

**CN Transelectrica SA**  
**Company managed in a two-tier system**

Separate Temporary Simplified Financial Statements  
as at and for three months interval ended  
**31 March 2015**

prepared in accordance with  
**International Accounting Standard 34 – “Temporary Financial Reporting”**

**CN Transelectrica SA**

Separate simplified statement of financial position as at 31 March 2015

*(All amounts are in LEI, unless stated otherwise)*

	Note	31 March 2015	31 December 2014
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	3,328,902,053	3,387,759,611
Intangible assets		38,080,000	39,502,652
Financial assets		57,027,900	57,027,900
<b>Total non-current assets</b>		<b>3,424,009,953</b>	<b>3,484,290,163</b>
<b>Current assets</b>			
Inventories		35,730,923	35,680,518
Trade and receivables	5	842,865,455	1,056,178,011
Cash and cash equivalents	6	839,538,629	865,237,573
<b>Total current assets</b>		<b>1,718,135,007</b>	<b>1,957,096,102</b>
<b>Total assets</b>		<b>5,142,144,960</b>	<b>5,441,386,265</b>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>			
Share capital, of which:		733,031,420	733,031,420
<i>Subscribed share capital</i>		733,031,420	733,031,420
<i>Adjustments of share capital to inflation</i>		-	-
Share premium		49,842,552	49,842,552
Legal reserves		78,424,484	78,424,484
Revaluation reserves		602,443,422	615,407,592
Other reserves		24,876,704	23,660,704
Retained earnings		1,452,111,763	1,312,739,568
<b>Total shareholders' equity</b>	7	<b>2,940,730,345</b>	<b>2,813,106,320</b>
<b>Non-current liabilities</b>			
Long term deferred income	8	546,843,458	552,768,103
Borrowings	9	715,120,838	792,043,629
Deferred tax liability		26,993,733	28,209,782
Employee benefits obligations		29,126,106	29,126,106
<b>Total non-current liabilities</b>		<b>1,318,084,135</b>	<b>1,402,147,620</b>
<b>Current debts</b>			
Trade and other liabilities	10	590,038,762	945,656,726
Other tax and social security liabilities	12	8,828,760	7,577,887
Borrowings	9	202,022,462	200,678,234
Provisions		24,434,384	24,784,498
Short term deferred income		33,727,601	33,069,502
Income tax payable		24,278,511	14,365,478
<b>Total current liabilities</b>		<b>883,330,480</b>	<b>1,226,132,325</b>
<b>Total liabilities</b>		<b>2,201,414,615</b>	<b>2,628,279,945</b>
<b>Total shareholders' equity and liabilities</b>		<b>5,142,144,960</b>	<b>5,441,386,265</b>

The accompanying notes 1-20 constitute integrant part of these separate financial statements.

**CN Transelectrica SA**

Separate statement of profit or loss as at 31 March 2015

*(All amounts are in LEI, unless stated otherwise)*

	Note	31 March 2015	31 March 2014
<b>Revenues</b>			
Transmission revenues		360,642,643	326,530,155
System service revenues		196,966,049	204,117,944
Balancing market revenues		212,081,618	154,190,333
Other revenues		9,432,603	14,032,263
<b>Total revenues</b>	<b>13</b>	<b>779,122,913</b>	<b>698,870,695</b>
<b>Operational expenses</b>			
System operating expenses	<b>14</b>	(65,145,353)	(54,733,599)
Balancing market expenses	<b>14</b>	(212,081,618)	(154,190,333)
Technological system services expenses		(195,302,022)	(162,015,822)
Amortisation		(80,118,507)	(82,072,496)
Personnel expenses		(40,240,361)	(39,510,552)
Repairs and maintenance expenses		(14,244,325)	(16,729,176)
Materials and consumables		(2,090,341)	(1,962,463)
Other operating expenses	<b>15</b>	(21,031,673)	(22,817,223)
<b>Total operational expenses</b>		<b>(630,254,200)</b>	<b>(534,031,664)</b>
<b>Operational profit</b>		<b>148,868,713</b>	<b>164,839,031</b>
Financial revenues		14,673,112	13,972,777
Financial expenses		(13,514,114)	(16,857,070)
<b>Net financial result</b>	<b>16</b>	<b>1,158,998</b>	<b>(2,884,293)</b>
<b>Profit before tax</b>		<b>150,027,711</b>	<b>161,954,738</b>
Income tax	<b>11</b>	(23,619,686)	(25,459,397)
<b>Profit of the period</b>		<b>126,408,025</b>	<b>136,495,341</b>

The accompanying notes 1-20 constitute integrant part of these separate financial statements.

## Directorate,

Ion - Toni TEAU  
Directorate ChairmanConstantin VADUVA  
MemberOctavian LOHAN  
MemberMaria IONESCU  
Economic DirectorVeronica CRISU  
Manager

**CN Transelectrica SA**

Separate statement of equity changes as at 31 March 2015

(All amounts are in LEI, unless stated otherwise)

	Share capital	Share premium	Legal reserve	Revaluation reserve	Other reserves	Retained earnings	Total
<b>Balance as at 1 January 2014</b>	<b>1,091,525,913</b>	<b>49,842,552</b>	<b>57,703,302</b>	<b>669,257,305</b>	<b>18,340,125</b>	<b>727,227,938</b>	<b>2,613,897,135</b>
<b>Comprehensive revenue of the period</b>							
Profit of the period	-	-	-	-	-	136,495,341	136,495,341
<b>Other comprehensive revenue, of which</b>							
Determined benefit plan actuarial gains	-	-	-	-	-	-	-
<b>Total other comprehensive revenue</b>	-	-	-	-	-	-	-
<b>Total comprehensive revenue of the period</b>						<b>136,495,341</b>	<b>136,495,341</b>
<b>Other items</b>							
Transfer of revaluation reserve to retained earnings	-	-	-	(14,554,380)	-	14,554,380	-
Increase of legal reserve	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-
<b>Total other changes</b>	-	-	-	<b>(14,554,380)</b>	-	<b>14,554,380</b>	-
<b>Contributions by and distributions to shareholders</b>							
Write-off of long-term assets such as public patrimony	-	-	-	-	-	-	-
Structural funds related to long-term assets such as public patrimony	-	-	-	-	1,071,230	-	1,071,230
Dividend distribution	-	-	-	-	-	-	-
<b>Total contributions by and distributions to shareholders</b>	-	-	-	-	<b>1,071,230</b>	-	<b>1,071,230</b>
<b>Balance as at 31 March 2014</b>	<b>1,091,525,913</b>	<b>49,842,552</b>	<b>57,703,302</b>	<b>654,702,925</b>	<b>19,411,355</b>	<b>878,277,659</b>	<b>2,751,463,706</b>
<b>Balance as at 1 January 2015</b>	<b>733,031,420</b>	<b>49,842,552</b>	<b>78,424,484</b>	<b>615,407,592</b>	<b>23,660,704</b>	<b>1,312,739,568</b>	<b>2,813,106,320</b>
<b>Comprehensive result of the period</b>							
Profit of the time interval	-	-	-	-	-	126,408,025	126,408,025
<b>Other comprehensive revenue items, of which</b>							
Determined benefit plan actuarial losses	-	-	-	-	-	-	-
<b>Total other comprehensive revenue items</b>	-	-	-	-	-	-	-
<b>Total comprehensive revenue of the period</b>	-	-	-	-	-	<b>126,408,025</b>	<b>126,408,025</b>
<b>Other items</b>							
Transfer of revaluation reserves to retained earnings	-	-	-	(12,964,170)	-	12,964,170	-
Increase of legal reserve	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-
<b>Total other changes</b>	-	-	-	<b>(12,964,170)</b>	-	<b>12,964,170</b>	-
<b>Contributions by and distributions to shareholders</b>							
Write-off of long-term assets such as public patrimony	-	-	-	-	-	-	-
Structural funds related to long-term assets such as public patrimony	-	-	-	-	1,216,000	-	1,216,000
Dividend distribution	-	-	-	-	-	-	-
<b>Total contributions by and distributions to shareholders</b>	-	-	-	-	<b>1,216,000</b>	-	<b>1,216,000</b>
<b>Balance as at 31 March 2015</b>	<b>733,031,420</b>	<b>49,842,552</b>	<b>78,424,484</b>	<b>602,443,422</b>	<b>24,876,704</b>	<b>1,452,111,763</b>	<b>2,940,730,345</b>

The accompanying notes 1-20 constitute integrant part of these separate financial statements.

**CN Transelectrica SA**

Separate statements of cash flows as at 31 March 2015

*(All amounts are in LEI, unless stated otherwise)*

	<b>3 months' interval ended 31 March 2015</b>	<b>3 months' interval ended 31 March 2014</b>
<b>Cash flows from operational activities</b>		
Profit of the period	126,408,025	136,495,342
<b>Adjustments for:</b>		
Income tax expense	23,619,687	25,459,397
Amortisation expense	80,118,507	82,072,496
Provisions for impairment of trade receivables and other receivables	4,909,173	4,719,856
Reverse of provisions for impairment of trade receivables and other receivables	(5,464,350)	(3,192,944)
Net loss from disposal of property	508,108	379,636
Reverse of adjustments of property, plant and equipment	53,835	-
Interest expense, interest revenue and unrealised foreign exchange gains	(927,545)	9,718,558
<b>Cash flows before changes in current capital</b>	<b>229,225,440</b>	<b>255,652,341</b>
<b>Changes in:</b>		
Trade and other receivables	212,605,625	18,025,895
Inventories	(50,405)	205,720
Trade and other liabilities	(349,805,108)	(217,007,782)
Other tax and social security liabilities	1,250,873	1,450,796
Deferred revenue	(4,050,544)	17,434,210
<b>Cash flows from operational activities</b>	<b>89,175,881</b>	<b>75,761,180</b>
Interest paid	(7,191,021)	(8,702,446)
Income tax paid	(11,648,681)	(10,369,590)
<b>Net cash from operational activities</b>	<b>70,336,179</b>	<b>56,689,144</b>
<b>Cash flows used in investment activities</b>		
Purchase of property, plant and equipment and of intangible assets	(29,744,383)	(57,260,395)
Proceeds from sale of property, plant and equipment	-	-
Interest received	3,038,485	3,706,577
Dividends received	-	-
<b>Net cash used in investment activities</b>	<b>(26,705,898)</b>	<b>(53,553,818)</b>
<b>Cash flows used in financing activities</b>		
Proceeds from long term borrowings	-	-
Proceeds from short term borrowings	-	134,702,501
Repayments of long term borrowings	(69,236,373)	(63,085,728)
Repayments of short term borrowings	-	-
Dividends paid	(92,851)	(45,974)
<b>Net cash used in financing activities</b>	<b>(69,329,224)</b>	<b>71,570,799</b>
<b>Net increase/(decrease) of cash and cash equivalents</b>	<b>(25,698,943)</b>	<b>74,706,125</b>
<b>Cash and cash equivalents as at 1 January (see Note 6)</b>	<b>865,237,573</b>	<b>600,698,763</b>
<b>Cash and cash equivalent at the end of the period (see Note 6)</b>	<b>839,538,630</b>	<b>675,404,888</b>

The accompanying notes 1-20 constitute integrant part of these separate financial statements

## **CN Transelectrica SA**

Notes to the separate temporary financial statements as at 31 March 2015

*(All amounts are in LEI, unless stated otherwise)*

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### **1. General information**

The main activity of the CNTEE Transelectrica SA ("Company") is: electricity transmission, system services and administrator of the balancing market, in accordance with the provisions of the operation licence no. 161/2000 issued by ANRE approved under Decision 865/2000 of ANRE as subsequently amended.

The address of its registered office is Blvd. General Gheorghe Magheru no. 33, Bucharest 1. At present the Company's headquarters is located in Str. Olteni no. 2-4, Bucharest 3.

The separate temporary financial statements as at 31 March 2015 have not been audited.

### **2. Bases of preparation**

#### **a) Statement of compliance**

These separate simplified temporary financial statements have been prepared in accordance with IAS 34 *Temporary financial reporting*. They do not include all the information necessary for a complete set of financial statements in accordance with the International Financial Reporting Standards ("IFRS"). Nevertheless certain notes are included in order to explain the significant events and transactions to understand the changes occurred in the Company's financial position and performance since the last annual separate financial statements as at and for the financial year ended 31 December 2014.

#### **b) Professional judgment and estimations**

The significant judgment used by the governing team in order to apply the Company's main accounting policies, and the main sources of uncertainty of the estimations have been the same as those applied to the separate financial statements as at and for the financial year ended 31 December 2014.

### **3. Significant accounting policies**

The accounting policies applied in these separate temporary simplified financial statements are the same as those applied in the Company's separate financial statements as at and for the financial year ended 31 December 2014.

### **4. Property, plant and equipment**

The decrease in the total value of property, plant and equipment as at 31 March 2015 compared to 31 December 2014 was determined by recording the amortisement of such assets.

In the first quarter of 2015 there was an increase of property, plant and equipment in progress represented mainly by investments to high voltage electrical substations and lines as follows:

- Extending the 400 kV substation Cernavoda - Stage I, replacing 2 shunt reactors - 4,553,955 Lei;
- Refurbishing the 220/110/20 kV substation Campia Turzii – 3,908,692 Lei;
- The 400 kV OHL (overhead line) interconnecting Reșița (România) - Panchevo (Serbia) – 2,680,360 Lei;
- Modernising the control protection system in the 220/110 kV substation Tihău – 2,418,363 Lei;
- Connecting the 110 kV underground cable line Militari-Domnești circuits 1, 2 into the 400/110/20 kV substation Domnești – 1,748,156 Lei;
- Refurbishing the 400/110/20 kV substation Tulcea Vest – 1,576,782 Lei;
- Replacing the 220 kV circuit breaker from Bucharest South bay (circuit 2) - Substation Ghizdaru – 1,198,498 Lei;
- Replacing the 220 kV CB-s in the 220/110/20 kV substation Grădiște – 951,811 Lei;
- Upgrading the control protection and the 20 kV part in the 220 /110/20 kV substation Vetiș – 525,858 Lei;
- Replacing the remote protection equipment of the 220 kV OHL Alba Iulia - Gâlceag and of the 220 kV OHL Alba Iulia –Șugag – 309,850 Lei;
- Converting the Porțile de Fier - Reșița - Timișoara - Săcălaz - Arad axis to 400 kV - Stage I - Extending the 400 kV substation Porțile de Fier – 290,290 Lei;
- Connecting the 136 MW WPP Platonești, Ialomița County to the Electricity Transmission Grid (ETG) by building a 110 kV bay in the 400/110 kV substation Gura Ialomiței - 175,460 Lei;
- Replacing the 220 V dc battery of accumulators no. 2 in Substation Iernut – 131,364 Lei;

## CN Transelectrica SA

Notes to the separate temporary financial statements as at 31 March 2015

(All amounts are in LEI, unless stated otherwise)

In the first quarter of 2015, the biggest transfers from property, plant and equipment in progress to property, plant and equipment are mainly represented by constituting fixed assets when investment objectives were completed such as:

- Replacing the CB-s of the 400 kV bays in Substation Smârdan (2 sets) – 3,456,111 Lei;
- Diminishing the effects of galloping of the 400 kV OHL Cernavoda-Gura Ialomiței, circuit 2 and of the 400 kV OHL Cernavodă-Pelicanu managed by the TB Bucharest – 1,453,161 Lei;
- Replacing the CB-s of the 110 kV bays in Substation Filești (1 set) – 470,560 Lei;
- Replacing tower 159 from the 400 kV OHL Iernut - Sibiu Sud – 367,725 Lei;
- Fencing the live elements in substations Alba, Sibiu Sud, and Iernut, replacing the battery of accumulators – 137,314 Lei;

During the first quarter of 2015 the biggest transfers from intangible assets in progress to intangible assets were represented by:

- Upgrade of back-up solution for HP processing system with virtualising option (Symantec Netbackup licences) – 319.903 Lei;

### 5. Trade and other liabilities

On 31 March 2015 and on 31 December 2014 trade and other liabilities were as follows:

	31 March 2014	31 December 2014
Trade liabilities	814,366,983	1,040,377,900
Other liabilities	188,166,633	130,646,110
Advance payments to suppliers	-	47,637,415
Receivable grants (non-reimbursable funds)	7,991,835	-
Recoverable VAT	-	5,735,273
Adjustments for depreciation of uncertain trade liabilities	(87,348,376)	(87,246,448)
Adjustments for depreciation of other uncertain liabilities	(80,311,620)	(80,972,239)
<b>Total</b>	<b>842,865,455</b>	<b>1,056,178,011</b>

Structure of trade liabilities:

	31 March 2015	31 December 2014
Clients – energy market	809,432,550	1,038,359,848
Other clients	4,934,433	2,018,052
<b>Total</b>	<b>814,366,983</b>	<b>1,040,377,900</b>

On 31 March 2015 the balance of trade liabilities was in sum of 814.366.983 Lei and mainly represented the clients on the electricity market in sum of 809,432,550 Lei (99%), of which clients paying the contribution for high efficiency cogeneration in sum of 209,907,541 Lei.

On 31 March 2015 the clients on balance registered a decrease compared to 31 December 2014 mainly due to increased collection of liabilities in comparison with 2014.

Thus on 31 March 2015 the Company registered diminished liabilities related to the support scheme (136,886,215 Lei on 31 March 2015; 237,121,052 Lei on 31 December 2014) coming mainly from the over-compensation of electricity and heat generation under high efficiency cogeneration in 2011-2013 (in accordance with the provisions of GD 1215/2009).

From 1 January to 31 March 2015 the Company collected 105,925,494 Lei from SC Electrocentrale Bucharest SA and from SC Termo Calor SA representing over-compensation for 2011-2013, of which proceeds in sum of 98,505 Lei from bank transactions and proceeds based on compensations made by the IMI in sum of 105,826,989 Lei.

On 31 March 2015 the Company registered receivable liabilities in sum of 123,857,620 Lei from SC Termo Calor SA, RAAN, CET Govora and Electrocentrale Oradea from the 2011-2013 over-compensations.

In April 2015 the Company collected from Electrocentrale Oradea the liabilities for the 2011-2013 over-compensations in sum of 6,574,430 Lei, based on compensation made by the IMI.

## CN Transelectrica SA

Notes to the separate temporary financial statements as at 31 March 2015

*(All amounts are in LEI, unless stated otherwise)*

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Since the generators that over-compensation was registered for (Romanian Authority for Nuclear Activities RAAN RA, SC Electrocentrale Oradea SA, and CET Govora SA) refused compensating mutual liabilities, the Company has applied the provisions of article 17 par 5 from Order 116/2013 of ANRE approving the Regulation setting the manner to collect the high efficiency cogeneration contribution and paying the bonus for electricity produced from high-efficiency cogeneration: *“in case the generator failed to pay the support scheme administrator all of its payment obligations resulting as per the provisions herein, the administrator of the support scheme will pay the generator the difference between the value of invoices issued by the generator and the generator’s payment obligations related to the support scheme, with clear indication of the said amounts on the payment document”* and has withheld the payment of the bonus owed to such generators for March 2014 to February 2015.

On 27.03.2015 ANRE President issued the overcompensation decisions, namely the quantum settling the ex-ante over-compensation after reviewing the overcompensation for electricity and heat generation under high efficiency cogeneration in the assessed period 01.01-2014-31.12.2014. To this effect during the new overcompensation activity of April 2015 the Company will issue invoices in sum of 48,800,270 Lei to SC Complex Energetic Oltenia SA, SC Electrocentrale Bucharest SA, SC Electrocentrale Oradea SA, SC Interagro SRL, and SC Termo Calor Confort SA.

The main clients on balance on the energy market are: RAAN, CET Govora, Electrica Furnizare, SC Petprod, SC Hidroelectrica SA, and Complex Energetic Oltenia; the share of such clients in the total gross liabilities of the electricity market is 52% (65% on 31 December 2014).

### *Other liabilities*

On 31 March 2015 other liabilities in sum of 188,166,633 Lei included mainly:

- Debtor suppliers for services provided in sum of 40,992,993 Lei, of which 40,932,122 Lei mean sums from transactions under the price coupling mechanism. The application of this price coupling mechanism began on 19 November 2014, when the „4M Market Coupling” project providing coupling of the day-ahead markets (DAM) of Romania, Hungary, Czech Republic and Slovakia became operational. In this price coupling mechanism of day-ahead markets the energy exchanges correlate the day-ahead electric power transactions based on bids, taking into account the interconnection capacity that the TSO provided in order to implicitly allocate it. The CNTEE Transelectrica SA, in its capacity of TSO transfers the electricity both in physical and in commercial terms to the neighbouring TSO (MAVIR-Hungary) and administers the congestion revenues on such interconnection (article 139 from Order 82/2014 of ANRE), being Implicit Participant to the Day-Ahead Market for SC OPCOM SA.

As Transfer Agent and Implicit Participant, the CNTEE Transelectrica SA has got the commercial task to settle the power transacted between SC OPCOM SA and MAVIR.

- Delay penalties calculated for bad payers in sum of 57,527,473 Lei, as well as receivables to be recovered from ANAF in sum of 44,442,936 Lei (see the paragraph below).

The greatest amounts for late payments were registered by SC Electrocentrale Bucharest SA (13,350,343 Lei), Romanian Authority for Nuclear Activities (4,512,508 Lei), SC CET Govora (4,191,935 Lei), SC Eco Energy SRL (2,466,321 Lei), SC Petprod SRL (1,697,405 Lei), amounts that were also adjusted and included in the allowances for other doubtful receivables.

### *Dispute with the National Agency for Fiscal Administration (“ANAF”)*

The Company is in litigation with ANAF, which issued a fiscal inspection report on 20 September 2011 on VAT return related to September 2005 – November 2006 for a number of 123 unused invoices identified as missing, these being documents with special circuit, and for which it estimated VAT collected of 16,303,174 Lei plus 27,195,557 Lei as penalties. The total value of such obligations is 43,498,731 Lei. The value of these obligations was retained from the VAT that the Company paid in November 2011. Later on the Company noticed the amounts paid as current VAT were considered as payments for the obligations set in the fore-mentioned fiscal inspection report. Thus the Company was compelled to pay additional penalties of 944,423 Lei for the VAT that should have been paid in November 2011, in order to avoid recording additional debts towards the State budget. In total in 2011 the Company paid 44,442,936 Lei. The Company resorted to all legal means to contest the tax return issued by ANAF, in which respect an appeal was filed against ANAF’s return decision and asked suspending the decision enforcement until the administrative appeal filed against ANAF is settled. The law court denied the request to suspend the enforcement of the fiscal inspection report.

The Company deems the tax base has not been reasonably determined by ANAF, which has not taken into account the fully regulated nature of Company activities on the electricity market, so the taxation base is determined in proportion to the number and value of Company-issued invoices in the reviewed period. The Company considered it was entitled to bring action in court as it believes ANAF has not taken into account all the data and documents relevant for the estimation, as provided in the Fiscal Procedure Code then applicable. Thus the Company has sued ANAF to the Bucharest Court of Appeal in August 2012 to recover the amount and requested admission of the documents and of the accounting judiciary expertise as evidence. On 31



## CN Transelectrica SA

Notes to the separate temporary financial statements as at 31 March 2015

*(All amounts are in LEI, unless stated otherwise)*

December 2014 the Company recorded depreciation amounting to 44,442,936 Lei for the total obligations paid in sum of 44,442,936 Lei, based on the estimated recovery chances.

On 18 September 2013 the expertise report was executed and submitted to the case file on 20 September 2013. On the hearing date of 18 October 2013 the parties expressed objections to the judiciary expertise report, which were admitted by the Court of Appeal on 15 November 2013, and then they were notified to the designated expert. On 7 March 2014 the expert submitted the answer to the Company objections. Compared to the revenues estimated by ANAF, based on which ANAF estimated VAT collected in sum of 16,303,174 Lei, the judiciary accounting expertise report found undue revenues in sum of 551,013 Lei, which should have been used when calculating the VAT and penalties. The hearing was adjourned in order to enable the parties' taking note of the expert's answer to the objections made to his report.

On the 30.04.2014 hearing the court of first instance, the Appeal Court of Bucharest, Section VIII of Administrative and Fiscal Disputes (Ruling 1356/2014) in File 6657/2/2012 settled as follows: "Denies the request of claimant CNTEE Transelectrica SA (Challenge of the Administrative fiscal deed of ANAF)". As at the completion date of these financial statements the court has not drawn up the ruling nor notified it to the Company. As of the notification date an appeal can be filed within the legal term.

### *Non-refundable funds to be received*

On 31 March 2015 the non-refundable receivable funds amounting to 7,991,835 Lei represent the Reimbursement application no. 2 for structural funds needed in order to refurbish the 400/110/20 kV substation Tulcea Vest, technological part.

### *Adjustments for depreciation of doubtful trade liabilities and other uncertain ones*

The Company policy provides recording allowances for value losses amounting to 100% for clients in litigation, under insolvency and bankruptcy procedures and to 100% for trade and other liabilities not collected for more than 180 days. The Company also makes case by case analysis of uncollected trade and other liabilities.

On 31 March 2015 the biggest allowance amounts were recorded for SC Petprod SRL (27,047,608 Lei), SC Eco Energy SRL (24,736,066 Lei), SC Total Electric Oltenia SA (14,185,577 Lei), Arcelormittal Galați (8,506,803 Lei), Also Energ (7,177,167 Lei), Complex Energetic Hunedoara (5,321,308 Lei), RAAN (6,315,150 Lei), and CET Brasov (4,719,146 Lei). The Company is in litigation with these clients, having been included in the creditors' list for the companies under insolvency.

On 31 March 2015 the allowances for other doubtful liabilities also included the provision for ANAF in sum of 44,442,936 Lei.

The Company's exposure to the credit and market risk, as well as the value adjustments related to trade receivables is provided in Note 19.

## 6. Cash and cash equivalents

On 31 March 2015 and on 31 December 2014 cash and cash equivalents were as follows:

	<b>31 March 2015</b>	<b>31 December 2014</b>
Current bank accounts and deposits	710,703,410	762,498,656
Cash and deposits from high efficiency cogeneration	28,594,459	102,342,568
Treasury bonds	99,996,432	-
Petty cash	92,624	66,246
Other cash equivalents	151,704	330,103
<b>Total</b>	<b>839,538,629</b>	<b>865,237,573</b>

Deposits with original maturities less than 180 days constituted out of cash and cash equivalents available in current accounts amounted to 417,000,000 Lei on 31 March 2015 and to 636,986,300 Lei on 31 December 2014.

Beginning with 1 April 2011 the CNTEE Transelectrica SA, as administrator of the high efficiency cogeneration support scheme, manages a special bank account collecting the high efficiency cogeneration contribution and debiting the associated bonus. The cash generated from the administration of this scheme amounted to 28,594,459 Lei on 31 March 2015 and to 102,342,568 Lei on 31 December 2014.

Treasury bonds amounting to 99,996,432 Lei on 31 March 2015 and are falling due in June 2015.

The available cash from the connection fee amounted to 69,947,706 Lei on 31 March 2015 and to 78,387,668 Lei on 31 December 2014.

## CN Tranelectrica SA

Notes to the separate temporary financial statements as at 31 March 2015

(All amounts are in LEI, unless stated otherwise)

### 7. Shareholders' equity

In accordance with the provisions of GEO 86/2014 determining certain reorganisation measures for public central administration and amending certain norms, on 20 February 2015 the transfer of 43,020,309 shares was recorded from the Romanian State's account managed by the General Secretariat of the Government into the Romanian State's account managed by the Ministry of Economy, Trade and Tourism.

At the end of each reporting period the Company's share capital subscribed and fully paid amounting to 733,031,420 Lei is divided into 73,303,142 ordinary shares of 10 Lei/share nominal value and is consistent with the share capital registered in the Office of the Commercial Register.

The shareholder membership on 31 March 2015 and on 31 December 2014 was as follows:

Shareholder	31 March 2015		31 December 2014	
	Number of shares	% of the share capital	Number of shares	% of the share capital
Romanian State through the SGG	-	-	43,020,309	58.69%
Romanian State through the MECT	43,020,309	58.69%	-	-
S.I.F. Oltenia	4,385,055	5.98%	4,385,055	5.98%
Private investors (legal and natural persons)	25,897,778	35.33%	25,897,778	35.33%
<b>Total</b>	<b>73,303,142</b>	<b>100.00%</b>	<b>73,303,142</b>	<b>100.00%</b>

The increase of shareholders' equity on 31 March 2015 compared to 31 December 2014 was mainly due to the registration of the net profit amounting to 126,408,025 Lei, which was achieved on 31 March 2015.

The value of dividends owed to shareholders from the 2014 profit amounted to 205,490,698 Lei according to Decision 3/29.04.2015 of the AGA.

### 8. Deferred revenues

Deferred revenues include mainly the connection fee, other subsidies for investments, non-refundable funds to be received or cashed from the Ministry of Energy as Intermediate Body for Energy, in the name and on behalf of the Management Authority for the Operational Sectorial Programme "Increasing economic competitiveness", as well as the revenues from the utilisation of interconnection capacities.

The breakdown of deferred revenues on 31 March 2015 was as follows:

	31 March 2015	Of which the short term part on 31.03.2015	31 December 2014	Of which the short term part on 31.12.2014
Deferred revenues – allocation of capacity from interconnection	2,881,751	2,881,751	2,119,050	2,119,050
Deferred revenues – European funds	436,693	436,693	436,693	436,693
Deferred revenues - others	-	-	-	-
Connection fee funds	422,389,471	20,424,891	432,646,349	20,270,338
European funds	119,560,132	6,903,348	114,534,022	6,320,904
Other subsidies	35,303,012	3,080,918	36,101,491	3,922,517
<b>Total</b>	<b>580,571,059</b>	<b>33,727,601</b>	<b>585,837,605</b>	<b>33,069,502</b>

The movement of deferred revenues in the first quarter of 2015 was as follows:

**CN Transelectrica SA**

Notes to the separate temporary financial statements as at 31 March 2015

*(All amounts are in LEI, unless stated otherwise)*

	<b>31 March 2015</b>	<b>31 December 2014</b>
Opening balance	33,069,502	35,472,072
Cash in advance related to the interconnection capacity	6,850,075	56,469,324
Collections from European funds	-	71,696
Transfer from long term deferred revenues	(104,602)	(1,439,715)
Revenues from the use of the interconnection capacity	(6,087,374)	(57,478,791)
Revenues from European funds	-	(24,688)
ANRE revenues	-	(396)
<b>Total</b>	<b>33,727,601</b>	<b>33,069,502</b>

In March 2015, CNTEE Transelectrica SA submitted the reimbursement application no. 2 for Refurbishment of the 400/110/20 kV Substation Tulcea Vest amounting to 7,991,835 Lei.

**9. Borrowings**

- *Loans taken in order to complete investments*

On 31 March 2015, loans contracted in order to finance investment objectives diminished as compared to 31 December 2014, mainly due to the reimbursements made under the existing loan agreements.

The borrowing movements in the three months ended 31 March 2015 were as follows:

	<b>Currency</b>	<b>Interest rate</b>	<b>Accounting value</b>
<b>Balance on 1 January 2015</b>			<b>985,906,500</b>
<b>Proceeds in 1st Q 2015</b>			<b>0</b>
<b>Refunds in 1st Q 2015, of which:</b>			<b>(69,236,373)</b>
BIRD 7181	EUR	Variable	(17,684,395)
NIB PIL No 03/5	EUR	EURIBOR+0.85%	(5,103,815)
NIB PIL No 02/37	EUR	EURIBOR+0.9%	(2,732,167)
KfW 10431	EUR	EURIBOR+0.6%	(4,927,397)
KfW 11300	EUR	EURIBOR+0.6%	(7,150,473)
JBIC	JPY	3.1%	(4,337,889)
BRD	RON	ROBOR+1.25%	(3,300,000)
BEI 25709	EUR	3.596%	(5,342,157)
ING+BRD	EUR	EURIBOR+2.75%	(18,658,080)
<b>Exchange rate differences on refunding date</b>			<b>(6,905,298)</b>
<b>Balance on 31 March 2015</b>			<b>909,764,829</b>

On 31 March 2015 and on 31 December 2014 the balance of borrowings contracted from credit institutions to finance investment objectives were as follows:

**CN Transelectrica SA**

Notes to the separate temporary financial statements as at 31 March 2015

*(All amounts are in LEI, unless stated otherwise)*

Description	31 March 2015	31 December 2014	Due date
BEI 20.864	32,137,978	32,664,890	05-Dec-2015
NIB PIL No 02/18	25,274,329	22,663,601	15-Apr-2018
BIRD 7181	128,267,177	148,054,551	15-Jan-2020
NIB PIL No 03/5	35,498,890	41,235,320	15-Sep-2018
NIB PIL No 02/37	19,003,216	22,074,034	15-Sep-2018
KfW 10431	23,790,248	29,107,693	31-Jul-2017
KfW 11300	30,438,694	38,088,219	31-Jul-2017
JBIC	13,463,337	16,180,482	15-Sep-2016
BERD 33354	8,632,347	8,773,877	25-Mai-2016
BRD	9,900,000	13,200,000	31-Aug-2016
BEI 25709	111,469,944	118,692,648	10-Sep-2025
BEI 25710	123,719,389	125,747,805	11-Apr-2028
ING+BRD	148,169,280	169,423,380	13-Feb-2019
Unsecured bonds	200,000,000	200,000,000	19-Dec-2018
Total long term borrowings from credit institutions, of which:	909,764,829	985,906,500	
Current portion of long term loans	(194,643,991)	(193,862,871)	
<b>Total long term loans net of current instalments</b>	<b>715,120,838</b>	<b>792,043,629</b>	

The long term share of borrowings will be reimbursed as follows:

	31 March 2015	31 December 2014
From 1 to 2 years	150,332,022	162,638,365
From 2 to 5 years	435,494,359	491,147,087
Over 5 years	129,294,457	138,258,177
<b>Total</b>	<b>715,120,838</b>	<b>792,043,629</b>

The Company has never hedged against risks related to its obligations in foreign currency or the exposure to the risks associated to the interest rate.

All the long term loans, except for JBIC, BEI 25709 and BEI 25710, are bearing variable interest rates and consequently the book value of long term loans is an approximation of their fair value.

- *Short term loans*

On 31 March 2015 and on 31 December 2014 short term loans were as follows:

	31 March 2015	31 December 2014
Current share of short term loans	194,643,991	193,862,872
Interest on long term loans	3,887,916	6,374,806
Interest of bonds	3,490,555	440,556
<b>Total short term loans</b>	<b>202,022,462</b>	<b>200,678,234</b>

## CN Transelectrica SA

Notes to the separate temporary financial statements as at 31 March 2015

(All amounts are in LEI, unless stated otherwise)

### • Loans contracted for current activities

Short term bank credits in the form of credit lines are represented by the credit line contracted in January 2015 from BRD GROUP SOCIETE GENERALE SA, Big Corporative Clients Branch for 12 months to finance the bonus for the amount of electricity generated under high efficiency cogeneration, available as overdraft in sum of 150,000,000 Lei. On 31.03.2015 the credit line has not been used.

The credit line contracted by Transelectrica from BRD GROUP SOCIETE GENERALE SA was secured by:

- Chattel mortgage over the bank account opened with the bank;
- Chattel mortgage over the receivables resulting from the contracts associated to the contribution for high efficiency cogeneration concluded with Cez Vânzare SA, E.ON Energie România SA, Repower Furnizare SRL, and Tinmar IND SA.

## 10. Trade and other liabilities

On 31 March 2015 and on 31 December 2014 trade and other liabilities were as follows:

	31 March 2014	31 December 2013
Suppliers on the power market	451,805,204	572,297,292
Asset suppliers	29,563,006	41,160,838
Activity suppliers	17,349,266	34,888,693
Sums owed to employees	5,267,346	5,449,330
Other liabilities	86,053,940	291,860,573
<b>Total</b>	<b>590,038,762</b>	<b>945,656,726</b>

The decrease of liabilities to the suppliers on the electricity market was determined by the volume of transactions made on the balancing market and the payment obligations on balance as at 31 March 2015 on the electricity market, compared to 31 December 2014. Such decrease was influenced by the higher cogeneration bonus unpaid to suppliers in sum of 67,375,168 Lei (38,661,059 Lei on 31 December 2014).

The Company requested the generators that have not paid the overcompensation invoices to agree with compensating the mutual liabilities at their minimum level by means of the Institute of Management and Information (IMI) managing in uniform manner all the information received from tax-payers based on the provisions of GD 685/1999.

Taking into account that some of the generators having registered overcompensation (Romanian Authority for Nuclear Activities RAAN RA, SC Electrocentrale Oradea SA, and CET Govora SA) refused compensating mutual liabilities, the Company applied the provisions of article 17 par 5 from Order 116/2013 of ANRE president approving the Regulation setting the manner to collect the high efficiency cogeneration contribution and paying the bonus for electricity produced under high-efficiency cogeneration: *“in case the generator failed to pay the support scheme administrator all of its payment obligations resulting as per the provisions herein, the administrator of the support scheme will pay the generator the difference between the value of invoices issued by the generator and the generator’s payment obligations related to the support scheme, with clear indication of the said amounts on the payment document”* and has withheld the payment of the bonus owed to such generators for March 2014 to February 2015.

Under such circumstances out of 67,375,168 Lei the Company withheld 59,454,744 Lei, which sum represents the bonus unpaid by the Company to the generators that have not returned the overcompensation in sum of 123,857,620 Lei to the Company (for them the Company has applied the provisions of article 17 par 5 from Order 116/2013 of ANRE).

On 27.03.2015 the President of ANRE issued the decisions regarding overcompensation, namely the settling quantum for the ex-ante overcompensation, after reviewing the overcompensation of electricity and heat generation under high efficiency cogeneration during the assessed period 01.01-2014-31.12.2014. For this new activity the Company will receive invoices in sum of 8,391,054 Lei from SC CET Govora, DC Dalkia Termo Iași SA, SC Energy Cogeneration Group SA, SC Modern Calor SA, and RAAN.

Electricity suppliers are mainly: SC Hidroelectrica SA, SC Complex Energetic Oltenia SA, Electrocentrale Bucharest, MAVIR and SC OMV Petrom SA. On 31 March 2015 their share in the total electricity suppliers was 60%.

The decrease in the balance of suppliers of non-current assets as at 31 March 2015 compared to 31 December 2014 was due to the payment of invoices outstanding as at 31 December 2014 at the beginning of 2015.

## CN Transelectrica SA

Notes to the separate temporary financial statements as at 31 March 2015

(All amounts are in LEI, unless stated otherwise)

The structure of other liabilities is as follows:

	<b>31 March 2015</b>	<b>31 December 2014</b>
Sundry payables	79,628,932	239,153,690
Client-creditors	3,927,138	49,269,419
Dividends payable	1,031,221	1,124,073
Other liabilities	1,466,649	2,313,391
<b>Total</b>	<b>86,053,940</b>	<b>291,860,573</b>

On 31 March 2015 the 'Sundry payables' in sum of 79,628,932 Lei were mainly represented by the operations related to the support scheme in sum of 77,527,815, namely the net positive value between:

- The overcompensation of electricity and heat generation under high efficiency cogeneration in 2011-2013 receivable from generators according to the decisions of ANRE (including the contribution collectable from the suppliers of electricity consumers) on the one hand and
- The bonus payable to the generators of electricity under high efficiency cogeneration that are also beneficiaries of the support scheme, on the other hand;

On 31 March 2015 'Client creditors' amounted to 3,927,138 Lei, of which 70,962 Lei represented the daily payments made in March 2015 under the price coupling mechanism which will be settled in April 2015. The price coupling mechanism began being applied on 19 November 2014, on which date the '4M Market Coupling' Project coupling the day-ahead electricity markets from Romania, Hungary, Czech Republic and Slovakia became operational. In this price coupling mechanism of day-ahead markets the energy exchanges correlate the day-ahead electric power transactions based on bids, taking into account the interconnection capacity that the TSO provided in order to implicitly allocate it. The CNTEE Transelectrica SA, in its capacity of TSO, transfers the electricity both in physical and in commercial terms to the neighbouring TSO (MAVIR-Hungary) and administers the congestion revenues on such interconnection (article 139 from Order 82/2014 of ANRE), being Implicit Participant to the Day-Ahead Market for SC OPCOM SA. Together with the Ministry of Economy from Moldova the Company is also conducting a feasibility study in order to interconnect Ukraine and the Republic of Moldova to ENTSO.

As Transfer Agent and Implicit Participant the CNTEE Transelectrica SA has got the commercial task to settle the power transacted between SC OPCOM SA and MAVIR.

Chapter 'Other debts' points out the dividends owed to Company shareholders in sum of 1,031,221 Lei, of which 518,594 Lei associated to the dividends distributed from the 2013 profit, such amounts being at the shareholders' disposal by means of the payment agent.

The value of dividends owed to shareholders distributed from the 2013 profit amounted to 163,319,400 Lei. Dividends amounting to 162,762,696 Lei were paid until 31.12.2014.

### 11. Income tax

The tax on the Company's current and deferred income on 31 March 2015 and 31 March 2014 is determined by statutory 16% rate.

The income tax expense on 31 March 2015 and on 31 March 2014 was as follows:

	<b>31 March 2015</b>	<b>31 March 2014</b>
Current tax expense	24,835,736	28,988,747
Deferred income tax	(1,216,050)	(3,529,350)
<b>Total</b>	<b>23,619,686</b>	<b>25,459,397</b>

### 12. Other tax and social security liabilities

On 31 March 2015 and on 31 December 2014 other tax and social security liabilities included:

	<b>31 March 2014</b>	<b>31 December 2014</b>
Contribution to social security funds	3,938,289	4,801,378
Payable VAT	2,195,075	-
Tax on salaries	1,478,712	1,771,705
Other tax payable	1,216,684	1,004,804
<b>Total</b>	<b>8,828,760</b>	<b>7,577,887</b>

## CN Tranelectrica SA

Notes to the separate temporary financial statements as at 31 March 2015

(All amounts are in LEI, unless stated otherwise)

Tax increase was determined by higher payment obligations for VAT because transactions diminished on the balancing market and the Company is applying reverse tax for such transactions, according to the provisions of Law 571/2003 on the Fiscal Code.

### 13. Operational revenues

Operational revenues include revenues from services that the Company provided on the electricity market- transmission and system services; allocation of interconnection capacity; administration of the balancing market, and other revenues.

Revenues from transmission and system services were determined using the amounts of electricity delivered to consumers and the tariffs approved under ANRE Order.

Tariffs approved by ANRE for the services provided in Q1 2015 and in Q1 2014 were as follows:

	Average tariff for transmission services	Average tariff for technologic system services	Average tariff for functional system services
Order 51/2014– for Q1 2015	22.50	12.54	1.42
Order 96/2013– for Q1 2014	22.16	13.28	1.74

The average tariff of electricity transmission has two components: the tariff for electricity input into the grid (TG) and the tariff for electricity extraction from the grid (TL).

The amounts of electricity delivered to consumers where regulated tariffs are applied in Q1 2015, namely Q1 2014, were as follows:

	1st quarter 2015	1st quarter 2014
Amount of electricity delivered to consumers (MWh)	14,015,577	13,481,471

Revenues achieved in Q1 2015 and in Q1 2014 were as follows:

	Q1 2015	Q1 2014
Revenues from transmission services	335,672,635	311,767,797
Revenues from allocation of interconnection capacity	22,544,456	13,169,620
Revenues from reactive energy	2,249,448	1,474,898
Revenues from Inter TSO Compensation (ITC)	145,417	102,659
Revenues from transactions with technological consumption	30,687	15,181
<b>Revenues from transmission services - total</b>	<b>360,642,643</b>	<b>326,530,155</b>
Revenues from functional system services	19,902,119	23,457,759
Revenues from technological system services	176,686,484	180,174,746
Revenues with unplanned exchanges on the DAM	377,446	485,439
<b>Revenues from system services – total</b>	<b>196,966,049</b>	<b>204,117,944</b>
Revenues on the balancing market	212,081,618	154,190,333
Other revenues	9,432,603	14,032,263
<b>Total revenues</b>	<b>779,122,913</b>	<b>698,870,695</b>

#### Revenues from transmission services

In the first quarter of 2015 revenues from transmission services increased in sum of 23,904,838 Lei compared to the achievements of Q1 2014, determined by the higher electricity amount by about 4% (approx. 0.53 TWh) delivered to consumers and by the average tariffs increase for such services beginning with 01 July 2014.

## CN Tranelectrica SA

Notes to the separate temporary financial statements as at 31 March 2015

(All amounts are in LEI, unless stated otherwise)

### *Revenues from the allocation of interconnection capacity*

In the first quarter of 2015 revenues increased by 9,374,836 Lei compared to Q1 2014, which corresponded to the utilisation degree of interconnection capacities by traders on the electricity market due to greater electricity exports to the neighbouring markets of the Romanian Power System and to the application of coordinated bids with neighbouring countries, according to the EU regulations.

### *Revenues from transactions for technological losses*

In accordance with Order 97/18.12.2013 of ANRE, beginning with 1 January 2014 Tranelectrica is entitled to make electricity sale-purchase operations on the day-ahead market and on the intra-day market in order to cover its own consumption (technological losses). In the first quarter of 2015 revenues amounting to 30,687 Lei were recorded from such transactions.

### *Revenues from system services*

In Q1 2015 revenues from system (technological and functional) services decreased compared to Q1 2014 by 7,043,902 Lei mainly determined by the diminished tariffs applicable to such services beginning with 01 July 2014.

Revenues from technological system services in Q1 2015 were lower than the expenses for technological system services, which lead to loss of 18,615,538 Lei from non-profit activities.

### *Revenues on the balancing market*

In the first quarter of 2015 revenues achieved on the balancing market increased by 57,891,285 Lei compared to Q1 2014, as determined by the behaviour of participants on this market (notifications/achievements). The balancing market is a segment of zero profit activity for the Company.

## 14. Expenses for system operation and the balancing market

Expenses made in Q1 2015 compared to Q1 2014 were as follows:

	<b>Q1 2015</b>	<b>Q1 2014</b>
Expenses with technological losses	50,761,517	45,449,697
Congestion expenses	545,435	0
Electricity consumption in ETG substations	3,870,044	3,549,372
Expenses with functional system services	3,248,357	2,359,530
Inter TSO Compensation (ITC) expenses	6,720,000	3,375,000
<b>Total operational expenses</b>	<b>65,145,353</b>	<b>54,733,599</b>
Expenses with technological system services	195,302,022	162,015,822
Balancing market expenses	212,081,618	154,190,333
<b>Total</b>	<b>472,528,993</b>	<b>370,939,754</b>

### *Expenses with technological losses*

Such expenses mean electricity procurement necessary to maintain installations energised and electricity transmission through the interconnected transmission network.

In Q1 2015 compared to Q1 2014 the electricity needed in order to cover technological losses in the ETG increased about 6.48%, namely from 256,046 MWh in Q1 2014 to 272,620 MWh in Q1 2015.

The factors that impacted such increase were:

- Increased amount of electricity input in the ETG outline, which led to higher losses by Joule effect;
- Bad meteorological conditions, much precipitation, which led to higher Corona losses;
- Bad influences of the import/export flows (increased export in the northern area), which led to greater circulation in the southern region;
- An unfavourable generation mix, which led to greater long distance electricity transmission from generation sources;



## **CN Tranelectrica SA**

Notes to the separate temporary financial statements as at 31 March 2015

*(All amounts are in LEI, unless stated otherwise)*

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Losses in the ETG slightly increased from 2.44% to 2.47% compared to the 2.5% recognised by ANRE in the transmission tariff in the first year of the regulatory period.

### *Congestion expenses*

Congestions (network restrictions) are demands for electricity transmission above the technical capacity of the grid, which require corrective actions of the transmission and system operator whenever the power flows between two system nodes or areas lead to incompliance with the safe operational parameters of the power system, be it upon operation scheduling or in real time operation.

In QI 2015 congestion expenses amounting to 545,435 Lei were recorded.

### *Expenses with functional system services*

Expenses for functional system services are the uncontracted international exchanges of electricity with neighbouring countries and the unplanned exchanges on the day-ahead market (DAM).

In QI 2015 compared to QI 2014 expenses on the balancing market increased because of the unplanned electricity exchanges with the neighbouring countries interconnected to the SEN.

### *Expenses with Inter TSO Compensation (ITC)*

ITC expenses are monthly payment obligations/collection rights for each transmission and system operator (TSO). They are determined under the compensation/ settling mechanism according to the use of the electricity transmission grid (ETG) for electricity transits between TSO-s from 35 countries that affiliated to this mechanism of the ENTSO-E and were 3,345,000 Lei higher than in QI 2014.

### *Expenses with technological system services*

In the first quarter of 2015 expenses with the technological system services increased by 33,286,200 Lei compared to QI 2014.

Technological system services (secondary control, slow and fast tertiary reserve) are procured by the Company from producers in order to maintain the operational safety of the SEN and the quality of electricity transmitted to the parameters set under applicable technical norms.

Such services are contracted as follows:

- Under regulated regime, based on ANRE decisions;
- Using competitive mechanisms;

In accordance with the provisions of GD 138/08.04.2013 on taking certain measures to provide safe electricity supply (updated), the Company is obliged to procure technological system services as per ANRE regulations as follows:

- From SC Complex Energetic Hunedoara SA, at least 400 MW between 15 April 2013 and 1 July 2015 and at least 500 MW from 1 July 2015 to 31 December 2017 (GD 941/2014);
- From SC Complex Energetic Oltenia SA, at least 600 MW between 15 April 2013 and 1 July 2015.

In accordance with the provisions of GD 1178/2014 on taking certain measures to provide safe secure operation of the SEN from 1 January to 28 February 2015, they approved supplementing the technological system services necessary for the CNTEE Tranelectrica SA in order to provide safe steady-state operation of the SEN. The Company is obliged to dispatch with priority the electricity generated in thermal power plants, according to the regulatory terms issued by the National Regulatory Authority in Energy (ANRE).

Thus from 1 January to 28 February 2015 such services will be procured in regulated mode from the generators nominated in the annex of GD 1178/2014.

In accordance with the provisions of article 4 from GD 1178/2014, ANRE will issue the necessary regulations in order to recognise such system services in addition to the regulated tariff of CNTEE Tranelectrica SA.

The CNTEE Tranelectrica SA is re-invoicing the value of technological system services procured from generators to the electricity suppliers licensed by ANRE that are the ultimate beneficiaries of such services.

### *Balancing market expenses*

Balancing market expenses resulting from the notifications / achievements of participants on this market are fully covered by the revenues achieved on the balancing market.

## CN Transelectrica SA

Notes to the separate temporary financial statements as at 31 March 2015

(All amounts are in LEI, unless stated otherwise)

### 15. Other operational expenses

	Q I 2015	Q I 2014
Other third party services	8,973,458	8,529,658
Postage and telecommunications	510,543	451,389
Rent	2,314,638	2,417,189
Operational expenses with impairment for current assets	-555,177	1,526,913
Other	9,788,211	9,892,074
	<b>21,031,673</b>	<b>22,817,223</b>

### 16. Net financial result

	Q I 2015	Q I 2014
Interest revenue	1,632,771	3,569,255
Differences of exchange rates	12,840,050	10,307,739
Other financial revenues	200,291	95,783
<b>Total financial revenues</b>	<b>14,673,112</b>	<b>13,972,777</b>
Differences of exchange rates	(5,759,984)	(7,638,671)
Interest expenses	(7,754,130)	(9,218,399)
<b>Total financial expenses</b>	<b>(13,514,114)</b>	<b>(16,857,070)</b>
<b>Net financial result</b>	<b>1,158,998</b>	<b>(2,884,293)</b>

Financial revenues in QI 2015 were impacted by the decreased interest collected from available cash in the bank accounts / deposits (the BNR reduced the monetary policy interest), and also by the favourable differences of exchange rates due to the appreciation of the national currency.

Financial expenses in QI 2015 were impacted by the fluctuations in the exchange rates of the national currency against the main currencies that Company's investment credits are committed to (Euro, Dollar, Japanese Yen).

The financial result of QI 2015 was favourable and is mirrored in the profit.

### 17. Contingencies

#### Disputes

Eolica Dobrogea SRL sued the Company in order to compel it to conclude a connection contract. On the 12 April 2013 hearing the court rejected the request of Eolica Dobrogea SRL on the illegality of the suspensive terms provided in article 5.1 (e) from the connection contract. On the 8 February 2013 hearing the court cancelled letter 37650/16 December 2011, admitting the suspensive terms of the connection contract as fulfilled, thus obliging the Company to execute the connection contract. Both the Company and Eolica Dobrogea SRL filed appeal against the 8 February 2013 ruling. The first hearing date of the appeal was set on 15 May 2014. Eolica Dobrogea SRL expressed no material claim.

On 05.02.2015 the High Court of Cassation and Justice, Section of Administrative and Fiscal Disputes issued Decision 464/05.02.2015, which acknowledged SC Rokura SRL gave up the court trial for the request of accessory intervention.

The Court admitted the appeals instituted by the National Power Grid Company Transelectrica S.A., by SC Eolica Dobrogea (Schweiz) AG and by Iberdrola Renovables Energia SA against the civil judgment 600 of 8 February 2013 issued by the Appeal Court Bucharest, Section VIII of the administrative and fiscal disputes.

It admitted the appeal expressed by SC Eolica Dobrogea SRL through the judicial administrator Aqua Insolvency IPURL against the civil sentence 1313 of 12 April 2013 of the Appeal Court Bucharest, Section VIII of the administrative and fiscal disputes. It cancelled the sentences and referred the case to the Bucharest Tribunal, Civil section for settlement, irrevocably.

The file was registered on the docket of Bucharest Tribunal under no. 10994/3/2015. In conclusion dated 05.08.2015, the Bucharest Tribunal - Department of Civil admitted the exception of no functional jurisdiction and advanced the cause to Section VI of the Civil Court of Bucharest, to be shared by a specialized panel in the settlement of disputes with professionals.

On 4 March 2014 the European Commission issued notification that it applied a fine of 1,031,000 EUR to subsidiary OPCOM

## CN Transelectrica SA

Notes to the separate temporary financial statements as at 31 March 2015

(All amounts are in LEI, unless stated otherwise)

SA for abusing its dominant position on the Romanian market and facilitating electricity spot transactions thus breaching EU's antitrust norms. The Commission considered the parent company of OPCOM, Transelectrica, equally responsible for such infringement. The Commission imposed 1,031,000 EUR fine to the Company and its subsidiary OPCOM, as they are jointly and severally liable to pay the fine.

The Shareholders' General Assembly of Subsidiary OPCOM SA decided on 10.06.2014 to fully pay the penalty amounting to 1,031,000 Euro charged by the Directorate General Competition from the European Commission for breaching article 102 of the Treaty of the European Union, according to Decision AT 39984 of the antitrust case. Subsidiary SC OPCOM SA has paid in full the fine established by the European Commission.

On 24.11.2014 the Operator of the Electricity and Natural Gas Market OPCOM SA sued the CNTEE Transelectrica SA, in order to compel it pay 582,086.31 Euro (2,585,161.72 Lei at the BNR exchange rate of 24.11.2014), representing the amount paid as fine from the total 1,031,000 Euros.

Also OPCOM SA requested the court to compel the Company to pay 84,867.67 Lei as interest for the period 11.06.2014 – 24.11.2014.

The action of OPCOM SA is included in file 40814/3/2014, on the docket of Bucharest Tribunal, Section VI of Civil cases, pertaining to claims, subject matter- dispute with professionals, and the set hearing was 29.06.2015. The CNTEE Transelectrica SA has submitted the defence to this case, invoking exceptions and the illegality of the action.

The Company registered in 2014 a provision amounting to 2,670,029 Lei for the dispute with Subsidiary OPCOM.

In 2013 Conaid Company SRL sued CN Transelectrica for the unjustified refusal to sign an addendum to the connection contract, or a new connection contract and asked compensation for the expenses amounting to 17,419,508 Lei incurred until that day and the unrealised profits of 2013-2033 in sum of 722,756,000 EUR. To date the Company has not concluded an addendum to the connection contract because the suspensive conditions included in it were not complied with by Conaid Company SRL. A new connection contract should have been concluded by 11 March 2014, when the connection permit expired. At the date of these financial statements the amounts claimed by Conaid Company SRL were considered contingent liabilities since it is unlikely to outflow resources incorporating economic benefits to settle such obligation, and the amount of such obligation cannot be estimated reliably. File 5302/2/2013 is on the docket of the High Court of Cassation and Justice, Section of Administrative and Fiscal Disputes, and it pertains to compelling the issue of the administrative deed, case stage – appeal, currently without set hearing because the file is screened by the screening team dealing with this file.

The Company is involved in significant disputes as claimant, especially in order to recover liabilities (for instance Eco Energy, Petprod SRL, Total Electric Oltenia and Arcelormittal Galați). The Company recorded allowances of value losses for clients and other liabilities in litigation and for clients going bankrupt. Also the Company is claimant under litigation with ANAF as provided in Note 5.

The management of the Company considers it unlikely to have resource outflows necessary to settle the on-going disputes. In addition there are no other disputes underway that either by nature or by value could require contingent assets for the Company's activities.

### 18. Affiliates

#### i) Subsidiaries held by the Company

Entity	Country of origin	31 March 2015 % of shares	31 December 2014 % of shares
SMART SA *)	Romania	70	70
TELETRANS SA	Romania	100	100
ICEMENERG SA **)	Romania	100	100
OPCOM SA	Romania	100	100
FORMENERG SA	Romania	100	100
ICEMENERG SERVICE SA	Romania	100	100

\*) At present there is litigation to cancel Resolution 154954/30.12.2014 of the Designated Person, pronounced under File

**CN Transelectrica SA**

Notes to the separate temporary financial statements as at 31 March 2015

*(All amounts are in LEI, unless stated otherwise)*

449314/23.12.2014, based on which the Office of the Commercial Register from Bucharest Tribunal had recorded the share capital increase of Subsidiary SC Smart SA by in-kind contribution and amended accordingly the articles of association as per Decision 12375/22.12.2014 of the BA Chairman and Decision 19/22.12.2014 of the Board of Administration. The Company has also requested the competent court to cancel the two fore-mentioned decisions and suspend enforcing the deeds whose cancellation is requested until settling the court case.

\*\*\*) On 07.04.2014 the National Office of the Commercial Register admitted the file 121452/03.04.2014 pertaining to de-registering the Subsidiary Energy Research and Modernising Institute ICEMENERG SA Bucharest. Order 123/13.03.2014 (registration certificate and operation licence) registered the 'National Energy Research-Development Institute Bucharest' (GD 925/2010).

The Company filed complaint against the decision taken by the ORC director that ordered listing Subsidiary ICEMENERG SA Bucharest as de-registered in the commercial register.

Bucharest Tribunal, Section VI Civil cases issued Sentence 3569/14.07.2014 under file 15483/3/2014, in which the Company opposed defendants the Energy Research and Modernising Institute Icemenerg SA București and the National Energy Research-Development Institute Bucharest Icemenerg rejected the Company's complaint on grounds that GD 925/2010 has not been repealed until de-registration in the ORC.

The Court of Appeal notified on 24.02.2015 the settlement pronounced under file 15483/3/2014, namely Decision 173/2015 rejecting the appeal of CNTEE Transelectrica SA as groundless and such decision is final.

Transelectrica SA filed repeal complaint against Decision 173/2015 of the Court of Appeal Bucharest, instituted in File 1088/2/2015 on the docket of the Appeal Court Bucharest, Section VI Civil cases, hearing date being 13.05.2015.

The total Company participation to its subsidiaries amounted to 57,027,900 Lei on 31 March 2015 and to 57,027,900 Lei on 31 December 2014.

On 31 March 2015 and on 31 December 2014 the outstanding balances of Company's subsidiaries were as follows:

AFFILIATED ENTITY	Trade receivables		Trade liabilities	
	31 March 2015	31 December 2014	31 March 2015	31 December 2014
SC SMART SA	119,730	98,550	9,780,927	24,329,991
SC TELETRANS SA	203,652	322,343	3,462,673	8,626,785
SC ICEMENERG SA	0	0	0	0
SC FORMENERG SA	0	0	30,681	1,060
SC OPCOM SA	41,370,969	46,308,835	39,575,057	46,169,616
SC ICEMENERG SERVICE SA	92,231	92,231	0	0
<b>Total</b>	<b>41,786,582</b>	<b>46,821,959</b>	<b>52,849,338</b>	<b>79,127,452</b>

The transactions that the Company performed with its subsidiaries in QI 2015 and in QI 2014 are detailed below:

AFFILIATED ENTITY	Sales		Procurements	
	Q I 2015	Q I 2014	Q I 2015	Q I 2014
SC SMART SA	165,774	214,191	20,451,078	13,099,690
SC TELETRANS SA	231,732	1,291,610	10,010,749	11,714,422
SC ICEMENERG SA	0	0	0	694
SC FORMENERG SA	0	0	47,206	39,414
SC OPCOM SA	153,200,736	532,751	23,829,381	13,764,178
SC ICEMENERG SERVICE SA	0	0	0	1,580
<b>Total</b>	<b>153,598,242</b>	<b>2,038,552</b>	<b>54,338,414</b>	<b>38,619,978</b>

ii) *Remuneration of Company management*

**CN Tranelectrica SA**

Notes to the separate temporary financial statements as at 31 March 2015

*(All amounts are in LEI, unless stated otherwise)*

Salaries paid to the management for their services mainly comprise the base salary, benefits upon labour contract end and post-employment. They are detailed as follows:

	Q I 2015	Q I 2014
Short term benefits	2,283,817	1,815,096
Benefits at the end of the labour contract	-	-
Post-employment benefits	-	-
Other long term benefits	17,197	29,975
<b>Total</b>	<b>2,301,014</b>	<b>1,845,071</b>

**19. Credit risk**

Credit risk means the hazard of financial loss incurred by the Company if a client or counterparty fails to meet its contractual obligations under some financial instrument. Such risk arises mainly from the Company's receivables and from cash and cash equivalents.

The counterparty risk is treated using the internal and external success factors of the Company. The external success factors that systematically reduce this risk are- the deregulation of the energy sector where power generation, transmission, distribution and supply are distinct activities and the client interface is the supplier; electricity is transacted in Romania on two market segments- the regulated market and the competitive one. The internal success factors used in the treatment of the counterparty risk include- diversified client portfolio and diversified number of services provided on the electricity market.

Financial assets, which potentially submit the Company to the collection risk, consist mainly of the trade receivables and of the cash and cash equivalents. The Company applied a set of policies whereby service sales are provided to customers with proper collection, by including their obligation to constitute financial guarantees in the trading contracts. The amount of receivables net of impairment allowances is the maximum sum exposed to the collection risk.

The collection risk associated to such receivables is limited since such sums are primarily owed by state-owned companies.

The maximum collection risk on the report date was:

	31 March 2015	31 December 2014
<b>Financial assets</b>		
Net trade receivables	727,018,607	953,131,452
Other net receivables	107,855,013	97,311,287
Non-refundable funds	7,991,835	-
<b>Total</b>	<b>842,865,455</b>	<b>1,050,442,739</b>

The age of receivables on the reporting date was:

	Gross value on 31 March 2015	Provision on 31 March 2015	Gross value on 31 December 2014	Provision on 31 December 2014
Neither past due nor impaired	591,001,940	610,869	940,848,178	932,194
Past due 1 – 30 days	7,305,768	527,803	6,130,329	865,495
Past due 31 – 90 days	3,560,530	1,294,946	5,350,450	1,233,540

**CN Transelectrica SA**

Notes to the separate temporary financial statements as at 31 March 2015

*(All amounts are in LEI, unless stated otherwise)*

Past due 90 – 180 days	5,793,155	1,979,067	4,031,176	548,218
Past due 180 – 270 days	2,260,428	3,483,998	1,589,696	1,422,122
Past due 270 – 365 days	125,672,395	738,690	643,151	462,666
More than one year	78,772,767	78,713,003	81,784,920	81,782,214
<b>Total</b>	<b>814,366,983</b>	<b>87,348,376</b>	<b>1,040,377,900</b>	<b>87,246,448</b>

The age of ‘other receivables’ on the report date was:

	<b>Gross value on 31 March 2015</b>	<b>Provision on 31 March 2015</b>	<b>Gross value on 31 December 2014</b>	<b>Provision on 31 December 2014</b>
Neither past due nor impaired	100,224,576	47,000,508	19,718,649	3,332,976
Past due 1 – 30 days	18,554	-	-	-
Past due 31 – 90 days	12,046,652	140,215	1,124,743	1,116,377
Past due 90 – 180 days	6,294,299	243,813	17,286	14,652
Past due 180 – 270 days	31,965,069	393	3,071	3,071
Past due 270 – 365 days	5,193,464	1,453,237	957,047	957,047
More than one year	32,424,019	31,473,454	70,742,810	47,132,649
<b>Total</b>	<b>188,166,633</b>	<b>80,311,620</b>	<b>92,563,606</b>	<b>52,556,772</b>

On 31 March 2015 the highest allowances registered were of SC Petprod SRL (27,047,608 Lei), SC Eco Energy SRL (24,736,066 Lei), SC Total Electric Oltenia SA (14,185,577 Lei), Arcelormittal Galați (8,506,803 Lei), Also Energ (7,177,167 Lei), Complex Energetic Hunedoara (5,321,308 Lei), RAAN (6,315,150 Lei), and CET Brașov (4,719,146 Lei). The Company is in litigation for these clients and has registered in the creditors’ list for those under insolvency procedure.

The movement of allowances for doubtful clients:

	<b>31 March 2015</b>	<b>31 December 2014</b>
<b>Balance on 1 January</b>	<b>87,246,448</b>	<b>84,052,040</b>
Recognition of provisions	4,768,958	11,588,740
Provision write-off	(4,667,030)	(8,394,332)
<b>Balance at the end of the period</b>	<b>87,348,376</b>	<b>87,246,448</b>

The movement of allowances for ‘other receivables’:

	<b>31 March 2015</b>	<b>31 December 2014</b>
<b>Balance on 1 January</b>	<b>80,972,239</b>	<b>52,556,772</b>
Recognition of provisions	140,215	31,421,363
Provisions reversal	(800,834)	(3,005,896)
<b>Balance at the end of the period</b>	<b>80,311,620</b>	<b>80,972,239</b>

Financial assets, which potentially submit the Company to the collection risk, consist mainly of the trade receivables and of the cash and cash equivalents. The Company applied a set of policies whereby service sales are provided to customers with proper collection, by including their obligation to constitute financial guarantees in the trading contracts. The amount of receivables net of impairment allowances is the maximum sum exposed to the collection risk.

The collection risk associated to such receivables is limited since such sums are primarily owed by state-owned companies.

Cash has been placed with financial institutions considered of minimum risk. Deposits are placed with the Banca Comerciala Romana, BRD – Groupe Societe Generale, Alpha Bank, Garanti Bank, Banca Transilvania and Credit Europe Bank.

## **CN Transelectrica SA**

Notes to the separate temporary financial statements as at 31 March 2015

*(All amounts are in LEI, unless stated otherwise)*

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### **20. Subsequent events**

#### ***Legal proceedings against the Commercial Register registration of the share capital increase for Subsidiary SC Smart SA***

The National Power Grid Company Transelectrica SA instituted legal proceedings in order to cancel Resolution 154954/30.12.2014 of the Designated Person, pronounced under File 449314/23.12.2014, based on which the Office of the Commercial Register from Bucharest Tribunal had recorded the share capital increase of Subsidiary SC Smart SA by in-kind contribution and amended accordingly the articles of association as per Decision 12375/22.12.2014 of the BA Chairman and Decision 19/22.12.2014 of the Board of Administration. The Company has also requested the competent court to cancel the two fore-mentioned decisions and suspend enforcing the deeds whose cancellation is requested until settling the court case.

The resolution whose cancellation is requested has never been published in the Official Gazette part IV until the date of this report and consequently the Company is within the legal term for complaint filing. The share capital was increased with a view to apply the provisions of the privatisation legislation, namely the obligation to increase the share capital by the value of lands from the inventories of Smart SA, which ownership certificates were obtained for, and to issue shares for the Romanian state, then the shareholder structure of subsidiary Smart SA, as registered in the Commercial Register based on Resolution 154954/30.12.2014 of the Designated Person is as follows:

- CNTEE Transelectrica SA – 70.005% - 3,852,860 shares;
- Romanian State through the General Secretariat of the Government – 29.994% - 1,650,770 shares.

Transelectrica SA requested presidential ordinance (to suspend the deeds increasing the share capital), included in file 13987/3/2015 on the docket of Bucharest Tribunal, Section VI Civil cases, hearing date being 15.06.2015, and has also filed complaint against the ORC director's decision and against the documents issued by Smart SA to increase its share capital under file 14001/3/2015 on the docket of Bucharest Tribunal, Section VI Civil cases, currently with no hearing date set.

#### ***Approving the 2015 Revenue and expense budget of CNTEE Transelectrica SA***

The Official Gazette 283/27.04.2015 published Governmental Decision 266/22.04.2015 approving the 2015 Revenue and expense budget of the National Power Grid Company TRANSELECTRICA SA, under coordination of the Ministry of Economy, Trade and Tourism.