

CNTEE Tranelectrica SA

The Separate Simplified Report of the Financial Position on 31st March 2016
(All amounts are expressed in LEI, if it is not indicated otherwise)

**CNTEE TranelectricaSA
Two-Tier Company**

Financial Interim and Separate Simplified Report
on the date and for the period of three months concluded on
31st March 2016

Drafted according to
The International Accounting Standard 34- 'Financial Interim Report'

CNTEE Transelectrica SAThe Separate Simplified Report of the Financial Position on 31st March 2016*(All amounts are expressed in LEI, if it is not indicated otherwise)*

| | Note | 31 st March 2016 | 31 st December 2015 |
|---|------|-----------------------------|--------------------------------|
| Assets | | | |
| Fixed Assets | | | |
| Tangible Assets | 4 | 3,267,133,278 | 3,341,450,716 |
| Intangible Assets | | 34,309,648 | 34,569,691 |
| Financial Assets | | 55,944,450 | 55,944,450 |
| Total Fixed Assets | | 3,357,387,376 | 3,431,964,857 |
| Current Assets | | | |
| Inventory Assets | | 34,528,805 | 34,328,954 |
| Other clients and similar accounts | 5 | 691,750,623 | 723,447,541 |
| Other Financial Assets | 6 | - | 70,085,000 |
| Cash and Cash Equivalents | 7 | 910,845,551 | 974,451,258 |
| Total Current Assets | | 1,637,124,979 | 1,802,312,753 |
| Total Assets | | 4,994,512,355 | 5,234,277,610 |
| Shareholders' Equity and Liabilities | | | |
| Shareholders' Equity | | | |
| Social Capital, from which: | | 733,031,420 | 733,031,420 |
| <i>Subscribed Social Capital</i> | | 733,031,420 | 733,031,420 |
| Share Premium | | 49,842,552 | 49,842,552 |
| Legal Reserve Fund | | 99,407,385 | 99,407,385 |
| Reserve Fund from Reevaluation | | 589,134,225 | 603,684,792 |
| Other Reserves | | 55,694,602 | 55,694,602 |
| Retained Earnings | | 1,601,339,181 | 1,487,644,971 |
| Total Shareholders' Equity | 8 | 3,128,449,365 | 3,029,305,722 |
| Non- Current Liabilities | | | |
| Non-Current Revenues in Advance | 9 | 455,249,683 | 462,721,487 |
| Loans | 10 | 569,460,582 | 634,589,744 |
| Deferred Tax Liabilities | | 33,087,607 | 34,663,246 |
| Obligations regarding employee benefits | | 34,669,295 | 34,669,295 |
| Total Non- Current Liabilities | | 1,092,467,167 | 1,166,643,772 |
| Current Liabilities | | | |
| Trade and Other Liabilities | 11 | 486,449,773 | 776,167,704 |
| Other Taxes and Liabilities for Social Insurance | 13 | 7,872,286 | 6,763,363 |
| Loans | 10 | 188,360,260 | 167,362,315 |
| Provisions | | 38,220,769 | 38,255,213 |
| Short Term Revenues in advance | | 32,737,010 | 33,408,244 |
| Tax on Payable Income | | 19,955,725 | 16,371,277 |
| Total Current Liabilities | | 773,595,823 | 1,038,328,116 |
| Total Liabilities | | 1,866,062,990 | 2,204,971,888 |
| Total Shareholders' Equity and Liabilities | | 4,994,512,355 | 5,234,277,610 |

The notes attached 1-22 constitute an important part of this separate financial report.

CNTEE Transelectrica SA

Separate Account of Profit and Loss for a Period of Three Months concluded on 31st March 2016

(All amounts are expressed in LEI, if it is not indicated otherwise)

| | Note | 31 st March 2016 | 31 st March 2015 |
|--|-----------|-----------------------------|-----------------------------|
| Revenues | | | |
| Revenues from the transportation services | | 317,232,353 | 360,642,643 |
| Revenues from the system services | | 194,489,929 | 196,966,049 |
| Revenues from the balancing market | | 229,883,084 | 212,081,618 |
| Other Revenues | | 13,628,374 | 9,432,603 |
| Total Revenues | 14 | 755,233,740 | 779,122,913 |
| Operating Expenses | | | |
| Expenses for system operation | 15 | (62,858,930) | (65,145,353) |
| Expenses with the balancing market | 15 | (229,883,084) | (212,081,618) |
| Expenses regarding technological system services | | (189,646,710) | (195,302,022) |
| Depreciation | | (81,638,427) | (80,118,507) |
| Salaries and other retributions | | (41,306,888) | (40,240,361) |
| Repairs and Maintenance | | (14,517,595) | (14,244,325) |
| Materials and Consumables | | (1,691,465) | (2,090,341) |
| Other Operating Expenses | 16 | (17,352,962) | (21,031,673) |
| Total Operating Expenses | | (638,896,061) | (630,254,200) |
| Operating Profit | | 116,337,679 | 148,868,713 |
| Financial Revenues | | 12,869,856 | 14,673,112 |
| Financial Expenses | | (10,774,625) | (13,514,114) |
| Net Financial Result | 17 | 2,095,231 | 1,158,998 |
| Income before income taxes | | 118,432,910 | 150,027,711 |
| Tax on income | 12 | (19,289,266) | (23,619,686) |
| Profit of the financial year | | 99,143,644 | 126,408,025 |

The notes attached 1-22 constitute an important part of this separate financial report.

Management Board,

Ion - Toni TEAU
President of the
Management Board

Constantin VADUVA
Member of the
Management Board

Octavian LOHAN
Member of the
Management Board

Ion SMEELIANU
Member of the
Management Board

Lucian Catalin CHIMIREL
Member of the
Management Board

Maria IONESCU
Economic Director

Cristina STOIAN
Director of Strategical
Financial and Treasury
Management Board

CNTEE Traselectrica SA

Separate Report regarding the Modification of the Equity on 31st March 2016

(All amounts are expressed in LEI, if it is not indicated otherwise)

Veronica CRISU
Manager

CNTEE Tranelectrica SA

Separate Report regarding the Modification of the Equity on 31st March 2016

(All amounts are expressed in LEI, if it is not indicated otherwise)

| | Share Capital | Share Premium | Legal Reserve Fund | Reserve fund from Reevaluation | Other Reserves | Retained Earnings | Total |
|--|----------------------|-------------------|--------------------|--------------------------------|-------------------|----------------------|----------------------|
| Balance on 1st January 2015 | 733,031,420 | 49,842,552 | 78,424,484 | 615,407,592 | 23,660,704 | 1,312,739,568 | 2,813,106,320 |
| Global Result of the Period | | | | | | | |
| Profit of the financial year | - | - | - | - | - | 126,408,025 | 126,408,025 |
| Other elements of the global result, from which | | | | | | | |
| Recognition of actuarial gains regarding the determined plan of benefits | - | - | - | - | - | - | - |
| Total Other Elements of the Global Result of the Period | - | - | - | - | - | - | - |
| Total Global Result of the Period Other Elements | - | - | - | - | - | 126,408,025 | 126,408,025 |
| Transfer of the Reserves from the Reevaluation in the Retained Earnings | - | - | - | (12,964,170) | - | 12,964,170 | - |
| Increase of the Legal Reserve Fund | - | - | - | - | - | - | - |
| Other Elements | - | - | - | - | - | - | - |
| Total Other Modifications | - | - | - | (12,964,170) | - | 12,964,170 | - |
| Contributions from Shareholders and Distributions to Shareholders | | | | | | | |
| De-recognition of Public Assets | - | - | - | - | - | - | - |
| Structural Funds regarding Public Assets | - | - | - | - | 1,216,000 | - | 1,216,000 |
| Distribution of dividends | - | - | - | - | - | - | - |
| Total Contributions from Shareholders and Distributions to Shareholders | - | - | - | - | 1,216,000 | - | 1,216,000 |
| Balance on 31st March 2015 | 1,091,525,913 | 49,842,552 | 57,703,302 | 654,702,925 | 19,411,355 | 878,277,659 | 2,751,463,706 |
| Balance on 1st January 2016 | 733,031,420 | 49,842,552 | 99,407,385 | 603,684,792 | 55,694,602 | 1,487,644,971 | 3,029,305,722 |
| Global Result of the Period | | | | | | | |
| Profit of the Financial Year | - | - | - | - | - | 99,143,643 | 99,143,643 |
| Other Elements of the Global Result, from which | | | | | | | |
| Recognition of Actuarial Losses regarding the Determined Plan of Benefits | - | - | - | - | - | - | - |
| Total Other Elements of Global Result | - | - | - | - | - | - | - |
| Total Global Result of the Period Other Elements | - | - | - | - | - | 99,143,643 | 99,143,643 |
| Transfer of the Reserves from the Reevaluation in the Retained Earnings | - | - | - | (14,550,567) | - | 14,550,567 | - |
| Increase of the Legal Reserve Fund | - | - | - | - | - | - | - |
| Other Elements | - | - | - | - | - | - | - |
| Total of Other Modifications | - | - | - | (14,550,567) | - | 14,550,567 | - |
| Contribution from shareholders and distributions to shareholders | | | | | | | |
| De-recognition of the public assets | - | - | - | - | - | - | - |
| Structural Funds regarding Public Assets | - | - | - | - | - | - | - |
| Distribution of dividends | - | - | - | - | - | - | - |
| Total contributions from shareholders and distributions to shareholders | - | - | - | - | - | - | - |
| Balance on 31st March 2016 | 733,031,420 | 49,842,552 | 99,407,385 | 589,134,225 | 55,694,602 | 1,601,339,181 | 3,128,449,365 |

The notes attached 1-22 constitute an important part of this separate financial report.

CNTEE Tranelectrica SA

Separate Report of the Treasury Flows on 31st March 2016

(All amounts are expressed in LEI, if it is not indicated otherwise)

| | Period of 3 months concluded on 31st March 2016 | Period of 3 months concluded on 31st March 2015 |
|--|---|---|
| Treasury Flows from the Operating Activity | | |
| Profit of the Period | 99,143,644 | 126,408,025 |
| Adjustments for: | | |
| Tax Expense | 19,289,266 | 23,619,687 |
| Depreciation Expenses | 81,638,427 | 80,118,507 |
| Provisions Expenses from depreciating the trade receivables and other receivables | 543,128 | 4,909,173 |
| Revenues from the reversal of provisions for depreciating the trade receivables and of other receivables | (2,031,955) | (5,464,350) |
| Loss from the sale of tangible assets, net | - | 508,108 |
| Reversal of the important adjustments regarding tangible assets | - | 53,835 |
| Net reversal of the important adjustments regarding provisions for risks and expenses | (36,914) | (354,670) |
| Interest expenses, interest revenues and unrealized revenues from differences of the exchange | (1,952,367) | (927,545) |
| Treasury flows before modifying the working capital | 196,593,229 | 228,870,770 |
| Modifications in: | | |
| Clients and similar accounts | 33,577,681 | 212,605,625 |
| Inventories | (199,851) | (50,405) |
| Trade receivables and other receivables | (303,840,860) | (349,450,438) |
| Other taxes and liabilities for social insurance | 1,108,923 | 1,250,873 |
| Revenues in advance | (8,143,038) | (4,050,544) |
| Treasury flows from the operating activity | (80,903,916) | 89,175,881 |
| Paid Interests | (4,591,170) | (7,191,021) |
| Tax on income | (17,280,457) | (11,648,681) |
| Net cash from the operating activity | (102,775,543) | 70,336,179 |
| Treasury flows used in the investment activity | | |
| Acquisition of tangible and intangible assets | (22,452,078) | (29,744,383) |
| Cashing unused advances | 29,581,392 | - |
| Cashed Interests | 1,538,008 | 3,038,485 |
| Other financial assets | 70,085,000 | - |
| Net cash used in the investment activity net | 78,752,322 | (26,705,898) |
| Treasury flows from the financing activity of financing | | |
| Overdraft withdrawals from short-term loans | 32,880,691 | - |
| Repayments of long-term loans | (72,398,316) | (69,236,373) |
| Repayments of short-term loans | - | - |
| Paid dividends | (64,861) | (92,851) |
| Net cash used in the financing activity | (39,582,486) | (69,329,224) |
| Net Increase/(Decrease) of the cash and of the cash equivalents | (63,605,707) | (25,698,943) |
| Cash and cash equivalents on 1 January (see Note 7) | 974,451,258 | 865,237,573 |
| Cash and cash equivalents at the end of the period (see Note 7) | 910,845,551 | 839,538,630 |

The notes attached 1-22 constitute an important part of this separate financial report.

CNTEE Transelectrica SA

Notes to the Separate Interim and Financial Reports on 31st March 2016

(All amounts are expressed in LEI, if it is not indicated otherwise)

1. General Information

The main activity of CNTEE Transelectrica SA („The Company”) consists of: the transport services delivery of the electrical energy and of the system service, operator of the balancing market, administrator of the support draft of bonus type, other connected activities.

These activities take place according to the provisions of the business license no. 161/2000 issued by ANRE, updated through the Decision ANRE no. 270/4th February 2015, of the general Conditions associated to the license approved through the ANRE Order no. 104/2014 and of the final certification of the Company as a transport operator and system of the National Electroenergetic System according to the model of separating the property (‘ownership unbundling’).

The address of the social headquarters is General Gheorghe Magheru Boulevard no. 33, Bucharest, sector 1. At the moment, the activity of the Company’s executive takes place at the work point in Otopeni Street no. 2-4, sector 4, Bucharest.

The interim financial reports which are separated on 31st March 2016 are not audited.

2. Bases of Drafting

a) Declaration of Conformity

These financial, interim, separated and simplified financial reports were drafted according to IAS 34 *Interim Financial Report*. These do not include all the necessary information for a complete set of financial reports according to the International Standards of Financial Report (‘SIRF’). Yet, certain explicative notes are included for explaining the events and the transactions which are significant for understanding the modifications from the financial position and the performance of the Company from the last financial annual reports which were separated on the date of and for the financial year concluded on 31st December 2015.

b) Professional Reasoning and Estimations

Significant Reasoning used by the management for applying the accounting policies of the Company and the main uncertainty sources regarding to estimations were the same with those applied to the financial reports which were separated on the date of and for the financial year concluded on 31st December 2015.

3. Significant Accounting Policies

The accounting policies applied in these interim financial reports which are simplified and separate are the same with those applied in the Company’s separate financial reports on the date and for the financial year ended on 31st December 2015.

4. Tangible Assets

The diminution of the total value of the tangible assets on 31st March 2016 in comparison with 31st December 2015 was determined mainly by the record of the depreciation of these assets.

In the trimester I 2016 was registered an increase of the value of tangible assets in progress mainly represented by the performance of the investment workings in the electric stations and lines of high voltage, so:

- Technical upgrade of the Station 400/220/110/20 kV Bradu – 26.165.247;
- LEA 400 kV of interconnection Reșița (Romania) - Pancevo (Serbia) – 2.945.545;
- Technical upgrade of the Station 220/110/20 kV Campia Turzii – 2.465.829;
- Connecting to RET of CEE 136 MW from the area of the Platonesti locality, Ialomita County, by making a cell of 110 kV in the Station 400/110 kV Gura Ialomitei - 1.524.013;
- Connecting of the power station for manufacturing energy in the cogeneration system based on the biomass with the power of 5,4 MW - CTE ENVISAN - stage 1 – 832.299;
- Increasing the security degree of the equipment related to the Station 400/220/110/10 kV Bucharest South – Replacement of equipment 10 kV - Lot II – 691.079;
- Integrated Security System at the Station 400KV Stupina – 626.308;

CNTEE Transelectrica SA

Notes to the Separate Interim and Financial Reports on 31st March 2016

(All amounts are expressed in LEI, if it is not indicated otherwise)

- Modernizing the internal services c.c. and c.a. in the Station 400/110 kV Draganesti Olt – 495.052;
- Regulation of the coexistence between LEA 220 kV Mintia-Timisoara, in the section 303-305, at the intersection with the cu Timisoara-Lugoj Highway, lot 2, km 54+000-km 79+625 – 445.304;
- Modernizing the control and protection system and of the Station 20 kV from the Station 220 /110/20 kV Vetis – 335.038;
- Replacement of the pillar no. 301 from LEA 400kV Mintia - Sibiu Sud – 287.865;
- Thermic modernization of the building at the headquarters IRE Craiova – the old wing – 207.321;
- LEA 400 kV d.c. (1 c.e.) Constanta Nord-Medgidia Sud – 142.500;
- Modernizing the industrial building no. 2 ST Timisoara, regime Sp+P+1E – 138.825;
- Replacement of the battery of accumulators 220 V cc in the Station 400 kV Arad – 121.021;
- Modernizing the Station 220/110 kV Tihau – primary equipment – 105.509;
- Assembling the optic fiber and modernizing of the system of distance protections on LEA 400 kV d.c. Tantareni-Turceni and LEA 400 kV s.c. Urechesti-Rovinari – 91.406;
- Regulating the coexistence of LEA 400 kV with the bypass belt highway Brasov DN 11 - DN 13 – 80.753;
- Services of designing related to LEA 400 kV Suceava - Balti, for the part of project on the Romanian Territory – 74.706.

In the quarter I 2016, the biggest transfers from tangible assets in progress at tangible assets are mainly represented by the start-up of the investment objectives, so:

- Integrated security system in the power Stations stage IV- the Power station 400/110 kV kV Constanta Nord – 3.279.205.
- Modernization of industrial building no.2 ST Timisoara regime Sp + P + 1E - 1.173.300;
- Replacement of the pillar no. 301 from LEA 400 kV Mintia - Sibiu Sud- 527. 941;
- Replacement of batteries 220 Vcc the Station 400 kV Arad – 242.041;
- Thermal Upgrading of the headquarters building IRE Craiova - old wing – 207. 321;
- Refurbishment of water supply facility by creating the private water source in the Station 400/220/110 kV Gutinas – 210.688.

For intangible assets in progress, the largest entry in the first quarter of 2016 was 704.846 lei represented by the software Licenses NEPLAN + licenses modules CIM / XML 7 Software NEPLAN: 2 new licenses, 5 modules CIM / XML and upgrade for 13 licenses NEPLAN+ 5 licenses modules CIM / XML.

During the first quarter of 2016, the biggest transfers of intangible assets in progress to intangible assets are represented by:

- Software for an integrated security system in the power Station 400/110 kV Constanta Nord - 38.005;
- Licenses Microsoft Windows 7 Professional, 64-bit, English - 2.796.

5. Trade Receivables and Other Receivables

On 31st March 2016 and 31st December 2015 the trade receivables and other receivables are presented as follows:

| | <u>31st March 2016</u> | <u>31st December 2015</u> |
|--|-----------------------------------|--------------------------------------|
| Trade Receivables | 670.306.408 | 684.296.714 |
| Other Receivables | 150.395.161 | 115.977.790 |
| Advances towards providers | 36.082.504 | 68.413.826 |
| Non-reimbursable Funds to be received | 4.827.104 | 5.239.033 |
| VAT to be recovered | 793.114 | 21.666.435 |
| Adjustments for depreciating the uncertain trade receivables | (86.039.074) | (87.986.497) |
| Adjustments for depreciating other uncertain receivables | (84.614.594) | (84.159.760) |
| Total | <u>691.750.623</u> | <u>723.447.541</u> |

The structure of trade receivables is the following one:

| | <u>31st March 2016</u> | <u>31st Decembre 2015</u> |
|--|-----------------------------------|--------------------------------------|
| Customers on the electricity market, including: | 669.014.012 | 679.681.724 |
| - Clients - operational activity | 503.220.105 | 511.252.260 |
| - Clients - the bonus type support draft to promote high-efficiency cogeneration | 165.793.907 | 168.429.464 |

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Notes to the Separate Interim and Financial Reports on 31st March 2016

(All amounts are expressed in LEI, if it is not indicated otherwise)

| | | |
|--------------------------------|--------------------|--------------------|
| Clients from other activities | 1.292.395 | 4.614.990 |
| Total Trade Receivables | 670.306.408 | 684.296.714 |

- CNTEE Transelectrica SA operates based on the Business License No.161 / 2000 issued by ANRE, as updated by the Decision of ANRE President no. 270 / 4th February 2015, for the service of electricity transport, for the delivery of the service system and for the management of the balancing market.

On 31st March 2016, the current customers in the operational activity register a decrease in comparison with 31st December 2015 mainly determined by:

- increasing the collecting degree of receivables in comparison 2015;
- reducing average prices approved by ANRE for the services provided by the Company since 1st July 2015.

The main current customers on the electricity market are represented by: RAAN, Electrica, CET Govora, E.ON Energie Romania, Oradea Electrocentrale, Enel Energie, Enel Energie Muntenia, Romenergy Industry. The total weight of the main customers in the Total Gross Receivables related to the Electricity Market is about 61%.

- CNTEE Transelectrica SA operates its activities related to the bonus type support draft for promoting the high efficiency cogeneration, as the administrator of the support draft according to the provisions of the Government Decision no. 1215/2009 ' the main tasks are to collect every month the contribution for cogeneration and the monthly payment of bonuses ".

On 31st March 2016, the Company registers receivables to be cashed from the bonus type support draft for promoting the high efficiency cogeneration in a proportion of about 25% (31st December 2015-25%) of total trade receivables.

The customers of bonus type support draft for promoting the high efficiency cogeneration register on 31st March 2016 a reduction of receivables, mainly determined by revenues from the overcompensation for 2014.

In the period January 1 to March 31, 2016, the Company earned 6,021,944 representing the amount of overcompensation for 2014, of which revenues through banking transactions amounted to 195 801 (Termo Calor) and proceeds based on compensations made by the Institute of Management and Computer (according to the Government Decision no. 685/1999) in the amount of 5.826.143 (Electrocentrale Oradea).

Also, in the period 1 January to 31 March 2016, the Company earned 3.238.745 representing undue bonus for 2015, of which proceeds through banking transactions in the amount of 324.626 (Electrocentrale Bucharest) and proceeds based on the compensations made by the Institute of Management and Computer (according to the Government Decision no. 685/1999) in the amount of 2.270.561 (CET Arad).

On 31st March 2016, the Company registers receivables to be cashed, represented by the issued invoices related to the bonus-type support drafts for promoting the high-efficiency cogeneration, as follows:

- overcompensation for the period 2011-2013 amounted to 76.702.142, namely from RAAN -63.467.054 and - CET Govora SA – 13.235.086;
- overcompensation and undue bonus for 2014 amounted to 11.130.195, namely from Electrocentrale Oradea - 7215235, RAAN – 1.981.235, CET Govora – 1.933.725;
- undue bonus for 2015 amounting to 643.558.2015, namely from CETGovora – 534.377, Energy Cogeneration Group-79.659, Interagro - 29.523;
- contribution for uncashed cogeneration from suppliers of electricity, amounting to 15.080.912, namely: Petprod – 4.391.193, RAAN- 2.354.153, Transenergo Com – 2.369.938, Romenergy Industry – 2.306.222, UGM Energy Trading - 1.486.310 and others.

For settling the receivables arising from overcompensating for 2011-2013 (receivable to be cashed from CETGovora and RAAN), the Company requested to these manufacturers the mutual compensations. CETGovora and RAAN do not agree with this method of discharging reciprocal receivables and payables, which is why the company has applied and continue to apply the provisions of art. 17 paragraph 5 of the Order of ANRE President no. 116/2013 for approving the Regulation on determining the way to collect the contribution for the high efficiency cogeneration and payment of the bonus for electricity produced in high efficiency cogeneration: 'If the manufacturer did not pay the administrator of the support draft of payment obligations arising under the provisions of this regulation, the administrator of the support draft pays the producer the difference between the value of the invoices issued by the manufacturer and the payment obligations of the manufacturer regarding the support scheme with explicit mention on the payment document, of that amounts' and withheld from the payment the amounts related to the due draft support.

CNTEE Transelectrica SA concluded with CET Govora an agreement of compensation and rescheduling for payment of the

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Notes to the Separate Interim and Financial Reports on 31st March 2016

(All amounts are expressed in LEI, if it is not indicated otherwise)

amounts representing the receivables of the overcompensation for 2011-2013 and undue bonus for 2014 (Agreement no. C 135 / 30th June 2015 and Addendum no. 1 / 8th April 2015). The agreement period was 1 year (period July 2015 to August 2016) and stipulated the Company's right to calculate and to collect payment penalties on the installment period.

Under the Agreement, the Company's receivables were compensated from CET Govora SA with the debts to CET Govora SA, represented by the cogeneration bonus for the period May 2014 - October 2015 detained by applying the provisions of the Art. 17 paragraph 5 from the Order of ANRE President no. 116/2013 and of the Agreement's provisions, amounting to 40.507.669.

Following the suspension in court on 27 November 2015 of ANRE Decision no. 738 / 28th March 2014 through which was set the amount of the overcompensation for 2014, CET Govora SA has not complied with its obligations under the Agreement.

Given that Transelectrica was not a party in the case of procedural CET Govora and ANRE, in which the suspension of ANRE Decision no. 738/2014, the company requested ANRE clarifications regarding the compensation / payment of amounts related to CET Govora retained by offsetting overcompensation after the date of 27.11.2015 and further the application of art. 17 para. 5 of ANRE Order no. 116/2013.

On April 2016, ANRE issued Decisions for overcompensation of 2015, amounting to 119.654.840, for which the company issued invoices to the producers of electricity in high efficiency cogeneration, to which was registered in 2015 the overcompensation of the activity in 2015.

Other Receivables

On 31st March 2016, other receivables amounted to 150.395.161 mainly include:

- receivables related to the support draft regarding the high efficiency cogeneration in the amount of 23.252.604, namely the positive net value between:

- the amount of contributions to be collected from the suppliers of electricity, the amount of overcompensating the activity of producing electricity and heat in high efficiency cogeneration for 2011-2013 and 2014, the undue bonus for 2014 and the undue bonus for 2015 – to be cashed from the manufacturers, according to ANRE decisions, on the one hand, and
- the cogeneration bonus amount withheld pursuant to the Art. 17 paragraph 5 of the Order of ANRE President no. 116/2013, the overcompensation for 2014 and unallocated bonus for 2015 - to be paid by the energy producers in high efficiency cogeneration, the beneficiaries of draft support, on the other hand.

- penalties for late payment calculated for the bad payers, amounting to 57.201.560 (of which the amount of 23.133.648 represents the penalties corresponding to the support draft).

The biggest penalties of late fees were registered by the customers: RAAN (14.330.442) SC CET Govora (9.195.104) Eco Energy SRL (8.909.843), SC Petprod SRL (8.894.655), Arcelor Mittal Galati (3.993.435). For the penalty charges for late payment of the receivables from operating activities were recorded depreciation adjustments.

- receivables to be recovered from ANAF in the amount of 44.442.936 (see paragraph below);

- deferred expenses in the amount of 14.188.229 represented mainly by the advances on contracts concluded with the suppliers of electricity needed for covering the own technological consumption for future periods (6.747.392), a guarantee fee for the loan BEI 25710 (102.220) and commission of ING credit granting (926.026), paid dues for 2016 at national and international institutions (3.067.945), ANRE yearly contribution (1.765.286);

- Other receivables amounted to 4.413.687, of which 4.068.422 represent guarantees for temporary occupation of the land calculated and retained in accordance with the art. 39 paragraph (1), paragraph (2) and paragraph(5) of the Law no. 46/2008 regarding the Forestry Code in order to achieve the investment objective LEA 400 kV Resita - Pancevo (Serbia).

Litigation with the National Agency of Fiscal Administration ("ANAF")

The company is in litigation with ANAF which issued a fiscal inspection report on 20th September 2011 on the refund of VAT for the period September 2005 - November 2006 for a total of 123 unused invoices identified as lacking (they were destroyed in the fire during the night of 26th -27th June 2009, at the work point of the Millennium Business Center in Armand Calinescu Street no. 2-4, sector 2, where the company operates), documents with special regime, and for which it was estimated a VAT collected in the amount of 16.303.174 plus accessories amounting to 27.195.557. The total value of these obligations is in the amount of 43.498.731. The consideration of these obligations has been retained from the VAT paid by the Company in November 2011. Subsequently, the Company has found that the amounts paid as VAT current were considered for payment of

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the tax audit report mentioned above. Thus, the company was forced to pay 944.423 increases related to VAT that should have been paid on November 2011 for registering no outstanding debts towards the state budget. In total, in 2011 the Company paid the amount of 44.442.936.

The company appealed to all legal means to contest the tax decision of ANAF, meaning the appeal was filed with ANAF against the tax decision and requested the suspension of the tax decision until the administrative settlement of the complaint filed with ANAF. The court rejected the request for suspension of the execution of the tax inspection report.

The Company believes that the tax base has not been reasonably determined by ANAF depending on the integral character of the Company's activity on the electricity market, which is set according to the number and value of invoices issued by the Company in the period subjected to verification. The company was considered entitled to bring an action in court because it believes that ANAF has not taken into account all relevant data and documents for estimation, as provided the Fiscal Procedure Code applicable at that time. Accordingly, the Company sued ANAF at the Court of Appeals of Bucharest in August 2012 to recover the amount and requested the evidence to be admitted a documentary evidence and a proof of judicial accounting expertise.

On September 18, 2013 was prepared the audit report which was submitted to the case with the deadline of 20th September 2013. At a hearing on October 18, 2013 the parties have objected on judicial expert report which was nodded by the Court of Appeal at the deadline of 15th November 2013 and that were communicated to designated expert. At a hearing on March 7, 2014, the expert responded to the objections raised by the Company. Compared to the revenues considered by ANAF, according to which the collected VAT was estimated by ANAF in the amount of 16.303.174, the accounting expertise judicial report found the existence of unjustified income in the amount of 551.013, the sum at which the VAT would have been calculated and accessories thereof. The session was postponed in order to be informed regarding the content of the response to the objections of the expert report

At the hearing on 30th April 2014, the solution delivered by the court of first instance - Bucharest Court of Appeal, Section VIII Administrative and Fiscal Court (Decision no. 1356/2014) in case no. 6657/2/2012 was: 'The application rejects to the defendant CNTEE Transelectrica SA (Complaint against ANAF fiscal administrative Document)''.

The company appealed by formulating request for reinstatement filed within this folder, with hearings set on 7th April 2016, the meeting held at the High Court of Cassation and Justice, Administrative and Fiscal Litigation Section. On 7th April 2016, because the lack of procedure, it has established a new deadline for the date of 2nd June 2016.

Advances towards Providers

On 31st March 2016, the advances paid to providers are represented by the suppliers who are debtors for services amounted to 36.082.504, of which 30.877.048 represent amounts of the transactions related to the price coupling mechanism. Application of the mechanism coupling through the price began on 19th November 2014, the date at which the project '4 Market Market Coupling' which provides the unification of the electricity markets DAM Square (Next Day Market) from Romania, Hungary, Czech Republic and Slovakia entered in the operating phase. In the mechanism of coupling through the price of the markets for the next day, the power exchanges correlate based on auctions, transactions with electricity for the next day taking into account the interconnection capacity made available by the OTS through which the allocation is performed. CNTEE Transelectrica SA as the TSO, transfers electrical energy, both physical and commercial, towards the neighbor TSO (MAVIR-Hungary) and manages congestion revenues on that interconnection (art. 139 of the ANRE Order no. 82/2014) and in relation to OPCOM has the quality of Participant at the Next Day Market.

As a Transfer Agent and Participant, CNTEE Transelectrica has the trade task of paying the energy transacted energy between SC OPCOM SA and MAVIR.

VAT to be recovered

On 31st March 2016, the Company registered the VAT to recover in the amount of 757.745, as follows:

- 11.549.888 representing the balance of the negative amount of VAT, for which the Company has requested the return on VAT the repayment of the balance of the negative amount of VAT;
The registration of VAT negative balance amount is determined by applying the reversed taxation for various operations on the electricity market, which generated VAT registration to be recovered for the Company's transactions on the balancing market.
- the undue VAT, amounting to 10.792.143, which is to become due (VAT collected) in future periods.

Non-reimbursable Funds to be received

On 31st March 2016, the company will collect the amount of 4.827.104, representing Application 3 from non-reimbursable

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funds from the Ministry of Energy for the refurbishment of the Station 400/110/20 kV Tulcea Vest.

Adjustments for depreciating the trade receivables, the uncertain trade receivables and for other uncertain receivables

Company policy is to record allowance for depreciation adjustments for value loss of 100% for the clients in litigation, insolvency and bankruptcy and 100% of trade receivables and other non-cashed receivables in a period exceeding 180 days, except for overdue receivables generated by the support draft. The Company also conducts an individual analysis of trade receivables and other non-cashed receivables.

On 31st March 2016, the highest allowance for a depreciation adjustment was recorded for SC Petprod SRL (29.242.364), SC Eco Energy SRL (24.736.066), SC Total Electric Oltenia SA SC (14.185.577), Romenergy Industry (9.989. 440), RAAN (8.094.707), Also Energ (7.177.167). For recovering the adjusted receivables for depreciation, the Company has taken the following measures: taking legal action, registering in the statement of affairs etc.

On 31st March 2016, the Company has recorded a depreciation adjustment of the trade receivables amounting to 44.442.936 related to all obligations paid by ANAF.

The Company's exposure to the risk of collection and value adjustments related to trade receivables are presented in the Note 21.

6. Other Financial Assets

On 31st March 2016 and on 31st December 2015 the situation of other financial assets is presented as follows:

| | 31st March 2016 | 31st December 2015 |
|---|-----------------------------------|--------------------------------------|
| Bank deposits with a maturity more than 90 days | - | 70.085.000 |
| Total | - | 70.085.000 |

On 31st March 2016 will not be registered bank deposits with a bigger maturity than 90 days, consisting of cash available in current accounts.

7. Cash and Cash Equivalents

On 31st March 2016 and 31st December 2015, cash and cash equivalents are presented as follows:

| | 31st March 2015 | 31st December 2015 |
|---|-----------------------------------|--------------------------------------|
| Current Accounts at banks and deposits | 910.652.099 | 798.803.130 |
| Cash and deposits of high efficiency cogeneration | - | 175.599.351 |
| Cash Account | 68.636 | 48.777 |
| Other Cash Equivalents | 124.816 | |
| Total | 910.845.551 | 974.451.258 |

The bank deposits with initial maturity smaller than 90 days, constituted of the cash available in current accounts are in total 441.612.804 31st March 2016 and 566.901.300-31st December 2015.

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Starting 1st April 2011, CNTEE Transelectrica SA - as administrator of the support draft support for promoting high efficiency cogeneration – administrates a bank account especially opened for collecting the contribution on high efficiency cogeneration and related to the bonus payment. On 31st March 2016 there are not availabilities of this draft; the availabilities of the management of this draft on 31st December 2015 were in the amount of 175.599.351. Availabilities of connection fee are in the amount of 34.394.279 on 31st March 2016 and of 35.275.358 -31st December 2015.

8. Shareholders' Equity

According to GEO 86/2014 on the establishment of reorganization measures at central public administration level and for modifying and completion of some normative acts, on 20th February 2015 was recorded in the Company's shareholder Register the transfer of 43.020.309 shares from the account of the Romanian State from the administration of the General Secretariat of Government, in the account of the Romanian State in the management of the Ministry of Economy, Trade and Tourism.

Under the provisions of the art. 2 of GEO no. 55/19th November 2015 on the establishment of reorganization measures at central public administration level and for modifying of some normative acts, was established the Ministry of Economy, Trade and Business Environment Relationship (MECRMA) by reorganizing and taking over the activities of the Ministry of Economy, Trade and Tourism, which was disbanded, and by taking over the activity and the structures in the field of small and medium business of the Ministry of Energy, Small and Medium Enterprises and Business.

At the end of each reporting period, the subscribed and paid share capital of the Company amounted to 733.031.420 is divided into 73.303.142 ordinary shares with a nominal value of 10 lei / share and corresponds to the one registered in the Trade Register.

The shareholding structure on 31st March 2016 and 31 December 2015 is as follows:

| Shareholder | 31 st March 2016 | | 31 st December 2015 | |
|---|-----------------------------|------------------------|--------------------------------|------------------------|
| | Number of shares | % of the share capital | Number of shares | % of the share capital |
| The Romanian State through MECRMA | 43.020.309 | 58,69% | 43.020.309 | 58,69% |
| S.I.F. Oltenia | 3.764.105 | 5,13% | 3.949.105 | 5,39% |
| Private Investors (legal and natural persons) | 26.518.728 | 36,18% | 26.333.728 | 35,92% |
| Total | 73.303.142 | 100,00% | 73.303.142 | 100,00% |

The increase in the shareholder's equity on 31st March 2016 compared to 31st December 2015 was mainly determined by the record in the reported earnings in the net profit, amounting to 99.143.644 realized on 31st March 2016.

The value of shareholders' dividends distributed from the profit of 2015 according to Decision AGA no.3 / 28th April 2016 is in the amount of 194.253.326.

9. Revenues in Advance

Revenues in advance are mainly represented by: connection fee, other investment subsidies, European funds received from the Ministry of European Funds and also the income from the use of interconnection capacity.

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*(All amounts are expressed in LEI, if it is not indicated otherwise)*The report of the Revenues in advance on 31st March 2016 is as follows:

| | 31 st March 2016 | From which: the short-term portion on 31 st March 2016 | 31 st December 2015 | From which: the short-term portion on 31 st December 2015 |
|--|-----------------------------|--|-----------------------------------|--|
| Deferred income - allocation of interconnection capacity | 2.473.844 | 2.473.844 | 2.761.069 | 2.761.069 |
| Deferred income - European funds | 666.731 | 666.731 | 107.045 | 107.045 |
| Funds from the connection price | 336.962.824 | 20.356.827 | 342.552.772 | 20.808.151 |
| European Funds | 115.154.636 | 7.030.982 | 117.637.561 | 7.032.883 |
| Other Grants | 32.728.658 | 2.208.626 | 33.071.284 | 2.699.096 |
| Total | 487.986.693 | 32.737.010 | 496.129.731 | 33.408.244 |

Evolution in advance short-term revenues during the first quarter of 2016 is presented as follows:

| | 31 st March 2016 | 31 st December 2015 |
|---|-----------------------------|--------------------------------|
| Balance at beginning of period | 33.408.244 | 33.069.502 |
| Cashing in advance relating to the interconnection capacity | 9.248.384 | 26.264.538 |
| Proceeds from European funds | 559.686 | 56.204 |
| Transfer of long-term deferred income | (943.695) | 26.371 |
| Revenues from interconnection capacity use | (9.535.609) | (25.622.519) |
| Total | 32.737.010 | 33.408.244 |

On 4th March 2016, CNTEE Transelectrica SA has received the notification from the Ministry of Energy on the status of the refund application no. 3 / 18th December 2015 for refurbishment of the Station 400/110/20 kV Tulcea Vest, through which they are notified that it was approved to pay the amount of 4.827.104.

10. Loans• *Long –Term Loans*

On 31st March 2016, the value of long-term loans has diminished compared to 31st December 2015 mainly due to repayments made under the existing loan agreements.

During January-March 2016 were not made withdrawals from loans.

Movements in loans in the first quarter of 2016 are presented as follows:

| | Currency | Interest Rate | Accounting Value | Due Date |
|---|----------|----------------------------|---------------------|-------------|
| Balance on 1st January 2016 | | | 797.363.789 | |
| New Withdrawals | | | 0 | |
| Refunds from which: | | | (72.398.316) | |
| NIB PIL No 02/18 | USD | LIBOR+0,9% | - | 15-Apr-2018 |
| BIRD 7181 | EUR | Last communicated 0,38% | (19.837.547) | 15-Jan-2020 |
| NIB PIL No 03/5 | EUR | EURIBOR+0,85% | (5.139.580) | 15-Sep-2018 |
| NIB PIL No 02/37 | EUR | EURIBOR+0,9% | (2.751.313) | 15-Sep-2018 |
| KfW 10431 | EUR | EURIBOR+0,6% | (4.974.009) | 31-Jul-2017 |
| KfW 11300 | EUR | EURIBOR+0,6% | (7.218.116) | 31-Jul-2017 |
| JBIC | JPY | 3,1% | (4.756.619) | 15-Sep-2016 |
| BRD | RON | ROBOR+1,25% | (3.300.000) | 31-Aug-2016 |
| BEI 25709 | EUR | 3,596% | (5.379.592) | 10-Sep-2025 |
| BEI 25710 | EUR | 3,856% | - | 11-Apr-2026 |

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| | Currency | Interest Rate | Accounting Value | Due Date |
|--|-----------------|----------------------|-------------------------|-----------------|
| ING + BRD | EUR | EURIBOR+2,75% | (19.041.540) | 13-Feb-2019 |
| Unguaranteed Bonds RON | 6,1% | | - | 19-Dec-2018 |
| Differences of Exchange | | | (6.338.430) | |
| Balance on 31st March 2016 | | | 718.627.043 | |

On 31st March 2016 and 31st December 2015 the balance of long term loans contracted from credit institutions are presented as follows:

| Description | 31st March 2016 | 31st December 2015 |
|---|-----------------------------------|--------------------------------------|
| NIB PIL No 02/18 | 17.277.663 | 18.212.042 |
| BIRD 7181 | 92.861.834 | 113.751.751 |
| NIB PIL No 03/5 | 25.724.350 | 31.219.050 |
| NIB PIL No 02/37 | 13.770.723 | 16.712.138 |
| KfW 10431 | 14.298.975 | 19.435.029 |
| KfW 11300 | 16.605.990 | 24.012.296 |
| JBIC | 4.587.291 | 9.030.166 |
| BRD | 3.300.000 | 6.600.000 |
| BEI 25709 | 102.317.463 | 108.923.148 |
| BEI 25710 | 115.142.994 | 116.447.869 |
| ING + BRD | 112.739.760 | 133.020.300 |
| Unguaranteed Bonds | 200.000.000 | 200.000.000 |
| Total long-term loans from credit institutions, of which: | 718.627.043 | 797.363.789 |
| Current portion of long-term loans | (149.166.461) | (162.774.045) |
| Total long-term loans account of current rates | 569.460.582 | 634.589.744 |

The long-term portion of loans will be repaid as follows:

| | 31st March 2016 | 31st December 2015 |
|-----------------------|-----------------------------------|--------------------------------------|
| Between 1 and 2 years | 120.038.374 | 133.886.282 |
| Between 2 and 5 years | 339.823.667 | 384.416.722 |
| Over 5 years | 109.598.541 | 116.286.740 |
| Total | 569.460.582 | 634.589.744 |

The company did not perform activities related to hedge its foreign currency obligations or exposure to interest rate risks. All long-term loans, except JBIC, BEI 25709, 25710 EIB and the Bonds bear the variable interest and therefore the accounting value of long-term loans approximates their fair value.

- *Short-Term Loans*

On 31st March 2016 and 31st December 2015, short term loans are as follows:

| | 31st March 2016 | 31st December 2015 |
|--|------------------------|--------------------------------------|
| Current portion of long term loans | 149.166.461 | 162.774.045 |
| Short-term bank loans - for current activities | 32.880.692 | - |
| Interest on long-term loans | 2.856.440 | 4.215.492 |
| Interests related to convertible bonds | 3.456.667 | 372.778 |
| Total short-term loans | 188.360.260 | 167.362.315 |

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• *Loans contracted for the current activity*

Short-term bank loans of the type of credit lines are represented by the credit line contracted in February 2016 from BRD GROUP SOCIETE GENERALE SA, the Large Corporate Clients Branch over a period of 12 months for financing the support draft of bonus type, under the form of overdraft account, amounting to 150.000.000.

On 31st March 2016 were made withdrawals from the credit line in the amount of 32.880.691.

The credit line contracted by the Company from BRD GROUP SOCIETE GENERALE SA was guaranteed by:

- security mortgage on the account opened at the bank;
- security mortgage on receivables resulted from contracts regarding the contribution for high efficiency cogeneration concluded with Cez Vanzare S.A., E.ON Energie Romania S.A., Repower Furnizare S.R.L., Tinmar Energy S.A.

11. Trade Payables and Other Liabilities

On 31st March 2016 and 31st December 2015, trade payables and other liabilities are presented as follows:

| | 31st March 2016 | 31st December 2015 |
|-------------------------------|-----------------------------------|--------------------------------------|
| Providers- Electricity Market | 397.934.197 | 514.807.670 |
| Providers of Assets | 53.746.796 | 39.714.264 |
| Providers of other activities | 24.650.530 | 28.674.364 |
| Amounts due to the employees | 5.236.942 | 4.762.762 |
| Other Liabilities | 4.881.308 | 188.208.644 |
| Total | 486.449.773 | 776.167.704 |

On 31st March 2016 and 31st December 2015, outstanding debts under the energy market in amount of 397.934.197, respectively 514.807.670 and present the following structure:

| | 31st March 2015 | 31st December 2015 |
|--|-----------------------------------|--------------------------------------|
| Providers of electricity market, including: | | |
| - providers - operational activity | 231.931.756 | 339.410.647 |
| - providers – the support draft of bonus type for promoting the high efficiency cogeneration | 166.002.441 | 175.397.022 |
| Total | 397.934.197 | 514.807.670 |

- Decrease of the electricity market debts related to the providers of operational activity was determined by:

- Reducing the volume of transactions on the balancing market;
- Reducing the purchase price of electricity needed to cover its own technological consumption (CPT).

The providers on the electricity market are represented mainly by SC Hidroelectrica SA, SC Complex Energetic Oltenia SA, MAVIR, SC Electrocentrale Bucuresti SA, RAAN. On 31st March 2016, their share in total energy providers is about 70%.

- The reduction of debts related to the support draft towards the providers (producers) was determined by:

- Payment of liabilities to the providers from the support draft, both banking operations and by compensating through the Institute of Management and Computer (according to Government Decision no. 685/1999).

On 31st March 2016, the Company registered payment obligations to the providers (producers) in the amount of 58.998.546 (RAAN – 45.345.401, CET Govora SA – 13.520.941, others-132.204), representing the cogeneration bonus and ante-overcompensation for 2014 and undelivered bonus for 2015. The amounts representing the Company's debts related to the support draft towards CET Govora and RAAN were withheld to pay under the art. 17 paragraph 5 of ANRE Order no. 116/2013 since those providers (manufacturers) registered payment obligations to the Company on the support scheme of bonus type.

The company requested to the providers (producers) who have not paid overcompensation invoices, the agreement for compensating mutual debts at their minimum level by the Institute of Management and Computer (IMI) that unitary manages all the information received from taxpayers under the provisions of GD . 685/1999.

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For discharging the debts generated by the support draft, the Company requested to the providers (manufacturers) mutual compensation. CET Govora and RAAN did not agree with this method of discharging of mutual receivables and payables, which is why the company has applied and continue to apply the provisions of the art. 17 paragraph 5 of Order of ANRE President no. 116/2013 for approving the Regulation on determining the way to collect the contribution for high efficiency cogeneration and payment of bonus for electricity produced in high efficiency cogeneration 'if the manufacturer did not pay the administrator of the support draft the obligations payment resulted in accordance with the provisions of this Regulation, the administrator of the support draft pays to the producer the difference between the invoices issued by the manufacturer and the payment obligations of the manufacturer on the support draft with explicit mention on the payment document of the respective amounts' and detained from the payment the amounts due related to the due support draft.

CNTEE Transelectrica has concluded with CET Govora a compensation agreement and the rescheduling for payment of the amounts representing the equivalent receivables from the counter value of overcompensating for 2011-2013 and of the undue bonus for 2014 (Agreement no. C 135 / 30th June 2015 and Addendum no. 1 / 8th April 2015). The period of the agreement was 1 year (period July 2015 to August 2016) and stipulated the Company's the right to calculate and collect payment penalty on the installment period.

Under the Convention, were compensated the receivables of the Company to be cashed from CET Govora SA with the debts to CET Govora SA, represented by the cogeneration bonus for the period May 2014 - October 2015 detained pursuant to the Art. 17 paragraph 5 from the Order of ANRE President no. 116/2013 and the provisions of the Agreement, in the amount of 40.507.669.

Following the suspension in the court on 27 November 2015 of ANRE Decision no. 738 / 28.03.2014 through which was set the amount of overcompensation for 2014, CET Govora SA has not complied with its obligations under the Agreement.

Given that Transelectrica was not a party in the case of procedural CET Govora and ANRE, in which the suspension of ANRE Decision no. 738/2014, the company requested ANRE clarifications regarding the compensation / payment of amounts related to CET Govora retained by offsetting overcompensation after the date of 27.11.2015 and further the application of art. 17 para. 5 of ANRE Order no. 116/2013.

- The increase of the balance providers of assets on 31st March 2016 compared to 31st December 2015 was due to the start of investment works.
- Debts to providers of other activities are mainly represented by the debts related to services provided by the third parties, which have not reached the due date, liabilities that recorded a decrease in comparison with 31st December 2015.

The debts' structure recorded in "other liabilities" is as follows:

| | <u>31st March 2016</u> | <u>31st December 2015</u> |
|---------------------|-----------------------------------|--------------------------------------|
| Different Creditors | 1.593.875 | 182.582.103 |
| Clients-creditors | 912.795 | 3.014.528 |
| Payment Dividends | 1.322.376 | 1.387.237 |
| Other Liabilities | 1.052.262 | 1.224.776 |
| Total | 4.881.308 | 188.208.644 |

The decrease of the debts recorded in 'other liabilities' on 31st March 2016 compared to 31st December 2015 is due to the change in the net position of the support draft regarding the high efficiency cogeneration which, on 31st March 2016 recorded a position of receivables ("debtors") and on 31st December 2015 recorded a debt position ("creditors").

On 31st March 2016, 'Various Creditors' in the amount of 1.593.875 are represented mainly by: constituting guarantees participation at auctions and guarantees of good conduct (470.500), penalties (of which 287.648 from which 217.540 Electrocentrale Bucharest, amounts that must be paid to the state representing the royalty corresponding to the first quarter of 2016 for the concession contract (293.709).

'The creditors customers' on 31st March 2016, are in the amount of 912.795, from which 814.510 represent amounts collected in advance from Mavir in transactions undertaken for market coupling.

On 31st March 2016, the Company's shareholders and unpaid dividends are in the amount of 1.322.376, of which 461.013 is related to dividends distributed from the profit of 2014. These amounts are available to the shareholders through the payment agent.

Other liabilities in the amount of 1.052.262 are mainly represented by guarantees for the proper execution of service contracts concluded by the Company.

Provisions

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*(All amounts are expressed in LEI, if it is not indicated otherwise)*On 31st March 2016 and on 31st December 2015, the provisions situation is as follows:

| | <u>31st March 2016</u> | <u>31st December 2015</u> |
|---|-----------------------------------|--------------------------------------|
| Provisions for litigations | 3.741.368 | 3.741.368 |
| Provisions for mandate contracts | 26.292.781 | 26.292.781 |
| Provisions participation fund for employees' profit | 8.131.725 | 8.131.725 |
| Other provisions | 54.895 | 89.339 |
| TOTAL | <u>38.220.769</u> | <u>38.255.213</u> |

12. Income Tax

The tax on the current and deferred income of the Company for 31st March 2016 and 31st March 2015 is determined at a statutory rate of 16%.

Income tax expense for 31st March 2016 and 31st March 2015 is as follows:

| | <u>31st March 2015</u> | <u>31st March 2014</u> |
|------------------------|-----------------------------------|--------------------------|
| Tax on current income | 20.864.905 | 24.835.736 |
| Tax on deferred income | (1.575.639) | (1.216.050) |
| Total | <u>19.289.266</u> | <u>23.619.686</u> |

13. Other Taxes and Social Insurance ObligationsOn 31st March 2016 and 31st December 2015, other taxes and social insurance obligations include:

| | <u>31st March 2016</u> | <u>31st December 2015</u> |
|--|-----------------------------------|--------------------------------------|
| Contribution to social insurance funds | 4.147.896 | 4.025.139 |
| Tax on salaries | 1.463.499 | 1.500.798 |
| Other taxes to pay | 2.260.891 | 1.237.426 |
| Total | <u>7.872.286</u> | <u>6.763.363</u> |

The increase of taxes on 31st March 2016 compared to 31st December 2015 is determined by recording of liabilities on the building tax and income tax to non-residents with maturities subsequent to 31st March 2016, given that these taxes were not registering the liabilities on 31st December 2015.

14. Operating Revenues

Operating revenues include revenues from the performance by the Company on the electricity market of transport and system services, allocation of interconnection capacity, operating services of the balancing market and other revenues.

The prices approved by ANRE for the services performed for the first quarter 2016 and first quarter 2015 are as follows:

| | <u>Medium Price for the transport service</u> | <u>Medium Price for the technological system services</u> | <u>Medium Price for the functional system services</u> |
|--|---|---|--|
| Order no. 93/2015 – for the first quarter 2016 | 20,97 | 12,58 | 1,17 |
| Order no. 51/2014 – for the first quarter 2015 | 22,50 | 12,54 | 1,42 |

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The average price for electricity transmission has two components: the price for the electricity introduction in the network (T_G) and the price for extracting the electricity from the network (T_L).

The area prices for the transmission service for introducing the electricity in the network (T_G) were approved by ANRE Order no. 89/2015, starting on 1st July 2015.

The area prices for the transport service for extracting the electricity from the network (T_L) were approved by ANRE Order no. 93/2015, starting on 1st July 2015.

The amount of electricity delivered to consumers to whom the prices for services on the electricity market were applied, are as follows:

| | <u>Quarter I 2016</u> | <u>Quarter I 2015</u> |
|--|-----------------------|-----------------------|
| The amount of electricity delivered to consumers (MWh) | 14.021.676 | 14.015.577 |

The revenues earned in the first quarter of 2016 and in the first quarter of 2015 are as follows:

| | <u>Quarter I 2016</u> | <u>Quarter I 2015</u> |
|--|---------------------------|---------------------------|
| Revenues from transportation service | 293.619.590 | 335.672.635 |
| Revenues from allocation of interconnection capacity | 21.614.700 | 22.544.456 |
| Revenues from reactive energy | 1.882.149 | 2.249.448 |
| Revenues from Inter TSO Compensation (ITC) | 26.961 | 145.417 |
| Revenues from CPT transactions | 88.953 | 30.687 |
| Revenues from transportation service - total | <u>317.232.353</u> | <u>360.642.643</u> |
| Revenues from functional system services | 16.406.327 | 19.902.119 |
| Revenues from technological system services | 177.426.340 | 176.686.484 |
| Revenues from unplanned shifts on PZU | 657.262 | 377.446 |
| Revenues from the system services– total | <u>194.489.929</u> | <u>196.966.049</u> |
| Revenues on the balancing market | 229.883.084 | 212.081.618 |
| Other Revenues | 13.628.374 | 9.432.603 |
| Total Revenues | <u>755.233.740</u> | <u>779.122.913</u> |

Revenues from the transportation service and the functional system services

In the first quarter of 2016 revenues from the transport service and functional system services recorded a decrease compared to the achievements of the first quarter 2015 amount to 45.548.836, driven by lower average prices approved by ANRE for these services, since 1st July 2015 given that electricity consumption has been relatively constant.

According to ANRE Order no. 87/2015 was reduced the price of injection in the network (T_G) and increased the price of its extraction from the network (T_L).

Revenues from allocating the interconnection capacity

In the first quarter of 2016, the revenues from the allocation of the interconnection capacity registered a slight decrease compared to the achievements of the first quarter 2015 with the amount of 929.756, corresponding to the level of use of the available interconnection capacity by traders on the electricity market.

Revenues from the technological system services

In the first quarter of 2016, the revenues from the technological system services recorded a slight increase compared to the first quarter of 2015 with the amount to 739.856.

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Revenues from the technological system services in the first quarter in 2016 were lower than the costs of the technological system services, which led to a loss of this activity (non-profit activity) in the amount of 12.220.370.

Revenues on the balancing market

Revenues earned on the balancing market recorded an increase in first quarter 2016 compared to first quarter 2015, in the amount of 17.801.467 caused by higher imbalances in the first quarter in 2016 based on a higher production recorded in CEE due to the registered weather conditions. The Balancing Market is a business segment with zero profit to the Company.

15. Expenses for the operating system and from the balancing market

Expenses in the first quarter of 2016 compared to the first quarter of 2015 are as follows:

| | <u>Quarter I 2016</u> | <u>Quarter I 2015</u> |
|--|--------------------------|--------------------------|
| Expenses on its own technological consumption | 48.810.804 | 50.761.517 |
| Congestion Expenses | 2.592.983 | 545.435 |
| Expenses on electricity consumption in RET stations | 199.526 | 3.870.044 |
| Expenses regarding the functional system services | 4.595.617 | 3.248.357 |
| Expenses cu Inter TSO Compensation(ITC) | 6.660.000 | 6.720.000 |
| Total Operational Expenses | <u>62.858.930</u> | <u>65.145.353</u> |
| Expenses regarding the technological system services | 189.646.710 | 195.302.022 |
| Expenses on the balancing market | 229.883.084 | 212.081.618 |
| Total | 482.388.724 | 472.528.993 |

Expenses on its Own Technological Consumption

These represent the acquisition expenses of electricity in the free market of energy for covering its own technological consumption (CPT) in RET.

The energy for CPT was acquired on the open market for electricity respectively on the Centralized Market for Bilateral Contracts (PCCB), the next day market (PZU), balancing market (PE) and the daily market (PI) at lower prices during the first quarter 2016 (average purchase price of 207,48 lei / MWh in January 2016, 174,30 lei / MWh in February 2016 and 168.71 lei / MWh in March 2016).

Expenses on Congestion

Congestion (network restrictions) are requests for electricity transmission beyond the technical capacity of the network, requiring corrective actions by the operator of the transmission system and occur in a situation in which, in the programming the operation or the operation in real time, the power flow between two nodes or areas of system lead to the non-accomplishment of the safety parameters in the operation of a power system.

In the first quarter 2016 were registered expenses with congestions in the amount of 2.592.983.

For compliance with the safety criteria in Dobrogea, were reduced in the balancing market the values notified by CEE Dobrogea, which debit into the electricity network of 110 kV in Dobrogea (less CEE Pantelimon and CEE Cerna) and in the station LEA 400 kV Tariverde. This situation has led congestion costs in January 2016 in the amount of 2.592.842.

Expenses on the Functional System Services

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The expenses on the functional system services represent the non-contracted international exchanges of electricity with the neighboring countries and unplanned expenses exchange on the next day market (PZU).

In the first quarter 2016 compared to the first quarter in 2015 were recorded increases of the expenses on PZU on unplanned electricity exchange with the neighboring countries interconnected to SEN.

Expenses on Inter TSO Compensation (ITC)

ITC expenses, amounting to 6.660.000, represent the monthly payment obligations / rights of collection for each transmission system operator (TSO). They are established in the mechanism for compensation / settlement effects of using the electricity transmission network (RET) for transits of electricity between TSO operators in 35 countries that acceded to the mechanism of the ENTSO-E.

Expenditure on the technological system services

In the first quarter 2016 expenses with the technological system services recorded a decrease from the first quarter of 2015 with the amount to 5.655.312.

The technological system services are purchased by the Company from manufacturers in order to ensure the maintenance the operational safety of SEN and of the quality of the electricity transported to the parameters required by the technical norms in force.

The contracting of these services is performed:

- In the regulated regime, based on the Government Decisions and of the Decisions of the National Regulatory Authority for Energy (ANRE);
- through competitive mechanisms.

According to GD. 941 / 29th October 2014 the deadline for applying GD. 138/2013 shall be extended until 31st December 2017. Through GD no. 138 / 8th April 2013 on the adoption of measures for the security of electricity supply, the Company purchased technological system services in terms of regulations issued by ANRE from SC EC Hunedoara SA, at an electric power value of at least 400 MW during 15th April 2013- 1st July 2015.

During the period 1st January – 31st March 2016 were purchased technological system services (slow tertiary reserve) in regulated regime under GD. 1019 / 30th December 2015 through which was approved 'The Winter Program in the Energy Field to ensure Safe Operation and Stability of the SEN.'

For the period 1st July 2015 – 30th June 2016, the acquisition of the technological system services is performed in regulated regime from SC Hidroelectrica SA (Decision no. 1377 / 26th June 2015 amended by Decision no. 1423 / 07.01.2015) and from SC Complexul Energetic Hunedoara SA (Decision no. 859 / 8th April 2015).

CNTEE Transelectrica SA invoices the value of the technological system services purchased from producers by the electricity suppliers licensed by ANRE, which ultimately benefits from these services.

Expenses on the Balancing Market

The expenses on the balancing market resulting from the notifications / achievements of participants in this market and are fully covered by the revenues from the balancing market. In the first quarter 2016 they were higher with the amount of 17.801.466 compared to first quarter of 2015 due to imbalances notified by the PRE (higher output in CEE due to weather conditions).

16. Other operating expenses

| 16. | . Other Operating Expenses | |
|---|----------------------------|----------------|
| | Quarter I 2016 | Quarter I 2015 |
| Other expenses for third party services | 8.733.521 | 8.973.458 |
| Postal expenses and telecommunication taxes | 295.894 | 510.543 |
| Expenses on rents | 1.882.641 | 2.314.638 |
| Operating expenses related to the adjustments for depreciating the current assets | -1.488.827 | -555.177 |

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| | | |
|----------------|-------------------|-------------------|
| Other Expenses | 7.929.733 | 9.788.211 |
| | 17.352.962 | 21.031.673 |

17.**Net Financial Result**

| | Quarter I 2016 | Quarter I 2015 |
|---|-----------------------|-----------------------|
| Interest Revenues | 1.929.944 | 1.632.771 |
| Revenues from exchange rate differences | 10.919.979 | 12.840.050 |
| Other financial revenues | 19.933 | 200.291 |
| Total Financial Revenues | 12.869.856 | 14.673.112 |
| Expenses from exchange rate differences | (4.458.618) | (5.759.984) |
| Interest Expenses | (6.316.007) | (7.754.130) |
| Total Financial Expenses | (10.774.625) | (13.514.114) |
| Net Financial Result | 2.095.231 | 1.158.998 |

In the first quarter of 2016, the financial result recorded an increase over the first quarter 2015 with the amount of 936.233, due to a relatively constant stability of the exchange rate of the national currency in relation to major currencies in which the company has contracted investment loans (euro, dollar and Japanese yen).

18. Flows related to investment activities

Within the investment activity, in the first quarter of 2016 was collected the amount of 29.581.392, representing the unused advance payment for the section of the new line Portile de Fier – Anina from the investment objective of the ‘Transition to the 400kV voltage of the axis Portile de Fier - Resita - Timisoara - Salacaz - Arad / LEA 400kV Portile de Fier - (Anina) - Resita until the issuance of the Government Decision approving the technical-economic indicators and the start of the procedure of expropriation of the private properties real estates.

19. Contingencies*Litigations*

The management regularly analyzes the pending litigation, and after consulting with its legal representatives decide the need to create provisions for the amounts involved or of their presentation in the financial reports.

Taking into account the existing information, the Company’s Management believes that there are significant ongoing litigations in which the Company has the quality of defendant, except for the following disputes:

- On the role Mehedinti Court - Civil Division II, Administrative and Fiscal Court was recorded the file no. 3616/101/2014, involving the ‘claims in the amount of 1.090.831,70’, a file in which the Company is the defendant, the plaintiff being the Autonomous Authority for Nuclear Activities - RAAN.

The amount requested for payment represents penalties calculated by RAAN for the due bonus on the support draft and withheld from the payment by the Company as Administrator of the support draft that applied the provisions of the art.17.para. 5 of the ANRE President’s Order no. 116 / 2013 (see Note 8).

Against the decision no.843 / 11th May 2015 of the Craiova Court of Appeal - Section II Civil in a public meeting on 11th May 2015, in case no. 3616/101/2014, against the sentence no.127 / 2014 of the Court Mehedinti - Civil Section II , by the Administrative and Fiscal Court in the public meeting on 10th October 2014, in the file no. 3616/101/2014, and against the sentence No.1 / 2015 of Mehedinti Court - Civil Section II, of the Administrative and Fiscal Court, in the public meeting on 1st September 2015, in the file no. 3616/101/2014, CNTEE Transelectrica SA filed an appeal which asked the court, through a decision that will deliver, to order the admission of the appeal as it was filed, the cassation of the decision and of the sentences attacked and sending the cause to the trial court in the territorial jurisdiction for judging it, her finding of accomplishing the requests of the art.1616-1617 Civil Code, which is why the compensation occurrence of mutual debts has to be admitted and their extinction up to the amount of the smallest of them, namely the total amount requested by the plaintiff through the application of summons, obligating the plaintiff to pay the expenses with this appeal. The appeal was registered before the High Court of Cassation and Justice, with hearings on 24th May 2016.

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In the period 2014-2015, the Company has retained at the payment the due bonus to RAAN on the support draft pursuant to the provisions of ANRE regulations, namely the article 17, paragraph 5 of ANRE President's Order no.116 / 2013.

In these conditions, RAAN calculated penalties for late payment of due cogeneration bonus in the amount of 3.496.914 withheld from the payment by the Company in the account of non-cashed receivables. The amount of 3.496.914 was refused for payment by the Company and was not registered as a liability in the support draft.

- On the role Mehedinti Court - Civil Division II, Administrative and Fiscal Court was recorded the file no. 9089/101/2013/a138, involving the "injunctive" folder in which the Company is a defendant, the applicant being Autonomous Authority for Nuclear Activities - RAAN - debtor insolvent.

By sentence no. 63/2016, the court ordered the defendant to continue the service of electricity transmission and system services necessary for continuing activity throughout the judicial reorganization of the RAAN.

Against this sentence, Transelectrica appealed.

On 10/05/2016, Craiova Court of Appeal delivered its judgment no. 457 / 05.10.2016, which ordered the following: "dismissed the appeal. Reject the appeal as unfounded. Final."

Also, hearing an appeal against the sentence of RAAN declared bankruptcy procedure, subject File no. 9089/101/2013 /a137, before the Court of Appeal Craiova was postponed to date 31/05/2016.

- On 4th March 2014, the European Commission issued a communication stating that it has imposed a fine of 1.031.000 EUR to the subsidiary of SC OPCOM S.A. for the abuse of dominant position on the Romanian market to facilitate trading of electricity on the spot market, in breach of EU antitrust rules. The company was included in the process as parent company to the subsidiary SC OPCOM S.A., being jointly responsible for paying the fine.

The Annual General Meeting of Shareholders of the Branch OPCOM decided in its meeting on 10th June 2014, the full payment of the fine amounted to 1.031.000 EUR applied by the General Directorate for Competition - European Commission for violating the Article 102 of the Treaty on the Functioning of the Union European, according to the Decision in the antitrust case AT 39984. The subsidiary SC OPCOM SA has paid in full the fine set by the European Commission.

On 24th November 2014, the Branch SC OPCOM SA, sued CNTEE Transelectrica SA for the purpose of forcing it to pay the amount of 582.086,31 EUR (2.585.161,72 lei at BNR (National Romanian Bank) on 24th November 2014) representing the amount paid by it with the title of fine, of the total fine of 1.031.000 EUR.

Also, the Branch SC OPCOM SA asked the court that the Company should pay EUR 84.867,67 lei with an interest title for the period 11th June 2014 – 24th November 2014, plus court costs in the amount of 37.828,08 .

The action filed by the Branch SC OPCOM SA, makes the object of the file no. 40814/3/2014, before the Court of Bucharest, Civil Section VI C, having as object the claims, the litigation matters with professionals. CNTEE Transelectrica SA filed the application for summons in this cause, citing the exceptions and defenses on the background on illegality and groundlessness of the action.

On 24th July 2015, the Bucharest Court pronounced the sentence no. 4275/2015, which ordered the following: 'Admit the request for summons filed by the plaintiff the Electricity and Gas Market Operator - OPCOM S.A. in contradiction with the defendant the National Company of Electricity Transmission Transelectrica S.A. It orders to the defendant to pay the plaintiff the sum of 582.086,31 Euros, representing the sum paid by the plaintiff instead of the defendant in the amount of 1.031.000 euro applied by Decision of The European Commission on 5th March 2014 in the case AT.39984, and of the statutory rate, on the amount of 582.086,31 Euros, calculated from 11th June 2014 until the date of the actual payment. It orders the defendant to pay to the plaintiff the sum of 37.828,08, with the title of trial expenses. With the right to appeal within 30 days from notice. The appeal is submitted to the Bucharest Court - Civil Division VI. '

Against the sentence no. 4275/2015, pronounced in the aforementioned file, Transelectrica SA formulated an appeal, which was registered before Bucharest Court of Appeal.

The company recorded in 2014 a provision amounting to 2.670.029 for the dispute with branch SC OPCOM SA.

- In 2013, Conaid Company SRL sued CNTEE Transelectrica for the unjustified refusal thereof to sign an addendum to the contract for connection or a new connection contract and requested compensation for costs incurred up to that time amounted to 17.419.508 lei and unrealized gains for the period 2013-2033 amounting to EUR 722.756.000. So far, the Company didn't conclude an addendum to the contract for connection because suspensive conditions included in the contract have not been met by Conaid Company SRL. A new connection contract would have concluded up on 11st March 2014, the date on which the technical connection permit has expired. On these financial statements, the amounts claimed by Conaid Company SRL were regarded as contingent liabilities as it is unlikely to settle this obligation, there will be necessary outflows of resources embodying economic benefits and the value of obligation cannot be evaluated with sufficient reliability. The File no. 5302/2/2013 was pending High Court of Cassation and Justice, the Administrative and Fiscal Litigation Section, with the object

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obligation of issuing an administrative document, the procedural stage – appeal, the court deadline being 12th September 2015. On this deadline the High Court of Cassation and Justice admitted in principle the appeals and fixed the hearing, in substance, of the appeals on 8th April 2016, Complet 4, summoning the parties. The case trial was postponed for the date of 17th June 2016.

• The company is involved in significant litigations in which it has the quality of plaintiff, especially for debt recovery (eg. Eco Energy, Petprod SRL, Total Electric Oltenia, Arcelormittal Galati, Autonomous Nuclear Activities, Industry ROMENERGY SRL). The company recorded adjustments for valuable losses for the customers and other receivables in litigation and for the customers in bankruptcy. The Company also acts as plaintiff in a dispute with ANAF as shown in Note 5.

The management of the Company considers it is likely that there will be no cases in which an outflow of resources will be required for settling the pending litigation. In addition, there are no other pending litigations which, either by their nature or by their value which make necessary the presentation of some significant contingent assets or liabilities for the activity of the Company.

20. Affiliated Parties

i) Subsidiaries of the Company

| Entity | Country of Origin | 31 st March 2016 % of shares | 31 st December 2015 % of shares |
|----------------------|-------------------|--|---|
| SMART SA *) | Romania | 70 | 70 |
| TELETRANS SA | Romania | 100 | 100 |
| ICEMENERG SA**) | Romania | 100 | 100 |
| OPCOM SA | Romania | 100 | 100 |
| FORMENERG SA | Romania | 100 | 100 |
| ICEMENERG SERVICE SA | Romania | 100 | 100 |

*) In present, there is a litigation- file nr.32675 / 3/2015 -having as object the annulment of Resolution Designated Person no. 154 954 /30th December 2014, pronounced in the file no. 449314 /23rd December 2014, under which the Trade Register of Bucharest Court has registered the capital increase of the Subsidiary SC Smart SA with contribution in nature and the amend of the articles of association according to the Decision no.12375 / 22th December 2014 of the Administration Council's President of the subsidiary and of the Board Decision No. 19 / 22th December 2014. The Company also requested the competent court the annulment of the two decisions mentioned above and the suspension of the applicability of provisions whose annulment is required until the resolution of the promoted action.

In case no.32675 / 3/2015, the Bucharest Court – Civil Section VI pronounced a civil sentence no. 6468 / 16th November 2015, through which ordered the following: 'Admits the exception of inadmissibility. Dismisses the lawsuit filed by Transelectrica plaintiff in contradiction with the defendants for maintenance service for electricity transmission network SMART SA, the Romanian State and ONRC, as inadmissible. With the right to appeal within 30 days from notice. The appeal is submitted to the Bucharest Court Civil Division VI. Delivered in open court today, 16th November 2015'. CNTEE Transelectrica SA formulated an appeal, which was registered before Bucharest Court of Appeal, the case being in the preliminary procedure, with hearings on 23th May 2016.

***) On 7th April 2014 it was accepted by the National Trade Register, the file registration number 121452 / 3rd April 2014 involving the deregistration of the Subsidiary Institute for Energy Research and Modernization - ICEMENERG SA Bucharest. Through the order no. 123 / 13th March 2014 (act of registration and authorization of functioning), was registered at the Trade Register the 'National Institute of Research and Development for Energy Bucharest' (GD no.925 / 2010) .The company filed a complaint against the resolution of ORC director ordering the registration in the trade register of the deregistration of the Subsidiary ICEMENERG SA Bucharest.

Bucharest Court, Civil Section VI, through the sentence no.3569 / 14th July 2014 pronounced in the file no.15483 / 3/2014, in which the company was found in contradiction with the defendants the Subsidiary Institute for Energy Research and Modernization 'Icemenerg' S.A. Bucharest and the National Institute of Research and Development for Energy-Icemenerg

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Bucharest rejected the complaint of the Company, motivated by the fact that GD no.925 / 2010 was not abolished until the deregistration at ORC (Trade Register Office). The Court of Appeal has notified on 24th February 2015 the solution pronounced in the file no. 15483/3/2014 and namely Decision no.173/2015, which dismissed the appeal of CNTEE Transelectrica SA as unfounded, the decision being final.

Against the Decision no. 173/2015, pronounced by Bucharest Court of Appeal, Transelectrica SA filed an appeal for annulment, which makes the object of the file no.1088 / 2/2015 before the Court of Appeal - Civil Division VI, with hearings on 13th May 2015. On 13th May 2015, through the Decision no. 777/2015, Bucharest Court of Appeal dismissed the appeal for annulment as unfounded, the decision is final.

In its meeting on 28th March 2016, AGEA did not approve the social capital reduction of CNTEE Transelectrica SA with the amount of 1.084.610 lei, representing the share capital subscribed and paid to the Susidiary ICEMENERG SA Bucharest by reducing the Romanian state participation in the capital of CNTEE Transelectrica SA, in application of the provisions of the article 1. (7) of GD. 925/2010.

The total value of the Company's participants in its subsidiaries is in the amount of 55.944.450 on 31th March 2016 and of 55.944.450 on 31st December 2015.

On 31st March 2016 and 31st December 2015 the balances with the subsidiaries owned by the Company are as follows:

| AFFILIATED ENTITY | Trade Receivables | | Trade Payables | |
|-------------------------|-----------------------------|--------------------------------|-----------------------------|--------------------------------|
| | 31 st March 2016 | 31 st December 2015 | 31 st March 2016 | 31 st December 2015 |
| SC SMART SA | 286.001 | 329.312 | 11.079.329 | 6.793.767 |
| SC TELETRANS SA | 154.362 | 375.248 | 2.798.518 | 7.426.123 |
| SC FORMENERG SA | 0 | 0 | 18.180 | 3.959 |
| SC OPCOM SA | 3.754.553 | 1.520.332 | 2.605.917 | 804.549 |
| SC ICEMENERG SERVICE SA | 92.231 | 92.231 | 0 | 0 |
| Total | 4.287.147 | 2.317.123 | 16.501.944 | 15.028.398 |

The transactions undertaken by the Company with its subsidiaries in the first quarter of 2016 and the first quarter of 2015 are detailed as follows:

| AFFILIATED ENTITY | Sales | | Purchases | |
|-------------------------|--------------------|--------------------|-------------------|-------------------|
| | Trim. I 2016 | Trim. I 2015 | Trim. I 2016 | Trim. I 2015 |
| SC SMART SA | 344.017 | 165.774 | 11.195.791 | 20.451.078 |
| SC TELETRANS SA | 209.538 | 231.732 | 4.650.067 | 10.010.749 |
| SC FORMENERG SA | 0 | 0 | 87.750 | 47.206 |
| SC OPCOM SA | 109.023.077 | 153.200.736 | 25.693.478 | 23.829.381 |
| SC ICEMENERG SERVICE SA | 0 | 0 | 0 | 0 |
| Total | 109.576.632 | 153.598.242 | 41.627.086 | 54.338.414 |

ii) Remuneration of Company's Management

The wages paid to the management for services rendered mainly consist of the base salary and also benefits upon termination of the labor contract and post employment. These are detailed as follows:

| Quarter I 2016 | Quarter I 2015 |
|----------------|----------------|
|----------------|----------------|

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| | | |
|---|------------------|------------------|
| Short-Term Benefits | 2.416.587 | 2.283.817 |
| Benefits on the end of the labor contract | - | - |
| Post Employment Benefits | - | - |
| Other long-term benefits | 47.103 | 17.197 |
| Total | 2.463.690 | 2.301.014 |

21. Credit Risk

The credit risk is the risk in which the Company bears a financial loss following the non-fulfillment of contractual obligations by a customer or counterparty to a financial instrument. This risk results mainly from trade receivables and the cash and cash equivalents.

The treatment of counterparty risk is based on internal and external factors of success of the Company. The external factors of success - which have an effect on reducing the risk systematically are: the decentralization of the energy sector in which the production, the transmission, the distribution and the supply are separate activities and customer interface is represented by the providers, trading of the electricity on the market in Romania in two market segments: the regulated and competitive market. The internal factors of success in the treatment of counterparty risk include: diversifying the client portfolio and the diversify of the number of services offered on the electricity market.

The financial assets that may submit the Company to the cashing risk are mainly the trade receivables and the cash and cash equivalents. The company has put into practice a series of policies that ensure that the sale of services are made towards customers with a proper cashing by including in their commercial contracts their obligation to provide financial guarantees. The net value of receivables, of the adjustments for the value losses, represents the maximum amount exposed to the risk of cashing. The risk of the revenue from such receivables is limited, as these amounts are mainly owed by state-owned companies.

The maximum exposure to the risk of cashing at the reporting date was:

| | 31st March 2016 | 31st December 2015 |
|-----------------------------------|-----------------------------------|--------------------------------------|
| Financial Assets | | |
| Net Trade Receivables | 584.267.334 | 596.310.217 |
| Other Net Receivables | 65.780.567 | 127.137.324 |
| Irredeemable funds to be received | 4.827.104 | 5.239.033 |
| Total | 654.875.005 | 728.686.574 |

The situation of receivables' seniority on the date of drafting the financial position report was:

| | Gross Value | Adjustment of depreciation | Gross Value | Adjustment of depreciation |
|--|-----------------------------------|-----------------------------------|--------------------------------------|--------------------------------------|
| | 31st March 2016 | 31st March 2016 | 31st December 2015 | 31st December 2015 |
| Unreached on the due date | 497.081.346 | 28.136 | 493.063.746 | 1.147.819 |
| Exceeded Due Date between 1 – 30 days | 7.152.051 | 41 | 6.530.607 | 113.324 |
| Exceeded Due Date between 31 – 90 days | 2.375.966 | - | 1.608.587 | 266.257 |
| Exceeded Due Date between 90 – 180 days | 3.315.709 | 304.968 | 11.072.875 | 10.211.818 |
| Exceeded Due Date between 180 – 270 days | 11.113.955 | 10.248.631 | 15.399.044 | 1.421.579 |
| Exceeded Due Date between 270 – 365 days | 13.122.715 | 1.251.714 | 6.880.773 | 2.383.145 |
| More than a year | 136.144.666 | 74.205.583 | 149.741.082 | 72.442.556 |
| Total | 670.306.408 | 86.039.074 | 684.296.715 | 87.986.497 |

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The situation of the seniority of 'other receivables' on drafting the report of the financial position was:

| | Gross Value 31st March 2016 | Adjustment of depreciation 31st March 2016 | Gross Value 31st December 2015 | Adjustment of depreciation 31st December 2015 |
|--|---|--|--|---|
| Unreached on the due date | 44.075.585 | 2.518.689 | 109.251.224 | 3.826.053 |
| Exceeded Due Date between 1 – 30 days | 2.173.658 | 157.204 | 6.430.436 | 396.081 |
| Exceeded Due Date between 31 – 90 days | 1.236.965 | 75.486 | 1.270.335 | - |
| Exceeded Due Date between 90 – 180 days | 8.765.472 | 1.629.934 | 2.424.895 | 18.666 |
| Exceeded Due Date between 180 – 270 days | 2.415.143 | 372.159 | 4.608.277 | 2.504.276 |
| Exceeded Due Date between 270 – 365 days | 4.552.909 | 2.489.674 | 5.796.415 | 144.524 |
| More than a year | 87.175.429 | 77.371.446 | 81.515.502 | 77.270.160 |
| Total | 150.395.161 | 84.614.594 | 211.297.084 | 84.159.760 |

On 31st March 2016, the highest adjustments of depreciation were recorded for SC Petprod SRL (29.242.364), Eco Energy SRL (24.736.066), SC Total Electric Oltenia SA (14.185.577), Romenergy Industry (9.989.440), RAAN (8.094.707) Also Energ (7.177.167). The company is in litigation with these clients, being registered at the statement of affairs for those who are insolvent.

The evolution of adjustments for depreciating the customers is presented as follows:

| | 31st March 2016 | 31st December 2015 |
|---|-----------------------------------|--|
| Balance on 1st January | 87.986.497 | 87.246.448 |
| Recognition of adjustments for depreciation | 28.177 | 22.802.474 |
| Reversal of adjustments for depreciation | (1.975.600) | (22.062.425) |
| Balance at the end of the period | 86.039.074 | 87.986.497 |

The evolution of depreciation adjustments for 'other receivables' is presented as follows:

| | 31st March 2016 | 31st December 2015 |
|---|-----------------------------------|--------------------------------------|
| Balance on 1st January | 84.159.760 | 80.972.239 |
| Recognition of adjustments for depreciation | 513.658 | 7.059.855 |
| Reversal of adjustments for depreciation | (58.824) | (3.872.334) |
| Balance at the end of the period | 84.614.594 | 84.159.760 |

Financial assets that may submit the Company to the risk of cashing are mainly the trade receivables and the cash and cash equivalents. The company has put in practice a series of policies that ensure that the sale of services is performed towards the customers with an appropriate collection by including in their commercial contracts of their obligation to provide financial guarantees. The net value of receivables, of the adjustments for value losses, represents the maximum amount exposed at the risk of cashing. The risk of cashing from such receivables is limited, as these amounts are mainly owed by the state-owned companies.

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(All amounts are expressed in LEI, if it is not indicated otherwise)

The cash is placed in financial institutions, which are considered as having minimal risk. The bank deposits are placed with Romanian Commercial Bank, BRD - Groupe Societe Generale, Alpha Bank, Garanti Bank, Transilvania Bank and Credit Europe Bank.

22. Subsequent Events

Increase of the credit rating of/by Moody's Investors Service

The International Credit Rating Agency Moody's Investors Service has increased with a degree the credit rating of Transelectrica, at Ba1 (previously Ba2), the outlook being maintained on a constant level. Transelectrica rating remains situated with a stage below the country rating of Romania (previously two stages), recognizing the financial performance improved and the solid operational results of the Company, ensuring the premises for the future funding under optimal conditions for achieving the good conditions of investments undertaken for the third regulatory period.