

C.N. TRANSELECTRICA S.A.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**AS AT AND FOR THE SIX-MONTH PERIOD ENDED
JUNE 30, 2016**

**PREPARED IN ACCORDANCE WITH
INTERNATIONAL ACCOUNTING STANDARD 34 –
“INTERIM FINANCIAL REPORTING”
ADOPTED BY THE EUROPEAN UNION**

C.N. TRANSELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2016
(all amounts are expressed in thousand RON, unless otherwise provided)

	<u>Note</u>	<u>June 30, 2016</u>	<u>December 31, 2015</u>
		<i>(reviewed)</i>	<i>(audited)</i>
Assets			
Non-current assets			
Property, plant and equipment	4	3,302,023	3,426,423
Intangible assets	4	34,383	35,151
Other investments		10,541	10,541
Total non-current assets		3,346,947	3,472,116
Current assets			
Inventories		47,052	46,194
Trade and other receivables	5	748,747	729,338
Cash and cash equivalents	7	905,387	1,002,829
Other financial assets	6	-	70,085
Total current assets		1,701,186	1,848,495
Total assets		5,048,133	5,320,611
Equity and liabilities			
Equity			
Share capital		733,031	733,031
Share premium		49,843	49,843
Legal reserves		99,599	99,599
Other reserves		57,312	56,368
Revaluation reserves		484,625	512,781
Retained earnings		1,576,018	1,608,506
Total equity attributable to the owners of the Group	8	3,000,428	3,060,128
Non-controlling interests		9,850	11,645
Total equity		3,010,278	3,071,773
Non-current liabilities			
Long-term deferred income	9	452,022	467,949
Borrowings	10	564,559	634,590
Deferred tax liability		35,820	37,929
Employee benefits obligations		46,159	46,159
Total non-current liabilities		1,098,560	1,186,627

The accompanying notes form an integral part of these condensed consolidated interim financial statements.
Free translation from the original Romanian version.

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AS AT JUNE 30, 2016
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	<u>Note</u>	June 30, 2016 <i>(reviewed)</i>	December 31, 2015 <i>(audited)</i>
Current liabilities			
Trade and other liabilities	11	651,213	779,506
Provisions		33,341	43,416
Other social security taxes and liabilities	14	23,505	8,694
Borrowings	10	184,689	180,694
Short-term deferred income	9	32,805	33,408
Income tax payable		13,742	16,493
Total current liabilities		939,295	1,062,211
Total liabilities		2,037,855	2,248,838
Total equity and liabilities		5,048,133	5,320,611

The condensed consolidated interim financial statements presented were approved by the management on August 29, 2016 and executed on its behalf by:

Directorate,

Ion-Toni TEAU President of the Directorate	Constantin VĂDUVA Member	Octavian LOHAN Member	Luca-Nicolaie IACOBICI Member
Veronica CRIȘU Accounting Manager	Cristina STOIAN Financial Strategy and Treasury Director		

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C.N. TRANSELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016
(all amounts are expressed in thousand RON, unless otherwise provided)

	<u>Note</u>	<u>Six-month period ended June 30, 2016 (reviewed)</u>	<u>Six-month period ended June 30, 2015 (reviewed)</u>
Income			
Transmission income		595,103	679,339
System services income		366,524	369,675
Balancing market income		366,613	352,109
Other income		28,537	35,779
Total income	15	<u>1,356,777</u>	<u>1,436,902</u>
Operating expenses			
System operating expenses	16	(120,483)	(121,539)
Balancing market expenses	16	(366,613)	(352,109)
Technological system services expenses	16	(332,973)	(363,584)
Depreciation and amortization		(168,187)	(164,638)
Personnel expenses		(114,581)	(112,833)
Repairs and maintenance expenses		(19,132)	(4,561)
Other operating expenses	17	(49,850)	(54,810)
Spare parts, consumables and other materials		<u>(11,827)</u>	<u>(19,366)</u>
Total operating expenses		<u>(1,183,646)</u>	<u>(1,193,440)</u>
Operating profit		<u>173,131</u>	<u>243,462</u>
Finance income		16,393	24,986
Finance cost		(23,923)	(31,934)
Net finance result	18	<u>(7,530)</u>	<u>(6,948)</u>
Profit before income tax		<u>165,601</u>	<u>236,514</u>
Income tax expense	12	(33,787)	(38,599)
Profit for the year		<u>131,814</u>	<u>197,915</u>

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016
(all amounts are expressed in thousand RON, unless otherwise provided)

	<u>Note</u>	<u>Six-month period ended June 30, 2016 (reviewed)</u>	<u>Six-month period ended June 30, 2015 (reviewed)</u>
Attributable to:			
Group owners		133,608	198,349
Non-controlling interests		(1,794)	(434)
Basic and diluted earnings per share (lei/share)	13	<u>1,80</u>	<u>2,70</u>
Profit for the year		<u>131,814</u>	<u>197,915</u>
Other elements of comprehensive income		-	-
Total comprehensive income		<u>131,814</u>	<u>197,915</u>

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**Octavian
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Member

**Luca-Nicolaie
IACOBICI**
Member

Veronica CRIȘU
Accounting
Manager

Cristina STOIAN
Financial Strategy and
Treasury Director

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C.N. TRANSELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016
(all amounts are expressed in thousand RON, unless otherwise provided)

	Share capital	Share premium	Legal reserve	Revaluation reserve	Other reserves	Retained earnings	Attributable to the owners of the Group	Non-controlling interests	Total
Balance as at December 31, 2014 (audited)	733,031	49,843	78,616	501,477	23,712	1,448,646	2,835,325	5,210	2,840,535
Comprehensive income for the year	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	197,915	197,915	-	197,915
Total comprehensive income for the year	-	-	-	-	-	197,915	197,915	-	197,915
Other elements									
Transfer of revaluation reserves to retained earnings	-	-	-	(25,445)	-	25,445	-	-	-
Structural funds related to non-current assets in the form of public patrimony	-	-	-	-	1,385	-	1,385	-	1,385
Non-controlling interests arising from decrease of ownership in SMART	-	-	-	-	-	434	434	(434)	-
Total other elements	-	-	-	(25,445)	1,385	25,879	1,819	(434)	1,385
Contributions by and distributions to shareholders, of which:									
Dividends declared	-	-	-	-	-	(205,491)	(205,491)	-	(205,491)
Total transactions with owners	-	-	-	-	-	(205,491)	(205,491)	-	(205,491)
Balance as at June 30, 2015 (reviewed)	733,031	49,843	78,616	476,032	25,097	1,466,949	2,829,568	4,776	2,834,344

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C.N. TRANSELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016
(all amounts are expressed in thousand RON, unless otherwise provided)

	Share capital	Share premium	Legal reserve	Revaluation reserve	Other reserves	Retained earnings	Attributable to the owners of the Group	Non-controlling interests	Total
Balance as at December 31, 2015 (audited)	733,031	49,843	99,599	512,781	56,368	1,608,506	3,060,128	11,645	3,071,773
Comprehensive income for the year	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	131,814	131,814	-	131,814
Total comprehensive income for the year	-	-	-	-	-	131,814	131,814	-	131,814
Other elements									
Transfer of revaluation reserves to retained earnings	-	-	-	(28,156)	-	28,156	-	-	-
Related subsidies (connection tax)	-	-	-	-	944	-	944	-	944
Non-controlling interests arising from decrease of ownership in SMART	-	-	-	-	-	1,795	1,795	(1,795)	-
Total other elements	-	-	-	(28,156)	944	29,951	2,739	(1,795)	944
Contributions by and distributions to shareholders, of which:									
Dividends declared	-	-	-	-	-	(194,253)	(194,253)	-	(194,253)
Total transactions with owners	-	-	-	-	-	(194,253)	(194,253)	-	(194,253)
Balance as at June 30, 2016	733,031	49,843	99,599	484,625	57,312	1,576,018	3,000,428	9,850	3,010,278

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C.N. TRANSELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016
(all amounts are expressed in thousand RON, unless otherwise provided)

	Six-month period ended June 30, 2016 <i>(reviewed)</i>	Six-month period ended June 30, 2015 <i>(reviewed)</i>
Cash flows from operating activities:		
Profit for the year	131,814	197,915
Adjustments for:		
Income tax expense	33,787	38,599
Depreciation and amortization	168,187	164,638
Impairment of non-current assets	2,147	6,023
Expenses with allowances for impairment of trade and other receivables	14,997	12,723
Income from reversal of allowances for impairment of trade and other receivables	(3,073)	(17,525)
Income from provisions	(10,075)	(7,640)
Net (profit) / loss on sale of tangible assets	(78)	802
Expenses with interest, interest income and unrealized income from foreign exchange differences	9,131	9,471
	346,837	405,006
Changes in:		
Trade and other receivables	63,796	279,369
Clients and similar accounts – support scheme for high efficiency co-generation	(95,079)	67,721
Inventories	(858)	(2,265)
Trade and other liabilities	(113,899)	(350,140)
Trade and other liabilities – support scheme for high efficiency co-generation	(16,367)	47,432
Other tax and social security liabilities	14,811	17,188
Deferred income	(16,530)	(39,857)
Cash flows from operating activity	182,711	424,454
Interest paid	(6,900)	(10,617)
Income tax paid	(38,647)	(40,263)
Net cash generated from operating activity	137,164	373,574
Cash flows used in investing activity:		
Purchases of tangible and intangible assets	(73,803)	(58,095)
Proceeds from sale of tangible assets	78	-
Advances not used received	29,581	-
Interest received	3,586	6,698
Other financial assets	70,085	-
Net cash generated by / (used in) investing activities	29,527	(51,397)

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FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016
(all amounts are expressed in thousand RON, unless otherwise provided)

	Six-month period ended June 30, 2016 <i>(reviewed)</i>	Six-month period ended June 30, 2015 <i>(reviewed)</i>
Cash flows (used in)/generated by financing activity		
Repayments of non-current borrowings	(81,257)	(83,442)
Net movement of current borrowings	9,654	(10,683)
Dividends paid	(192,530)	(202,951)
Net cash (used in) financing activity	(264,133)	(297,076)
Net increase / (decrease) in cash and cash equivalents	(97,442)	25,101
Cash and cash equivalents as at December 31 (see Note 7)	1,002,829	894,233
Cash and cash equivalents as at the end of the year (see Note 7)	905,387	919,334

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016
(all amounts are expressed in thousand RON, unless otherwise provided)

1. GENERAL INFORMATION

The main activity of C.N. Transelectrica S.A. (the "Company") and its subsidiaries (collectively with the Company, the "Group") consists of: the provision of electricity transmission services and system services, operator of the balancing market, administrator of the bonus support scheme, other related activities. These activities take place according to the provisions of Operating License no. 161/2000 issued by ANRE, updated by ANRE Decision no. 270/04.02. 2015, of the General Conditions associated to the license approved by ANRE Order no. 104/2014 and of the final certification of the Company as a transmission and system operator of the National Power System according to the ownership unbundling model; service and repairs on the transmission installations; supply of services in the field of IT technologies, telecommunications and research in the energy field.

C.N. Transelectrica S.A., the parent company, was incorporated in 2000 as a joint-stock company established under the laws of Romania.

The address of its registered office is B-dul. General Gheorghe Magheru, no. 33, Bucharest, sector 1. Currently, the Company's headquarters is in Strada Olteni, no. 2-4, sector 3, Bucharest.

The Group's consolidated interim financial statements as at June 30, 2016 prepared in accordance with the International Financial Reporting Standard 34 adopted by the European Union are not audited.

The main companies in the Group and the Company's shares are presented below:

Entity	Country of origin	June 30, 2016	December 31, 2015
		<i>% of shares</i>	<i>% of shares</i>
Smart S.A.	Romania	70	70
Teletrans S.A.	Romania	100	100

S.C. SMART S.A.

SC SMART SA with its registered headquarters at B-dul Magheru nr. 33 Sector 1 Bucharest has as its main field of activity maintenance works for the transmission-dispatch system. It was established by GD no. 710/19.07.2001 on November 1, 2001. The share capital as at June 30, 2016 is 38,529 thousand fully subscribed and paid in. At present, the subsidiary's management carries out its activity at the work point in Bucharest, Calea Floreasca no. 246C Sky Tower Building, etaj 20, Sector 1.

S.C. TELETRANS S.A.

SC TELETRANS SA with its registered headquarters at B-dul Hristo-Botev nr. 16 – 18, sector 3, Bucharest has as its main field of activity telephony, telegraphy, data transmission. It was established by GAS Resolution no. 3/2002, with a share capital as at June 30, 2016 of 6,874 thousand fully subscribed and paid in. At present, the subsidiary's management carries out its activity at the work point in Bucharest, str. Polona nr. 68-72, Business Center Building, Sector 1.

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FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016
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2. BASES OF PREPARATION

(a) Statement of compliance

These condensed separate interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for a complete set of financial statements in accordance with International Financial Reporting Standards (“IFRS”). Nevertheless, certain explanatory notes have been added to explain the events and transactions that are significant for understanding the changes occurred in the Company’s financial position and performance since the latest annual separate financial statements as at and for the financial year ended December 31, 2015.

These condensed consolidated interim financial statements were approved on August 29, 2016.

(b) Professional judgments and estimates

In preparing these condensed consolidated interim financial statements, the management is required to make judgments, estimates and assumptions affecting the application of accounting policies and the recognized value of assets and liabilities, revenues and expenses. Actual results may differ from these estimates.

The significant judgments used by the management to apply the Company’s accounting policies and the main sources of uncertainty as to the estimates were the same as those applied to the consolidated financial statements as at and for the financial year ended December 31, 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in these condensed separate interim financial statements are the same as those applied in the Company’s separate financial statements as at and for the financial year ended December 31, 2015.

4. PROPERTY, PLANT AND EQUIPMENT

The value of property, plant and equipment registered at the end of the previous financial year includes fair value valuation registered for buildings and special installations of the Company. The net total value of property, plant and equipment dropped compared to December 31, 2015 further to the registration of the depreciation corresponding to the first 6 months of 2016, against the background of increasing values of property, plant and equipment in progress.

Thus, the increase registered in S1 2016 was represented mainly by investment works in the substations and high voltage power lines, as follows:

- Refurbishment of 400/220/110/20 kV Bradu station – 45,963;
- 400 kV OHL interconnecting Reșița (Romania) to Pancevo (Serbia) – 7,172;
- Upgrading of the 220/110/20 kV Campia Turzii Station – 4,664;
- Modernizing the internal services c.c. and c.a. in the 400/110 kV Draganesti Olt Station – 1,822;
- Connecting the CEE 136 MW from Platonesti, Ialomita County, to the ETG by making a cell of 110 kV in the 400/110 kV Gura Ialomitei Station - 1,524;
- Replacing the central equipment SCADA system Gutinas 400/220 kV – 1,468;
- Upgrading the 400kV OHL in the Baragan Fetesti, Cernavoda - Pelicanul, Cernavoda - Gura Ialomitei (cir. 2), Bucuresti Sud – Pelicanu area within the Bucharest Transmission Branch in order to stop the galloping effect – 1,379;
- Upgrading the 220/110 kV Tihau station – primary equipment – 1,240;
- Constructing new pipes at the 220 kV Craiova Nord – Isalnita OHL, circ. 1 – 1,175;
- Upgrading the protection control system and the 20 kV station in the 220 /110/20 kV Vetis station– 991;
- Connecting the power station for energy production in the cogeneration system based on biomass with the power of 5.4 MW - CTE ENVISAN - stage 1 – 956;

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FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016
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4. PROPERTY, PLANT AND EQUIPMENT (continued)

- The coexisting regulation between the 220 kV Mintia-Timisoara OHL, in the 303-305 section, at crossroads with Timisoara-Lugoj highway, lot 2, km 54+000-km 79+625 – 943;
- Installing the optic fiber and upgrading the tele protection system on the 400 kV d.c. Tantareni-Turceni OHL and on the 400 kV s.c. Urechesi-Rovinari OHL – 855;
- Enhancing the safe operation of installations of the 400/220/110/10 kV Bucuresti Sud substation – replacement of 10 kV equipment - Lot II – 691;
- Integrated security system in the 400kV Stupina Station – 625;
- The 400 kV Gadalın – Suceava OHL, including the interconnection to the NPS – 592;
- Connecting the sewage of the 400/110 kV Brasov station to the city sewage plant – 539;
- The coexisting regulation between the 220 kV Mintia-Timisoara OHL and the Lugoj – Deva highway, lot 2, km 41+890 – 315;
- Replacing Pole no. 301 from the 400kV Mintia - Sibiu Sud OHL – 287;
- Upgrading the Resita Power Station headquarters building– 220;
- Thermal modernization of the IRE Craiova headquarters building – old side – 207;
- The coexisting regulation between the 400 kV double belt OHL bypassing DN 11 - DN 13 Braşov – 182;
- Upgrading the 220/110/20 kV Ungheni substation – 176;
- Upgrading the Bradu Power Station building – 147;
- 400 kV d.c. (1 c.e.) Constanta Nord-Medgidia Sud OHL – 143;
- Upgrading the industrial building no. 2 at Timisoara Transmission Branch, regime Sp+P+1E – 139;
- Replacing the batteries of accumulators of 220 V c.c. in the 400 kV Arad Station – 121;
- Design services for the 400 kV Suceava – Balti OHL, for the part of the project located in Romania – 109.

In S1 2016, the greatest transfers from tangible assets in progress to tangible assets are mainly represented by the startup of the investment objectives, as follows:

- Integrated security system in the power stations stage IV - the 400/110 kV Constanta Nord power station – 3,317;
- Integrated security system in the 400 kV Stupina Power Station - 1,911;
- Replacing the central equipment SCADA system Gutinas 400/220 kV – 1,485;
- Upgrading the industrial building no. 2 at Timisoara Transmission Branch, regime Sp+P+1E – 1,176;
- Constructing new pipes at the 220 kV Craiova North – Isalnita OHL, circ. 1 (SF+CS+PT) – 1,221;
- Connecting the power station for energy production in the cogeneration system based on biomass with the power of 5.4 MW - CTE ENVISAN - stage 1 - 956;
- The coexisting regulation between the 220 kV Mintia-Timisoara OHL, in the 303-305 section, at crossroads with Timisoara-Lugoj highway, lot 2, km 54+000-km 79+625 - 943;
- Extending the c.a. si c.c. internal services, completing the protection and control system in the 220/110 kV Pestis station – 594;
- Replacing Pole no. 301 from the 400 kV Mintia - Sibiu Sud OHL – 528;
- The coexisting regulation between the 400 kV double belt OHL bypassing DN 11 - DN 13 Braşov – 330;
- Replacing the batteries of accumulators of 220 V c.c. in the 400 kV Arad Station – 242;
- Refurbishing the water supply installation by making a private water source in the 400/220/110 kV Gutinas station – 211;
- Thermal modernization of the IRE Craiova headquarters building – old wing – 207;
- IR professional camera, accessories and software – 190;
- Upgrading the Bradu Power Station building - 170;
- Refurbishing the 400/110/20 kV Tulcea Vest station – technological part – 94.

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FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016
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4. PROPERTY, PLANT AND EQUIPMENT (continued)

The balance of the tangible assets in progress as at June 30, 2016 in amount of 436,715 is represented by ongoing projects, the most significant of which are:

- The 400 kV interconnection Reșița (Romania) - Pancevo (Serbia) OHL – 52,552;
- Refurbishment of 400/220/110/20 kV Bradu station – 32,872;
- Refurbishment of 220/110/20 kV Campia Turzii station – 32,100;
- Integrated security system in the power Stations stage IV – 20,913;
- Increasing the safety level of installations in the 400/220/110/10 kV Bucuresti Sud Station – replacing the 10 kV equipment - Lot II – 18,637;
- Extending the services for business continuity insurance and recovery in case of disasters – 14,419;
- Converting to the 400 kV of the Portile de Fier - Resita - Timisoara - Sacalaz – Arad axis - stage I – expanding the 400 kV Portile de Fier station– 13,442;
- 400 kV d.c. Cernavodă-Stâlpu OHL and connection in Gura Ialomiței – 7,526;
- 400 kV HVDC Link (undersea cable Romania - Turkey) – 5,854;
- 400 kV Gadalin – Suceava OHL, including interconnection to the NPS – 5,524;
- Converting to the 400 kV of the Portile de Fier - Resita - Timisoara - Sacalaz – Arad axis - stage I - 400kV s.c. Portile de Fier - (Anina) – Resita OHL – 4,990;
- Fixing the fault in the 110-120 terminals on the 220kV Bucuresti Sud – Ghizdaru OHL – 4,257;
- Adding new features in the computerized evidence and control system of the access to Transelectrica sites – 3,201;
- 400 kV Suceava - Balti OHL, for the part of the project located in Romania – 3,440;
- Converting to 400 kV the Porțile de Fier - Reșița - Timișoara - Săcălaz – Arad axis, stage II, the 400 kV d.c. Resita - Timisoara – Sacalaz OHL – 3,198;
- Connecting the 136 MW CEE from Platonesti, Ialomita County, to the ETG by making a cell of 110 kV in the 400/110 kV Gura Ialomitei Station – 2,889;
- Replacing the 110/10 kV, 25 MVA T3 and T4 electrical substation with 110/(20)10 kV, 40 MVA transformers in the 220/110/10 kV Fundeni station– 2,859;
- Integrated security system in power stations stage III – 2,798;
- Upgrading the 220/110/20 kV Raureni power station – 2,677;
- Connecting the 400 kV Isaccea - Varna OHL and Isaccea – Dobrudja OHL to the 400 kV Medgidia Sud station – 2,622;
- Drifting the 110 kV OHL Cetate 1 and 2 near the 110/20/6 kV Ostrovul Mare station – 2,578;
- Connecting the CEE 27 MW from Stalpu, Buzau county, to the ETG by making two cells of 110 kV in the 220/110 kV Stalpu station – 2,107;
- Upgrading the c.c. si c.a. internal services in the 400/110 kV Draganesti Olt station – 1,862;
- Converting to 400 kV of the Porțile de Fier - Reșița - Timișoara - Săcălaz – Arad axis, stage – the 400/220/110 kV Resita station – 1,377;
- Installing the optic fiber and upgrading the tele-protection system on the 400 kV d.c. Tantareni-Turceni and the 400 kV s.c. Urechesi-Rovinari OHLs – 1,132.

The largest inflow of intangible assets in progress was of 704 in S1 2016 represented by NEPLAN software licenses + NEPLAN software licenses for CIM/XML 7 modules: 2 new licenses, 5 CIM/XML modules and upgrade for 13 NEPLAN licenses + 5 licenses for CIM/XML modules.

The largest transfers from intangible assets in progress to intangible assets in S1 2016 are:

- Software for the integrated security system in the 400/110 kV Constanta Nord power station – 38;
- Microsoft Windows 7 Professional Licenses, 64 bit, English – 3.

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5. TRADE AND OTHER RECEIVABLES

As at June 30, 2016 and December 31, 2015 the trade and other receivables are as follows:

Trade receivables

	June 30, 2016	December 31, 2015
	(reviewed)	(audited)
Trade receivables	783,762	689,981
Other receivables	136,244	188,243
Advances to suppliers	10,179	-
Non-reimbursable funds receivable	4,827	21,666
VAT receivable	1,400	5,239
Bad debts allowances	(100,498)	(89,312)
Other bad debts allowances	(87,167)	(86,429)
Total	748,747	729,388

As at June 30, 2016 and December 31, 2015 the balance of trade receivables is as follows:

	June 30, 2016	December 31, 2015
	(reviewed)	(audited)
Clients – energy market	777,392	679,682
- clients – operating activity	513,884	511,252
- clients – bonus support scheme for promotion of high-efficiency cogeneration	263,508	168,429
Other clients	6,370	10,299
Total	783,762	689,981

- The Group operates based on Operating License no. 161 / 2000 issued by ANRE, as updated by ANRE President Decision no. 802 / 18.05.2016 for the service of electricity transmission, for performing the system service and for the management of the balancing market.

As at June 30, 2016, the current clients in the operating activity slightly increased compared to December 31, 2015, mainly due to:

- a decrease in the cashing degree of receivables from clients in insolvency;
- a decrease in the average prices approved by ANRE for the services provided by the Company as of July 1, 2015.

The main current clients on the electricity market are: Electrocentrale Bucuresti, RAAN, Electrica Furnizare, E.ON Energie Romania, CIGA, Electrocentrale Oradea, Enel Energie, Enel Energie Muntenia, Tinmar Energy, Alro, CEZ Vanzare, Transenergo Com, Petprod, CET Govora, Complex Energetic Oltenia, Eco Energy and Romenergy Industry. The main clients on the electricity market account for approximately 69% of total trade receivables.

- The Group conducts activities related to the bonus support scheme to promote high efficiency cogeneration, as administrator of the support scheme according to the provisions of Government Decision no. 1215/2009, “the main tasks are to collect every month the contribution for cogeneration and the monthly payment of bonuses”.

As at June 30, 2016, the Group recorded receivables to be cashed under the bonus support scheme for promoting high efficiency co-generation of about 33% (December 31, 2015 - 25%) of total trade receivables.

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5. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables (continued)

The clients under the bonus support draft scheme for promoting high efficiency co-generation recorded as at June 30, 2016 an increase of receivables mainly determined by receivables recorded in accordance with ANRE decisions issued in April for the overcompensation activity for 2015.

During January 1 - June 30 2016, the amounts corresponding to the bonus support scheme decreased as follows:

- the amount of 6,986 representing overcompensation for 2014, of which amounts received through bank transactions amounted to 196 (Termo Calor) and amounted received based on compensations made through the Institute of Management and Informatics (according to Government Decision no. 685/1999) in amount of 6,791 (Electrocentrale Oradea);
- the amount of 21,821 representing overcompensation for 2015, of which amounts received through bank transactions amounted to 12,362 (CET Grivita, Veolia Prahova, Veolia Iasi, Thermoenergy) and amounts received based on compensations made through the Institute of Management and Informatics (according to Government Decision no. 685/1999) in amount of 9,458 (Complex Energetic Oltenia and Enet);
- the amount of 2,675 representing undue bonus for 2015, of which amounts received through bank transactions amounted to 325 (Electrocentrale Bucuresti) and amounts received based on compensations made by the Institute of Management and Informatics (according to Government Decision no. 685/1999) in amount of 2,350 (CET Arad).

As at June 30, 2016, the Company recorded receivables in amount of 202,946, represented by issued invoices for the bonus support scheme for promoting high efficiency co-generation, of which:

- overcompensation for the period 2011-2013 in amount of 76,702, namely from RAAN – 63,467 and CET Govora SA – 13,235;
- overcompensation for 2014 in amount of 6,251, namely from Electrocentrale Oradea – 6,251;
- undue bonus for 2014 in amount of 3,915, namely from RAAN – 1,981, CET Govora – 1,934;
- undue bonus for 2015 in amount of 564, namely from CET Govora – 534, Interagro – 30;
- overcompensation for 2015 in amount of 97,834, namely from Electrocentrale Bucuresti – 74,826 and Electrocentrale Oradea – 23,009. Electrocentrale Bucuresti requested in July 2016 the mutual compensation of liabilities and receivables for the support scheme and the Company agreed with the conclusion of the compensation in the amount of 74,826.
- contribution for uncashed co-generation from electricity suppliers in amount 17,680, namely: PetProd – 4,391, Romenergy Industry – 2,681, RAAN- 2,378, Transenergo Com – 2,350, UGM Energy – 1,764, RCS&RDS – 1,515 and others.

For settling the receivables arising from overcompensating for 2011-2013, the Company requested mutual compensations from these manufacturers. RAAN did not agree with this method of discharging mutual liabilities and receivables, which is why the Company has applied and continues to apply the provisions of Article 17 paragraph 5 of Order no. 116/2013 of the ANRE President approving the Regulation establishing the manner of collecting the high-efficiency cogeneration contribution and paying the bonus for the power produced from high-efficiency cogeneration: *“if the producer has failed to pay the support scheme administrator all of its payment obligations resulting in accordance herewith, then the support scheme administrator shall pay the producer the difference between the value of the invoices issued by the producer and the producer’s payment obligations in connection with the support scheme, with a clear indication on the payment document of the said amounts”* and has withheld the amounts corresponding to the support scheme due.

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5. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables (continued)

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

Under the Convention, the Company's receivables against CET Govora SA were compensated with the liabilities to CET Govora SA representing co-generation bonus for the period May 2014 – October 2015 withheld under the provisions of Art. 17(5) of ANRE President Order no. 116/2013, and the Convention provisions in amount of RON 40,508.

Following the suspension in court of ANRE Decision no. 738/28.03.2014 through which the amount of the overcompensation for 2014 was set, CET Govora SA has not complied with its obligations under the Convention.

On May 9, 2016, the general insolvency process for CET Govora started. In order to recover the receivables existing before the start of the insolvency process, the Group followed the provisions of Law no. 85/2014 – the Insolvency Law and required the court to accept the receivables, according to law.

Given the facts presented, starting with May 9, 2016, the Group stopped applying the provisions of ANRE President Order no. 116/2013, art. 17.5, for approving the Regulation on determining the way to collect the contribution for high efficiency co-generation and payment of the bonus for electricity produced in high efficiency co-generation and pays monthly the cogeneration bonus to CET Govora.

Other receivables

As at June 30, 2016, other receivables in amount of 136,244 include mainly:

- delay penalties calculated for bad payers, in amount of 60,366 (of which 24,820 represents penalties related to the support scheme).

The highest late payments were recorded by RAAN (15,670), SC CET Govora (9,604), SC Eco Energy SRL (8,910), SC Petprod SRL (8,895), Arcelor Mittal Galati (3,993). For the amounts calculated for the delayed payment of receivables from operations, impairments were also registered.

- receivables to be recovered from ANAF in amount of 44,443 (see paragraph below);
- prepaid expenses in amount of 12,703 represented mainly by the advances on contracts concluded with the suppliers of electricity needed for covering the own technological consumption for future periods (5,432), a guarantee fee for the BEI loan 25710 (99) and commission for the ING credit granting (844), the paid subscription for 2016 at national and international institutions (1,504), ANRE yearly contribution (1,177);
- other non-current receivables in amount of 4,395, of which 4,068 represents guarantees for temporary occupation of the land calculated and withheld in accordance with Law no. 46/2008, art. 39 paragraph (1), paragraph (2) and paragraph (5) regarding the Forestry Code in order to achieve the investment objective 400 kV Resita - Pancevo (Serbia) OHL.

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5. TRADE AND OTHER RECEIVABLES (continued)

Litigation with the National Agency for Fiscal Administration ("ANAF")

The Company is in litigation with ANAF, which issued a tax inspection report on September 20, 2011 on VAT return for the period September 2005 – November 2006 for 123 unused invoices identified as missing (they were destroyed in the fire broken on the night of June 26 – 27, 2009, at the work point located in Building Millenium Business Center on Str. Armand Calinescu nr. 2-4, sector 2, where the Company was conducting its activity), these being documents with special regime, and for which it estimated VAT collected of 16,303 plus other amounts of 27,196. The total value of these obligations amounts to 43,499. The value of these obligations was retained from the VAT paid by the Company in November 2011. Subsequently, the Company noted that the amounts paid as current VAT were considered for the payment of the amounts in the tax inspection report mentioned above. Thus, the Company was forced to pay increases of 944 for VAT that should have been paid in November 2011, in order to avoid accumulating overdue debts towards the State budget. In total, in 2011 the Company paid 44,443.

The Company made use of all legal means to contest the taxation notification issued by ANAF, so an appeal was filed with ANAF against the decision and a request was submitted to suspend the enforcement of the decision until the appeal filed against ANAF is settled by administrative means. The request to suspend the enforcement of the tax report was rejected by the court of law.

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

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

At the hearing of April 30, 2014, the ruling issued by the court of first instance – Administrative and Tax Disputes Section VIII of the Bucharest Court of Appeal (Ruling no. 1356/2014) in File no. 6657/2/2012 was as follows: "Rejects the request of plaintiff CNTEE Transelectrica SA (Challenge to the administrative and fiscal deed issued by ANAF)".

The Company filed appeal through an application to relieve from the effects of the expiry of the term in such file, the hearing of which was scheduled for April 7, 2016, which session took place at the Administrative and Tax-related Disputes Section of the High Court of Cassation and Justice. On April 7, 2016, for lack of procedure, a new hearing was scheduled for June 2, 2016.

At the hearing of June 2, 2016 after the debates on the merits of the case ended, the court adjourned the issuance of the decision for June 16, 2016.

At the hearing of June 16, 2016 - the Administrative and Tax-related Disputes Section of the High Court of Cassation and Justice rejected the appeal filed by CNTEE Transelectrica SA as ungrounded.

JUDGMENT: - DECISION no. 1945/16.06.2016. Admits the application and relieves respondent-plaintiff CNTEE Transelectrica SA from the effects of the expiry of the time for appeal.

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5. TRADE AND OTHER RECEIVABLES (continued)

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

Rejects as ungrounded the appeal filed by National Power Transmission Company “Transelectrica” against Sentence no. 1365 of April 30, 2014 of the Bucharest Court of Appeal – Section VIII of the Administrative and Tax-related Section. Irrevocable. Issued in public session on June 16, 2016. Until the date of the approval of the consolidated interim financial statements, the Group has not received Decision no. 1945/16.06.2016.

Advances to suppliers

As at June 30, 2016, advances paid to suppliers consist in debtor suppliers for provision of services in amount of 10,179, of which 8,272 represents amounts from transactions related to the price coupling mechanism. On November 19, 2014, the “4M Market Coupling” project became operational, which provides the connection of Day Ahead electricity markets (Day Ahead Market) in Romania, Hungary, The Czech Republic and Slovakia. Within the mechanism of price coupling of day ahead markets, the electricity stock exchanges correlate, by tenders, electricity transactions for the day ahead depending on the interconnection capacity made available by TSOs through which it is implicitly allocated. CNTEE Transelectrica SA, as TSO, transfers electricity, both physically, and commercially, to the neighboring TSO (MAVIR-Hungary) and manages revenues flowing from congestions on such interconnection (Art. 139 of ANRE Order no. 82/2014), and in relation to SC OPCOM SA, is Implicit Participant on the DAM.

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

Grants receivable

As at June 30, 2016, the Group registers grants receivable from the Ministry of Energy, representing the counter value of Application 3 in amount of 4,827 for the refurbishment of 400/110/20 kV Tulcea Vest Substation.

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

The policy of Transelectrica is to register impairment allowances of 100% for clients in litigation, in insolvency or in bankruptcy and of 100% of trade and other receivables more than 180 days overdue, except for overdue debts resulting from the cogeneration support scheme. Also, the Company assesses on a case by case basis the trade receivables and other receivables not collected.

As at June 30, 2016, the highest impairment allowances, calculated for trade receivables and the related penalties, were registered for SC Petprod SRL (29,242), SC Eco Energy SRL (24,736), SC Total Electric Oltenia SA (14,186), Romenergy Industry (13,019), RAAN (8,342), Also Energ (7,177). To recover impaired debts, the Company took the following measures: court action, listing in the table of receivables.

As at the same date, the Company registered an impairment for the debt in amount of RON 44,443 related to the total liabilities paid to ANAF.

The exposure to collection credit and impairment allowances for trade receivables are presented in Note 22.

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6. OTHER FINANCIAL ASSETS

As at June 30, 2016 and December 31, 2015, other financial assets are as follows:

	June 30, 2016	December 31, 2015
	(reviewed)	(audited)
Bank deposits more than 90 days overdue	-	70,085
Total	-	70,085

As at June 30, 2016 no bank deposits more than 90 days overdue are registered.

7. CASH AND CASH EQUIVALENTS

As at June 30, 2016 and December 31, 2015, cash and cash equivalents are as follows:

	June 30, 2016	December 31, 2015
	(reviewed)	(audited)
Current bank accounts and deposits	905,150	1,002,728
- cash from income related to the allocation of interconnection capacities used for network investments	72,747	58,727
- cash from connection tax	30,805	35,275
- cash and deposits from high-efficiency cogeneration scheme	52,059	175,599
Petty cash	143	52
Treasury bills	-	49
Other cash equivalents	94	-
Total	905,387	1,002,829

Deposits with less than 90-day initial maturity, created from cash in current accounts, are in amount of 506,252 as at June 30, 2016 and 595,622 as at December 31, 2015.

8. EQUITY

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

Based on the provisions of Art. 2 of OUG no. 55/November 19, 2015 laying down reorganization measures at the level of the central public administration and amending certain normative acts, the Ministry of Economy, Trade and Relations with the Business Environment (MECRMA), by reorganizing the taking over the activities of the Ministry of Economy, Trade and Tourism, which was eliminated, and by taking over the activity and structures in the field of small and medium-sized enterprises and the business environment from the Ministry of Energy, Small and Medium-Sized Enterprises and the Business Environment.

At the end of each reporting period, the Company's fully subscribed and paid in share capital, in amount of RON 733,031,420 is divided into 73,303,142 ordinary shares at a nominal value of RON 10/share and corresponds to the share capital registered with the Trade Registry.

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8. EQUITY (continued)

The shareholding as at June 30, 2016 and December 31, 2015 is as follows:

Shareholder	June 30, 2016 (reviewed)		December 31, 2015 (audited)	
	No. of shares	% of share capital	No. of shares	% of share capital
Romanian State through the General Secretariat of the Government	-	-	-	-
Romanian State through MECRMA	43,020,309	58.69%	43,920,309	58,69%
S.I.F. Oltenia	3,764,105	5.14%	3,949,105	5.39%
Private investors (legal and natural persons)	26,518,728	36.17%	26,333,728	35.92%
Total	73,303,142	100%	73,303,142	100%

On July 29, 2016, the ownership of S.I.F. Oltenia dropped below the 5% threshold, to 4.93%, according to the notification sent to the Company on August 1, 2016.

The increase in equity as at June 30, 2016 compared to December 31, 2015 was triggered mainly by the registration of the net profit to retained earnings, in amount of 131,814, obtained as at June 30, 2016. The value of the dividends due to shareholders distributed from the 2015 profit according to GSM Resolution no. 28/28.04.2016 amounts to 194,253. Such amounts were paid through the Central Depository starting June 28, 2016.

9. DEFERRED INCOME

Deferred income is mainly represented by: the connection tariff, other subsidies for investments, non-reimbursable European funds received from the Ministry of European Funds, as well as income from using the interconnection capacity.

	June 30, 2016	Out of which short-term share as at June 30, 2016	December 31, 2015	Out of which short-term share as at December 31, 2015
Deferred income – allocation of interconnection capacity	2,629	2,629	2,761	2,761
Deferred income – European funds	-	667	107	107
Subsidies from connection tariffs	331,351	20,383	342,553	20,808
Subsidies from European funds	113,339	7,017	117,638	7,033
Other subsidies	37,508	2,109	38,298	2,699
Total	484,827	32,805	501,357	33,408

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9. DEFERRED INCOME (continued)

Deferred income changed over the six-month period ended June 30, 2016 and in the financial year ended December 31, 2015 as follows:

	June 30, 2016	December 31, 2015
	<i>(reviewed)</i>	<i>(audited)</i>
Opening balance	33,408	33,070
Cash in advance related to interconnection capacity	19,059	26,265
Connection fee transferred from long-term deferred income (connection tariff)	(1,031)	26
Collections from European funds	560	56
Income from using the interconnection capacity	(19,191)	(25,623)
Income from European funds	-	386
Total	32,805	33,408

On March 4, 2016, the Company received a notification from the Ministry of Energy regarding the settlement of Repayment Application no. 3/December 18, 2015 for the upgrading of the 400/110/20 kV Tulcea Vest substation, by which it was notified that the payment of 4,827 was approved, amount which was received on July 22, 2016.

10. BORROWINGS

Long-term borrowings

As at June 30, 2016, the value of long-term borrowings decreased compared to December 31, 2015 mainly due to repayments made according to the schedules in the existing loan agreements.

Between January and June 2016, no amounts were drawn from the loans.

The changes in loans during the six-month period ended June 30, 2016 are presented as follows:

	<u>Currency</u>	<u>Interest rate</u>	<u>Carrying value</u>	<u>Maturity</u>
Balance as at January 1, 2016			797,364	
New drawings			-	
Repayments, of which:			(81,257)	
NIB PIL No 02/18	USD	LIBOR+0.9% Latest communicated	(3,456)	April 16, 2018
BIRD 7181	EUR	0.19%	(19,838)	January 15, 2020
NIB PIL No 03/5	EUR	EURIBOR 6M+0.85%	(5,140)	September 15, 2018
NIB PIL No 02/37	EUR	EURIBOR+0.9%	(2,751)	September 15, 2018
KfW 10431	EUR	EURIBOR+0.6%	(4,974)	July 31, 2017
KfW 11300	EUR	EURIBOR+0.6%	(7,218)	July 31, 2017
JBIC	JPY	3.1%	(4,757)	September 15, 2016
BRD	RON	ROBOR+1.25%	(3,300)	August 31, 2016
BEI 25709	EUR	3.596%	(5,380)	September 10, 2025
BEI 25710	EUR	3.856% + 2.847%	(5,401)	April 11, 2028
ING + BRD	EUR	EURIBOR+2.75%	(19,042)	February 13, 2019
Unsecured bonds	RON	6.1%	-	December 19, 2018
Foreign exchange differences			(149)	
Balance as at June 30, 2016			715,958	

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10. BORROWINGS (continued)

As at June 30, 2016 and December 31, 2015, outstanding long-term borrowings contracted from credit institutions are as follows:

Description	June 30, 2016 <i>(reviewed)</i>	December 31, 2015 <i>(audited)</i>
NIB PIL No 02/18	14,269	18,212
BIRD 7181	93,841	113,752
1NIB PIL No 03/5	25,996	31,219
NIB PIL No 02/37	13,916	16,712
KfW 10431	14,450	19,435
KfW 11300	16,781	24,012
JBIC	5,179	9,030
BRD	3,300	6,600
BEI 25709	103,397	108,923
BEI 25710	110,900	116,447
ING+BRD	113,929	133,020
Unsecured bonds (q)	200,000	200,000
Total long-term borrowings	715,958	797,364
Less: Current share of long-term borrowings	(151,399)	(162,774)
Total long-term borrowings net of current share	564,559	634,590

Short-term borrowings are detailed as follows:

	June 30, 2016 <i>(reviewed)</i>	December 31, 2015 <i>(audited)</i>
Between 1 and 2 years	121,455	133,886
Between 2 and 5 years	337,807	384,416
In more than 5 years	105,297	116,287
Total	564,559	634,590

The Group did not hedge against risks related to its liabilities in foreign currency or exposure to interest rate risks.

All long-term borrowings, except JBIC, BEI 25709, BEI 25710 and bonds, bear a variable interest rate and consequently, the book value of the long-term borrowings is an approximation of their fair value.

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10. BORROWINGS (continued)

Short-term borrowings

As at June 30, 2016 and December 31, 2015 the short-term borrowings are as follows:

	June 30, 2016	December 31, 2015
	(reviewed)	(audited)
Current share of long-term borrowings	151,399	162,744
Short-term bank loans (credit lines)	23,175	13,332
Interest on long-term borrowings	3,574	4,215
Interest related to bonds	6,541	373
Total short-term borrowings	184,689	180,694

The outstanding balance of the short term bank loans is represented by the credit line obtained by S.C. SMART S.A. from ING Bank NV Amsterdam. The credit line bears a variable interest rate.

Loans contracted for current operations

Transelectrica contracted a credit line in February 2016 from BRD GROUPE SOCIETE GENERALE SA, Large Corporate Clients for a period of 12 months to fund the bonus support scheme for high-efficiency co-generation, in the form of an overdraft, in amount of 150,00, at an interest calculated ROBOR 1M, plus a negative margin of 0.05%. If the value of ROBOR 1M is lower than 0.05%, then the interest rate applied is 0.

As at June 30, 2016 the credit line is not used. It was secured by:

- movable mortgage on the bank account opened with the bank;
- movable mortgage on receivables resulting from the contracts regarding the high-efficiency co-generation contribution concluded with Cez Vanzare S.A., E.ON Energie Romania S.A., Repower Furnizare S.R.L., Tinmar Energy S.A.

11. TRADE AND OTHER LIABILITIES

As at June 30, 2016 and December 31, 2015, trade and other liabilities are as follows:

	June 30, 2016	December 31, 2015
	(reviewed)	(audited)
Energy suppliers	390,048	514,808
Suppliers of non-current assets	46,819	26,433
Suppliers of other services	19,887	42,697
Amounts owed to employees	6,094	6,355
Other liabilities	188,365	188,953
Total	651,213	779,506

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11. TRADE AND OTHER LIABILITIES (continued)

As at June 30, 2016 and December 31, 2015, outstanding liabilities on the energy market are in amount of 390,048 and 514,807 respectively and have the following structure:

	June 30, 2016	December 31, 2015
	(reviewed)	(audited)
Suppliers on the electricity market, of which:		
- supplies – operations	231,018	339,411
- suppliers – bonus support scheme for promotion of high-efficiency co-generation	159,030	175,397
Total	390,048	514,808

- The decrease of liabilities from operations to electricity suppliers was due to:
 - the decrease in the price of acquisition of electricity required to cover the own technological consumption (OTC);
 - the payment in S1 2016 of the liabilities on the electricity market outstanding as at December 31, 2015.

Electricity market suppliers are represented mainly by: SC Hidroelectrica SA, Electrocentrale Bucuresti, RAAN, SC Complex Energetic Oltenia SA. As at June 30, 2016, they accounted for 76% of total energy suppliers.

- The decrease of debts to suppliers (producers) related to the support scheme was due to:
 - the payment of debts to suppliers in the support scheme, both cash and through compensations made through the Institute of Management and Informatics (IMI) (according to GD no. 685/1999).

As at June 30, 2016 the Group registered payment obligations to suppliers (producers) in amount of 127,941 (Electrocentrale Bucuresti – 74,825, RAAN – 49,077, CET Govora SA – 3,369, Complex Energetic Hunedoara – 669), representing co-generation bonus and ante-overcompensation for 2014 and 2015, as well as the bonus not granted for 2015. The amounts representing the Group's liabilities under the support scheme, towards Electrocentrale Bucuresti, RAAN, CET Govora and Complex Energetic Hunedoara were withheld based on Art. 17 para. 5 of Order no. 116/2013 of ANRE President, because suppliers (producers) registered payment obligations to the Company under the bonus support scheme. Electrocentrale Bucuresti requested in July 2016 the compensation of mutual receivables and liabilities under the support scheme, and the Company agreed to close the compensation in amount of 74,826.

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

RAAN did not agree with such modality to discharge mutual receivables and liabilities, therefore the Company has applied and still applies the provisions of Article 17 paragraph 5 of Order no. 116/2013 of the ANRE President approving the Regulation establishing the manner of collecting the high-efficiency cogeneration contribution and paying the bonus for the power produced from high-efficiency cogeneration: *“if the producer has failed to pay the support scheme administrator all of its payment obligations resulting in accordance herewith, then the support scheme administrator shall pay the producer the difference between the value of the invoices issued by the producer and the producer's payment obligations in connection with the support scheme, with a clear indication on the payment document of the said amounts”* and has withheld the amounts due corresponding to the support scheme.

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11. TRADE AND OTHER LIABILITIES (continued)

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

Under the Convention, the Company's receivables against CET Govora SA were compensated with the liabilities to CET Govora SA representing co-generation bonus for the period May 2014 – October 2015 withheld under the provisions of Art. 17(5) of ANRE President Order no. 116/2013, and the Convention provisions in amount of RON 40,508.

Following the suspension in court, by Civil Judgment no. 3185/27.11.2015 of ANRE Decision no. 738/28.03.2014 through which the amount of the overcompensation for 2011 - 2013 was set, CET Govora SA has no longer complied with its obligations under the Convention.

On May 9, 2016, the general insolvency process for CET Govora started. According to Law no. 85/2014 – the Insolvency Law, the Company has stopped applying the provisions of ANRE President Order no. 116/2013, art. 17.5, for approving the Regulation on determining the way to collect the contribution for the high efficiency cogeneration and payment of the bonus for electricity produced in high efficiency cogeneration and pays monthly the cogeneration bonus to CET Govora.

- The increase of outstanding suppliers of non-current assets as at June 30, 2016 compared to December 31, 2015 was due to the commencement of investment works.
- Liabilities to suppliers other activities are represented primarily by liabilities related to services provided by third parties, not due, which decreased compared to December 31, 2015.
- The liabilities included in "Other liabilities" are structured as follows:

	June 30, 2016	December 31, 2015
	<i>(reviewed)</i>	<i>(audited)</i>
Sundry creditors	172,051	182,622
Clients - creditors	8,430	3,021
Dividends payable	3,110	2,085
Other liabilities	4,774	1,224
Total	188,365	188,953

As at June 30, 2016, "Sundry creditors" in amount of 172,051 represent mainly the net position of the high-efficiency co-generation support scheme which, as at June 30, 2016 registers liabilities in amount of 170,378.

The net position of the support scheme represents mainly the difference between:

- the amount of the contribution receivable from the suppliers of electricity consumers, the amount of the overcompensation of the electric energy and thermic activity in high efficiency cogeneration for the period 2011 – 2013, 2014 and 2015, the undue bonus for 2014 and the undue bonus for 2015 - to be received from the producers, in accordance with the decisions of ANRE, on the one hand; and
- the value of the co-generation bonus withheld based on Art. 17 para. 5 of ANRE President Order no. 116/2013, the ante-overcompensation for 2014 and the bonus not granted for 2015 - to be paid to the producers of electric energy and thermic energy in high efficiency cogeneration – beneficiaries of the support scheme, on the other hand.

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11. TRADE AND OTHER LIABILITIES (continued)

As at June 30, 2016, "Sundry creditors" are in amount of 8,430, out of which 7,506 represents amounts received in advance from MAVIR under the transactions related to the price coupling mechanism.

As at June 30, 2016, dividends owed to the shareholders of the Company and not paid are in amount of 3,110, out of which the amount of 1,827 is related to dividends distributed from 2015 profit. These amounts are at the disposal of the shareholders through the payment agent.

Other liabilities in amount of 2,640 are represented mainly by good performance bonds for the services provision contracts concluded by the Group.

12. INCOME TAX

The Group's current and deferred income tax is calculated at a statutory rate of 16%. Income tax expenses are as follows:

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
	<i>(reviewed)</i>	<i>(reviewed)</i>
Current income tax	35,896	40,836
Deferred income tax	(2,109)	(2,237)
Total	33,787	38,599

13. EARNINGS PER SHARE

For the six-month periods ended June 30, 2016 and June 30, 2015 the earnings per share are:

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
	<i>(reviewed)</i>	<i>(reviewed)</i>
Net consolidated profit	131,814	197,915
Number of ordinary shares at the beginning and end of the year	73,303,142	73,303,142
Basic diluted earnings per share (RON/share)	1.80	2.70

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14. OTHER SOCIAL SECURITY TAXES AND LIABILITIES

As at June 30, 2016 and December 31, 2015, other social security taxes and liabilities comprise:

	June 30, 2016	December 31, 2015
	(reviewed)	(audited)
VAT payable	10,591	282
Contribution to social security funds	4,728	5,116
Tax on salaries	1,832	2,039
Other taxes payable	6,354	1,257
Total	23,505	8,694

As at June 30, 2016, the Group registers payment obligations for the social security funds, income tax and other taxes, which were paid in July 2016.

The increase of taxes as at June 30, 2016 compared to December 31, 2015 is due to the registration of payment obligations for the tax on dividends and the duty on special buildings, and the Group's contribution to optional pensions due after June 30, 2016.

As at June 30, 2016, the Group registers a liability with value added tax in amount of 10,591, as follows:

- VAT payable to the State budget in amount of 357;
- VAT recoverable from the State budget in amount of 1,515;
- VAT non-chargeable in amount of 8,719, which will become chargeable (collected value added tax) in future periods.

15. INCOME

Operating income consists of income from the provision by the Group on the electricity market of transport and system services, allocation of interconnection capacity, balancing market operations and other income.

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

	Average transmission tariff (RON)	Average tariff for technological system services (RON)	Average tariff for functional system services (RON)
• Order no. 93/2015 – for the six-month period ended June 30, 2016	20.97	12.58	1.17
• Order no. 51/2014 – for the six-month period ended December 31, 2015	22.50	12.54	1.42

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15. INCOME (continued)

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

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

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

During the six-month periods ended June 30, 2016 and June 30, 2015, the amount of electricity transmitted is as follows:

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
	(reviewed)	(reviewed)
Amount of electricity delivered (MWh)	26,472,802	26,269,823

Income obtained during the six-month period ended June 30, 2016 as compared to the six-month period ended June 30, 2015 is as follows:

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
	(reviewed)	(reviewed)
Income from electricity transmission	551,503	624,455
Income from allocation of interconnection capacities	39,552	50,404
Income from reactive power	3,858	4,280
Income from Inter TSO Compensation (ITC)	33	163
Income from CPT transactions	157	37
Income from transmission service - total	595,103	679,339
	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
	(reviewed)	(reviewed)
Income from functional system services	30,974	37,303
Income from technological system services	334,581	331,451
Income with unplanned exchanges on the DAM	969	921
Income from system services – total	366,524	369,675
Income on the balancing market	366,613	352,109
Other income	28,537	35,779
Total income	1,356,777	1,436,902

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15. INCOME (continued)

Income from electricity transmission and functional system services

As the electricity delivered to consumers increased in S1 2016 as compared to S1 2015, by approximately 1%, namely 202,979 MWh, the revenues from electricity transmission and functional system services decreased by 79,282 determined by the decrease of the average tariffs approved by ANRE for such services starting from July 1, 2015.

Income from the allocation of interconnection capacity

Income from the allocation of interconnection capacity decreased in S1 2016 compared to S1 2015 by 10,852 according to level of utilization of the interconnection capacity by electricity traders.

Income from technological system services

In S1 2016, the income from technological system services increased by 3,130 compared to S1 2015 due to the increase of the amount of electricity delivered to consumers, by approximately 1%, namely 202,979 MWh and the average tariff approved by ANRE for such services.

In S1 2016, the income from technological system services was higher by 1,608 as compared to expenses incurred with acquiring realized technological system services. The profit was obtained due to the favorable market conditions and a proper management of the tendering process of the required power reserve from electricity producers, reflected in lower unit prices obtained in tenders compared to the unit prices estimated which underlay the calculation of the tariff for technological system services. Such amount is reflected in the Groups gross profit registered as at June 30, 2016.

Income from the balancing market

Income from the balancing market increased in SI 2016 compared to SI 2015 by 14,504 due to the increase of imbalances between the net contract position notified and the energy actually delivered.

The main factors that triggered the large amount of energy selected on the balancing market to cover the negative imbalance registered by electricity suppliers are:

- putting/maintaining into operation several thermal units/boilers, by selecting a high volume of energy for increased power required to balance the system, at higher prices;
- the high degree of unpredictability and volatility of energy production from renewable sources (especially wind);
- the over-/under-contracting on the markets ahead the balancing market (while the balance responsible parties did not register significant values of imbalance notices) and limited participation/trading on the intra-day electricity market.

For the Group, the balancing market is a business line that yields zero profit.

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16. EXPENSES WITH SYSTEM OPERATION AND THE BALANCING MARKET

The expenses incurred during the six-month period ended June 30, 2016 as compared to the six-month period ended June 30, 2015 are as follows:

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
	(reviewed)	(reviewed)
Expenses with own technological consumption	89,501	94,667
Expenses with congestions	2,904	869
Expenses with power consumption in ETG substations	7,450	7,208
Expenses with functional system services	7,188	6,251
Expenses with ITC (Inter TSO Compensation)	13,440	12,544
Total expenses with system operation	120,483	121,539
Expenses with technological system services	332,973	363,584
Expenses with the balancing market	366,613	352,109
Total	820,069	837,232

Expenses with own technological consumption

Expenses with own technological consumption (ETC) consist in expenses to purchase electricity required to connect installations to power and transmit electricity through the interconnected grid.

Compared to S1 2015, such expenses decreased in S1 2016 by 5,166 both further to the decrease of the average acquisition price, and the decrease of the amount of electricity required to cover the OTC in the PTG by approximately 5%, namely from 532,277 MWh in S 2015, to 505,968 MWh in S1 2016.

Expenses with congestions

To fulfill the safety criterion in Dobrogea region, the values notified by CEE Dobrogea, which injects in the 110 kV electricity grid in Dobrogea region (less CEE Pantelimon and CEE Cerna) and in the 400 kV Tariverde OHL substation were reduced.

Such situation triggered expenses with congestions in SI 2016 in amount of 2,904, higher than the same period of last year.

Expenses with functional system services

Expenses with functional system services increased in 2016 by 939, mainly because the expenses on the balancing market with unplanned electricity exchanges (unplanned exports) increased, further to the growth in prices on centralized electricity markets.

Expenses with Inter TSO Compensation (ITC)

The monthly receivable/payable obligations for each TSO are established under the settlement/(compensation) mechanism following the use of the TG for the transit of electricity between TSO operators from 35 countries that adhered to the mechanism implemented by ENTSO-E. Such expenses were higher by 896 in S1 2016 compared to S1 2015.

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16. EXPENSES WITH SYSTEM OPERATION AND ON THE BALANCING MARKET (continued)

Expenses with the technological system services

Expenses with technological system services decreased by 30,611 in S1 2016.

During the reported period, the Group acquired regulated technological system services according to the decisions of ANRE and the legal regulations in force.

During January 1 – June 30, 2016 regulated technological system services were acquired (slow tertiary reserve), according to GD no. 1019/30.12.2015 approving “The Winter Program in the Energy Field to Ensure the Safe and Solid Operation of the NPS”.

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

Balancing market expenses

Balancing market expenses for S1 2016 were in amount of 366,613 and result from transactions performed on this market, being entirely matched by the balancing market income.

17. OTHER OPERATING EXPENSES

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
	(reviewed)	(reviewed)
Other expenses with third party services	7,623	19,551
International contributions	1,579	3,155
Domestic and foreign travels	1,977	4,486
Power and natural gas acquired	1,759	3,371
Commodities	1,093	334
Delay additions	1,091	-
Taxes and levies	10,624	11,123
Postal and telecommunications expenses	871	1,301
Rentals	5,250	5,607
Operating expenses with impairment allowances for current assets	10,133	1,314
Others	7,850	4,568
Total	49,850	54,810

The increase of such expenses during the reported period of the current year compared to the same period of 2015 was mainly due to the increase of “Operating expenses with impairment allowances for current assets” (Note 22).

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18. NET FINANCIAL RESULT

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
	(reviewed)	(reviewed)
Interest income	3,360	6,698
Income from foreign exchange differences	11,748	15,852
Other financial income	1,285	2,436
Total financial income	16,393	24,986
Expenses with foreign exchange differences	(11,171)	(16,811)
Expenses with interest	(12,752)	(15,123)
Total financial expenses	(23,923)	(31,934)
Net financial result	(7,530)	(6,948)

The net financial result has been adversely influenced by the decrease of dividends received from Subsidiary OPCOM and the increase of net financial expenses regarding interest (from RON 8,425 in S1 2015 to 9,392 in S1 2016).

The exchange rate of the national currency recorded as at June 30, 2016 as compared with June 30, 2015 is as follows:

Currency	June 30, 2016	June 30, 2015
RON / Euro	4.5210	4.4735
RON / US dollar	4.0624	3.9969
RON / Japanese Yen	0.0395	0.0326

18. INVESTMENT ACTIVITY FLOWS

In the investment activity, in SII 2016 the Company received 29,581 representing the advance not used related to the new line sector between Portile de Fier and Anina under Investment Objective "Transition to 400 kV voltage of axis Portile de Fier - Resita - Timisoara - Salacaz - Arad/ 400kv Portile de Fier - (Anina) – Resita OHL", until the issuance of Government Decision approving the technical and economic ratios and the initiation of the procedure of expropriation of privately-owned real estate.

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19. COMMITMENTS AND CONTINGENCIES

Commitments

As at June 30, 2016 and December 31, 2015, the Group registered commitments in amount of 525,081 and 563,087 representing mainly contracts in progress for investment works for the modernization and upgrading of the transmission grid.

Contingencies

Litigation

The management analyses periodically the status of pending litigation, and based on consultations with its legal representatives, it decided either to establish provisions for the amounts involved or to present them in the financial statements.

Given the existing information, the Company's management considers that there are no significant pending disputes in which the Company acts as defendant, except for the following:

- File no. 3616/101/2014 was registered at Administrative and Tax-related Disputes Civil Section II of the Mehedinti Tribunal, having as its object "claims in amount of 1,091", in which the Company acts as defendant against plaintiff Autonomous Company for Nuclear Activities – RAAN.

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

CNTEE Transelectrica SA filed appeal against Decision no. 843/05.11.2015 issued by Civil Section II of the Craiova Court of Appeal in the public session of 05.11.2015 in File no. 3616/101/2014, against Judgment no. 127/2014, issued by Administrative and Tax-related Disputes Civil Section II of the Mehedinti Tribunal in the public session of 10.10.2014 in File no. 3616/101/2014, and against Judgment no. 1/2015 issued by Administrative and Tax-related Disputes Civil Section II of the Mehedinti Tribunal, in the public session of 09.01.2015 in File no. 3616/101/2014, requesting the court to admit in its judgment the appeal as it was filed, to quash the decision and judgments appealed and send the case to the competent court of law, to acknowledge the fulfillment of the requirements of Arts. 1616-1617 of the Civil Code. Thus, it requested the court of law to acknowledge the rightful offset of mutual liabilities and the discharge thereof up to the limit of the lower amount, namely the total amount claimed by the plaintiff in the application for legal action, to order respondent – plaintiff to pay expenses incurred by such appeal. The appeal was registered at the High Court of Cassation and Justice, and the hearing was scheduled for 18.10.2016.

Between 2014 and 2015, the Company withheld the bonus due to RAAN under the support scheme, based on ANRE regulations, namely Art. 17 para. 5 of ANRE President Order no. 116/2013.

Under such circumstances, RAAN calculated penalties for not having received on term the co-generation bonus due to it, in amount of 3,497, withheld by the Company on account of the receivables not collected. The amount of 3,497 was rejected for payment by the Company and was not registered as liability under the support scheme.

- File no. 9089/101/2013/a138 was registered at Administrative and Tax-related Disputes Civil Section II of the Mehedinti Tribunal, having as its object "injunction", in which the Company acts as defendant against plaintiff Autonomous Company for Nuclear Activities – RAAN – debtor in insolvency.

By Judgment no. 63/2016, the court ordered the defendant to continue to provide the electricity transmission service and system services required in order to carry on with its business throughout the entire period of judicial reorganization of RAAN.

Transelectrica filed appeal against such judgment.

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19. COMMITMENTS AND CONTINGENCIES (continued)

Contingencies (continued)

On May 10, 2016, the Craiova Court of Appeal issued Decision no. 457/10.05.2016, whereby it ordered the following: "Rejects the exception of late submission of appeal. Rejects the appeal as ungrounded. Final."

In addition, the appeal filed by RAAN against the judgment that opened the bankruptcy proceedings, which forms the object of File no. 9089/101/2013/a137 registered at the Craiova Court of Appeal, was adjourned for May 31, 2016, when the court ruled on the case.

By Decision no. 563/14.06.2016, Civil Section II of the Craiova Court of Appeal rejected the appeals filed against Interim Decision no. 10/28.01.2016, issued by Administrative and Tax-related Disputes Civil Section II of the Mehedinti Tribunal.

- File no. 1284/101/2015 was registered at Administrative and Tax-related Disputes Civil Section II of the Mehedinti Tribunal, having as its object "claims in amount of 11,637", in which the Company acts as defendant against plaintiff Autonomous Company for Nuclear Activities – RAAN.

Through the application for legal action filed, the plaintiff requested the court to order Transelectrica SA to pay 11,637.

On 22.05.2015, Administrative and Tax-related Disputes Civil Section II of the Mehedinti Tribunal issued Judgment no. 41/2015, whereby it ordered as follows: "Admits the exception of lack of jurisdiction. Declines the competence to rule to Civil Section VI of the Bucharest Tribunal. Not subject to appeal".

Plaintiff RAAN filed application to change the amount of the claim, requesting the court to order Transelectrica SA to pay the increased amount of RON 17,806.

The ruling of the Bucharest Tribunal remained pending on 16.10.2015, being postponed for 30.10.2015, then 02.11.2015, then 03.11.2015.

On 03.11.2015, Civil Section VI of the Bucharest Tribunal issued Judgment no. 6075/2015, whereby it ordered as follows: "Admits the application, as filed. Orders the defendant to pay the plaintiff RON 17,806 representing the counter value of bonus and penalties. Rejects as ungrounded the plaintiff's application to receive trial expenses. Subject to appeal within 30 days from communication. The appeal shall be filed at Civil Section VI of the Bucharest Tribunal."

The judgment was communicated on 04.07.2016, according to Transelectrica SA's incoming stamp.

Appeal was filed against the judgment, which will be ruled by the Bucharest Court of Appeal.

- File no. 26024/3/2015 was registered at Civil Section VI of the Bucharest Tribunal, having as its object "claims", in which the Company acts as defendant against plaintiff Autonomous Company for Nuclear Activities – RAAN.

Through the application for legal action filed, the plaintiff requested the court to order Transelectrica SA to pay RON 10,275.

The court ruling remained pending as at June 13, 2016, being postponed for 27.06.2016, when the court, by minutes, ordered the resumption of the case in order to discuss the submission of additional means of evidence to determine up-to-date mutual debts and the offset invoked by the plaintiff. The following court hearing was scheduled for 19.09.2016.

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19. COMMITMENTS AND CONTINGENCIES (continued)

Contingencies (continued)

- File no. 3694/3/2016 was registered at Civil Section VI of the Bucharest Tribunal, having as its object "claims", in which the Company acts as defendant against plaintiff Autonomous Company for Nuclear Activities – RAAN.

Through the application for legal action filed, the plaintiff requested the court to order Transelectrica SA to pay RON 15,699.

The court ruling remained pending as at June 9, 2016, being postponed for 23.06.2016 and then 30.06.2016, when the court, by minutes, ordered the resumption of the case, as it considered that new clarifications from the parties are needed. The following court hearing was scheduled for 17.08.2016.

- File no. 9089/101/2013/a140 was registered at Administrative and Tax-related Disputes Civil Section II of the Mehedinti Tribunal, having as its object "claims in amount of 86,513,431", in which the Company acts as plaintiff against defendant Autonomous Company for Nuclear Activities – RAAN.

Through the application for legal action filed, Transelectrica SA requested the court to order defendant RAAN to pay 86,513.

On 19.05.2016, Administrative and Tax-related Disputes Civil Section II of the Mehedinti Tribunal issued a court minutes whereby it ordered as follows: "Based on Art. 413 item. 1 of the Civil Procedure Code, it orders the staying of the case until File no. 3014/2/2014 registered at the High Court of Cassation and Justice is settled. Subject to appeal throughout the entire period of the staying. Issued today, May 19, 2016 in public session."

By the Ruling of 18.09.2013 issued by the Mehedinti Tribunal in File no. 9089/101/2013, the court ordered the initiation of the general insolvency proceedings against debtor Autonomous Company for Nuclear Activities R.A. (R.A.A.N.)

By Judgment no. 387/20.03.2014, the Mehedinti Tribunal confirmed the reorganization plan of debtor Autonomous Company for Nuclear Activities, proposed by judicial administrator Tudor & Associates SPRL and voted by the General Meeting of Creditors according to the minutes of 28.02.2014.

By Interim Judgment no. 10/28.01.2016, issued by Administrative and Tax-related Disputes Civil Section II of the Mehedinti Tribunal, the syndic judge ordered the initiation of the bankruptcy proceedings against the debtor, pursuant to Art. 107 para. 1 letter C of Law 85/2006, and the debtor's winding up and lifting of the right to manage the debtor.

By Decision no. 563/14.06.2016, Civil Section II of the Craiova Court of Appeal rejected the appeals filed against Interim Judgment no. 10/28.01.2016, issued by Administrative and Tax-related Disputes Civil Section II of the Mehedinti Tribunal.

By the Court Minutes of 30.06.2016, Administrative and Tax-related Disputes Civil Section II of the Mehedinti Tribunal scheduled the new procedural deadlines as follows: "Schedules for 13.08.2016 the deadline to submit the claims arising during the procedure. Schedules for 29.09.2016 the deadline to verify the claims arising during the procedure, to draw up, display and communicate the additional table of receivables. Schedules for October 9, 2016 the deadline to file the challenges against the claims arising during the procedure and for October 20, 2016 the deadline to settle the challenges against the claims arising during the procedure. Schedules for 10.11.2016 the deadline to draw up and display the final consolidated table."

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19. COMMITMENTS AND CONTINGENCIES (continued)

Contingencies (continued)

Along with the filing of the claim in the bankruptcy proceedings against RAAN, Transelectrica SA may invoke the provisions of Art. 52 of Law no. 85/2006, applicable to the bankruptcy of RAAN, provisions which are also included in Art. 90 of Law no. 85/2014, regarding the creditor's right to invoke the offset of its receivable against the debtor's towards it, when the legal conditions in the field of legal offset are fulfilled on the date of initiation of the proceedings.

- On March 4, 2014, the European Commission issued a press release announcing that it imposed a fine of EUR 1,031,000 to Subsidiary OPCOM S.A. for abusing its dominant position in the Romanian market for facilitating electricity spot trading, in breach of EU antitrust rules. The Company was involved in the trial as OPCOM's parent company, being jointly liable for paying the fine.

In the meeting of June 10, 2014, the General Meeting of Shareholders of the subsidiary OPCOM S.A. decided to pay the entire fine in amount of EUR 1,031,000 imposed by the Directorate General for Competition – European Commission for breaching Article 102 of the Treaty on the Functioning of the European Union, according to the Decision in the AT case 39984. The subsidiary S.C. OPCOM S.A. has paid the entire fine imposed by the European Commission.

On November 24, 2014, Subsidiary SC OPCOM SA initiated legal proceedings against CNTEE Transelectrica SA claiming payment of EUR 582,086.31 (RON 2,585,161.72 at the NBR exchange rate of November 24, 2014), representing the amount paid by it as fine, out of the total fine of EUR 1,031,000.

Subsidiary SC OPCOM SA also requested the court of law to order the Company to pay RON 84,867 as legal interest for the period June 11, 2014 – November 24, 2014, to which trial expenses in amount of 37,828.08 are added.

The proceedings filed by subsidiary SC OPCOM SA form the object of File no. 40814/3/2014 on the dockets of the Bucharest Tribunal, Civil Section VI. The subject matter of the file is claims with regard to professional disputes. CNTEE Transelectrica SA filed a statement of defense to the application for legal action in this case, invoking exceptions and substantial defense regarding the ungrounded nature and unlawfulness of the action.

On July 24, 2015, the Bucharest Tribunal issued Sentence no. 4275/2015, ordering as follows: "Admits the application for legal action filed by plaintiff Operator of the Electricity and Natural Gas Market – OPCOM S.A. against defendant Power Transmission Company Transelectrica S.A. Orders the defendant to pay the plaintiff EUR 582,086.31 representing the amount paid by the plaintiff in the defendant's place from the fine of EUR 1,031,000 imposed by the European Commission Decision of March 5, 2014 in case AT.39984, as well as the legal interest to the amount of EUR 582,086.31, calculated from June 11, 2014 until the actual payment date. It orders the defendant to pay the plaintiff the amount of RON 37,828.08 as trial expenses. The sentence may be appealed within 30 days from communication. The application for appeal must be filed at the Bucharest Tribunal – Civil Section VI."

Transelectrica filed appeal against Judgment no. 4275/2015 issued in the file mentioned above, which was registered at the Bucharest Court of Appeal. The hearing is scheduled for October 10, 2016.

For the litigation with subsidiary SC OPCOM SA, the Group registered in 2014 a provision of 2,670.

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19. COMMITMENTS AND CONTINGENCIES (continued)

Contingencies (continued)

Litigation (continued)

• In 2013, Conaid Company SRL filed a legal action against CNTEE Transelectrica for the latter's ungrounded refusal to execute an additional act to the connection contract or a new connection contract, and claimed damages for the expenses incurred up to that time in amount of 17,420 and for the unrealized profit between 2013 and 2033 in amount of EUR 722,756,000. Until present, the Company did not conclude an additional act to the connection contract as Conaid Company SRL has failed to fulfil the suspensive conditions included in the contract. A new connection contract should have been concluded until March 11, 2014, the date when the technical connection permit expired. As at the date of these financial statements, the amounts claimed by Conaid Company SRL were considered contingencies as it is unlikely that, to settle this liability, outflows of resources incorporating economic benefits will be required, and the value of the liability cannot be assessed with a sufficient degree of reliability. File no. 5302/2/2013 is on the dockets of the High Court of Cassation and Justice, Administrative and Tax Disputes Section. The subject matter of the file is the obligation to issue administrative deed, in second appeal. The court hearing was scheduled for December 9, 2015. At such hearing, the High Court of Cassation and Justice admitted, in principle, the appeals and scheduled the hearing on the merits of the appeals for April 8, 2016, Panel 4, by subpoenaing the parties. The settlement of the case was adjourned for June 17, 2016, when the court ruling remained pending, being postponed for 29.06.2016, when it issued Decision no. 2148/2016, whereby it ordered as follows: "Rejects the exceptions invoked by appellant-plaintiff S.C. Conaid Company S.R.L., by judicial administrator RVA Insolvency Specialists SPRL and appellant-defendant Power Transmission Company Transelectrica S.A. Admits the appeal filed by defendant Power Transmission Company Transelectrica S.A. against the court ruling of February 18, 2014 and Civil Judgment no. 1866 of June 11, 2014, issued by the Administrative and Tax Disputes Section VIII of the Bucharest Court of Appeal. Quashes the ruling challenged and the judgment in part and sends the case to Civil Section VI of the Bucharest Tribunal to rule on the plaintiff's application for legal action against Power Transmission Company Transelectrica S.A. Maintains the other provisions of the judgment as regards the plaintiff's application for legal action against the Romanian Energy Regulatory Authority. Rejects the appeals filed by plaintiff S.C. Conaid Company S.R.L., by judicial administrator RVA Insolvency Specialists SPRL and intervener S.C. Duro Felguera S.A. against Civil Judgment No. 1866 of June 11, 2014, issued by Administrative and Tax Disputes Section VIII of the Bucharest Court of Appeal. Rejects the appeal filed by defendant Power Transmission Company Transelectrica S.A. against the court minutes of March 25, 2014, issued by Administrative and Tax Disputes Section VIII of the Bucharest Court of Appeal. Final. Issued in public session today, June 29, 2016."

• The Group is involved in significant disputes in which it acts as plaintiff, in particular for the recovery of receivables (e.g., Eco Energy, Petprod SRL, Total Electric Oltenia, Arcelormittal Galati, the Autonomous Company for Nuclear Energy, Romenergy Industry SRL). The Company has registered impairments for clients, other receivables under litigation and bankrupt clients. Also, the Group acts as plaintiff in a dispute with the National Agency for Fiscal Administration, as revealed in Note 5.

The Group's management considers that it is likely that there will be no cases requiring an outflow of resources to settle pending disputes. In addition, there are no other pending disputes which, either by their nature, or by their value, require the presentation of significant contingent assets or liabilities for the Group's activity.

20. TRANSACTIONS WITH RELATED PARTIES

Transactions with other State-owned companies

The Group's transactions for the transmission of electricity and other activities delivered as system operator and operator of the electricity market are carried out based on contractual relations, regularly with majority State-owned companies (for instance, Electrica Furnizare SA, Electrica SA, Hidroelectrica SA, Complexul Energetic Oltenia SA, Electrocentrale Bucuresti SA, Nuclearelectrica SA, SC Complexul Energetic Hunedoara SA etc.).

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21. FINANCIAL INSTRUMENTS

a) Causes of financial risks

Credit risk

The credit risk is the risk where the Group bears a financial loss if a client or a counterparty in a financial instrument fail to fulfil their contractual obligations. This risk mainly results from trade receivables and cash and cash equivalents.

The counterparty risk is treated based on internal and external success factors of the Group. External success factors – which have effect on the systematic mitigation of risk: the decentralization of the energy sector where production, transmission, distribution and delivery are distinct activities, and the interface with the consumer is ensured by the provider, the trading of electricity on the Romanian market on two market segments: regulated market and competition market. Internal success factors in treating counterparty risk include: extension of client portfolio and extension of services offered on the electricity market.

Financial assets, which may expose the Group to collection risk, include mainly trade receivables and cash and cash equivalents. The Group has implemented policies through which it makes sure that services are sold to clients that can pay properly, by including in the commercial contracts their obligation to establish financial securities. The value of receivables, net of impairment allowances, is the maximum amount subject to collection risk.

The maximum exposure to collection risk as at the reporting date is:

	Net value	
	June 30, 2016	December 31, 2015
	<i>(reviewed)</i>	<i>(audited)</i>
Financial assets		
Trade receivables	683,264	600,668
Other receivables	55,304	128,719
Total	738,568	729,388

The maturity of the trade receivables as at the statement of financial position is:

	Gross value June 30, 2016	Impairment allowance June 30, 2016
Outstanding, not due	501,020	5,839
1 to 30 days overdue	11,444	1,031
31 to 90 days overdue	102,680	3,527
90 to 180 days overdue	4,615	1,840
180 to 270 days overdue	3,326	1,362
270 to 365 days overdue	11,139	10,274
More than one year	149,538	76,625
Total	783,762	100,498

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22. FINANCIAL INSTRUMENTS (continued)

a) Causes of financial risks (continued)

Credit risk (continued)

	Gross value December 31, 2015	Impairment allowance December 31, 2015
Outstanding, not due	497,860	1,545
1 to 30 days overdue	6,811	124
31 to 90 days overdue	1,703	313
90 to 180 days overdue	11,094	10,233
180 to 270 days overdue	15,468	1,490
270 to 365 days overdue	6,890	2,392
More than one year	150,154	73,215
Total	689,980	89,312

The status of the maturity of "Other receivables" as at the statement of financial position is:

	Gross value June 30, 2016	Impairment allowance June 30, 2016
Outstanding, not due	29,375	3,232
1 to 30 days overdue	3,966	235
31 to 90 days overdue	46	10
90 to 180 days overdue	3,177	484
180 to 270 days overdue	8,757	1,937
270 to 365 days overdue	2,411	312
More than one year	94,739	80,957
Total	142,471	87,167

	Gross value December 31, 2015	Impairment allowance December 31, 2015
Outstanding, not due	113,461	6,095
1 to 30 days overdue	6,430	396
31 to 90 days overdue	1,270	-
90 to 180 days overdue	2,425	19
180 to 270 days overdue	4,608	2,504
270 to 365 days overdue	5,786	145
More than one year	81,168	77,270
Total	215,148	86,429

As at June 30, 2016, the Company registered the highest impairment allowances for SC Petprod SRL (29,242), SC Eco Energy SRL (24,736), SC Total Electric Oltenia SA (14,186), Romenergy Industry (13,019), RAAN (8,342), Also Energ (7,177). The Company is in litigation with such clients and is listed in the receivables' table for clients in insolvency.

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22. FINANCIAL INSTRUMENTS (continued)

a) Causes of financial risks (continued)

Credit risk (continued)

The evolution of provisions for trade receivables is as follows:

	June 30, 2016	December 31, 2015
	<i>(reviewed)</i>	<i>(audited)</i>
Balance as at January 1	89,312	87.246
Provisions recognized	13,947	24.287
Reversal of provisions	(2,761)	(22.211)
Balance as at the end of the period	100,498	89.312

The evolution of the provisions for other receivables is as follows:

	June 30, 2016	December 31, 2015
	<i>(reviewed)</i>	<i>(audited)</i>
Balance as at January 1	86,429	81.529
Provisions recognized	1,050	9.329
Reversal of provisions	(312)	(4.429)
Balance as at the end of the period	87,167	86.429

The financial assets that may expose the Group to collection risk are mainly trade receivables and cash and cash equivalents. The Group has implemented policies through which it makes sure that services are sold to clients that can pay properly, by including in the commercial contracts their obligation to establish financial securities. The value of receivables, net of impairment allowances, is the maximum amount subject to collection risk. The collection risk related to such receivables is limited as such amounts are primarily owed by State-owned companies.

Cash is placed with financial institutions, which are considered minimum risk. Deposits are placed with BCR, BRD – Groupe Societe Generale, Alpha Bank, Garanti Bank, Banca Transilvania and Exim Bank.

22. SUBSEQUENT EVENTS

ANRE Order no. 27 of June 22, 2016 on the approval of the average tariff for the transmission service, the tariff for the system service, the zonal tariffs applicable to the transmission service and the regulated price for reactive power, imposed by the Power Transmission Company "Transelectrica" - S.A.

By Order no. 27/2016, ANRE approves the average tariff for the transmission service, the tariff for the system service, the zonal tariffs applicable to the transmission service, as provided in the annex which forms an integral part of Order no. 27/2016, as well as the regulated price for reactive power of RON 0.05/kVArh, imposed by the Power Transmission Company "Transelectrica" - S.A. starting from July 1, 2016.

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22. SUBSEQUENT EVENTS (continued)

Compared to the period 01.07.2015 – 30.06.2016, the average tariff was amended by Order no. 27/2016 as follows:

	<u>Average transmission tariff (RON)</u>	<u>Average tariff for technological system services (RON)</u>	<u>Average tariff for functional system services (RON)</u>
Order no. 93/2015 – tariffs applicable for the period 01.07.2015 - 30.06.2016	20.97	12.58	1.17
Order no. 27/2016 – tariffs applicable starting July 1, 2016	18.70	11.58	1.30

ANRE Order no. 33/July 19, 2016 supplementing ANRE President Order no. 27/2016 on the approval of the average tariff for the transmission service, the tariff for the system service, the zonal tariffs applicable to the transmission service and the regulated price for reactive power, imposed by the Power Transmission Company “Transelectrica” - S.A.

ANRE Order no. 33/2016 provides that, for the electricity that will be delivered subsequent to the entry into force of such order, the zonal tariffs for the transmission service for injecting electricity into the grid [T(G)] provided in the table above also applies to contracts for the sale/purchase of electricity concluded on centralized markets managed by Electricity and Natural Gas Market Operator “Opcom” - S.A. until the entry into force of such order.

The increase of share capital of Subsidiary SC OPCOM SA by in-kind contribution from CNTEE Transelectrica SA

The Certificate for Registration of Specifications issued by ONRC on 11.07.2016, registered the amendment of the constitutive act of SC OPCOM SA, according to EGMS Resolution no. 6/15.06.2016 which approved the increase of the share capital of OPCOM by RON 22,587,300, by in-kind contribution from shareholder CNTEE Transelectrica SA. The in-kind contribution of CNTEE Transelectrica SA to the share capital of OPCOM SA is represented by the transfer of intangible assets “Electricity Exchange Operator OPCOM” and “Regional Electricity Exchange OPCOM”, funded from the Company’s own funds and IBRD funds.

According to the revised Constitutive Act, the share capital of OPCOM SA, subscribed and fully paid in by CNTEE Transelectrica SA, as sole shareholder, is 30,687, and is divided in 3,068,730 nominal shares, each having a nominal value of RON 10.

The condensed consolidated interim financial statements presented were approved by the management on August 29, 2016 and executed on its behalf by:

Directorate,

Ion-Toni TEAU	Constantin VĂDUVA	Octavian LOHAN	Luca-Nicolaie IACOBICI
President of the Directorate	Member	Member	Member
Veronica CRIȘU	Cristina STOIAN		
Accounting Manager	Financial Strategy and Treasury Director		