

**CNTEE Transelectrica S.A.**  
**Company managed in a dualist system**

**Separate Financial Statements**  
**as at and for the year ended**  
**December 31, 2015**

**Prepared in accordance with**  
**Ministry of Public Finance Order no. 1286/2012 for the approval**  
**of International Financial Reporting Standards,**  
**applicable to commercial companies whose securities**  
**are admitted to trading on a regulated market,**  
**as subsequently amended**

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

## INDEPENDENT AUDITOR'S REPORT

### Report on the Separate Financial Statements

- 1 We have audited the accompanying separate financial statements of CNTEE Transelectrica S.A. ("the Company") which comprise the separate statement of financial position as at December 31, 2015, and the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Separate Financial Statements*

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

### *Auditor's Responsibility*

3. Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the separate financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Opinion*

6. In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of CNTEE Transelectrica S.A. as at December 31, 2015, and its separate financial performance and its separate cash flows for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the European Union.

## *Other Matters*

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

## **Report on Conformity of the Directors' annual report with the Separate Financial Statements**

The Directors are responsible for the preparation and presentation of the directors' annual report in accordance with the requirements of the Ministry of Public Finance Order no. 1286/2012, Chapter II, articles 10-14, which does not contain material misstatements and for such internal control as management determines is necessary to enable the preparation of the director's report that is free from material misstatement, whether due to fraud or error.

Our opinion on the separate financial statements does not cover the directors' annual report.

In connection with our audit of the separate financial statements, we have read the attached directors' annual report and we report as follows:

- a) in the directors' annual report, we have not identified information which is not consistent, in all material respects, with the information presented in the separate financial statements attached;

- b) the directors' annual report identified above contains, in all material respects, the required information according to the provisions of Ministry of Public Finance Order no. 1286/2012, Chapter II, articles 10-14;
- c) based on our knowledge and understanding concerning the Company and its environment gained during the audit on the separate financial statements prepared as of December 31, 2015, we have not identified information included in the directors' annual report that contains a material misstatement of fact.

Farrukh Khan, Audit Partner

*For signature, please refer to the  
original binding Romanian version.*

Registered with the Romanian Chamber of Financial Auditors  
under no. 1533/25.11.2003

*On behalf of:*

**DELOITTE AUDIT S.R.L.**

Registered with the Romanian Chamber of Financial auditors  
under no. 25/25/06/01

Bucharest, Romania  
March 23, 2016

**CNTEE Tranelectrica S.A.**

Separate statement of financial position as at December 31, 2015

*(all amounts are expressed in lei, unless stated otherwise)*

	<b>Note</b>	<b>December 31, 2015</b>	<b>December 31, 2014</b> <b>Restated</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<b>5</b>	3,341,450,716	3,387,759,611
Intangible assets	<b>6</b>	34,569,691	39,502,652
Financial assets		55,944,450	57,027,900
<b>Total non-current assets</b>		<b>3,431,964,857</b>	<b>3,484,290,163</b>
<b>Current assets</b>			
Inventories	<b>7</b>	34,328,954	35,680,518
Trade and other receivables	<b>8</b>	723,447,541	1,056,178,011
Other financial assets	<b>9</b>	70,085,000	148,800,000
Cash and cash equivalents	<b>10</b>	974,451,258	716,437,573
<b>Total current assets</b>		<b>1,802,312,753</b>	<b>1,957,096,102</b>
<b>Total assets</b>		<b>5,234,277,610</b>	<b>5,441,386,265</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' Equity</b>			
Share capital, of which:		733,031,420	733,031,420
- <i>Subscribed share capital</i>		733,031,420	733,031,420
Share premium		49,842,552	49,842,552
Legal reserves		99,407,385	78,424,484
Revaluation reserves		603,684,792	615,407,592
Other reserves		55,694,602	23,660,704
Retained earnings		1,487,644,971	1,312,739,568
<b>Total shareholders' equity</b>	<b>11</b>	<b>3,029,305,722</b>	<b>2,813,106,320</b>
<b>Non-current liabilities</b>			
Long term deferred income	<b>12</b>	462,721,487	552,768,103
Borrowings	<b>13</b>	634,589,744	792,043,629
Deferred tax liability	<b>16</b>	34,663,246	28,209,782
Employee benefits obligations	<b>14</b>	34,669,295	29,126,106
<b>Total non-current liabilities</b>		<b>1,166,643,772</b>	<b>1,402,147,620</b>

The accompanying notes are an integral part of these separate financial statements.

**CNTEE Transelectrica S.A.**

Separate statement of financial position as at December 31, 2015

*(all amounts are expressed in lei, unless stated otherwise)*

	<u>Note</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
<b>Current liabilities</b>			
Trade and other liabilities	<b>15</b>	776,167,704	945,656,726
Other tax and social security liabilities	<b>18</b>	6,763,363	7,577,887
Borrowings	<b>13</b>	167,362,315	200,678,234
Provisions	<b>15</b>	38,255,213	24,784,498
Short-term deferred income	<b>12</b>	33,408,244	33,069,502
Income tax payable		16,371,277	14,365,478
<b>Total current liabilities</b>		<b>1,038,328,116</b>	<b>1,226,132,325</b>
<b>Total liabilities</b>		<b>2,204,971,888</b>	<b>2,628,279,945</b>
<b>Total shareholders' equity and liabilities</b>		<b>5,234,277,610</b>	<b>5,441,386,265</b>

The accompanying separate financial statements were approved by the management on March 23, 2016 and signed on its behalf by:

**Management Board,**

<b>Ion-Toni TEAU</b> President of Management Board	<b>Constantin VĂDUVA</b> Member of the Management Board	<b>Octavian LOHAN</b> Member of the Management Board	<b>Ion SMEEIANU</b> Member of the Management Board	<b>Catalin Lucian CHIMIREL</b> Member of the Management Board
<b>Maria IONESCU</b> Economic Director		<b>Cristina STOIAN</b> Head of Financial Strategy and Treasury Directorate		<b>Veronica CRISU</b> Head of Accounting Department

**CNTEE Transelectrica S.A.**

Separate statement of profit or loss as at December 31, 2015

*(all amounts are expressed in lei, unless stated otherwise)*

	<b>Note</b>	<b>2015</b>	<b>2014</b>
<b>Revenues</b>			
Transmission revenues		1,284,807,593	1,309,064,102
System services revenues		731,205,273	750,904,194
Balancing market revenues		923,035,364	703,376,447
Other revenues		45,537,871	54,113,408
<b>Total revenues</b>	<b>19</b>	<b>2,984,586,101</b>	<b>2,817,458,151</b>
<b>Operating expenses</b>			
System operating expenses	<b>20</b>	(231,851,362)	(238,348,566)
Balancing market expenses	<b>20</b>	(923,035,364)	(703,376,447)
Technological system services expenses	<b>20</b>	(637,652,613)	(653,440,800)
Depreciation and amortization		(318,482,384)	(333,805,160)
Personnel expenses		(186,314,044)	(187,682,777)
Repairs and maintenance expenses		(88,514,482)	(94,254,837)
Materials and consumables	<b>7</b>	(8,456,529)	(8,711,394)
Other operating expenses	<b>21</b>	(141,624,454)	(157,536,451)
<b>Total operating expenses</b>		<b>(2,535,931,232)</b>	<b>(2,377,156,432)</b>
<b>Operating profit</b>		<b>448,654,869</b>	<b>440,301,719</b>
Finance income		48,093,549	57,148,114
Finance cost		(66,925,882)	(65,643,745)
<b>Net finance result</b>	<b>22</b>	<b>(18,832,333)</b>	<b>(8,495,631)</b>
<b>Profit before income tax</b>		<b>429,822,536</b>	<b>431,806,088</b>
Income tax	<b>16</b>	(69,768,069)	(74,189,601)
<b>Profit for the year</b>		<b>360,054,467</b>	<b>357,616,487</b>
<b>Basic and diluted earnings per share (lei/share)</b>	<b>17</b>	<b>4.91</b>	<b>4.88</b>

The accompanying separate financial statements were approved by the management on March 23, 2016 and signed on its behalf by:

**Management Board,**

<b>Ion-Toni</b> <b>TEAU</b> President of Management Board	<b>Constantin</b> <b>VĂDUVA</b> Member of the Management Board	<b>Octavian</b> <b>LOHAN</b> Member of the Management Board	<b>Ion</b> <b>SMEEIANU</b> Member of the Management Board	<b>Catalin Lucian</b> <b>CHIMIREL</b> Member of the Management Board
<b>Maria</b> <b>IONESCU</b> Economic Director		<b>Cristina STOIAN</b> Head of Financial Strategy and Treasury Directorate		<b>Veronica</b> <b>CRISU</b> Head of Accounting Department

The accompanying notes are an integral part of these separate financial statements.

**CNTEE Transelectrica SA**

Separate statement of other comprehensive income as at December 31, 2015

*(all amounts are expressed in lei, unless stated otherwise)*

	Note	2015	2014
<b>Profit for the year</b>		<b>360,054,467</b>	<b>357,616,487</b>
<b>Other comprehensive income</b>			
Elements that will not be reclassified in the income statement, of which:			-
- Effect of taxation on revaluation reserve		(10,715,470)	-
- Surplus from the revaluation of tangible assets		48,663,173	
- Actuarial gain/(loss) on defined benefit plans	14	(8,345,968)	(1,030,199)
<b>Other comprehensive income (OCI)</b>		<b>29,601,735</b>	<b>(1,030,199)</b>
<b>Total comprehensive income</b>		<b>389,656,202</b>	<b>356,586,288</b>

The accompanying separate financial statements were approved by the management on March 23, 2016 and signed on its behalf by:

**Management Board,**

<b>Ion-Toni TEAU</b> President of Management Board	<b>Constantin VĂDUVA</b> Member of the Management Board	<b>Octavian LOHAN</b> Member of the Management Board	<b>Ion SMEEIANU</b> Member of the Management Board	<b>Catalin Lucian CHIMIREL</b> Member of the Management Board
<b>Maria IONESCU</b> Economic Director		<b>Cristina STOIAN</b> Head of Financial Strategy and Treasury Directorate		<b>Veronica CRISU</b> Head of Accounting Department



**CNTEE Transelectrica SA**

Separate statement of changes in equity as at December 31, 2015

(all amounts are expressed in lei, unless stated otherwise)

	Share capital	Share premium	Legal reserve	Revaluation reserve	Other reserves	Retained earnings	Total
<b>Balance as at January 1, 2014</b>	<b>1,091,525,913</b>	<b>49,842,552</b>	<b>57,703,302</b>	<b>669,257,305</b>	<b>18,340,125</b>	<b>727,227,938</b>	<b>2,613,897,135</b>
Adjustment of share capital to inflation used to cover the loss from the application of IAS 29	(358,494,493)	-	-	-	-	-	(358,494,493)
Profit for the year	-	-	-	-	-	357,616,487	357,616,487
<b>Other comprehensive income, of which:</b>	-	-	-	-	-	-	-
Defined benefit plan actuarial losses	-	-	-	-	-	(1,030,199)	(1,030,199)
<b>Total other comprehensive income</b>	-	-	-	-	-	<b>(1,030,199)</b>	<b>(1,030,199)</b>
<b>Total comprehensive income for the year</b>	-	-	-	-	-	356,586,288	356,586,288
<b>Other elements</b>							
Transfer of revaluation reserve to retained earnings	-	-	-	(54,471,431)	-	54,471,431	-
Reclassification of deferred income	-	-	-	621,718	-	-	621,718
Increase of legal reserve	-	-	20,721,182	-	-	(20,721,182)	-
Loss coverage from adjusting share capital to inflation	-	-	-	-	-	358,484,493	358,494,493
Other	-	-	-	-	-	-	-
<b>Total other elements</b>	-	-	<b>20,721,182</b>	<b>(53,849,713)</b>	-	<b>392,244,742</b>	<b>359,116,211</b>
<b>Contributions by and distributions to shareholders</b>							
Subsidies related to long-term assets such as public patrimony (see Note 11)	-	-	-	-	5,320,579	-	5,320,579
Distribution of dividends	-	-	-	-	-	(163,319,400)	(163,319,400)
<b>Total contributions by and distributions to shareholders</b>	-	-	-	-	<b>5,320,579</b>	<b>(163,319,400)</b>	<b>(128,050,680)</b>
<b>Balance as at December 31, 2014</b>	<b>733,031,420</b>	<b>49,842,552</b>	<b>78,424,484</b>	<b>615,407,592</b>	<b>23,660,704</b>	<b>1,312,739,568</b>	<b>2,813,106,320</b>

The accompanying separate financial statements were approved by the management on March 23, 2016 and signed on its behalf by:

**Management Board,**

<b>Ion-Toni TEAU</b> President of Management Board	<b>Constantin VĂDUVA</b> Member of the Management Board	<b>Octavian LOHAN</b> Member of the Management Board	<b>Ion SMEEIANU</b> Member of the Management Board	<b>Catalin Lucian CHIMIREL</b> Member of the Management Board
<b>Maria IONESCU</b> Economic Director		<b>Cristina STOIAN</b> Head of Financial Strategy and Treasury Directorate		<b>Veronica CRISU</b> Head of Accounting Department

The accompanying notes are an integral part of these separate financial statements.

**CNTEE Transelectrica SA**

Separate statement of changes in equity as at December 31, 2015

*(all amounts are expressed in lei, unless stated otherwise)*

	<b>Share capital</b>	<b>Share premium</b>	<b>Legal reserve</b>	<b>Revaluation reserve</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Balance as at January 1, 2015</b>	<b>733,031,420</b>	<b>49,842,552</b>	<b>78,424,484,</b>	<b>615,407,592</b>	<b>23,660,704</b>	<b>1,312,739,568</b>	<b>2,813,106,320</b>
<b>Comprehensive income for the year</b>							
Profit for the year	-	-	-	-	-	360,054,467	360,054,467
<b>Other comprehensive income, of which:</b>	-	-	-	-	-	-	-
Defined benefit plan actuarial losses	-	-	-	-	-	(8,345,968)	(8,345,968)
Surplus from the revaluation of tangible assets	-	-	-	48,663,173	-	-	48,663,173
Deferred income liability with revaluation reserve	-	-	-	(10,715,470)	-	-	(10,715,470)
<b>Total other comprehensive income for the year</b>	-	-	-	<b>37,947,703</b>	-	<b>(8,345,968)</b>	<b>29,601,735</b>
<b>Total comprehensive income for the year</b>	-	-	-	<b>37,947,703</b>	-	<b>351,708,499</b>	<b>389,656,202</b>
<b>Other elements</b>							
Transfer of revaluation reserve to retained earnings	-	-	-	(49,670,503)	-	49,670,503	-
Increase of legal reserve	-	-	20,982,901	-	-	(20,982,901)	-
Other	-	-	-	-	127,200	-	-
<b>Total other elements</b>	-	-	<b>20,982,901</b>	<b>(49,670,503)</b>	<b>127,200</b>	<b>28,687,602</b>	<b>127,200</b>
<b>Contributions by and distributions to shareholders</b>							
Subsidies related to long-term assets such as public patrimony (see Note 11)	-	-	-	-	31,906,698	-	31,906,698
Distribution of dividends	-	-	-	-	-	(205,490,698)	(205,490,698)
<b>Total contributions by and distributions to shareholders</b>	-	-	-	-	<b>31,906,698</b>	<b>(205,490,698)</b>	<b>(173,584,000)</b>
<b>Balance as at December 31, 2015</b>	<b>733,031,420</b>	<b>49,842,552</b>	<b>99,407,385</b>	<b>603,684,792</b>	<b>55,694,602</b>	<b>1,487,644,971</b>	<b>3,029,305,722</b>

The accompanying separate financial statements were approved by the management on March 23, 2016 and signed on its behalf by:

**Management Board,****Ion-Toni****TEAU**

President of Management Board

**Constantin VĂDUVA**

Member of the Management Board

**Octavian****LOHAN**

Member of the Management Board

**Ion****SMEEIANU**

Member of the Management Board

**Catalin Lucian CHIMIREL**

Member of the Management Board

**Maria****IONESCU**

Economic Director

**Cristina STOIAN**

Head of Financial Strategy and Treasury Directorate

**Veronica****CRISU**

Head of Accounting Department

The accompanying notes are an integral part of these separate financial statements.

**CNTEE Transelectrica S.A.**

Separate statement of cash flows as at December 31, 2015

*(all amounts are expressed in lei, unless stated otherwise)*

	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>		
<b>Profit for the year</b>	<b>360,054,467</b>	<b>357,616,487</b>
<b>Adjustments for:</b>		
Income tax expense	69,768,069	74,189,601
Depreciation and amortization	318,482,383	333,805,160
Expenses with impairment allowances for trade and other receivables	30,826,111	40,613,736
Increase in reversal of impairment allowances for trade and other receivables	(25,955,273)	(11,577,468)
Net loss on disposal of property, plant and equipment	1,118,918	509,246
Net expenses with impairment allowances for inventories	2,357,290	-
Reversal of impairment allowances for property, plant and equipment	23,220,964	5,582,551
Net reversal of impairment allowances for provisions for risks and charges	12,081,959	13,318,610
Interest expense, interest income and unrealized foreign exchange gains	18,768,695	8,426,409
<b>Cash flows before changes to working capital</b>	<b>810,723,584</b>	<b>822,484,332</b>
<b>Changes in:</b>		
Clients and similar accounts	326.617.964	(238.842.710)
Inventories	(1,005,726)	1.298.057
Trade and other liabilities	(185.929.704)	285.423.026
Other tax and social security liabilities	(814.524)	(571.389)
Deferred income	(57.801.177)	19.845.000
<b>Cash flows from operating activities</b>	<b>891.790.417</b>	<b>889.636.316</b>
Interest paid	(30.710.768)	(37.810.976)
Income tax paid	(55.746.308)	(77.717.059)
<b>Net cash from operating activities</b>	<b>805.333.341</b>	<b>774.108.280</b>
<b>Cash flows used in investing activities</b>		
Purchase of property, plant and equipment and of intangible assets	(243.142.067)	(187.474.073)
Proceeds from sale of property, plant and equipment	-	1,981
Interest received	11.729.285	14.102.516
Dividends received	7.072.102	13.224.368
Other financial assets	78.715.000	(148.800.000)
<b>Net cash used in investing activities</b>	<b>(145.625.680)</b>	<b>(308.945.208)</b>
<b>Cash flows used in financing activities</b>		
Repayments of long-term borrowings	(196,387,449)	(184,776,454)
Repayments of short-term borrowings	-	-
Dividends paid	(205,306,527)	(164,647,809)
<b>Net cash used in financing activities</b>	<b>(401.693.976)</b>	<b>(349.424.263)</b>
<b>Net increase in cash and cash equivalents</b>	<b>258,013,685</b>	<b>115,738,810</b>
<b>Cash and cash equivalents as at 1 January (see Note 9)</b>	<b>716,437,573</b>	<b>600,698,763</b>
<b>Cash and cash equivalents at the end of the period (see Note 9)</b>	<b>974,451,258</b>	<b>716,437,573</b>

The accompanying separate financial statements were approved by the management on March 23, 2016 and signed on its behalf by:

**Management Board,**

<b>Ion-Toni</b> <b>TEAU</b> President of Management Board	<b>Constantin</b> <b>VĂDUVA</b> Member of the Management Board	<b>Octavian</b> <b>LOHAN</b> Member of the Management Board	<b>Ion</b> <b>SMEEIANU</b> Member of the Management Board	<b>Catalin Lucian</b> <b>CHIMIREL</b> Member of the Management Board
<b>Maria</b> <b>IONESCU</b> Economic Director		<b>Cristina STOIAN</b> Head of Financial Strategy and Treasury Directorate		<b>Veronica</b> <b>CRISU</b> Head of Accounting Department

**1. DESCRIEREA ACTIVITATII SI INFORMATII GENERALE**

The main activity of CNTEE Transelectrica SA ("the Company") is: electricity transmission, system services, operator of the balancing market, administrator of the bonus support scheme, other related activities. Such activities are carried out in accordance with the provisions of operation license no. 161/2000 issued by ANRE, revised by ANRE Decision no. 270/04.02.2015, the General Conditions associated to the license approved by ANRE Order no. 104/2014 and the final certification of the Company as transmission and system operator of the National Power System according to the ownership unbundling model.

The address of its registered office is Bd. General Gheorghe Magheru nr. 33, Bucharest, sector 1. Currently, the Company's headquarters is located at Str. Olteni nr. 2 – 4, sector 3, Bucharest.

The separate financial statements as at December 31, 2015 prepared in accordance with Ministry of Public Finance Order no. 1286/2012 for the approval of International Financial Reporting Standards, applicable to commercial companies whose securities are admitted to trading on a regulated market, as subsequently amended, are available at the Company's working point located at Str. Olteni nr. 2 – 4, sector 3, Bucharest.

Starting with 2006, the Company's shares are traded on the Bucharest Stock Exchange, under the symbol TEL.

In accordance with the resolution of the Extraordinary General Meeting of Shareholders dated July 18, 2012, the Company adopted the dualist management system replacing the monistic management system, in order to ensure the clear separation between management and control. Thus, the Company is managed by a Management Board under the supervision of a Supervisory Board.

*Incorporation of the Company*

In accordance with Government Resolution ("GR") no. 627 regarding the reorganization of the National Power Company (the "Predecessor Entity") issued on July 31, 2000 by the Government of Romania, the National Power Company was split into four newly created legal entities ("Successor Entities"). The sole shareholder of the Successor Entities was the Romanian State, through the Ministry of Economy ("ME"). CNTEE Transelectrica SA was established as a result of this reorganization as a joint-stock company which has as main activity the electricity transmission, the management of electricity, the organization and administration of the electricity market.

As described in Note 11, as at December 31, 2015 and December 31, 2014, the shareholders of the Company are: the Romanian State through the Ministry of Economy, Commerce and Tourism, which holds 43,020,309 shares (58.688%), SIF Oltenia with 3,949,105 shares (5.387%), other legal entity shareholders which hold 21,032,223 shares (28.692%), and other natural person shareholders which hold 5,301,505 shares (7.232%).

According to GEO no. 86/17.12.2014 "on the establishment of reorganization measures at the level of the central public administration and for the amendment and supplementation of certain acts of legislation", the Ministry of Economy, Commerce and Tourism exercises, as of December 17, 2014 the rights and fulfills the obligations arising from its capacity as State shareholder in the National Power Grid Company "Transelectrica" - S.A.

GR no. 47/2013 on the organization and operation of the Ministry of Economy was amended and supplemented accordingly by GR no. 41/2015.

To enforce the provisions of GEO no. 86/2014, on February 20, 2015, Depozitarul Central SA recorded the transfer of 43,020,309 shares (representing 58.68% of the share capital) issued by CNTEE Transelectrica SA, from the account of the Romanian State represented by the Government through the General Secretariat of the Government into the account of the Romanian State through the Ministry of Ministry of Economy, Commerce and Tourism.

Based on the provisions of art. 2 of GEO no. 55/November 19, 2015 regarding the setting up of reorganization measures in the central public administration and amending certain normative acts, the Ministry of Economy, Commerce and Relations with the Business Environment was established, by reorganizing and taking over the activities of the Ministry of Economy, Commerce and Tourism, which was closed, and by taking over the activity and structures of small and medium-sized enterprises from the Ministry of Energy, Small and Medium-Sized Enterprises and the Business Environment.

*The mission of the Company*

The mission of the Company is to ensure safety and security in the functioning of the National Power System (NPS) by complying with the standards and the performance stipulated by the technical regulations in force, providing a public service for all users of the electricity transmission grids, ensuring transparency, non-discrimination and fairness for all the market participants.

## **1. DESCRIEREA ACTIVITATII SI INFORMATII GENERALE**

### *Other information relating to the Company's activity*

CNTEE Transelectrica SA became a member of the Union for the Coordination of Transmission of Electricity ("UCTE") in October 2004, and from November 2004 became a member of the European Electricity Systems Operators Association ("ETSO"). As of July 2009, ENTSO-E was created by joining ETSO, UCTE and other four European Transmission System Operators ("TSO") associations have been fully integrated into the European Network of Transmission System Operators for Electricity ("ENTSO-E"), joining 42 TSOs from 35 countries. The activity of ENTSO-E is regulated by the European legislation in force (Regulation 714/2009).

CNTEE Transelectrica SA is an affiliate member to the following international organizations:

- |             |   |
|-------------|---|
| ➤ ENTSO – E | - European Network of Transmission System Operators for Electricity |
| ➤ CIGRE     | - International Council on Large Electric Systems                   |
| ➤ LWA       | - Live Work Association;  |

CNTEE Transelectrica SA is responsible for the secure, reliable and efficient functioning of the NPS, by carrying out the provisions of EU Directive no. 54/2003, art. 9.

The Company's credit rating is being monitored by rating agency Moody's Investors Service. The rating refers to the general credit profile of Transelectrica, and there are no credit instruments that the Company has issued and are rated separately. The current credit rating is Ba2 stable perspective. In 2015, there were no changes in rating or perspective.

### *Regulatory environment*

The activity in the energy sector is regulated by the Romanian Energy Regulatory Authority ("ANRE"), an autonomous public institution whose object of activity is to design, approve and monitor the application of all the regulations mandatory at national level necessary for the efficient operation of the electricity, heat and gas sectors and markets, observing the competition, transparency and consumer protection rules.

ANRE has the following main responsibilities in the field of electricity and heat produced in cogeneration: to grant, suspend or revoke the permits and licenses, to set up and approve the methodologies and criteria for the calculation of tariffs and regulated prices, to approve tariffs and regulated prices, prepare framework contracts, approve commercial and technical regulations etc.

ANRE establishes the tariffs for electricity transmission and system services. Consequently, the decisions made by ANRE can have significant effects on the Company's activity.

The operating activity of the Company has been carried out according to License no. 161/2000 for electricity transmission and provisions of system services issued by ANRE, valid until 2025, revised by ANRE Decision no. 270/04.02.2015 and the General Conditions associated to the license approved by ANRE Order no. 104/2014.

Taking into account that the Company's operations and revenues are regulated by ANRE, the most important risks arising from this aspect are:

- the regulatory framework is relatively new and constantly prone to changes, which may affect the Company's performances;
- ANRE decisions regarding future tariffs may affect the Company's activity.

### **Final certification of Transelectrica as TSO of the NPS, according to the ownership unbundling model**

In accordance with the provisions of Law no. 123/2012 regarding electricity and natural gas, with the subsequent amendments, the Romanian Energy Regulatory Authority (ANRE) approved by Order no. 164/07.12.2015 the certification of the National Power Grid Company "Transelectrica" SA as transmission and system operator of the National Power System according to the ownership unbundling model.

The ownership unbundling model has become available to the Company based on Law no. 123/2012 regarding electricity and natural gas which transposes Directive 2009/72/EC.

ANRE Order no. 164/07.12.2015 accompanied by European Commission Approval no. C (2015) 7053 final/12.10.2015, as integral part of the Order, was published in Official Journal no. 908/08.12.2015 and together with the Approval Report thereof is communicated by ANRE to the European Commission.

This order enforces the provisions of the European Union and the national legislation regarding the certification of transmission and system operators.

## **1. DESCRIEREA ACTIVITATII SI INFORMATII GENERALE**

The certification notification was sent to the European Union, which published it in the Official Journal of the EU of 08.01.2016, in accordance with Art. 10 paragraph (2) of Directive 2009/72/EC.

### *Tariffs for electricity transmission and system service*

Electricity transmission is a general interest activity in the field of electricity, authorized and monitored by a public authority (public service), in the form of natural monopoly. The tariffs charged by the Company for transmission and system services are established and approved by ANRE (see Note 19).

### *Regulated assets base ("RAB")*

The transmission tariff is set, among others, based on the regulated asset base. The regulated asset base includes the carrying amount of property, plant and equipment and intangible assets which correspond to the private patrimony of the Company and the carrying amount of the State's public patrimony assets that were financed through the Company's sources, recognized by ANRE and used in providing the electricity transmission service.

Assets resulting from additional investments made with the approval of the regulatory authority, due to exceptional circumstances as compared to the investment program initially approved at the beginning of the regulatory period are inserted in the RAB in the specific period if in the regulation period savings amounts were registered and only within the limits thereof, or will be included in the RAB at the beginning of the next regulatory period, by the amount remaining depreciated if a valuable saving was not made.

The current regulatory period lasts five years (July 1, 2014 – June 30, 2019), and comprises five tariff years (the tariff year begins on July 1 and lasts for 12 months). Thus, 2015 was the year of transition from the first tariff year to the second tariff year within the current regulatory period (the first tariff year ended June 30, 2015, the second tariff year began July 1, 2015).

The regulated return on assets in 2015 for the electricity transmission activity is 7.70%, a value which is determined by ANRE for the current regulatory period.

### *Local and international stock exchange indexes*

Starting from 29.08.2006, CNTEE Transelectrica SA shares are traded on the regulated market managed by the BSE, in category I under the symbol TEL. The Transelectrica shares are part of BET index (which reflects the evolution of the 10 most traded companies on the BSE Regulated Market, excluding financial investment companies (SIFs)), with a share of 3.66% as at December 31, 2015 (December 31, 2014: 4.13%), at a stock exchange capitalization of RON 2,136,786,589 as at December 31, 2015 (December 31, 2014: RON 2,145,582,966).

Transelectrica is also included in the local stock exchange indexes BET-XT, BET-NG, BET-XT-TR, BET Plus, BET-TR, BET-BK, ROTX and in the international indexes DowJones Wilshire Global Indexes (Dow Jones Wilshire Global Total Market Index SM; Dow Jones Wilshire Romania Index SM; Dow Jones Wilshire Electricity Index SM). As of January 5, 2015, the Company was included in the Premium category on the regulated market managed by the BSE.

### *Company's revenues*

The main revenue generating activities for the Company are:

- the electricity transmission services;
- system services (the technical operational management of the NPS);
- balancing market operator.

### *Electricity transmission service*

The transmission service consists in ensuring the electricity transmission between two or more points of the electricity transmission grid ("ETG"), in compliance with the efficiency, safety and quality standards.

The Company ensures the non-discriminatory access to the transmission grid of all electricity market participants. The transmission activity is carried out through eight branches located in Bucharest, Bacau, Cluj, Craiova, Constanta, Pitesti, Sibiu and Timisoara.

The transmission service provided by Transelectrica consists in ensuring the technical conditions and maintaining the ETG parameters during the injection/extraction of energy in/from the ETG.

### *System services*

The Company's responsibility is to maintain the National Power System operating uninterruptedly under safe conditions while complying with the quality standards provided in the technical code of the electricity transmission grid. To this effect, the Company uses its own resources called functional system services and purchases technological system services

from electricity producers.

## **1. DESCRIEREA ACTIVITATII SI INFORMATII GENERALE**

CNTEE Transelectrica SA provides such service by using dispatch management systems under a tariff regulated and approved by ANRE, which is applied to the same base - electricity delivered to consumers - and includes:

- tariff for system services; of which:
- tariff for functional system services.

*Technological system services* are purchased from energy producers at the request of CNTEE Transelectrica SA under a procedure regulated by ANRE for maintaining the operational safety of the NPS as well as the quality of electricity transmitted at the parameters required by the legislation in force. CNTEE Transelectrica SA re-invoices the entire amount of system services purchased from producers (except for the active energy component which covers the ETG losses) to electricity suppliers licensed by ANRE which benefit of such services in the end.

*Functional system services* refer to the dispatch services that CNTEE Transelectrica SA provides and consist in planning and operationally managing the NPS, as well as the other activities of CNTEE Transelectrica SA with a view to balancing production against consumption in real time, in order to cover safely the electricity consumption at minimum costs and by maintaining the safety operational level of the NPS.

### *Balancing market operator*

In accordance with the provisions of the Commercial Code of the Wholesale Electricity Market, the balancing market was introduced and started functioning in Romania in July 2005. The purpose of this market is to maintain the balance between production and consumption in real time, using resources offered in a competitive system.

CNTEE Transelectrica SA is the balancing market operator which, based on procedures and regulations approved by ANRE, must approve all the participants on the balancing market, collect, verify and process all the bids and perform the clearing procedures.

### *High efficiency cogeneration*

Starting with April 1, 2011, CNTEE Transelectrica SA is the administrator of the support scheme for high efficiency cogeneration. The purpose of the scheme is to promote high efficiency cogeneration of heat and power systems so as to render electricity production more environmentally friendly. It aims to provide easy access on the market for electricity produced in high-efficiency cogeneration plants through a bonus granted as the total production costs of the electricity generated by such installations exceed prevailing market prices. The support scheme targets electricity and heat producers owning or operating high-efficiency power plants, so as to encourage new investments in cogeneration, as well as the replacement or refurbishment of existing facilities.

Government Resolution no. 1215/2009 establishes the necessary legal framework according to the regulations of the European Union, for implementing the bonus support scheme for promoting high-efficiency cogeneration based on the demand for thermal energy, in order to cover the difference between high-efficiency cogeneration production costs and sale prices. ANRE has calculated a bonus, which is a sum per megawatt hour ("MWh") of electricity produced and will be applicable to the electricity produced by the plant and sold on the market. The beneficiaries of the bonus are the producers that meet certain qualification criteria for the scheme and are established by ANRE.

According to provisions of article 14 of Government Resolution no. 1215/2009, CNTEE Transelectrica SA is designated as being responsible for the administration of the support scheme. The main tasks of the Company as the administrator of the support scheme are to collect the contribution from the suppliers of the electricity consumers in a bank account distinct from the core activity and by the payment of the bonus to the producers of electricity and heat in high-efficiency cogeneration; to conclude contracts with the contribution collectors and with the producers that will be the beneficiaries of the scheme; to verify the total value of the contribution collected; to issue invoices to suppliers; to refund the contribution to the suppliers for the energy imported and produced in cogeneration in other member states; to monitor and report to ANRE the way of administration of the support scheme; to pay the bonus to energy producers beneficiaries of the scheme; to pay late penalties to the producers for not paying the bonus on the due date.

The Company acts as an agent of the State in collecting the cogeneration contribution on a monthly basis and paying the bonus on a monthly basis. Under such circumstances, the operations associated to the support scheme do not influence the income and expense accounts, except for the own administration costs recognized by ANRE to run the support scheme, which are self-invoiced.

## **1. DESCRIEREA ACTIVITATII SI INFORMATII GENERALE**

### *Price coupling of electricity markets*

On November 19, 2014, the „4M Market Coupling” project became operational, which provides the connection of Day Ahead electricity markets (Day Ahead Market) in Romania, Hungary, The Czech Republic and Slovakia.

As regards the internal regulatory framework, the roles and responsibilities of the operators involved, i.e., CNTEE Transelectrica SA and SC OPCOM SA, and the operations carried out within market coupling are provided in the Regulation for the Organization and Operation of the Day Ahead Electricity Market by observing the price coupling mechanism of markets and amending the legislation that regulates the day ahead electricity market, approved by ANRE Order no. 82/2014 (the Regulation).

The target model for the day ahead market, based on the principle of price coupling of regions (PCR - Price Coupling of Regions) uses a single algorithm to correlate bids and set the price.

The 4M MC project aims at:

- establishing the conditions to extend the coupling to other market zones, focusing mainly on other borders of the CEE region, but which also allows the inclusion of other zones from the Southeast Europe region (SEE);
- establishing the fallback procedures for “de-coupling” cases.

Art. 138 of the Regulation provides that, during post-coupling, Transmission and System Operators (TSOs) act as agents that transfer the electricity resulting from the coupling algorithm as being transferred between two adjacent bidding zones.

Within the mechanism of price coupling of day ahead markets, the electricity exchanges correlate, by tenders, electricity transactions for the day ahead depending on the interconnection capacity made available by TSOs through which it is implicitly allocated.

CNTEE Transelectrica SA, as TSO, transfers electricity, both physically, and commercially, to the neighboring TSO (MAVIR-Hungary) and manages revenues flowing from congestions on such interconnection (Art. 139 of ANRE Order no. 82/2014), and in relation to SC OPCOM SA, is Implicit Participant on the DAM.

As Transfer Agent and Implicit Participant, CNTEE Transelectrica SA has the commercial task of settling the electricity traded between SC OPCOM SA and MAVIR.

Thus, within the price coupling mechanism of regional markets, CNTEE Transelectrica SA:

- is implicit participant on the DAM and transfer agent;
- provides the interconnection capacity for the physical supply of electricity traded on the DAM, namely the transfer of power from one bidding zone to another through the interconnection lines, limited to the available transfer capacity of such lines.

Revenues flowing from congestions are divided on a monthly basis between transmission and system operators, and foreign exchange differences are withheld or covered by TSOs, as applicable.

The Company approved that the transactions related to the mechanism of price coupling of regional markets will not influence the income and expense accounts except for revenues from the congestion management across interconnection lines, foreign exchange income/expenses and expenses with bank commissions resulting from clearing transactions carried out by the Company as transfer agent.



**2. BASES OF PREPARATION****(a) Statement of compliance**

These separate financial statements ("financial statements") have been prepared in accordance with Ministry of Public Finance Order no. 1286/2012 for the approval of International Financial Reporting Standards, applicable to commercial companies whose securities are admitted to trading on a regulated market, as subsequently amended ("MoPFO no. 1286/2012"). Within the meaning of Order no. 1286/2012, International Financial Reporting Standards mean the standards adopted according to the procedure provided by Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards ("EU IFRS").

The Company applies International Financial Reporting Standards as endorsed by the European Union upon the preparation of the separate financial statements for 2015 in accordance with MoFO no. 881/2012 as subsequently amended and supplemented.

**(b) Basis of measurement**

The financial statements are prepared at historical cost, except for property, plant and equipment other than construction in progress, which are measured at revaluated amount, while the liabilities related to cash settled share-based payment transactions, are measured at fair value.

**(c) Functional and presentation currency**

The financial statements are presented in Romanian Lei ("LEI" or "RON") according to the applicable accounting regulations, which is the Company's functional currency.

**(d) Use of estimates and judgements**

The preparation of financial statements in accordance with EU IFRS requires management to use professional judgment, estimates and assumptions that affect the application of accounting policies and the recognized value of assets, liabilities, income and expenses, assumptions regarding fair value (see Note 4) provisions and contingencies (see Note 23), the recognition of non-refundable funds to be received (see Note 12), the provision for impairment of receivables (see Note 8), the liabilities related to cash settled share-based payment transaction (Note 24) and the liabilities for defined benefit plans (Note 14).

Actual results may be different from these estimates. Estimates and underlying assumptions are revised on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimates due to significant uncertainties are included in the following notes:

- Note 12 – the estimate of the Company management is that there is a reasonable assurance that the conditions regarding non-refundable funds will be fulfilled and the funds will be received;
- Note 14 – measurement of the liabilities for defined benefit obligations;
- Note 24 - recognition and measurement of provisions, commitments and contingencies, key assumptions regarding the probability and magnitude of an outflow of resources;
- Note 25 - measurement of the liabilities related to cash settled share-based payment transaction.

Information regarding the critical professional judgement applied to the accounting policy regarding the service concession agreements is presented in the following paragraphs.

The Company (operator) concluded in 2004 a service concession agreement with the Ministry of Economy (grantor) according to which it received the right to use public patrimony assets which mainly include the electricity transmission grid and the land on which it is located, in exchange for providing electricity transmission service (see Note 3 (b)). As the majority of the Company's shares are held by the State, the Company's management considers it to be a public-sector company and therefore scoped out from IFRIC 12 "Service Concession Arrangements". With no other specific IFRS for service concession agreements, the Company considered whether IFRIC 12 should nevertheless be applied, based on the hierarchy set out in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", which requires first to consider requirements of other IFRS dealing with similar issues.

**2. BASES OF PREPARATION (continued)**

In determining if IFRIC 12 is applicable, the Company considered whether the following features of a public-private service concession agreement are to be applied to the concession agreement it had entered into with ME, as at the date at which IFRIC 12 is required to be adopted:

- The grantor controls or regulates what services the operator must provide within the infrastructure, to whom it must provide them, and at what price;
- The grantor controls - through ownership - the beneficial entitlement or otherwise-any significant residual interest in the infrastructure at the end of the term of the agreement; 49 years;
- The contractual agreement would include the same terms if entered into with a private-sector company.

The analysis of the characteristics of the concession agreements of public-private services reveals as follows:

- the services rendered by the Company are regulated by ANRE, therefore the grantor – the competent ministry – does not control or regulate the type of services that the Company must supply;
- at the end of the contractual period, the residual interest in infrastructure is approximately nil, and most of the goods belonging to the State public domain are completely depreciated;
- at present, there are no similar contracts, the Company holds the monopoly in electricity transmission.

The Company concluded that accounting for the concession agreement under IFRIC 12 would not reflect the economic substance of the transaction, as the Company pays an annual fee as royalty for the use of the assets under the concession agreement of 1/1000 of the total annual revenue from electricity transmission services, computed based on the actual transmitted quantity, a fee that is significantly less than the amount of the depreciation that the Company would have recorded for these assets, if the concession agreement had not been signed. As a result, IFRIC 12 is not applicable, and the Company applied the accounting policies as explained in Notes 3 (a) and 3 (b).

**3. ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for those aspects disclosed in Note 3 letter (x) which discloses the changes in accounting policies.

**(a) Property, plant and equipment***Owned assets*

Property, plant and equipment, except for construction in progress, are stated at their revalued amount, less any accumulated depreciation and accumulated impairment losses. Construction in progress is stated at cost. The cost of assets built by the Company includes cost of materials, direct salaries, initial estimate, where applicable, of costs with dismantling and relocating items and restoring the site, plus a share of incidental costs.

*Recognition*

Property, plant and equipment is valued initially at historical cost.

The cost includes the costs that are directly attributable to the acquisition. The cost of constructed assets by the entity includes:

- cost of materials and direct personnel costs;
- other costs directly attributable to bringing the asset to the location and condition/stage necessary for the intended use;
- capitalized borrowing costs;

Impairment allowances for the idle or obsolete tangible assets are recorded.

*Subsequent expenditure*

The Company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized in the income statement as occurred.

**3. ACCOUNTING POLICIES (continued)****(a) Property, plant and equipment (continued)***Depreciation*

Property, plant and equipment items are depreciated using the straight-line method over their useful lives as follows:

	<b>Normal useful life (years)</b>
Buildings and special installations	40-60
Machinery and equipment	15-40
Control devices	7-12
Vehicles	5-8
Other tangible assets	3-5

Land is not depreciated. Where parts of an item of property, plant and equipment have different useful lives, these are accounted for as separate items of property, plant and equipment (major components). Depreciation methods, useful lives and residual values are revised and adjusted, if the case, at the end of each reporting period.

*Revaluation*

The Company chose to disclose property, plant and equipment at revalued amount, except for advances and construction in progress presented at historical cost.

Revaluations are performed by independent appraisers, with sufficient regularity so that the book value does not differ significantly from the value which can be determined based on the fair value as at the reporting date.

**(b) Public patrimony assets**

As stipulated by Law no. 213/1998, the electricity transmission grids are State's public patrimony goods.

Government Resolution no. 627/2000 establishes in Annex no. 8 the State public patrimony fixed assets which are under the Company's administration since August 1, 2000, and which are subject to inventory count and are updated whenever necessary through Government Resolution.

Prior to signing the concession agreement described below in this note, public patrimony assets were treated as assets contributed by the Romanian state through its representative, the Ministry of Economy, as the Company did not have to pay any tax for using the assets.

In November 1998, Law no. 213/1998 was issued, which regulated the status of public patrimony. The law stipulates that the State or local authorities have ownership of the State public patrimony and that they can rent or grant use of it. According to the provisions of Law no. 213/1998 and Law no. 219/1998, the Ministry of Economy has signed on behalf of the State a concession contract in respect of the energy transmission grid (high voltage electricity lines and electrical substations) and the land on which they are built. Concession contract no. 1 was concluded on June 29, 2004 between the Ministry of Economy and the Company for all the public patrimony tangible assets in balance as at December 31, 2003 and is in effect for 49 years.

Following the execution of the concession contract with the Ministry of Economy on behalf of the Romanian State, on June 29, 2004, the nature of the relationship between the Ministry and the Company changed and thus the Company derecognized public patrimony assets, including the public patrimony reserve included in equity. Subsequent to the conclusion of the concession contract, the Company accounts as operating lease the assets over which it has been granted a right of use. The payments for the concession contract (royalties) are accounted for as expenses in profit or loss during the year.

Concession contract no. 1/2004 was published in Official Journal of Romania no. 298 bis of April 30, 2015.

Between 2005 and 2013, seven addenda were concluded to the concession contract. Therefore, assets from the public patrimony obtained out of the development fee after June 29, 2004 have been derecognized.

**3. ACCOUNTING POLICIES (continued)****(b) Public patrimony assets (continued)**

Taking into account Government Resolution no. 1009/2012 and Government Resolution no. 984/2012 through which was approved the modification of Appendix no. 7 to Government Resolution no. 1705/2006 approving the centralized stocktake of the assets from the public patrimony that were transferred to the Company under concession, and following the inventory procedure of the assets part of the public patrimony in 2012 and the revaluation/valuation of these goods, on 14.02.2013, Addendum no. 7 to Concession contract no. 1/29.06.2004 was signed with the Ministry of Economy.

Government Resolution no. 1032 from December 11, 2013, published in Official Journal no. 22 from January 13, 2014, approved the amendment and the supplementation of Appendix no. 7 to Government Resolution no. 1705/2006 approving the centralized stock take of the assets from the public patrimony, following the 2012 stock take of the assets from the public patrimony.

The main terms of the concession contract are as follows:

- The Ministry of Economy has legal title to the assets that form the object of the contract;
- The Company has the right of use over these assets for a period of 49 years from June 1, 2004 until May 31, 2053;
- The annual fee as royalty for use of the assets is set by the Ministry of Economy and represents 1/1000 of the total revenue flowing from electricity transmission services, based on actual quantities transmitted;
- The assets will be returned to the Ministry of Economy upon termination or expiration of the contract; the contract can be terminated unilaterally by either party;
- The Company has the obligation to use the assets according to the destination specified in the concession contract and to the operating license.

The amount that the Company paid under the concession contract for the period January 1 – December 31, 2014 is significantly less than the amount of the depreciation that the Company would have recorded on such assets if the concession contract had not been signed. However, the Company has not recorded any amount related to the potential benefit resulting from the signing of the concession contract because the Company is unable to determine the amount that a third party would pay for the use of the assets in an arm's length transaction.

Self-funded investments made by the Company regarding the assets from the concession contract are capitalized and depreciated over the remaining useful life of the assets. After the depreciation of the investment is recovered, they will be included in the inventory of goods belonging to the State's public domain.

In the case of assets representing self-funded finished non-current assets, they will be included in the inventory of goods belonging to the State's public domain after recovering the depreciation of the investment, namely upon the expiry of the normal period of utilization, of the concession or lease contract, according to the legal provisions in force, based on a normative act adopted in this regard.

**(c) Intangible assets**

The intangible assets of the Company are stated at cost less any accumulated amortization and accumulated impairment losses. The amortization is recognized in the income statement on a straight-line basis over the estimated useful life of the intangible asset. Intangible assets consist mainly of intangibles in progress and customized software, which are amortized on a straight-line basis over 3 years.

Depreciation methods and useful lives are reviewed at each reporting date and adjusted, if necessary.

*Subsequent expenditure*

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

**3. ACCOUNTING POLICIES (continued)****(d) Foreign currency transactions**

Transactions in foreign currencies are translated to LEI by applying the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at period-end are translated to LEI at the exchange rates prevailing on that date. Exchange gains and losses, realized or unrealized, are included in the income statement for that year.

The exchange rates at December 31, 2015 and December 31, 2014 are as follows:

<b>Currency</b>	<b>December 31, 2015</b>	<b>December 31, 2014</b>
1 EUR	4,5245	4,4821
1 USD	4,1477	3,6868
100 JPY	3,4453	3,0866

Non-monetary assets and liabilities denominated in foreign currencies are measured at fair value, at the exchange rate at the date of the transaction.

**(e) Receivables**

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less an allowance for doubtful debts. An allowance is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (over 180 days) are considered indications that the trade receivable might be impaired.

The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in profit or loss within "Other operating expenses".

**(f) Inventories**

Inventories consist of:

- consumables, raw materials, spare parts that do not meet the definition of PPE, and other consumables that are to be used during the ordinary basic activity of the Company;
- security and intervention stock needed for fast repairs of the failures of the network in order to assure the safe functioning of NPS. These materials are recorded as inventories when purchased and then expensed when consumed or capitalized, as appropriate.

Inventories are measured at the lower of cost and net realizable value. The cost of inventories consumed is based on the first-in first-out method, and includes expenditure with acquisition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion, if any, and selling expenses.

The Company's policy is to write-off 100% for current inventories older than 365 days and that are not expected to be used in the future.

**(g) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, in current accounts and bank deposits with original maturities of 3 months or less that are subject to an insignificant risk of change in fair value.

**(h) Revaluation reserves**

After the recognition as an asset, an item of property, plants and equipment whose fair value can be measured reliably is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the balance sheet date.

**CNTEE Transelectrica SA**

Notes to the Separate Financial Statements as at December 31, 2015

*(all amounts are expressed in lei, unless stated otherwise)*

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If an asset's carrying amount is increased as a result of a revaluation, the increase is recognized and accumulated in equity under the heading of revaluation reserve. However, the increase is recognized in profit and loss to the extent that it reverses a revaluation decrease of the same amount asset previously recognized in profit and loss.

**3. ACCOUNTING POLICIES (continued)**

**(h) Revaluation reserves (continued)**

If the carrying amount of property, plant and equipment decreases as a result of a revaluation, such decrease is recognized in profit or loss. However, the decrease is made by decreasing revaluation reserves if there is any credit balance existing in the revaluation reserve in respect of such property, plant and equipment.

Revaluation reserve included in equity related to an item of property and equipment is transferred directly to retained earnings as the revaluated item is depreciated and when the item is derecognized.

Starting with May 1, 2009, reserves from the revaluation of property, plant and equipment, including land, recorded after January 1, 2004, which are deducted when calculating taxable income through tax depreciation expenses or assets transferred and/or ceased expenses, is taxed simultaneous with the tax depreciation deduction, or when the assets are disposed, as appropriate.

The Company registered deferred tax for the liability with reserves from the revaluation of fixed assets, including land, recorded after January 1, 2004.

Reserves from the revaluation of property, plant and equipment, including land, recorded before December 31, 2003 plus the portion of the revaluation performed after January 1, 2004 and related to the period before April 30, 2009 will not be taxed when transferred to retained earnings.

The Company did not register deferred tax for the liability with reserves from the revaluation of fixed assets, including land, recorded prior to December 31, 2003.

Reserves from the revaluation of property, plant and equipment are taxable in the future, in case of changing the destination of reserves in any form, in case of liquidation, merger and including using the reserves for covering the Company's losses, except for the transfer of revaluation reserves after May 1, 2009, when the revaluation was performed after January 1, 2004, which are taxed at the same time with the deduction of tax depreciation.

**(i) Impairment of non-financial assets**

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets, are revised at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("cash generating unit").

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of cash generating units) if any, and then to reduce the carrying amount of the other assets in the cash generating unit (group of cash generating units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets the impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

**(j) Share capital**

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new shares and shares options are shown as a deduction in equity at net value from tax effects.

**(k) Dividends**

Dividends are recognized as a liability when the shareholder's right to payment is established.

**3. ACCOUNTING POLICIES (continued)**

**(l) Accounts and other payables**

Trade accounts payable and other payables are stated at amortized cost and include invoices for deliveries, contracted work and services.

**(m) Interest-bearing borrowings**

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

**(n) Recognition and de-recognition of the non-derivative financial instruments**

*Non-derivative financial assets*

The Company initially recognizes receivables on the date when they are originated. All other financial assets are recognized initially on the trading date, which is the date when the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company's non-derivative financial assets are mainly represented by trade and other receivables and cash and cash equivalents.

*Non-derivative financial liabilities*

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated as at fair value through profit or loss) are recognized initially on the trade date, which is the date when the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities comprise borrowings and trade and other payables.

**(o) Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a subsidiary, or items recognized directly in equity or in other comprehensive income.

**(i) Current tax**

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current income tax also includes any tax liability arising from declaration of dividends.

**(ii) Deferred tax**

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base used for taxation purposes.



**3. ACCOUNTING POLICIES (continued)**

**(o) Income tax (continued)**

**(ii) Deferred tax (continued)**

Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries or jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequence that would ensue from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**(iii) Tax exposure**

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities may affect tax expense in the period when such determination is made.

**(p) Employee benefits**

**Other long-term employee benefits**

The Company's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefits that employees have earned in return for their service in the current and prior periods. Such benefit is discounted to determine its fair value, and the fair value of any related asset is deducted. Such benefits are estimated using the projected unit credit method. Any actuarial gains or losses are recognized in other comprehensive income in the period in which they arise. The other long-term employee benefits are represented by jubilee premiums.

**Share-based payment transactions**

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which employees become unconditionally entitled to payment. Until the settlement date, the liability is re-measured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the fair value are recognized in profit or loss.

The Company recognizes the services received and a liability to pay for those services, as the employees render their service. Certain share appreciation rights vest immediately, and the employees are therefore not required to complete a specified period of service to become entitled to the cash payment. In such cases, the Company recognizes at grant date the entire value of the right as an expense.

**3. ACCOUNTING POLICIES (continued)****(p) Employee benefits (continued)****Short-term employee benefits**

Short-term employee benefit obligations measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognized for the amount expected to be paid for short-term benefits as cash bonus or profit sharing plans only if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by employees and the obligation can be estimated reliably. The short-term employee benefits are represented mainly by salaries.

The Company, in the normal course of business, makes payments to the pension funds on behalf of its employees. All employees of the Company are members of the Romanian State pension plan. These payments are expensed as the related services are provided by the employees.

**(q) Revenues**

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and the associated costs can be estimated reliably. Revenues comprise mainly the value of electricity transmission service, system service and balancing market computed based on the volume of energy supplied to consumers. The tariffs for transmission and system services are regulated by ANRE. Revenues include also the transactions on the balancing market as described in Note 1.

The Romanian State, through ANRE, regulates the prices that the Company may charge for electricity transmission and system operator services. The State has a number of roles to fulfil, apart from being the majority shareholder, and thus, might have broader goals and objectives than an investor, whose key concern is return on investments.

As mentioned in Note 1, the Company is also the administrator of the bonus support scheme for high-efficiency cogeneration. The Company acts as an agent of the Romanian State because it is engaged in the collection and distribution of money.

In addition, the Company and SC OPCOM SA are involved in the mechanism of price coupling of regional markets based on ANRE Order no. 82/2014 (see Note 1).

Thus, within the mechanism of price coupling of regional markets, CNTEE Transelectrica SA:

- is implicit participant on the DAM and transfer agent;
- provides the interconnection capacity for the physical supply of electricity traded on the DAM, namely the transfer of power from one bidding zone to another through the interconnection lines, limited to the available transfer capacity of such lines.

**Connection fees**

IFRIC 18 "Transfers of Assets from Customers" applies to contracts with customers in which the Company receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant or equipment and the Company must then use the item of property, plant or equipment to connect customers to the network.

Law no. 123/2012 on electricity and natural gas, as subsequently amended and supplemented, provides under Art. 25 paragraph (1) as follows: "access to power grids of public interest shall be a mandatory service provided under regulatory conditions, which the transmission and system operator as well as the distribution operator must ensure".

The connection tariff is a regulated fee which represents the expense incurred by a network operator to connect a consumption and/or production site of a user to the electricity grid.

If the connection of a customer to the electricity transmission grid is not a major separate component of the connection contract, then the connection tariffs are recognized in the income statement on a systematic basis throughout the useful life of the asset.

The Company recognizes the cash received from the connection tariff as a credit under "Deferred income" in the statement of financial position in order to subsequently reverse it under "Other income" in the income statement on a systematic basis over the useful life of the asset.

**3. ACCOUNTING POLICIES (continued)**

**(r) Net financing costs**

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, except for borrowings costs capitalized to qualifying assets, dividend income, foreign exchange gains and losses, commitment fees and risk commissions.

In accordance with revised IAS 23 "Borrowing Costs", invoking the optional exception from the retrospective application according to IFRS 1 "First-time adoption of IFRS" the Company capitalizes the borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale for which financing was obtained after January 1, 2011, the date of transition to IFRS.

Interest revenues are recognized in the income statement as they accrue, using the effective interest method. Dividend revenues are recognized in the income statement as at the date when the Company's right to receive dividends is recognized.

**(s) Subsidies**

Subsidies are recognized initially as deferred income at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the subsidy, and are then recognized in profit or loss as other operating revenue on a systematic basis over the useful life of the asset. Non-refundable funds are recognized as assets when there is reasonable assurance that they will be received and the conditions attached will be met.

**(t) Provisions**

A provision is recognized when, and only when, the Company has a present obligation (legal or constructive) as a result of a past event; it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; a reliable estimate for the value of the obligation can be made. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

**(u) Earnings per share**

Pursuant to IAS 33, "Earnings per share", earnings per share are calculated by dividing the profit or loss allocated to the shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

The weighted average number of ordinary shares outstanding during the period is the number of shares outstanding at the beginning of the period, adjusted by the number of shares issued during the period multiplied by the number of months when the shares were outstanding during the year.

Dilution is a reduction in earnings per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, or that ordinary shares are issued upon the satisfaction of specified conditions. The objective of diluted earnings per share is consistent with that of basic earnings per share, namely to provide a measure of the interest of each ordinary share in the performance of an entity.

**(v) Contingencies**

Contingent liabilities are not recognized in the accompanying financial statements. They are disclosed only when an outflow of resources embodying economic benefits is possible, but not probable.

A contingent asset is not recognized in the accompanying financial statements, but disclosed when an inflow of economic benefits is probable.

**(w) Segment reporting**

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- for which discrete financial information is available.

**3. ACCOUNTING POLICIES (continued)****(w) Segment reporting (continued)**

The Company's activities are taking place in different parts of Romania with each location being involved in both transmission and dispatch activities. The management of the Company considers all activities together, as "a single segment".

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments.

**(x) Implications of the New International Financial Reporting Standards (EU IFRS)****a) *Standards and Interpretations effective in the current period***

The following standards and amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) are effective for the current period:

- Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)" resulting from the annual improvement project of IFRS (IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 18 December 2014 (amendments are to be applied for annual periods beginning on or after 1 January 2015),
- IFRIC 21 "Leases" adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

The adoption of these amendments to the existing standards has not led to any changes in the Entity's accounting policies.

**b) *Amendments to the existing standards issued by IASB and adopted by the EU, but not yet effective***

At the date of authorization of these financial statements the following amendments to the existing standards issued by IASB and adopted by the EU were in issue but not yet effective:

- Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),
- Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortization - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Agriculture: Bearer Plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 27 "Separate Financial Statements" - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)" resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

**3. ACCOUNTING POLICIES (continued)****(x) Implications of the New International Financial Reporting Standards (EU IFRS) (continued)***c) Standards and Interpretations issued by IASB, but not yet adopted by the EU*

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU as at the approval of these financial statements:

- IFRS 9 “Financial Instruments”, issued on July 24, 2014 replaces IAS 39 Financial Instruments, Recognition and Measurement, effective for annual periods beginning on or after 1 January 2018.

IFRS 9 includes requirements on financial instruments regarding recognition, classification and measurement, impairment losses, derecognition and hedge accounting:

Recognition and Measurement: IFRS 9 comes with a new approach regarding the classification of financial assets, determined by the characteristics of cash flows and the business model based on which an asset is held. Such unique principle-based approach replaces the rule-based requirements of IAS 39. The new model will also determine a single impairment model applicable to all financial instruments.

Impairment losses: IFRS 9 introduces a new model for impairment losses, based on expected loss, which will require the faster recognition of expected losses on the impairment of receivables. The standard provides that entities should register expected impairment losses on receivables upon the initial recognition of the financial instruments and also recognize much faster expected impairment losses throughout the entire useful life thereof.

Hedge accounting: IFRS 9 introduces a model which is significantly improved regarding hedge accounting, which comprises additional disclosure requirements regarding risk management. The new model is a significant update of hedge accounting, which enables the accounting treatment to be aligned to risk management activities.

Own credit: IFRS 9 eliminates the volatility in the profit or loss arising from the change in credit risk related to liabilities measured at fair value. The change in the accounting requirements related to such liabilities implies that revenues from the mitigation of an entity’s own credit risk will no longer be recognized through profit or loss.

- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016) – the European Commission decided not to initiate the adoption of this interim standard, and to wait the issue of the final standard;
- IFRS 15 “Revenue from Contracts with Customers” with subsequent amendments (effective for annual periods beginning on or after 1 January 2018);
- IFRS 16 „Leasing” (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures” - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture with subsequent amendments (the effective date has been postponed indefinitely until the research project regarding the equity method is complete).

**4. DETERMINATION OF FAIR VALUE**

Certain Company’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

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Notes to the Separate Financial Statements as at December 31, 2015

*(all amounts are expressed in lei, unless stated otherwise)*

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- Level 3: inputs for the assets and liabilities that are not based on observable market data.

The fair values were determined in order to measure and / or disclose information based on the methods described below:

- (i) Property, plant and equipment

The fair value of items of property, plant and equipment are based primarily on cost method considering the particularities of property, plant and equipment of the Company, except for assets in progress, which are accounted for under the cost model.

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(all amounts are expressed in lei, unless stated otherwise)

**5. PROPERTY, PLANT AND EQUIPMENT**

The movements of property, plant and equipment between January 1, 2015 and December 31, 2015 are as follows:

	Freehold land and land improvements	Buildings and special installations	Machinery and equipment	Control devices	Vehicles	Other fixed assets	Tangible assets in progress	Total
<b>COST</b>								
<b>Balance as at January 1, 2014</b>	<b>52,584,546</b>	<b>2,275,370,821</b>	<b>2,697,380,673</b>	<b>381,030,393</b>	<b>9,745,711</b>	<b>250,118,007</b>	<b>404,813,985</b>	<b>6,071,044,136</b>
Additions								
Transfers from tangible assets in progress	28,681	31,860,312	202,421,787	22,219,534	100,180	906,222	(257,536,716)	-
Transfers from intangible assets in progress	-	-	-	-	-	-	(943,015)	(943,015)
Disposals	-	(968,817)	(828,186)	(1,366,507)	(83,117)	(278,054)	(581,079)	(4,105,760)
<b>Balance as at December 31, 2014</b>	<b>52,613,227</b>	<b>2,306,262,316</b>	<b>2,899,053,820</b>	<b>401,883,420</b>	<b>9,762,774</b>	<b>250,746,175</b>	<b>294,420,569</b>	<b>6,214,742,301</b>
<b>Balance as at January 1, 2015</b>	<b>52,613,227</b>	<b>2,306,262,316</b>	<b>2,899,053,820</b>	<b>401,883,420</b>	<b>9,762,774</b>	<b>250,746,175</b>	<b>294,420,569</b>	<b>6,214,742,301</b>
Additions	127,200	-	-	-	-	-	241,301,460	241,428,660
Increase/decrease of revaluation reserve	-	34,368,540	-	-	-	-	-	34,368,540
Transfers from tangible assets in progress	70,631	16,789,976	81,532,988	12,710,899	1,841,780	14,483,755	(127,430,029)	-
Transfers from intangible assets in progress	-	-	-	-	-	-	(178,452)	(178,452)
Reclassifications among non-current assets accounts	-	(1,281,901)	1,281,901	(86,071)	86,071	-	-	-
Disposals	-	(7,675,359)	(676,437)	(290,093)	(122,685)	(782,236)	(440,967)	(9,987,777)
Revaluation impact	-	(1,056,960,194)	-	-	-	-	-	(1,056,960,194)
<b>Balance as at December 31, 2015</b>	<b>52,811,058</b>	<b>1,291,503,378</b>	<b>2,981,192,272</b>	<b>414,218,155</b>	<b>11,567,940</b>	<b>264,447,694</b>	<b>407,672,581</b>	<b>5,423,413,078</b>
<b>ACCUMULATED DEPRECIATION</b>								
<b>Balance as at January 1, 2014</b>	<b>138,179</b>	<b>900,093,861</b>	<b>1,277,399,200</b>	<b>225,383,648</b>	<b>7,047,537</b>	<b>88,117,721</b>	<b>-</b>	<b>2,498,180,146</b>
Depreciation expense	-	83,511,673	176,068,603	37,576,066	791,127	28,414,855	-	326,362,324
Accumulated depreciation of disposals	-	(627,561)	(670,096)	(1,435,782)	(9,746)	(272,319)	-	(3,015,504)
<b>Balance as at December 31, 2014</b>	<b>138,179</b>	<b>982,977,973</b>	<b>1,452,797,707</b>	<b>261,523,932</b>	<b>7,828,918</b>	<b>116,260,257</b>	<b>-</b>	<b>2,821,526,966</b>
<b>Balance as at January 1, 2015</b>	<b>138,179</b>	<b>982,977,973</b>	<b>1,452,797,707</b>	<b>261,523,932</b>	<b>7,828,918</b>	<b>116,260,257</b>	<b>-</b>	<b>2,821,526,966</b>
Depreciation expense	-	80,878,100	172,726,327	30,840,370	452,419	28,394,215	-	313,291,431
Accumulated depreciation of disposals	-	(6,895,879)	(665,520)	(290,054)	(95,175)	(747,492)	-	(8,694,120)
Revaluation impact	-	(1,056,960,194)	-	-	-	-	-	(1,056,960,194)
<b>Balance as at December 31, 2015</b>	<b>138,179</b>	<b>-</b>	<b>1,624,858,514</b>	<b>292,074,248</b>	<b>8,186,162</b>	<b>143,906,980</b>	<b>-</b>	<b>2,069,164,083</b>

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Notes to the Separate Financial Statements as at December 31, 2015

*(all amounts are expressed in lei, unless stated otherwise)***5. PROPERTY, PLANT AND EQUIPMENT (continued)**

	<u>Freehold land and land improvements</u>	<u>Buildings and special installations</u>	<u>Machinery and equipment</u>	<u>Control devices</u>	<u>Vehicles</u>	<u>Other fixed assets</u>	<u>Tangible assets in progress</u>	<u>Total</u>
<b>IMPAIRMENT ALLOWANCES</b>								
Balance as at January 1, 2014	-	-	-	-	-	-	-	-
Balance as at December 31, 2014	-	-	-	-	-	-	5,455,724	5,455,724
Impairment allowances	-	11,479	-	-	157,307	-	7,173,769	7,342,555
Balance as at December 31, 2015	-	11,479	-	-	157,307	-	12,629,493	12,798,279
<b>CARRYING AMOUNT</b>								
Balance as at January 1, 2014	52,446,367	1,375,276,960	1,419,981,473	155,646,745	2,698,174	162,000,286	404,813,985	3,572,863,990
Balance as at December 31, 2014	52,475,048	1,323,284,343	1,446,256,113	140,359,488	1,933,856	134,485,918	288,964,845	3,387,759,611
Balance as at December 31, 2015	52,672,879	1,291,491,899	1,356,333,758	122,143,907	3,224,471	120,540,714	395,043,088	3,341,450,716



**5. PROPERTY, PLANT AND EQUIPMENT (continued)**

The reduction of the total value of tangible assets as at December 31, 2015 compared to December 31, 2014 was due to the registration of the depreciation of such assets.

In 2015, the value of tangible assets in progress increased represented mainly by investment works in the high voltage electricity substations and lines, as follows:

- Building of LEA 400 kV section between 400/220/110 kV Resita Substation – Border (border benchmark B100/1) – 37,433,263;
- Upgrading of 220/110/20 kV Campia Turzii Substation – 23,982,079;
- Upgrading of 400/220/110/20 kV Bradu Substation – 13,885,076;
- Enhancement of the security of installations for 400/220/110/10 kV Bucuresti Sud Substation – replacement of 10 kV equipment - Lot II – 12,243,014;
- Upgrading of 400/110/20 kV Tulcea Vest Substation – technological part – 10,678,819;
- Extension of 400 kV Cernavoda Substation – Stage I, replacement of 2 compensation coils – 10,072,588;
- Replacement of 220 kV interrupters at 220/110/20 kV Alba Iulia Substation – 6,894,813;
- Modernization of the protection control system and of 20 kV Substation in 220 /110/20 kV Vetis Substation – 5,384,863;
- Replacement of T3 and T4 110/10 kV, 25 MVA substation by 110/20/10 kV, 40 MVA transformers in 220/110kV Fundeni Substation – 4,750,064;
- Integrated security system in electrical substations, stage IV – 4,097,128;
- Connection to the ETG of CEC 30 MW, belonging to SC Lukoil Energy & Gas Romania SRL, in the 110 kV Teleajen-Rafinarie-Petrochimie OEL, circuits 1 - 2 through works at 220/110 kV Teleajen Substation – 2,826,931;
- Modernization of the protection control system of 220/110 kV Tihau Substation – 2,611,872;
- Conversion to 400 kV voltage of axis Portile de Fier - Resita - Timisoara - Sacalaz - Arad – Stage I - Extension of the 400 kV Porțile de Fier Substation – 2,508,461;
- Connection of 110 kV Militari-Domnesti UPL circuits 1, 2 in 400/110/20 kV Domnesti Substation – 1,942,096;
- Special utility poles (Portal Ancorat Universal), for de 220-400 kV, including precast foundation (8 pieces) – 1,595,785;
- Integrated security system in electrical substations, stage II – 1,437,739;
- Connection to the ETG of the 136 MW wind plant in Platonesti locality, Ialomita county, through a 110 kV cell in 400/110 kV Gura Ialomitei Substation – 1,318,115;
- Replacement of 220 kV interrupter from cell at the 400/220/110/10 kV Bucuresti Sud Substation – 1,198,498;
- Mounting of fire protection installations at AT1 and AT2 200 MVA in 220/110/20 kV Gradiste substation – 1,120,745;
- Modernization of industrial facility no. 2 ST Timisoara, height Sp+G+1F – 1,037,270;
- Replacement of charger batteries at 400/110 kV Pelicanu Substation, 220/110 kV Fundeni Substation, 220/110/20 kV Targoviste Substation, 220/110/20 kV Turnu Magurele Substation – 992,024;
- Replacement of 220 kV interrupters at 220/110/20 kV Gradiste Substation – 951,811;
- Design services for 400 kV Suceava – Balti OEL, for the project share corresponding to the Romanian territory – 925,294;
- Installation of two 100 A cooling coils and two 3000 kVA internal services transformers at the 400/220/110/20 kV Sibiu Sud Substation – 821,872;
- Modernization of 110/6 kV Substation at 220/110/6 kV Pestis Substation – 695,982;
- Extension of direct and alternating current internal services, completion of control and protection system at 220/110 kV Pestis Substation – 564,598;
- Replacement of tele-protection equipment on the 220 kV Alba Iulia-Galceag OEL and 220 kV Alba Iulia-Sugag OEL – 536,179;
- Replacement of coil at 400/110/20 kV Oradea Sud Substation – 464,365.

In 2015, the biggest transfers from tangible assets in progress to tangible assets consist mainly in the commissioning the investment sites as follows:

- Upgrading of 400/110/20 kV Tulcea Vest Substation – technological part – 50,538,037;
- Extension of 400 kV Cernavoda Substation – Stage I, replacement of 2 compensation coils – 10,491,849;
- Connection to the ETG of the 108 MW Crucea wind plant in Crucea, Vultur and Pantelimon localities, Constanta county, through a 400 kV cell in 400 kV Stupina Substation – 9,432,039;
- Replacement of 220 kV interrupters at 220/110/20 kV Alba Iulia Substation – 7,015,341;
- Integrated security system in electrical substations stage II – 400/110 kV Brasov Substation – 6,701,509;
- Modernization of the protection control system of 220/110 kV Tihau Substation – 3,566,115;
- Replacement of 400 kV interrupters at 400/110/20 kV Smardan Substation (2 sets) – 3,456,111;
- Integrated security system in electrical substations stage IV – 400 kV Tantareni Substation – 3,453,722

**5. PROPERTY, PLANT AND EQUIPMENT (continued)**

- Integrated security system in electrical substations stage IV – 400/220 kV Slatina Substation – 3,379,124;
- Connection to the EDG of the 30 MW power station, belonging to SC Lukoil Energy & Gas Romania SRL, at 110 kV Teleajen-Rafinarie-Petrochimie OEL, circuits 1 - 2 through works performed at 220/110 kV Teleajen Substation – 2,826,931;
- Replacement of 110 kV interrupters at 400/110/20 kV Draganesti Olt Substation (5 sets) – 2,183,595;
- Replacement of T3 and T4 110/10 kV, 25 MVA substation by 110/20/10 kV, 40 MVA transformers at 220/110 kV Fundeni Substation – 2,063,303;
- Replacement of 220 kV interrupters at 220/110/20 kV Gradiste Substation (2 sets) – 1,999,760;
- Connection to 110 KV Militari-Domnesti UEL, circuits 1 and 2 at the 400/110 KV Domnesti Substation – 1,942,096;
- Mitigation of the effects of fluctuations on the 400 KV Cernavoda - Gura Ialomitei OEL (C 2) and 400 KV Cernavoda - Pelicanu OEL – 1,453,161;
- Connection of ETG of the 56 MW power station in Izvorul Berheciului and Stanisest localities, Bacau county, through the construction of a 110 kV cell at 400/110 kV Bacau Sud Substation – 1,272,179; the substation is not operational and the fixed assets are left idle;
- Replacement of 220 kV interrupter from cell to the 400/220/110/10 kV Bucuresti Sud Substation – 1,198,498;
- Mounting of fire protection installations at AT1 and AT2 200 MVA at the 220/110/20 kV Gradiste Substation – 1,180,645;
- Adding new functions to the access control and IT recording system in relation to CNTEE Transelectrica's sites – 1,061,327;
- Replacement of charger batteries at 220/110/20 kV Targoviste Substation, 400/110 kV Pelicanu Substation, 220/110kV Fundeni Substation and 220/110/20 kV Turnu Magurele Substation – 992,024;
- Modernisation of tele-protection at 400 kV Isaccea Smardan OEL circuit 1 and circuit 2 – 991,879;
- Installation of two 100 A cooling coils and two 3000 kVA internal services transformers at the 400/220/110/20 kV Sibiu Sud Substation – 872,752;
- Regulation of connection sections at 400 kV Vulcanesti OEL, 400 kV Rahman OEL and 400 kV Stupina OEL, at 400 kV Isaccea Substation – 734,558;
- Fitting archive storage space at 220/110 kV Timișoara Substation electrolyzer building – 562,693;
- Replacement of tele-protection equipment on the 220 kV Alba Iulia OEL - Galceag and the 220 kV Alba Iulia - Sugag OEL – 560,179;
- Replacement of coil neutral point 1 + resistor and coil neutral point 2 + resistor, including the related separators at 400/110/20 kV Oradea Sud Substation – 532,236;
- Replacement of 110 kV cell interrupters at 220/110 kV Filesti Substation (1 set) – 470,560;
- Consolidation of 400 kV Porțile de Fier - Urechești OEL in the area of 129 pole – 419,096;
- Replacement of pole no. 159 on the 400 kV Iernut - Sibiu Sud OEL – 363,553;
- Replacement of 220 V cc charger batteries at the 220/110 kV Pestis Substation – 268,659;
- Connection to the ETG of the Sarichioi 33 MW wind plant, Tulcea county, in the cell of the 110 kV Zebil OEL in 400/110/20 kV Tulcea Vest Substation – 192,798.

The outstanding tangible assets in progress as at December 31, 2015 consists of ongoing projects, the most significant of which are listed below:

- 400 kV interconnection OEL Reșița (Romania) - Pancevo (Serbia) – 45,379,169;
- Upgrading of 220/110/20 kV Campia Turzii Substation – 27,436,562;
- Integrated security system in electrical substations, stage IV – 24,210,253;
- Upgrading of 400/220/110/20 kV Bradu Substation – 14,535,076;
- Extension of services to ensure business continuity and disaster recovery – 14,419,361;
- Conversion to 400 kV voltage of the axis Portile de Fier - Resita - Timisoara - Sacalaz - Arad - Stage I - Extension of the 400 kV Porțile de Fier Substation – 13,380,075;
- Increasing the safety of installations at 400/220/110/10 kV Bucuresti Sud Substation - Replacement of 10 kV - Lot II equipment – 12,631,708;
- 400 kV d.c. Cernavodă-Stâlpu EOL and connection in Gura Ialomitei – 7,520,501;
- HVDC Link 400 kV (Romania – Turkey underwater cable) – 5,853,759;
- Increasing the safety of installations at Bucuresti Sud 400/220/110/10 kV Substation - Replacement of 10 kV - Lot I equipment – 5,221,790;
- Conversion to 400 kV voltage of the axis Portile de Fier - Resita - Timisoara - Sacalaz - Arad - Stage I - 400kV s.c. Portile de Fier - (Anina) – Resita OEL – 4,960,197;
- 400 kV Gadalin – Suceava OEL, including interconnection to the SEN – 4,931,159;
- Adding new functions to the access control and IT recording system in relation to CNTEE Transelectrica SA's sites – 3,200,918;

**5. PROPERTY, PLANT AND EQUIPMENT (continued)**

- 400 kV Suceava – Balti OEL, for the project share corresponding to the Romanian territory – 3,365,875;
- Integrated security system in electrical substations, stage III – 2.798.024;
- Diversion of 110 kV OEL Cetate 1 and 2 in the area of 110/20/6 kV Ostrovul Mare Substation – 2,578,438;
- Connection to the ETG of the 27 MW wind plant in Stalpu, Buzau county, through the creation of two 110 kV cells at 220/110 kV Stalpu electrical substation – 2,107,207;
- Connection to the ETG of the 136 MW Platonesti wind plant, Ialomita county, through the creation of one 110 kV cell at 400/110 kV Gura Ialomitei Substation – 1,365,324;
- Conversion to 400 kV voltage of the axis Portile de Fier - Resita - Timisoara - Sacalaz - Arad – Stage I - 400/220/110 kV Resita Substation – 1,311,774;
- Integrated security system at 400 kV Stupina Substation – 1,305,597;
- Connection of 400 kV Isaccea - Varna OEL and Isaccea - Dobrudja OEL to the 400 kV Medgidia Sud Substation – 1,065,857.

As regards the receipt of the installations resulting from the works performed to build and commission the connection facilities, ANRE Order no. 59/2013 approving the Regulation regarding the connection of consumers to public electricity grids provides as follows:

“Art.22 (7) If new consumers are connected to the connection installation built for a first consumer, then the latter shall receive a financial compensation from the following consumers connected in the first 5 years from the commissioning of the connection installation. The grid operator shall establish the value of such compensation, based on the methodology approved by the competent authority.”

...

“Art. 46. - (1) The installations resulting from the works provided under Art. 41 letter b) shall be accepted and commissioned in accordance with the rules in force for such operations, regarding the own works of the grid operator. (2) Such installations shall remain property of the grid operator and shall be used subsequently to connect other consumers, in compliance with the provisions of Art. 22 paragraph (7)”.

For the following projects included in outstanding tangible assets in progress, funded from the connection tariff, the technical conditions to prepare the Commissioning Minutes have not been met:

- Connection to the ETG of the 56 MW Bogdănești wind plant, 112.5 MW Deleni wind plant, 20.8 MW Viișoara Nord 1 wind plant, 52.8 MW Viișoara Nord 1 wind plant, 47.5 MW Viișoara Sud wind plant, in the area of certain localities in Vaslui county, via the new 400/220/110 kV Banca electrical substation – the work is not completed, there is minutes upon completion of works no. 34759/14.11.2013; the contract is in force until 31.12.2017; total value of ongoing investment – 48,069,742;
- Connection to the ETG of the 57 MW Filipești wind plant and 60 MW Saucedesti wind plant through two new 110 kV line cells and a differential protection at 400/110 kV Bacau Sud Substation, in amount of RON 4,238,778; minutes upon completion of works no. 19647/12.12.2013 is concluded in connection with the investment, and the contract was terminated on 31.12.2015;
- Connection to the ETG of the 99 MW Dumești wind plant and 30 MW Romanesti, in the area of Dumești and Romanesti localities, Iași county, through a 110 kV line cell at 220/110 kV FAI Substation, Iași county, in amount of RON 2,545,853, minutes upon completion of works no. 14584/29.04.2014 is concluded in connection with the investment and the contract is in force until 31.12.2016;
- Connection to the ETG of the 147 MW Valea Dacilor at 400/110 kV Medgidia Sud Substation, in amount of RON 2,400,930, minutes upon completion of works no. 44722/22.12.2014 is concluded in connection with the investment, and the contract was terminated on 31.12.2015;
- Connection to the ETG of the 27 MW Stalpu wind plant and the 93 MW Codreanca wind plant in the area of Stalpu locality, Buzau county, through two 110 kV line cells at the 220/110 kV Stalpu Substation, in amount of RON 2,107,207, minutes upon completion of works no. 37454/12.11.2012 is concluded in connection with the investment, and the contract was terminated on 31.12.2015.

Tangible assets, except “Buildings and special installations” were not revalued in 2015 and 2014. The management concluded that:

- market prices did not change significantly as compared to 2012, when the Company performed the last revaluation, and
- there is no indication of impairment of the assets held by the Company both internally and externally.

**5. PROPERTY, PLANT AND EQUIPMENT (continued)**

Land was revalued as at December 31, 2011 based on the market approach. Also, "Other tangible assets" were revalued as at December 31, 2011.

Buildings and special installations were revalued as at December 31, 2015 by SC JPA Audit & Consultanta SRL, independent valuer authorized by the National Union of Authorized Valuers in Romania.

The valuation was performed at fair value, assuming that the Company would further carry on its business by using the tangible assets in the existing structure. The following were not valued:

- tangible assets classified in Group 1 – "Buildings" represented by "Buildings" registered in the Company's books as at December 31, 2015, fully depreciated, proposed for scrapping;
- the Company's own sources used to fund assets from the State's public domain, registered in the Company's books as at December 31, 2015, fully depreciated, included in the inventory of the State's public domain;
- the Company's own sources (structural funds and connection tariff) used to fund assets from the State's public domain, included in the inventory of the public domain, for which no depreciation has been computed.

The assets from the State's public domain representing finished non-current assets, self-funded by the Company will be included in the inventory of assets belonging to the State's public domain after recovering the funding sources, when the inventory of goods belonging to the State's public domain is approved by Government Resolution.

As at December 31, 2015, the Company recognized a net excess from the revaluation of buildings and special constructions in amount of RON 34,368,540, of which RON 48,663,173 was registered in the reserve account credit and RON (14,294,633) was registered in the profit and loss of 2015.

Buildings and special installations are presented in the financial statements at net value. To give a clearer, more concise and more relevant image to the users of the financial statements, without being biased by an artificial misstatement of the gross accounting value and depreciation, the Company changed the revaluation registration method as at December 31, 2015, from gross to net.

Buildings and special installations include mainly transformation stations and high voltage electricity lines. Machinery and equipment include mainly transformers and cells relating to the NPS of 110 kV, 220 kV, 400 kV and 750 kV.

As at December 31, 2015 and December 31, 2014 the Company did not have any assets pledged or mortgaged.

**Fair value of property, plant and equipment**

The Company's property, plant and equipment other than property, plant and equipment in progress are disclosed in the financial statements at restated value, which is the fair value as at the valuation date less accumulated depreciation and impairment allowances.

The fair value of the Company's land was determined using the direct comparison method.

This method is recommended for properties when there is sufficient and reliable data on sales transactions or similar offers involving properties in the area. Analysis of prices at which the transactions were made or of the prices charged or offered for comparable properties is followed by adjustments to such prices, to quantify the differences between the prices paid, charged or offered due to differences between specific characteristics of each property, called elements of comparison.

The fair value of buildings, equipment and measurement devices was determined through the cost approach.

This method assumes that the maximum value of an asset for an informed buyer is the amount needed to buy or build a new asset of an equivalent utility. When the asset is not new, all forms of depreciation that can be assigned for those assets up to the valuation date should be subtracted from the current gross cost.

Information on the hierarchy of fair value as at December 31, 2015 and December 31, 2014:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair value as at December 31, 2015</b>
Land and land improvements	-	-	52,672,879	52,672,879
Buildings and special installations	-	-	1,291,491,899	1,291,491,899
Plant and machinery	-	-	1,356,333,758	1,356,333,758
Measurement and control devices	-	-	122,143,907	122,143,907
Vehicles	-	-	3,224,471	3,224,471
Other property, plant and equipment	-	-	120,540,714	120,540,714

**CNTEE Transelectrica S.A.**

Notes to the Separate Financial Statements as at December 31, 2015  
(all amounts are expressed in lei, unless stated otherwise)

**5. PROPERTY, PLANT AND EQUIPMENT (continued)****Fair value of property, plant and equipment (continued)**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value as at December 31, 2014</u>
Land and land improvements	-	-	52,475,048	52,475,048
Buildings and special installations	-	-	1,323,284,343	1,323,284,343
Plant and machinery	-	-	1,446,256,113	1,446,256,113
Measurement and control devices	-	-	140,359,488	140,359,488
Vehicles	-	-	1,933,856	1,933,856
Other property, plant and equipment	-	-	134,485,918	134,485,918

There were no transitions between the fair value levels in 2015 or in 2014.

The value at cost of property, plant and equipment as at December 31, 2015 and December 31, 2014, net of accumulated expenses with depreciation and impairment is presented below:

	<u>Value at cost December 31, 2015</u>	<u>Value at cost December 31, 2014</u>
Land and land improvements	8,587,113	8,587,113
Buildings and special installations	771,203,552	816,414,808
Plant and machinery	1,277,849,468	1,351,134,620
Measurement and control devices	119,141,231	135,838,318
Vehicles	3,307,600	1,847,648
Other property, plant and equipment	120,536,166	134,475,338
<b>TOTAL</b>	<b>2,300,625,130</b>	<b>2,448,297,845</b>

**6. INTANGIBLE ASSETS**

As at December 31, 2015 and December 31, 2014 the Company's intangible assets are as follows:

	<u>Licenses and software</u>	<u>Intangible assets in progress</u>	<u>Total</u>
<b>COST</b>			
<b>Balance as at January 1, 2014</b>	<b>65,177,492</b>	<b>34,166,199</b>	<b>99,343,691</b>
Additions	-	801,372	801,372
Transfers from intangible assets in progress	3,064,921	(3,064,921)	-
Transfers from tangible assets in progress	943,015	-	943,015
Disposals	(1,062,985)	-	(1,062,985)
<b>Balance as at December 31, 2014</b>	<b>68,122,443</b>	<b>31,902,650</b>	<b>100,025,093</b>
<b>Balance as at January 1, 2015</b>	<b>68,122,443</b>	<b>31,902,650</b>	<b>100,025,093</b>
Additions	761,295	-	761,295
Transfers from intangible assets in progress	543,142	(543,142)	-
Transfers from tangible assets in progress	218,153	543,142	761,295
Disposals	(464,236)	-	(464,236)
<b>Balance as at December 31, 2015</b>	<b>68,419,502</b>	<b>31,902,650</b>	<b>100,322,152</b>

**6. INTANGIBLE ASSETS (continued)**

	<b>Licenses and software</b>	<b>Intangible assets in progress</b>	<b>Total</b>
<b>ACCUMULATED AMORTIZATION</b>			
<b>Balance as at January 1, 2014</b>	<b>54,009,945</b>	<b>-</b>	<b>54,009,945</b>
Amortization	7,448,655	-	7,448,655
Accumulated amortization of disposals	(1,189,811)	-	(1,189,811)
<b>Balance as at December 31, 2014</b>	<b>60,268,789</b>	<b>-</b>	<b>60,268,789</b>
<b>Balance as at January 1, 2015</b>	<b>60,268,789</b>	<b>-</b>	<b>60,268,789</b>
Amortization	5,193,929	-	5,193,929
Accumulated amortization of disposals	(464,236)	-	(464,236)
<b>Balance as at December 31, 2015</b>	<b>64,998,482</b>	<b>-</b>	<b>64,998,482</b>
<b>IMPAIRMENT ALLOWANCES</b>			
<b>Balance as at January 1, 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>
Impairment allowances	-	-	-
<b>Balance as at December 31, 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>
Impairment allowances	-	753,979	753,979
<b>Balance as at December 31, 2015</b>	<b>-</b>	<b>753,979</b>	<b>753,979</b>
<b>CARRYING AMOUNT</b>			
<b>Balance as at January 1, 2014</b>	<b>11,167,547</b>	<b>34,166,199</b>	<b>45,333,746</b>
<b>Balance as at December 31, 2014</b>	<b>7,726,512</b>	<b>31,902,650</b>	<b>39, 502,652</b>
<b>Balance as at December 31, 2015</b>	<b>3,421,020</b>	<b>31,148,671</b>	<b>34,569,691</b>

During 2015, the major transfers from intangible assets in progress to intangible assets are represented by:

- hardware upgrade (networking, servers, back-up) (Upgrade back-up solution HP Virtual process system) – 319,903;
- pilot project: using the GPS technology to access the GIS data base and position the energy sites onsite, for the purpose of using the geospatial data in implementing Smart Grid solution – 103,250;
- Upgrade of fixed assets mode managed by Oracle Applications vers. R12i system as required by IFRS and the BAR related repots (Regulated asset base) – 76,364;
- Software for personnel professional testing and evaluation – 43,620;

The outstanding intangible assets in progress as at December 31, 2015 are mainly:

- The trading platform – OPCOM regional electricity exchange, in amount of RON 22,950,764;
- Archiving and management of electronic documents and automating the flow, which aims at automating the flow of documents, converting hard copy documents into electronic documents, management and archiving thereof, in amount of RON 5,474,290;
- Technical assistance for the investment objective MIS Extension – Advanced reporting solution and budgetary planning, which is intended to extend the MIS system by a Business Intelligence component which includes both reporting, measuring and benchmarking functions of Performance Indicators, and forecasting and planning functions, in amount of RON 3,047,834;
- Extension of business continuity and disaster recovery services – 351,208.

The biggest addition of intangible assets in progress in 2015 amounted to 103,205 represented by pilot project: using the GPS technology to access the GIS data base and position the energy sites onsite, for the purpose of using the geospatial data in implementing Smart Grid solution, which was accepted in December 2015.

**CNTEE Transelectrica S.A.**

Notes to the Separate Financial Statements as at December 31, 2015  
*(all amounts are expressed in lei, unless stated otherwise)*

**7. INVENTORIES**

As at December 31, 2015 and December 31, 2014 inventories are as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Spare parts	24,598,778	27,066,390
Consumables and other materials	8,273,496	7,163,066
Auxiliary materials	454,129	391,562
Other inventories	1,002,551	1,059,527
<b>Total</b>	<b>34,328,954</b>	<b>35,680,518</b>

As at December 31, 2015 and December 31, 2014 impairment allowances are as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Impairment of consumables	2,131,822	660,150
Impairment of other materials	1,796,059	910,691
Impairment of packaging	34,293	34,043
<b>Total</b>	<b>3,962,174</b>	<b>1,604,884</b>

As at December 31, 2015 and December 31, 2014 the impairment allowances for inventory are as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b>Balance as at January 1</b>	<b>1,604,884</b>	<b>100,678</b>
Inventory impairment allowances	2,357,290	1,504,206
Reversal of inventory impairment allowances	-	-
<b>Balance at the end of the year</b>	<b>3,962,174</b>	<b>1,604,884</b>

In 2015, expenses with consumption of materials and spare parts are as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Spare parts	2,964,186	2,321,627
Other consumables	944,667	1,812,407
Other materials	1,547,661	1,433,748
Auxiliary materials	613,465	434,993
Fuel	2,386,549	2,708,619
<b>Total</b>	<b>8,456,528</b>	<b>8,711,394</b>

**8. TRADE AND OTHER RECEIVABLES**

As at December 31, 2015 and December 31, 2014 trade and other receivables are as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Trade receivables	684,297,002	1,040,377,900
Other receivables	115,977,791	130,646,111
Advances to suppliers	68,413,826	47,637,415
Non-refundable funds to be received	21,666,435	-
VAT to be recovered	5,239,033	5,735,273
Impairment of doubtful trade receivables	(87,986,497)	(87,246,448)
Impairment of other doubtful receivables	(84,159,760)	(80,972,239)
<b>Total</b>	<b>723,447,830</b>	<b>1,056,178,011</b>

**8. TRADE AND OTHER RECEIVABLES (continued)**

Trade receivables are as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Customers – energy market, of which:	679,681,724	1,026,349,822
- customers – operating activity	511,252,260	751,714,520
- customers – bonus support scheme to promote high-efficiency cogeneration	168,429,464	274,635,302
Customers from other activities	4,615,278	14,028,078
<b>Total trade receivables</b>	<b>684,297,002</b>	<b>1,040,377,900</b>

The main outstanding clients on the electricity market are: RAAN, Electrica Furnizare, CET Govora, E.ON Energie Romania, Electrocentrale Oradea, Enel Energie, Enel Energie Muntenia, Romenergy Industry. The weight of such clients in total gross receivables on the electricity market is 75%.

- CNTEE Transelectrica SA operates based on Operating License no. 161/2000 issued by ANRE, revised by ANRE President Decision no. 270/04.02.2015, for the provision of the electricity transmission service, system service and administration of the balancing market.

As at December 31, 2015, the clients on balance in terms of operating activity registered a decrease as compared to December 31, 2014 mainly due to:

- the increase of the level of collection of receivables compared to 2014;
- the change of the invoicing modality on the balancing market, namely monthly starting from 2015, compared to 2014, when the invoicing was performed every 3 months.
- CNTEE Transelectrica SA conducts its activities corresponding to the management of the bonus support scheme for the promotion of high-efficiency cogeneration based on Operating License no. 161/2000 issued by ANRE, revised by ANRE President Decision no. 270/04.02.2015.

The clients that are part of the bonus support scheme for the promotion of high-efficiency cogeneration registered as at December 31, 2015 a decrease of receivables mainly due to collections from the overcompensation for the period 2011 - 2013 and undue bonus/overcompensation for 2014.

Between January 1 and December 31, 2015, the Company cashed in 153,080,973 representing overcompensation for the period 2011 - 2013, of which collections by bank transfer in amount of 171,886 and compensation-based collections through the Management and Informatics Institute (as per GR no. 685/1999) in amount of 152,909,087, mainly from SC Electrocentrale Bucuresti SA, Electrocentrale Oradea, CET Govora and SC Termo Calor SA.

In addition, between January 1 – December 31, 2015, the Company received 35,563,091 representing undue bonus and overcompensation for 2014, of which collections by bank transfer in amount of 663,552 and compensation-based collections through the Management and Informatics Institute (as per GR no. 685/1999) in amount of 35,713,294, mainly from SC Electrocentrale Bucuresti SA, Electrocentrale Oradea, Complex Energetic Oltenia and SC Termo Calor SA.

As at December 31, 2015, the Company registered receivables representing issued invoices related to the bonus support scheme for the promotion of high-efficiency cogeneration, as follows:

- overcompensation for the period 2011 - 2013 in amount of 76,702,142, i.e. from RAAN – 63,467,054 and CET Govora SA – 13,235,086;
- overcompensation and undue bonus for 2014 in amount of 17,152,139, namely from Electrocentrale Oradea – 13,041,378, RAAN – 1,981,235, CET Govora – 1,933,725 and Termo Calor Confort – 195,801;
- contribution not received from the suppliers of the electricity consumers, overdue as at December 31, 2015, in amount of 13,576,993 (PetProd – 4,391,193, RAAN – 2,354,153, Transenergo Com – 2,158,713, Romenergy Industry – 1,226,414 and others).

The Company has requested producers (Company's suppliers) that have not paid the overcompensation invoices related to the bonus support scheme their consent to offset mutual liabilities at the level of the minimum existing debt through the Institute of Management and Informatics (IMI), under GR no. 685/1999.

As the Romanian Authority for Nuclear Activities RAAN RA has refused to offset mutual liabilities, the Company has applied the provisions of Article 17 paragraph 5 of Order no. 116/2013 of the ANRE President approving the Regulation establishing the manner of collecting the high-efficiency cogeneration contribution and paying the bonus for the electricity produced from high-efficiency cogeneration: "if the producer has failed to pay the support scheme administrator all of its



## **8. TRADE AND OTHER RECEIVABLES (continued)**

*payment obligations resulting in accordance herewith, then the support scheme administrator shall pay the producer the difference between the value of the invoices issued by the producer and the producer's payment obligations in connection with the support scheme, with a clear indication on the payment document of the said amounts"* and has withheld the amounts of the bonus scheme due to RAAN SA, represented by the bonus for the period March 2014 – November 2015 (33,956,778) and the prior overcompensation for 2014 (4,957,648).

At the Company's request, RAAN RA also refused to compensate the lawful amounts, pursuant to the provisions of Arts. 1616 - 1617 of the Civil Code to extinguish the receivables and liabilities related to the support scheme, on grounds that it has not accounted for the invoice issued by the Company for the overcompensation corresponding to 2011 - 2013, challenging in court ANRE's Decision.

Following the initiation of the bankruptcy proceedings against debtor RAAN, the Company addressed both ANRE, and MECRMA and ME, in order to find concrete solutions for the Company to recover such receivables and without impairing the economic and financial standing as at December 31, 2015.

ANRE has communicated to the Company that it has initiated the steps to assess the possibility that future overcompensation decisions become enforceable, and to amend acts of legislation issued by ANRE to mitigate any financial risks on the Company's part.

ANRE expressed its support in identifying solutions that would offer the Company a higher financial reliability in rolling out the support scheme for the promotion of high efficiency cogeneration.

In this regard, ME has also requested proposals to amend GR no. 1215/2009 laying down the required criteria and conditions to implement the support scheme for the promotion of high efficiency cogeneration based on the demand of useful heat.

As at December 31, 2015, the Company registered 78,255,618 amounts receivable from RAAN and 40,629,951 amounts payable to RAAN. Thus the net position as at December 31, 2015 is 37,625,666. The Company has not registered any value adjustment for the amount of 37,625,666 in the context in which ANRE has notified the Company that it has initiated the steps to assess the possibility that future overcompensation decisions become enforceable, and to amend acts of legislation issued by ANRE to mitigate any financial risks on the Company's part

CNTEE Transelectrica SA concluded with CET Govora SA a convention to compensate and schedule the payments representing receivables from the counter value of the overcompensation for 2011 - 2013 and the undue bonus for 2014 (Convention no. C 135/30.06.2015 and Additional Act no. 1/04.08.2015). The term of the Convention was 1 year (July 2015 - August 2016) and provided the Company's right to calculate and receive penalties for the period of the payment scheduling.

Under the Convention, the Company's receivables from CET Govora SA have been set off against the liabilities to CET Govora SA, represented by cogeneration bonus for the period May 2014 – October 2015 withheld through the application of the provisions of Art. 17 paragraph 5 of ANRE President Order no. 116/2013 and the Convention provisions, in amount of 40,507,669.

Further to the staying of the proceedings related to ANRE Decision no. 738/28.03.2014 which established the value of the overcompensation for 2014, CET Govora SA has no longer complied with the obligations assumed under the Convention. Given these circumstances, the Company withheld the amounts related to the support scheme due to CET Govora SA, represented by the cogeneration bonus for November 2015, in amount of 1,740,076.

As at December 31, 2015, the Company registered receivables from the bonus support scheme for the promotion of high efficiency cogeneration of approximately 25% of total trade receivables.

### *Other receivables*

As at December 31, 2015, other receivables in amount of 115,977,791 include mainly:

- delay penalties calculated for bad debts, in amount of 53,905,712 (of which 20,823,115 represents penalties related to the support scheme).

The biggest delay penalties have been registered by: RAAN (12,304,297), SC Eco Energy SRL (8,909,843), SC Petprod SRL (8,894,655), SC CET Govora (8,632,504), Arcelor Mittal Galati (3,993,435). For penalties calculated for the delayed payment of receivables from operating activities, the following impairments have been accounted for:

- receivables to be recovered from ANAF in amount of 44,442,936 (see paragraph below).
- prepaid expenses in amount of 6,477,758 represented mainly by expenses with own technological consumption for future periods (4,109,099), guarantee commission for the loan from IEB 25710 (123,300) and origination loan fee due

to ING (1,007,630);

**8. TRADE AND OTHER RECEIVABLES (continued)**

- other non-current receivables in amount of 4,414,361, of which 4,068,422 represents guarantees for temporarily occupying the land, calculated and withheld in accordance with Art. 39 paragraphs (1), (2) and (5) of Law no. 46/2008 of the Forestry Code (execution of the investment site OEL 400 kV Resita [(Romania) – Pancevo (Serbia)]).

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

The Company is in litigation with ANAF, which issued a tax report on September 20, 2011 on VAT return for the period September 2005 – November 2006 for 123 unused invoices identified as missing (these have been destroyed during 26-27 June 2009, at the working point from Millenium Business Center from Armad Calinescu street 2-4, district 2 where the Company undertook its activity), these being documents with special regime, and for which it estimated VAT collected of RON 16,303,174 plus RON 27,195,557 as penalties. The total value of these obligations amounts to RON 43,498,731. The value of these liabilities was retained from the VAT paid by the Company in November 2011. Subsequently, the Company has found that the amounts paid as current VAT were considered as being the payment for the liabilities mentioned above.

Thus, the Company was forced to pay additional penalties of RON 944,423 related to VAT that should have been paid in November 2011, in order to avoid accumulating additional debts towards the State budget. In total, in 2011 the Company paid RON 44,442,936. The Company made use of all legal means to contest the tax return issued by ANAF, so an appeal was filed with ANAF against the decision and a request was submitted to suspend the enforcement of the decision until the appeal filed against ANAF is finalized by administrative means. The request to suspend the enforcement of the tax report was rejected by the court of law.

The Company believes that the tax base has not been determined reasonably by ANAF, considering the fact that the Company's activity on the electricity market is entirely regulated, this being determined proportionally based on the number and value of the invoices issued by the Company during the period under verification. The Company considered it was entitled to bring action in court, as the Company believes that ANAF has not taken into account all the data and documents relevant for the estimate, as provided by the Fiscal Procedure Code then applicable. Thus, the Company has sued ANAF to the Bucharest Court of Appeal in August 2012 for the recovery of the amount and has requested the admission of the documents and the judiciary accounting expert appraisal as evidence.

On September 18, 2013, the accounting expert appraisal report was prepared, which was submitted to the case file at the hearing of September 20, 2013. At the hearing of October 18, 2013, the parties made several objections to the judiciary expert appraisal report, which were approved by the court at the hearing of November 15, 2013 and were communicated to the designated expert. At the hearing of March 7, 2014, the expert presented the response to the objections made by the Company. Compared to the revenues estimated by ANAF, based on which ANAF estimated a VAT collected in amount of 16,303,174 the judiciary accounting expert appraisal report found unjustified revenues amounting to 551,013, the amount to which VAT and penalties should have been applied. The hearing was adjourned for the acknowledgement of the content of the response to the objections to the expert appraisal report.

At the hearing of April 30, 2014, the ruling issued by the court of first instance – Bucharest Court of Appeal, Section VIII – Administrative and Tax-related Disputes (Ruling No. 1356/2014 – /30.04.2014) in File no. 6657/2/2012 was as follows: “Rejects the request of plaintiff CNTEE Transelectrica SA (Challenge to the administrative and fiscal deed issued by ANAF)”. The Company is currently under the legal term of filling an appeal through the filling of the documents needed in this file, with the deadline on April 7, 2016, at the High Court of Justice.

*Advances to suppliers*

As at December 31, 2015, advances to suppliers are represented by debtor suppliers for services supplies in amount of 68,413,826, of which 68,394,193 represents amounts from transactions conducted under the price coupling mechanism. On November 19, 2014, the price coupling mechanism was first used, when Project “4Market Market Coupling”, which provides the connection of Day Ahead electricity markets (Day Ahead Market) in Romania, Hungary, The Czech Republic and Slovakia became operational. Within the mechanism of price coupling of day ahead markets, the electricity exchanges correlate, by tenders, electricity transactions for the day ahead depending on the interconnection capacity made available by TSOs through which it is implicitly allocated. CNTEE Transelectrica SA, as TSO, transfers electricity, both physically, and commercially, to the neighboring TSO (MAVIR-Hungary) and manages revenues flowing from congestions on such interconnection (Art. 139 of ANRE Order no. 82/2014), and in relation to SC OPCOM SA, it is Implicit Participant on the DAM.

As Transfer Agent and Implicit Participant, CNTEE Transelectrica SA must settle the energy traded between SC OPCOM SA and MAVIR.

*VAT to be recovered*

As at December 31, 2015, the Company registers VAT to be recovered in amount of 21,666,435, as follows:

**8. TRADE AND OTHER RECEIVABLES (continued)**

- 22,250,257 represents the balance of the VAT negative value, for which the Company has requested through the value added tax settlement the repayment of the balance of the VAT negative value, amount which was received by the Company on March 2, 2016.  
Government Emergency Ordinance no. 16/2013 amended Law no. 571/2003 of the Tax Code by setting up reverse taxation for various operations on the electricity market, which has resulted in the registration of VAT to be recovered for the Company's transactions on the balancing market.
- non-chargeable value added tax in amount of 583,822, which will become chargeable (collected value added tax) in future periods.

*Non-refundable funds to be received*

As at December 31, 2015, the Company will receive 5,239,033, representing application 3 for non-refundable funds from the Ministry of European Funds for upgrading 400/110/20kV Tulcea Vest Substation.

*Impairment of trade receivables, of bad trade receivables and other bad debts*

The Company's policy is to book impairment allowances for 100% loss for clients in litigation, in insolvency and bankrupt and of 100% for trade and other receivables due for more than 180 days, except for overdue receivables generated by the support scheme. The Company also performs an individual analysis for uncollected trade and other receivables.

As at December 31, 2015 the biggest amounts for impairment allowances were recorded for SC Petprod SRL (29,242,364), SC Eco Energy SRL (24,736,066), SC Total Electric Oltenia SA (14,185,577), Romenergy Industry (9,989,440), RAAN (7,976,099), Also Energ (7,177,167). To recover the impaired receivables, the Company has taken actions such as legal proceedings, registration in the list of receivables etc.

As at December 31, 2015, the Company registered debt impairment of 44,442,936 for the total liabilities paid to ANAF.

The Company's exposure to collection risk and value adjustments related to trade receivables are presented in Note 27.

**CNTEE Transelectrica S.A.**

Notes to the Separate Financial Statements as at December 31, 2015  
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**9. OTHER FINANCIAL ASSETS**

As at December 31, 2015 and December 31, 2014 short-term investments are as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
		(Restated)
Bank deposits more than 90 days maturity	70,085,000	148,800,000
<b>Total</b>	<b>70,085,000</b>	<b>148,800,000</b>

Bank deposits more than 90 days maturity, established from the cash available in current accounts are in amount of 70,085,000 as at December 31, 2015 and 148,800,000 as at December 31, 2014.

**10. CASH AND CASH EQUIVALENTS**

As at December 31, 2015 and December 31, 2014 cash and cash equivalents are as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Current bank accounts and deposits	798,803,130	613,698,656
Cash and deposits from high-efficiency cogeneration	175,599,351	102,342,568
Petty cash	48,777	66,246
Other cash equivalents	-	330,103
<b>Total</b>	<b>974,451,258</b>	<b>716,437,573</b>

Deposits with original maturities of less than 90 days, constituted out of cash and cash equivalents available in current accounts, are in amount of 566,901,300 as at December 31, 2015 (488,186,300 as at December 31, 2014).

Starting with April 1, 2011, CNTEE Transelectrica SA, as the administrator of the high-efficiency cogeneration support scheme, manages a special bank account opened for the collection of the high-efficiency cogeneration contribution and for the payment of the high-efficiency cogeneration bonus. The cash available from the administration of this scheme is 175,599,351 as at December 31, 2015 (102,342,568 as at December 31, 2014).

The cash from connection tariffs amounts to 35,275,358 as at December 31, 2015 (78,387,668 as at December 31, 2014).

**11. SHAREHOLDERS' EQUITY***Share capital*

In accordance with GEO no. 86/2014 on the establishment of reorganization measures at the level of the central public administration and for the amendment and supplementation of certain acts of legislation, the transfer of the 43,020,309 shares from the Romanian State under the administration of the General Secretariat of the Government to the Romanian State under the administration of the Ministry of Economy, Commerce and Tourism was registered in the Company's Shareholders' Registry on February 20, 2015.

Based on the provisions of art. 2 of GEO no. 55/November 19, 2015 regarding the setting up of reorganization measures in the central public administration and amending certain normative acts, the Ministry of Economy, Commerce and Relations with the Business Environment (MECRBE) was established, by reorganizing and taking over the activities of the Ministry of Economy, Commerce and Tourism, which was closed, and by taking over the activity and structures of small, medium-sized and large enterprises from the Ministry of Energy, Small and Medium-Sized Enterprises and the Business Environment.

At the end of the two reporting years (2015 and 2014), the Company's share capital subscribed and fully paid in, in amount of RON 733,031,420 is divided into 73,303,142 ordinary shares having a nominal value of RON 10/share and is consistent with the share capital registered with the Trade Registry Office.

**11. SHAREHOLDERS' EQUITY (continued)***Share capital (continued)*

As at December 31, 2015 and December 31, 2014 the shareholding is as follows:

Shareholder	December 31, 2015		December 31, 2014	
	Number of shares	% of the share capital	Number of shares	% of the share capital
Romanian State through the General Secretariat of the Government	-	-	43,020,309	58.69%
Romanian State through MECRBE	43,020,309	58.69%	-	-
S.I.F. Oltenia	3,949,105	5.39 %	4,385,055	5.98%
Private investors (legal and natural persons)	26,333,728	35.92%	25,897,778	35.33%
<b>Total</b>	<b>73,303,142</b>	<b>100.00%</b>	<b>73,303,142</b>	<b>100.00%</b>

The Company recognizes changes in the share capital in accordance with the legislation in force and only after their approval in the General Meeting of Shareholders and their registration with the Trade Registry.

As at December 31, 2015 and December 31, 2014 the share capital is as follows:

	December 31, 2015	December 31, 2014
Share capital (nominal value)	733,031,420	733,031,420
<b>Share capital balance</b>	<b>733,031,420</b>	<b>733,031,420</b>

The shareholders are entitled to receive dividends as declared and are entitled to one vote per share at the meetings of the Company.

The amount of dividends due to shareholders distributed from the 2014 profit, according to GMS Resolution no. 3/29.04.2015, was 205,490,698.

The amount of unpaid dividends as at December 31, 2015 and December 31, 2014 is 1,387,237 and 1,124,073.

*Share premium*

All new shares issued within the capital increase by primary initial public offering from 2006 were subscribed and fully paid in against the issue price. The share premium amounting to 49,842,552, being the difference between the share issue price and the share nominal value, was recorded in the Company's reserve account.

## **12. SHAREHOLDERS' EQUITY (continued)**

### *Legal reserves*

Legal reserves in the amount of 99,407,385 as at December 31, 2015 and 78,424,484 as at December 31, 2014, represent legal reserves according to the statutory legislation and cannot be distributed. The Company transfers to this reserve at least 5% of its annual accounting profits (GEO no. 64/2001, Law no. 571/2003) until the cumulative balance reaches 20% of its paid in share capital.

### *Revaluation reserves*

The revaluation reserve amounts to 603,684,792 as at December 31, 2015 and 615,407,592 as at December 31, 2014. As at December 31, 2015, buildings and special installations were revalued by SC JPA Audit & Consultanta SRL, independent valuer authorized by the National Union of Authorized Valuers in Romania ("ANEVAR").

### *Other reserves*

As at December 31, 2015, other reserves amount to 55,694,602 (23,660,704 as at December 31, 2014), of which 20,952,260 represents the value of structural funds received from the Managing Authority for Sectoral Operational Program "Increase of Economic Competitiveness" and 31,459,260 represents the value of subsidies from connection tariffs, which were used to finance accepted investment works in assets that are part of the State's public domain, and RON 3,283,082 represents the value of the land for which the title deeds were obtained. In 2015, the Company obtained the ownership certificate for land *Stand probe Semenici* in amount of 127,200. As described in Note 24, land for which the title deeds are obtained is first recognized at fair value in other reserves and followed by an increase in share capital after it is recorded at the Trade Registry Office.

### *Retained earnings*

Retained earnings amount to 1,487,644,971 as at December 31, 2015 and to 1,312,739,568 as at December 31, 2014.

Out of the profit obtained as at December 31, 2015 the amount of 86,875,491 was transferred to "Other reserves", of which:

- 67,376,258 represents the appropriation of net revenues resulting from the allocation of interconnection capacities performed in 2015. According to Regulation (EC) no. 714/2009 and ANRE Order no. 53/2013, revenues resulting from the allocation of interconnection capacity must be applied to make investments in the electricity transmission grid to maintain or increase interconnection capacities.

Under these circumstances, the revenues obtained in 2015 from the allocation of interconnection capacity (net of income tax and the legal reserve) were distributed as provided by Art.1 letter d) of GEO no. 64/2001 "Other distributions provided by law".

Upon the appropriation of revenues resulting from the allocation of interconnection capacities in 2015 to "other appropriations provided by law" the Company considered the negative correction in amount of 17,729,577.06 of regulated revenue, as a correction element resulting from the tariff period July 1, 2014 – June 30, 2015, applied by ANRE when determining the average electricity transmission tariff for the tariff period July 1, 2015 – June 30, 2016. Thus, the 17,729,577.06 does not turn into funding source for investments in maintaining and/or enhancing the cross-border interconnection capacity of the electricity transmission grid in Romania, instead the amount is used to calculate the transmission tariff as source additional to the revenue obtained from the transmission tariff for covering the regulated costs corresponding to the tariff period July 1, 2014 – June 30, 2015.

- 19,499,233 represents the transfer to reserves of the tax exempt profit, less the portion related to legal reserve, as of July 1, 2014, according to the provisions of Art. 19<sup>4</sup> of Law no. 571/2003 of the Fiscal Code, as subsequently amended and supplemented.

**13. DEFERRED INCOME**

Deferred income include mainly connection tariff, other investment subsidies, non-refundable European funds from the Ministry of European Funds, as well as revenues from the allocation of interconnection capacity.

The deferred income as at December 31, 2015 is as follows:

	<b>December 31, 2015</b>	<b>Out of which short term portion as at 31.12.2015</b>	<b>December 31, 2014</b>	<b>Out of which short term portion as at 31.12.2014</b>
Deferred income – allocation of interconnection capacity	2,761,069	2,761,069	2,119,050	2,119,050
Deferred income – European funds	107,045	107,045	436,693	436,693
Funds from connection tariff	342,552,722	20,808,151	432,646,349	20,270,338
European funds	117,637,561	7,032,883	114,534,022	6,320,904
Other subsidies	33,071,283	2,699,096	36,101,491	3,922,517
<b>Total</b>	<b>496,129,731</b>	<b>33,408,244</b>	<b>585,837,605</b>	<b>33,069,502</b>

The movement of short-term deferred income for 2015 is as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Opening balance	33,069,502	35,472,072
Cash in advance related to interconnection capacity	26,264,538	56,469,324
Collections from European funds	56,204	71,696
Connection fee transferred from long-term deferred income	26,371	(1,439,715)
Revenues from using the interconnection capacity	(25,622,519)	(57,478,791)
Revenues from European funds	(385,852)	(24,688)
ANRE revenues	-	(396)
<b>Total</b>	<b>33,408,244</b>	<b>33,069,502</b>

The movement of long-term deferred income for 2015 is as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Opening balance	552,768,103	535,841,112
Connection subsidies	(38,265,277)	35,643,126
Reclassification of connection subsidies to public patrimony	(31,459,260)	
Non-refundable funds	12,418,264	16,738,440
Non-refundable funds to be repaid	(1,880,989)	(2,190,150)
Transfer to short-term deferred income	(26,371)	1,439,715
Release of deferred income	(30,832,983)	(34,704,140)
<b>Total</b>	<b>462,721,487</b>	<b>552,768,103</b>

The amount of 31,459,260 represents the value of subsidies for the connection tariff, which were used to fund accepted investment works belonging to the State's public domain.

In May 2015, CNTEE Transelectrica SA received the counter value of application 2, representing non-refundable funds, for repayment for upgrading 400/110/20 kV Tulcea Vest Substation, in amount of 7,595,828.

In August 2015, CNTEE Transelectrica SA repaid 1,880,989 to the Ministry of European Funds, for upgrading 400/110kV Brasov Substation, following the application of financial corrections according to Note no. 22294/15.06.2015 prepared by the Ministry of European Funds.

**CNTEE Transelectrica S.A.**

Notes to the Separate Financial Statements as at December 31, 2015  
(all amounts are expressed in lei, unless stated otherwise)

**14. BORROWINGS***Long-term loans*

As at December 31, 2015 and December 31, 2014 long-term loans from credit institutions are as follows:

Description	December 31, 2015	December 31, 2014
BEI 20.864 (a)	-	32,664,890
NIB PIL No 02/18 (b)	18,212,042	22,663,601
BIRD 7181 (c)	113,751,751	148,054,551
NIB PIL No 03/5 (d)	31,219,050	41,235,320
NIB PIL No 02/37 (e)	16,712,138	22,074,034
KfW 10431 (f)	19,435,029	29,107,693
KfW 11300 (g)	24,012,296	38,088,219
JBIC (h)	9,030,166	16,180,482
BERD 33354 (i)	-	8,773,877
BRD (j)	6,600,000	13,200,000
BEI 25709 (k)	108,923,148	118,692,648
BEI 25710 (l)	116,447,869	125,747,805
ING+BRD (m)	133,020,300	169,423,380
Unsecured bonds (n)	200,000,000	200,000,000
<b>Less: Current amount of the long-term loans</b>	<b>(162,774,045)</b>	<b>(193,862,871)</b>
<b>Total long-term loans, net of current installments</b>	<b>634,589,744</b>	<b>792,043,629</b>

**Long-term loans as at December 31, 2015 are as follows:**

No	Loan name	Loan date	Value of loan (currency)	Balance as at December 31, 2015 (currency)	Balance as at December 31, 2015 (RON)	Interest rate	Maturity date as per loan
1	BEI 20.864	08.12.2000	72,878,540.00 EUR	0	0	Between 2.98% and 5.23%	05.12.2015
2	NIB PIL 02/18	19.02.2003	18,441,684.50 USD	4,390,877 USD	18,212,042	LIBOR 6M+0.9%	16.04.2018
3	BIRD 7181	15.07.2003	71,622,715.47 EUR	25,141,287 EUR	113,751,751	Latest communicated: 0.38%	15.01.2020
4	NIB PIL 03/5	12.11.2004	23,000,000.00 EUR	6,900,000 EUR	31,219,050	EURIBOR 6M+0.85%	15.09.2018
5	NIB PIL 02/37	25.02.2004	12,927,944.17 EUR	3,693,698 EUR	16,712,138	EURIBOR 6M+0.9%	17.09.2018
6	KfW 10431	12.08.2004	21,885,108.70 EUR	4,295,509 EUR	19,435,029	EURIBOR 6M+0.6%	31.07.2017
7	KfW 11300	12.08.2004	30,832,611.20 EUR	5,307,171 EUR	24,012,296	EURIBOR 6M+0.6%	31.07.2017
8	JBIC	25.06.2004	2,621,145,000.00 JPY	262,101,000 JPY	9,030,166	3.1%	15.09.2016
9	BERD 33354 A	20.12.2004	11,550,105.16 EUR	0	0	EURIBOR 6M+3%	25.05.2016*
10	BRD	10.02.2010	33,000,000.00 RON	6,600,000 RON	6,600,000	ROBOR 6M+1.25%	31.08.2016
11	BEI 25709	05.08.2010	32,500,000.00 EUR	24,074,074 EUR	108,923,148	3.596%	10.09.2025
12	BEI 25710	05.08.2010	32,500,000.00 EUR	25,737,179 EUR	116,447,869	3.856% si 2.847%	11.04.2028
13	ING+BRD	26.07.2012	42,000,000.00 EUR	29,400,000 EUR	133,020,300	EURIBOR 6M+2.75%	13.02.2019
14	Obligatiuni negarantate	19.12.2013	200,000,000.00 RON	200,000,000 RON	200,000,000	6.1%	19.12.2018
	<b>TOTAL</b>				<b>797,363,789</b>		

\*) On May 22, 2015, EBRD loan 33354 A was early repaid without incurring early repayment costs (early payment fee), in amount of EUR 1,305,024.77.



#### **14. BORROWINGS**

Long-term loans are detailed as follows:

*a) Loan no. 20.864 from EIB*

As at December 31, 2015, the balance of the loan executed in 2000, is nil. The loan has been fully reimbursed according to the repayment schedules provided in the loan agreement. Repayment was scheduled over 10 years in 20 instalments from 2006 to 2015 to be paid on the 5 June and 5 December of each year. The purpose of the loan was to finance the Rehabilitation of Transmission – Dispatch System.

*b) Loan no. 02/18 from NIB PIL*

The loan from NIB was granted in 2003 to finance the rehabilitation of 400/210 kV Slatina electrical substation. The total outstanding amount as at December 31, 2015 is USD 4,390,877. The loan bears a variable interest rate of six months LIBOR plus 0.9% margin. Repayment is scheduled over 10 years in 20 instalments from 2008 to 2018.

*c) Loan no. 7181 from IBRD*

The loan from IBRD was granted in 2003 for the objective “Electricity Market”. The total amount outstanding as at December 31, 2015 is EUR 25,141,287. The loan bears a variable interest rate communicated by IBRD depending on the financing cost. The interest rate for the last instalment was 0.38%. The repayment is performed biannually (on January 15 and July 15 of each year), starting July 15, 2008, the last instalment being scheduled on January 15, 2020.

The loan agreement includes certain financial covenants: (i) a debt service cover ratio of not less than 1.3; (ii) a ratio of current assets to current liabilities of not less than 1.2.

*d) Loan no. 03/5 from NIB PIL*

The loan from NIB was granted on November 12, 2004 for the rehabilitation of 400/220/110 kV Gutinas Electrical Substation. The amount outstanding as at December 31, 2015 is EUR 6,900,000. The interest rate is six months EURIBOR plus 0.85%. Repayment is performed biannually, in equal instalments starting March 15, 2009, the last instalment being scheduled on September 15, 2018.

*e) Loan no. 02/37 from NIB PIL*

The loan was granted by NIB on February 25, 2004 for the rehabilitation of 400/220 kV Rosiori Electrical Substation. The amount outstanding as at December 31, 2015 is EUR 3,693,698. Interest rate is six months EURIBOR plus 0.90%, repayment is performed biannually in equal instalments starting September 15, 2008, the last instalment being scheduled on September 15, 2018.

*f) Loan no. 10431 from KfW*

The loan has been granted by KfW on August 12, 2004 for the objective of the rehabilitation of 400/220/110 kV Sibiu Sud Electrical Substation. The amount outstanding as at December 31, 2015 is EUR 4,295,509. The interest rate is six months EURIBOR plus 0.60%, the repayment being performed biannually, in equal instalments starting with January 31, 2008, the last instalment being scheduled on July 31, 2017.

*g) Loan no. 11300 from KfW*

The loan has been granted by KfW on August 12, 2004 for the rehabilitation and modernization of 400/220/100 Kv Bucuresti Sud Electrical Substation. The amount outstanding as December 31, 2015 is EUR 5,307,171. The interest rate is six months EURIBOR plus 0.60%, the repayment being performed biannually, in equal instalments starting with January 31, 2008, the last instalment being scheduled on July 31, 2017.

*h) Loan from JBIC*

The loan has been granted by JBIC on June 25, 2004 for the rehabilitation of Brazi Substation. The amount outstanding as at December 31, 2015 is JPY 262,101,000. The interest rate is 3.10%, the repayment being performed biannually, in equal instalments starting with March 15, 2007, the last instalment being scheduled on September 15, 2016.

#### **14. BORROWINGS**

*i) Loan no. 33354 from EBRD*

The amount due as at December 31, 2015 is nil, both for loan A, and for loan B. The interest rate was 6M EURIBOR plus 3% for loan A and 6M EURIBOR plus 2.75% for loan B. On 22.05.2015, the Company made an early payment of EUR 1,305,024.77, without incurring early repayment charges (early payment fee). The loan had two components: Loan A granted by EBRD in an amount not to exceed EUR 18,200,000 and Loan B in an amount not to exceed EUR 5,000,000. The loan has been reduced to EUR 14,723,211 (A loan EUR 11,550,105 + B loan EUR 3,173,106). According to the repayment schedules, Loan A was provided to be repaid in 18 equal biannual installments between 2007 and May 2016.

*j) Loan from BRD Groupe Société Générale SA*

The loan was granted by BRD – Groupe Societe Generale SA in February 2010 to finance the Modernization and Upgrading of Gura Ialomitei, Lacu Sărat, Isalnita and Gutinas substations and other projects under the 2009 – 2010 investment program. The amount outstanding as at December 31, 2015 is RON 6,600,000. The loan bears a variable interest rate of six months ROBOR plus 1.25% margin. Repayment is scheduled over 5 years in 10 instalments from 2012 to 2016.

*k) Loan no. 25709 and no. 25710 from EIB*

The loans were granted by EIB in August 2010 for financing the modernization and rehabilitation of the Electricity Transmission Grid. Each loan is in amount of EUR 32,500,000. EIB loan no. 25709 is not guaranteed as at December 31, 2015, while EIB loan no. 25710 is guaranteed by CitiBank Europe PLC, Dublin – Romania branch. The repayment period is of 15 years with a grace period of 2 years. The repayment is scheduled from 2012 to 2025 for EIB loan no. 25709 (on 10 March and 10 September of each year) and from 2013 to 2028 for EIB loan no. 25710 (on 11 April and 11 October of each year). The interest rates are 3.596% for EIB 25709 and 3.856% and 2.847% for EIB 25710.

The amount outstanding as at December 31, 2015 for EIB loan 25709 is EUR 24,074,074 and for EIB loan 25710 is EUR 25,737,179.

Loan agreement no. 25709 includes certain financial covenants: (i) a ratio of EBITDA to interest payments for long-term loans of not less than 4.2; (ii) a ratio of debt to equity of not more than 0.95.

Loan no. 25710 from EIB is guaranteed by CitiBank Europe PLC, Dublin – Romania branch. The contract bears a guarantee commission of 0.57% per annum, computed at the value of the balance. The guarantee contract concluded on January 26, 2011 includes certain covenants as follows: (i) a ratio of consolidated EBITDA to consolidated net financial expenses of not less than 4.2; (ii) a ratio of total debt to equity of not more than 0.95.

*l) Loan from ING Bank N.V., Amsterdam – Bucharest branch and BRD – Groupe Société Générale SA*

The loan was granted in July 2012 by the consortium made up of ING Bank N.V., Amsterdam (Bucharest branch) and BRD – Groupe Société Générale SA. The loan is meant to finance the following investments: refurbishment of 400/200/110/20kv Lacu Sărat substation, refurbishment of 220/110kv Mintia substation, integrated security systems in substations and replacement of autotransformers and transformers in electrical substations. The repayment period is of 84 months with a grace period of 24 months, with equal instalments payable every semester starting from August 2014. The loan bears a variable rate of EURIBOR 6 months plus a margin of 2.75%. In 2015, the Company negotiated the interest level for such loan, reducing the interest by 1.2%, from 3.95% to 2.75%.

The loan is guaranteed 100% through assignment of receivables. The amount outstanding as at December 31, 2015 is EUR 29,400,000.

The loan agreement includes certain financial covenants: (i) a ratio of EBITDA to financial expenses of not less than 4.2; (ii) a ratio of total net debts to EBITDA of not more than 3.5.

*m) Bonds issue*

The Extraordinary General Meeting of Shareholders of CNTEE Transelectrica SA approved through Resolution no. 7 of 30.09.2013 a limit of RON 900 million for the issue of corporate bonds during 2013 – 2017, from which RON 200,000,000 were issued during December 11, 2013 – December 18, 2013 through an initial public offering on the local capital market. The bonds are unsecured and are not convertible into shares. The interest rate of the bonds issued is of 6.1%/year, the interest being paid on an annual basis in December 2014, December 2015, December 2016, December 2017 and December 2018. The bonds are due on December 19, 2018.

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*(all amounts are expressed in lei, unless stated otherwise)*

**14. BORROWINGS**

Following the consent given by the Council of the Bucharest Stock Exchange on January 14, 2014, starting with January 16, 2014, the corporate bonds of the Company are being traded on the Bucharest Stock Exchange, within the sector Securities – third category Corporate bonds under the symbol TEL 18.

During the entire period in which the bonds are not redeemed in full, CN Transelectrica SA undertakes to comply with certain financial indicators: (i) Interest Cover Ratio to be at least equal to 4.2; (ii) Net Debt/Equity Ratio to be equal or less than 0.95.

As at December 31, 2015, the financial covenants corresponding to loan contracts, including from bonds issue, were met.

The long-term portion of the loans is repayable as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Between 1 and 2 years	133,886,282	162,638,365
Between 2 and 5 years	384,416,722	491,147,087
Over 5 years	116,286,740	138,258,177
<b>Total</b>	<b>634,589,744</b>	<b>792,043,629</b>

The Company has not undertaken any hedge actions relating to its obligations expressed in foreign currency or those risks associated with interest rate.

All the long-term loans, except for loans from JBIC, EIB 25709 and EIB 25710, bear a variable interest rate and consequently, the book value of the long-term loans is an approximation of its fair value.

As at December 31, 2015, the long-term loans guaranteed by the Romanian Government through the Ministry of Public Finance are: IBRD 7181, NIB PIL no. 03/5, NIB PIL no. 02/18, NIB PIL no. 02/37 and JBIC.

The loan from BRD – Groupe Societe Generale is guaranteed by assignment of receivables from SC CEZ Vanzare SA and a real movable security over all accounts opened with BRD – Groupe Societe Generale.

The loan from ING and BRD is guaranteed by assignment of receivables from SC EON Energie Romania SA, SC Enel Distributie Muntenia SA, SC Alpiq Romindustries SRL, SC Electromagnetica SA, SC Repower Furnizare Romania SRL and through the real movable security over the investment accounts opened with ING and one investment account opened with BRD SMCC.

The guarantee contract concluded with CitiBank Europe PLC is guaranteed by assignment of receivables from SC Enel Energie Muntenia SA.

*Short-term loans*

As at December 31, 2015 and December 31, 2014, short-term loans are as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Current share of long-term loans	162,774,045	193,862,872
Interest on long and short-term loans	4,215,492	6,374,806
Interest of bonds	372,778	440,556
<b>Total short-term loans</b>	<b>167,362,315</b>	<b>200,678,234</b>

**14. BORROWINGS (continued)**

Short-term bank loans in the form of credit lines in 2015 consist of the credit line contracted in January 2015 from BRD GROUP SOCIETE GENERALE SA, Large Corporate Clients Branch for a term of 12 months, to finance the counter value of the cogeneration bonus, available as overdraft, in amount of 150,000,000.

As at December 31, 2015 the credit line was not used.

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

- chattel mortgage over the bank account opened with the bank;
- chattel mortgage over the receivables resulting from contracts on the high-efficiency cogeneration contribution concluded with CEZ Vanzare S.A., E.ON Energie Romania S.A., Repower Furnizare S.R.L., Tinmar IND S.A.

**15. EMPLOYEE BENEFITS OBLIGATIONS**

According to Government Decisions no. 1041/2003 and no. 1461/2003, the Company provides in-kind benefits in the form of free electricity to the employees who retired from the Predecessor Entity.

Also, according to the collective labor agreement, the Company provides long-term benefits to both employees - depending on length of service and seniority within the Company - and to former employees after retirement. The benefits awarded to management personnel are included in Note 26, under the caption "*Remuneration of Company's management*".

The long-term benefits provided by the Company include the following:

- retirement prizes ranging from 0.9 to 4.5 gross monthly base salaries depending on the number of years of seniority within the Company on the date of retirement;
- jubilee premiums between 0.9 and 4.5 gross monthly base salaries depending on the number of years of seniority within the Company;
- free electricity paid after retirement of 1,800 kWh / year paid according to the collective labor agreement.

The actuarial computations referring to the post-employment benefits and other long-term benefits were made by an authorized actuary, based on the services supply contract concluded with BDO no. C38/16.02.2016.

The employee benefits obligations are as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Jubilee premiums	13,779,508	13,063,954
Retirement benefits	7,722,895	7,474,224
Free energy provided to current and retired employees	13,166,892	8,580,458
Maternity premiums	-	7,470
<b>Total</b>	<b>34,669,295</b>	<b>29,126,106</b>

At December 31, 2015 and December 31, 2014, the Company has a present obligation regarding long-term employee benefits, amounting to RON 34,669,295 and RON 29,126,106. The estimation of these liabilities was made taking into account the following:

- electricity price at December 31, 2015 and the price expected for future periods. The price projection for the following years is calculated as a forecast based on previous observed data for energy price;
- base salary at December 31, 2015 and base salaries for future periods estimated by the actuary (an annual increase of 1%);
- number of employees at December 31, 2015 and estimated annual number of Company employees based on projected rates of departure from the Company and statistical data on population mortality provided by INS for 2006-2015;
- discount rate estimated by the actuary is the one published by EIOPA (which is different each year); for the following year, the discount rate is 0.8%.

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*(all amounts are expressed in lei, unless stated otherwise)***15. EMPLOYEE BENEFITS OBLIGATIONS (continued)**

	<b>December 31, 2014</b>	<b>Interest cost</b>	<b>Cost of current service</b>	<b>Payments from provision</b>	<b>Actuarial loss for the year</b>	<b>December 31, 2015</b>
Jubilee benefits to be granted to current employees	13,063,954	537,402	944,066	1,084,411	318,497	13,779,508
Maternity benefits to be granted to current employees	7,470	-	-	-	(7,470)	-
Premiums granted upon retirement of current employees	7,474,224	301,193	295,956	694,903	346,426	7,722,896
Premiums granted for termination of labor agreement	-	-	-	-	-	-
Counter value of electricity to be paid to current employees after retirement	5,254,448	284,931	224,271	2,958,076	5,065,779	7,305,933
Counter value of electricity paid to current retirees	3,326,010	228,577	-	881,784	2,622,735	5,860,958
	<b>29,126,106</b>	<b>1,352,103</b>	<b>1,464,293</b>	<b>5,619,174</b>	<b>8,345,967</b>	<b>34,669,295</b>

The main assumptions considered in the actuarial calculation are as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Discount rate		
For the first 5 years	0.81%; 1.23%; 1.64%; 2.04%; 2.40%	3.9%
For more than 5 years	4.33%	4.8%
Salary increase	1.0%	1.0%

**16. TRADE AND OTHER LIABILITIES**

As at December 31, 2015 and December 31, 2014, trade and other liabilities are as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Suppliers on the electricity market	514,807,670	572,297,292
Suppliers of non-current assets	39,714,264	41,160,838
Other suppliers	28,674,364	34,888,693
Payables to employees	4,762,762	5,449,330
Other liabilities	188,208,644	291,860,573
<b>Total</b>	<b>776,167,704</b>	<b>945,656,726</b>

- As at December 31, 2015 and December 31, 2014, liabilities on balance on the energy market are in amount of 514,807,670 and 572,297,292 and are broken down as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Suppliers on the electricity market, of which:		
- suppliers for the system operation and the balancing market	339,410,647	417,757,697
- suppliers in the bonus support scheme for the promotion of high-efficiency cogeneration	175,397,022	154,539,595
<b>Total</b>	<b>514,807,670</b>	<b>572,297,292</b>

Suppliers on the electricity market are mainly: SC Hidroelectrica SA, SC Complex Energetic Oltenia SA, MAVIR, SC Electrocentrale Bucuresti SA. As at December 31, 2015, they accounted for 67% of total energy suppliers.

- The decrease of liabilities to suppliers for system operation and the balancing market was due to:
  - the decrease of the amount of transactions on the balancing market, in balance further to the modification of the settlement modality;
  - the decrease in the purchase price of electricity required to cover own technological consumption (OTC).
- The increase of liabilities to suppliers in the support scheme was due to:
  - withholding the payment of the cogeneration bonus and the prior overcompensation due to producers, on account of the receivables not received by the Company from the same support scheme producers, represented by the overcompensation of the period 2011 - 2013, by applying the provisions of Art. 17 paragraph 5 of ANRE President Order no. 116/2013.  
As at December 31, 2015, the cogeneration bonus and the prior overcompensation withheld from payment amounted to 40,654,502 (RAAN and CET Govora SA), compared to 38,661,059 – bonus withheld from payment as at December 31, 2014, in the context in which producers qualified in the support scheme (RAAN and CET Govora SA) register debts to the Company, in its capacity as scheme manager, in amount of 83,247,403 as at December 31, 2015 and in amount of 118,213,585 as at December 31, 2014.
  - the increase of the cogeneration bonus for December 2015 (134,742,520) compared to December 2014 (115,878,536).

The Company has requested producers (Company's suppliers) that have not paid the overcompensation invoices their consent to set off mutual liabilities at the minimum level thereof through the Institute of Management and Informatics (IMI) which manages all the information coming from taxpayers, under GR no. 685/1999.

As Romanian Authority for Nuclear Activities RAAN RA has refused to set off mutual liabilities, the Company has applied the provisions of Article 17 paragraph 5 of Order no. 116/2013 of the ANRE President approving the Regulation establishing the manner of collecting the high-efficiency cogeneration contribution and paying the bonus for the power produced from high-efficiency cogeneration: *"if the producer has failed to pay the support scheme administrator all of its payment obligations resulting in accordance herewith, then the support scheme administrator shall pay the producer the difference between the value of the invoices issued by the producer and the producer's payment obligations in connection with the support scheme, with a clear indication on the payment document of the said amounts"* and has withheld the amounts of the bonus scheme due to RAAN SA, represented by the bonus in amount of 33,956,778 for the period March 2014 – November 2015 and the prior overcompensation for 2014 in amount of 4,957,648.

**16. TRADE AND OTHER LIABILITIES**

RAAN RA has also refused to perform the legal compensation, the method proposed by the Company to set off receivables and liabilities, given the provisions of Arts.1616 - 1617 of the Civil Code.

CNTEE Transelectrica SA concluded with CET Govora SA a convention to set off and schedule the amounts representing receivables from the counter value of the overcompensation for the period 2011 - 2013 and the undue bonus for 2014 (Convention no. C 135/30.06.2015 and Addendum no. 1/04.08.2015). The Convention was concluded for 1-year term (July 2015 -August 2016) and provided the Company's right to compute and receive penalties throughout the payment scheduling period.

Under the Convention, the Company's receivables from CET Govora SA have been set off against the liabilities to CET Govora SA in amount of 40,507,669, represented by cogeneration bonus for the period May 2014 – October 2015 withheld pursuant to the provisions of Art. 17 paragraph 5 of ANRE President Order no. 116/2013 and the Convention provisions.

Further to the staying of the proceedings related to ANRE Decision no. 738/28.03.2014 which established the value of the overcompensation for 2014, CET Govora SA has no longer complied with the obligations assumed under the Convention.

Given these circumstances, the Company withheld the amounts related to the support scheme due to CET Govora SA, represented by the cogeneration bonus for November 2015, in amount of 1,740,076.

- The decrease of the balance of suppliers of non-current assets as at December 31, 2015 compared to December 31, 2014 was due to payments made to suppliers of equipment, works and services for investment projects.
- Liabilities to suppliers of other activities are mainly represented by outstanding third party liabilities, which have decreased compared to December 31, 2014.
- Amounts due to employees have decreased compared to the previous year and represent mainly the second fortnightly payment for December 2015, due on January 10, 2016.
- The liabilities registered as "Other liabilities" are as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Sundry creditors	182,582,103	239,153,690
Advance payments from customers	3,014,528	49,269,419
Dividends payable	1,387,237	1,124,073
Other liabilities	1,224,776	2,313,391
<b>Total</b>	<b>188,208,644</b>	<b>291,860,573</b>

As at December 31, 2015, "Sundry creditors" in amount of 182,582,103 are mainly represented by operations related to the support scheme in amount of 180,877,090, namely the net positive value of:

- the contribution to be received from the suppliers of the electricity consumers, the overcompensation of power and heat production from high-efficiency cogeneration for the period 2011-2013 and for 2014, the undue bonus for 2014 – receivable from producers, according to ANRE decisions, on the one hand, and
- the cogeneration bonus, the prior overcompensation and bonus not granted for 2014 – payable to energy producers in high-efficiency cogeneration, beneficiaries of the support scheme, on the other hand.

Operations related to the support scheme are registered by the Company in third party accounts, so that the profit and loss and the turnover are not affected by the administration of the support scheme, which does not fall under the scope of the Company's operating activities.

As at December 31, 2015, "Advance payments from customers" are in amount of 3,014,528, of which 2,907,909 represents amounts used with the Ministry of Economy in Moldova for the preparation of the Feasibility Study on the Synchronous Interconnection of Ukrainian and Moldovan Power Systems to ENTSO-E.

As at December 31, 2015, the dividends due to shareholders and not paid are in amount of 1,387,237, of which 509,501 relates to the dividends distributed from the profit of 2014. Such amounts are available to the shareholders through the payment agent.

Other liabilities in amount of 1,224,776 are mainly represented by good performance bonds of services contracts concluded by the Company.

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Notes to the Separate Financial Statements as at December 31, 2015  
*(all amounts are expressed in lei, unless stated otherwise)*

**16. TRADE AND OTHER LIABILITIES****Provisions**

As at December 31, 2015 and December 31, 2014 the provisions were as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Litigation	3,741,368	6,114,030
Mandate contracts	26,292,781	12,236,048
Fund for employees' profit sharing	8,131,725	6,375,491
Other provisions	89,339	58,929
<b>TOTAL</b>	<b>38,255,213</b>	<b>24,784,498</b>

Outstanding provisions as at December 31, 2015 are as follows:

	<b>Provisions for litigation</b>	<b>Provisions for share based payments</b>	<b>Provision for employees' profit sharing</b>	<b>Other provisions</b>
Opening balance as at January 1, 2015	6,114,030	12,236,048	6,375,491	58,929
Additions in provisions (through profit and loss)	446,327	14,056,733	8,108,754	89,339
Reversal of provisions (through profit and loss)	(2,818,989)		(6,352,520)	(58,929)
Additions in provisions (through OCI)	-	-	-	-
Reversal of provisions (through OCI)	-	-	-	-
<b>Closing balance as at December 31, 2015</b>	<b>3,741,368</b>	<b>26,292,781</b>	<b>8,131,725</b>	<b>89,339</b>



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*(all amounts are expressed in lei, unless stated otherwise)***16. TRADE AND OTHER LIABILITIES (continued)**

Provisions for litigation outstanding as at December 31, 2015 in total amount of RON 3,741,368 consist mainly of provisions created for payroll-related litigation with employees in amount of 195,000, for the litigation with SC Leroy and Associates in amount of 326,353 and for the litigation with OPCOM in amount of RON 2,670,029 regarding the fine imposed following the European Commission's investigation.

As at November 24, 2014, Subsidiary SC OPCOM SA started a litigation against CNTEE Transelectrica SA asking for damages in total amount of EUR 582,086.31 (RON 2,585,161 at the official exchange rate as at November 24, 2014) representing the penalty paid to European Commission by it out of the total penalty of EUR 1,031,000 applied to subsidiary OPCOM S.A. by the European Commission, in the context in which subsidiary SC OPCOM SA paid the entire fine applied by the European Commission. OPCOM SA also requested the court to compel the Company to pay 84,867 as legal interest for the period 11.06.2014 – 24.11.2014, to which court expenses of 37,828.08 are added.

As at December 31, 2015, the Company registered a provision of 26,292,781 (12,236,048 as at December 31, 2014) for the annual variable component due to the members of the Management Board and the Supervisory Board (see Note 26).

The provision in amount of 8,131,725 was created for the employees' profit sharing for 2015, including for contributions payable to the State budget.

**17. INCOME TAX**

Income tax for 2015 and 2014 is as follows:

	<b>2015</b>	<b>2014</b>
Current income tax expense	74,030,075	78,996,150
Income from deferred income tax	(4,262,006)	(4,806,549)
<b>Total</b>	<b>69,768,069</b>	<b>74,189,601</b>

The current and deferred tax of the Company for 2014 and 2013 is determined at a statutory rate of 16%, in force in 2015 and 2014.

Reconciliation of the effective tax rate:

	<b>2015</b>	<b>2014</b>
<b>Profit before income tax</b>	<b>431,806,088</b>	<b>431,806,088</b>
Income tax at statutory rate of 16%	68,771,606	69,088,974
Effect of non-deductible expenses	15,892,792	17,446,712
Effect of non-taxable income	(7,724,846)	(6,588,019)
Taxable revaluation reserve	3,731,868	4,314,606
Legal reserve	(3,357,264)	(3,315,389)
Income tax exempted	(3,284,081)	-
Other effects	(4,262,006)	(6,757,283)
<b>Total</b>	<b>69,768,069</b>	<b>74,189,601</b>

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*(all amounts are expressed in lei, unless stated otherwise)***16. INCOME TAX (continued)**

Movement in deferred tax balances during 2015 and 2014 is as follows:

Elements	Balance as at January 1, 2014	Recognized in profit or loss	Tax recognized directly in OCI	Balance as at December 31, 2014	Recognized in profit or loss	Tax recognized directly in OCI	Balance as at December 31, 2015
Property, plant and equipment – useful life	-	1,300,140	-	1,300,140	1,735,916	-	3,036,056
Property, plant and equipment – revaluation reserves	38,513,944	(3,267,838)	(156,776)	35,089,330	(3,708,009)	10,715,470	42,096,791
Property, plant and equipment financed by subsidies	-	(467,932)	-	(467,932)	(575,110)	-	(1,043,042)
Employee benefits	(3,572,605)	-	(464,943)	(4,037,548)	50,844	-	(3,986,704)
Interconnection estimate	(764,121)	(952,319)	-	(1,716,440)	483,430	-	(1,233,010)
Provisions	(539,168)	(1,418,600)	-	(1,957,768)	(2,249,077)	-	(4,206,845)
<b>Tax (assets)/liabilities</b>	<b>33,638,050</b>	<b>(4,806,549)</b>	<b>(621,719)</b>	<b>28,209,782</b>	<b>(4,262,006)</b>	<b>10,715,470</b>	<b>34,663,246</b>

Deferred tax consists of:

	Asset		Liability		Net	
	31-dec-15	31-dec-14	31-dec-15	31-dec-14	31-dec-15	31-dec-14
Property, plant and equipment - life	(451,802)	(829,772)	3,487,858	2,129,912	3,036,056	1,300,140
Property, plant and equipment – revaluation reserves	(8,263,112)	(4,871,520)	50,359,903	39,960,850	42,096,791	35,089,330
Property, plant and equipment financed by subsidies	(1,045,663)	(511,705)	2,621	43,773	(1,043,042)	(467,932)
Employee benefits	(4,885,772)	(464,943)	899,068	(3,572,605)	(3,986,704)	(4,037,548)
Interconnection estimate	(1,233,010)	(952,319)	-	(764,121)	(1,233,010)	(1,716,440)
Provisions	(4,206,845)	(1,957,768)	-	-	(4,206,845)	(1,957,768)
<b>Net tax (assets)/liabilities</b>	<b>(20,086,204)</b>	<b>(9,588,027)</b>	<b>54,749,450</b>	<b>37,797,809</b>	<b>34,663,246</b>	<b>28,209,782</b>

**CNTEE Transelectrica S.A.**

Notes to the Separate Financial Statements as at December 31, 2015  
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**18. EARNINGS PER SHARE**

As at December 31, 2015 and December 31, 2014, the earnings per share were as follows:

	<b>2015</b>	<b>2014</b>
<b>Profit for the period</b>	<b>360,054,467</b>	<b>357,616,487</b>
Number of ordinary shares at the beginning and at the end of the period	73,303,142	73,303,142
<b>Basic and diluted earnings per share (RON/share)</b>	<b>4,91</b>	<b>4,88</b>

**19. OTHER TAX AND SOCIAL SECURITY LIABILITIES**

As at December 31, 2015 and December 31, 2014 the other tax and social security liabilities are as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Contribution to social security funds	4,025,139	4,801,378
Tax on salaries	1,500,798	1,771,705
Other tax payable	1,237,426	1,004,804
<b>Total</b>	<b>6,763,363</b>	<b>7,577,887</b>

As at December 31, 2015, the Company registered payment obligations for contributions to the social insurance funds, tax on salaries and other taxes, which were paid in January 2016.

As the Company adopted a new employee rewarding policy, in December 2015, insurance policies were concluded for voluntary pensions incurred by the Company on behalf of its employees, which increased other taxes due.

**20. OPERATING REVENUES**

The operating revenues include revenues from electricity transmission service and system services, allocation of the interconnection capacity, balancing market operation and other revenues.

The average tariffs approved by ANRE for the services provided on the electricity market are as follows:

	<b>Average tariff for transmission services</b>	<b>Average tariff for technological system services</b>	<b>Average tariff for functional system services</b>
Order no. 51/26.06.2014 – for the period 01.01-30.06.2015	22,50	12,54	1,42
Order no. 93/25.06.2015 – for the period 01.07-31.12.2015	20,97	12,58	1,17
Order no. 96/18.12.2013 – for the period 01.01-30.06.2014	22,16	13,28	1,74
Order no. 51/26.06.2014 - for the period 01.07-31.12.2014	22,50	12,54	1,42

The average tariff for electricity transmission has two components: the injection component ( $T_G$ ) and the extraction component ( $T_L$ ).

The zonal tariffs for the transmission service for injecting electricity into the grid ( $T_G$ ) were approved by ANRE Order no. 89/2015, as of July 1, 2015.

The zonal tariffs for the transmission service for extracting electricity from the grid ( $T_L$ ) were approved by ANRE Order no. 93/2015, as of July 1, 2015.

The quantity of electricity delivered to consumers at which the tariffs for services on the energy market were applied is as follows:

**20. OPERATING REVENUES (CONTINUED)**

	<b>2015</b>	<b>2014</b>
Quantity of electricity (MWh)	52,473,065	51,343,746
Operating revenues obtained in 2015 and 2014 are as follows:		
	<b>2015</b>	<b>2014</b>
Revenues from electricity transmission	1,174,403,322	1,223,586,370
Revenues from the allocation of the interconnection capacity	102,160,979	78,213,260
Revenues from reactive energy	7,794,793	6,616,293
Inter TSO Compensation (ITC) revenues	316,842	458,824
Revenues from transactions with own technological consumption	131,657	189,355
<b>Total revenues from electricity transmission</b>	<b>1,284,807,593</b>	<b>1,309,064,102</b>
Revenues from functional system services	67,959,911	81,047,025
Revenues from technological system services	662,002,989	667,314,335
Revenues from unplanned exchanges on DAM	1,242,373	2,542,834
<b>Total revenues from system services</b>	<b>731,205,273</b>	<b>750,904,194</b>
Balancing market	923,035,364	703,376,447
Other revenues	45,537,871	54,113,408
<b>Total revenues</b>	<b>2,984,586,101</b>	<b>2,817,458,151</b>

*Revenues from electricity transmission and functional system services*

As the electricity delivered to consumers increased in 2015 as compared to 2014, by approximately 2.2%, the revenues from electricity transmission and functional system services decreased by 62,270,162 determined by the decrease of the average tariffs approved by ANRE for such services starting from July 1, 2015.

*Revenues from the allocation of interconnection capacity*

The allocation of the interconnection capacity (AIC) consists of organizing annual, monthly, daily and intra-day tenders. Annual, monthly and intra-day tenders are explicit (only the transport capacity is tendered), and the daily tenders with Hungary are implicit (capacity is allocated simultaneously with the energy), through the coupling mechanism.

Revenues from the allocation of interconnection capacity increased in 2015 compared to 2014 by 23,947,719. During the period under review, along the Serbian and Hungarian borders, in the annual and monthly tenders (long-term), the allocation of the interconnection capacities was higher, which enhanced the participants' interest, which increased revenues from congestion pricing.

In daily tenders, revenues increase at the Hungarian border due to the implementation of Project "4 Market Market Coupling" in Romania, Hungary, The Czech Republic, Slovakia in this tender timeline, but also on the Bulgarian border due to an increasing interest from market participants in acquiring interconnection capacity along such border.

Further to the setting up as of November 19, 2014 of the regional energy stock exchange by Romania, Hungary, The Czech Republic and Slovakia, these four countries are expected to charge a unique price for the electricity traded on spot market.

The capacity between Romania and Hungary, the only country out of the three which Romania borders, is allocated by transporters Transelectrica and MAVIR, through a joint mechanism based on a bilateral agreement.

The interconnection capacity allocation market is floating, and prices rise according to electricity market participants' demand for and the need to acquire, interconnection capacity.

The net revenues from the allocation of interconnection capacity are registered and used in accordance with Art. 22 paragraph (4) of ANRE Order no. 53/2013 and Art. 16 paragraph (6) of (EC) Regulation no. 714/2009, as funding source for investments for the modernization and development of the interconnection capacity with neighboring systems.

**20. OPERATING REVENUES***Revenues from technological system services*

In 2015, the revenues from technological system services decreased by 5,311,346 compared to 2014 due to the decrease of the average tariffs obtained for such services as of July 1, 2015.

In 2015, the revenues from technological system services were higher by 24,350,376 as compared to expenses incurred with acquiring realized technological system services, due to the proper administration of system services under safe operating conditions of the NPS.

Such amount is included in the Company's gross profit as at December 31, 2015.

*Revenues from the balancing market*

In 2015, the revenues from the balancing market increased by 219,658,917 as compared to 2014, due to:

- the increase of production units from renewable resources and implicitly their weight in the total installed power, resulting in the growing imbalances on the balancing market because the assumed contracts are not performed;
- balancing market notifications sent to green energy producers due to the type of production;
- the behavior of the participants on such market, i.e., through balancing notifications, which affect the size of the balancing market.

Balancing market is an activity with zero profit to the Company.

**21. SYSTEM OPERATING EXPENSES AND BALANCING MARKET EXPENSES**

The system operating and balancing market expenses are as follows in 2015 and 2014:

	<b>2015</b>	<b>2014</b>
Expenses with own technological consumption	187,003,922	189,741,649
Congestion costs	1,013,340	483,398
Electricity consumption in ETG stations	14,078,458	16,056,126
Expenses with functional system services	12,151,400	11,032,611
ITC expenses (Inter TSO Compensation)	17,604,242	21,034,782
<b>Total operating expenses</b>	<b>231,851,362</b>	<b>238,348,566</b>
Expenses with technological system services	637,652,613	653,440,800
Balancing market expenses	923,035,364	703,376,447
<b>Total</b>	<b>1,792,539,339</b>	<b>1,595,165,813</b>

*Expenses with own technological consumption*

These are expenses regarding the purchase of electricity from the free energy market to cover own technological consumption (CPT) in the ETG.

The electricity to cover the OTC was acquired from the free electricity market, i.e. Centralized Market for Bilateral Contracts (PCCB), the day ahead market (DAM), the balancing market (BM), the intra-day market (IDM) at lower prices in 2015 as compared to 2014.

The decrease of the price registered on the free electricity market was due to a higher production in wind plants in the first part of 2015 and an increased overcharge in the second part of 2015.

*Congestion costs*

Congestions (grid restrictions) are requests for electricity transmission above the technical capacity of the grid, which require corrective actions by the transmission system operator. They occur where, in the real time operation, power flows between two nodes or two system areas lead to failure of complying with safety parameters in the functioning of the electricity system.

In 2015, the congestion costs amounted to 1,013,340.

**21. SYSTEM OPERATING EXPENSES AND BALANCING MARKET EXPENSES***Expenses with functional system services*

The expenses with the functional system services represent the un-contracted international exchanges of electricity with neighboring countries and unplanned exchanges on the Day Ahead Market (DAM).

Expenses with functional system services increased in 2015 compared to 2014 by 1,118,789 mainly due to higher values of electricity flows caused by unplanned exchanges with neighboring countries (unplanned imports/exports).

*ITC (Inter TSO Compensation) expenses*

ITC expenses represent the monthly receivable/payable obligations for each TSO. They are established under the settlement/compensation mechanism following the use of the electricity transmission grid (ETG) for the transit of electricity between TSO operators from 35 countries that adhered to the mechanism implemented by ENTSO-E and were lower by 3,430,540 as compared to 2014.

*Expenses with the technological system services*

During 2015, the expenses with technological system services decreased by 15,788,187 compared to 2014.

Technological system services are purchased by the Company from producers with the aim of maintaining the level of operational safety of the NPS and the quality of electricity transmitted within the parameters provided in applicable technical rules.

Such services are contracted:

- in a regulated manner, based on Government Resolutions and ANRE Decisions;
- through competitive mechanisms.

In accordance with the provisions of GR no. 138/08.04.2013 on the adoption of certain measures for the safe delivery of electricity, the Company purchased technological system services as regulated by the Romanian Energy Regulatory Authority (ANRE), as follows:

- from SC Complexul Energetic Hunedoara SA, at at least 400 MW between April 15, 2013 and July 1, 2015. According to GR no. 941/29.10.2014, the term set for the application of GR no. 138/2013 is extended to December 31, 2017;
- from SC Complexul Energetic Oltenia SA, at at least 600 MW between April 15, 2013 and July 1, 2015.

GR no. 1178/2014 on the adoption of safety and security measures in the operation of the NPS, for the period January 1 – February 28, 2015, approved the additional purchase of system technological services required to CNTEE Transelectrica SA to ensure the safe and stable operation of the NPS. The Company had to ensure, as a priority, the dispatch of electricity produced by thermoelectric plants as regulated by the Romanian Energy Regulatory Authority.

For the period January 1 – June 30, 2015 the technological system services were purchased under a regulated regime from SC Complexul Energetic Hunedoara SA (Decision no. 2619/03.12.2014), SC Complexul Energetic Oltenia SA (Decision no. 2670/10.12.2014) and SC Hidroelectrica SA (Decision no. 2671/10.12.2014).

For the period July 1, 2015 – June 30, 2016, the technological system services will be purchased under a regulated regime from SC Hidroelectrica SA (Decision no. 1377/26.06.2015 amended by Decision no. 1423/01.07.2015) and from SC Complexul Energetic Hunedoara SA (Decision no. 859/08.04.2015).

CNTEE Transelectrica SA re-invoices the value of technological system services purchased from producers to electricity suppliers licensed by ANRE, which are the ultimate beneficiaries of such services.

*Balancing Market Expenses*

Balancing market expenses are incurred with notifications/actual deliveries of market participants as described in Note 1, being entirely matched by the balancing market revenues.

**22. OTHER OPERATING EXPENSES**

	<b>2015</b>	<b>2014</b>
Other third party services	50,144,940	49,705,263
Postage and telecommunications	1,902,323	2,293,341
Rent	8,168,817	9,576,281
Impairment allowances for current assets	4,870,837	29,036,268
Other expenses, of which	76,537,537	66,925,298

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- taxes and levies (tax of special constructions, tax on natural monopoly, other local taxes and levies)	26.123.190	32.436.897
- the revaluation of tangible and intangible assets	14.294.633	0
- provisions for other operating expenses	8.793.993	8.209.079
- travels	6.867.209	5.289.539
- international contributions	3.037.274	2.950.534
- disasters and other subsequent events (registered with ST Bucharest and ST Pitesti)	2.392.465	47.404
- electricity purchased for administrative consumption	2.350.976	2.464.755
- studies and research	2.237.693	492.759
- banking and similar services	1.626.116	1.567.984
- employees' travels	1.176.522	1.148.421
- disposed tangible and intangible assets and other capital operations	1.118.919	511.227
- natural gas purchased	1.020.323	967.426
- other operating expenses	5.508.224	10.839.273
	<b>141,624,454</b>	<b>157,536,451</b>

The decrease of such expenses in 2015 compared to 2014 was mainly due to the reversal of impairments to income, as presented in Note 8, further to the settlement of certain disputes in the Company's favor and the decrease of the provisions presented in Note 15, as well as the decrease of expenses with tax on constructions (decrease of taxation rate from 1.5% in 2014 to 1% in 2015).

**23. NET FINANCIAL RESULT**

	<b>2015</b>	<b>2014</b>
Interest income	10,015,772	16,121,942
Foreign exchange gains	30,276,471	27,501,765
Other financial income	7,801,306	13,524,407
<b>Total financial income</b>	<b>48,093,549</b>	<b>57,148,114</b>
Interest expenses	28,483,676	36,833,457
Foreign exchange losses	38,442,206	28,810,288
<b>Total financial expenses</b>	<b>66,925,882</b>	<b>65,643,745</b>
<b>Net financial result</b>	<b>(18,832,333)</b>	<b>(8,495,631)</b>

Financial gains decreased in 2015 by 9,054,565 compared to 2014 mainly due to the decrease of interest received for cash available in the bank accounts/deposits (reduction by the NBR of the monetary policy interest rate) and the decrease of dividends received from subsidiaries.

Financial expenses increased in 2015 by 1,282,137 compared to 2014 mainly due to the depreciation of the national currency with respect to the currencies in which the investment loans are contracted.

The exchange rate of the national currency as at December 31, 2015 compared to the one registered as at December 31, 2014 is as follows:

<b>Currency</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
RON / Euro	4.5245	4.4821
RON / US Dollar	4.1477	3.6868
RON / Japanese Yen 100	3.4453	3.0866

The net financial result (loss) registered by the Company as at December 31, 2015 was higher by 10,336,702 compared to 2014, due to both the decrease of financial income and the increase of financial expenses (unfavorable foreign exchange differences).

## **24. THE LEGISLATIVE AND FISCAL FRAMEWORK**

The legal and fiscal environment in Romania and its implementation into practice changes regularly and is subject to different interpretations by various Ministries of the Government. Income tax returns are subject to review and correction by the tax authorities for a period generally of five years subsequent to their filing. Management believes that it has adequately provided for tax liabilities in the accompanying financial statements; however, the risk remains that tax authorities could take differing positions with regards to the interpretation of these issues. Their impact cannot be estimated at this time.

## **25. COMMITMENTS AND CONTINGENCIES**

### *i) Commitments*

As at December 31, 2015 and December 31, 2014, the Company had commitments amounting to 563,086,673 and 345,003,887 mainly representing ongoing contracts related to the investment program for the modernization and upgrading of the transmission grid.

### *ii) Land used by the Company*

According to the Company policy, the financial statements include only the value of the land for which certificates attesting to the ownership titles have been obtained as at the date of the financial statements.

According to Law No. 99/1999, in case the Company obtains the title deeds for lands after the privatization, the land will be considered as contribution in kind of the State. These plots of lands are firstly recognized in other reserves. In this respect, the Company will increase the share capital in line with the value of the lands, and the beneficiary of this increase will be the Romanian State. In accordance with Art. 130 of Law 297/2004 regarding the capital market, "the increase in the share capital of a listed company on a regulated market will be made with the possibility for the other shareholders to maintain their percentage in the share capital of that company".

As the date of the issuance of these financial statements, the external legal opinion received by the management of the Company following the acquisition of legal services needed for the share capital increase states that in the absence of other changes in the legal framework, the general legal provisions applicable to the companies are contradictory with regards to the companies regulated by the privatization law. As reported to the steps undertaken by the Company for the share capital increase with the value of the land for which titles have been obtained, OPSPI has communicated to the Company that in their opinion, the share capital increase should be performed after the changes in the legal framework.

### *iii) Pending disputes*

As of the date of these financial statements, the Company is involved in a number of 148 disputes in progress, in 78 of which the Company acts as a plaintiff or a challenging party, while in 70 disputes the Company is a defendant.

The management analyses the status of disputes in progress regularly and after consultation with its legal representatives considers the appropriateness of providing for or disclosing the amounts involved in the financial statements.

Taking into account the existing information, the management of the Company considers that there are no significant disputes in progress in which the Company is defendant, except for the following disputes:

- File no 3616/101/2014 is registered with the Mehedinti Tribunal, Administrative and Tax-related Disputes Section, having as its object "claims in amount of 1,090,831.70", in which the Company is defendant, and Autonomous Company for Nuclear Activities – RAAN is plaintiff.

The amount claimed represents penalties calculated by RAAN for the bonus due under the support scheme and withheld by the Company, in its capacity as Administrator of the support scheme, which applied the provisions of Art.17 paragraph 5 of ANRE President Order no. 116/2013 (see Note 8).

CNTEE Transelectrica SA filed recourse against decision no. 843/05.11.2015 issued by the Craiova Court of Appeal – Civil Section II in the public session of 05.11.2015 in File no. 3616/101/2014, against Sentence no.127/2014 issued by Mehedinti Tribunal –Civil Section II Administrative and Tax-related Disputes in the public session of 10.10.2014 in File no. 3616/101/2014, as well as against Sentence no. 1/2015 issued by Mehedinti Tribunal –Civil Section II Administrative and Tax-related Disputes in the public session of 09.01.2015 in File no. 3616/101/2014, requesting the court of law, through its ruling, to admit the recourse as filed, to quash the decisions and sentences challenged and remit the case to the competent jurisdiction for judgment, to acknowledge the observance of Arts. 1616 and 1617 of the Civil Code, and consequently, to acknowledge the lawful offset of the mutual liabilities and their discharge up to the limit of the lowest liability, namely the total amount claimed by the plaintiff in the application for legal action, to compel the respondent-plaintiff to pay the expenses incurred in such recourse. The recourse has been registered with



the High Court of Cassation and Justice, and the case is subject to prior verification and the court hearing has not been scheduled.

## **25. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

In the period 2014-2015, the Company withheld the bonus due to RAAN under the support scheme, based on the provisions of ANRE regulations, namely Art.17 paragraph 5 of ANRE President Order no. 116/2013.

Under such circumstances, RAAN calculated penalties for the late collection of the due cogeneration bonus, in amount of 3,496,914, withheld by the Company on account of the receivables not received. The Company refused to pay the amount of 3,496,914 and was not registered as a liability under the support scheme.

- On March 4, 2014, the European Commission has communicated that it applied a fine of EUR 1,031,000 on Subsidiary S.C. OPCOM S.A. for abusing its dominant position on the Romanian market by facilitating electricity spot trading, in breach of EU antitrust rules. The Company was included in the trial as parent company of Subsidiary S.C. OPCOM S.A., being jointly liable for the payment of the fine.

The General Meeting of Shareholders of Subsidiary SC OPCOM SA decided on 10.06.2014 to pay the entire fine of EUR 1,031,000 applied by the General Directorate Competition – European Commission for breach of Art. 102 of the Treaty on the Functioning of the European Union, according to the Decision in the antitrust case AT 39984. Subsidiary SC OPCOM SA paid the entire fine imposed by the European Commission.

On 24.11.2014, Subsidiary SC OPCOM SA sued CNTEE Transelectrica SA, compelling it to pay EUR 582,086.31 (RON 2,585,161.72 at the NBR exchange rate of 24.11.2014), representing the amount paid by it as fine, out of the total amount of the fine of EUR 1,031,000.

Subsidiary SC OPCOM SA has also requested the court of law to compel the Company to pay RON 84,867.67 as legal interest for the period 11.06.2014 – 24.11.2014, to which court expenses in amount of 37,828.08 are added.

The action filed by Subsidiary SC OPCOM SA forms the object of File no. 40814/3/2014 on the dockets of the Bucharest Tribunal, Civil Section VI, whose object consists of claims, in the matter of professional litigation. CNTEE Transelectrica SA filed a statement of defense against the legal action in this case, invoking exceptions and defense on the merits regarding the ungrounded nature and unlawfulness of the action.

On 24.07.2015, the Bucharest Tribunal issued ruling no. 4275/2015, whereby it ordered as follows: „Admits the application for legal action filed by plaintiff Electricity and Natural Gas Market Operator – OPCOM S.A. against defendant National Power Grid Company Transelectrica S.A. It compels the defendant to pay the plaintiff the amount of EUR 582,086.31, representing the amount paid by the plaintiff on behalf of the defendant of the value of the fine of EUR 1,031,000 imposed by Decision of the European Commission on 05.03.2014 in case AT.39984, and the legal interest, corresponding to EUR 582,086.31, calculated from 11.06.2014 until the actual payment date. It compels the defendant to pay the plaintiff 37,828.08 as court expenses. Subject to appeal within 30 days from communication. The application for appeal shall be submitted to the Bucharest Tribunal – Civil Section VI.”

As at the date of preparation of these financial statements, the ruling issued in the above-mentioned file has not been communicated.

The Company registered in 2014 a provision of 2,670,029 for the litigation with Subsidiary SC OPCOM SA.

The value of the provision is presented in Note 15.

- In 2013, Conaid Company SRL sued CNTEE Transelectrica SA for the unjustified denial to sign an addendum to the connection contract or a new connection contract, and claimed compensation for the expenses incurred until that moment of RON 17,419,508 thousand and unrealized profits for the period 2013-2033 in amount of EUR 722,756,000. Until now, the Company did not conclude an addendum to the connection contract as the suspensive conditions included in the contract were not met by Conaid Company SRL. A new connection contract should have been signed by March 11, 2014 when the related connection technical authorization expired. At the date of these financial statements, the amounts claimed by Conaid Company SRL were considered as contingent liabilities as it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation cannot be estimated reliably. File no. 5302/2/2013 is registered with the High Court of Cassation and Justice, Administrative and Tax-related Disputes Section, whose object is obligation to issue administrative deed, stage of the trial - recourse, the hearing is scheduled for 09.12.2015. At this hearing, the High Court of Cassation and Justice admitted the recourses, in principle, and scheduled for April 8, 2016 the hearing for the settlement on the merits, Panel 4, by subpoenaing the parties.
- The Company is involved in significant disputes, as plaintiff, mainly for recovering receivables (ex: Eco Energy SRL,

Petprod, Total Electric Oltenia, Arcelormittal Galati, Romanian Autonomous Company for Nuclear Activities, Romenergy Industry SRL). The Company recorded a provision for customers and other receivables in litigation and bankruptcy clients. The Company is also acting as plaintiff in a dispute with ANAF as disclosed in Note 8.

## **25. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

The management of the Company believes that there are no cases in which an outflow of resources will be required to settle the ongoing disputes. In addition, there are no other ongoing disputes for which, either by nature or by their value, it is necessary to make the presentation of contingent assets or liabilities for the Company's activity.

### *iv) Guarantees*

In accordance with the License no. 161/2000 revision 3/2009 regarding the supply of electricity transmission and system services and the administration of the balancing market, the Company has to establish and maintain a financial guarantee in amount of 1% of the turnover related to the licensed activities. This enables the Company to continue its licensed activities, considering the risks arising from these activities and covers any potential liabilities that may be incurred according to the license contractual clauses. In order to comply with this obligation, the Company concluded a facility for issuance of bank letters of guarantee with BCR-GLC, the value of which is 27,665,218 as at December 31, 2015.

### *v) Revaluation reserves as at December 31, 2015*

As at December 31, 2015, revaluation reserves are in amount of RON 645,753,453 (as at December 31, 2014: 650,496,921).

Starting with May 1, 2009, reserves from the revaluation of fixed assets, including land, recorded after January 1, 2004, which are deducted when calculating taxable income through tax depreciation expenses or expenses with assets transferred and/or disposed of, is taxed simultaneously with the tax depreciation deduction, when the assets are derecognized, as appropriate.

Realized reserves are taxable in the future, in case of changing the destination of reserves in any form, in case of liquidation, merger and including using the reserves for covering the Company's losses, except for the transfer of revaluation reserves mentioned in the above paragraph after May 1, 2009.

### *vi) Tariff for energy transmission and system services*

The tariff for electricity transmission is set based on the revenue cap methodology. Using this methodology, ANRE sets an initial annual target revenue calculated by summing up the regulated costs and the regulated return of recognized assets. Certain costs included in the base of regulated costs are subject to efficiency requirements limiting the level of expenses that may be recovered through the regulated tariff (controllable operating and maintenance costs, own technological consumption). The annual target revenues calculated for a regulatory period are redirected through a linearization procedure aiming at softening any severe increases/decreases of revenues from one tariff year to the following. The revenues thus redirected is adjusted annually by the price consumption index.

Certain changes in the tariff mechanism may have a significant impact on recovering the regulated depreciation of fixed assets included in the regulated assets base.

The current regulatory period lasts five years (July 1, 2014 – June 30, 2019), and comprises five tariff years (the tariff year begins on July 1 and lasts for 12 months). Thus, in 2015 was the year of transition from the first tariff year to the second tariff year within the current regulatory period (the first tariff year ended June 30, 2015, the second tariff year began July 1, 2015). For 2015, the tariffs for transmission and system services were calculated according to the provisions of ANRE Orders nos. 53/2013 and 87/2013. For S1 2015, tariffs for the transmission and system services were approved by ANRE Order no. 51/2014 and for S2 2015 by ANRE Orders nos. 89/2015 and 93/2015.

According to ANRE Order no. 53/2013 approving the Methodology for determining the tariffs for electricity transmission service, for a tariff period the competent authority determines the efficiency gains (resulting from the reduction of controllable operating costs incurred in a tariff period) above the targets set for prior regulated period and allocates 50% of the surplus to the customers of the transmission service (gain sharing mechanism).

According to ANRE Order no. 87/2013 approving the Methodology for determining the tariffs for system services, the competent authority determined the gains obtained by the transmission and system operator through an efficient management of technological system services within a tariff period and allocates 80% thereof to users (gain sharing mechanism).

The tariffs for the transmission of electricity and system services are adjusted annually by the total corrections resulting from the previous tariff period's corrections (actual data for 8 months and estimated data for 4 months) and the corrections

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of the second last tariff period (actual data).

**26. RELATED PARTIES***i) Subsidiaries held by the Company*

Entity	Home country	December 31, 2015 % of shares	December 31, 2014 % of shares
SMART SA *)	Romania	70	100
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

The cost of the Company's participations in its subsidiaries is 57,027,900 as at December 31, 2015 and 57,027,900 as at December 31, 2014 as detailed below:

**SC SMART SA**

SC SMART SA, with registered office at B-dul Magheru nr. 33, sector 1, Bucharest, and head office located at the work point in Calea Floreasca nr. 246 C, "Sky Tower" Building, et. 20, sector 1 Bucharest, has as main activities the provision of maintenance services for the transmission – dispatch system. It was set up by Romanian Government Resolution no. 710/ July 19, 2001 on November 1, 2001. The share capital as of December 31, 2014 was in amount of 55,036,300, of which 38,528,600 subscribed and fully paid in by the Company.

By Resolution no. 14/10.12.2014, the Extraordinary General Meeting of Shareholders of SC Smart SA approved the share capital increase by in-kind contribution with the lands for which the certificate attesting to the ownership title was obtained.

On December 30, 2014, the Trade Registry Office attached to the Bucharest Tribunal settled the application to register the share capital increase of SC Smart SA and, consequently, as at December 31, 2015 the shareholding of SC Smart SA was the following:

- CNTEE Transelectrica SA	- shares 3,852,860 - participation in profit and loss: 70.005%
- Romanian State through the General Secretariat of the Government	- shares 1,650,770 - participation in profit and loss: 29.994%

On January 25, 2016, the amendment regarding the change of the shareholding of SC Smart SA was processed at the National Trade Registry Office, namely the mention regarding the administration of State's assets, amendment required by Art. 10 of GEO no. 86/2014, as amended and revised.

\*) Currently, there is a dispute pending whose object is the annulment of Decision of Appointed Person no. 154954/30.12.2014, issued in File no. 449314/23.12.2014, based on which the Trade Registry Office attached to the Bucharest Tribunal registered the increase of the share capital of Subsidiary SC Smart SA by in-kind contribution and amendment of the Constitutive Act according to Decision no. 12375/22.12.2014 of the President of the Board of Directors of the subsidiary and Decision no. 19/22.12.2014 of the Board of Directors. Also, the Company requested the competent court of law to annul the two above-mentioned decisions and suspend the enforcement of the documents, whose annulment is requested until the settlement of the action filed.

The purpose of the share capital increase was to enforce the provisions of the privatization legislation, namely the obligation to increase the share capital by the value of the lands owned by Subsidiary SC Smart SA, for which the Subsidiary had obtained ownership titles, by issuing shares in favor of the Romanian State. The shareholding of Subsidiary SC Smart SA, as it was registered with the Trade Registry based on Decision of Appointed Person no. 154954/30.12.2014 is as follows:

- CNTEE Transelectrica SA	70,005% - 3,852,860 shares;
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## CNTEE Transelectrica S.A.

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- The Romanian State through the Secretariat General of the Government 29,994% - 1,650,770 shares.

CNTEE Transelectrica SA filed an application for injunction (requesting the suspension of the documents whereby the share capital was increased), which forms the object of file no. 13987/3/2015 registered with the Bucharest Tribunal – Civil Section VI.

On 15.06.2015, the Bucharest Tribunal issued Ruling no. 3401/2015, whereby it pronounced as follows: “Rejects as

### **26. RELATED PARTIES (CONTINUED)**

ungrounded the exception of the lack of legal capacity to stand trial of the Romanian State through the Secretariat General of the Government. Rejects as ungrounded the application for legal action filed by plaintiff CN Transelectrica SA against defendants Subsidiary Company for Maintenance of the Electricity Transmission Grid Smart SA, The Romanian State through the Secretariat General of the Government and the National Trade Registry Office attached to the Bucharest Tribunal. Subject to appeal within 5 days from issuance. The application for appeal shall be filed with the Bucharest Tribunal - Civil Section VI, according to Art. 471 paragraph 1 of the Civil Procedure Code. Issued in public session today, June 15, 2015.”

CNTEE Transelectrica SA filed appeal and the file was registered with the Bucharest Court of Appeal – Civil Section VI. The court hearing was scheduled for 19.08.2015. The Bucharest Court of Appeal dismissed the appeal as ungrounded, by decision 1277/21.09.2015, final.

In addition, CNTEE Transelectrica SA filed complaint against the resolution of the Director of the Bucharest Trade Registry Office and the documents issued by Subsidiary SC Smart SA to increase the share capital, which forms the object of File no. 14001/3/2015 registered with the Bucharest Tribunal – Civil Section VI.

In file no. 14001/3/2015, through the session report of 07.09.2015 issued by the Bucharest Tribunal – Civil Section VI, the court ordered the separation of claims 2 and 3 of the application for legal action filed by the Company, and a new file was created, File no. 32675/3/2015, whose court hearing was scheduled for 02.11.2015.

Following Transelectrica’s request to stay the proceedings in File no. 14001/3/2015 regarding the Company’s request to annul Decision of Appointed Person no. 154954/30.12.2014, issued in File no. 449314/23.12.2014, the National Trade Registry Office – Trade Registry Office attached to the Bucharest Tribunal, filed pursuant to Art. 6 paragraph (3) of GEO 116/2009, since the case may only be settled after the settlement of the complaint filed by Transelectrica SA against Resolution no. 19/22.12.2014 of the Board of Directors of Subsidiary Company for Maintenance of the Electricity Transmission Grid Smart SA “Smart” – S.A. and Decision no. 12375/22.12.2014 of the President of the Board of Directors of Subsidiary Company for Maintenance of the Electricity Transmission Grid “Smart” – S.A., the court of law pronounced as follows in the session report of 19.10.2015: “Pursuant to Art. 413 paragraph 1 item 2 of the Civil Procedure Code, orders the staying of the settlement of the application for legal action filed by plaintiff Transelectrica against defendants Subsidiary Company for Maintenance of the Electricity Transmission Grid SMART SA, the Romanian State and the National Trade Registry Office, until the final settlement of the case forming the object of File no. 32675/ 3/ 2015 registered with the Bucharest Tribunal – Civil Section VI. Subject to recourse throughout the entire staying period. The application for recourse shall be filed with the Bucharest Tribunal – Civil Section VI. Issued in public session today, October 19, 2015.”

In file no. 32675/3/2015, through the session report of 07.09.2015, issued by the Bucharest Tribunal – Civil Section VI, the court of law ordered the separation of claims 2 and 3 of the application for legal action filed by the Company (complaint filed by Transelectrica SA against Resolution no. 19/22.12.2014 of the Board of Directors of Subsidiary Company for Maintenance of the Electricity Transmission Grid “Smart” – S.A. and Decision no. 12375/22.12.2014 of the President of the Board of Directors of Subsidiary Company for Maintenance of the Electricity Transmission Grid “Smart” – S.A.). At the court hearing of 02.11.2015 the court ruling remained pending and the court of law postponed it to 16.11.2015.

The Bucharest Tribunal – Civil Section VI issued Civil Sentence no. 6468/16.11.2015, whereby it pronounced as follows: “Admits the exception of inadmissibility. Rejects as inadmissible the application for legal action filed by plaintiff Transelectrica against defendants Subsidiary Company for Maintenance of the Electricity Transmission Grid SMART SA, the Romanian State and the National Trade Registry Office. Subject to appeal within 30 days from communication. The application for appeal shall be submitted to the Bucharest Tribunal Civil Section VI. Issued in public session today, November 16, 2015”.

CNTEE Transelectrica SA filed appeal, which was registered with the Bucharest Court of Appeal. The file is subject to the preliminary procedure and a court hearing has not been scheduled.

## **SC TELETRANS SA**

SC TELETRANS SA, with registered office at B-dul Hristo-Botev nr. 16 – 18, sector 3, Bucharest has as main activities process and management IT maintenance services, telecommunication and IT specific services in the ETG, telephony and data transmission. It was set up as per Resolution no. 3/2002 of the General Meeting of Shareholders. The share capital as of December 31, 2015 was in amount of 6,874,430 subscribed and fully paid in.

## **26. RELATED PARTIES (CONTINUED)**

### **SC ICEMENERG SA**

SC “Filiala Institutul de Cercetări și Modernizări Energetice” – ICEMENERG SA, with registered office at B-dul Energeticienilor nr. 8, sector 3, Bucharest has as main activities research and development in physical and natural sciences, innovation, studies, development strategies, design, city planning, engineering and other technical services. It was set up as per Government Resolution no. 1065/ September 4, 2003. The share capital as of December 31, 2015 subscribed and fully paid in by the Company was in amount of 1,083,450.

\*\*) On April 7, 2014 File no. 121452/03.04.2014 was admitted by the National Trade Registry Office for deregistration of Filiala Institutul de Cercetari si Modernizari Energetice – ICEMENERG SA Bucharest. By Order no. 123/13.03.2014 (registration and authorization of operation), “Institutul National de Cercetare-Dezvoltare pentru Energie Bucuresti” was registered with the Trade Registry (GR no. 925/2010).

The Company filed complaint against the decision of the Director of the Trade Registry Office who ordered the listing of the deregistration of Subsidiary ICEMENERG SA Bucharest from the Trade Registry.

Civil Section VI of the Bucharest Tribunal, by Sentence no. 3569/14.07.2014 issued in File no. 15483/3/2014 the Company v. defendants Filiala Institutul de Cercetari si Modernizari Energetice ICEMENERG S.A. Bucharest and the National Institute for Research and Development for Energy - Icemenerg Bucharest, rejected the Company’s complaint on grounds that GR no. 925/2010 had not been repealed upon the deregistration from the Trade Registry.

On February 24, 2015 the Court of Appeal published the ruling issued in File no. 15483/3/2014, i.e., Decision no. 173/2015 which rejected the appeal of CNTEE Transelectrica SA as ungrounded. The decision is final.

Against Decision no. 173/2015 of the Bucharest Court of Appeal issued in the session of 12.02.2015, the Company filed an appeal for annulment, object of File no. 1088/2/2015 registered with the Bucharest Court of Appeal – Civil Section VI. On 13.05.2015, by Decision no. 777/2015, the Bucharest Court of Appeal rejected the appeal for annulment as ungrounded. The decision is final.

In the meeting of 28.03.2016, EGAS shall subject to approval the decrease of the share capital of CNTEE Transelectrica SA by RON 1,084,610, representing the share capital subscribed and paid in of Subsidiary ICEMENERG SA Bucharest, by reducing the holding of the Romanian State in the share capital of CNTEE Transelectrica SA, in compliance with the provisions of Art. 1 paragraph (7) of GR no. 925/2010.

The Company registered in 2015 an impairment allowance of 1,083,450 for the shares held in Filiala Institutul de Cercetari si Modernizari Energetice – ICEMENERG SA Bucharest, which was deregistered.

### **SC OPCOM SA**

SC OPCOM SA with its registered office at Blvd. Hristo Botev nr.16-18 sector 3, Bucharest, with legal personality, has as its main object of activity the organization, administration and supervision of the energy market and was established by GR no. 627/2000. The share capital as at December 31, 2015 is RON 8,100,000 subscribed and fully paid in.

### **SC FORMENERG SA**

SC FORMENERG SA with its registered office at Blvd. Gh. Sincai nr. 3, sector 4, Bucharest, with legal personality, has as its main object of activity the initial and continuous training of energy personnel in all fields of activity, and of other beneficiaries and was established by Resolution no. 33/2001 of the GMS. The share capital as at December 31, 2015 is RON 1,948,420 subscribed and fully paid in.

### **SC ICEMENERG SERVICE SA**

SC ICEMENERG SERVICE SA with its registered office in Bucharest, Bd. Energeticienilor nr. 8, sector 3 has as its

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object of activity the design, manufacturing, implementation, repair, modernization and marketing of machines, equipment, specialized plant in the country and abroad. GR no. 2294/09.12.2004 approved the transfer of the package of shares held by Filiala "Institutul de Cercetari si Modernizari Energetice – ICEMENERG" - S.A. Bucuresti in Filiala "ICEMENERG-SERVICE" - S.A. Bucharest to the National Power Grid Company "Transelectrica" - S.A. The share capital as at December 31, 2015 is RON 493,000 subscribed and fully paid in.

**26. RELATED PARTIES (continued)***i) Subsidiaries held by the Company (continued)*

As at December 31, 2015 and December 31, 2014 the outstanding balances with subsidiaries are presented below:

Related party	Trade receivables		Trade payables	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
SC SMART SA	329,312	98,550	6,793,767	24,329,991
SC TELETRANS SA	375,248	322,343	7,426,123	8,626,785
SC ICEMENERG SA	-	-	-	-
SC FORMENERG SA	-	-	3,959	1,060
SC OPCOM SA	1,520,332	46,308,835	804,549	46,169,616
SC ICEMENERG SERVICE SA	92,231	92,231	-	-
<b>TOTAL</b>	<b>2,317,123</b>	<b>46,821,959</b>	<b>15,028,398</b>	<b>79,127,452</b>

The transactions with subsidiaries during 2015 and 2014 are detailed below:

Related party	Sales		Purchases	
	2015	2014	2015	2014
SC SMART SA	885,045	758,970	80,879,586	100,137,060
SC TELETRANS SA	6,276,522	2,279,016	33,882,627	41,282,103
SC ICEMENERG SA	-	-	-	694
SC FORMENERG SA	-	-	703,498	743,262
SC OPCOM SA	516,125,188	83,986,417	69,428,748	65,630,822
SC ICEMENERG SERVICE SA	-	-	-	1,580
<b>TOTAL</b>	<b>523,286,755</b>	<b>87,024,403</b>	<b>184,894,459</b>	<b>207,795,521</b>

In 2015, the Company received dividends from the following subsidiaries:

- SC SMART SA – 1,206 (5.807.142 in 2014);
- SC TELETRANS SA – 5,167,611 (6.849.628 in 2014);
- SC OPCOM SA – 1,902,445 (504,224 in 2014);
- SC FORMENERG SA – 0 (61,694 in 2014).

*ii) Transactions with other State-owned companies*

The Company is a majority State-owned company.

The transfer of the 43,020,309 shares representing 58.69% of the Company's shares, from the Romanian State under the administration of the General Secretariat of the Government to the Romanian State under the administration of the Ministry of Economy, Commerce and Tourism was registered by the Central Depository in the Company's Shareholders' Registry of February 20, 2015.

The value of the Company's transaction with State controlled entities or over which the State has significant influence account for an important share of sales and purchases registered in the year ended December 31, 2015.

As described in Note **Error! Reference source not found.** ("Regulatory environment") the Company's activities are regulated by ANRE. As described in Note 3 (b), according to the concession contract, the Company pays an annual royalty computed as 1/1000 of the total electricity transmission revenues.

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During 2015, the Company collected the amount of 7,595,828 from the Ministry of European Funds (see Note 12) for the "Upgrading of 400/110/20 kV Tulcea Vest Substation", amount corresponding to the non-refundable financing contract concluded with the Ministry of Economy, as Intermediary Body for Energy in the name and on behalf of the Managing Authority for the Sectoral Operational Program "Increasing of Economic Competitiveness". As at December 31, 2015, there was a balance of 5,239,033 non-refundable funds to be received based on Application 3 to Funding Contract no. 3T/06.07.2012 (December 31, 2014: nil) (Note 8).

**27. REMUNERATION OF COMPANY'S MANAGEMENT**

Salaries paid to the management consist primarily of base salary, benefits upon termination of employment and post-employment and the variable component for the members of the Management Board and the Supervisory Board. These are detailed as follows:

	<b>2015</b>	<b>2014</b>
Short-term employee benefits	10,076,603	9,501,039
Other long-term benefits	213,191	277,187
Variable component allowance for the members of the Management Board and the Supervisory Board	26,292,781	12,236,048
<b>Total</b>	<b>36,582,575</b>	<b>22,014,274</b>

In 2013, the mandate of 4 years for the members of the Supervisory Board and the Management board was approved. The General Meeting of Shareholders on November 6, 2013 approved the mandate of the members of the Supervisory Board and their variable remuneration level starting with the working day immediately following the date of approval of the Administration Plan of CNTEE Transelectrica SA for the period 2013-2017 prepared by the Supervisory Board, i.e., from 01.10.2013.

OGMS Resolution no. 1 of 23.03.2015 approved under items 3.3 and 3.4 the setting of the general caps of the fixed remuneration granted to the members of the Supervisory Board of CNTEE "Transelectrica" – S.A. and the general caps of the variable component of their remunerations.

As at December 31, 2015 the number of OAVTs granted to the members of Supervisory Board of Transelectrica is as follows:

<b>Package</b>	<b>No. Of OAVTs</b>	<b>Granting date</b>	<b>Due date</b>	<b>Weighted average price for the prior month</b>
Package 1 from 15 November 2013	598,191	15.11.2013	15.11.2016	13,1484 (lei/share)
Package 2 15 November 2014	555,000	15.11.2014	15.11.2017	26,6040 (lei/share)
Package 3 15 November 2015	435,000	15.11.2015	15.11.2018	25,9986 (lei/share)

As at December 31, 2015 the number of OAVTs granted to the members of the Management Board of Transelectrica is as follows:

<b>Package</b>	<b>No. Of OAVTs</b>	<b>Granting date</b>	<b>Due date</b>	<b>Weighted average price for the prior month</b>
Package 1 from 15 May 2014	567,978	15.11.2013 <sup>1</sup>	15.11.2016	13,1484 lei/share
Package 2 15 November 2014	804,000	15.11.2014	15.11.2017	26,6040 lei/share
Package 3 15 November 2015	572,000	15.11.2015	15.11.2015	25,9986 lei/share

<sup>1</sup> As regards the members of the Management Board appointed as of 15.11.2013, the variable component of the remuneration formed of OAVTs was granted to them on the appointment date.



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**27. REMUNERATION OF COMPANY'S MANAGEMENT (continued)**

Details of the valuation model of OAVTs:

	<b>Package 1</b>	<b>Package 2</b>	<b>Package 2</b>
Availability	3 years	3 years	3 years
Way of settlement	1/3 from the package granted every year		
Dividend per share in granting year	2,228 lei/share		
Weighted average price for the prior month	13,1484 lei/share	26,6040 lei/share	25,9986 lei/share
Price per share at the first settlement date	29,48 lei/share		

Thus, as at December 31, 2015, the Company recorded a provision in amount of 26,292,781 for the annual variable component of the remuneration and for the fair value of the virtual shares of the Company as at December 31, 2015.

**28. FINANCIAL INSTRUMENTS***Financial risk management*

The Company is exposed to the following risks that arise from financial instruments: market risk (interest rate risk and currency risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to mitigate potentially adverse effects on the Company's financial performance. Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's profit or loss or the value of its holdings of financial instruments.

The Company does not have formal arrangements to mitigate financial risks. Despite the fact that no formal arrangements are in place, the financial risks are monitored by management considering the financial needs of the Company in order to make sure that the opportunities and threats are matched efficiently.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

*Interest rate risk*

The Company's operating cash flows are affected mainly by changes in interest rates, due to the foreign currency long-term borrowings with variable interest rates contracted from external credit institutions. The Company has significant long-term borrowings with variable interest rates that expose it to significant cash flow risk.

At the reporting date, the financial liabilities with fixed and variables interest rates are as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b>Fixed rate instruments</b>		
Financial liabilities	548,152,934	641,340,376
<b>Variable rate instruments</b>		
Financial liabilities	249,210,855	351,381,486

The cash flow risk determined by the interest rate is the risk of fluctuation over time of the interest and consequently, the expense therewith. The Company has significant long-term borrowings, with variable interest rates, which may expose it to cash flow risk.

*Sensitivity analysis of interest rate*

An increase of 100 basis points in interest rates for the borrowings with variable interest rates at the reporting date would have decreased the gross profit for the period by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	<b>Loss 2015</b>	<b>Loss 2014</b>
RON	(66,000)	(147,328)
EUR	(1,243,988)	(3,396,668)
USD	(182,000)	(139,349)
<b>Total</b>	<b>(2,492,109)</b>	<b>(3,683,346)</b>

A decrease of 100 basis points in interest rates for the borrowings with variable interest rates at the reporting date would have increased the gross profit for the period by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	<b>Profit 2015</b>	<b>Profit 2014</b>
RON	66,000	147,328
EUR	1,243,988	3,396,668
USD	182,000	139,349
<b>Total</b>	<b>2,492,109</b>	<b>3,683,346</b>

**28. FINANCIAL INSTRUMENTS (continued)**
*Sensitivity analysis of interest rate (continued)*

The Company did not conclude any hedging contracts regarding the debts in foreign currencies or the exposure to the interest rate risk.

*Foreign exchange risk*

The Company may be exposed to the changes in the foreign exchange rates through cash and cash equivalents, long-term borrowings and commercial debts denominated in foreign currencies.

The Company's functional currency is RON. The Company is exposed to foreign currency risk on cash and cash equivalents, purchases and borrowings that are denominated in a currency other than the functional currency. The currencies giving rise to this risk are primarily EUR, USD and Japanese Yen (JPY). The long-term loans and other liabilities denominated in foreign currencies are then retranslated at the prevailing exchange rate at each balance sheet date, as communicated by Romanian National Bank. The resulting differences are charged or credited to the profit or loss, but do not affect cash flows until the settlement of the amount.

The Company's exposure to foreign currency risk, expressed in RON, was as follows:

<b>December 31, 2015</b>	<b>Value</b>	<b>RON</b>	<b>EUR</b>	<b>USD</b>	<b>JPY</b>
<b>Monetary assets</b>	974.451.258	944.442.191	29.987.065	11.001	11.001
Cash and cash equivalents	70.085.000	70.085.000	-	-	-
Other financial assets					
Receivables	723.447.541	719.823.590	3.623.951	-	-
<b>Gross exposure</b>	<b>1.767.983.799</b>	<b>1.734.350.781</b>	<b>33.611.016</b>	<b>11.001</b>	<b>11.001</b>
<b>Monetary liabilities</b>					
Suppliers and other liabilities	766.167.704	681.117.769	95.049.935	-	-
Borrowings	801.952.059	206.972.778	567.598.800	18.268.252	9.112.229
<b>Gross exposure</b>	<b>1.578.119.763</b>	<b>888.090.547</b>	<b>662.648.735</b>	<b>18.268.252</b>	<b>9.112.229</b>
<b>Net balance sheet exposure</b>	<b>189.864.036</b>	<b>846.260.234</b>	<b>(629.037.719)</b>	<b>(18.257.251)</b>	<b>(9.101.228)</b>
<b>December 31, 2014</b>	<b>Value</b>	<b>RON</b>	<b>EUR</b>	<b>USD</b>	<b>JPY</b>
<b>Monetary assets</b>					
Cash and cash equivalents	865,237,573	839,886,323	25,074,458	265,243	11,549
Receivables	1,056,178,011	1,054,797,167	1,380,844	-	-
<b>Gross exposure</b>	<b>1,921,415,584</b>	<b>1,894,683,490</b>	<b>26,455,302</b>	<b>265,243</b>	<b>11,549</b>
<b>Monetary liabilities</b>					
Suppliers and other liabilities	967,600,088	892,113,493	75,486,595	-	-
Borrowings	985,906,500	213,200,000	733,862,417	22,663,601	16,180,482
<b>Gross exposure</b>	<b>1,953,506,588</b>	<b>1,105,313,493</b>	<b>809,349,012</b>	<b>22,663,601</b>	<b>16,180,482</b>
<b>Net balance sheet exposure</b>	<b>-</b>	<b>789,369,997</b>	<b>(782,893,710)</b>	<b>(22,398,358)</b>	<b>(16,168,933)</b>

Trade and other receivables, suppliers and other liabilities, except suppliers of non-current assets are denominated only in RON.

**27. FINANCIAL INSTRUMENTS (continued)**

The following significant exchange rates were used:

	Average rate		Reporting date spot rate	
	2015	2014	December 31, 2015	December 31, 2014
RON/ EURO	4.4450	4.4446	4.5245	4.4821
RON/ USD	4.0057	3.3492	4.1477	3.6868
RON/ 100 JPY	3.3107	3.1688	3.4453	3.0866

*Sensitivity analysis of exchange rate risk*

A 10 percent strengthening of the RON against the following currencies at December 31, 2015 and December 31, 2014 would have increased the gross profit by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit 2015	Profit 2014
EUR	62,903,772	78,289,371
USD	1,825,725	2,239,836
JPY	910,123	1,616,893
<b>Total</b>	<b>65,639,620</b>	<b>82,146,100</b>

A 10 percent weakening of the RON against the following currencies at December 31, 2015 and December 31, 2014 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

	Loss 2015	Loss 2014
EUR	(62,903,772)	(78,289,371)
USD	(1,825,725)	(2,239,836)
JPY	(910,123)	(1,616,893)
<b>Total</b>	<b>(65,639,620)</b>	<b>(82,146,100)</b>

*Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This risk arises principally from the Company's receivables from customers and cash and cash equivalents.

The treatment of counterparty risk is based on internal and external success factors of the Company. External factors of success that are systematically reducing the risk are: de-centralization of the energy sector where production, transmission, distribution and supply are distinct activities, and the interface for the customer is the supplier, the trading of energy on the Romanian market on two market segments: regulated market and competitive market. Internal factors of success in the treatment of counterparty risk include the diversification of customer portfolio and diversification of the number of services provided on the electricity market.

Financial assets, which potentially subject the Company to collection risk, consist principally of trade receivables and cash and cash equivalents. The Company applied a series of policies to make sure that the services are rendered to customers that can provide a proper collection, by including in the commercial contracts their obligation to establish financial guarantees. The carrying amount of accounts receivable, net of impairment allowances, represents the maximum amount exposed to collection risk.

The collection risk related to these receivables is limited, as these amounts are primarily due by State-owned companies.

**CNTEE Transelectrica S.A.**

Notes to the Separate Financial Statements as at December 31, 2015

*(all amounts are expressed in lei, unless stated otherwise)***27. FINANCIAL INSTRUMENTS (continued)**

Cash is placed with financial institutions, which are considered to have minimal risk of default. The deposits are held at Banca Comercială Română, BRD – Groupe Societe Generale, Alpha Bank, Raiffeisen Bank and CITI Bank.

The maximum exposure to collection risk at the reporting date was:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b>Financial assets</b>		
Net trade receivables	596.310.217	953,131,452
Other net receivables	127.137.324	97,311,287
Cash and cash equivalents	70.085.000	
Other financial assets	974.451.258	-
	<b>1.767.983.799</b>	<b>1,050,442,739</b>

The age of receivables at the reporting date was:

	<b>Gross value as at December 31, 2015</b>	<b>Provision as at December 31, 2015</b>	<b>Gross value as at December 31, 2014</b>	<b>Provision as at December 31, 2014</b>
Not past due	493.063.746	1.147.819	940,848,178	932,194
Past due 1 – 30 days	6.530.607	113.324	6,130,329	865,495
Past due 31 – 90 days	1.608.587	266.257	5,350,450	1,233,540
Past due 90 – 180 days	11.072.875	10.211.818	4,031,176	548,218
Past due 180 – 270 days	15.399.044	1.421.579	1,589,696	1,422,122
Past due 270 – 365 days	6.880.773	2.383.145	643,151	462,666
More than one year	149.741.082	72.442.556	81,784,920	81,782,214
<b>Total</b>	<b>684.296.715</b>	<b>87.986.497</b>	<b>1,040,377,900</b>	<b>87,246,448</b>

The age of other receivables at the reporting date was:

	<b>Gross value as at December 31, 2015</b>	<b>Provision as at December 31, 2015</b>	<b>Gross value as at December 31, 2014</b>	<b>Provision as at December 31, 2014</b>
Not past due	109.251.224	3.826.053	64,586,855	2,559,868
Past due 1 – 30 days	6.430.436	396.081	2,508,624	-
Past due 31 – 90 days	1.270.335	-	25,575,508	245,411
Past due 90 – 180 days	2.424.895	18.666	2,013,501	393
Past due 180 – 270 days	4.608.277	2.504.276	5,211,452	1,453,055
Past due 270 – 365 days	5.796.415	144.524	5,530,000	5,325,875
More than one year	81.515.502	77.270.160	72,857,586	71,387,637
<b>Total</b>	<b>211.297.084</b>	<b>84.159.760</b>	<b>178,283,526</b>	<b>80,972,239</b>

The Company recorded allowances for trade and other receivables in litigation and for insolvency clients. The biggest amounts recorded during 2015 were for Petprod SA (29,242,364), SC Eco Energy SRL (24,736,066), SC Total Electric Oltenia (14,185,577), Romenergy Industry (9,989,440) and the Romanian Authority for Nuclear Activities (7,976,099) (see Note 8).

The movement in the allowance for doubtful debts in respect of trade receivables during the year is as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b>Balance as at January 1</b>	<b>87,246,448</b>	<b>84,052,040</b>
Recognition of provisions	22,802,474	11,588,740
Provision write-off	(22,062,425)	(8,394,332)
<b>Balance at the end of the year</b>	<b>87,986,497</b>	<b>87,246,448</b>

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Notes to the Separate Financial Statements as at December 31, 2015

*(all amounts are expressed in lei, unless stated otherwise)***27. FINANCIAL INSTRUMENTS (continued)**

The movement in the allowance for doubtful debts in respect of other receivables during the year is as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b>Balance as at January 1</b>	<b>80,972,239</b>	<b>52,556,772</b>
Recognition of provisions	7,059,855	31,421,363
Provision write-off	(3,872,334)	(3,005,896)
<b>Balance at the end of the year</b>	<b>84,159,760</b>	<b>80,972,239</b>

*Liquidity risk*

Liquidity risk is the risk that the Company may encounter difficulties in fulfilling the obligations associated with financial liabilities that are settled in cash or by another financial asset's transfer.

A prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through adequate credit facilities.

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b>Assets</b>		
Monetary assets in RON	1.734.350.781	1,894,683,490
Monetary assets in foreign currency	33.633.018	26,732,094
	<b>1.767.983.799</b>	<b>1,921,415,584</b>
<b>Liabilities</b>		
Monetary liabilities in RON	(888.090.547)	(1,105,313,493)
Monetary liabilities in foreign currency	(690.029.216)	(848,193,095)
	<b>(1.578.119.763)</b>	<b>(1,953,506,588)</b>
<b>Net monetary position in RON</b>		<b>789,369,997</b>
<b>Net monetary position in foreign currency</b>	<b>846.260.234</b>	<b>(821,461,001)</b>
	<b>(656.396.198)</b>	

The Company's policy on liquidity is to maintain sufficient liquid resources to meet the obligations as they fall due.

The followings are the contractual maturities of financial liabilities, including interest payments:

<b>December 31, 2015</b>	<b>Carrying amount</b>	<b>Contractual amount</b>	<b>12 months or less</b>	<b>1 – 2 years</b>	<b>2 – 5 years</b>	<b>&gt; 5 years</b>
<b>Financial liabilities</b>						
Trade and other liabilities	(776.167.704)	(776.167.704)	(759.834.700)	(16.333.004)	-	-
Other tax and social security liabilities	(6.763.363)	(6.763.363)	(6.763.363)	-	-	-
Borrowings	(801.952.059)	(1.604.641.669)	(167.362.306)	(133.886.273)	(384.416.697)	(116.286.783)
<b>Total</b>	<b>(1.584.883.126)</b>	<b>(1.847.572.736)</b>	<b>(933.960.369)</b>	<b>(150.219.277)</b>	<b>(384.416.697)</b>	<b>(116.286.783)</b>
<b>December 31, 2014</b>	<b>Carrying amount</b>	<b>Contractual amount</b>	<b>12 months or less</b>	<b>1 – 2 years</b>	<b>2 – 5 years</b>	<b>&gt; 5 years</b>
<b>Financial liabilities</b>						
Trade and other liabilities	(960,022,201)	(960,022,201)	(960,022,201)	-	-	-
Other tax and social security liabilities	(7,577,887)	(7,577,887)	(7,577,887)	-	-	-
Borrowings	(985,906,500)	(1,327,033,819)	(193,862,871)	(162,638,365)	(491,147,087)	(138,258,177)
<b>Total</b>	<b>(1,953,506,588)</b>	<b>(2,294,633,907)</b>	<b>(1,161,462,959)</b>	<b>(162,638,365)</b>	<b>(491,147,087)</b>	<b>(138,258,177)</b>

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Notes to the Separate Financial Statements as at December 31, 2015

*(all amounts are expressed in lei, unless stated otherwise)***27. FINANCIAL INSTRUMENTS (continued)***Fair value of financial instruments*

The fair value is the amount at which the financial instrument can be exchanged in a current transaction by willing parties in an arm's length transaction, other than determined through liquidation or forced sale. The fair values are obtained from quoted market prices or through cash flows models, as appropriate. As at December 31, 2014 and December 31, 2013, management believes that the fair values of cash and cash equivalents, trade and other receivables, trade payables, loans and other short-term liabilities approximates their carrying value. The carrying amount of the loan is the amortized cost.

<b>December 31, 2015</b>	<b>Carrying amount</b>	<b>Fair value</b>	<b>Level</b>
<b>Financial assets</b>			
Trade receivables	596.310.217	596.310.217	Level 1
Other net receivables	127.137	127.137	Level 1
Cash and cash equivalents	974.451.258	974.451.258	Level 1
Non-refundable funds receivable	70.085.000	70.085.000	Level 1
	<b>1.767.983.799</b>	<b>1.767.983.799</b>	
<b>December 31, 2015</b>	<b>Carrying amount</b>	<b>Fair value</b>	<b>Level</b>
<b>Non-current financial liabilities</b>			
Borrowings, except for bonds	434.589.752	434.589.752	Level 1
Bonds	200.000.000	200.000.000	Level 1
<b>Current financial liabilities</b>			
Trade payables and suppliers of non-current assets	776.167.704	776.167.704	Level 1
Borrowings	167.362.306	167.362.306	Level 2
Liabilities towards employees and other liabilities	6.763.363	6.763.363	Level 1
	<b>950.293.373</b>	<b>950.293.373</b>	
<b>December 31, 2014</b>	<b>Carrying amount</b>	<b>Fair value</b>	<b>Level</b>
<b>Financial assets</b>			
Net trade receivables	1,056,178,011	1,056,178,011	
Cash and cash equivalents	865,237,572	865,237,572	
	<b>1,921,415,583</b>	<b>1,921,415,583</b>	
<b>December 31, 2014</b>	<b>Carrying amount</b>	<b>Fair value</b>	<b>Level</b>
<b>Non-current financial liabilities</b>			
Borrowings, except for bonds	592,043,629	592,043,629	Level 2
Bonds	200,000,000	200,000,000	Level 1
	<b>792,043,629</b>	<b>792,043,629</b>	
<b>Current financial liabilities</b>			
Trade payables and suppliers of non-current assets	945,656,723	945,656,723	
Borrowings	200,678,233	200,678,233	Level 2
Liabilities towards employees and other liabilities	21,943,365	21,943,365	
	<b>1,168,278,321</b>	<b>1,168,278,321</b>	

**CNTEE Transelectrica S.A.**

Notes to the Separate Financial Statements as at December 31, 2015

*(all amounts are expressed in lei, unless stated otherwise)***27. FINANCIAL INSTRUMENTS (continued)***Categories of financial assets*

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b><i>Financial assets</i></b>		
Cash and bank balances	1,044,536,268	865,237,573
Receivables	723,447,541	1,056,178,011
<b><i>Financial liabilities</i></b>		
Amortized cost	1,584,883,126	1,960,321,951

*Personnel risk and the salary scheme*

As at December 31, 2015, the average age of the Company's personnel is quite high. It is likely that in the nearest future, the Company will face a lack of personnel due to natural causes.

The Company could also face the risk that highly qualified employees leave for private companies which may offer salary packages more attractive than those offered by the Company.

The salary policy imposed by the State on companies in which it is the majority shareholder may lead to a major fluctuation within the specialized work force.

*Capital risk management*

The Company's policy is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business.

*Gearing ratio*

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Short and long-term borrowings	801,952,059	992,721,862
Cash and cash equivalents	(974,451,258)	(716,437,573)
Other financial assets		
	<b>(172,499,199)</b>	<b>127,484,290</b>
Equity	3,029,305,722	2,813,106,323
Gearing ratio	-	4.53%

**29. FEES CHARGED BY EACH STATUTORY AUDITOR OR AUDIT FIRM**

The total fees charged by each statutory auditor or audit firm for the statutory audit of the annual financial statements and the total fees charged by each statutory auditor or audit firm for other assurance services, for tax consultancy services and for non-audit services according to Art. 16<sup>1</sup> of MoPFO no. 1286/2012 as subsequently amended and supplemented, related to 2015 are as follows:

- **SC Deloitte Consultanta SRL** - Contract no. C120/03.04.2014 – services to prepare the activity standards, prepare the new organizational structure, align the remuneration scheme to the new organizational structure, assistance in implementing the project results – 324,251.79, to which VAT is added;
- **SC Deloitte Audit SRL** - Contract no. C358/10.09.2014 – services to audit the separate and consolidated financial statements, issuance of the report on the conformity of the Management Board's Report with the separate and consolidated financial statements, audit services regarding the fulfillment of the financial covenants provided in the bond issuance contracts, audit report in compliance with Art. 113 letter G paragraph (6) of Regulation no. 1/2006 issued by the NSC – fees for 2015 – 201,015, to which VAT is added;
- **SC Econsulting SRL** – Contract no. C266/03.12.2015 – services to audit the expenses requested for repayment for project "Upgrading of 400/110/20 kV Tulcea Vest Substation" under the applications for refunding sent to OIE – fees related to 2015 – 5,139, to which VAT is added;



**CNTEE Transelectrica S.A.**

Notes to the Separate Financial Statements as at December 31, 2015

*(all amounts are expressed in lei, unless stated otherwise)*

- **SC Ernst&Young SRL** - Contract no. C372/25.09.2014 – services to conduct a survey on the impact of setting up the two-part tariff system for implementing the electricity transmission service – fees for 2015 – 29,360, to which VAT is added;
- **SC JPA Audit & Consultanta SRL** – Contract no. C3/07.01.2016 – revaluation of tangible assets classified in Group 1 - “Buildings”, registered in the accounting of C.N.T.E.E. “Transelectrica” - S.A. and Subsidiaries S.C. Smart S.A. and S.C. Teletrans S.A. as at December 31, 2015 – fees for 2015 – 64,360, to which VAT is added;
- **SC PKF Finconta SRL** - Contract no. C81/03.03.2014 – tax consultancy services – fees for 2015 – 35,712, to which VAT is added.

**30. RESTATEMENT NOTE****COMPARATIVES**

In 2015, the Company reclassified certain posts in the Statement of Financial Position and Statement of Cash Flows in order to reflect the comparability with the current year’s disclosures.

**Impact on the statement of financial position**

	<b>December 31, 2014</b>	<b>December 31, 2014</b>	<b>December 31, 2014</b>
	Reported in the past	Reclassification	Current year disclosure
Current financial assets	0	148,800,000	148,800,000
Cash and cash equivalent	865,237,573	(148,800,000)	716,437,573
<b>Current assets</b>	<b>1,957,096,102</b>	<b>-</b>	<b>1,957,096,102</b>

**Impact on the statement of cash flows**

	<b>December 31, 2014</b>	<b>December 31, 2014</b>	<b>December 31, 2014</b>
	Reported in the past	Reclassification	Current year disclosure
Cash flows used in investing activities	(161.145.208)	(148.800.000)	(308.945.208)
Other current financial assets	0	(148.800.000)	(148.800.000)

The elements reclassified are represented by term bank deposits with a maturity of more than 90 days which were classified as current financial investments, and in 2014 were included under „Cash and cash equivalents”.

**31. SUBSEQUENT EVENTS**

The accompanying separate financial statements were approved by the management on March 23, 2016 and signed on its behalf by:

**Management Board,**

<b>Ion-Toni</b> <b>TEAU</b> President of Management Board	<b>Constantin</b> <b>VĂDUVA</b> Member of the Management Board	<b>Octavian</b> <b>LOHAN</b> Member of the Management Board	<b>Ion</b> <b>SMEEIANU</b> Member of the Management Board	<b>Catalin Lucian</b> <b>CHIMIREL</b> Member of the Management Board
<b>Maria</b> <b>IONESCU</b> Economic Director		<b>Cristina STOIAN</b> Head of Financial Strategy and Treasury Directorate		<b>Veronica</b> <b>CRISU</b> Head of Accounting Department

**CNTEE Transelectrica S.A.**

Notes to the Separate Financial Statements as at December 31, 2015

*(all amounts are expressed in lei, unless stated otherwise)*

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