



CNTEE TRANSELECTRICA SA

QUARTERLY REPORT

January – March

2016

	Key figures	1
	Financial data	2
	Operational data	9
	Investments	12
	Significant events	13
	Other aspects	15
	Annexes	18

**QUARTERLY REPORT REGARDING THE ECONOMICAL AND FINANCIAL ACTIVITY OF CNTEE
"TRANSELECTRICA" SA**

**according to the provisions of art. 227 of the Law 297/2004 concerning the capital market and the
CNVM Regulation no. 1/2006 issued by the National Securities Commission, currently the Financial
Supervisory Authority (ASF)**

for a period ending on March 31, 2016

Report date:	May 16, 2016
Company name:	CNTEE TRANSELECTRICA SA, company with a dualist management system
Registered office:	Bucharest, Gen. Gheorghe Magheru Boulevard, no. 33, sector 1, zip code 010325
Operational office:	Bucharest, Olteni Street, no. 2 - 4, sector 3, zip code 030786
Telephone/ fax:	021 303 5611/ 021 303 5610
Unique registration code:	13328043
Trade Register Registration Number:	J40/ 8060/ 2000
Company's establishment date:	31.07.2000/ OUG 627
Registered capital:	733,031,420 lei, subscribed and paid
Trading regulated market for the issued securities:	Bucharest Stock Exchange, 1 st category
The main features of the issued securities:	73.303.142 shares with a nominal value of 10 lei/ share, dematerialized shares, freely tradable from 29.08.2006 under the TEL symbol 20.000 bonds with a nominal value of 10.000 lei/bond, nominative bonds, dematerialized and unsecured, traded at the BVB Credit Title sector – 3 rd Category, corporate Bonds under the TEL 18 symbol, within the category; Maturity date 19.12.2018
The total market value:	2,155,112,375 lei (29.4 lei/share on 31.03.2016)
Applied accounting standard:	International Standards for Financial Reporting
Audit:	The quarterly financial data issued on 31.03.2016 are not audited

RESPONSIBLE PERSONS STATEMENT

To our knowledge, the quarterly financial data for the 3 months period ended on 31st of March 2016, had been issued according to the applicable accounting standards (International standards for Financial Reporting as approved by the European Union) and provide a correct and realistic view of CNTEE Transelectrica SA shares, bonds, financial position, profit and loss account.

This reports contains correct and complete information regarding the economic and financial situation and the activity of CNTEE Transelectrica SA.

Bucharest, May 12, 2016

Directorate,

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



Key Figures

KEY FIGURES – 3 months 2016

FINANCIAL		
755 mil lei	▼ 3.1% y/y	Incomes
198 mil lei	▼ 13.5% y/y	EBITDA
99 mil lei	▼ 21.6% y/y	Net profit
14,02 TWh	0% y/y	Charged energy**

INVESTMENTS		
22,5 mil lei	▲ 24.5% y/y	Purchase of tangible and intangible assets
5,9 mil lei	▼ 12.7% y/y	Accounting registered fixed assets (PIF)

OPERATIONAL		
2,43* %	▼ 1.62% y/y	OTC
10,99 TWh	▼ 0.3% y/y	Transported energy***

OTC Own Technological Consumption

* The own technological consumption value in the electric energy, taken over by the electric transport network (transported energy)

** The charged quantity is defined as the electric energy quantity extracted from the public electricity networks (transportation network and distribution networks), except the exports of electrical energy

*** The transported quantity is defined as the physically conveyed energy quantity within the transport network



Financial Data

The summary of the quarterly financial results on March 31st 2016, is presented in the tables below. The financial results are not audited and the extended version for the same time period is presented in this Report annexes.

The profit and loss separate account

[mil lei]	1 st Quarter 2016	1 st Quarter 2015
Charged energy volume (TWh)	14,02	14,02
ALLOWED PROFIT ACTIVITIES		
Operational incomes	348	390
Transport	317	361
Functional system services	17	20
Other incomes	14	9
Operational Costs	138	143
System operation costs	63	65
Maintenance and repairs	15	14
Salaries and other retributions	41	40
Other costs	19	23
EBITDA	210	248
Amortization	82	80
EBIT	129	167
ZERO-PROFIT ACTIVITIES		
Operational incomes	407	389
Technological system services	177	177
The balancing market	230	212
Operational costs	420	407
Technological system services	190	195
The balancing market	230	212
EBIT	-12	-19
ALL ACTIVITIES (WITH PROFIT ALLOWED AND ZERO-PROFIT)		
Operational incomes	755	779
Operational costs	557	550
EBITDA	198	229
Amortization	82	80
EBIT	116	149
Financial result	2	1
EBT	118	150
Tax on profit	-19	-24
Net profit	99	126

Financial position separate situation

[mil lei]	March 30, 2016	December 31 st , 2015
Fixed assets	3,357	3,432
Tangible assets	3,267	3,341
Intangible assets	34	35
Financial assets	56	56
Current assets	1,637	1,802
Stocks	35	34
Receivables	692	723
Other financial assets	0	70
Cash and equivalents	911	974
Assets	4,995	5,234
Owner's equity	3,128	3,029
Subscribed joint stock	733	733
Capital surplus	50	50
Legal reserves	99	99
Reevaluation reserves	589	604
Other reserves	56	56
Reported result	1,601	1,488
Long-term liabilities	1,092	1,167
Loans	569	635
Other liabilities	523	532
Short-term liabilities	774	1,038
Loans	188	167
Commercial liabilities	486	776
Other liabilities	99	95
Liabilities	1,866	2,205
Owner's equity and liabilities	4,995	5,234

Cash flows separate situation

[mil lei]	3 months period ended on the 31 st of march, 2016	3 months period ended on the 31 st of march, 2015
Cash flows before the circulating capital modifications	197	229
Cash flows (used)/generated in the exploitation activity	-81	89
Net cash (used)/ generated in the exploitation activity	-103	70
Net cash generated/(used) in the investments activity	79	-27
Net cash used in the financing activity	-40	-69
Net decrease in cash and cash equivalents	-64	-26
Cash and cash equivalents on the 1 st of January	974	865
Cash and cash equivalents at the end of the time period	911	840

OPERATIONAL RESULTS

Charged energy volume

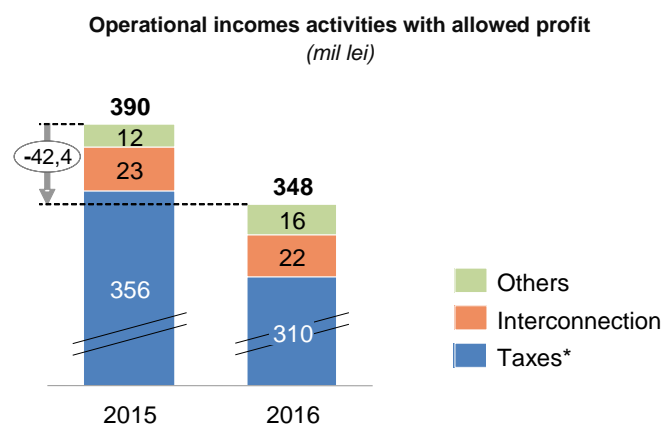
In 2016, the electric energy quantity charged for the services performed on the electricity market recorded a constant evolution, with a value similar to the one recorded in the first quarter of 2015 (the difference between the two periods is +0.04 TWh).

Operational incomes

The incomes achieved during January – March, 2016, decreased by **3.1%** comparing to the same period of the previous year (755 mil lei in the 1st Q of 2016, from 779 mil lei in the 1st Q of 2015).

Functionally, the segment of **activities with allowed profit** recorded an income decrease by 10.9% (348 mil lei in the 1st Q of 2015), determined by the decrease of the average taxes approved by ANRE for transport service, starting with 1st of July 2015, given the fact that the electric energy consumption has been relatively constant.

In the 1st quarter of 2016, the incomes resulted from the interconnection capacity allocation, slightly decreased by **4.1%** comparing to the value achieved in the 1st quarter of 2015, (22 mil lei in the 1st Q of 2016 from 23 mil lei in the 1st Q of 2015), due to a reduced usage level of the interconnection capacity liquid assets by the traders on the electricity market.



*includes the incomes resulted from the transport fee and the fee corresponding to the functional system services

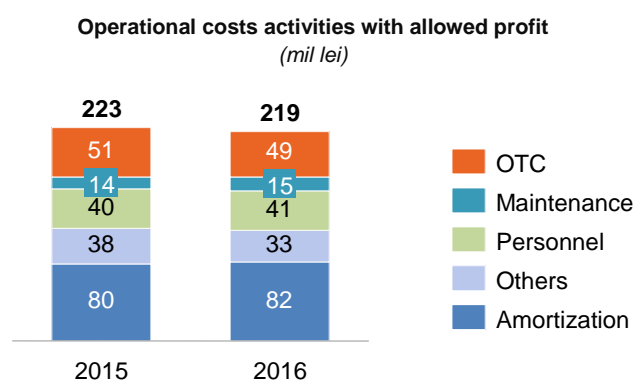
The total incomes resulted from the **zero-profit activities** increased by 4.8% (407 mil lei from 389 mil lei in 2015) determined by the incomes growth on the balancing market by 8.4%, the imbalances are higher in the 1st quarter of 2016, determined by the renewable energy sources and the weather conditions recorded.

Regarding the incomes resulted from technological system services, there is a minor increase of 0.4% (approximately 0.7 mil. lei).

Operational costs

The total operational costs (including the amortization) achieved during January – March 2016, increased by **1.4%** comparing to the similar period of the previous year (639 mil lei from 630 mil lei).

Within the **activities with allowed profit** segment, the expenses (without amortization) decreased by **3.5%** (138 mil lei from 143 mil lei).

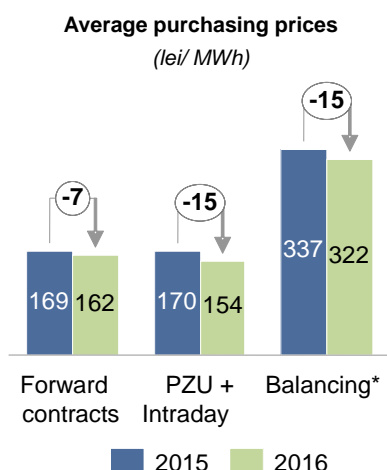


OTC: The total cost to purchase the electric energy necessary to cover the own technological consumption decreased by 3.9% during January – March 2016, comparing to the similar period of the year 2015.

This was due both to the quantitative decrease, from 273 GWh to 267 GWh, and as a result of purchasing the electric energy for OTC from the electric energy free market at low prices, comparing to the prices recorded in the 1st quarter of 2015.

The technological losses decrease in terms of quantity was primarily due to the import/export flows which were more advantageous in terms of OTC, more favorable weather conditions determining the decrease of the Corona type losses and more favorable distribution of the production structure.

In the 1st quarter of 2016, the purchasing average unitary cost was reduced by 2% comparing to the similar period of 2015, respectively 182.4 lei/ MWh in 2016 in regard to 185.95 lei/ MWh.



Station internal consumption: Due to a temporary delay, on the 31st of March 2016, expenses regarding the electricity consumption were recorded in the stations, of only 0,2 mil lei comparing to 3,8 mil lei on March 31, 2015, the settlement of the stations consumption corresponding to the 1st quarter of 2016 to be performed in the 2nd quarter of 2016.

Congestions: Congestions (network restrictions) represent electricity transport requests beyond the limits of the network technical capacity, corrective actions being necessary by the transport and system operator and occur when programming the operation or during the operation in real time, the power circulation between two joints or system areas leads to failure in respecting the safety parameters during the electricity system operation.

Thus, in order to comply with the safety criteria in Dobrogea, the values notified by certain participants were reduced on the balancing market, which deliver in the 110 kV electricity network from Dobrogea and Tariverde 400 kV Station. This situation determined congestions expenses in January 2016 in the amount of 2.6 mil lei.

For the **zero-profit activities** segment, the costs increased by approximately **3.0%** (420 mil lei from 407 mil lei in the 1st Q of 2015), determined by the expenses increase on the balancing market. The expenses related to the technological system services decreased by 2.9% in the 1st Q of 2016 (190 mil lei from 195 mil lei in the 1st Q of 2015) due to the price reduction for purchasing the power reserves necessary to balance the national energetic system.

During the 1st of January and 31st of March 2016, system technological services were purchased (slow tertiary reserve) according to the regulations, GD no. 1019/30.12.2015, whereby the "Winter energy program

in the energetic field for ensuring the safe and durable operation of SEN" was approved.

For the period July 1, 2015 - June 30, 2016, the purchase of technological system services is performed according to the regulations of SC Hidroelectrica SA (Decision no. 1377/26.06.2015 amended by Decision no. 1423/01.07.2015) and SC Complexul Energetic Hunedoara SA (Decision no. 859/08.04.2015).

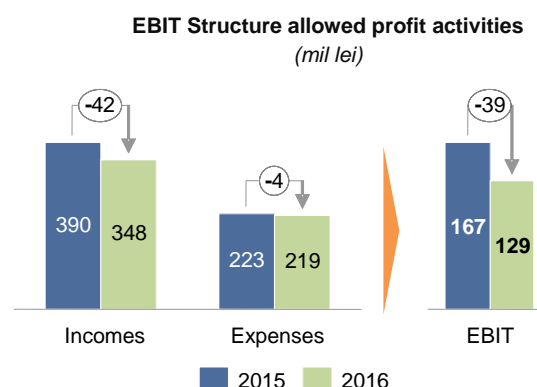
Operational profit

EBITDA decreased by **13.5%** comparing to the similar period of 2015 (198 mil lei in the 1st Q of 2016 from 229 mil lei in the 1st Q of 2015), this evolution was mainly due to the segment influence of activities with allowed profit.

The allowed profit activities recorded a positive result, but 15.1% lower than the one achieved in the 1st Q of 2015 (210 mil from 248 mil lei in the previous year) on the background of income decreases.

EBIT generated by the **zero-profit activities** recorded a negative result, from 12 mil lei, decreasing from the result recorded in the 1st Q of 2015 (negative result of 19 mil lei).

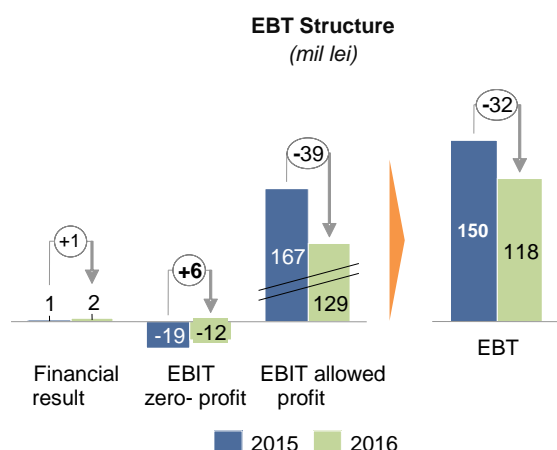
For the entire activity, **EBIT** decreased by approximately **21.9%** (116 mil lei from 149 mil lei). 1st Q of 2016).



Gross profit (EBT)

The profit before tax profit, decreased by **21.1%**, up to 118 mil lei in the 1st Q of 2016 from 150 mil lei in the 1st Q of 2015.

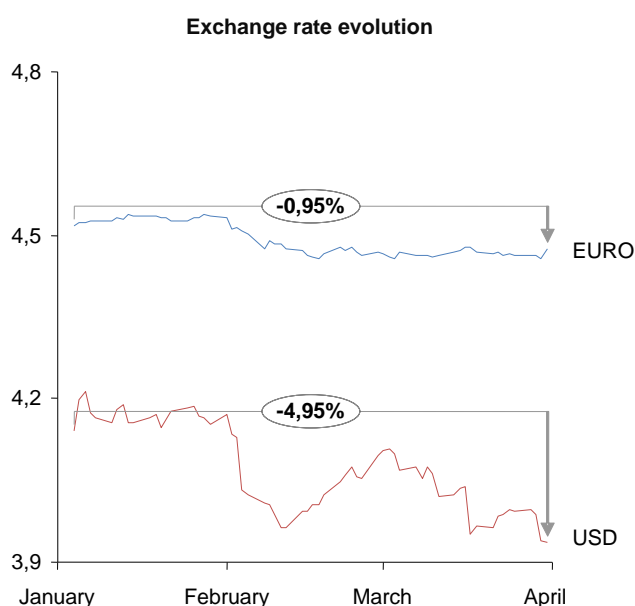
The difference between the profit recorded in the 1st Q of 2016 and the 1st Q of 2015, split in the constitutive elements of the profit is presented below.



Financial result

The incomes resulted from interests increased by 18% in the first quarter of 2016, comparing to the 1st Q of 2015 following the recording of the interest corresponding to the first three months of 2016, while simultaneously recording some expenses related to the interests decreased by 19% comparing to the 1st Q of 2015.

The evolution of the exchange rate net differences was determined mainly by the national currency exchange rate evolution comparing to the foreign currencies bank loans contracted by Transelectrica to finance the investments programs (especially in Euro). Thus, on the 31st of March 2016, the Company recorded a net gain from exchange rate differences of 6,5 mil lei, and the net financial result recorded in the 1st quarter of 2016 was positive (2.1 mil lei), increased by 81% comparing to the one recorded on the 31st of March 2015.



Net profit

The net profit decreased by approximately **21,6%** comparing to the 1st Q of 2015 (99 mil lei from 126 mil lei).

FINANCIAL POSITION

Fixed assets

Fixed assets decreased by 2.2% at the end of the 1st Q of 2016 mainly after recording the tangible and intangible assets amortization.

Current assets

Current assets decreased by 9.2% on the 31st of March 2016 (1.637 mil lei) comparing to the value recorded on the 31st of December 2015 (1.802 mil lei), determined by the 4.4% decrease of receivables and 8.7% of cash and bank deposits.

On the 31st of March 2016, the balance account clients from the operational activity decrease comparing to the 31st of December 2015, determined mainly by the increase of the receivables collecting degree comparing to 2015 and the average taxes decrease approved by ANRE for the services performed by the Company, starting with the 1st of July 2015.

The main customers on the electricity market are represented by: RAAN, Electrica Furnizare, CET Govora, E.ON Energie Romania, Electrocentrale Oradea, Enel Energie, Enel Energie Muntenia, Romenergy Industry. Their share in the total gross receivables corresponding to the electricity market is 75%.

CNTEE Transelectrica SA performs activities corresponding to the bonus type support scheme for promoting high-efficiency cogeneration, as administrator of the support scheme, according to the provisions of GD no. 1215/2009, "the main attributions are to monthly collect the contribution for cogeneration and monthly payment of bonuses."

On the 31st of March 2016, the Company records receivable to collect from the bonus type support scheme in order to promote high-efficiency cogeneration of about 25% (December 31, 2015 – 25%) from the total commercial receivables.

In April 2016, ANRE issued a series of Decisions regarding the overcompensation corresponding to 2015, in the amount of 119.7 mil lei, for which the Company issued invoices for the high efficiency cogeneration electricity producers, whereat the activity overcompensation was recorded.

The clients from the bonus type support scheme for promoting high efficiency cogeneration recorded on the 31st of March 2016 a receivables decrease, mainly determined by the overcompensation collection, corresponding to 2014.

During January 1st and 31st of March 2016, the Company decreased the balance with the amount of 6,0 mil lei for the overcompensation of 2014, whereby collections from bank transactions in the amount of 0,2 mil lei (Termo Calor) and compensation based collections, performed through the Management and Information Institute (according to GD no. 685/1999) in the amount of 5,8 mil lei (Electrocentrale Oradea).

Also, during January 1st and 31st of March 2016, the Company decreased the balance with the amount of 3.2 mil lei for the undue bonus corresponding to 2015, whereby collections from bank transactions in the amount of 0.3 mil lei (Electrocentrale București) and compensation based collections performed through the Management and Information Institute (according to GD no. 685/1999) in the amount of 2.3 mil lei (CET Arad).

On the 31st of March 2016, the Company records receivables to collect, representing issued invoices, corresponding to the bonus type support scheme for promoting high efficiency cogeneration, as follows:

- Overcompensation for 2011-2013 in the amount of 76,7 mil lei, respectively from RAAN (63.5 mil lei) and CET Govora SA (13.2 mil lei);
- Undue overcompensation and bonus for 2014 in the amount of 11.1 mil lei, respectively from Electrocentrale Oradea (7.2 mil lei), RAAN (2.0 mil lei) and CET Govora (1.9 mil lei);
- Undue bonus for 2015 in the amount of 0,6 mil lei, respectively from CET Govora (0.5 mil lei), Energy Cogeneration Group (0.1 mil lei);
- Contribution for uncollected cogeneration from the electricity suppliers, in the amount of 15.1 mil lei, respectively from PetProd (4.4 mil lei), RAAN (2.4 mil lei), Transenergo Com (2.4 mil lei), Romenergy Industry (2.3 mil lei), UGM Energy Trading (1.5 mil lei) and others.

For the receivables extinguishing, generated by overcompensation for the 2011-2013 period (receivables to collect from RAAN and CET Govora), the Company requested the performing of mutual compensation.

RAAN and CET Govora did not agree with this extinguish method for the mutual receivables and debts, wherefore the Company continues to apply the provisions of art. No. 17. para. 5 of ANRE President's Order no. 116/2013 for approving the Regulation

regarding the settlement of the contribution collecting method for high efficiency cogeneration and bonus payment for the electricity produced in high efficiency cogeneration: *"In case the producer did not fully paid the support scheme administrator the payment obligations resulted according to the present regulation provisions, the support scheme administrator shall pay the producer the difference between the invoices value issued by the producer and the producer's payment obligations concerning the support scheme, with the explicit mention, on the payment document for the respective amounts"* and withheld from payment the amounts corresponding to the due support scheme.

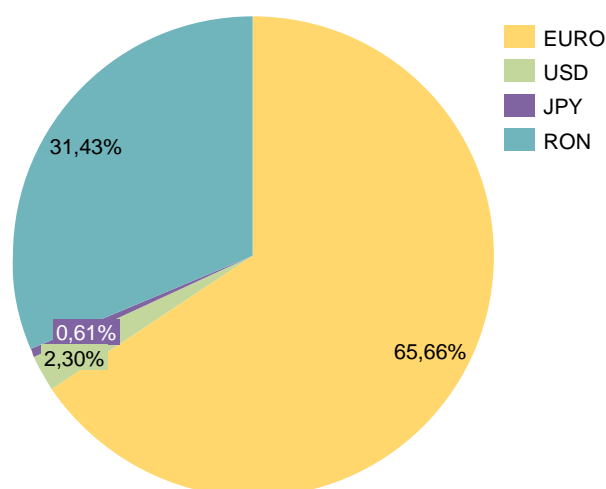
Liabilities

Long-term liabilities decreased by 6.4% during January - March 2016, mainly due to principal repayments (from 635 mil lei on the 31st December 2015 to 569 mil lei on the 31st of March 2016).

Short-term liabilities also decreased by approximately 25,5% on the 31st of March 2016. The decrease is mainly due to the liabilities reduction to the electricity suppliers, but also upon recording the compensations corresponding to the undue bonus/overcompensation within the support scheme.

Interest-bearing liabilities (long and short term) are presented in the structure below.

Currency structure on the 31st of March 2016

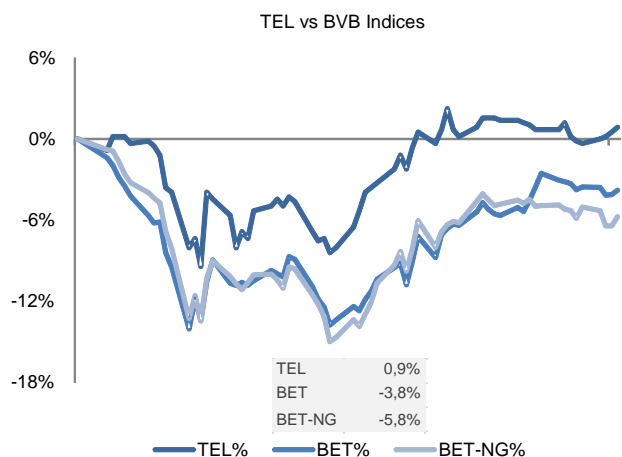


Owner's equity

The owner's equity increased by 3.3%, due to the first quarter positive performance, credited in the reported result.

SHARES EVOLUTION

(from 31-Dec-2015 to 31-Mar-2016)



In the first quarter of 2016, the Transelectrica share (BVB symbol: TEL) recorded an improved evolution comparing to the main index of Bucharest Stock Exchange (BET) and also over the BET-NG index.

2016 started with a transaction price of 28.9 lei/share, market capitalization of 2,118 mil lei, at the end of the period (March 31st, 2016) the share price is 29.4 lei, with a market capitalization of 2,155 mil lei. The minimum trading price was recorded on 20.04.2016, of 26.4 lei/share, the maximum price of 29.8 lei/share was achieved on 02.03.2016.



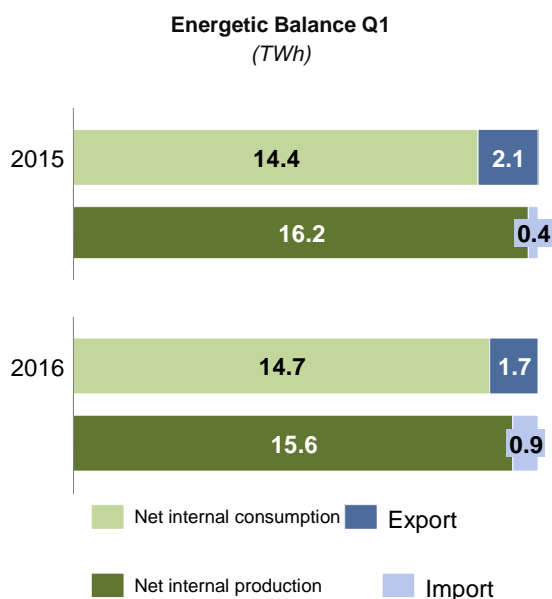
Operational data

SEN ENERGETIC BALANCE

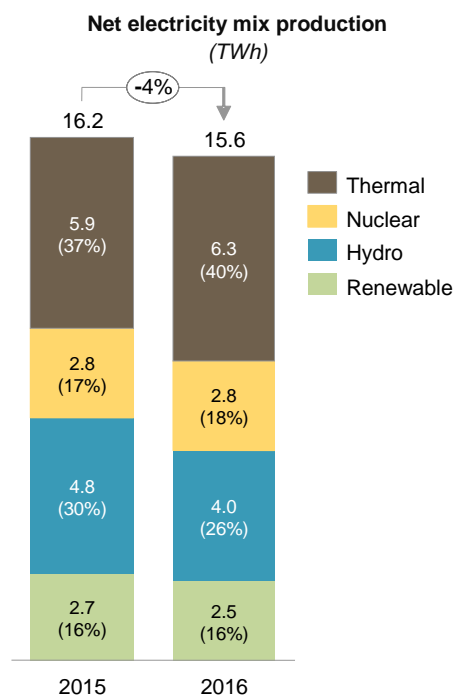
The internal¹ net consumption increased by 1,6% comparing to the last year similar period.

The net energy production decreased by approximately 4.0% comparing to the similar period of the year 2015, mainly due to a lower production in the hydroelectric and renewable stations as a result of unfavorable weather conditions.

Throughout the first quarter of 2016, export border physical trades decreased by 17.9% comparing to the similar period of 2015, while the import border flows increased by 130.2%.



Also, the unfavorable weather conditions determined a decreased energy quantity produced from renewable sources (with 0,2 TWh).



MIX OF PRODUCTION

Within the mix of production structure, during the first quarter of 2016 comparing to the first quarter of 2015, an increase of the thermal component share of approximately 3.9% was recorded, in the hydro component detriment which decreased by 4.3%.

NATIONAL PRODUCTION PARK

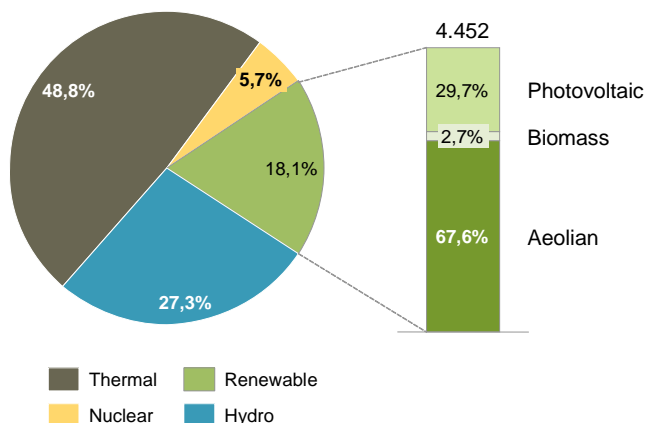
During the first quarter of 2016, the gross power installed within the electrical stations recorded a minor increase of 0.3% comparing to the first quarter of 2015.

The power installed within the station on renewable source increased during January – March 2016 comparing to the last year similar period by approximately 3% (132 MW) from 4,321 MW installed on the 31st of March 2015, to 4,452 MW installed on the 31st of March 2016.

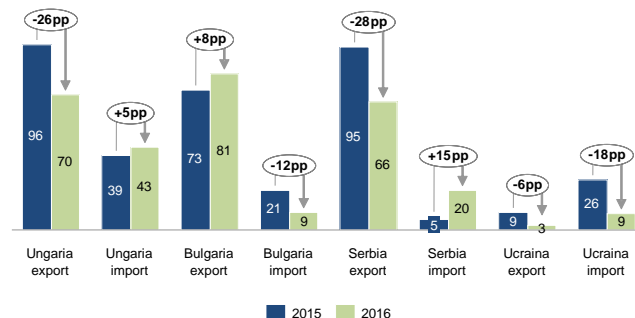
The installed power dynamics, corresponding to the first quarter of 2016, respectively 2015, is presented below:

¹ Values do not include the consumption corresponding to own services within the electricity production stations; the net consumption value includes losses from the transport and distribution networks as well as the pumps consumption within the hydro stations with pumping accumulation.

2016 Installed power (24.626 MW, gross value)

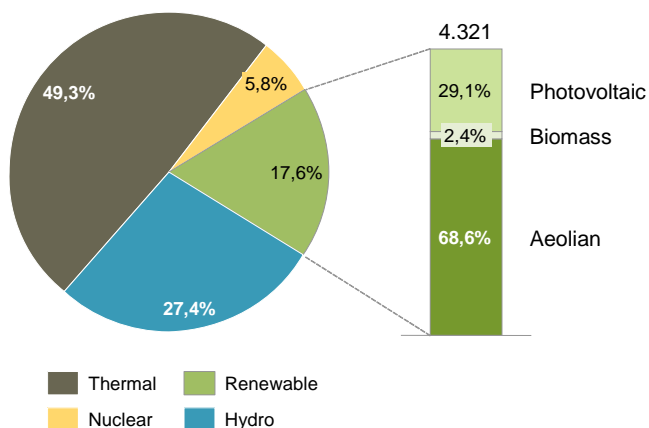


Total allocated capacity utilization degree (%)

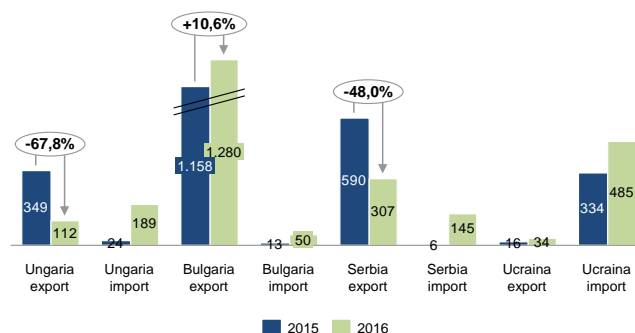


Both import and export physical flows on each border are presented below.

2015 Installed power (24.557 MW, gross value)

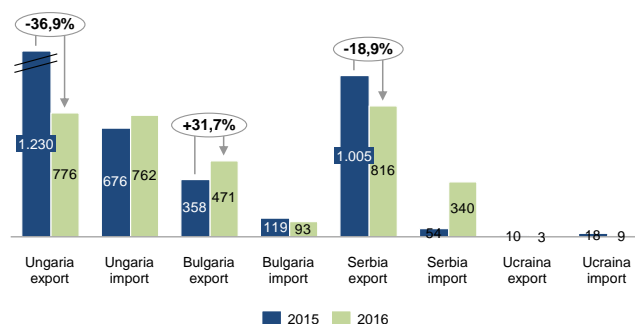


Physical flows (GWh)



The import and export commercial flows for each border are presented below.

Commercial flows (GWh)



BORDER FLOWS

The border flows recorded important values on the relations with Hungary, Serbia and Bulgaria but decreased comparing to the previous year.

Thus, comparing to Q1 2016, the export physical flow with Hungary (-36,9%) and Serbia (-18,9%) decreased, while to Bulgaria a greater quantity of energy was exported (+31,7%).

In the first quarter of 2016, the total allocated capacity utilization degree on the interconnection lines for export decreased comparing to the same period of 2015, significant decreases being recorded on the relation with Serbia and Hungary.

The relation with Moldova did not record any import/export operations in the first three months of 2016 and 2015.

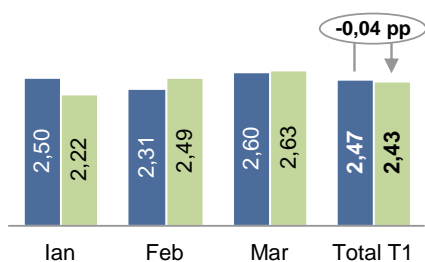
OWN TECHNOLOGICAL CONSUMPTION

In the first quarter of 2016, OTC in RET decreased with approximately 2,1 % comparing to the same period of 2015, due to the more favorable weather conditions, physical flows and more advantageous production structure.

Relating to the energy contour input, the losses slightly decreased from 2,47 % to 2,43 %.

OTC Evolution

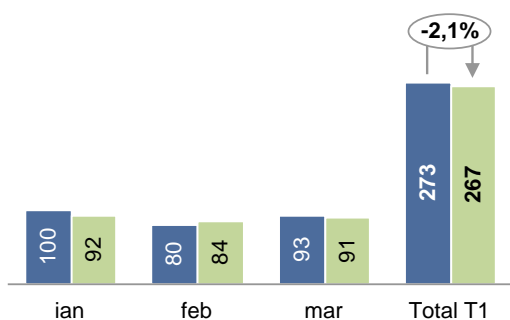
(%)



■ 2015 ■ 2016

OTC Evolution

(GWh)



■ 2015 ■ 2016

Minimum/maximum monthly value

In **January** 2016, the absolute value OTC decreased comparing to January 2015 by approximately 7,77% due to the favorable import/export flows and more advantageous production repartition, especially hydrocarbon production growth, which led to the reduction of energy transport away from the production sources.

The losses percentage reported at the RET input energy decreased from 2,5% in January 2015 to 2,22% in January 2016. The internal net consumption of energy was increased comparing to January 2015 by 3,79%. The contour input energy also increased by 4,18% in January 2016, comparing to the similar period of 2015. The weather conditions were unfavorable determining the Corona losses increase.

In **March** 2016, the absolute value OTC decreased comparing to March 2015 by approximately 2,43% due to more favorable weather conditions, which determined the corona losses decrease and more advantageous production mix, leading to the reduction of energy transport away from the sources.

The contour input energy also decreased by 3,37% in March 2016, comparing to the similar period of 2015. The losses percentage reported at the RET input energy increased from 2,6% in 2015 to 2,63% in 2016.



Investments

ACCOUNTING REGISTERED FIXED ASSETS

The value of the accounting registered fixed assets in the first quarter of 2016 was 5.9 mil lei.

The largest transfers from ongoing tangible assets to tangible assets are represented mainly by commissioning the investments objectives, as follows:

- Security integrated system within the electricity Stations phase IV – Electricity Station 400/110 kV North Constanta – 3.3 mil lei;
- No. 2 Industrial building modernization ST Timisoara, Sp+P+1E regime - 1.2 mil lei;
- Replacing the pillar no. 301 from LEA 400 kV Mintia – South Sibiu – 0.5 mil lei;

ASSETS ACQUISITIONS

The tangible and intangible assets acquisitions² value is 22.5 mil, comparing to the similar period of 2015 when the acquisitions value was 29.7 mil lei.

The investments projects in progress on the 31st of March 2016 are as follows:

- Modernization of 400/220/110/20 kV Bradu Station – 26.2 mil lei;
- LEA 400 kV of interconnection Reșița (Romania) - Pancevo (Serbia) – 3.0 mil lei;
- Modernization of 220/110/20 kV Campia Turzii Station – 2.5 mil lei;
- Connecting to RET of CEE 136 MW from Platonesti area, Ialomița County, by executing a cell of 110 kV in the 400/110 kV Gura Ialomiței Station - 1.5 mil lei;
- Connecting the energy production station in a biomass based system with the power of 5.4 MW - CTE ENVISAN - phase 1 – 0.8 mil lei;
- Increasing the safety degree of the plants corresponding to the Station 400/220/110/10 kV South Bucharest – Equipment replacement 10 kV - Batch II – 0.7 mil lei;
- Security integrated system in the station 400KV Stupina – 0.6 mil lei;

- Internal services modernization c.c. and c.a. in the Station 400/110 kV Draganesti Olt – 0.5 mil lei.

In the first quarter of 2016, the amount of 29.6 mil lei was collected, representing the unused advance corresponding to Portile de Fier – Anina new line section within the investments objective “Switching the voltage to 400kv for the section Porțile de Fier - Reșița - Timișoara - Salacaz - Arad/ LEA 400kv Porțile de Fier - (Anina)”, until the Government Decree issuance regarding the technical and economic indicators approval and the expropriation procedure initiation for private property buildings.

CONTRACTUAL ASPECTS

During the first three months of 2016, 13 contracts have been signed for investments objectives, with a total value of 9.0 mil lei, comparing to 19 contracts with a total amount of 5.8 mil lei signed in the first quarter of 2015.

The most important investments contracts signed during January – March 2016, are:

- Execution of fiber optic communication between the Stations 400/220/100 Kv Bradu and 220/110 Kv Stupărei – 2.8 mil lei;
- Fiber optic installation on LEA 220 Kv Fundeni - Brazi West - Batch 1 – 2.2 mil lei;
- Neplan Software: 2 new licenses, 5 licenses CIM/XML modules included and maintenance and up-grade (service) for 13 Neplan licenses + 5 CIM/XML licenses – 1.8 mil lei;
- Reconductoring LEA 220 Kv Craiova North - Isalnita, Circuit 1 – 1.2 mil lei;
- Connection 110 Kv Codlea - CET and Bartolomeu - Harman in the Station 400/110 Kv Brasov – 0.3 mil lei.

² It includes providers of property variation in the balance on March 31 of 2016



Significant events

JANUARY - MARCH 2016 EVENTS

- **Concluding the project "Station modernization 400/110/20 kV Tulcea West"**

The project was implemented in Tulcea, Tulcea County, with a duration of 41 months and 15 days and it was framed within the 4th priority axis "Increasing energy efficiency and security of supply, in the context of combating climate change", operation "Supporting the investments in transport networks extension and modernization for electricity, natural gas and oil in order to reduce the network losses and to accomplish in conditions of safety and stability the transport and distribution services – transport part".

The project's objective is to increase the energetic efficiency and safety in operation of the Electricity Transport System by modernizing the electric transformer station and high voltage connections 400/110/20 kV Tulcea West, in the context of combating climate change.

- **Publication for debate of the Electric Transport Network Development Plan during 2016-2025**

According to the attributions and abilities established by the Law for electricity and natural gas no. 123/2012, RET Technical Code -Inspection I, approved by ANRE Order no. 20/2004, amended and supplemented by ANRE Order no. 35/2004 and the special Conditions associated to the License no. 161/2000 for performing electricity transport service, system service and for the balancing market administration, National Power Grid Company Transelectrica S.A., performs the planning activity regarding the RET development, taking into consideration the current stage and the electricity consumption and sources future evolution, including electricity imports and exports.

For this purpose, Transelectrica updates every 2 years the Electric Transport Network Development Plan for the next 10 successive years.

After the Plan is approved by the competent authority and the transport network owner agrees with the financing method for investments in the transport network, this document becomes public.

Since March 17, 2016", the document "The Electric Transport Network Development Plan – 2016-2025" is posted on Transelectrica website, within the "RET Management section.

- **Supervisory Board modification**

On the 23rd of March, the Supervisory Board members appointed Dragoş Corneliu ZACHIA-ZLATEA as Supervisory Board President.

- **The General Meetings of Shareholders**

On the 28th of March, the Extraordinary General Meeting of Shareholders (EGMS) and the Ordinary General Meeting of Shareholder (OGMS) took place. The main aspects included in the OGMS decision are:

- Approving the investments program for the 2016 financial year and investments expenses for 2017 and 2018;
- Approving the Budget proposal for Incomes and Expenses for 2016 of C.N.T.E.E. Transelectrica S.A., as well as estimations for 2017 and 2018;
- Approving the policy regarding the dividends distribution of C.N.T.E.E. Transelectrica S.A.

The main aspects included in the EGMS decision are:

- Contracting legal services approval in order to optimize the credit costs, contracted with the internal and international creditor;
- Rejecting the joint stock decrease, representing the subscribed and paid joint stock of the Trading Company Subsidiary "Energy Research And Modernizing Institute – ICEMENERG" – S.A. because GD. 925/2010 provides not only capital reduction of their share of the Romanian State.

ULTERIOR EVENTS Q1 2016

Subsequently the first quarter of 2016, the following events significant for the Company took place:

- **Moody's Investors Service credit rating**

The international credit rating Moody's Investors Service increased by one level the credit rating of Transelectrica, to Ba1 (previously Ba2), the perspective is maintained on a stable level. The Transelectrica rating remains just one level below Romania's state rating (the previous two levels), thus recognizing the Company's management and financial performance.

- **The General Meetings of Shareholders**

On the 29th of April, the Extraordinary General Meeting of Shareholders (EGMS) and Ordinary General Meeting of Shareholder (OGMS) took place.

The main aspects included in the OGMS decision are:

- Approving the gross dividend per share for 2015 of 2.65 lei gross/ share, proper for the

shareholders registered within TEL shareholders Register on the 8th of June 2016, ex-dividend date of June 6 2016 and payment start date of June 28 2016.

- Approving the annual financial situations separated and consolidated for 2015 financial year of National Power Grid Company Transelectrica S.A., as well as the annual report for 2015 regarding the economic and financial activity of the Company, according to the capital market legal provisions, grant discharge to the Executive Board and Supervisory Board members..



Other aspects

OWNERSHIP STRUCTURE

On the 31st of March 2016, the ownership structure was the following:

Shareholder name	
Romanian State through the Ministry of Economy, Commerce and Relations with the Business Environment	43,020,309
Legal Persons	21,582,794
S.I.F. Oltenia	3,764,105
Physical Persons	4,935,934
Total	73,303,142

LITIGATIONS

The most significant litigation involving the Company are presented below:

▪ ANAF

The company is in dispute with ANAF, which issued a tax audit report on September 20, 2011 regarding the VAT reimbursement for September 2005 – November 2006, for 123 unused invoices identified as missing, special regime documents and for which it was estimated a collected VAT of 16.303.174 lei plus the accessories in the amount of 27.195.557 lei. The counter value of these obligations in the total amount of 43.498.731 lei, was deducted from the VAT paid by the Company in November. Subsequently, the Company has found that the current VAT amounts paid, were taken into consideration for the amounts settlement within the tax audit report above mentioned.

Thus, the Company was forced to pay penalties of 944.423 lei, corresponding to the VAT which should have been paid in November 2011, in order not to register overdue debts to the state budget. Altogether, in 2011, the Company paid the amount of 44.442.936 lei.

The company submitted an appeal to ANAF against the notice of assessment and requested its suspension until the administrative settlement of the complaint submitted to ANAF. The Court rejected the request for

THE EXECUTIVE BOARD

On the 31st of March 2016, the Executive Board was as follows:

Ion - Toni TEAU	President
Octavian LOHAN	Directorate Member
Constantin VĂDUVA	Directorate Member
Ion SMEEIANU	Directorate Member
Cătălin CHIMIREL	Directorate Member

the notice of assessment's suspension of the tax audit report execution.

At the hearing set on 30th of April 2014, the resolution issued by the trial court – Bucharest Appellate Court, Section VIII Administrative and Fiscal Legal Department (Decision no. 1356/2014) in the case File no. 6657/2/2012 was the following: "Rejects the request of CNTEE Transelectrica SA complainant (Complaint against ANAF Fiscal administrative Document)". The Company appealed against the Decision no. 1356/2014, the following hearing being established for the 7th of April, 2016. On the 7th of April 2016, due to a lack of procedure, a new hearing has been established for 02.06.2016.

▪ ANRE

CNTEE Transelectrica SA issued a complaint against the ANRE President's Order no. 51 / 26.06.2014 ANRE registration no. 47714 / 04.08.2014 and an appeal to the Bucharest Appellate Court which is the subject of the case file no. 4921/2/2014, requesting either the above mentioned Order's modification or issuing a new order, for the recalculation of the RRR

value to the 9,87% level (recalculated with a coefficient (β) of 1,0359, according to the internal Transelectrica verifications) or, to the extent that this request will be rejected, using the same percentage of 8,52% established by ANRE for 2013 and the first semester of 2014.

On the 26th of June 2014, the ANRE Order no. 51 was issued, published in the Official Gazette no. 474/27.06.2014, regarding the approval of the average transport tax, system service tax and local taxes corresponding to the transport service performed by National Power Grid Company Transelectrica S.A., and abrogation of the Annex no. 1 of the ANRE President's Order no. 96 / 2013 regarding the approval of the transport service average tax, system service tax, local taxes corresponding to the transport service and the taxes for reactive electricity, practiced by the operators in the electricity sector.

The values considered when calculating the regulated return rate (RRR¹) by ANRE according to the Methodology of establishing the taxes for electricity transport service approved by the ANRE Order no. 53/2013 ("Methodology"), determined a RRR value of 7,7%.

CNTEE Transelectrica SA considers that applying the provisions of Art. 51 from the Methodology by establishing the Beta parameter (β) value of 0,432 will determine the company's financial prejudicing, by decreasing the return rate with an estimated value of 138,4 mil lei³ having a significant impact on the financial interests of the society, thus prejudicing both the company's shareholders and their interests.

At the hearing on 09.02.2016, the law court accepted the evidence with accounting expertise – financial investments specialty and other securities entities, prorogued the evidence deliberation with technical expertise – electro-energetic specialty, after submitting the evidence with accounting expertise – financial investments specialty and other securities entities, deciding to postpone the case for June 10 2016, in order to complete and analyze the expertise report.

▪ COURT OF ACCOUNT

¹ RRR- The regulated return rate can be found in the specialty literature under the abbreviated name of WACC– Weighted Average Cost of Capital – in translation The Capital Balanced Average Cost, the two indicators formula is similar: $RRR = WACC = CCP + Kp/(1 - T) + CCI \times Ki$

² Value which determined the RRR decrease by 7,7 %

³ Value calculated comparing to a RRR value of 8,52%

Following an inspection performed in 2013, The Court of Accounts decided that the Company should implement certain measures as a result of deficiencies found during this inspection. The decision and conclusion issued by the Court of Accounts were appealed to the Bucharest Appellate Court, case file no. 1658/2/2014.

In the hearing held on January 20, 2016, the law court postponed the case so as the accountant can state his own opinion regarding the complainant's objections on the performed expertise report and so as the technical expert can perform the expertise paper. The next hearing was established for 18.05.2016.

▪ OPCOM

On November 24, 2014, The Electricity and Natural Gas Market Operator - OPCOM SA, sued the Company, in order to force the Company to pay the amount of 582.086,31 euro (2.585.161,72 lei at the BNR exchange rate dated 24.11.2014), representing the amount paid by OPCOM as fine, of the total fine of 1.031.000 euro, the request being the object of the case file no. 40814/3/2014.

Previously, the OPCOM SA Subsidiary General Meeting of Shareholders decided, in the session dated 10.06.2014, the total payment of the fine in the amount of 1.031.000 euro – applied by the Competition General Directorate – European Commission for the violation of Art. 102 of the Treaty regarding the European Union functioning, according to the Decision in the antitrust case AT 39984.

Also, OPCOM SA requested the law court to force the Company in paying the amount of 84.867,67 lei as legal interest corresponding to the period 11.06.2014 – 24.11.2014.

The action filed by OPCOM SA, is the object of the case file no. 40814/3/2014, before the Bucharest Court, Civil Section VI, covering claims, matters of dispute with professionals and the trial date established for - 29.06.2015. The Company met a claim at the request of summons in this cause, pleading as exceptions and background defenses regarding the groundlessness and illegality of the action.

In the hearing dated 24.07.2015, the court granted the application for summons issued by the complainant The Electricity and Natural Gas Market Operator - OPCOM SA in contradiction with the defendant National Power Grid Company Transelectrica S.A., and forced the defendant to pay the complainant the amount of 582.086,31 de euro, representing the

amount paid by the defendant instead of the complainant from the fine value of 1.031.000 de euro charged by the European Commission Decision dated on 05.03.2014 in the AT.39984 case and the legal interest payment, in the amount of 582.086,31 Euro, calculated on 11.06.2014 and until the date of actual payment .

Also, the court obliges the defendant to pay the complainant the amount of 37.828,08 lei, as court expenses, with the right to appeal within 30 days from the communication date.

Against the sentence no. 4275/2015, pronounced in the above mentioned file, Transelectrica SA issued an appeal, which was registered before the Bucharest Court of Appellate.

▪ **SMART**

Transelectrica filed a legal action against the Bucharest Trade Register director's resolution and against the documents issued by the SC Smart SA Subsidiary for increasing the joint stock, representing the object of the case file no. 14001/3/2015, before Bucharest Court – Civil Section VI, with hearing set for 07.09.2015.

On the 7th of September 2015, the court decided the disjunction of the litigations 2 and 3 within the request for summons issued by the complainant CNTEE Transelectrica in contradiction with the defendant Maintenance Services Society Subsidiary of Electric Transport Network Smart SA, the Romanian state through the General Secretariat of the Government and Trade Register, constituting a new case file with the hearing set on November 2, 2015. In the case file no. 14001/3/2015, for continuing the trial, the hearing was set on 19.10.2015.

On October 19, 2015, the court decided under art. 43, para. 1, pt. 2 C civ. proc., the suspension of the application for summons issued by the complainant Transelectrica in contradiction with the defendants Maintenance Services Society Subsidiary of Electric Transport Network Smart SA, Romanian State and Trade Register, until the final resolution of the case file which is the object of the file no. 32675/3/2015 before the Bucharest Court – Civil Section VI.

In the case file no. 32675/3/2015, at the hearing dated 16.11.2015, the court accepted the inadmissibility exception, rejecting the application for summons issued by the complainant Transelectrica in contradiction with the defendants Maintenance

Services Society Subsidiary of Electric Transport Network Smart SA, the Romanian State and Trade Register, as inadmissible, with the right to appeal within 30 days from the communication date. The sentence has not been communicated to the Company until this present report date.



Annexes

ANNEXE 1: Financial position separate situation on the 31st of March 2016

[thousands lei]	31.03.2016	31.12.2015
Assets		
Fixed assets		
Tangible assets	3,267,133	3,341,451
Intangible assets	34,310	34,570
Financial assets	55,944	55,944
Total fixed assets	3,357,387	3,431,965
Current assets		
Stocks	34,529	34,329
Clients and similar accounts	691,751	723,448
Other financial assets	0	70,085
Cash and cash equivalents	910,846	974,451
Total current assets	1,637,125	1,802,313
Total assets	4,994,512	5,234,278
Owner's equity and liabilities		
Owner's equity		
Joint stock, wherefrom:	733,031	733,031
<i>Subscribed joint stock</i>	<i>733,031</i>	<i>733,031</i>
Capital surplus	49,843	49,843
Legal reserves	99,407	99,407
Reevaluation reserves	589,134	603,685
Other reserves	55,695	55,695
Reported result	1,601,339	1,487,645
Total owner's equity	3,128,449	3,029,306
Long-term liabilities		
Long-term advance incomes	455,250	462,721
Loans	569,461	634,590
Postponed taxes liabilities	33,088	34,663
Obligations related to the employees benefits	34,669	34,669
Total Long-term liabilities	1,092,467	1,166,644
Current liabilities		
Commercial liabilities and other liabilities	486,450	776,168
Other taxes and obligations for social insurance	7,872	6,763
Loans	188,360	167,362
Provisions	38,221	38,255
Short-term advance incomes	32,737	33,408
Payment profit tax	19,956	16,371
Total Current liabilities	773,596	1,038,328
Total liabilities	1,866,063	2,204,972
Total owner's equities and liabilities	4,994,512	5,234,278

ANNEXE 2: Profit and loss separate account for the period ended on the 31st of March 2016

[thousands lei]	T1 2016	T1 2015
Incomes		
Transport service incomes	317,232	360,643
System services incomes	194,490	196,966
Balancing market incomes	229,883	212,082
Other incomes	13,628	9,433
Total exploitation incomes	755,234	779,123
Exploitation expenses		
System operation expenses	-62,859	-65,145
Balancing market expenses	-229,883	-212,082
Technological system services expenses	-189,647	-195,302
Amortization	-81,638	-80,119
Salaries and other retributions	-41,307	-40,240
Repair and maintenance	-14,518	-14,244
Materials and consumables	-1,691	-2,090
Other exploitation expenses	-17,353	-21,032
Total exploitation expenses	-638,896	-630,254
Exploitation profit	116,338	148,869
Financial incomes	12,870	14,673
Financial expenses	-10,775	-13,514
Net financial result	2,095	1,159
Profit before profit tax	118,433	150,028
Profit tax	-19,289	-23,620
Year profit	99,144	126,408

ANNEXE 3: Cash flows separate situation on the 31st of March 2016

[thousands lei]	T1 2016	T1 2015
Exploitation activity cash flows		
Period profit	99,144	126,408
Adjustments for:		
Profit tax expense	19,289	23,620
Amortization expenses	81,638	80,119
Provisions expenses arising from the commercial and other receivables depreciation	543	4,909
Incomes arising from provisions reversal for the commercial and other receivable depreciation	-2,032	-5,464
Tangible assets sale loss, net	0	508
Value adjustments reversal regarding the tangible assets	0	54
Value adjustments net reversal regarding the provisions for risks and expenses	-37	-355
Interests expenses, interests incomes and unfulfilled incomes from the exchange rate differences	-1,952	-928
Cash flows before the circulating capital modifications	196,593	228,871
Changes in:		
Clients and assimilated accounts	33,578	212,606
Stocks	-200	-50
Commercial and other liabilities	-303,841	-349,450
Other taxes and obligations for social insurances	1,109	1,251
Advance incomes	-8,143	-4,051
Exploitation activity cash flows	-80,904	89,176
Paid interests	-4,591	-7,191
Paid profit tax	-17,280	-11,649
Exploitation activity net cash	-102,776	69,982
Cash flows used in the investments activity		
Tangible and intangible assets purchase	7,129	-29,744
Tangible assets sale cashing	0	0
Collected interests	1,538	3,038
Collected dividends	0	0
Other financial assets	70,085	0
Net cash used in the investments activity	78,752	-26,706
Financing activity cash flows		
Short-term loans withdrawals	32,881	0
Long-term loans repayment	-72,398	-69,236
Paid dividends	-65	-93
Net cash used in the financing activity	-39,582	-69,329
Cash and cash equivalents net increase	-63,606	-25,699
Cash and cash equivalents on the 1st of January	974,451	865,238
Cash and cash equivalents at the end of the period	910,846	839,539

ANNEXE 4: Incomes and Expenses Budget Execution on the 31st of March 2016

INDICATORS	BVC Q1 2016	Preliminary accomplished Q1 2016	Differences (+/-)	Achievement rate (%)
[thousands lei]	2	3	4=3-2	4=3/2 * 100
TOTAL INCOMES	802,202	768,104	-34,098	96%
Exploitation total incomes	351,114	347,924	-3,190	99%
Financial incomes	13,500	12,870	-630	95%
Zero-profit activity incomes	437,588	407,309	-30,278	93%
TOTAL EXPENSES	706,006	637,450	-68,555	90%
Exploitation expenses	257,322	219,366	-37,955	85%
Assets and services expenses	118,838	92,993	-25,846	78%
Taxes, contributions and assimilated payments	4,878	4,532	-346	93%
Personnel expenses	43,930	41,269	-2,662	94%
Other exploitation expenses	89,675	80,573	-9,102	90%
Financial expenses	11,097	10,775	-322	97%
Zero-profit activity expenses	437,588	407,309	-30,278	93%
GROSS RESULT (profit)	96,196	130,653	34,457	136%

ANNEXE 5: Economical and financial indicators corresponding to the reporting period

Indicators	Calculation formula	31.03.2016	31.03.2015
Current liquidity indicator (x)	$\frac{\text{Current assets}}{\text{Current liabilities}}$	2.12	1.95
Indebtedness indicators (x):			
(1) Indebtedness indicator	$\frac{\text{Loaned capital}}{\text{Owner's equity}}$	0.18%	0.24%
(2) Indebtedness indicator	$\frac{\text{Loaned capital}}{\text{Fixed capital}}$	0.15%	0.20%
Customers rotation speed (days)	$\frac{\text{Customers average balance}^*}{\text{Turnover}} \times 90$	21	29
Tangible assets rotation speed (x)	$\frac{\text{Turnover}}{\text{Tangible assets}}$	0.22	0.22

*When calculating the average balance account, the customers contributing to the turnover have been taken into consideration (energy, balancing, other customers, customer's invoices to be issued). The values corresponding to the uncertain customers, cogeneration scheme and overcompensation were not included within the average balance account.

Annexe 6

REPORT
(according to HAGEA no. 4/29.04.2015)
regarding the contracts signed during the 1st quarter of 2016 for assets, services and works acquisition, with a value greater than 500.000 Euro/acquisition (for assets and works acquisition) and respectively of 100.000 Euro/acquisition (for services)

No.	Contract number	Subject of the Contract	Duration	Value		Contract type	Legal basis	Acquisition procedure	Acquisition Initiator
				Lei	Euro				
0	1	2	3	4	5	6	7	8	9
1	PT 6/2212/2016	Execution of the fiber optic communication between the Stations 400/220/100 Kv Bradu and 220/110 Kv Stupărei	18 months	2,806.9	0.00	Works	GEO 34/2006	Call for tenders	ST Pitesti
2	C 14/2016	Primary equipment acquisition of average and high voltage (Framework Agreement)	36 months	28,733.5	0.00	Supply	GEO 34/2006	Open tendering	Executive - DEM
3	BC 489/2016	Specialized security and intervention services for the ST Bucharest objectives	36 months	8,602.7	0.00	Services	GEO Exception 34/2006	Open tendering	ST Bucharest
4	CR 14/2016	Maintenance services for the LEA passing lanes from areas with arboreal vegetation (Framework Agreement)	36 months	1,237.8	0.00	Services	GEO Exception 34/2006	Open tendering	ST Craiova
5	PT 8/2322/2016	Specialized security and intervention services for the ST Pitești objectives	36 months	4,991.0	0.00	Services	GEO Exception 34/2006	Open tendering	ST Pitești
6	C 52/2016	Specialized Consulting Service for Works/Services in LEA 110 – 750 kV	36 months	2,787.8	0.00	Services	GEO 34/2006	Open tendering	Executive - DTDR
7	C 41/2016	Subsequent Contract No. 4 to the framework agreement no. C 261/2012 - "Revolving Bank Credit Line"	12 months	787.5	0.00	Services	GEO 34/2006	Call for tenders	Executive - DSFT
8	C 37/2016	Neplan Software: 2 new licenses, 5 licenses Cim/XML module included and Maintenance and Upgrade (Service) for 13 Neplan Licenses + 5 Cim/XML Licenses	48 months	1,840.1	0.00	Services	GEO 34/2006	Negotiation without previously publishing a participation notice	Executive - UNO-DEN

Annexe 7 – Glossary

„ANRE”	National Regulatory Authority for Energy
„BAR”	Regulated assets base
„BVB”	Bucharest Stock Exchange, Regulated market operator for trading Shares
„CEE”	European Economic Community
„Companie”, „CNTEE”, „TEL”	National Power Grid Company Transelectrica S.A.,
„CPT”	Own Technological Consumption
„CS”	Supervisory Board
„DEN”	National Energetic Dispatcher
„EBIT”	Operational profit before the interests and profit tax
„EBITDA”	Operational profit before the interests, profit tax and amortization
„EBT”	Operational profit before the profit tax
„ENTSO-E”	The European Network of Transmission System Operators
„GD”	Government Decision
„IFRS”	Financial Reporting International Standards
„JPY”	Japanese Yen , the official currency of Japan
„LEA”	Overhead Power Lines
„Leu” or „Lei” or „RON”	The official currency of Romania
„MFP”	Ministry of Public Finance
„MO”	Romanian Official Gazette
„GO”	Government Ordinance
„OPCOM”	Romanian Electricity Market Operator OPCOM SA
„GEO”	Government Emergency Ordinance
„PZU”	The Day-Ahead Market
„RET”	Electric Transport Network, national and strategic interest electric network with a nominal voltage greater than 110 kV
„SEN”	National Power System
„Smart”	Trading Company for the Electric Transport Network Maintenance SMART SA
„SSF”	Functional System service
„SST”	Technological System service
„TEL”	Stock exchange indicator for Transelectrica
„TSR”	Total efficiency for the Shareholders
„UE”	European Union
„u.m.”	Measuring unit
„USD” or “dolari US”	American Dollar, the official currency of USA
„WACC”	Weighted Average Cost of Capital