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Independent Auditors' Report (free translation¹)

To the Shareholders of
C.N.T.E.E. Transelectrica S.A.

Report on the consolidated financial statements

- 1 We have audited the accompanying consolidated financial statements of C.N.T.E.E. Transelectrica S.A. ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

- 2 The management of the Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards as endorsed by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 Standards on Auditing as adopted by the Chamber of Financial Auditors of Romania. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatements.
- 4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements 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 principles 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 qualified audit opinion.

¹ TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditors' report is provided as a free translation from Romanian which is the official and binding version.

Basis for Qualified Opinion

- 6 As of 31 December 2012 the Company did not comply with certain financial indicators stipulated in the long-term loan contract no. 20864 concluded with the European Investment Bank. Accordingly, long term liabilities of RON 64,551 thousand related to this contract should have been presented as short term liabilities as at 31 December 2012 in accordance with International Accounting Standard 1 "Presentation of Financial Statements". Our opinion on the consolidated financial statements as of and for the year ended 31 December 2012 was modified in this respect. Our opinion on the current period's consolidated financial statements is also modified because of the effects of this matter on the comparability of the current period's figures and the corresponding figures.

Qualified Opinion

- 7 In our opinion, except for the effects on the corresponding figures as of 31 December 2012 of the matter described in paragraph 6, the consolidated financial statements presents fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2013, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Other Matters

- 8 This independent auditors' report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for the report on consolidated financial statements and the report on conformity, or for the opinion we have formed.

Report on conformity of the Directorate's Consolidated Report with the Consolidated Financial Statements

In accordance with the Order of the Minister of Public Finance no 1286/2012 and related amendments, article 30 letter c) of the accounting regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are traded on regulated markets, we have read the Directorate's Consolidated Report attached to the consolidated financial statements. The Directorate's Consolidated Report is not a part of the consolidated financial statements. In the Directorate's Consolidated Report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying consolidated financial statements.

Refer to the original signed
Romanian version



For and on behalf of KPMG Audit SRL:

Razvan Mihai

KPMG Audit SRL

registered with the Chamber of Financial
Auditors of Romania under no 2561/2008

registered with the Chamber of Financial
Auditors of Romania under no 9/2001

Bucharest, 25 March 2014