

CNTEE Traselectrica SA
Two-Tier Company

Condensed Stand-alone Interim Financial Statements
on the date and for the three-month period concluded on
March 31st, 2017

Drafted according to
The International Accounting Standard 34 – ‘Financial Interim Report’

CNTEE Transelectrica SACondensed stand-alone statement of the financial position on March 31st, 2017*(All amounts are expressed in RON, unless otherwise indicated)*

	Note	March 31 st , 2017	December 31 st , 2016
Assets			
Fixed Assets			
Tangible Assets	4	3,141,505,407	3,189,591,544
Intangible Assets	4	14,137,497	14,457,314
Financial Assets	4	78,038,750	78,038,750
Long-Term Receivables	5	9,101,779	9,774,959
Total Fixed Assets		3,242,783,433	3,291,862,567
Current Assets			
Stocks		32,294,679	30,409,648
Clients and similar accounts	6	886,953,495	851,971,683
Other Financial Assets	7	0	135,090,000
Cash and Cash Equivalents	8	977,083,145	933,661,193
Total Current Assets		1,896,331,319	1,951,132,524
Total Assets		5,139,114,752	5,242,995,091
Shareholders' Equity and Liabilities			
Shareholders' Equity			
Social Capital, from 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		116,360,295	116,360,295
Reserve Fund from Reevaluation		536,349,713	549,088,226
Other Reserves		56,953,728	56,953,728
Retained Earnings		1,686,234,350	1,602,438,193
Total Shareholders' Equity	9	3,178,772,058	3,107,714,414
Non-Current Liabilities			
Non-Current Deferred Revenues	10	425,887,708	429,858,527
Loans	11	453,958,925	501,929,998
Deferred Tax Liabilities		28,809,468	30,195,003
Obligations regarding Employee Benefits		43,304,974	43,304,975
Total Non-Current Liabilities		951,961,075	1,005,288,503
Current Liabilities			
Trade Payables and Other Payables	12	720,785,696	873,948,200
Other Taxes and Social Insurance Obligations	13	7,698,352	8,611,209
Loans and Related Interest	11	154,280,655	138,204,932
Provisions		53,746,382	53,801,778
Short-Term Deferred Revenues	10	37,639,965	38,125,074
Corporate Tax to be paid	14	34,230,569	17,300,981
Total Current Liabilities		1,008,381,619	1,129,992,174
Total Liabilities		1,960,342,694	2,135,280,677
Total Shareholders' Equity and Liabilities		5,139,114,752	5,242,995,091

The attached notes 1-23 shall constitute an integral part of these condensed stand-alone interim financial statements.

CNTEE Transelectrica SAThe separate account of Profit and Loss for the three-month period ended on March 31st, 2017*(All amounts are expressed in RON, unless otherwise indicated)*

	Note	March 31 st , 2017	March 31 st , 2016
Revenues			
Transmission Revenues		298,589,433	317,232,353
System Service Revenues		189,229,313	194,489,929
Revenues from the Balancing Market		623,163,359	229,883,084
Other Revenues		14,280,609	13,628,374
Total Revenues	15	1,125,262,714	755,233,740
Operating Expenses			
System Operating Expenses	16	(76,792,140)	(62,858,930)
Expenses on the Balancing Market	16	(623,163,359)	(229,883,084)
Expenses regarding the technological system services	16	(159,521,218)	(189,646,710)
Depreciation		(78,307,648)	(81,638,427)
Salaries and Other Retributions	17	(41,423,735)	(41,306,888)
Repairs and Maintenance		(14,059,924)	(14,517,595)
Materials and Consumables		(1,551,995)	(1,691,465)
Other Operating Expenses	18	(39,176,309)	(17,352,962)
Total Operating Expenses		(1,033,996,328)	(638,896,061)
Operating Profit		91,266,386	116,337,679
Financial Revenues		6,623,867	12,869,856
Financial Expenses		(11,288,556)	(10,774,625)
Net Financial Result	19	(4,664,689)	2,095,231
Profit before Corporate Tax		86,601,697	118,432,910
Corporate Tax	14	(15,544,053)	(19,289,266)
Profit of the Financial Year		71,057,644	99,143,644

This separate financial report has been approved by Management on May 10th, 2017 and have been signed on its behalf by:

Directorate

**Ion - Toni
TEAU**

Directorate
Chairman

**Constantin
VĂDUVA**

Directorate
Member

**Octavian
LOHAN**

Directorate Member

**Mircea - Toma
MODRAN**

Directorate
Member

**Georgeta - Corina
POPESCU**

Directorate
Member

Cristina STOIAN
Economics and Financial Strategy Department Director

Veronica CRIȘU
Accounting Department Manager

The attached notes 1-23 shall constitute an integral part of these condensed stand-alone interim financial statements.

CNTEE Transelectrica SA

Stand-alone statement of the changes in equity on March 31st, 2017

(All amounts are expressed in RON, unless otherwise indicated)

	Share capital	Share Premium	Legal Reserves	Reserve Fund from Reevaluation	Other Reserves	Retained Earnings	Total
Balance on January 1st, 2016	733,031,420	49,842,552	99,407,385	603,684,792	55,694,602	1,487,644,971	3,029,305,722
Global Result of the Period							
Profit of the Financial Year	-	-	-	-	-	99,143,643	99,143,643
Other Elements of the Global Result, from which:							
Recognition of actuarial gains regarding the determined plan of benefits	-	-	-	-	-	-	-
Total Other Elements of the Global Result of the Period	-	-	-	-	-	-	-
Total Global Result of the Period	-	-	-	-	-	99,143,643	99,143,643
Other Elements							
Transfer of the Reserves from Reevaluation in the Retained Earnings	-	-	-	(14,550,567)	-	14,550,567	-
Increase of the Legal Reserve Fund	-	-	-	-	-	-	-
Other Elements	-	-	-	-	-	-	-
Total Other Elements	-	-	-	(14,550,567)	-	14,550,567	-
Contribution from shareholders and distributions to shareholders							
Structural Funds regarding Public Assets	-	-	-	-	-	-	-
Distribution of Dividends	-	-	-	-	-	-	-
Total Contributions from Shareholders and Distributions to Shareholders	-	-	-	-	-	-	-
Balance on March 31st, 2016	733,031,420	49,842,552	99,407,385	589,134,225	55,694,602	1,601,339,181	3,128,449,365
Balance on January 1st, 2017	733,031,420	49,842,552	116,360,295	549,088,226	56,953,728	1,602,438,193	3,107,714,414
Global Result of the Period							
Profit of the Financial Year	-	-	-	-	-	71,057,644	71,057,644
Other Elements of the Global Result, from which:							
Recognition of Actuarial Losses regarding the Determined Plan of Benefits	-	-	-	-	-	-	-
Total Other Elements of the Global Result of the Period	-	-	-	-	-	-	-
Total Global Result of the Period	-	-	-	-	-	71,057,644	71,057,644
Other Elements							
Transfer of the Reserves from Reevaluation in the Retained Earnings	-	-	-	(12,738,513)	-	12,738,513	-
Increase of the Legal Reserve Fund	-	-	-	-	-	-	-
Other Elements	-	-	-	-	-	-	-
Total Other Modifications	-	-	-	(12,738,513)	-	12,738,513	-
Contribution from shareholders and distributions to shareholders							
Derecognition of Public Assets	-	-	-	-	-	-	-
Subsidies of Public Assets (connection fee)	-	-	-	-	-	-	-
Distribution of Dividends	-	-	-	-	-	-	-
Total Contributions from Shareholders and Distributions to Shareholders	-	-	-	-	-	-	-
Balance on March 31st, 2017	733,031,420	49,842,552	116,360,295	536,349,713	56,953,728	1,686,234,350	3,178,772,058

The attached notes 1-23 shall constitute an integral part of these condensed stand-alone interim financial statements.

CNTEE Transelectrica SAStand-alone statement of the treasury flows on March 31st, 2017*(All amounts are expressed in RON, unless otherwise indicated)*

	The three-month period concluded on March 31st, 2017	The three-month period concluded on March 31st, 2016
Treasury Flows from the Operating Activity		
Profit of the Financial Year	71,057,644	99,143,644
Adjustments for:		
Corporate Tax Expense	15,544,053	19,289,266
Depreciation Expenses	78,307,648	81,638,427
Provisions Expenses from Depreciating of the Current Assets	21,932,102	543,128
Revenues from the Reversal of Provisions for Depreciating the Current Assets	(6,186,419)	(2,031,955)
Net Loss from the Sale of Tangible Assets, net	427,090	-
Reversal of Value Adjustments regarding Tangible Assets	357,641	-
Net Reversal of Value Adjustments regarding Provisions for Risks and Expenses	(353,085)	(36,914)
Interest Expenses, Interest Revenues and Expenses from Exchange Differences	4,514,872	(1,952,367)
Cash Flows before Changes in the Current Capital	185,601,546	196,593,229
Changes in:		
Clients and similar accounts - Electricity and other activities	(52,128,307)	(24,775,562)
Clients - Balancing	131,133,299	55,717,686
Clients - Cogeneration	(128,707,128)	2,635,557
Stocks	(1,885,031)	(199,851)
Trade Payables and Other Liabilities - Electricity and other activities	(21,228,506)	(187,679,556)
Liabilities - Balancing	(172,054,328)	(9,394,581)
Trade Payables and Other Liabilities - Cogeneration	74,761,394	(106,766,723)
Other Taxes and Social Insurance Obligations	(912,857)	1,108,923
Deferred Revenues	(4,455,928)	(8,143,038)
Treasury Flows from the Operating Activity	10,124,154	(80,903,916)
Paid Interests	(3,170,111)	(4,591,170)
Paid Corporate Tax	-	(17,280,457)
Net Cash from the Operating Activity	6,954,043	(102,775,543)
Cash Flows from the Investment Activity		
Acquisition of Tangible and Intangible Assets	(64,958,294)	(22,452,078)
Cashing unused down payments	-	29,581,392
Cashed Interests	1,158,414	1,538,008
Other Financial Assets	135,090,000	70,085,000
Net Cash used in the Investment Activity	71,290,120	78,752,322
Treasury Flows used in the Financing Activity		
Use of the Cogeneration Credit Line	25,739,121	32,880,691
Repayments of Long-Term Loans	(60,489,825)	(72,398,316)
Paid Dividends	(71,507)	(64,861)
Net Cash used in the Financing Activity	(34,822,211)	(39,582,486)
Net (Decrease)/Increase of Cash and Cash Equivalents	43,421,952	(63,605,707)
Cash and Cash Equivalents on January 1st (see Note 7)	933,661,193	974,451,258
Cash and Cash Equivalents at the end of the Period (see Note 7)	977,083,145	910,845,551

The attached notes 1-23 constitute integral part of these temporary stand-alone simplified financial statements.

CNTEE Transelectrica SA

Notes on the stand-alone interim financial statements on March 31st, 2017

(All amounts are expressed in RON, unless otherwise indicated)

1. General Information

The main activity of CNTEE Transelectrica SA ('The Company') consists of: the electricity transmission services and of the system service, operator of the balancing market, administrator of the bonus type support scheme, other related activities. These activities take place according to the provisions of the operating license no. 161 / 2000 issued by ANRE, updated by Decision ANRE no. 802 / May 18th, 2016, of the general Conditions associated to the license approved by ANRE Order no. 104 / 2014 and of the final certification of the Company as a transmission and system operator of the National Energy System according to the model of separating the property ('ownership unbundling').

The address of the social headquarters is 33 General Gheorghe Magheru Blvd., Bucharest, district 1. Currently, the activity of the Company's executive takes place at the place of operations in 2-4 Otopeni Street, district 3, Bucharest.

The stand-alone interim financial statements drafted on March 31st 2017 are not audited.

2. Bases of Drafting

a) Declaration of Conformity

These condensed stand-alone interim financial statements were drafted according to IAS 34 *Interim Financial Reporting*. These do not include all the necessary information for a complete set of financial reports according to the International Financial Reporting Standards ('IFRS'). However, certain explanatory notes are included for explaining the events and the transactions which are significant for understanding the modifications from the financial position and the performance of the Company from the last stand-alone financial annual reports from the date of and for the financial year concluded on December 31st, 2016.

b) Professional Reasoning and Estimations

The significant reasoning used by the management for applying the accounting policies of the Company and the main uncertainty sources regarding estimations were the same with those applied to the stand-alone financial reports from the date of and for the financial year concluded on December 31st, 016.

3. Significant Accounting Policies

The accounting policies applied in these condensed stand-alone interim financial statements are the same with those applied in the Company's stand-alone financial reports from the date of and for the financial year concluded on December 31st, 2016.

4. Tangible, Intangible and Financial Assets

The total net value of tangible assets decreased on March 31st, 2017 compared to December 31st, 2016 due to the corresponding depreciation of the first 3 months of 2017, which was registered against the background of increased amounts of tangible assets in progress.

Thus the increase registered in the timeframe January 1st - March 31st, 2017 was mainly determined by the investments made in the high voltage stations and lines, as follows:

- Upgrading the Suceava 110 kV and 20 kV station – 5,080,366;
- Converting the Portile de fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - stage I - 400 kV OHL s.c. Portile de fier - (Anina) – Resita – 4,528,707;
- 400 kV OHL interconnecting Resita (Romania) - Pancevo (Serbia) – 3,823,080;
- Upgrading the 400/110/10 kV Cluj Est station – 3,478,518;
- Urgent repair of the damage to the Iernut - Gadalin 400 kV OHL and the Iernut - Baia Mare 3 200kV OHL – 2,067,074;
- Technical upgrade of the Campia Turzii 220/110/20 kV station – 1,879,241;
- Integrated security system in electric stations, stage IV - 1,728,525;
- Upgrading the command-control-protection system of the Sardanesti 220/110/20 kV station – 1,535,608;

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(All amounts are expressed in RON, unless otherwise indicated)

- Replacing the connectors from electrical stations – 1,148,538;
- Replacing the 110/20 kV TRAF0, 10 MVA in the Fantanele 220/110/20 kV station – 1,077,598;
- Upgrading the Tihau 220/110 kV station - primary equipment – 961,632;
- Technical upgrade of the Bradu 400/220/110/20 kV station – 900,818;
- Deploying an optical fiber line between the Bradu 400/220/110 KV station and the Stuparei 220/110 KV station – 689,196;
- Movement and protection of the high voltage electrical installations - 220 kV OHL on the route of the Sebes-Turda highway - 4th lot, the Cluj Floresti - Alba Iulia 220 kV OHL (178-179 crossing) – 572,461;
- Connecting the Isaccea - Varna 400 kV OHL and the Isaccea - Dobrudja 400 kV OHL in the Medgidia Sud 400 kV station – 487,901;
- Technical upgrade of the Tulcea Vest 400/110/20 kV station - construction part – 386,093;
- Technical upgrade of the SCADA system at the Constanta Nord 400/110 kV station – 354,768.

The largest transfers from tangible assets in progress into tangible assets in the timeframe January - March 2017 are mainly represented by the startup of the investment objectives, as follows:

- Integrated security system in electric stations, stage IV on the Rosiori 400/220 kV station, the Oradea Sud 400/110/20 kV station, the Paroseni 220 kV station – 7,870,787;
- Replacing AT and TRAF0 in electrical stations - Stage II – 5,843,384;
- Upgrading the control building from the Roman Nord 400/110/20 kV station – 676,470;
- Special intervention beams, Universally Anchored Portal type for the 220 - 400 kV tension, including prefabricated foundations – 643,058;
- Used oil storage systems – 63,396;
- Hardware - Network equipment – 43,764;
- DSIC – Consultancy – 38,605;
- The coexistence and risk analysis of the 220 kV OHL from the vicinity of the plot property of VCST AUTOMOTIVE PRODUCTION SRL, place Alba Iulia – 37,825;
- Telephone switchboard CE headquarters from Baia Mare – 4,854;

The balance of tangible assets in progress on March 31st, 2017 is represented by the projects in progress, the most significant being listed below:

- Technical upgrade of the Bradu 400/220/110/20 kV station – 79,355,882;
- 400 kV OHL interconnecting Resita (Romania) - Pancevo (Serbia) – 68,864,407;
- Technical upgrade of the Campia Turzii 220/110/20 kV station – 37,329,258;
- Integrated security system in electric stations, stage IV - 17,871,528;
- Converting the Portile de fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - stage I - 400 kV OHL s.c. Portile de fier - (Anina) – Resita – 16,698,159;
- Extending the services providing business continuity and recovery after disasters - 14,419,361;
- Upgrading the Suceava 110 kV and 20 kV station – 12,004,526;
- Connecting the Isaccea - Varna 400 kV OHL and the Isaccea - Dobrudja 400 kV OHL in the Medgidia Sud 400 kV station – 10,656,144;
- Cernavodă-Stâlpu 400 kV OHL d.c. and connection in Gura Ialomiței – 8,363,002;
- Urgent repair of the Iernut-Gadalin 400 kV OHL and of the Iernut-Baia Mare 3 220 kV OHL - 7,485,351;
- Converting the Portile de fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - stage I - Resita 400/220/110 kV station – 6,435,944;
- 400 kV HVDC Link (submarine cable Romania - Turkey) – 5,853,759;
- 400 kV OHL Gadalin - Suceava, including the NES interconnection - 5,648,863;
- Upgrading the Tihau 220/110 kV station - primary equipment – 5,042,253;
- Technical upgrade of the Hasdat 220/110 kV station – 4,397,140;
- Reparation of the failure of the 110-120 terminals of the Bucharest Sud - Ghizdaru 220 kV OHL - 4,257,365;

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Notes on the stand-alone interim financial statements on March 31st, 2017

(All amounts are expressed in RON, unless otherwise indicated)

- Upgrading the command-control-protection system of the Sardanesti 220/110/20 kV station – 3,716,467;
- Suceava - Balti 400 kV OHL, for the part of the project on Romanian territory - 3,612,249;
- Extending the control system with new functions and IT registration of access in the objectives of CNTEE Transelectrica SA - 3,200,918;
- Converting of the Portile de fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage II - Resita - Timisoara – Sacalaz 400 kV OHL d.c. (Timisoara 220/110kV station) - 3,197,788;
- Connecting the 136 MW wind power plant Platonesti, Ialomita county, to the Grid through constructing a 119kV cell in the Gura Ialomitei 400/110 kV station – 2,889,337;
- Integrated security system in electric stations, stage III - 2,798,024;
- Upgrading the Arefu 220/110/20 kV station - 2,744,403;
- Upgrading the Raureni 220/110/20 kV station - 2,676,752;
- By-passing the Cetate 110 kV OHL 1 & 2 in the proximity of the Ostrovul Mare 110/20/6 kV station - 2,578,438;
- Assembling the optic fiber and upgrading the system of distance protections on 400 kV OHL d.c. Tantareni-Turceni and 400 kV OHL s.c. Urechesi-Rovinari – 2,495,850;
- Connecting the 147 MW Valea Dacilor wind power plant to the Grid – 2,400,930;
- Gutinas – Smardan 400 kV OHL d.c. – 2,274,161;
- Executive - DCBPA / CPA: Consolidation, upgrading and extension of the CNTEE ‘Transelectrica’ headquarters – 1,627,393;
- Deploying an optical fiber line between the Bradu 400/220/110 KV station and the Stuparei 220/110 KV station – 1,550,239;
- Replacing the connectors from electrical stations – 1,150,679;
- Replacing the 110/20 kV TRAFU, 10 MVA in the Fantanele 220/110/20 kV station – 1,129,012;
- Deploying an optical fiber line between the 110 kV Pitesti Sud station and the remote control and installation supervision center – 1,074,341;
- Connecting the Stupins 400 kV station to the Grid and connecting the Isaccea-Varna 400 kV OHL – 874,015;
- Oradea – Beckescsaba 400 kV OHL – 845,101;
- Connecting the Sarichioi, Tulcea county 33 MW wind power plant to the Grid, in the Zebil 110 kV cell from the Tulcea Vest 400/110 kV station – 632,769;
- Movement and protection of the high voltage electrical installations - 220 kV OHL on the route of the Sebes-Turda highway - 4th lot, the Cluj Floresti - Alba Iulia 220 kV OHL (178-179 crossing) – 572,461;
- Constanta Nord - Medgidia Sud 400 kV OHL d.c. (1 c.e.) – 522,780;
- Converting the Brazi Vest - Teleajen - Stalpu 220 kV OHL to 400 kV, including the purchase of the 400MVA 400/220/20 kV AT, extension works for the 400 kV and corresponding 220 kV stations, in the Brazi Vest 400/220/110kV station – 511,000;
- Technical upgrade of the Tulcea Vest 400/110/20 kV station - the construction part – 503,269;
- Upgrading the SCADA system for the Constanta Nord 400/110 kV station– 472,768;
- Converting the Portile de fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - stage I - Extending the Portile de Fier 400 kV station – 380,169.

Tangible assets also include the down payments granted to the asset suppliers amounting to 86,725,339, out of which the amount of 31,180,858 has been granted to the supplier ELCOMEX - IEA SA for performing the projects:

- Connecting the Isaccea-Varna 400 kV OHL and the Isaccea-Dobrudja OHL to the Medgidia Sud 400 kV station – down payment amounting to 9,948,593;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to the 400 kV voltage - Stage I - Resita 400/220/110 kV station – down payment amounting to 21,232,265.

The down payments made to ELCOMEX - IEA SA are secured with the insurance policies issued by Asito Kapital S.A.

On April 7th, 2017 the Court of Constanta, Section II Civil, upheld the application for a declaration of insolvency of the debtor ELCOMEX – IEA SA.

For the intangible assets in progress, the largest entry in the first quarter of 2017 was represented by:

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(All amounts are expressed in RON, unless otherwise indicated)

- NEPLAN software licenses + CIM/XML 7 NEPLAN Software module licenses (2 new licenses, 5 CIM/XML modules) and upgrade for 13 NEPLAN licenses + 5 CIM/XML module licenses – 22,707.

In the first quarter of 2017, the largest transfers of intangible assets in progress to intangible assets are represented by:

- Upgrade of the existing antimalware solution – 22,707;
- Software for the integrated security management system – 136,505.

5. Long-Term Receivables

On March 31st, 2017 the Company registered long-term receivables amounting to 9,101,779 (9,774,959 at December 31st, 2016), 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 has concluded the Contract no. C 177 / September 26th, 2016, with SC Termoficare Oradea SA to take over the liability, acting as 'new debtor', and with SC Electrocentrale Oradea SA, acting as 'initial debtor'.

SC Termoficare Oradea SA undertakes to pay the amount of 29,259,377, representing the overcompensation for the activity of SC Electrocentrale Oradea SA in the timeframe 2014 - 2015, broken down into 24 monthly instalments, until September 30th, 2018.

Moreover, the overcompensation of the activity regarding the support scheme for the year 2016 for Electrocentrale Oradea is subject to an Addendum to the Contract for taking over the liability by Termoficare Oradea and it shall be cashed in in instalments starting with the month of October 2018 (after the complete payment of the amount of 29,259,377), and the amount of 4,557,606 has been reclassified under Long-Term Receivables, with due date larger than 1 year.

Thus, the sum of 9,101,779 with due date larger than 1 year has been reclassified under Long-Term Receivables and is represented by:

- overcompensation for the year 2016 in the amount of 4,557,606;
- overcompensation for the year 2015 in the amount of 4,544,173.

6. Trade Receivables and Other Receivables

On March 31st, 2017 and December 31st, 2016, the trade receivables and other receivables are presented as follows:

	March 2017	31st, 2016	December 2016	31st, 2016
Trade Receivables		833,375,138		865,338,164
Other Receivables		132,967,310		129,703,771
Down payments to suppliers		24,417,450		19,155,031
VAT to be recovered		102,133,817		28,432,828
Adjustments for Depreciating the Uncertain Trade Receivables		(117,215,281)		(100,578,031)
Adjustments for Depreciating Other Uncertain Receivables		(88,724,939)		(90,080,080)
Total Trade Receivables and Other Receivables		886,953,495		851,971,683

The structure of the Trade Receivables is presented as follows:

	March 31st, 2017	December 31st, 2016
Customers on the electricity market, out of which:		
- Clients - operational activity	828,913,609	863,706,722
- Clients - balancing market	395,593,522	428,633,645
- Clients - bonus type support scheme to promote the high-efficiency cogeneration	124,847,157	255,980,457
Clients from other activities	308,472,930	179,092,620
	4,461,529	1,631,442
Total Trade Receivables	833,375,138	865,338,164

- CNTEE Transelectrica SA operates based on the Operating License No. 161 / 2000 issued by ANRE, as updated by the Decision of ANRE Chairman no. 802 / May 18th, 2016, for the transmission of electricity, the provision of the system service and for the management of the balancing market.

On March 31st, 2017, the current customers in the operational activity registered a decrease compared to December 31st,

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2016, which was mainly determined by:

- rise in the collection of receivables level;

- reduction of the tariffs for transmission services and technological system services, approved by ANRE for the services provided by the Company, beginning with July 1st, 2016.

The main current customers on the electricity market are represented by: Electrocentrale Bucuresti, RAAN, Electrica Furnizare, Enel Energie Muntenia, Enel Energie, Opcom, CET Govora SA, Veolia Energie Prahova, Cez Vanzare. The weight of the main customers on the electricity market is about 54% in the Total Gross Receivables.

The current receivables for the balancing market, amounting to 124,847,157, also include the amount of 9,102,627 with an age of maximum 180 days, for which the Company has sued the company Elsaco Energy in order to recover the unpaid receivables. Depending on the decision of the court, the fulfillment of the conditions will be analyzed in the following period regarding the registration of adjustments for depreciation of this receivable.

- CNTEE Transelectrica SA operates its activities related to the bonus type support scheme for promoting the high efficiency cogeneration, acting as the administrator of the support scheme according to the provisions of the Government Decision no. 1215 / 2009, 'the main tasks being to collect, on a monthly basis, the contribution for cogeneration and the monthly payment of bonuses'.

On March 31st, 2017, the Company registered receivables to be cashed from the bonus type support scheme for promoting the high efficiency cogeneration in a proportion of approximately 37% (December 31st, 2016 - 21%) of the total trade receivables.

The customers from the bonus type support scheme for promoting the high efficiency cogeneration registered an increase in the receivables on March 31st, 2017, mainly determined by the receivables amounting to 139,913,507, registered according to the ANRE Decisions issued in the month of March 2017, on the overcompensation of the activity regarding the support scheme for the year 2016.

In the timeframe January 1st - March 31st, 2017, the amounts in connection with the bonus type support scheme have been decreased as a result of the collection of receivables, as follows:

- the amount of 1,393,972 representing the overcompensation for the year of 2014, via bank transactions from Termoficare Oradea (for Electrocentrale Oradea, according to the staging Convention);
- the amount of 3,836,814 representing the overcompensation for the year of 2015, via bank transactions from Termoficare Oradea (for Electrocentrale Oradea, according to the staging Convention);
- the amount of 579,261 representing the overcompensation for the year of 2016, on the grounds of compensations made via the Management and Informatics Institute (on the grounds of DG no. 685 / 1999) - Enet - 90,923, Modern Calor - 488,338.
- the amount of 70,765 representing undue bonus for the year of 2016, on the grounds of compensations made via the Management and Informatics Institute (on the grounds of DG no. 685 / 1999) - CET Arad;

On March 31st, 2017, the Company registered receivables amounting to 255,040,926, represented by the issued invoices under the bonus type support scheme for high efficiency cogeneration, out of which:

- overcompensation for the timeframe 2011 - 2013 in the amount of 76,702,140, namely from RAAN - 63,467,054 and CET Govora SA - 13,235,086;
- undue bonus for 2014 in the amount of 3,914,960, namely from RAAN - 1,981,235, CET Govora - 1,933,725;
- undue bonus for 2015 in the amount of 563,899, namely from CET Govora - 534,377, Interagro - 29,523;
- overcompensation for 2015 in the amount of 14,627,527, namely from Electrocentrale Oradea (debt taken over by Termoficare Oradea);
- overcompensation for 2016 in the amount of 134,776,640, namely from Electrocentrale Bucuresti - 90,198,469, Veolia Energie Prahova - 24,535,351, CET Govora - 9,280,602, Veolia Energie Iasi - 4,919,807, Thermoenergy Group - 1,733,417, Rulmenti SA - 1,541,633, Termoficare Oradea - 1,249,600, CET Grivita - 863,981 and Soceram - 453,780;
- contribution for cogeneration not collected from the suppliers of electricity consumers, in the amount of 24,455,760, namely from: Transenergo Com - 5,886,119, PetProd - 4,391,193, Romenergy Industry - 2,680,620, RAAN - 2,385,922, Arelco Power - 2,378,723, UGM Energy - 1,814,175, CET Govora - 900,864, KDF Energy - 868,497 and others.

At the date of this interim financial statement, the Company has registered the following situation regarding the receivables for overcompensating the activity regarding the support scheme for the year of 2016:

- collections in the amount of 69,273,773, out of which collections via bank transactions in the amount of 48,809,584 (out of which: Electrocentrale Bucuresti - 33,518,082, Veolia Energie Prahova - 13,156,503,

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Termoficare Oradea – 1,249,600) and collections on the grounds of compensations made via the Management and Informatics Institute (on the grounds of DG no. 685 / 1999) in the amount of 20,464,189 (out of which: Veolia Energie Prahova – 11,378,848, Veolia Energie Iasi – 4,919,807, Thermoenergy Group – 1,711,999, Rulmenti Barlad – 1,541,633, Modern Calor – 488,338, Soceram – 332,641);

- due receivables amounting to 70,639,734 (out of which: Electrocentrale Bucuresti – 56,680,387, CET Govora – 9,280,602, Electrocentrale Oradea – 4,557,606).

For discharging the receivables generated by the overcompensation and the undue bonus, the Company requested the reciprocal compensations from the qualified producers in the support scheme. For producers (RAAN, Electrocentrale Bucuresti, CET Govora) that have not agreed to this way of discharging the reciprocal receivables and debts, the Company has applied and continues to apply the provisions of Article 17 (5) of the Order of ANRE Chairman no. 116 / 2013 for approving the Regulation on determining the way to collect the contribution for high efficiency cogeneration and payment of the bonus for the electricity produced in high efficiency cogeneration: 'if the manufacturer did not make the payment in full to the administrator of the support scheme for its obligations resulted in accordance with the provisions of this Regulation, the administrator of the support scheme pays to the producer the difference between the invoices issued by the producer and the payment obligations of the producer on the support scheme, with explicit mention on the payment document of the respective amounts', and detained from payment the amounts due related to the corresponding support scheme.

CNTEE Transelectrica has concluded an agreement with CET Govora on compensation and rescheduling of payments for the amounts representing the equivalent receivables from the counter value of the overcompensation for the timeframe 2011 - 2013 and of the undue bonus for 2014 (Agreement no. C 135 / June 30th, 2015 and Addendum no. 1 / August 4th, 2015). The period of the Agreement was 1 year (timeframe July 2015 - August 2016) and stipulated the Company's right to calculate and collect payment penalties over the installment period.

According to the Agreement, the Company's receivables to be collected from CET Govora SA were compensated with the debts to CET Govora SA, represented by the cogeneration bonus for the period May 2014 - October 2015 detained pursuant to Article 17 (5) from the Order of the ANRE Chairman no. 116 / 2013 and the provisions of the Agreement, in the amount of 40,507,669.

Following the suspension in court, by Civil sentence no. 3185 / November 27th, 2015, the ANRE Decision no. 738 / March 28th, 2014 on setting the overcompensation amount for the timeframe 2011 - 2013, CET Govora SA no longer respected the obligations undertaken according to the Agreement.

Starting with May 9th, 2016, the general insolvency proceedings were opened for CET Govora. To recover its receivables recorded before the insolvency proceedings, the Company applied the specific procedures provided by the Law no. 85 / 2014 on Insolvency and requested admission of its receivables, according to the law.

Given the abovementioned facts, starting with May 9th, 2016, the Company has terminated the enforcement of Article 17 (5) from the Order of ANRE Chairman no. 116 / 2013 on approving the Regulation regarding the settlement of the collection procedure of the high efficiency cogeneration contribution and the payment of the bonus for the electricity produced via high efficiency cogeneration, and has paid the cogeneration bonus to CET Govora on a monthly basis.

Via Civil Decision no. 2430 / October 5th, 2016, the High Court of Cassation and Justice admitted the appeal declared by ANRE against Civil Ruling no. 3185 / November 27th, 2015, has partially cancelled the sentence and has rejected the suspension request lodged by CET Govora, the judgement being final. Thus, starting with October 10th, 2016, the effects of the ANRE Decision no. 738 / March 28th, 2014 are no longer suspended, being in full effect.

Under these circumstances, the Company enforces the provisions of Article 17 (5) of the ANRE Order no. 116 / 2013 for the reciprocal debts and receivables occurred after the insolvency proceedings, retaining the bonus owed to CET Govora SA up to the amounts unpaid to the Company according to the support scheme.

In the month of September 2016, CNTEE Transelectrica SA has concluded an agreement with SC Termoficare Oradea, to take over the debt of SC Electrocentrale Oradea, representing the overcompensation for the year 2014 and 2015. The overtaken debt, in the amount of 29,259,377, has been spread over 24 monthly instalments (October 31st, 2016 - September 30th, 2018), and the amount of 4,544,173 has been reclassified under Long-Term Receivables, with maturity of over 1 year (see Note 5).

Moreover, the overcompensation of the activity regarding the support scheme for the year 2016 for Electrocentrale Oradea is subject to an Addendum to the agreement for taking over the liability by Termoficare Oradea and it shall be collected in instalments starting with the month of October 2018 (after the complete payment of the amount of 29,259,377), and the amount of 4,557,606 has been reclassified under Long-Term Receivables, with due date larger than 1 year (see Note 5).

On December 8th, 2016, by Government Decision no. 925, the amendment and supplement have been adopted for GD no. 1215 / 2009 on setting the necessary criteria and conditions to implement the support scheme for promoting the high efficiency cogeneration based on the useful heat demand.

Thus, on March 31st, 2017 the Company does not register provisions for the support scheme, the unrecovered value of these receivables being included in the cogeneration contribution.

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Other Receivables

On March 31st, 2017, other receivables in the amount of 132,967,310 mainly included:

- late payment penalties calculated to late paying clients, amounting to 62,211,043 (out of which the amount of 25,993,493 represents penalties in relation to the support scheme). The highest late payment penalties were registered by the following clients: RAAN (16,901,449), SC CET Govora (9,606.), SC Eco Energy SRL (8,909,843), SC Petprod SRL (8,894,655), Arcelor Mittal Galati (3,993,435), Total Electric Oltenia (3,288,967). For the penalty charges for late payment of the receivables from operational activities, depreciation adjustments were recorded.
- receivables to be recovered from ANAF amounting to 44,442,936 (see paragraph below);
- receivables from OPCOM representing VAT for the contribution in kind to the subsidiary's equity, amounting to 4,517,460;
- deferred expenses amounting to 13,332,402 represented mainly by the advances on contracts concluded with the suppliers of electricity needed for covering the own technological consumption for future timeframes (5,605,416), a guarantee fee for the BEI 25710 loan (93,116) and commission of ING credit granting (599,611), levies paid for 2017 to national and international institutions (2,347,487), rents (688,384), ANRE yearly contribution (1,608,216);
- other long-term receivables amounted to 4,387,035, out of which 4,068,422 represent guarantees for temporary occupation of the land calculated and retained in accordance with Article 39 (1), (2) and (5) of the Law no. 46 / 2008 on the Forestry Code, in order to achieve the investment objective Resita - Pancevo (Serbia) 400 kV OHL.

Litigation with the National Agency of Fiscal Administration ('ANAF')

Transelectrica is in litigation with ANAF which issued a tax audit report on September 20th, 2011, regarding the refund of VAT for the timeframe September 2005 - November 2006 for a total of 123 unused invoices identified as missing (they were destroyed in the fire that broke out the night of June 26th - 27th, 2009, at the business office from Millennium Business Center Armand from 2 - 4 Calinescu Street, District 2, where the company carried out its activity), documents under special regime, and for which it estimated a sum of collected VAT amounting to 16,303,174, plus accessories amounting to 27,195,557. The total value of these obligations amounts to 43,498,731. The consideration of these obligations has been retained from the VAT paid by the Company in the month of November 2011. Subsequently, the Company has found that the amounts paid as current VAT were considered for payment of the tax audit report mentioned above. Thus, the company was forced to pay 944,423 increases related to VAT that should have been paid in the month of November 2011 for registering no outstanding debts towards the state budget. In 2011, the Company paid the total amount of 44,442,936.

Transelectrica used all legal means to contest the tax decision of ANAF, reason for which an appeal was filed with ANAF against the tax decision, and the Company requested the suspension of the tax decision until the administrative settlement of the appeal filed with ANAF. The court rejected the request for suspension of the execution of the tax audit report.

The Company believes that the tax base has not been reasonably determined by ANAF depending on the integrally regulated character of the Company's activity on the electricity market, which is set according to the number and value of invoices issued by the Company in the period subject to verification. The company considered itself entitled to bring an action to court because it believes that ANAF has not taken into account all the data and documents relevant for the estimation, as provided in the Fiscal Procedure Code applicable at that time. In this regard, the Company took legal actions against ANAF before the Court of Appeals of Bucharest in August 2012, in order to recover the amount and has requested the admission of documentary evidence and evidence of legal audit expertise.

On September 18th, 2013, the audit report was prepared, which was submitted to the file at the hearing from September 20th, 2013. At the hearing from October 18th, 2013, the parties have objected the legal expert report, objections which were approved by the Court of Appeal at the hearing from November 15th, 2013 and which were communicated to the designated expert. At the hearing from March 7th, 2014, the expert responded to the objections raised by the Company. Compared to the revenues considered by ANAF, according to which the collected VAT was estimated by ANAF in the amount of 16,303,174, the legal audit expertise report found the existence of unjustified income in the amount of 551,013, the sum at which the VAT and the accessories thereof would have been calculated. The session was postponed in order to be informed regarding the content of the response to the objections of the expert report.

At the hearing from April 30th, 2014, the solution delivered by the court of first instance - Bucharest Court of Appeal, Section VIII Administrative and Fiscal Litigation (Decision no. 1356 / 2014) in case no. 6657 / 2 / 2012 was the following: 'The application of the defendant CNTEE Transelectrica SA is rejected (Complaint against the fiscal administrative Document issued by ANAF)'.

The company appealed by formulating request for reinstatement filed within this file, with hearings set on April 7th, 2016, the meeting being held at the High Court of Cassation and Justice, Administrative and Fiscal Litigation Section. On April 7th, 2016, due to the lack of procedure, it has established a new hearing for the date of June 2nd, 2016, hearing in which the court reserved judgement, postponing the judgement to date of June 16th, 2016.

In this hearing, the High Court of Cassation and Justice - Administrative and Fiscal Litigation Section ruled decision no.

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1945 / June 16th, 2016, by which the following have been ordered: ‘Accepts the request and reinstates the appellant - claimant in the appeal. Rejects the appeal filed by the National Power Grid Company ‘Transelectrica’ against decision no. 1365 of April 30th, 2014 of the Court of Appeal Bucharest - Section VIII Administrative and Fiscal Litigation, as ill-founded. Irrevocable. Delivered in open court today, June 16th, 2016’. Decision no. 1945 / June 16th, 2016 pronounced by the High Court of Cassation and Justice, has been notified to the Company via photocopy.

An appeal for annulment was filed against decision no. 1945 / June 16th, 2016 and it was submitted to the High Court of Cassation and Justice. On March 1st, 2017, through decision no. 779, the High Court of Cassation and Justice ordered the following: ‘rejects the exception of inadmissibility of the appeal for annulment filed by the contesting party Transelectrica SA, advanced via counterstatement by appellee General Directorate for Large Taxpayers Management. Rejects the appeal for annulment filed by the contesting party Transelectrica SA against Civil Decision no. 1945 from June 16th, 2016 of the High Court of Cassation and Justice - Administrative and Fiscal Litigation Section, ruled in file no. 6657 / 2 / 2012, as ill-founded. Irrevocable.’

Down payments to suppliers

On March 31st, 2017, the down payments to suppliers are represented by the suppliers who are debtors for services amounted to 24,417,450, out of which 24,397,813 represent amounts from transactions related to the price coupling mechanism. Enforcement of the price coupling mechanism began on November 19th, 2014, the date at which the ‘4 Market Coupling’ project, providing the unification of the DAM electricity markets (Day-Ahead Market) from Romania, Hungary, Czech Republic and Slovakia, started the operating stage. Within the price coupling mechanism for the day-ahead markets, the electricity exchanges correlate the day-ahead electricity transactions based on bids, taking into account the interconnection capacity provided by the TSOs, by which it is implicitly allocated. CNTEE Transelectrica SA, acting as TSO, transfers the electricity both in physical and commercial terms to the neighbouring TSOs (MAVIR-Hungary) and manages the congestion revenues along the respective interconnection (Article 139 from ANRE Order no. 82 / 2014), while in relation to SC OPCOM SA it acts as Implicit Participant on the Day-Ahead Market.

As a Transfer Agent and Implicit Participant, CNTEE Transelectrica SA has the commercial task to settle the power traded between SC OPCOM SA and MAVIR.

Adjustments for depreciation of trade receivables, of uncertain trade receivables and of other uncertain receivables

Transelectrica’s policy is to register impairments amounting to 100% for clients in litigation, under insolvency and bankruptcy, and 100% from trade receivables and other receivables not collected for more than 180 days, except for outstanding receivables generated by the support scheme. The Company also makes a case by case analysis of uncollected trade and other receivables.

On March 31st, 2017, the highest adjustments of depreciation, calculated for the trade receivables and related penalties, have been recorded for SC Petprod SRL (29,242,364), SC Eco Energy SRL (24,736,066), Arelco Power (18,644,496), SC Total Electric Oltenia SA (14,185,577), Romenergy Industry (13,405,687), RAAN (8,584,128), Also Energ (7,177,167), Opcom (4,517,460). The Company took the following measures in order to recover the impaired receivables: court proceedings, entering on the statement of affairs, requesting clarifications from ANAF (regarding the VAT collected from Opcom) and so on.

On the same date, the Company registered a provision amounting to 44,442,936, related to the total obligations paid to ANAF.

The Company’s exposure to the collection risk, as well as the value adjustments for trade receivables, are presented in Note 22.

7. Other Financial Assets

On March 31st, 2017 and December 31st, 2016, the other financial assets were presented as follows:

	March 31st, 2017	December 31st, 2016
Bank deposits with maturity larger than 90 days	-	135,090,000
Total	-	135,090,000

On March 31st, 2017, the Company has no bank deposits with maturity larger than 90 days from cash in current accounts (135,090,000 at December 31st, 2016).

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8. Cash and Cash Equivalents

On March 31st, 2017 and December 31st, 2016, the cash and cash equivalents were presented as follows:

	March 31 st , 2017	December 31 st , 2016
Current accounts and bank deposits, out of which:	976,936,368	933,616,367
- cash and deposits from high efficiency cogeneration	-	107,811,909
- cash from revenues related to interconnection capacity allocation used for grid investments	82,617,789	77,026,910
- cash from the connection fee	26,531,240	22,532,536
Petty cash	47,770	44,789
Other cash equivalents	99,007	37
Total	977,083,145	933,661,193

The bank deposits with maturity smaller than 90 days, constituted with cash available in current accounts (including cogeneration deposits) amounted to 640,725,150 at March 31st, 2017 and to 688,114,823 at December 31st, 2016.

9. Shareholders' Equity

According to the provisions of Government Emergency Ordinance no. 86 / 2014 on the establishment of reorganization measures at the central public administration level and for amending and supplementing several normative acts, on February 20th, 2015, the transfer of 43,020,309 shares was registered in the Company's Shareholder Register, from the account of the Romanian State from the administration of the General Secretariat of Government, in the account of the Romanian State in the management of the Ministry of Economy, Trade and Tourism.

Under the provisions of Article 2 of Government Emergency Ordinance no. 55 / November 19th, 2015 on the establishment of reorganization measures at the central government level and to supplement several acts, the Ministry of Economy, Trade and Business Environment Relationship (MECRMA) was incorporated by reorganizing and taking over the activities of the Ministry of Economy, Trade and Tourism, which was dissolved, and by merging and structures in the field of small and medium businesses of the Ministry of Energy, Small and Medium Enterprises and Business Environment.

According to the provisions of GD no. 27 / January 12th, 2017 on the organization and functioning of the Ministry of Economy, the Company functions under the authority of the Ministry of Economy.

On March 3rd, 2017, the transfer in the amount of 43,020,309 shares was registered in the Company's Shareholder Register, from the account of the Romanian State from the administration of the Ministry of Economy, Trade and Tourism, in the account of the Romanian State in the administration of the Ministry of Economy.

At the end of each reporting period, the subscribed and paid share capital of the Company amounted to 733,031,420 is divided into 73,303,142 ordinary shares with a nominal value of 10 lei / share and corresponds to the one registered in the Trade Register.

The shareholding structure on March 31st, 2017 and December 31st, 2016 is as follows:

Shareholder	March 31 st , 2017		December 31 st , 2016	
	Number of shares	% of the Share capital	Number of shares	% of the Share capital
Romanian State through MECRMA	-	-	43,020,309	58.69%
Romanian State through ME	43,020,309	58.69%	-	-
Other legal person shareholders	25,755,807	35.14%	25,797,725	35.19%
Other natural person shareholders	4,527,026	6.17%	4,485,108	6.12%
Total	73,303,142	100.00%	73,303,142	100.00%

Starting with July 29th, 2016 and until the date of drafting these financial reports, the participation of S.I.F. Oltenia has dropped below the threshold of 5%.

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The increase in equity on March 31st, 2017 compared to December 31st, 2016 was driven primarily by registering the net profit in the reported result, amounting to 71,057,644, conducted on March 31st, 2017. The value of shareholders' dividends distributed from the profit of 2016 according to the General Assembly Decision no. 4 / April 27th, 2017 amounts to 165,445,191, and their payment is done through the Central Depository starting with June 7th, 2017.

10. Deferred Revenues

Deferred revenues are mainly represented by: the connection fee, other subsidies for investments, non-refundable European funds collected from the Ministry of European Funds, as well as revenues from the use of interconnection capacities. On March 31st, 2017, the report of the deferred revenues is as follows:

	March 31 st , 2017	Of which: the short-term portion on March 31 st , 2017	December 31 st , 2016	Of which: the short-term portion on December 31 st , 2016
Deferred Revenues - interconnection capacity allocation	6,139,463	6,139,463	6,578,507	6,578,507
Deferred Revenues - European Funds	1,213,273	1,213,273	1,320,318	1,320,318
Funds from the connection fee	317,543,921	21,220,172	319,025,555	21,082,024
European Funds	107,473,864	7,455,520	109,440,915	7,472,520
Other subsidies	31,157,152	1,611,537	31,618,306	1,671,705
Total	463,527,673	37,639,965	467,983,601	38,125,074

Evolution of the short-term deferred revenues in the timeframe January - March 2017 is presented as follows:

	March 31 st , 2017	December 31 st , 2016
Balance at the beginning of the period	38,125,074	33,408,244
Advance income related to the interconnection capacity	24,310,207	38,685,253
Income from European Funds	(14,286)	1,213,273
Transfer of long-term deferred income	60,981	(313,881)
Revenues from the use of the interconnection capacity	(24,749,252)	(34,867,815)
Revenues from European Funds	(92,759)	-
Total	37,639,965	38,125,074

In March 2017, CNTEE Transelectrica SA collected from the Ministry of Economy the amount of 12,635 lei for starting the expropriation proceedings (GO 22 / 2002 - compensations according to GD 918 / 2016) for 'Connecting the 400kV Isaccea - Varna OHL and the 400 kV Isaccea - Dobruja OHL in the 400 kV Medgidia Sud station, Stage II - 400 kV OHL d.c. Connections in the Medgidia Sud station' and for 'Converting the Portile de Fier – Resita – Timisoara – Sacalaz – Arad axis / 400 kV Porile de Fier – (Anina) – Resita OHL to 400 kV'.

11. Loans

• Long-term loans

On March 31st, 2017, the value of long-term loans has diminished compared to December 31st, 2016 mainly due to repayments made under the existing loan agreements.

During timeframe January - March 2017, no withdrawals from loans were conducted.

Movements in loans during the three-month period ended on March 31st, 2017 are presented as follows:

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	Currency	Interest Rate	Book Value	Due Date
Balance on January 1st, 2017			636,554,058	
New Withdrawals			0	
Refunds, from which:			(60,489,826)	
NIB PIL No 02/18	USD	LIBOR 6M + 0.9%	-	April 16 th , 2018
BIRD 7181	EUR	last communicated 0.19%	(15,927,560)	January 15 th , 2020
NIB PIL No 03/5	EUR	EURIBOR 6M + 0.85%	(5,193,400)	September 15 th , 2018
NIB PIL No 02/37	EUR	EURIBOR+0.9%	(2,780,124)	September 15 th , 2018
KfW 10431	EUR	EURIBOR+0.6%	(4,992,258)	July 31 st , 2017
KfW 11300	EUR	EURIBOR+0.6%	(7,244,598)	July 31 st , 2017
BEI 25709	EUR	3.596%	(5,435,926)	September 10 th , 2025
BEI 25710	EUR	3,856% and 2,847%	-	April 11 th , 2028
ING + BRD	EUR	EURIBOR+2.75%	(18,915,960)	February 13 th , 2019
Unsecured Bonds	RON	6.1%	-	December 19 th , 2018
Differences of Exchange on the date of reimbursement			461,347	
Balance on March 31st, 2017			576,525,579	

On March 31st, 2017 and December 31st, 2016, the balance of long-term loans contracted from credit institutions is presented as follows:

Description	March 31 st , 2017	December 31 st , 2016
NIB PIL No 02/18	11,227,034	11,337,158
BIRD 7181	58,549,528	74,348,437
NIB PIL No 03/5	15,701,295	20,889,060
NIB PIL No 02/37	8,405,195	11,182,303
KfW 10431	4,539,534	9,521,818
KfW 11300	2,371,811	9,611,198
BEI 25709	93,128,991	98,390,500
BEI 25710	106,143,711	105,910,484
ING + BRD	76,458,480	95,363,100
Unsecured Bonds	200,000,000	200,000,000
Total long-term loans from credit institutions, out of which:	576,525,579	636,554,058
Current portion of long-term loans	(122,566,654)	(134,624,060)
Total long-term loans net of current rates	453,958,925	501,929,998

The long-term portion of loans will be repaid as follows:

	March 31 st , 2017	December 31 st , 2016
Between 1 and 2 years	295,894,385	311,711,992
Between 2 and 5 years	68,517,433	95,401,520
Over 5 years	89,547,107	94,816,486
Total	453,958,925	501,929,998

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The company did not perform activities related to hedging its foreign currency obligations or to exposure to interest rate risks.

All long-term loans, except JBIC, BEI 25709, 25710 EIB and the Bonds, bear the variable interest and therefore the book value of long-term loans approximates their fair value.

- *Short-Term Loans*

The short-term Loans are detailed as follows:

	March 31st, 2017	December 31st, 2016
Current portion of long-term loans	122,566,654	134,624,060
Short-term bank loans - for current activities	25,739,121	0
Interest on long-term loans	2,484,324	3,140,317
Interest on bonds	3,490,556	440,555
Total short-term loans	154,280,655	138,204,932

- *Loans contracted for the current activity*

Transelectrica has contracted a credit line in February 2017 from BRD GROUP SOCIETE GENERALE SA, the Large Corporates Branch, for a period of 12 months for financing the bonus type support scheme for high efficiency cogeneration, in the form of overdraft amounting to 150,000,000, with an interest calculated according to the ROBOR 1M reference rate, plus a negative margin of 0.10%. In the event that the value of the ROBOR 1M reference rate is smaller than 0.10%, the interest rate applied shall be of 0%.

This was guaranteed by:

- movable mortgage on the account opened at the bank;
- movable mortgage on receivables resulted from contracts regarding the contribution for high efficiency cogeneration, concluded with Cez Vanzare S.A., E.ON Energie Romania S.A., Tinmar Energy S.A.

On March 31st, 2017 withdrawals from the credit line in the amount of 25,739,121 were made.

12. Trade Payables and Other Payables

On March 31st, 2017 and December 31st, 2016 trade payables and other liabilities are presented as follows:

	March 31st, 2017	December 31st, 2016
Electricity Market Suppliers	560,074,045	591,678,777
Suppliers of Assets	42,132,440	76,404,309
Suppliers of other activities	20,287,326	27,546,104
Amounts due to employees	5,546,427	5,291,891
Other debts	92,745,458	173,027,119
Total	720,785,696	873,948,200

On March 31st, 2017 and December 31st, 2016, outstanding debts on the energy market amounted to 560,074,045 and 591,678,777 respectively, and presented the following structure:

	March 31st, 2017	December 31st, 2016
Suppliers on the electricity market, out of which:		
- suppliers - operational activity	188,552,451	122,864,250
- suppliers - balancing market	114,720,503	286,774,831
- suppliers - the bonus type support scheme for promoting the high efficiency cogeneration	256,801,091	182,039,696
Total	560,074,045	591,678,777

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- the decrease from 409,639,081 on December 31st, 2016 to 303,272,127 on March 31st, 2017 of the debts related to the electricity market towards suppliers in the operational activity and balancing market was determined by

the payment of current obligations on the electricity market on December 31st, 2016, on the grounds of the increase of several transactions related to the operational activity compared to December 31st, 2016, as a result of the increase of the average purchase price of CPT in the first quarter of 2017, compared with the average purchase price from the first quarter of 2016. The factors which determined this evolution during the first quarter of 2017 are presented in more detail under Note 16.

The suppliers on the electricity market are mainly represented by: SC Hidroelectrica SA, Electrocentrale Bucuresti RAAN, Mavir, Complex Energetic Oltenia. On March 31st, 2017, their weight in the total electricity suppliers is of approximately 75%.

- the increase in debts related to the support scheme towards the suppliers (producers) was determined by:
 - issue of decisions by ANRE regarding the bonus not granted for the year of 2016, amounting to 44,524,598

On March 31st, 2017, payment obligations were registered towards suppliers (producers) in the amount of 161,652,754 (Electrocentrale Bucuresti – 68,661,190, RAAN – 51,183,836, Veolia Energie Prahova – 11,378,848, CET Govora SA – 8,374,967, Complex Energetic Oltenia – 6,527,015, Veolia Energie Iasi – 4,919,807, Termoficare Oradea – 4,635,669, Thermoenergy Group – 1,711,999, Electroenergy Sud – 1,257,601) representing the cogeneration bonus and ante-overcompensation for the years 2014 and 2015, as well as the bonus not granted for the year 2015 and the bonus not granted for the year 2016. The amounts representing the debts of the Company regarding the support scheme towards Electrocentrale Bucuresti, RAAN, Veolia Energie Prahova, CET Govora, Veolia Energie Iasi, Termoficare Oradea and Thermoenergy Group have been retained from payment on the grounds of Article 17 (5) of the Order of the ANRE Chairman no. 116 / 2013, because the suppliers (producers) registered payment obligations towards the Company regarding the bonus type support scheme.

The Company requested the agreement of the suppliers (producers) who did not pay for the overcompensation invoices and the undue bonus, to compensate the reciprocal debts at their minimum level via the Management and Informatics Institute (IMI), entity that unitedly manages all information received from tax-payers, according to the provisions of GD no. 685 / 1999.

Some of the producers (RAAN, Electrocentrale Bucuresti, CET Govora) have not agreed to this method of discharging the reciprocal receivables and debts, and therefore the Company has applied and continues to apply the provisions of Article 17 (5) of the Order of ANRE Chairman no. 116 / 2013 for approving the Regulation on determining the way to collect the contribution for high efficiency cogeneration and payment of bonus for electricity produced in high efficiency cogeneration: 'if the manufacturer did not make the payment in full to the administrator of the support scheme for its obligations resulted in accordance with the provisions of this Regulation, the administrator of the support scheme pays to the producer the difference between the invoices issued by the producer and the payment obligations of the producer on the support scheme with explicit mention on the payment document of the respective amounts' and detained from payment the amounts due related to the corresponding support scheme.

CNTEE Transelectrica has concluded an agreement with CET Govora on the compensation and rescheduling of payments for the amounts representing the equivalent receivables from the counter value of the overcompensation for the timeframe 2011 - 2013 and of the undue bonus for 2014 (Agreement no. C 135 / June 30th, 2015 and Addendum no. 1 / August 4th, 2015). The period of the Agreement was 1 year (timeframe July 2015 - August 2016) and stipulated the Company's right to calculate and collect payment penalties over the installment period.

According to the Agreement, the Company's receivables to be collected from CET Govora SA were compensated with the debts to CET Govora SA, represented by the cogeneration bonus for the period May 2014 - October 2015 detained pursuant to Article 17 (5) from the Order of the ANRE Chairman no. 116 / 2013 and the provisions of the Agreement, in the amount of 40,507,669.

Following the suspension in court, by Civil sentence no. 3185/ November 27th, 2015, the ANRE Decision no. 738/ March 28th, 2014 on setting the overcompensation amount for the timeframe 2011 - 2013, CET Gavora SA no longer respected the obligations undertaken according to the Agreement. Starting with May 9th, 2016, the general insolvency proceedings were opened for CET Govora. Given the provisions of Law no. 85 / 2014 on insolvency, starting with May 9th, 2016, the Company has terminated the enforcement of Article 17 (5) from the Order of ANRE Chairman no. 116 / 2013 on approving the Regulation regarding the settlement of the collection procedure of the high efficiency cogeneration contribution and the payment of the bonus for the electricity produced via high efficiency cogeneration, and has paid the due cogeneration bonus to CET Govora on a monthly basis.

Via Civil Decision no. 2430 / October 5th, 2016, the High Court of Cassation and Justice admitted the appeal declared by

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ANRE against Civil sentence no. 3185 / November 27th, 2015, has partially cancelled the sentence and has rejected the suspension request lodged by CET Govora. Thus, starting with October 10th, 2016, the effects of the ANRE Decision no. 738 / March 28th, 2014 are no longer suspended, being in full effect.

Under these circumstances, the Company enforces the provisions of Article 17 (5) of the ANRE Order no. 116 / 2013 for the reciprocal debts and receivables occurred after the insolvency proceedings, retaining the bonus owed to CET Govora SA up to the amounts unpaid to the Company according to the support scheme.

- The decrease of the balance of asset suppliers on March 31st, 2017 compared to December 31st, 2016 is due to the payment of the debts towards the asset suppliers.
- The debts towards suppliers of other activities are mainly represented by the not due debts related to the services provided by third parties, debts which have registered a decrease compared to December 31st, 2016.
- The debts' structure recorded as 'other liabilities' is presented as follows:

	<u>March 31st, 2017</u>	<u>December 31st, 2016</u>
Different Creditors	54,347,172	134,201,186
Clients - creditors	28,196,352	29,283,054
Dividends to be paid	1,241,236	1,312,744
Other debts	8,960,698	8,230,135
Total	<u>92,745,458</u>	<u>173,027,119</u>

On March 31st, 2017, the position 'different creditors' in the amount of 54,347,172 represented mainly the net position of the support scheme for high efficiency cogeneration, which on March 31st, 2017 registers a debt position amounting to 48,497,550 (December 31st, 2016: 128,272,529).

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

- the amount of contributions to be collected from the electricity suppliers, the amount of the overcompensation of the activity of electricity and heat production in high efficiency cogeneration for 2011 - 2013, for the year of 2015 and for the year of 2016, the undue bonus for the year 2014 and the undue bonus for the year 2015 - to be collected from the producers, according to the ANRE decisions, on the one hand, and
- the cogeneration bonus amount withheld under Article 17 (5) of the Order of ANRE Chairman no. 116 / 2013, the ante-overcompensation for the years 2014 and 2015 and the bonus not granted for the years 2015 and 2016 - to be paid to the high efficiency cogeneration energy producers, the beneficiaries of the support scheme, on the other hand.

'Customers creditors' on March 31st, 2017 amounted to 28,196,352, out of which 28,127,719 represent amounts collected in advance from MAVIR and OPCOM within the transactions related to the price coupling mechanism.

On March 31st, 2017, the dividends owed and unpaid to the Company's shareholders amount to 1,241,236, out of which the amount of 550,119 is related to dividends distributed from the profit of the year 2015. These amounts are available to the shareholders through the payment agent.

Other debts amounting to 8,960,698 are mainly represented by guarantees for the proper execution of service contracts concluded by CNTEE Transelectrica SA.

13. Other Taxes and Social Insurance Obligations

On March 31st, 2017 and December 31st, 2016, other taxes and social insurance obligations included:

	<u>March 31st, 2017</u>	<u>December 31st, 2016</u>
Contribution to social insurance funds	4,118,119	4,981,239
Payroll tax	1,536,275	1,928,808
Other taxes to pay	2,043,958	1,701,162
Total	<u>7,698,352</u>	<u>8,611,209</u>

On March 31st, 2017, the company registered payment obligations for contributions to social insurance funds, payroll tax and other taxes that were paid in the month of April, 2017.

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The current and deferred corporate tax of the Company is determined at a statutory rate of 16%.

The expenses on the corporate tax for the first quarter of 2017 and first quarter of 2016 are presented as follows:

	<u>March 31st, 2017</u>	<u>March 31st, 2016</u>
Current corporate tax	16,929,588	20,864,905
Deferred corporate tax	(1,385,535)	(1,575,639)
Total	<u>15,544,053</u>	<u>19,289,266</u>

15. Operating Revenues

Operating revenues include revenues from the transmission and system services provided by the Company on the electricity market, as well as the allocation of interconnection capacity, balancing market operating services and other revenues.

The average tariffs approved by ANRE for services provided on the electricity market for the first quarters of 2017 and 2016 are presented as follows:

	<u>Average Price for the transmission service</u>	<u>Average Price for the technological system services</u>	<u>Average Price for the functional system services</u>
Order no. 27 / June 22 th , 2016 - for the first quarter of 2017	18.70 20.97	11.58 12.58	1.30 1.17
Order no. 93 / June 25 th , 2015 - for the first quarter of 2016			

The average tariff for the electricity transmission has two components: the tariff for the electricity injected into the transmission grid (T_G) and the tariff for the electricity drawn off the transmission grid (T_L).

The zonal tariffs regarding the transmission service for the injection of electricity into the transmission grid (T_G) and for drawing electricity off the transmission grid (T_L) have been approved by ANRE Order no. 27 / 2016, starting with July 1st, 2016.

The amount of electricity delivered to consumers to whom the prices for services provided on the electricity market were applied, is presented as follows:

	<u>Q I 2017</u>	<u>Q I 2016</u>
The amount of electricity delivered to consumers (MWh)	<u>14,601,452</u>	<u>14,021,676</u>

The revenues earned in the first quarter of 2017 and in the first quarter of 2016 are as follows:

	<u>Q I 2017</u>	<u>Q I 2016</u>
Transmission Revenues	272,821,045	293,619,590
Revenues from allocating the interconnection capacity	23,554,927	21,614,700
Revenues from reactive energy	1,543,970	1,882,149
Revenues from Inter TSO Compensation (ITC)	277,889	26,961
Revenues from Own Technological Consumption (CPT) transactions	391,602	88,953
Transmission Revenues - total	<u>298,589,433</u>	<u>317,232,353</u>
Functional System Service Revenues	18,981,887	16,406,327
Revenues from the technological system services	170,042,744	177,426,340
Revenues from unplanned shifts on DAM	204,682	657,262
System Service Revenues - total	<u>189,229,313</u>	<u>194,489,929</u>
Revenues on the balancing market	623,163,359	229,883,084
Other Revenues	14,280,609	13,628,374
Total Revenues	<u>1,125,262,714</u>	<u>755,233,740</u>

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Transmission Revenues

Given the rise in the amount of electricity delivered to consumers in the first quarter of 2017 compared to the first quarter of 2016, namely of 4% or 579,776 MWh, the income from the transmission service has registered a decrease in the amount of 20,798,545, determined by the decrease of the average tariffs approved by ANRE (according to the table on the average tariffs approved by ANRE for the analyzed timeframes, presented above).

Functional System Service Revenues

In the first quarter of 2017, the income from functional system services have registered an increase compared to the first quarter of 2016, in the amount of 2,575,560, determined by the increase in the amount of electricity delivered to consumers, as well as by the slight increase of the average tariff approved by ANRE starting with July 1st, 2016, from 1.17 lei/MWh in the first quarter of 2016, to 1.30 lei/MWh in the first quarter of 2017.

Revenues from allocating the interconnection capacity

In the first quarter of 2017, the income from the interconnection capacity allocation has registered an increase compared to the first quarter of 2016, in the amount of 1,940,227, corresponding to the level of usage of the available interconnection capacity by traders on the electricity market.

The mechanism for the allocation of interconnection capacity consists in organizing annual, monthly, daily and intra-daily auctions. The annual, monthly and intra-daily are explicit - only the transmission capacity is bid on, and the daily ones with Hungary are implicit - are allocated simultaneously with the energy and capacity via the coupling mechanism.

The incorporation of the regional energy exchange by Romania, Hungary, the Czech Republic and Slovakia on November 19th, 2014 requires that these four countries have a unique price of electricity traded on the spot markets. The capacity allocation between Romania and Hungary, the only country of the 3 with which Romania has a border, is made by the carriers: Transelectrica and MAVIR, through the common mechanism, based on a bilateral agreement.

The UIOSI principle was implemented starting with 2016, according to which the participants not using the capacity won on the Bulgarian border at the annual and monthly auctions, are compensated (by Transelectrica) for that capacity. This will subsequently be sold in the daily auctions. On the Hungarian border the direction is reversed, meaning that MAVIR compensates the participants for the unused capacities.

The market for interconnection capacity allocation is fluctuating, the prices evolve depending on demand and the need of the participants on the energy market to purchase interconnection capacity.

Using the net incomes from the interconnection capacity allocation is achieved in accordance with Article 22 (4) of the ANRE Order no. 53 / 2013 and Article 16 (6) of the Regulation (EC) no. 714 / 2009, as a source of financing for upgrading and development of the interconnection capacity with the neighboring systems.

Revenues from the technological system services

The income from the technological system services have registered a decrease in the first quarter of 2017 compared to the first quarter of 2016 in the amount of 7,383,596, mainly determined by the decrease with 7.9% of the average tariff approved by ANRE for these services, namely from 12.58 lei/MWh to 11.58 lei/MWh, starting with July 1st, 2016 (according to the table on the average tariffs approved by ANRE for the analyzed timeframes, presented above), given that the amount of electricity delivered registered an increase of 4%.

The income from the technological system services gained in the first quarter of 2017 were higher with 10,521,526 compared with the expenditures on the purchase of technological system services that were achieved. The profit was achieved due to favorable market conditions and good governance of the acquisition process by auctioning the necessary power reserves from the electricity producers, embodied in obtaining, on auctions, of average unit prices lower than the unit prices forecasted, which were the basis for calculating the tariff for the technological system services.

This amount is found within the gross profit of the Company, reported on March 31st, 2017.

Revenues on the balancing market

The income from the balancing market have registered an increase in the first quarter of 2017 compared to the first quarter of 2016, with the amount of 393,280,275, determined by:

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- the increase of the negative imbalance registered at the level of electricity suppliers on the balancing market, and the increase of the imbalance between the notified net contractual position and the actually delivered electricity, respectively;
- very low temperatures registered during the first quarter of 2017, which generated the registration of higher electricity consumption levels within the NES;
- decrease of the available electricity in the dispatchable groups as a result of:
 - the decrease in the flow of the Danube;
 - the reduction of the average available power of the nuclear units, as a result of the decrease in the flow of the cooling water in the Cernavoda power plant, directly influenced by the flow of the Danube;
 - the insufficient fuel stocks in the coal power plants;
 - the decrease in the pressure of natural gas within the transmission network as a result of the increase in the natural gas consumption of households and industrial consumers, which limits the natural gas flow dispatched to natural gas power plants;
- high degree of unpredictability and volatility of production from renewable sources (especially wind energy).

The balancing market represents a sector with zero profit for the Company.

16. Expenses for operating the system and from the balancing market

Expenses in the first quarter of 2017 compared to the first quarter of 2016 are presented as follows:

	<u>Q I 2017</u>	<u>Q I 2016</u>
Expenses on Own Technological Consumption	62,039,262	48,810,804
Expenses on Congestions	39,745	2,592,983
Expenses on electricity consumption in RET stations	4,268,784	199,526
Expenses regarding the functional system services	5,141,349	4,595,617
Expenses on Inter TSO Compensation (ITC)	5,303,000	6,660,000
Total Operational Expenses	<u>76,792,140</u>	<u>62,858,930</u>
Expenses regarding the technological system services	159,521,218	189,646,710
Expenses on the balancing market	623,163,359	229,883,084
Total	<u>859,476,717</u>	<u>482,388,724</u>

Expenses on Own Technological Consumption

These represent expenses on the purchase of electricity on the free energy market for covering its own technological consumption (CPT) in RET and they were higher in the first quarter of 2017 compared to the first quarter of 2016, with the difference amounting to 13,228,458.

The energy crisis registered in the first quarter of 2017, determined by the very low temperatures, compared to the similar period of the year 2016, in conjunction with the extension of the unavailability of the main power production plants, have determined the sudden increase of prices on the Day-Ahead Market (DAM), Intra-Day Market (IDM) and on the Balancing Market (BM), regarding the purchase of electricity for the own technological consumption.

Thus, in the first quarter of 2017, the electricity for covering the CPT has been purchased on the free energy market, namely on the Centralized Market for Electricity Bilateral Contracts (CMBC), DAM, BM and IDM at the average purchase price of 240.04 lei/MWh, compared to the average purchase price of 182.37 lei/MWh in the first quarter of 2016.

Expenses on Congestions

Congestions (network restrictions) are requests for electricity transmission beyond the technical capacity of the network, requiring corrective actions from the transmission and system operator and occur in the situation in which, in the programming of the operation or the operation in real time, the power flow between two nodes or system areas leads to the non-accomplishment of the safety parameters in the operation of a power system.

In the first quarter of 2017, the expenses on congestions have been registered to amount to 39,745.

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Expenses on electricity consumption in RET stations

The increase of 4,069,258 recorded in the first quarter of 2017 compared to the first quarter of 2016 was due to the temporary gap regarding the recording of expenses related to the electricity consumption at the stations in the first quarter of 2016. The settlement of the consumption in stations for the first quarter of 2016 was conducted in the second quarter of 2016.

Expenses regarding the functional system services

The expenses on the functional system services represent the non-contracted international exchanges of electricity with the neighbouring countries and the expenses on unplanned exchanges on the Day-Ahead Market.

These expenditures have registered an increase in the first quarter of 2017, increase amounting to 545,732, mainly determined by the increase in the expenditures on the balancing market regarding the unplanned electricity exchanges (exports) with the neighbouring countries connected to the NES.

Expenditures on Inter TSO Compensation (ITC)

The ITC expenses, amounting to 5,303,000, represent the monthly payment obligations / rights of collection for each transmission system operator (TSO). They are established within the compensation / settlement mechanism for the effects of using the electricity transmission grid (RET) for transits of electricity between TSO operators from 35 countries that acceded to this mechanism of the ENTSO-E, and they were with 1,357,000 lower in the first quarter of 2017 compared with the first quarter of 2016.

Expenditures regarding the technological system services

In the first quarter of 2017, the expenditures regarding the technological system services have recorded a decrease compared to the first quarter of 2016, in the amount of 30,125,492.

The technological system services are purchased by the Company from producers in order to comply with the operational security limits of the NES and of the quality of the electricity transmitted at the parameters required by the technical norms in force.

The contracting of these services is performed:

- in a regulatory manner, based on Government Decisions and Decisions of the National Energy Regulatory Authority (ANRE);
- through competitive mechanisms.

According to GD no. 138 / April 8th, 2013 on the adoption of measures regarding the electricity supply security, in the timeframe April 15th, 2013 - July 1st, 2015, the Company purchased technological system services according to the terms of the regulations issued by ANRE, from SC Complexul Energetic Hunedoara SA, at an electrical power value of at least 400 MW and from SC Complexul Energetic Oltenia SA at an electrical power value of at least 600 MW. According to the provisions of GD no. 941 / October 29th, 2014, the enforcement deadline for the provisions of Government Decision no. 138 / 2013, for SC Complexul Energetic Hunedoara SA, was extended until December 31st, 2017.

For the period January 1st - March 31st, 2017, the purchase of technological system services was conducted in the regulatory regime (slow tertiary reserve) according to GD no. 844 / November 9th, 2016, by which the 'Winter Programme in the Energy Sector for Assuring the safety and stability of the NES' was approved, amended by GD no. 55 / February 16th, 2017.

In the timeframe July 1st, 2016 - March 31st, 2017, the purchase of the technological system services has been conducted under regulated regime from SC Hidroelectrica SA (ANRE Decision no. 1035 / June 22th, 2016) and from SC Complexul Energetic Hunedoara SA (ANRE Decision no. 1034 / June 22th, 2016).

CNTEE Transelectrica SA re-invoices the value of the technological system services purchased from producers, to the electricity suppliers licensed by ANRE, entities who ultimately benefit from these services.

Expenditures on the balancing market

The expenditures on the balancing market result from the notifications / achievements of the participants on this market, and are fully covered by the income from the balancing market. In the first quarter of 2017, they amounted to 623,163,359, with

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393,280,275 higher than the first quarter of 2016, due to the imbalances notified by BRPs (Balance Responsible Parties) (higher production amounts in the wind electricity generator due to meteorological conditions).

17. Expenses on staff

	<u>Q I 2017</u>	<u>Q I 2016</u>
Expenses on staff wages	31,312,671	30,132,181
Social expenses	228,632	426,454
Expenses with employee vouchers	1,097,961	1,105,204
Expenses of the mandate contract and other committees, commissions	386,645	412,500
Expenses for social security and protection	8,280,880	9,075,475
Provisions constituted for expenses with wages and similar expenses	-50,964	-29,468
Other expenses	167,910	184,542
Total	<u>41,423,735</u>	<u>41,306,888</u>

The expenses on staff from the first quarter of 2017 registered a slight increase compared to the first quarter of 2016, mainly determined by the enforcement of the new Compensation system implemented on January 1st, 2017.

18. Other Operating Expenses

	<u>Q I 2017</u>	<u>Q I 2016</u>
Other expenses on third party services	11,514,803	8,733,521
Postal expenses and telecommunication fees	272,744	295,894
Expenses on rents	2,087,507	1,882,641
Operating expenses related to the impairment of current assets	15,745,683	-1,488,827
Other expenses, out of which:	9,555,572	7,929,733
- expenses related to taxes and duties (natural monopoly tax, other local taxes and duties)	4,555,023	4,354,724
- expenses related to provisions for other operating expenses	55,521	-7,446
- expenses related to dispatches	1,039,994	1,246,830
- expenses related to international levies	780,404	29,474
- expenses related to purchased electricity for administrative purposes	597,750	413,662
- expenses related to commodities		
- expenses related to studies and research	158,649	101,100
- expenses related to banking services and other similar services	30,000	99,900
- expenses related to staff transportation	325,275	390,404
- expenses related to ceased intangible and tangible assets and other equity operations	201,101	220,085
- expenses related to purchased natural gas	427,090	0
- other operating expenses	424,130	403,480
	960,635	677,520
Total	<u>39,176,309</u>	<u>17,352,962</u>

In the first quarter of 2017, the other operating expenses have registered an increase in the amount of 21,823,347 compared to the first quarter of 2016, mainly determined by the following increases:

- other services provided by third parties amounting to 2,781,282, due to the monthly reporting of the estimated expenses, in the first quarter of 2017 compared to the first quarter of 2016, when the expenses were being reported on the invoice / payment obligation date.

- operating expenses regarding the impairment of current assets amounting to 17,234,510, determined by the registration of provisions for uncertain clients or clients in the insolvency proceedings, in the first quarter of 2017 (Arelco Power SRL, Transenergo Com SA, KDF Energy SRL, and so on).

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	<u>Q I 2017</u>	<u>Q I 2016</u>
Interest Revenues	1,510,593	1,929,944
Revenues from exchange rate differences	5,099,359	10,919,979
Other financial revenue	13,915	19,933
Total Financial Revenue	<u>6,623,867</u>	<u>12,869,856</u>
Expenses on Interest	(5,564,118)	(6,316,007)
Expenses from exchange rate differences	(5,724,438)	(4,458,618)
Total Financial Expenses	<u>(11,288,556)</u>	<u>(10,774,625)</u>
Net Financial Result	<u>(4,664,689)</u>	<u>2,095,231</u>

The decrease of the net financial result regarding the exchange rate differences in the first quarter of 2017 compared to the first quarter of 2016, amounting to 7,086,440, was negatively influenced by the evolution of the exchange rate of the national currency in relation to foreign currencies in which the Company has contracted bank loans for financing the investment programmes (Euros, Dollars, Japanese Yens).

The exchange rates of the national currency recorded on March 31st, 2017 compared to the one recorded on March 31st, 2016 are presented as follows:

Currency	<u>March 31st, 2017</u>	<u>March 31st, 2016</u>
Lei / Euros	4.5511	4.4738
Lei / US Dollars	4.2615	3.9349
Lei / 100 Japanese Yens	3.8048	3.5006

On March 31st, 2017 the Company recorded a net financial result (loss) with 6,759,920 lower than the one registered in the similar period of the year 2016.

20. Contingences*Litigations*

The management regularly analyses the ongoing litigations, and after consulting with its legal representatives decides the need to create provisions for the amounts involved or of their presentation in the financial reports.

Taking into account the existing information, the Company's Management believes that there are no significant ongoing litigations in which the Company has the quality of defendant, except for the following disputes:

- Pending with the Mehedinti Court - Section II Civil, Administrative and Fiscal Litigation Section, the file no. 3616 / 101 / 2014 was recorded, involving the 'claims in the amount of 1,090,831.70', a file in which the Company is the defendant, the plaintiff being the Autonomous Authority for Nuclear Activities - RAAN.

The amount requested for payment represents penalties calculated by RAAN for the bonus due from the support scheme and withheld from payment by the Company, in its capacity as Administrator of the support scheme, who enforced the provisions of Article 17 (5) of ANRE's Order no. 116 / 2013 (see Note 6).

Against the decision no. 843 / May 11th, 2015 of the Court of Appeal Craiova - Section II Civil, pronounced in the public hearing from May 11th, 2015, in file no. 3616 / 101 / 2014, against the decision no. 127 / 2014 of the Mehedinti Court - Section II Civil, Administrative and Fiscal Litigation, pronounced in the public hearing from October 10th, 2014, in file no. 3616 / 101 / 2014, as well as against the Decision no. 1 / 2015 of the Mehedinti Court - Section II Civil, Administrative and Fiscal Litigation, pronounced in the public hearing from January 9th, 2015, in file no. 3616 / 101 / 2014, CNTEE Transelectrica SA filed an appeal asking the court to allow the appeal as it was filed and to reverse the judgment and sentences under appeal and to refer the case to the trial court in the territorial jurisdiction for judgement, and to declare the compliance with the requirements of Articles 1616 and 1617 of the Civil Code, reason for which it is being required to declare the intervention of the compensation of mutual debts, and their redemption up to the amount of the smallest of them, namely the total amount requested by the plaintiff in the application for summons, ordering the appellee - plaintiff to pay the expenses occurred with this appeal.

The appeal was registered on the dockets of the High Court of Cassation and Justice who, during the appeal filtering proceedings, decided the following: grants the appeal in principle declared by the appellant - defendant CNTEE Transelectrica SA against decision no. 843 / 2015 from November 5th, 2015, pronounced by the Court of Appeal Craiova -

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Section II Civil. Sets the hearing for solving the appeal on March 21st, 2017.

In the period 2014 - 2015, the Company has retained the due support scheme bonus from payment to RAAN, pursuant to the provisions of the ANRE regulations, namely the Article 17 (5) of ANRE Chairman's Order no. 116 / 2013.

Under these conditions, RAAN calculated penalties for late payment of the due cogeneration bonus in the amount of 3,496,914, withheld from the payment by the Company in the account of non-cashed receivables. The amount of 3,496,914 was refused for payment by the Company and was not registered as a liability in the support scheme.

- Pending with the Mehedinti Court - Section II Civil, Administrative and Fiscal Litigations, the file no. 9089 / 101 / 2013 / a138 was recorded, involving the 'presidential ordinance', a file in which the Company is the defendant, the plaintiff being the Autonomous Authority for Nuclear Activities - RAAN – debtor in insolvency.

Through the sentence no. 63 / 2016, the court ordered the defendant to continue the electricity transmission and system services necessary for continuing the activity throughout the judicial reorganization of the RAAN.

Transelectrica filed an appeal against that decision.

On May 10th, 2016, the Court of Appeal Craiova pronounced its decision no. 457 / May 10th, 2016, by which it ordered the following: 'Dismisses the exception of the tardiness of the appeal. Dismisses the appeal as ill-founded. Final.'

Also, the hearing of the appeal declared by RAAN against the decision of starting the bankruptcy proceedings, subject of file no. 9089 / 101 / 2013 / a137 before the Court of Appeal Craiova, was postponed until May 31st, 2016, when the case was taken for judgement.

Through the Decision no. 563 / June 14th, 2016, the Court of Appeal Craiova - Section II Civil rejected the appeals lodged against interim decision no. 10 / January 28th, 2016, ruled by the Mehedinti Court - Section II Civil, Administrative and Fiscal Litigation Section.

- Pending with the Mehedinti Court - Section II Civil, Administrative and Fiscal Litigation Section, the file no. 1284 / 101 / 2015 was recorded, involving the 'claims in the amount of 11,637,439.66i', a file in which the Company is the defendant, the plaintiff being the Autonomous Authority for Nuclear Activities - RAAN.

By the application for summons filed by the plaintiff, they asked Transelectrica SA to pay the amount of 11,637,439.66 lei.

On May 22th, 2015, the Mehedinti Court - Section II Civil, Administrative and Fiscal Litigation Section, ruled the sentence no. 41 / 2015, by which it ordered the following: 'Admits the exception for lacking territorial jurisdiction. Declines jurisdiction in favour of Bucharest Court, Section VI Civil. With no means of appeal.' The file was registered to the Bucharest Court - Section VI Civil, under no. 24206 / 3 / 2015.

The applicant RAAN filed a request to amend the amount of the alleged right, seeking the increased amount of 17,805,680.17 lei from Transelectrica SA.

Bucharest Court reserved judgement on October 16th, 2015, postponing the judgement until October 30th, 2015, and then until November 2nd, 2015, and then until November 3rd, 2015.

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On November 3rd, 2015, the Bucharest Court, Section VI Civil delivered the sentence no. 6075 / 2015, by which it ordered the following: 'Upholds the application in the way it was completed. Orders the defendant to pay the plaintiff the amount of 17,805,680.17 lei, representing the equivalent value of the bonus and penalties. Dismisses the application for granting legal expenses, lodged by the plaintiff, as ill-founded. With appeal within 30 days from communication. The appeal is lodged at the Bucharest Court - Section VI Civil.'

The ruling was communicated on July 4th, 2016, according to the registration entry stamp of the correspondence with Transelectrica SA.

An appeal was lodged against the sentence. By Hearing protocol from January 12th, 2017, pronounced in the file no. 24206 / 3 / 2015, the Court of Appeal Bucharest ordered the postponement of the hearing of the appeal until the final settlement of the file no. 9089 / 101 / 2013 / a152 on the dockets of the Mehedinti Court, on the grounds of Article 413 (1) (1) of the New Civil Procedure Code. With appeal throughout the suspension.

The Court of Appeal Bucharest decided the suspension of the judgement of the case, considering that its settlement depends on the decision that shall be pronounced in file no. 9089 / 101 / 2013 / a 152 on the dockets of the High Court of Cassation and Justice, involving the challenge of the additional receivables table of the Autonomous Authority for Nuclear Activities SA.

- Pending with the Bucharest Court - Section VI Civil the file no. 26024 / 3 / 2015 was recorded, involving the 'claims', a file in which the Company is the defendant, the plaintiff being the Autonomous Authority for Nuclear Activities - RAAN.

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By the application for summons filed by the applicant, they asked Transelectrica SA to pay the amount of 10,274,679.11. The court reserved judgement on June 13th, 2016, postponing the judgement until June 27th, 2016 when, by hearing protocol, it ordered the redocking of the case in order to discuss the administration of additional evidence to establish mutual debts and compensation invoked by the defendant, to date, setting the next hearing on November 28th, 2016.

By Hearing protocol from November 28th, 2016, the Bucharest Court has suspended the cause according to Article 413 (1) of the New Civil Procedure Code, in conjunction with Article 411 (1) of the New Civil Procedure Code. With appeal throughout the suspension.

The Court of Bucharest decided the suspension of the judgement of the case, considering that its settlement depends on the decision to be ruled in file no. 3014 / 2 / 2014 on the dockets of the High Court of Cassation and Justice, involving appeal - annulment of the Decision of the ANRE Chairman no. 743 / 2014.

- Pending with the Bucharest Court - Section VI Civil the file no. 3694 / 3 / 2016 was recorded, involving 'claims', a file in which the Company is the defendant, the plaintiff being the Autonomous Authority for Nuclear Activities - RAAN.

By application for summons filed by the plaintiff, they asked Transelectrica SA to pay the amount of 15,698,721.80 lei.

The court reserved judgement until June 9th, 2016, postponing the judgement until June 23rd, 2016 and then until June 30th, 2016 when, by hearing protocol, it ordered the redocking of the case, considering that new clarifications from the parties were necessary, setting the next hearing on August 17th, 2016, and on October 13rd, 2016 respectively.

On the grounds of Article 413 (1) (1) of the Civil Procedure Code, on October 20th, 2016, the Bucharest Court ordered the suspension of judgement until the final settlement of the file no. 3014 / 2 / 2014. With appeal throughout the suspension.

- Pending with the Mehedinti Court - Section II Civil, Administrative and Fiscal Litigation Section, the file no. 9089 / 101 / 2013 / a140 was recorded, involving the 'claims in the amount of 86,513,430.67', a file in which the Company is the defendant, the plaintiff being the Autonomous Authority for Nuclear Activities - RAAN.

By application for summons filed by the plaintiff, they asked Transelectrica SA to pay the amount of 86,513,430.67 lei.

On May 19th, 2016, the Mehedinti Court - Section II Civil, Administrative and Fiscal Litigation Section, pronounced a hearing protocol by which it ordered the following: 'on the grounds of Article 413 (1) of the Civil Procedure Code, suspends the case until the settlement of the file no. 3014 / 2 / 2014 on the dockets of the High Court of Cassation and Justice. With appeal throughout the suspension. Pronounced today, May 19th, 2016, in open court.'

- We also mention the fact that, by the protocol dated on September 18th, 2013, ruled by the Mehedinti Court in file no. 9089 / 101 / 2013, the opening of the general insolvency proceedings has been ordered against the debtor Autonomous Administration for Nuclear Activities R.A. (R.A.A.N.)

Through the sentence no. 387 / March 20th, 2014, the Mehedinti Court confirmed the reorganization plan of the debtor Autonomous Administration for Nuclear Activities, proposed by the insolvency administrator Tudor & Partners SPRL and voted on by the General Assembly of Creditors according to the minutes of February 28th, 2014.

By interim decision no. 10 / January 28th, 2016, pronounced by the Mehedinti Court - Section II Civil, Administrative and Fiscal Litigation, the liquidator ordered the commencement of the bankruptcy procedure for the debtor pursuant to Article 107 (1) C of Law. no. 85 / 2006, and the dissolution of the debtor and cancellation of the debtor's right to administer.

Through the Decision no. 563 / June 14th, 2016, the Court of Appeal Craiova - Section II Civil rejected the appeals lodged against interim decision no. 10 / January 28th, 2016, ruled by the Mehedinti Court - Section II Civil, Administrative and Fiscal Litigation Section.

By the hearing protocol of June 30th, 2016, Mehedinti Court - Section II Civil, Administrative and Fiscal Litigation Section set the new procedural time limit as follows: 'Sets the deadline for the submission of claims arising in the proceedings to August 13rd, 2016. Sets the deadline for the verification of claims arising during the procedure, preparation, display and communication of additional table of receivables on September 29th, 2016. Sets the deadline for filing objections against receivables arising in the proceedings on October 9th, 2016 and for resolving the objections against receivables arising in the proceedings on October 20th, 2016. Sets the deadline for the preparation and display of the consolidated final table on November 10th, 2016.'

Together with filing the receivables declaration in the bankruptcy proceedings of RAAN, Transelectrica SA may invoke the provisions of Article 52 of Law no. 85 / 2006, applicable to the bankruptcy proceedings for RAAN, provisions taken from Article 90 of Law no. 85 / 2014 concerning the creditor's right to invoke the compensation of his receivable with the one of the debtor, when the legal provisions on compensation in legal proceedings are completed on the date of commencement of the procedure.

Transelectrica SA has been registered in the table of debtor RAAN with the amount of 11,264,777.30 lei under the category of receivables resulting from the continuation of the debtor's activity, the amount requested by our company being equal to 89,360,986.06 lei, our amount of 78,096,208.76 lei not being registered in the preliminary table because 'this is not listed as owed in RAAN's accounting records.' Moreover, the liquidator considered that the request regarding the registration in the table of the amount equal to 78,096,208.76 lei is tardily filed, being related to the timeframe 2011 - 2013, reason for which

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the receivable declaration should have been filed at the moment of commencement of the insolvency proceedings, namely on September 18th, 2013. Objection was filed against the Table. The Mehedinti Court approved the evidence with the audit expertise. Hearing on May 25th, 2017.

- Following a verification conducted in 2013, the Court of Auditors issued several measures to be implemented by the Company as a result of a series of deficits identified within this verification. The decision and protocol issued by the Court of Auditors have been appealed before the Court of Appeal Bucharest, the file no. 1658 / 2 / 2014 being constituted.

At the hearing from January 20th, 2016, the court postponed the case so that the appointed accounting expert can express his point of view regarding the objections of the plaintiff against the expert report concerned and so that the technical expert can perform the expertise. On June 29th, 2016, the court postponed the case so that the technical expertise report may be finished. The next hearing was set on October 26th, 2016, and until the date of drafting this report, no other changes have been registered.

At the hearing from February 8th, 2017, the objections against the expert report have been notified. At the hearing from March 22th, 2017, the case was postponed so that the technical expert can reply to the objections filed against the technical expertise report (second part) drafted in the case. Hearing: May 24th, 2017.

- CNTEE Transelectrica SA filed a complaint against the Order of the ANRE Chairman no. 51 / June 26th, 2014, registered at ANRE under no. 47714 / August 4th, 2014, and an appeal before the Court of Appeal Bucharest, subject of the file no. 4921 / 2 / 2014, requesting either the amendment of the abovementioned Order, or the issuance of a new order, which should recalculate the RRR value at the level of 9.87% (recalculated with a (β) coefficient of 1.0359, according to the internal analyses conducted by Transelectrica) or, should this request be rejected, using the same percentage of 8.52% set by ANRE for the year of 2013 and for the first semester of 2014.

On June 26th, 2014, the ANRE Order no. 51 was issued, published in the Official Journal under no. 474 / June 27th, 2014 on the approval of the average tariff for the transmission service, the tariff for the system service and the zonal tariffs for the transmission service, payable to the National Power Grid Company 'Transelectrica' - SA, and the repealing of Addendum no. 1 of the ANRE Chairman's Order no. 93 / 2013 regarding the approval of the average tariff for the transmission service, the tariff for the system service, the zonal tariffs for the transmission service and the tariffs for the reactive electrical energy, payable to economic agents from the electricity sector.

The values taken into consideration for calculating the Regulated Rate on Return (RRR¹) by ANRE, according to the Methodology on establishing the tariffs for the electricity transmission service, approved by ANRE Order no. 53 / 2013 ('the Methodology') have determined a RRR value of 7.7%.

CNTEE Transelectrica SA considers that the enforcement of the provisions of Article 51 of the Methodology on establishing the Beta (β) parameter at the value of 0.432 shall determine the financial damage of the company by decreasing the rentability with an estimated value of 138.4 mil. lei³, having a significant impact on the financial interests of the company.

At the hearing from February 9th, 2016, the court admitted the evidence with the audit expertise - specialization financial investments and other entities of movable goods, extended the discussion on the technical evidence discussion - electroenergetic specialization, after administering the evidence with the audit expertise - specialization financial investments and other entities of movable goods.

At the hearings from March 25th, 2016, April 22nd, 2016, June 10th, 2016 and March 3rd, 2017, the court postponed the judgement of the cause because of the missing technical expertise report. The next hearing was set for June 2nd, 2017.

- On March 4th, 2014, the European Commission issued a communication stating that it has imposed a fine of 1,031,000 EUR to the subsidiary of SC OPCOM S.A. for the abuse of dominant position on the Romanian market in order to facilitate the trading of electricity on the spot market, in breach of the EU antitrust rules. The Company was included in the trial acting as parent company to the subsidiary SC OPCOM S.A., being jointly responsible for paying the fine.

The General Assembly of the subsidiary SC OPCOM SA shareholders, at the meeting from June 10th, 2014, decided upon full payment of the fine amounting to 1,031,000 euro imposed by the Directorate General for Competition – European Commission for breaching of Article 102 of the Treaty on the Functioning of the European Union, according to the Decision no. AT 39984 in the antitrust case. The subsidiary SC OPCOM SA has made full payment of the fine set by the European Commission.

¹ RRR - Regulated Rate on Return is presented in the technical literature as WACC – Weighted Average Cost of Capital – translated as Weighted Average Cost of Capital, the equation of both indicators being similar: $RRR = WACC = CCP + Kp/(1 - T) + CCI \times Ki$

² The value that caused the decrease of the RRR to 7.7%

³ Calculated value compared to the RRR of 8.52%

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On November 24th, 2014, the subsidiary SC OPCOM SA summoned CNTEE Transelectrica SA in order to force it to pay the amount of 582,086.31 euro (2,585,161.72 lei at the National Bank of Romania exchange rate from November 24th, 2014), representing the amount paid by her as fine, from the total of the fine amounting to 1,031,000 euro.

Also, the subsidiary SC OPCOM SA requested the court to order the Company to pay the amount of 84,867.67 lei as lawful interest related to the period between June 11th, 2014 - November 24th, 2014, plus legal expenses amounting to 37,828.08.

The action filed by the subsidiary SC OPCOM SA is subject of the file no. 40814 / 3 / 2014 on the dockets of the Bucharest Court, Section VI Civil, involving claims, litigation with professionals matter. CNTEE Transelectrica SA has lodged counterclaim against the application for summons in this case, invoking exceptions and defenses on the main issue of the matter regarding the unfounded and unlawful character of the action.

On July 24th, 2015, the Bucharest Court ruled the judgement no. 4275 / 2015, by which it ordered the following: 'Admits the application for summons filed by plaintiff Romanian Gas and Electricity Market Operator - OPCOM S.A. against defendant National Power Grid Company 'Transelectrica' S.A. Orders the defendant to pay the plaintiff the amount of 582,086.31 euro, representing the amount paid by the plaintiff in the defendant's stead from the fine in the amount of 1,031,000 euro, imposed by the Decision of the European Commission on March 5th, 2014 in the case no. AT.39984 and of the lawful interest related to the amount of 582,086.31 euro, calculated on June 11th, 2014 and up until the day of the actual payment. Orders the defendant to pay the plaintiff the amount of 37,828.08 lei, as legal expenses. With right of appeal within 30 days from notification. The request for appeal shall be lodged before the Bucharest Court - Section VI Civil.'

Against sentence no. 4275 / 2015, pronounced in the abovementioned file, Transelectrica SA filed an appeal, which was registered on the dockets of the Court of Appeal Bucharest. The resolution of the Court of Appeal is the following: Admits the appeal. Changes the appealed civil sentence completely, meaning that it rejects the application for summons as ill-founded. Orders the appellee - plaintiff to pay the trial expenses to the appellant - defendant amounting to 16.129, representing legal stamp duty. With appeal within 30 days from notification. Ruled in open court today, October 10th, 2016. Document: Decision 1517 / 2016 October 10th, 2016.

OPCOM S.A. filed a second appeal. The case is in the filtering proceedings. The hearing is to be set.

In 2014, the company recorded a provision amounting to 2,670,029 for the litigation with the subsidiary SC OPCOM SA.

- In 2013, Conaid Company SRL took legal actions against CNTEE Transelectrica for the unjustified refusal of the latter to sign an addendum to the connection agreement or to sign a new connection agreement, and requested the compensation for costs incurred up to that time, amounted to 17,419,508 lei and loss of profit for the period 2013 - 2033 amounting to EUR 722,756,000. So far, the Company did not conclude an addendum to the connection agreement because the suspensive provisions included therein have not been met by Conaid Company SRL. A new connection agreement would have had to be concluded by March 11th, 2014, the date on which the technical connection permit has expired. On the date of these financial statements, the amounts claimed by Conaid Company SRL were regarded as contingent liabilities as it is unlikely to settle this obligation, there will be necessary outflows of resources embodying economic benefits and the value of obligation cannot be evaluated with sufficient reliability. The file no. 5302 / 2 / 2013 was on the dockets of the High Court, involving the obligation of issuing of an administrative document, the procedural stage – second appeal, the hearing being on December 9th, 2015. At this hearing, the High Court of Cassation and Justice admitted, in principle, the second appeals and set the hearing, in substance, of the second appeals on April 8th, 2016, Formation 4, summoning the parties. The case trial was postponed for the date of June 17th, 2016, when the court reserved judgement, postponing the judgement until June 29th, 2016, when it pronounced Decision no. 2148 / 2016, by which it ordered the following: 'Rejects the exceptions invoked by the appellant - plaintiff S.C. Conaid Company S.R.L., via insolvency administrator RVA Insolvency Specialists SPRL, and by the appellant - defendant National Company for Energy Transportation Transelectrica S.A. Admits the second appeal filed by the defendant National Company for Energy Transportation Transelectrica S.A. against the hearing protocol of February 18th, 2014 and the civil sentence no. 1866 of June 11th, 2014, pronounced by the Court of Appeal Bucharest - Section VIII, Administrative and Fiscal Litigation Section. Partially invalidates the contested protocol and judgment and refers the case to the Bucharest Court - Section VI Civil, for settlement of the application of the plaintiff sought against the National Company for Energy Transportation Transelectrica S.A. Maintains the other provisions of the sentence concerning the plaintiff's action against the National Regulatory Authority for Energy. Rejects the second appeals of the plaintiff SC Conaid Company S.R.L. via insolvency administrator RVA Insolvency Specialists SPRL and the intervener S.C. Duro Felguera S.A. against the civil sentence no. 1866 of June 11th, 2014 pronounced by the Bucharest Court of Appeal - Section VIII, Administrative and Fiscal Litigation. Rejects the second appeal filed by the defendant National Company for Energy Transportation Transelectrica S.A. against the hearing protocol from March 25th, 2014, pronounced by the Bucharest Court of Appeal - Section VIII, Administrative and Fiscal Litigation. Final. Ruled in open court today, June 29th, 2016'.

The file no. 5302 / 2 / 2013 has been forwarded to the Bucharest Court - Section VI Civil, for retrial, under no. 12107 / 3 / 2017, with hearing set on May 11th, 2017.

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• The company is engaged in significant litigations in which it acts as plaintiff, especially for debt recovery (eg. Eco Energy SRL, Petprod SRL, Total Electric Oltenia SA , Arcelormittal Galati SA, Regia Autonoma de Activitati Nucleare, Romenergy Industry SRL, Energy Holding SRL, UGM Energy Trading SRL, Elsaco Energy). The company recorded adjustments for value losses for the customers and other receivables in litigation and for the customers in bankruptcy. The Company also acts as plaintiff in a dispute with ANAF, as shown in Note 9.

The management of the Company considers it likely that there will be no cases in which an outflow of resources will be required for settling the pending litigations. In addition, there are no other pending litigations which, either by their nature or by their value, would make the presentation of some significant contingent assets or liabilities necessary for the activity of the Company.

21. Affiliated Parties

i) Transactions with Branches of the Company

Entity	Country of Origin	March 31 st , 2017 % of shares	December 31 st , 2016 % 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

*) On the dockets of the courts there was a litigation - file no. 32675 / 3 / 2015 - involving the annulment of Resolution of the Designated Person No. 154954 / December 30th, 2014, pronounced in file no. 449314 / December 23rd, 2014, under which the Trade Register attached to the Bucharest Court has registered the share capital increase of the subsidiary SC Smart SA with contribution in kind and amended the Articles of Association according to Decision no. 12375 / December 22nd, 2014 of the Chairman of the Board of Directors of the subsidiary and according to Board Decision no. 19 / December 22nd, 2014. The Company also requested the competent court for the annulment of the two abovementioned decisions and the suspension of the enforcement of deeds whose annulment is requested, until the resolution of the promoted action.

In the file no. 32675 / 3 / 2015, the Bucharest Court – Section VI Civil pronounced the civil sentence no. 6468 / November 16th, 2015, through which it ordered the following: ‘Admits the exception of inadmissibility. Dismisses the application for summons filed by the plaintiff Transelectrica against the defendants: the subsidiary Company for electricity transmission grid maintenance services SMART SA, the Romanian State and ONRC, as inadmissible. With right of appeal within 30 days from notification. The appeal is lodged with the Bucharest Court Section VI Civil. Pronounced in open court today, November 16th, 2015’. CNTEE Transelectrica SA lodged an appeal, which was registered on the dockets of the Court of Appeal, the case being settled at the hearing from May 23rd, 2016, when the Court of Appeal Bucharest ruled the civil decision no. 903 / May 23rd, 2016, by which it ordered the following: ‘Dismisses the appeal as ill-founded. Admits the application for referral to the Constitutional Court. Pursuant to Article 29 (4) of Law no. 47 / 1992, notifies the Constitutional Court to resolve the exception of unconstitutionality of Article 114 (3) of Law no. 31 / 1990 in relation to the provisions of Article 16, Article 21 and Article 44 of the Constitution, exception invoked by the appellant. Final’.

**) On April 7th, 2014, the National Trade Register accepted the file with registration number 121452 / April 3rd, 2014, involving the removal from the record of the Institute for Energy Research and Upgrades – ICEMENERG SA Bucharest. Through the Order no. 123 / March 13th, 2014 (registration and authorization of functioning deed), the ‘National Institute of Research and Development for Energy Bucharest’ was registered in the Trade Register (GD no. 925 / 2010). The company filed a complaint against the resolution of the Trade Register director by which the registration in the trade register of the removal of the Subsidiary ICEMENERG SA Bucharest was ordered.

The Bucharest Court, Section VI Civil, through Sentence no. 3569 / July 14th, 2014, pronounced in the case no. 15483 / 3 / 2014, in which the company was in contradiction with the defendants Institute for Energy Research and Upgrades – ‘Icemenerg’ S.A. Bucharest and the National Institute for Research and Development for Energy - Icemenerg Bucharest, rejected the complaint of the Company, motivated by the fact that GD no. 925 / 2010 was not abolished by the date of the removal from the Trade Register. On February 24th, 2015, The Court of Appeal notified the solution pronounced in file no. 15483 / 3 / 2014, namely Decision no. 173 / 2015, which dismissed the appeal of CNTEE Transelectrica SA as ill-founded, the decision being final.

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Against the Decision no. 173 / 2015, pronounced by the Bucharest Court of Appeal, Transelectrica SA filed an appeal for annulment, which makes the object of the file no. 1088 / 2 / 2015 before the Court of Appeal - Section VI Civil, with hearing set on May 13th, 2015. On May 13th, 2015, by Decision no. 777 / 2015, the Court of Appeal Bucharest dismissed the appeal for annulment as ill-founded, the decision being final.

At the meetings from March 28th, 2016 and August 30th, 2016, the Extraordinary General Assembly did not approve the decrease of the share capital of CNTEE Transelectrica SA with the amount of 1,084,610 lei, representing the share capital subscribed and paid of the ICEMENERG SA Bucuresti subsidiary, by decreasing the participation of the Romanian State in the share capital of CNTEE Transelectrica SA, for enforcing the provisions of GD no. 925 / 2010.

In 2015, the Company registered an impairment amounting to 1,083,450 for the shares held by the Institute for Energy Research and Upgrades – ICEMENERG SA Bucuresti subsidiary, which was removed from the register.

***) By Decision no. 17 / February 28th, 2017, the Company Directorate has mandated the CNTEE Transelectrica SA representative in the AGA ICEMENERG SERVICE to vote on item 2 on the agenda of the Extraordinary General Assembly of the ICEMENERG SERVICE shareholders, in order to adopt the following decision:

‘Pursuant to Article 66 (5) second Title of Law no. 85 / 2014 on the proceedings to prevent insolvency and insolvency, as subsequently amended and supplemented, the General Assembly approves the enforcement of the simplified proceedings regarding the subsidiary ICEMENERG SERVICE – SA’.

In 2016, the Company registered an impairment amounting to 493.000 for the shares held by the SC ICEMENERG SERVICE SA subsidiary, which was removed from the register.

The total value of the shares held by the Company in its subsidiaries amounted to 78,038,750 on March 31st, 2017 and to 78,038,750 on December 31st, 2016.

Balances with subsidiaries owned by the Company are presented as follows:

AFFILIATE ENTITY	Trade Receivables*)		Trade Payables	
	March 31 st , 2017	December 31 st , 2016	March 31 st , 2017	December 31 st , 2016
SC SMART SA	184,650	404,257	5,692,539	15,471,838
SC TELETRANS SA	223,702	267,525	6,318,042	6,531,203
SC FORMENERG SA	0	0	0	3,960
SC OPCOM SA	34,497,452	30,921,913	6,107,208	6,747,421
TOTAL	34,905,804	31,593,695	18,117,789	28,754,422

*) The Trade Receivables are presented at their gross value.

Transactions carried out with the Company's subsidiaries in the reporting period are detailed as follows:

AFFILIATE ENTITY	Sales		Purchases	
	First quarter of 2017	First quarter of 2016	First quarter of 2017	First quarter of 2016
SC SMART SA	234,854	344,017	15,722,972	11,195,791
SC TELETRANS SA	232,671	209,538	8,974,362	4,650,067
SC FORMENERG SA	0	0	0	87,750
SC OPCOM SA	149,564,478	109,023,077	87,259,195	25,693,478
Total	150,032,003	109,576,632	111,956,529	41,627,086

CNTEE Transelectrica SANotes on the stand-alone interim financial statements on March 31st, 2017*(All amounts are expressed in RON, unless otherwise indicated)**ii) Remuneration of Company's Management*

The wages paid to the management for the services rendered consist mainly of the base salary and also benefits upon termination of the labour agreement and upon post-employment. These are detailed as follows:

	First quarter of 2017	First quarter of 2016
Short-Term Benefits	2,045,084	2,416,587
Other long-term benefits	31,596	47,103
Total	2,076,680	2,463,690

22. Credit Risk

The credit risk is the risk in which the Company bears a financial loss following the non-fulfilment of contractual obligations by a customer or counterparty to a financial instrument. This risk results mainly from trade receivables and the cash and cash equivalents.

The treatment of counterparty risk is based on internal and external factors of success of the Company. The external factors of success - which have an effect upon the systematically reduction of the risk, are: decentralizing the energy sector in which the production, transmission, distribution and supply are separate activities and the customer interface is represented by the supplier, the electricity trading on the Romanian market on two market segments: the regulated market and the competitive market. The internal factors of success in the treatment of counterparty risk include: diversifying the client portfolio and diversifying the number of services on the electricity market.

Financial assets that may submit the Company to the risk of collection are mainly the trade receivables and the cash and cash equivalents. The company has enforced a series of policies that ensure that the sale of services is performed towards the customers with an appropriate collection by including in their commercial contracts of their obligation to provide financial guarantees. The value of receivables, net of the adjustments for value losses, represents the maximum amount exposed at the risk of collection.

At the date of reporting, the maximum exposure to the risk of collection was:

	March 31 st , 2017	December 31 st , 2016
Financial Assets		
Net Trade Receivables	716,159,857	764,760,133
Other Net Receivables	44,242,371	87,211,550
Cash and Cash Equivalents	977,083,145	933,661,193
Other Financial Assets	0	135,090,000
Total	1,737,485,373	1,920,722,876

The status of the maturity of receivables on the day of drafting the report of the financial position, is presented below:

	Gross Value March 31 st , 2017	Adjustment of depreciation March 31 st , 2017	Gross Value December 31 st , 2016	Adjustment of depreciation December 31 st , 2016
Not due	608,895,342	575,430	639,151,930	4,568,505
Due date exceeded by 1 to 30 days	25,936,241	14,299,120	12,638,227	-
Due date exceeded by 31 to 90 days	13,345,355	4,586,489	5,519,233	-
Due date exceeded by 90 to 180 days	7,511,251	3,862,712	836,994	359,345
Due date exceeded by 180 to 270 days	837,091	750,712	27,274,940	7,725,361
Due date exceeded by 270 to 365 days	16,266,005	4,799,742	6,206,328	-
Due date exceeded by more than a year	160,583,853	88,341,076	173,710,511	87,924,820
Total	833,375,138	117,215,281	865,338,164	100,578,031

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The status of the maturity of 'Other receivables' on the date of drafting the report of the financial position, is presented below:

	Gross Value March 31st, 2017	Adjustment of depreciation March 31st, 2017	Gross Value December 31st, 2016	Adjustment of depreciation December 31st, 2016
Not due	44,747,258	9,781	64,477,570	323,854
Due date exceeded by 1 to 30 days	132,813	32,518	15,861	8,810
Due date exceeded by 31 to 90 days	56,715	4	56,503	30,487
Due date exceeded by 90 to 180 days	53,718	325,438	6,064,159	4,791,499
Due date exceeded by 180 to 270 days	6,043,186	4,919,535	2,317,148	669,292
Due date exceeded by 270 to 365 days	2,317,492	641,926	3,159,723	594,621
Due date exceeded by more than a year	104,033,577	82795.736	101,200,666	83,661,517
Total	157,384,760	88,724,939	177,291,630	90,080,080

On March 31st, 2017, the highest adjustments of depreciation, calculated for the trade receivables and related penalties, have been recorded for SC Petprod SRL (29,242,364), SC Eco Energy SRL (24,736,066), Arelco Power (18,644,496), SC Total Electric Oltenia SA (14,185,577), Romenergy Industry (13,405,687), RAAN (8,584,128), Also Energ (7,177,167), Opcom (4,517,460). The Company took the following measures in order to recover the impaired receivables: court proceedings, entering on the statement of affairs, requesting clarifications from ANAF (regarding the VAT collected from Opcom) and so on.

The evolution of depreciation adjustments for uncertain receivables is presented as follows:

	March 31st, 2017	December 31st, 2016
Balance on the 1st of January	100,578,031	87,986,497
Recognition of impairments	21,691,311	21,129,610
Reversal of impairments	(5,054,061)	(8,538,076)
Balance at the end of the period	117,215,281	100,578,031

The evolution of depreciation adjustments for other uncertain receivables is presented as follows:

	March 31st, 2017	December 31st, 2016
Balance on the 1st of January	90,080,080	84,159,760
Recognition of impairments	29,140	7,501,245
Reversal of impairments	(1,384,281)	(1,580,925)
Balance at the end of the period	88,724,939	90,080,080

The financial assets that may submit the Company to the risk of collection are mainly the trade receivables and the cash and cash equivalents. The company has enforced a series of policies that ensure that the sale of services is performed towards the customers with an appropriate collection by including in their commercial contracts of their obligation to provide financial guarantees. The value of receivables, net of the adjustments for value losses, represents the maximum amount exposed at the risk of collection. The risk of collection from such receivables is limited, as these amounts are mainly owed by the state-owned companies.

The cash is placed in financial institutions, which are considered as having minimal risk. The deposits are placed with Banca Comerciala Romana, Credit Europe Bank, Garanti Bank, Alpha Bank, Banca Transilvania, Exim Bank.

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Notes on the stand-alone interim financial statements on March 31st, 2017

(All amounts are expressed in RON, unless otherwise indicated)

23. Subsequent Events

Acceptance of Mandate - Directorate Member

Ms. Georgeta - Corina POPESCU has signed the declaration of acceptance of the mandate as member of the National Company for Energy Transportation Transelectrica S.A. Directorate, on April 5th, 2017, and her appointment shall enter into force on May 1st, 2017, according to the declaration of acceptance of the mandate.

The mandate is granted for the remaining period of the mandate of her predecessor, namely until September 16th, 2017.

Mandate agreement termination

The National Power Grid Company 'Transelectrica' SA informs its shareholders and investors that on April 19th, 2017, in the light of the waiver of Mr. Ion-Toni TEAU of the mandate as member and Chairman of the CNTEE 'Transelectrica' S.A. Directorate starting with April 26th, 2017, the Board of Supervisors has requested him to terminate the Mandate Agreement no. C419 / November 13th, 2014, with the agreement of the parties, on May 31st, 2017. Mr. Ion-Toni TEAU, member and Chairman of the CNTEE 'Transelectrica' S.A. Directorate, accepted the request of the Supervision Council on April 21st, 2017, and his Mandate agreement as member and Chairman of the CNTEE 'Transelectrica' S.A. Directorate will be terminated on May 31st, 2017.