



CNTEE TRANSELECTRICA SA

QUARTERLY REPORT
January - September
2017

	Key figures	1
	Financial data	2
	Operational data	11
	Investments	15
	Significant events	17
	Miscellaneous	21
	Annexes	27

**QUARTERLY REPORT REGARDING THE ECONOMICAL AND FINANCIAL ACTIVITY OF CNTEE
"TRANSELECTRICA" SA**

**according to provisions of Article 67 of Law no. 24 / 2017 on the capital market and the CNVM
Regulation no. 1 / 2006 issued by the National Securities Commission, currently the Financial
Supervisory Authority (ASF)**

for the period ending on September 30th, 2017

Report date:	November 15 th , 2017
Company name:	National Power Grid Company TRANSELECTRICA SA, two-tier company
Registered office:	Bucharest, No. 33 Gen. Gheorghe Magheru Blvd., 3 rd district, ZIP code 010325
Operational office:	Bucharest, No. 2 - 4, Olteni Street, 3 rd District, ZIP code 030786
Telephone / fax:	021 303 5611 / 021 303 5610
Unique registration code:	13328043
Number in the Commercial Register:	J40 / 8060 / 2000
LEI Code (Legal Entity Identifier)	2549000LXOUQC90M036
Company's establishment date:	July 31 st , 2000 / OUG 627
Share capital:	733,031,420 lei, subscribed and paid
Trading regulated market for the issued securities:	Bucharest Stock Exchange, Premium Category
The main features of the issued securities:	73,303,142 shares with a nominal value of 10 lei / share, dematerialized, registered, ordinary, indivisible shares, freely tradable from August 29 th , 2016 under the TEL symbol. 20,000 bonds with a nominal value of 10,000 lei / bond, nominative, dematerialized and unsecured bonds, traded at the BSE, the Credit Title sector – 3 rd Category, corporate Bonds under the TEL 18 symbol, within the category; Maturity date December 19 th , 2018.
Total market value:	2,096,469,861 RON (28.60 RON / share at September 30 th , 2017)
Applied accounting standard:	International Financial Reporting Standards
Audit:	The financial statements drafted on September 30 th , 2017 are not audited

RESPONSIBLE PERSONS' STATEMENT

To our knowledge, the preliminary financial data for the nine-months period ended on September 30th, 2017, had been drafted according to the International Accounting Standard 34 – “Interim Financial Reporting” and provide a correct and realistic view of CNTEE Transelectrica’s assets, bonds, financial position, profit and loss account.

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

Bucharest, November 13th, 2017

Directorate,

**Georgeta-Corina
POPESCU**

**Andreea Georgiana
FLOREA**

**Dan-Valeriu
ARDELEAN**

**Mircea-Toma
MODRAN**

**Florin-Cristian
TĂTARU**

**Directorate
Chairman**

**Directorate
Member**

**Directorate
Member**

Directorate Member

**Directorate
Member**



Key figures 9M 2017 vs 9M 2016

Key figures – 2017

FINANCIAL		
2,414 mil lei	▲ 27.2% y/y	Revenues
335 mil lei	▼ 33.8% y/y	EBITDA
65 mil lei	▼ 69.6% y/y	Net income
40.51 TWh	▲ 3.4% y/y	Charged energy volume**

OPERATIONAL		
2.17* %	▼ 0.15pp y/y	OTC
32.57 TWh	▲ 2.15% y/y	Transmitted energy***

CPT Own Technological Consumption

* The value of own technological consumption in the electric energy taken over by the power transmission grid (transmitted energy).

** The charged quantity is defined as the amount of energy extracted from the public electricity grids (transmission grid and distribution grid), except the exports of energy.

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

INVESTMENTS		
135.21 mil lei	▲ 15.1% y/y	Purchase of tangible and intangible assets****
99.50 mil lei	▼ 98.3% y/y	Fixed assets recorded in the accounts (PIF)

**** The amount corresponding to 9M 2016 does not include the unused advance payment corresponding to the new line section Porțile de Fier – (Anina) – Reșița



Financial data

The summary of the financial results on September 30th, 2017 is presented in the tables below. The financial results are not audited and the extended version for the same time period is presented in the Annexes to this Report.

Separate Statement of profit and loss				
[mn RON]	9Mo 2017	9Mo 2016	Δ	Δ (%)
Charged energy volume - TWh	40.51	39.16	1.3	3%
ALLOWED PROFIT ACTIVITIES				
Operational revenue	884	933	(49)	(5.3)%
Transmission	794	852	(59)	(7)%
Functional System Services	52	49	4	7%
Other Revenues	38	32	6	18%
Operational Costs	493	462	31	7%
System Operation Costs	152	132	19	15%
Repairs and Maintenance	80	86	(6)	(7)%
Salaries and other Retributions	140	140	0	0%
Other Costs	121	103	18	17%
EBITDA	391	472	(81)	(17)%
Depreciation	234	244	(10)	(4)%
EBIT	157	228	(71)	(31)%
ZERO-PROFIT ACTIVITIES				
Operational revenue	1,531	965	566	59%
Technological System Services	445	481	(36)	(7)%
The Balancing Market	1,085	484	602	124%
Operational Costs	1,587	931	656	70%
Technological System Services	502	447	54	12%
The Balancing Market	1,085	484	602	124%
EBIT	(56)	34	(90)	n/a
ALL ACTIVITIES (WITH ALLOWED PROFIT AND ZERO-PROFIT)				
Operational Revenue	2,414	1,898	516	27%
Operational Costs	2,080	1,393	687	49%
EBITDA	335	505	(171)	(34)%
Depreciation	234	244	(10)	(4)%
EBIT	101	261	(161)	(62)%
Financial Result	(14)	(4)	(10)	288%
EBT	87	258	(171)	(66)%
Corporate Tax	22	44	(22)	(50)%
Net income	65	213	(149)	(70)%

Separate Statement of Financial Position				
[mil RON]	September 30 th , 2017	December 31 st , 2016	Δ	Δ (%)
Fixed Assets				
Property, Plant and Equipment	3,073	3,190	(117)	(4)%
Intangible Assets	15	14	1	4%
Financial Assets	78	78	0	0%
Other Fixed Assets	0	10	(10)	n/a
Total Fixed Assets	3,166	3,292	(126)	(4)%
Current Assets				
Inventories	32	30	2	7%
Receivables	886	852	34	4%
Other Financial Assets	0	135	(135)	n/a
Cash and equivalents	736	934	(198)	(21)%
Total Current Assets	1,655	1,951	(296)	(15)%
TOTAL ASSETS	4,821	5,243	(422)	(8)%
Shareholders' Equity	3,007	3,108	(101)	(3)%
Non-Current Liabilities				
Loans	398	502	(104)	(21)%
Other Liabilities	483	503	(20)	(4)%
Total Non-Current Liabilities	882	1,005	(124)	(12)%
Current Liabilities				
Loans	128	138	(10)	(7)%
Other Liabilities	804	992	(188)	(19)%
Total Current Liabilities	932	1,130	(198)	(18)%
Total Current Liabilities	1,814	2,135	(322)	(15)%
Shareholders' Equity and Liabilities	4,821	5,243	(422)	(8)%

Separate Statement of Cash Flow				
[mn RON]	9Mo 2017	9Mo 2016	Δ	Δ (%)
Cash flow before the changing of working capital	360	507	(147)	(29)%
Treasury Flows from the Operating Activity	103	488	(385)	(79)%
Net cash from the exploitation activity	87	425	(338)	(80)%
Net cash from the investments activity	6	(303)	310	n/a
Net cash used in the financing activity	(291)	(348)	57	(16)%
Net decrease in cash and cash equivalents	(198)	(227)	29	(13)%
Cash and cash equivalents on January 1st	934	974	(41)	(4)%
Cash and cash equivalents at the end of the period	736	748	(12)	(2)%

OPERATIONAL RESULTS

Charged energy volume

In 9 months of 2017, the total charged energy volume for the services performed on the energy market (40,51 TWh) registered an increase of 3.44% compared to the 9 months of 2016 (the difference between the two periods being +1,4 TWh).

This trend was identified in every month of 2017, mainly in the months of January and February when, due to the very low temperatures, the energy consumption was higher.

Operational revenue

The total operational revenue of 9 months of 2017 registered a 27.20% increase compared to the similar period of the previous year (2,414 mil lei in 9 months of 2017, from 1,898 mil lei in 9 months of 2016).

The **allowed profit activities** segment registered a 5.30,% decrease in revenues (884 mil lei in 9 months of 2017 from 933 mil lei in 9 months of 2016), determined by the lowering of average tariffs for the transmission service starting with July 1st, 2016, given the increase in energy consumption.

The revenues from the interconnection capacity allocation registered a 4.39% decrease compared to the amount achieved in the first 9 months of 2016 (57 mil lei in 9 months of 2017 from 59 mil lei in 9 months of 2016) related to the usage level of the interconnection availability by the traders on the energy 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.

On November 19th, 2014, the establishment of the regional energy exchange by Romania, Hungary, The Czech Republic and Slovakia means these four countries should reach the same electricity price for the volumes traded on spot markets. Capacity allocation between Romania and Hungary, the only one of the 3 countries Romania has a border with, is performed by the transmission operators: Transelectrica and MAVIR, using a common mechanism based on a bilateral agreement.

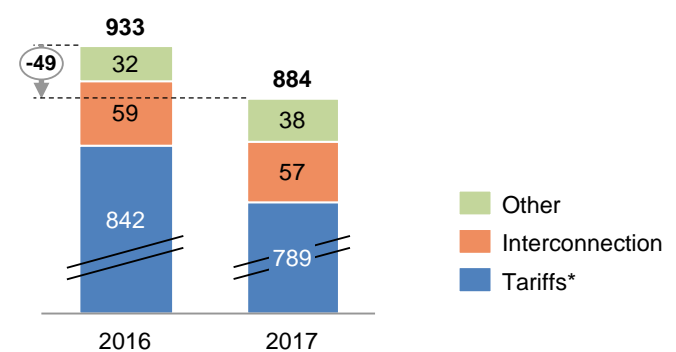
Starting with 2016, the UIOSI principle has been implemented at the border with Bulgaria, and starting with 2017 at the border with Serbia as well. According to this principle the participants not using the capacity

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.

Operational revenue from allowed profit activities
(mil lei)



*includes the revenues from the transmission tariff and the tariff related to the functional system services

The **zero-profit activities** revenues registered a 59% increase (1,531 mil lei in 9 months of 2017 from 965 mil lei in 9 months of 2016), determined mainly by the 124.39% increase of revenues on the balancing market, following the:

- The increase of the negative imbalance registered at the level of electricity suppliers on the balancing market;
- 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:
 - Danube flow decrease;
 - 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).

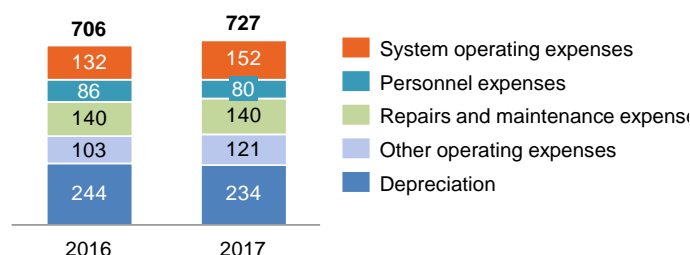
In 9 months of 2017, the revenues from the performed technological services decreased with 7% compared to the same period of 2016, due to the lowering of the average tariffs for technological system services starting with July 1st, 2016, given the energy consumption increase.

Operational expenses

The total operational expenses (including depreciation) of 9 months of 2017 rose by 37.72% compared to the similar period of the previous year (1,611 mil lei, from 1,169 mil lei in 9 months of 2016).

In the **allowed profit activities** segment, the expenses (including depreciation) registered a 3.55% increase (487 mil lei from 470 mil lei in 9 months of 2016).

Operational costs from allowed profit activities
(mil lei)

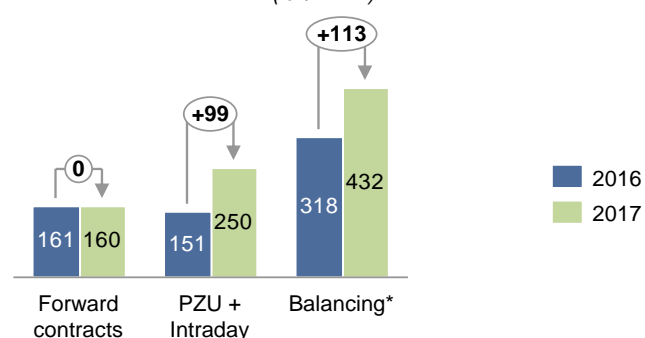


CPT: The total cost with the acquisition of energy necessary to cover the own technological consumption increased with 17.89% in 9 months of 2017 compared to the similar period in 2016.

The energy quantity necessary for CPT was lower in the first 9 months of 2017, registering the value of ca. 708 GWh compared to 742 GWh in the same period of 2016.

Regarding the acquisition prices from January-September 2017, the average unit acquisition cost registered a significant increase of 17.15% (214.1 lei/MWh in January-September 2017 compared to 174,3 lei/MWh in January-September 2016), determined by the very low temperatures, compared to the similar period of 2016, in conjunction with the unavailability extension of important power plants.

Average acquisition prices
(lei / MWh)



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 period of January-September 2017, the value of registered congestions is insignificant (0.09 mil lei).

The **zero-profit activities** segment registered a 70.43% cost increase (1,587 mil lei from 931 mil lei in the same period of 2016), determined by the increase of expenses on the balancing market.

In the period January - September 2017, the technological system services expenses registered a 12.11% decrease compared to the similar period of 2016.

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 - September 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).

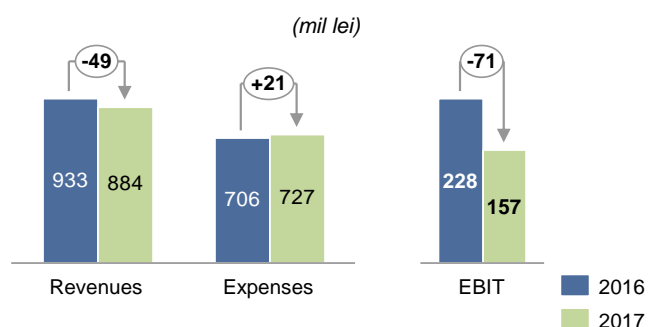
CNTEE Transelectrica SA re-invoices the value of the ancillary services purchased from producers, to the electricity suppliers licensed by ANRE, entities who ultimately benefit from these services.

Operational Profit

EBITDA registered a 33.78% decrease compared to the similar period of the previous year (335 mil lei from 505 mil lei in the period of January-September 2016), this evolution being caused mainly by the lowering of the average tariffs approved by ANRE for the transmission system.

The **allowed profit activities** registered a positive result of 157 mil lei, lowered to 228 mil lei due to the lowering of the transmission tariffs.

EBIT structure for allowed profit activities



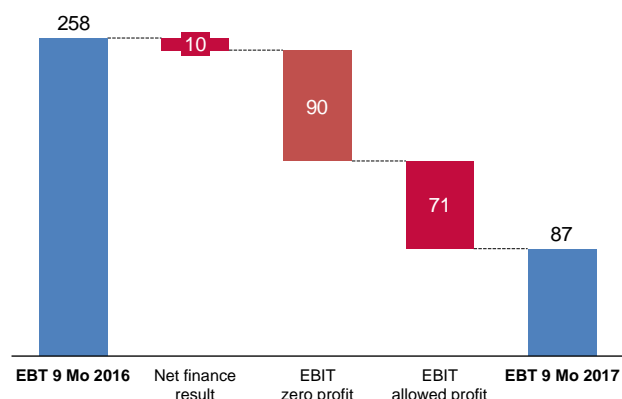
EBIT generated by the **zero-profit activities** registered a negative result of 56 mil lei.

For the entire activity, **EBIT** registered a ca. 61.51% decrease (101 mil lei from 261 mil lei in the period of January-September 2016).

Gross Profit (EBT)

The gross profit registered a 66.33% decrease, from 258 mil lei in the period of January-September 2016 to 87 mil lei in the period of January-September 2017. The difference between the profit registered in 9 months of 2017 and 9 months of 2016, broken down in the constitutive elements of the profit, is presented in the graph below.

EBT structure
(mil lei)

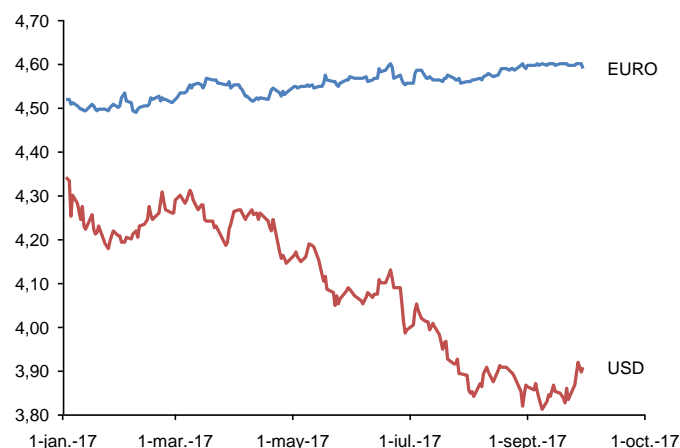


Financial Result

The net financial result registered in the period January - June 2017 was negative amounting to 14 mil lei, due to the evolution of the position related to other financial revenues influenced by the evolution of the exchange rate of the national currency to foreign currencies (euro and dollar) in which the Company concluded bank loan agreements for financing the investment programs.

Thus, compared to the net financial result recorded in the period of January-September 2017, the net loss registered in the period of January-September 2017 rose by 288%.

Exchange rate evolution



Net income

The net profit registered a ca. 69.63% decrease compared to the one registered on 9 months of 2016 (65 mil lei from 213 mil lei), evolution mainly determined by the decrease of income from the energy transmission service.

FINANCIAL POSITION

Fixed Assets

Fixed assets registered a 4% decrease at September 30th, 2017, compared to December 31st, 2016, mainly following the registration of property, plant and equipment depreciation related to the period and due to the increase of the amounts related to pending property, plant and equipment.

Current Assets

Current assets recorded a 15% decrease at September 30th, 2017 (1,655 mil lei) compared to the value registered at December 31st, 2016 (1,951 mil lei), influenced by the 21% decrease in cash and cash equivalents, due to the decrease in bank deposits with maturity lower than 90 days, constituted from current accounts (including cogeneration deposits) from 688 mil on December 31st, 2016, to 450 mil on September 30th, 2017.

On September 30th, 2017, the trade receivables and other receivables registered a 4% increase.

Based on the component analysis a 12% decrease in trade receivables is observed, as well as a 23.6% increase in other receivables.

On September 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 August and September 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 București, Electrica Furnizare, Enel Energie Muntenia, E.on Energie România, Enel Energie, CET Govora, Opcor. The share of main customers in the total trade receivables on the energy market is ca. 53%.

The current receivables for the balancing market, amounting to 135.5 mil lei, registered a value decrease compared to December 31st, 2016, following a decrease in the transactions on this market.

On September 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 31% (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 September 30th, 2017, mainly determined by the receivables amounting to 139.9 mil lei, 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.

On September 30th, 2017 the Company registered receivables amounting to 186.3 mil lei, represented by the issued invoices under the bonus type support scheme for high efficiency cogeneration, out of which:

- overcompensation for the period of 2011 - 2013 in the amount of 76.7 mil lei, namely from RAAN – 63.5 mil lei and CET Govora SA – 13.2 mil lei;
- unfair bonus for 2014 amounting to 3.9 mil lei, namely from RAAN – 2.0 mil lei, CET Govora – 1.9 mil lei;
- undue bonus for 2015 in the amount of 0.6 mil lei, namely from CET Govora;
- overcompensation for 2015 in the amount of 14.6 mil lei, namely from Electrocentrale Oradea (debt taken over by Termoficare Oradea);
- - overcompensation for 2016 in the amount of 66 mil lei, out of which: Electrocentrale București – 56.7 mil lei and CET Govora – 9 mil lei
- cogeneration contribution not collected from the suppliers of energy consumers, amounting to 23.9 mil lei, out of which: Transenergo Com – 5.9 mil lei, Pet Prod – 4.4 mil lei, Romenergy Industry – 2.7 mil lei, RAAN – 2.4 mil lei, Arelco Power – 2.4 mil lei, UGM Energy – 1.8 mil lei, CET Govora – 0.9 mil lei, KDF Energy – 0.9 mil lei and others.

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 40.5 mil lei.

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. To recover its receivables recorded before the insolvency proceedings, the Company applied the specific procedures provided by the Law no. 85 / 2014 on Insolvency and requested admission of its receivables, according to the law.

Given the 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 ANDRE Decision no. 738/28.03.2014 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.

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

On September 30th, 2017, other receivables amounting to 261.5 mil lei include mainly different debtors (144.3 mil lei). The amounts mentioned below are registered under the different debtors category, representing down payments granted to the supplier ELCOMEX - IEA SA amounting to 31.2 mil lei for carrying out the projects:

- connecting the Isaccea-Varna 400 kV OHL and the Isaccea-Dobrudja OHL to the Medgidia Sud 400 kV substation – down payment amounting to 9.9 mil lei
- converting the Portile de fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - stage I - Resita 400/220/110 kV substation – down payment amounting to 2.21 mil lei

The down payments made to ELCOMEX - IEA SA are covered by insurance policies issued by Asito Kapital S.A. On April 7th, 2017, the Court of Constanta, Section II Civil, upheld the application for a declaration of insolvency of the debtor ELCOMEX – IEA SA.

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;

On July 1st, 2017, the Company submitted an application for summons regarding the issuance of a payment order, an action subject to the case file no. 24552/3/2017 on the docket of the Bucharest Court, Section VI Civil, requesting the Court to rule a decision obliging the debtor ASITO KAPITAL SA to pay the amount of 7,058,773.36 Euro (the equivalent of 31,180,857.96 lei), representing guarantee policies for the down payments no. BR – 1500544 / November 18th, 2015, and no. BR – 1500520 / July 29th, 2015, hearing set on November 7th, 2017.

After the deliberation, the Bucharest Court ruled the following solution:

- orders the debtor to pay within 20 days of the communication of the decision, the amount of 2,237,750.83 euro (representing 9,945 mn RON at an exchange rate of 4.4458 RON /EUR) representing an advance not paid back and guaranteed by the letter of guarantee for payment of the advance no.BR-1500544 / 18.11 / .2015, as well as

- Orders the debtor to pay within 20 days of the communication of the decision, the amount of 4.821.022,53 euro (representing 21.233 mn RON at an exchange rate of 4.4041 RON/euro representing an advance not paid back and guaranteed by the letter of guarantee for payment of the advance no.BR-1500520/29.07.2015

With right of cancellation within 10 days of communication.Decision 4067/2017 – 07.11.2017

Liabilities

Long term liabilities registered a 12% drop, mainly following the reimbursements carried out according to the graphs set forth by the existent loan agreements.

Short term liabilities also registered a 18% drop on September 30th, 2017. The factors influencing the evolution of short-term debt are:

- the decrease from 287 mil lei (December 31st, 2016) to 133 mil lei (September 30th, 2017) in debts related to the energy market to suppliers on the balancing market was determined by the settlement of current payment liabilities on the energy market on December 31st, 2016 and by the decrease in the volume of trades on the balancing market.
- the decrease in the debts related to the bonus support scheme for promoting high efficiency cogeneration towards the suppliers (generators), determined by the settlement of current payment

liabilities on December 31st, 2016, with payment deadline in 2017.

On September 30th, 2017, payment liabilities towards suppliers (generators) are registered amounting to 120.5 mil lei (Electrocentrale București – 56.7 mil lei, RAAN – 51.2 mil lei, CET Govora SA – 12.6 mil lei) representing the cogeneration bonus and the 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 București, 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.

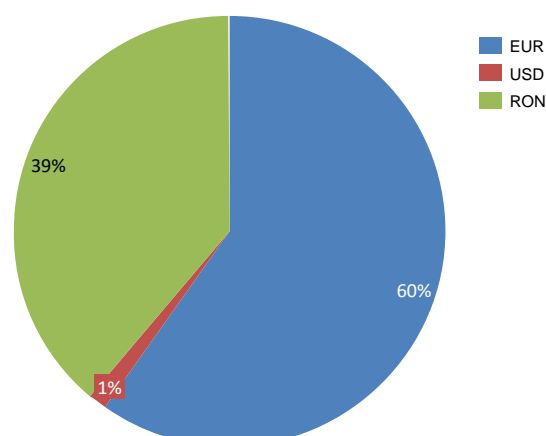
The increase in short term loans for the operational activity was determined by contracting a credit line in February 2017 from BRD GROUP SOCIETE GENERALE SA, the Large Corporates Branch, for a period of 12 months for financing the bonus type support scheme for high efficiency cogeneration, in the form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

On September 30th, 2017, the credit line is not used.

The interest bearing loans with maturity shorter than 12 months have been reduced with 10 mil lei compared to December 31st, 2016.

The interest bearing debts (long term and short term) are structurally presented in the following.

Structure per currency at September 30th, 2017



Shareholders' Equity

The decrease in equity on September 30th, 2017 compared to December 31st, 2016 was driven primarily by the allocation of profit for 2016, registering the net profit in the reported result, amounting to 64.8 mil lei, conducted on September 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 165.4 mil lei, and their payment is done through the Central Depository starting with June 7th, 2017.

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.

DIVIDENDS

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 mn RON and their payment is done through the Central Depository starting with June 7th, 2017.

Dividend were calculated according to legislation regarding profit distribution of the companies where Romanian State is main shareholder, based on a distribution rate of 90%, in line with dividend distribution policy of the Company.

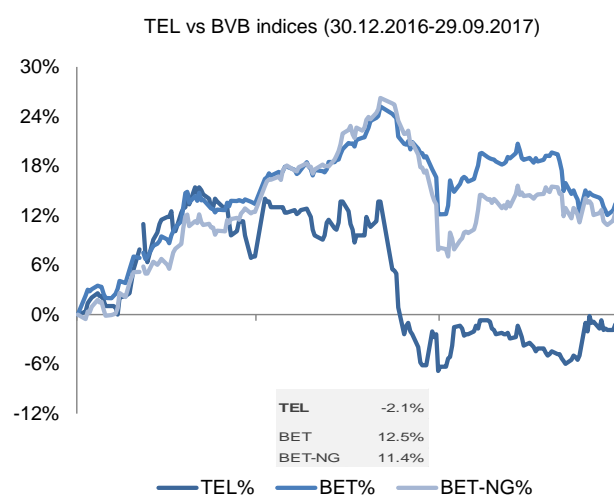
Dividends distributed:	165 mil.lei
Dividend per share:	2,257 lei
Ex-dividend date:	June 6 th , 2017
Payment date:	June 28 th , 2017

EVOLUTION OF SHARES

(December 31st, 2016 to September 30th, 2017)

During the period of January-September 2017, the Transelectrica share (BSE symbol: TEL) registered a weaker evolution compared to the main index of the Bucharest Stock Exchange (BET) but also compared to the BET-NG index.

2017 debuted with a trading price of 29.30 lei / share, the market capitalization amounting to 2,338 mil lei, the share price amounting to 28.60 lei at the end of the period (September 30th, 2017). The minimum trading price registered on June 29th, 2017, amounted to 27.2 lei / share, and the maximum of 33.70 lei / share was registered on March 1st, 2017.





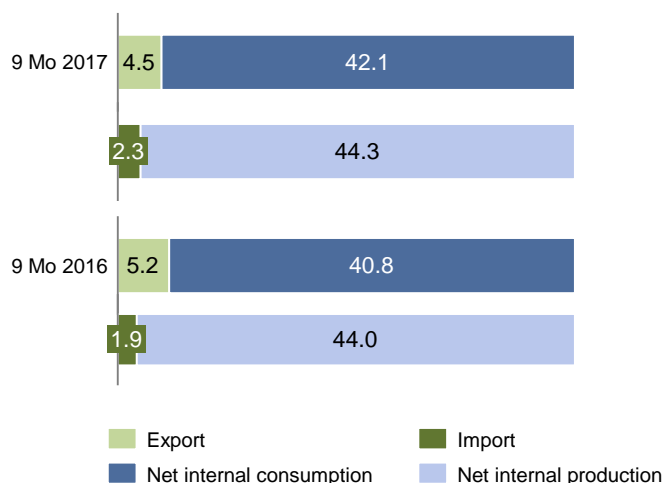
Operational data

THE ENERGY BALANCE OF NPS

Analyzing the development of the energy balance components in the period of January-September 2017 compared to the same period of the previous year, we can see that the net internal consumption¹ rose by 1.3% and the net energy production rose by 0.3%.

The physical cross-border exchanges for export rose by 20.83% compared to the similar period of 2016, while the cross-border flows for import registered a decrease of 13.49 %.

Energy Balance 9M
(TWh)



GENERATION MIX

In the period of January - September 2017 compared to 2016, the generation mix structure registered a decrease in the weight of the thermal component of approximately 4%, of the hydro component of 6% and of the renewable sources generation of 2%.

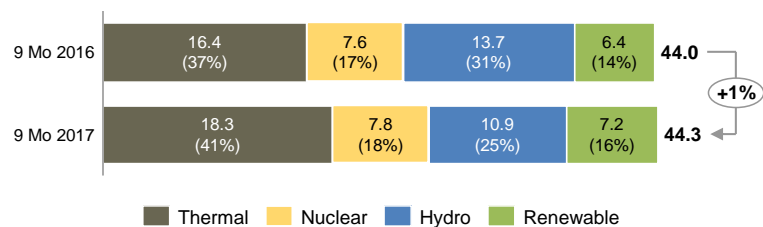
The weight of the hydro component registered a 13.8% increase (8.1 TWh compared to 9.4 TWh) .

Analyzing the weights of the net generation mix components for the first 9 months of 2017, we observe

¹ Values do not include the consumption of auxiliary services from the power plants generating electricity; the value of the net consumption includes the losses from transmission and distribution grids, as well as the consumption of pumps from the pumping storage hydropower substations.

that the highest weight (41%) is represented by the thermal component, followed by the hydro component (25%), and the energy generated from renewable and nuclear sources has a weight of approximately 18% and 16% respectively.

Net electricity generation mix
(TWh)



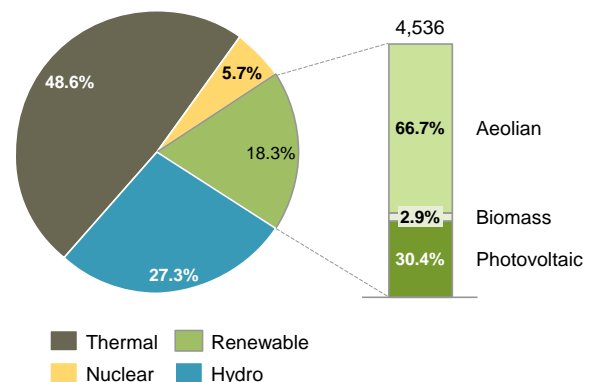
NATIONAL PRODUCTION PARK

In the first 9 months of 2017, the gross capacity installed in power plants registered a 0.3% increase compared to the first semester of 2016.

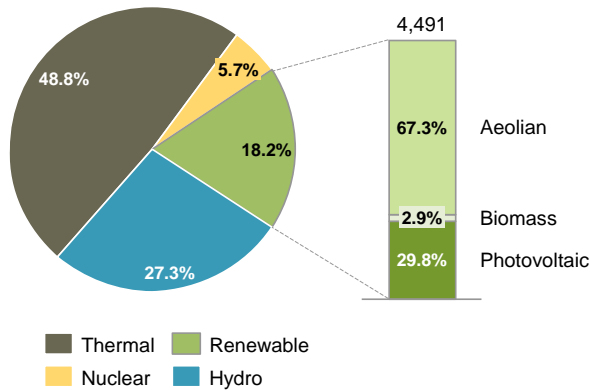
The capacity installed in renewable energy power plants rose by approximately 1.3%, from 4,478 MW installed on June 30th, 2016, to 4,534 MW installed on June 30st, 2017.

The dynamics of the installed capacity corresponding to the first semester of 2017 and 2016 respectively is presented further below:

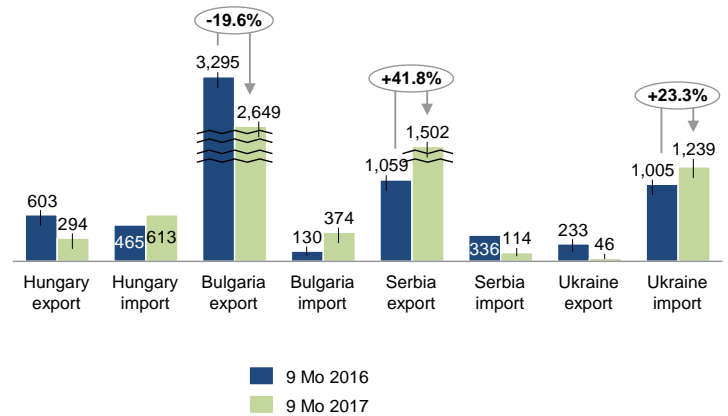
Installed power 9Mo 2017 (24,738 MW, gross)



Installed power 9Mo 2016 (24,689 MW, gross)



Physical flows (GWh)



CROSS-BORDER FLOWS

Compared to 9 months of 2016, the physical flows for import registered a decrease on the Hungarian and Serbian interconnections.

In the development of export flows we observe an increase on the Serbian interconnection of 16 pp, while the Bulgarian interconnection registered a decrease of 46 pp.

Thus, compared to 2016, the physical flows for export rose on the Serbian interconnection (41.8% +443 GWh), while decreases were registered on the Hungarian, Bulgarian and Ukrainian interconnections.

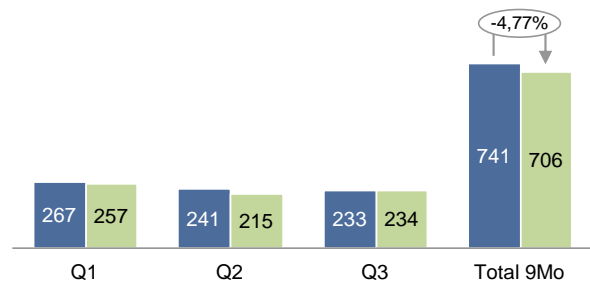
Analyzing the physical flows for import we observe decreases on the Hungarian and Serbian interconnections, while on the Bulgarian and Ukrainian interconnections increases of 187.2% and 23.3% respectively were registered.

OWN TECHNOLOGICAL CONSUMPTION

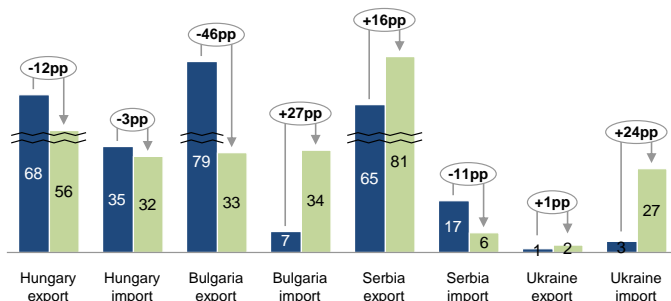
In 9 months of 2017, the CPT in PTG dropped by ca. 5% compared to the similar period of 2016, mainly due to more favorable meteorological conditions, more advantageous generation flows and structure and lower quantities of rainfall.

Reported to the energy contour input, the losses dropped from 2.32% to 2.17%.

OTC evolution (GWh)



Degree of usage of the total allocated (%)



OTC evolution (%)



The physical flows for both import and export on each border are presented below:

PHYSICAL CPT REDUCTION FACTORS

In **January** 2017, the absolute value CPT dropped compared to the month of January 2016 by ca. 5.74% due to more favorable physical flows for import / export and the more advantageous distribution of generation which led to the reduction of the energy transmission remotely from the sources. The losses percentage reported at the PTG-input energy decreased from 2.22% in 2016 to 2.05% in 2017. The net internal energy consumption was higher compared to January 2016, with 4.29%. The contour input energy also increased by 1.72% in January 2017, compared to the similar period of 2016. The weather conditions have been more favorable, the rainfall quantities considerably lower which led to the significant decrease in Corona losses.

In **February** 2017, the absolute value CPT dropped compared to the month of February 2016 by ca. 1.31% due to more favorable physical flows but also due to one day less (2016 was a leap year). The losses percentage reported at the PTG-input energy decreased from 2.49% in 2016 to 2.28% in 2017, due to the increase in the transmitted energy. The net internal energy consumption in February 2017 was higher compared to February 2016, with 3.7%. The contour input energy increased by 7.74% in February 2017, compared to the similar period of 2016. The weather conditions have been more favorable, the registered rainfall quantities was lower than in the previous year.

In **March** 2017, the absolute value CPT dropped compared to the month of March 2016 by ca. 2.03%. The weather conditions have been more favorable, the lower rainfall quantities registered this year have determined the reduction in Corona losses and the more advantageous generation structure led to the reduction of energy transmission remotely from the source. The losses percentage reported at the PTG-input energy decreased from 2.63% in 2016 to 2.31 in 2017, due to the increase in the contour input energy with 9.14% in March 2017, compared to the similar period in 2016. The net internal energy consumption in March 2017 was higher compared to March 2016, with ca. 1.1%. The weather conditions have been more favorable, the registered rainfall quantities was lower than in the previous year.

In the first quarter of 2017, the CPT in PTG dropped by ca. 3.77% compared to the similar period of 2016, mainly due to more favorable meteorological conditions, more advantageous generation flows and structure and lower quantities of rainfall. Reported to the energy contour input, the losses dropped from 2.43% to 2.21%.

In **April** 2017, the absolute value CPT dropped compared to the month of April 2016 by ca. 6.62% due to the more advantageous distribution of generation which

led to the reduction of the energy transmission remotely from the sources. The losses percentage reported at the PTG-input energy decreased from 2.32% in 2016 to 2.05% in 2017, due to the increase in the transmitted energy and the reduction of the absolute value CPT. The net internal energy consumption was higher compared to March 2016, with 3.83%. The contour input energy also increased by 5.93% in April 2017, compared to the similar period of 2016. The weather conditions in terms of rainfall have been similar to April 2016.

In **May** 2017, the absolute value CPT dropped compared to the month of May 2016 by ca. 8.68%, especially due to the more favorable weather conditions which led to the reduction in Corona losses. The losses percentage reported at the PTG-input energy decreased from 2.59% in 2016 to 2.29% in 2017, due to the decrease in the absolute value CPT and the increase in transmitted energy. The net internal energy consumption in May 2017 was higher compared to May 2016, with ca. 3.27%. The contour input energy increased by 3.44% in May 2017, compared to the similar period of 2016. The weather conditions have been more favorable, the registered rainfall quantities was lower than in the previous year.

In **June** 2017, the absolute value CPT dropped compared to the month of June 2016 by ca. 16.05%, due to the more advantageous physical flows and the more favorable weather conditions which led to the reduction in Corona losses. The losses percentage reported at the PTG-input energy decreased from 2.53% in 2016 to 2.13% in 2017, due to the decrease in the absolute value CPT in June 2017 compared to the similar period of 2016. The contour input energy decreased by 0.06% in June 2017, compared to the similar period of 2016. The weather conditions have been much more favorable, the registered rainfall quantities was lower than in the previous period.

In the second quarter of 2017, the CPT in PTG dropped by ca. 10.6% compared to the similar period of 2016, especially due to more favorable meteorological conditions with smaller quantities of rainfall, which led to the decrease in Corona losses, due to the more advantageous physical flows and generation structure. Reported to the energy contour input, the losses dropped from 2.48% to 2.15%.

In **July** 2017, the absolute value CPT dropped compared to the month of July 2016 by ca. 3.94% due to the decrease in transmitted energy and the more advantageous distribution of physical flows on borders, which led to the reduction of the energy transmission remotely from the sources. The losses percentage reported at the PTG-input energy increased from 1.94% in 2016 to 2.02% in 2017, due to the decrease in the

absolute value CPT and the increase in transmitted energy. The net internal energy consumption was higher compared to July 2016, with 0.99%. The contour input energy decreased by 7.6% in July 2017, compared to the similar period of 2016. The weather conditions in terms of rainfall have been more disadvantageous compared to July 2016, generating higher Corona losses.

In **August** 2017, the absolute value CPT dropped compared to the month of August 2016 by ca. 1.99%, due to the decrease in transmitted energy, the more advantageous physical flows and the more favorable weather conditions which led to the reduction in Corona losses. The losses percentage reported at the PTG-input energy decreased from 2.19% in 2016 to 2.18% in 2017, due to the decrease in the absolute value CPT. Even though the net internal energy consumption was by ca. 8.22% higher in August 2017 compared to August 2016, the balance amounted to 47 GWh in imports compared to 644 GWh in exports, which led to a decrease of the contour input energy by 1.62% in August 2017 compared to the similar period in 2016. The weather conditions have been more favorable, the registered rainfall quantities was lower than in the previous year.

In **September** 2017, the absolute value CPT rose compared to the month of September 2016 by ca. 6.38%, due to an increase in the transmitted energy and a more disadvantageous distribution of production. The losses percentage reported at the PTG-input energy increased from 2.13% in 2016 to 2.21% in 2017, due to the decrease in the absolute value CPT. The contour input energy increased by 2.67% in September 2017, compared to the similar period of 2016. The weather conditions have been more unfavorable on the N-V half, with fewer lines, and more favorable in the S-E half, with more transmission lines, determining lower Corona losses.

In the 3rd quarter of 2017, the CPT from PTG rose insignificantly by ca. 0.1% compared to the similar period in 2016. The positive evolution of the physical flows on the borders during the entire period and the more favorable weather conditions from July and August have compensated the impact of the disadvantageous production structure from the three months and the disadvantageous weather conditions from July. Reported to the energy contour input, the losses increased from 2.09% to 2.14%.



Investments

FIXED ASSETS RECORDED IN THE ACCOUNTS

The value of fixed assets recorded in the accounts in the period of January-September 2017 amounted to 99.5 mil lei.

In the period of January-September 2017, the biggest transfers from tangible assets in progress at tangible assets are mainly represented by the creation of assets of the investment objectives, as follows:

- Technical upgrade of the Bradu 400/220/110/20 kV station – 49.2 mil lei;
- 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 – 12.1 mil lei;
- Replacing AT and TRAFO in electrical substations - Stage II – 11.3 mil lei;
- Urgent repair of the damage to the Iernut - Gădălin 400 kV OHL and the Iernut - Baia Mare 3 220kV OHL – 7.8 mil lei;
- Upgrading the Tihau 220/110 kV station - primary equipment – 6.4 mil lei;
- Connecting the 147 MW Valea Dacilor WPP to the PTG – 2.4 mil lei;
- Upgrading the SCADA system for the Constanta Nord station – 1.6 mil lei;
- Replacing the 110/20 kV TRAFO, 10MVA in the Fântânele 110/20 kV substation – 1.1 mil lei;

PURCHASES OF ASSETS

The purchases of tangible and intangible assets² in the period of January-September 2017 amount to 135.2 mil lei, compared to the same period of 2016 when the purchases amounted to 117.4 mil lei.

The balance of tangible assets in progress on September 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 station – 65.6 mil lei;

- 400 kV OHL interconnecting Reșița (Romania) - Pancevo (Serbia) – 85.4 mil lei;
- 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 – 46.9 mil lei;
- Technical upgrade of the substation 220/110/20 kV Câmpia Turzii – 41.2 mil lei;
- Converting the Porțile de Fier - Reșița - Timișoara - Săcălaz - Arad axis to the 400 kV voltage - stage I - Porțile de Fier - (Anina) – Reșița 400kV OHL s.c. – 19.9 mil lei;
- Upgrading the Suceava 110 kV and 20 kV substation – 15.2 mil lei;
- Extending the services providing business continuity and recovery after disasters - 14.4 mil lei;
- Integrated security system in electric substations, stage IV - 15.7 mil lei;
- Connecting the Isaccea - Varna 400 kV OHL and the Isaccea - Dobrudja 400 kV OHL in the Medgidia Sud 400 kV substation – 10.7 mil lei;
- 400 kV OHL d.c. Cernavodă-Stâlpu and connection in Gura Ialomiței – 8,4 mil lei;
- Converting the Porțile de Fier - Reșița - Timișoara - Săcălaz - Arad axis to the 400 kV voltage - stage I - Reșița 400/220/110 kV substation – 6.6 mil lei;
- Upgrading the 400/110/10 kV Cluj Est electric station – 7 mil lei;
- 400 kV HVDC Link (submarine cable Romania - Turkey) – 5.9 mil lei;
- 400 kV OHL Gădălin - Suceava, including the NPS interconnection - 5.7 mil lei;
- Technical upgrade of the Hășdat 220/110 kV substation – 4.4 mil lei;
- Reparation of the failure of the 110-120 terminals of the Bucharest Sud - Ghizdaru 220 kV OHL - 4.3 mil lei;
- Upgrading the command-control-protection system of the Sărdănești 220/110/20 kV substation – 4.3 mil lei;
- Suceava - Bălți 400 kV OHL, for the part of the project on Romanian territory - 4.4 mil lei;
- Extending the control system with new functions and IT registration of access in the objectives of CNTEE Transelectrica SA - 3.2 mil lei;
- Gutinaș – Smârdan 400 kV OHL d.c. – 3.2 mil lei;

² Includes the variations of pending asset suppliers on September 30th, 2017

- Converting of the Porțile de Fier - Reșița - Timișoara - Săcălaz - Arad axis to the 400 kV voltage, stage II - Reșița - Timișoara – Săcălaz 400 kV OHL d.c. (Timișoara 220/110kV substation) - 3.2 mil lei;
- Connecting the 136 MW WPP Platonești, Ialomița county, to the PTG through constructing a 110 kV cell in the Gura Ialomiței 400/110 kV substation – 2.9 mil lei;
- Integrated security system in electric substations, stage III – 2.8 mil lei;
- Upgrading the Arefu 220/110/20 kV substation - 2.7 mil lei;
- Assembling the optic fiber and upgrading the system of distance protections on the 400 kV OHL d.c. Țânțăreni - Turceni and the 400 kV OHL s.c. Urechești - Rovinari – 2.8 mil lei;
- Upgrading the Răureni 220/110/20 kV substation - 2.7 mil lei;
- By-passing the Cetate 1 & 2 110 kV OHL in the proximity of the Ostrovul Mare 110/20/6 kV substation – 2.6 mil lei;
- Connecting the 99 MW Dumești WPP and the 30 MW Românești WPP, Iași county, to the PTG, through constructing a 110 kV cell in the FAI 220/110 kV substation 2.5 mil lei;
- Performing the optical fiber communication between the Bradu 400/220/110 kV substation and the Stupărei 220/110 kV station – 2.5 mil lei;
- Security solution for implementing the security measures related to classified information – 2 mil lei;
- Executive - DCBPA / CPA: Consolidation, upgrading and extension of the CNTEE “Transelectrica” headquarters – 1.6 mil lei;
- Replacing AT and TRAFO in electrical substations - Stage II – 6.4 mil lei;
- Replacing the connectors from electrical substations – 0.9 mil lei;
- Integrated security system at the new Banca (400) 220/110 kV substation – 1.1 mil lei;
- Performing the optical fiber communication between the Pitești Sud 110 kV substation and the remote control and installation supervision center of ST Pitești – 1 mil lei;
- Connecting the Stupina 400 kV substation to the PTG and connecting the Isaccea - Varna 400 kV OHL – 0.9 mil lei;
- Upgrading the 110/6 kV substation from the Peștiș 20/110/6 kV station 1 mil lei;
- Ostrovu Mare 220 kV OHL double circuit - PTG – 0.7 mil lei;
- Oradea – Beckescsaba 400 kV OHL – 0.7 mil lei;
- Technical upgrade of the Isaccea 400 kV station - Stage I - replacing the compensation bobbins, the corresponding cells and the Stupina 400 kV cell – 0,9 mil lei;

CONTRACTUAL MATTERS

The most important investment contracts concluded in 9 months of 2017 are:

- Technical upgrade of the Domnești 400/110/20 kV substation – 111.8 mil lei
- Research and development center for technologies for working under voltage (LST) and rapid intervention in the NPS - stage I - 5 mil lei;
- Replacing AT2 - 200 MVA, 231/121/10,5 KV from the Reșița 220/110 KV substation – 4.6 mil lei.



Significant events

EVENTS IN THE PERIOD JANUARY - SEPTEMBER 2017

- **Application of safeguard measures approved by GD no. 10 / 2017, published in the Official Journal no. 40 / 13.01.2017**

Pursuant to the publication in the Official Journal of the Government Decision no. 10 / 13.01.2017, C.N.T.E.E Transelectrica S.A., as Transmission System Operator, is mandated to apply the technical and commercial safeguard measures according to Article 6 (3) from the *Regulation on safeguard measures in crisis situations occurred during the operation of the National Power System*, approved by ANRE Order no. 142 / 2014.

- **“SEE CCR TSOs proposal for design of Long Term Transmission Rights”**

On February 24th, 2017, CNTEE Transelectrica SA invites the stakeholders and participants to the Romanian energy market to send their observations regarding the online consultation for the SEE CCR TSOs proposal for design of Long Term Transmission Rights in accordance with Article 31 of the Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a Guideline on Forward Capacity Allocation.

- **Report on the environmental impact for project Gădălin – Suceava 400 kV Overhead Line**

The Company announced the interested public regarding the submission of the report on the environmental impact, which integrates the conclusions of the appropriate assessment study for project GĂDĂLIN–SUCEAVA 400 kV Overhead Line, including the interconnection to the National Power System which is proposed to be placed in Cluj, Bistrița-Năsăud and Suceava counties.

- **Credit rating Fitch Ratings**

Starting with January 2017, the Company concluded an agreement with the international credit rating Company Fitch Ratings.

On July 5th, 2017, Fitch grants the Company the BBB rating, representing a stabile perspective, recognizing the Company's efforts to reach operational excellence

and the responsible approach towards the business environment in which it operates.

- **New ANRE tariff regulations**

ANRE published the 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, used by the Company.

The Order was published in the Official Gazette 489/28.06.2017

Thus, the regulated tariffs concerning the electricity transmission service and system services effective from July 1st, 2017, have been modified and are presented as follows:

Service	Tariff effective in the period July 1 st , 2016 - June 30 th , 2017	Tariff effective in the period July 1 st , 2017 - June 30 th , 2018	Difference
	Lei/MWh	Lei/MWh	%
I. Electricity Transmission	18.70	16.86	(9.8)%
II. Functional System Services	1.30	1.11	(14.5)%
III. Technological System Services	11.58	9.38	(18.9)

The newly approved tariffs have been calculated in accordance with the applicable methodologies

- **Incident in the Gorj county area**

On July 12th, 2017, at 8.34 am, in the conditions of severe weather conditions (severe storm), several equipment and groups have switched off: Two lines from the power transmission grid from the Gorj county area and one auto-transformer have switched off at CNTEE Transelectrica SA, as well as two groups from the Rovinari and Turceni power plants from the Oltenia Energy Complex, with an installed capacity of 1320 MW (at the time the incident occurred, they were functioning at a capacity of 1176 MW).

The energy deficit created in the NPS by the loss of the 1176 MW has been taken over by the electric group within Hidroelectrica, CE Hunedoara, Romgaz Iernut, Electrocentrale București, Bepco Brașov, Gas

Energy Ecotherm Făgăraș and Electro Energy Sud Giurgiu, so that the safety of the National Power System has not been affected and the above-mentioned incident caused no interruptions in delivering electricity to consumers.

Out of the three pieces of equipment switched off in the power transmission grid, two were placed into service right after the incident and one is going to be investigated. At this moment the CNTEE Transelectrica SA specialists work on replacing the damaged equipment into service.

- **Finishing the upgrade works of the Tihău 220/110kV substation**

The Tihău 220/110kV substation represents a basic node in the western area of the National Power System (NPS), with the main functions of by-passing the necessary power to the deficit area of North Transilvania which presently has a limited size of the transmission grid destined to ensure the local power and to deliver NPS electricity to consumers from Sălaj, Baia Mare and Satu Mare.

The upgrade works comprised improving the operation conditions and reducing the operation and maintenance expenses, by adding efficient equipment and adopting constructive solutions, in line with current technologies.

The upgrade was self-financed.

- **The European Commission's approval for financing the "Crossbow" project in which Transelectrica is a partner, together with the Romanian Energy Center**

The "CROSSBOW" project was selected by the European Commission to be financed within the Horizon 2020 Program, as part of the H2020-LCE-2016-2017 call (COMPETITIVE LOW-CARBON ENERGY, topic LCE-04-2017 - Demonstration of system integration with smart transmission grid and storage technologies with increasing share of renewables).

Transelectrica and the Romanian Energy Center are partners within this project, under the coordination of the Spanish Group ETRA Investigation Y Desarrollo SA, along with 8 Transmission and System Operators (TSOs) from Central and South-Eastern Europe: ADMIE (GR), ESO (BG), EMS (RS), NOS BiH (BA), HOPS (HR), ELES (SI), CGES (ME), MEPSO (MK) and other partners from a consortium of 24 professional energy and telecommunication organizations from 13 European countries.

As the Transmission and System Operator from Romania, Transelectrica will grant access to project

relevant data, ensure the technological capacities for tests and validations on site and will also offer energy expertise.

- **CEEP Energy Summit**

On September 20th, 2017, the Chief Executive Director of CNTEE Transelectrica SA, Ms. Corina Popescu, attended the sixth edition of the CEEP Energy Summit, organized in Tallinn (Estonia).

The CEEP Summit, a key element between the Central European energy sector and the European Commission, reunited a distinct and renowned group of decision makers in order to discuss the opportunities and challenges in the EU energy policy sector following the implementation of the two legislative packages: The renewable energy security package and the "Clean Energy for All Europeans" package.

Together with the CEEP members – 11 leading companies in the energy and intense energy sector – and other guests from other countries, Ms. Corina Popescu engaged in discussions with Mr. Maroš Šefčovič, the European Commission Vice-President for Energy Union.

- **CNR – CIGRE partnership**

CN Transelectrica SA partnered with the CIGRE Romanian National Committee for the organization of the fourth edition of the International Conference on Condition Monitoring, Diagnosis and Maintenance 2017 - CMDM 2017 - CMDM 2017 that took place on September 25th -27th, 2017, at Radisson Blu Hotel Bucharest, event organized with the support of CIGRE Paris.

The conference was opened by Ms. Corina Popescu, Chief Executive Office, Directorate Chairman of CNTEE Transelectrica SA, and by international guests from the energy sector, such as: Hiroki Ito (Japan), Terry Krieg (Australia), Hugh Cunningham (Ireland), Claudio Marchetti (Italy), Gerhard Wieserner (Germany).

- **50th anniversary of the Gutinaș transformer station**

On September 26th, 2017, the National Power Grid Company Transelectrica SA celebrated the 50th anniversary of the Gutinaș 400/220/110 kV transformer station from Bacău county, one of the most important stations in Romania that ensures the electricity delivery to the entire North-Eastern part of the country.

- **The Extraordinary General Assembly of Shareholders approves the draft Decision no. 10**

On September 26th, 2017, the Extraordinary General Assembly of Shareholders of the National Power Grid Company "Transelectrica"–SA following the address with no. 4314 / 05.09.2017 received from the Ministry of Economy - the Department for Privatization and Administration of State Holdings regarding the request for the completion of the 3rd item of the agenda regarding the modification of the Company's Articles of Association, approves the draft Decision with the following agenda:

1. Increasing, in principle, the share capital of CNTE "Transelectrica" S.A. with the in-kind contribution of 17 land plots for which the Company has obtained certificates authenticating the ownership rights;
2. Adding a new object of activity with the NACE code – 3320 "Installation of industrial machinery and equipment";
3. Substantiating the amendments made to the Articles of Association of The National Power Grid Company "Transelectrica"–SA.

- **Changes in the Company management**

Directorate

On September 16th, 2017, the following mandates of the Company's Directorate members have expired: Corina – Georgeta Popescu, Constantin Văduva, Mircea – Toma Modran and Octavian Lohan.

Pursuant to Art. 64(1) from GEO 109/2011 on the corporate governance of public companies, as subsequently amended and supplemented, the Board of Supervisors appointed the following persons as provisional Directorate members:

- Georgeta – Corina POPESCU
- Mircea – Toma MODRAN
- Dan – Valeriu ARDELEAN
- Florin – Cristian TĂTARU
- Andreea Georgiana FLOREA

The mandate of the Directorate members has a duration of 4 months starting with September 17th, 2017, with the possibility of extension for good cause for 2 further months. However, the duration of the mandate shall not exceed the date when the selection procedure of the CNTEE Transelectrica SA Directorate members is finished, pursuant to Art. 64 of GEO 109/2011, if the procedure will be finished in this period.

At the same time, the Board of Supervisors appoints Ms. Georgeta – Corina POPESCU as Directorate Chairman, alternatively called Chief Executive Officer – CEO.

Board of Supervisors

The members of the Board of Supervisors are appointed by the General Assembly of Shareholders, observing the legal provisions applicable to companies admitted to trading, and are selected according to the provisions of the Government Emergency Ordinance no. 109/2011 on the corporate governance of public companies.

Each Board of Supervisors member must formally declare their independency, as well as on every occasion their status is changed, showing the reasons for which they consider themselves independent.

Thus, the decision no. 5 of May 30th, 2017 of the Extraordinary General Assembly of Shareholders approves the structure of the provisional members of the Board of Supervisors of CNTEE Transelectrica SA for a four-months term of office, as follows:

- Cristian-Eugen RADU – Supervisory Board Chairman
- Marius-Iulian CARABULEA – Member of the Board of Supervisors
- Ștefan-Valeriu IVAN – Member of the Board of Supervisors
- Iulius-Dan PLAVETI – Member of the Board of Supervisors
- Corneliu SOROCEANU – Member of the Board of Supervisors
- Beatrice AMBRO – Member of the Board of Supervisors
- Bogdan BOBORA – Member of the Board of Supervisors

On May 31st, 2017, the members of the Supervisory Board appointed Mr. Cristian-Eugen RADU to the position of Chairman of the Supervisory Board.

On September 12th, 2017, the Company Directorate approves the addition to the Extraordinary General Assembly of Shareholders convening notice from September 26th / 27th, 2017, on the proposal of the Ministry of Economy as legal representative of the Romanian State, via letter no. 4314 / September 5th, 2017, with the following agenda: extending the mandates of the provisional Board of Supervisors members with a two-months period, triggering the selection procedure of the Board of Supervisors members of the Company, amending the Articles of Association.

SUBSEQUENT EVENTS

• Change in the shareholder structure

On October 2nd, 2017, according to the notice issued by the Bucharest Stock Exchange, Transelectrica's shareholders structure is modified by the purchase from Dedeman of a 0.68% shareholding, thus reaching a 5.56% shareholding.

• Amending the Articles of Association

The Company's Directorate met on October 6th, 2017 and convened the Extraordinary General Assembly of Shareholders on November 9th, 2017, at 12.00 o'clock. The main issue on the agenda was amending the Articles of Association of the National Power Grid Company "Transelectrica"-SA.

On November 9th, 2017 the Extraordinary General Assembly of Shareholders of the National Power Grid Company "Transelectrica"-SA approves with Decision no.14 the changes of Articles of Association of the National Power Grid Company "Transelectrica"-SA.

• Convening of the Extraordinary General Assembly of Shareholders - distribution of dividends

On October 16th, 2017, The Ordinary General Assembly of Shareholders of CNTEE Transelectrica SA issued Decision no. 11 approving (point 1) - the gross dividend per share to the value of 2.33 lei/share, payable to the shareholders registered at the registration date November 1st, 2017, ex-date October 31st, 2017, upon request of the Romanian State, represented by the Ministry of Economy, distributed from the non-distributed profits at the end of the financial year 2016 - the balance of the account "Other Revenues – Own sources of funding from profits" on December 31st, 2016, constituted on the grounds of GD no. 64/2001 for financing the investments from own sources of funding, amounting to 171 mil lei.

On October 16th, 2017, the Ordinary General Assembly of Shareholders of CNTEE Transelectrica SA issued Decision no. 11 approving (point 3) - the date of November 22nd, 2017, as "payment date" for the dividends distributed from the non-distributed profits on the date of approval of the financial statements for the financial year 2016 - the balance of the account "Other Revenues – Own sources of funding from profits" on December 31st, 2016, constituted on the grounds of GD no. 64/2001 for financing the investments from own sources of funding.

The convening of the Ordinary General Assembly of Shareholders on the distribution of dividends from the

amounts present on December 31st, 2016 in the balance of the account "Other Reserves" and "Retained Earnings", took place according to the request issued on September 12th, 2017, by the major shareholder, the Romanian State, represented by the Ministry of Economy - the Privatization and State Participation Management Department. The request was submitted via letter registered under no. 4606 / September 12th, 2017 by the Ministry of Economy via the Privatization and State Participation Management Department, and registered by CNTEE Transelectrica SA under no. 33510 / September 12th, 2017.

• Extension of the Board of Supervisors mandates

On October 6th, 2017, the Company's Directorate issued a Note (2508 / October 6th, 2017) to convene de General Assembly of Shareholders in order to select the members of Transelectrica's Board of Supervisors, given that November 29th, 2017 is the expiration date of the mandate agreements of the provisional Board of Supervisors members appointed via Decision no. 5 / May 30th, 2017, of the General Assembly of Shareholders and whose mandate was extended up until November 29th, 2017 via Decision no. 9 / September 26th, 2017, of the General Assembly of Shareholders.

On October 23rd, 2017, the Ministry of Economy - the Privatization and State Participation Management Department sent notification no. 39691 requesting the addition into the agenda of the Extraordinary General Assembly of Shareholders of a new point regarding the selection of provisional Board of Supervisors members for a 4 months period, starting with November 30th, 2017.

The proposals of the Ministry of Economy for the selection as provisional members are:

- Cristian-Eugen RADU
- Marius-Iulian CARABULEA
- Bogdan BOBORA
- Beatrice AMBRO
- Fănel MIHALCEA
- Faustin-Doru SCÎNTEI
- Alin-Sorin MITRICĂ

On November 9th, 2017 the Extraordinary General Assembly of Shareholders of the National Power Grid Company "Transelectrica"-SA issued Decision no.12 approving extending the mandates of the above mentioned provisional members for a four-month mandate starting with November 30th, 2017.



Miscellaneous

SHAREHOLDERS' STRUCTURE

On the date of issuing this report, the shareholder's structure is the following:

Shareholder name	No. of shares
The Romanian State	43,020,309
Other shareholders - legal persons	21,250,826
Other shareholders - natural persons	4,950,085
Dedeman SRL	4,081,922
Total	73,303,142

DIRECTORATE MEMBERSHIP

On the date of issuing this report, the Directorate structure is the following:

Georgeta-Corina POPESCU	Chairman of the Directorate
Andreea - Georgiana FLOREA	Directorate Member
Dan - Valeriu ARDELEAN	Directorate Member
Florin Cristian TĂTARU	Directorate Member
Mircea-Toma MODRAN	Directorate Member

TARIFFS

The tariffs approved by ANRE (Order no. 48 / 2017) are presented in the table below:

Index	Tariff	u.m.	Approved value July 1 st , 2016 - June 30 th , 2017	Approved value July 1 st , 2017 - June 30 th , 2018	Difference %
A	Electricity transmission	lei/MWh	18.70	16.86	-9.8%
B	Functional system service	lei/MWh	1.30	1.11	-14.6%
C	Technological system service	lei/MWh	11.58	9.39	-18.9%
	Charged quantity	TWh	52.0	54.0	-

Electricity transmission service

The tariff decrease (-9.8%) is explained mainly by two factors:

1. The negative ex-post corrections - the negative corrections applied for the compensation of differences between the forecasted values used to calculate the tariff in the previous tariff years and the actual recorded values (final corrections for the year July 1st, 2015 - June 30th, 2016, preliminary corrections for the year July 1st, 2016 - June 30th, 2017).

The contribution of ex-post corrections to the decrease in the new approved tariff compared to the previous tariff is of -5.6%.

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

2. The electricity volume chargeable at the extraction point was increased from 52 TWh to 54 TWh. The contribution of the change in the chargeable volume to the decrease in the new approved tariff compared to the previous tariff is of -3.7%.

In addition to the negative corrections there have been other factors which contributed to the establishment of the approved tariff value, entered into force on July 1st, 2017, compared to the tariff in force until June 30th, 2017:

- The forecasted inflation used for the calculation of the new approved tariff was higher than the forecasted inflation used for the calculation of the previous tariff (the inflation index used for the calculation of the new tariff is higher than the inflation index used for the calculation of the tariff for the previous tariff year).

The contribution of the inflation index difference to the modification in the new approved tariff compared to the previous tariff is of +0.37%;

- The basic annual income calculated as a sum of the annual regulated costs, set forth based on the cost forecast for a period of 5 years, approved by ANRE for the regulation period July 1st, 2014 - June 30th, 2019, is slightly higher than the basic annual income corresponding to the previous tariff year. The linearization of the annual income series within the regulation period led to a redistribution of the annual income within the period, while keeping constant the total income value for 5 years, the income development from one year to the next representing a decreasing negative slope. The cumulated contribution of the two elements presented within this paragraph to the modification in the new approved tariff compared to the previous tariff is of -0.92%.

Functional system service

The tariff decrease (-14.6%) was determined by:

- The negative ex-post correction included in the new tariff is higher than the negative correction applied to the tariff for the previous year. The contribution of the ex-post correction to the decrease in the new approved tariff compared to the previous tariff is of -3.8%;
- The annual forecast for costs included in the new approved tariff is lower than the annual forecast for costs included in the tariff for the previous year. The contribution of the reduction of the annual forecast for costs to the decrease in the new approved tariff compared to the tariff in force is of -6.9%;
- The electricity volume chargeable at the extraction point was increased from 52 TWh to 54 TWh. The contribution of the change in the chargeable volume to the decrease in the new approved tariff compared to the previous tariff is of -3.8%.

Technological system service

The tariff decrease (-18.9%) was determined by:

- The negative ex-post correction included in the new approved tariff, set forth according to the methodology applicable for partial compensation (amounting to 80%) of the estimated profit to be accumulated until June

30th, 2017. The profit was mainly obtained due to the significant reduction of unit purchasing prices via auctions for ancillary services compared to the unit prices forecasted by ANRE. In order to mitigate the impact on the regulated tariff, on Transelectrica's request, a new staging program was set forth for the application of the correction on the grounds of which 50% of the total correction was applied in the new approved tariff, following that the remaining 50% to be applied to the subsequent tariff revisions. The contribution of the ex-post correction to the decrease in the new approved tariff compared to the tariff in force is of -4.6%;

- The annual forecast for costs included in the new tariff for purchasing ancillary services in the tariff year July 1st, 2017 - June 30th, 2018 is lower than the forecast for costs included in the tariff year July 1st, 2016 - June 30th, 2017. The reduction of the forecast for costs was determined by the reduction of purchasing prices via auctions for ancillary services in the current tariff year compared to the prices forecasted by ANRE, especially in the second half of 2016. The contribution of the reduction of the annual forecast for costs to the decrease in the new approved tariff compared to the previous tariff is of -10.6%;
- The electricity volume chargeable at the extraction point was increased from 52 TWh to 54 TWh. The contribution of the change in the chargeable volume to the decrease in the new approved tariff compared to the tariff in force is of -3.7%.
- The regulatory framework for the technological system service includes tariff adjustment mechanisms after a minimum period of six months after the tariff has been approved, designed to ensure full recovery of the costs incurred by the Company for the purchase of these services over time. The Company will request the Regulatory Authority to apply these mechanisms beginning with January 1st, 2018.

LITIGATIONS

The most significant litigations involving the Company are presented below:

▪ RAAN

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 due bonus on the support draft and withheld from the payment by the Company as Administrator of the support draft that applied the provisions of the art.17.para. 5 of the ANRE President's Order no. 116 / 2013.

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 - 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; the decision is

invalidated and the case is forwarded for retrial to the Bucharest Court in file no. 28460/3/2017. The hearing was set on: December 5th, 2017.

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. The hearing was set November 16th, 2017.

▪ ANRE

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 recalculate the RRR value at the level of 9.87% (recalculated with a (β) coefficient of 1.0359, according to the internal analyses conducted by Transelectrica) or, should this request be rejected, using the same percentage of 8.52% set by ANRE for the year of 2013 and for the first semester of 2014.

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

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

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

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

At the hearings from March 25th, 2016, April 22nd, 2016, June 10th, 2016 and March 3rd, 2017, the court postponed the judgement of the cause because of the missing technical expertise report. The next hearing was set for November 14th, 2017.

▪ OPCOM

On November 24th, 2014, the Operator of the Electricity and Natural Gas Market - OPCOM SA sued the Company 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, the request being subject of file no. 40814/3/2014.

Previously, the General Assembly of Shareholders of the subsidiary OPCOM SA decided at the meeting from June 10th, 2014, 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.

Also, 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 and November 24th, 2014.

The action filed by 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, and the hearing date was set on June 29th, 2015. The Company filed counterstatement for the application for summons, claiming exceptions and substantive defences regarding the unfoundedness and unlawfulness of the action.

At the hearing from June 24th, 2015, the court admitted the request for summons filed by the plaintiff the Electricity and Gas Market Operator – OPCOM S.A. in contradiction with the defendant the National Company of Electricity Transmission Transelectrica S.A. and ordered to the defendant to pay the plaintiff the sum of 582.086,31 Euros, representing the sum paid by the plaintiff instead of the defendant in the amount of 1.031.000 euro applied by Decision of The European Commission on 5th March 2014 in the case AT.39984, and of the statutory rate, on the amount of 582.086,31 Euros, calculated from 11th June 2014 until the date of the actual payment. The court also 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. Against the sentence no. 4275/2015, pronounced in the aforementioned file, Transelectrica SA formulated an appeal, which was registered before Bucharest Court of Appeal.

The settlement of the Appeal Court: 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 0.016 mil lei, representing legal stamp duty. The appeal was set within 30 days from notification and it was pronounced in the public hearing of October 10th, 2016. Document: Decision 1517 / 2016 October 10th, 2016.

OPCOM S.A. appealed. The case is in the filtering proceedings. The hearing is to be set.

In 2014, the company recorded a provision amounting to 2.7 mil lei for the litigation with the subsidiary SC OPCOM SA.

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%

▪ CONAID COMPANY SRL

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 17.4 mil lei and loss of profit for the period 2013 - 2033 amounting to EUR 723 mil EUR.

So far, the Company did not conclude an addendum to the connection agreement because the suspensive provisions included therein have not been met by Conaid Company SRL. A new connection agreement would have had to be concluded by March 11th, 2014, the date on which the technical connection permit has expired. On the date of these financial statements, the amounts claimed by Conaid Company SRL were regarded as contingent liabilities as it is unlikely to settle this obligation, there will be necessary outflows of resources embodying economic benefits and the value of obligation cannot be evaluated with sufficient reliability. The file no. 5302 / 2 / 2013 was on the dockets of the High Court, involving the obligation of issuing of an administrative document, the procedural stage – second appeal.

On June 17th, 2016, 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 SRL, 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. 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 November 23th, 2017.

▪ OTHERS

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 registered adjustments for value losses regarding customers and other claims at issue as well as for bankrupt customers.

At the same time, the Company is also involved in litigations in which it acts as defendant, against former Directorate and Board of Supervisors members, regarding the mandate agreements concluded between the Company and themselves.

CONTINGENT LIABILITIES

▪ ANAF

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.

According to the Notice of assessment no. F-MC 439/30.06.2017, amounting to a total of 99 mil lei, ANAF – DGAMC set forth additional tax payment liabilities to the Company, amounting to 35 mil lei, as well as ancillary tax liabilities (interest/late interest and late payment interest), amounting to 64 mil lei.

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

Corporation tax amounting to 14 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 Călinescu 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 5 mil lei and VAT collected amounting to 6 mil lei 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 Călinescu Street, District 2, where the company carried out its activity), documents under special regime;

Corporation tax amounting to 4 mil lei and collected VAT amounting to 5 mil lei plus accessories, related to the expenses on technological system 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 technological system 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 technological system services not performed / not carried out, invoiced by the electricity suppliers.

Within the legal deadline, the Company appealed the Note of assessment no. F-MC 439 / June 30th, 2017, according to GD no. 92/2003 on the Fiscal Procedure Code.

By the date of drafting these financial statements, the appeal to the decision issued by ANAF is yet to be settled.



Annexes

ANNEX 1: Separate Statement of Financial Position

[mn RON]	September 30 th , 2017	December 31 st , 2016	Δ	Δ (%)
ASSETS				
Fixed Assets				
Property, Plant and Equipment	3,073	3,190	(117)	(4)%
Intangible Assets	15	14	1	4%
Financial Assets	78	78	0	0%
Other Fixed Assets	0	10	(10)	n/a
Total Fixed Assets	3,166	3,292	(126)	(4)%
Current Assets				
Inventories	32	30	2	7%
Receivables	886	852	34	4%
Other Financial Assets	0	135	(135)	n/a
Cash and equivalents	736	934	(198)	(21)%
Total Current Assets	1,655	1,951	(296)	(15)%
TOTAL ASSETS	4,821	5,243	(422)	(8)%
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' Equity				
Share capital, out of which	733	733	0	0%
<i>Subscribed Share Capital</i>	733	733	0	0%
Initial offering	50	50	0	0%
Legal Reserves	116	116	0	0%
Reserve Fund from Reevaluation	512	549	(37)	(7)%
Other Reserves	57	57	0	0%
Retained Earnings	1,539	1,602	(64)	(4)%
Total Shareholders' Equity	3,007	3,108	(101)	(3)%
Long term liabilities				
Non-Current Deferred Revenues	413	430	(17)	(4)%
Loans	398	502	(104)	(21)%
Deferred Tax Liabilities	27	30	(3)	(10)%
Employee Benefit Obligations	43	43	0	0%
Total Non-Current Liabilities	882	1,005	(124)	(12)%
Current Liabilities				
Trade Payables and Other Payables	714	874	(160)	(18)%
Other Tax and Social Security Liabilities	7	9	(1)	(15)%
Loans	128	138	(10)	(7)%
Provisions	46	54	(8)	(15)%
Non-Current Deferred Revenues	37	38	(1)	(3)%
Corporate Tax to be paid	0	17	(17)	n/a
Total Current Liabilities	932	1,130	(198)	(18)%
Total Liabilities	1,814	2,135	(322)	(15)%
Total Shareholders' Equity and Liabilities	4,821	5,243	(422)	(8)%

ANNEX 2: Separate Statement of profit and loss

[mil.lei]		JANUARY - SEPTEMBER					
Indicator	Realized 2017	Realized 2016	Budgeted 2017	Realized 2017 vs 2016	Realized 2017 vs 2016 (%)	Realized vs Budgeted 2017	Realized vs Budgeted 2017 (%)
Operating Revenues							
Transmission Revenues	794	852	806	(58)	(7)%	(12)	(1)%
System Service Revenues	497	530	497	(33)	(6)%	0	0%
Revenues from the Balancing Market	1,085	484	1,067	601	124%	18	2%
Other Revenues	38	33	35	6	18%	3	8%
Total operating Revenues	2,414	1,899	2,405	516	27%	9	0%
Operating Expenses							
System Operation Expenses	192	173	179	19	11%	13	7%
Expenses on the Balancing Market	1,085	484	1,067	601	124%	18	2%
Expenses regarding the ancillary services	502	447	449	55	12%	53	12%
Depreciation	234	244	261	(10)	(4)%	(27)	(10)%
Salaries and other Retributions	132	132	138	0	0%	(6)	(4)%
Maintenance and Repairs	58	63	82	(5)	(8)%	(24)	(29)%
Materials and Consumables	5	6	13	(1)	(17)%	(8)	(62)%
Other Operating Expenses	105	88	83	16	18%	22	26%
Total Operating Expenses	2,313	1,637	2,272	675	41%	41	2%
Operating Profit	102	261	134	(159)	(61)%	(32)	(24)%
Financial Revenues	16	27	13	(11)	(41)%	3	23%
Financial Expenses	30	32	20	(1)	(4)%	11	54%
Net Financial Result	-14	-5	-7	(10)	n/a	(8)	n/a
Profit before Corporate Tax	87	257	127	(169)	(66)%	(40)	(31)%
Corporate Tax	22	44	21	(22)	(50)%	1	7%
Profit of the Financial Year	65	213	106	(147)	(69)%	(41)	(39)%

ANNEX 3: Separate Statement of Cash Flow

[mil. lei]	9Mo 2017	9Mo 2016	Δ
Treasury Flows from the Operating Activity			
Profit of the Financial Year	65	213	(149)
Adjustments for:			
Corporate Tax Expense	22	44	(22)
Depreciation Expenses	234	244	(10)
Provisions Expenses from depreciating the trade receivables and other receivables	41	16	25
Revenues arising from the reversal of provisions for the depreciation of commercial receivables and other receivables	(8)	(9)	1
Loss from the sale of tangible assets, net	1	0	1
Reversal of Value Adjustments regarding Tangible Assets	1	3	(2)
Net Reversal of Value Adjustments regarding Provisions for Risks and Expenses	(8)	(8)	0
Interests expenses, interest income and foregone revenues from the exchange rate differences	13	3	10
Cash flow before the changing of working capital	360	507	(147)
Changes in:			
Customers and assimilated accounts	(57)	168	(225)
Inventories	(2)	1	(3)
Trade Payables and Other Payables	(178)	(180)	1
Other Tax and Social Security Liabilities	(1)	14	(15)
Deferred Revenues	(18)	(22)	4
Treasury Flows from the Operating Activity	103	488	(385)
Paid interest	(8)	(11)	3
Paid Corporate Tax	(8)	(53)	45
Net cash from the operating activity	87	425	(338)
Cash flows for the investment activity			
Purchase of tangible and intangible assets	(135)	(117)	(18)
Cashing unused down payments	0	30	(30)
Collected interest	4	5	0
Collected dividends	2	3	(1)
Other Financial Assets	135	(223)	358
Net cash for in the investment activity	6	(303)	310
Cash flows from the financing activity			
Use of the Cogeneration Credit Line			
Repayments of Long-Term Loans	(125)	(154)	28
Paid Dividends	(165)	(194)	29
Net cash used in the financing activity	(291)	(348)	57
Net decrease in cash and cash equivalents	(198)	(227)	29
Cash and cash equivalents on January 1st	934	974	(41)
Cash and cash equivalents at the end of the period	736	748	(12)

ANNEX 4: Economical and financial indicators corresponding to the reporting period

Indicators	Calculation formula	9Mo 2017	9Mo 2016
Current liquidity indicator (x)	$\frac{\text{Current assets}}{\text{Current Liabilities}}$	1.78	1.93
Indebtedness indicators (x):			
(1) Indebtedness indicator	$\frac{\text{Debt capital} \times 100}{\text{Shareholders' Equity}}$	13.24	16.55
(2) Indebtedness indicator	$\frac{\text{Debt capital} \times 100}{\text{Committed capital}}$	11.69	14.20
Customer rotation speed (days)	$\frac{\text{Customers average balance}^* \times 180}{\text{Turnover}}$	61.12	55.62
Tangible assets rotation speed (x)	$\frac{\text{Turnover}}{\text{Fixed Assets}}$	0.75	0.57

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

Annex 5 REPORT (according to the Decision of the General Assembly of Shareholders no. 4/29.04.2015) regarding the agreements signed in the third quarter of 2017 for the purchase of goods, services and works with a value greater than 500,000 euro/purchase (for purchases of goods and works) and of 100,000 euro/acquisition respectively (for services)

No.	Agreement number	Agreement Subject	Duration	Value		Agreement type	Legal basis	Acquisition procedure
				Thousand Lei	Thousand Euro			
0	1	2	3	4	5	6	7	8
1	C 186/2017	Acquisition of medium and high voltage primary equipment (subsequent contract no.3 for the framework agreement no. C 14/2016)	12 months	7,479.8	0.00	Supply	Law no. 99/2016 + GD 394/2016	Re-offer
2	C 188/2017	Study on the analysis of the PTG equipment status with the normal operating time exceeded	24 months	1,360.7	0.00	Services	Law no. 99/2016 + GD 394/2016	Open Auction
3	BA 665/2017	Cleaning services in the Bacău ST and TPD quarters	24 months	525.8	0.00	Services	Law no. 99/2016 + GD 394/2016	Open Auction
4	SB 29/2017	Security, monitoring and intervention specialized services for the Sibiu ST objectives	6 months	1,050.3	0.00	Services	Emergency Ordinance 34/2006 + GD 925/2006	Negotiation without prior invitation

Annex 6 – Glossary of terms

“ANRE”	National Regulatory Authority for Energy
“BAR”	Regulated assets base
“BVB”	Bucharest Stock Exchange, regulated market operator for trading Shares
“CEE”	European Economic Community
“Company”, “CNTEE”, “TEL”	National Power Grid Company Transelectrica SA
“CPT”	Own Technological Consumption
“SB”	Supervisory Board
“NPD”	National Power Dispatcher
“EBIT”	Earnings Before Interest & Tax
“EBITDA”	Earnings Before Interest, Taxes, Depreciation and Amortization
“EBT”	Earnings Before Tax
“ENTSO-E”	European Network of Transmission System Operators for Electricity
“GD”	Government Decision
“IFRS”	International Financial Reporting Standards
“JPY”	Japanese Yen , the official currency of Japan
“OHL”	Overhead Power Lines
“Leu” or “Lei” or “RON”	The official currency of Romania
“MFP”	Ministry of Public Finance
“MO”	Official Journal of Romania
“GO”	Government Ordinance
“OPCOM”	Romanian Electricity Market Operator OPCOM SA
“GEO”	Government Emergency Ordinance
“DAM”	Day-Ahead Market
“PTG”	Power Transmission Grid, national and strategic interest electric grid with a nominal voltage greater than 110 kV
“NPS”	National Power System
“SMART”	Trading Company for the Electric Transport Network Maintenance SMART SA
“FFS”	Functional System Service
“TSS”	Technological System Service
“TEL”	Stock exchange symbol for Transelectrica
“TSR”	Total efficiency for the shareholders
“EU”	European Union
„u.m.”	Unit of measurement
“USD” or “US dollars”	American Dollar, the official currency of the United States of America
“WACC”	Weighted Average Cost of Capital