



CNTEE TRANSELECTRICA SA

PRELIMINARY REPORT
January – December
2015

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**PRELIMINARY REPORT REGARDING THE ECONOMIC - FINANCIAL ACTIVITY OF THE NPG CO.
TRANSELECTRICA SA**

according to the provisions of article 227 of Law 297/2004 on the capital market and of Regulation 1/2006 of the CNVM issued by the National Securities Commission, now the Financial Supervision Authority (ASF)

for the period ending on 31 December 2015

| | |
|--|---|
| Date of the report: | 15 February 2016 |
| Name of the trading company: | National Power Grid Company TRANSELECTRICA SA, managed under two-tier system |
| Headquarters: | Bucharest 1, Blvd. Gen. Gheorghe Magheru no. 33, postal code 010325 |
| Working location: | Bucharest 2, Str. Olteni no. 2 - 4, postal code 030786 |
| Phone / fax numbers: | 004 021 303 5611 / 004 021 303 5610 |
| Single code with the OCR: | 13328043 |
| Sequential number in the CR: | J40/8060/2000 |
| Date of Company establishment: | 31.07.2000 / GEO 627 |
| Share capital: | 733,031,420 Lei, subscribed and paid |
| Regulated market where the issued securities are transacted: | Bucharest Stock Exchange, 1st class |
| Main characteristics of the issued securities: | 73,303,142 dematerialised, nominative, ordinary, indivisible shares of 10 Lei nominal value each, freely transacting as of 29.08.2006 under the symbol TEL 20,000 nominative, dematerialised and unsecured bonds of 10,000 Lei each transacted on the BSE in Credit Titles, 3rd class, Corporate bonds sector under the symbol TEL 18; maturity date on 19.12.2018 |
| Total market value: | 2,136,786,589 Lei (29.15 Lei / share on 31.12.2015) |
| Accounting standard applied: | International financial reporting standards |
| Auditing: | The preliminary financial statements executed on 31.12.2015 have not been audited |

STATEMENT OF RESPONSIBLE PERSONS

To the best of our knowledge the preliminary financial data for the twelve months' period ending on 31 December 2015 have been elaborated in accordance with the applicable accounting standards (International Financial Reporting Standards as they are approved by the European Union) and they provide a fair truthful image of the assets, liabilities, financial position, profit and loss account of the NPG Co. Transelectrica SA.

This report contains accurate full information with respect to the economic-financial situation and activities of the NPG Co. Transelectrica SA.

Bucharest, 12 February 2016

Directorate,

| | | | | |
|---------------------------------|-------------------------------|-------------------------------|-------------------------------|------------------------------------|
| Ion-Toni TEAU | Constantin VĂDUVA | Octavian LOHAN | Ion SMEEIANU | Cătălin Lucian CHIMIREL |
| Directorate Chairman | Directorate Member | Directorate Member | Directorate Member | Directorate Member |



Key figures

Key numbers – 2015 (preliminary)

| FINANCIAL | | |
|-------------------------|-------------------|------------------------|
| 2,984 Lei mil | ▲ 5.9% y/y | Revenues |
| 772 Lei mil | ▼ 0.2% y/y | EBITDA |
| 366 Lei mil | ▲ 2.5% y/y | Net Income |
| 52.47 TWh | ▲ 2.2% y/y | Billed volume** |

| OPERATIONAL | | |
|--------------------|--------------------|-----------------------|
| 2.35* % | ▼ 1.77% y/y | Grid losses |
| 43.8 TWh | ▲ 2.1% y/y | Grid volume*** |

* the ratio of grid losses to grid volume i.e. the amount of electricity in-take by the transmission grid

** the amount of electricity out-take from the transmission and distribution grids, excluding exports (cross-border out-take)

*** the amount of electricity intake by the transmission grid

| INVESTMENT | | |
|-------------------------|------------------|---|
| 242.5 Lei mil | ▲ 29% y/y | Procurement of property, plant and equipment |
| 128.3 Lei mil | ▼ 51% y/y | New assets (commissioned) |



Financials

The preliminary unaudited 2015 full-year results are summarised below. The full version (financial statements and notes) is available in the appendix.

Separate statement of profit & loss

| Lei mil | 2015 | 2014 |
|---|--------------|--------------|
| Billed volume (TWh) | 52.47 | 51.34 |
| PROFIT-ALLOWED OPERATIONS | | |
| Revenues | 1,399 | 1,447 |
| Expenses | 652 | 687 |
| EBITDA | 748 | 760 |
| Depreciation and amortization | 318 | 334 |
| EBIT | 429 | 426 |
| PASS-THROUGH OPERATIONS | | |
| Revenues | 1,585 | 1,371 |
| Expenses | 1,561 | 1,357 |
| EBIT | 24 | 14 |
| ALL OPERATIONS (PROFIT-ALLOWED + PASS-THROUGH) | | |
| Revenues | 2,984 | 2,817 |
| Expenses | 2,212 | 2,044 |
| EBITDA | 772 | 774 |
| Depreciation and amortization | 318 | 334 |
| EBIT | 454 | 440 |
| Financial result (loss) | 19 | 8 |
| EBT | 435 | 432 |
| Income tax | 69 | 74 |
| Net Income | 366 | 358 |

Separate statement of financial position

| Lei mil | 31.12.2015 | 31.12.2014 |
|---|--------------|--------------|
| Non-current assets | | |
| Property, plant and equipment | 3,307 | 3,388 |
| Intangible assets | 35 | 40 |
| Financial assets | 56 | 57 |
| Total non-current assets | 3,398 | 3,484 |
| Current assets | | |
| Inventories | 35 | 36 |
| Trade and other receivables | 723 | 1,056 |
| Cash and cash equivalents | 1,045 | 865 |
| Total current assets | 1,802 | 1,957 |
| TOTAL ASSETS | 5,200 | 5,441 |
| Shareholders' equity | 2,975 | 2,813 |
| Non-current liabilities | | |
| Borrowings | 635 | 792 |
| Other liabilities | 550 | 610 |
| Total non-current liabilities | 1,185 | 1,402 |
| Current liabilities | | |
| Borrowings | 167 | 201 |
| Other liabilities | 873 | 1,025 |
| Total current liabilities | 1,040 | 1,226 |
| Total liabilities | 2,225 | 2,628 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | 5,200 | 5,441 |

Separate statement of cash flows

| Lei mil | 2015 | 2014 |
|--|-------|-------|
| Cash flow generated from operational activities | 888 | 890 |
| Net cash flow generated from operational activities | 805 | 774 |
| Net cash used in investments | (224) | (160) |
| Net cash used in financing activities | (402) | (349) |
| Net increase / (decrease) of cash and cash equivalents | 179 | 265 |
| Cash and cash equivalents on 1 January | 865 | 601 |
| Cash and cash equivalents at 31 December | 1,045 | 865 |

OPERATIONAL RESULTS

Billed volume

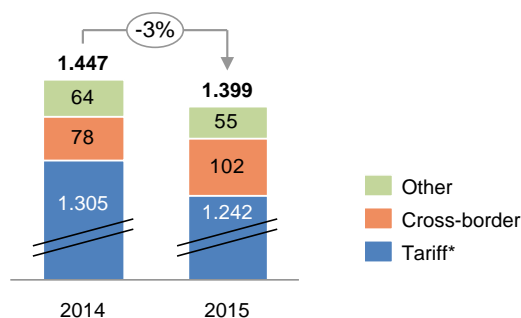
2015 billed volume went 2.2% up y/y (52.47 TWh in 2015 from 51.34 TWh in 2014).

Operating revenues

2015 revenues rised 5.9% y/y (Lei 2,984 mil in 2015 from Lei 2,817 mil in 2014)

On the **profit-allowed** side revenues dropped 3.3% y/y (Lei 1,399 mil in 2015 from Lei 1,447 mil in 2014). The decline was mainly driven by lower grid fees as of 1st of July 2015 whereas increased market demand for cross-border transmissison capacity boosted capacity rental income by 30.5% y/y.

Operating revenues: profit-allowed operations
(Lei mil)



*transmission and dispatching fees

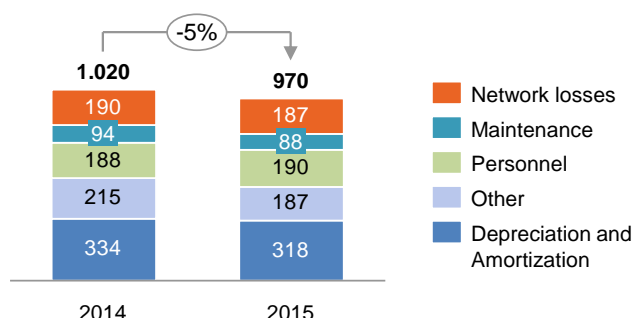
Revenues generated from **pass-through** operations went up 15.6% y/y (Lei 1,585 mil in 2015 from Lei 1,371 mil in 2014). The increase was driven by 31.2% y/y higher income earned in balancing (clearing) services while revenues from system services slightly declined by 0.8% y/y (≈Lei 5 mil).

Operating expenses

2015 total expenses (including depreciation) went up 6.5% y/y (Lei 2,531 mil from Lei 2,377 mil).

On the **profit-allowed** side expenses (before depreciation) decreased by 5.1% y/y (Lei 652 mil from Lei 687 mil).

Operating expense: profit-allowed operations
(Lei mil)

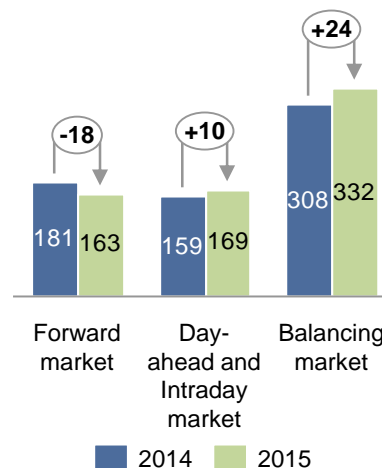


Grid losses: the overall cost of grid losses (purchases of electricity to offset transmission losses) decreased by 1.5% y/y.

Volume-wise grid losses increased slightly (1,030 GWh in 2015 from 1,026 GWh in 2014) mainly due to greater grid volumes. Percentage-wise (losses expressed as a percentage of total volume entering the grid) grid losses declined (2.35% in 2015 from 2.40% in 2014) due to import / export flow witch were more advantageous terms of grid losses, more favorable weather conditions park and the structure of production..

Purchase-price-wise the average price paid in the power market declined by 2% y/y (Lei 181.4/MWh in 2015 from Lei 184.5/MWh in 2014).

Average purchase price
(Lei/ MWh)



On the **pass-through** side expenses rised 15% (Lei 1,561 mil in 2015 from Lei 1,357 mil in 2014) driven by greater amounts handled as clearing agent in the balancing market. System services expenses went down due to better (lower) prices paid in the back-up capacity market (capacity available for grid balancing). The positive annual result from system services was driven by the significant gain in H2'2015 which offset the net loss in H1'2015.

The loss in H1'2015 was caused by the mandatory additional purchases of backup balancing capacity from generators in January and February (a measure aimed at increasing supply security during the cold season) as set by Government Ordinance no. 1178/2014. In H2'2015 the company managed to get significantly better purchase prices in the backup capacity market as compared to the cost assumptions built into the regulated grid fee.

Operating profit

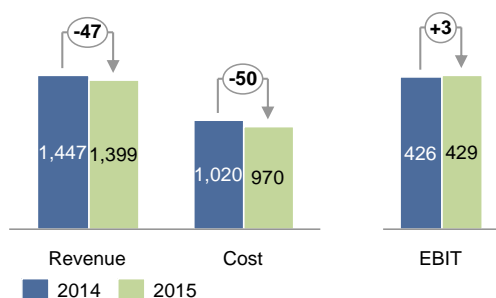
EBITDA went down 0.2% y/y (Lei 772 mil in 2015 from Lei 774 lei in 2014), mainly driven by the decline in EBITDA from profit-allowed operations.

EBITDA from profit-allowed operations dropped 1.6% y/y (Lei 748 mil in 2015 from Lei 760 mil in 2014).

Pass-through operations showed a higher profit (Lei 24 mil in 2015 from Lei 14 mil in 2014) helped by a slightly higher system service fee as set by ANRE at the 2015 mid-year regular price review (+0.3%, Lei 12.58/MWh from Lei 12.54/MWh previously).

EBIT went up by 3.1% y/y (Lei 454 mil in 2015 from Lei 440 mil in 2014). The **profit-allowed** side contributed with a slight increase of 0.8% y/y (de la 426 mil lei în 2014 la 429 mil lei în 2015) while the pass-through side showed a Lei 24 mil profit.

EBIT breakdown: profit-allowed operations
(Lei mil)

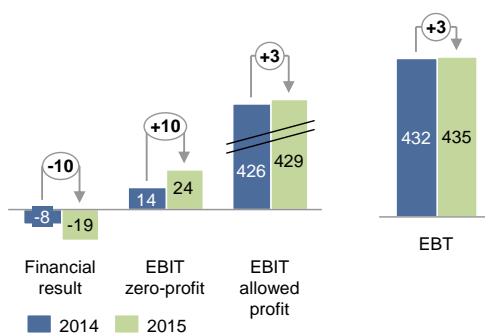


EBT

Pre-tax income increased marginally by 0.8% y/y.

A breakdown of EBT from 2014 to 2015 is shown below.

EBT breakdown
(Lei mil)



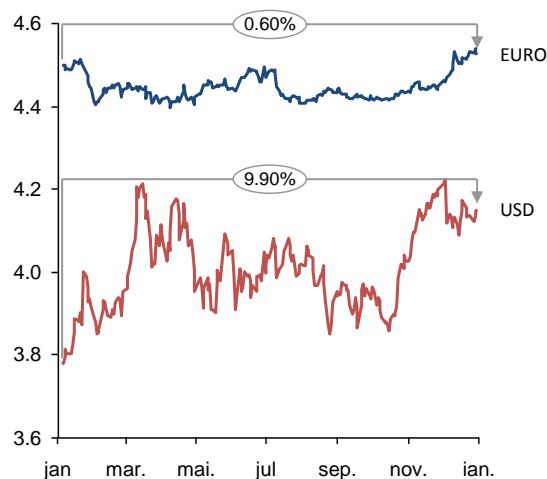
Financial result

Interest income declined by Lei 6.1 mil y/y against a background of falling interest rates in the money market while interest expenses declined by Lei 8,3 mil y/y.

The FX loss (Lei -8 mil) was driven by the evolution of the relevant exchange rates i.e. currencies in which Transelectrica's outstanding debts are denominated (mainly the Euro).

The 2015 financial result stood at Lei -19 mil.

Evolution of the Leu against the EUR and the USD



Net Income

After-tax income went up 2.5% y/y (Lei 366 mil from Lei 358 mil).

FINANCIAL POSITION

Non-current assets

Fixed assets declined by 2% y/y.

At the time of publication of this report, a revaluation action is underway for the assets falling under Group 1 – „Constructions” at 31.12.2015. The revaluation action is expected to be finalized by the end of February 2016. Hence the results of the revaluation action are not reflected in the preliminary 2015 financial statements and will be reflected in the final 2015 financial statements.

Also at Company level is ongoing an evaluation process (by an authorized ENAR) of intangible assets funded by IBRD, assets to be transferred as contribution in kind to the share capital of the subsidiary OPCOM, in accordance with art.215 of Law no. 31/1990 on companies, republished, as amended and supplemented.

The total amount of intangible assets recorded in the accounts of the Company on 31.12.2015, amounts to 22.9 million lei¹ and include:

- "The new trading platform for the electric power market in Romania - Bursa commercial electricity OPCOM" worth 8.8 million lei;
- "Trading platform - the regional power exchange OPCOM" worth 14.1 million lei.

Current assets

Current assets decreased by 8% in 2015 from 1.957 million lei to 1.802 million lei, due to the significant decrease (32%) of receivables from 1.056 million lei to 723 million lei offset by a 21% increase in cash .

On 31 December 2015, a fall in the balance customers to December 31, 2014 mainly driven by:

- improved collection of receivables compared to 2014;
- receipt by offsetting receivables represented by overcompensating for 2011-2013 and unfair bonus / overcompensation for 2014, claims related to support scheme;
- changing the way the market balance billing or monthly, compared with 2014, when invoicing is done at three months;
- lowering tariffs for services on the electricity market;

Effective 1 April 2011 Transelectrica SA is the administrator of the support scheme for the promotion of high efficiency cogeneration. The objective of this support scheme is promoting the production of electricity in high efficiency cogeneration, taking advantage of producing energy with low pollutant emissions.

The main tasks incumbent upon the Company as a manager of the support are represented by collecting contributions from suppliers of electricity in a bank account separate from the core business, and payment of bonus to the producers of electricity and heat high-efficiency cogeneration.

In accordance with art. 24 of the ANRE Order no. 116/2013, the regulator issued a series of decisions on overcompensation activity of producing electricity and heat in cogeneration of high efficiency assessment for the period 2011-2013.

Consequently, Transelectrica issued invoices totaling 429 745 323 lei to plants that were recorded case of

compensation (which, until 31.12.2015 were collected 82% respectively 353 043 183 lei).

Transelectrica has issued a new series of bills related overcompensation activity in 2014, totaling 48,800,270 lei.

Until 31.12.2015 was charged 73% of the total, respectively 35,563,091 lei.

During the period 1 January to 31 December 2015, the Company claims representing overcompensation established by ANRE for 2011-2013 have decreased the amount of 153 mil. Lei both the banking and the compensation by IMI, mainly for companies Electrocentrale Bucharest SA, Oradea Electrocentrale, Govora and Termo Calor. Similarly, during the period 1 January to 31 December 2015, receivables represented by unfair bonus / overcompensation for 2014 were decreased by the amount of 35.6 mil. Lei.

On 31 December 2015 the Company recorded accounts receivable from overcompensating for 2011-2013 in the amount of 76.7 million lei (RAAN - 63.5 million lei and Govora SA -13.2 mn) and overcompensation for 2014 accounts receivable in the amount of 13.2 mn (-13 mn Electrocentrale Oradea and Termo Calor - 0.2 mn).

Also on December 31. 2015, the Company recorded accounts receivable from RAAN represented unfair bonus for 2014 in the amount of 2 mil. Lei, the CHP contribution for the period October 2014 - October 2015 2.4 mil. Lei as a supplier of energy consumers electrical, and penalties accrued for non-collection of receivables within the related support scheme 10.5 million.

Also on December 31. 2015, the Company recorded accounts receivable from Govora represented unfair bonus for 2014 amounting to 1.9 mil. Lei and penalties related support scheme 8.1 million.

The Company has concluded an agreement for rescheduling with Govora SA, as follows:

- Convention. C 135 / 06.30.2015 and the Addendum no. 1 / 08.04.2015 clearing and payment rescheduling of the debt from the equivalent amounts of overcompensation 2011-2013 and unfair bonus for 2014. Duration Convention installment is 1 year (period July 2015 - August 2016). Since December, this installment was adjourned at the request Govora, following the decision of the court which suspended ANRE decision on overcompensation.

¹ Following completion of the risk assessment process may record adjustments for impairment of value of intangible assets recorded in the accounts.

In order to repay the outstanding debt mutual consent was sought RAAN² for payment of compensation of mutual debts as of right under Art. 1616 - 1617 of the Civil Code, up to the minimum amount of 40.7 mn.

According to Article 17 para. (5) ANRE Order no.116 / 2013 which provides that "where the producer has not paid in full to the scheme administrator support payment obligations arising under this Regulation, the support scheme administrator shall pay the producer the difference between the invoices issued by the manufacturer and the manufacturer's payment obligations related to the support scheme with an explicit, document payment of these amounts, "the company has retained the CHP bonus payment due RAAN amounting to 40.7 million.

The balance amount receivable from related support scheme RAAN on December 31. 2015 in the amount of 37.7 mil. Lei³.

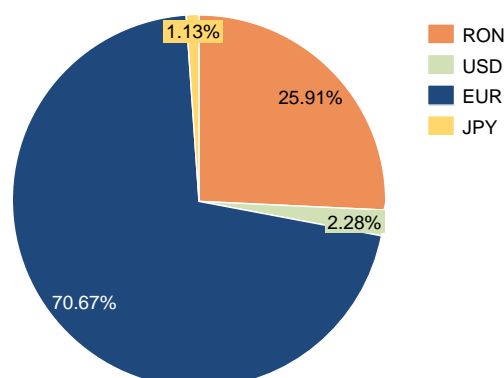
Liabilities

Non-current liabilities declined by 15% y/y (Lei 1,185 mil from Lei 1,402 mil as at 31.12.2014), mainly driven by loan repayments (loan balances: Lei 635 mil from Lei 792 mil as at 31.12.2014).

Current liabilities declined by 15% y/y (Lei 1,040 mil from Lei 1,226 mil as at 31.12.2014), mainly driven by the decrease in trade receivables from the wholesale electricity market and also by the settlements of extra bonus payments within the cogeneration support scheme.

A currency breakdown of interest-bearing liabilities (long term and short term) are shown below.

Debt 31.12.2015: currency breakdown

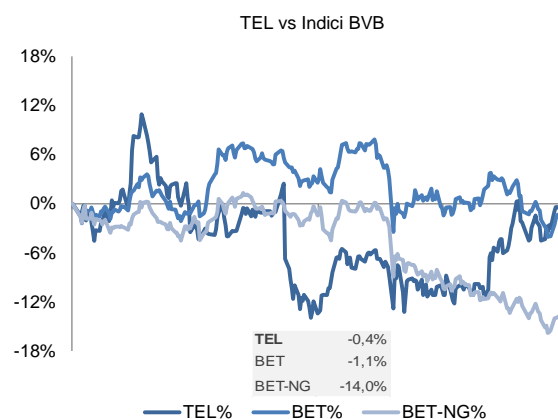


Shareholders' equity

Shareholders' equity increased by 5.7% y/y driven by 2015 income credited to retained earnings.

SHARE PRICE

(from 31-Dec-2014 to 31-Dec-2015)



The stock price (BSE ticker: TEL) moved in line with the market main index (BET). The good financial performance underpinned the stock's evolution offsetting the spillover effect on the capital markets due to the economic uncertainties in some EU member states and the global geopolitical context (asian markets).

The stock opened 2015 at Lei 28.85/share or Lei 2,115 mil in market capitalisation. It closed at Lei 29.15/share or Lei 2,137 mil in market capitalisation. The lowest price was Lei 25.19/share (24.06.2015), the highest price was Lei 32.47/share (19.02.2015).

² RAAN Drobeta was declared insolvent in 2014 and on January 28, 2016 Mehedinti Court decided the bankruptcy of the company. Later the sentence was contested bankruptcy decision being suspended.

³ There is a possibility following the conclusion of discussions with the external auditor of the company registration value adjustments for impairment of receivables.



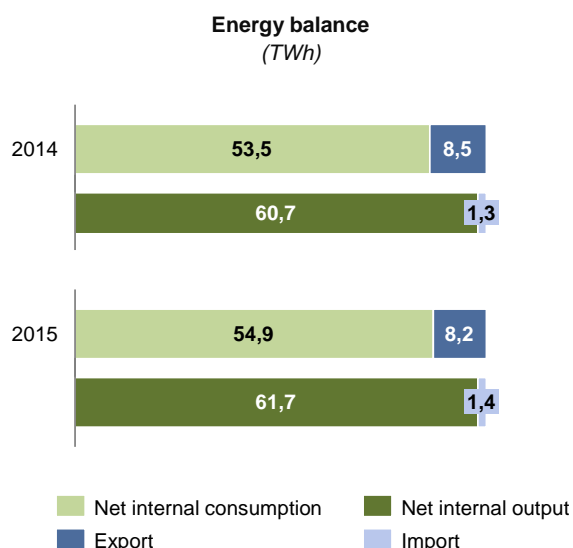
Operational data

ENERGY BALANCE OF SEN

In 2015 the net energy output increased about 2% in comparison with 2014, mainly due to the higher domestic consumption.

The net internal⁴ consumption grew 2.6% in comparison with the same period of last year.

Physical cross-border export flows decreased 4% in 2015 compared to 2014 and the import flows grew with about 5%.

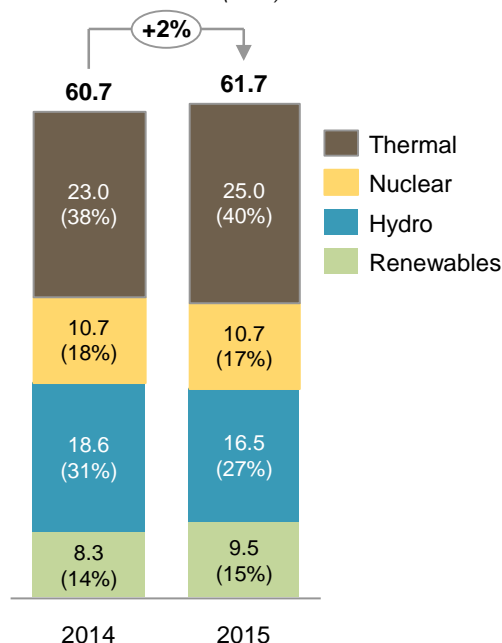


GENERATION MIX

The generation mix of 2015 provided 2% higher share of renewable sources (wind, biomass, PV) and about 3% greater thermal generation to the detriment of hydropower, which dropped about 4% compared to 2014. In comparison 2014, the energy generated from renewable sources increased 1.2 TWh due to extended generating capacities, while the amount produced from hydro sources decreased by 2.1 TWh, due to the droughts recorded in the third quarter of 2015..

⁴ values do not include the consumption of auxiliary services from electric power generating plants; the net consumption includes the losses from the transmission and distribution networks as well as the consumption of pumps from pumping storage hydropower substations;

Generation mix of net electricity (TWh)



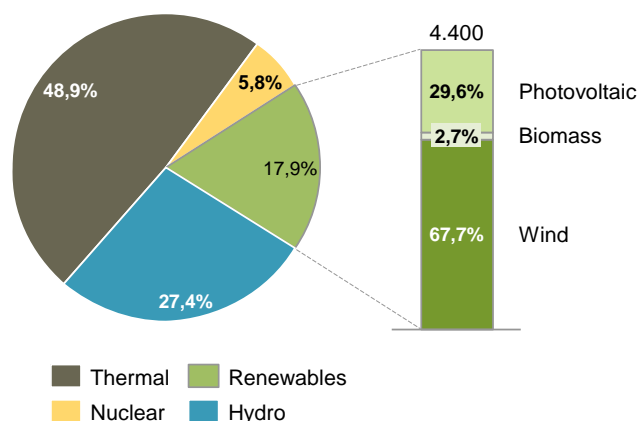
NATIONAL GENERATION PARK

In 2015 the gross installed capacity in power plants slightly increased 0.2%, in comparison with last year.

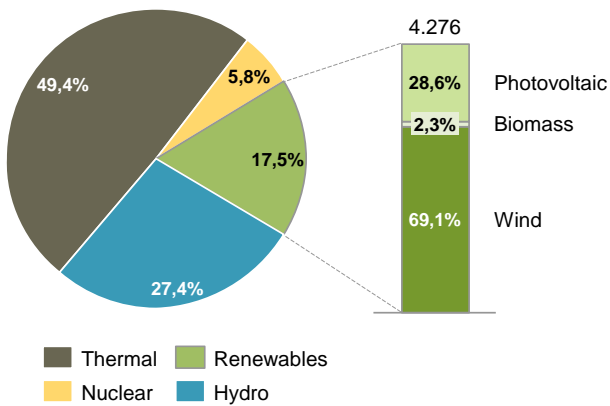
The installed capacity in renewable source power parks increased by about 2.9% (124 MW) in January – December 2015 compared to the same period of last year, from 4,276 MW installed at 31 December 2014 to 4,400 MW installed on 31 December 2015.

The dynamic of installed capacity in 2015, respectively 2014, is provided below:

Installed capacity 12M 2015 (24,555 MW, gross value)

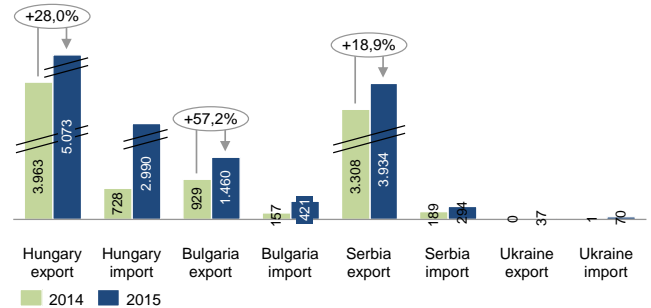


Installed capacity 12M 2014 (24,500 MW, gross value)



Commercial flows of both import and export on each border are provided below.

12 months of commercial flows (GWh)



CROSS-BORDER FLOWS

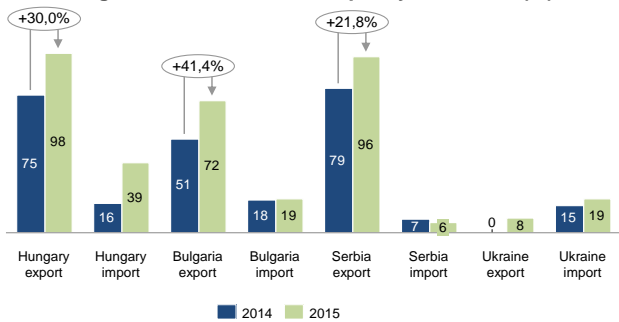
Cross-border flows recorded significantly values with Hungary, Serbia and Bulgaria, mainly because of the reduced electricity prices on the Romanian market and enhanced exports to the more expensive markets from Hungary or the Balkans.

Compared to 2014 physical flows of export fell on the relationship Bulgaria (-3%) and Serbia (-16%) while towards Hungary it was exported a greater amount of energy (+ 7%).

In 2015, total capacity utilization of the allocated interconnection lines for export has increased since 2014, significant increases were recorded in relation with Bulgaria and Hungary.

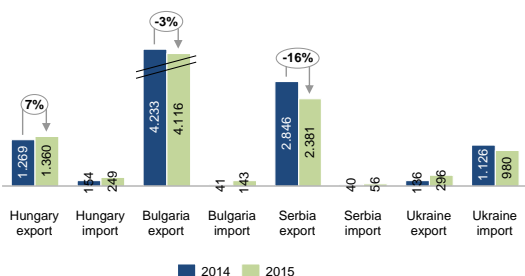
Import / export operatios were not recorded with Republic of Moldova in 2015 nor in 2014.

Degree of total allocated capacity utilization (%)



Physical flows of both import and export on each border are provided below.

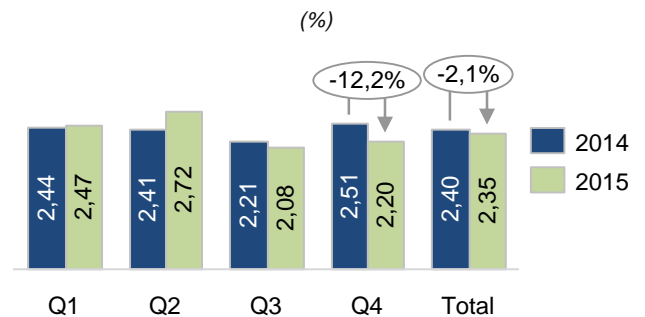
12 months of physical flows (GWh)



TECHNOLOGICAL LOSSES

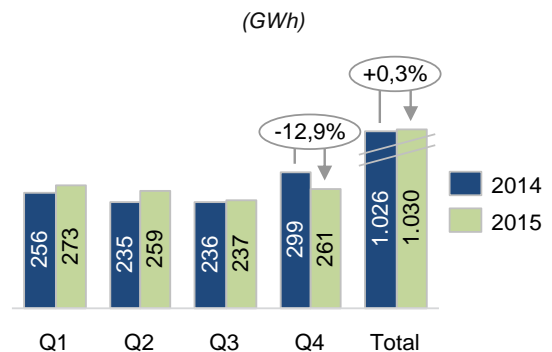
In 2015, the amount of technological losses decreased with 2.1% compared to last year. Such decrease resulted from elements occurring in the second half of the year, such as: better meteorological conditions, which led to lower corona losses; the domestic generation structure; better import/export flows compared to the same period of last year.

Development of technical losses (%)



The increase of 0.3% of the own technological consumption was resulting from energy growth circulated RET.

Development of technical losses (GWh)





Investments

NON-CURRENT ASSETS REGISTERED IN ACCOUNT BOOKS

The value of non-current assets recorded in account books in 2015 was 128.3 mill Lei.

PROCUREMENT OF NON-CURRENT ASSETS

The procurement of current and non-current assets¹ amount to 242.5 mill Lei in 2015 compared to 2014 when such procurements of current and non-current assets amounted to 187,5 mill Lei.

From among the investment projects in progress on 31 December 2015 we can mention:

- Building the 400 kV OHL segment between the 400/220/110 kV substation Resita and the Serbian border (the frontier milestone B100/1) – 37,433,263 Lei;
- Refurbishing the 220/110/20 kV substation Campia Turzii – 23,982,079 Lei;
- Refurbishing the 400/220/110/20 kV substation Bradu – 13,885,076 Lei;
- Increasing the safety of installations from the 400/220/110/10 kV substation Bucharest South by replacing the 10 kV equipment - Lot II – 12,243,014 Lei;
- Refurbishing the 400/110/20 kV substation Tulcea Vest – 10,678,819 Lei;
- Extending the 400 kV substation Cernavoda - stage I, replacing 2 shunt reactors – 10,072,588 Lei;
- Replacing the 220 kV circuit breakers in the 220/110/20 kV substation Alba Iulia – 6,894,813 Lei;
- Upgrading the control protection system and the 20 kV substation within the 220 /110/20 kV substations Vetis – 5,384,863 Lei;
- Replacing the 110/10 kV, 25 MVA transformers T3 & T4 by 110/(20)10 kV, 40 MVA ones in the 220/110 kV substation Fundeni – 4,750,064 Lei;
- Integrated security system within electric substations, stage IV– 4,097,128 Lei;
- Connecting the 30 MW cogeneration plant owned by SC Lukoil Energy & Gas Romania SRL to the Distribution Network into the 110 kV OHL Teleajen-Rafinarie-Petrochimie, circuits 1 & 2 by making some work in the 220/110 kV substation Teleajen – 2,826,931 Lei;
- Upgrading the control protection system in the 220/110 kV substation Tihau – 2,611,872 Lei;
- Converting the Iron Gates - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - stage I, extending the 400 kV substation Iron Gates– 2,508,461 Lei;
- Connecting the 110 kV underground line Militari-Domnesti, circuits 1, 2 into the 400/110/20 kV substation Domnesti – 1,942,096 Lei;
- Special pillars for intervention, type Anchored Universal Portal for 220-400 kV voltage, including precast foundations (8 pcs.) – 1,595,785 Lei;
- Integrated security system at substations, Phase II – 1.437.739 Lei;
- Connecting the WPP 136 MW to the RET in the area of Platonesti town, Ialomita County, by building a 110 kV bay in the 400/110 kV substation Gura Ialomitei – 1,318,115 Lei;
- Replacing the 220 kV circuit breaker from 400/220/110/20 kV Bucharest South substation – 1,198,498 Lei;
- Installing the fire protection installations to the 200 MVA autotransformers AT1 & AT2 in the 220 kV substation Gradiste – 1,120,745 Lei;
- Modernization industrial building No. 2 ST

¹ Include variația furnizorilor de imobilizări în sold la data de 1 ianuarie ale anului

Timisoara regime Sp + P + 1E – 1,042,352 Lei;

- Replacing the accumulator batteries in the 400/110 kV substation Pelicanu, the 220/110 kV substation Fundeni, the 220/110/20 kV substations Targoviste and Turnu Magurele – 992,024 Lei;
- Replacing the 220 kV circuit breakers in the 220/110/20 kV substation Gradiste – 951,811 Lei;
- Design services related 400 kV OHL Suceava - Balti, the portion of the project in Romania – 925,294 Lei;
- Installing two 100 A arc suppression coils and two 3000 kVA auxiliary service transformers in the 400/220/110/20 kV substation Sibiu Sud – 821,872 Lei;
- Modernization of the 110/6 kV station from Pestis 220/110/6 kV station – 695,982 Lei;
- Expanding domestic services like DC, completing the command control and protection system 220/110 kV station Pestis – 564,598;
- Replacing the tele-protection equipment of the 220 kV OHL-s Alba Iulia-Galceag and Alba Iulia-Sugag – 564,598;

- Replacing the reactor in the 400/110/20 kV substation Oradea Sud – 464,365 Lei.

CONTRACTUAL ASPECTS

During 2015 a number of 133 investment contracts were signed of 387.8 mill Lei total amount compared to 106 contracts amounting in total to 310,4 mill Lei concluded in 2014.

The most important investment contracts signed in January – December 2015 were:

- Replace AT and TRAFO in substations - Step 2 - Lot I;
- Modernization of 110 KV substation and 20kV Suceava;
- Switching voltage 400 KV shaft The Iron Gates-Resita-Timisoara-Arad-Sacalaz-400/200/110 KV substation Resița;
- Switching voltage 400 kV Iron Gates shaft-Resita-Timisoara-Arad-Săcălaz / 400 kV Iron Gate - (Anina)-Resita;
- 400 kV OHL connection Isaccea - Varna and 400 kV OHL Isaccea - Dobrudja in Medgidia South Station 400 kV - Phase I - Extension of 400 kV Medgidia South Station.



Significant events

EVENTS JANUARY - DECEMBER 2015

- **Decision of the Appeal Court Bucharest in the dispute with Subsidiary ENERGY RESEARCH AND MODERNISING INSTITUTE - ICEMENERG SA**

On 12 February the Appeal Court Bucharest pronounced its ruling in file 15483/ 3/ 2014 with Subsidiary Energy Research and Modernising Institute ICEMENERG SA Bucharest, where the Company is claimant, namely Ruling 173/ 2015 rejecting the appeal of the CNTEE Transelectrica as groundless, such decision being final.

- **Legal proceedings against registering the share capital increase of Subsidiary SC Smart SA in the Commercial Register**

On 17 April the National Power Grid Company Transelectrica SA instituted legal proceedings in order to cancel Resolution 154954/30.12.2014 of the Designated Person pronounce under File 449314/23.12.2014, based on which the Office of the Commercial Register from Bucharest Tribunal registered the share capital increase of Subsidiary Smart SA.

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

The Official Gazette no. 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 the authority of the Ministry of Economy, Trade and Tourism.

- **New ANRE regulations on tariffs**

ANRE published Order 87 / 10.06.2015 amending Order 53 / 19.07.2013 of ANRE President approving the Methodology setting the rates for electricity transmission services. The Order was published in the Official Gazette no. 417 / 2015.

ANRE published Order 89 / 15.06.2015 approving the zone rates of transmission services for electricity input into the grid (TG) and the average rate of electricity

input into the grid charged by economic operators from the electricity sector. The Order was published in the Official Gazette no. 434 / 2015.

ANRE published Order 93 / 25.06.2015 setting the regulated tariffs associated to electricity transmission services applicable from 1 July 2015. The Order was published in the Official Gazette no. 468 / 2015

- **The inclusion of Romania (Romania-Hungary border) in Central-Eastern European region in the implementation process of the calculation method of transfer capacity for cross border by regions.**

On September 29 2015 at ENTSO-E was adopted the proposal on the region layout calculation cross border transfer capacities (Capacity Calculation Regions). A region of calculating cross border transfer capacity is a geographical area within which operators of electricity transmission networks apply coordinated system of calculation of capacity between different trading areas.

As adopted by ENTSO-E the proposal includes the border between Romania and Hungary in the region for calculating the cross-border transfer capacity of Central and Eastern Europe (CEE).

- **Final Certification of Transelectrica as TSO according to the model of ownership unbundling**

By Order No. 164/07.12.2015 of the President of the National Regulatory Authority for Energy (NRAE) the Company's final certification as transmission system operator (TSO) of the Romanian Power System (NPC) according to the ownership unbundling model was approved. The approval of certification of Transelectrica as transmission system operator of the national power system was realized by fulfilling the requirements of the Law of electricity and natural gas no. 123 / 2012, Directive 2009 / 72 / EC and Regulation (EC) no. 714 / 2009.

- **Changes in the membership of the Directorate and the Supervisory Board**

➤ **Directorate**

On 17 February the mandate contract of Mr Ciprian Gheorghe DIACONU ended by the parties' agreement.

On 18 February the mandate contract of Mr Gheorghe Cristian VISAN ended by the parties' agreement.

Beginning with 12 May 2015 Mr Ion SMEEIANU was appointed Directorate member by the Supervisory Board.

By Decision no. 88/ 27 July 2015, the Supervisory Board has appointed Board member Mr. Catalin Lucian CHIMIREL from 29 July 2015. As of the same date ended his capacity as member of Supervisory Board of Transelectrica.

➤ **Consiliul de Supraveghere**

On 4 February the Supervisory Board took notice of Mr Andrei - Mihai POGONARU's resignation from his capacity of Supervisory Board member of the CNTEE Transelectrica SA.

On 27 March was appointed provisional member in the Supervisory Board Mr Costin MIHALACHE, then being confirmed as member of Supervisory Board at the General Meeting of Shareholders on 9 November, when it was appointed as member of Supervisory Board also Mr. Dragos Corneliu Zachia-Zlatea.

On 23 December, the Supervisory Board took notice of Mr. Stefan Radu CERNOV resignation from his capacity of Supervisory Board member of the CNTEE Transelectrica SA according to the mandate contract.

On 30 December Supervisory Board acknowledged the resignation of Mrs. Carmen Georgeta Neagu from her capacity of Supervisory Board member of the CNTEE Transelectrica SA.

At the current date of the report the number of members of the Supervisory Board is still 5.

• **Shareholders' general assemblies**

On 23 March the Shareholders' General Extraordinary Assembly (AGEA) and the Shareholders' General Ordinary Assembly (AGOA) took place. The main aspects included in the AGOA decisions are as follows:

- Approving the investment plan of the financial year 2015 as well as the investment expenses estimated for 2016 and 2017.
- Approving the draft 2015 Revenue and Expense Budget of the CNTEE Transelectrica SA, as well as the estimates for 2016 and 2017.

- Setting the general limits of the fixed indemnification granted to Directorate and to Supervisory Board members of Transelectrica.
- Setting the general limits of the variable component in the remunerations of Directorate and of Supervisory Board members of Transelectrica.

The main aspects included in the AGEA decision are as follows:

- Approving the amendment in the Articles of Association of the National Power Grid Company Transelectrica SA

On 29 April the Shareholders' General Extraordinary Assembly (AGEA) and the Shareholders' General Ordinary Assembly (AGOA) took place.

The main aspects included in the AGOA decision are as follows:

- Approving the 2014 gross dividend per share at 2.8033 Lei gross / share, owed to the shareholders recorded in the Shareholders' Register of TEL on 8 June 2015, ex-dividend date being 5 June 2015 and payment beginning on 29 June 2015;
- Approving the annual separate and consolidated financial statements for the financial year 2014 of the National Power Grid Company Transelectrica SA, as well as the annual 2014 report on the economic-financial activities of the Company according to the provisions of the capital market legislation.

On November 9 the Shareholders' General Extraordinary Assembly (AGEA) and the Shareholders' General Ordinary Assembly (AGOA) took place. The main aspects included in the AGOA decisions are as follows:

The main aspects included in the AGOA decisions are as follows:

- Appointment as Member of the Supervisory Board of Mr. Costin Mihalache and Mr. Dragos Corneliu Zachia – Zlatea
- The rejection of the proposal to reduce the share capital of CNTEE Transelectrica SA with the amount of 1,084,610 Lei, representing the subscribed and paid up share capital of SC Subsidiary "The Institut of Energy Research and Modernization - ICEMENERG" - SA Bucharest by reducing the Romanian State holdings in the share capital of CNTEE Transelectrica SA pursuant to Government Decision no. 925/2010



Alte aspecte

STRUCTURE OF SHAREHOLDERS

On 31.12.2015 the structure of shareholders was as follows:

| Name of shareholder | |
|---|-------------------|
| Romanian State through the Ministry of Economy, Trade and Tourism | 43,020,309 |
| Legal persons | 21,032,223 |
| S.I.F. Oltenia | 3,949,105 |
| Natural persons | 5,301,505 |
| Total | 73,303,142 |

DISPUTES

The most important disputes which the Company is involved in are provided below:

▪ ANAF

The Company is in litigation with ANAF, which on 20 September 2011 issued a fiscal audit report on VAT return in September 2005 – November 2006, for a number of 123 unused invoices detected as missing, these being documents of special regime for which it estimated value added tax collected in amount of 16,303,174 Lei plus accessories amounting to 27,195,557 Lei.

The amount of such obligations of 43,498,731 Lei was retained from the VAT that the Company paid in November 2014. Later on the Company found out the sums transferred as current VAT were considered for payment of the amounts from the fore-mentioned fiscal audit 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, lest outstanding debts are registered to the State budget. In total in 2011 the Company paid 44,442,936 Lei.

The Company filed complaint to ANAF against the taxation decision and requested suspending the enforcement of the decision until the complaint

DIRECTORATE MEMBERSHIP

On 31.12.2015 the Directorate membership was as follows:

| | |
|-------------------|----------|
| Ion - Toni TEAU | Chairman |
| Octavian LOHAN | Member |
| Constantin VĂDUVA | Member |
| Ion SMEEIANU | Member |
| Cătălin CHIMIREL | Member |

submitted to ANAF is solved by administrative means. The law court denied the request to suspend enforcing the fiscal report.

At the hearing dated on 30.04.2014, the outcome of the trial court – Appeal Court Bucharest, Section VIII of Contentious Administrative and Fiscal (Decision no. 1356 / 2014) in File no. 6657 / 2 / 2012 was: "Dismisses the lawsuit of plaintiff Transelectrica (appeal against the administrative tax act of ANAF)". The company appealed the Decision no. 1356/ 2014 for the next term on 07.04.2016.

ANRE

CNTEE Transelectrica SA filed complaint against Order 51 / 26.06.2014 of ANRE president registered under no. 47714 / 04.08.2014 with ANRE and contestation to the Appeal Court Bucharest requesting either amending the fore-mentioned order or issuing a new order to recalculate the RRR at 9.87% (recalculated with (β) coefficient of 1.0359, according to Transelectrica's specialists) or, in case such complaint is denied, it requested using the same 8.52% percentage that ANRE established for 2013 and semester I of 2014.

On 26.06.2014 Order 51 of ANRE was issued and published in the Official Gazette no. 474/27.06.2014, which approved the average tariff for transmission services, the rate of system services and the zone tariffs of transmission services charged by the National Power Grid Company Transelectrica SA and cancelled annex 1 to Order 96 / 2013 of ANRE president approving the rate for transmission services, the rate of system services, the zone tariffs for transmission services and the tariffs for reactive electricity charged by the economic operators of the electricity sector.

The values used in the calculation of the regulated rate of return (RRR¹) by ANRE according to the Methodology establishing the rates for electricity transmission services approved under Order 53 / 2013 of ANRE ("Methodology"), have determined the RRR value of 7.7%.

CNTEE Transelectrica SA considers that applying the provisions of article 51 from the Methodology by determining the Beta (β) parameter at 0.432 will prejudice the company's finance by decreasing the profitability of electricity transmission with an estimated 138.4 mill Lei³, with significant impact over the company's financial interests which might lead to financial instability of the Company in the third regulatory period (01.07.2014 - 30.06.2019), thus prejudicing the company's shareholders and their interests as well.

On the 20 november 2015 hearing date, the court postpones pronouncing about proof of technical speciality expertise until a later time created to allow parties to formulate conclusions about the possibility of completing Objective 1 in the technical expertise proposed in financial speciality – financial investments and other entities of securities in which the expert will give an opinion of the relevance and / or using the direct method in the coefficient Beta under the insufficient development of the capital market and the low impact on the economy, examining these conditions on objective bases (official statistics and other relevant data) compared to the actual situation in Romania. Also is required to the applicant to declare any specific elements of Transelectrica SA that it should be taken into account by the expert in assessment of Beta coefficient.

¹ RRR- Regulated Rate of Return found in specific literature under the acronym WACC – Weighted Average Cost of Capital –; the formula of the two indicators is similar: $RRR = WACC = CCP + Kp/(1 - T) + CCI \times Ki$

² Value that determined the RRR decrease to 7.7%

³ Value calculated in comparison with some 8.52% RRR

The court adjourned the proceedings to enable the defendant to acquaint clarifications to plaintiff complaints and granted the hearing on 09.02.2016.

At the hearing on 09.02.2016, the court upheld the trial that involved accounting expertise – specialty investment securities and other entities of securities, extended the discussion of proof with technical expertise – electro-energetic, after administration of accounting expertise – specialty and other entities of securities, providing adjournment of the case on 25.03.2016, in order to make the expert report.

▪ COURT OF AUDIT

In year 2011, was triggered a litigation in an administrative court, following challenging of a decision and a conclusion by the Court of Auditors. Were ordered certain measures to be implemented by the Company to remedy deficiencies found during checks carried out on the Company.

The court upheld the obligation imposed on Transelectrica to implement the measures proposed by the Court. Administrative court decision was appealed to the High Court of Cassation and Justice.

On 13.10.2015, by Decision no. 3125/ 13.10.2015, the High Court of Justice dismissed the appeal filed by the National Power Grid Transelectrica SA against Sentence no. 1304/10 April 2013 of Court of Appeal Bucharest – Section VIII administrative and fiscal, as unfounded, the sentence being final.

After the control performed in 2013 the Court of Audit asked the Company to take some measures because it had found out some deficiencies on the occasion of such control. The decision and the conclusion of the Court of Audit were contested in the Appeal Court Bucharest in File nr. 1658/2/2014.

On 11 March 2015 the Appeal Court Bucharest deferred the case in order to conduct the technical and accounting expertise; the following court hearing date was 24 June 2015.

At its meeting on 20 January 2016, the court adjourned the case for the chartered accountant to express their views on the objections to the expert report carried defendant concerned and the expert technical expertise to carry out the work. The next deadline date was set for May 18, 2016.

▪ OPCOM

On 24.11.2014 the Electricity and Natural Gas Markets Operator OPCOM SA sued the Company to compel it paying 582,086.31 Euros (2,585,161.72 Lei at the BNR

exchange rate of 24.11.2014), representing the amount paid as penalty from the total charge of 1,031,000 Euros.

Before that the Shareholders' General Assembly of Subsidiary OPCOM SA decided on 10.06.2014 to pay the entire 1,031,000 Euro penalty charged by the Directorate General Competition of the European Commission for breaching article 102 of the European Union Treaty according to the decision taken in the antitrust case AT 39984.

Also OPCOM SA has asked the law court to compel the Company to pay 84,867.67 Lei as legal interest associated to the 11.06.2014 – 24.11.2014 period.

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 on the subject matter of litigation with professionals, and the hearing date was set on 29.06.2015. The Company filed defence to the summons in this case, claiming exceptions and the illegality of such action.

On the 24 July 2015 hearing date the law court admitted the suing demand expressed by claimant Electricity and Natural Gas Markets Operator OPCOM SA in contradiction to the defendant National Power Grid Company Transelectrica SA and compelled the defendant paying 582,086.31 euro to the claimant, representing the amount the claimant paid instead of the defendant out of the 1,031,000 Euro penalty charged under European Commission Decision of 05.03.2014 in the case AT.39984, as well as the legal interest related to the amount of 582,086.31 Euros calculated on 11.06.2014 until the date of the actual payment. The law court also compels the defendant to pay the claimant 37,828.08 Lei as trial expenses, with appeal within 30 days from notification. The sentence was not communicated to the Company until the date of this report.

▪ SMART

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 recorded the share capital increase of Subsidiary Smart SA by in-kind contribution and amended accordingly the Articles of Association in compliance with Decision 12375/22.12.2014 of the BA Chairman and to the BA Decision 19/22.12.2014. The Company also requested the competent court to cancel the two decisions

mentioned above and the suspension of the applicability of the documents whose cancellation is call until the promoted action is solved.

On 15.06.2015, the Bucharest Court by sentence no. 3401/2015, ordered the following: "passive locus stand Dismisses the Romanian state through the General Secretariat of the Government, as unfounded. Dismisses the lawsuit filed by the plaintiff CN Transelectrica SA in contradiction with the Subsidiary Smart SA, the Romanian state through the General Secretariat of the Government and the Trade Register of Bucharest Tribunal, as unfounded. The right to appeal within 5 days of delivery. "

The company appealed, and the case was registered before the Court of Appeal - Section VI of a civil with the hearing on 19.08.2015 and was rejected by the court in its meeting on 21.09.2015.

The company also filed a legal action against the resolution of Trade Register Office Director and the acts issued by Subsidiary SC Smart SA for the capital increase, subject of File no. 14001/3/2015 before the Court of Bucharest - Department of Civil-VI, with the hearing on 07.09.2015.

On 07.09.2015 the court ordered the severance ends 2 and 3 of the application for summons filed by the applicant in contradiction with the defendants Transelectrica Branch Society for Maintenance Services Electricity Transmission Grid Smart SA, the Romanian State Government General Secretariat NTC and forming a new folder with the period 02.11.2015. In case nr. 14001/3/2015 for continuation of the proceedings was granted within the 19.10.2015

On 19.10.2015, the court under Art. 413 para. 1 pt. 2 Criminal Procedure. civ., has the suspension of the application of summons filed by the plaintiff Transelectrica in contradiction with the defendants Subsidiary Society for Maintenance Services to Electricity Transmission Grid Smart SA, the Romanian State and NTC, pending final determination of the cause that case nr. 32675/3/2015 before the Bucharest Court - Civil Division VI.

In file 32675/3/2015 at 16.11.2015, the court allowed the objection of inadmissibility dismissing the lawsuit filed by the plaintiff Transelectrica in contradiction with defendants: Subsidiary SMART for maintenance services of electricity transmission grid, Romanian State and National Trade Register Office, as inadmissible. Right to appeal within 30 days from notice.



Anexe

ANNEX 1: Separate statement of the financial position on 31 December 2015

| [lei] | 31.12.2015 | 31.12.2014 |
|---|------------------|------------------|
| Assets | | |
| Non-current assets | | |
| Property, plant and equipment | 3,306,965 | 3,387,760 |
| Intangible assets | 35,011 | 39,503 |
| Financial assets | 55,944 | 57,028 |
| Total non-current assets | 3,397,921 | 3,484,290 |
| Current assets | | |
| Inventories | 34,960 | 35,680 |
| Trade and receivables | 722,545 | 1,056,178 |
| Cash and cash equivalents | 1,044,536 | 865,237 |
| Total current assets | 1,802,042 | 1,957,096 |
| Total assets | 5,199,963 | 5,441,386 |
| Shareholders' equities and liabilities | | |
| Shareholders' equities | | |
| Share capital, of which: | 733,031 | 733,031 |
| <i>Share capital subscribed</i> | 733,031 | 733,031 |
| Share premium | 49,843 | 49,842 |
| Legal reserves | 99,715 | 78,424 |
| Revaluation reserves | 565,737 | 615,406 |
| Other reserves | 24,235 | 23,661 |
| Retained earnings | 1,502,038 | 1,312,740 |
| Total shareholders' equities | 2,974,599 | 2,813,106 |
| Non-current liabilities | | |
| Long term deferred revenue | 494,181 | 552,768 |
| Borrowings | 634,590 | 792,044 |
| Deferred tax liabilities | 25,074 | 28,210 |
| Employee benefits obligations | 31,126 | 29,126 |
| Total non-current liabilities | 1,184,970 | 1,402,148 |
| Current liabilities | | |
| Trade and other liabilities | 780,524 | 945,657 |
| Other tax and social security liabilities | 6,763 | 7,578 |
| Borrowings | 167,362 | 200,678 |
| Provisions | 38,187 | 24,784 |
| Short term deferred revenue | 33,408 | 33,069 |
| Payable income tax | 14,148 | 14,365 |
| Total current liabilities | 1,040,393 | 1,226,132 |
| Total liabilities | 2,225,363 | 2,628,280 |
| Total shareholders' equities and liabilities | 5,199,963 | 5,441,386 |

ANNEX 2: Separate profit and loss account for the period ended on 31 December 2015

| thousand lei | 2015 | 2014 |
|---------------------------------------|-------------------|-------------------|
| Revenues | | |
| Revenues from transmission | 1,284,728 | 1,309,064 |
| Revenues from system services | 731,205 | 750,904 |
| Revenues from the balancing market | 923,023 | 703,376 |
| Other revenues | 45,536 | 54,113 |
| Total operational revenues | 2,984,492 | 2,817,458 |
| Operational expenses | | |
| System operating expenses | -238,552 | -238,349 |
| Balancing market expenses | -923,023 | -703,376 |
| Technological system service expenses | -637,653 | -653,441 |
| Amortisement | -318,482 | -333,805 |
| Salaries and other remunerations | -189,654 | -187,683 |
| Repairs and maintenance | -87,990 | -94,255 |
| Materials and consumables | -8,958 | -8,711 |
| Other operational expenses | -126,361 | -157,536 |
| Total operational expenses | -2,530,673 | -2,377,156 |
| Profit from operations | 453,819 | 440,302 |
| Financial revenues | 48,173 | 57,148 |
| Financial expenses | -66,912 | -65,644 |
| Net financial result | -18,739 | -8,496 |
| Profit before tax | 435,080 | 431,806 |
| Income tax | -68,671 | -74,190 |
| Profit of the year | 366,409 | 357,616 |

ANNEX 3: Separate statement of cash flows on 31 December 2015

| thousand lei | 2015 | 2014 |
|--|------------------|-----------------|
| Cash flows from operational activities | | |
| Profit of the time interval | 366,409 | 357,616 |
| Adjustments for: | | |
| Income tax expense | 68,671 | 74,190 |
| Depreciation and amortisement | 318,482 | 333,805 |
| Provisions for impairment of trade receivables and other | 30,189 | 40,614 |
| Reversal of provisions for impairment of trade receivables & other receivables | -25,951 | -11,577 |
| Net loss from disposal of property, plant and equipment | 1,119 | 509 |
| Reversal of adjustments for property, plant and equipment | 7,372 | 5,583 |
| Net reversal of adjustments for provisions of risks and charges | 16,816 | 13,319 |
| Interest expenses, interest revenue and unrealised exchange rate gains | 18,769 | 8,426 |
| Cash flows before changing the current capital | 801,877 | 822,484 |
| Changes in: | | |
| Trade and other receivables | 328,153 | -238,843 |
| Inventories | 721 | 1,298 |
| Trade and other liabilities | -184,299 | 285,423 |
| Other tax and social security liabilities | -815 | -571 |
| Deferred revenue | -57,801 | 19,845 |
| Cash generated from operational activities | 887,836 | 889,636 |
| Interest paid | -30,711 | -37,811 |
| Income tax paid | -52,472 | -77,717 |
| Net cash from operational activities | 804,653 | 774,108 |
| Cash flows used in investments | | |
| Procurement of property, plant and equipment and of intangible | -242,461 | -187,474 |
| Proceeds from sale of property, plant and equipment | 0 | 2 |
| Interest received | 11,729 | 14,103 |
| Dividends received | 7,072 | 13,224 |
| Net cash used in investments | -223,660 | -160,145 |
| Cash flows used in financing activities | | |
| Repayment of long term borrowings | -196,387 | -184,776 |
| Dividends paid | -205,307 | -164,648 |
| Net cash used in financing activities | -401,694 | -349,424 |
| Net increase / (Decrease) of cash and cash equivalents | 179,299 | 264,539 |
| Cash and cash equivalents on 1 January | 865,238 | 600,699 |
| Cash and cash equivalents at the end of the period | 1,044,536 | 865,238 |

ANNEX 4: Execution of the Revenue and Expense Budget (REB) on 31 December 2015

| No. | INDICATORS | REB 2015 | Achieved 2015 | Differences | Degree of achievement |
|------------|---|------------------|------------------|-----------------|--------------------------|
| | | | | (+/-) | (%) |
| 0 | 1 [thousand Lei] | 2 | 3 | 4=3-2 | 4=3/2 * 100 |
| I. | TOTAL REVENUES | 2,870,175 | 3,032,665 | 162,490 | 106% |
| | 1 Total operational revenues | 1,333,450 | 1,399,466 | 66,016 | 105% |
| | 2 Financial revenues | 43,290 | 48,173 | 4,883 | 111% |
| | 3 Revenues from zero profit activity | 1,493,435 | 1,585,026 | 91,591 | 106% |
| II | TOTAL EXPENSES | 2,699,429 | 2,597,585 | -101,844 | 96% |
| | 1 Operational expenses | 1,142,866 | 969,997 | -172,869 | 85% |
| | A Expenses with goods and services | 553,533 | 412,501 | -141,031 | 75% |
| | B Expenses with taxes, charges and assimilated payments | 31,049 | 26,922 | -4,128 | 87% |
| | C Personnel expenses | 185,317 | 173,073 | -12,244 | 93% |
| | D Other operational expenses | 372,967 | 357,501 | -15,466 | 96% |
| | 2 Financial expenses | 63,128 | 66,912 | 3,784 | 106% |
| | 3 Extraordinary expenses | 0 | 0 | 0 | 0% |
| | 4 Expenses from zero profit activity | 1,493,435 | 1,560,675 | 67,240 | 105% |
| III | GROSS RESULT (profit / loss) | 170,746 | 435,080 | 264,335 | 255% |

ANNEX 5: Economic-financial indicators of the reporting period

| Indicators | Calculation formula | 31.12.2015 | 31.12.2014 |
|---|---|------------|------------|
| Indicator of current liquidity (x) | $\frac{\text{Current assets}}{\text{Current liabilities}}$ | 1.73 | 1.60 |
| Indicators of gearing ratio (x): | | | |
| (1) Indicator of leverage | $\frac{\text{Capital borrowed}}{\text{Equity}} \times 100$ | 21.33% | 28.16% |
| (2) Indicator of leverage | $\frac{\text{Capital borrowed}}{\text{Committed capital}} \times 100$ | 17.58% | 21.97% |
| Clients turnover (days) | $\frac{\text{Average clients balance}^*}{\text{Turnover}} \times 365$ | 70.61 | 88.90 |
| Clients turnover (days) | $\frac{\text{Turnover}}{\text{Non-current assets}}$ | 0,86 | 0.79 |

* The clients contributing to turnover were taken into consideration when calculating the average balance (energy, balancing, other clients, and clients' bills to execute. Values corresponding to doubtful clients, the cogeneration scheme and the over-compensation have not been include in the average balance)

Anexa 6 – Glosarry

| | |
|----------------------------|--|
| „ANRE” | Regulatory Authority for Electricity |
| „BAR” | Regulated asset base |
| „BVB” | BSE, the operator of the regulated market on which shares are traded |
| „CEE” | European Economic Community |
| „Companie”, „CNTEE”, „TEL” | NPG Transelectrica SA |
| „CPT” | Technological consumption |
| „CS” | Supervisory Board |
| „DEN” | National Dispatch Centre |
| „EBIT” | Earnings before interest and tax |
| „EBITDA” | Earnings before interest, tax and amortization |
| „EBT” | Earnings before income taxes |
| „ENTSO-E” | European Network of Transmission System Operators for Electricity |
| „HG” | Government Decision |
| „IFRS” | International Financial Reporting Standards |
| „JPY” | Japanese Yen, the official currency of Japan |
| „LEA” | Overhead lines |
| „Leu” sau „Lei” sau „RON” | Official currency of Romania |
| „MFP” | Ministerul of the Public Finances |
| „MO” | Official Gazette of Romania |
| „OG” | Government Ordinance |
| „OPCOM” | Electricity Market Operator OPCOM SA in Romania |
| „OUG” | Government Emergency Ordinance |
| „PZU” | Day Ahead Market |
| „RET” | Electricity transmission grid of national and strategic interest with voltage rating greater than 110 kV |
| „SEN” | National Power System |
| „Smart” | Society for Maintenance Services to Electricity Transmission Grid Smart SA |
| „SSF” | Functional system services |
| „SST” | Technological system service |
| „TEL” | Indices for Transelectrica |
| „TSR” | Total shareholders return |
| „UE” | European Union |
| „u.m.” | Unit |
| „USD” sau “dolari US” | The official currency of the United States of America |
| „WACC” | Weighted Average Cost of Capital |