

CNTEE Traselectrica SA
Company managed under two-tier system

Temporary Stand-alone Simplified Financial Statements
as at and for the nine months' period ended
30 September 2016

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

CNTEE Transelectrica SA

Stand-alone simplified statement of financial position on 30 September 2016

(All amounts are in LEI, unless stated otherwise)

	Note	30 September 2016	31 December 2015
Assets			
Non-current assets			
Property, plant and equipment	4	3.177.988.478	3.341.450.716
Intangible assets	4	12.073.206	34.569.691
Financial assets	4	78.531.750	55.944.450
Long term receivables	5	14.631.850	0
Total non-current assets		3.283.225.284	3.431.964.857
Current assets			
Inventories		33.231.116	34.328.954
Trade and receivables	6	533.507.970	723.447.541
Other financial assets	7	293.245.000	70.085.000
Cash and cash equivalents	8	747.906.172	974.451.258
Total current assets		1.607.890.258	1.802.312.753
Total assets		4.891.115.542	5.234.277.610
Shareholders' equity and liability			
Shareholders' equity			
Share capital, of which:		733.031.420	733.031.420
<i>Subscribed share capital</i>		733.031.420	733.031.420
Share premium		49.842.552	49.842.552
Legal reserves		99.407.385	99.407.385
Revaluation reserves		562.204.985	603.684.792
Other reserves		56.953.728	55.694.602
Retained earnings		1.548.199.154	1.487.644.971
Total shareholders' equity	9	3.049.639.224	3.029.305.722
Non-current liabilities			
Long term deferred income	10	439.463.490	462.721.487
Borrowings	11	504.689.929	634.589.744
Deferred tax liability		30.587.187	34.663.246
Employee benefit obligations		34.669.295	34.669.295
Total non-current liabilities		1.009.409.901	1.166.643.772
Current liabilities			
Trade and other liabilities	12	592.179.191	776.167.704
Other tax and social security liabilities	13	20.792.482	6.763.363
Borrowings and related interest	14	143.888.446	167.362.315
Provisions		29.828.062	38.255.213
Short term deferred income	10	33.424.057	33.408.244
Income tax payable	14	11.954.179	16.371.277
Total current liabilities		832.066.417	1.038.328.116
Total liabilities		1.841.476.318	2.204.971.888
Total shareholders' equity and liability		4.891.115.542	5.234.277.610

The attached notes 1-24 constitute integral part of these temporary stand-alone simplified financial statements.

CNTEE Traselectrica SA

Stand-alone profit and loss account for the nine months' period ended 30 September 2016

(All amounts are in LEI, unless stated otherwise)

	Note	01 July – 30 September 2016	01 July – 30 September 2015	01 January – 30 September 2016	01 January – 30 September 2015
Revenues					
Transmission revenues		257.159.131	292.191.286	852.262.542	971.530.560
System service revenues		163.105.271	174.521.641	529.628.892	544.196.685
Balancing market revenues		117.073.299	309.021.851	483.686.422	661.130.895
Other revenues		11.020.144	13.692.655	32.401.274	38.716.221
Total revenues	15	548.357.845	789.427.433	1.897.979.130	2.215.574.361
Operational expenses					
System operating expenses	16	(52.077.473)	(54.209.983)	(172.560.592)	(175.748.770)
Balancing market expenses	16	(117.073.299)	(309.021.851)	(483.686.422)	(661.130.895)
Technological system services expenses	16	(114.478.480)	(140.780.559)	(447.451.685)	(504.364.078)
Depreciation and amortisation		(81.077.035)	(79.063.458)	(243.891.434)	(239.269.166)
Personnel expenses	17	(47.384.494)	(41.931.654)	(132.100.202)	(125.970.806)
Repairs and maintenance		(27.209.358)	(23.619.019)	(62.736.898)	(62.414.617)
Materials and consumables		(1.776.099)	(2.107.820)	(5.514.573)	(6.647.741)
Other operating expenses	18	(26.153.093)	(30.600.710)	(88.777.187)	(81.666.796)
Total operational expenses		(467.229.331)	(681.335.054)	(1.636.718.993)	(1.857.212.869)
Operational profit		81.128.514	108.092.379	261.260.137	358.361.492
Financial revenues		9.115.312	14.473.579	27.186.542	44.565.213
Financial expenses		(7.140.537)	(12.065.209)	(30.739.783)	(43.866.553)
Net financial result	19	1.974.775	2.408.370	(3.553.241)	698.660
Profit before tax		83.103.289	110.500.749	257.706.896	359.060.152
Income tax	14	(11.584.299)	(16.263.759)	(44.379.193)	(54.405.678)
Profit of the period		71.518.990	94.236.990	213.327.703	304.654.474

CNTEE Tranelectrica SA

Stand-alone profit and loss account for the nine months' period ended 30 September 2016

(All amounts are in LEI, unless stated otherwise)

	Note	01 July – 30 September 2016	01 July – 30 September 2015	01 January – 30 September 2016	01 January – 30 September 2015
Profit of the period		71.518.990	94.236.990	213.327.703	304.654.474
Other comprehensive revenue		-	-	-	-
Comprehensive revenue of this period		71.518.990	94.236.990	213.327.703	304.654.474

The temporary stand-alone simplified financial statements were approved by the Company's governing team on 10 November 2016 and signed on its behalf by:

Directorate,

Ion-Toni TEAU
Directorate Chairman

Constantin VADUVA
Member

Octavian LOHAN
Member

Luca-Nicolae Iacobici
Member

Cristina STOIAN
Accounting and Financial Strategy Director

Veronica CRIȘU
Accounting Department Manager

The attached notes 1-24 constitute integrant part of these temporary stand-alone simplified financial statements.

CNTEE Transelectrica SA

Stand-alone statement of equity changes on 30 September 2016

(All amounts are in LEI, unless stated otherwise)

	Share capital	Share premium	Legal reserves	Revaluation reserves	Other reserves	Retained earnings	Total
Balance on 1 January 2015	733.031.420	49.842.552	78.424.484	615.407.592	23.660.704	1.312.739.568	2.813.106.320
Comprehensive revenue of the period							
Profit of the period	-	-	-	-	-	304.654.474	304.654.474
Other comprehensive revenue, of which:							
Recognition of actuarial gains of the defined benefit plan	-	-	-	-	-	-	-
Total other comprehensive revenue of the period	-	-	-	-	-	-	-
Total comprehensive revenue of the period	-	-	-	-	-	304.654.474	304.654.474
Alte items							
Transfer of revaluation reserves to retained earnings	-	-	-	(37.627.796)	-	37.627.796	-
Increase of legal reserve	-	-	-	-	-	-	-
Other items	-	-	-	-	127.200	-	127.200
Total other items	-	-	-	(37.627.796)	127.200	37.627.796	127.200
Contributions by and distribution to shareholders							
Structural funds related to assets such as public patrimony	-	-	-	-	447.437	-	447.437
Dividends distribution	-	-	-	-	-	(205.490.698)	(205.490.698)
Total contributions by and distributions to shareholders	-	-	-	-	447.437	(205.490.698)	(204.274.697)
Balance on 30 September 2015	733.031.420	49.842.552	78.424.484	577.779.796	24.235.341	1.449.531.140	2.912.844.733
Balance on 1 January 2016	733.031.420	49.842.552	99.407.385	603.684.792	55.694.602	1.487.644.971	3.029.305.722
Comprehensive result of the period							
Profit of the period	-	-	-	-	-	213.327.703	213.327.703
Other comprehensive revenue items, of which							
Recognition of actuarial losses of the defined benefit plan	-	-	-	-	-	-	-
Total other comprehensive revenue items	-	-	-	-	-	-	-
Total comprehensive revenue of the period	-	-	-	-	-	213.327.703	213.327.703
Other items							
Transfer of revaluation reserves to retained earnings	-	-	-	(41.479.807)	-	41.479.807	-
Increase of legal reserve	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-
Total other changes	-	-	-	(41.479.807)	-	41.479.807	-
Contributions by and distribution to shareholders							
Write-off of assets such as public patrimony	-	-	-	-	-	-	-
Subsidies related to assets such as public patrimony (connection fee)	-	-	-	-	1.259.126	-	1.259.126
Dividends distribution	-	-	-	-	-	(194.253.327)	(194.253.327)
Total contributions by and distribution to shareholders	-	-	-	-	1.259.126	(194.253.327)	(192.994.201)
Balance on 30 September 2016	733.031.420	49.842.552	99.407.385	562.204.985	56.953.728	1.548.199.154	3.049.639.224

The attached notes 1-24 constitute integrant part of these temporary stand-alone simplified financial statements.

CNTEE Traselectrica SA

Stand-alone statement of cash flows on 30 September 2016

(All amounts are in LEI, unless stated otherwise)

	9 months period ended 30 September 2016	9 months period ended 30 September 2015
Cash flows from operational activities		
Profit of the period	213.327.703	304.654.474
Adjustments for:		
Income tax expense	44.379.193	54.405.678
Amortisement expense	243.891.434	239.269.166
Expense of provisions for impairment of trade receivables and other receivables	16.152.335	15.408.071
Revenues from reversal of provisions for impairment of trade receivables and other receivables	(8.916.072)	(20.909.187)
Net profit/loss from disposal of property	(97.594)	812.845
Reverse of adjustments for property, plant and equipment	2.857.470	6.427.356
Net reversal of adjustments related to provisions for risks and expenses	(8.438.885)	(5.737.582)
Interest expense, interest revenue and unrealised foreign exchange gains	3.466.829	(702.241)
Cash flows before changes in the current capital	506.622.413	593.628.580
Changes in:		
Trade and receivables – operational activity	178.101.346	227.752.436
Trade and receivables – support scheme for high efficiency cogeneration	(10.177.073)	114.786.528
Decrease/(increase) of inventories	1.097.838	(604.680)
Trade and other liabilities – operational activity	(82.934.909)	(175.408.743)
Trade and other liabilities – support scheme for high efficiency cogeneration	(96.588.371)	(88.773.382)
Other tax and social security liabilities	14.029.119	(1.024.936)
Venituri in avans	(21.983.058)	(49.958.793)
Cash flows from operational activities	488.167.305	620.397.010
Interest paid	(10.707.432)	(15.721.725)
Income tax paid	(52.872.350)	(52.472.286)
Net cash from operational activities	424.587.523	552.202.999
Cash flows used in investment activities		
Purchase of property, plant and equipment and of intangible assets	(117.447.064)	(139.320.271)
Proceeds from unused down payments	29.581.392	-
Proceeds from sale of property, plant and equipment	13.683	-
Interest received	4.589.814	10.238.262
Dividends received	3.038.332	7.072.102
Other financial assets	(223.160.000)	-
Net cash used in investment activities	(303.383.843)	(122.009.907)
Cash flows used in financing activities		
Repayments of long term borrowings	(153.614.042)	(171.449.790)
Dividends paid	(194.134.724)	(204.598.533)
Net cash used in financing activities	(347.748.766)	(376.048.323)
Net (decrease)/increase of cash and cash equivalents	(226.545.086)	54.144.769
Cash and cash equivalents on 1 January (see Note 8)	974.451.258	865.237.573
Cash and cash equivalents at the end of the period (see Note 8)	747.906.172	919.382.342

The attached notes 1-24 constitute integrant part of these stand-alone simplified financial statements.

CNTEE Transelectrica SA

Notes to the temporary stand-alone simplified financial statements as at 30 September 2016

(All amounts are in LEI, unless stated otherwise)

1. General information

The main business of the CNTEE Transelectrica SA (the “Company”) consists in: providing electricity transmission and system services; operator of the balancing market; administrator of the bonus type support scheme; other associated activities. Such activities are performed in accordance with the operational licence 161/2000 issued by ANRE updated by ANRE Decision 802/18.05.2016, with the General terms associated to the licence approved by ANRE Order 104/2014 and with the Company’s final certification as transmission and system operator of the Romanian Power System as per the ownership unbundling model.

The headquarter address is Blvd General Gheorghe Magheru no. 33, Bucharest 1. Currently the executive branch of the Company carries out activities in the working point from Olteni Street no. 2-4, Bucharest 3.

The temporary stand-alone simplified financial statements prepared on 30 September 2016 have not been audited.

2. Bases of preparation

a) Statement of compliance

Such temporary stand-alone simplified financial statements have been elaborated according to IAS 34 *Temporary financial reporting*. They do not include all the information necessary for a full set of financial statements in accordance with the International Financial Reporting Standards (“IFRS”). Nevertheless certain explanatory notes are included to clear up the significant events and transactions to understand the changes occurred in the Company’s financial position and performance since the last stand-alone annual financial statements as at and for the financial year ended 31 December 2015.

b) Professional judgment and estimations

The significant judgment used by the governing team to apply the Company’s accounting policies and the main sources of uncertainty of estimations have been the same as those applied to the stand-alone financial statements as at and for the financial year ended 31 December 2015.

3. Significant accounting policies

The accounting policies applied to these temporary stand-alone simplified financial statements are the same as those applied in the Company’s stand-alone financial statements as at and for the financial year ended 31 December 2015.

4. Property, plant and equipment and financial assets

The value of property, plant and equipment recorded at the end of the previous financial year comprises the valuation of the Company’s buildings and special installations to the actual registered value. The net total value of property, plant and equipment decreased in comparison with 31 December 2015 owing to the amortisement of the first 9 months of 2016, which was registered against the background of increased amounts for property, plant and equipment underway.

Thus the increase registered 1 January – 30 September 2016 was mainly determined by the investments made in high voltage substations and lines, as follows:

- Refurbishing the 400/220/110/20 kV substation Bradu – 54,389,446;
- The 400 kV OHL interconnecting Resita (Romania) - Panchevo (Serbia) – 13,753,536;
- Refurbishing the 220/110/20 kV substation Campia Turzii – 6,964,486;
- Upgrade to reduce galloping effects to the 400 kV OHL in Baragan Fetesti area, Cernavoda - Pelicanul, Cernavoda - Gura Ialomitei (2nd circuit), Bucharest Sud - Pelicanu managed by ST Bucharest – 3,581,157;
- Replacing the AT and transformers in electric substations - stage 2 – 2,779,294;
- Connecting the 400 kV Isaccea - Varna OHL and Isaccea - Dobrudja OHL in the 400 kV substation Medgidia Sud – 2,531,275;
- Upgrading the 220/110 kV substation Tihau, primary equipment – 2,459,402;
- Upgrading the 110 kV and 20 kV substations Suceava – 2,009,053;
- Converting the Iron Gates - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage I – Iron Gates - (Anina) – Resita 400 kV simple circuit OHL – 1,858,399;
- Upgrading the ac and dc auxiliary services from the 400/110 kV substation Draganesti Olt – 1,835,502;

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Notes to the temporary stand-alone simplified financial statements as at 30 September 2016

(All amounts are in LEI, unless stated otherwise)

- Connecting the 136 MW WPP from Platonesti town, Ialomita County to the RET, by building a 110 kV bay in the 400/110 kV substation Gura Ialomitei - 1,524,013;
- Replacing the central equipment of the SCADA system in the 400/220 kV substation Gutinas – 1,468,112;
- Remedying urgently the failure of the 400 kV OHL Iernut - Gadalin and of the 220 kV OHL Iernut - Baia Mare 3 – 1,344,081;
- Installing optical fibre and upgrading the remote protection system of the 400 kV double circuit OHL Tantareni-Turceni and the 400 kV simple circuit OHL Urechesi-Rovinari – 1,206,160;
- Upgrading the control protection system and the 20 kV part from the 220 /110/20 kV substation Vetis – 1.059.119;
- Replacing the conductors of the 220 kV OHL Craiova Nord - Isalnita, circuit 1 – 1,180,620;
- Replacing the 110/10 kV, 25 MVA transformers T3 & T4 with 110/(20)10 kV, 40 MVA transformers in the 220 kV substation Fundeni – 1,096,917;
- Connecting the 5.4 MW ENVISAN biomass cogenerating power park - stage 1 – 956,015;
- Regulation of co-existence of the 220 kV OHL Mintia-Timisoara, in the 303-305 segment, at the cross-road with Timisoara-Lugoj Highway, lot 2, km 54+000-km 79+625 – 943,445;
- Upgrading the 400/110/10 kV substation Cluj Est – 735,603;
- Increasing the safety of installations from the 400/220/110/10 kV substation Bucharest Sud - Replacing the 10 kV equipment - Lot II – 691,079;
- The 400 kV OHL Gadalin - Suceava, including the SEN interconnection – 683,838;
- Integrated security system in the 400 kV substation Stupina – 625,356;
- Connecting the sewage installation of the 400/110 kV substation Brasov to the city's installation – 540,580;
- Upgrading the control building from substation Roman Nord – 388,306;
- 400 kV double circuit (1 c.e.) OHL Constanta Nord-Medgidia Sud – 380,100;
- Regulation of co-existence of 220 kV OHL Mintia-Timisoara and Lugoj - Deva Highway, lot 2, km 41+890 – 315,682;
- Replacing tower 301 of the 400 kV OHL Mintia - Sibiu Sud – 286,787;
- Design services for the 400 kV OHL Suceava - Balti, for the project part on Romania's territory – 242,174,666;
- Thermal upgrading of the IRE Craiova offices - old wing – 207,321;
- Regulation of co-existence of 400 kV OHL by doubling the Brasov by-passing road DN 11 - DN 13 – 182,484;
- Refurbishing the 220/110/20 kV substation Ungheni – 176,308;
- Upgrading the building of CE Resita offices – 173,643;
- Upgrading the building of CE Bradu – 146,724;
- Upgrading the industrial building 2 of ST Timisoara, Sp+P+1E – 138,825;
- Replacing the 220 V dc accumulator battery in the 400 kV substation Arad – 121,021.

The greatest transfers from property, plant and equipment underway in January – September 2016 are mainly represented by commissioning of investment objectives as follows:

- Increasing the safety of the 400/220/110/10 kV substation Bucharest Sud - Replacing the 10 kV equipment - Lot II – 18,610,797;
- Upgrading the control protection system in the 220/110 kV substation Vetis – 6,491,265;
- Replacing the 110/10 kV, 25 MVA transformers T3 & T4 with 110/(20)10 kV, 40 MVA transformers in the 220 kV substation Fundeni – 3,784,263;
- Integrated security system in electric substations, stage IV – 400/110 kV substation Constanta Nord – 3,317,210;
- Integrated security system to the new 400 kV electric substation Stupina – 1,911,274;
- Upgrading the dc and ac auxiliary services in the 400/110 kV substation Draganesti Olt – 1,875,752;
- Replacing the central equipment of the SCADA system in the 400/220 kV Gutinas – 1,485,048;
- Replacing the conductors of the 220 kV OHL Craiova Nord - Isalnita, circuit 1 – 1,230,446;
- Replacing the AT-s and transformers in electric substations, stage 2 – replacing the 16 MVA transformer 2 from the 220/110/20kV Substation Ungheni – 1,204,642;
- Upgrading the industrial building 2 of ST Timisoara, Sp+P+1E – 1,176,096;
- Upgrading one 110 kV OHL bay Iron Gates - Gura Vaiei in the 110 kV substation and two 6 kV bays – 1,078,554;
- Connecting the 5.4 MW ENVISAN biomass cogenerating power park, stage 1 – 956,015;
- Regulation of co-existence of the 220 kV OHL Mintia-Timisoara, in the 303-305 segment, at the cross-road with Timisoara-Lugoj Highway, lot 2, km 54+000-km 79+625 – 943,445;
- Extending the ac and dc auxiliary services, completing the command control and protection system of the 220/110 kV

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Notes to the temporary stand-alone simplified financial statements as at 30 September 2016

(All amounts are in LEI, unless stated otherwise)

- substation Pestis – 594,208;
- Connecting the sewage installation of the 400/110 kV substation Brasov to the city's installation – 557,556;
- Replacing tower 301 of the 400 kV OHL Mintia - Sibiu Sud – 527,941;

The balance of property, plant and equipment under execution on 30 September 2016 is represented by the projects in progress, the most significant being provided below:

- Refurbishing the 400/220/110/20 kV substation Bradu – 68,924,523;
- The 400 kV OHL interconnecting Resita (Romania) - Panchevo (Serbia) – 59,300,365;
- Refurbishing the 220/110/20 kV substation Campia Turzii – 34,215,521;
- Integrated security system in electric substations, stage IV – 20,913,028;
- Extending the services providing business continuity and recovery after desastres – 14,419,361;
- Converting the Iron Gates - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, Stage I - Extending the 400 kV substation Iron Gates – 13,160,297;
- 400 kV double circuit OHL Cernavoda-Stalpu and connection in Gura Ialomitei – 7,526,393;
- Converting the Iron Gates - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, Stage I - the 400 kV simple circuit OHL Iron Gates - (Anina) – Resita – 6,818,596;
- 400 kV HVDC Link (Romania - Turkey submarine cable) – 5,853,759;
- 400 kV OHL Gadalin - Suceava, including the SEN interconnection – 5,592,771;
- Remedying the failure of the 110-120 terminals of the 220 kV OHL Bucharest Sud – Ghizdaru – 4,257,365;
- Upgrading in order to diminish the galloping effects to the 400 kV OHL from Baragan-Fetesti area; diminishing the galloping effects to the 400 kV OHL Cernavoda-Pelicanu, 400 kV OHL Cernavoda-Gura Ialomitei (circuit 2) and the 400 kV OHL Bucharest S - Pelicanu – 4,315,461;
- Converting the Iron Gates - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, Stage I - 400/220/110 kV substation Resita – 3,936,184;
- Connecting the 400 kV OHL Isaccea - Varna and the Isaccea - Dobrudja OHL in the 400 kV substation Medgidia Sud – 3,634,897;
- Extending the control system with new functions and IT registration of access in the objectives of CNTEE Transelectrica SA – 3,200,918;
- The 400 kV OHL Suceava - Balti, for the project part on Romania's territory – 3,608,049;
- Converting the Iron Gates - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage II - 400 kV double circuit OHL Resita - Timisoara – Sacalaz – 3,197,760;
- Replacing AT-s and transformers in electric substations, stage 2 – 2,973,525;
- Connecting the 136 MW WPP from Platonesti town, Ialomita County to the RET, by building a 110 kV bay in the 400/110 kV substation Gura Ialomitei – 2,889,337;
- Integrated security system in electric substations, stage III – 2,798,024;
- Upgrading the 110 kV and 20 kV substations Suceava – 2,772,963;
- Upgrading the 220/110/20 kV substation Arefu – 2,744,403;
- Upgrading the 220/110/20 kV electric substation Raureni – 2,676,732;
- Upgrading the 220/110 kV substation Tihau - primary equipment – 2,585,630;
- By-passing the 110 kV OHL Cetate 1 & 2 in the proximity of the 110/20/6 kV substation Ostrovul Mare – 2,578,438;
- The 400 kV double circuit OHL Gutinas – Smardan – 2,273,877;
- Connecting the 27 MW WPP of Stalpu, Buzau County to the RET, by building two 110 kV bays in the 220/110 kV electric substation Stalpu – 2,107,207;
- Upgrading the dc and ac auxiliary services in the 400/110 kV substation Draganesti Olt – 1,875,752;
- Remedying urgently the failure to the 400 kV OHL Iernut-Gadalin and the 220 kV OHL Iernut-Baia Mare 3 – 1,344,081;
- Installing optical fibre and upgrading the remote protection system of the 400 kV double circuit OHL Tantareni-Turceni and the 400 kV simple circuit OHL Urechesti-Rovinari – 1,483,495.

The total net value of intangible assets decreased compared to 31 December 2015, mainly because the following intangible assets have been taken out of the books: “Commercial electricity exchange OPCOM” and “Regional electricity exchange OPCOM”, which constituted contribution in kind amounting to 22,587,300 of CNTEE Transelectrica SA to the share capital of its Subsidiary SC OPCOM SA, according to Decision 6/15.06.2016 of AGEA OPCOM SA approving the share capital increase of SC OPCOM SA and to the Certificate / 11.07.2016 recording the notes.

In accordance with such increase in the share capital of Subsidiary OPCOM SA by contribution in kind of CNTEE Transelectrica SA, the value of shares acquired by the Company's contribution in sum of 22,587,300 was registered as financial assets.

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Notes to the temporary stand-alone simplified financial statements as at 30 September 2016

(All amounts are in LEI, unless stated otherwise)

Thus the total value of the Company's participations to its subsidiaries was 79,615,200 on 30 September 2016 and 57,027,900 on 31 December 2015.

The greatest inputs of intangible assets from January to September 2016 have been:

- Licences of NEPLAN software + licences CIM/XML 7 Software NEPLAN modules (2 new licences, 5 CIM/XML modules) and up-grade for 13 NEPLAN licences + 5 licences for CIM/XML modules – 704,846;
- Various software licences - Adobe, Autocad, CorelDraw, Oracle, Acrobat XI Pro, etc – 762,208.

The greatest transfers from intangible assets underway to intangible assets in the same period are represented by:

- Licences of NEPLAN software + licences CIM/XML 7 Software NEPLAN modules (2 new licences, 5 CIM/XML modules) and up-grade for 13 NEPLAN licences + 5 licences for CIM/XML modules – 704,846;
- Various software licences - Adobe, Autocad, CorelDraw, Oracle, Acrobat XI Pro, etc – 762,208.

5. Long term receivables

On 30 September 2016 the Company registered long term receivables in sum of 14,631,850, representing trade receivables with maturity of over 1 year that have been spread up for payment, associated to the bonus type support scheme for high efficiency cogeneration.

In September 2016 CNTEE Transelectrica SA concluded Contract C 177/26.09.2016 with SC Termoficare Oradea SA to take over the liability, in capacity of "new debtor", and SC Electrocentrale Oradea SA, in capacity of "initial debtor".

SC Termoficare Oradea SA commits to pay the amount of 29,259,377, representing the overcompensation for the activity of SC Electrocentrale Oradea SA in 2014-2015, into 24 monthly instalments by 30.09.2018.

Thus the sum of 14,631,850 with maturity of over 1 year was reclassified in the long term receivables category and it is represented by:

- 2015 overcompensation: an amount of 11,452,767;
- 2014 overcompensation: an amount of 3,179,083.

6. Trade and other receivables

On 30 September 2016 and 31 December 2015 trade and other receivables were as follows:

	30 September 2016	31 December 2015
Trade receivables	552.702.450	684.296.714
Other receivables	127.600.731	115.977.790
Advance payment to suppliers	33.087.338	68.413.826
Receivable grants (non-reimbursable funds)	-	5.239.033
Receivable VAT	-	21.666.435
Adjustments for impairment of doubtful trade receivables	(94.194.524)	(87.986.497)
Adjustments for impairment of other doubtful receivables	(85.688.025)	(84.159.760)
Total trade and other receivables	533.507.970	723.447.541

Structure of trade receivables:

	30 September 2016	31 December 2015
Clients on the electricity market, of which:	551.598.745	679.681.724
- clients - operational activity	387.624.058	511.252.260
- clients – bonus type support scheme to promote high efficiency cogeneration	163.974.687	168.429.464
Other clients	1.103.705	4.614.990
Total trade receivables	552.702.450	684.296.714

- CNTEE Transelectrica SA carries out operational activities under the Operational Licence 161/2000 issued by ANRE, updated by Decision 802/18.05.2016 of ANRE president, in order to provide electricity transmission services, system services and to administrate the balancing market.

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On 30 September 2016 the balance of clients from operational activities recorded decrease in comparison with 31 December 2015, mainly determined by:

- Reduced amounts of electricity delivered to consumers;
- Reduced tariffs for transmission services and technological system services, approved by ANRE for the Company-provided services beginning with 01 July 2016.

The main clients on balance from the electricity market are represented by: RAAN, Electrica Furnizare, E.ON Energie Romania, Electrocentrale Oradea (datorie preluata de Termoficare Oradea), Petprod, CIGA, Alro, CET Govora, Transenergo Com, Enel Energie, Tinmar Energy, Eco Energy, Romenergy Industry, Enel Energie Muntenia, CEZ Vanzare, and Societatea Energetica Electrica. The share of the main clients on the electricity market is about 71% of the total trade liabilities.

- CNTEE Transelectrica SA carries out bonus type support scheme activities in order to promote high efficiency cogeneration in its capacity of support scheme administrator, in accordance with the provisions of GD 1215/2009 “the main attributions being to collect monthly the cogeneration contribution and to monthly pay bonuses”.

On 30 September 2016 the Company registered receivables from the bonus type support scheme for high efficiency cogeneration of about 30% (31 December 2015 - 25%) of the total trade liabilities.

Clients of the bonus type support scheme for high efficiency cogeneration registered higher receivables on 30 September, mainly determined by the liabilities recorded according to ANRE decisions issued in April for the 2015 overcompensation.

From 01 January to 30 September 2016 the amounts of the bonus type support scheme diminished because liabilities were collected, as follows:

- The amount of 6,986,316 representing 2014 overcompensation, of which – proceeds by bank transactions in sum of 195,801 (Termo Calor) and proceeds based on compensations made by means of the Management and IT Institute (according to GD 685/1999) in sum of 6,790,515 (Electrocentrale Oradea);
- The amount of 96,646,326 representing 2015 overcompensation, of which - proceeds by bank transactions in sum of 12,362,142 (CET Grivita, Veolia Prahova, Veolia Iasi, Thermoenergy) and proceeds based on compensations made by means of the Management and IT Institute (according to GD 685/1999) in sum of 84,284,184 (Energy Complex Oltenia, Enet and Electrocentrale Bucharest);
- The amount of 2,674,846 representing undue bonus in 2015, of which - proceeds by bank transactions in sum of 324,626 (Electrocentrale Bucharest) and proceeds based on compensations made by means of the Management and IT Institute (according to GD 685/1999) in sum of 2,350,220 (CET Arad).

On 30 September 2016 the Company registered receivables in sum of 111,333,822, represented by the issued invoices under the bonus type support scheme for high efficiency cogeneration, of which:

- 2011-2013 overcompensation in sum of 76,702,140, namely from RAAN – 63,467,054 and from CET Govora SA – 13,235,086;
- 2014 overcompensation in sum of 3,071,781, namely from Electrocentrale Oradea (liability taken over by Termoficare Oradea) – 3,071,781;
- Undue bonus for 2014 in sum of 3,914,960, namely from RAAN – 1,981,235 and from CET Govora – 1,933,725;
- Undue bonus for 2015 in sum of 563,899, namely from CET Govora – 534,377, and from Interagro – 29,523;
- 2015 overcompensation in sum of 11,555,747, namely from Electrocentrale Oradea (liability taken over by Termoficare Oradea) – 11,555,747.
- Uncollected cogeneration contribution from electricity consumers, amounting to 15,525,295, namely: PetProd – 4,391,193, Romenergy Industry – 2,680,620, RAAN- 2,401,791, Transenergo Com – 1,861,502, UGM Energy – 1,814,175 and others.

To quench the receivables generated by the overcompensation and undue bonus the Company requested generators to make mutual compensations. RAAN did not agree with this settlement method of mutual liabilities, for which reason the Company has applied and still applies the provisions of article 17 par 5 from Order 116/2013 of ANRE president approving the Regulation determining the collection of the compensation for high efficiency cogeneration: “in case the producer has not paid the support scheme administrator all its payment obligations resulting in accordance herewith, then the support scheme administrator pays the producer the difference between the value of producer-issued invoices and the producer’s payment obligations under the support scheme, with a clear indication of the said amounts on the payment document” and has withheld from payment the amounts associated to the respective support scheme.

CNTEE Transelectrica SA concluded with CET Govora SA an agreement to compensate and spread out the liability amounts from the value of the 2011-2013 overcompensation and of the 2014 bonus (Agreement C 135/30.06.2015 and Addendum 1/04.08.2015). The Agreement term was 1 year (July 2015-August 2016) and provided the Company’s right to calculate and collect penalties during the spread-out payment term.

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In accordance with the Agreement the Company's receivable liabilities from CET Govora SA were compensated with the payable liabilities to CET Govora SA, represented by cogeneration bonus for May 2014 – October 2015 amounting to 40,507,669 withheld by applying the provisions of article 17 par 5 from Order 116/2013 of ANRE president and the Agreement provisions.

Since the civil Ruling 3185/27.11.2015 suspended ANRE Decision 738/28.03.2014 that determined the 2011-2013 overcompensation, CET Govora SA has no longer complied with the Agreement provisions.

Beginning with 9 May 2016 general insolvency proceedings were instituted for CET Govora. To recover its liabilities recorded before the insolvency procedure the Company applied the specific procedures provided by the Insolvency Law 85/2014 and requested admission of its liabilities according to legal terms.

Taking into account the above, beginning with 9 May 2016 the Company ceased applying the provisions of article 17.5 from Order 116/2013 of ANRE president and paid monthly the cogeneration bonus to CET Govora.

Civil Ruling 2430/05.10.2016 of the High Court of Cassation and Justice admitted ANRE's appeal against the civil Ruling 3185/27.11.2015, has partly cancelled the repealed sentence and rejected the suspension demand expressed by CET Govora, the decision being final. Thus, from 05.10.2016 ANRE Decision 738/28.03.2014 is no longer suspended, producing full effects.

In September 2016 CNTEE Transelectrica SA concluded the Liability Take-over Contract C 177/26.09.2016 with SC Termoficare Oradea SA in capacity of "new debtor", and with SC Electrocentrale Oradea SA in capacity of "initial debtor". SC Termoficare Oradea commits to pay the amount of 29,259,377 representing overcompensation for the activity of SC Electrocentrale Oradea SA in 2014-2015, into 24 monthly instalments until 30.09.2018.

Thus the amount of 14,631,850 with maturity of over 1 year was reclassified in the long term liability category (see Note 5).

Other receivables

On 30 September 2016 other receivables in sum of 127,600,731 include mainly:

- Late payment penalties calculated to late paying clients, in sum of 59,707,713 (of which 25,917,506 are penalties of the support scheme). The highest late payment penalties were registered by the following clients: RAAN (16,900,816), SC CET Govora (9,603,718), SC Eco Energy SRL (8,909,843), SC Petprod SRL (8,894,655), Arcelor Mittal Galati (3,993,435), and Total Electric Oltenia (3,288,967). Impairment adjustments were registered for penalties calculated for the late payment of liabilities from operational activities;
- Receivables from ANAF in sum of 44,442,936 (see the paragraph below);
- Receivables from OPCOM representing VAT for the contribution in kind amounting to 4,517,460 to the subsidiary's capital;
- Expenses registered in advance amounting to 8,199,450 mainly represented by down payments under contracts concluded with electricity suppliers necessary to cover technological losses in the next periods (2,937,72), security fee for the credit EIB 25710 (96,281) and ING credit granting fee (762,818), 2016 subscriptions paid to national and international organisations (941,100), rents (670,170), and annual contribution to ANRE (588,426);
- Other non-current liabilities in sum of 4,395,158, of which 4,068,422 are guarantees for temporary ground occupation calculated and withheld according to article 39 par (1), par (2) and par (5) from Law 46/2008 of the Forestry Code, in order to carry out the investment objective of the 400 kV OHL Resita – Panchevo (Serbia).

Dispute with the National Agency of Fiscal Administration ("ANAF")

Transelectrica is disputing ANAF that issued a fiscal audit report on 20 September 2011 regarding VAT return for September 2005 – November 2006 and a number of 123 unused invoices identified as missing (they were destroyed in the 26-27 June 2009 fire in the working point of Millenium Business Center on 2-4 str. Armand Calinescu, Bucharest 2, where the Company operated then), documents of special circuit, for which it estimated VAT collected in sum of 16,303,174 plus accessories amounting to 27,195,557. The total value of such obligations is 43,498,731. This amount was retained from the VAT that the Company paid in November 2011. Later on the Company noticed the sums paid as current VAT were considered as payments for the obligations set in the fore-mentioned fiscal audit report. Thus the Company was compelled to pay indexes of 944,423 for the VAT that should have been paid in November 2011, to avoid recording additional debts to the state budget. In total in 2011 the Company paid 44,442,936.

Transelectrica resorted to all legal means to contest the tax return issued by ANAF, in which respect an appeal was filed against ANAF's return decision and asked suspending the decision enforcement until the administrative appeal filed against ANAF is settled. The law court denied the request to suspend the enforcement of the fiscal audit report.

The Company considers the tax base was not reasonably determined by ANAF according to the Company's fully regulated activities on the electricity market but it determined it in proportion to the number and amount of Company-issued invoices in the audited period. Transelectrica deemed it was entitled to bring action in court as it believes ANAF did not take into

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account all the data and documents relevant for estimation, as provided in the Fiscal Procedure Code then applicable. Thus the Company sued ANAF to the Bucharest Court of Appeal in August 2012 in order to recover this amount and requested admission of the documents and of the accounting judiciary expertise as evidence.

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

On the 30.04.2014 hearing the court of first instance, the Appeal Court Bucharest, Section VIII Administrative and Fiscal Disputes (Ruling 1356/2014) in File 6657/2/2012 settled as follows: "Denies the request of claimant CNTEE Transelectrica SA (Challenge of the Administrative fiscal deed of ANAF)".

The Company appealed by requesting re-admission, submitted for this file with hearing date on 07.04.2016 that occurred in the High Court of Cassation and Justice, Administrative and Fiscal Section. On 07.04.2016 procedure being absent a new term was set for 02.06.2016, when the instance decided further consideration and deferred settlement for 16.06.2016.

On this term the High Court of Cassation and Justice, Administrative and Fiscal Section issued Ruling 1945/16.06.2016 that settled: "Admits the request and restores the recurrent-claimant within the appeal term. Denies the appeal filed by the National Power Grid Company Transelectrica against Ruling 1365 of 30 April 2014 of the Appeal Court Bucharest, Section VIII of administrative and fiscal disputes, as groundless. Irrevocable. Pronounced at public hearing on 16 June 2016".

Ruling 1945/16.06.2016 pronounced by the High Court of Cassation and Justice was notified to the Company by photocopy.

The Company expressed Rescission of Ruling 1945/16.06.2016, which was submitted to the High Court of Cassation and Justice, and the supreme instance should set a hearing term in this file.

Down payments to suppliers

On 30 September 2016 down payments paid to suppliers are represented by debtor suppliers for provision of services in sum of 33,087,338, of which 33,067,706 represent amounts from the price coupling mechanism transactions. The price coupling mechanism was applied as of 19 November 2014, when the '4 Market Market Coupling' project to couple the DA (Day Ahead) electricity markets from Romania, Hungary, Czech Republic and Slovakia became operational. According to this price-coupling mechanism for the day-ahead markets, the electricity exchanges correlate by bids the day-ahead electricity transactions taking into account the interconnection capacity provided by the TSO, by which it is implicitly allocated. CNTEE Transelectrica SA, in its capacity of TSO, transfers the electricity both in physical and commercial terms to the neighbouring TSO (MAVIR-Hungary) and manages the congestion revenues along the respective interconnection (article 139 from ANRE Order 82/2014), while in relation to SC OPCOM SA it is Implicit Participant on the Day Ahead Market. In capacity of Transfer Agent and of Implicit Participant CNTEE Transelectrica SA has the commercial task to settle the power transacted between SC OPCOM SA and MAVIR.

Adjustments for impairment of trade receivables, of doubtful trade receivables and of other doubtful receivables

The Company policy provides recording allowances for value losses amounting to 100% for clients in dispute, under insolvency and bankruptcy, and 100% from trade liabilities and other liabilities not collected for more than 180 , except for outstanding liabilities generated by the support scheme. Also the Company makes case by case analysis of uncollected trade and other liabilities.

The biggest allowance amounts on 30 September 2016, calculated for trade liabilities and their penalties were registered for SC Petprod SRL (29,242,364), SC Eco Energy SRL (24,736,066), SC Total Electric Oltenia SA (14,185,577), Romenergy Industry (13,512,815), RAAN (8,662,121), and Also Energ (7,177,167). The Company took the following measures in order to recover the impairment adjusted liabilities- court proceedings, registration in the creditors' list etc.

On the same date the Company registered the impairment adjustment for the 44,442,936 liability related to the total obligations paid to ANAF.

The Company's exposure to the collection risk, as well as the value adjustment for trade receivables are given in Note 22.

7. Other financial assets

On 30 September 2016 and 31 December 2015, other financial assets were as follows:

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	30 September 2016	31 December 2015
Bank deposits with maturity over 90	293,245,000	70,085,000
Total	293,245,000	70,085,000

Bank deposits with maturity over 90 are constituted by monetary availability in current accounts, amounting to 293,245,000 on 30 September 2016.

8. Cash and cash equivalents

On 30 September 2016 and 31 December 2015 cash and cash equivalents were as follows:

	30 September 2016	31 December 2015
Current accounts and bank deposits	747,722,339	974,402,481
- cash and deposits of high efficiency cogeneration	140,476,920	175,599,351
- cash from income related to the allocation of interconnection capacities used for network investments	75,057,828	58,726,737
- cash from connection tax	20,743,207	35,275,358
Petty cash	44,691	48,777
Other cash equivalents	139,142	-
Total	747,906,172	974,451,258

Bank deposits with initial maturity less than 90 are constituted by monetary availability from current accounts, amounting to 244,392,400 on 30 September 2016 and to 595,622,400 on 31 December 2015.

9. Shareholders' equity

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

According to the provisions of article 2 from GEO 55/19 November 2015 determining certain reorganisation measures for the public central administration and amending certain norms, the Ministry of Economy, Trade and Liaising with the Business Environment (MECRMA) was established by reorganising and taking over the activities of the Ministry of Economy, Trade and Tourism that was annulled and by taking over the activities and structures of small and medium size enterprises and business environment from the Ministry of Energy, Small and Medium Size Enterprises and Business Environment.

At the end of each reporting period the Company's subscribed and fully paid share capital in sum of 733,031,420 is divided into 73,303,142 ordinary shares of 10 Lei/share nominal value each and corresponds to the records from the Office of the Commercial Register.

The shareholder structure on 30 September 2016 and on 31 December 2015 was as follows:

Shareholder	30 September 2016		31 December 2015	
	Number of shares	% of the share capital	Number of shares	% of the share capital
Romanian State through MECRMA	43,020,309	58.69%	43,020,309	58.69%
Other legal person shareholders	25,946,538	35.40%	24,981,328	34.08%
Other natural person shareholders	4,336,295	5.91%	5,301,505	7.23%

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(All amounts are in LEI, unless stated otherwise)

Total	73,303,142	100.00%	73,303,142	100.00%
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On 29 July 2016 the participation of SIF Oltenia dropped below the 5% threshold to 4.93% (31 December 2015: 5.39%), as per the notification sent to the Company on 1 August 2016.

The increase of shareholder's equities on 30 September 2016 compared to 31 December 2015 was mainly determined by the registration of net profit of 213,327,703 in the retained earnings, done on 30 September 2016. The dividends owed to shareholders distributed from the 2015 profit according to AGA Decision 3/28.04.2016 amounted to 194,253,326, being paid by means of the Central Depository beginning with 28 June 2016.

10. Deferred revenues

Deferred revenues are mainly represented by: the connection fee, other subsidies for investments, non-refundable European funds cashed from the Ministry of European Funds, as well as revenues from the use of interconnection capacities. On 30 September 2016 deferred revenues were as follows:

	30 September 2016	Of which: short term part on 30.09.2016	31 December 2015	Of which: short term part on 31.12.2015
Deferred revenues – allocation of interconnection capacity	2,580,340	2,580,340	2,761,069	2,761,069
Deferred revenues – European funds	666,731	666,731	107,045	107,045
Connection fee funds	326,040,511	20,867,545	342,552,772	20,808,151
European Funds	111,429,618	7,474,520	117,637,561	7,032,883
Other subsidies	32,170,347	1,834,921	33,071,284	2,699,096
Total	472,887,547	33,424,057	496,129,731	33,408,244

The short term deferred revenues in January - September 2016 were as follows:

	30 September 2016	31 December 2015
Opening balance	33,408,244	33,069,502
Cash in advance from the interconnection capacity	27,211,692	26,264,538
Collections from European funds	559,686	56,204
Transfer from long term deferred revenues	(363,145)	26,371
Revenues from the use of interconnection capacity	(27,392,420)	(25,622,519)
Revenues from European funds	-	(385,852)
Total	33,424,057	33,408,244

On 4 March 2016 CNTEE Transelectrica SA received notification from the Ministry of Energy relating to the situation of the Reimbursement application 3/18.12.2015 for Refurbishment of the 400/110/20 kV substation Tulcea Vest, whereby the amount of 4,827,103.54. This amount of 4,827,103.54 was cashed on 22 July 2016.

11. Borrowings• *Long term borrowings*

On 30 September 2016 the amount of long term borrowings diminished against 31 December 2015 mainly after repayments made in accordance with the schedules of existing loan agreements.

In January - September 2016 there were no proceeds from borrowings.

The borrowing movements in the nine months ended 30 September 2016 were as follows:

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	Currency	Interest rate	Accounting value	Due date
Balance on 1 January 2016			797.363.789	
New proceeds			0	
Repayments, of which:			(153.614.042)	
NIB PIL No 02/18	USD	LIBOR 6M + 0.9%	(3,455,533)	16-Apr-2018
BIRD 7181	EUR	Last notified 0.19%	(39,659,749)	15-Jan-2020
NIB PIL No 03/5	EUR	EURIBOR 6M + 0.85%	(10,261,105)	15-Sep-2018
NIB PIL No 02/37	EUR	EURIBOR+0.9%	(5,492,960)	15-Sep-2018
KfW 10431	EUR	EURIBOR+0.6%	(9,944,170)	31-Jul-2017
KfW 11300	EUR	EURIBOR+0.6%	(14,430,648)	31-Jul-2017
JBIC	JPY	3.1%	(9,832,308)	15-Sep-2016
BRD	RON	ROBOR+1.25%	(6,600,000)	31-Aug-2016
BEI 25709	EUR	3.596%	(10,740,287)	10-Sep-2025
BEI 25710	EUR	3.856% & 2.847%	(5,401,062)	11-Apr-2028
ING + BRD	EUR	EURIBOR+2.75%	(37,796.220)	13-Feb-2019
Unsecured bonds	RON	6.1%	-	19-Dec-2018
Exchange rate differences on repayment date			(7,484,463)	
Balance on 30 September 2016			636,265,284	

On 30 September 2016 and on 31 December 2015 the balance of long term borrowings contracted from credit institutions was as follows:

Description	30 September 2016	31 December 2015
NIB PIL No 02/18	13.988.281	18.212.042
BIRD 7181	72.894.574	113.751.751
NIB PIL No 03/5	20.480.580	31.219.050
NIB PIL No 02/37	10.963.635	16.712.138
KfW 10431	9.335.621	19.435.029
KfW 11300	9.423.254	24.012.296
JBIC	-	9.030.166
BRD	-	6.600.000
BEI 25709	96.466.500	108.923.148
BEI 25710	109.214.539	116.447.869
ING + BRD	93.498.300	133.020.300
Unsecured bonds	200.000.000	200.000.000
Total long term borrowings from credit institutions, of which:	636.265.284	797.363.789
Current portion of long term loans	(131.575.355)	(162.774.045)
Total long term loans net of current instalments	504.689.929	634.589.744

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

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	30 September 2016	31 December 2015
From 1 to 2 years	112,816,479	133,886,282
From 2 to 5 years	293,535,969	384,416,722
Over 5 years	98,337,481	116,286,740
Total	504,689,929	634,589,744

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

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

- *Short term borrowings*

Short term loans are detailed as follows:

	30 September 2016	31 December 2015
Current share of long term credits	131,575,355	162,774,045
Interest on long term loans	2,654,757	4,215,492
Interest of bonds	9,658,334	372,778
Total short term loans	143,888,446	167,362,315

- *Loans contracted for current activities*

Transelectrica contracted a credit line for 12 months in February 2016 from BRD GROUP SOCIETE GENERALE SA, Large Corporative Clients Branch in order to finance the bonus type support scheme for high efficiency cogeneration, available as overdraft in sum of 150,000,000 and interest calculated depending on ROBOR 1M, to which 0.05% negative margin is added. In case the reference rate of ROBOR 1M is below 0.05%, the applied interest is 0.

The credit line has not been used by 30 September 2016. It was secured by means of:

- Chattel mortgage over the opened bank account;
- Chattel mortgage over the receivables resulting from the contracts for the contribution for high efficiency cogeneration concluded with Cez Vanzare S.A., E.ON Energie Romania S.A., Repower Furnizare S.R.L., and Tinmar Energy S.A.

12. Trade and other liabilities

On 30 September 2016 and on 31 December 2015 trade and other liabilities were as follows:

	30 September 2016	31 December 2015
Suppliers on the power market	266,643,240	514,807,670
Asset suppliers	34,984,434	39,714,264
Activity suppliers	20,330,173	28,674,364
Sums owed to employees	4,759,773	4,762,762
Other liabilities	265,461,571	188,208,644
Total	592,179,191	776,167,704

On 30 September 2016 and on 31 December 2015 the balance of liabilities on the power market amount to 266,643,240 namely 514,807,670 and provide the following structure:

	30 September 2016	31 December 2015
Electricity market suppliers, of which:		
- suppliers - operational activities	187,834,589	339,410,647
- suppliers - bonus type support scheme to promote high efficiency cogeneration	78,808,651	175,397,022
Total	266,643,240	514,807,670

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- The decreased liabilities of the electricity market to the suppliers from operational activities were determined by:
 - Diminished purchase price of electricity necessary to cover one's own technological consumption (losses);
 - Settling the payment obligations on balance on the electricity market as at 31 December 2015.

The electricity market suppliers are represented mainly by: SC Hidroelectrica SA, RAAN, Mavir, Energy Complex Hunedoara, Electrocentrale Bucharest, CET Govora, and Ciga. On 30 September 2016 their share was 72% in the total number of energy suppliers.

- Diminished liabilities of the support scheme to suppliers (producers) were determined by:
 - Settling the payment obligations to the suppliers from the support scheme, both cash ~~cash~~ and compensations performed through the Institute of Management and Informatics (according to GD 685/1999).

On 30 September 2016 payment obligations of 52,445,958 were registered to suppliers (producers) (RAAN – 49,076,992, CET Govora SA – 3,368,966), representing the cogeneration bonus and the ex-ante overcompensation for 2014 and 2015, as well as the 2015 bonus that was not granted. The amounts representing the Company's liabilities to RAAN and CET Govora under the support scheme have been withheld from payment in accordance with article 17 par 5 from Order 116/2013 of ANRE president, because suppliers (producers) register payment obligations to the Company under the bonus type support scheme.

The Company asked the suppliers (producers) that have not paid the overcompensation and undue bonus invoices to agree with compensating mutual liabilities at minimum level through the Institute of Management and Informatics (IMI) that uniformly manages all the information received from tax-payers according to the provisions of GD 685/1999.

RAAN did not agree with this settlement of mutual liabilities, for which reason the Company has applied and still applies the provisions of article 17 par 5 from Order 116/2013 of ANRE president approving the Regulation determining the collection of the compensation for high efficiency cogeneration: "in case the producer has not paid fully to the support scheme administrator the payment obligations resulting in accordance with the provisions of this regulation, the support scheme administrator pays to the producer the difference between the producer-issued invoices and the producer's payment obligations under the support scheme, clearly specifying the respective amounts on the payment document" and has withheld from payment the amounts associated to the respective support scheme.

CNTEE Transelectrica SA concluded with CET Govora SA a compensation and payment spread-out agreement for the amounts representing liabilities from the 2011-2013 overcompensation and the 2014 undue bonus (Agreement C 135/30.06.2015 and Addendum 1/04.08.2015). The Agreement term was 1 year (July 2015-August 2016) and provided the Company's right to calculate and collect penalties during the spread-out payment term.

Under this Agreement the Company's receivable liabilities from CET Govora SA were compensated with the payable ones to CET Govora SA in sum of 40,507,669, represented by the cogeneration bonus in May 2014 – October 2015 withheld by applying the provisions of article 17 par 5 from Order 116/2013 of ANRE president and the Agreement provisions.

Since the civil Ruling 3185/27.11.2015 suspended ANRE's Decision 738/28.03.2014 that determined the 2011-2013 overcompensation, CET Govora SA has no longer complied with the Agreement provisions. Taking into account the provisions of the Insolvency Law 85/2014, beginning with 9 May 2016 the Company ceased applying the provisions of article 17.5 from Order 116/2013 of ANRE's president approving the Regulation determining the collection of the compensation for high efficiency cogeneration and bonus payment for electricity generated by high efficiency cogeneration and thus pays monthly the due cogeneration bonus to CET Govora.

Civil Ruling 2430/05.10.2016 of the High Court of Cassation and Justice admitted ANRE's appeal against civil ruling 3185/27.11.2015, partly cancelled the repealed the sentence and denied the suspension request expressed by CET Govora. Thus, from 05.10.2016 ANRE's Decision 738/28.03.2014 is no longer suspended and produces full effects.

- Diminished balance of asset suppliers on 30 September 2016 compared to 31 December 2015 because liabilities were paid to asset suppliers.
- Liabilities towards activity suppliers are represented by debts for services provided by third parties that have not yet reached deadline, which liabilities are reduced compared to 31 December 2015.
- The structure of liabilities recorded under 'other liabilities' is as follows:

30 September 2016

31 December 2015

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(All amounts are in LEI, unless stated otherwise)

Sundry payables	257,533,542	182,582,103
Clients-creditors	2,171,322	3,014,528
Dividends payable	1,520,050	1,387,237
Other liabilities	4,236,657	1,224,776
Total	265,461,571	188,208,644

On 30 September 2016 the “Sundry payable” entry in sum of 257,533,542 mainly represents the net position of the support scheme for high efficiency cogeneration, which on 30 September 2016 recorded liability of 256,643,163 (31 December 2015: 180,877,090).

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

- The receivable contribution from the suppliers of electricity consumers, the overcompensation for electricity and heat generated under high efficiency cogeneration in 2011-2013, 2014 and 2015, the 2014 and 2015 undue bonus - to be collected from producers according to ANRE decisions, on the one hand, and
- The cogeneration bonus withheld based on article 17 par 5 from Order 116/2013 of ANRE president, the 2014 ante-overcompensation and the bonus not granted in 2015 - to be paid to the energy producers under high efficiency cogeneration that are the beneficiaries of the support scheme, on the other hand.

“Clients creditors” on 30 September 2016 amounted to 2,171,322, of which 1,893,218 are sums collected in advance from MAVIR under the transactions of the price coupling mechanism.

On 30 September 2016 the dividends owed but unpaid to Company shareholders amounted to 1,520,050, of which 767,032 are dividends distributed from the 2015 profit. These amounts are at the disposal of shareholders through the payment agent.

Other liabilities amounting to 4,236,657 are represented mainly by the performance bonds of service provision contracts concluded by CNTEE Transelectrica SA.

13. Other tax and social security liabilities

On 30 September 2016 and on 31 December 2015 other tax and social security liabilities include:

	30 September 2016	31 December 2015
Contribution to social security funds	3,988,342	4,025,139
Wage tax	1,575,469	1,500,798
Other payable tax	1,833,316	1,237,426
Payable VAT	13,395,355	-
Total	20,792,482	6,763,363

On 30 September 2016 the Company registered payment obligations for the contributions to social security funds, wage tax and other taxes, which were paid in October 2016.

The tax increase compared to 31 December 2015 is determined by value added tax (VAT) liability of 13,395,355 registered on 30 September 2016 as follows:

- Payable VAT to the state budget amounting to 4,162,221;
- Non-exigible VAT of 9,233,134, which will become exigible (collected value added tax) in the future.

14. Income tax

The Company’s current and deferred income tax is determined at the statutory rate of 16%.

The income tax expenses in the 3rd quarter of 2016 and in the 3rd quarter of 2015, as well as on 30 September 2016 and on 30 September 2015 are as follows:

	Q3 2016	Q3 2015	30 September 2016	30 September 2015
Current income tax	13,013,736	17,041,277	48,455,251	57,419,995
Deferred income tax	(1,429,437)	(777,518)	(4,076,058)	(3,014,317)
Total	11,584,299	16,263,759	44,379,193	54,405,678

CNTEE Tranelectrica SA

Notes to the temporary stand-alone simplified financial statements as at 30 September 2016

*(All amounts are in LEI, unless stated otherwise)***15. Operational revenues****01 July – 30 September 2016 in comparison with 01 July – 30 September 2015**

Operational revenues include revenues obtained by the Company's provision of transmission and system services on the electricity market, allocation of interconnection capacity, balancing market operation and other revenues.

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

	<u>Average tariff for transmission services</u>	<u>Average tariff for technological system services</u>	<u>Average tariff for functional system services</u>
Order 27/22.06.2016 for 01 July – 30 September 2016	18.70	11.58	1.30
Order 93/25.06.2015 for 01 July – 30 September 2015	20.97	12.58	1.17

The average tariff for electricity transmission has two components: tariff of electricity input in the grid (T_G) and tariff of electricity taking from the grid (T_L).

Zone tariffs for transmission services when electricity is input in the grid (T_G) and when electricity is taken out of the grid (T_L) were approved by ANRE Order 27/2016 beginning with 01 July 2016.

The amount of electricity delivered to consumers in 01 July – 30 September 2016 namely in 01 July – 30 September 2015 is as follows:

	<u>01 July – 30 September 2016</u>	<u>01 July – 30 September 2015</u>
Amount of electricity delivered to consumers (MWh)	12,689,695	12,632,550

Revenues obtained in 01 July – 30 September 2016 and in 01 July – 30 September 2015 are as follows:

	<u>01 July – 30 September 2016</u>	<u>01 July – 30 September 2015</u>
Transmission revenues	235,996,198	264,959,671
Revenues from the allocation of interconnection capacity	19,732,021	25,670,239
Revenues from reactive power	1,373,522	1,425,546
Revenues from Inter TSO Compensation (ITC)	0	124,678
Revenues from CPT (technological losses) transactions	57,390	11,152
Transmission revenues – total	257,159,131	292,191,286
Revenues from functional system services	16,417,239	14,780,084
Revenues from technological system services	146,496,188	159,419,797
Revenues from unplanned DAM exchanges	191,844	321,760
System service revenues – total	163,105,271	174,521,641
Revenues on the balancing market	117,073,299	309,021,851
Other revenues	11,020,144	13,692,655
Total revenues	548,357,845	789,427,433

Transmission revenues

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Notes to the temporary stand-alone simplified financial statements as at 30 September 2016

(All amounts are in LEI, unless stated otherwise)

In Q3 2016 transmission revenues registered 28,963,473 decrease compared to Q3 2015, determined by the 10.8% reduced average tariffs from 20.97 Lei/MWh to 18.70 Lei/MWh as of 01 July 2016, as approved by ANRE while the electricity amounts delivered to consumers slightly increased in 01 July – 30 September 2016 compared to the same time of 2015.

Revenues from functional system services

Revenues from functional system services grew 1,637,155 in 01 July – 30 September 2016 compared to 01 July – 30 September 2015, determined both by the higher average tariff approved by ANRE for such services from 1.17 Lei/MWh to 1.30 Lei/MWh, and by the slight increase of the electricity amount delivered to consumers.

Revenues from the allocation of interconnection capacity

The allocation mechanism for the interconnection capacity consists in organising annual, monthly, daily and intra-daily auctions. The annual, monthly and intra-daily auctions are explicit - they bid only the transmission capacity, while daily auctions with Hungary are implicit - capacity is simultaneously allocated with energy by the coupling mechanism.

Beginning with 19 November 2014 Romania, Hungary, the Czech Republic and Slovakia established the regional energy exchange, which means these four countries should reach to a single electricity price transacted on spot markets. Capacity allocation between Romania and Hungary, this being the only country of the 3 that Romania has frontier with, is performed by the transmission operators: Transelectrica and MAVIR by common mechanism under a bilateral agreement.

Beginning with 2016 the UIOSI principle was implemented, according to which the participants that do not use the capacity they got from the annual and monthly bids on the Bulgarian border are remunerated (by Transelectrica) for such capacity, which is subsequently sold under daily auctions. The direction is reversed on the Hungarian border, namely MAVIR remunerates the participants for unused capacities.

The market allocating the interconnection capacities is fluctuating; prices are developed depending on the electricity market participants' demands and needs to procure interconnection capacity.

From 01 July to 30 September 2016 the auction prices on the Serbian, Hungarian and Bulgarian borders were smaller compared to 01 July – 30 September 2015, which diminished by 5,938,218 the revenues from the allocation of interconnection capacity.

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

Revenues from technological system services

Revenues from technological system services diminished in sum of 12,923,609 in the studied period compared to the same interval of 2015, mainly determined by the 7.9% reduced average tariff approved by ANRE for such services, from 12.58 Lei/MWh to 11.58 Lei/MWh.

From 01 July to 30 September 2016 revenues obtained from technological system services were bigger by 32,017,708 compared to the expenses made to procure technological system services. Profit was obtained due to favourable market conditions and to the good auction procurement of necessary power reserves from electricity producers, which consisted in auctions where average unit prices were smaller than those foreseen when calculating the tariff for technological system services.

Revenues on the balancing market

Decreased revenues by 191,948,552 on the balancing market in 01 July – 30 September 2016 compared to the same period of 2015 was determined by reduced negative imbalance registered for electricity suppliers on the balancing market (Balancing Responsible Parties - BRP), namely reduced imbalance between the net contractual position notified and the actually delivered energy.

The main factors that determined reduced volume of selected energy on the balancing market to cover the negative imbalance registered for electricity suppliers on the balancing market have been:

- The system was balanced by start-up/maintaining in operation several units/thermal boilers and by selecting a smaller energy volume for power increase compared to the same period of 2015;
- The unpredictability and volatility of output from renewable sources (especially wind) were mitigated in comparison with the same period of 2015;
- Sub-contracting on markets previous to the balancing one (when BRP-s had no significant values of imbalance notifications) and reduced participation / transaction on the intraday electricity market;

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(All amounts are in LEI, unless stated otherwise)

The balancing market means zero profit activities for the Company.

01 January - 30 September 2016 in comparison with 01 January - 30 September 2015

The ANRE-approved average tariffs for services provided on the electricity market in the studied periods are as follows:

	Average tariff for transmission services	Average tariff for technological system services	Average tariff for functional system services
Order 27/22.06.2016 for 01 July – 30 September 2016	18.70	11.58	1.30
Order 93/25.06.2015 for 01 July 2015 – 30 June 2016	20.97	12.58	1.17
Order 51/26.06.2015 for 01 January – 30 June 2015	22.50	12.54	1.42

Average electricity transmission tariffs have two components: tariff of electricity input into the grid (TG) and tariff of electricity taking out of the grid (TL).

Zone tariffs for transmission services when electricity is input in the grid (TG) were approved by ANRE Order 89/2015, beginning with 01 July 2015.

Zone tariffs for transmission services when electricity is taken out of the grid (TL) were approved by ANRE Order 93/2015 beginning with 01 July 2015.

Zone tariffs for transmission services when electricity is input in the grid (TG) and when electricity is taken out of the grid (TL) were approved by ANRE Order 27/2016, beginning with 01 July 2016.

The amount of electricity delivered to consumers in 01 January - 30 September 2016, namely in 01 January - 30 September 2015, is as follows:

	01 January - 30 September 2016	01 January - 30 September 2015
Amount of electricity delivered to consumers (MWh)	39,162,497	38,902,373

Revenues obtained in 01 January - 30 September 2016 and in 01 January - 30 September 2015 were as follows:

	01 January - 30 September 2016	01 January - 30 September 2015
Transmission revenues	787,498,705	889,414,768
Revenues from the allocation of interconnection capacity	59,283,900	76,074,335
Revenues from reactive power	5,231,196	5,705,269
Revenues from Inter TSO Compensation (ITC)	34,824	288,122
Revenues from CPT transactions	213,917	48,066
Transmission service revenues – total	852,262,542	971,530,560
Revenues from functional system services	47,391,461	52,083,232
Revenues from technological system services	481,077,353	490,871,080
Revenues from unplanned DAM exchanges	1,160,078	1,242,373
System service revenues – total	529,628,892	544,196,685
Revenues on the balancing market	483,686,422	661,130,895
Other revenues	32,401,274	38,716,221

CNTEE Tranelectrica SA

Notes to the temporary stand-alone simplified financial statements as at 30 September 2016

(All amounts are in LEI, unless stated otherwise)

Total revenues	1,897,979,130	2,215,574,361
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Transmission revenues

The amount of electricity delivered to consumers grew 0.67%, namely 260,124 MWh from 01 January to 30 September 2016 compared to 01 January – 30 September 2015, transmission revenues decreased by 101,916,063, determined by diminished average tariffs approved by ANRE (according to the fore-mentioned table with average tariffs approved by ANRE in the studied periods).

Revenues from functional system services

From 01 January to 30 September 2016 functional system service revenues decreased 4,691,771 compared to 01 January – 30 September 2015, determined by the reduced average tariff from 1.42 Lei/MWh to 1.17 Lei/MWh in 01 July 2015 – 30 June 2016.

Such average tariff reduction in 01 July 2015 – 30 June 2016 was partially compensated by the 0.67% higher amount of electricity delivered to consumers, namely 260,124 MWh in 01 January – 30 September 2016 compared to 01 January – 30 September 2015, and by the average tariff increase from 1.17 Lei/MWh to 1.30 Lei/MWh approved by ANRE from 01 July 2016 onward.

Revenues from the allocation of interconnection capacities

Revenues from the allocation of interconnection capacities decreased 16,790,435 in 01 January - 30 September 2016 compared to 01 January - 30 September 2015 according to the utilisation of the available interconnection capacity by the electricity traders on the electricity market, following the development recorded in 01 July – 30 September 2016.

Revenues from technological system services

Revenues from technological system services decreased 9,793,727 in 01 January – 30 September 2016 compared to 01 January – 30 September 2015, determined by the reduced average tariff approved by ANRE for such services beginning with 01 July 2016 (according to the fore-mentioned table with average tariffs approved by ANRE in the studied periods) when the delivered electricity amount increased 0.67%.

From 01 January to 30 September 2016 revenues from technological system services were bigger by 33,625,668 compared to the expenses made to procure technological system services. Profit was obtained due to favourable market conditions and to the good auction procurement of necessary power reserves from electricity producers, which consisted in auctions where average unit prices were smaller than those foreseen when calculating the tariff for technological system services.

This amount is found in the Company's gross profit registered on 30 September 2016.

Revenues on the electricity market

From 01 January to 30 September 2016 revenues on the balancing market dropped 177,444,473 compared to 01 January - 30 September 2015 as determined by the reduced negative imbalance registered for electricity suppliers on the balancing market (BRP), namely decreased imbalance between the net contractual position notified and the actually delivered energy.

The main factors that determined reduced electricity volume selected on the balancing market to cover the negative imbalance recorded for electricity suppliers are:

- The system was balanced by start-up/maintaining in operation several units/thermal boilers and by selecting a smaller energy volume for power increase compared to the same period of 2015;
- The unpredictability and volatility of output from renewable sources (especially wind) were mitigated in comparison with the same period of 2015;
- Sub-contracting on markets previous to the balancing one (when BRP-s had no significant values of imbalance notifications) and reduced participation / transaction on the intraday electricity market;

The balancing market means zero profit activities for the Company.

Other revenues

“Other revenues” achieved from 01 January to 30 September 2016 were smaller than those from the same period of 2015, mainly determined by diminished revenues in sum of 3,863,103 from delay indexations and penalties registered from 01 January to 30 September 2016 compared to the same revenues from delay indexations and penalties amounting to 9,052,139 registered from 01 January to 30 September 2015.

16. System operation and balancing market expenses

01 July - 30 September 2016 in comparison with 01 July - 30 September 2015

Expenses made in 01 July - 30 September 2016 compared to 01 July - 30 September 2015 were as follows:

	01 July - 30 September 2016	01 July - 30 September 2015
Expenses with technological consumption (losses)	39,978,340	43,511,937
Congestion expenses	0	34,152
Increased electricity consumption in RET substations	2,814,292	2,942,088
Expenses with functional system services	2,624,841	2,680,277
Expenses with Inter TSO Compensation (ITC)	6,660,000	5,041,529
Total operational expenses	52,077,473	54,209,983
Expenses with technological system services	114,478,480	140,780,559
Balancing market expenses	117,073,299	309,021,851
Total	283,629,252	504,012,393

Expenses with technological consumption (losses)

These are expenses with electricity procurement on the free energy market in order to cover the technological consumption / losses (CPT) in the RET.

In comparison with 01 July - 30 September 2015 technological consumption expenses diminished in sum of 3,533,597 from 01 July to 30 September 2016, mainly determined by:

- Reduced CPT procurement expenses on the Bilateral Trade Contracts Market because the average tariff for the T_G component of transmission services decreased as approved by ANRE Order beginning with 01 July 2016;
- Reduced electricity amount covering the CPT in the RET by about 1.5%, namely from 236,797 MWh in 01 July - 30 September 2015 to 233,288 MWh from 01 July to 30 September 2016 and reduced average procurement price for the electricity necessary to cover the CPT in the RET from 183.6 Lei/MWh in 01 July - 30 September 2015 to 171.22 Lei/MWh from 01 July to 30 September 2016;
- Increased electricity share procure don the Intraday Market from 01 July to 30 September 2016 compared to 01 July - 30 September 2015, since they allowed transactions on this market on legal holi as well.

The decrease of quantitative technological losses was due to better import / export flows in terms of CPT and to good meteorological conditions that determined reducing Corona losses and better distribution of the favourable mix of electricity generation.

Congestion expenses

Congestions (network restrictions) are electricity transmission demands beyond the technical capacity limits of the grid, when corrective activities are required from the transmission and system operator; they occur when the power flow between two system nodes or zones leads to incompliance with the safe operational parameters of the power system when its operation is scheduled or even during real time operation.

No congestion expenses were registered in 01 July – 30 September 2016 due to the efficient congestion management.

Expenses with Inter TSO Compensation (ITC)

ITC expenses in sum of 6,660,000 represent the monthly payment obligations / collection rights of each transmission and system operator (TSO). They are determined under the compensation / settlement mechanism for the utilisation of the electricity transmission grid (RET) associated to electricity transits between the TSO-s of the 35 countries that adopted this mechanism within ENTSO-E.

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(All amounts are in LEI, unless stated otherwise)

Expenses with technological system services

The Company procures technological system services from producers in order to maintain the safe operation of the SEN and qualitative electricity transmitted with parameters according to applicable norms. Such services are contracted as follows:

- Under regulated regime according to Governmental and ANRE Decisions;
- By means of competitive mechanisms;

From 01 July to 30 September 2016 technological system services were procured under regulated regime from SC Energy Complex Hunedoara SA (ANRE Decision 1034/22.06.2016) and from SC Hidroelectrica SA (ANRE Decision 1035/22.06.2016).

From 01 July to 30 September 2016 expenses with technological system services dropped 26,302,079 compared to 01 July - 30 September 2015, mainly determined by:

- Reduced share of regulated procurement for technological system services in the total procurements of technological system services;
- The procurement prices of such technological system services from the competitive market were smaller than the regulated prices;
- The increased competitiveness of the technological system services market determined smaller average procurement prices for the secondary and tertiary control;

From 01 July to 30 September 2015 technological system services were procured by regulated regime from SC Energy Complex Hunedoara SA, according to the provisions of GD 941/29.10.2014 amending the provisions of article 4 from GD 138/2013. In accordance with the provisions of GD 138/2013 regarding the necessary measures to provide safe electricity supply, from 15 April 2013 to 01 July 2015 the Company procured technological system services according to ANRE regulations- taking minimum 400 MW from SC Energy Complex Hunedoara SA and taking at least 600 MW from SC Energy Complex Oltenia SA. In accordance with the provisions of GD 941/29.10.2014 the term set in order to apply the provisions of GD 138/2013 is gracefully extended until 31 December 2017 for SC CE Hunedoara SA.

From 01 July 2015 to 30 June 2016 technological system services were procured by regulated regime from SC Hidroelectrica SA (ANRE Decision 1377/26.06.2015 amended by ANRE Decision 1423/01.07.2015) and from SC Energy Complex Hunedoara SA (ANRE Decisions 859/08.04.2015).

CNTEE Transelectrica SA is re-invoicing the technological system services procured from producers to electricity suppliers with ANRE licence that finally benefit of these services.

Expenses on the balancing market

Balancing market expenses result from the notifications / achievements of participants on that market, being fully covered with the revenues obtained on the balancing market. They amounted to 117,073,299 from 01 July to 30 September 2016.

01 January – 30 September 2016 in comparison with 01 January – 30 September 2015

Expenses made from 01 January to 30 September 2016 compared to 01 January – 30 September 2015 were as follows:

	01 January – 30 September 2016	01 January – 30 September 2015
Expenses with technological consumption (losses)	129,479,891	138,179,212
Congestion expenses	2,903,857	902,441
Electricity consumption in RET substations	10,263,835	10,150,098
Expenses with functional system services	9,812,807	8,931,490
Expenses with Inter TSO Compensation (ITC)	20,100,202	17,585,529
Total operational expenses	172,560,592	175,748,770
Expenses with technological system services	447,451,685	504,364,078
Balancing market expenses	483,686,422	661,130,895
Total	1,103,698,699	1,341,243,743

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Expenses with technological consumption (losses)

Technological consumption expenses are represented by electricity procurement costs as necessary to maintain installations energised and provide electricity transmission through the interconnected electricity network.

In comparison with 01 January – 30 September 2015, such expenses dropped 8,699,321 in the similar period of this year, due to the about 3.9% reduced average procurement price and to the lower electricity quantity necessary to cover the CPT in the RET from 769,074 MWh in 01 January – 30 September 2015 to 739,256 MWh in 01 January – 30 September 2016.

Congestion expenses

The registered congestion expenses of 2,903,857 from 01 January to 30 September 2016 resulted to a great extent from accidental disconnections, owing to bad meteorological conditions recorded in the first part of 2016 (400 kV OHL Tariverde – Tulcea Vest, January 2016, 400 kV OHL Iernut – Gadalina, 220 kV OHL Iernut – Baia Mare III, June 2016).

To provide safety in Dobrogea region the balancing market reduced the values notified by WPP Dobrogea, which inputs into the 110 kV network from Dobrogea (less WPP Pantelimon and WPP Cerna) and into the 400 kV OHL substation Tariverde.

Expenses with functional system services

Such expenses increased in sum of 881,317 in 2016, mainly determined by higher balancing market expenses for unplanned electricity exchanges (exports) with the neighbouring countries interconnected to the SEN.

Expenses with Inter TSO Compensation (ITC)

The monthly payment / collection obligations of each transmission and system operator (TSO) are determined using the compensation (settlement) mechanism for RET utilisation for electricity transits in-between the TSO-s of the 35 countries that adopted this mechanism within ENTSO-E. From 01 January to 30 September 2016 such expenses were bigger by 2,514,673 compared to 01 January – 30 September 2015.

Expenses with technological system services

Technological system service expenses decreased 56,912,393 from 01 January to 30 September, following the development recorded from 01 July to 30 September 2016.

In the report period the Company procured technological system services under regulatory regime according to ANRE decisions and applicable legal norms.

From 1 January to 31 March 2016 s technological system services (slow tertiary reserve) were procured under regulated regime according to GD 1019/30.12.2015 approving the “Winter schedule of the energy sector to provide safe steady-state operation of the SEN”.

CNTEE Transelectrica SA is re-invoicing the technological system services procured from producers to electricity suppliers with ANRE licence that finally benefit of these services.

Balancing market expenses

From 01 January to 30 September 2016 balancing market expenses amounted to 483,686,422 resulting from the notifications / achievements of participants on this market, which are fully covered by the revenues obtained on the balancing market.

17. Salaries and other retributions

01 July - 30 September 2016 in comparison with 01 July - 30 September 2015

	<u>01 July - 30 September 2016</u>	<u>01 July - 30 September 2015</u>
Personnel expenses	30,930,606	30,698,877
Social expenses	1,975,427	929,025
Expenses with employee tickets	5,004,431	980,642
Expenses regarding employees' participation to the profit of the	19,940	0

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(All amounts are in LEI, unless stated otherwise)

previous year		
Expenses of the mandate contract and other committees, commissions	342,300	407,965
Expenses for social security and protection	8,986,404	8,230,999
Resuming provisions for salary and similar expenses in revenues	(111,183)	(15,236)
Other expenses	236,569	699,382
TOTAL	47,384,494	41,931,654

01 January – 30 September 2016 in comparison with 01 January – 30 September 2015

	01 January - 30 September 2016	01 January - 30 September 2015
Personnel expenses	91,959,558	92,862,533
Social expenses	3,962,102	1,820,259
Expenses with employee tickets	7,133,407	3,048,921
Expenses regarding employees' participation to the profit of the previous year	6,472,280	6,261,932
Expenses of the mandate contract and other committees, commissions	1,139,624	1,106,849
Expenses for social security and protection	28,773,950	26,025,154
Resuming provisions for salary and similar expenses in revenues	(8,029,884)	(6,312,948)
Other expenses	689,165	1,158,106
TOTAL	132,100,202	125,970,806

Such expenses increased in the reported period as compared to the same interval of 2015, which was mainly determined by:

- Higher social expenses since the 2016 Revenue and Expense Budget approved 4.9% of such expenses from salaries (in 2015 social expenses were determined at 2% over salary expenses).

In accordance with the provisions of Law 227/2015 on the Fiscal Code, beginning with 2016 social expenses are deductible up to 5% quota applied to personnel salary expenses;

- Increased expenses with employee tickets by distributing holiday tickets beginning with July 2016;

- Increased expenses for the entity's contribution to facultative retirement schemes (Pole III) for Company employees that got affiliated to an optional pension fund (in 2015 such expenses representing the entity's contribution to optional retirement schemes were made beginning with December).

18. Other operational expenses**01 July - 30 September 2016 in comparison with 01 July - 30 September 2015**

	01 July - 30 September 2016	01 July - 30 September 2015
Other expenses for third party provided services	15,209,315	12,872,673
Postage and telecommunication fee expenses	338,331	466,301
Rents	2,032,693	1,884,985
Net operational expenses with adjustments for current assets impairment	(4,824,806)	(815,139)
Other expenses	13,397,560	16,191,890
	26,153,093	30,600,710

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Notes to the temporary stand-alone simplified financial statements as at 30 September 2016

(All amounts are in LEI, unless stated otherwise)

This year such expenses decreased compared to the same period of 2015, as determined by reinserting the asset impairment adjustments into revenues in order to depreciate liabilities, since liabilities were collected which had been previously adjusted (CE Hunedoara, CET Govora etc.).

01 January – 30 September 2016 in comparison with 01 January – 30 September 2015

	01 January – 30 September 2016	01 January – 30 September 2015
Other expenses for third party provided services	36,850,844	34,127,025
Postage and telecommunication fee expenses	976,183	1,509,795
Rents	5,757,055	6,100,770
Net operational expenses with adjustments for current assets impairment	7,236,263	(5,501,116)
Other expenses	37,956,842	45,430,322
	88,777,187	81,666,796

The growth of such expenses in comparison with the same period of 2015, was mainly determined by increased expenses with adjustments to depreciate liabilities of clients declared insolvent in 2016 (CE Hunedoara, CET Govora, Romenergy Industry, UGM Energy etc.).

19. Financial result**01 July – 30 September 2016 in comparison with 01 July – 30 September 2015**

	01 July – 30 September 2016	01 July – 30 September 2015
Interest revenue	1,094,164	1,413,432
Revenues from foreign exchange rate differences	7,997,837	12,905,803
Other financial revenues	23,311	154,344
Total financial revenues	9,115,312	14,473,579
Expenses from foreign exchange rate differences	(1,043,609)	(5,130,292)
Interest expenses	(6,004,697)	(6,934,917)
Other financial expenses	92,331	
Total financial expenses	(7,140,537)	(12,065,209)
Net financial result	1,974,775	2,408,370

01 January – 30 September 2016 in comparison with 01 January – 30 September 2015

	01 January – 30 September 2016	01 January – 30 September 2015
Interest revenue	4,442,629	8,081,430
Revenues from foreign exchange rate differences	19,617,034	28,737,142
Other financial revenues	3,126,879	7,746,641
Total financial revenues	27,186,542	44,565,213
Expenses from foreign exchange rate differences	(12,215,300)	(21,911,793)
Interest expenses	(18,432,252)	(21,954,760)
Other financial expenses	92,331	
Total financial expenses	(30,739,783)	(43,866,553)
Net financial result	(3,553,241)	698,660

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The net financial result got negative influence mainly from the reduced dividends received from subsidiaries OPCOM and TELETRANS.

The exchange rate of the national currency registered on 30 September 2016 in comparison with the recorded value on 30 September 2015 is the following:

Currency	30 September 2016	30 September 2015
Lei / Euro	4.4523	4.4167
Lei / USA Dollar	3.9822	3.9342
Lei / Japanese Yen	0.0393	0.0327

20. Flows from investment activities

In March 2016 the amount of 29,581,392 was collected under investments, representing the unused down payment for the new line segment Iron Gates - Anina under the investment objective "Converting the Iron Gates - Resita - Timisoara - Salacaz - Arad axis to 400 kV / the 400 kV OHL Iron Gates - (Anina) - Resita", until issuance of the Governmental Decision approving the technical-economic indicators and the expropriation procedure for privately-owned buildings.

21. Contingencies

Disputes

The governance team reviews periodically the disputes underway and, following consultation with its legal representatives decides whether provisions need to be set for the involved amounts or to be provided in the financial statements.

Taking into account the available information the Company's management consider there are no significant disputes underway where the Company is the defendant, except for the following disputes:

- On the docket of Mehedinti Tribunal, Section II Civil, Administrative and Fiscal Disputes, file 3616/101/2014 was registered with respect to "claims in sum of 1,090,831.70", where the Company is defendant and the Regie of Nuclear Activities – RAAN is claimant.

The requested payment amount was calculated by RAAN for the bonus owed under the support scheme, which the Company withheld from payment in its capability of Administrator for such support scheme that applied the provisions of article 17 par 5 from Order 116/2013 of ANRE's president (see Note 8).

Transelectrica filed appeal against Ruling 843/05.11.2015 pronounced by the Appeal Court of Craiova, Civil Section II in the public hearing of 05.11.2015 under file 3616/101/2014, and against Ruling 127/2014, pronounced by Mehedinti Tribunal, Section II of Civil, Administrative and Fiscal Disputes, in the public hearing of 10.10.2014 under file 3616/101/2014, as well as against Ruling 1/2015, pronounced by Mehedinti Tribunal, Section II Civil, Administrative and Fiscal Disputes, in the public hearing of 09.01.2015 under file 3616/101/2014; in the appeal Transelectrica expressed recourse requesting the Instance to pronounce decision and admit its recourse as it has been expressed, cancelling the repealed decision and rulings and referring the cause to a territorial competent instance for judgment, to ascertain compliance with the requirements of article 1616-1617 from the Civil Code, for which reason the request to ascertain lawful compensation of mutual liabilities and their settlement up to the concurrence of the smallest amounts thereof, in this particular case the total sum the claimant requested in its suing proceedings, and to compel the respondent - claimant to pay the costs of this recourse. The appeal was registered before the High Court of Cassation and Justice which ruled in these appeal proceedings filter: basically admits the appeal filed by the appellant-defendant Transelectrica SA against the decision no. 843/2015 of 5 November 2015 of the Court of Appeal Craiova - Civil Section II. Sets deadline to resolve the appeal on December 13, 2016.

In 2014-2015 the Company withheld from payment the bonus owed to RAAN for the support scheme, as per the provisions of ANRE regulations, namely article 17 par 5 from Order 116/2013 of ANRE's president.

Under such circumstances RAAN calculated penalties for not cashing in due time its cogeneration bonus amounting to 3,496,914, as the Company withheld it from payment on behalf of unpaid liabilities. The Company refused paying 3,496,914 and it was not recorded as debt under the support scheme.

- On the docket of Mehedinti Tribunal, Section II Civil, Administrative and Fiscal Disputes file 9089/101/2013/a138 was

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recorded with respect to the “presidential ordinance”, where the Company is defendant and the claimant - the Regie of Nuclear Activities RAAN – insolvent debtor.

Ruling 63/2016 pronounced the defendant’s obligation to further supply electricity and system services necessary for continued activities during the entire judiciary reorganisation of RAAN.

Transelectrica expressed appeal against this sentence.

On 10.05.2016 the Appeal Court Craiova pronounced Decision 457/10.05.2016 stipulating: “Denies the exception of appeal tardiness. Denies the appeal as groundless; Final.

At the same time RAAN’s appeal expressed against opening the bankruptcy procedure, in file 9089/101/2013/a137 on the docket of the Appeal Court Craiova was postponed until 31.05.2016, when the case was taken into account for pronouncement.

Decision 563/14.06.2016 of the Appeal Court Craiova, Civil Section II rejected the appeals expressed against the intermediate decision 10/28.01.2016, pronounced by Mehedinti Tribunal, Section II Civil, Administrative and Fiscal Disputes.

- On the docket of Mehedinti Tribunal, Section II Civil, Administrative and Fiscal Disputes file 1284/101/2015 was registered with respect to ‘claims’ and pertaining to the sum of 11,637,439.66 Lei, where the Company is defendant while the Regie of Nuclear Activities RAAN is claimant.

The claimant’s suing notice asked the obligation of Transelectrica SA to pay 11,637,439.66 Lei.

On 22.05.2015 Mehedinti Tribunal, Section II Civil, Administrative and Fiscal Disputes pronounced sentence 41/2015 stipulating as follows: “Admits the exception of territorial incompetence. Declines settlement competency in favour of Bucharest Tribunal, Civil Section VI, without appeal”.

Claimant RAAN submitted request to change the amount of claimed right, asking to oblige Transelectrica SA to pay the increased sum of 17,805,680.17 Lei.

Bucharest Tribunal was about to pronounce on 16.10.2015, and deferred for 30.10.2015, then for 02.11.2015, then for 03.11.2015.

On 03.11.2015 Bucharest Tribunal, Civil Section VI pronounced sentence 6075/2015 stipulating the following: “Admits the request as expressed. Compels the defendant to pay 17,805,680.17 Lei to the claimant, representing the amount of the bonus and penalties. Denies the claimant’s request to be granted court expenses as groundless. Appeal admitted within 30 from notification; appeal to be submitted to Bucharest Tribunal, Civil Section VI”

The sentence was notified on 04.07.2016, according to the postal stamp on the envelope received by Transelectrica SA.

Against the sentence it was brought an appeal, which will be settled by the Court of Appeal. By the date of these interim financial statements the hearing date has not been established. • On the docket of Bucharest Tribunal, Civil Section VI file 26024/3/2015 with respect to ‘claims’ was registered, in which file the Company is defendant and the Regie of Nuclear Activities RAAN is claimant.

The claimant’s suing notice asked the obligation of Transelectrica to pay 10,274,679.11 Lei.

On 13.06.2016 the law court remained under pronouncement and deferred it to 27.06.2016 when, by session closure decided returning the cause on the docket to discuss the provision of additional evidence to determine the mutual liabilities and compensation specified for payment, setting 28.11.2016 as next hearing term.

- On the docket of Bucharest Tribunal, Civil Section VI file 3694/3/2016 was registered with respect to ‘claims’ where the Company is defendant and the Regie of Nuclear Activities RAAN is claimant.

The claimant’s suing notice asked the obligation of Transelectrica SA to pay 15,698,721.80 Lei.

The law court decided pondering more on 09.06.2016 and deferred pronouncement on 23.06.2016 and then on 30.06.2016, when by hearing closure decided returning the cause on the docket as the parties need new explanations, the next hearing date being 17.08.2016, which was delayed to 13.10.2016.

Based on art.413 paragraph 1 item 1 of the Civil Code, the Bucharest Court decided on 20.10.2016 the suspension of judgment until the final settlement case of the file nr.3014 / 2/2014. Appeal the suspension lasts.

- On the docket of Mehedinti Tribunal, Section II Civil, Administrative and Fiscal Disputes file 9089/101/2013/a140 was registered with respect to “claims amounting to 86513,430.67 Lei”, where the Company is claimant and the Regie of Nuclear Activities RAAN is defendant.

Transelectrica’s suing notice asked obliging defendant RAAN to pay 86,513,430.67 Lei.

On 19.05.2016 Mehedinti Tribunal, Section II Civil, Administrative and Fiscal Disputes pronounced hearing closure stipulating as follows: “In accordance with article 413 item 1 C pr civ Decides suspending the cause until settlement of file 3014/2/2014 on the docket of the High Court of Cassation and Justice; with appeal right during the entire suspension period;

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pronounced today 19 May 2016 in public hearing”

- Mention should be also made the 18.09.2013 Closure pronounced by Mehedinti Tribunal in file 9089/101/2013 stipulated opening the general insolvency procedure against debtor Independent Regie of Nuclear Activities RA (RAAN) Sentence 387/20.03.2014 of Mehedinti Tribunal confirmed the reorganisation plan of debtor Regie of Nuclear Activities, proposed by the judiciary administrator Tudor&Asociatii SPRL and voted by the Creditors’ General Assembly according to the minutes of 28.02.2014.

Intermediate decision 10/28.01.2016 pronounced by Mehedinti Tribunal, Section II Civil, Administrative and Fiscal Disputes, the syndic judge stipulated initiation of the debtor’s bankruptcy procedure based on article 107 par 1 let C of Law 85/2006, as well as dissolving the debtor and suspending its administration right.

Decision 563/14.06.2016 of the Appeal Court Craiova, Civil Section II rejected the appeals expressed against the intermediate decision 10/28.01.2016 pronounced by Mehedinti Tribunal, Section II Civil, Administrative and Fiscal Disputes.

The hearing Closure of 30.06.2016 from Mehedinti Tribunal, Section II Civil, Administrative and Fiscal Disputes determined new procedural terms as follows: “Setting 13.08.2016 as deadline to submit the liability applications resulting from the procedure. Setting 29.09.2016 as deadline for check-up of liabilities generated during the procedure, the elaboration, display and notification of the additional creditors table. Setting 9 October 2016 as deadline to submit the complaints for the liabilities generated during the procedure and 20 October 2016 as deadline to settle the complaints for the liabilities generated during the procedure. Setting 10.11.2016 as deadline to elaborate and display the final consolidated table“

Once submitted the liability statement under the bankruptcy procedure of RAAN, Transelectrica SA can invoke the provisions of article 52 from Law 85/2006, applicable to the bankruptcy procedure of RAAN, provisions which were taken over by article 90 from Law 85/2014 regarding the creditor’s right to invoke compensation of its liability with the debtor’s to it when legal terms of legal compensation are complied with when initiating the procedure.

- On 4 March 2014 the European Commission communicated that it applied a fine of 1,031,000 EUR on Subsidiary SC OPCOM SA for abusing its dominant position on the Romanian market by facilitating electricity spot transaction, in breach of EU antitrust rules. The Company has been included in the law suit as parent company of Subsidiary SC OPCOM SA, being jointly and severally liable for the payment of the fine.

The Shareholders’ General Assembly of Subsidiary SC OPCOM SA decided on 10.06.2014 to pay fully the fine in sum of 1,031,000 Euro charged by the General Directorate Competition – European Commission for breaching article 102 from the Treaty of the European Union, according to the Decision in the antitrust case AT 39984. Filiala SC OPCOM SA paid the entire amount established by the European Commission.

On 24.11.2014 Subsidiary SC OPCOM SA called into court CNTEE Transelectrica SA in order to oblige it pay the amount of 582,086.31 Euro (2,585,161.72 Lei at the exchange rate of BNR on 24.11.2014), representing the sum it paid as fine out of the total charge of 1,031,000 Euro.

Also Subsidiary SC OPCOM SA requested the law court to oblige the Company to pay 84,867.67 Lei as legal interest for the 11.06.2014 – 24.11.2014 period, which is added law suit cost of 37,828.08.

The action of Subsidiary SC OPCOM SA is the object of file 40814/3/2014, on the docket of Bucharest Tribunal, Civil Section VI, pertaining to claims disputed with professionals. CNTEE Transelectrica SA submitted response to the suing under this cause, invoking exceptions and fundamental defence against not grounded illegal deed.

On 24.07.2015 Bucharest Tribunal pronounced sentence 4275/2015 stipulating the following: “Admits the suing application expressed by claimant Electricity and Natural Gas Market Operator OPCOM SA in contradiction with defendant National Power Grid Company Transelectrica SA. It compels the defendant to pay 582,086.31 Euro to the claimant, representing the claimant paid sum instead of the defendant of the fine amount 1,031,000 Euro charged under Decision of the European Commission on 05.03.2014 in the AT.39984 case, as well as legal interest to 582,086.31 Euro, calculated from 11.06.2014 until actual payment. It compels the defendant to pay law suit expenses amounting to 37,828.08ã to the claimant. Appeal right within 30 from communication. Such is submitted to the Bucharest Tribunal, VI Section Civil”

Transelectrica filed appeal against sentence 4275/2015 pronounced in the fore-mentioned file, which was registered on the docket of the Appeal Court of Bucharest. The solution of Court of Appeal is: Admits call. Changes in all civil sentence appealed, meaning that it rejects as unfounded the complaint in court. Orders respondent-complaining to pay the costs to the appelland defendant in the amount of 16 129, representing judicial stamp duty. By appeal within 30 days from notification. Pronounced in open session today, 10/10/2016. Document: Judgment 1517/2016 10.10.2016

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

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• In 2013 Conaid Company SRL sued CNTEE Transelectrica for the unjustified denial to sign an addendum to the connection contract or a new connection contract and asked reparations for the expenses it incurred to date in sum of 17,419,508 Lei and unrealised profits in 2013-2033 amounting to 722,756,000 EUR. To date the Company has not concluded addendum to the connection contract because the suspensive terms included in it were not complied with by Conaid Company SRL. A new connection contract should have been concluded by 11 March 2014, when the connection permit expired. As of the date of these financial statements the amounts claimed by Conaid Company SRL were considered contingent liabilities since it is unlikely to outflow resources incorporating economic benefits to settle such obligations, and the amount cannot be estimated reliably. File 5302/2/2013 on the docket of the High Court of Cassation and Justice, Section Administrative and Fiscal Disputes, and it pertains to compelling the issue of the administrative deed, case stage - appeal, hearing date being set on 09.12.2015. On this hearing date the High Court of Cassation and Justice admitted in principle the appeals and set 08 April 2016 as judgment date of appeals, Panel 4, summoning the parties. The judgment was deferred until 17.06.2016, when the court did not issue sentence and deferred for 29.06.2016, when it pronounced Decision 2148/2016 stipulating as follows: "Rejects the exceptions invoked by the recurrent-claimant SC Conaid Company SRL, through the judiciary administrator RVA Insolvency Specialists SPRL and the recurrenta-defendant National Power Grid Company Transelectrica S.A. Admits the appeal filed by defendant National Power Grid Company Transelectrica SA against the hearing closure of 18 February 2014 and the civil sentence 1866 of 11 June 2014, pronounced by the Appeal Court Bucharest, Section VIII of administrative and fiscal disputes. Cancels the repealed closure and partly the sentence and refers the cause to Bucharest Tribunal, Civil Section VI to settle the claimant's action in contradiction with the National Power Grid Company Transelectrica SA. Maintains the other sentence provisions with respect to the claimant's action against the National Regulatory Authority in the Energy Domain; rejects the appeals declared by claimant SC Conaid Company SRL, through the judiciary administrator RVA Insolvency Specialists SPRL and the intercedant SC Duro Felguera SA against the civil sentence 1866 of 11 June 2014, pronounced by the Appeal Court of Bucharest, Section VIII of administrative and fiscal disputes. Rejects the appeal of defendant National Power Grid Company Transelectrica SA against the hearing closure of 25 March 2014 pronounced by the Appeal Court of Bucharest, Section VIII of administrative and fiscal disputes; this decision is final. Pronounced at the public hearing of 29 June 2016".

• The Company is involved in significant disputes as claimant, especially in order to recover liabilities (e.g. Eco Energy, Petprod SRL, Total Electric Oltenia, Arcelormittal Galati, Regia Autonoma de Activitati NucOHLre, and Romenergy Industry SRL, Energy Holding). The Company recorded allowances of value losses for clients and other disputed liabilities for clients under bankruptcy procedure. Also the Company is claimant in a dispute with ANAF as provided in Nota 6.

The Company's management considers it unlikely to have cases requiring outflow of resources necessary to settle disputes in progress. Moreover there are no additional disputes that either by nature or value could require sumitting some assets or significant contingent liabilities for the Company's activity.

22. Affiliates

i) Transactions with the Company subsidiaries

Entity	Country of origin	30 September 2016 % of shares	31 December 2015 % of shares
SMART SA *)	Romania	70	70
TELETRANS SA	Romania	100	100
ICEMENERG SA **)	Romania	-	-
OPCOM SA	Romania	100	100
FORMENERG SA	Romania	100	100
ICEMENERG SERVICE SA	Romania	100	100

*) At present there is dispute in file 32675/3/2015 on cancelling Resolution 154954/30.12.2014 of the Designated Person pronounced in File 449314/23.12.2014, based on which the Office of the Commercial Register from Bucharest Tribunal recorded the share capital increase of Subsidiary SC Smart SA by in-kind contribution and amended accordingly the articles of association as per Decision 12375/22.12.2014 of the Subsidiary's BA Chairman and Decision 19/22.12.2014 of the Board of Administration. Also the Company has requested the competent court to cancel the two fore-mentioned decisions and suspend enforcing the deeds whose cancellation is requesting until settling the court case.

Bucharest Tribunal, Civil Section VI pronounced civil sentence 6468/16.11.2015 in file32675/3/2015, stipulating as follows: „Admits the exception of inadmissibility; rejects the suing action filed by claimant Transelectrica in contradiction

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with defendants Subsidiary of maintenance services for the electricity transmission grid SMART SA, the Romanian State and ONRC, as inadmissible. Appeal right is provided within 30 from communication. The appeal is filed with the Bucharest Tribunal, Civil Section VI. Pronounced at the public hearing of today 16 November 2015". CNTEE Transelectrica SA expressed appeal, which was registered on the docket of the Bucharest Court of Appeal, the file being settled on the judgment date 23 March 2016, when the Appeal Court of Bucharest pronounced civil sentence 903/23.05.2016, stipulating as follows: "Rejects the appeal as groundless; admits the notification of the Constitutional Court. In accordance with article 29 par 4 of Law 47/1992, notifies the Constitutional Court to settle the unconstitutionality exception of the provisions from article 114 par 3 of Law 31/1990 against the provisions of article 16, article 21 and article 44 from the Constitution, which exception was invoked by the plaintiff; this decision is final".

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

Bucharest Tribunal, Civil Section VI issued sentence 3569/14.07.2014 pronounced in file 15483/3/2014, in which the Company was in contradiction with defendants Subsidiary Energy Research and Modernising Institute Icemenerg SA Bucharest and the National Energy Research-Development Institute Bucharest, rejected the Company's request motivating that GD 925/2010 had not been cancelled until the subsidiary was de-registered with ORC. The Appeal Court notified on 24.02.2015 the settlement pronounced in file 15483/3/2014, namely Decision 173/2015 denying the appeal of CNTEE Transelectrica SA as groundless, such decision being final.

Transelectrica SA filed repeal complaint against Decision 173/2015 pronounced by the Appeal Court Bucharest, instituted in file 1088/2/2015 on the docket of the Court of Appeal Bucharest, Civil Section VI, with hearing date on 13.05.2015. On 13.05.2015 Decision 777/2015 of the Appeal Court Bucharest rejected the repeal complaint as groundless, the decision being final.

At the hearing date of 28.03.2016 and 30.08.2016, AGEA did not approve reducing the share capital of CNTEE Transelectrica SA with the amount of 1,084,610 Lei representing the share capital subscribed and paid of Subsidiary ICEMENERG SA Bucharest, by diminishing the Romanian State's participation to the share capital of CNTEE Transelectrica SA, in application of provisions from GD 925/2010.

The total value of the Company's participation in its subsidiaries was 79,615,200 on 30 September 2016 and 57,027,900 on 31 December 2015.

The value of shares held in subsidiaries increased due to the increase of the share capital of SC OPCOM SA in sum of 22,587,300 Lei by in-kind contribution of shareholder CNTEE Transelectrica SA.

The contribution in kind is represented by intangible assets, namely the "Commercial electricity exchange OPCOM" and the "Regional electricity exchange OPCOM", financed from the Company's own sources and from IBRD funds, being valued by JPA Audit & Consultanta SRL accorded to their Assessment report 786/15.03.2016.

The amendment in the articles of association of SC OPCOM SA based on Decision 6/15.06.2016 of AGEA was registered with the ONRC according to the Registration certificate of 11.07.2016.

The balance of Company subsidiaries is as follows:

AFFILIATED ENTITY	Trade receivables		Trade liabilities	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
SC SMART SA	38,278	329,312	7,617,267	6,793,767
SC TELETRANS SA	221,170	375,248	2,620,619	7,426,123
SC FORMENERG SA	0	0	12,560	3,959
SC OPCOM SA	7,683,598	1,520,332	3,176,849	804,549
SC ICEMENERG SERVICE SA	92,231	92,231	0	0
TOTAL	8,035,277	2,317,123	13,427,295	15,028,398

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Transactions performed with the Company subsidiaries in the reported period are provided in detail below

AFFILIATED ENTITY	Sales			
	Q3 2016	Q3 2015	9 months 2016	9 months 2015
SC SMART SA	395.165	366.778	902.413	556.972
SC TELETRANS SA	248.379	518.619	2.604.480	5.872.683
SC FORMENERG SA	0	0	0	0
SC OPCOM SA	65.904.289	254.040.674	248.497.333	372.712.814
SC ICEMENERG SERVICE SA	0	0	0	0
TOTAL	66.547.833	254.926.071	252.004.226	379.142.469

AFFILIATED ENTITY	Procurements			
	Q3 2016	Q3 2015	9 months 2016	9 months 2015
SC SMART SA	19.460.497	46.198.486	56.216.909	66.948.095
SC TELETRANS SA	12.766.923	17.598.439	24.617.079	22.402.752
SC FORMENERG SA	14.709	615.233	100.649	686.974
SC OPCOM SA	35.258.382	40.785.172	88.599.567	52.546.917
SC ICEMENERG SERVICE SA	0	0	0	1.580
TOTAL	67.500.511	105.197.330	169.534.204	142.586.318

ii) *Remuneration of Company management*

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

	Q3 2016	Q3 2015	9 months 2016	9 months 2015
Short term benefits	2.416.284	2.464.715	7.096.236	7.502.323
Other long term benefits	56.312	58.377	107.421	58.377
Total	2.472.596	2.523.092	7.203.657	7.560.700

23. Credit risk

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

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

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

The maximum exposure to the collection risk on the reporting date was:

30 September 2016	31 December 2015
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Financial assets		
Net trade receivables	458.507.926	596.310.217
Other net liabilities	41.912.706	127.137.324
Total	500.420.632	723.447.541

The age of receivables on the reporting date was the following:

	Gross value 30 September 2016	Allowance 30 September 2016	Gross value 31 December 2015	Allowance 31 December 2015
Neither past due nor impaired	347.096.129	194.354	493.063.746	1.147.819
Past due 1 – 30 days	7.311.086	1.449.044	6.530.607	113.324
Past due 31 – 90 days	949.233	511.086	1.608.587	266.257
Past due 90 – 180 days	17.636.674	3.550.573	11.072.875	10.211.818
Past due 180 – 270 days	4.275.840	1.510.432	15.399.044	1.421.579
Past due 270 – 365 days	3.242.084	1.361.947	6.880.773	2.383.145
More than one year	172.191.404	85.617.088	149.741.082	72.442.556
Total	552.702.450	94.194.524	684.296.715	87.986.497

Situatia vechimii “Altora creante” la data intocmirii situatiei pozitiei financiare este prezentata mai jos:

	Gross value 30 September 2016	Allowance 30 September 2016	Gross value 31 December 2015	Allowance 31 December 2015
Neither past due nor impaired	59.168.169	43.963.218	109.251.224	3.826.053
Past due 1 – 30 days	14.479	-	6.430.436	396.081
Past due 31 – 90 days	6.204.986	5.020.566	1.270.335	-
Past due 90 – 180 days	2.354.546	272.633	2.424.895	18.666
Past due 180 – 270 days	3.164.818	779.758	4.608.277	2.504.276
Past due 270 – 365 days	8.757.061	1.994.760	5.796.415	144.524
More than one year	47.936.672	33.657.090	81.515.502	77.270.160
Total	127.600.731	85.688.025	211.297.084	84.159.760

On 30 September 2016 the greatest allowances calculated for trade liabilities and associated penalties were registered for SC Petprod SRL (29,242,364), SC Eco Energy SRL (24,736,066), SC Total Electric Oltenia SA (14,185,577), Romenergy Industry (13,512,815), RAAN (8,662,121), and Also Energ (7,177,167). To recover liabilities adjusted for impairment the Company took the following measures: instituting court trials, registration in the creditors' lists etc.

The movement of allowances for doubtful liabilities is as follows:

	30 September 2016	31 December 2015
Balance on 1 January	87.986.497	87.246.448
Recognition of provisions	13.894.804	22.802.474
Provisions write-off	(7.686.777)	(22.062.425)
Balance at the end of the period	94.194.524	87.986.497

CNTEE Transelectrica SA

Notes to the temporary stand-alone simplified financial statements as at 30 September 2016

(All amounts are in LEI, unless stated otherwise)

The movement of allowances for other doubtful liabilities is the following:

	<u>30 September 2016</u>	<u>31 December 2015</u>
Balance on 1 January	84.159.760	80.972.239
Recognition of provisions	2.259.779	7.059.855
Provisions write-off	(731.514)	(3.872.334)
Balance at the end of the period	85.688.025	84.159.760

Financial assets that can submit the Company to the collection risk are mainly trade liabilities and cash and cash equivalent. The Company applied a set of policies securing service sales to the clients and proper collection by including their obligation to constitute financial securities in the trading contracts. The amount of receivables, net of impairment allowances is the maximum sum exposed to the collection risk. The collection risk associated to these liabilities is limited because such amounts are mainly owed by state-owned companies.

Cash amounts have been placed with financial institutions considered of minimum risks. The deposits have been place with BCR, BRD – Groupe Societe Generale, Alpha Bank, Garanti Bank, Banca Transilvania and Exim Bank.

24. Subsequent events

On 8 November 2016 Law 203/2016 amending and adding the Electricity and natural gas law 123/2012 was published in the Official Gazette no. 892/08.11.2016.

The draft Order amending and adding the Methodology determining the electricity transmission service tariffs, approved by Order 53/2013 of ANRE, also includes the amendments proposed by the draft Law 203/2016, namely - the transmission and system operator should provide the same electricity transmission tariff for all users of the transmission grid and give up the zone-differentiated tariffs. The Authority by this draft Order also aims at the following:

- Charging a tariff for electricity exchanges scheduled with perimetral countries when SEN is used; Thus CNTEE Transelectrica SA should fully recover the contribution to the ITC compensation fund determined by the imports, exports and transfers from / into perimetral countries from economic operators that perform such commercial operations with Ukraine and the Republic of Moldova;
- The Company will provide all documents for the promotion and execution of investment projects, as well as review their efficiency based on the ex-ante and ex-post quantification of benefits obtained.