

CNTEE Traselectrica SA
Company managed in two tier system

Separate Simplified Temporary Financial Statements
as at and for the nine months' period ended
30 September 2015

Prepared in accordance with
International Accounting Standard 34 – “Temporary Financial Reporting”

CNTEE Transelectrica SA

Separate simplified statement of financial position on 30 September 2015

(All amounts are in LEI, unless stated otherwise)

	Note	30.09.2015	31.12.2014
Assets			
Non-current assets			
Property, plant and equipment	4	3.294.659.030	3.387.759.611
Intangible assets		35.974.943	39.502.652
Financial assets		57.027.900	57.027.900
Total non-current assets		3.387.661.873	3.484.290.163
Current assets			
Inventories		36.285.198	35.680.518
Trade and other receivables	5	717.455.175	1.056.178.011
Cash and cash equivalents	6	919.382.342	865.237.573
Total current assets		1.673.122.715	1.957.096.102
Total assets		5.060.784.588	5.441.386.265
Shareholders' equities and liabilities			
Shareholders' equities			
Share capital, of which:		733.031.420	733.031.420
<i>Share capital subscribed</i>		<i>733.031.420</i>	<i>733.031.420</i>
Share premium		49.842.552	49.842.552
Legal reserves		78.424.484	78.424.484
Revaluation reserves		577.779.796	615.407.592
Other reserves		24.235.341	23.660.704
Retained earnings		1.449.531.140	1.312.739.568
Total shareholders' equities	7	2.912.844.733	2.813.106.320
Non-current liabilities			
Long term deferred revenues	8	502.592.278	552.768.103
Borrowings	9	632.720.204	792.043.629
Deferred tax liabilities		25.195.465	28.209.782
Employee benefit obligations		29.126.106	29.126.106
Total non-current liabilities		1.189.634.053	1.402.147.620
Current liabilities			
Trade and other liabilities	10	696.721.956	945.656.726
Other tax and social security liabilities	12	6.552.951	7.577.887
Borrowings	9	187.753.279	200.678.234
Provisions		18.399.354	24.784.498
Short term deferred revenues	8	32.839.097	33.069.502
Income tax payable		16.039.165	14.365.478
Total current liabilities		958.305.802	1.226.132.325
Total liabilities		2.147.939.855	2.628.279.945
Total shareholders' equities and liabilities		5.060.784.588	5.441.386.265

The accompanying notes 1-20 constitute integrant part of these separate simplified temporary financial statements.

CNTEE Traselectrica SA

Separate profit and loss account for the nine months' period ended on 30 September 2015

(All amounts are in LEI, unless stated otherwise)

	Note	01 July – 30 September 2015	01 July – 30 September 2014	01 January – 30 September 2015	01 January – 30 September 2014
Revenues					
Transmission revenues		292.191.286	319.145.260	971.530.560	939.563.649
System service revenues		174.521.641	171.490.407	544.196.685	557.311.957
Balancing market revenues		309.021.851	122.771.120	661.130.895	409.964.106
Other revenues		13.692.655	21.346.397	38.716.221	46.762.098
Total revenues	13	789.427.433	634.753.184	2.215.574.361	1.953.601.810
Operational expenses					
System operating expenses	14	(54.209.983)	(51.791.176)	(175.748.770)	(159.238.434)
Balancing market expenses	14	(309.021.851)	(122.771.120)	(661.130.895)	(409.964.106)
Technological system service expenses	14	(140.780.559)	(172.103.500)	(504.364.078)	(479.081.705)
Amortisement		(79.063.458)	(81.224.785)	(239.269.166)	(252.062.847)
Personnel expenses		(41.931.654)	(42.458.684)	(125.970.806)	(124.028.964)
Repairs and maintenance		(23.619.019)	(25.331.233)	(62.414.617)	(62.619.694)
Materials and consumables		(2.107.820)	(2.246.901)	(6.647.741)	(6.227.007)
Other operational expenses	15	(30.600.710)	(31.800.701)	(81.666.796)	(105.616.637)
Total operational expenses		(681.335.054)	(529.728.100)	(1.857.212.869)	(1.598.839.394)
Operating profit		108.092.379	105.025.084	358.361.492	354.762.416
Financial revenues		14.473.579	1.968.753	44.565.213	49.019.700
Financial expenses		(12.065.209)	(14.499.182)	(43.866.553)	(41.793.882)
Net financial result	16	2.408.370	(12.530.429)	698.660	7.225.818
Profit before tax		110.500.749	92.494.655	359.060.152	361.988.234
Income tax	11	(16.263.759)	(15.718.337)	(54.405.678)	(59.003.567)
Profit of the period		94.236.990	76.776.318	304.654.474	302.984.667

CNTEE Tranelectrica SA

Separate profit and loss account for the nine months' period ended on 30 September 2015

(All amounts are in LEI, unless stated otherwise)

	<u>Nota</u>	<u>01 July – 30 September 2015</u>	<u>01 July – 30 September 2014</u>	<u>01 January – 30 September 2015</u>	<u>01 January – 30 September 2014</u>
Profit of the period		94.236.990	76.776.318	304.654.474	302.984.667
Other comprehensive revenue		-	-	-	-
Total comprehensive revenue		94.236.990	76.776.318	304.654.474	302.984.667

The separate simplified temporary financial statements provided from page 1 to 29 were approved by the Company management on 11 november 2015 and signed on its behalf by:

Directorate,

Ion-Toni TEAU
Directorate Chairman

Constantin VADUVA
Member

Octavian LOHAN
Member

Ion SMEEIANU
Member

Lucian Catalin CHIMIREL
Member

Maria IONESCU
Economic Director

Cristina STOIAN
Director, Financial & Treasury Division

Veronica CRISU
Manager, Accounting Department

The accompanying notes 1-20 constitute integral part of these separate simplified temporary financial statements.

CNTEE Transelectrica SA

Situatia separata a modificarilor capitalurilor proprii la 30 septembrie 2015

(All amounts are in LEI, unless stated otherwise)

	Share capital	Share premium	Legal reserves	Revaluation reserve	Other reserves	Retained earnings	Total
Balance on 1 January 2014	1.091.525.913	49.842.552	57.703.302	669.257.305	18.340.125	727.227.938	2.613.897.135
Adjustment of share capital to inflation in order to cover the loss from the application of IAS 29	(358.494.493)						(358.494.493)
Comprehensive revenue of the period							
Profit of the period	-	-	-	-	-	302.984.667	302.984.667
More comprehensive revenue, of which:							
Recognition of defined benefit plan actuarial gains	-	-	-	-	-	-	-
Total other comprehensive revenue of the period	-	-	-	-	-	-	-
Total comprehensive revenue of the period	-	-	-	-	-	302.984.667	302.984.667
Other items							
Transfer of revaluation reserve to retained earnings	-	-	-	(41.677.085)	-	41.677.085	-
Increase of legal reserve	-	-	-	-	-	-	-
Loss coverage from share capital adjustment to inflation	-	-	-	-	-	358.494.493	358.494.493
Total other items	-	-	-	(41.677.085)	-	400.171.578	358.494.493
Contributions by and distributions to shareholders							
Structural funds related to long term assets such as public patrimony	-	-	-	-	5.320.579	-	5.320.579
Distribution of dividends	-	-	-	-	-	(163.319.400)	(163.319.400)
Total contributions by and distributions to shareholders	-	-	-	-	5.320.579	(163.319.400)	(157.998.820)
Balance on 30 September 2014	733.031.420	49.842.552	57.703.302	627.580.220	23.660.704	1.267.064.783	2.758.882.981
Balance on 1 January 2015	733.031.420	49.842.552	78.424.484	615.407.592	23.660.704	1.312.739.568	2.813.106.320
Comprehensive revenue of the period							
Profit of the period	-	-	-	-	-	304.654.474	304.654.474
Other comprehensive revenue, of which:							
Recognition of defined benefit plan actuarial losses	-	-	-	-	-	-	-
Total other comprehensive revenue	-	-	-	-	-	-	-
Total comprehensive revenue of the period	-	-	-	-	-	304.654.474	304.654.474
Other items							
Transfer of revaluation reserve to retained earnings	-	-	-	(37.627.796)	-	37.627.796	-
Increase of legal reserve	-	-	-	-	-	-	-
Other items	-	-	-	-	127.200	-	127.200
Total other changes	-	-	-	(37.627.796)	127.200	37.627.796	127.200
Contributions by and distributions to shareholders							
Write-off long term assets such as public patrimony	-	-	-	-	-	-	-
Structural funds related to long term assets such as public patrimony	-	-	-	-	447.437	-	447.437
Distribution of dividends	-	-	-	-	-	(205.490.698)	(205.490.698)
Total contributions by and distributions to shareholders	-	-	-	-	447.437	(205.490.698)	(205.043.261)
Balance on 30 September 2015	733.031.420	49.842.552	78.424.484	577.779.796	24.235.341	1.449.531.140	2.912.844.733

The accompanying notes 1-20 constitute integrant part of these separate simplified temporary financial statements.

CNTEE Traselectrica SA

Separate statement of cash flows on 30 September 2015

(All amounts are in LEI, unless stated otherwise)

	Period of 9 months ended on 30.09.2015	Period of 9 months ended on 30.09.2014
Cash flows from operational activities		
Profit of the period	304.654.474	302.984.667
Adjustments for:		
Income tax expense	54.405.678	59.003.567
Depreciation and amortisement	239.269.166	252.062.847
Provisions for impairment of trade receivables and other receivables	15.408.071	33.970.433
Reversal of provisions for impairment of trade receivables and other receivables	(20.909.187)	(8.449.281)
Net loss from disposal of property, plant and equipment	812.845	4.480.504
Reversal of adjustments for property, plant and equipment	6.427.356	-
Net reversal of adjustments for provisions of risks and charges	(5.737.582)	(7.731.257)
Interest expenses, interest revenues and unrealised exchange rate gains	(702.241)	(7.302.520)
Cash flows before changing the current capital	593.628.580	629.018.960
Changes to:		
Trade and other receivables	342.538.964	(16.018.334)
Inventories	(604.680)	33.923
Trade and other liabilities	(264.182.125)	(3.509.889)
Other tax and social security liabilities	(1.024.936)	32.330.014
Deferred revenues	(49.958.793)	32.903.028
Cash flows from operational activities	620.397.010	674.757.702
Interest paid	(15.721.725)	(21.102.834)
Income tax paid	(52.472.286)	(59.741.050)
Net cash from operational activities	552.202.999	593.913.818
Cash flows used in investments		
Procurement of property, plant and equipment and of intangible assets	(139.320.271)	(142.874.304)
Proceeds from sales of property, plant and equipment	-	1.981
Interest received	10.238.262	9.945.227
Dividends received	7.072.102	13.224.368
Net cash used in investments	(122.009.907)	(119.702.728)
Cash flows used in financing activities		
Repayments of long term borrowings	(171.449.790)	(156.070.776)
Dividends paid	(204.598.533)	(162.909.878)
Net cash used in financing activities	(376.048.323)	(318.980.654)
Net increase/(decrease) of cash and cash equivalents	54.144.769	155.230.436
Cash and cash equivalents on 1 January (see Note 6)	865.237.573	600.698.763
Cash and cash equivalents at the end of the period (see Note 6)	919.382.342	755.929.199

The accompanying notes 1-20 constitute integrant part of these separate simplified temporary financial statements.

CNTEE Transelectrica SA

Notes to the separate temporary financial statements on 30 September 2015

(All amounts are in LEI, unless stated otherwise)

1. General information

The main activity of CNTEE Transelectrica SA (“Company”) is: electricity transmission, system services, balancing market operator, administration of the bonus support scheme, and associated activities in accordance with the provisions of the operation licence 161/2000 of ANRE, updated under Decision 270/04.02.2015 of ANRE.

The address of its registered office is Blvd General Gheorghe Magheru no. 33, Bucharest 1. At present the Company’s executive team are active in the working location of Street Olteni no. 2-4, Bucharest 3.

2. Bases of operation

a) Statement of compliance

These separate simplified temporary financial statements were prepared in accordance with IAS 34 *Temporary financial reporting*. They do not include all the information necessary for a complete set of financial statements according to the International Financial Reporting Standards (“IFRS”). Nevertheless certain notes are included in order to explain the significant events and transactions and understand the changes occurred in the Company’s financial position and performance since the last annual separate financial statements on and for the financial year ended 31 December 2014.

The separate temporary financial statements elaborated on 30 September 2015 have not been audited.

b) Professional judgment and estimations

The significant judgment used by the governing team in order to apply the Company’s accounting politicises and the main sources of uncertainty with respect to the estimations has been the same as that applied to the separate financial statements as of and for the financial year ended on 31 December 2014.

3. Significant accounting policies

The accounting policies used for the separate simplified financial statements have been the same as those applied to the Company’s separate financial statements as of and for the financial year ended 31 December 2014.

4. Property, plant and equipment

The decrease in the total value of property, plant and equipment on 30 September 2015 compared to 31 December 2014 was determined by recording the amortisement of such assets.

From 01 January to 30 September 2015 there was value increase of property, plant and equipment in progress, mainly represented by investments made into high voltage substations and lines as follows:

- Building the 400 kV OHL segment between the 400/220/110 kV substation Resita and the Serbian border (the frontier milestone B100/1) – 25,608,495;
- Refurbishing the 220/110/20 kV substation Campia Turzii – 19,741,241;
- Increasing the safety of installations from the 400/220/110/10 kV substation Bucharest South by replacing the 10 kV equipment - Lot II – 11,985,248;
- Extending the 400 kV substation Cernavoda - stage I, replacing 2 shunt reactors – 10,063,868;
- Refurbishing the 400/110/20 kV substation Tulcea Vest – 9,075,335;
- Replacing the 220 kV circuit breakers in the 220/110/20 kV substation Alba Iulia – 5,911,603;
- Refurbishing the 400/220/110/20 kV substation Bradu – 5,604,690;
- Replacing the 110/10 kV, 25 MVA transformers T3 & T4 by 110/(20)10 kV, 40 MVA ones in the 220/110 kV substation Fundeni – 4,750,064;
- Upgrading the control protection system in the 220/110 kV substation Tihau – 2,611,872;
- Connecting the 30 MW cogeneration plant owned by SC Lukoil Energy & Gas Romania SRL to the Distribution Network into the 110 kV OHL Teleajen-Rafinarie-Petrochimie, circuits 1 & 2 by making some work in the 220/110 kV substation Teleajen – 2,449,929;
- Upgrading the control protection system and the 20 kV substation within the 220 /110/20 kV substations Vetis –

CNTEE Transelectrica SA

Notes to the separate temporary financial statements on 30 September 2015

(All amounts are in LEI, unless stated otherwise)

2,293,616;

- Connecting the 110 kV underground line Militari-Domnesti, circuits 1, 2 into the 400/110/20 kV substation Domnesti – 1,942,096;
- Converting the Iron Gates - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - stage I, extending the 400 kV substation Iron Gates – 1,833,815;
- Integrated security system within electric substations, stage IV – 1,466,397;
- Connecting the WPP 136 MW to the RET in the area of Platonesti town, Ialomita County, by building a 110 kV bay in the 400/110 kV substation Gura Ialomitei – 1,246,098;
- Replacing the 220 kV circuit breaker from Bucharest South bay 2 in the 220/110/20 kV substation Ghizdaru – 1,198,498;
- Replacing the accumulator batteries in the 400/110 kV substation Pelicanu, the 220/110 kV substation Fundeni, the 220/110/20 kV substations Targoviste and Turnu Magurele – 992,024;
- Replacing the 220 kV circuit breakers in the 220/110/20 kV substation Gradiste – 951,811;
- Installing two 100 A arc suppression coils and two 3000 kVA auxiliary service transformers in the 400/220/110/20 kV substation Sibiu Sud – 821,872;
- Design services for the 400 kV OHL Suceava - Balti, the segment on Romania's territory – 763,529;
- Replacing the tele-protection equipment of the 220 kV OHL-s Alba Iulia-Galceag and Alba Iulia-Sugag – 536,179;
- Installing the fire protection installations to the 200 MVA autotransformers AT1 & AT2 in the 220 kV substation Gradiste – 493,290;
- Replacing the reactor in the 400/110/20 kV substation Oradea Sud – 455,546.

From 01 January to 30 September 2015 the greatest transfers from property, plant and equipment in progress to property, plant and equipment are represented mainly by commissioning the investment objectives as follows:

- Refurbishing the 400/110/20 kV substation Tulcea Vest - technological part – 18,281,580;
- Extending the 400 kV substation Cernavoda - stage I, replacing the shunt reactors – 10,404,893;
- Connecting the 108 MW WPP Crucea to the RET in the area of Crucea, Vultur and Pantelimon localities, Constanta County, by means of 400 kV bay in the 400 kV substation Stupina, Constanta County – 9,432,039;
- Upgrading the control protection system of the 220/110 kV substation Tihau – 3,566,115;
- Replacing the circuit breakers of the 400 kV bays in the 400/110/20 kV substation Smardan (2 sets) – 3,456,111;
- Replacing the 110 kV circuit breakers in the 400/110/20 kV substation Draganesti Olt (5 sets) – 2,183,595;
- Command, control, protection system (SCADA in the 220 kV & 110 kV substations) – 2,659,161;
- Replacing the 110/10 kV, 25 MVA transformers T3 & T4 with 110/(20)10 kV, 40 MVA ones in the 220/110 kV substation Fundeni – 2,063,303;
- Replacing the 220 kV circuit breakers in the 220/110/20 kV substations Gradiste (2 sets) – 1,999,760;
- Connecting the 110 kV underground line Militari-Domnesti, circuits 1 & 2 in the 400/110 kV substation Domnesti – 1,942,096;
- Reducing the galloping effect to the 400 kV OHL Cernavoda - Gura Ialomitei (C 2) and to the 400 kV OHL Cernavoda - Pelicanu – 1,453,161;
- Connecting the 56 MW WPP to the RET in the area of Izvorul Berheciului and Stanilesti towns, Bacau County, by building one 110 kV bay in the 400/110 kV substation Bacau Sud – 1,272,179;
- Replacing the 220 kV circuit breaker in the 220 kV Bucharest South 2 bay in the 220/110 kV substation Ghizdaru – 1,198,498;
- Extending the access control system within substations – 1,061,327;
- Replacing the accumulator batteries in the 220/110/20 kV substation Targoviste, the 400/110 kV substation Pelicanu, the 220/110 kV substation Fundeni and the 220/110/20 kV substation Turnu Magurele – 992,024;
- Upgrading the tele-protection of the 400 kV OHL Isaccea Smardan, circuits 1 & 2 – 991,879;
- Installing two 100 A arc suppression coils and two 3000 kVA auxiliary service transformers in the 400/220/110/20 kV substation Sibiu Sud – 872,752;
- Arranging the archive storage space in the 220/110 kV transformer substation Timisoara – 562,693;
- Replacing the tele-protection equipment of the 220 kV OHL-s Alba Iulia - Galceag and Alba Iulia - Sugag - 560,179;
- Replacing the circuit breakers in the 110 kV bays from the 220/110 kV substation Filesti (1 set) – 470,560;
- Consolidating the 400 kV OHL Iron Gates - Urechesti in the area of tower 129 – 419,096;
- Replacing tower 159 of the 400 kV OHL Iernut - Sibiu Sud – 363,553;
- Replacing the 220 dc accumulator batteries in the 220/110 kV substation Pestis – 268,659.

CNTEE Transelectrica SA

Notes to the separate temporary financial statements on 30 September 2015

(All amounts are in LEI, unless stated otherwise)

5. Trade and other receivables

On 30 September 2015 and 31 December 2014 the balance of trade and other receivables was as follows:

	30 September 2015	31 December 2014
Trade receivables	705.566.943	1.040.377.900
Other receivables	110.431.525	130.646.110
Advance payments to suppliers	32.235.062	47.637.415
Receivable VAT	32.655.580	5.735.273
Adjustments to depreciate doubtful trade receivables	(80.712.165)	(87.246.448)
Adjustments to depreciate other doubtful trade receivables	(82.721.770)	(80.972.239)
Total	717.455.175	1.056.178.011

Structure of trade receivables:

	30 September 2015	31 December 2014
Clients – energy market	703.566.823	1.038.359.848
Other clients	2.000.120	2.018.052
Total	705.566.943	1.040.377.900

On 30 September 2015 the balance of trade receivables amounted to 705,566,943 and mainly represent the clients on the electricity market in sum of 703,566,823 (99%), of which the clients from the support scheme for high efficiency cogeneration amount to 172.083.619.

On 30 September 2015 the clients on balance recorded decrease compared to 31 December 2014 mainly because the collection of receivables grew.

Thus on 30 September 2015 the Company recorded smaller receivables associated to the support scheme (172,083,619 on 30 September 2015; 237,121,052 on 31 December 2014) mainly because of the over-compensation proceeds in 2011-2013 (according to the provisions of GD 1215/2009) and the undue bonus / over-compensation of 2014.

From 01 January to 30 September 2015 the Company collected 150,372,402 representing over-compensation for 2011-2013, of which proceeds in sum of 171,886 from bank transactions and proceeds in sum of 150,200,516 from compensations through the Institute of Management and Information (according to GD 685/1999), mainly from SC Electrocentrale Bucharest SA, Electrocentrale Oradea and SC Termo Calor SA.

Also from 01 January to 30 September 2015 the Company collected 31,423,237 representing over-compensation for 2014, of which proceeds in sum of 278,114 from bank transactions and proceeds in sum of 31,145,123 from compensations through the Institute of Management and Information (according to GD 685/1999), mainly from SC Electrocentrale Bucharest SA, Electrocentrale Oradea and SC Termo Calor SA.

On 30 September 2015 the Company recorded receivables to collect from the 2011-2013 over-compensation in sum of 79,410,712 (RAAN – 63,467,054 and CHPP Govora SA – 15,943,658) and from the 2014 over-compensation in sum of 17,377,033 (Electrocentrale Oradea – 16,925,688 and Termo Calor - 451,345).

Since the Romanian Authority for Nuclear Activities RAAN RA refused compensating mutual liabilities, the Company applied the provisions of article 17 par 5 from Order 116/2013 of ANRE president approving the Regulation determining the collection of the contribution for high efficiency cogeneration and bonus payment for electricity produced under high efficiency cogeneration: *“in case the producer fails to pay all of his payment obligations to the administrator of the support scheme according to the provisions herein, the support scheme administrator pays to the producer the difference between the value of invoices issued by the producer and the producer’s payment obligations to the support scheme, with clear indication of the said amounts in the payment document”* and withheld the payment of the support scheme amounts owed to RAAN SA, represented by the bonus for March 2014 – August 2015 and by the ex-ante over-compensation for 2014.

Mention should be made the sum of 1,619,480 was paid in October 2015 to the Bureau of the judiciary executor “Cimpu Robert”, following the enforcement letter sent to the Company considered as sequestered third party under the enforcement file 303/E/2015 of the supervised debtor RAAN. The amount of 1,619,480 diminished the value of the March 2014 bonus owed to RAAN SA and withheld from payment as per article. 17 par 5 from Order 116/2013 of ANRE president.

The Company applied the provisions of article 17 par 5 from Order 116/2013 of ANRE president also to Electrocentrale Oradea - producer with over-compensation in 2014 that has not paid the Company-issued invoices according to ANRE decision.

On 30 September 2015 CNTEE Transelectrica SA and CET Govora SA concluded agreement on the compensation and

CNTEE Transelectrica SA

Notes to the separate temporary financial statements on 30 September 2015

(All amounts are in LEI, unless stated otherwise)

payment spread-out of amounts representing receivables from the 2011-2013 over-compensation and the 2014 undue bonus (Agreement C 135/30.06.2015 and Addendum 1/04.08.2015). The term of the Agreement is 1 year (July 2015 - August 2016) and provides the Company the right to calculate and collect payment penalties on installment period.

Based on this Agreement the Company's receivables from CET Govora SA were compensated with the liabilities of CET Govora SA, represented by the May 2014 – August 2015 cogeneration bonus in sum of 40,261,698 withheld in the application of provisions from article 17 par 5 under Order 116/2013 of ANRE president and the Agreement provisions.

The balance of main clients on the energy market includes: RAAN, Electrica Furnizare, Ciga Energy, E.ON Energie Romania, Electrica, Enel Energie, Enel Energie Muntenia, CHPP Govora, CEZ Vanzare, and Alro Slatina; the share of such clients is 53% in the total gross receivables associated to the electricity market (65% on 31 December 2014).

Other receivables

On 30 September 2015 other receivables in sum of 110,431,425 included mainly:

- Deferred expenses in sum of 10,822,602, of which 4,071,504 technological losses in future periods, 1,220,757 represent security fee for the 25710 EIB credit and ING credit granting fee;

- Delay penalties calculated to late paying clients in sum of 46,265,318.

The greatest delay penalties were registered by the following clients- SC Eco Energy SRL (8,909,843), SC Petprod SRL (8,894,655), SC CET Govora (7,458,453), Romanian Authority for Nuclear Activities (6,065,563), Arcelor Mittal Galati (3,993,435), amounts that were also adjusted and included in the impairment adjustments for other doubtful receivables;

- Receivables to collect from ANAF in sum of 44,442,936 (see the paragraph below).

The Company is in dispute with ANAF that issued a fiscal inspection report on 20 September 2011 regarding VAT return for September 2005 – November 2006 and a number of 123 unused invoices identified as missing, which are documents of special circuit, for which it estimated VAT collected in sum of 16,303,174 plus accessories of 27,195,557. The total value of such obligations is 43,498,731. Such value was retained from the VAT the Company paid in November 2011. Later on the Company found the amounts paid as current VAT were considered as payment of the obligations from the fore-mentioned fiscal inspection report. Thus the Company was compelled to pay additional penalties of 944,423 for the VAT that should have been paid in November 2011, in order to avoid debts to the State budget. In total in 2011 the Company paid 44,442,936. The Company resorted to all legal means to contest the taxation decision of ANAF, thus it submitted complaint with ANAF against it and asked suspending the enforcement thereof until the complaint sent to ANAF is settled by administrative means. The law court denied the request to suspend the enforcement of the fiscal inspection report.

The Company considers the tax base was not reasonably determined by ANAF, which did not take into account the fully regulated nature of Company activities on the electricity market, this being set in proportion with the number and value of Company-issued invoices in the reviewed period. The Company deemed it was entitled to bring action in court and that ANAF did not take into account all the relevant data and documents in the estimation, such as the applicable Fiscal Procedural Code provided. Thus the Company sued ANAF to the Bucharest Court of Appeal in August 2012 to recover the amount and requested the admission of documents and of the accounting judiciary expertise as evidence.

On 18 September 2013 the expertise report was executed and submitted to the case file on 20 September 2013. On the hearing date of 18 October 2013 the parties objected to the judiciary expertise report, which were admitted by the Court of Appeal on 15 November 2013 and were notified to the designated expert. On the hearing date of 7 March 2014 the expert submitted his answer to the Company's objections. Compared to the revenues assessed by ANAF in its report based on which it estimated collected VAT in amount of 16,303,174 the accounting judiciary expertise report found undue revenues amounting to 551,013, which sum should have been used in calculating the value added tax and penalties to it. The hearing was adjourned in order to take notice of the answer to the objections from the expertise report.

On the hearing date of 30.04.2014 the court of first instance, the Appeal Court of Bucharest, Section VIII of Administrative & Fiscal Disputes (Ruling 1356/2014) in File 6657/2/2012 settled as follows: "Denies the request of claimant CNTEE Transelectrica SA (Challenge of the Administrative fiscal deed of ANAF)". The company will appealed against Resolution no. 1356/2014.

Advance payments to suppliers

Advance payments to suppliers amount to 32,235,062 and represent debtor suppliers for provided services, of which 32,179,943 are sums from transactions of the price coupling mechanism. This mechanism began on 19 November 2014, on which date the "4 Market Market Coupling" project coupling the day-ahead markets from Romania, Hungary, Czech Republic and Slovakia became operational. In this price coupling mechanism of the day-ahead markets the electricity exchanges correlate the day-ahead electricity transactions taking into account the interconnection capacity that the TSO provided to implicitly allocate it. CNTEE Transelectrica SA, in its capacity of TSO, transfers electricity both in physical and in commercial terms to the neighbouring TSO (MAVIR- Hungary) and manages the congestion revenues along the respective interconnection (article 139 from Order 82/2014 of ANRE), being Implicit Participant to the day-ahead market

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for SC OPCOM SA.

As Transfer Agent and Implicit Participant CNTEE Transelectrica SA has got the commercial task to settle the energy transacted between SC OPCOM SA and MAVIR.

Receivable VAT

On 30 September 2015 the Company registered receivable VAT amounting to 32,655,580 and representing:

- the balance of negative VAT in amount of 35,714,020 that the Company asked repayment of from ANAF-DGAMC by means of the value added tax return and compensating the receivable from the VAT with the income tax liability;

The negative VAT balance was owed to the increased transactions on the balancing market from 01 July to 30 September 2015 compared to the similar period of 2014, when the Company applied reverse taxation for such operations according to article 160 par (2) letter e) of Law 571/2003 on the Fiscal Code;

- the non-exigible value added tax amounting to 3,058,440 that will become exigible (collected value added tax) in future periods.

Adjustments for depreciation of doubtful trade receivables and other doubtful receivables

Company policy provides recording allowances for value losses of 100% of clients under dispute, insolvency and bankruptcy and 100% of commercial receivables and other receivables not collected in more than 180 days. The Company also makes individual case by case analysis of commercial receivables and other uncollected receivables.

On 30 September 2015 the greatest depreciation 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), RAAN (7,413,209), and Also Energ (7,177,167). To recover such doubtful receivables the Company took the following steps- notification of clients, legal proceedings in court, enlisting in the creditors' list etc.

On 30 September 2015 the Company recorded depreciation allowance of 44,442,936 for the total obligations paid to ANAF, based on the estimations of recovery likelihood.

The Company's exposure to the credit and market risks, as well as the value adjustments for commercial receivables is provided in Note 19.

6. Cash and cash equivalents

On 30 September 2015 and on 31 December 2014 cash and cash equivalents were as follows:

	30 September 2015	31 December 2014
Current bank accounts and deposits	746.914.747	762.498.656
Cash and deposits from high efficiency cogeneration	172.238.390	102.342.568
Petty cash	85.506	66.246
Other cash equivalents	143.699	330.103
Total	919.382.342	865.237.573

Deposits of initial maturity less than 90 days constituted of cash and cash equivalents from current accounts were in sum of 558,010,000 on 30 September 2015 and of 636,986,300 on 31 December 2014.

Beginning with 1 April 2011 CN Transelectrica SA - as administrator of the support scheme promoting high efficiency cogeneration - manages a special bank account collecting the contribution for such high efficiency cogeneration and the payment of the associated bonus. The cash generated from the administration of this scheme amounted to 172,238,390 on 30 September 2015 and to 102,342,568 on 31 December 2014 .

Available cash from the connection fee amounted to 65,513,590 on 30 September 2015 and to 78,387,668 on 31 December 2014.

7. Shareholders' equities

In accordance with the provisions of GEO 86/2014 setting certain reorganisation measures for public central administration and amending & adding certain norms, on 20 February 2015 the transfer of 43,020,309 shares was registered in the Company's Shareholder Register from the Romanian State's account managed by the Secretariat General of the Government into the Romanian State's account managed by the Ministry of Economy, Trade and Tourism.

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At the end of each reporting period the Company's fully subscribed and paid share capital amounting to 733,031,420 is divided into 73,303,142 ordinary shares of 10 Lei / share nominal value and is consistent with the one registered with the Office of the Commercial Register.

The shareholder membership on 30 September 2015 and on 31 December 2014 was as follows:

Shareholder	30 September 2015		31 December 2014	
	Number of shares	% of the share capital	Number of shares	% of the share capital
Romanian State through the SGG	-	-	43,020,309	58.69%
Romanian State through the MECT	43,020,309	58.69%	-	-
SIF 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%
Total	73,303,142	100.00%	73,303,142	100.00%

The increase of shareholders' equity on 30 September 2015 compared to 31 December 2014 was mainly due to the registration of the net profit amounting to 304,654,474 achieved on 30 September 2015.

Dividends owed to shareholders from the 2014 profit amounted to 205,490,698 in accordance with Decision 3/29.04.2015 of AGA.

8. Deferred revenues

They mainly include the connection fee, other subsidies for investment, non-refundable European funds received from the Ministry of European Funds, plus revenues from the use of interconnection capacities.

The breakdown of deferred revenues on 30 September 2015 was as follows:

	30 September 2015	Of which: the short term part on 30.09.2015	31 December 2014	Of which: the short term part on 31.12.2014
Deferred revenues – allocation of interconnection capacity	2.589.903	2.589.903	2.119.050	2.119.050
Deferred revenues - European funds	107.045	107.045	436.693	436.693
Connection fee funds	384.656.681	20.331.147	432.646.349	20.270.338
European Funds	114.280.343	7.034.375	114.534.022	6.320.904
Other subsidies	33.797.403	2.776.627	36.101.491	3.922.517
Total	535.431.375	32.839.097	585.837.605	33.069.502

The movement of short term deferred revenues from 01 January to 30 September 2015 has been as follows:

	30 September 2015	31 December 2014
Opening balance	33.069.502	35.472.072
Cash in advance related to the interconnection capacity	19.375.895	56.469.324
Proceeds from European funds	56.205	71.696
Transfer from long term deferred revenues	(371.610)	(1.439.715)
Revenues from the use of interconnection capacity	(18.905.043)	(57.478.791)
Revenues from European funds	(385.852)	(24.688)
ANRE revenues	-	(396)
Total	32.839.097	33.069.502

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On 6 May 2015 CNTEE Tranelectrica SA cashed the reimbursement application no. 2 amounting to 7,595,828 Lei for Refurbishment of the 400/110/20 kV substation Tulcea Vest.

9. Borrowings• *Long term borrowings*

On 30 September 2015 the amount of long term borrowings decreased in comparison with 31 December 2014 mainly due to repaying the instalments falling due according to loan agreements.

From 01 January to September 2015 there have been no drawings from the loans.

The movement of borrowings from 01 January to 30 September 2015 was as follows:

	Currency	Interest rate	Accounting value	Due date
Balance on 1 January 2015			985.906.500	
New drawings			0	
Repayments, of which:			(171.449.790)	
EIB 20.864	EUR	Notified on drawing	(16.105.429)	05-Dec-2015
NIB PIL No 02/18	USD	LIBOR+0.9%	(3.610.618)	15-Apr-2018
IBRD 7181	EUR	Variable	(35.334.858)	15-Jan-2020
NIB PIL No 03/5	EUR	EURIBOR+0.85%	(10.200.730)	15-Sept-2018
NIB PIL No 02/37	EUR	EURIBOR+0.9%	(5.460.641)	15-Sept-2018
KfW 10431	EUR	EURIBOR+0.6%	(9.845.339)	31-Jul-2017
KfW 11300	EUR	EURIBOR+0.6%	(14.287.227)	31-Jul-2017
JBIC	JPY	3.1%	(8.608.676)	15-Sept-2016
EBRD 33354*)	EUR	EURIBOR+3%	(8.651.923)	25-May-2015
BRD	RON	ROBOR+1.25%	(6.600.000)	31-Aug-2016
EIB 25709	EUR	3.596%	(10.677.092)	10-Sept-2025
EIB 25710	EUR	3.856%	(4.899.777)	11-Apr-2026
ING + BRD	EUR	EURIBOR+2.75%	(37.167.480)	13-Feb-2019
Unsecured bonds	RON	6.1%	-	19-Dec-2018
Exchange rate differences on the date of repayment			(7.031.625)	
Balance on 30 September 2015			807.425.085	

*) The balance of EBRD 33354 loan (after current instalment paying) was paid in advance on 22.05.2015, with no extra costs.

On 30 September 2015 and on 31 December 2014 the balance of contracted long term borrowings was as follows:

Description	30 September 2015	31 December 2014
EIB 20.864	16.094.132	32.664.890
NIB PIL No 02/18	20.729.508	22.663.601
IBRD 7181	111.041.521	148.054.551
NIB PIL No 03/5	30.475.230	41.235.320
NIB PIL No 02/37	16.313.957	22.074.034
KfW 10431	18.971.973	29.107.693
KfW 11300	23.440.183	38.088.219
JBIC	8.574.110	16.180.482
EBRD 33354	-	8.773.877
BRD	6.600.000	13.200.000

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Description	30 September 2015	31 December 2014
EIB 25709	106.327.963	118.692.648
EIB 25710	119.005.528	125.747.805
ING + BRD	129.850.980	169.423.380
Unsecured bonds	200.000.000	200.000.000
Total long term borrowings, of which:	807.425.085	985.906.500
Current portion of long term loans	(174.704.881)	(193.862.871)
Total long term borrowings net of current instalments	632.720.204	792.043.629

The long term share of borrowings will be reimbursed as follows:

	30 September 2015	31 December 2014
From 1 to 2 years	130.494.915	162.638.365
From 2 to 5 years	383.377.051	491.147.087
Over 5 years	118.848.238	138.258.177
Total	632.720.204	792.043.629

The Company has never hedged against the currency risks related to its liabilities in foreign currency or the exposure to risks associated to the interest rate.

All the long term borrowings, except for JBIC, EIB 25709, EIB 25710 and unsecured bonds are bearing variable interest rates and consequently the book of long term loans is an approximation of their fair value.

- *Short term borrowings*

These are detailed as follows:

	30 September 2015	31 December 2014
Current share of long term credits	174.704.881	193.862.872
Short term bank credits (credit lines)	-	-
Interest rates of long term loans	3.356.177	6.374.806
Interest rates of bonds	9.692.221	440.556
Total short term borrowings	187.753.279	200.678.234

- *Loans contracted for current activities*

In January 2015 the Company committed 12 months' credit line from BRD GROUP SOCIETE GENERALE SA, Big Corporate Clients Branch in order to finance the bonus type support scheme, available as overdraft in amount of 150,000,000. The line credit was secured by:

- Chattel mortgage over the bank account opened;
- Chattel mortgage on the receivables from the contracts on the contribution for high efficiency cogeneration concluded with CEZ Vanzare SA, E.ON Energie Romania SA, Repower Furnizare SRL, and Tinmar IND SA.

On 30.09.2015 the Company has not used the contracted credit line.

10. Trade and other liabilities

On 30 September 2015 and on 31 December 2014 trade and other liabilities were as follows:

	30 September 2015	31 December 2014
Suppliers on the energy market	335.160.497	572.297.292
Asset suppliers	54.087.417	41.160.838
Activity suppliers	16.982.944	34.888.693

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Sums owed to employees	4.829.578	5.449.330
Other liabilities	285.661.520	291.860.573
Total	696.721.956	945.656.726

The decrease of liabilities to the suppliers on the electricity market was determined by:

- Reduced number of transactions on the balancing market, on balance as of 30 September 2015;
- Paying from 01 January to 30 September 2015 the payment liabilities as of 31 December 2014 on the electricity market (including payment of the bonus withheld from producers according to article 17 par 5 from Order 116/2013 of ANRE compensated with the over-compensation owed by producers for 2011-2014, based on the provisions of the executed Compensation and payment spread-out agreements).

The Company requested the generators (Company suppliers) that did not pay the over-compensation invoices of the bonus type support scheme, to agree with compensating mutual liabilities at minimum level through the Institute of Management and Information (IMI), based on the provisions of GD 685/1999.

Taking into account the Romanian Authority for Nuclear Activities (RAAN) SA refused compensating mutual liabilities the Company applied the provisions of article 17 par 5 from Order 116/2013 of ANRE president approving the Regulation determining the collection of the contribution for high efficiency cogeneration and bonus payment for electricity produced under high efficiency cogeneration: *“in case the producer fails to pay all of his payment obligations to the administrator of the support scheme according to the provisions herein, the support scheme administrator pays to the producer the difference between the value of invoices issued by the producer and the producer’s payment obligations to the support scheme, with clear indication of the said amounts in the payment document”* and withheld the payment of the support scheme amounts owed to RAAN SA, represented by the bonus amounting to 39,292,169 for March 2014 – August 2015 and by the 2014 ex-ante over-compensation in amount of 4,957,648.

On 27.03.2015 the President of ANRE issued the decisions on the undue bonus / over-compensation, namely the settling quantum for the ex-ante over-compensation after reviewing the over-compensation for electricity and heat generation under high efficiency cogeneration in 01.01-2014-31.12.2014.

Until 30.09.2015 by applying the provisions of article 17 par 5 from Order 116/2013 of ANRE the Company withheld from payment the bonus and the ex-ante over-compensation amounting to 44,249,817 owed to suppliers (qualified generators), because they have not paid the Company the over-compensation in amount of 96,787,745.

Energy suppliers are mainly represented by: SC Hidroelectrica SA, SC Romgaz SA, RAAN and MAVIR. On 30 September 2015 their share was 63% in the total number of energy suppliers.

The higher balance of asset suppliers on 30 September 2015 compared to 31 December 2014 was due to the payment of equipment, work and services under investment projects.

The structure of other liabilities is as follows:

	30 September 2015	31 December 2014
Sundry payables	279,616,335	239,153,690
Client-creditors	2,342,114	49,269,419
Dividends payable	2,095,165	1,124,073
Other liabilities	1,607,906	2,313,391
Total	285,661,520	291,860,573

On 30 September 2015 “Sundry payables” amounting to 279,616,335 were mainly the operations of the support scheme in amount of 277,827,674, namely the net positive value between:

- The contribution to collect from the suppliers of electricity consumers, the over-compensation of electricity and heat generation under high efficiency cogeneration (in 2011-2014) and the undue bonus collectable from generators according to ANRE decisions, on the one hand, and
- The bonus and the ex-ante over-compensation for 2014 payable to energy generators under high efficiency cogeneration that benefit from the support scheme, on the other hand;

“Client creditors” on 30 September 2015 amounted to 2,342,114, of which 2,133,865 are sums the Company operates with the Ministry of Economy from Moldova for the Feasibility study on the synchronous interconnection of Ukraine and the Republic of Moldova to ENTSO-E.

On 30 September 2015 dividends owed to Company shareholders amounted to 2,095,165, of which 1,145,697 relate to the dividends distributed from the 2014 profit. Such amounts are at the shareholders’ disposal by means of the payment agent.

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The current and deferred income tax of the Company was determined at the statutory rate of 16%.
The income tax expense on 30 September 2015 and on 30 September 2014 was as follows:

	3rd quarter 2015	3rd quarter 2014	30 September 2015	30 September 2014
Current income tax	17,041,277	17,415,171	57,419,995	64,630,672
Deferred income tax	(777,518)	(1,696,834)	(3,014,317)	(5,627,105)
Total	16,263,759	15,718,337	54,405,678	59,003,567

12. Other tax and social security liabilities

On 30 September 2015 and on 31 December 2014 the balance of other tax and social security liabilities include:

	30 September 2015	31 December 2014
Contribution to social security funds	3,947,498	4,801,378
Tax on salaries	1,473,034	1,771,705
Other tax payable	1,132,419	1,004,804
Total	6,552,951	7,577,887

13. Operational revenues**01 July – 30 September 2015 compared to 01 July – 30 September 2014**

Operational revenues include income obtained from services the Company provided on the electricity market such as transmission and system services, as well as from allocation of interconnection capacities, balancing market management and other revenues.

Revenues from transmission and system (technological and functional) services were determined using the amount of electricity delivered to consumers and the average rates approved by ANRE, as follows:

	Average rate for transmission services	Average rate for technological system services	Average rate for functional system services
Order 93/25.06.2015 for 01 July – 30 September 2015	20.97	12.58	1.17
Order 51/26.06.2014 for 01 July – 30 September 2014	22.50	12.54	1.42

The average rate of electricity transmission has two components: tariff for electricity input into the grid (T_G) and tariff for electricity taken out of the grid (T_L).

The amount of electricity delivered to consumers from 01 July to 30 September 2015, namely 01 July – 30 September 2014, was as follows:

	01 July – 30 September 2015	01 July – 30 September 2014
Electricity amount delivered to consumers (MWh)	12.632.550	12.160.566

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Revenues achieved from 01 July to 30 September 2015, namely 01 July – 30 September 2014, were as follows:

	<u>01 July – 30 September 2015</u>	<u>01 July – 30 September 2014</u>
Transmission revenues	264.959.671	296.552.426
Revenues from allocation of interconnection capacities	25.670.239	21.217.332
Reactive energy revenues	1.425.546	1.310.842
Inter TSO Compensation (ITC) revenues	124.678	63.474
Revenues from technological losses transactions	11.152	1.186
Transmission revenues – total	<u>292.191.286</u>	<u>319.145.260</u>
Revenues of functional system services	14.780.084	17.266.380
Revenues of technological system services	159.419.797	153.759.105
Revenues of unplanned DAM exchanges	321.760	464.922
System service revenues – total	<u>174.521.641</u>	<u>171.490.407</u>
Balancing market revenues	309.021.851	122.771.120
Other revenues	13.692.655	21.346.397
Total revenues	<u>789.427.433</u>	<u>634.753.184</u>

Transmission and functional system service revenues

The amount of electricity delivered to consumers from 01 July to 30 September 2015 increased about 3.9% compared to 01 July – 30 September 2014, therefore revenues from transmission and functional system services dropped 11%, namely 34,079,051 determined by the reduced average rates for such services approved by ANRE beginning with 01 July 2015.

Revenues from allocation of interconnection capacity

The mechanism for the allocation of interconnection capacity (ATC) consists in organizing the annual auctions, monthly, daily and intrazilnice. Auctions annual, monthly and intrazilnice are explicit (it only bid transport capacity) and the Hungarian daily are implicit (simultaneously allocate energy and capacity) by coupling mechanism.

Revenues from interconnection capacity allocation registered an increase during the period 1 July to 30 September 2015 compared to the period 1 July to 30 September 2014 amounting to 4,452,907.

During this period, on the borders with Serbia and Hungary in sessions yearly auction and monthly (long term), allocation of interconnection capacity was higher, which caused an increased interest from the participants, leading to increased congestion income.

As regards daily allocations, revenues increased on the Hungarian border due to implementing the “4 Market Market Coupling” project inter-connecting the markets of Romania, Hungary, Czech Republic and Slovakia, and they also increased on the Bulgarian border due to the market participants’ higher interest to procure interconnection capacity on this frontier.

Beginning with 19 November 2014 the regional energy exchange was established by Romania, Hungary, Czech Republic and Slovakia, which means these four countries should reach to a single electricity price for spot market transactions. Transmission operators Transelectrica and MAVIR allocate the capacity between Romania and Hungary, the only one of the 3 countries Romania has got frontier with, using a joint mechanism based on bilateral agreement.

The market allocating interconnection capacities is fluctuant, prices grow depending on the market participants’ demands and needs to procure interconnection capacity.

Net revenues from the allocation of interconnection capacity are registered and used in accordance with the provisions of article 22 par (4) from Order 53/2013 of ANRE and of article 16 par (6) of the (EC) Regulation 714/2009, as financing source for investments upgrading and developing interconnection capacities with neighbouring countries.

Revenues from technological system services

From 01 July to 30 September 2015 technological system service revenues increased by 5,660,692 compared to 01 July - 30 September 2014 because the amount of electricity delivered to consumers grew about 3.8%.

Revenues from technological system services achieved from 01 July to 30 September 2015 were higher with 18,639,238, which led to reducing the loss recorded with these services in the first part of 2015.

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*(All amounts are in LEI, unless stated otherwise)**Balancing market revenues*

Such revenues increased by 186,250,731 from 01 July to 30 September 2015 compared to 01 July - 30 September 2014 as determined by the participants' behaviour on this market (notified/achieved). The balancing market is zero profit activity for the Company.

01 January – 30 September 2015 compared to 01 January – 30 September 2014

In the studied intervals, revenues from transmission and system services were determined using the average rates approved by ANRE as follows:

	Average rate for transmission services	Average rate for technological system services	Average rate for functional system services
Order 51/26.06.2014 for 01.01 - 30.06.2015	22.50	12.54	1.42
Order 93/25.06.2015 for 01.07 - 30.09.2015	20.97	12.58	1.17
Order 96/18.12.2013 for 01.01 - 30.06.2014	22.16	13.28	1.74
Order 51/26.06.2014 for 01.07 - 30.09.2014	22.50	12.54	1.42

The amount of electricity delivered to consumers from 01 January to 30 September 2015 and in 01 January – 30 September 2014 was as follows:

	01 January - 30 September 2015	01 January – 30 September 2014
Amount of electricity delivered to consumers (MWh)	38,902,373	37,612,925

Revenues achieved from 01 January to 30 September 2015 and in 01 January – 30 September 2014 were as follows:

	01 January - 30 September 2015	01 January – 30 September 2014
Transmission revenues	889.414.768	889.595.358
Revenues from allocation of interconnection capacity	76.074.335	45.204.201
Reactive energy revenues	5.705.269	4.343.558
Inter TSO Compensation (ITC) revenues	288.122	270.752
Revenues from technological losses transactions	48.066	149.780
Transmission revenues – total	971.530.560	939.563.649
Revenues of functional system services	52.083.232	61.555.456
Revenues of technological system services	490.871.080	494.008.985
Revenues of unplanned DAM exchanges	1.242.373	1.747.516
System service revenues – total	544.196.685	557.311.957
Balancing market revenues	661.130.895	409.964.106
Other revenues	38.716.221	46.762.098
Total revenues	2.215.574.361	1.953.601.810

Revenues from transmission and functional system services

The reduced average rates for such services approved by ANRE beginning with 01 July 2015 determined diminished revenues from transmission and functional services with 9,652,814 from 01 January to 30 September 2015 compared to 01 January – 30 September 2014, when the amount of electricity delivered to consumers grew about 3.4% (about 1.3 TWh).

Revenues from the allocation of interconnection capacities

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Such revenues increased by 30,870,134 from 01 January to 30 September 2015 compared to 01 January – 30 September 2014 mainly because of the market participants' need to procure interconnection capacity (see what has been specified for 01 June – 30 September 2015).

Revenues from technological system services

From 01 January to 30 September revenues from technological system services decreased by 3,137,905 because the achieved average rate dropped in comparison with 01 January – 30 September 2014.

ANRE has determined the average rate of technological system services in order to compensate fully the profit gathered in 2011-2013, to definitely settle the partial (80%) compensation of the profit recorded in the tariff interval 01 January – 30 June 2014 (compensation calculated using the estimated profit and applied in the tariff on 1 July 2014) and to provide preliminary compensation for the estimated loss in the tariff interval 01 July 2014 – 30 June 2015.

Revenues from technological system services achieved from 01 January to 30 September 2015 were smaller than technological system service expenses, which led to loss of 13,492,998 in the non-profit activities.

The costs of system services increased by supplementing the power reserves procured by the Company according to GD 1178/2014, as compared to the power reserves considered when the tariff was set on 01 July 2014.

Balancing market revenues

Such revenues increased by 251.166.789 from 01 January to 30 September 2015 compared to 01 January – 30 September 2014 due to the behaviour of participants on this market (notifications/achieved). The balancing market is zero profit activity for the Company.

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*(All amounts are in LEI, unless stated otherwise)***14. System operation and balancing market expenses****01 July – 30 September 2015 compared to 01 July – 30 September 2014**

Expenses made from 01 July to 30 September 2015 compared to 01 July – 30 September 2014 were as follows:

	01 July – 30 September 2015	01 July – 30 September 2014
Expenses of technological losses	43.511.937	39.627.840
Congestion expenses	34.152	181.740
Electricity consumption in RET substations	2.942.088	3.017.372
Expenses with functional system services	2.680.277	3.126.534
Inter TSO Compensation (ITC) expenses	5.041.529	5.837.690
Total operational expenses	54.209.983	51.791.176
Expenses with technological system services	140.780.559	172.103.500
Balancing market expenses	309.021.851	122.771.120
Total	504.012.393	346.665.796

Expenses of technological losses

They are expenses for electricity procurement on the free power market in order to cover one's own technological consumption in the RET. The increase of such expenses by 3,884,097 from 01 July to 30 September 2015 compared to 01 July – 30 September 2014 came from the increased electricity procurement price of CPT covering in the RET, against the background of the prolonged 2015 drought.

Congestion expenses

Congestions (network restrictions) are demands for electricity transmission beyond the technical capacity limits of the grid, consequently corrective actions are required from the transmission and system operator; they occur when operation is scheduled or even in real time whenever the power circulation between two system nodes or zones leads to the failure to further comply with the safe operational parameters of the power system.

From 01 July to 30 September 2015 congestion expenses amounted to 34,152.

Expenses with functional system services

They represent uncontracted international exchanges of electricity with neighbouring countries and expenses with unplanned exchanges on the day-ahead market (DAM).

Spending on services functional system recorded a decrease in the period 1 July to 30 September, 2015 compared to the period 1 July to 30 September 2014 amounted to 446,257, due mainly lower values electricity flows due to exchange unplanned with neighboring countries (exports / imports unplanned).

Inter TSO Compensation (ITC) expenses

They are monthly payment / collection rights of each transmission and system operator (TSO). Such expenses are set by the mechanism compensating / settling the use of the electricity transmission grid (RET) for electricity transits in-between TSO-s from the 35 countries that affiliated to this ENTSO-E mechanism and were 796,161 smaller compared to 01 July – 30 September 2014.

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*(All amounts are in LEI, unless stated otherwise)**Expenses with technological system services*

From 01 July to 30 September 2015 such expenses decreased by 31,322,941 compared to 01 July – 30 September 2014.

The Company procures technological system services from generators in order to maintain the operational safety of SEN and the quality of transmitted electricity to the parameters provided in applicable norms.

Such services are contracted:

- Under regulated regime based on ANRE decisions
- By means of competitive mechanisms

From 01 July 2015 to 30 June 2016 technological system services will be procured under ANRE-regulated regime from SC Hidroelectrica SA (Decision 1377/26.06.2015 amended by Decision 1423/01.07.2015) and from SC Energy Complex Hunedoara SA (Decision 859/08 April 2015).

Balancing market expenses

These expenses result from the notifications / achievements of participants on this market, being fully covered by the balancing market revenues.

01 January – 30 September 2015 compared to 01 January – 30 September 2014

Expenses made from 01 January to 30 September 2015 compared to 01 January – 30 September 2014 were as follows:

	01 January – 30 September 2015	01 January – 30 September 2014
Expenses of technological losses	138.179.212	128.066.388
Congestion expenses	902.441	181.740
Electricity consumption in RET substations	10.150.098	10.204.063
Expenses with functional system services	8.931.490	8.198.553
Inter TSO Compensation (ITC) expenses	17.585.529	12.587.690
Total operational expenses	175.748.770	159.238.434
Expenses with technological system services	504.364.078	479.081.705
Balancing market expenses	661.130.895	409.964.106
Total	1.341.273.743	1.048.284.245

Expenses of technological losses

These are electricity procurement expenses as required in order to keep installations energised and to circulate the electricity through the interconnected transmission network. From 01 January to 30 September 2015 such expenses increased by 10,112,824 compared to 01 January – 30 September 2014, mainly because of the higher electricity procurement prices to cover the CPT and of the greater amounts of electricity needed to cover technological losses in the RET by about 5.7%, namely from 727,101 MWh in 01 January – 30 September 2014 to 769,074 MWh from 01 January to 30 September 2015, and the average price increase - 180 lei / MWh (nine months 2015) compared to 178 lei / MWh (nine months 2014).

The factors that impacted the increasing amounts of electricity procured to cover technological losses in the RET were as follows:

- Greater electricity amounts input in the RET, which determined higher losses by the Joule effect;
- Bad meteorological conditions leading to higher Corona losses;
- Bad influences of the physical import/export flows (higher export in the north), which led to more intense circulation in the south;
- Poor generation mix leading to higher electricity transmission far from generation sources;

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Congestion expenses

From 01 January to 30 September 2015 the Company recorded congestion expenses amounting to 902,441 in the RET.

Expenses with functional system services

These expenses increased by 732,937 from 01 January to 30 September 2015 compared to 01 January – 30 September 2014 mainly because of higher balancing market expenses with unplanned exchanges (exports) of electricity with neighbouring countries interconnected to the SEN.

Inter TSO Compensation (ITC) expenses

The monthly payment / collection obligations of each transmission and system operator (TSO) are set by the compensation (settlement) mechanism for RET utilisation for electricity transits between the TSO-s of the 35 countries that affiliated to this ENTSO-E mechanism. From 01 January to 30 September 2015 such expenses were 4,997,839 higher than in 01 January – 30 September 2014.

Expenses with technological system service

From 01 January to 30 September 2015 such expenses increased by 25,282,373 compared to 01 January – 30 September 2014.

The Company procures technological system services (secondary, fast and slow tertiary reserves) from generators in order to maintain the safe operation of SEN and the quality of electricity transmitted to the parameters required by applicable norms.

Such services are contracted as follows:

- Under regulated regime based on ANRE decisions;
- By means of competitive mechanisms;

In accordance with the provisions of GD 138/08.04.2013 on the measures taken for safe electricity supply, the Company procured technological system services as per ANRE regulations as follows:

- From SC Energy Complex Hunedoara SA at least 400 MW from 15 April 2013 to 1 July 2015; according to GD 941/29.10.2014 the enforcement date of GD 138/2013 is extended until 31 December 2017;
- From SC Energy Complex Oltenia SA at least 600 MW from 15 April 2013 to 1 July 2015;

In accordance with the provisions of GD 1178/2014 on the operational safety and security measures for SEN from 01 January to 28 February 2015, the additional procurement of technological system services was approved as necessary to CNTEE Transelectrica SA to provide operational safety and stability of SEN. The Company is obliged to provide priority dispatching of electricity generated by thermal power plants according to the regulations of the National Regulatory Authority in the Energy domain (ANRE).

From 01 January to 30 June 2015 technological system services were procured under ANRE regulations from SC Energy Complex Hunedoara SA (Decision 2619/03.12.2014), SC Energy Complex Oltenia SA (Decision 2670/10.12.2014) and from SC Hidroelectrica SA (Decision 2671/10.12.2014).

From 01 July 2015 to 30 June 2016 technological system services will be procured under ANRE regulations from SC Hidroelectrica SA (Decision 1377/26.06.2015 amended by Decision 1423/01.07.2015) and from SC Energy Complex Hunedoara SA (Decision 859/08 April 2015).

Balancing market expenses

Such expenses result from the notifications / achievements of participants on this market, being fully covered by balancing market revenues.

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*(All amounts are in LEI, unless stated otherwise)***15. Other operational****01 July – 30 September 2015 compared to 01 July – 30 September 2014**

	<u>01 July – 30 September 2015</u>	<u>01 July – 30 September 2014</u>
Other third party services	12.872.673	11.218.946
Postage and telecommunications	466.301	585.128
Rent	1.884.985	2.456.655
Operational expenses with impairment for current assets	(815.139)	3.786.440
Other expenses	16.191.890	13.753.532
	<u>30.600.710</u>	<u>31.800.701</u>

01 January – 30 September 2015 compared to 01 January – 30 September 2014

	<u>01 January – 30 September 2015</u>	<u>01 January – 30 September 2014</u>
Other third party services	34.127.025	32.225.728
Postage and telecommunications	1.509.795	1.659.329
Rent	6.100.770	7.164.774
Operational expenses with impairment for current assets	(5.501.116)	25.521.152
Other	45.430.322	39.045.654
	<u>81.666.796</u>	<u>105.616.637</u>

Such expenses diminished from 01 January to 30 September 2015 compared to 01 January – 30 September 2014 mainly because revenues included again adjustments for receivables depreciation on account of certain disputes settled in favour of the Company (see Note 19).

16. Net financial result**01 July – 30 September 2015 compared to 01 July – 30 September 2014**

	<u>01 July – 30 September 2015</u>	<u>01 July – 30 September 2014</u>
Interest revenues	1.413.432	(214.803)
Differences of exchange rate	12.905.803	2.123.409
Other financial revenues	224.344	60.147
Total financial revenues	<u>14.473.579</u>	<u>1.968.753</u>
Differences of exchange rate	(5.130.292)	(6.195.675)
Interest expenses	(6.934.917)	(8.303.507)
Total financial expenses	<u>(12.065.209)</u>	<u>(14.499.182)</u>
Net financial result	<u>2.408.370</u>	<u>(12.530.429)</u>

01 January – 30 September 2015 compared to 01 January – 30 September 2014

	<u>01 January – 30 September 2015</u>	<u>01 January – 30 September 2014</u>
Interest revenues	8.081.430	9.808.025
Differences of exchange rate	28.737.142	25.765.480

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Other financial revenues	7.746.641	13.446.195
Total financial revenues	44.565.213	49.019.700
Differences of exchange rate	(21.911.793)	(14.841.553)
Interest expenses	(21.954.760)	(26.952.329)
Total financial expenses	(43.866.553)	(41.793.882)
Net financial result	698.660	7.225.818

Financial income recorded a decrease between 01 January - 30 September 2015 amount to 4,454,487 lei compared to between 01 January - 30 September 2014 driven mainly by lower interest earned on cash available in the accounts / bank deposits (reduction by BNR monetary policy rate) and by lower dividends received from subsidiaries.

Financial expenses were up between 01 January - 30 September 2015 in the amount of 2,072,671 lei, compared to between 01 January - 30 September 2014 mainly driven by the increase of the exchange rate of the national currency against the currencies in which investment loans are contracted.

The exchange rate of national currency recorded at 30 September 2015 versus 31 December 2014 and the 30 September 2014 is as follows:

Currency	30 September 2015	31 December 2014	30 September 2014
Lei / Euro	4.4167	4.4821	4.4114
Lei / Dolar SUA	3.9342	3.6868	3.5019
Lei / 100 Japanese Yens	3.2713	3.0866	3.1939

The net (profit) financial result registered from 01 January to 30 September 2015 was smaller than that recorded in the same period of 2014, being influenced both by the decreased financial revenues and by the increased financial expenses.

17. Contingencies*Disputes*

- Eolica Dobrogea SRL sued the Company in order to compel it concluding a connection contract. On the hearing date 12 April 2013 the law court denied the request of Eolica Dobrogea SRL on the illegality of suspensive terms provided in article 5.1 (e) of the connection contract. On the hearing date 8 February 2014 the law court cancelled letter 37650/16 December 2011, admitting the suspensive terms of the connection contract as fulfilled as per the contract and obliging the Company to execute the connection contract. Both the Company and Eolica Dobrogea SRL appealed against the 8 February 2014 ruling. The first hearing date of the appeal was 15 May 2014. Eolica Dobrogea SRL expressed no more material claims.

On 05.02.2015 the High Court of Cassation and Justice, Section of Administrative and Fiscal Disputes issued Decision 464/05.02.2015, which acknowledged SC Rokura SRL gave up the court trial for the request of accessory intervention.

The court admitted the appeals instituted by the National Power Grid Company Transelectrica SA, by SC Eolica Dobrogea (Schweiz) AG and by Iberdrola Renovables Energia SA against the civil judgment 600 of 8 February 2014 of the Appeal Court Bucharest, Section VIII of administrative and fiscal disputes.

It admitted the appeal expressed by SC Eolica Dobrogea SRL through the judicial administrator Aqua Insolvency IPURL against the civil judgment 1313 of 12 April 2013 of the Appeal Court Bucharest, Section VIII of administrative and fiscal disputes. It cancelled the appealed sentences and referred the case to the Bucharest Tribunal, Civil Case Section; irrevocable.

The file was recorded on the docket of Bucharest Tribunal under no. 10994/3/2015. In the conclusion of 08.05.2015 Bucharest Tribunal Section V of Civil Cases admitted the exception of no functional jurisdiction and referred the case to Section VI, Civil Cases of Bucharest Tribunal in order to be shared by a specialised panel in the settlement of disputes with professionals.

The file was recorded on the docket of Bucharest Tribunal, Section VI, Civil Cases under no. 10994/3/2015*, with hearing date on 04.12.2015.

- On 4 March 2014 the European Commission issued notification that it applied a fine of 1,031,000 EUR to Subsidiary SC OPCOM SA for abusing its dominant position on the Romanian market and facilitating electricity transactions on the spot

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market, thus breaching EU's antitrust norms. The Commission considered the parent company of Subsidiary SC OPCOM SA, Transelectrica, equally responsible for such infringement. The Commission charged fine amounting to 1,031,000 EUR to the Company and to Subsidiary SC OPCOM SA, as being jointly liable to pay it.

The Shareholders' General Assembly of Subsidiary SC OPCOM SA decided on 10.06.2014 to pay in full the penalty of 1,031,000 Euro that the Directorate General Competition of the European Commission charged for its alleged breaching article 102 of the EU Treaty, according to the decision in the antitrust case AT 39984. Subsidiary SC OPCOM SA paid in full the fine established by the European Commission.

On 24.11.2014 Subsidiary SC OPCOM SA sued CNTEE Transelectrica SA to compel it paying 582,086,31 Euro (2,585,161.72 Lei at the BNR exchange rate of 24.11.2014), representing the amount it paid as fine from the total sum of 1,031,000 Euro.

Also Subsidiary SC OPCOM SA requested the court to compel the Company pay 84,867.67 Lei as legal interest for the 11.06.2014 – 24.11.2014 interval.

The action of Subsidiary SC OPCOM SA is included in file 40814/3/2014, on the docket of Bucharest Tribunal, Section VI, Civil Cases, pertaining to claims, subject matter dispute with professionals. CNTEE Transelectrica SA submitted the defence to this case in court, invoking exceptions and the fundamental claim regarding the illegality of the action.

On 24.07.2015 Bucharest Tribunal pronounced ruling 4275/2015 stating "It admits the proceedings instituted by claimant Electricity and Natural Gas Markets Operator OPCOM SA contradicting the defendant National Power Grid Company Transelectrica SA. It compels the defendant to pay 582,086.31 Euro to the claimant, which is the sum the claimant has paid on the defendant's behalf from the 1,031,000 Euro fine charged under the European Commission's decision on 05.03.2014 in case AT.39984, as well as the legal interest of 582,086.31 Euro, calculated on 11.06.2014 until actual payment. It compels the defendant to pay 37,828.08 Lei to the claimant as law court costs. Appeal within 30 days from notification, the appeal is filed with the Bucharest Tribunal, Section VI Civil Cases".

The sentence pronounced in the fore-mentioned case has not been notified to date.

In 2014 the Company registered provision of 2,670,029 for the dispute with Subsidiary SC OPCOM SA.

- In 2013 Conaid Company SRL sued CN Transelectrica for the unjustified refusal to sign an addendum to the connection contract or a new connection contract and asked claims for the expenses of 17,419,508 Lei incurred until that day and the unrealised profits for 2013-2033 amounting to 722,756,000 Euro. To date the Company has not concluded addendum to the connection contract because Conaid Company SRL did not comply with the suspensive terms included in it. A new connection contract should have been concluded by 11 March 2014, when the connection permit expired. As of the date of these financial statements the amounts claimed by Conaid Company SRL were considered contingent liabilities since it is unlikely to outflow resources incorporating economic benefits to settle such obligation, and the amount cannot be estimated reliably. File 5302/2/2013 is on the docket of the High Court of Cassation and Justice, Administrative and Fiscal Dispute Section, and it pertains to compelling the issue of the administrative deed, case stage- appeal, hearing date set on 09.12.2015.

- The Compania is involved in significant disputes as claimant in order to recover receivables (e.g. Eco Energy, Petprod SRL, Total Electric Oltenia and Arcelormittal Galati). The Company recorded allowances of value losses for clients and other disputed receivables, as well as for clients under bankruptcy procedures. Also the Company is claimant in a dispute with ANAF, as provided in Note 5.

18. Affiliates

i) Transactions with the Company subsidiaries

Entity	Country	30 September 2015	31 December 2014
	of origin	% of shares	% 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

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*) At present there is dispute on cancelling Resolution 154954/30.12.2014 of the Designated Person, pronounced in File 449314/23.12.2014, based on which the Office of the Commercial Register from Bucharest Tribunal recorded the share capital increase of Subsidiary SC Smart SA by in-kind contribution and amended accordingly the articles of association as per Decision 12375/22.12.2014 of the Subsidiary's BA Chairman and Decision 19/22.12.2014 of the BA. The Company also asked the competent court to cancel the two fore-mentioned decisions and suspend enforcing the deeds whose cancellation is requested until settling the court case.

The share capital increase took into account applying the provisions of the privatisation legislation, namely the obligation to increase the share capital with the value of lands from the inventory stocks of Subsidiary SC Smart SA, which ownership certificates were obtained for, while issuing shares on behalf of the Romanian State; the shareholder membership of Subsidiary SC Smart SA, as it was recorded in the Commercial Register based on Resolution 154954/30.12.2014 of the Designated Person, was the following:

- CNTEE Transelectrica SA 70.005% - 3,852,860 shares;
- Romanian State by the Government's Secretariat General 29.994% - 1,650,770 shares;

CNTEE Transelectrica SA requested presidential ordinance (to suspend the deeds increasing the share capital), which is included in File 13987/3/2015 on the docket of Bucharest Tribunal, Section VI Civil Cases.

On 15.06.2015 Bucharest Tribunal pronounced sentence 3401/2015 stating: "It denies the exception of absent passive case capacity of the Romanian State through the Secretariat General of the Government as groundless. It denies the court summons expressed by claimant CN Transelectrica SA in contradiction with defendants Maintenance Service Company to the Electricity Transmission Grid Smart SA, Romanian State through the Secretariat General of the Government and ONRC from Bucharest Tribunal as groundless. Appeal right within 5 days from notification, to be submitted to the Bucharest Tribunal, Section VI Civil Cases, as per article 471 par 1 from the Civil Procedural Code; pronounced under public hearing on 15 June 2015".

CNTEE Transelectrica SA issued appeal and the file was registered on the docket of the Appeal Court Bucharest, Section VI Civil Cases, with hearing date on 19.08.2015. The Appeal Court Bucharest denied the appeal as groundless under ruling 1277/21.09.2015, which is final.

At the same time CNTEE Transelectrica SA filed also complaint against the resolution of the Bucharest ORC director and against the documents issued by Subsidiary Smart SA to increase the share capital, which was included in File 14001/3/2015, on the docket of Bucharest Tribunal, Section VI Civil Cases.

In this file 14001/3/2015 Bucharest Tribunal, Section VI Civil Cases pronounced the hearing conclusion of 07.09.2015 whereby it ordered separating items 2 and 3 of the suing application expressed by the Company, thus constituting a new file 32675/3/2015 with hearing date on 02.11.2015.

In reply to the request of Transelectrica to suspend judgment in file 14001/3/2015 settling our demand to cancel the Designated Person's Resolution 154954/30.12.2014, pronounced in File 449314/23.12.2014 of ONRC – Office of the Commercial Register from Bucharest Tribunal, based on the provisions of article 6 par (3) from GEO 116/2009, since this case cannot be solved until settlement is reached for the complaint expressed by Transelectrica SA against Decision 19/22.12.2014 of the BA of Maintenance Service Company to the Electricity Transmission Grid Smart SA and Decision 12375/22.12.2014 of the BA Chairman of the Maintenance Service Company to the Electricity Transmission Grid Smart SA, the law court issued the hearing conclusion 19.10.2015 stating: "Based on article 413 par 1 item 2 C civil case, it decides suspending the legal proceedings instituted by claimant Transelectrica in contradiction with defendants Maintenance Service Company to the Electricity Transmission Grid SMART SA, the Romanian State and the ONRC until the final settlement of the case from file 32675/ 3/ 2015 on the docket of Bucharest Tribunal, Section VI Civil Cases. Appeal right during the entire suspension period, the appeal is submitted to the Bucharest Tribunal, Section VI Civil Cases; pronounced on 19 October 2015".

In file 32675/3/2015 Bucharest Tribunal, Section VI Civil Cases pronounced conclusion of 07.09.2015 whereby it decided separating items 2 and 3 of the suing application expressed by the Company (complaint of Transelectrica SA against Decision 19/22.12.2014 of the BA of Maintenance Service Company to the Electricity Transmission Grid Smart SA and Decision 12375/22.12.2014 of the BA Chairman of the Maintenance Service Company to the Electricity Transmission Grid Smart SA), the law court retained pronouncement on the hearing date 02.11.2015 and it deferred judgment until 16.11.2015.

***) On 07.04.2014 the National Office of the Commercial Register admitted File 121452/03.04.2014 with respect to de-registering the Energy Research and Modernising Institute ICEMENERG SA Bucharest. Order 123/13.03.2014 (registration certificate and operation licence) recorded the National Energy Research-Development Institute Bucharest (GD 925/2010). The Company filed complaint against the resolution of the Bucharest ORC director, which stipulated recording the deregistration of Subsidiary ICEMENERG SA Bucharest in the commercial register.

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Bucharest Tribunal Section VI Civil Cases issued Sentence 3569/14.07.2014 in file 15483/3/2014, in which the Company was in contradiction with defendants Energy Research and Modernising Institute ICEMENERG SA Bucharest and the National Energy Research-Development Institute Icemenerg Bucharest, denied the Company's complaint motivating GD 925/2010 had not been cancelled until the subsidiary was de-registered with the ORC.

On 24.02.2015 the Appeal Court notified the settlement pronounced in file 15483/3/2014, namely Decision 173/2015 denying the appeal of CNTEE Transelectrica SA as groundless, such decision being final.

The Company filed repeal complaint against decision 173/2015 of the Appeal Court Bucharest pronounced on 12.02.2015, which was included in file 1088/2/2015, on the docket of the Appeal Court Bucharest, Section VI Civil Cases. On 13.05.2015 Decision 777/2015 of the Appeal Court Bucharest denied the repeal complaint as groundless, under final decision.

In its meeting on 11.09.2015, the EGM did not approve the capital reduction of Transelectrica SA with the amount of 1,084,610 lei, representing the share capital subscribed and paid ICEMENERG SA Bucuresti by reducing State holdings in the share capital of the Roman CNTEE Transelectrica SA, in application of Article 1. (7) of GD. 925/2010.

The total participation of the Company in its subsidiaries was 57,027,900 on 30 September 2015 and 57,027,900 on 31 December 2014.

On 30 September 2015 and 31 December 2014 the balances of Company subsidiaries were as follows:

AFFILIATED ENTITY	Trade receivables		Trade liabilities	
	30 September 2015	31 December 2014	30 September 2015	31 December 2014
SC SMART SA	230.654	98.550	7.262.410	24.329.991
SC TELETRANS SA	349.134	322.343	3.683.759	8.626.785
SC ICEMENERG SA	0	0	0	0
SC FORMENERG SA	0	0	43.817	1.060
SC OPCOM SA	162.899	46.308.835	157.881	46.169.616
SC ICEMENERG SERVICE SA	92.231	92.231	0	0
TOTAL	834.918	46.821.959	11.147.867	79.127.452

The transactions performed with the subsidiaries in the 3rd quarters of 2015 and 2014, as well as from 01 January to 30 September 2015 and 01 January - 30 September 2014 were as follows:

AFFILIATED ENTITY	Sales			
	3 rd quarter 2015	3 rd quarter 2014	9 months 2015	9 months 2014
SC SMART SA	366.778	38.128	556.972	6.313.261
SC TELETRANS SA	518.619	245.808	5.872.683	8.680.565
SC ICEMENERG SA	0	0	0	0
SC FORMENERG SA	0	0	0	61.694
SC OPCOM SA	254.040.674	393.605	372.712.814	2.107.811
SC ICEMENERG SERVICE SA	0	0	0	0
TOTAL	254.926.071	677.541	379.142.469	17.163.331

AFFILIATED ENTITY	Procurement
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	3 rd quarter 2015	3 rd quarter 2014	9 months 2015	9 months 2014
SC SMART SA	46.198.486	25.584.029	66.948.095	57.078.435
SC TELETRANS SA	17.598.439	7.725.565	22.402.752	27.175.663
SC ICEMENERG SA	0	0	0	694
SC FORMENERG SA	615.233	541.155	686.974	615.698
SC OPCOM SA	40.785.172	12.916.159	52.546.917	36.845.400
SC ICEMENERG SERVICE SA	0	1.580	1.580	1.580
TOTAL	105.197.330	46.768.488	142.586.318	121.717.470

ii) *Remuneration of Company management*

Salaries paid to the management for their services mainly comprise the base salary, and benefits upon contract ending and post-employment. They are detailed as follows:

	3 rd quarter 2015	3 rd quarter 2014	9 months 2015	9 months 2014
Short term benefits	2.464.715	2.277.488	7.502.323	6.183.350
Other long term benefits	58.377	113.471	58.377	136.240
Total	2.523.092	2.390.959	7.560.700	6.319.590

19. Cred risk

This is the hazard of financial loss incurred by the Company if a client or counterparty fails to meet the contractual obligations under some financial instrument. Such risk arises mainly from the Company's trade receivables and from cash & cash equivalents.

The counterparty risk is treated using the internal and external success factors of the Company. External success factors that systematically reduce the risk are: deregulation of the energy sector where generation, transmission, distribution and supply are distinct activities and the client interface is the supplier; in Romania electricity is transacted on two market segments- the regulated and the competitive ones. Internal success factors used in the treatment of the counterparty risk include- diversified client portfolio and diversified number of services provided on the electricity market.

Financial assets that could submit the Company to the collection risk mainly consist of trade receivables and cash and cash equivalents. The Company applied a set of policies securing service sales to clients and proper collection by including their obligation to constitute financial securities in the trading contracts. The amount of receivables, net of impairment allowances is the maximum sum exposed to the collection risk.

The maximum exposure to the collection risk as of the reporting date was:

	30 September 2015	31 December 2014
Financial assets		
Net trade receivables	624.854.778	953.131.452
Other net receivables	27.709.655	97.311.287
Total	652.564.433	1.050.442.739

The age of receivables on the reporting date was:

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	Gross value 30 September 2015	Allowance 30 September 2015	Gross value 31 December 2014	Allowance 31 December 2014
Neither past due nor impaired	514.133.505	68.201	940.848.178	932.194
Past due 1 – 30 days	20.808.184	88.332	6.130.329	865.495
Past due 31 – 90 days	1.859.351	177.431	5.350.450	1.233.540
Past due 90 – 180 days	19.998.767	821.467	4.031.176	548.218
Past due 180 – 270 days	8.402.299	3.903.578	1.589.696	1.422.122
Past due 270 – 365 days	5.476.457	4.616.648	643.151	462.666
More than one year	134.888.380	71.036.508	81.784.920	81.782.214
Total	705.566.943	80.712.165	1.040.377.900	87.246.448

The situation of seniority "of other receivables" of the statement of financial position date was:

	Gross value 30 September 2015	Allowance 30 September 2015	Gross value 31 December 2014	Allowance 31 December 2014
Neither past due nor impaired	47.535.536	1.042.392	64.586.855	2.559.868
Past due 1 – 30 days	2.464.382	0	2.508.624	-
Past due 31 – 90 days	119.976	4.000	25.575.508	245.411
Past due 90 – 180 days	5.164.714	4.321.499	2.013.501	393
Past due 180 – 270 days	5.816.659	137.470	5.211.452	1.453.055
Past due 270 – 365 days	6.050.868	2.787.748	5.530.000	5.325.875
More than one year	75.514.451	74.428.661	72.857.586	71.387.637
Total	142.666.587	82.721.770	178.283.526	80.972.239

On 30 September 2015 the greatest 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), RAAN (7,413,209) and Also Energ (7,177,167). To recover doubtful receivables the Company acted as follows: clients' notification, court trials, enlisting in the creditors' list etc.

The movement of allowances for doubtful receivables:

	30 September 2015	31 December 2014
Balance on 1 January	87.246.448	84.052.040
Recognition of provisions	10.513.255	11.588.740
Provision write-off	(17.047.538)	(8.394.332)
Balance at the end of the period	80.712.165	87.246.448

The movement of allowances for other doubtful receivables:

	30 September 2015	31 December 2014
Balance on 1 January	80.972.239	52.556.772
Recognition of provisions	5.575.810	31.421.363
Provision write-off	(3.826.279)	(3.005.896)
Balance at the end of the period	82.721.770	80.972.239

From 1 January to 30 September 2015 according to the receivables which allowances were registered for CNTEE Transelectrica SA collected 20,873,817 from the benefic settlement of some disputes, of which the most important are with ArcelorMittal Galati (7,184,544), Energy Complex Hunedoara (5,321,307 liability taken over from Electrocentrale Paroseni) and from proceeds by other Company clients in total amount of 8,367,966.

The collection risk of such receivables is limited since they are mainly owed by state-owned companies.

Cash has been placed with financial institutions considered of minimum risk. Deposits and treasury bonds are placed with

CNTEE Transelectrica SA

Notes to the separate temporary financial statements on 30 September 2015

(All amounts are in LEI, unless stated otherwise)

Banca Comerciala Romana, BRD – Groupe Societe Generale, Garanti Bank, Banca Transilvania and ING Bank.

20. Subsequent events

Preliminary Company certification as transmission and system operator according to the ownership unbundling model

Decision 1788/12.08.2015 of the Chairman of the National Regulatory Authority in the Energy domain (ANRE) approved the Company's preliminary certification in the capacity of transmission and system operator (TSO) of the National Power System (SEN) according to the ownership unbundling model.

The Company has got preliminary certification as transmission and system operator according to the ownership unbundling model following compliance with the requirements from the Electricity and natural gas law 123/2012 and from Directive 2009/72/EC. ANRE is going to notified Decision 1788/12.08.2015 to the European Commission for endorsement, together with the associated report.

Appointing members of the Supervisory Board

The General Meeting of Shareholders of Transelectrica SA, through Resolution no. 6/09 November 2015, appointed Mr. Costin and Mr Dragos Corneliu Mihalache Zachia - Zlata as members of the Supervisory Board for a term identical as the expiration date of the mandate of the members elected by the OGM Case No. 4 / 05.30.2013 respectively until 30.05.2017.

Non-approval of the capital reduction Transelectrica SA

Extraordinary General Meeting of Shareholders of Transelectrica SA, through Resolution no. 7/09 November 2015, did not approve the capital reduction of Transelectrica SA with the amount of 1,084,610 lei, representing the subscribed and paid up share capital of SC Subsidiary "The Energy Research and Modernization - ICEMENERG" - SA Bucharest by reducing State holdings in the share capital of the Romanian Transelectrica SA pursuant to Government Decision no. 925/2010.