the financial exercise

During the 2014 financial exercise, no merger or reorganization actions were performed within S.C. VES S.A.

Brief overview of the background of S.C. VES S.A. SIGHIȘOARA

Date	Event
1976	Incorporation of the "Întreprinderea de vase emailate Sighișoara" (abbreviated IVES), based on presidential decree no. 19/1976 – state-owned enterprise, manufacturer of enameled vessels
1978	S.C. VES SA starts mass manufacturing of a range of enameled products
1990-1995	The enterprise is converted into a commercial company having the state as the major shareholder
1995	S.C. VES S.A. enters new outlet markets: USA, Western Europe
1997	Privatization of S.C. VES S.A.
2000	S.C. VES S.A. becomes a licensee of Lampart Budafoki for gas convectors and starts production both for domestic and for foreign markets
2005	S.C. VES S.A. starts production of cooking and heating stoves
2006	SC VES SA starts production of fireplaces
2007	S.C. VES S.A. registers "CALDI" as its proprietary brand for fireplaces and cooking and heating stoves
2008-2009	VES becomes market leader for this range of products under the CALDI trademark.
2010	VES S.A. starts repositioning itself on the market by measures like rebranding, launching of premium products range and by a set of promotion activities. It elaborates the sales policy and implements the unitary market policy It launches the on-line store It launches the range of fireplaces adapted to the 2011 market demand
2011	SAP implementation products (SD, MM, PP and FI-CO modules) It starts processes of restructuring, redesign of internal core, primary and support processes Development of Caldi products in low-medium segment with minimal technological investments It sets up the Caldi and Vessels division, structuring the sale power to adjust to this new segmentation
2012	The company's management system is changed into Two Tier model (company's administration shall be provided by the Supervisory Board and by the Steering Committee) Extension of sales of fireplaces on foreign markets (Czech Republic, Poland, Italy, Portugal, Germany, Hungary, Macedonia); Implementation of supply-chain involving increase in efficiency of sale-production-transport-purchases-financial circuit; Increase of the number of clients in vessels segment both domestically (including the retail market) as well as externally, in countries like Serbia, Poland, Slovenia and Slovakia.
2013-2014	The strategy adopted by the company in this interval materialized in achievement, during 2014, of a net profit amounting to RON 1,855,861.

d) *Overview of acquisition and / or disposal of assets*

Tangible fixed assets of the company decreased by RON 131,817 compared to 2013. No disposal of assets was performed during 2014 financial exercise, fixed assets were deleted from accounting books by scraping.

e) *Overview of main results of assessment of company's activity*

1.1.1. General assessment items

Indicators	2014
Turnover (RON)	32,016,616
Operating income (RON)	2,235,148
Gross income (RON)	1,893,501
Net profit(RON)	1,855,861
Export (RON)	10,589,223
Operating expenditures (RON)	33,165,644
Total expenditures (RON)	33,951,761
Liquidity (cash) - (RON)	1,392,908

1.1.2. Assessment of commercial company's technical capacity

Overview of the main products manufactured and / or services delivered, stating:

a) *The main outlet markets for each product or service, and corresponding distribution methods.*

The main products manufactured by S.C. VES S.A., also showing quantitative structure of production sold in 2014:

Quantitative structure of production sold(pcs)	2014
Total production sold, of which:	
Enameled vessels + Grills	1,663,376
Fireplaces	19,454
Cooking and heating stoves	2,388
Convectors	139,185
Accessories	75,455
Miscellaneous	17,827
Total	1,917,685

The distribution policy adopted by S.C. VES S.A. for its products, as well as the outlet market thereof:

Products	Distribution policy	Outlet market
S.C. VES S.A.		
Enameled vessels + Grills	- Distributors	- Germany, Moldova, Hungary, Poland, Serbia, Macedonia, Bulgaria, Slovenia, Croatia, Slovakia, Czech Republic, - Romanian market
Fireplaces	- Regional networks of specialized stores	
Cooking and heating stoves	- Multinational networks of specialized stores	- European market: Poland, Hungary, France, Holland, Germany, Norway, Bulgaria, Slovakia, Croatia, Bosnia
Convectors	- Retail stores	
Accessories + Miscellaneous	- Wholesale warehouses	

The turnover of SC VES SA SIGHISOARA in 2013 amounts to RON 32,450,240

Company's operating incomes in December 2013 amount to RON 34,445,519

b) The weight of each class of products or services in commercial company's overall incomes and total turnover over the last three years

The table below shows the weight of incomes achieved from production sold, for each market type (domestic and foreign) in total incomes achieved from company's production sold:

	2014	
	%	
	Domestic market	Foreign market
Incomes from production sold, total VES, of which:	100%	
Production sold on market type:	65.05%	34.95%
Enameled vessels + Grills	30.24%	22.88%
Fireplaces	16.74%	9.72%
Cooking and heating stoves	5.23%	0.23%
Convectors	5.04%	0.00%
Accessories + Miscellaneous	0.75%	1.71%

c) Considered new products, for which a substantial volume of assets shall be allocated during the next financial exercise, as well as the progress of development of such products

Considering the high degree of implementation of the portfolio of VES's traditional products (especially CALDI) and starting from company's capabilities and market position, we intend to consolidate diversification in the following directions: proprietary brand, as well as in high-demand directions: the segment of users of biomass heating systems.

Operationally, the management intends to improve the operational processes so that operating activity generates sufficient return to cover funding costs for current and investment activities.

For the Vessels segment, our objective is to maintain the position on domestic market and to increase sales on foreign market.

Measures shall be taken to improve the image of certain products, so that they gain market competitiveness and attractiveness for potential clients, and therefore, in this segment, development of proprietary brands is a priority.

Assessment of technical-material supply activity (domestic sources, import sources)

Sources of supply:

Raw materials used*		2014	Units
		Purchase price	
Domestic sources	Sheet metal	2.50	RON/kg
	Frit	4.50	RON/kg
	Pigments	75.0	RON/kg
Import sources	Cold laminated sheet	650.00	EUR/to
	Pipe	3.75	EUR /lm
	Vermiculite	20.40	EUR /m ²
	Pigments	12.00	EUR /kg
	Frit	1.15	EUR /kg

Most important raw material for S.C. VES S.A., considering quantities used, is sheet metal. It is mainly supplied from foreign providers.

Considering the seasonal nature of VES's activity, especially – but not limited to – the CALDI segment, company's management attempted a policy of annual contracts concluded with large international retail networks and large distributors.

As for the raw materials inventory, it is seized to correspond to production forecasts for five days following the sheet metal delivery date. A significant factor of influence for the raw materials inventory (namely sheet metal and frit) is the rather high variation of their acquisition price.

Assessment of sales activity

a) Overview of sales progress, sequentially on domestic and / or external markets, and of sales perspectives in medium and long term

S.C. VES S.A. develops manufacturing activities for enameled vessels, grills, fireplaces, cooking and heating stoves addressed both to the Romanian and to European outlet markets. In Europe, SC VES SA sells its products to Poland, Hungary, Germany, France, Croatia, Bulgaria etc. Currently there is a competition on the vessels market, dominated by manufacturers of stainless steel vessels, Teflon-coated vessels, plastic or thermal-resistant glass vessels, which also maintain important sale figures for enameled vessels. This is why S.C. VES S.A. oriented its production towards diversification, shifting towards production of fireplaces, metallic cooking and heating stoves, grills and gas convectors, all of the above under the "CALDI" brand. S.C. VES S.A. also holds the technology for the manufacture of Teflon-coated vessels.

Few domestic players are present on the market in fireplace segment, but most products in this class which are currently available on the Romanian market are imported from countries like Hungary, Macedonia, Serbia, Turkey, Bulgaria, France etc.

	2014
	Amount in RON
Incomes from production sold, total VES, of	30,295,026
Production sold on product types:	
Enameled vessels + Grills	16,093,010
Fireplaces	8,014,127
Cooking and heating stoves	1,655,200
Convectors	1,525,529
Accessories	2,262,984
Miscellaneous	744,177

Incomes achieved from sale of products manufactured by the company of a total amount of RON 30,295,023. The highest weight in incomes is generated by the sale of enameled vessels and grills, followed closely by CALDI products, especially fireplaces.

Thus, enameled vessels generated incomes from sales of RON 16.09 million, followed by fireplaces with RON 8.01 million, accessories and miscellaneous with RON 4.27 million and cooking and heating stoves which brought to the company RON 3.07 million.

b) Overview of competition status in company's activity field, of the market share of company's products or services and of the main competitors

Direct competitors of S.C. VES S.A. are:

Enameled vessels segment:

- S.C. EMAILUL S.A. Mediaş
- S.C. VEF S.A. Focşani

Fireplaces and stoves segment:

- S.C. Termex S.A., Bals
- S.C. MCM & BAV 1MPEX S.R.L., Beius
- S.C. Metalica S.A., Oradea
- S.C. Amrita S.R.L., Târgu Secuiesc

Most important players on the market of Romanian manufacturers of enameled vessels are S.C. Emailul S.A. Mediaş, S.C. VES S.A. and S.C. VEF S.A. Focşani.

c) Overview of any significant dependence of commercial company on a single client or a single group of clients, the loss of which would have a negative impact on company's incomes.

SC VES SA does not have any significant dependence on any client; this an integrant part of company's prudent exposure policy. Due to its diverse range of products manufactured and destined for sale, S.C. VES S.A. has a diverse clients portfolio. The first 10 clients of VES S.A. correspond to 55.14% of total incomes achieved by the company.

1.1.3. Assessment of issues related to commercial company's employees /personnel

a) Identification of the number and training level of employees of the commercial company, as well as

manpower's unionization rate.

The progress of number of employees, of their training level and the unionization rate within S.C. VES S.A.:

	2014	2013	Training level
	Number	Number	
Documented no.:	386	336	
Direct production	273	237	Vocational- / High- school
Indirect production	71	60	Higher education
Administrative	42	39	Higher education

At the end of 2014, the number of employees amounts to 386, of which 273 workers, 71 in indirect production, and 42 in administration. There is no organized labor union within VES.

b) Overview of relations between manager and employees, as well as of any other confrontational elements characterizing these relations.

The relation between employees and management within S.C. VES S.A. is based on the organization chart model, hierarchical subordination relations being instated as per attributions set forth in job descriptions, based on job specific duties.

1.1.4 Assessment of issues concerning the impact of issuer's core activity on the environment

Summary of impact of issuer's core activity on the environment as well as of any pending or foreseen litigations concerning incompliance with environmental legislation.

S.C. VES S.A. develops its activity in compliance with the environment permit issued by the National Environment Protection Agency - Mureş.

S.C. VES S.A. aims maintenance and consistent development of the Integrated Quality / Environment Management System. The Environment Management System applies to all individuals working within the organization, as well as to all activities developed, starting from research and up to commercialization of product.

Therefore, the entire company's personnel undertakes to:

- ✓ Comply with the relevant environmental legislation
- ✓ Permanently improve the Integrated Management System
- ✓ Reduce the impact on environment and prevent pollution, by:
 - Reducing air emissions
 - Reducing generated wastes, and treatment thereof as per relevant regulations

Environment goals set forth in this policy are achieved based on defining environment targets within Environment Management Program and on allocation of required resources.

S.C. VES S.A. is not involved in any **litigations** related to incompliance with legislation on environmental protection.

1.1.5. Assessment of research / development activity

During the 2014 financial exercise, no amounts were allocated to research / development activities.

1.1.6. Assessment of company's activity related to risk management

Overview of commercial company's exposure to price risk, credit risk, liquidity risk and cash flow risk.

Overview of commercial company's policies and targets related to risk management.

Risks shown above are characterized by financial indicators shown in table below:

Liquidity, solvency, profitability	2012	2013	2014
Liquidity			

General liquidity ratio ((circulating assets / (DTS+ deferred incomes))	107.33%	111.99%	109.97%
Current liquidity ratio ((circulating assets – inventories)/(DTS+ deferred incomes))	43.49%	44.32%	56.72%
Solvency			
Patrimonial solvency ratio ((equity + provisions)/total liabilities)	45.18%	38.38%	32.75%
Financial solvency ratio (total assets / (DTS+DTL+ deferred incomes))	182.41%	162.29%	148.70%
Profitability			
Economic rate of return (net profit / total assets)	1.30%	-2.26%	3.01%
Commercial rate of return (net profit / turnover)	2.02%	-3.33%	5.80%
Financial rate of return (net profit / equity)	2.91%	-5.89%	9.18%
Structural rates			
Financial stability ratio (permanent capital / total liabilities)	44.95%	44.78%	36.61%
Global autonomy ratio (equity / total liabilities)	44.65%	38.38%	32.75%
Short-term debt ratio (DTS/ total liabilities)	54.45%	55.16%	63.35%
Total debt ratio ((DTS+DTL+ deferred incomes)/ total liabilities)	54.82%	61.62%	67.25%

Assessing the above financial indicators, the following are noted:

- Return on assets (net profit / total assets) showed a significant improvement from -2.26% in 2013 to a margin of 3.01% in 2014.
- Return on equity (net profit / equity) also followed the ascendant trend of the main margins, shifting to a positive value when VES SA achieved a net profit of RON 1,855,861 –a value of 9.18% in 2014.
- Financial leverage (total assets / equity) maintained a value similar to 2013 – 3.05.
- Return on sales (net profit / turnover) also increased from -3.33% in 2013 to 5.80% in 2014.
- EBITDA shows a value increasing by 86.04%, from RON 1,416,861 at the end of 2013 to RON 2,635,880 in 2014, with a weight in turnover of 8.23%.

a. Market risk¹

Assessing VES's activity, we identified the following market risks:

(i) Currency risk

The company operates mainly in Romania and it is exposed to resulting currency risk, especially for Eur. The currency risk arises mainly from company's loans and financial leasing contracts.

(ii) Interest rate risk for cash flow and fair value

The company's interest rate risk arises from short-term, loans. Loans contracted with floating interest expose the company to interest rate risk for cash flow, which is partially offset by the cash maintained in floating rates.

b. Credit risk

The credit risk arises from cash and cash equivalent and trade receivables. Individual risk thresholds are determined based on internal classification criteria, as per thresholds set forth by the steering committee. Although collection of receivables may be influenced by economic factors, company's management considers that there is no significant loss risk that exceeds currently existing provisions.

c. Liquidity risk

Provisions related to treasury flows are set up at company's operational unit level. Company's management monitors forecasts on company's cash demand, to make sure that enough cash is available to meet operating requirements, so that the company does not exceed credit limit or credit agreements (as the case may be) for all credit facilities. These provisions take into account funding plans for company's debts, compliance with agreements, compliance with internal targets for balance sheet indicators.

¹ The market risk relates to risks arising from external environment of the company, both from clients and from suppliers

Company's management invests the cash excess into interest-bearing current accounts, term deposits, selecting instruments with proper maturities or sufficient liquidity to provide sufficient margins, as set forth in aforementioned forecasts.

Measures proposed for seasonality risk management:

- Policies to stimulate off-season demand
- Minimum inventory policy, to have the lowest possible effect on company's cash
- Launching of projects to reduce storage time for raw materials and manpower in finished products, in various stages of the production cycle

The managerial control monitors implementation of strategies and achievement of targets at company level. It relies mainly on data acquired in internal control process. Managerial control procedures also include accounting-related issues. They are:

- i. Elaboration of budgets and control thereof
- ii. Elaboration and assessment of projects from budget standpoint
- iii. Preparation of operating plan for implementation of strategy
- iv. Execution of plans, work duties, measurement of operating results and of financial performance (performance indicators system at all hierarchical levels)
- v. Reporting, assessment, elaboration of assessment reports, cross-reference of results against the plan.

Operating control covers the method of achievement of specific work duties within routine operations.

Forecast elements of commercial company's activities

a) Overview and assessment of trends, elements, events or uncertainty factors that affect or might affect company's liquidity compared to previous year's same period.

The potential factors that affected company's liquidity in 2014 compared to 2013 relate to certain elements included in aforementioned risk analysis:

- Seasonality of sales of CALDI products;
- Price variations for raw materials,
- Foreign exchange variation (all these representing elements of the market risk);

b) Overview and assessment of events, transactions, economic changes having a significant impact on incomes from the core activity.

For 2015 no major economic changes are foreseen that may have a significant impact on incomes from the core activity. The profit achieved shall be generated exclusively from the core activity.

2. Tangible assets of commercial company

2.1. Overview of location and characteristics of the main production capacities held by the commercial company.

Status of assets held by S.C. VES S.A. at the end of 2013 financial exercise is as follows:

Fixed assets (RON)	Input value	Aggregated depreciation	Remaining value
Constructions and lands	12,227,841	0	12,227,841
Technical plants, transportation means	24,359,098	19,454,013	4,905,085
Other plants, machines and furniture	261,941	168,306	93,635
Down payments and current fixed tangible assets	1,122	0	1,122

Company's fixed tangible assets increased by RON 411,132 compared to 2012.

2.2. Overview and assessment of wear and tear of commercial company's properties.

Fixed assets (RON)	Wear and tear
Technical plants, transportation means	79.86%
Other plants, machines and furniture	64.25%

2.3. *Overview of potential issues related to ownership title on commercial company's tangible assets*

S.C. VES S.A. is not currently faced with any issues related to ownership title on its tangible assets.

3. The market of securities issued by the commercial company

3.1. *Overview of Romanian and other markets where securities issued by the commercial company are traded.*

Symbol of S.C. VES S.A. shares	VESY
Market where securities issued by S.C. VES S.A. are traded	REGS, BVB, Class II

3.2. *Overview of commercial company's dividends policy. Overview of dividends due / paid / built up over the last 3 years and, if the case, of reasons for possible movement of dividends over the last 3 years.*

	2011	2012	2013
% of net profit allocated as dividends	-	-	-
Net dividend / share	-	-	-

3.3. *Overview of any redemption of shares by the commercial company.*

Not applicable.

3.4. *In case the commercial company owns subsidiaries, overview of the number and par value of shares issued by the parent company and held by subsidiaries.*

Not applicable.

3.5. *In case the commercial company issued bonds and / or other debt securities, overview of how the commercial company pays its debts to the holders of such securities.*

Not applicable.

4. Management of the commercial company

4.1. Overview of company's administrators

a) Data on administrators:

Administrative management of S.C. VES S.A.					
Name, surname	Position in Administration Board	Position within S.C. VES S.A.	Contribution to S.C. VES S.A. share capital	Qualification	Date of birth
SC ILDATE MANAGEMENT through Alexandru Farcas	President			Economist	24.05.1974
Monica Elena Toda	Vice-president			Economist	25.09.1979
Dan WEILLER	Member			Economist	10.05.1950

b) Any agreement, understanding or family connection between respective administrator and another person based on which such person was appointed as administrator

No such agreements or understandings exist.

c) Administrator's contribution to the share capital of the commercial company:

S.C. VES S.A. administrators hold share capital contributions as follows:

d) List of company's affiliated entities

1. SC CHIMSPORT SA: directly holding 32.90% of the total share capital;
2. S.C. CHIMICA SA: holding 99.97% of the share capital of SC CHIMSPORT SA.

Overview of the list of members of commercial company's executive management:

a) The term for which respective individual is member of executive management

The executive management of VES is as follows:

Executive management of S.C. VES S.A.			
Name, surname	Position within S.C. VES S.A.	Contribution to S.C. VES S.A. share capital	Qualification
Alin Sorin FETITA	Directorate president		MBA
	Since 01.07.2012		
Mioara HANDARIC	Directorate member		Economist
	17.12.2012		
Marinela Angelica Stoica	Directorate member		Economist
	Since 10.12.2013		

Members of executive management of S.C. VES S.A. are appointed for the following periods:

1. **Alin-Sorin Fetita**, Directorate president: 4 years, until 09.02.2016
2. **Mioara Handaric**, Directorate member: 4 years, until 24.01.2016

b) Any agreement, understanding or family connection between respective administrator and another person based on which such person was appointed as member of executive management

Not applicable.

Respective individual's contribution to the share capital of commercial company

Not applicable.

4.2. For all individuals shown in 4.1. and 4.2, overview of possible litigations or administrative procedures they were involved in, over the past 5 years, concerning their activity within this commercial company, as well as those concerning such individual's capacity to perform his / her duties within this commercial company.

5. Financial-accounting status

Overview of the current economical-financial status compared to the last three years.

Summary of the main economical-financial indicators achieved by S.C. VES S.A. during 2012- 2014:

	2012	2013	2014
Summary of performances during the financial exercise			
<i>Turnover (RON)</i>	28,011,518	32,450,240	32,016,616
<i>EBITDA (RON)</i>	4,577,405	1,416,861	2,635,880
<i>Depreciation expenditures (RON)</i>	2,447,015	1,662,966	400,732
<i>Operating incomes (RON)</i>	34,191,476	35,463,821	35,400,792
<i>Net profit (RON)</i>	566,475	-1,081,962	1,855,861
Summary of performances at the end of financial exercise			
<i>Total assets (RON)</i>	43,532,781	47,820,441	61,705,512
<i>Equity (RON)</i>	19,436,041	18,354,079	20,209,940
<i>Number of employees</i>	345	336	386
Indicators (ratios)			
<i>Return on Assets (ROA) (net profit / total assets)</i>	1.30%	-2.26%	3.01%
<i>Return on Equity (ROE) (net profit / equity)</i>	2.91%	-5.89%	9.18%
<i>Financial leverage (total assets / equity)</i>	2.24	2.61	3.05
<i>Return on sales (net profit / turnover)</i>	2.02%	-3.33%	5.80%
Indicators / Share			
<i>Earnings per share (EPS)</i>	0.0048	-0.0091	0.0156
<i>Equity / no. of shares</i>	0.1636	0.1545	0.1701
<i>Net dividend / share</i>	-	-	-

The turnover of VES company maintained in 2014 at a level similar to the value achieved during the previous year, yet we should note an increase of efficiency of company's activities, leading to achievement of a net profit of RON 1,855,861.

This issue generated an improvement of profitability indicators compared to the last year: ROE (return on equity) achieved in 2014 a value of 9.18%, compared to the negative value achieved at last year's end, and return on sales achieved a value of 5.80% compared to -3.33% achieved in 2013.

a) balance items: assets representing no less than 10% of total assets; cash and other available liquidities; reinvested profits; total current assets; total current liabilities;

Balance sheet –abridged version:

	2012	2013	2014
TOTAL ASSETS	43,532,781	47,820,441	61,705,512
Total fixed assets, of which:	18,050,006	18,228,836	17,871,479
Fixed intangible assets	922,611	662,305	643,771
Fixed tangible assets	16,948,368	17,359,500	17,227,683
Fixed financial assets	179,027	207,031	25
Total circulating assets, of which:	25,475,607	29,574,838	43,015,801
Inventories	15,153,847	17,870,340	20,828,051
Liabilities	10,157,490	11,321,270	20,794,842
Short-term investments	0	0	0
Cash register and bank accounts	164,270	383,228	1,392,908
Deferred expenditures	7,168	16,767	818,232
TOTAL LIABILITIES	43,532,781	47,820,441	61,705,512
Short-term debts	23,705,402	26,378,523	39,087,586
Long-term debts	131,047	3,058,522	2,378,669
Provisions	230,974	0	0
Deferred incomes	29,317	29,317	29,317
Equity	18,434,900	18,434,900	18,434,900
Equity premiums	0	0	0
Reassessment reserves	12,736,369	12,736,369	12,736,369
Reserves	1,804,918	1,804,918	1,804,918
Result of financial exercise	566,475	-1,081,962	1,855,861
Equity - Total	19,436,041	18,354,079	20,209,940

Company's fixed tangible assets increased by RON 131,817 in 2014, compared to 2013, following a decrease in value of lands and constructions to RON 12,227,841, from RON 12,764,293.

No disposal of assets was performed during the 2013 financial exercise, removal of fixed assets from record books was made by scrapping. As for inventories, S.C. VES S.A. shows an increase in level thereof, by 16.55% compared to previous year, from RON 17,870,340 to RON 20,828,051.

b) profit and loss account: net sales; gross incomes; cost and expenditure items with a weight in excess of 20% out of net sales or gross incomes; risk provisions and provisions for sundry expenditures; reference to any sale or downtime of activity segment occurred during the last year or to occur during the next year; dividends declared and paid;

Profit and loss account–abridged version

RON	2012	2013	2014
Turnover	28,011,518	32,450,240	32,016,616
Loss of production	28,821,139	32,931,669	31,995,057
Operating income - Total	34,191,476	35,463,821	35,400,792
Expenditures for raw materials and consumables	14,625,883	17,848,607	16,316,285
Other material expenditures	82,072	116,204	180,735
Other external expenditures	2,049,855	2,069,289	2,468,447
Expenditures for goods	-13,438	396,237	75,851
Personnel expenditures	8,806,090	8,865,689	9,695,997
Depreciation expenditures	2,447,015	1,662,966	400,732
Other operating expenditures	4,347,368	4,866,331	3,883,284
Operating expenditures - Total	32,061,086	35,709,926	33,165,644
Financial incomes	505,491	445,920	444,470
Financial expenditures	2,096,211	1,281,993	786,117
Gross result of exercise	539,670	-1,081,962	1,893,501
Profit tax	-26,805	0	37,640
Net result of exercise	566,475	-1,081,962	1,855,861

Company's operating expenditures showed a significant decrease, from RON 35,709,926 in 2013 to RON

33,165,644 lei 2014, meaning a percentage drop of 7.12%.

This materialized in achievement, by VES SA, of an operating profit amounting to RON 2,235,148 compared to the operating loss suffered during the last year.

Personnel expenditure showed in 2014 an increase by 9.37% compared to the previous financial exercise, but referenced to profitability achieved by the company in 2014 we may assert that it was efficiently sized.

The calculation method for **depreciation** used by S.C. VES S.A. is the linear depreciation method.

Financial expenditures include:

- Expenditures for bank interests, amounting to RON 486,496;
- Other financial expenditures, amounting to RON 299,621.

c) cash flow: *all changes incurred in the cash flow corresponding to the core activity, to investment and financial activities, cash levels at the start and end of the period.*

Cash flow –abridged version

	2014
Net cash flow from operating activities	-18,412,254
Net cash flow from investments	674,043
Net cash flow from funding activities	1,874,891
Cash available at the start of the period	383,228
Cash available at the end of the period	1,392,908

The cash available at the end of 2014 financial exercise **amounts to RON 1,392,908.**

6. Signatures

List of signatures:

**Directorate President,
Alin-Sorin FETITA
Illegible signature and stamp**