

CNTEE Tranelectrica SA
Two-Tier Company

Condensed Stand-alone Interim Financial Statements
on the date and for the six-month period concluded on
June 30th, 2017

Drafted according to
The International Accounting Standard 34 – “Interim Financial Reporting”

CNTEE Transelectrica SACondensed stand-alone statement of the financial position on June 30th, 2017*(All amounts are expressed in RON, unless otherwise indicated)*

	Note	June 30 th , 2017	December 31 st , 2016
Assets			
Fixed Assets			
Tangible Assets	4	3,109,206,731	3,189,591,544
Intangible Assets	4	15,456,831	14,457,314
Financial Assets	4	78,038,750	78,038,750
Long Term Receivables	5	6,533,739	9,774,959
Total Fixed Assets		3,209,236,051	3,291,862,567
Current Assets			
Inventories		32,630,650	30,409,648
Clients and similar accounts	6	870,337,570	851,971,683
Other Financial Assets	7	165,100,000	135,090,000
Cash and Cash Equivalents	8	622,375,970	933,661,193
Total Current Assets		1,690,444,190	1,951,132,524
Total Assets		4,899,680,241	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		524,042,255	549,088,226
Other Reserves		56,953,728	56,953,728
Retained Earnings		1,560,422,263	1,602,438,193
Total Shareholders' Equity	9	3,040,652,513	3,107,714,414
Non-Current Liabilities			
Non-Current Deferred Revenues	10	418,318,081	429,858,527
Loans	11	444,872,759	501,929,998
Deferred Tax Liabilities		27,138,425	30,195,003
Obligations regarding Employee Benefits		43,304,975	43,304,975
Total Non-Current Liabilities		933,634,240	1,005,288,503
Current Liabilities			
Trade Payables and Other Payables	12	649,145,899	873,948,200
Other Taxes and Social Insurance Obligations	13	9,508,750	8,611,209
Loans and Related Interest	11	174,569,665	138,204,932
Provisions		45,793,070	53,801,778
Short Term Deferred Revenues	10	38,488,755	38,125,074
Corporate Tax to be paid	14	7,887,349	17,300,981
Total Current Liabilities		925,393,488	1,129,992,174
Total Liabilities		1,859,027,728	2,135,280,677
Total Shareholders' Equity and Liabilities		4,899,680,241	5,242,995,091

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

CNTEE Traselectrica SA

 The separate account of Profit and Loss for the six-month period ended on June 30th, 2017

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

	Note	April 1 st – June 30 th , 2017	April 1 st – June 30 th , 2016	January 1 st – June 30 th , 2017	January 1 st – June 30 th , 2016
Revenues					
Transmission Revenues		255,416,926	277,871,058	554,006,359	595,103,411
System Service Revenues		166,148,655	172,033,692	355,377,968	366,523,621
Revenues from the Balancing Market		181,884,612	136,730,039	805,047,971	366,613,123
Other Revenues		10,619,192	7,752,756	24,899,801	21,381,130
Total Revenues	14	614,069,385	594,387,545	1,739,332,099	1,349,621,285
Operating Expenses					
System Operating Expenses	15	(52,290,687)	(57,624,189)	(129,082,827)	(120,483,119)
Expenses on the Balancing Market	15	(181,884,612)	(136,730,039)	(805,047,971)	(366,613,123)
Expenses regarding the ancillary services	15	(159,503,097)	(143,326,495)	(319,024,315)	(332,973,205)
Depreciation		(77,853,942)	(81,175,972)	(156,161,590)	(162,814,399)
Salaries and Other Retributions		(46,417,612)	(43,408,820)	(87,841,347)	(84,715,708)
Repairs and Maintenance		(20,212,532)	(21,009,945)	(34,272,456)	(35,527,540)
Materials and Consumables		(1,465,178)	(2,047,009)	(3,017,173)	(3,738,474)
Other Operating Expenses	16	(37,017,975)	(45,271,132)	(76,194,284)	(62,624,094)
Total Operating Expenses		(576,645,635)	(530,593,601)	(1,610,641,963)	(1,169,489,662)
Operating Profit		37,423,750	63,793,944	128,690,136	180,131,623
Financial Revenues		5,443,861	5,201,374	12,067,728	18,071,230
Financial Expenses		(9,148,427)	(12,824,621)	(20,436,983)	(23,599,246)
Net Financial Result	17	(3,704,566)	(7,623,247)	(8,369,255)	(5,528,016)
Profit before Corporate Tax		33,719,184	56,170,697	120,320,881	174,603,607
Corporate Tax	13	(6,393,537)	(13,505,628)	(21,937,590)	(32,794,894)
Profit of the Financial Year		27,325,647	42,665,069	98,383,291	141,808,713

CNTEE Tranelectrica SAThe separate account of Profit and Loss for the six-month period ended on June 30th, 2017*(All amounts are expressed in RON, unless otherwise indicated)*

	<u>Note</u>	<u>April 1st – June 30th, 2017</u>	<u>April 1st – June 30th, 2016</u>	<u>January 1st – June 30th, 2017</u>	<u>January 1st – June 30th, 2016</u>
Profit for the year		27,325,647	42,665,069	98,383,291	141,808,713
Other comprehensive income		-	-	-	-
Total comprehensive income 98,383,291		27,325,647	42,665,069		141,808,713

This condensed stand-alone interim financial statements has been approved by Management on August 4th, 2017 and have been signed on its behalf by:

Directorate

Georgeta - Corina POPESCU

Directorate Chairman

**Constantin
VĂDUVA**

Directorate Member

**Octavian
LOHAN**

Directorate Member

**Mircea - Toma
MODRAN**

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 June 30th, 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	-	-	-	-	-	141,808,713	141,808,713
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	-	-	-	-	-	141,808,713	141,808,713
Other Elements							
Transfer of the Reserves from Reevaluation in the Retained Earnings	-	-	-	(28,086,334)	-	28,086,334	-
Increase of the Legal Reserve Fund	-	-	-	-	-	-	-
Other Elements	-	-	-	-	-	-	-
Total Other Elements	-	-	-	(28,086,334)	-	28,086,334	-
Contribution from shareholders and distributions to shareholders							
Subsidies of Public Assets (connection fee)	-	-	-	-	943,445	-	943,445
Distribution of Dividends	-	-	-	-	-	(194,253,327)	(194,253,327)
Total Contributions from Shareholders and Distributions to Shareholders	-	-	-	-	943,445	(194,253,327)	(193,309,882)
Balance on June 30th, 2016	733,031,420	49,842,552	99,407,385	575,598,458	56,638,047	1,463,286,691	2,977,804,553
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	-	-	-	-	-	98,383,290	98,383,290
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	-	-	-	-	-	98,383,290	98,383,290
Other Elements							
Transfer of the Reserves from Reevaluation in the Retained Earnings	-	-	-	(25,045,971)	-	25,045,971	-
Increase of the Legal Reserve Fund	-	-	-	-	-	-	-
Other Elements	-	-	-	-	-	-	-
Total Other Modifications	-	-	-	(25,045,971)	-	25,045,971	-
Contribution from shareholders and distributions to shareholders							
Derecognition of Public Assets	-	-	-	-	-	-	-
Subsidies of Public Assets (connection fee)	-	-	-	-	-	-	-
Distribution of Dividends	-	-	-	-	-	(165,445,191)	(165,445,191)
Total Contributions from Shareholders and Distributions to Shareholders	-	-	-	-	-	(165,445,191)	(165,445,191)
Balance on June 30th, 2017	733,031,420	49,842,552	116,360,295	524,042,255	56,953,728	1,560,422,263	3,040,652,513

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 June 30th, 2017*(All amounts are expressed in RON, unless otherwise indicated)*

	The six-month period concluded on June 30th, 2017	The six-month period concluded on June 30th, 2016
Treasury Flows from the Operating Activity		
Profit of the Financial Year	98,383,291	141,808,713
Adjustments for:		
Corporate Tax Expense	21,937,590	32,794,893
Depreciation Expenses	156,161,590	162,814,399
Provisions Expenses from Depreciating of the Current Assets	34,708,083	14,927,250
Revenues from the Reversal of Provisions for Depreciating the Current Assets	(7,154,562)	(2,866,182)
Net Income/Loss from the Sale of Tangible Assets, net	427,394	(13,665)
Reversal of Value Adjustments regarding Tangible Assets	695,889	2,147,289
Net Reversal of Value Adjustments regarding Provisions for Risks and Expenses	(8,306,536)	(7,995,649)
Interest Expenses, Interest Revenues and Expenses from Exchange Differences	8,274,535	5,891,886
Cash Flows before Changes in the Current Capital	305,127,274	349,508,934
Changes in:		
Clients and similar accounts - Electricity and other activities	(44,639,377)	32,064,942
Clients – Balancing	65,853,749	35,820,250
Clients – Cogeneration	(64,456,698)	(95,078,684)
Inventories	(2,221,002)	1,035,538
Trade Payables and Other Liabilities - Electricity and other activities	(67,935,011)	(65,075,907)
Liabilities – Balancing	(151,585,727)	(53,824,013)
Liabilities – Cogeneration	(32,562,243)	(16,367,190)
Other Taxes and Social Insurance Obligations	897,541	13,652,238)
Deferred Revenues	(11,176,765)	(15,219,813)
Treasury Flows from the Operating Activity	(2,698,259)	186,516,295
Paid Interests	(5,324,109)	(6,901,244)
Paid Corporate Tax		(38,295,739)
Net Cash from the Operating Activity	(8,022,368)	141,319,312
Cash Flows from the Investment Activity		
Acquisition of Tangible and Intangible Assets	(85,336,654)	(67,300,960)
Cashing unused down payments	-	29,581,392
Cashing from sales of Tangible Assets	-	13,683
Cashed Interests	3,539,853	3,586,268
Received Dividends	-	609,035
Other Financial Assets	(30,010,000)	70,085,000
Net Cash used in the Investment Activity	(111,806,801)	36,574,418
Treasury Flows used in the Financing Activity		
Use of the Cogeneration Credit Line	43,107,907	-
Repayments of Long-Term Loans	(69,726,554)	(81,254,911)
Paid Dividends	(164,837,407)	(192,545,220)
Net Cash used in the Financing Activity	(191,456,054)	(273,800,131)
Net (Decrease)/Increase of Cash and Cash Equivalents	(311,285,223)	(95,906,401)
Cash and Cash Equivalents on January 1st (see Note 8)	933,661,193	974,451,258
Cash and Cash Equivalents at the end of the Period (see Note 8)	622,375,970	878,544,857

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 June 30th, 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 June 30th, 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, 2016.

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 and Intangible Assets

The total net value of tangible assets decreased on June 30th, 2017 compared to December 31st, 2017 due to the corresponding depreciation of the first 6 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 - June 30th, 2017 was mainly determined by the investments made in the high voltage substations and lines, as follows:

- Technical upgrade of the Bradu 400/220/110/20 kV substation – 25,519,886;
- 400 kV OHL interconnecting Resita (Romania) - Pancevo (Serbia) – 8,494,141;
- Upgrading the Suceava 110 kV and 20 kV substation – 7,522,759;
- Replacing AT and TRAF0 in electrical substations - Stage II – 6,852,514;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV voltage - stage I - 400 kV OHL s.c. Portile de Fier - (Anina) – Resita – 6,373,221;
- Technical upgrade of the Campia Turzii 220/110/20 kV substation – 4,313,561;
- Upgrading the 400/110/10 kV Cluj Est substation – 3,752,732;
- Urgent repair of the damage to the Iernut - Gadalın 400 kV OHL and the Iernut - Baia Mare 3 200kV OHL – 2,424,856;
- Upgrading the Tihau 220/110 kV substation - primary equipment – 2,048,175;
- Upgrading the command-control-protection system of the Sardanesti 220/110/20 kV substation – 1,965,388;
- Integrated security system in electric substations, stage IV - 1,696,899;

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Notes on the stand-alone interim financial statements on June 30th, 2017

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

- Deploying an optical fiber line between the Bradu 400/220/110 KV substation and the Stuparei 220/110 KV substation – 1,316,736;
- Replacing the connectors from electrical substations – 1,148,538;
- Replacing the 110/20 kV TRAFO, 10 MVA in the Fantanele 220/110/20 kV substation – 1,076,549;
- Upgrading the SCADA system for the Constanta Nord substation– 998,626;
- 400 kV OHL d.c. Gutinas – Smardan – 922,269;
- 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) – 617,712;
- Connecting the Isaccea - Varna 400 kV OHL and the Isaccea - Dobrudja 400 kV OHL in the Medgidia Sud 400 kV substation – 567,420;
- Technical upgrade of the Tulcea Vest 400/110/20 kV substation - the construction part – 349,400.

In the first semester of 2017, the biggest transfers from tangible assets in progress at tangible assets are mainly represented by the creation of assets of the investment objectives, so:

- Integrated security system in electric substations, stage IV on the Rosiori 400/220 kV substation, the Oradea Sud 400/110/20 kV substation, the Paroseni 220 kV substation and the Iernut 400/220/110/6 kV substation – 12,097,539;
- Replacing AT and TRAFO in electrical substations - Stage II – 11,330,673;
- Urgent repair of the damage to the Iernut - Gadalin 400 kV OHL and the Iernut - Baia Mare 3 200kV OHL – 7,843,133;
- Connecting the 147 MW Valea Dacilor wind power plant to the Grid – 2,400,930;
- Replacing the 110/20 kV TRAFO, 10MVA in the Fantanele 110/20 kV substation – 1,127,962;
- Deposit power transformers for system reserves and isolated passages in the security stock of CNTEE "Transelectrica" - SA in the Sibiu Sud 400 kV substation – 849,074;
- Upgrading the control building from the Roman Nord 400/110/20 kV substation – 675,560;
- Special intervention beams, Universally Anchored Portal type for the 220 - 400 kV tension, including prefabricated foundations – 643,058;
- Thermal imaging chambers – 222,000;
- TEMPEST IT equipment for processing and storage of information classified as State Secret – 196,833;
- Switch 48 ports with management – 137,209.

The balance of tangible assets in progress on June 30th, 2017 is represented by the projects in progress, the most significant being listed below:

- Technical upgrade of the Bradu 400/220/110/20 kV substation – 103,974,950;
- 400 kV OHL interconnecting Resita (Romania) - Pancevo (Serbia) – 73,535,156;
- PTG connection of the Ivești 300 MW WPP, Fălciu 1 88 MW WPP and Fălciu 2 18 MW WPP via the new Banca (400)/220/110 kV substation – 46,884,983;
- Technical upgrade of the Campia Turzii 220/110/20 kV substation – 39,763,578;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV voltage - stage I - 400 kV OHL s.c. Portile de Fier - (Anina) – Resita – 18,547,801;
- Upgrading the Suceava 110 kV and 20 kV substation – 14,449,405;
- Extending the services providing business continuity and recovery after disasters - 14,419,361;
- Integrated security system in electric substations, stage IV - 13,783,406;
- Connecting the Isaccea - Varna 400 kV OHL and the Isaccea - Dobrudja 400 kV OHL in the Medgidia Sud 400 kV substation – 10,737,086;
- 400 kV OHL d.c. Cernavodă-Stâlpu and connection in Gura Ialomiței – 8.363.002;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV voltage - stage I - Resita 400/220/110 kV substation – 6,565,916;
- Upgrading the Tihau 220/110 kV substation - primary equipment – 6,128,796;
- 400 kV HVDC Link (submarine cable Romania - Turkey) – 5,853,759;

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

- 400 kV OHL Gadalin - Suceava, including the NPS interconnection - 5,658,963;
- Technical upgrade of the Hasdat 220/110 kV substation – 4,397,191;
- Reparation of the failure of the 110-120 terminals of the Bucharest Sud - Ghizdaru 220 kV OHL - 4,274,773;
- Upgrading the command-control-protection system of the Sardanesti 220/110/20 kV substation – 4,146,966;
- Suceava - Balti 400 kV OHL, for the part of the project on Romanian territory - 3,650,541;
- Extending the control system with new functions and IT registration of access in the objectives of CNTEE Transelectrica SA - 3,200,918;
- 400 kV OHL d.c. Gutinas – Smardan – 3,200,502;
- Converting of the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV voltage, stage II - Resita - Timisoara – Sacalaz 400 kV OHL d.c. (Timisoara 220/110kV substation) - 3,197,788;
- Connecting the 136 MW wind power plant Platonesti, Ialomita county, to the Grid through constructing a 110kV cell in the Gura Ialomitei 400/110 kV substation – 2,889,337;
- Integrated security system in electric substations, stage III - 2,798,024;
- Upgrading the Arefu 220/110/20 kV substation - 2,747,000;
- 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 – 2,694,168;
- Upgrading the Raureni 220/110/20 kV substation - 2,676,752;
- By-passing the Cetate 110 kV OHL 1 & 2 in the proximity of the Ostrovul Mare 110/20/6 kV substation - 2,578,438;
- PTG connection of Dumesti 99 MW WPP and Romanesti 30 MW WPP, Iasi county, through constructing a 110 kV line cell in the FAI 220/110 kV substation – 2,545,853;
- Deploying an optical fiber line between the Bradu 400/220/110 KV substation and the Stuparei 220/110 KV substation – 2,177,779;
- Security solution for implementing the security measures related to classified information – 2,024,289;
- Executive - DCBPA / CPA: Consolidation, upgrading and extension of the CNTEE “Transelectrica” headquarters – 1,627,393;
- Replacing AT and TRAFO in electrical substations - Stage II – 1,436,030;
- Replacing the connectors from electrical substations – 1,150,679;
- Integrated security system at the new Banca (400) 220/110 kV substation – 1,133,202;
- Upgrading the SCADA system for the Constanta Nord 400/110 kV substation– 1,116,626;
- Deploying an optical fiber line between the 110 kV Pitesti Sud substation and the remote control and installation supervision center – 1,074,341;
- Connecting the Stupina 400 kV substation to the Grid and connecting the Isaccea-Varna 400 kV OHL – 874,015;
- Technical upgrade of the Tulcea Vest 400/110/20 kV substation - the construction part – 758,417;
- Upgrading the 110/6 kV substation from the Pestis 220/110/6 kV substation – 748,300;
- Ostrovu Mare 220 kV OHL double circuit - PTG – 727,658;
- Oradea – Beckescsaba 400 kV OHL – 694,807;
- 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 substation – 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) – 617,712;

On December 31th, 2016, tangible assets also include the down payments granted to the supplier ELCOMEX - IEA SA amounting 31,180,858 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.

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Notes on the stand-alone interim financial statements on June 30th, 2017

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

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. On June 30th, 2017, the down payments granted to the supplier ELCOMEX - IEA SA were reclassified from tangible assets to receivables.

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

- Replacement of EMS SCADA AREVA system components - software component, hardware component – 1,221,966;
- 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 June 30th, 2017 the Company registered long-term receivables amounting to 6,533,739 (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 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 6,533,739 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 1,976,133.

6. Trade Receivables and Other Receivables

On June 30th, 2017 and December 31st, 2016, the trade receivables and other receivables are presented as follows:

	June 30 th , 2017	December 31 st , 2016
Trade Receivables	825,501,422	865,338,164
Other Receivables	160,272,487	129,703,771
Advances towards Providers	17,874,545	19,155,031
VAT to be recovered	84,031,607	28,432,828
Adjustments for Depreciating the Uncertain Trade Receivables	(128,441,087)	(100,578,031)
Adjustments for Depreciating Other Uncertain Receivables	(88,901,406)	(90,080,080)
Total Trade Receivables and Other Receivables	870,337,570	851,971,683

The structure of the Trade Receivables is presented as follows:

	June 30 th , 2017	December 31 st , 2016
Customers on the electricity market, out of which:	821,157,708	863,706,722
- Clients - operational activity	384,240,462	428,633,645
- Clients - balancing market	190,126,707	255,980,457
- Clients - bonus type support scheme to promote the high-efficiency cogeneration	246,790,539	179,092,620
Clients from other activities	4,343,714	1,631,442
Total Trade Receivables	825,501,422	865,338,164

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- 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 June 30th, 2017, the current customers in the operational activity registered a decrease compared to December 31st, 2016, which was mainly determined by:

- rise in the level of collection of receivables;
- decrease in the electricity quantity delivered to consumers in the months of May and June 2017 compared to the months of November and December 2016.

The main current customers on the electricity market are represented by: RAAN, Ciga Energy, Electrocentrale Bucuresti, Electrica Furnizare, Enel Energie Muntenia, E.on Energie Romania, Enel Energie, CET Govora, Opcom. The weight of the main customers on the electricity market is about 56% in the Total Gross Receivables.

The current receivables for the balancing market, amounting to 190,126,707, registered a value decrease compared to December 31st, 2016, following a decrease in the transactions on this market.

- 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 June 30th, 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 30% (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 June 30th, 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 – June 30th, 2017, the amounts related to the bonus type support scheme have increased compared to December 31st, 2016, mainly due to the over-compensation decisions for 2016, issued in 2017. The overview of the receivables for the cogeneration scheme is 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 6,404,854 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 69,394,912 representing overcompensation for the year of 2016, on the grounds of reciprocal compensations made via the Management and Informatics Institute (on the grounds of DG no. 685 / 1999) (the amount of 20,585,328 with Enet SA, Modern Calor, Rulmenti Barlad, Soceram, Thermoenergy Group, Veolia Energie Iasi, Veolia Energie Prahova) and receipts in the bank account dedicated to the administration of the support scheme (the amount of 48,809,584 from CET Grivita, Electrocentrale Bucuresti, Termoficare Oradea, Thermoenergy Group, Veolia Energie Prahova)
- 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 June 30th, 2017, the Company registered receivables amounting to 195,902,580, 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 65,960,589, namely from Electrocentrale Bucuresti - 56,680,387, CET Govora - 9,280,602;
- contribution for cogeneration not collected from the suppliers of electricity consumers, in the amount of 34,133,065, namely from: Transenergo Com - 5.882.073, Enel Energie SA - 5.234.926, Enel Energie Muntenia - 5.196.100, 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

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for overcompensating the activity regarding the support scheme for the year of 2016:

- collections in the amount of 69,394,912, 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, Termoficare Oradea – 1,249,600, CET Grivita – 863,981, Thermoenergy Group – 21,418) 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 20,585,328 (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 – 453,780, Enet – 90,923);
- due receivables amounting to 70,518,595 (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 the Art. 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 liabilities 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 liabilities, according to the law.

Given the aforementioned 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 05.10.2016, 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 1,976,133 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).

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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 June 30th, 2017 the Company does not register provisions for the support scheme, the unrecovered value of these receivables being included in the cogeneration contribution.

Other Receivables

On June 30th, 2017, other receivables in the amount of 160,272,487 mainly included:

- down payments granted to the supplier ELCOMEX - IEA SA amounting to 31,180,858 have been granted to the supplier ELCOMEX - IEA SA for performing the projects:

- o Connecting the Isaccea-Varna 400 kV OHL and the Isaccea-Dobrudja OHL to the Medgidia Sud 400 kV substation – down payment amounting to 9,948,593;
- o Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to the 400 kV voltage - Stage I - Resita 400/220/110 kV substation – 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, by Hearing protocol no. 294/2017, upheld the application for a declaration of insolvency of the debtor Elcomex - IEA SA, naming Pricewaterhouse Coopers Business Recovery Services IPURL as insolvency administrator.

On the day of insolvency, CNTEE Transelectrica SA held the following agreements concluded with SC Elcomex IEA SA: C163/29.07.2015: “Converting the Portile de Fier – Resita - Timisoara – Sacalaz – Arad to 400 kV / the 400/220/110 kV Resita substation” and C255/18.11.2015 “Connecting the OHL 400 kV Isaccea-Varna and OHL 400 kV Isaccea-Dobruja in the 400 kV Medgidia Sud substation, stage I”. Following the declaration of insolvency of SC Elcomex IEA SA, CNTEE Transelectrica SA entered on its statement of affairs for the amount of 31,189,487 lei, representing the consideration of the down payment made to SC Elcomex IEA SA for the agreements no. C163/29.07.2015 and C255/18.11.2015 and other expenses.

Pricewaterhouse Coopers Business Recovery Services IPURL notifies CNTEE Transelectrica on August 7th, 2017, regarding the cancellation of the agreement C 163/29.07.2015 “Converting the Portile de Fier – Resita - Timisoara – Sacalaz – Arad to 400 kV / the 400/220/110 kV Resita substation”.

Considering that to this date, the amount to be recovered from Elcomex IEA SA is impossible to estimate, there have been no adjustments of depreciation registered for the amounts owed by Elcomex IEA SA;

- late payment penalties calculated to late paying clients, amounting to 57,873,836 (out of which the amount of 26,014,196 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 (9,606,504), SC Eco Energy SRL (8,909,843), SC Petprod SRL (8,894,655), Total Electric Oltenia (3,288,967), Arcelor Mittal Galati (2,952,319), Also Energ (2,121,010). 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 11,146,933 represented mainly by the advances on contracts concluded with the suppliers of electricity needed for covering the own technological consumption for future timeframes (5,747,120), a guarantee fee for the BEI 25710 loan (90,821) and commission of ING credit granting (518,007), levies paid for 2017 to national and international institutions (1,659,938), rents (591,841), ANRE yearly contribution (1,072,144);

- other long-term receivables amounting 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.

VAT to be recovered

On June 30th, 2017 the Company register VAT to be recovered amounting 84,031,607 out of which 77,713,568 were collected from the the state budget on July 5th, 2017.

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 from 2 - 4 Armand 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

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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. 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 June 30th, 2017, the down payments to suppliers are represented by the suppliers who are debtors for services amounted to 17,874,546, this represent amounts from transactions related to the price coupling mechanism. Application of the mechanism coupling through the price began on 19th November 2014, the date at which the project "4 Market Market Coupling" which provides the unification of the electricity markets DAM Square (Next Day Market) from Romania, Hungary, Czech Republic and Slovakia entered in the operating phase. 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 neighboring 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

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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 June 30th, 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 (18,565,447), SC Total Electric Oltenia SA (14,185,577), Romenergy Industry (13,512,997), Elsaco Energy (9,364,828), RAAN (8,584,128), Also Energ (7,177,167), Cet Brasov (4,719,146), 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 June 30th, 2017 and December 31st, 2016, the other financial assets were presented as follows:

	June 30th, 2017	December 31st, 2016
Bank deposits with maturity larger than 90 days	165,100,000	135,090,000
Total	165,100,000	135,090,000

On June 30th, 2017, the Company has bank deposits with maturity larger than 90 days from cash in current accounts, amounting to 165,100,000 (135,090,000 at December 31st, 2016).

8. Cash and Cash Equivalents

On June 30th, 2017 and December 31st, 2016, the cash and cash equivalents were presented as follows:

	June 30th, 2017	December 31st, 2016
Current accounts and bank deposits, out of which:	622,239,705	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	101,923,739	77,026,910
- cash from the connection fee	26,957,268	22,532,536
Petty cash	44,978	44,789
Other cash equivalents	91,287	37
Total	622,375,970	933,661,193

The bank deposits with maturity smaller than 90 days, constituted with cash available in current accounts (including cogeneration deposits) amounted to 228,196,247 at June 30th, 2017 and to 688,114,823 at December 31st, 2016.

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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 June 30th, 2017 and December 31st, 2016 is as follows:

Shareholder	June 30 th , 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	25,482,397	34.76%	25,797,725	35.19%
Other natural person shareholders	4,800,436	6.55%	4,485,108	6.12%
Total	73,303,142	100.00%	73,303,142	100.00%

The increase in equity on June 30th, 2017 compared to December 31st, 2016 was driven primarily by the profit allocation for 2016, on basis of registering the net profit in the reported result, amounting to 98,383,291, conducted on June 30th, 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 June 30th, 2017, the report of the deferred revenues is as follows:

	June 30 th , 2017	Of which: the short-term portion on June 30 th , 2017	December 31 st , 2016	Of which: the short-term portion on December 31 st , 2016
Deferred Revenues - interconnection capacity allocation	6,281,060	6,281,060	6,578,507	6,578,507
Deferred Revenues - European Funds	1,213,273	1,213,273	1,320,318	1,320,318

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Funds from the connection fee	312,985,786	21,977,796	319,025,555	21,082,024
European Funds	105,522,099	7,448,520	109,440,915	7,472,520
Other subsidies	30,804,618	1,568,106	31,618,306	1,671,705
Total	456,806,836	38,488,755	467,983,601	38,125,074

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

	<u>June 30th, 2017</u>	<u>December 31st, 2016</u>
Balance at the beginning of the period	38,125,074	33,408,244
Advance income related to the interconnection capacity	38,211,761	38,685,253
Income from European Funds	(17,660)	1,213,273
Transfer of long-term deferred income	768,173	(313,881)
Revenues from the use of the interconnection capacity	(38,509,208)	(34,867,815)
Revenues from European Funds	(89,385)	-
Total	<u>38,488,755</u>	<u>38,125,074</u>

In the first semester of 2017, CNTEE Transelectrica SA collected from the Ministry of Economy the amount of 49,627 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 substation, Stage II - 400 kV OHL d.c. Connections in the Medgidia Sud substation” 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 June 30th, 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 - June 2017, no withdrawals from loans were conducted.

Movements in loans during the three-month period ended on June 30th, 2017 are presented as follows:

	<u>Currency</u>	<u>Interest Rate</u>	<u>Book Value</u>	<u>Due Date</u>
Balance on January 1st, 2017			636,554,058	
New Withdrawals			-	
Refunds, from which:			(69,726,554)	
NIB PIL No 02/18	USD	LIBOR+0,9%	(3,742,345)	April 15 th , 2018
BIRD 7181	EUR	last communicated 0,06%	(15,927,560)	January 15 th , 2020
NIB PIL No 03/5	EUR	EURIBOR+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)	10-Sep-2025
BEI 25710	EUR	3,856%+2,847%	(5,494,383)	April 11 th , 2026
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			208,497	
Balance on June 30th, 2017			<u>567,036,001</u>	

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On June 30th, 2017 and December 31st, 2016, the balance of long-term loans contracted from credit institutions is presented as follows:

Description	June 30 th , 2017	December 31 st , 2016
NIB PIL No 02/18	7,010,475	11,337,158
BIRD 7181	58,585,550	74,348,437
NIB PIL No 03/5	15,710,955	20,889,060
NIB PIL No 02/37	8,410,366	11,182,303
KfW 10431	4,542,327	9,521,818
KfW 11300	2,373,271	9,611,198
BEI 25709	93,186,287	98,390,500
BEI 25710	100,711,250	105,910,484
ING + BRD	76,505,520	95,363,100
Unsecured Bonds	200,000,000	200,000,000
Total long-term loans from credit institutions, out of which:	567,036,001	636,554,058
Current portion of long-term loans	(122,163,242)	(134,624,060)
Total long-term loans net of current rates	444,872,759	501,929,998

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

	June 30 th , 2017	December 31 st , 2016
Between 1 and 2 years	292,208,736	311,711,992
Between 2 and 5 years	68,559,587	95,401,520
Over 5 years	84,104,436	94,816,486
Total	444,872,759	501,929,998

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:

	June 30 th , 2017	December 31 st , 2016
Current portion of long-term loans	122,163,242	134,624,060
Short-term bank loans - for current activities	43,107,907	-
Interest on long-term loans	2,724,072	3,140,317
Interest on bonds	6,574,444	440,555
Total short-term loans	174,569,665	138,204,932

- *Loans contracted for the current activity*

Transelectrica has contracted a credit line in March 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,

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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 June 30th, 2017 withdrawals from the credit line in the amount of 43,107,907 were, this also includes the payment of the interest expenses related to this credit line made (credit line not used on December 31st, 2016).

12. Trade Payables and Other Payables

On June 30th, 2017 and December 31st, 2016 trade payables and other liabilities are presented as follows:

	<u>June 30th, 2017</u>	<u>December 31st, 2016</u>
Electricity Market Suppliers	448,185,395	591,678,777
Providers of Assets	68,967,232	76,404,309
Providers of other activities	15,865,920	27,546,104
Amounts due to the employees	5,107,059	5,291,891
Other Liabilities	111,020,294	173,027,119
Total	<u>649,145,899</u>	<u>873,948,200</u>

On June 30th, 2017 and December 31st, 2016, outstanding debts on the energy market amounted to 448,185,395 and 591,678,777 respectively, and presented the following structure:

	<u>June 30th, 2017</u>	<u>December 31st, 2016</u>
Suppliers on the electricity market, out of which:		
- suppliers - operational activity	163,518,836	122,864,250
- suppliers - balancing market	135,189,105	286,774,831
- suppliers - the bonus type support scheme for promoting the high efficiency cogeneration	149,477,454	182,039,696
Total	<u>448,185,395</u>	<u>591,678,777</u>

- increase in the balance of debts related to the providers of operational activity was mainly determined by the increase in the prices on the competitive market related to the acquisition of ancillary services.

- the decrease in the balance of debts related to the balancing market was determined by the payment of current obligations on the electricity market on December 31st, 2016 and by the decrease in the trading volume on the balancing market.

The providers on the electricity market are represented mainly by: SC Hidroelectrica SA, Electrocentrale Bucuresti RAAN, Complex Energetic Oltenia, Mavir, Romgaz. On June 30th, 2017, their share in total energy providers is about 80%.

- the decrease in the debts related to the support scheme towards the suppliers (generators) was determined by the payment of liabilities current on December 31st, 2016, with payment deadline in 2017, as follows:

On June 30th, 2017, payment obligations were registered towards suppliers (producers) in the amount of 120,513,791 (Electrocentrale Bucuresti – 56,680,387, RAAN – 51,183,836, CET Govora SA – 12,649,568, 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, CET Govora 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.

The producers (RAAN, Electrocentrale Bucuresti, CET Govora) that have not agreed to this method of discharging the

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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 the Art. 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 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 5th, 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 June 30th, 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>June 30th, 2017</u>	<u>December 31st, 2016</u>
Different Creditors	79,636,617	134,201,186
Clients - creditors	21,054,234	29,283,054
Dividends to be paid	1,920,528	1,312,744
Other Liabilities	8,408,915	8,230,135
Total	<u>111,020,294</u>	<u>173,027,119</u>

On June 30th, 2017, the position “different creditors” in the amount of 79,636,617 represented mainly the net position of the support scheme for high efficiency cogeneration, which on June 30th, 2017 registers a debt position amounting to 73,988,438 (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

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paid to the high efficiency cogeneration energy producers, the beneficiaries of the support scheme, on the other hand.

“Customers creditors” on June 30th, 2017 amounted to 21,054,234, out of which 20,876,816 represent amounts collected in advance from MAVIR and OPCOM within the transactions related to the price coupling mechanism.

On June 30th, 2017, the dividends owed and unpaid to the Company's shareholders amount to 1,920,528, out of which the amount of 1,081,352 is related to dividends distributed from the profit of the year 2016. These amounts are available to the shareholders through the payment agent.

Other debts amounting to 8,408,915 are mainly represented by payment guarantees - energy market contracts and guarantees for the proper execution of service contracts concluded by CNTEE Transelectrica SA.

13. Other Taxes and Social Insurance Obligations

On June 30th, 2017 and December 31st, 2016, other taxes and social insurance obligations included:

	<u>June 30th, 2017</u>	<u>December 31st, 2016</u>
Contribution to social insurance funds	4,157,862	4,981,239
Payroll tax	1,567,869	1,928,808
Other taxes to pay	3,783,019	1,701,162
Total	9,508,750	8,611,209

On June 30th, 2017, the company registered payment obligations for contributions to social insurance funds, payroll tax and other taxes that were paid in the month of July, 2017.

Furthermore, on June 30th, 2017, the Company also registered taxes on dividends amounting to 2,244,426, taxes due in July 2017.

14. Corporate Tax

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 second quarter of 2017 and second quarter of 2016, as well as on June 30th, 2017 and June 30th, 2016 are presented as follows:

	<u>Q II 2017</u>	<u>Q II 2016</u>	<u>June 30th, 2017</u>	<u>June 30th, 2016</u>
Current corporate tax	8,064,579	14,576,611	24,994,167	35,441,515
Deferred corporate tax	(1,671,042)	(1,070,983)	(3,056,577)	(2,646,621)
Total	6,393,537	13,505,628	21,937,590	32,794,894

15. Operating Revenues

The second quarter of 2017 compared with the second quarter of 2016

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 are presented as follows:

	<u>Average Price for the transmission service</u>	<u>Average Price for the ancillary services</u>	<u>Average Price for the functional system services</u>
Order no. 27/2016 – for the second quarter of 2017	18.70	11.58	1.30
Order no. 93/2015 – for the second quarter of 2016	20.97	12.58	1.17

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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 in the second quarter of 2017, respectively the second quarter of 2016, is presented as follows:

	<u>Second quarter of 2017</u>	<u>Second quarter of 2016</u>
The amount of electricity delivered to consumers (MWh)	12,801,012	12,451,126

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

	<u>Second quarter of 2017</u>	<u>Second quarter of 2016</u>
Transmission Revenues	238,555,614	257,882,917
Revenues from allocating the interconnection capacity	14,678,313	17,937,179
Revenues from reactive energy	1,642,668	1,975,525
Revenues from Inter TSO Compensation (ITC)	326,776	7,863
Revenues from Own Technological Consumption (CPT) transactions	213,555	67,574
Transmission Revenues - total	255,416,926	277,871,058
Functional System Service Revenues	16,625,948	14,567,895
Revenues from the ancillary services	148,865,307	157,154,825
Revenues from unplanned shifts on DAM	657,400	310,972
System Service Revenues - total	166,148,655	172,033,692
Revenues on the balancing market	181,884,612	136,730,039
Other Revenues	10,619,192	7,752,756
Total Revenues	614,069,385	594,387,545

Transmission Revenues

Given the rise in the amount of electricity delivered to consumers in the second quarter of 2017 compared to the second quarter of 2016, namely of 2.81% or 349,886 MWh, the income from the transmission service has registered a decrease in the amount of 19,327,303, 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 second quarter of 2017, the income from functional system services have registered an increase compared to the second quarter of 2016, in the amount of 2,058,053, 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 second quarter of 2016, to 1.30 lei/MWh in the second quarter of 2017.

Revenues from allocating the interconnection capacity

In the second quarter of 2017, the income from the interconnection capacity allocation has registered an decrease compared to the second quarter of 2016, in the amount of 3,258,866, corresponding to the level of usage of the available interconnection capacity by traders on the electricity market.

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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.

Starting with 2016, the UIOSI principle has been implemented at the border with Bulgaria, and starting with 2017 at the border with Serbia as well. According to this principle the participants not using the capacity won at the annual and monthly auctions, are compensated (by Transelectrica) for that capacity. The spare capacity is subsequently 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 ancillary services

The income from the ancillary services have registered a decrease in the second quarter of 2017 compared to the second quarter of 2016 in the amount of 8,289,518, 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 2.81%.

The income from the ancillary services gained in the second quarter of 2017 was lower with 10,637,790 compared with the expenditures on the purchase of ancillary services that were achieved. The loss was caused by the unfavourable conditions on the energy market, translated in higher average unit prices in auctions compared to the foreseen unit prices on which the tariff calculation for ancillary services was based on.

This amount lowers the gross profit of the Company reported on June 30th, 2017.

Revenues on the balancing market

The income from the balancing market have registered an increase in the second quarter of 2017 compared to the second quarter of 2016, with the amount of 45,154,573, determined by:

- 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;
- 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.

The first semester of 2017 compared with the first semester of 2016

In the second semester of 2017 and the second semester of 2016, the average tariffs applicable in the second quarter of 2017 and in the second quarter of 2016 respectively, have been maintained.

The electricity volume delivered to consumers in the first semester of 2017 and in the first semester of 2016 is as follows:

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	First semester, 2017	Second semester, 2016
The amount of electricity delivered to consumers (MWh)	27,402,464	26,472,802

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

	First semester, 2017	Second semester, 2016
Transmission Revenues	511,376,659	551,502,507
Revenues from allocating the interconnection capacity	38,233,240	39,551,879
Revenues from reactive energy	3,186,638	3,857,674
Revenues from Inter TSO Compensation (ITC)	604,665	34,824
Revenues from Own Technological Consumption (CPT) transactions	605,157	156,527
Transmission Revenues - total	554,006,359	595,103,411
Functional System Service Revenues	35,607,835	30,974,222
Revenues from the ancillary services	318,908,051	334,581,165
Revenues from unplanned shifts on DAM	862,082	968,234
System Service Revenues - total	355,377,968	366,523,621
Revenues on the balancing market	805,047,971	366,613,123
Other Revenues	24,899,801	21,381,130
Total Revenues	1,739,332,099	1,349,621,285

Transmission Revenues

Given the rise in the amount of electricity delivered to consumers in the first semester of 2017 compared to the first semester of 2016, namely of 3.51% or 929,662 MWh, the income from the transmission service has registered a decrease in the amount of 40,125,848, 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 semester of 2017, the income from functional system services have registered an increase compared to the first semester of 2016, in the amount of 4,633,613, 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 semester of 2016, to 1.30 lei/MWh in the first semester of 2017.

Revenues from allocating the interconnection capacity

In the first semester of 2017, the income from the interconnection capacity allocation has registered a decrease compared to the first semester of 2016, in the amount of 1,318,639, 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.

Starting with 2016, the UIOSI principle has been implemented at the border with Bulgaria, and starting with 2017 at the border with Serbia as well. According to this principle the participants not using the capacity won at the annual and monthly auctions, are compensated (by Transelectrica) for that capacity. The spare capacity is subsequently sold in the daily

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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 ancillary services

The income from the ancillary services have registered a decrease in the first semester of 2017 compared to the first semester of 2016 in the amount of 15,673,114, 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 3.51%.

Revenues on the balancing market

The income from the balancing market have registered an increase in the first semester of 2017 compared to the first semester of 2016, with the amount of 438,434,848, determined by:

- 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 NPS;
- 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

The expenses in the second quarter of 2017 and in the second quarter of 2016 are as follows:

	Second quarter of 2017	Second quarter of 2016
Expenses on Own Technological Consumption	38,944,630	40,690,747
Expenses on Congestions	1,615	310,874
Expenses on electricity consumption in RET substations	3,120,811	7,250,017
Expenses on the Functional System Services	3,501,400	2,592,349
Expenses on Inter TSO Compensation (ITC)	6,722,231	6,780,202
Total Operational Expenses	52,290,687	57,624,189
Expenses regarding the ancillary services	159,503,097	143,326,495
Expenses on the balancing market	181,884,612	136,730,039
Total	393,678,396	337,680,723

Expenses on Own Technological Consumption

These represent the acquisition expenses of electricity in the free market of energy for covering its own technological consumption (CPT) in RET. Reducing these expenses with the amount of 1,746,117 in the second quarter of 2017 compared

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to the same period of the previous year was mainly determined by the reduction of the electricity volume necessary to cover the CPT in PTG with ca. 10% (215,335 MWh in the second quarter of 2017, compared to 240,845 MWh in the second 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 second quarter of the current year, the expenses on congestions have been registered to amount to 1,615.

Expenses on electricity consumption in RET substations

The decrease of 4,129,206 recorded in the second quarter of 2017 compared to the second quarter of 2016 was due to the temporary gap regarding the recording of expenses related to the electricity consumption at the substations in the first quarter of 2016. The settlement of the consumption in substations 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 neighboring countries and the expenses on unplanned exchanges on the Day-Ahead Market.

The expenses related to the functional system services have registered an increase amounting to 909,051 in the second quarter of 2017 compared to the second quarter of 2016, determined by the increase in the expenses related to unplanned electricity exchanges (unplanned exports), both on the balancing market and on the day-ahead market, due to the increase of the prices on the centralized electricity markets.

Expenditures on Inter TSO Compensation (ITC)

ITC expenses, amounting to 6,722,231, 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

Expenses regarding the ancillary services

The ancillary services are purchased by the Company from producers in order to comply with the operational security limits of the NPS 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 ancillary 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.

In the timeframe July 1st, 2016 - June 30th, 2017, the purchase of the ancillary 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).

In the second quarter of the current year, the expenditures regarding the ancillary services have recorded an increase compared to the second quarter of 2016, amounting to 16,176,602, determined by:

- increased of the share of regulated procurement of ancillary services in the total procurements of ancillary services;
- the procurement prices of ancillary services from the competitive market were higher than the regulated prices;
- SC Hidroelectrica SA's manifestation of dominant position on the ancillary services' market on the secondary reserve and fast tertiary reserve.

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

Expenses 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 second quarter of 2017, these amounted 181,884,612

The expenses in the first semester of 2017 compared with the ones in the first semester of 2016 are as follows:

	First semester, 2017	Second semester, 2016
Expenses on Own Technological Consumption	100,983,892	89,501,551
Expenses on Congestions	41,360	2,903,857
Expenses on electricity consumption in RET substations	7,389,595	7,449,543
Expenses on the Functional System Services	8,642,749	7,187,966
Expenses on Inter TSO Compensation (ITC)	12,025,231	13,440,202
Total Operational Expenses	129,082,827	120,483,119
Expenses regarding the ancillary services	319,024,315	332,973,205
Expenses on the balancing market	805,047,971	366,613,123
Total	1,253,155,113	820,069,447

Expenses on Own Technological Consumption

Technological consumption expenses (CPT) are represented by electricity procurement costs as necessary to maintain installations under voltage and provide electricity transmission through the interconnected electricity grid.

In the first semester of 2017, these expenses have increased with the amount of 11,482,341 compared to the ones registered in the similar period of the previous year, given the reduction of the electricity quantity necessary to cover the CPT in PTG with ca. 7% (from 507,744 MWh in the first semester of 2016, to 472,189 MWh in the first semester of 2017).

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 semester 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 209.8 lei/MWh, compared to the average purchase price of 175.2 lei/MWh in the first semester 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 semester of the current year, the expenses on congestions have been registered in the amount of 41,360, being lower than the ones registered in the first semester of the previous year, the latter amounting to 2,903,857.

The registered congestion expenses in the first semester of 2016 resulted to a great extent from accidental disconnections, bad meteorological conditions recorded in the first part of 2016 (Tariverde – Tulcea Vest 400 kV OHL, in the month of January 2016, Iernut – Gadalin 400 kV OHL, Iernut – Baia Mare III 220 kV OHL, in the month of June 2016).

In order to comply with the safety criterion in the Dobrogea region, the balancing market reduced the values notified by the Dobrogea WPP, which inputs into the 110 kV electricity grid from Dobrogea (except for the Pantelimon WPP and the Cerna WPP) and into the Tariverde 400 kV OHL substation.

Expenses regarding the functional system services

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These expenditures have registered an increase in the first semester of 2017, increase amounting to 1,454,783, mainly determined by the increase in the expenditures on the day-ahead market regarding the unplanned electricity exchanges (exports) with the neighboring countries connected to the NPS.

Expenditures on Inter TSO Compensation (ITC)

The monthly payment/collection obligations for each transmission system operator (TSO) are set forth within the clearing (settlement) mechanism for the effects of using the PTG for electricity transfers between the OTS from the 35 countries that acceded to this mechanism within the ENTSO-E. In the first semester of the current year, these expenses have been with 1,414,971 lower compared to the first semester of 2016.

Expenses regarding the ancillary services

The expenditures regarding the ancillary services have recorded a decrease in the first semester of 2017, in the amount of 13,948,890.

In the reported period, the Company purchased ancillary services under regulated regime pursuant to the ANRE decisions and the applicable legal regulations.

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 ancillary 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.

In the timeframe January 1st, 2017 - June 30th, 2017, the purchase of the ancillary 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 ancillary services purchased from producers, to the electricity suppliers licensed by ANRE, entities who ultimately benefit from these services.

Expenses on the balancing market

The expenses for the first semester of the current year related to the balancing market amounted to 805,047,971 following the evolution presented in the chapter *Revenues on the balancing market*.

These expenses result from the notifications / achievements of the participants on this market, and are fully covered by the income from the balancing market.

17. Expenses on staff

	Second quarter of 2017	Second quarter of 2016
Expenses on staff wages	31,432,917	30,896,771
Social expenses	2,115,526	1,560,221
Expenses with employee vouchers	2,890,096	1,023,772
Expenses regarding employees' participation to the profit of the previous year	6,423,004	6,452,340
Expenses of the mandate contract and other committees, commissions	452,635	384,824
Expenses for social security and protection	10,756,283	10,712,071
Provisions constituted for expenses with wages and similar expenses	(7,908,656)	(7,889,233)
Other expenses	255,807	268,054
Total	46,417,612	43,408,820
	First semester of 2017	Second semester of 2016
Expenses on staff wages	62,745,588	61,028,952
Social expenses	2,344,158	1,986,675

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Expenses with employee vouchers	3,988,057	2,128,976
Expenses regarding employees' participation to the profit of the previous year	6,423,004	6,452,340
Expenses of the mandate contract and other committees, commissions	839,280	797,324
Expenses for social security and protection	19,037,163	19,787,546
Provisions constituted for expenses with wages and similar expenses	(7,959,620)	(7,918,701)
Other expenses	423,717	452,596
Total	87,841,347	84,715,708

Such expenses increased in the analyzed period as compared to the same interval of the previous year, which was mainly determined by:

- increase of salary costs of personnel with the amount of 1,716,636 following the enforcement of the new Remuneration system starting with 01.01.2017;
- increase of expenses with employee vouchers with the amount of 1,859,081. In the first semester of 2017 vacation vouchers have been distributed to the employees starting with May 2017, compared to the first semester of the previous year when these were not distributed (the distribution of these vouchers started in July 2016, the first year when the Company has granted vacation vouchers).

18. Other Operating Expenses

	Second quarter of 2017	Second quarter of 2016
Other expenses on third party services	12,358,512	12,908,008
Postal expenses and telecommunication fees	288,827	341,959
Expenses on rents	2,075,187	1,841,721
Operating expenses related to the impairment of current assets	11,807,838	13,549,896
Other expenses	10,487,611	16,629,548
	37,017,975	45,271,132

	First semester of 2017	Second semester of 2016
Other expenses on third party services	23,873,315	21,641,529
Postal expenses and telecommunication fees	561,571	637,852
Expenses on rents	4,162,694	3,724,362
Operating expenses related to the impairment of current assets	27,553,521	12,061,069
Other expenses	20,043,183	24,559,282
	76,194,284	62,624,094

Such expenses increased in the period reported in the current year, compared to the similar period in 2016, mainly determined by the increase of the "Operating expenses related to the impairment of current assets".

19. Net Financial Result

	Second quarter of 2017	Second quarter of 2016
Interest Revenues	1,465,122	1,418,521
Revenues from exchange rate differences	3,970,290	699,218
Other financial revenue	8,449	3,083,635
Total Financial Revenue	5,443,861	5,201,374
Expenses on Interest	(5,477,635)	(6,111,548)
Expenses from exchange rate differences	(3,670,792)	(6,713,073)
Total Financial Expenses	(9,148,427)	(12,824,621)
Net Financial Result	(3,704,566)	(7,623,247)

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	First semester of 2017	Second semester of 2016
Interest Revenues	2,975,715	3,348,465
Revenues from exchange rate differences	9,069,649	11,619,197
Other financial revenue	22,364	3,103,568
Total Financial Revenue	12,067,728	18,071,230
Expenses on Interest	(11,041,753)	(12,427,555)
Expenses from exchange rate differences	(9,395,230)	(11,171,691)
Total Financial Expenses	(20,436,983)	(23,599,246)
Net Financial Result	(8,369,255)	(5,528,016)

The net financial result was negatively influenced mainly by the evolution of the position corresponding to other financial income. In 2016, this included the dividends collected from the Company's subsidiaries. In the first semester of 2017, the dividends corresponding to the Company's participation in TELETRANS have not been collected before June 30th, 2017.

The average exchange rate of the national currency registered in the first semester of 2017 and in the first semester of 2016 is as follows:

Currency	First semester of 2017	Second semester of 2016
Lei / Euros	4.5362	4.4953
Lei / US Dollars	4.1927	4.0302

20. Litigations and 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 docket 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. On March 21st, 2017, the High Court of Cassation and Justice admitted the appeal declared by defendant National Power Grid Company "Transelectrica" SA against decision no. 843/2015 of November 5th, 2015, pronounced by the Court of Appeal Craiova – Section II Civil. Final Hearing: September 7th, 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 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.

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 docket 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 docket 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.

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 ruling 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 docket 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 13th, 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.

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• 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 docket 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 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 September 15th, 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: September 6th, 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 aforementioned Order, or the issuance of a new order, which should

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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. 96 / 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 – electro-energetic 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 September 5th, 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.

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 docket 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 de 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 aforementioned file, Transelectrica SA filed an appeal, which was registered on the docket of the Court of Appeal Bucharest. The resolution of the Court of Appeal is the following: Admits

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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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 docket 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 Power Grid Company 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 Power Grid Company 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 September 28th, 2017.

- The company is involved in significant litigations in which it has the quality of plaintiff, especially for debt recovery (e.g. 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, Elcomex). The company recorded adjustments for valuable losses for the customers and other receivables in litigation and for the customers in bankruptcy. The Company also acted as plaintiff in a dispute with ANAF as shown in Note 6.

- The Company is also involved in litigations with former Directorate and Supervisory Board members regarding mandate contracts, in which has the quality of defendant.

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

Contingencies

At Transelectrica SA's headquarters the general tax inspection took place, which regarded the period between December 2005 and December 2010. The general tax inspection commenced on December 14th, 2011 and ended on June 26th, 2017, the date of the final discussion with Transelectrica SA.

ANAF – DGAMC set forth additional tax payment liabilities to the Company, respectively corporation tax and VAT, as well as ancillary tax liabilities (interest/late interest and late payment interest) related to the ancillary services (STS) invoiced by the electricity suppliers, considered not deductible following the tax inspection.

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On the grounds of the Notice of assessment no. F-MC 439/30.06.2017 amounting to a total of 99,013,399 lei, ANAF – DGAMC set forth additional tax payment liabilities to the Company amounting to 35,105,092 lei, as well as ancillary tax liabilities (interest/late interest and late payment interest) amounting to 63.908,307 lei.

ANAF's Tax inspection report mainly records the following additional payment liabilities:

- Corporation tax amounting to 13,726,800 plus accessories, owed for a number 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 from 2 – 4 Armand Calinescu Street, District 2, where the company carried out its activity), documents under special regime.

These invoices were subject to a litigation with ANAF, the latter sending a tax inspection report on September 20th, 2011 which estimated the amount of collected VAT for a number of 123 unused invoices identified as missing.

At the hearing from April 30th, 2014, 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 rejected "the application of the defendant CNTEE Transelectrica SA is rejected (Complaint against the Fiscal administrative document issued by ANAF)".

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.'

- Corporation tax amounting to 4,795,483 and collected VAT amounting to 5,694,636 plus accessories, owed for a number of 349 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 from 2 - 4 Armand Calinescu Street, District 2, where the company carried out its activity), documents under special regime;
- Corporation tax amounting to 4,320,277 and collected VAT amounting to 5,130,329 plus accessories, related to the expenses on ancillary services invoiced by the generators in the time interval between January 1st, 2007 and December 31st, 2010 and according to which the Company issued penalty invoices calculated by applying a percentage of 200% on the unit price without VAT, multiplied by the quantity of services not carried out. According to the findings of the tax inspection team, based on the issued penalty invoices non-deductible expenses have been set forth for the ancillary services not performed / not carried out, which generates additional corporation tax to be paid, as well as additional VAT to be paid, corresponding to the ancillary services not performed / not carried out, invoiced by the electricity suppliers,

The company sent within the legal deadline, accordingly to the provisions of Government Emergency Ordinance no. 92 / 2003, regarding Fiscal Procedure Code, the appeal to the Notice of assessment no. F-MC 439/30.06.2017.

21. Affiliated Parties

i) Transactions with Branches of the Company

Entity	Country of Origin	June 30 th , 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 docket 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 aforementioned decisions and the suspension

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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 docket 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 / 23.05.2016, by which it ordered the following: “Rejects the appeal as groundless. Admits the notification of 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 7th April, 2014, it was accepted by the National Trade Register, the file registration number 121452 / 3rd April 2014 involving the deregistration of the Subsidiary Institute for Energy Research and Modernization – ICEMENERG SA Bucharest. Through the order no. 123 / 13th March 2014 (act of registration and authorization of functioning), was registered at the Trade Register the ‘National Institute of Research and Development for Energy Bucharest’ (GD no. 925 / 2010). The company filed a complaint against the resolution of ORC director ordering the registration in the trade register of the deregistration of the Subsidiary ICEMENERG SA Bucharest.

Bucharest Court, Civil Section VI, through the sentence no.3569 / 14th July 2014 pronounced in the file no.15483 / 3/2014, in which the company was found in contradiction with the defendants the Subsidiary Institute for Energy Research and Modernization “Icemenerg” S.A. Bucharest and the National Institute of 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 until the deregistration at ORC (Trade Register Office). The Court of Appeal has notified on the 24th February 2015 the solution pronounced in the file no. 15483 / 3 / 2014 and namely Decision no. 173 / 2015, which dismissed the appeal of CNTEE Transelectrica SA as unfounded, the decision being final.

Against the Decision no. 173 / 2015, pronounced by Bucharest Court of Appeal, Transelectrica SA filed an appeal for annulment, which makes the object of the file no. 1088 / 2 / 2015 on the docket of the Court of Appeal - Civil Division VI, with hearings on 13th May, 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.

On June 9th, 2017, the Bucharest Court – Section VI Civil pronounced the entering into bankruptcy under the simplified procedure of the debtor subsidiary ICEMENERG SERVICE – SA, and appointed Solvendi SPRL as temporary liquidator.

In 2016, the Company registered an impairment amounting to 493,000 for the shares held by the SC ICEMENERG SERVICE SA subsidiary.

The total value of the shares held by the Company in its subsidiaries amounted to 78,038,750 on June 30th, 2017, 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	
	June 30 th , 2017	December 31 st , 2016	June 30 th , 2017	December 31 st , 2016
SC SMART SA	62,147	404,257	5,089,178	15,471,838
SC TELETRANS SA	233,003	267,525	4,454,180	6,531,203
SC FORMENERG SA	0	0	0	3,960
SC OPCOM SA	28,461,701	30,921,913	6,265,409	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.

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

AFFILIATE ENTITY	Sales			
	Second quarter of 2017	Second quarter of 2016	First semester of 2017	First semester of 2016
SC SMART SA	128,973	163,109	363,827	507,248
SC TELETRANS SA	260,222	2,145,531	492,893	2,356,101
SC OPCOM SA	302,593,668	73,569,967	452,158,146	182,593,044
TOTAL	302,982,863	75,878,607	453,014,866	185,456,393

AFFILIATE ENTITY	Purchases			
	Second quarter of 2017	Second quarter of of 2016	First semester of 2017	First semester of 2016
SC SMART SA	12,187,941	20,228,117	27,910,913	36,756,412
SC TELETRANS SA	5,878,902	7,200,089	14,853,264	11,850,156
SC FORMENERG SA	47,055	5,169	47,055	85,940
SC OPCOM SA	25,233,293	27,647,707	112,492,488	53,341,185
TOTAL	43,347,191	55,081,082	155,303,720	102,033,693

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 labor agreement and upon post-employment. These are detailed as follows:

	Second quarter 2017	Second quarter 2016	First semester 2017	First semester 2016
Short-Term Benefits	2,679,328	2,468,494	6,139,778	4,931,326
Other long-term benefits	-	23,367	31,596	70,470
Total	2,679,328	2,491,861	6,171,374	5,001,796

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 systematic 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

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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:

	June 30th, 2017	December 31st, 2016
Financial Assets		
Net Trade Receivables	697,060,335	764,760,133
Other Net Receivables	40,190,224	87,211,550
Cash and Cash Equivalents	622,375,970	933,661,193
Other Financial Assets	165,100,000	135,090,000
Total	1,524,726,529	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 June 30th, 2017	Adjustment of depreciation June 30th, 2017	Gross Value December 31st, 2016	Adjustment of depreciation December 31st, 2016
Not due	523,474,386	4,032,266	639,151,930	4,568,505
Due date exceeded by 1 to 30 days	10,031,491	61,095	12,638,227	-
Due date exceeded by 31 to 90 days	72,236,962	1,666,950	5,519,233	-
Due date exceeded by 90 to 180 days	34,561,789	26,042,731	836,994	359,345
Due date exceeded by 180 to 270 days	7,488,373	2,725,102	27,274,940	7,725,361
Due date exceeded by 270 to 365 days	864,994	778,615	6,206,328	-
Due date exceeded by more than a year	176,843,427	93,134,327	173,710,511	87,924,820
Total	825,501,422	128,441,087	865,338,164	100,578,031

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

	Gross Value June 30th, 2017	Adjustment of depreciation June 30th, 2017	Gross Value December 31st, 2016	Adjustment of depreciation December 31st, 2016
Not due	35,158,004	9,780	64,477,570	323,854
Due date exceeded by 1 to 30 days	107,249	36,592	15,861	8,810
Due date exceeded by 31 to 90 days	127,499	38,379	56,503	30,487
Due date exceeded by 90 to 180 days	209,592	105,838	6,064,159	4,791,499
Due date exceeded by 180 to 270 days	53,718	19,516	2,317,148	669,292
Due date exceeded by 270 to 365 days	6,046,684	4,919,535	3,159,723	594,621
Due date exceeded by more than a year	105,263,429	83,771,766	101,200,666	83,661,517
Total	146,966,175	88,901,406	177,291,630	90,080,080

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On June 30th, 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 (18,565,447), SC Total Electric Oltenia SA (14,185,577), Romenergy Industry (13,512,997), Elsaco Energy (9,364,828), RAAN (8,584,128), Also Energ (7,177,167), CET Brasov (4,719,146), 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:

	<u>June 30th, 2017</u>	<u>December 31st, 2016</u>
Balance on the 1st of January	100,578,031	87,986,497
Recognition of impairments	33,840,741	21,129,610
Reversal of impairments	(5,977,685)	(8,538,076)
Balance at the end of the period	128,441,087	100,578,031

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

	<u>June 30th, 2017</u>	<u>December 31st, 2016</u>
Balance on the 1st of January	90,080,080	84,159,760
Recognition of impairments	246,992	7,501,245
Reversal of impairments	(1,425,666)	(1,580,925)
Balance at the end of the period	88,901,406	90,080,080

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 related to 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, Garanti Bank, Alpha Bank, Banca Transilvania, Exim Bank.

23. Subsequent Events

The ANRE Order no. 48/2017 on 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 regulated price for reactive electrical energy

In the Official Journal no. 489 / 28.06.2017 the ANRE Order no. 48/2017 on 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 regulated price for reactive electrical energy, payable to the Company.

Credit rating Fitch ratings

On July 4th, 2017, international rating agency Fitch Ratings assigned to the Company a BBB rating, stable outlook. This credit opinion recognizes Company's effort to achieve operational excellence and for its responsible approach to the business environment in which it operates.