

**CNTEE Tranelectrica SA**  
**Two-Tier Company**

Condensed Stand-alone Interim Financial Statements  
on the date and for the nine-month period concluded on  
**September 30<sup>th</sup>, 2017**

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

**CNTEE Transelectrica SA**Stand-alone simplified statement of financial position on September 30<sup>th</sup>, 2017*(All amounts are expressed in RON, unless otherwise indicated)*

	Note	September 30 <sup>th</sup> , 2017	December 31 <sup>st</sup> , 2016
<b>Assets</b>			
<b>Fixed Assets</b>			
Tangible Assets	4	3,072,636,727	3,189,591,544
Intangible Assets	4	15,024,710	14,457,314
Financial Assets	4	78,038,750	78,038,750
Long Term Receivables	5	-	9,774,959
<b>Total Fixed Assets</b>		<b>3,165,700,187</b>	<b>3,291,862,567</b>
<b>Current Assets</b>			
Inventories		32,457,916	30,409,648
Clients and similar accounts	6	886,389,436	851,971,683
Other Financial Assets	7	-	135,090,000
Cash and Cash Equivalents	8	736,069,736	933,661,193
<b>Total Current Assets</b>		<b>1,654,917,088</b>	<b>1,951,132,524</b>
<b>Total Assets</b>		<b>4,820,617,275</b>	<b>5,242,995,091</b>
<b>Shareholders' Equity and Liabilities</b>			
<b>Shareholders' Equity</b>			
Social Capital, from which:		733,031,420	733,031,420
<i>Subscribed Share Capital</i>		733,031,420	733,031,420
Share Premium		49,842,552	49,842,552
Legal Reserves		116,360,295	116,360,295
Reserve Fund from Reevaluation		511,986,925	549,088,226
Other Reserves		56,953,728	56,953,728
Retained Earnings		1,538,889,523	1,602,438,193
<b>Total Shareholders' Equity</b>	9	<b>3,007,064,443</b>	<b>3,107,714,414</b>
<b>Non-Current Liabilities</b>			
Non-Current Deferred Revenues	10	413,098,285	429,858,527
Loans	11	398,199,848	501,929,998
Deferred Tax Liabilities		27,093,037	30,195,003
Obligations regarding Employee Benefits		43,304,975	43,304,975
<b>Total Non-Current Liabilities</b>		<b>881,696,145</b>	<b>1,005,288,503</b>
<b>Current Liabilities</b>			
Trade Payables and Other Payables	12	713,758,264	873,948,200
Other Taxes and Social Insurance Obligations	13	7,319,257	8,611,209
Loans and Related Interest	11	128,147,933	138,204,932
Provisions		45,729,296	53,801,778
Short Term Deferred Revenues	10	36,901,937	38,125,074
Corporate Tax to be paid	14	-	17,300,981
<b>Total Current Liabilities</b>		<b>931,856,687</b>	<b>1,129,992,174</b>
<b>Total Liabilities</b>		<b>1,813,552,832</b>	<b>2,135,280,677</b>
<b>Total Shareholders' Equity and Liabilities</b>		<b>4,820,617,275</b>	<b>5,242,995,091</b>

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

**CNTEE Transelectrica SA**The separate account of Profit and Loss for the nine-month period ended on September 30<sup>th</sup>, 2017*(All amounts are expressed in RON, unless otherwise indicated)*

	Note	July 1 <sup>st</sup> September 30 <sup>th</sup> , 2017	July 1 <sup>st</sup> September 30 <sup>th</sup> , 2016	January 1 <sup>st</sup> – September 30 <sup>th</sup> , 2017	January 1 <sup>st</sup> – September 30 <sup>th</sup> , 2016
<b>Revenues</b>					
Transmission Revenues		239,577,641	257,159,131	793,584,000	852,262,542
System Service Revenues		141,960,100	163,105,271	497,338,068	529,628,892
Revenues from the Balancing Market		280,272,909	117,073,299	1,085,320,880	483,686,422
Other Revenues		13,178,185	11,020,144	38,077,986	32,401,274
<b>Total Revenues</b>	<b>15</b>	<b>674,988,835</b>	<b>548,357,845</b>	<b>2,414,320,934</b>	<b>1,897,979,130</b>
<b>Operating Expenses</b>					
System Operating Expenses	<b>16</b>	(63,385,134)	(52,077,473)	(192,467,961)	(172,560,592)
Expenses on the Balancing Market	<b>16</b>	(280,272,909)	(117,073,299)	(1,085,320,880)	(483,686,422)
Expenses regarding the technological system services	<b>16</b>	(182,611,160)	(114,478,480)	(501,635,475)	(447,451,685)
Depreciation		(77,794,011)	(81,077,035)	(233,955,601)	(243,891,434)
Salaries and Other Retributions	<b>17</b>	(44,194,634)	(47,384,494)	(132,035,981)	(132,100,202)
Repairs and Maintenance		(23,446,673)	(27,209,358)	(57,719,129)	(62,736,898)
Materials and Consumables		(2,047,397)	(1,776,099)	(5,64,570)	(5,514,573)
Other Operating Expenses	<b>18</b>	(29,358,267)	(26,153,093)	(105,552,551)	(88,777,187)
<b>Total Operating Expenses</b>		<b>(703,110,185)</b>	<b>(467,229,331)</b>	<b>(2,313,752,148)</b>	<b>(1,636,718,993)</b>
<b>Operating Profit</b>		<b>(28,121,350)</b>	<b>81,128,514</b>	<b>100,568,786</b>	<b>261,260,137</b>
Financial Revenues		4,352,390	9,115,312	16,420,118	27,186,542
Financial Expenses		(9,770,488)	(7,140,537)	(30,207,471)	(30,739,783)
<b>Net Financial Result</b>	<b>19</b>	<b>(5,418,098)</b>	<b>1,974,775</b>	<b>(13,787,353)</b>	<b>(3,553,241)</b>
<b>Profit before Corporate Tax</b>		<b>(33,539,448)</b>	<b>83,103,289</b>	<b>86,781,433</b>	<b>257,706,896</b>
Corporate Tax	<b>14</b>	(48,622)	(11,584,299)	(21,986,212)	(44,379,193)
<b>Profit of the Financial Year</b>		<b>(33,588,070)</b>	<b>71,518,990</b>	<b>64,795,221</b>	<b>213,327,703</b>

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

**CNTEE Tranelectrica SA**

The separate account of Profit and Loss for the nine-month period ended on September 30<sup>th</sup>, 2017

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

	Note	July 1 <sup>st</sup> September 30 <sup>th</sup> , 2017	July 1 <sup>st</sup> September 30 <sup>th</sup> , 2016	January 1 <sup>st</sup> – September 30 <sup>th</sup> , 2017	January 1 <sup>st</sup> – September 30 <sup>th</sup> , 2016
<b>Profit of the Financial Year</b>		(33,588,070)	71,518,990	64,795,221	213,327,703
<b>Other comprehensive income</b>		-	-	-	-
<b>Total comprehensive income</b>		(33,588,070)	71,518,990	64,795,221	213,327,703

This condensed stand-alone interim financial statements has been approved by Management on November 6<sup>th</sup>, 2017 and have been signed on its behalf by:

Directorate

<b>Georgeta - Corina POPESCU</b>	<b>Andreea Georgiana FLOREA</b>	<b>Mircea - Toma MODRAN</b>	<b>Dan - Valeriu ARDELEAN</b>	<b>Florin - Cristian TATARU</b>
President of the Directorate	Directorate Member	Directorate Member	Directorate Member	Directorate Member

Cristina STOIAN  
Accounting and Financial Strategy Director

Claudia PAL - CHIRIC  
for Accounting Department Manager

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

**CNTEE Transelectrica SA**

 Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017

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

	Share capital	Share Premium	Legal Reserves	Reserve Fund from Reevaluation	Other Reserves	Retained Earnings	Total
<b>Balance on January 1<sup>st</sup>, 2016</b>	<b>733,031,420</b>	<b>49,842,552</b>	<b>99,407,385</b>	<b>603,684,792</b>	<b>55,694,602</b>	<b>1,487,644,971</b>	<b>3,029,305,722</b>
<b>Global Result of the Period</b>							
Profit of the Financial Year	-	-	-	-	-	213,327,703	<b>213,327,703</b>
<b>Other Elements of the Global Result, from which:</b>							
Recognition of actuarial gains regarding the determined plan of benefits	-	-	-	-	-	-	-
<b>Total Other Elements of the Global Result of the Period</b>	-	-	-	-	-	-	-
<b>Total Global Result of the Period</b>	-	-	-	-	-	213,327,703	<b>213,327,703</b>
<b>Other Elements</b>							
Transfer of the Reserves from Reevaluation in the Retained Earnings	-	-	-	(41,479,807)	-	41,479,807	-
Increase of the Legal Reserve Fund	-	-	-	-	-	-	-
Other Elements	-	-	-	-	-	-	-
<b>Total Other Elements</b>	-	-	-	<b>(41,479,807)</b>	-	<b>41,479,807</b>	-
<b>Contribution from shareholders and distributions to shareholders</b>							
Subsidies of Public Assets (connection fee)	-	-	-	-	1,259,126	-	1,259,126
Distribution of Dividends	-	-	-	-	-	(194,253,327)	(194,253,327)
<b>Total Contributions from Shareholders and Distributions to Shareholders</b>	-	-	-	-	<b>1,259,126</b>	<b>(194,253,327)</b>	<b>(192,994,201)</b>
<b>Balance on September 30<sup>th</sup>, 2016</b>	<b>733,031,420</b>	<b>49,842,552</b>	<b>99,407,385</b>	<b>562,204,985</b>	<b>56,953,728</b>	<b>1,548,199,154</b>	<b>3,049,639,224</b>
<b>Balance on January 1<sup>st</sup>, 2017</b>	<b>733,031,420</b>	<b>49,842,552</b>	<b>116,360,295</b>	<b>549,088,226</b>	<b>56,953,728</b>	<b>1,602,438,193</b>	<b>3,107,714,414</b>
<b>Global Result of the Period</b>							
Profit of the Financial Year	-	-	-	-	-	64,795,221	<b>64,795,221</b>
<b>Other Elements of the Global Result, from which:</b>							
Recognition of Actuarial Losses regarding the Determined Plan of Benefits	-	-	-	-	-	-	-
<b>Total Other Elements of the Global Result</b>	-	-	-	-	-	-	-
<b>Total Global Result of the Period</b>	-	-	-	-	-	<b>64,795,221</b>	<b>64,795,221</b>
<b>Other Elements</b>							
Transfer of the Reserves from Reevaluation in the Retained Earnings	-	-	-	(37,101,301)	-	37,101,301	-
Increase of the Legal Reserve Fund	-	-	-	-	-	-	-
Other Elements	-	-	-	-	-	-	-
<b>Total Other Modifications</b>	-	-	-	<b>(37,101,301)</b>	-	<b>37,101,301</b>	-
<b>Contribution from shareholders and distributions to shareholders</b>							
Derecognition of Public Assets	-	-	-	-	-	-	-
Subsidies of Public Assets (connection fee)	-	-	-	-	-	-	-
Distribution of Dividends	-	-	-	-	-	(165,445,191)	<b>(165,445,191)</b>
<b>Total Contributions from Shareholders and Distributions to Shareholders</b>	-	-	-	-	-	<b>(165,445,191)</b>	<b>(165,445,191)</b>
<b>Balance on September 30<sup>th</sup>, 2017</b>	<b>733,031,420</b>	<b>49,842,552</b>	<b>116,360,295</b>	<b>511,986,925</b>	<b>56,953,728</b>	<b>1,538,889,523</b>	<b>3,007,064,443</b>

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

**CNTEE Transelectrica SA**Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017*(All amounts are expressed in RON, unless otherwise indicated)*

	<b>The nine-month period concluded on September</b>	<b>The nine-month period concluded on</b>
<b>Treasury Flows from the Operating Activity</b>		
Profit of the Period	64,795,221	213,327,703
<b>Adjustments for:</b>		
Corporate Tax Expense	21,986,212	44,379,193
Depreciation Expenses	233,955,601	243,891,434
Provisions Expenses from Depreciating of the Current Assets	40,848,103	16,152,335
Revenues from the Reversal of Provisions for Depreciating the Current	(8,341,811)	(8,916,072)
Loss/(Profit) from the Sale of Tangible Assets, net	604,740	(97,594)
Reversal of Value Adjustments regarding Tangible Assets	1,042,079	2,857,470
Net Reversal of Value Adjustments regarding Provisions for Risks and Expenses	(8,404,959)	(8,438,885)
Interest Expenses, Interest Revenues and Foregone Revenues from Exchange Differences	13,380,693	3,466,829
<b>Cash Flows before Changes in the Current Capital</b>	<b>359,865,879</b>	<b>506,622,413</b>
<b>Changes in:</b>		
Clients and similar accounts - Electricity and other activities	(130,718,110)	122,107,838
Clients - Balancing	120,496,182	55,993,508
Clients - Cogeneration	(47,064,839)	(10,177,073)
Inventories	(2,048,268)	1,097,838
Trade Payables and Other Liabilities - Electricity and other activities	8,397,483	25,602,538
Liabilities - Balancing	(153,904,197)	(108,537,447)
Liabilities - Cogeneration	(32,908,253)	(96,588,371)
Other Taxes and Social Insurance Obligations	(1,291,952)	14,029,119
Deferred Revenues	(17,983,379)	(21,983,058)
<b>Treasury Flows from the Operating Activity</b>	<b>102,840,546</b>	<b>488,167,305</b>
Paid Interests	(8,070,601)	(10,707,432)
Paid Corporate Tax	(8,064,579)	(52,872,350)
<b>Net Cash from the Operating Activity</b>	<b>86,705,366</b>	<b>424,587,523</b>
<b>Cash Flows from the Investment Activity</b>		
Acquisition of Tangible and Intangible Assets	(135,207,915)	(117,447,064)
Cashing unused down payments	-	29,581,392
Cashing from sales of Tangible Assets	-	13,683
Cashed Interests	4,256,582	4,589,814
Received Dividends	2,180,584	3,038,332
Other Financial Assets	135,090,000	(223,160,000)
<b>Net Cash generated/(used) from/(in) the Investment Activity</b>	<b>6,319,251</b>	<b>(303,383,843)</b>
<b>Treasury Flows used in the Financing Activity</b>		
Repayments of Long-Term Loans	(125,396,726)	(153,614,042)
Paid Dividends	(165,219,348)	(194,134,724)
<b>Net Cash used in the Financing Activity</b>	<b>(290,616,074)</b>	<b>(347,748,766)</b>
<b>Net Decrease of Cash and Cash Equivalents</b>	<b>(197,591,457)</b>	<b>(226,545,086)</b>
<b>Cash and Cash Equivalents on January 1<sup>st</sup></b>	<b>933,661,193</b>	<b>974,451,258</b>
<b>Cash and Cash Equivalents at the end of the Period</b>	<b>736,069,736</b>	<b>747,906,172</b>

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

## **CNTEE Transelectrica SA**

Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017

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

---

### **1. General Information**

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

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

The stand-alone interim financial statements drafted on September 30<sup>th</sup>, 2017 are not audited.

### **2. Bases of Drafting**

#### **a) Declaration of Conformity**

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

#### **b) Professional Reasoning and Estimations**

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

### **3. Significant Accounting Policies**

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

### **4. Tangible and Intangible Assets**

The total net value of tangible assets decreased on September 30<sup>th</sup>, 2017 compared to December 31<sup>st</sup>, 2016 due to the corresponding depreciation of the first 9 months of 2017, which was registered against the background of increased amounts of tangible assets in progress.

On 30<sup>th</sup> September, 2017 the Company owns:

- Land - 52,672,879
- Buildings - 203,559,222 (net value)
- Equipments, vehicules – 1,184,196,089 (net value)

Thus the increase registered in the timeframe January 1<sup>st</sup> - September 30<sup>th</sup>, 2017 was mainly determined by the investments made in the high voltage stations and lines, as follows:

- Technical upgrade of the Bradu 400/220/110/20 kV station – 36,362,869;
- 400 kV OHL interconnecting Resita (Romania) - Pancevo (Serbia) – 20,365,625;
- Replacing AT and TRAFO in electrical stations - Stage II – 13,097,961;
- Upgrading the Suceava 110 kV and 20 kV station – 8,310,800;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to the 400 kV voltage - stage I - 400 kV OHL s.c. Portile de fier - (Anina) – Resita – 7,700,322;
- Upgrading the 400/110/10 kV Cluj Est station – 6,159,335;

## CNTEE Transelectrica SA

Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017

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

---

- Technical upgrade of the Campia Turzii 220/110/20 kV station – 4,527,874;
- Integrated security system in electric stations, stage IV - 3,571,263;
- Urgent repair of the damage to the Iernut - Gadalin 400 kV OHL and the Iernut - Baia Mare 3 220kV OHL – 2,499,320;
- Upgrading the Tihau 220/110 kV station - primary equipment – 2,468,394;
- Upgrading the command-control-protection system of the Sardanesti 220/110/20 kV station – 2,163,832;
- Deploying an optical fiber line between the Bradu 400/220/110 KV station and the Stuparei 220/110 KV station – 1,834,252;
- Upgrading the SCADA system for the Constanta Nord station– 1,439,414;
- Replacing the connectors from electrical stations – 1,148,538;
- Replacing the 110/20 kV TRAF0, 10 MVA in the Fantanele 220/110/20 kV station – 1,077,551;
- Technical upgrade of the Tulcea Vest 400/110/20 kV station - the construction part – 973,481;
- Gutinas – Smardan 400 kV OHL d.c. – 924,570;
- Creating the coexistence conditions between the Iernut Ungheni 400(220) kV OHL in the 71-72 opening and the Brasov Targu Mures Cluj Oradea Ungheni Ogra highway, km 4+500 km 14+605 – 882,093;
- Suceava - Balti 400 kV OHL, for the part of the project on Romanian territory - 818,392;
- Technical upgrade of the Isaccea 400 kV station - Stage I - replacing the compensation bobbins, the corresponding cells and the Stupina 400 kV cell – 674,371;
- Movement and protection of the high voltage electrical installations - 220 kV OHL on the route of the Sebes-Turda highway - 4<sup>th</sup> lot, the Cluj Floresti - Alba Iulia 220 kV OHL (178-179 crossing) – 617,712;
- Connecting the Isaccea - Varna 400 kV OHL and the Isaccea - Dobrudja 400 kV OHL in the Medgidia Sud 400 kV station – 582,580;
- Technical update of the Turnu Severin Est 220/110 kV station - 414,406.

In the period 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, so:

- Technical upgrade of the Bradu 400/220/110/20 kV station – 49,178,200;
- Replacing AT and TRAF0 in electrical stations - Stage II – 12,564,542;
- Integrated security system in electric stations, stage IV on the Rosiori 400/220 kV station, the Oradea Sud 400/110/20 kV station, the Paroseni 220 kV station and the Iernut 400/220/110/6 kV station – 12,097,539;
- Urgent repair of the damage to the Iernut - Gadalin 400 kV OHL and the Iernut - Baia Mare 3 220kV OHL – 7,843,133;
- Upgrading the Tihau 220/110 kV station - primary equipment – 6,412,602;
- Connecting the 147 MW Valea Dacilor WPP to the PTG – 2,400,930;
- Upgrading the SCADA system for the Constanta Nord station– 1,557,414;
- Replacing the 110/20 kV TRAF0, 10MVA in the Fantanele 110/20 kV station – 1,127,962;
- Creating the coexistence conditions between the Iernut Ungheni 400(220) kV OHL in the 71-72 opening and the Brasov-Targu Mures-Cluj-Oradea-Ungheni-Ogra highway, km 4+500 km 14+605 – 882,094;
- Deposit power transformers for system reserves and isolated passages in the security stock of CNTEE "Transelectrica" - SA in the Sibiu Sud 400 kV station – 845,925;
- Upgrading the control building from the Roman Nord 400/110/20 kV station – 675,560;
- Special intervention beams, Universally Anchored Portal type for the 220 - 400 kV tension, including prefabricated foundations – 643,058;
- Movement and protection of the high voltage electrical installations - 220 kV OHL on the route of the Sebes-Turda highway - 4<sup>th</sup> lot, the Cluj Floresti - Alba Iulia 220 kV OHL (178-179 crossing) – 617,713;
- Upgrade of the heating installation, Timisoara ST site building – 389,309;
- Construction of a framework with attic and thermal rehabilitation for the Cluj CE site building and storage unit 331,900;
- TEMPEST IT equipment for processing and storage of information classified as STATE SECRET – 240,227;
- Replacing the accumulator battery no. 2 in the Turnu Magurele 220/110/20 kV station – 226,085;
- Thermal imaging chambers – 222,000;



## CNTEE Transelectrica SA

Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017

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

---

The balance of tangible assets in progress on September 30<sup>th</sup>, 2017 is represented by the projects in progress, the most significant being listed below:

- 400 kV OHL interconnecting Resita (Romania) - Pancevo (Serbia) – 85,405,929;
- Technical upgrade of the Bradu 400/220/110/20 kV station – 65,617,732;
- 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 station – 46,884,983;
- Technical upgrade of the Campia Turzii 220/110/20 kV station – 41,162,208;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to the 400 kV voltage - stage I - Portile de fier - (Anina) – Resita 400 kV OHL s.c. – 19,869,284;
- Integrated security system in electric stations, stage IV - 15,662,623;
- Upgrading the Suceava 110 kV and 20 kV station – 15,244,555;
- Extending the services providing business continuity and recovery after disasters - 14,419,361;
- Connecting the Isaccea - Varna 400 kV OHL and the Isaccea - Dobrudja 400 kV OHL in the Medgidia Sud 400 kV station – 10,752,246;
- Cernavodă - Stâlpu 400 kV OHL d.c. and connection in Gura Ialomitei – 8,363,002;
- Upgrading the 400/110/10 kV Cluj Est electric station – 7,009,532;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to the 400 kV voltage - stage I - Resita 400/220/110 kV station – 6,572,290;
- Replacing AT and TRAFO in electrical stations - Stage II – 6,443,880;
- 400 kV HVDC Link (submarine cable Romania - Turkey) – 5,853,759;
- 400 kV OHL Gadalin - Suceava, including the NPS interconnection - 5,659,059;
- Suceava - Balti 400 kV OHL, for the part of the project on Romanian territory - 4,430,641;
- Technical upgrade of the Hasdat 220/110 kV station – 4,397,192;
- Upgrading the command-control-protection system of the Sardanesti 220/110/20 kV station – 4,345,410;
- Repairation of the failure of the 110-120 terminals of the Bucharest Sud - Ghizdaru 220 kV OHL - 4,274,774;
- 400 kV OHL d.c. Gutinas – Smardan – 3,203,787;
- Extending the control system with new functions and IT registration of access in the objectives of CNTEE Transelectrica SA - 3,200,918;
- Converting of the Portile de fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage II - Resita - Timisoara – Sacalaz 400 kV OHL d.c. (Timisoara 220/110kV station) - 3,197,788;
- Connecting the 136 MW wind power plant Platonesti, Ialomita county, to the Grid through constructing a 110 kV cell in the Gura Ialomitei 400/110 kV station – 2,889,337;
- Integrated security system in electric stations, stage III - 2,781,635;
- Upgrading the Arefu 220/110/20 kV station - 2,768,108;
- Assembling the optic fiber and upgrading the system of distance protections on the Tantareni-Turceni 400 kV OHL d.c. and the Urechesti-Rovinari 400 kV OHL s.c. – 2,835,545;
- Deploying an optical fiber line between the Bradu 400/220/110 KV station and the Stuparei 220/110 KV station – 2,695,295;
- Upgrading the Raureni 220/110/20 kV station - 2,694,402;
- By-passing the Cetate 110 kV OHL 1 & 2 in the proximity of the Ostrovul Mare 110/20/6 kV station - 2,578,438;
- PTG connection of Dumesti 99 MW WPP and Romanesti 30 MW WPP, Iasi county, through constructing a 110 kV line cell in the FAI 220/110 kV station – 2,545,853;
- Security solution for implementing the security measures related to classified information – 2,012,114;
- Executive - DCBPA/CPA: Consolidation, upgrading and extension of the CNTEE “Transelectrica” headquarters – 1,627,393;
- Integrated security system at the new Banca (400) 220/110 kV station – 1,133,202;
- Technical upgrade of the Tulcea Vest 400/110/20 kV station - the construction part – 1,088,027;

## **CNTEE Transelectrica SA**

Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017

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

---

- Deploying an optical fiber line between the Pitesti Sud station and the remote control and installation supervision center of the Pitesti ST (SF) – 1,075,201;
- Upgrading the 110/6 kV station from the Pestis 220/110/6 kV station – 1,048,404;
- Technical upgrade of the Isaccea 400 kV station - Stage I - replacing the compensation bobbins, the corresponding cells and the Stupina 400 kV cell – 995,766;
- Replacing the connectors from electrical stations – 936,114;
- Connecting the Stupina 400 kV station to the PTG and connecting the Isaccea-Varna 400 kV OHL – 874,015;
- Oradea – Beckescsaba 400 kV OHL – 731,246;
- Ostrovu Mare 220 kV OHL double circuit - PTG – 727,658;

For the intangible assets in progress, the largest entry in the period January - September 2017 was represented by:

- Replacement of EMS SCADA AREVA system components - software component, hardware component – 1,221,966;
- NEPLAN software licenses + CIM/XML 7 NEPLAN Software module licenses (2 new licenses, 5 CIM/XML modules) and upgrade for 13 NEPLAN licenses + 5 CIM/XML module licenses – 22,707.

In the period January - September 2017, the largest transfers of intangible assets in progress to intangible assets are represented by:

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

In the period January - September 2017, the largest transfers of intangible assets in progress to intangible assets are represented by:

- Upgrade of the existing antimalware solution – 45,414;
- Software for the integrated security management system – 136,505.
- Upgrading the SCADA system for the Constanta Nord station with 8 types of licenses – 571,350.

On December 31st, 2016, the tangible assets also included down payments amounting to 31,180,858, granted to the supplier ELCOMEX - IEA SA for performing the projects:

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

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

On April 7<sup>th</sup>, 2017 the Court of Constanta, Section II Civil, by Hearing protocol no. 294/2017, upheld the application for a declaration of insolvency of the debtor Elcomex - IEA SA, naming Pricewaterhouse Coopers Business Recovery Services IPURL as insolvency administrator. Following the declaration of insolvency of Elcomex IEA SA, CNTEE Transelectrica SA entered on its statement of affairs for the amount of 31,189,487 lei, representing the consideration of the down payment made to SC Elcomex IEA SA for the agreements no. C163/29.07.2015 and C255/18.11.2015 and other expenses. Starting with June 30<sup>th</sup>, 2017, the down payments amounting to 31,180,858 have been reclassified from “Tangible Assets” to “Receivables”, where further details are available.

### **5. Long Term Receivables**

On September 30<sup>th</sup>, 2017 the Company no longer registers long-term receivables representing trade receivables with maturity of over 1 year that have been spread up for payment, associated to the bonus type support scheme for high efficiency cogeneration promotion, following the integral collection of the amount of 4,557,606 representing the overcompensation for the year of 2016, amount that should have been collected starting with the month of October 2018, according to the concluded agreements.

**CNTEE Transelectrica SA**Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017*(All amounts are expressed in RON, unless otherwise indicated)***6. Trade Receivables and Other Receivables**

On September 30<sup>th</sup>, 2017 and December 31<sup>st</sup>, 2016, the trade receivables and other receivables are presented as follows:

	<b>September 30<sup>th</sup>, 2017</b>	<b>December 31<sup>st</sup>, 2016</b>
Trade Receivables	761,346,191	865,338,164
Other Receivables	261,489,303	129,703,771
Advances towards Providers	50,320,754	19,155,031
VAT to be recovered	35,684,052	28,432,828
Adjustments for Depreciating the Uncertain Trade Receivables	(132,915,870)	(100,578,031)
Adjustments for Depreciating Other Uncertain Receivables	(89,534,994)	(90,080,080)
<b>Total Trade Receivables and Other Receivables</b>	<b>886,389,436</b>	<b>851,971,683</b>

The structure of trade receivables is the following one:

	<b>September 30<sup>th</sup>, 2017</b>	<b>December 31<sup>st</sup>, 2016</b>
Customers on the electricity market, out of which:	754,455,147	863,706,722
- Clients - operational activity	383,038,454	428,633,645
- Clients - balancing market	135,484,274	255,980,457
- Clients - bonus type support scheme to promote the high-efficiency cogeneration	235,932,419	179,092,620
Clients from other activities	6,891,044	1,631,442
<b>Total Trade Receivables</b>	<b>761,346,191</b>	<b>865,338,164</b>

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

On September 30<sup>th</sup>, 2017, the current customers in the operational activity registered a decrease compared to December 31<sup>st</sup>, 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, Electrocentrale Bucuresti, Opcom, Electrica Furnizare, Enel Energie Muntenia, E.on Energie Romania, Enel Energie, CET Govora, PetProd, Ciga Energy. The weight of the main customers on the electricity market is about 53% in the Total Gross Receivables.

The current receivables for the balancing market, amounting to 135,484,274, registered a value decrease compared to December 31<sup>st</sup>, 2016, following a decrease in the transactions on this market.

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

On September 30<sup>th</sup>, 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 317% (December 31<sup>st</sup>, 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 30<sup>th</sup>, 2017, mainly determined by the receivables amounting to 139,913,507, registered according to the ANRE Decisions issued in the month of March 2017, on the overcompensation of the activity regarding the support scheme for the year 2016.

In the timeframe January 1<sup>st</sup> – September 30<sup>th</sup>, 2017, the amounts related to the bonus type support scheme have increased compared to December 31<sup>st</sup>, 2016, mainly due to the over-compensation decisions for 2016, issued in 2017. The overview of the cashing of receivables for the cogeneration scheme is as follows:

- the amount of 1,393,972 representing the overcompensation for the year of 2014, via bank transactions from Termoficare Oradea (for Electrocentrale Oradea, according to the staging Convention);
- the amount of 7,718,844 representing the overcompensation for the year of 2015, via bank transactions from Termoficare Oradea (for Electrocentrale Oradea, according to the staging Convention);
- the amount of 73,952,518 representing overcompensation for the year of 2016, on the grounds of reciprocal

## CNTEE Transelectrica SA

Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017

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

---

compensations made via the Management and Informatics Institute (on the grounds of DG no. 685 / 1999) (the amount of 20,585,328 with Enet SA, Modern Calor, Rulmenti Barlad, Soceram, Thermoenergy Group, Veolia Energie Iasi, Veolia Energie Prahova) and receipts in the bank account dedicated to the administration of the support scheme (the amount of 53,367,190 from CET Grivita, Electrocentrale Bucuresti, Termoficare Oradea, Thermoenergy Group, Veolia Energie Prahova)

- the amount of 70,765 representing undue bonus for the year of 2016, on the grounds of compensations made via the Management and Informatics Institute (on the grounds of DG no. 685 / 1999) – CET Arad;

On September 30<sup>th</sup>, 2017, the Company registered receivables amounting to 186,296,456, represented by the issued invoices under the bonus type support scheme for high efficiency cogeneration, out of which:

- overcompensation for the timeframe 2011 - 2013 in the amount of 76,702,140, namely from RAAN - 63,467,054 and CET Govora SA - 13,235,086;
- undue bonus for 2014 in the amount of 3,914,960, namely from RAAN - 1,981,235, CET Govora - 1,933,725;
- undue bonus for 2015 in the amount of 563,899, namely from CET Govora - 534,377, Interagro - 29,523;
- overcompensation for 2015 in the amount of 15,289,670, namely from Electrocentrale Oradea (debt taken over by Termoficare Oradea);
- overcompensation for 2016 in the amount of 65,960,989, namely from Electrocentrale Bucuresti - 56,680,387, CET Govora - 9,280,602;
- contribution for cogeneration not collected from the suppliers of electricity consumers, in the amount of 23,864,798, namely from: Transenergo Com - 5,882,073, PetProd - 4,391,193, Romenergy Industry - 2,680,620, RAAN- 2,385,922, Arelco Power - 2,378,723, UGM Energy - 1,814,175, CET Govora - 900,864, KDF Energy - 887,527 and others.

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

- collections in the amount of 73,952,518, out of which collections via bank transactions in the amount of 53,367,190 (out of which: Electrocentrale Bucuresti - 33,518,082, Veolia Energie Prahova - 13,156,503, Termoficare Oradea - 5,807,206, CET Grivita - 863,981, Thermoenergy Group - 21,418) and collections on the grounds of compensations made via the Management and Informatics Institute (on the grounds of DG no. 685 / 1999) in the amount of 20,585,328 (out of which: Veolia Energie Prahova - 11,378,848, Veolia Energie Iasi - 4,919,807, Thermoenergy Group - 1,711,999, Rulmenti Barlad - 1,541,633, Modern Calor - 488,338, Soceram - 453,780, Enet - 90,923);
- due receivables amounting to 65,960,989 (out of which: Electrocentrale Bucuresti - 56,680,387, CET Govora - 9,280,602). On October 20<sup>th</sup>, 2017, the Company and CET Govora set off the mutual claims and debts, amounting to 9,280,602.

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 30<sup>th</sup>, 2015 and Addendum no. 1 / August 4<sup>th</sup>, 2015). The period of the Agreement was 1 year (timeframe July 2015 - August 2016) and stipulated the Company's right to calculate and collect payment penalties over the installment period.

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

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

## **CNTEE Transelectrica SA**

Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017

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

---

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

Given the aforementioned facts, starting with May 9<sup>th</sup>, 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 5<sup>th</sup>, 2016, the High Court of Cassation and Justice admitted the appeal declared by ANRE against Civil Ruling no. 3185 / November 27<sup>th</sup>, 2015, has partially cancelled the sentence and has rejected the suspension request lodged by CET Govora, the judgement being final. Thus, starting with 05.10.2016, the effects of the ANRE Decision no. 738/28.03.2014 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 8<sup>th</sup>, 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 30<sup>th</sup>, 2017 the Company does not register provisions for the support scheme, the unrecovered value of these receivables being included in the cogeneration contribution.

### *Other Receivables*

On September 30<sup>th</sup>, 2017, Other Receivables amounting to 261,489,303 primarily include different debtors (144,319,253), deferred expenses (12,225,221), amounts pending for settlement (99,013,399) and other long-term receivables.

The different debtors amount to 144,319,253 out of which late payment penalties calculated to late paying clients, amounting to 59,132,808 (out of which the amount of 26,014,196 represents penalties in relation to the support scheme). The largest penalties for late payment have been registered by the following customers: RAAN (16,901,449), SC CET Govora (9,606,504), SC Eco Energy SRL (8,909,843), SC Petprod SRL (8,894,655), Total Electric Oltenia (3,288,967), Arcelor Mittal Galati (2,952,319), Also Energ (2,121,010). For the penalty charges for late payment of the receivables from operating activities were recorded depreciation adjustments.

In the debtor category, the following receivables are also registered:

- the down payments granted to the supplier ELCOMEX - IEA SA amounting to 31,180,858, to which penalties amounting to 687,458 have been added. The down payments have been granted to the supplier ELCOMEX - IEA SA for performing the following projects:
  - o Connecting the Isaccea-Varna 400 kV OHL and the Isaccea-Dobrudja OHL to the Medgidia Sud 400 kV station – down payment amounting to 9,948,593;
  - o Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to the 400 kV voltage - Stage I - Resita 400/220/110 kV station – down payment amounting to 21,232,265.

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

On April 7<sup>th</sup>, 2017 the Court of Constanta, Section II Civil, by Hearing protocol no. 294/2017, upheld the application for a declaration of insolvency of the debtor Elcomex - IEA SA, naming Pricewaterhouse Coopers Business Recovery Services IPURL as insolvency administrator.

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

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

On August 8<sup>th</sup>, 2017, the judiciary administrator Pricewaterhouse Coopers Business Recovery Services IPURL considers itself bound to note the cancellation by CNTEE Transelectrica SA of the agreement no. C255 from November 18<sup>th</sup>, 2015, regarding “Connection of the Isaccea-Varna 400 kV OHL and Isaccea-Dobruja 400 kV OHL in the Medgidia Sud 400 kV OHL, Stage I”, notified by the Company with letter no. 24597 from July 5<sup>th</sup>, 2017, and at the same time the termination of the agreement on the initiative of CNTEE Transelectrica 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.

## **CNTEE Transelectrica SA**

Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017

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

---

On July 1<sup>st</sup>, 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 18<sup>th</sup>, 2015, and no. BR – 1500520/July 29<sup>th</sup>, 2015.

The court ordered the staying of proceedings until November 7<sup>th</sup>, 2017, in the case file no. 24552/3/2017, on the docket of the Bucharest Court, Section VI Civil.

- receivables to be recovered from ANAF amounting to 44,442,936 (see paragraph below);
- receivables from OPCOM representing VAT for the contribution in kind to the subsidiary's equity, amounting to 4,517,460;

The deferred expenses amounting to 12,225,221 are represented mainly by the advances on contracts concluded with the suppliers of electricity needed for covering the own technological consumption for future periods (8,356,139), a guarantee fee for the BEI 25710 loan (90,234) and commission of ING credit granting (436,403), levies paid for 2017 to national and international institutions (817,246), rents (693,450), ANRE yearly contribution (536,072);

The amounts pending for settlement of 99,013,399 are represented by the additional tax liabilities payable by the Company, set out by ANAF following the general tax inspection for the period December 2005 - December 2010. The general tax inspection commenced on December 14<sup>th</sup>, 2011 and ended on June 26<sup>th</sup>, 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 technological system services (TSS) invoiced by the electricity suppliers, considered not deductible following the tax inspection.

On the grounds of the Notice of assessment no. F-MC 439/30.06.2017 amounting to a total of 99,013,399 lei, ANAF – DGAMC set forth additional tax payment liabilities to the Company amounting to 35,105,092 lei, as well as ancillary tax liabilities (interest/late interest and late payment interest) amounting to 63,908,307 lei. The amount of 99,013,399 lei has been netted, namely withdrawn by ANAF from the Company's accounts, as follows:

- by compensation with the VAT to be refunded, amounting to 12,936,170;
- by seizure of the cash balances present in the current account of the Company with BRD, amounting to 86,077,229.

The Company sent to ANAF the appeal to the Note of assessment, but by the date of drafting these financial statements, the appeal is yet to be settled.

Other receivables amounted to 4,385,130, of which 4,068,422 represent guarantees for temporary occupation of the land calculated and retained in accordance with the art. 39 paragraph (1), paragraph (2) and paragraph (5) of the Law no. 46/2008 regarding the Forestry Code in order to achieve the investment objective LEA 400 kV Resita - Pancevo (Serbia).

### *VAT to be recovered*

On September 30<sup>th</sup>, 2017, the Company registers VAT to be recovered amounting to 35,684,052, mainly representing negative VAT accounts for the months of August and September 2017.

### *Litigation with the National Agency of Fiscal Administration ("ANAF")*

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

Transelectrica used all legal means to contest the tax decision of ANAF, reason for which an appeal was filed with ANAF against the tax decision, and the Company requested the suspension of the tax decision until the administrative settlement of

## **CNTEE Transelectrica SA**

Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017

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

---

the appeal filed with ANAF. The court rejected the request for suspension of the execution of the tax audit report.

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

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

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

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

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

An appeal for annulment was filed against decision no. 1945 / June 16<sup>th</sup>, 2016 and it was submitted to the High Court of Cassation and Justice. On March 1<sup>st</sup>, 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 16<sup>th</sup>, 2016 of the High Court of Cassation and Justice - Administrative and Fiscal Litigation Section, ruled in file no. 6657 / 2 / 2012, as ill-founded. Irrevocable.'

### *Down payments to suppliers*

On September 30<sup>th</sup>, 2017, the down payments to suppliers are represented by the suppliers who are debtors for services amounted to 50,320,754, this mainly represent amounts from transactions related to the price coupling mechanism. Application of the mechanism coupling through the price began on November 19<sup>th</sup>, 2014, the date at which the project "4 Market Market Coupling" which provides the unification of the electricity markets DAM Square (Next Day Market) from Romania, Hungary, Czech Republic and Slovakia entered in the operating phase. In the mechanism of coupling through the price of the markets for the next day, the power exchanges correlate based on auctions, transactions with electricity for the next day taking into account the interconnection capacity made available by the OTS through which the allocation is performed. CNTEE Transelectrica SA, acting as TSO, transfers the electricity both in physical and commercial terms to the neighbouring TSOs (MAVIR-Hungary) and manages the congestion revenues along the respective interconnection (Article 139 from ANRE Order no. 82 / 2014), while in relation to SC OPCOM SA it acts as Implicit Participant on the Day-Ahead Market.

As a Transfer Agent and Participant, CNTEE Transelectrica has the trade task of paying the energy transacted energy between SC OPCOM SA and MAVIR.

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

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

## CNTEE Transelectrica SA

Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017

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

receivables and other non-cashed receivables.

On September 30<sup>th</sup>, 2017, the highest adjustments of depreciation, calculated for the trade receivables and related penalties, have been recorded for SC Petprod SRL (29,242,364), SC Eco Energy SRL (24,736,066), Arelco Power (18,555,617), SC Total Electric Oltenia SA (14,185,577), Romenergy Industry (13,512,997), Elsaco Energy (9,293,972), RAAN (8,584,128), Also Energ (7,177,167), CET Brasov (4,719,146), Opcom (4,517,460). The Company took the following measures in order to recover the impaired receivables: court proceedings, entering on the statement of affairs, requesting clarifications from ANAF (regarding the VAT collected from Opcom) and so on.

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

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

### 7. Other Financial Assets

On September 30<sup>th</sup>, 2017 and December 31<sup>st</sup>, 2016, the other financial assets were presented as follows:

	<b>September 30<sup>th</sup>, 2017</b>	<b>December 31<sup>st</sup>, 2016</b>
Bank deposits with maturity larger than 90 days	-	135,090,000
<b>Total</b>	<b>-</b>	<b>135,090,000</b>

On September 30<sup>th</sup>, 2017, the Company has no bank deposits with maturity larger than 90 days.

### 8. Cash and Cash Equivalents

On September 30<sup>th</sup>, 2017 and December 31<sup>st</sup>, 2016, the cash and cash equivalents were presented as follows:

	<b>September 30<sup>th</sup>, 2017</b>	<b>December 31<sup>st</sup>, 2016</b>
Current accounts and bank deposits, out of which:	735,926,197	933,616,367
- cash and deposits from high efficiency cogeneration	36,083,751	107,811,909
- cash from revenues related to interconnection capacity allocation used for grid investments	95,179,111	77,026,910
- cash from the connection fee	23,539,123	22,532,536
Petty cash	47,574	44,789
Other cash equivalents	95,965	37
<b>Total</b>	<b>736,069,736</b>	<b>933,661,193</b>

The bank deposits with maturity smaller than 90 days, constituted with cash available in current accounts (including cogeneration deposits) amounted to 450,186,734 at September 30<sup>th</sup>, 2017 and to 688,114,823 at December 31<sup>st</sup>, 2016.

### 9. Shareholders' Equity

According to GEO 86/2014 on the establishment of reorganization measures at central public administration level and for modifying and completion of some normative acts, on February 20<sup>th</sup>, 2015 was recorded in the Company's shareholder Register the transfer of 43.020.309 shares from the account of the Romanian State from the administration of the General Secretariat of Government, in the account of the Romanian State in the management of the Ministry of Economy, Trade and Tourism.

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



**CNTEE Transelectrica SA**Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017*(All amounts are expressed in RON, unless otherwise indicated)*

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

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

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

The shareholder structure on September 30<sup>th</sup>, 2017 and on December 31<sup>st</sup>, 2016 was as follows:

Shareholder	September 30 <sup>th</sup> , 2017		December 31 <sup>st</sup> , 2016	
	Number of shares	% of the Share capital	Number of shares	% of the Share capital
Romanian State through MECRMA	-	-	43,020,309	58.69%
Romanian State through ME	43,020,309	58.69%	-	-
Other legal person shareholders	25,355,917	34.59%	25,797,725	35.19%
Other natural person shareholders	4,926,916	6.72%	4,485,108	6.12%
<b>Total</b>	<b>73,303,142</b>	<b>100.00%</b>	<b>73,303,142</b>	<b>100.00%</b>

The increase in equity on September 30<sup>th</sup>, 2017 compared to December 31<sup>st</sup>, 2016 was driven primarily by the profit allocation for 2016, on basis of registering the net profit in the reported result, amounting to 64,795,221, conducted on September 30<sup>th</sup>, 2017. The value of shareholders' dividends distributed from the profit of 2016 according to the General Assembly Decision no. 4 / April 27<sup>th</sup>, 2017 amounts to 165,445,191, and their payment is done through the Central Depository starting with June 7<sup>th</sup>, 2017.

**10. Deferred Revenues**

Deferred revenues are mainly represented by: the connection fee, other subsidies for investments, non-refundable European funds collected from the Ministry of European Funds, as well as revenues from the use of interconnection capacities. On September 30<sup>th</sup>, 2017, the deferred revenues were as follows:

	September 30 <sup>th</sup> , 2017	Of which: the short-term portion on September 30 <sup>th</sup> , 2017	December 31 <sup>st</sup> , 2016	Of which: the short-term portion on December 31 <sup>st</sup> , 2016
Deferred Revenues - interconnection capacity allocation	5,178,460	5,178,460	6,578,507	6,578,507
Deferred Revenues - European Funds	1,213,273	1,213,273	1,320,318	1,320,318
Funds from the connection fee	308,614,766	21,498,659	319,025,555	21,082,024
European Funds	99,549,583	7,428,571	109,440,915	7,472,520
Other subsidies	34,444,140	1,582,975	31,618,306	1,671,705
<b>Total</b>	<b>450,000,222</b>	<b>36,901,938</b>	<b>467,983,601</b>	<b>38,125,074</b>

The evolution of the short-term deferred revenues in the timeframe January - September 2017 is presented as follows:

	September 30 <sup>th</sup> , 2017	December 31 <sup>st</sup> , 2016
Balance at the beginning of the period	38,125,074	33,408,244
Advance income related to the interconnection capacity	54,568,647	38,685,253
Income from European Funds	(17,660)	1,213,273
Transfer of long-term deferred income	283,955	(313,881)

**CNTEE Transelectrica SA**Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017*(All amounts are expressed in RON, unless otherwise indicated)*

Revenues from the use of the interconnection capacity	(55,968,694)	(34,867,815)
Revenues from European Funds	(89,385)	-
<b>Total</b>	<b>36,901,937</b>	<b>38,125,074</b>

On September 30<sup>th</sup>, 2017, CNTEE Transelectrica SA collected from the Ministry of Economy the amount of 49,627 lei for starting the expropriation proceedings (GO 22 / 2002 - compensations according to GD 918 / 2016) for “Connecting the Isaccea - Varna 400kV OHL and the Isaccea - Dobruja 400 kV OHL in the Medgidia Sud 400 kV station, Stage II - 400 kV OHL d.c. Connections in the Medgidia Sud station” and for “Converting the Portile de Fier – Resita – Timisoara – Sacalaz – Arad axis / Porile de Fier – (Anina) – Resita 400 kV OHL to 400 kV”.

**11. Loans**• *Long-term loans*

On September 30<sup>th</sup>, 2017, the value of long-term loans has diminished compared to December 31<sup>st</sup>, 2016 mainly due to repayments made under the existing loan agreements.

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

Movements in loans during the nine-month period ended on September 30<sup>th</sup>, 2017 are presented as follows:

	<b>Currency</b>	<b>Interest Rate</b>	<b>Book Value</b>	<b>Due Date</b>
<b>Balance on January 1<sup>st</sup>, 2017</b>			<b>636,554,058</b>	
<b>New Withdrawals</b>			-	
<b>Refunds, from which:</b>			<b>(125,396,726)</b>	
NIB PIL No 02/18	USD	LIBOR+0.9%	(3,742,345)	April 15 <sup>th</sup> , 2018
BIRD 7181	EUR	last communicated 0.01%	(31,900,013)	January 15 <sup>th</sup> , 2020
NIB PIL No 03/5	EUR	EURIBOR+0.85%	(10,472,590)	September 15 <sup>th</sup> , 2018
NIB PIL No 02/37	EUR	EURIBOR+0.9%	(5,606,172)	September 15 <sup>th</sup> , 2018
KfW 10431	EUR	EURIBOR+0.6%	(9,534,585)	July 31 <sup>st</sup> , 2017
KfW 11300	EUR	EURIBOR+0.6%	(9,617,869)	July 31 <sup>st</sup> , 2017
BEI 25709	EUR	3.596%	(10,961,648)	10-Sep-2025
BEI 25710	EUR	3,856%+2,847%	(5,494,384)	April 11 <sup>th</sup> , 2028
ING + BRD	EUR	EURIBOR+2.75%	(38,067,120)	February 13 <sup>th</sup> , 2019
Unsecured Bonds	RON	6.1%	-	December 19 <sup>th</sup> , 2018
<b>Differences of Exchange on the date of reimbursement</b>			<b>3,199,729</b>	
<b>Balance on September 30<sup>th</sup>, 2017</b>			<b>514,357,061</b>	

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

<b>Description</b>	<b>September 30<sup>th</sup>, 2017</b>	<b>December 31<sup>st</sup>, 2016</b>
NIB PIL No 02/18	6,845,729	11,337,158
BIRD 7181	43,036,054	74,348,437
NIB PIL No 03/5	10,577,930	20,889,060

**CNTEE Transelectrica SA**Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017*(All amounts are expressed in RON, unless otherwise indicated)*

Description	September 30 <sup>th</sup> , 2017	December 31 <sup>st</sup> , 2016
NIB PIL No 02/37	5,662,564	11,182,303
KfW 10431	-	9,521,818
KfW 11300	-	9,611,198
BEI 25709	88,575,259	98,390,500
BEI 25710	101,710,865	105,910,484
ING + BRD	57,948,660	95,363,100
Unsecured Bonds	200,000,000	200,000,000
<b>Total long-term loans from credit institutions, out of which:</b>	<b>514,357,061</b>	<b>636,554,058</b>
<b>Current portion of long-term loans</b>	<b>(116,157,213)</b>	<b>(134,624,060)</b>
<b>Total long-term loans net of current rates</b>	<b>398,199,848</b>	<b>501,929,998</b>

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

	September 30 <sup>th</sup> , 2017	December 31 <sup>st</sup> , 2016
Between 1 and 2 years	250,780,270	311,711,992
Between 2 and 5 years	68,016,313	95,401,520
Over 5 years	79,403,265	94,816,486
<b>Total</b>	<b>398,199,848</b>	<b>501,929,998</b>

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

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

- *Short-term loans*

The short-term Loans are detailed as follows:

	September 30 <sup>th</sup> , 2017	December 31 <sup>st</sup> , 2016
Current portion of long-term loans	116,157,213	134,624,060
Interest on long-term loans	2,298,497	3,140,317
Interest on bonds	9,692,223	440,555
<b>Total short-term loans</b>	<b>128,147,933</b>	<b>138,204,932</b>

- *Loans contracted for the current activity*

Transelectrica has concluded the credit agreement no. C39/02.03.2017 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 30<sup>th</sup>, 2017, the credit line is not used.

This was guaranteed by:

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

## CNTEE Transelectrica SA

Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017

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

### 12. Trade Payables and Other Payables

On September 30<sup>th</sup>, 2017 and December 31<sup>st</sup>, 2016 trade payables and other liabilities are presented as follows:

	<u>September 30<sup>th</sup>, 2017</u>	<u>December 31<sup>st</sup>, 2016</u>
Electricity Market Suppliers	422,998,532	591,678,777
Providers of Assets	60,411,394	76,404,309
Providers of other activities	22,923,150	27,546,104
Amounts due to the employees	4,943,549	5,291,891
Other Liabilities	202,481,639	173,027,119
<b>Total</b>	<b><u>713,758,264</u></b>	<b><u>873,948,200</u></b>

On September 30<sup>th</sup>, 2017 and December 31<sup>st</sup>, 2016, outstanding debts on the energy market amounted to 422,998,532 and 591,678,777 respectively, and presented the following structure:

	<u>September 30<sup>th</sup>, 2017</u>	<u>December 31<sup>st</sup>, 2016</u>
Suppliers on the electricity market, out of which:		
- suppliers - operational activity	140,996,454	122,864,250
- suppliers - balancing market	132,870,634	286,774,831
- suppliers - the bonus type support scheme for promoting the high efficiency cogeneration		
	149,131,444	182,039,696
<b>Total</b>	<b><u>422,998,532</u></b>	<b><u>591,678,777</u></b>

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

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

The providers on the electricity market are represented mainly by; SC Hidroelectrica SA, Electrocentrale Bucuresti, Mavir, RAAN. On September 30<sup>th</sup>, 2017, their share was 77% in the total number of energy suppliers.

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

On September 30<sup>th</sup>, 2017, payment obligations were registered towards suppliers (producers) in the amount of 120,513,791 (Electrocentrale Bucuresti – 56,680,387, RAAN – 51,183,836, CET Govora SA – 12,649,568), representing the monthly cogeneration bonus, ante-overcompensation for the years 2014 and 2015, as well as the bonus not granted for the year 2015 and the bonus not granted for the year 2016. The amounts representing the debts of the Company regarding the support scheme towards Electrocentrale Bucuresti, RAAN, CET Govora have been retained from payment on the grounds of Article 17 (5) of the Order of the ANRE Chairman no. 116 / 2013, because the suppliers (producers) registered payment obligations towards the Company regarding the bonus type support scheme.

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

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

CNTEE Transelectrica has concluded an agreement with CET Govora on the compensation and rescheduling of payments for the amounts representing the equivalent receivables from the counter value of the overcompensation for the timeframe

## CNTEE Transelectrica SA

Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017

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

2011 - 2013 and of the undue bonus for 2014 (Agreement no. C 135 / June 30<sup>th</sup>, 2015 and Addendum no. 1 / August 4<sup>th</sup>, 2015). The period of the Agreement was 1 year (timeframe July 2015 - August 2016) and stipulated the Company's right to calculate and collect payment penalties over the installment period.

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

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

Via Civil Decision no. 2430 / October 5<sup>th</sup>, 2016, the High Court of Cassation and Justice admitted the appeal declared by ANRE against Civil sentence no. 3185 / November 27<sup>th</sup>, 2015, has partially cancelled the sentence and has rejected the suspension request lodged by CET Govora. Thus, starting with October 10<sup>th</sup>, 2016, the effects of the ANRE Decision no. 738 / March 28<sup>th</sup>, 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 October 20<sup>th</sup>, 2017, the Company and CET Govora set off the mutual claims and debts, amounting to 9,280,602.

- The decrease of the balance of asset suppliers on September 30<sup>th</sup>, 2017 compared to December 31<sup>st</sup>, 2016 is due to the payment of the debts towards the asset suppliers.
- The debts towards suppliers of other activities are mainly represented by the not due debts related to the services provided by third parties, debts which have registered a decrease compared to December 31<sup>st</sup>, 2016.
- On 30th September, 2017 ,the Company has no debts to suppliers, state budget or local institutions
- The debts' structure recorded in "other liabilities" is as follows:

	<u>September 30<sup>th</sup>, 2017</u>	<u>December 31<sup>st</sup>, 2016</u>
Different Creditors	136,952,111	134,201,186
Clients - creditors	54,423,801	29,283,054
Dividends to be paid	1,538,587	1,312,744
Other Liabilities	9,567,140	8,230,135
<b>Total</b>	<b><u>202,481,639</u></b>	<b><u>173,027,119</u></b>

On September 30<sup>th</sup>, 2017, the position "different creditors" in the amount of 136,952,111 mainly represents the net position of the support scheme for high efficiency cogeneration, which on September 30<sup>th</sup>, 2017 registers a debt position amounting to 135,719,880 (December 31<sup>st</sup>, 2016: 128,272,529).

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

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

"Customers creditors" on September 30<sup>th</sup>, 2017 amounted to 54,423,801, out of which 53,678,584 represent amounts collected in advance from MAVIR and OPCOM within the transactions related to the price coupling mechanism.

On September 30<sup>th</sup>, 2017, the dividends owed and unpaid to the Company's shareholders amount to 1,538,587, out of which the amount of 752,527 is related to dividends distributed from the profit of the year 2016. These amounts are available to the shareholders through the payment agent.

## CNTEE Transelectrica SA

Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017

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

Other debts amounting to 9,567,140 are mainly represented by payment guarantees - energy market contracts and guarantees for the proper execution of service contracts concluded by CNTEE Transelectrica SA.

### 13. Other Taxes and Social Insurance Obligations

On September 30<sup>th</sup>, 2017 and December 31<sup>st</sup>, 2016, other taxes and social insurance obligations included:

	<u>September 30<sup>th</sup>, 2017</u>	<u>December 31<sup>st</sup>, 2016</u>
Contribution to social insurance funds	4,061,798	4,981,239
Payroll tax	1,529,782	1,928,808
Other taxes to pay	1,727,677	1,701,162
<b>Total</b>	<b>7,319,257</b>	<b>8,611,209</b>

On September 30<sup>th</sup>, 2017, the Company registered payment obligations for contributions to social insurance funds, payroll tax and other taxes that were paid in the month of October, 2017.

Furthermore, on September 30<sup>th</sup>, 2017, the Company also registered taxes on dividends amounting to 1,366, taxes due in October 2017.

### 14. Corporate Tax

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

The expenses on the corporate tax for the third quarter of 2017 and third quarter of 2016, as well as on September 30<sup>th</sup>, 2017 and September 30<sup>th</sup>, 2016 are presented as follows:

	<u>Q III 2017</u>	<u>Q III 2016</u>	<u>September 30<sup>th</sup>, 2017</u>	<u>September 30<sup>th</sup>, 2016</u>
Current corporate tax	94,010	13,013,736	25,088,177	48,455,251
Deferred corporate tax	(142,632)	(1,429,437)	(3,101,965)	(4,076,058)
<b>Total</b>	<b>(48,622)</b>	<b>11,584,299</b>	<b>21,986,212</b>	<b>44,379,193</b>

### 15. Operating Revenues

#### July 1<sup>st</sup> – September 30<sup>th</sup>, 2017 compared to July 1<sup>st</sup> – September 30<sup>th</sup>, 2016

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

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

	<u>Average Price for the transmission service</u>	<u>Average Tariff for technological system services</u>	<u>Average Price for the functional system services</u>
Order no. 48/2017 for the period July 1 <sup>st</sup> - September 30 <sup>th</sup> , 2017	16.86	9.39	1.11
Order no. 27/2016 for the period July 1 <sup>st</sup> - September 30 <sup>th</sup> , 2016	18.70	11.58	1.30

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

The zonal tariffs regarding the transmission service for the injection of electricity into the transmission grid ( $T_G$ ) and for drawing electricity off the transmission grid ( $T_L$ ) have been approved by ANRE Order no. 48 / 2017, starting with July 1<sup>st</sup>, 2017.

The amount of electricity delivered to consumers in the period July 1<sup>st</sup> - September 30<sup>th</sup>, 2017, respectively in July 1<sup>st</sup> - September 30<sup>th</sup>, 2016, is presented as follows:

**CNTEE Transelectrica SA**Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017*(All amounts are expressed in RON, unless otherwise indicated)*

	<b>July 1<sup>st</sup> – September 30<sup>th</sup>, 2017</b>	<b>July 1<sup>st</sup> – September 30<sup>th</sup>, 2016</b>
The amount of electricity delivered to consumers (MWh)	13,116,007	12,689,695

The amount of electricity delivered to consumers in the period July 1<sup>st</sup> - September 30<sup>th</sup>, 2017, respectively in July 1<sup>st</sup> - September 30<sup>th</sup>, 2016, is presented as follows:

	<b>July 1<sup>st</sup> – September 30<sup>th</sup>, 2017</b>	<b>July 1<sup>st</sup> – September 30<sup>th</sup>, 2016</b>
Transmission Revenues	219,699,925	235,996,198
Revenues from allocating the interconnection capacity	18,450,849	19,732,021
Revenues from reactive energy	1,368,216	1,373,522
Revenues from Inter TSO Compensation (ITC)	46,295	-
Revenues from Own Technological Consumption (CPT) transactions	12,356	57,390
<b>Transmission Revenues - total</b>	<b>239,577,641</b>	<b>257,159,131</b>
Functional System Service Revenues	14,557,081	16,417,239
Revenues from technological system services	126,323,534	146,496,188
Revenues from unplanned shifts on DAM	1,079,485	191,844
<b>System Service Revenues - total</b>	<b>141,960,100</b>	<b>163,105,271</b>
Revenues on the balancing market	280,272,909	117,073,299
Other Revenues	13,178,185	11,020,144
<b>Total Revenues</b>	<b>674,988,835</b>	<b>548,357,845</b>

*Transmission Revenues*

Given the rise in the amount of electricity delivered to consumers in the period July 1<sup>st</sup> - September 30<sup>th</sup>, 2017, compared to the period July 1<sup>st</sup> - September 30<sup>th</sup>, 2016, namely of 3.3% or 426,312 MWh, the income from the transmission service has registered a decrease in the amount of 16,296,273, determined by the decrease of the average tariffs approved by ANRE (according to the table on the average tariffs approved by ANRE for the analyzed periods, presented above).

*Functional System Service Revenues*

The revenues from functional system services registered a decrease with the amount of 1,860,158 in the period July 1<sup>st</sup> - September 30<sup>th</sup>, 2017, compared to the period July 1<sup>st</sup> - September 30<sup>th</sup>, 2016, determined by the decrease of the average tariff approved by ANRE for these services (according to the table on the average tariffs approved by ANRE for the analyzed periods, presented above).

*Revenues from allocating the interconnection capacity*

In the period July 1<sup>st</sup> - September 30<sup>th</sup>, 2017, the income from the interconnection capacity allocation has registered a decrease compared to the period July 1<sup>st</sup> - September 30<sup>th</sup>, 2016, in the amount of 1,281,172, corresponding to the level of usage of the available interconnection capacity by traders on the electricity market.

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

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

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

## CNTEE Transelectrica SA

Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017

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

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) and (5) of the ANRE Order no. 53 / 2013 and Article 16 (6) of the Regulation (EC) no. 714 / 2009, with priority as a source of financing for upgrading and development of the interconnection capacity with the neighboring systems.

### *Revenues from technological system services*

The revenues from technological system services have registered a decrease in the period July 1<sup>st</sup> - September 30<sup>th</sup>, 2017 compared to the the period July 1<sup>st</sup> - September 30<sup>th</sup>, 2016 in the amount of 20,172,654, mainly determined by the decrease with 18.9% of the tariff approved by ANRE for these services, namely from 11.58 lei/MWh to 9.39 lei/MWh, starting with July 1<sup>st</sup>, 2017 (according to the table on the average tariffs approved by ANRE for the analyzed periods, presented above), given that the amount of electricity delivered registered an increase of 3.3%.

The revenues from technological system services earned in the period July 1<sup>st</sup> - September 30<sup>th</sup>, 2017 was lower with 56,287,626 compared with the expenditures on the purchase of technological system services that were achieved. The loss was caused by the unfavourable conditions on the energy market, translated in higher average unit prices in auctions compared to the foreseen unit prices on which the tariff calculation for technological system services was based on. This amount lowers the gross profit of the Company reported on September 30<sup>th</sup>, 2017.

### *Revenues on the balancing market*

The income from the balancing market have registered an increase in the period July 1<sup>st</sup> - September 30<sup>th</sup>, 2017 compared to the period July 1<sup>st</sup> - September 30<sup>th</sup>, 2016, with the amount of 163,199,610, determined by:

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

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

### *Other Revenues*

“Other Revenues” earned in the period July 1<sup>st</sup> – September 30<sup>th</sup>, 2017, have been higher than the ones earned in the similar period of 2016. This development was mainly determined by the collection of fines and penalty payments in the period July 1<sup>st</sup> – September 30<sup>th</sup>, 2017, amounting to 2,767,264 (of which 2,541,312 from Enol Grup SA), compared to the collection of fines and penalty payments in the period July 1<sup>st</sup> – September 30<sup>th</sup>, 2016, amounting to 2,019.

### **January 1<sup>st</sup> – September 30<sup>th</sup>, 2017 compared to January 1<sup>st</sup> – September 30<sup>th</sup>, 2016**

The average tariffs approved by ANRE for services provided on the electricity market, in the analyzed periods, are presented as follows:

	Average Price for the transmission service	Average Tariff for technological system services	Average Price for the functional system services
Order no. 48/2017 for the period July 1 <sup>st</sup> - September 30 <sup>th</sup> , 2017	16.86	9.39	1.11
Order no. 27/2016 for the period July 1 <sup>st</sup> 2016 - June 30 <sup>th</sup> , 2017	18.70	11.58	1.30
Order no. 93/2015 for the period July 1 <sup>st</sup> - June 30 <sup>th</sup> , 2016	20.97	12.58	1.17



**CNTEE Transelectrica SA**Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017*(All amounts are expressed in RON, unless otherwise indicated)*

The amount of electricity delivered to consumers in the period January 1<sup>st</sup> - September 30<sup>th</sup>, 2017, respectively in the period January 1<sup>st</sup> - September 30<sup>th</sup>, 2016, is presented as follows:

	<u>January 1<sup>st</sup> – September 30<sup>th</sup>, 2017</u>	<u>January 1<sup>st</sup> – September 30<sup>th</sup>, 2016</u>
The amount of electricity delivered to consumers (MWh)	40,508,253	39,162,497

The income earned in the period January 1<sup>st</sup> - September 30<sup>th</sup>, 2017, respectively in the period January 1<sup>st</sup> - September 30<sup>th</sup>, 2016, is presented as follows:

	<u>January 1<sup>st</sup> – September 30<sup>th</sup>, 2017</u>	<u>January 1<sup>st</sup> – September 30<sup>th</sup>, 2016</u>
Transmission Revenues	731,076,584	787,498,705
Revenues from allocating the interconnection capacity	56,684,089	59,283,900
Revenues from reactive energy	4,554,854	5,231,196
Revenues from Inter TSO Compensation (ITC)	650,960	34,824
Revenues from Own Technological Consumption (CPT) transactions	617,513	213,917
<b>Transmission Revenues - total</b>	<b>793,584,000</b>	<b>852,262,542</b>
Functional System Service Revenues	50,164,916	47,391,461
Revenues from technological system services	445,231,585	481,077,353
Revenues from unplanned shifts on DAM	1,941,567	1,160,078
<b>System Service Revenues - total</b>	<b>497,338,068</b>	<b>529,628,892</b>
Revenues on the balancing market	1,085,320,880	483,686,422
Other Revenues	38,077,986	32,401,274
<b>Total Revenues</b>	<b>2,414,320,934</b>	<b>1,897,979,130</b>

*Transmission Revenues*

Given the rise in the amount of electricity delivered to consumers in the period January 1<sup>st</sup> - September 30<sup>th</sup>, 2017, compared to the period January 1<sup>st</sup> - September 30<sup>th</sup>, 2016, namely of 3.4% or 1,345,756 MWh, the income from the transmission service has registered a decrease in the amount of 56,422,121, determined by the decrease of the average tariffs approved by ANRE (according to the table on the average tariffs approved by ANRE for the analyzed periods, presented above).

*Functional System Service Revenues*

In the period January 1<sup>st</sup> - September 30<sup>th</sup>, 2017, the revenues from functional system services registered an increase compared to the period January 1<sup>st</sup> - September 30<sup>th</sup>, 2016, with the amount of 2,773,455, determined both by the increase in the electricity capacity delivered to consumers, and by the development of the average tariff approved by ANRE in the analyzed period (according to the table on the average tariffs approved by ANRE for the analyzed periods, presented above).

*Revenues from allocating the interconnection capacity*

In the period January 1<sup>st</sup> - September 30<sup>th</sup>, 2017, the income from the interconnection capacity allocation has registered a decrease compared to the period January 1<sup>st</sup> - September 30<sup>th</sup>, 2016, in the amount of 2,599,811, corresponding to the level of usage of the available interconnection capacity by traders on the electricity market.

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

The incorporation of the regional energy exchange by Romania, Hungary, the Czech Republic and Slovakia on November 19<sup>th</sup>, 2014 requires that these four countries have a unique price of electricity traded on the spot markets. The capacity

## **CNTEE Transelectrica SA**

Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017

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

---

allocation between Romania and Hungary, the only country of the 3 with which Romania has a border, is made by the carriers: Transelectrica and MAVIR, through the common mechanism, based on a bilateral agreement.

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

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

Using the net incomes from the interconnection capacity allocation is achieved in accordance with Article 22 (4) and (5) of the ANRE Order no. 53 / 2013 and Article 16 (6) of the Regulation (EC) no. 714 / 2009, with priority as a source of financing for upgrading and development of the interconnection capacity with the neighboring systems.

### *Revenues from technological system services*

The revenues from technological system services have registered a decrease in the period January 1<sup>st</sup> - September 30<sup>th</sup>, 2017 compared to the the period January 1<sup>st</sup> - September 30<sup>th</sup>, 2016 in the amount of 35,845,768, mainly determined by the decrease of the average tariff approved by ANRE for these services (according to the table on the average tariffs approved by ANRE for the analyzed periods, presented above), given that the amount of electricity delivered registered an increase of 3.4%.

### *Revenues on the balancing market*

The income from the balancing market have registered an increase in the period January 1<sup>st</sup> - September 30<sup>th</sup>, 2017 compared to the period January 1<sup>st</sup> - September 30<sup>th</sup>, 2016, with the amount of 601,634,458, determined by:

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

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

### *Other Revenues*

“Other Revenues” earned in the period January 1<sup>st</sup> – September 30<sup>th</sup>, 2017, have been higher than the ones earned in the similar period of 2016. This development was mainly determined by the collection of fines and penalty payments in the period January 1<sup>st</sup> – September 30<sup>th</sup>, 2017, amounting to 6,016,577 (Arelco Power SRL and Enol Grup SA), compared to the collection of fines and penalty payments in the period January 1<sup>st</sup> – September 30<sup>th</sup>, 2016, amounting to 27,119.

**CNTEE Transelectrica SA**Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017*(All amounts are expressed in RON, unless otherwise indicated)***16. EXPENSES FOR OPERATING THE SYSTEM AND FROM THE BALANCING MARKET**

Expenses made in the period July 1<sup>st</sup> - September 30<sup>th</sup>, 2017, compared to the period July 1<sup>st</sup> - September 30<sup>th</sup>, 2016, were as follows:

	<b>July 1<sup>st</sup> – September 30<sup>th</sup>, 2017</b>	<b>July 1<sup>st</sup> – September 30<sup>th</sup>, 2016</b>
Expenses on Own Technological Consumption	50,696,164	39,978,340
Expenses on Congestions	52,283	-
Expenses on electricity consumption in RET stations	3,083,312	2,814,292
Expenses on the Functional System Services	4,455,921	2,624,841
Expenses on Inter TSO Compensation (ITC)	5,097,454	6,660,000
<b>Total Operational Expenses</b>	<b>63,385,134</b>	<b>52,077,473</b>
Expenses regarding the technological system services	182,611,160	114,478,480
Expenses on the balancing market	280,272,909	117,073,299
<b>Total</b>	<b>526,269,203</b>	<b>283,629,252</b>

*Expenses on Own Technological Consumption*

These represent the acquisition expenses of electricity in the free market of energy for covering its own technological consumption (CPT) in RET. The increase of these expenses with the amount of 10,717,824 in the period July 1<sup>st</sup> - September 30<sup>th</sup>, 2017, compared to the same period of the previous year, was mainly determined by the increase of the average purchase price for electricity necessary to cover the CPT in the PTG, from 171.07 lei/MWh in the period July 1<sup>st</sup> - September 30<sup>th</sup>, 2016, to 216.99 lei/MWh in the period July 1<sup>st</sup> - September 30<sup>th</sup>, 2017, given that the electricity capacity necessary to cover the CPT in the PTG remained approximately the same in the analyzed periods (233,558 MWh in the period July 1<sup>st</sup> - September 30<sup>th</sup>, 2017, and 233,685 MWh in the period July 1<sup>st</sup> - September 30<sup>th</sup>, 2016).

*Expenses on Congestions*

Congestions (network restrictions) are requests for electricity transmission beyond the technical capacity of the network, requiring corrective actions from the transmission and system operator and occur in the situation in which, in the programming of the operation or the operation in real time, the power flow between two nodes or system areas leads to the non-accomplishment of the safety parameters in the operation of a power system. In the period July 1<sup>st</sup> - September 30<sup>th</sup>, 2017, expenses were registered with congestions in the amount of 52,283.

*Expenses regarding the functional system services*

The expenses on the functional system services represent the non-contracted international exchanges of electricity with the neighboring countries and unplanned expenses exchange on the next day market (PZU).

The expenses related to the functional system services have registered an increase amounting to 1,831,080 in the period July 1<sup>st</sup> - September 30<sup>th</sup>, 2017, compared to the period July 1<sup>st</sup> - September 30<sup>th</sup>, 2016, determined by the increase in the expenses related to unplanned electricity exchanges (unplanned exports) on the balancing market, due to the increase of the prices on the centralized electricity markets.

*Expenditures on Inter TSO Compensation (ITC)*

ITC expenses, amounting to 5,097,454, represent the monthly payment obligations / rights of collection for each transmission system operator (TSO). They are established within the compensation / settlement mechanism for the effects of using the electricity transmission grid (RET) for transits of electricity between TSO operators from 35 countries that acceded to this mechanism of the ENTSO-E

*Expenses regarding the technological system services*

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

## CNTEE Transelectrica SA

Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017

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

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

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

In the period July 1<sup>st</sup>, 2016 - September 30<sup>th</sup>, 2017, the purchase of technological system services has been conducted under regulated regime from SC Hidroelectrica SA (ANRE Decision no. 906 / June 22<sup>th</sup>, 2017) and from SC Complexul Energetic Hunedoara SA (ANRE Decision no. 907 / June 22<sup>th</sup>, 2017).

In the period July 1<sup>st</sup> - September 30<sup>th</sup>, 2017, the expenses related to the functional system services have registered an increase compared to the period July 1<sup>st</sup> - September 30<sup>th</sup>, 2016, amounting to 68,132,680, determined by:

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

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

### *Expenses on the balancing market*

The expenditures on the balancing market result from the notifications / achievements of the participants on this market, and are fully covered by the income from the balancing market. In the the period July 1<sup>st</sup> - September 30<sup>th</sup>, 2017, the expenses amounted to 280,272,909.

The expenses from the period January 1<sup>st</sup> - September 30<sup>th</sup>, 2017, compared to the period January 1<sup>st</sup> - September 30<sup>th</sup>, 2016, are presented as follows:

	<b>January 1<sup>st</sup> – September 30<sup>th</sup>, 2017</b>	<b>January 1<sup>st</sup> – September 30<sup>th</sup>, 2016</b>
Expenses on Own Technological Consumption	151,680,056	129,479,891
Expenses on Congestions	93,643	2,903,857
Expenses on electricity consumption in RET stations	10,472,907	10,263,835
Expenses on the Functional System Services	13,098,670	9,812,807
Expenses on Inter TSO Compensation (ITC)	17,122,685	20,100,202
<b>Total Operational Expenses</b>	<b>192,467,961</b>	<b>172,560,592</b>
Expenses regarding the technological system services	501,635,475	447,451,685
Expenses on the balancing market	1,085,320,880	483,686,422
<b>Total</b>	<b>1,779,424,316</b>	<b>1,103,698,699</b>

### *Expenses on Own Technological Consumption*

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

In the period January 1<sup>st</sup> - September 30<sup>th</sup>, 2017, these expenses have increased with the amount of 22,200,165 compared to the ones registered in the similar period of the previous year, given the reduction of the electricity quantity necessary to cover the CPT in PTG with ca. 4.6% (from 742,421 MWh in the period January 1<sup>st</sup> - September 30<sup>th</sup>, 2016, to 708,202 MWh in the period January 1<sup>st</sup> - September 30<sup>th</sup>, 2017).

## **CNTEE Tranelectrica SA**

Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017

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

---

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

Thus, the period January 1<sup>st</sup> - September 30<sup>th</sup>, 2017, the electricity for covering the CPT has been purchased on the free energy market, namely on the Centralized Market for Electricity Bilateral Contracts (CMBC), DAM, BM and IDM at the average purchase price of 214.1 lei/MWh, compared to the average purchase price of 174.3 lei/MWh in the period January 1<sup>st</sup> - September 30<sup>th</sup>, 2016.

### *Expenses on Congestions*

Congestions (network restrictions) are requests for electricity transmission beyond the technical capacity of the network, requiring corrective actions from the transmission and system operator and occur in the situation in which, in the programming of the operation or the operation in real time, the power flow between two nodes or system areas leads to the non-accomplishment of the safety parameters in the operation of a power system. In the period January 1<sup>st</sup> - September 30<sup>th</sup>, 2017, the expenses on congestions have been registered in the amount of 93,643, being lower than the ones registered in the same period of the previous year, the latter amounting to 2,903,857.

The registered congestion expenses in the period January 1<sup>st</sup> - September 30<sup>th</sup>, 2016 resulted to a great extent from accidental disconnections, bad meteorological conditions recorded in the first part of 2016 (Tariverde – Tulcea Vest 400 kV OHL, in the month of January 2016, Iernut – Gadalin 400 kV OHL, Iernut – Baia Mare III 220 kV OHL, in the month of June 2016).

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

### *Expenses regarding the functional system services*

These expenditures have registered an increase in the period January 1<sup>st</sup> - September 30<sup>th</sup>, 2017, increase amounting to 3,285,863, mainly determined by the increase in the expenditures on the balancing market and the day-ahead market regarding the unplanned electricity exchanges (exports) with the neighbouring countries connected to the NPS.

### *Expenditures on Inter TSO Compensation (ITC)*

The monthly payment / collection obligations of each transmission and system operator (TSO) are determined using the compensation (settlement) mechanism for PTG utilization for electricity transits in-between the TSOs of the 35 countries that acceded to this mechanism within ENTSO-E. In the period January 1<sup>st</sup> - September 30<sup>th</sup>, 2017, these expenses were higher than in the similar period from last year, by 2,977,517.

### *Expenses regarding the technological system services*

The expenditures regarding technological system services have recorded an increase in the period January 1<sup>st</sup> - September 30<sup>th</sup>, 2017, in the amount of 54,183,790 compared to the period January 1<sup>st</sup> - September 30<sup>th</sup>, 2016.

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

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

In the timeframe January 1<sup>st</sup> - June 30<sup>th</sup>, 2017, the purchase of the technological system services has been conducted under regulated regime from SC Hidroelectrica SA (ANRE Decision no. 1035 / June 22<sup>th</sup>, 2016) and from SC Complexul Energetic Hunedoara SA (ANRE Decision no. 1034 / June 22<sup>th</sup>, 2016).

**CNTEE Transelectrica SA**Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017*(All amounts are expressed in RON, unless otherwise indicated)*

In the period July 1<sup>st</sup>, 2016 - September 30<sup>th</sup>, 2017, the purchase of technological system services has been conducted under regulated regime from SC Hidroelectrica SA (ANRE Decision no. 906 / June 22<sup>th</sup>, 2017) and from SC Complexul Energetic Hunedoara SA (ANRE Decision no. 907 / June 22<sup>th</sup>, 2017).

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

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

*Expenses on the balancing market*

The expenses in the period January 1<sup>st</sup> - September 30<sup>th</sup>, 2017 related to the balancing market amounted to 1,085,320,880 following the evolution presented in the chapter *Revenues on the balancing market*.

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

**17. Expenses on staff**

	<b>July 1<sup>st</sup> – September 30<sup>th</sup>, 2017</b>	<b>July 1<sup>st</sup> – September 30<sup>th</sup>, 2016</b>
Expenses on staff wages	31,074,775	30,930,606
Social expenses	1,813,607	1,975,427
Expenses with employee vouchers	2,149,739	5,004,431
Expenses regarding employees' participation to the profit of the previous year	20,741	19,940
Expenses of the mandate contract and other committees, commissions	394,493	342,300
Expenses for social security and protection	8,569,208	8,986,404
Provisions constituted for expenses with wages and similar expenses	(61,851)	(111,183)
Other expenses	233,922	236,569
<b>Total</b>	<b>44,194,634</b>	<b>47,384,494</b>
	<b>January 1<sup>st</sup> – September 30<sup>th</sup>, 2017</b>	<b>January 1<sup>st</sup> – September 30<sup>th</sup>, 2016</b>
Expenses on staff wages	93,820,363	91,959,558
Social expenses	4,157,765	3,962,102
Expenses with employee vouchers	6,137,796	7,133,407
Expenses regarding employees' participation to the profit of the previous year	6,443,745	6,472,280
Expenses of the mandate contract and other committees, commissions	1,233,773	1,139,624
Expenses for social security and protection	27,606,371	28,773,950
Provisions constituted for expenses with wages and similar expenses	(8,021,471)	(8,029,884)
Other expenses	657,639	689,165
<b>Total</b>	<b>132,035,981</b>	<b>132,100,202</b>

The decrease of these expenses in the period July 1<sup>st</sup> - September 30<sup>th</sup>, 2017, compared to the period July 1<sup>st</sup> - September 30<sup>th</sup>, 2016, was mainly determined by the decrease of the expenses with employee vouchers with the amount of 2,854,692, given that the value of the employee holiday vouchers decreased as of July 2017, from 2,500 lei/employee to 1,450 lei/employee, pursuant to the provision of GEO no. 46/2017.

On September 30<sup>th</sup>, 2017, the Company has 2,177 employees.

**CNTEE Transelectrica SA**Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017*(All amounts are expressed in RON, unless otherwise indicated)***18. Other Operating Expenses**

	<u>July 1<sup>st</sup> – September 30<sup>th</sup>, 2017</u>	<u>July 1<sup>st</sup> – September 30<sup>th</sup>, 2016</u>
Other expenses on third party services	12,654,649	15,209,315
Postal expenses and telecommunication fees	298,064	338,331
Expenses on rents	2,066,992	2,032,693
Operating expenses related to the impairment of current assets	4,952,771	(4,824,806)
Other expenses	9,385,791	13,397,560
	<u><b>29,358,267</b></u>	<u><b>26,153,093</b></u>

  

	<u>January 1<sup>st</sup> – September 30<sup>th</sup>, 2017</u>	<u>January 1<sup>st</sup> – September 30<sup>th</sup>, 2016</u>
Other expenses on third party services	36,527,964	36,850,844
Postal expenses and telecommunication fees	859,635	976,183
Expenses on rents	6,229,686	5,757,055
Operating expenses related to the impairment of current assets	32,506,292	7,236,263
Other expenses	29,428,974	37,956,842
	<u><b>105,552,551</b></u>	<u><b>88,777,187</b></u>

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

**19. Net Financial Result**

	<u>July 1<sup>st</sup> – September 30<sup>th</sup>, 2017</u>	<u>July 1<sup>st</sup> – September 30<sup>th</sup>, 2016</u>
Interest Revenues	1,109,157	1,094,164
Revenues from exchange rate differences	1,055,481	7,997,837
Other financial revenue	2,187,752	23,311
<b>Total Financial Revenue</b>	<u><b>4,352,390</b></u>	<u><b>9,115,312</b></u>
Expenses on Interest	(5,438,696)	(6,004,697)
Expenses from exchange rate differences	(4,331,792)	(1,043,609)
Other financial Expenses	0	(92,231)
<b>Total Financial Expenses</b>	<u><b>(9,770,488)</b></u>	<u><b>(7,140,537)</b></u>
<b>Net Financial Result</b>	<u><b>(5,418,098)</b></u>	<u><b>1,974,775</b></u>

  

	<u>January 1<sup>st</sup> – September 30<sup>th</sup>, 2017</u>	<u>January 1<sup>st</sup> – September 30<sup>th</sup>, 2016</u>
Interest Revenues	4,084,872	4,442,629
Revenues from exchange rate differences	10,125,130	19,617,034
Other financial revenue	2,210,116	3,126,879
<b>Total Financial Revenue</b>	<u><b>16,420,118</b></u>	<u><b>27,186,542</b></u>
Expenses on Interest	(16,480,449)	(18,432,252)

**CNTEE Transelectrica SA**Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017*(All amounts are expressed in RON, unless otherwise indicated)*

Expenses from exchange rate differences	(13,727,022)	(12,215,300)
Other financial Expenses	-	(92,231)
<b>Total Financial Expenses</b>	<b>(30,207,471)</b>	<b>(30,739,783)</b>
<b>Net Financial Result</b>	<b>(13,787,353)</b>	<b>(3,553,241)</b>

The decrease of the net financial result regarding the exchange rate differences in the period January 1<sup>st</sup> - September 30<sup>th</sup>, 2017, compared to the period January 1<sup>st</sup> - September 30<sup>th</sup>, 2016, amounting to 11,003,626, was negatively influenced by the evolution of the exchange rate of the national currency in relation to foreign currencies in which the Company has contracted bank loans for financing the investment programs (Euros, Dollars)

The average exchange rate of the national currency registered in the period January 1<sup>st</sup> - September 30<sup>th</sup>, 2017 and January 1<sup>st</sup> - September 30<sup>th</sup>, 2016, is as follows:

Currency	January 1 <sup>st</sup> – September 30 <sup>th</sup> , 2017	January 1 <sup>st</sup> – September 30 <sup>th</sup> , 2016
Lei / Euros	4.5513	4.4853
Lei / US Dollars	4.0956	4.0202

On September 30<sup>th</sup>, 2017, the Company recorded a net financial result (loss) with 10,234,112 lower than the one registered in the similar period of the year 2016.

**20. Litigations and contingencies***Litigations*

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

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

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

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

Against the decision no. 843 / May 11<sup>th</sup>, 2015 of the Court of Appeal Craiova - Section II Civil, pronounced in the public hearing from May 11<sup>th</sup>, 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 10<sup>th</sup>, 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 9<sup>th</sup>, 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 5<sup>th</sup>, 2015, pronounced by the Court of Appeal Craiova - Section II Civil. Sets the hearing for solving the appeal on March 21<sup>st</sup>, 2017. On March 21<sup>st</sup>, 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 5<sup>th</sup>, 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 5<sup>th</sup>, 2017.



## **CNTEE Transelectrica SA**

Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017

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

---

In the period 2014-2015, the Company has retained at the payment the due bonus to RAAN on the support draft pursuant to the provisions of ANRE regulations, namely the article 17, paragraph 5 of ANRE President's Order no.116 / 2013.

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

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

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

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

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

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

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

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

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

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

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

By the application for summons filed by the applicant, they asked Transelectrica SA to pay the amount of 10,274,679.11.

The court reserved judgement on June 13<sup>th</sup>, 2016, postponing the ruling until June 27<sup>th</sup>, 2016 when, by hearing protocol, it ordered the redocking of the case in order to discuss the administration of additional evidence to establish mutual debts and compensation invoked by the defendant, to date, setting the next hearing on November 28<sup>th</sup>, 2016.

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

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

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

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

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

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

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

## **CNTEE Transelectrica SA**

Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017

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

---

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

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

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

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

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

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

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

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

Transelectrica SA has been registered in the table of debtor RAAN with the amount of 11,264,777.30 lei under the category of receivables resulting from the continuation of the debtor’s activity, the amount requested by our company being equal to 89,360,986.06 lei, our amount of 78,096,208.76 lei not being registered in the preliminary table because “this is not listed as owed in RAAN’s accounting records.” Moreover, the liquidator considered that the request regarding the registration in the table of the amount equal to 78,096,208.76 lei is tardily filed, being related to the timeframe 2011 – 2013, reason for which the receivable declaration should have been filed at the moment of commencement of the insolvency proceedings, namely on September 18<sup>th</sup>, 2013. Objection was filed against the Table. The Mehedinti Court approved the evidence with the audit expertise. The hearing was set November 16<sup>th</sup>, 2017.

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

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

At the hearing from February 8<sup>th</sup>, 2017, the objections against the expert report have been notified. At the hearing from March 22<sup>th</sup>, 2017, the case was postponed so that the technical expert can reply to the objections filed against the technical expertise report (second part) drafted in the case. Hearing: 13.12.2017.

• CNTEE Transelectrica SA filed a complaint against the Order of the ANRE Chairman no. 51 / June 26<sup>th</sup>, 2014, registered at ANRE under no. 47714 / August 4<sup>th</sup>, 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 ( $\beta$ ) 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.

## CNTEE Transelectrica SA

Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017

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

---

On June 26<sup>th</sup>, 2014, the ANRE Order no. 51 was issued, published in the Official Journal under no. 474 / June 27<sup>th</sup>, 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 (RRR<sup>1</sup>) 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 ( $\beta$ ) 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. lei<sup>3</sup>, having a significant impact on the financial interests of the company.

At the hearing from February 9<sup>th</sup>, 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 25<sup>th</sup>, 2016, April 22<sup>nd</sup>, 2016, June 10<sup>th</sup>, 2016 and March 3<sup>rd</sup>, 2017, the court postponed the judgement of the cause because of the missing technical expertise report. The next hearing was set for November 14<sup>th</sup>, 2017.

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

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

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

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

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

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

Against sentence no. 4275 / 2015, pronounced in the aforementioned file, Transelectrica SA filed an appeal, which was registered on the docket of the Court of Appeal Bucharest. The resolution of the Court of Appeal is the following: Admits the appeal. Changes the appealed civil sentence completely, meaning that it rejects the application for summons as ill-founded. Orders the appellee - plaintiff to pay the trial expenses to the appellant - defendant amounting to 16,129, representing legal stamp duty. With appeal within 30 days from notification. Ruled in open court today, October 10<sup>th</sup>, 2016.

---

<sup>1</sup> 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:  $RRR = WACC = CCP + Kp/(1 - T) + CCI \times Ki$

<sup>2</sup> The value that caused the decrease of the RRR to 7.7%

<sup>3</sup> Calculated value compared to the RRR of 8.52%

## CNTEE Transelectrica SA

Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017

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

---

Document: Decision 1517 / 2016 October 10<sup>th</sup>, 2016.

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

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

- In 2013, Conaid Company SRL took legal actions against CNTEE Transelectrica for the unjustified refusal of the latter to sign an addendum to the connection agreement or to sign a new connection agreement, and requested the compensation for costs incurred up to that time, amounted to 17,419,508 lei and loss of profit for the period 2013 - 2033 amounting to EUR 722,756,000. So far, the Company did not conclude an addendum to the connection agreement because the suspensive provisions included therein have not been met by Conaid Company SRL. A new connection agreement would have had to be concluded by March 11<sup>th</sup>, 2014, the date on which the technical connection permit has expired. On the date of these financial statements, the amounts claimed by Conaid Company SRL were regarded as contingent liabilities as it is unlikely to settle this obligation, there will be necessary outflows of resources embodying economic benefits and the value of obligation cannot be evaluated with sufficient reliability. The file no. 5302 / 2 / 2013 was on the docket of the High Court, involving the obligation of issuing of an administrative document, the procedural stage – second appeal, the hearing being on December 9<sup>th</sup>, 2015. At this hearing, the High Court of Cassation and Justice admitted, in principle, the second appeals and set the hearing, in substance, of the second appeals on April 8<sup>th</sup>, 2016, Formation 4, summoning the parties. The case trial was postponed for the date of June 17<sup>th</sup>, 2016, when the court reserved judgement, postponing the judgement until June 29<sup>th</sup>, 2016, when it pronounced Decision no. 2148 / 2016, by which it ordered the following: ‘Rejects the exceptions invoked by the appellant - plaintiff S.C. Conaid Company S.R.L., via insolvency administrator RVA Insolvency Specialists SPRL, and by the appellant - defendant National Company for Energy Transportation Transelectrica S.A. Admits the second appeal filed by the defendant National Company for Energy Transportation Transelectrica S.A. against the hearing protocol of February 18<sup>th</sup>, 2014 and the civil sentence no. 1866 of June 11<sup>th</sup>, 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 11<sup>th</sup>, 2014 pronounced by the Bucharest Court of Appeal – Section VIII, Administrative and Fiscal Litigation. Rejects the second appeal filed by the defendant National Power Grid Company Transelectrica S.A. against the hearing protocol from March 25<sup>th</sup>, 2014, pronounced by the Bucharest Court of Appeal - Section VIII, Administrative and Fiscal Litigation. Final. Ruled in open court today, June 29<sup>th</sup>, 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 9<sup>th</sup>, 2017.

- The company is involved in significant litigations in which it has the quality of plaintiff, especially for debt recovery (e.g. Eco Energy SRL, Petprod SRL, Total Electric Oltenia SA, Arcelormittal Galati SA, Regia Autonoma de Activitati Nucleare, Romenergy Industry SRL, Energy Holding SRL, UGM Energy Trading SRL, Elsaco Energy, Elcomex). The company recorded adjustments for valuable losses for the customers and other receivables in litigation and for the customers in bankruptcy. The Company also acted as plaintiff in a dispute with ANAF as shown in Note 6.

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

### *Contingences*

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 14<sup>th</sup>, 2011 and ended on June 26<sup>th</sup>, 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 technological system services (TSS) invoiced by the electricity suppliers, considered not deductible following the tax inspection.

On the grounds of the Notice of assessment no. F-MC 439/30.06.2017 amounting to a total of 99,013,399 lei, ANAF – DGAMC set forth additional tax payment liabilities to the Company amounting to 35,105,092 lei, as well as ancillary tax liabilities (interest/late interest and late payment interest) amounting to 63,908,307 lei.

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

- Corporation tax amounting to 13,726,800 plus accessories, owed for a number of 123 unused invoices identified as missing (they were destroyed in the fire that broke out the night of June 26<sup>th</sup> - 27<sup>th</sup>, 2009, at the business office from

## CNTEE Transelectrica SA

Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017

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

Millennium Business Center from 2 - 4 Armand Calinescu Street, District 2, where the company carried out its activity), documents under special regime.

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

At the hearing from April 30<sup>th</sup>, 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 1<sup>st</sup>, 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 16<sup>th</sup>, 2016 of the High Court of Cassation and Justice - Administrative and Fiscal Litigation Section, ruled in file no. 6657 / 2 / 2012, as ill-founded. Irrevocable.’

- Corporation tax amounting to 4,795,483 and collected VAT amounting to 5,694,636 plus accessories, owed for a number of 349 unused invoices identified as missing (they were destroyed in the fire that broke out the night of June 26<sup>th</sup> - 27<sup>th</sup>, 2009, at the business office from Millennium Business Center from 2 - 4 Armand Calinescu Street, District 2, where the company carried out its activity), documents under special regime;
- Corporation tax amounting to 4,320,277 and collected VAT amounting to 5,130,329 plus accessories, related to the expenses on technological system services invoiced by the generators in the time interval between January 1<sup>st</sup>, 2007 and December 31<sup>st</sup>, 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 30<sup>th</sup>, 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.

### 21. Affiliated Parties

#### i) Transactions with Branches of the Company

Entity	Country of origin	September 30 <sup>th</sup> , 2017 % of shares	December 31 <sup>st</sup> , 2016 % of shares
SMART SA*)	Romania	70	70
TELETRANS SA	Romania	100	100
ICEMENERG SA**)	Romania	-	-
OPCOM SA	Romania	100	100
FORMENERG SA	Romania	100	100
ICEMENERG SERVICE SA***)	Romania	100	100

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

In the file no. 32675 / 3 / 2015, the Bucharest Court – Section VI Civil pronounced the civil sentence no. 6468 / November 16<sup>th</sup>, 2015, through which it ordered the following: “Admits the exception of inadmissibility. Dismisses the application for summons filed by the plaintiff Transelectrica against the defendants: the subsidiary Company for electricity transmission grid maintenance services SMART SA, the Romanian State and ONRC, as inadmissible. With right of appeal within 30 days from notification. The appeal is lodged with the Bucharest Court Section VI Civil. Pronounced in open court today,

**CNTEE Transelectrica SA**Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017*(All amounts are expressed in RON, unless otherwise indicated)*

November 16<sup>th</sup>, 2015". CNTEE Transelectrica SA lodged an appeal, which was registered on the docket of the Court of Appeal, the case being settled at the hearing from May 23<sup>rd</sup>, 2016, when the Court of Appeal Bucharest ruled the civil decision no. 903 / 23.05.2016, by which it ordered the following: "Rejects the appeal as groundless. Admits the notification of the Constitutional Court. Pursuant to Article 29 (4) of Law no. 47 / 1992, notifies the Constitutional Court to resolve the exception of unconstitutionality of Article 114 (3) of Law no. 31 / 1990 in relation to the provisions of Article 16, Article 21 and Article 44 of the Constitution, exception invoked by the appellant. Final."

\*\*\*) On April 7<sup>th</sup>, 2014 it was accepted by the National Trade Register, the file registration number 121452 / April 3<sup>rd</sup>, 2014 involving the deregistration of the Subsidiary Institute for Energy Research and Modernization – ICEMENERG SA Bucharest. Through the order no. 123 / March 13<sup>th</sup>, 2014 (act of registration and authorization of functioning), was registered at the Trade Register the 'National Institute of Research and Development for Energy Bucharest" (GD no. 925 / 2010). The company filed a complaint against the resolution of ORC director ordering the registration in the trade register of the deregistration of the Subsidiary ICEMENERG SA Bucharest.

Bucharest Court, Civil Section VI, through the sentence no.3569 / July 14<sup>th</sup>, 2014 pronounced in the file no.15483 / 3/2014, in which the company was found in contradiction with the defendants the Subsidiary Institute for Energy Research and Modernization "Icemenerg" S.A. Bucharest and the National Institute of Research and Development for Energy-Icemenerg Bucharest rejected the complaint of the Company, motivated by the fact that GD no.925 / 2010 was not abolished until the deregistration at ORC (Trade Register Office). The Court of Appeal has notified on February 24<sup>th</sup>, 2015 the solution pronounced in the file no. 15483/3/2014 and namely Decision no.173/2015, which dismissed the appeal of CNTEE Transelectrica SA as unfounded, the decision being final.

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

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

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

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

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

The total value of the shares held by the Company in its subsidiaries amounted to 78,038,750 on September 30<sup>th</sup>, 2017, 2017 and to 78,038,750 on December 31<sup>st</sup>, 2016.

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

AFFILIATE ENTITY	Trade Receivables*)		Trade payables	
	September 30 <sup>th</sup> , 2017	December 31 <sup>st</sup> , 2016	September 30 <sup>th</sup> , 2017	December 31 <sup>st</sup> , 2016
SC SMART SA	50,088	404,257	6,706,356	15,471,838
SC TELETRANS SA	220,581	267,525	6,877,238	6,531,203
SC FORMENERG SA	0	0	0	3,960
SC OPCOM SA	59,438,353	30,921,913	3,422,746	6,747,421
<b>TOTAL</b>	<b>59,709,022</b>	<b>31,593,695</b>	<b>17,006,340</b>	<b>28,754,422</b>

\*) The trade receivables are presented at their gross value.

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

**CNTEE Transelectrica SA**Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017*(All amounts are expressed in RON, unless otherwise indicated)*

AFFILIATE ENTITY	Sales			
	Quarter III 2017	Quarter III 2016	9 months 2017	9 months 2016
SC SMART SA	192,735	395,165	556,562	902,413
SC TELETRANS SA	2,473,770	248,379	2,966,663	2,604,480
SC OPCOM SA	200,020,496	65,904,289	425,453,527	248,497,333
<b>TOTAL</b>	<b>202,687,001</b>	<b>66,547,833</b>	<b>428,976,752</b>	<b>252,004,226</b>

AFFILIATE ENTITY	Purchases			
	Quarter III 2017	Quarter III 2016	9 months 2017	9 months 2016
SC SMART SA	19,377,433	19,460,497	47,288,346	56,216,909
SC TELETRANS SA	13,472,694	12,766,923	28,325,958	24,617,079
SC FORMENERG SA	41,104	14,709	88,159	100,649
SC OPCOM SA	38,898,836	35,258,382	155,121,588	88,599,567
<b>TOTAL</b>	<b>71,790,067</b>	<b>67,500,511</b>	<b>230,824,051</b>	<b>169,534,204</b>

ii) *Remuneration of Company's Management*

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

	III. quarter 2017	III. quarter 2016	9 months 2017	9 months 2016
Short-Term Benefits	2,340,382	2,416,284	6,771,022	7,096,236
Other long-term benefits	44,848	56,312	76,444	107,421
<b>Total</b>	<b>2,385,230</b>	<b>2,472,596</b>	<b>6,847,466</b>	<b>7,203,657</b>

**22. Credit Risk**

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

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

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

**CNTEE Transelectrica SA**Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017*(All amounts are expressed in RON, unless otherwise indicated)*

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

	<b>September 30<sup>th</sup>, 2017</b>	<b>December 31<sup>st</sup>, 2016</b>
<b>Financial Assets</b>		
Net Trade Receivables	628,430,321	764,760,133
Other Net Receivables	222,275,063	87,211,550
Cash and Cash Equivalents	736,069,736	933,661,193
Other Financial Assets	-	135,090,000
<b>Total</b>	<b>1,586,775,120</b>	<b>1,920,722,876</b>

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

	<b>Gross Value September 30<sup>th</sup>, 2017</b>	<b>Adjustment of depreciation September 30<sup>th</sup>, 2017</b>	<b>Gross Value December 31<sup>st</sup>, 2016</b>	<b>Adjustment of depreciation December 31<sup>st</sup>, 2016</b>
Not due	449,146,702	2,020,921	639,151,930	4,568,505
Due date exceeded by 1 to 30 days	425,250	71,472	12,638,227	-
Due date exceeded by 31 to 90 days	3,172,135	2,743,413	5,519,233	-
Due date exceeded by 90 to 180 days	67,966,606	29,737,204	836,994	359,345
Due date exceeded by 180 to 270 days	34,276,085	7,200,654	27,274,940	7,725,361
Due date exceeded by 270 to 365 days	7,511,264	58,999	6,206,328	-
Due date exceeded by more than a year	198,848,150	91,083,207	173,710,511	87,924,820
<b>Total</b>	<b>761,346,191</b>	<b>132,915,870</b>	<b>865,338,164</b>	<b>100,578,031</b>

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

	<b>Gross Value September 30<sup>th</sup>, 2017</b>	<b>Adjustment of depreciation September 30<sup>th</sup>, 2017</b>	<b>Gross Value December 31<sup>st</sup>, 2016</b>	<b>Adjustment of depreciation December 31<sup>st</sup>, 2016</b>
Not due	199,239,212	19,993	64,477,570	323,854
Due date exceeded by 1 to 30 days	521,753	32,291	15,861	8,810
Due date exceeded by 31 to 90 days	399,803	381,284	56,503	30,487
Due date exceeded by 90 to 180 days	176,186	140,958	6,064,159	4,791,499
Due date exceeded by 180 to 270 days	182,956	482,387	2,317,148	669,292
Due date exceeded by 270 to 365 days	53,718	33,918	3,159,723	594,621
Due date exceeded by more than a year	111,236,428	88,844,163	101,200,666	83,661,517
<b>Total</b>	<b>311,810,057</b>	<b>89,534,994</b>	<b>177,291,630</b>	<b>90,080,080</b>

On September 30<sup>th</sup>, 2017, the highest adjustments of depreciation, calculated for the trade receivables and related penalties, have been recorded for SC Petprod SRL (29,242,364), SC Eco Energy SRL (24,736,066), Arelco Power (18,555,617), SC Total Electric Oltenia SA (14,185,577), Romenergy Industry (13,512,997), Elsaco Energy (9,293,972), RAAN (8,584,128), Also Energ (7,177,167), CET Brasov (4,719,146), Opcom (4,517,460). The Company took the following measures in order to recover the impaired receivables: court proceedings, entering on the statement of affairs, requesting clarifications from ANAF (regarding the VAT collected from Opcom) and so on.

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



**CNTEE Transelectrica SA**Notes on the stand-alone interim financial statements on September 30<sup>th</sup>, 2017*(All amounts are expressed in RON, unless otherwise indicated)*

	<b>September 30<sup>th</sup>, 2017</b>	<b>December 31<sup>st</sup>, 2016</b>
<b>Balance on the 1<sup>st</sup> of January</b>	<b>100,578,031</b>	<b>87,986,497</b>
Recognition of impairments	39,258,885	21,129,610
Reversal of impairments	6,921,046	(8,538,076)
<b>Balance at the end of the period</b>	<b>132,915,870</b>	<b>100,578,031</b>

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

	<b>September 30<sup>th</sup>, 2017</b>	<b>December 31<sup>st</sup>, 2016</b>
<b>Balance on the 1<sup>st</sup> of January</b>	<b>90,080,080</b>	<b>84,159,760</b>
Recognition of impairments	969,361	7,501,245
Reversal of impairments	1,514,447	(1,580,925)
<b>Balance at the end of the period</b>	<b>89,534,994</b>	<b>90,080,080</b>

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

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

**23. Subsequent Events**

On October 16<sup>th</sup>, 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 1<sup>st</sup>, 2017, ex-date October 31<sup>st</sup>, 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 31<sup>st</sup>, 2016, constituted on the grounds of GD no. 64/2001 for financing the investments from own sources of funding, amounting to 170,796,321.

On October 16<sup>th</sup>, 2017, the Ordinary General Assembly of Shareholders of CNTEE Transelectrica SA issued Decision no. 11 approving (point 3) - the date of November 22<sup>nd</sup>, 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 31<sup>st</sup>, 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 31<sup>st</sup>, 2016 in the balance of the account "Other Reserves" and "Retained Earnings", took place according to the request issued on September 12<sup>th</sup>, 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 12<sup>th</sup>, 2017 by the Ministry of Economy via the Privatization and State Participation Management Department, and registered by CNTEE Transelectrica SA under no. 33510 / September 12<sup>th</sup>, 2017.