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Independent Auditors' Report (free translation¹)

To the shareholders of
Filiala de Distributie a Energiei Electrice Electrica Distributie Transilvania Sud S.A.

Report on the Financial Statements

1 We have audited the accompanying financial statements of Filiala de Distributie a Energiei Electrice Electrica Distributie Transilvania Sud S.A. ("the Company"), which comprise the balance sheet as at 31 December 2015, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, presenting the following:

- Net assets/Total equity: 1,232,309,953 lei
- Profit for the year: 152,568,993 lei

Management's Responsibility for the Financial Statements

2 Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Order of Minister of Public Finance no. 1802/2014 for approval of accounting regulations for the annual individual financial statements and annual consolidated financial statements and related amendments ("OMPF no. 1802/2014"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

- 3 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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 financial statements are free from material misstatement.
- 4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 financial statements.

¹ TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditors' report is provided as a free translation from Romanian which is the official and binding version.

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

Basis for Qualified Opinion

- 6 As described in Note 2.8 a) to the accompanying financial statements, the accounting policy of the Company is to carry tangible fixed assets at revalued amounts. As at 31 December 2014 the Company only performed a revaluation of land and constructions, but not of equipment. The last complete revaluation of tangible fixed assets, including equipment, was performed as at 31 December 2011. According to OMPF no. 1802/2014, when an entity applies the revaluation model, revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. This caused us to qualify our audit report on the financial statements as at and for the year ended 31 December 2014. The Company did not perform a revaluation of tangible fixed assets as at 31 December 2015 either. The effects of this matter on tangible fixed assets and revaluation reserves as at 31 December 2015 and 2014, and on retained earnings as at 31 December 2015, and on depreciation and impairment loss and profit for the years ended 31 December 2015 and 2014 have not been determined.

Qualified Opinion

- 7 In our opinion, except for the effects of the matter described in paragraph 6, the financial statements as at and for the year ended 31 December 2015 give a true and fair view of the financial position of the Company as at 31 December 2015 and of its financial performance and its cash flows for the year then ended, in accordance with OMPF no. 1802/2014.

Other Matters

- 8 The accompanying financial statements are not intended to present the financial position, results of operations, cash flows and a complete set of notes to the financial statements of the Company in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Romania. Accordingly, the accompanying financial statements are not designed for those who are not informed about Romanian legal and statutory requirements, including OMPF no. 1802/2014.
- 9 This independent auditors' 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 auditors' 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 the report on the financial statements and the report on the administrators' report, or for the opinion we have formed.

Report on Administrators' Report

The Administrators are responsible for the preparation and presentation of the Administrators' Report in accordance with OMPF no. 1802/2014, articles 489 – 492 of the accounting regulations regarding annual individual financial statements and annual consolidated financial statements, and for such internal control as Administrators determine is necessary to enable the preparation and presentation of Administrators' Report that is free from material misstatement, whether due to fraud or error.

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The Administrators' Report presented from page 1 to 28 is not part of the financial statements.

Our opinion on the financial statements does not refer to the Administrators' Report.

In connection with our audit of the financial statements as at and for the year ended 31 December 2015, we have read the Administrators' Report attached to the financial statements, and based on this we report that:

- a) in the Administrators' Report we have not identified information which is not in accordance, in all material respects, with the information presented in the accompanying financial statements;
- b) the Administrators' Report identified above include, in all material respects, the information required by OMPF no. 1802/2014, articles 489 – 492 of the accounting regulations regarding annual individual financial statements and annual consolidated financial statements.

In addition, based on our knowledge and understanding of the entity and its environment acquired during our audit of the financial statements as at and for the year ended 31 December 2015, except for the effects on the information included in the Administrators' Report of the matter described in the *Basis for qualified opinion* paragraph 6, we have not identified historical financial information included in the Administrators' Report that contains a material error.

The Administrators' Report include financial forecasts based on assumptions regarding potential future events or future actions of the management, and also includes operational data and information for interim periods. Financial forecasts, operational data, and also information for interim periods during the year are not included within the scope of the audit of the financial statements and, as a result, our report does not refer to such information included in the Administrators' Report.

Refer to the original signed
Romanian version

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For and on behalf of KPMG Audit S.R.L.:

Mikael Olsson

registered with the Chamber of Financial
Auditors of Romania under no 662/2001

KPMG Audit S.R.L.

registered with the Chamber of Financial
Auditors of Romania under no 9/2001

Bucharest, 10 March 2016