



4M MC

Opcom

Annual report

2014



CONTENT

3	Message from CEO
4	General Shareholders Assembly and Board of OPCOM
5	Executive Management Report
11	Markets: Progress and Results
17	Market participants
17	Website and mass-media, main communication channels used by OPCOM
18	Information technology and telecommunication infrastructure
19	National and international cooperation
20	European integration
21	Auditor's report
22	Balance sheet
23	Profit and loss account
24	Cash flow statement

Message from CEO

2014 was the year when our efforts aimed in organizing and administering the centralized markets in the best conditions, by improving quality of services and diversification of portfolio, have shown the benefits: the results of 2014 speak for themselves through continuously growing traded volumes, concentration indices that have diminished their values, prices indicating convergence, all these performances within a framework marked by a continuously growing interest of market participants and by their active involvement in all development processes of the markets that serve their interests.

Among the achievements of the last year I would like to mention: the launching of Intraday Market functioning by rules that allow continuously trading until two hours before the time of delivery, completing the implementation and launching of an OTC type mechanism for electricity trading, expanding trading opportunities of green certificates by introducing bilateral contracts market.

After a period of intense work, on November 19, 2014 was performed the coupling of day ahead markets from Czech Republic, Slovakia, Hungary and Romania, an important goal in a context in which short-term markets, namely the day ahead day and intraday market, become trading horizons where the cross-border capacities are inputs of the trading results algorithm, contributing thereby to the allocation of capacities and to an optimized congestion management.

I would like to emphasize an important project whose development was completed at the end of 2013 with applicability from January 1, 2014: introducing the regulated tariffs with their three components, registration, administration and trading component, for all participants to the administered markets. An approach for the market, the competitiveness of the charged tariffs and quality services provided being highlighted at an ad-hoc comparative analysis.

To these important projects commissioned in 2014, the efforts of implementing at the operational procedures level and in terms of information system has joined, as well as at the contractual framework related to each type of trading mechanism, at the regulations established by the Competent Authority whose implementation entered into force in the first months of 2015: the implementation of new trading mechanisms based on regulations issued by the Competent Authority (Order 78/2014) on ways of concluding electricity bilateral contracts – extended auction mechanism (CMBC-EA), continuous negotiation mechanism (CMBC-CN) and fuel processing mechanism (CMBC-FP); implementation of centralized market for universal service (CMUS) based on regulations issued by the Competent Authority (Order 65/2014), a mechanism that allows a transparent and competitive electricity purchasing on the wholesale market by last resort suppliers to cover the electricity consumption billed at CPC tariff (competitive market component) to final customers served under universal service regime.

For 2015 and subsequent years we maintain the same major objectives: to answer by quality of daily provided services for the market needs, and our projects to benefit of your partnership and support, market participants and all the other stakeholders, to be developed, implemented and commissioned successfully. Here I have in mind immediate challenges, to align the common principles of energy markets integration into an environment characterized by transparency and integrity of wholesale energy market: REMIT project, both in terms of reporting orders to trade and transactions to ACER, as well as in terms of monitoring them both nationally, along with ANRE and at European level in cooperation with the Agency, projects of electricity market coupling for day ahead and intraday markets according to the Regulation (EU) no. 1222/2015.

I appreciate that we registered significant progress in 2014 that makes us look optimistically to 2015 and the years to come. On behalf of my colleagues from the Directors Committee I wish to thank our staff for the ongoing efforts, and to our market participants and other stakeholders for their continuing support.

Victor Ionescu, OPCOM

General Shareholders Assembly

Dumitru Barascu	MEIMMMA
Aurelia Stefanescu - Coculeana	MEIMMMA
Simona Mariana Tudor	MEIMMMA

The company Operatorul Pietei de Energie Electrica si de Gaze Naturale "OPCOM" SA was set up according to Government Decision no. 627 / 13.07.2000 – „Decision on the reorganization of the National Electricity Company CONEL”, published in the Official Journal of Romania no. 357 / 31.07.2000, as a subsidiary of CNTEE Transelectrica as legal entity.

The share capital of OPCOM is amounting 3,547,850 lei and is 100% owned by CNTEE Transelectrica SA as single shareholder. OPCOM was registered at the Trade Register under the no. J40/7542/15.08.2000, and owns the tax registration certificate – tax code RO13278352.

The company's headquarter is located in Bucharest, 16-18 Hristo Botev Blvd, 3rd district.

The responsibilities derive from its role as organizer and administrator of the centralized electricity markets and settlement operator in the wholesale electricity market, according to in force ANRE regulations and License Conditions no. 407 - revision 2/2013 as well as from its role as organizer and administrator of the centralized natural gas markets according to in force ANRE regulations and License Conditions no. 1798/2013.

Board of OPCOM

Anca Ioana Dobrica	MEIMMMA
Cristiana Chiriac	MEIMMMA
Nechita Stefanov	MEIMMMA
Silvia Bianca Nita/Elena Popescu	MEIMMMA
Victor Ionescu	OPCOM

Just a few elements of OPCOM's activity are named below:

- spot trading of the electricity in the day-ahead market (DAM) and intraday market (IDM);
- the launch of market coupling operation within the 4M MC project on 19.11.2014, respectively the entry into force of ANRE Order no. 82 / 03.09.2014 on 11.11.2014;
- term contracting through the centralized market for electricity bilateral contracts (CMBC and CMBC-CN);
- term contracting through the centralized market for bilateral contracts for electricity with double continuous negotiation (CM-OTC);
- electricity contracting for the last resort suppliers in order to cover the consumption billed at CPC tariff to final customers served under universal service regime through centralised market for universal service (CMUS);
- term contracting through the centralized market for natural gas (CMNG);
- environmental certificates trading on the centralized market for green certificates, the centralized market for bilateral contracts of green certificates as well as on the trading platform for greenhouse gases emission certificates;
- settlement of the transactions concluded on Day-Ahead Market and Intraday Market;
- setting the collection rights/payment obligations for transactions established on Centralized Green Certificates Market;
- settlement of the electricity transactions concluded on the Balancing Market organized by CNTEE Transelectrica SA and the Imbalances of the Balancing Responsible Parties;
- administrated markets surveillance and results reporting to ANRE;
- providing relevant information to market participants, mass-media and general public.

Executive Management Report

The Romanian Gas and Electricity Market Operator "OPCOM" S.A. was founded with the mission to support the liberalization process of the electricity market, being the main tool for the implementation and consolidation of a competitive electricity market by providing the framework for transparent transactions between licensed participants.

The activity of OPCOM is focused on the organization and administration services for the centralized electricity markets and on the settlement services according to the responsibilities set out by the ANRE through provisions of in force regulations, Licenses Conditions granted by the relevant authority.

OPCOM has the role of the electricity market operator, organizer and administrator of the green certificates market, natural gas market operator according to primary and secondary legislation in force and according to licenses granted by ANRE. OPCOM has the role of organizer and administrator of the trading platform for greenhouse gases emission certificates according to the framework established by the Minister of Economy, Trade and Tourism in accordance with the enforcement of legislation by the Financial Supervision Authority.

OPCOM offers an organized regulatory framework in force, viable and efficient for performing commercial trades on administrated market under conditions of consistency, correctness, objectivity, independence, impartiality, transparency and non-discrimination.

In order to provide these services, OPCOM's activity of organizing and operating the centralized markets is based on the financial and administrative activities, information technology and telecommunications, development, international cooperation and public relations. The compliance of the centralized market operation with the secondary legislation, the markets' performance and the participants' behaviour are overseen by a specialized department that performs continuous activities related to monitoring and reporting. The compliance of the employees' activity with the provisions of the internal rules and procedures is the attention area of the quality assurance activity.

LEGAL, REGULATORY, INTERNAL ADMINISTRATIVE AND BUSINESS FRAMEWORK

OPCOM runs its activity in accordance with the provisions of the Electricity and Natural Gas Law no. 123/2012 with subsequent amendments (2014), Law no. 220/2008 on the system for promoting energy production from renewable energy sources (with subsequent amendments), License no. 407 and the related license conditions - revision 1/2005, respectively 2/2013 for the administration activity of the centralized electricity markets, License no. 1798/2013 and the license conditions related to the administration activity of the centralized gas markets granted by the Regulatory Authority for Energy (ANRE) and with the provisions of the secondary legislation issued and approved by the relevant authority, the regulations approved by MECMA, the Rules governing the functioning and organisation of OPCOM and the internal rules and procedures.

In accordance with legal framework, the activities of OPCOM are fully regulated, OPCOM's revenues being provided under a regulated tariff established for the organization and administration services for the centralized electricity markets and settlement services in the wholesale electricity market, according to the responsibilities set out by in force ANRE regulations and License Conditions granted by the relevant authority.

The tariffs that apply to the services provided by OPCOM are established by ordinances of Regulatory Authority for Energy. For the period 2010-2012, the tariff approved for the services provided to the participants on the administrated markets was maintained constant, the authority considering the high level of profit should be recalibrated for all regulated activities. In September 2013, applicable since January 1, 2014, the provisions of ANRE Order no. 67 regarding the approval of the Methodology for determining the regulated tariff applied by the electricity market operator entered into force. Afterwards by Order no. 88/ December 2013, modified by Order no. 7 /February 2014, ANRE approved the regulated tariff applied by the electricity market operator with its three components: registration component at the centralized markets, administration component of centralized markets and trading component. By ANRE Order no. 52/26.06.2014 the tariff was resized, respectively the trading component on the regulated electricity markets where OPCOM is counterparty, beginning with July 1, 2014, from 0.40 lei/MWh to 0.15 lei/MWh.

OPCOM's economic and financial activity for 2014 was deployed in accordance with the applicable legal regulations in force, based on the indicators established in the Income and Expenditure Budget proposed and approved and in compliance with the Collective Labor Agreement of OPCOM and with the protocols concluded with the social partner, being in line with the Development Guidelines for the period 2014-2017 and items regarding the estimation of the main needed investment/upgrades.

QUALITY MANAGEMENT SYSTEM

OPCOM implemented as early as 2003 a quality management system (QMS), certified by the British company Lloyds Register Quality Assurance (LRQA) according to the ISO 9001 standard. During the 11 years of implementation, OPCOM's QMS has been subjected to three recertification auditings, in July 2006, July 2009 and July 2012, the last two recertifications being performed by LRQA according to ISO 9001:2008 standard.

The audits performed in 2014 on OPCOM's QMS, both the external (surveillance audit by LRQA from 24.07 - 26.07.2014 as well as internal audits (planned audits from 18.06 - 27.06.2014 and 15.12 - 19.12.2014), once again highlighted the concern and commitment of the management to maintain and improve the Quality Management System of OPCOM. After those three audits from 2014 mentioned above, has not been initiated any non-conformity report / remark and has not been requested any solution to solve the problem or any corrective action.

IT SYSTEM ADMINISTRATION

Having as the main tasks the safely administering of the information technology and telecommunication systems of the company, the implementation of security policies for the information infrastructure and the telecommunication system, as well as the developing of the OPCOM's information and telecommunication network, the IT&C Division has permanently pursued, through its activity, ensuring of the operation conformity of the OPCOM's information and telecommunication systems in accordance to primary and secondary legislation from the energy sector.

The development activity throughout the year 2014 was oriented towards upgrading existing information systems, to allow them to reach a higher degree of performance and flexibility to respond more efficiently to the challenges of the energy market development in Romania, in conditions of increased safety.

2014 presented a very complex and major importance series of new challenges in the development of the company's activity, respectively: setting the 24/24 work programme for Intraday Market operation starting with January 14, 2014; launching the CM-OTC; actions for launching CMBC-EA and CMBC-FP starting with 01.01.2015; actions for launching CMUS in the first quarter of 2015; REMIT project; upgrading and harmonizing the DAM trading system for coupling operation; day ahead market coupling from Romania, Hungary, Slovak Republic and the Czech Republic (4M MC) starting with November 19, 2014.

ADMINISTERED MARKETS OPERATION SURVEILLANCE

The market surveillance has continued its activity by monitoring the operation of the market, as well as the behaviour of the market participants according to the regulations, providing to the regulatory authority the information required in its own activities. The daily, weekly and monthly reports, the administered electricity markets diagnosis documents presented the data regarding the performance and the concentration, the information regarding the behaviour of the participants in these markets and the special situations recorded in the market operation.

The periodic press releases, as well as the press releases occasioned by the market events were initiated.

OPCOM continued the monitoring activity of the implementation process of the Regulation (EU) No. 1227/2011 of The European Parliament and of The Council of 25 October 2011 on wholesale energy market integrity and transparency, entered into force on December 28, 2011 that establishes rules prohibiting abusive practices affecting the wholesale energy markets, promoting real and fair competition in these markets for end users benefit.

PERFORMANCES OF THE ADMINISTERED MARKETS

The short term markets – Day-Ahead Market (DAM) and Intraday Market (IDM)

The Day Ahead Market (DAM)

This year DAM has also answered to the opportunities and needs for balancing the participants obligations one day before the delivery day, in a context characterized by maintaining the consumption at 2013 similar level and by an increased generation of electricity compared to the earlier year. In the last month of 2014 an absolute record number of 171 participants were active on DAM platform, contributing to establish an absolute record related to the monthly average trading of 2,987 MWh/h and to enhance the yearly average of the hourly traded volume, positioned for the first time above the 2,000 MWh/h threshold.

Annual historical data indicates an increasing of the traded volume for this time horizon from 1.7 TWh in 2005 to 21.5 TWh in 2014, respectively in hourly average values from 388.927 MWh/h in 2005 to 2,453.632 MWh/h in 2014, as percentage of the country domestic electricity consumption – this last value representing 41.31%.

Compared to 2013, the 21.5 TWh quantity traded on DAM has increased with 5.2 TWh (31.51%).

At the level of the overall 2014 year, the participants number that have been submitted at least one offer was 221 representing a rate for interest that exceeds 91.32% if compared with the 242 companies registered at the market at the end of December 2014. All 221 participants concluded transactions, the hourly volumes varying in a range between 1,248 MWh/h and 4,112 MWh/h, this last value for the first time higher than the threshold of 4,000 MWh/h, being an absolute maximum for the 2005-2014 time horizon. Set in all intervals without exception, the hourly trades reached 2,000 MWh/h in 83% of the cases, while the trades' volume was lower than 1,500 MWh/h (equivalent of 25% from the yearly hourly average consumption) in only 52 of the 8,761 hourly intervals in which there were tradings in 2014.

The moving to the DAM operating by price market coupling mechanism was done smoothly, the performance of this market was not influenced by the implementation of DAM new trading rules of the offering and trading process launched on November 19, 2014. Since operating in coupled-mode, the prices on the four DAMs (Czech Republic, Slovakia, Hungary si Romania) were equal in proportion of 28% representing a number of 283 hour intervals from those of 1,008 in which the market was operating coupled in 2014.

The yearly weighted average price established on DAM was of 158.93 Lei/MWh (35.76 EUR/MWh), while the yearly arithmetic average trading price was 154.00 Lei/MWh (34.66 EUR/MWh) in 2014, decreasing compared to the corresponding value of the year 2013, of 156.20 Lei/MWh (35.34 EUR/MWh). The same decreasing trend compared with the previous year was observed in Europe in almost all electricity spot trading environments, being to be remarked this year also a more reduced dispersion of the yearly average prices set by exchanges compared with the European average of 40 EUR/MWh, the recorded price on OPCOM, through the value set in the administered spot market, being with 13.35% less than the European average.

On the DAMs that are operating coupled with DAM administrated by OPCOM since November 2014, the 2014 annual prices were 40.48 EUR/MWh (HUPX), 33.65 EUR/MWh (OKTE) and 32.97 EUR/MWh (OTE).

The Intraday Market

In January 2014 OPCOM has successfully launched the Intraday Market on which the electricity transactions are established through a continuous correlation up to two hours before the delivering time. At the end of 2014, the number of the Intraday Market participants registers only 97 from a potential of at least 250 participants, of which only 54, respectively 55.67% were active on this market that is designed to facilitate for the market trading the intradaily variations between the available capacity and the delivery obligations, thus contributing to a better management of the potential imbalances and to maintaining a balance of generation and consumption.

The traded volume in 2014 (63,811.966 MWh with a weighted average price of 162.63 lei/MWh meaning 36.64 EUR/MWh) but remains low compared to the expected indicator, given that in 2014 the participation of renewable sources in the mix of generation increased from 2013 with over 10%.

It is expected that the potential users' process of becoming mature to bring about in the future the usage of this final commercial market that allows the adjustment very close to the real time, making thus easy to avoid imbalances and penalties payment for deviations from the operating program. The last but not the least new regulating measures should highlight and assert the ultimately commercial character of this market, the increasing number of users that assert the safety operation of the national grid and the decreasing expense for system balancing, both being for the benefit of the final customer.

The Term Markets - The Centralized Market for Bilateral Contracts for electricity: Public Auctions Mechanisms (CMBC), with continuous negotiation (CMBC-CN), and with double continuous negotiation (CM-OTC)

The Centralized Market for Bilateral Contracts for electricity: Public Auctions Mechanisms CMBC

All those 458 participants that expressed interest on using the product within their own contracting strategies in 2014, representing 78% of the 588 companies registered on the market at the end of December 2014, traded at least one of the 1,572 awarded offers respectively a total volume of 37.3 TWh compared to 32.8 TWh in the previous year, result that indicates a growing interest for electricity term trading.

The analysis shows that through the concluded trades, 2014 assures deliveries for the following year of 23.9 TWh, volume representing a share of around 46.25% from consumption. Comparatively, at the end of 2013 an electricity quantity of 20.9 TWh was contracted for delivery in the following year, the difference up to 33.6 TWh delivered in 2014 being from trades on CMBC with delivery in the same 2014 year. The weighted average price for the electricity traded in CMBC in 2014, was of 169.32 Lei/MWh (37.77 EUR/MWh) for delivery in 2015, respectively 148.68 lei/MWh (33.16 EUR/MWh) for delivery in 2016.

The deliveries contracted for 2014 represented a share of 64.98% from consumption, the related weighted average price being 176.58 Lei/MWh (39.73 EUR/MWh).

The Centralized Market for Bilateral Contracts for electricity - continuous negotiation mechanism CMBC-CN

The continuous trading mechanism attracted an increasing number of participants, initiators and respondents, a number of 47 participants manifesting interest for this trading mechanism from those 588 companies registered on the market at the end of December 2014, in this 2014 year being awarded a record number of 5,994 standard contracts for delivery terms of one week, one month, one quarter and one year profiled for base-load, and for peak and off-peak hours respectively a record volume of 4,075,245 MWh.

The deliveries contracted for 2014 totalled 1,612,246 MWh, respectively a share of 3.12% from consumption, the related weighted average price being of 168.67 Lei/MWh (37.97 EUR/MWh).

The deliveries contracted for 2015 totalled an absolute record value of 2,837,377 MWh, respectively a share of 5.49% from consumption, the related weighted average price being of 174.52 lei/MWh (39.35 EUR/MWh), this result that compared with the price established by CMBC mechanism – 169.32 lei/MWh (37.77 EUR/MWh) – reflects the coherence of the price signal in these two term markets.

The Centralized Market for Bilateral Contracts for electricity with double continuous negotiation mechanism CM-OTC

Starting with May 2014, when the first transaction was completed on the Centralized Market for Electricity Bilateral Contracts with double continuous negotiation and up to the end of 2014, the 34 active participants on CM-OTC representing 63% of the total of 54 participants registered on this market by the end of December 2014, have traded an electricity volume of 6,223,970 MWh at a related weighted average price of 171.18 lei/MWh (38.64 EUR/MWh).

The deliveries contracted for 2014 totalled 1,351,035 MWh, respectively a share of 2.61% from 2014 consumption, the related weighted average price being of 173.47 Lei/MWh (39.26 EUR/MWh).

For 2015 the contracted deliveries total 4,872,935 MWh, respectively a quota of 9.43% of consumption, the related weighted average price being of 170.54 lei/MWh (38.47 EUR/MWh), this result also compared with the prices established on CMBC (169.32 lei/MWh) si CMBC-CN (174.52 lei/MWh) for the same delivery year reconfirms the coherence of the price signal for medium and long time electricity selling.

The Certificates Markets - The Centralized Market for Green Certificates (CMGC), The Centralized Market for Bilateral Contracts of Green Certificates (CMBCGC) and The Trading Platform for greenhouse gases Emission Certificates (TPEC)

The Centralized Market for Green Certificates

In 2014, from 728 companies registered on the Centralized Market for Green Certificates at the end of December 2014, a number of 519 have been active participants and they have centralized traded 2,675,174 green certificates at a weighted average price of 161.60 lei/green certificate (36.07 EUR/green certificate, calculated at the exchange rate used for establishing the traded values of green certificates on the green certificates market for 2013 and 2014).

The Centralized Market for Bilateral Contracts of Green Certificates

Beginning with February 2014 when the first centralized transaction was completed on the Centralized Market for Bilateral Contracts of Green Certificates, and up to the end of 2014 a number of 21,805,810 green certificates have been traded by 467 active participants on CMBCGC from 728 registered on the green certificates market at the end of December 2014, at a weighted average price of 134.21 lei/green certificate (30.06 EUR/green certificate calculated at the exchange rate used for establishing the traded values of green certificates on the green certificates market for 2013 and 2014).

The transactions completed in 2014, cumulated on the two markets, summarize a number of 24,480,984 certificates, representing the obligations assumed by the contract partners for deadlines reaching up to 15 years depending on contractual terms.

11,693,080 green certificates have been issued for the electricity generated from January up to November 2014.

The Trading Platform for greenhouse gases Emission Certificates

From the total of 12 companies registered at the end of 2014 on the Trading Platform for greenhouse gases Emission Certificates, none of them was active, so that transactions with greenhouse gases emission certificates were not completed on the Platform in 2014.

Markets for Natural Gas - Centralized Market for Natural Gas where contracts are assigned by a auctions and negotiation combined process (CMNG-AN)

Centralized Market for Natural Gas

At the end of 2014 the participants' number registered on this market was 15, out of which 5 manifested interest for being active participants on this market. The trading sessions ended without assigned contracts, but there is expected for 2015 that by the coherency of the adopted regulatory measures, the transparent trading process on the centralized market for natural gas to be supported in a concrete manner.

The Settlement

On the Day-Ahead Market, the electricity traded value totalled 3,416.4 mill. lei (768.6 mill. Euro), the payments made in two banking days reached 3,224.7 mill. lei (725.5 mill. Euro), the difference of 191.7 mill. lei (43.1 mill. Euro) representing the payment obligations value of DAM participants to OPCOM that have been offset either by issuing orders of compensation, either by issuing payment orders.

On the Intraday Market, the electricity traded value totalled 10.4 mill. lei (2.3 mill. Euro), the payments made in two banking days reached 9.6 mill. lei (2.2 mill. Euro), the difference of 0.8 mill. lei (0.1 mill. Euro) representing the payment obligations value of IDM participants to OPCOM that have been offset either by issuing orders of compensation, either by issuing payment orders.

Besides the accomplishment of the responsibilities deriving from the counterparty role assumed by OPCOM in the electricity spot trading process, the settlement activity supposed, in 2014 also, the fulfilment of the responsibilities derived from the process of setting the volumes, respectively the collection rights/payment obligations for:

- The trades on the Centralized Market for Green Certificates, in amount of 432.32 mill. Lei (96.50 mill. EUR), corresponding to the Green Certificates traded in 2014;
- The trades on the Balancing Market administered by C.N.T.E.E. Transelectrica S.A., in amount of 686.9 mill. Lei, corresponding to the upward balancing energy and, respectively 54.7 mill. Lei for downward balancing energy;
- The imbalances of the Balance Responsible Parties, amounting 44.1 mill. Lei corresponding to the positive imbalances and respectively 664.9 mill. Lei corresponding to the negative imbalances, as well as the settlement for notification imbalances of the Dispatchable Units, in amount of 0.26 mill. Lei.

The values of the residual costs/revenues derived from the system balancing were also determined and reallocated, amounts that totalled supplementary costs of 21.6 mill. Lei, respectively supplementary revenues of 10.9 mill. Lei.

ACTIVITIES FOR DEVELOPMENT OF PRODUCTS AND SERVICES OFFERED TOWARDS THE MARKET PARTICIPANTS

The performance of power and certificates markets operation administrated by OPCOM must be seen in the context of the major changes that have marked the markets' structure and administration in 2014. We present forward the chronological retrospective of the implemented projects:

- The Intraday Market: launched in July 2011, in a first implementation phase as a mechanism by which transactions were established immediately after the closing of the Day-Ahead Market in a single session of portfolios adjustment, the Intraday Market was developed to allow the energy trading through a continuous correlation up to two hours before delivery. This major change operated in January 2014 stays in line with European implementations in the context of the need to integrate in the power systems the increasing volumes of electricity from renewable sources by maintaining their operational safety;
- The Bilateral Contracts Market of Green Certificates: starting with 01.16.2014, the producers from renewable sources and the economic operators with green certificates purchase obligations had available this new mechanism of trading the green certificates in a transparent, centralized and undiscriminating way;
- The Centralized Market with double continuous negotiation for Electricity Bilateral Contracts: launched for commercial operation in 03.03.2014, CM-OTC offered for the trading participants the opportunity to trade by continuous double negotiation a number of 21 standard products for base load, peak load or off-peak load

electricity delivery for one day, one weekend, one week, one month, one quarter, one half year and one year delivery periods. The trades established on this market are nowadays exclusively concluded based on the standard EFET contract by considering the eligibility of counterparties;

- Day-Ahead Market by respecting price market coupling mechanism: launched as an operating mechanism coupled with the Day-Ahead Markets from Czech Republic, Slovakia and Hungary since November 2014, DAM administrated by OPCOM enables participants to obtain benefits associated with the European strategic objective that of efficiency increasing by the opportunity of simultaneously trading both the cross-border capacity and the electricity, liquidity growth with beneficial effects on price in the sense of mitigating its volatility, reducing concentration on an extended market where the trading opportunities are growing, the more efficiency using of cross-border capacities;
- Last but not least, the retrospect includes an important project whose development was completed at the end of 2013, allowing for OPCOM to implement the regulated tariffs starting with January 1, 2014 – an administration component of centralized markets and a component of completing trades on centralized markets, for participants registered on the administrated markets.

These important projects launched in 2014 are joined by the implementation efforts, at the level of operational procedures and in terms of IT as well as at the level of contractual framework of each trading way, of the regulations established by the Regulatory Authority that was giving effect with the first day of 2015 or that are going to give effect during the first quarter of this year:

- Implementation of new trading mechanisms based on regulations established by the Regulatory Authority (Order 78/2014) regarding the ways of concluding electricity bilateral contracts by extended auction (CMBC-EA), continuous negotiation (CMBC-CN) and by processing contracts (CMBC-FP);
- Implementation of Centralized Market for Universal Service (CMUS) based on regulations established by the Regulatory Authority (Order 65/2014), mechanism that is going to allow on the wholesale market the transparent and concurential electricity purchasing for last resort suppliers in order to cover consumption charged at CPC tariff (competitive market component) of final customers served in universal service regime.

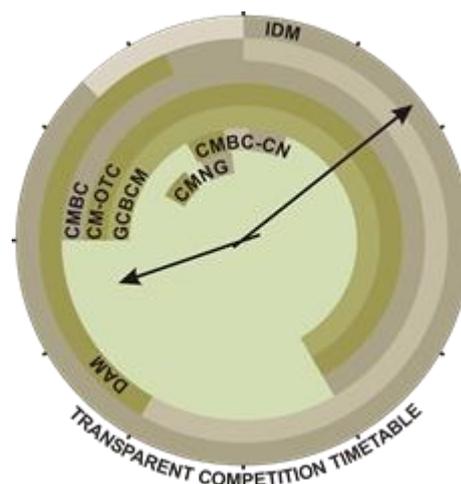
Markets: Progress and Results

Designed to administer the wholesale electricity market in accordance to the primary and secondary legislation in force, the market operator continued the pursuing as always efficiently assuming its role in every aspects, starting from facilitating trading on different time horizons through liquid exchange products in order to efficiently adjust portfolios, establishing a solid reference price and price signals for term electricity trading, assuming the role of counterparty and ensuring the integrity and transparency of the administered markets.

The credibility and consistency of the reference price and of the price signals for different horizons of future delivery are even more sustained as the liquidity exceeds the relevant thresholds generally accepted and the number of participants in transactions is higher.

The functional products for year 2014, all of them being trading instruments based on market mechanisms, were:

- centralized market for electricity bilateral contracts with both trading mechanisms, public auctions, respectively continuous negotiation;
- day ahead market;
- intraday market, where the electricity transactions are established through a continuous correlation up to two hours before the delivering time was successfully launched in January 2014;
- centralized green certificates market, centralized market for bilateral contracts of green certificates, which recorded its first transaction in February 2014, and trading platform for greenhouse gases emission certificates;
- centralised market for natural gas where contracts are concluded using a combined mechanism - auctions and negotiation.



Day Ahead Market	2014	2013	2012
Trades			
Total volume [MWh]	21,496,271	16,345,887	10,718,236
Avg. volume [MWh/h]	2,454	1,866	1,220
Market share [%]	41.31	31.27	19.88
Value [Euro]	768,746,968	609,930,037	538,421,206
Intraday Market	2014	2013	2012
Trades			
Total volume [MWh]	63,812	14,152	7,425
Avg. volume [MWh/h]	7	2	1
Market share [%]	0.12	0.03	0.01
Value [Euro]	2,338,063	614,703	524,309
Centralized Market with double continuous negotiation for Electricity Bilateral Contracts	2014	2013	2012
Traded contracts			
Number	1,224		
Volume [MWh]	6,223,970		
Value [Euro]	240,504,566		
Deliveries			
Volume [MWh]	1,351,035		
Value [Euro]	53,042,150		
Market share [%]	3.96		
Market for Bilateral Contracts attributed through public auctions	2014	2013	2012
Traded contracts			
Number	1,572	866	254
Volume [MWh]	37,317,677	32,807,210	14,252,684
Value [Euro]	1,417,083,493	1,353,757,824	729,805,608
Deliveries			
Volume [MWh]	33,589,464	21,688,671	7,872,825
Value [Euro]	1,334,593,544	1,026,974,497	384,714,527
Market share [%]	64.98	41.50	14.60
Centralized Market for Bilateral Contracts with Continuous Negotiation	2014	2013	2012
Traded contracts			
Number	5,994	764	1,477
Volume [MWh]	4,075,245	625,113	237,119
Value [Euro]	158,643,678	24,220,584	11,540,759

The volumes contracted for delivery in 2014 on the markets administered by OPCOM, totalled an electricity quantity of over 58 TWh, result that represents the expression of centralized and transparent electricity trading in Romania with beneficial effects on the market and on the indicators that characterize its operation: traded volumes, active participation, concentrating degree and the level of wholesale electricity prices.

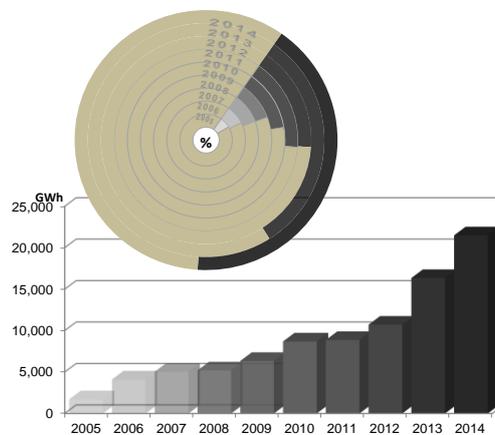
Additional to the electricity trades, over 24 million Green Certificates were centralized contracted in 2014 on the platform administered by OPCOM.

Day Ahead Market

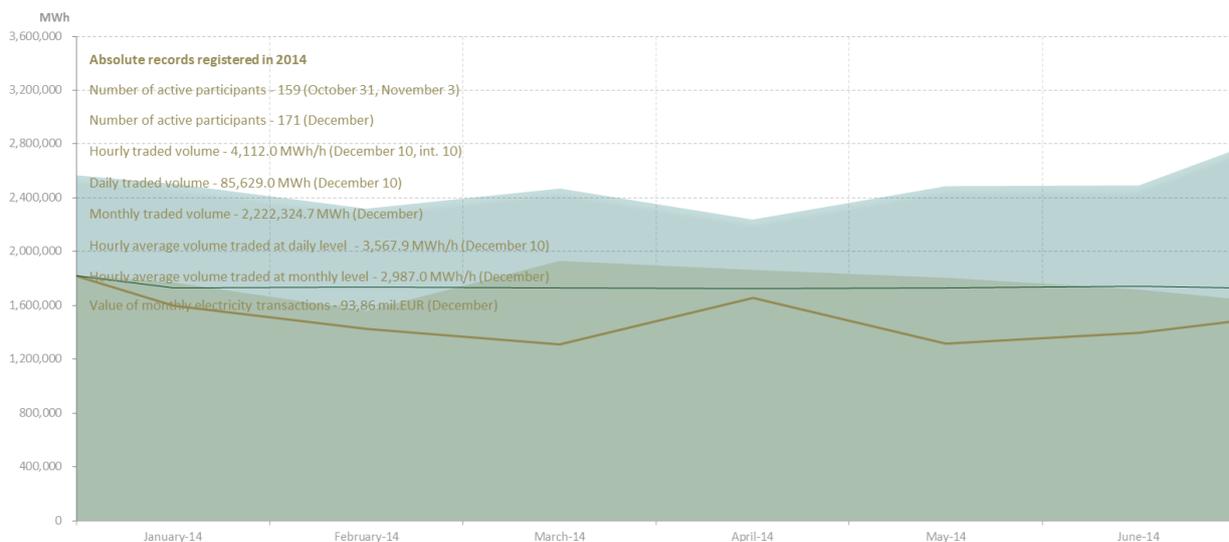
Commercially launched on June 30, 2005, DAM offers to the wholesale electricity market participants the possibility to balance their portfolio (with delivery obligations) with a day before the delivery day as well as exploiting the opportunities appeared on the market close to the time of delivery. Participation to this market is allowed to all license holders registered as market participants on the DAM (electricity generators, suppliers and network operators).

The activity in this market takes place in every calendaristic day and provides the framework required for setting firm transactions for hourly delivery of the electricity on each of the 24 hourly intervals of the following day. The trading mechanism is based on closed auction. Beginning with the year 2008, OPCOM acts as counterparty on electricity transactions set on DAM, this mechanism being ment to ensure not only liquid trading but also secure trading.

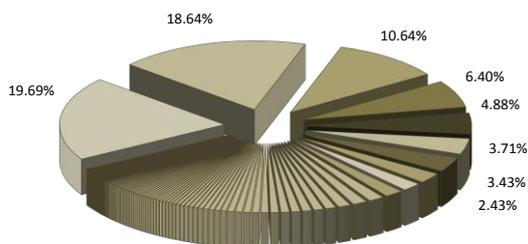
On November 19, 2014 was launched the coupled operation with the Day-Ahead Markets from Romania, Hungary, Slovakia and Czech Republic.



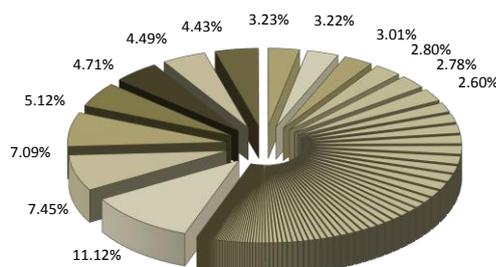
DAM volumes and shares (% from Romanian consumption). 2005-2014.



Evolution of price and volumes for spot (DAM) and forward (CMBC) trades. Significant values 2014.



Sell DAM market shares. 2014
HHI= 967



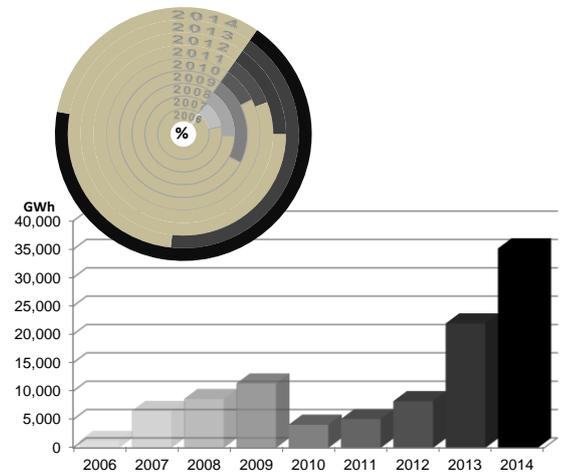
Buy DAM market shares. 2014
HHI= 409

Bilateral Contracts Markets

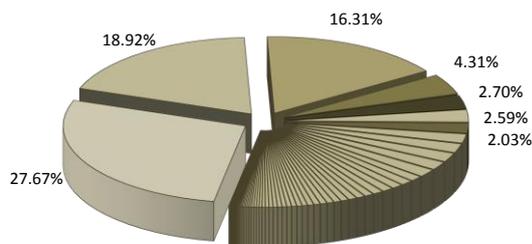
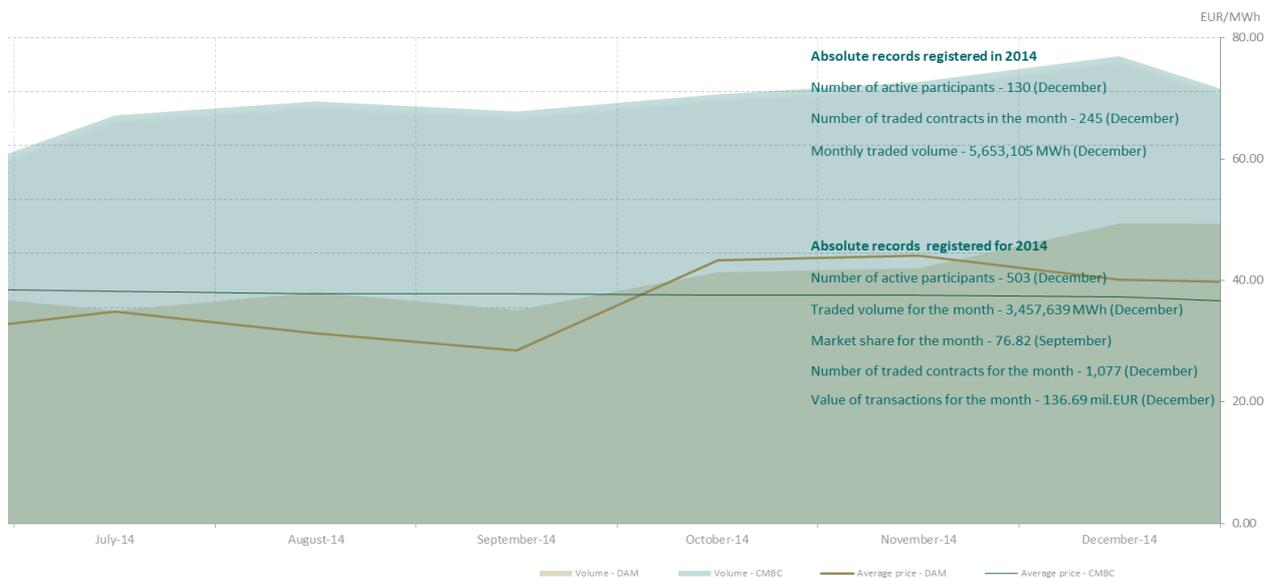
Commercially launched on December 1, 2005, CMBC offers to the market participants the possibility to trade electricity through public auctions, based on non-standardized offers, defined by market participants for delivery times longer than a month and unlimited as maximum delivery period. Trading through CMBC-CN mechanism ensures for the participants the possibility to trade electricity through electronic auctions organized on the OPCOM trading platform, based on simple quantity-price bids for standard instruments listed for standard delivery time longer than one week (week, month, quarter, year and multiples of these periods). Permanently are made available to the market participants 12 types of standard instruments for 29 different delivery periods.

All working days from a year are trading days.

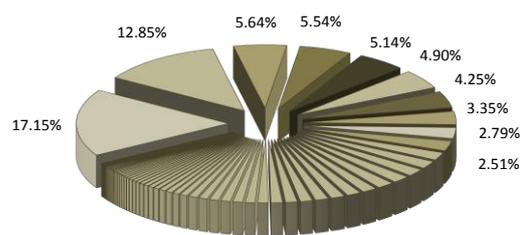
The trading mechanism is based on public auction for CMBC, respectively on the electronic trading through a public auction mechanism and continuous correlation for CMBC-CN.



CMBC volumes and shares (% form Romanian consumption). 2006-2014



Sell CMBC market shares. 2014
HHI = 1,452

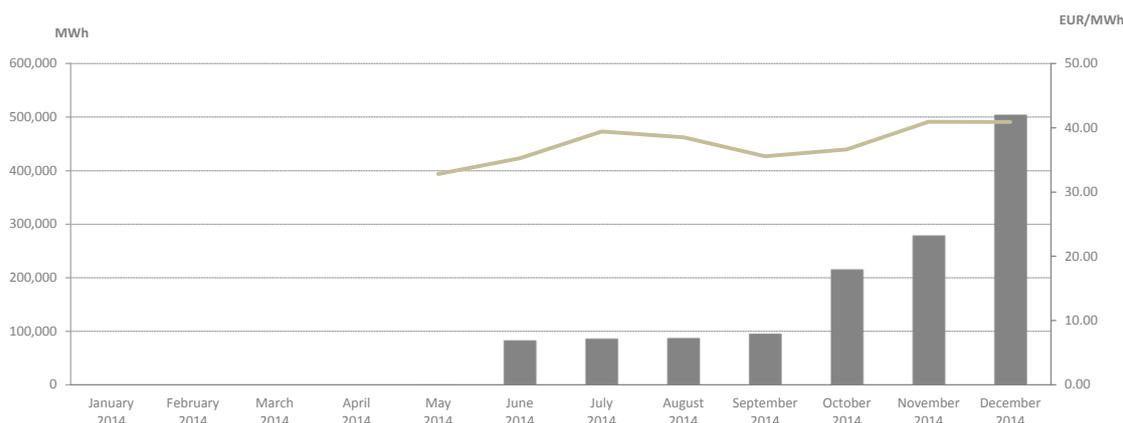


Buy CMBC market shares. 2014
HHI=658

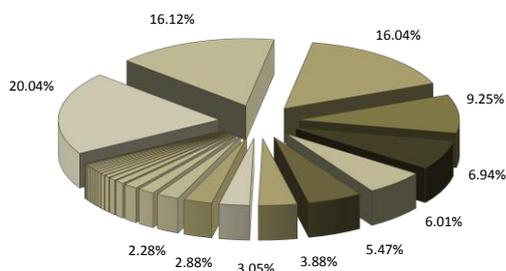
Centralized Market with double continuous negotiation for Electricity Bilateral Contracts

Commercially launched on May 16, 2014, CM-OTC offers to the market participants the possibility to trade electricity through electronic auctions organized on the OPCOM trading platform, based on simple quantity-price bids for standard instruments listed (day, weekend, week, month, quarter, half year, year, on baseload, peak-load and off-peak load delivery profile). Trading days are all working days of a year.

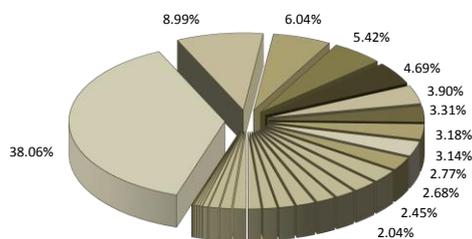
Participation in CM-OTC is conditional on eligibility lists notified by each market participant. The eligibility lists have to refer to at least 4 eligible counterparties as potential counterparties. The trades concluded on this market will be subscribed to the bilateral contracts approved prior to participation in trading session, these contracts being based on standard contract EFET.



Evolution of price and volumes for term markets (CM-OTC).



Sell CM-OTC market shares. 2014
HHI = 1,164



Buy CM-OTC market shares. 2014
HHI=1,707

Green Certificates Market

In Romania, as mechanism for promoting the electricity generation based on renewable energy sources the mandatory quotas system for acquisition of Green Certificates by the suppliers of electricity end consumers is operational.

The value of the Green Certificates represents an additional income for the generators for the «clean energy» they are delivering into the networks, the price of the Green Certificate being determined through market mechanisms, respectively through the Centralized Green Certificates Market (CGCM) organized and administered by OPCOM and the Green Certificates Bilateral Contracts Market (GCBCM).

Commercially launched on November 16, 2005, CGCM is based on closed auction, the trading price corresponding to the intersection point of the aggregated curves for sell and buy of Green Certificates. For each participant in CGCM, based on the concluded trades, OPCOM sets the related trading confirmations, as well as the settlement notes including the values of the payment obligations/collection rights for each participant in CGCM.

Starting on 16.01.2014, the electricity producers from renewable energy and economic operators with green certificates acquisition obligations were given this new way of green certificates trading in a transparent, centralized and non-discriminatory way.

Green Certificates Market*

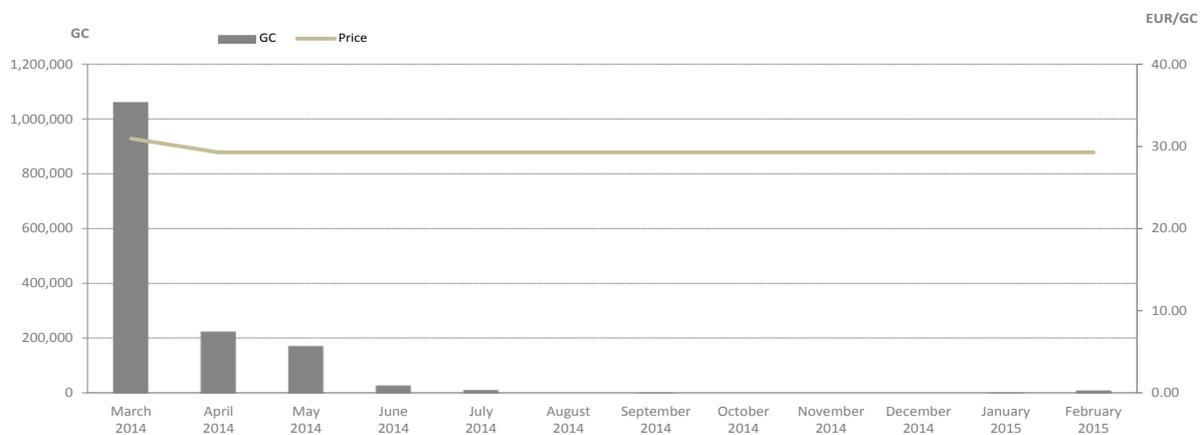
Centralized Market for Green Certificates

	2014	2013	2012
Trades			
Number	1,514,450	4,987,160	1,342,801
Value [Euro]	46,120,726	208,969,207	75,525,051

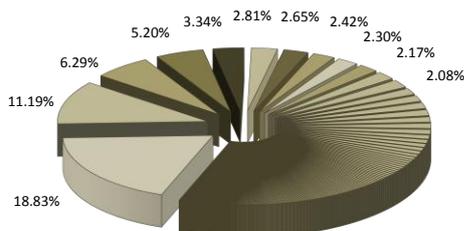
Green Certificates Bilateral Contracts Market

	2014	2013	2012
Trades			
Number	22,810,781		
Value [Euro]	676,743,345		

* for the transaction period march-february

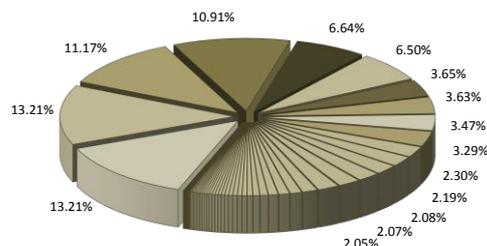


CGCM – Prices and traded green certificates. 2014



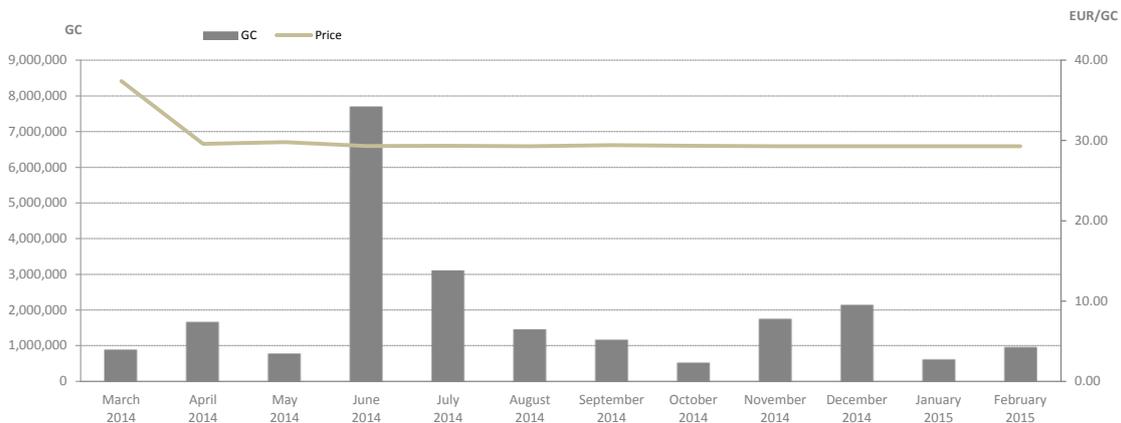
Sell CGCM market shares. 2014

HHI= 619

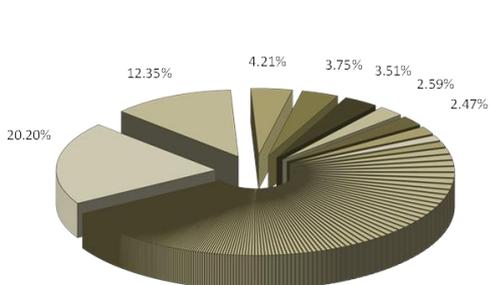


Buy CGCM market shares. 2014

HHI= 763

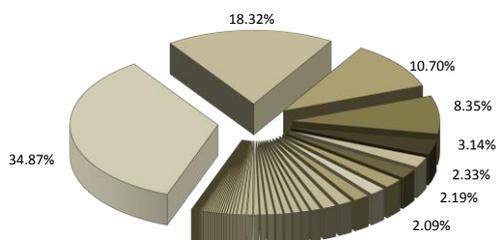


GCBCM – Prices and traded green certificates. 2014



Sell GCBCM market shares. 2014

HHI= 649



Buy GCBCM market shares. 2014

HHI= 1,777

Market participants

Similar to other European exchanges, OPCOM's mission is to assure an organized framework for the transparent electricity trading, and of natural gases starting with 2013, providing, at the same time, through the diversity of the products offered towards the market, the reference price (spot trading) and price signals (term trading) whose consistency and credibility were confirmed in 2014 by an increasing liquidity in terms of traded volumes and number of active participants.

The companies interest for becoming participants on the centralised markets administered by OPCOM increased, at the end of 2014 being registered a number of 750 participants compared to around 500 one year before, each one of them having a contribution to the market development and positioning OPCOM this year also, among the European power exchanges with the highest market liquidity – spot market and medium and long term trading – which confirms the benefits of centralized and transparent trading of electricity, gas and environmental instruments.

Website and mass-media, main communication channels used by OPCOM

OPCOM's website, designed to contribute to the increase of the transparency degree, for public information related to the results of the markets competitive trades and for promoting the market and the company image, is also an access gate to the information of the energy markets developed in the European countries.

The information provided for each of the administered trading environments, that are facilitating for the market participants trading in conditions of increased security, as well as the possibility to accomplish the own activities of monitoring, the legislative elements that are governing the markets operation, are few of the important reference points of the website content.

The market participants, and not least the general public, are the target group of the regular press releases, summarizing the markets evolution and the information occasioned by the market events, while the market reports are presenting results, evolution trends and concentration indexes with daily, weekly and annual periodicity. The information, being processed without exception at a level not disclosing the market position of a certain participant, unless the regulations otherwise provide, is submitted toward the press or can be undertaken from OPCOM's website.

The interested stakeholders/the mass-media benefited permanently on information related to the company's activity through the announcements – news as operational messages for each of the markets administered by OPCOM published on company's website, including for the markets being under implementation.

The press grants attention to the daily results from the trading platforms of OPCOM, as well as to the press releases and interviews with OPCOM's management. In 2014, the relationship with the press materialized in the organization of numerous meetings. The interviews were granted to specialized journalists in the country and abroad, from: Bursa, Ziarul Financiar, revista Electricianul, revista Oxigen, Revista 22, Green Report, platforma de comunicare Enegnomics operata de agentia media Wing Media Energy Consulting, respectively ICIS – Heren, Thomson Reuters, Argus, MLEX Market Intelligence. Thus, 50 news and commentaries related to OPCOM's activity were published in the daily reports of ICIS Heren during 2014, together with daily information on prices evolution on the electricity market in Romania.

Information technology and telecommunication infrastructure

In regards of all Information Technology and Telecommunication infrastructure development, maintenance and administration, 2014 represented one of the most complex and intense years. It is a new milestone of success in the impeccable evolution of OPCOM.

This year, while maintaining the continuity as well a high level of performance for OPCOM and its administered markets, we have also set the specific premises needed for supporting new development programmes. This comes with the complete confirmation of OPCOM's specific traditional standard of excellence in both technical and human resources' professionalism. The longstanding experience accrued by OPCOM in this domain has been fully utilized in order to overcome the highly complex challenges brought about by the development efforts done during 2014. Applying a correct, constant, coherent and perspective-based approach to the effective administration and development of the Information Technology and Telecommunication infrastructure represents a vital element of ensuring the continued reliability of the administered markets, the development of our product portfolio, as well as the raise of internal activity efficiency.

Assuring the infrastructure component needed for reaching the company's goals represents a major objective. The outstanding results OPCOM has achieved during 2014 have ensured the superior functioning parameters of the information technology and telecommunication parameters via the safe administration of systems as well as their development in order to accommodate the evolution of the corporate and product portfolio development processes.

We have assured the appropriate daily administration of the Information Technology and Telecommunication infrastructure with continuity and consistency. At the current operational level, this is needed in order to integrally and correctly fulfil the responsibilities set for the company by the primary and secondary legislation. As such, for the good administration of the Intraday Market, activity has entered a 24/24 hour regime in 2014.

At the same time, we have deployed modernisation and development programmes for the IT and Telecommunication infrastructure in order to constantly maintain high levels of performance and strength.

The most important component of the development activities of the IT and Telecommunication infrastructure performed in 2014 is represented by our intense participation in the 4M MC Project. This project involves the coupling of the electricity Day Ahead Markets from the Czech Republic, Slovakia, Hungary and Romania, with a significant impact from the point of view of the company's IT and Telecommunication infrastructure need for upgrades and adaptation. The launch of the coupled operation regime of the Romanian market in sync with the Czech, Slovak and Hungarian markets has occurred successfully with a natural shift, without any syncope. This, alongside the reliable subsequent operation of the IT and Telecommunication infrastructure during the simultaneous modernization of the DAM mechanisms at a national level, confirm the high level of performance at OPCOM in this domain once more.

Several other programmes for IT infrastructure development were also deployed and implemented, having similar relevance in regards of importance and complexity. These were needed in the context of the diversification of our trading products portfolio, including new ways to trade on the electricity Intraday Market and the electricity Centralized Market for Bilateral Contracts, the Centralized Market with double continuous negotiation for electricity bilateral contracts (OTC type), as well as the Centralized Market for Universal Service. The deployed programmes also included IT infrastructure development activities for the Pilot project for the implementation of the No. 1227/2011 Regulation on wholesale energy market integrity and transparency (REMIT) performed by ACER, within the context of activities dedicated to the preparation of the conditions for undertaking the responsibilities provided by this Regulation.

An important contribution to all these achievements, considering performance and accomplishment of plans, was brought by the high level of professionalism and the dedication of the involved teams, including OPCOM's staff as well as the experts of the platforms suppliers, all of whom we offer thanks by means of this.

National and international cooperation

The development of the cooperation activity, national and international, continued to represent one of the important goals of the activities deployed in 2014, with concentration, similar to the previous years, in order a stable, consistent, coherent and sustainable evolution of OPCOM to be assured.

Consistently, the approach of the activity dedicated to cooperation continued the development process on these coordinates, fundamental for the company's results and performance and ensured by the activity and the dedication of company's entire team.

At national level, according to our area of competency, it was assured the cooperation with the involved national authorities, the correct fulfilment of the responsibilities granted us by the primary and secondary legislation in force and complying with the operation rules on the Electricity Market established through the Commercial Code of the Electricity wholesale Market, the Orders and Decisions and Endorsements of the Competent Authority. At the same time, special attention was assured for the client relation development, for increasing the level of satisfaction of the participants in the administered markets and for consolidating their trust, as well as for developing the products portfolio entirely complying with the applicable legislation. The results achieved reflected the existence of a continuous improvement process of OPCOM activity, deployed simultaneously with the maturation of the Romanian energy market.

During 2014, continued the tradition of participation in the activity of the national associations where the company is affiliated, the Romanian National Committee of World Energy Council (RNC-WEC), the Society of Power Engineers in Romania (SIER) and the Employers' Association ENERGIA (APEN), that facilitated an appropriate promotion of the company's objectives, products and image.

OPCOM organized in partnership with RNC-WEC, on 23.06.2014, the main KA1 Session, with the theme „Energy Markets in 2014: Developments and Advances Towards European integration in terms of Transparency and Integrity”. The Session was moderated by OPCOM and consisted in speeches and presentations of representatives of the Energy Community in South-East Europe, the Estonian National Committee of World Energy Council, the Organization of the Black Sea Economic Cooperation, ANRE, SOCAR Romania, Sibex and OPCOM.

The event took place during the 12th Edition of the Regional Energy Forum for Central and Eastern Europe – FOREN 2014 having the theme „Tomorrow's Energy: From Vision to Reality”, organised by RNC-WEC under the auspices of the world energy Council (WEC) that took place between 22nd-26th of June 2014 at the Parliament Palace in Bucharest. The event had a complex programme and reunited participants from the energy sector, the business environment and the university area from Romania and Europe, including at regional level. The programme consisted in main sessions, as well as Round Tables, Discussion sessions, workshops and a Poster Session.

The development of the international cooperation relations continued to be performed considering the principles of correctness, pragmatism and efficiency, having permanently in view the role that a careful and balanced approach of the cooperation relations, based on continuity, is having within the overall framework of factors that are contributing to a successful evolution. The deployed activity confirmed, also in 2014, the viability of such an approach, considering, also, the context of the European, regional and national evolutions, as well as the strategic goals of the company.

In the activity of international cooperation it was followed a careful and efficient representation and promotion on bilateral plane, in relations with companies potentially interested on accessing the trading environments administered by the company respectively that expressed interest for their better understanding and with the European counterparts, as well as within the context of fulfilling the responsibilities deriving as affiliate to several international associations - the Association of European Energy Exchanges (EUROPEX), the International Association of Energy Exchanges (APEX) and the World Energy Council (WEC).

This year also, an appropriate attention was granted to the active positioning and the effective and the correct regional and European integration, considering the dynamic context of the process of European energy markets integration and of the efforts dedicated to the establishment of the implementation framework for the Target Model of the of the European Internal Energy Market and the related mechanisms. The approach deployed in this respect followed a pragmatic and constructive participation in the working and decisional processes deployed under the EUROPEX environment was followed, an efficient participation of the association to the European joint efforts aiming the achievement of this major strategic goal being supported, together with the European Commission, ACER and the other involved European organizations.

We would also like to outline the important contribution of the support provided by the European Commission and the World Bank through the financed development programmes deployed during the previous years, as well as by the consultants and IT technology suppliers, previous and current partners of the company, that will continue to contribute to the development of the human resource, from corporate and as well technological point of view, fact that is entitling us thank them all.

European integration

OPCOM continued, in a concrete and efficient manner, according to its specific role, the activities needed in order to support the integration of the Romanian electricity market in the mechanisms of the European single energy market, assuring, at the same time, a continuous, correct and solid operation of the trading mechanisms and the coherence of the development programs.

The actions deployed by OPCOM, along with all the other Romanian involved stakeholders, aiming the effective cooperation within the context of agreeing and completing the framework and performing the development activities dedicated to the implementation of the coupling mechanism for coupling the Romanian Day-Ahead Market on Central-East European direction intensified during 2014.

The sustained activities performed within the cooperation framework dedicated to extending the electricity Day-Ahead markets coupling from the Czech Republic, Slovakia and Hungary towards Romania in the framework of the 4M MC Project (the project of coupling the markets of the Czech Republic, Slovakia, Hungary and Romania including the implementation of the price coupling based on the Price Coupling of Regions solution) are having a key role within this European integration process. During 2014, the specific cooperation and development stages were deployed, in the context of the design, implementation and testing of the market coupling mechanism, of preparing and agreeing on the contractual framework as well as of the procedural one specific to the operation of markets in coupled regime and its testing, the multilateral cooperation activities deployed together with the partners under the 4M MC Project being complemented with internal development activities that, from OPCOM's point of view, covered all relevant areas for this development, on corporate level as well as technological, technical, operational and commercial level. Thus, all needed stages were undertaken and all its responsibilities were accomplished by OPCOM, comprehensively, efficiently and in full correlation with the common activities and plannings agreed and performed together with the partners in the Project, at high professional level and in time. The efficient and effective mobilization of the resources, including human, ensured the fulfillment of all responsibilities derived for OPCOM within the Project, thus being assured an active and consistent participation to the common activities in the Project as well as at local level. By these means the solid grounds were assured as needed for the successful accomplishment of the further development specific stages of design and implementation of the 4M MC markets coupling.

The successful launch of 4M MC coupling, on 19.11.2014, as result of an outstanding cooperation of the partners in the Project, as well as of the Romanian involved stakeholders and of the market participants, confirmed the complete multidisciplinary capacity owned by OPCOM in order to participate at high professional level to the development, implementation and operation of trading mechanisms having a high degree of amplitude and complexity.

These approaches are confirming, once more, the determination of Romania to fulfil the European goals directives, framework and decisions, regulations and decisions assuming, as Member State of European Union, a constructive and consistent contribution to the process dedicated to the achievement of the strategic goal of the European Union of establishing the European Internal Energy Market according to the related European Target Model.

At the same time, OPCOM continued, in 2014, along with the Romanian involved stakeholders, the approaches dedicated to the European integration of the Romanian electricity market, considering the need of integrating in the pan-European mechanisms complying with the Target Model of the European Electricity Single Market, continuing to follow the Central-East European direction in the context of the related development on the path towards the pan-European integration, having in view the importance and the need that assuring the premises for the success of this approach is having as strategic impact not only at national level, but also at the European one. Also, a special attention was granted to the developments in the South-East European region, that evolutions continued to be monitored, OPCOM positively answering the requests for support and cooperation received from this region, a pragmatic approach continuing to be applied and also involving the mobilisation of its resources and making all its efforts for an active, coherent, sustainable and efficient contribution to these evolutions.

A special attention continued, also, to be granted to monitoring the European and regional evolutions dedicated to the development of the framework and the mechanisms of the Target Model of the European Internal Energy Market, on its specific time horizons. OPCOM continued to carefully monitor and analyse the evolutions registered at the level of the Project of developing the Price Coupling of Regions (PCR) mechanism developed by seven European exchanges, also monitoring the available elements of evolution related to the future electricity markets coupling mechanism on cross-border intraday horizon.

Supporting, consequently, the importance of assuring the appropriate level of energy markets integrity and transparency, OPCOM continued its European integration efforts in this domain, too. The activity deployed during 2014 included continuing the preparation aiming to ensure the conditions for undertaking the responsibilities provided by the Regulation (EU) 1227/2011 on wholesale energy market integrity and transparency (REMIT). Consistent with its approaches related to these aspects, the activity deployed within the specific work framework on relation with ACER continued, including within the Pilot project organised by it, as well as within EUROPEX. The determination to support, in a concrete manner, the implementation by Romania, as a Member State, of the measures to ensure the integrity of the internal energy market as provided in REMIT is, therefore, fully highlighted.



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030922

INDEPENDENT AUDITOR'S REPORT

to the shareholders of Gas and Electricity Market Operator „OPCOM” SA

1. We have audited the attached Financial Statements of the Operatorul Pietei de Energie Electrica si de Gaze Naturale „OPCOM” SA (henceforth called “the Company”) comprising the Balance Sheet at 31 December 2014, the Profit and Loss Account, the Statement of Changes in Equity and the Cash Flow Analysis for the financial year ended on the same date, as well as a summary of the relevant accounting policies and other explanatory notes. The mentioned financial statements refer to:

- Net Assets/Net shareholders' equity: 20,802,428 Lei
- Net Result of the financial year: 7,338,739 Lei, profit

The Responsibility of the Management towards the Financial Statements

2. The Company's management has the responsibility for the accurate elaboration and presentation of these Financial Statements, according to the Order of the Public Finance Ministry of Romania no. 3055/2009 and for that internal control which is considered by the management necessary to allow the elaboration of the Financial Statements set, which are free of significant alterations, whether caused by fraud or error.

Auditor's Responsibility

3. Our responsibility is that, based on the conducted audit, to express an opinion on these Financial Statements. We have conducted the audit according to the International Auditing Standards. These standards impose us complying with the ethics requirements, planning and performing the audit in such a way that a reasonable level of assurance regarding the lack of significant alterations in the Financial Statements is attained.

4. An audit consists in performing procedures in order to obtain probative data related to the amounts and the information included in the Financial Statements. The selected procedures depend on the auditor's professional judgement, including the assessment of the risks of significant alterations of the Financial Statements due to fraud or errors. In performing the assessment of these risks, the auditor takes into consideration the relevant internal control for the accurate elaboration and presentation of the Company's Financial Statements in order to determine the auditing procedures that are relevant in the given circumstances, but not with the purpose of expressing an opinion on the efficiency of the Company's internal control system. An audit also includes evaluating the degree of adequacy of the accounting policies used and the reasonability of accounting estimates elaborated by the management, as well as assessing the presentation of overall Financial Statements.

5. We consider that the probative audit data that we have obtained are sufficient and adequate for forming the basis of our audit opinion with reserves.

Basis for Opinion with Reserves

6. As mentioned in Note 2 – Provisions for Risks and Expenses, the Company registered in the Financial Statements for the financial year ended on 31 December 2014 the amount of 850,000 Lei (representing 189,500 EUR), related to the fine communicated by the European Commission on 05.03.2014. The manner of allocation by the Company and the majority shareholder of the difference up to the total amount of the fine, in amount of 1,031,000 EUR, was established in the period following the date of the issuance of the Audit Report for the financial year 2013. The majority shareholder decided, through the Decision No. 71/06.06.2014, the integral payment of the fine by OPCOM. In this regard, the amount of 3,680,073.95 Lei of representing the difference between the integral amount of the fine and the value of the Provisions for Risks and Expenses constituted in the financial year 2013 didn't influence the result of the financial year 2013. This aspect affects the comparability of the result of the previous financial year compared to the current one.

Opinion with Reserves

7. In our opinion, excepting the effect of the aspect described in paragraph [6], the Financial Statements provide an accurate image, on all significant aspects, of the Company's financial position as at 31 December 2014, as well as of the financial performance and of the cash flow corresponding to the financial year ended ended to this date, according to the Order of the Minister of Public Finance No. 3055/2009.

Making Evident Several Aspects

8. According to the aspects mentioned in Note 4 – Analysis of Operation Result, the Company was not subject of a fiscal control for a period larger than 5 years. Considering the often changes of the fiscal legislation in this period, an eventual control could lead to differences between the amounts presented in the Financial Statements and the conclusions of the fiscal authorities.

Other Aspects

9. This Report of the independent auditor is addressed exclusively to the Company's shareholders. Our audit was performed in order to be possible to report towards the Company's shareholders on those aspects that we must report in a financial audit report and not for other purposes. By the measure allowed by the law, we are not accepting and are not assuming the responsibility otherwise than towards the Company and its shareholders for our audit, for the report on the Financial Statements and the report on the conformity or on the formed opinion.

Report on the conformity of the Administrator's Report with the Financial Statements

10. In accordance with the Order of the Public Finance Ministry of Romania no. 3055/2009, article no. 318, second point, we have read the Administrator's Report attached to the Financial Statements. The Administrator's Report is not part of the Financial Statements. We have not identified in the Administrator's Report financial information that is significantly non-compliant with the information presented in the attached Financial Statements.

On behalf of:

BDO AUDIT Ltd.

Registered to the Chamber of Financial Auditor's of Romania:

By the no. 18/02.08.2001

Name of the signatory:

Mircea Tudor

Registered to the Chamber of Financial Auditor's of Romania:

By the no. 2566/25.06.2008

Bucharest, Romania

March 25, 2015



This report is a translation of the original report in Romanian, which is solely valid.

BALANCE SHEET

EUR

	December 31, 2013	December 31, 2014
ASSETS		
Intangible Assets	596,957	1,002,263
Investment in process		
Total Intangible assets	596,957	1,002,263
Property, Plant, Equipment	1,171,624	959,998
Investment in process		
Other Fixed Assets	94,237	73,714
Total Fixed Assets	1,265,862	1,033,711
Financial Investments	3,889	3,606
Inventories	44,267	55,405
Accounts receivable	8,765,478	8,164,842
Cash	2,675,069	10,054,480
Current assets	11,484,813	18,274,728
Other current assets	17,701	37,392
Total Assets	13,369,223	20,351,700
LIABILITIES & STOCKHOLDERS EQUITY		
Financial Debt		
Accounts Payable, others	10,209,736	10,781,803
Total Liabilities	10,209,736	10,781,803
Provisions and other income in advance	239,372	1,928,673
Stockholders' Equity	791,101	1,807,189
Reserves, others	2,131,314	3,707,362
Undistributed profit/losses	-2,300	-821,060
Profit sharing		52,266
Total Liabilities & Equity	2,920,114	4,641,224
Total Pasive	13,369,223	20,351,700

Exchange rate (at the end of the period): RON/ EUR

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PROFIT AND LOSS ACCOUNT

EUR

	December 31, 2013	December 31, 2014
Turnover	4,420,667	6,647,476
Own Work Capitalized		
Total output		
Operating revenues	4,420,667	6,647,476
Other Revenues	123,768	165,370
Total operating revenues	4,544,436	6,812,846
Materials	73,952	68,237
Energy	108,395	75,922
Other materials		
Total material costs	182,347	144,159
Services	1,541,292	1,663,259
Taxes	18,246	29,554
Wages	1,894,828	2,247,649
Other operational costs	224,143	175,255
Depreciation cost	494,472	595,402
Total Operating Costs	4,355,327	4,855,278
Profit before tax and interests	189,109	1,957,568
Operational profit	189,109	1,957,568
Financial Income	21,882	48,678
Financial Costs	12,952	27,030
Interests		
Net Financial Income	8,930	21,647
Extraordinary Income		
Extraordinary Costs		
Net Extraordinary Income		
TOTAL REVENUES	4,566,318	6,861,524
TOTAL COSTS	4,368,279	4,882,308
Profit before Tax	198,039	1,979,216
Corporate Tax	76,693	341,872
Profit after Tax	121,346	1,637,344

Exchange rate (at the end of the period): RON/ EUR

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CASH FLOW STATEMENT

EUR

	December 31, 2013	December 31, 2014
Cash flows from operating activities:		
Net earnings before taxes and other extraordinary items	198,039	1,979,216
Adjustments for:		
Amortization and provisions for intangible assets' depreciation	494,472	595,403
Provisions for risks and charges - net value	188,383	-933,887
Receipts from sales of intangible assets	-4,209	-2,503
Cost of assets disposed		
Receipts from interests	-18,845	-44,665
Interest payments		
Earnings from investment subsidies		
Operating profit before changes in working capital	857,841	1,593,562
Decrease /(Increase) in accounts receivable and of other nature	6,371,639	10,089,016
Decrease /(Increase) in inventories	1,712	11,113
Increase /(Decrease) in accounts payable and of other nature	-4,688,092	4,189,106
Cash generated from operating activities	2,543,099	7,482,360
Income tax paid	-95,939	-321,172
Cash flows before extraordinary items	2,447,160	7,161,189
Net cash flow from operating activities	2,447,160	7,161,189
Cash flows from investment activities:		
Purchase of intangible assets	-495,729	-733,628
Proceeds from disposal of intangible assets	4,209	2,503
Interest received	18,845	44,665
Net cash flow from investment activities	-472,675	-686,460
Cash flows from financing activities:		
Receipts from share issue		1,015,629
Dividends paid	-115,070	-112,497
Net cash flow from financing activities	-115,070	903,132
Increase /(Decrease) in cash and cash equivalent	1,859,415	7,377,860
Cash and cash equivalent at the beginning of the year	815,654	2,676,621
Cash and cash equivalent at the end of the year	2,675,069	10,054,480

Exchange rate (at the end of the period): RON/ EUR

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