



NPG TRANSELECTRICA SA

SEMESTRIAL REPORT

January – June

2016

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**SEMESTRIAL REPORT REGARDING THE ECONOMICAL AND FINANCIAL ACTIVITY OF NPG
"TRANSELECTRICA" SA**

**according to provisions of art. 227 of the Law 297/ 2004 concerning the capital market and the
CNVM Regulation no. 1/2006 issued by the National Securities Commission, currently the Financial
Supervisory Authority (ASF)**

for the period ending on June 30, 2016

Report date:	August 12, 2016
Company name:	National Power Grid Co. TRANSELECTRICA SA, company managed under two tier system
Registered office:	Bucharest, No. 33 Gen. Gheorghe Magheru Blvd., 3rd district, postal code 010325
Operational office:	Bucharest, No. 2-4, Olteni Street, 3rd District, postal code 030786
Telephone/fax:	021 303 5611/ 021 303 5610
Unique registration code:	13328043
Number in the Commercial Register:	J40/ 8060/ 2000
Company's establishment date:	31.07.2000/ OUG 627
Registered capital:	733,031,420 lei, subscribed and paid
Trading regulated market for the issued securities:	Bucharest Stock Exchange, Premium Category
The main features of the issued securities:	73,303,142 shares with a nominal value of 10 lei/share, indivisible, common, dematerialized shares, freely tradable from 29.08.2016 under the TEL symbol. 20,000 bonds with a nominal value of 10,000 lei/bond, nominative, dematerialized and unsecured bonds, traded at the BSE, the Credit Title sector – 3rd Category, corporate Bonds under the TEL 18 symbol, within the category; Maturity date 19.12.2018.
The total market value:	2,023,166,719 lei (27.6 lei/share at 30.06.2016)
Applied accounting standard:	International Standards for Financial Reporting
Audit:	The financial data issued at 30.06.2016 are not audited

RESPONSIBLE PERSONS STATEMENT

To our knowledge, the financial data for the 6 months period ended on June 30, 2016, had been issued according to the applicable accounting standards (International Standards of Financial Reporting as approved by the European Union) and provide a correct and realistic view of NPG Transelectrica assets, bonds, financial position, profit and loss account.

This report contains correct and complete information regarding the financial and economic situation and the activity of NPG Transelectrica.

Bucharest, August 11, 2016

Directorate,

**Ion-Toni
TEAU**

**Directorate
Chairman**

**Constantin
VĂDUVA**

Directorate Member

**Octavian
LOHAN**

Directorate Member

**Luca - Nicolae
IACOBICI**

Directorate Member



Key figures

Key figures – 6 months 2016

FINANCIAL		
1,350 mil lei	▼ 5.4% y/y	Incomes
343 mil lei	▼ 16.5% y/y	EBITDA
142 mil lei	▼ 32.6% y/y	Net income
26.47 TWh	▲ 0.8% y/y	Bill volume**

INVESTMENT		
67.3 mil lei	▲ 24.4% y/y	Purchase of tangible and intangible assets
13.97 mil lei	▼ 49.9% y/y	Fixed assets recorded in the accounts (PIF)

OPERATIONAL		
2.45* %	▼ 0.13pp y/y	Grid losses
20.70 TWh	▲ 0.6% y/y	Energy transported ***

OTC Own Technological Consumption

* The value of own technological consumption in the electric energy taken over by the Power Transmission Network (transported energy).

** The charged quantity is defined as the amount of energy extracted from the public power networks (transmission network and distribution network) except the exports of energy.

*** The transmitted quantity is defined as the amount of energy physically conveyed within the transmission network



Financial data

The summary of financial results on June 30, 2016 is presented in the tables below. The financial results are not audited and the extended version for the same time period is presented in this Report annexes.

The profit and loss separate account

[mil lei]	1st Semester 2016	1st Semester 2015
Charged energy volum (TWh)	26.47	26.27
ALLOWED PROFIT ACTIVITIES		
Operational incomes	648	743
Transmission	595	679
Functional system services	32	38
Other incomes	21	25
Operational Costs	(307)	(300)
System Operation Costs	(120)	(122)
Repairs and Maintenance	(36)	(39)
Slaries and other retributions	(85)	(84)
Other costs	(66)	(56)
EBITDA	341	443
Amortization	(163)	(160)
EBIT	179	282
ZERO-PROFIT ACTIVITIES		
Operational Incomes	701	684
Technological System services	335	331
The Balancing market	367	352
Operational Cost	(700)	(716)
Technological System services	(333)	(364)
The Balancing market	(367)	(352)
EBIT	2	(32)
ALL ACTIVITIES (ALLOWED PROFIT AND ZERO-PROFIT)		
Operational Incomes	1,350	1,426
Operational Cost	(1,007)	(1,016)
EBITDA	343	410
Amortization	163	160
EBIT	180	250
Financial result (loss)	(6)	(2)
EBT	175	249
Tax on profit	(33)	(38)
Net income	142	210

Separate Situation of Financial Position

[mil lei]	30.Jun.16	31.Dec.15
Fixed Assets	3,317	3,432
Tangible assets	3,227	3,341
Intangible assets	34	35
Financial assets	56	56
Current Assets	1,653	1,802
Stocks	33	34
Receivables	741	723
Other Financial Assets (Financial deposits > 90 days)	0	70
Cash and equivalents	879	974
Assets	4,970	5,234
Owner's equity	2,978	3,029
Subscribed joint stock	733	733
Capital surplus	50	50
Legal reserves	99	99
Reevaluation reserves	576	604
Other reserves	57	56
Reported result	1,463	1,488
Long term liabilities	1,078	1,167
Loans	565	635
Other liabilities	514	532
Short term liabilities	914	1,038
loans	162	167
Commercial liabilities	655	776
Other liabilities	97	95
Liabilities	1,992	2,205
Owner's equity and liabilities	4,970	5,234

Separate Situation of Cash Flow

[mil lei]	6 months period ended on June 30, 2016	6 months period ended on June 30, 2015
Cash flow before the changing of circulating capital	350	403
Cash flow generated in the exploitation activity	187	420
Net cash (used)/generated in the exploitation activity	141	373
Net cash generated/(used) in the investments activity	37	-46
Net cash used in financing activity	-274	-305
Net increase/decrease in cash and cash equivalents	-96	22
Cash and cash equivalents on 1st January	974	865
Cash and cash equivalents at the end of the time period	879	887

OPERATIONAL RESULTS

Charged energy volume

In the first semester of 2016, the amount of charged energy for the services provided on the energy market has recorded a minor increase of 0.8% as to the first semester of 2015 (the difference between the two periods of time is of +0.2 TWh).

Operational incomes

The incomes obtained during January – June 2016 decreased by 5.4% compared to the same period of the previous year (1,350 mil lei in the 1st S 2016 from 1,426 mil lei in 1st S 2015).

Functionally, the allowed profit activities recorded an income decrease by 12.7% (648 mil lei from 743 mil lei in 1st S 2015), caused by the decrease of the average taxes approved by Regulatory Authority for Energy (ANRE) for the transmission service, starting July 1 2015, given the fact that the energy consumption recorded a minor increase.

Incomes resulted from the interconnection capacity allocation decreased by **21.5%** as to the value achieved in the 1st semester 2015 (40 mil lei in S1 2016 from 50 mil lei in S1 2015).

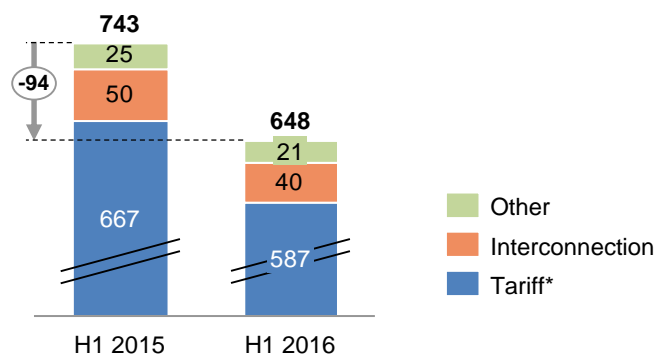
Starting with 2016, on the borders with Hungary and Bulgaria, the UIOSI principle has come into effect and according to it, the participants who do not use the capacity obtained at monthly and annual auctions on are paid for unused capacity through market mechanisms..

The interconnection capacity allocation market is changing, the prices are evolving according to the needs and demands of the energy market participants to purchase interconnection capacity.

In the first semester of 2016 within the auction sessions the prices on the Bulgarian, Hungarian and Serbian borders have been lower comparing to first semester 2015, which led to a decrease of the incomes resulted from interconnection capacity allocation by the amount of 10.9 mil lei.

The use of net incomes resulted from interconnection capacity allocation is achieved in accordance with the provisions of ANRE Order no.53/2013, art. 22 line (4) and of Regulation (CE) no. 714/2009 art. 16, line (6) as financing source of investments for the updating and development of the interconnection capacity with neighboring systems.

Operational incomes activities with allowed profit
(mil lei)



*includes the incomes resulted from the transmission fee and from functional system services.

The total incomes from zero-profit activities have increased by 2.6% (701 mil lei from 684 mil lei in S1 2015) because of the income increase on balancing market by 4.1 %, the imbalances are being higher in 1st semester 2016 due to adverse weather conditions.

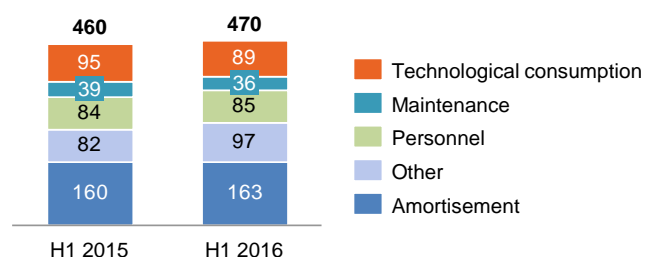
Revenue from technological system services registered a minor increase of 0.9% (approx. 4 mn). Profit 2 mn was achieved due to favorable market conditions and good management of the procurement process by auction of the necessary power reserves from electricity producers, materialized in obtaining auctions of average unit prices lower than the projected unit prices that were the basis for calculating the tariff for technological system services.

Operational expenses

The total operational expenses (including amortization) achieved during January – June 2016 have decreased by 0.5% compared to the same time of the previous year (1,169 mil lei from 1,176 mil lei).

The expenses for allowed profit activities (without amortization) have increased by 2.4% (307 mil lei from 300 mil lei).

Operational costs activities with allowed profit
(mil lei)



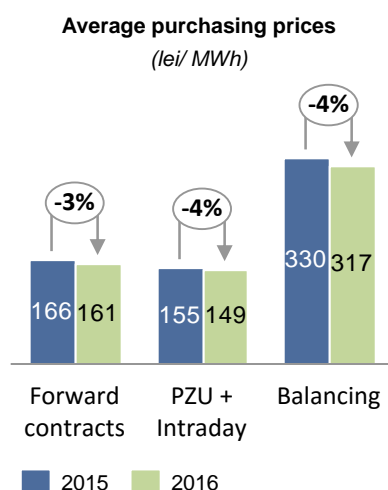
OTC: The total cost to purchase the energy necessary to cover the own technological consumption has

decreased by 5.5% during January – June 2016 compared to the same time in 2015.

The decrease from 532 GWh to 508 GWh was due to both a lower consumption, as well as a result of purchasing energy for OTC from the free energy market at lower prices compared to those recorded in the 1st semester 2015.

The decrease of technological losses in terms of quantity was due mainly to import/export flows which had been more advantageous in term of OTC to more favorable weather conditions which led to the decrease of the Corona type losses and more favorable distribution of production.

In the 1st semester 2016 the average unitary cost for purchase was lower by 1.1% compared to the same time in 2015, respectively 175.8 lei/ MWh in 2016 compared to 177.7 lei/ MWh.



Congestions: the Congestions (network restrictions) represents the requests for energy transmission over the limits of the network technical capacity, for which the transmission and system operator has to perform corrective actions and they occur when programming the operation or during the operation in real time, the power circulation between two joints or system areas leads to failure to comply with the safety parametres during the electricity system operation.

Thus, in order to comply with the safety criteria in Dobrogea, there has been a decrease of the values notified by certain participants on the balancing market which deliver in the 110 kV Dobrogea electricity network and Tariverde 400 kV Station. This led to congestions expenses in January 2016 in the amount of 2.6 mil lei.

The costs for zero-profit activities decreased by approximately 2.3% (700 mil lei from 716 mil lei in S1 2015).

In the first semester of 2016 the expenses for technological system services decreased by 8.4% compared to the same time in 2015 due to:

- The reduction of the technological system services acquisition in regulated conditions, fully technological system services acquisitions;
- The prices for the technological system services acquisition on competitive market have been lower than regulated prices;
- The increase of competitiveness on technological system services market, the average prices for purchasing secondary reserves and slow tertiary reserves have been lower.

The National Power Grid Co. Transelectrica reinvoices the value of the technological system services purchased from producers to the energy suppliers licensed by ANRE who profit in the end of these services.

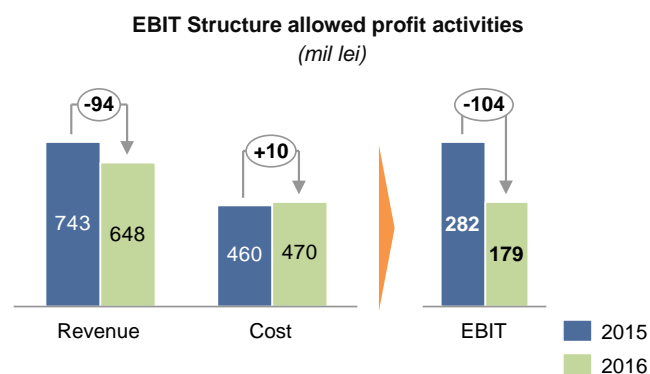
Operational Profit

EBITDA decreased by **16.5%** compared to same time in 2015 (343 mil lei in S1 2016 from 410 mil lei in S1 2015), this evolution being caused mainly by the reduction of average tariffs approved by ANRE for transmission service.

The allowed profit activities recorded a positive result (EBIT) but 36.8% lower than the one in S1 2015 (179 mil lei compared to 282 mil lei the previous year) due to the significant decrease of incomes.

The EBIT resulted from zero-profit activities recorded a positive result of 2 mil lei, increased compared to the negative result recorded in the first semester of 2015 (-32 mil lei).

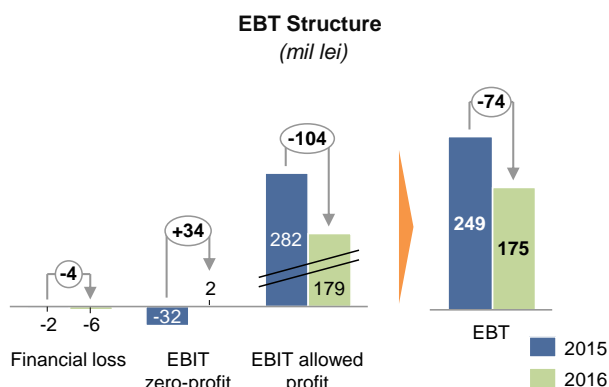
For the entire activity, EBIT decreased by approximately 28.0% (180 mil lei from 250 mil lei in S1 2016).



Gross Profit (EBT)

The gross profit decreased by **29.8%**, to 175 mil lei in S1 2016 from 249 mil lei in S1 2015.

The difference between the S1 2016 and the S1 2015 profit split in profit constitutive elements is shown below.



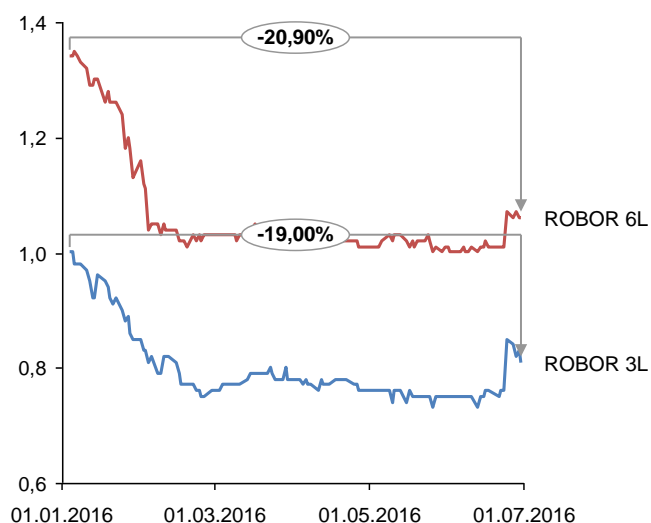
Financial result

The net financial result in the first half of 2016 was negative (5.5 mn), up from a negative net result of 1.7 million lei registered 30 June 2015.

The financial result recorded this decrease mainly due to the lower dividends received from subsidiaries TELETRANS and OPCOM.

Interest income decreased in the first half of 2016 of 49.8% compared to first half 2015 mainly due to lower interest rates on cash reserves on accounts / bank deposits.

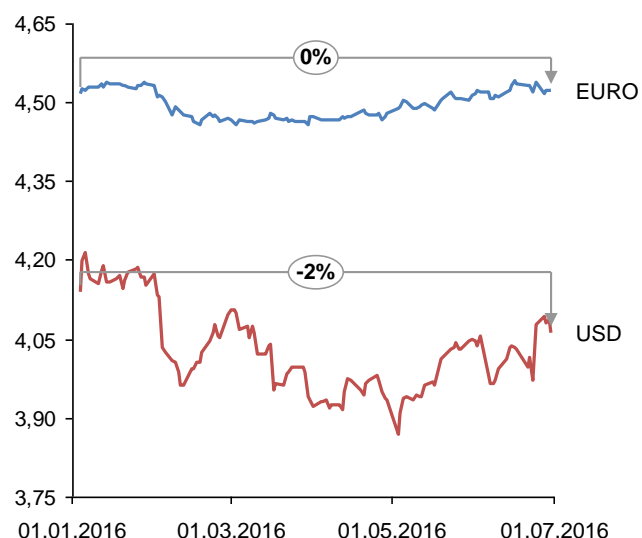
Evolution ROBOR (3M and 6M)



The evolution of net exchange differences was driven mainly by developments in the exchange rate of national currency against foreign currencies in which Transelectrica has contracted bank loans to finance

investment programs (mainly the Euro). Thus, the net gain recorded in the first six months was 0.4 million.

Exchange rate evolution



Net profit

Net profit recorded a decrease of approx. 32.6% compared to the one recorded in S1 2015 (142 mil lei from 210 mil lei).

FINANCIAL POSITION

Fixed assets

Fixed assets decreased by 3.5% at the end of S1 I 2016 mainly after recording the amortization of tangible and intangible assets.

Current assets

Current assets decreased by 8.3% on June 30, 2016 (1.653 mil lei) compared to the value recorded on December 31, 2015 (1.802 mil lei), due to the decrease by 9.8% of cash and bank deposit while the value of receivables increased by 2.4%.

On 30 June 2016, the Company recorded accounts receivable of bonus type support scheme to promote high efficiency cogeneration as a percentage of approximately 34% (31 December 2015-25%) of total trade receivables.

Customers of bonus type support scheme to promote high efficiency cogeneration record on June 30, 2016 an increase in claims, mainly driven by claims registered under ANRE decision issued in April 2015 related activity overcompensation.

In the period January 1 to June 30, 2016, amounts related bonus type support scheme diminished as follows:

- amount of 7.0 million lei representing overcompensation for 2014, of which proceeds

through bank transactions worth 0.2 million lei (Termo Calor) and receipts based compensation made by the Institute of Management and Informatics (according to GD. 685/1999) in the amount of 6.8 mn (Electrocentrale Oradea);

- amount of 21.8 million lei representing overcompensation for 2015, of which proceeds through bank transactions amounting to 12.4 million lei (CET Grivița, Veolia Prahova, Iasi and Thermoenergy Veolia) and receipts based compensation made by the Institute of Management and Informatics (according to Government Decision no. 685/1999) amounting to 9.5 million lei (Oltenia Energy complex and ENET);
- amount of 2.7 million lei representing undue bonus for 2015, of which proceeds through bank transactions amounting to 0.3 million lei (Electrocentrale Bucharest) and revenue-based compensation made by the Institute of Management and Informatics (according to GD . 685/1999) in the amount of 2.4 million lei (CET Arad).

On 30 June 2016, the Company recorded accounts receivable in the amount of 202.9 million lei represented invoices related bonus type support scheme to promote high-efficiency cogeneration, including:

- overcompensation for 2011-2013 in the amount of 76.7 mn respectively from RAAN - 63.5 million lei and Govora SA - 13.2 million lei;
- overcompensation for 2014 amounting to 6.3 million lei, namely from Oradea Electrocentrale;
- 2014 unfair bonus amounting to 3.9 million lei, namely from RAAN - 2.0 mn Govora - 1.9 mn;
- undue bonus for 2015 in the amount of 0.6 mn, respectively from Govora and Interagro;
- overcompensation 2015 amounted to 97.8 million lei, namely from Electrocentrale Bucharest - 74.8 million lei and Electrocentrale Oradea - 23.0 million lei. Electrocentrale Bucharest July 2016 requested compensation claims and liabilities related mutual support scheme, and the Company has agreed with the conclusion of compensation in the amount of 74.8 mn.
- contribution for cogeneration not received from suppliers of electricity, amounting to 17.7 million lei, namely: Petprod - 4.4 mn ROMENERGY Industry - 2.7 mn RAAN- 2.4 mn Transenergo Com - 2.4 mn UGM Energy - 1.8 mn, RCS & RDS - 1.5 mn and others.

To settle claims arising from overcompensation for the period 2011-2013, the company asked manufacturers conducting reciprocal compensation. RAAN not agree with this method of extinguishing reciprocal receivables and payables, which is why the company has applied and continue to apply the provisions of art. 17 para. 5 of ANRE Order no. 116/2013 approving the Regulation on

the establishment of the collection of the contribution for high efficiency cogeneration and bonus pay for the electricity produced in high efficiency cogeneration "if the producer has not paid in full to the scheme administrator support obligations payment results in accordance with this Regulation, administrator support scheme pays the producer the difference between the invoices issued by the producer and the payment obligations of the manufacturer on the support scheme with an explicit, document payment of those amounts "of the target payment of amounts due related support scheme.

Transelectrica SA signed an agreement with CET Govora SA clearing and payment rescheduling of the debt from the equivalent amounts of overcompensation for the period 2011-2013 and unfair bonus for 2014 (Convention no. C 135 / 30.06.2015 and Addendum No. . 1 / 8.4.2015). Convention duration was 1 year (period July 2015 to August 2016) and provided the Company the right to calculate and charge penalty payment rescheduling period.

Under the Convention, they were offset claims receivable from the Company Govora SA debts to Govora SA, represented by cogeneration bonus for the period May 2014 - October 2015 detained pursuant to Art. 17 paragraph 5 of the ANRE President. 116/2013 and the provisions of the Convention, amounting to 40.5 million.

Following the suspension in court by Civil Sentence no. 3185 / 27.11.2015 ANRE Decision no. 738 / 03.28.2014 which was determined amount of overcompensation for the period 2011-2013, Govora SA has not complied with its obligations under the Convention.

As of May 9, 2016, for Govora was open general insolvency procedure. In order to recover claims arising before the opening of insolvency proceedings, the Company has followed the procedures foreseen by Law no. 85 / 2014- insolvency law and asked the court admission of claims under the law.

Given the above data, as of May 9, 2016, the Company suspended the application of Art. 17.5 of the ANRE President. 116/2013 approving the Regulation on the establishment of the collection of the contribution for high efficiency cogeneration bonus and payment for electricity produced in high efficiency cogeneration and bonus paid monthly by CHP Govora.

Liabilities

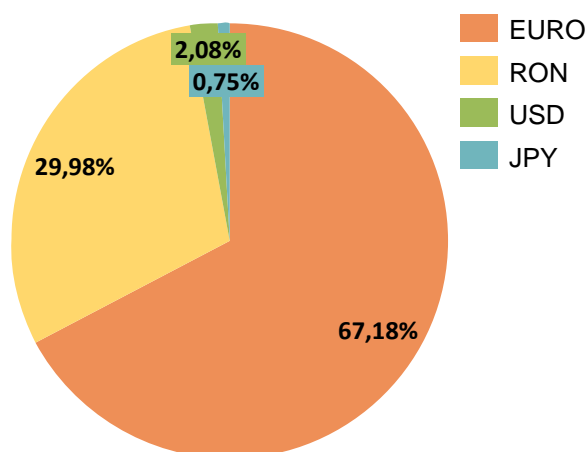
Long term liabilities decreased by 7.6% in January-June 2016, mainly after principal repayments (from 635 mil lei on December 31, 2015 to 565 mil lei on June 30, 2016).

Short term liabilities decreased too by approx. 12.0% on June 30, 2016. The decrease is due mainly to the liabilities reduction to the electricity suppliers after recording the compensations corresponding to the undue bonus/overcompensation within the support scheme (-121 mil lei) and after reducing the short-term loans value (-6 mil lei).

On June 30, 2016 was recorded an increase in taxes of 13.65 million lei to 31 December 2015 due to the recording of liabilities on dividend tax, construction tax and special contribution to voluntary pensions maturities Company subsequent to 30 June 2016. These obligations were paid during the month of July 2016.

Interest-bearing liabilities (long and short term) are presented in the structure below.

Currency structure on the 30th of June 2016

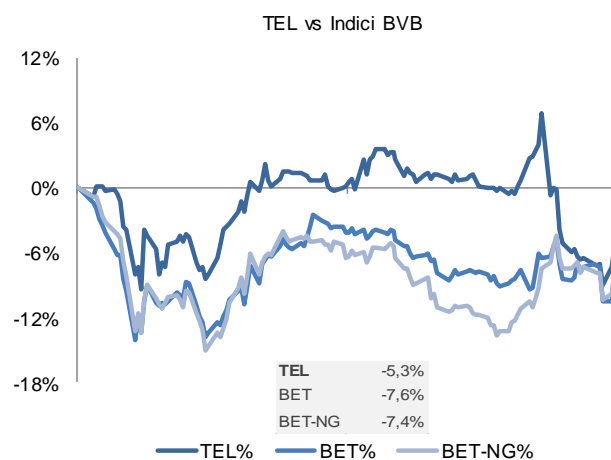


Owner's equity

The owner's equity decreased by 1.7% due to a decrease in reserves value from reevaluation by 4.7% and a decrease by 1.6% of reported result.

SHARES EVOLUTION

(31-Dec-2015 to 30-Iun-2016)



In the first semester of 2016, Transelectrica share (BVB symbol: TEL) recorded an improved evolution comparing to the main index of Bucharest Stock Exchange (BET) and also over the BET-NG index.

The year 2016 started with a transaction price of 29.15 lei/share, market capitalization being of 2,137 mil lei, and at the end of the period time (June 30, 2016) the share was 27.6 lei with a market capitalization of 2,023 mil lei. The minimum trading price was recorded on 20.01.2016, at 26.4 lei/share, the maximum price of 31.15 lei/share was achieved on 03.06.2016.

DIVIDENDS

In 2015 a gross dividend per share of 2.65 lei was approved and payment began on June 28 2015. The dividend was calculated observing the incident legislation on profit distribution in companies with majority State capital based on 75% distribution rate and aligned with the dividends distribution policy of the Company.

Total dividend distributed:	194 mil lei
Dividend per share:	2.6500 lei
Ex-dividend date:	June 6, 2015
Payment date:	June 28, 2015



Operational data

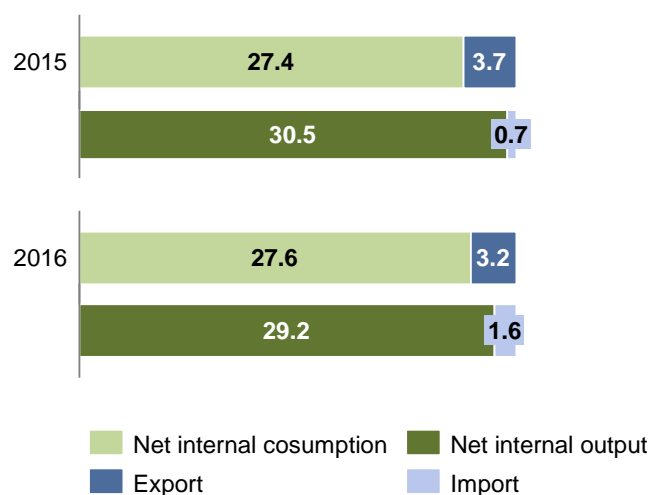
ENERGY BALANCE IN THE NPS

The net internal consumption¹ increased by 0.6% compared to the same period last year.

The net power output decreased about 4.3% compared to the same period of 2015 mainly because of minor increase of domestic consumption counterbalanced by the significant decrease of the exported energy.

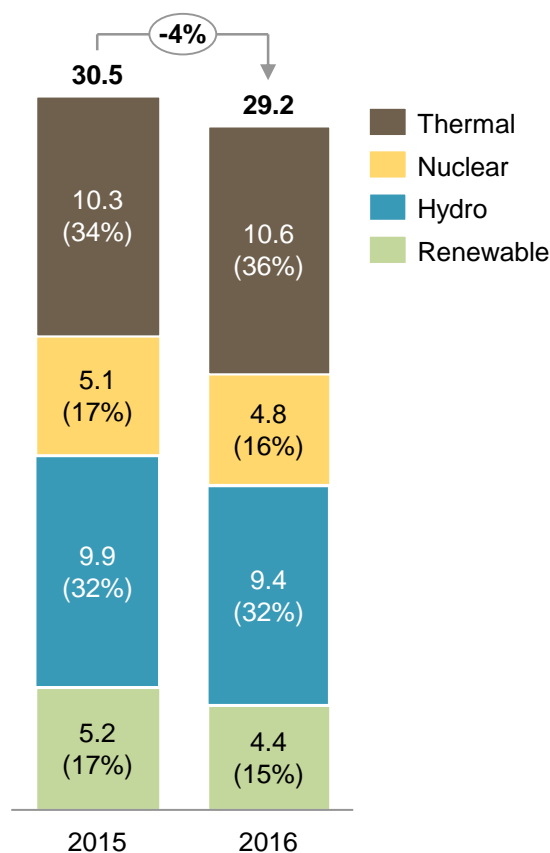
The cross-border physical exchanges for export decreased 15.5% compared to 2015 while the import cross-border flows increased about 136.0%.

Energetic Balance H1
(TWh)



Decreased energy from nuclear sources was due to the planned shutdown of Unit 1 of Cernavoda NPP during May 6, 2016 - June 25, 2016 (in 2015 Unit 2 was stopped planned period 06.05 - 06.02.2015).

Net electricity mix production
(TWh)



MIX OF PRODUCTION

During the first semester of 2016 compared to the first semester 2015, the thermal component share had increased by 2.5% (+275 GWh) to the detriment of renewable energy component that decreased by 1.9% (-771 GWh).

Decreases were also recorded in the hydropower (-527 GWh) by approx. 0.3% and in the energy produced from nuclear sources (-298 GWh).

NATIONAL PRODUCTION PARK

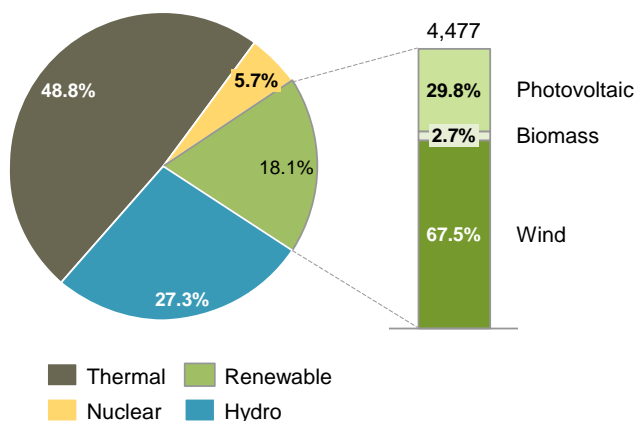
During the first semester of 2016, the gross power installed within the electrical stations recorded a minor increase of 0.4% compared to the first semester of 2015.

The power installed within the station on renewable source increased during January – June 2016 comparing to the last year similar period by approximately 3.1% (133 MW) from 4,345 MW installed on June 30, 2015, to 4,477 MW installed on the June 30, 2016.

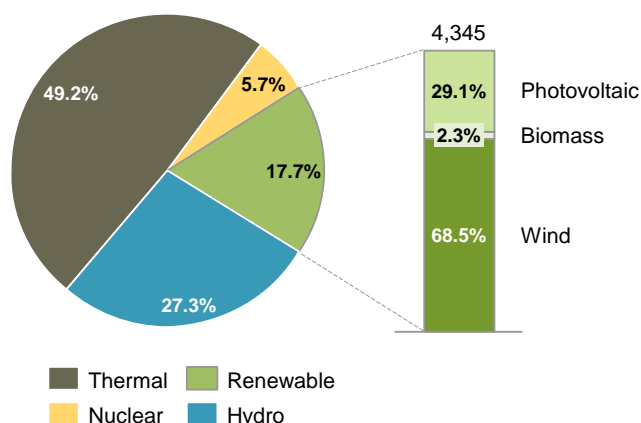
The installed power dynamics corresponding to S1 2016, respectively 2015, is presented below:

¹ Values do not include the consumption corresponding to own services within the electricity production stations; the net consumption value includes losses from the distribution and transmission networks as well as the pumps consumption within the hydro stations with pumping accumulation.

2016 Installed power (24.672 MW, gross value)



2015 Installed power (24.582 MW, gross value)



CROSS-BORDER FLOWS

The cross-border flows increased with Bulgaria and decreased with Hungary, Serbia and Ukraine but the values recorded are lower than the same period of the previous year.

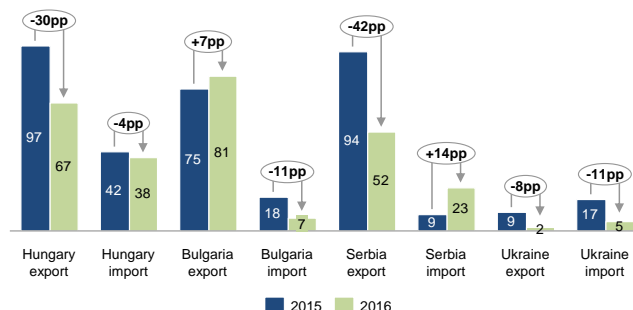
Thus, compared to S1 2015, the export physical flow with Hungary (-60.0%, -496.9 GWh) and Serbia (-33.0%, -297.8 GWh) decreased while a greater quantity of energy was exported to Bulgaria (+15.4%, +283.8 GWh).

The import physical flow increased especially with Serbia (+458.5%, +216.6 GWh), Hungary (+429.1%, +293.7 GWh) and Ukraine (+88.0%, +408.2 GWh)

In conclusion the usage degree of the total allocated capacity on the interconnection lines for export decreased compared to the same time of 2015, significant decreases being recorded with Serbia and Hungary.

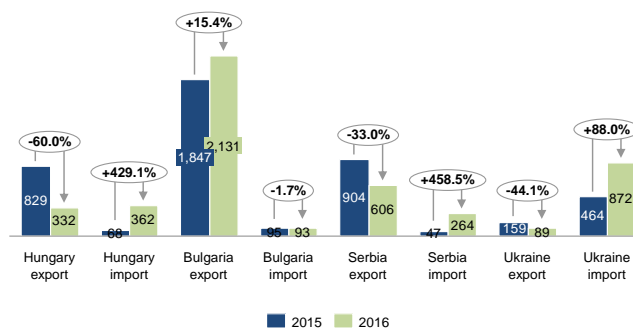
There were no import/export operations recorded with the Republic of Moldova in the first six months of 2016 and 2015.

Total allocated capacity utilization degree (%)



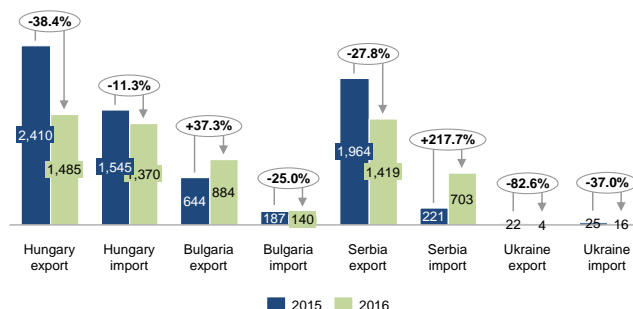
Both the import and export physical flows on each border are presented below.

Physical flows (GWh)



The import and export commercial flows for each border are presented below.

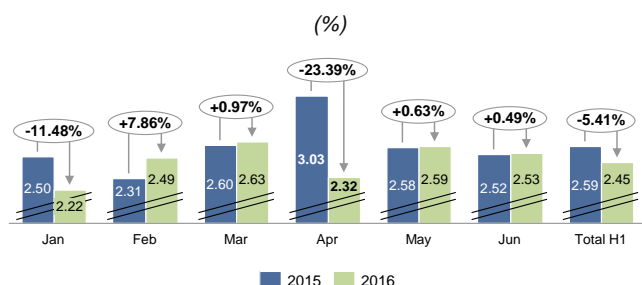
Commercial flows (GWh)



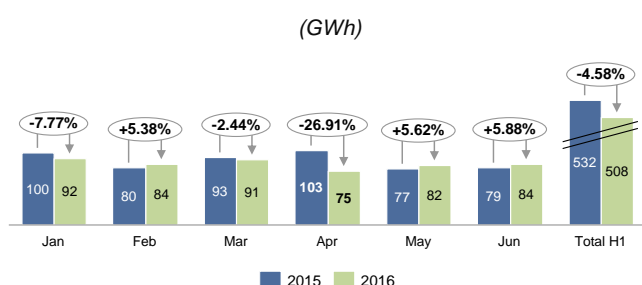
OWN TECHNOLOGICAL CONSUMPTION

The necessary amount to cover the OTC in TPN (-0.5 TWh) decreased in S1 2016 by approx. 4.6% compared to the same time in 2015, due to more favorable weather conditions, import/export physical flows and more advantageous production structure. Reported to the energy contour input, the losses dropped slightly from 2.59% to 2.45%.

OTC Evolution



OTC Evolution



Minimum/maximum monthly value

The absolute value OTC in **January** 2016 decreased comparing to January 2015 by approximately 7.77% due to the favorable import/export flows and more advantageous production repartition, especially hydrocarbon production growth, which led to the reduction of energy transport away from the production sources.

The losses percentage reported at the TPN input energy decreased from 2.5% in January 2015 to 2.22% in January 2016. The net internal energy consumption was higher than in January 2015 by 3.79%. The contour input energy also increased by 4.18% in January 2016, comparing to the similar period of 2015.

In **March** 2016 the absolute value OTC dropped compared to March 2015 by approx. 2.43% due to more favorable weather conditions which led to a decrease in Corona losses and in more advantageous production mix which led to the reduction of energy transmission away from the sources.

The contour input energy also dropped by 3.37% in March 2016 compared to the same time in 2015. The losses percentage reported to the TPN energy input increased from 2.60% in 2015 to 2.63% in 2016.



Investments

FIXED ASSETS RECORDED IN ACCOUNTING

The value of fixed assets recorded in accounting in S1 2016 was 13.97 mil lei.

The largest transfers from ongoing tangible assets to tangible assets are mainly represented by the commissioning of investments objectives, as follows:

- Integrated security system within the electric stations, stage IV, the 400/110 kV Constanta North electric station - 3.3 mil lei;
- Integrated security system in the 400 Kv Stupina electric station - 1.9 mil lei;
- Replacing the SCADA system equipment, 400/220 kV Gutinas – 1.5 mil lei;
- Upgrading the industrial building no. 2, Timisoara Transmission Branch, regime Sp+P+1E – 1.2 mil lei;
- Reconducting the 220 kV Craiova North - Isalnita OHL , circ. 1 (SF+CS+PT) – 1.2 mil lei;
- Connecting the power plant for energy production in cogeneration based on biomass with a 5.4 MW - CTE ENVISAN - stage 1 – 1 mil lei;
- The existing regulation between the 220 kV Mintia-Timisoara OHL , in the 303-305 section at the crossroad between Timisoara-Lugoj highway, 2nd lot , km 54+000-km 79+625 - 0.9 mil lei
- Extending the internal ca and cc services, completing the control – protection system in the 220/110 kV Pestis Station – 0.6 mil lei;
- Replacing the pillar no. 301 from the 400 kV Mintia - Sibiu South OHL – 0.5 mil lei;

ASSETS ACQUISITIONS

The acquisitions² value of tangible and intangible assets is 67.3 mil, compared to the same period in 2015 when the acquisitions value was 54.1 mil lei.

The investments projects in progress on June 30, 2016, are as follows:

- The 400 kV interconnection OHL Reșița (Romania) - Pancevo (Serbia) – 52.6 mil lei;
- Refurbishing the 400/220/110/20 kV Bradu station – 32.9 mil lei;
- Refurbishing the 220/110/20 kV Campia Turzii station – 32.1 mil lei;
- Integrated security system within the electric stations, stage IV – 20.9 mil lei;
- Increasing the safety degree of the plants in the 400/220/110/10 kV Bucuresti South station – replacing equipment 10 kV - Lot II – 18.6 mil lei;
- Converting to 400 kV of the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis- stage I – extending the 400 kV Portile de Fier station – 13.4 mil lei;
- The 400 kV d.c. Cernavodă-Stâlpu OHL and connection in Gura Ialomitei – 7.5 mil lei;
- The 400 kV HVDC Link (undersea cable Romania - Turkey) – 5.8 mil lei;
- The 400 kV Gadalin – Suceava OHL, including the connection to NPS – 5.5 mil lei;
- Converting to 400 kV of the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis- stage I – the 400kV s.c. Portile de Fier - (Anina) – Resita OHL – 5 mil lei;
- Fixing the fault in the 110-120 terminal from the 220kV Bucuresti South – Ghizdaru OHL– 4.3 mil lei;
- Adding new features in the computerized evidence and control system of the access on Transelectrica's places– 3,2 mil lei;
- The 400 kV Suceava - Balti OHL , for the part of the project on Romania territory – 3.4 mil lei;
- Converting to 400 kV of the Portile de Fier - Reșița - Timișoara - Săcălaz – Arad axis, stage II, the 400 kV d.c. Resita - Timisoara – Sacalaz OHL – 3.2 mil lei;
- Connecting the CEE 136 MW Platonesti, Ialomita county to the PTN by executing a cell of 110 kV in the 400/110 kV Gura Ialomitei station – 2.9 mil lei;
- Replacing the 110/10 kV, 25 MVA T3 and T4

² Include variația furnizorilor de imobilizări în sold la data de 30 June ale anului 2016

transformers with 110/(20)10 kV, 40 MVA ones in the 220/110/10 kV Fundeni station – 2.9 mil lei;

- Integrated security system in the electric stations, stage III – 2.8 mil lei;
- Upgrading the 220/110/20 kV Raureni electric station – 2.7 mil lei;
- Connecting the 400 kV Isaccea - Varna OHL and the Isaccea – Dobrudja OHL in the 400 kV Medgidia South station – 2.6 mil lei;
- Drifting the 110 kV OHL Cetate 1 and 2 near the 110/20/6 kV Ostrovul Mare station – 2.6 mil lei;
- Connecting the CEE 27 MW from Stalpu, Buzau county to the PTN, by executing two cells of 110 kV in the 220/110 kV Stalpu electric station – 2.1 mil lei;
- Internal services modernization cc and ca in the 400/110 kV Draganesti Olt station– 1.9 mil lei;
- Converting to 400 kV of the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis- stage I - the 400/220/110 kV Resita station– 1.4 mil lei;
- Installing the optic fibre and upgrading the tele-protection system on the 400 kV d.c. Tantareni-Turceni and the 400 kV s.c. Urechesti-Rovinari OHLs – 1.1 mil lei.

During the Q1 2016 the amount of 29.6 mil lei was charged, representing the unused advance for the Pořile de Fier - Anina new line section within the

investment objective “Switching the voltage to 400kV for the section Pořile de Fier - Reřita - Timiřoara - Salacaz - Arad/ 400kv Pořile de Fier - (Anina) OHL”, until the Government Decree issuance regarding the technical and economic indicators approval and the expropriation procedure initiation for private property buildings.

CONTRACTUAL ASPECTS

During the first 6 months of 2016, 37 contracts have been signed for investments objectives with a total value of 32.0 mil lei compared to 60 contracts in total amount of 12.6 mil lei concluded in S1 2015.

The most important investments contracts signed during January – June 2016 are:

- Upgrading the 220/110 Kv Dumbrava station – 20.5 mil lei;
- Execution of optic fiber communication between the 400/220/100 Kv Bradu and the 220/110 Kv Stupărei stations– 2.8 mil lei;
- Installing optic fiber on the 220 Kv Fundeni - Brazi West OHL- Lot 1 – 2.2 mil lei;
- Software Neplan: 2 new licenses, 5 licenses with CIM/XML modules included and maintenance and upgrade (service) for 13 Neplan licenses +5 CIM/XML licenses – 1.8 mil lei;
- Reconductoring of the 220 Kv Craiova North – Isalnita OHL, Circuit 1 – 1.2 mil lei.



Significant events

JANUARY - MARCH 2016 EVENTS

- **Concluding the project "Modernization of the 400/110/20 kV Tulcea West Station"**

The project was implemented in Tulcea, Tulcea County, with a duration of 41 months and 15 days and it was framed within the 4th priority axis "Increasing energy efficiency and security of supply, in the context of combating climate change", operation "Supporting the investments in transmission networks extension and modernization for electricity, natural gas and oil in order to reduce the network losses and to accomplish in conditions of safety and stability the transmission and distribution services – transmission part".

The project's objective is to increase the energetic efficiency and safety in operation of the Electricity Transmission System by modernizing the electric transformer station and high voltage connections 400/110/20 kV Tulcea West, in the context of combating climate change.

- **Publication for debate of the Power Transmission Network Development Plan during 2016-2025**

According to the attributions and abilities established by the Law of electricity and natural gas no. 123/2012, PTN Technical Code -Inspection I, approved by ANRE Order no. 20/2004, amended and supplemented by ANRE Order no. 35/2004 and the special Conditions associated to the License no. 161/2000 for performing electricity transmission service, system service and for the balancing market administration, National Power Grid Company Transelectrica S.A., performs the planning activity regarding the PTN development, taking into consideration the current stage and the electricity consumption and sources future evolution, including electricity imports and exports.

For this purpose, Transelectrica updates every 2 years the Power Transmission Network Development Plan for the next 10 successive years. After the Plan is approved by the competent authority and the transmission network owner agrees with the financing method for investments in the transmission network, this document becomes public.

Since March 17, 2016, the document "The Power Transmission Network Development Plan – 2016-

2025" is posted on Transelectrica website, within the PTN Management section.

- **Moody's Investors Service credit rating**

The international credit rating Moody's Investors Service increased by one level the credit rating of Transelectrica, to Ba1 (previously Ba2), the perspective is maintained on a stable level. The Transelectrica rating remains just one level below Romania's state rating (the previous two levels), thus recognizing the Company's management and financial performance.

- **New ANRE regulations on tariffs**

ANRE publishes the Order no. 27 / 2016 regarding the approval of the average tariff for transmission, the system service tariff, zone tariff for transmission service and the regulated price for reactive energy applied by the Company. The Order was published in Romania Official Gazette no 477/27.06.2016.

Also by Decision. 802 of 05.18.2016 ANRE amended license no. 161 for the service of electricity transmission, delivery service management system and the balancing market, granted to the National Power Grid Company "Transelectrica" S.A ..

- **Incident in the Argeş and Vâlcea counties**

On June 1 a fault occurred and altered the power supply in Valcea county and partially in Argeş county. The incident occurred only in that area, the switched off consumption being of approx. 458.7 MW from the total consumption of NPS of 6774 MW recorded at 15:58h, the time of the incident. The total energy that was not supplied to consumers was 135.5 MWh. The safety functioning of the NPS was not interrupted by this incident, the main electric parameters (frequency, voltage, international exchanges) were within the normal limits and did not extend outside the mentioned area, did not damage the equipment and installations and did not have a negative impact on the environment.

The generation – consumption balance was quickly restored by using both the secondary control reserve and the tertiary reserve of NPS.

- **Incident in Mureş county area**

On 19.06.2016, at 19:53h, due to extreme weather conditions, in Iernut and Cuci, Mureş county (strong wind acting as tornado), a number of trips occurred in the electricity transmission network and the distribution network because of the damage of some components of the OHL from the area surrounding the 400/220/110 kV Iernut station.

The consumers' energy supply was not interrupted due to this tripping.

- **Change in the Directorate**

Since May 26, 2016 the mandate contracts of Mr. Ion SMEEIANU and Cătălin Lucian CHIMIREL ended by parties' agreement.

Since May 26, 2016, Mr. Luca-Nicolae IACOBICI was appointed by the Supervisory Board as Directorate Member on limited period of time until the appointing of a new Directorate Member in accordance with the provisions of GD 109/2011 with its amendments and additions regarding the corporate governance for public entities.

- **Changes in the Supervisory Board**

On March 23, Mr. Dragoş Corneliu ZACHIA-ZLATEA was appointed by the Supervisory Board Members as President of the Supervisory Board.

- **General Meetings of Shareholders**

On the March 28, the Extraordinary General Assembly of Shareholders (EGAS) and the Ordinary General Assembly of Shareholder (OGAS) took place. The main aspects included in the OGAS decision are:

- Approving the investments program for the 2016 financial year and investments expenses for 2017 and 2018;
- Approving the Budget proposal for Incomes and Expenses for 2016 of NPG Transelectrica S.A., as well as estimations for 2017 and 2018;
- Approving the policy regarding the dividends distribution of NPG Transelectrica S.A.

The main aspects included in the EGAS decision are:

- Contracting legal services approval in order to optimize the credit costs, contracted with the internal and international creditor;
- Rejecting the joint stock decrease, representing the subscribed and paid joint stock of the Trading Company Subsidiary "Energy Research and Modernizing Institute – ICEMENERG" – S.A. because GD. 925/2010 provides not only capital reduction of their share of the Romanian State.

On April 29, the Extraordinary General Assembly of Shareholders (EGAS) and Ordinary General Assembly of Shareholder (OGAS) took place.

The main aspects included in the OGAS decision are:

- Approving the gross dividend per share for 2015 of 2.65 lei gross/ share, proper for the shareholders registered within TEL shareholders Register on June 8, 2016, ex-dividend date of June 6, 2016 and payment start date of June 28, 2016.
- Approving the annual financial situations separated and consolidated for 2015 financial year of National Power Grid Company Transelectrica S.A., as well as the annual report for 2015 regarding the economic and financial activity of the Company, according to the capital market legal provisions, grant discharge to the Executive Board and Supervisory Board members.



Other aspects

OWNERSHIP STRUCTURE

On 30.06.2016, the ownership structure was the following:

Shareholder name	No. shares
Romanian State through the Ministry of Economy, Commerce and Relations with Business Environment	43,020,309
Legal persons	22,065,512
S.I.F. Oltenia*	3,764,105
Natural persons	4,453,216
Total	73,303,142

* on July 29, 2016, the stake of S.I.F. Oltenia fell below the threshold of 5%, at 4.93%, according to the notification sent to the Company in August 1, 2016.

TARIFFS

The ANRE Order no. 27/2016 was published in June in Romania Official Gazette no. 477/27.06.2016 regarding the approval of the average tariff for transmission service, the system service tariff, the zone tariffs for transmission service and the regulated tariff for reactive energy applied by the Company. Thus, the transmission service and the system service tariffs since July 1, 2016 are:

Service	Tariff applicable on 01.07.2015	Tariff applicable on 01.07.2016	Difference
	lei/MWh	lei/MWh	
Electricity transmission	20.97	18.70	-10.8%
Functional system services	1.17	1.30	+11.1%
Technological system services	12.58	11.58	-7.9%

The new applicable tariffs had been calculated in accordance with the applicable methodology.

The transmission tariff

DIRECTORATE MEMBERSHIP

On 30.06.2016, the Directorate Membership was as follows:

Ion - Toni TEAU	Chairman of Directorate
Octavian LOHAN	Directorate Member
Constantin VĂDUVA	Directorate Member
Luca-Nicolae IACOBICI	Directorate Member

The tariff decrease by 10.8% shows mainly the negative corrections applied to compensate the difference between the forecasted values used in calculating the tariff in the previous years and the values recorded (final corrections for the year 01.07.2014-30.06.2015, preliminary corrections for the year 01.07.2015 – 30.06.2016) according to the methodology in force.

The ex-post corrections added to the decrease of the tariff by 7.2%. The most important elements of the ex-post corrections applied in calculating the new approved tariff are: (i) the price of energy purchased to cover the own technological consumption; (ii) inflation index; (iii) using a part of the incomes resulted from interconnection capacity allocation as a complementary source for regulated tariff in order to cover the regulated costs; (iv) the increase of consumption and energy export above the level forecasted by ANRE when planning the tariff.

There were also other elements besides the negative corrections that led to the decrease of the tariff:

- The inflation index rate added when calculating the new approved tariff (lower than the inflation index used when calculating the tariff the previous year) decreased the tariff by 2.8%.
- Both, the basic income calculated as sum of the regulated costs (lower than the one on the previous year due to efficiency requirements

applied to the acknowledged operational costs) and the lining up of incomes within the regulation period had decreased the tariff by 0.8%.

Functional system services tariff

The increase by 11.1% of the tariff was due to high level of negative corrections applied to the previous year tariff compared to the minor negative correction applied to the new approved tariff, the corrections increasing the tariff by 16.2%. The acknowledged cost base in the new approved tariff is slightly lower than the previous year cost base, the acknowledged costs having a share of -5.1% in the tariff evolution.

Technological system services tariff

The decrease of the tariff by 7.9% was due to:

- The negative correction applied in the new approved tariff to compensate the estimated profit to be recorded in the year 01.07.2015-30.06.2016 determined by the significant drop of the acquisition auction prices for the power reserves, as compared to the positive corrections included in the tariff for 01.07.2015-30.06.2016 for recovering a historical loss. The corrections have a share of -4.8% in the tariff decrease.
- The acknowledged costs base in the new approved tariff for the acquisition of power reserves in the year 01.07.2016 – 30.06.2017 is lower than the acknowledged costs base in the year 01.07.2015-30.06.2016, because the auction acquisition prices for power reserves were lower the last year. The decrease of acknowledged costs leads to a decrease in tariff by -3.2%.

LITIGATIONS

The most significant litigations involving the Company are presented below:

▪ ANAF

The company is in dispute with ANAF, which issued a tax audit report on September 20, 2011 regarding the VAT reimbursement for September 2005 – November 2006, for 123 unused invoices identified as missing, special regime documents and for which it was estimated a collected VAT of 16,303,174 lei plus the accessories in the amount of 27,195,557 lei. The counter value of these obligations in the total amount of 43,498,731 lei, was deducted from the VAT paid by the Company in November. Subsequently, the Company has found that the current VAT amounts paid were taken into consideration for the amounts settlement within the tax audit report above mentioned.

Thus, the Company was forced to pay penalties of 944,423 lei, corresponding to the VAT which should have been paid in November 2011, in order not to register overdue debts to the state budget. Altogether, in 2011, the Company paid the amount of 44,442,936 lei.

The company submitted an appeal to ANAF against the notice of assessment and requested its suspension until the administrative settlement of the complaint submitted to ANAF. The Court rejected the request for the notice of assessment's suspension of the tax audit report execution.

At the hearing set on April 30, 2014, the resolution issued by the trial court – Bucharest Appellate Court,

Section VIII Administrative and Fiscal Legal Department (Decision no. 1356/2014) in the case File no. 6657/2/2012 was the following: "Rejects the request of NPG Transelectrica SA complainant (Complaint against ANAF Fiscal administrative Document)". The Company appealed against the Decision no. 1356/2014, the following hearing being established for April 7, 2016. On April 7, 2016, due to a lack of procedure, a new hearing has been established for 02.06.2016.

On 06/02/2016 the court adjourned for the day 06/16/2016 when it dismissed the appeal made by the National Power Grid Company "Transelectrica" against Sentence no.1365 from 30 April 2014 of the Court of Appeal - Section VIII administrative and fiscal, as unfounded. The sentence is final.

▪ ANRE

NPG Transelectrica SA issued a complaint against the ANRE President's Order no. 51 / 26.06.2014 ANRE registration no. 47714 / 04.08.2014 and an appeal to the Bucharest Appellate Court which is the subject of the case file no. 4921/2/2014, requesting either the above mentioned Order's modification or issuing a new order, for the recalculation of the RRR value to the 9.87% level (recalculated with a coefficient (β) of 1.0359, according to the internal Transelectrica verifications) or, to the extent that this request will be rejected, using the same percentage of 8.52%

established by ANRE for 2013 and the first semester of 2014.

On June 26, 2014, the ANRE Order no. 51 was issued, published in the Official Gazette no. 474/27.06.2014, regarding the approval of the average transport tax, system service tax and local taxes corresponding to the transport service performed by National Power Grid Company Transelectrica S.A., and abrogation of the Annex no. 1 of the ANRE President's Order no. 96 / 2013 regarding the approval of the transmission service average tax, system service tax, local taxes corresponding to the transport service and the taxes for reactive electricity, practiced by the operators in the electricity sector.

The values considered when calculating the regulated return rate (RRR¹) by ANRE according to the Methodology of establishing the taxes for electricity transport service approved by the ANRE Order no. 53/2013 ("Methodology"), determined a RRR value of 7.7%.

NPG Transelectrica SA considers that applying the provisions of Art. 51 from the Methodology by establishing the Beta parameter (β) value of 0.432 will determine the company's financial prejudicing, by decreasing the return rate with an estimated value of 138.4 mil lei³ having a significant impact on the financial interests of the society.

At the hearing on 09.02.2016, the law court accepted the evidence with accounting expertise – financial investments specialty and other securities entities, prorogued the evidence deliberation with technical expertise – electro-energetic specialty, after submitting the evidence with accounting expertise – financial investments specialty and other securities entities.

On the hearings on 25.03.2016, 22.04.2016 and 10.06.2016 the court postponed the case due to the absence of the technical expertise report. The next hearing was set on 09.09.2016

▪ COURT OF ACCOUNT

Following an inspection performed in 2013, The Court of Accounts decided that the Company should

¹ RRR- The regulated return rate can be found in the specialty literature under the abbreviated name of WACC– Weighted Average Cost of Capital – in translation The Capital Balanced Average Cost, the two indicators formula is similar: $RRR = WACC = CCP + Kp/(1 - T) + CCI \times Ki$

² Value which determined the RRR decrease by 7.7 %

³ Value calculated comparing to a RRR value of 8.52%

implement certain measures as a result of deficiencies found during this inspection. The decision and conclusion issued by the Court of Accounts were appealed to the Bucharest Appellate Court, case file no. 1658/2/2014.

In the hearing held on January 20, 2016, the law court postponed the case so as the accountant can state his own opinion regarding the complainant's objections on the performed expertise report and so as the technical expert can perform the expertise paper.

On 29.06.2016 the court postponed the case in order to complete the technical expertise report. The next hearing was set on 26.10.2016.

▪ OPCOM

On November 24, 2014, The Electricity and Natural Gas Market Operator - OPCOM SA, sued the Company, in order to force the Company to pay the amount of 582,086.31 euro (2,585,161.72 lei at the BNR exchange rate dated 24.11.2014), representing the amount paid by OPCOM as fine, of the total fine of 1,031,000 euro, the request being the object of the case file no. 40814/3/2014.

Previously, the OPCOM SA Subsidiary General Meeting of Shareholders decided, in the session dated 10.06.2014, the total payment of the fine in the amount of 1,031,000 euro – applied by the Competition General Directorate – European Commission for the violation of Art. 102 of the Treaty regarding the European Union functioning, according to the Decision in the antitrust case AT 39984.

Also, OPCOM SA requested the law court to force the Company in paying the amount of 84,867.67 lei as legal interest corresponding to the period 11.06.2014 – 24.11.2014.

The action filed by OPCOM SA, is the object of the case file no. 40814/3/2014, before the Bucharest Court, Civil Section VI, covering claims, matters of dispute with professionals and the trial date established for - 29.06.2015. The Company met a claim at the request of summons in this cause, pleading as exceptions and background defenses regarding the groundlessness and illegality of the action.

In the hearing dated 24.07.2015, the court granted the application for summons issued by the complainant The Electricity and Natural Gas Market Operator - OPCOM SA in contradiction with the defendant National Power Grid Company Transelectrica S.A., and forced the defendant to pay the complainant the

amount of 582,086.31 de euro, representing the amount paid by the defendant instead of the complainant from the fine value of 1,031,000 de euro charged by the European Commission Decision dated on 05.03.2014 in the AT.39984 case and the legal interest payment, in the amount of 582,086.31 Euro, calculated on 11.06.2014 and until the date of actual payment .

Also, the court obliges the defendant to pay the complainant the amount of 37,828.08 lei, as court expenses, with the right to appeal within 30 days from the communication date.

Against the sentence no. 4275/2015, pronounced in the above mentioned file, Transelectrica SA issued an appeal, which was registered before the Bucharest Court of Appellate. The term of court was established on 10.10.2016.

▪ SMART

Transelectrica filed a legal action against the Bucharest Trade Register director's resolution and against the documents issued by the SC Smart SA Subsidiary for increasing the joint stock, representing the object of the case file no. 14001/3/2015, before Bucharest Court – Civil Section VI, with hearing set for 07.09.2015.

On September 7, 2015, the court decided the disjunction of the litigations 2 and 3 within the request for summons issued by the complainant NPG Transelectrica in contradiction with the defendant Maintenance Services Society Subsidiary of Electric Transport Network Smart SA, the Romanian state through the General Secretariat of the Government and Trade Register, constituting a new case file with the hearing set on November 2, 2015. In the case file no. 14001/3/2015, for continuing the trial, the hearing was set on 19.10.2015.

On October 19, 2015, the court decided under art. 43, para.1, pt. 2 C civ. proc., the suspension of the application for summons issued by the complainant Transelectrica in contradiction with the defendants Maintenance Services Society Subsidiary of Electric Transport Network Smart SA, Romanian State and Trade Register, until the final resolution of the case file which is the object of the file no. 32675/3/2015 before the Bucharest Court – Civil Section VI.

In the case file no. 32675/3/2015, at the hearing dated 16.11.2015, the court accepted the inadmissibility exception, rejecting the application for summons issued by the complainant Transelectrica in contradiction with the defendants Maintenance Services Society Subsidiary of Electric Transport Network Smart SA, the Romanian State and Trade Register, as inadmissible, with the right to appeal within 30 days from the communication date. The sentence has not been communicated to the Company until this present report date.

Following the Company's appeal on 23.05.2016, the court dismissed the appeal as groundless. It admitted the request of the Constitutional Court. On the ground of Law no. 47/1992, art 29, line 4, it notified the Constitutional Court to resolve the exceptions of unconstitutionality of the provisions of Law no. 31/1990, art 114, line 3 reported to the provisions of the Constitution art. 16, 21 and 44, exception pleaded by the Company. The decision is final.



Annexes

Annexe 1: Statement of separate financial position at June 30, 2016

[thousand lei]	30.06.2016	31.12.2015
Assets		
Fixed assets		
Tangible assets	3,227,448	3,341,451
Intangible assets	33,946	34,570
Financial assets	55,944	55,944
Total fixed assets	3,317,338	3,431,965
Current assets		
Stocks	33,293	34,329
Clients and taken in accounts	740,770	723,448
Other financial assets	0	70,085
Cash and cash equivalent	878,545	974,451
Total current assets	1,652,609	1,802,313
Total assets	4,969,947	5,234,278
Owner's equity and liabilities		
Owner's equity		
Joint stock, wherefrom:	733,031	733,031
Subscribed Joint stock	733,031	733,031
Capital surplus	49,843	49,843
Legal reserves	99,407	99,407
Reevaluation reserves	575,598	603,685
Other reserves	56,638	55,695
Reported result	1,463,287	1,487,645
Total Owner's equity	2,977,805	3,029,306
Long term liabilities		
Long term advance incomes	447,162	462,721
Loans	564,559	634,590
Liabilities from postponed taxes	32,017	34,663
Obligations with employees benefits	34,669	34,669
Total long term liabilities	1,078,407	1,166,644
Current liabilities		
Commercial liabilities and other liabilities	655,213	776,168
Other taxes and obligations for social insurance	20,416	6,763
Loans	161,514	167,362
Provisions	30,271	38,255
Short term advance incomes	32,805	33,408
Payment profit tax	13,517	16,371
Total current liabilities	913,735	1,038,328
Total liabilities	1,992,142	2,204,972
Total owner's equity and liabilities	4,969,947	5,234,278

Annexe 2: Profit and loss separate account for the period ended at June 30, 2016

[thousand lei]	April 1 –June 30, 2016	April 1 –June 30, 2015	January 1 –June 30, 2016	January 1 –June 30, 2015
Exploitation incomes				
Transmission service incomes	277,871	318,697	595,103	679,339
System service incomes	172,034	172,709	366,524	369,675
Balancing market incomes	136,730	140,027	366,613	352,109
Other incomes	7,753	15,591	21,381	25,024
Total incomes	594,388	647,024	1,349,621	1,426,147
Exploitation expenses				
Expenses for system service	(57,624)	(56,393)	(120,483)	(121,539)
Balancing market expenses	(136,730)	(140,027)	(366,613)	(352,109)
Technological system services expenses	(143,326)	(168,281)	(332,973)	(363,584)
Amortization	(81,176)	(80,087)	(162,814)	(160,206)
Personnel expenses	(43,409)	(43,799)	(84,716)	(84,039)
Maintenance and repairs	(21,010)	(24,551)	(35,528)	(38,796)
Expenses for consumables	(2,047)	(2,450)	(3,738)	(4,540)
Other exploitation expenses	(45,271)	(30,034)	(62,624)	(51,066)
Total exploitation expenses	(530,594)	(545,624)	(1,169,490)	(1,175,878)
Exploitation profit	63,794	101,400	180,132	250,269
Financial incomes	5,201	15,419	18,071	30,092
Financial expenses	(12,825)	(18,287)	(23,599)	(31,801)
Net financial result	(7,623)	(2,869)	(5,528)	(1,710)
Profit before profit tax	56,171	98,532	174,604	248,559
Profit tax	(13,506)	(14,522)	(32,795)	(38,142)
Year profit	42,665	84,009	141,809	210,417

Annexe 3: Statement of separate cash flows at June 30, 2016

	6 months period ended at 30.06.2016	6 months period ended at 30.06.2015
Exploitation activity cash flows		
Period profit	141.809	210.417
Adjustments for:		
Profit tax expense	32.795	38.142
Amortization expenses	162.814	160.206
Provisions expenses arising from the commercial and other receivables depreciation	14.927	12.723
Incomes arising from provisions reversal for the commercial and other receivable depreciation	(2.866)	(17.409)
Tangible assets sale /loss, net	-14	802
Value adjustments reversal regarding the tangible assets	2.147	3.247
Net value adjustments reversal regarding the provisions for risks and expenses	(7.996)	(6.639)
Interests expenses, interests incomes and unfulfilled incomes from the exchange rate differences	5.892	1.915
Cash flows before the circulating capital modifications	349.509	403.405
Changes in:		
Customers and assimilated accounts - operational activity	67.885	284.885
Customers and assimilated accounts - Support scheme for high efficiency cogeneration	(95.079)	67.721
Stocks	1.036	252
Trade payables and other liabilities - operational activity	(118.900)	(270.648)
Trade payables and other liabilities - Support scheme for high efficiency cogeneration	(16.367)	(47.432)
Other taxes and obligations for social insurances	13.652	22.308
Advance incomes	(15.220)	(40.024)
Exploitation activity cash flows	186.516	420.467
Paid interests	(6.901)	(10.514)
Paid profit tax	(38.296)	(36.929)
Exploitation activity net cash	141.319	373.024
Cash flows used in the investments activity		
Tangible and intangible assets purchase	(67.301)	(54.092)
Unused tangible assets cashing	29.581	0
Tangible assets sale chasing	14	0
Collected interests	3.586	7.609
Collected dividends	609	951
Other financial assets	70.085	0
Net cash generated/(used) in the investments activity	36.574	(45.532)
Financing activity cash flow		
Long term loans withdrawals	0	0
Short term loans withdrawals	0	0
Long term loans repayment	(81.255)	(102.504)
Short term loans repayment	0	0
Paid dividends	(192.545)	(202.951)
Net cash used in the financing activity	(273.800)	(305.455)
Cash and cash equivalents net (decrease)/ increase	(95.906)	22.037
Cash and cash equivalents on January 1	974.451	865.238
Cash and cash equivalents at the end of the period	878.545	887.274

Annexe 4: Incomes and Expenses Budget Execution at June 30, 2016

Profit and loss account

Acquired vs. Budgeted 2016 (unaudited figures)
Presentation format: Process Technology (BVC)

[Milion lei]	Budget H1 2016	Acquired H1 in 2016		Acquired / Budget
Billed energy volume [TWh]	26.66	26.47	▼	1%
Regulated tariffs [lei / MWh]				
Transmission of electricity (average tariff)	20,97	20.83	▼	1%
Functional system services	1,17	1,17	▲	0%
Technological system services	12.58	12.64	▲	0%
ALLOWED PROFIT ACTIVITIES				
Operating income	665	648	▼	2%
Operational costs	360	307	▼	15%
EBITDA	305	341	▲	12%
Amortization	173	163	▼	6%
EBIT	132	179	▲	35%
ZERO PROFIT ACTIVITIES				
Operating income	722	701	▼	3%
Operational costs	732	700	▼	4%
EBIT	-11	2	▲	115%
ALL ACTIVITIES (WITH ZERO PROFIT AND ALLOWED PROFIT)				
Operating income	1,386	1,350	▼	3%
Operational costs	1,092	1,007	▼	8%
EBITDA	295	343	▲	16%
Amortization	173	163	▼	6%
EBIT	122	180	▲	48%
Financiar result	-8	-6	▲	32%
EBT	114	175	▲	54%

ALLOWED PROFIT ACTIVITIES

EBITDA: 341 mil. lei (▲ 12%)

EBIT: 179 mil. lei (▲ 35%)

Income: ▼ 2%

TARIFFS:

- Transport: ▼ 1%
- FSS: ▲ 0,003%

COSTURI: ▼ 12% (including amortization)

CPT: ▼ 11%, below the budgeted

Maintenance ETN: ▼ 41% (Minor maintenance achieved up to 76%)

Other costs: ▼ 2%, underachievements as compared to the budget mainly for:

- Stocks expenditure (dismantling of existing equipment in power stations after refurbishment and upgrading) with a difference of 6.9 mn
- Other third party services (13 mn, of which 6.8 mn for third party services on cleaning, pest control, waste disposal fee, subscription publications etc.)
- provision expenses to the amount of 6.3 mn (mainly through recording of non-deductible impairment adjustments) as compared to -11.3 mn budgeted

ZERO PROFIT ACTIVITIES

Positive EBIT of 2 mil. Lei, mainly due to the purchase prices of technological system services on the free market that were lower than the purchase prices regulated.

Annexe 5: Economical and financial indicators corresponding to the reporting period

Indicators	Calculation formula	30.06.2016	30.06.2015
Current liquidity indicator (x)	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.81	1.80
Indebtedness indicators (x):			
(1) Indebtedness indicator	$\frac{\text{Loaned capital}}{\text{Owner's equity}} \times$	24.38%	25.17%
(2) Indebtedness indicator	$\frac{\text{Loaned capital}}{\text{Fixed capital}} \times$	19.60%	20.11%
Customers rotation speed (days)	$\frac{\text{Customers average balance}^*}{\text{Turnover}} \times 180$	108.66	71.24
Tangible assets rotation speed (x)	$\frac{\text{Turnover}}{\text{Tangible assets}}$	0.40	0.42

*When calculating the average balance account, the customers contributing to the turnover have been taken into consideration (energy, balancing, other customers, customer's invoices to be issued). The values corresponding to the uncertain customers, cogeneration scheme and overcompensation were not included within the average balance account.

Annexe 6

REPORT
(according to HAGEA no. 4/29.04.2015)
regarding the contracts signed during the 2nd quarter of 2016 for assets, services and works acquisition, with a value greater than 500.000 Euro/acquisition (for assets and works acquisition) and respectively of 100.000 Euro/acquisition (for services)

No.	Contract number	Contract Subject	Duration	Value		Contract type	Legal basis	Acquisition procedure
				Th Lei	Th Euro			
0	1	2	3	4	5	6	7	8
1	PT 31/4801/2016	Maintenance services for the OHL passing lanes from the areas with arboreal vegetation	36 months	1.409,6	0.00	Services	GEO 34/2006	Open auction
2	CR 17/2016 AC CR 14/2016	Subsequent contract no. 1 to the framework agreement no. Cr.14/2016 "Maintenance Services for the OHL passing lanes from the areas with arboreal vegetation"	12 months	464,2	0.00	Services	GEO 34/2006	Call for tenders
3	SB 9/2016	Maintenance services for the OHL passing lanes from the areas with arboreal vegetation	36 months	1.229,1	0.00	Services	GEO 34/2006	Open auction
4	BA 610/2016	Maintenance services for the OHL passing lanes from the areas with arboreal vegetation	36 months	785,0	0.00	Services	GEO 34/2006	Open auction
5	TM 42/2016	Maintenance services for the OHL passing lanes from the areas with arboreal vegetation	36 months	1.690,2	0.00	Services	GEO 34/2006	Open auction
6	C 99/2016	Upgrading the 220/110 KV Dumbrava Station	36 months	20.500,0	0.00	Works	GEO 34/2006	Open auction
7	CJ 18/2016	Maintenance services for the OHL passing lanes from the areas with arboreal vegetation	36 l months	1.020,7	0.00	Services	GEO 34/2006	Open auction
8	C 217/2015 AA1	Addendum no. 1 at contract no. C 217/2015 renting services of a buiding/space in an office buiding for the functioning of the NPG Transelectica.	51 months	0,00	1,002,946.62	Services	GEO exception 34/2006	Negotiation
9	C 57/2012 AA 10	Addendum no. 10 to contract no. C 57/2012 "Strategic services/works in the installations managed by the National Power Grid Co. Transelectrica	6 months	42.988,4	0.00	Services	GEO exception 34/2006	Not the case (addendum to extend the contract term in the same conditions of unit tariffs)

Annexe 7 – Glossary

„ANRE”	National Regulatory Authority for Energy
„BAR”	Regulated assets base
„BVB”	Bucharest Stock Exchange, Regulated market operator for trading Shares
„CEE”	European Economic Community
„Company”, „NPG”, „TEL”	National Power Grid Company Transelectrica S.A.,
„OTC”	Own Technological Consumption
„SB”	Supervisory Board
„DEN”	National Energetic Dispatcher
„EBIT”	Operational profit before the interests and profit tax
„EBITDA”	Operational profit before the interests, profit tax and amortization
„EBT”	Operational profit before the profit tax
„ENTSO-E”	The European Network of Transmission System Operators
„GD”	Government Decision
„IFRS”	Financial Reporting International Standards
„JPY”	Japanese Yen , the official currency of Japan
„OHL”	Overhead Power Lines
„Leu” or „Lei” or „RON”	The official currency of Romania
„MFP”	Ministry of Public Finance
„MO”	Romanian Official Gazette
„GO”	Government Ordinance
„OPCOM”	Romanian Electricity Market Operator OPCOM SA
„GEO”	Government Emergency Ordinance
„PZU”	The Day-Ahead Market
„PTN”	PowerTransmission Network, national and strategic interest electric network with a nominal voltage greater than 110 kV
„NPS”	National Power System
„SMART”	Trading Company for the Electric Transport Network Maintenance SMART SA
„SSF”	Functional System service
„SST”	Technological System service
„TEL”	Stock exchange indicator for Transelectrica
„TSR”	Total efficiency for the Shareholders
„UE”	European Union
„u.m.”	Measuring unit
„USD” or “dolari US”	American Dollar, the official currency of USA
„WACC”	Weighted Average Cost of Capital