

Current report according to the provisions of Law 24/2017, Regulation 1/2006 of the CNVM and the BSE Code

Date of the report: **November 15th, 2017**

Issuer Company: **National Power Grid Co. Transelectrica SA, managed under two tier system**

Headquarters: Bucharest 1, 33 Blvd. Magheru

Working location: Bucharest 3, 2-4 Olteni Street

Phone/ fax numbers: +4021 3035 611/ +4021 3035 610

Single registration code: 13328043

Number in the Commercial Register: J40/8060/2000

Share capital subscribed and paid: RON 733,031,420

Regulated market where the issued securities are traded: Bucharest Stock Exchange

Quarterly Report, Q3 2017

Decreasing financial results compared to the same period of the last year were negatively influenced by decreasing of allowed activities profit due to decreasing of transmission tariffs with 10% and mainly due to negative result registered by zero profit activities.

Profit allowed operations: negative evolution of EBITDA was influenced by decreasing of transmission tariffs with 10% and increasing of the average purchase price for electricity, necessary to cover the own technological consumption correlated with registration in company expenses of depreciation of trade receivables from energy and balancing market.

Zero-profit operations: EBIT turned negative to RON - 56 mn as compared to the same period of previous year (RON 34 mn) influenced by decreasing technological system services tariffs with 20% and by significant increase of the procurement prices of technological system services, where from, the Company acquires the necessary services for safe function of the National Energy System.

Production and consumption increased during the reported period of 2017, as compared to the same period of 2016. Operational results variances are detailed below.

Financials		9Mo 2017	9Mo 2016	Δ	Δ(%)
PROFIT ALLOWED ACTIVITIES					
Charged energy volume	[TWh]	40.51	39.16	1.35	▲ 3%
Revenues	[Ron mn]	884	933	(49)	▼ 5%
Average transmission tariff	[Ron mn]	18.05	20.11	(2.06)	▼ 10%
Transmission revenues	[Ron mn]	794	852	(58)	▼ 7%
EBITDA	[Ron mn]	391	472	(81)	▼ 17%
Depreciation & Amortization	[Ron mn]	234	244	(10)	▼ 4%
EBIT	[Ron mn]	157	227	(70)	▼ 31%
ZERO-PROFIT ACTIVITIES					
EBIT		(56)	34	(90)	n/a
AGGREGATED (PROFIT ALLOWED & ZERO-PROFIT)					
EBIT	[Ron mn]	101	261	(160)	▼ 62%
Net profit	[Ron mn]	65	213	(148)	▼ 70%
Operational					
Consumption	TWh	42.1	40.8	1.3	▲ 3%
Production	TWh	44.3	44.0	0.3	▲ 0.7%
Export	TWh	4.5	5.2	(0.7)	▼ 13%

The report will be available starting with November 15th, 2017.

- online, on the website www.transelectrica.ro, section Investor Relations Reports Periodicals/Reports, respectively <https://www.transelectrica.ro/rapoarte-2017>;
- at the Company's headquarters: str. Olteni no. 2-4, sector 3, Bucharest

Georgeta-Corina POPESCU
Executive Director General
Directorate Chairman

CNTEE Tranelectrica SA
Two-Tier Company

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

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

CNTEE Transelectrica SAStand-alone simplified statement of financial position on September 30th, 2017*(All amounts are expressed in RON, unless otherwise indicated)*

	Note	September 30 th , 2017	December 31 st , 2016
Assets			
Fixed Assets			
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
Total Fixed Assets		3,165,700,187	3,291,862,567
Current Assets			
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
Total Current Assets		1,654,917,088	1,951,132,524
Total Assets		4,820,617,275	5,242,995,091
Shareholders' Equity and Liabilities			
Shareholders' Equity			
Social Capital, from which:		733,031,420	733,031,420
<i>Subscribed Share Capital</i>		733,031,420	733,031,420
Share Premium		49,842,552	49,842,552
Legal Reserves		116,360,295	116,360,295
Reserve Fund from Reevaluation		511,986,925	549,088,226
Other Reserves		56,953,728	56,953,728
Retained Earnings		1,538,889,523	1,602,438,193
Total Shareholders' Equity	9	3,007,064,443	3,107,714,414
Non-Current Liabilities			
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
Total Non-Current Liabilities		881,696,145	1,005,288,503
Current Liabilities			
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
Total Current Liabilities		931,856,687	1,129,992,174
Total Liabilities		1,813,552,832	2,135,280,677
Total Shareholders' Equity and Liabilities		4,820,617,275	5,242,995,091

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

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

	Note	July 1 st September 30 th , 2017	July 1 st September 30 th , 2016	January 1 st – September 30 th , 2017	January 1 st – September 30 th , 2016
Revenues					
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
Total Revenues	15	674,988,835	548,357,845	2,414,320,934	1,897,979,130
Operating Expenses					
System Operating Expenses	16	(63,385,134)	(52,077,473)	(192,467,961)	(172,560,592)
Expenses on the Balancing Market	16	(280,272,909)	(117,073,299)	(1,085,320,880)	(483,686,422)
Expenses regarding the technological system services	16	(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	17	(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	18	(29,358,267)	(26,153,093)	(105,552,551)	(88,777,187)
Total Operating Expenses		(703,110,185)	(467,229,331)	(2,313,752,148)	(1,636,718,993)
Operating Profit		(28,121,350)	81,128,514	100,568,786	261,260,137
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)
Net Financial Result	19	(5,418,098)	1,974,775	(13,787,353)	(3,553,241)
Profit before Corporate Tax		(33,539,448)	83,103,289	(86,781,433)	257,706,896
Corporate Tax	14	(48,622)	(11,584,299)	(21,986,212)	(44,379,193)
Profit of the Financial Year		(33,588,070)	71,518,990	64,795,221	213,327,703

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

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

	Note	July 1 st September 30 th , 2017	July 1 st September 30 th , 2016	January 1 st – September 30 th , 2017	January 1 st – September 30 th , 2016
Profit of the Financial Year		(33,588,070)	71,518,990	64,795,221	213,327,703
Other comprehensive income		-	-	-	-
Total comprehensive income		(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 6th, 2017 and have been signed on its behalf by:

Directorate

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

Cristina STOIAN
Accounting and Financial Strategy DirectorClaudia 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 30th, 2017

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

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

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

CNTEE Transelectrica SANotes on the stand-alone interim financial statements on September 30th, 2017*(All amounts are expressed in RON, unless otherwise indicated)*

	The nine-month period concluded on September	The nine-month period concluded on
Treasury Flows from the Operating Activity		
Profit of the Period	64,795,221	213,327,703
Adjustments for:		
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
Cash Flows before Changes in the Current Capital	359,865,879	506,622,413
Changes in:		
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)
Treasury Flows from the Operating Activity	102,840,546	488,167,305
Paid Interests	(8,070,601)	(10,707,432)
Paid Corporate Tax	(8,064,579)	(52,872,350)
Net Cash from the Operating Activity	86,705,366	424,587,523
Cash Flows from the Investment Activity		
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)
Net Cash generated/(used) from/(in) the Investment Activity	6,319,251	(303,383,843)
Treasury Flows used in the Financing Activity		
Repayments of Long-Term Loans	(125,396,726)	(153,614,042)
Paid Dividends	(165,219,348)	(194,134,724)
Net Cash used in the Financing Activity	(290,616,074)	(347,748,766)
Net Decrease of Cash and Cash Equivalents	(197,591,457)	(226,545,086)
Cash and Cash Equivalents on January 1st	933,661,193	974,451,258
Cash and Cash Equivalents at the end of the Period	736,069,736	747,906,172

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 30th, 2017

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

1. General Information

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

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

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

2. Bases of Drafting

a) Declaration of Conformity

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

b) Professional Reasoning and Estimations

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

3. Significant Accounting Policies

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

4. Tangible and Intangible Assets

The total net value of tangible assets decreased on September 30th, 2017 compared to December 31st, 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 30th 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 1st - September 30th, 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 30th, 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 - 4th lot, the Cluj Floresti - Alba Iulia 220 kV OHL (178-179 crossing) – 617,712;
- Connecting the Isaccea - Varna 400 kV OHL and the Isaccea - Dobrudja 400 kV OHL in the Medgidia Sud 400 kV 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 - 4th 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 30th, 2017

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

The balance of tangible assets in progress on September 30th, 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 30th, 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 7th, 2017 the Court of Constanta, Section II Civil, by Hearing protocol no. 294/2017, upheld the application for a declaration of insolvency of the debtor Elcomex - IEA SA, naming Pricewaterhouse Coopers Business Recovery Services IPURL as insolvency administrator. 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 30th, 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 30th, 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 30th, 2017

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

6. Trade Receivables and Other Receivables

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

	September 30 th , 2017	December 31 st , 2016
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)
Total Trade Receivables and Other Receivables	886,389,436	851,971,683

The structure of trade receivables is the following one:

	September 30 th , 2017	December 31 st , 2016
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
Total Trade Receivables	761,346,191	865,338,164

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

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

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

The main current customers on the electricity market are represented by: RAAN, 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 31st, 2016, following a decrease in the transactions on this market.

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

On September 30th, 2017, the Company registered receivables to be cashed from the bonus type support scheme for promoting the high efficiency cogeneration in a proportion of approximately 317% (December 31st, 2016 - 21%) of the total trade receivables.

The customers from the bonus type support scheme for promoting the high efficiency cogeneration registered an increase in the receivables on September 30th, 2017, mainly determined by the receivables amounting to 139,913,507, registered according to the ANRE Decisions issued in the month of March 2017, on the overcompensation of the activity regarding the support scheme for the year 2016.

In the timeframe January 1st – September 30th, 2017, the amounts related to the bonus type support scheme have increased compared to December 31st, 2016, mainly due to the over-compensation decisions for 2016, issued in 2017. The overview of the 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 30th, 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 30th, 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 20th, 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 30th, 2015 and Addendum no. 1 / August 4th, 2015). The period of the Agreement was 1 year (timeframe July 2015 - August 2016) and stipulated the Company's right to calculate and collect payment penalties over the installment period.

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

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

CNTEE Transelectrica SA

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

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

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

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

Via Civil Decision no. 2430 / October 5th, 2016, the High Court of Cassation and Justice admitted the appeal declared by ANRE against Civil Ruling no. 3185 / November 27th, 2015, has partially cancelled the sentence and has rejected the suspension request lodged by CET Govora, the judgement being final. Thus, starting with 05.10.2016, the effects of the ANRE Decision no. 738/28.03.2014 are no longer suspended, being in full effect.

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

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

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

Other Receivables

On September 30th, 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 7th, 2017 the Court of Constanta, Section II Civil, by Hearing protocol no. 294/2017, upheld the application for a declaration of insolvency of the debtor Elcomex - IEA SA, naming Pricewaterhouse Coopers Business Recovery Services IPURL as insolvency administrator.

On the day of insolvency, CNTEE Transelectrica SA held the following agreements concluded with SC Elcomex IEA SA: C163/29.07.2015: “Converting the Portile de Fier – Resita - Timisoara – Sacalaz – Arad to 400 kV / the 400/220/110 kV Resita 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 7th, 2017, regarding the cancellation of the agreement C 163/29.07.2015 “Converting the Portile de Fier – Resita - Timisoara – Sacalaz – Arad to 400 kV / the 400/220/110 kV Resita station”.

On August 8th, 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 18th, 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 5th, 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 30th, 2017

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

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

The court ordered the staying of proceedings until November 7th, 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 14th, 2011 and ended on June 26th, 2017, the date of the final discussion with Transelectrica SA.

ANAF – DGAMC set forth additional tax payment liabilities to the Company, respectively corporation tax and VAT, as well as ancillary tax liabilities (interest/late interest and late payment interest) related to the 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 30th, 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 20th, 2011, regarding the refund of VAT for the timeframe September 2005 - November 2006 for a total of 123 unused invoices identified as missing (they were destroyed in the fire that broke out the night of June 26th - 27th, 2009, at the business office from Millennium Business Center from 2 - 4 Armand Calinescu Street, District 2, where the company carried out its activity), documents under special regime, and for which it estimated a sum of collected VAT amounting to 16,303,174, plus accessories amounting to 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 30th, 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 18th, 2013, the audit report was prepared, which was submitted to the file at the hearing from September 20th, 2013. At the hearing from October 18th, 2013, the parties have objected the legal expert report, objections which were approved by the Court of Appeal at the hearing from November 15th, 2013 and which were communicated to the designated expert. At the hearing from March 7th, 2014, the expert responded to the objections raised by the Company. Compared to the revenues considered by ANAF, according to which the collected VAT was estimated by ANAF in the amount of 16,303,174, the legal audit expertise report found the existence of unjustified income in the amount of 551,013, the sum at which the VAT and the accessories thereof would have been calculated. The session was postponed in order to be informed regarding the content of the response to the objections of the expert report.

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

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

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

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

Down payments to suppliers

On September 30th, 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 19th, 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 30th, 2017

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

receivables and other non-cashed receivables.

On September 30th, 2017, the highest adjustments of depreciation, calculated for the trade receivables and related penalties, have been recorded for SC Petprod SRL (29,242,364), SC Eco Energy SRL (24,736,066), Arelco Power (18,555,617), 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 30th, 2017 and December 31st, 2016, the other financial assets were presented as follows:

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

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

8. Cash and Cash Equivalents

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

	September 30th, 2017	December 31st, 2016
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
Total	736,069,736	933,661,193

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 30th, 2017 and to 688,114,823 at December 31st, 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 20th, 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 19th, 2015 on the establishment of reorganization measures at the central government level and to supplement several acts, the Ministry of Economy, Trade and Business Environment Relationship (MECRMA) was incorporated by reorganizing and taking over the activities of the Ministry of Economy, Trade and Tourism, which was dissolved, and by merging and structures in the field of small and medium businesses of the Ministry of Energy, Small and Medium Enterprises and Business Environment.

CNTEE Transelectrica SANotes on the stand-alone interim financial statements on September 30th, 2017*(All amounts are expressed in RON, unless otherwise indicated)*

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

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

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

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

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

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

10. Deferred Revenues

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

	September 30 th , 2017	Of which: the short-term portion on September 30 th , 2017	December 31 st , 2016	Of which: the short-term portion on December 31 st , 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
Total	450,000,222	36,901,938	467,983,601	38,125,074

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

	September 30 th , 2017	December 31 st , 2016
Balance at the beginning of the period	38,125,074	33,408,244
Advance income related to the interconnection capacity	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 SANotes on the stand-alone interim financial statements on September 30th, 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)	-
Total	36,901,937	38,125,074

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

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

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

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

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

Description	September 30th, 2017	December 31st, 2016
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 SANotes on the stand-alone interim financial statements on September 30th, 2017*(All amounts are expressed in RON, unless otherwise indicated)*

Description	September 30 th , 2017	December 31 st , 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
Total long-term loans from credit institutions, out of which:	514,357,061	636,554,058
Current portion of long-term loans	(116,157,213)	(134,624,060)
Total long-term loans net of current rates	398,199,848	501,929,998

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

	September 30 th , 2017	December 31 st , 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
Total	398,199,848	501,929,998

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

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

- *Short-term loans*

The short-term Loans are detailed as follows:

	September 30 th , 2017	December 31 st , 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
Total short-term loans	128,147,933	138,204,932

- *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 30th, 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 30th, 2017

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

12. Trade Payables and Other Payables

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

	<u>September 30th, 2017</u>	<u>December 31st, 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
Total	<u>713,758,264</u>	<u>873,948,200</u>

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

	<u>September 30th, 2017</u>	<u>December 31st, 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
Total	<u>422,998,532</u>	<u>591,678,777</u>

- increase in the balance of debts related to the providers of operational activity was mainly determined by the increase in the prices on the competitive market related to the acquisition of 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 31st, 2016 and by the decrease in the trading volume on the balancing market.

The providers on the electricity market are represented mainly by; SC Hidroelectrica SA, Electrocentrale Bucuresti, Mavir, RAAN. On September 30th, 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 31st, 2016, with payment deadline in 2017, as follows:

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

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

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

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

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

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

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

On October 20th, 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 30th, 2017 compared to December 31st, 2016 is due to the payment of the debts towards the asset suppliers.
- The debts towards suppliers of other activities are mainly represented by the not due debts related to the services provided by third parties, debts which have registered a decrease compared to December 31st, 2016.
- 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 30th, 2017</u>	<u>December 31st, 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
Total	<u>202,481,639</u>	<u>173,027,119</u>

On September 30th, 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 30th, 2017 registers a debt position amounting to 135,719,880 (December 31st, 2016: 128,272,529).

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

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

"Customers creditors" on September 30th, 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 30th, 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 30th, 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 30th, 2017 and December 31st, 2016, other taxes and social insurance obligations included:

	<u>September 30th, 2017</u>	<u>December 31st, 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
Total	7,319,257	8,611,209

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

Furthermore, on September 30th, 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 30th, 2017 and September 30th, 2016 are presented as follows:

	<u>Q III 2017</u>	<u>Q III 2016</u>	<u>September 30th, 2017</u>	<u>September 30th, 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)
Total	(48,622)	11,584,299	21,986,212	44,379,193

15. Operating Revenues

July 1st – September 30th, 2017 compared to July 1st – September 30th, 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 st - September 30 th , 2017	16.86	9.39	1.11
Order no. 27/2016 for the period July 1 st - September 30 th , 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 1st, 2017.

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

CNTEE Transelectrica SANotes on the stand-alone interim financial statements on September 30th, 2017*(All amounts are expressed in RON, unless otherwise indicated)*

	<u>July 1st – September 30th, 2017</u>	<u>July 1st – September 30th, 2016</u>
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 1st - September 30th, 2017, respectively in July 1st - September 30th, 2016, is presented as follows:

	<u>July 1st – September 30th, 2017</u>	<u>July 1st – September 30th, 2016</u>
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
Transmission Revenues - total	<u>239,577,641</u>	<u>257,159,131</u>
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
System Service Revenues - total	<u>141,960,100</u>	<u>163,105,271</u>
Revenues on the balancing market	280,272,909	117,073,299
Other Revenues	13,178,185	11,020,144
Total Revenues	<u>674,988,835</u>	<u>548,357,845</u>

Transmission Revenues

Given the rise in the amount of electricity delivered to consumers in the period July 1st - September 30th, 2017, compared to the period July 1st - September 30th, 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 1st - September 30th, 2017, compared to the period July 1st - September 30th, 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 1st - September 30th, 2017, the income from the interconnection capacity allocation has registered a decrease compared to the period July 1st - September 30th, 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 19th, 2014 requires that these four countries have a unique price of electricity traded on the spot markets. The capacity allocation between Romania and Hungary, the only country of the 3 with which Romania has a border, is made by the carriers: Transelectrica and MAVIR, through the common mechanism, based on a bilateral agreement.

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

CNTEE Transelectrica SA

Notes on the stand-alone interim financial statements on September 30th, 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 1st - September 30th, 2017 compared to the the period July 1st - September 30th, 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 1st, 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 1st - September 30th, 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 30th, 2017.

Revenues on the balancing market

The income from the balancing market have registered an increase in the period July 1st - September 30th, 2017 compared to the period July 1st - September 30th, 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 1st – September 30th, 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 1st – September 30th, 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 1st – September 30th, 2016, amounting to 2,019.

January 1st – September 30th, 2017 compared to January 1st – September 30th, 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 st - September 30 th , 2017	16.86	9.39	1.11
Order no. 27/2016 for the period July 1 st 2016 - June 30 th , 2017	18.70	11.58	1.30
Order no. 93/2015 for the period July 1 st - June 30 th , 2016	20.97	12.58	1.17

CNTEE Transelectrica SANotes on the stand-alone interim financial statements on September 30th, 2017*(All amounts are expressed in RON, unless otherwise indicated)*

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

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

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

	<u>January 1st – September 30th, 2017</u>	<u>January 1st – September 30th, 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
Transmission Revenues - total	793,584,000	852,262,542
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
System Service Revenues - total	497,338,068	529,628,892
Revenues on the balancing market	1,085,320,880	483,686,422
Other Revenues	38,077,986	32,401,274
Total Revenues	2,414,320,934	1,897,979,130

Transmission Revenues

Given the rise in the amount of electricity delivered to consumers in the period January 1st - September 30th, 2017, compared to the period January 1st - September 30th, 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 1st - September 30th, 2017, the revenues from functional system services registered an increase compared to the period January 1st - September 30th, 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 1st - September 30th, 2017, the income from the interconnection capacity allocation has registered a decrease compared to the period January 1st - September 30th, 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 19th, 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 30th, 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 1st - September 30th, 2017 compared to the the period January 1st - September 30th, 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 1st - September 30th, 2017 compared to the period January 1st - September 30th, 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 1st – September 30th, 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 1st – September 30th, 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 1st – September 30th, 2016, amounting to 27,119.

CNTEE Transelectrica SANotes on the stand-alone interim financial statements on September 30th, 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 1st - September 30th, 2017, compared to the period July 1st - September 30th, 2016, were as follows:

	July 1st – September 30th, 2017	July 1st – September 30th, 2016
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
Total Operational Expenses	63,385,134	52,077,473
Expenses regarding the technological system services	182,611,160	114,478,480
Expenses on the balancing market	280,272,909	117,073,299
Total	526,269,203	283,629,252

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 1st - September 30th, 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 1st - September 30th, 2016, to 216.99 lei/MWh in the period July 1st - September 30th, 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 1st - September 30th, 2017, and 233,685 MWh in the period July 1st - September 30th, 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 1st - September 30th, 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 1st - September 30th, 2017, compared to the period July 1st - September 30th, 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 30th, 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 8th, 2013 on the adoption of measures regarding the electricity supply security, in the period April 15th, 2013 - July 1st, 2015, the Company purchased technological system services according to the terms of the regulations issued by ANRE, from SC Complexul Energetic Hunedoara SA, at an electrical power value of at least 400 MW and from SC Complexul Energetic Oltenia SA at an electrical power value of at least 600 MW. According to the provisions of GD no. 941 / October 29th, 2014, the enforcement deadline for the provisions of Government Decision no. 138 / 2013, for SC Complexul Energetic Hunedoara SA, was extended until December 31st, 2017.

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

In the period July 1st - September 30th, 2017, the expenses related to the functional system services have registered an increase compared to the period July 1st - September 30th, 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 1st - September 30th, 2017, the expenses amounted to 280,272,909.

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

	January 1st – September 30th, 2017	January 1st – September 30th, 2016
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
Total Operational Expenses	192,467,961	172,560,592
Expenses regarding the technological system services	501,635,475	447,451,685
Expenses on the balancing market	1,085,320,880	483,686,422
Total	1,779,424,316	1,103,698,699

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 1st - September 30th, 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 1st - September 30th, 2016, to 708,202 MWh in the period January 1st - September 30th, 2017).

CNTEE Tranelectrica SA

Notes on the stand-alone interim financial statements on September 30th, 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 1st - September 30th, 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 1st - September 30th, 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 1st - September 30th, 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 1st - September 30th, 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 1st - September 30th, 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 1st - September 30th, 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 1st - September 30th, 2017, in the amount of 54,183,790 compared to the period January 1st - September 30th, 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 8th, 2013 on the adoption of measures regarding the electricity supply security, in the period April 15th, 2013 - July 1st, 2015, the Company purchased technological system services according to the terms of the regulations issued by ANRE, from SC Complexul Energetic Hunedoara SA, at an electrical power value of at least 400 MW and from SC Complexul Energetic Oltenia SA at an electrical power value of at least 600 MW. According to the provisions of GD no. 941 / October 29th, 2014, the enforcement deadline for the provisions of Government Decision no. 138 / 2013, for SC Complexul Energetic Hunedoara SA, was extended until December 31st, 2017.

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

CNTEE Transelectrica SA

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

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

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

For the period January 1st - March 31st, 2017, the purchase of technological system services was conducted in the regulatory regime (slow tertiary reserve) according to GD no. 844 / November 9th, 2016, 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 1st - September 30th, 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

	July 1st – September 30th, 2017	July 1st – September 30th, 2016
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
Total	44,194,634	47,384,494

	January 1st – September 30th, 2017	January 1st – September 30th, 2016
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
Total	132,035,981	132,100,202

The decrease of these expenses in the period July 1st - September 30th, 2017, compared to the period July 1st - September 30th, 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 30th, 2017, the Company has 2,177 employees.

CNTEE Traselectrica SANotes on the stand-alone interim financial statements on September 30th, 2017*(All amounts are expressed in RON, unless otherwise indicated)***18. Other Operating Expenses**

	July 1st – September 30th, 2017	July 1st – September 30th, 2016
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
	29,358,267	26,153,093

	January 1st – September 30th, 2017	January 1st – September 30th, 2016
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
	105,552,551	88,777,187

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

	July 1st – September 30th, 2017	July 1st – September 30th, 2016
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
Total Financial Revenue	4,352,390	9,115,312
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)
Total Financial Expenses	(9,770,488)	(7,140,537)
Net Financial Result	(5,418,098)	1,974,775

	January 1st – September 30th, 2017	January 1st – September 30th, 2016
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
Total Financial Revenue	16,420,118	27,186,542
Expenses on Interest	(16,480,449)	(18,432,252)

CNTEE Transelectrica SANotes on the stand-alone interim financial statements on September 30th, 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)
Total Financial Expenses	(30,207,471)	(30,739,783)
Net Financial Result	(13,787,353)	(3,553,241)

The decrease of the net financial result regarding the exchange rate differences in the period January 1st - September 30th, 2017, compared to the period January 1st - September 30th, 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 1st - September 30th, 2017 and January 1st - September 30th, 2016, is as follows:

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

On September 30th, 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 11th, 2015 of the Court of Appeal Craiova - Section II Civil, pronounced in the public hearing from May 11th, 2015, in file no. 3616 / 101 / 2014, against the decision no. 127 / 2014 of the Mehedinti Court - Section II Civil, Administrative and Fiscal Litigation, pronounced in the public hearing from October 10th, 2014, in file no. 3616 / 101 / 2014, as well as against the Decision no. 1 / 2015 of the Mehedinti Court - Section II Civil, Administrative and Fiscal Litigation, pronounced in the public hearing from January 9th, 2015, in file no. 3616 / 101 / 2014, CNTEE Transelectrica SA filed an appeal asking the court to allow the appeal as it was filed and to reverse the judgment and sentences under appeal and to refer the case to the trial court in the territorial jurisdiction for judgement, and to declare the compliance with the requirements of Articles 1616 and 1617 of the Civil Code, reason for which it is being required to declare the intervention of the compensation of mutual debts, and their redemption up to the amount of the smallest of them, namely the total amount requested by the plaintiff in the application for summons, ordering the appellee - plaintiff to pay the expenses occurred with this appeal.

The appeal was registered on the docket of the High Court of Cassation and Justice who, during the appeal filtering proceedings, decided the following: grants the appeal in principle declared by the appellant - defendant CNTEE Transelectrica SA against decision no. 843 / 2015 from November 5th, 2015, pronounced by the Court of Appeal Craiova - Section II Civil. Sets the hearing for solving the appeal on March 21st, 2017. On March 21st, 2017, the High Court of Cassation and Justice admitted the appeal declared by defendant National Power Grid Company "Transelectrica" SA against decision no. 843/2015 of November 5th, 2015, pronounced by the Court of Appeal Craiova – Section II Civil; the decision is invalidated and the case is forwarded for retrial to the Bucharest Court in file no. 28460/3/2017. The hearing was set on: December 5th, 2017.

CNTEE Transelectrica SA

Notes on the stand-alone interim financial statements on September 30th, 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 22th, 2015, the Mehedinti Court - Section II Civil, Administrative and Fiscal Litigation Section, ruled the sentence no. 41 / 2015, by which it ordered the following: "Admits the exception for lacking territorial jurisdiction. Declines jurisdiction in favour of Bucharest Court, Section VI Civil. With no means of appeal." The file was registered to the Bucharest Court - Section VI Civil, under no. 24206 / 3 / 2015.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CNTEE Transelectrica SA

Notes on the stand-alone interim financial statements on September 30th, 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 19th, 2016, the Mehedinti Court - Section II Civil, Administrative and Fiscal Litigation Section, pronounced a hearing protocol by which it ordered the following: “on the grounds of Article 413 (1) of the Civil Procedure Code, suspends the case until the settlement of the file no. 3014 / 2 / 2014 on the docket of the High Court of Cassation and Justice. With appeal throughout the suspension. Pronounced today, May 19th, 2016, in open court.”

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

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

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

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

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

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

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

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

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

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

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

CNTEE Transelectrica SA

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

³ Calculated value compared to the RRR of 8.52%

CNTEE Transelectrica SA

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

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

Document: Decision 1517 / 2016 October 10th, 2016.

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

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

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

The file no. 5302 / 2 / 2013 has been forwarded to the Bucharest Court - Section VI Civil, for retrial, under no. 12107 / 3 / 2017, with hearing set on November 9th, 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 14th, 2011 and ended on June 26th, 2017, the date of the final discussion with Transelectrica SA.

ANAF – DGAMC set forth additional tax payment liabilities to the Company, respectively corporation tax and VAT, as well as ancillary tax liabilities (interest/late interest and late payment interest) related to the 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 26th - 27th, 2009, at the business office from

CNTEE Transelectrica SA

Notes on the stand-alone interim financial statements on September 30th, 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 20th, 2011 which estimated the amount of collected VAT for a number of 123 unused invoices identified as missing.

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

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

- Corporation tax amounting to 4,795,483 and collected VAT amounting to 5,694,636 plus accessories, owed for a number of 349 unused invoices identified as missing (they were destroyed in the fire that broke out the night of June 26th - 27th, 2009, at the business office from Millennium Business Center from 2 - 4 Armand Calinescu Street, District 2, where the company carried out its activity), documents under special regime;
- Corporation tax amounting to 4,320,277 and collected VAT amounting to 5,130,329 plus accessories, related to the expenses on technological system services invoiced by the generators in the time interval between January 1st, 2007 and December 31st, 2010 and according to which the Company issued penalty invoices calculated by applying a percentage of 200% on the unit price without VAT, multiplied by the quantity of services not carried out. According to the findings of the tax inspection team, based on the issued penalty invoices non-deductible expenses have been set forth for the technological system services not performed / not carried out, which generates additional corporation tax to be paid, as well as additional VAT to be paid, corresponding to the technological system services not performed / not carried out, invoiced by the electricity suppliers.

Within the legal deadline, the Company appealed the Note of assessment no. F-MC 439 / June 30th, 2017, according to GD no. 92/2003 on the Fiscal Procedure Code. By the date of drafting these financial statements, the appeal to the decision issued by ANAF is yet to be settled.

21. Affiliated Parties

i) Transactions with Branches of the Company

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

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

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

CNTEE Transelectrica SA

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

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

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

***) On April 7th, 2014 it was accepted by the National Trade Register, the file registration number 121452 / April 3rd, 2014 involving the deregistration of the Subsidiary Institute for Energy Research and Modernization – ICEMENERG SA Bucharest. Through the order no. 123 / March 13th, 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 14th, 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 24th, 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 13th May, 2015. On May 13th, 2015, by Decision no. 777 / 2015, the Court of Appeal Bucharest dismissed the appeal for annulment as ill-founded, the decision being final.

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

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

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

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

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

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

AFFILIATE ENTITY	Trade Receivables*)		Trade payables	
	September 30 th , 2017	December 31 st , 2016	September 30 th , 2017	December 31 st , 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
TOTAL	59,709,022	31,593,695	17,006,340	28,754,422

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

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

CNTEE Transelectrica SANotes on the stand-alone interim financial statements on September 30th, 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
TOTAL	202,687,001	66,547,833	428,976,752	252,004,226

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
TOTAL	71,790,067	67,500,511	230,824,051	169,534,204

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
Total	2,385,230	2,472,596	6,847,466	7,203,657

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 SANotes on the stand-alone interim financial statements on September 30th, 2017*(All amounts are expressed in RON, unless otherwise indicated)*

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

	September 30th, 2017	December 31st, 2016
Financial Assets		
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
Total	1,586,775,120	1,920,722,876

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

	Gross Value September 30th, 2017	Adjustment of depreciation September 30th, 2017	Gross Value December 31st, 2016	Adjustment of depreciation December 31st, 2016
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
Total	761,346,191	132,915,870	865,338,164	100,578,031

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

	Gross Value September 30th, 2017	Adjustment of depreciation September 30th, 2017	Gross Value December 31st, 2016	Adjustment of depreciation December 31st, 2016
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
Total	311,810,057	89,534,994	177,291,630	90,080,080

On September 30th, 2017, the highest adjustments of depreciation, calculated for the trade receivables and related penalties, have been recorded for SC Petprod SRL (29,242,364), SC Eco Energy SRL (24,736,066), Arelco Power (18,555,617), 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 SANotes on the stand-alone interim financial statements on September 30th, 2017*(All amounts are expressed in RON, unless otherwise indicated)*

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

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

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

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

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

23. Subsequent Events

On October 16th, 2017, The Ordinary General Assembly of Shareholders of CNTEE Transelectrica SA issued Decision no. 11 approving (point 1) - the gross dividend per share to the value of 2.33 lei/share, payable to the shareholders registered at the registration date November 1st, 2017, ex-date October 31st, 2017, upon request of the Romanian State, represented by the Ministry of Economy, distributed from the non-distributed profits at the end of the financial year 2016 - the balance of the account "Other Revenues – Own sources of funding from profits" on December 31st, 2016, constituted on the grounds of GD no. 64/2001 for financing the investments from own sources of funding, amounting to 170,796,321.

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

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



CNTEE TRANSELECTRICA SA

QUARTERLY REPORT
January - September
2017

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

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

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

for the period ending on September 30th, 2017

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

RESPONSIBLE PERSONS' STATEMENT

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

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

Bucharest, November 13th, 2017

Directorate,

**Georgeta-Corina
POPESCU**

**Andreea Georgiana
FLOREA**

**Dan-Valeriu
ARDELEAN**

**Mircea-Toma
MODRAN**

**Florin-Cristian
TĂTARU**

**Directorate
Chairman**

**Directorate
Member**

**Directorate
Member**

Directorate Member

**Directorate
Member**



Key figures 9M 2017 vs 9M 2016

Key figures – 2017

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

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

CPT Own Technological Consumption

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

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

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

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

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



Financial data

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

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

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

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

OPERATIONAL RESULTS

Charged energy volume

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

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

Operational revenue

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

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

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

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

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

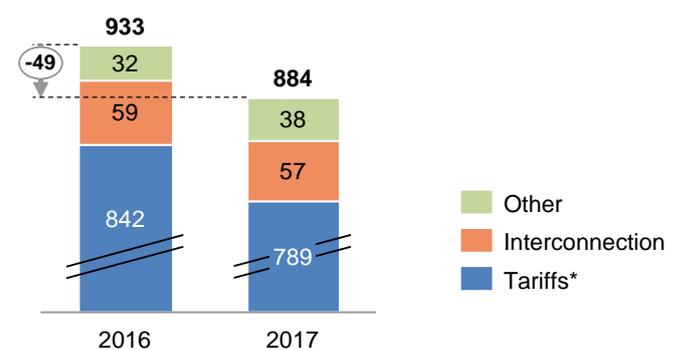
Starting with 2016, the UIOSI principle has been implemented at the border with Bulgaria, and starting with 2017 at the border with Serbia as well. According to this principle the participants not using the capacity

won at the annual and monthly auctions, are compensated (by Transelectrica) for that capacity. The spare capacity is subsequently sold in the daily auctions. On the Hungarian border the direction is reversed, meaning that MAVIR compensates the participants for the unused capacities.

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

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

Operational revenue from allowed profit activities
(mil lei)



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

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

- The increase of the negative imbalance registered at the level of electricity suppliers on the balancing market;
- very low temperatures registered during the first quarter of 2017, which generated the registration of higher electricity consumption levels within the NPS;
- decrease of the available electricity in the dispatchable groups as a result of:
 - Danube flow decrease;
 - the reduction of the average available power of the nuclear units, as a result of the decrease in the flow of the cooling water in the Cernavoda power plant, directly influenced by the flow of the Danube;
 - the insufficient fuel stocks in the coal power plants;
 - the decrease in the pressure of natural gas within the transmission network as a result of the increase

in the natural gas consumption of households and industrial consumers, which limits the natural gas flow dispatched to natural gas power plants;

- high degree of unpredictability and volatility of production from renewable sources (especially wind energy).

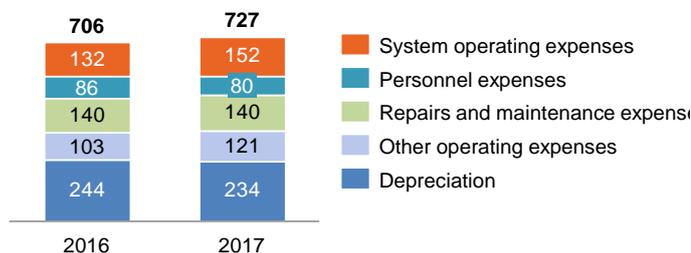
In 9 months of 2017, the revenues from the performed technological services decreased with 7% compared to the same period of 2016, due to the lowering of the average tariffs for technological system services starting with July 1st, 2016, given the energy consumption increase.

Operational expenses

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

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

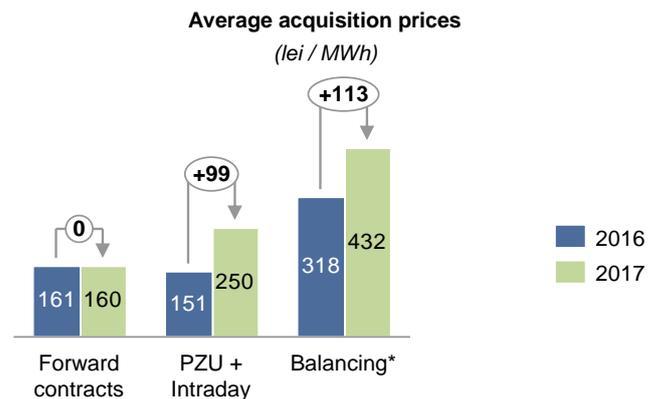
Operational costs from allowed profit activities
(mil lei)



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

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

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



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

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

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

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

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

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

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

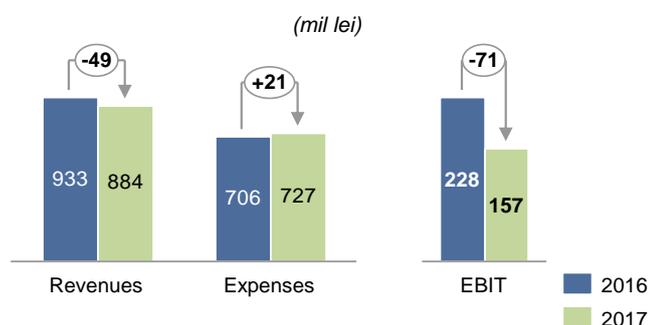
CNTEE Transelectrica SA re-invoices the value of the ancillary services purchased from producers, to the electricity suppliers licensed by ANRE, entities who ultimately benefit from these services.

Operational Profit

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

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

EBIT structure for allowed profit activities



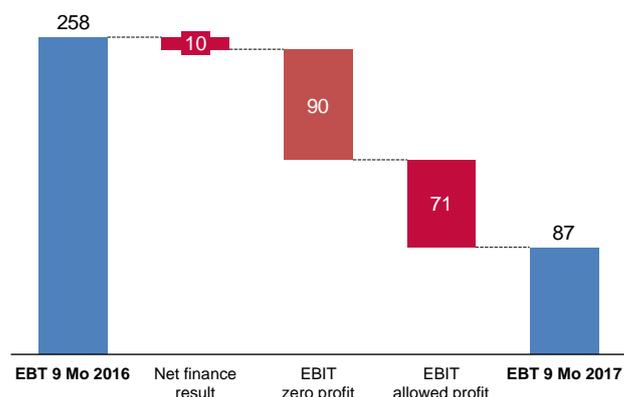
EBIT generated by the **zero-profit activities** registered a negative result of 56 mil lei.

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

Gross Profit (EBT)

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

EBT structure
(mil lei)

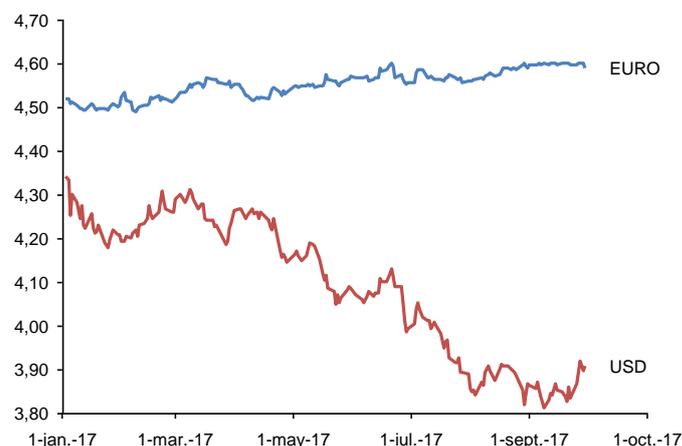


Financial Result

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

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

Exchange rate evolution



Net income

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

FINANCIAL POSITION

Fixed Assets

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

Current Assets

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

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

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

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

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

The main current customers on the electricity market are represented by: RAAN, Ciga Energy, Electrocentrale București, Electrica Furnizare, Enel Energie Muntenia, E.on Energie România, Enel Energie, CET Govora, Opcor. The share of main customers in the total trade receivables on the energy market is ca. 53%.

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

On September 30th, 2017, the Company registered receivables to be cashed from the bonus type support scheme for promoting the high efficiency cogeneration

in a proportion of approximately 31% (December 31st, 2016 - 21%) of the total trade receivables.

The customers from the bonus type support scheme for promoting the high efficiency cogeneration registered an increase in the receivables on September 30th, 2017, mainly determined by the receivables amounting to 139.9 mil lei, registered according to the ANRE Decisions issued in the month of March 2017, on the overcompensation of the activity regarding the support scheme for the year 2016.

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

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

For discharging the receivables generated by the overcompensation and the undue bonus, the Company requested the reciprocal compensations from the qualified producers in the support scheme. For producers (RAAN, Electrocentrale Bucuresti, CET Govora) that have not agreed to this way of discharging the reciprocal receivables and debts, the Company has applied and continues to apply the provisions of Article 17 (5) of the Order of ANRE Chairman no. 116 / 2013 for approving the Regulation on determining the way to collect the contribution for high efficiency cogeneration and payment of the bonus for the electricity produced in

high efficiency cogeneration: “if the manufacturer did not make the payment in full to the administrator of the support scheme for its obligations resulted in accordance with the provisions of this Regulation, the administrator of the support scheme pays to the producer the difference between the invoices issued by the producer and the payment obligations of the producer on the support scheme, with explicit mention on the payment document of the respective amounts”, and detained from payment the amounts due related to the corresponding support scheme.

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

According to the Agreement, the Company's receivables to be collected from CET Govora SA were compensated with the debts to CET Govora SA, represented by the cogeneration bonus for the period May 2014 – October 2015 detained pursuant to the Art. 17 (5) from the Order of the ANRE Chairman no. 116 / 2013 and the provisions of the Agreement, in the amount of 40.5 mil lei.

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

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

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

cogeneration, and has paid the cogeneration bonus to CET Govora on a monthly basis.

Via Civil Decision no. 2430 / October 5th, 2016, the High Court of Cassation and Justice admitted the appeal declared by ANRE against Civil Ruling no. 3185 / November 27th, 2015, has partially cancelled the sentence and has rejected the suspension request lodged by CET Govora, the judgement being final. Thus, starting with 05.10.2016, the effects of the ANDRE Decision no. 738/28.03.2014 are no longer suspended, being in full effect.

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

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

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

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

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

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

Considering that to this date, the amount to be recovered from Elcomex IEA SA is impossible to estimate, there have been no adjustments of

depreciation registered for the amounts owed by Elcomex IEA SA;

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

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

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

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

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

Liabilities

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

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

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

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

On September 30th, 2017, payment liabilities towards suppliers (generators) are registered amounting to 120.5 mil lei (Electrocentrale București – 56.7 mil lei, RAAN – 51.2 mil lei, CET Govora SA – 12.6 mil lei) representing the cogeneration bonus and the ante-overcompensation for the years 2014 and 2015, as well as the bonus not granted for the year 2015 and the bonus not granted for the year 2016. The amounts representing the debts of the Company regarding the support scheme towards Electrocentrale București, RAAN, CET Govora have been retained from payment on the grounds of article 17 (5) of the Order of the ANRE Chairman no. 116 / 2013, because the suppliers (producers) registered payment obligations towards the Company regarding the bonus type support scheme.

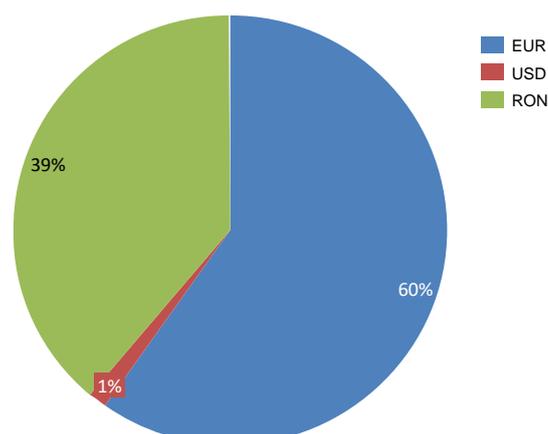
The increase in short term loans for the operational activity was determined by contracting a credit line in February 2017 from BRD GROUP SOCIETE GENERALE SA, the Large Corporates Branch, for a period of 12 months for financing the bonus type support scheme for high efficiency cogeneration, in the form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

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

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

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

Structure per currency at September 30th, 2017



Shareholders' Equity

The decrease in equity on September 30th, 2017 compared to December 31st, 2016 was driven primarily by the allocation of profit for 2016, registering the net profit in the reported result, amounting to 64.8 mil lei, conducted on September 30th, 2017. The value of shareholders' dividends distributed from the profit of 2016 according to the General Assembly Decision no. 4 / April 27th, 2017 amounts to 165.4 mil lei, and their payment is done through the Central Depository starting with June 7th, 2017.

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

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

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

DIVIDENDS

The value of shareholders' dividends distributed from the profit of 2016 according to the General Assembly Decision no. 4 / April 27th, 2017 amounts to 165 mn RON and their payment is done through the Central Depository starting with June 7th, 2017.

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

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

EVOLUTION OF SHARES

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

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

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





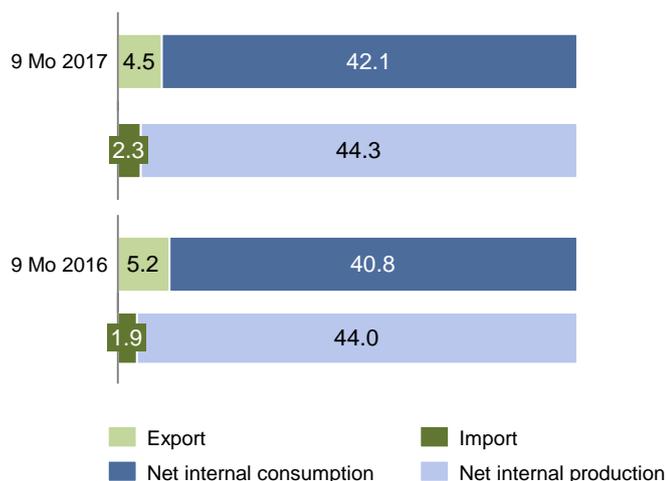
Operational data

THE ENERGY BALANCE OF NPS

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

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

Energy Balance 9M
(TWh)



GENERATION MIX

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

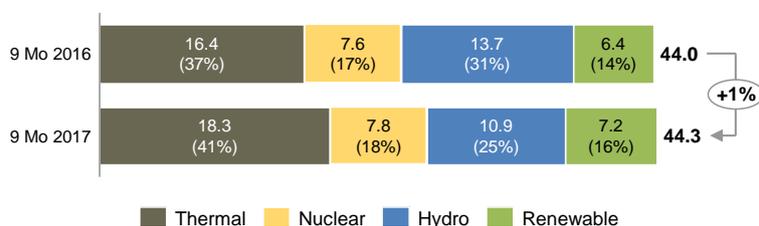
The weight of the hydro component registered a 13.8% increase (8.1 TWh compared to 9.4 TWh) .

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

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

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

Net electricity generation mix
(TWh)



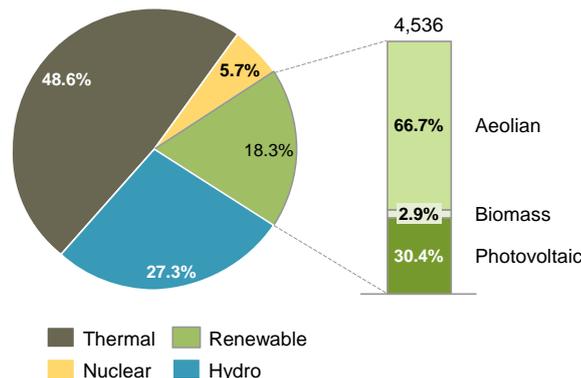
NATIONAL PRODUCTION PARK

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

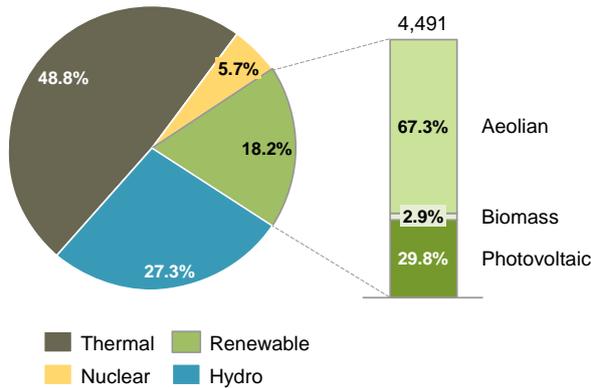
The capacity installed in renewable energy power plants rose by approximately 1.3%, from 4,478 MW installed on June 30th, 2016, to 4,534 MW installed on June 30st, 2017.

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

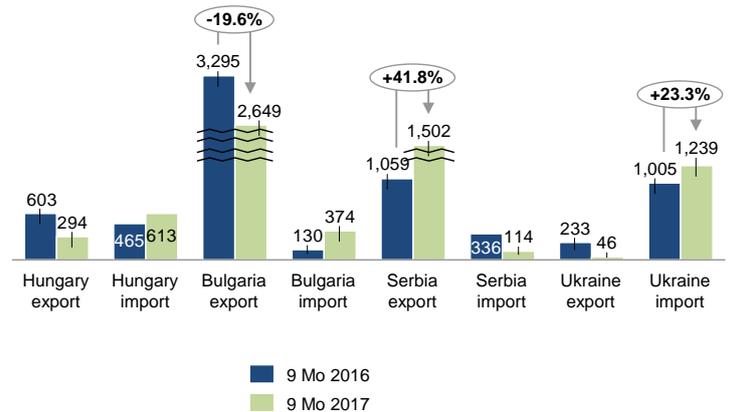
Installed power 9Mo 2017 (24,738 MW, gross)



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



Physical flows (GWh)



CROSS-BORDER FLOWS

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

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

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

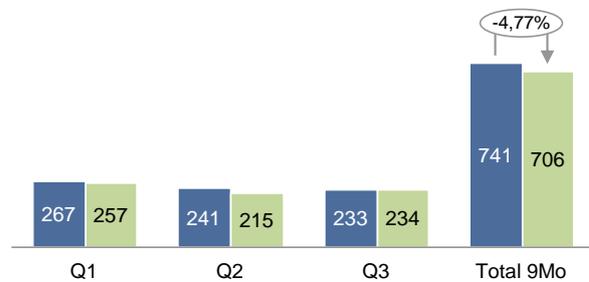
Analyzing the physical flows for import we observe decreases on the Hungarian and Serbian interconnections, while on the Bulgarian and Ukrainian interconnections increases of 187.2% and 23.3% respectively were registered.

OWN TECHNOLOGICAL CONSUMPTION

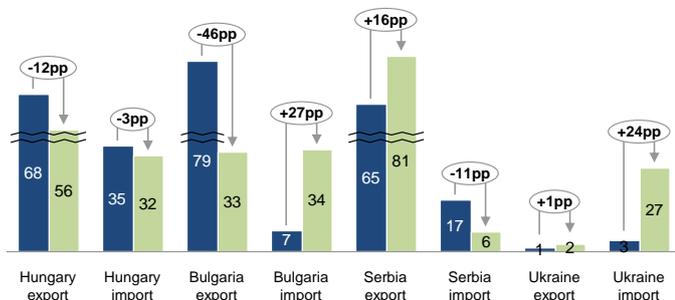
In 9 months of 2017, the CPT in PTG dropped by ca. 5% compared to the similar period of 2016, mainly due to more favorable meteorological conditions, more advantageous generation flows and structure and lower quantities of rainfall.

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

OTC evolution (GWh)



Degree of usage of the total allocated (%)



OTC evolution (%)



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

PHYSICAL CPT REDUCTION FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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



Investments

FIXED ASSETS RECORDED IN THE ACCOUNTS

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

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

- Technical upgrade of the Bradu 400/220/110/20 kV station – 49.2 mil lei;
- Integrated security system in electric substations, stage IV on the Rosiori 400/220 kV substation, the Oradea Sud 400/110/20 kV substation, the Paroseni 220 kV substation and the Iernut 400/220/110/6 kV substation – 12.1 mil lei;
- Replacing AT and TRAFO in electrical substations - Stage II – 11.3 mil lei;
- Urgent repair of the damage to the Iernut - Gădălin 400 kV OHL and the Iernut - Baia Mare 3 220kV OHL – 7.8 mil lei;
- Upgrading the Tihau 220/110 kV station - primary equipment – 6.4 mil lei;
- Connecting the 147 MW Valea Dacilor WPP to the PTG – 2.4 mil lei;
- Upgrading the SCADA system for the Constanta Nord station – 1.6 mil lei;
- Replacing the 110/20 kV TRAFO, 10MVA in the Fântânele 110/20 kV substation – 1.1 mil lei;
- 400 kV OHL interconnecting Reșița (Romania) - Pancevo (Serbia) – 85.4 mil lei;
- PTG connection of the Ivești 300 MW WPP, Fălciu 1 88 MW WPP and Fălciu 2 18 MW WPP via the new Banca (400)/220/110 kV substation – 46.9 mil lei;
- Technical upgrade of the substation 220/110/20 kV Câmpia Turzii – 41.2 mil lei;
- Converting the Porțile de Fier - Reșița - Timișoara - Săcălaz - Arad axis to the 400 kV voltage - stage I - Porțile de Fier - (Anina) – Reșița 400kV OHL s.c. – 19.9 mil lei;
- Upgrading the Suceava 110 kV and 20 kV substation – 15.2 mil lei;
- Extending the services providing business continuity and recovery after disasters - 14.4 mil lei;
- Integrated security system in electric substations, stage IV - 15.7 mil lei;
- Connecting the Isaccea - Varna 400 kV OHL and the Isaccea - Dobrudja 400 kV OHL in the Medgidia Sud 400 kV substation – 10.7 mil lei;
- 400 kV OHL d.c. Cernavodă-Stâlpu and connection in Gura Ialomiței – 8,4 mil lei;
- Converting the Porțile de Fier - Reșița - Timișoara - Săcălaz - Arad axis to the 400 kV voltage - stage I - Reșița 400/220/110 kV substation – 6.6 mil lei;
- Upgrading the 400/110/10 kV Cluj Est electric station – 7 mil lei;
- 400 kV HVDC Link (submarine cable Romania - Turkey) – 5.9 mil lei;
- 400 kV OHL Gădălin - Suceava, including the NPS interconnection - 5.7 mil lei;
- Technical upgrade of the Hășdat 220/110 kV substation – 4.4 mil lei;
- Reparation of the failure of the 110-120 terminals of the Bucharest Sud - Ghizdaru 220 kV OHL - 4.3 mil lei;
- Upgrading the command-control-protection system of the Sărdănești 220/110/20 kV substation – 4.3 mil lei;
- Suceava - Bălți 400 kV OHL, for the part of the project on Romanian territory - 4.4 mil lei;
- Extending the control system with new functions and IT registration of access in the objectives of CNTEE Transelectrica SA - 3.2 mil lei;
- Gutinaș – Smârdan 400 kV OHL d.c. – 3.2 mil lei;

PURCHASES OF ASSETS

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

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

- Technical upgrade of the Bradu 400/220/110/20 kV station – 65.6 mil lei;

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

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

CONTRACTUAL MATTERS

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

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



Significant events

EVENTS IN THE PERIOD JANUARY - SEPTEMBER 2017

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

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

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

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

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

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

- **Credit rating Fitch Ratings**

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

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

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

- **New ANRE tariff regulations**

ANRE published the Order no. 48/2017 on the approval of the average tariff for the transmission service, the tariff for the system service, the zonal tariffs for the transmission service and the regulated price for reactive electrical energy, used by the Company.

The Order was published in the Official Gazette 489/28.06.2017

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

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

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

- **Incident in the Gorj county area**

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

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

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

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

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

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

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

The upgrade was self-financed.

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

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

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

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

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

- **CEEP Energy Summit**

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

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

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

- **CNR – CIGRE partnership**

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

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

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

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

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

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

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

- **Changes in the Company management**

Directorate

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

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

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

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

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

Board of Supervisors

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

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

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

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

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

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

SUBSEQUENT EVENTS

• Change in the shareholder structure

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

• Amending the Articles of Association

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

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

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

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

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

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

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

• Extension of the Board of Supervisors mandates

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

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

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

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

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



Miscellaneous

SHAREHOLDERS' STRUCTURE

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

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

TARIFFS

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

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

Electricity transmission service

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

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

DIRECTORATE MEMBERSHIP

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

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

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

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

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

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

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

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

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

Functional system service

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

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

Technological system service

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

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

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

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

LITIGATIONS

The most significant litigations involving the Company are presented below:

▪ RAAN

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

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

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

The appeal was registered on the docket of the High Court of Cassation and Justice who, during the appeal filtering proceedings, decided the following: grants the appeal in principle declared by the appellant - defendant CNTEE Transelectrica SA against decision no. 843 / 2015 from November 5th, 2015, pronounced by the Court of Appeal Craiova - Section II Civil. Sets the hearing for solving the appeal on March 21st, 2017. On March 21st, 2017, the High Court of Cassation and Justice admitted the appeal declared by defendant National Power Grid Company "Transelectrica" SA against decision no. 843/2015 of November 5th, 2015, pronounced by the Court of Appeal Craiova – Section II Civil; the decision is

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

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

▪ ANRE

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

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

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

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

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

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

▪ OPCOM

On November 24th, 2014, the Operator of the Electricity and Natural Gas Market - OPCOM SA sued the Company in order to force it to pay the amount of 582,086.31 euro (2,585,161.72 lei at the National Bank of Romania exchange rate from November 24th, 2014), representing the amount paid by her as fine, from the total of the fine amounting to 1,031,000 euro, the request being subject of file no. 40814/3/2014.

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

Also, OPCOM SA requested the court to order the Company to pay the amount of 84,867.67 lei as lawful interest related to the period between June 11th, 2014 and November 24th, 2014.

The action filed by OPCOM SA is subject of the file no. 40814 / 3 / 2014 on the docket of the Bucharest Court, Section VI Civil, involving claims, litigation with professionals matter, and the hearing date was set on June 29th, 2015. The Company filed counterstatement for the application for summons, claiming exceptions and substantive defences regarding the unfoundedness and unlawfulness of the action.

At the hearing from June 24th, 2015, the court admitted the request for summons filed by the plaintiff the Electricity and Gas Market Operator – OPCOM S.A. in contradiction with the defendant the National Company of Electricity Transmission Transelectrica S.A. and ordered to the defendant to pay the plaintiff the sum of 582.086,31 Euros, representing the sum paid by the plaintiff instead of the defendant in the amount of 1.031.000 euro applied by Decision of The European Commission on 5th March 2014 in the case AT.39984, and of the statutory rate, on the amount of 582.086,31 Euros, calculated from 11th June 2014 until the date of the actual payment. The court also orders the defendant to pay the plaintiff the amount of 37,828.08 lei, as legal expenses, with right of appeal within 30 days from notification. Against the sentence no. 4275/2015, pronounced in the aforementioned file, Transelectrica SA formulated an appeal, which was registered before Bucharest Court of Appeal.

The settlement of the Appeal Court: changes the appealed civil sentence completely, meaning that it rejects the application for summons as ill-founded. Orders the appellee - plaintiff to pay the trial expenses to the appellant - defendant amounting to 0.016 mil lei, representing legal stamp duty. The appeal was set within 30 days from notification and it was pronounced in the public hearing of October 10th, 2016. Document: Decision 1517 / 2016 October 10th, 2016.

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

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

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

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

³ Calculated value compared to the RRR of 8.52%

▪ CONAID COMPANY SRL

In 2013, Conaid Company SRL took legal actions against CNTEE Transelectrica for the unjustified refusal of the latter to sign an addendum to the connection agreement or to sign a new connection agreement, and requested the compensation for costs incurred up to that time, amounted to 17.4 mil lei and loss of profit for the period 2013 - 2033 amounting to EUR 723 mil EUR.

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

On June 17th, 2016, the court reserved judgement, postponing the judgement until June 29th, 2016, when it pronounced Decision no. 2148 / 2016, by which it ordered the following: "Rejects the exceptions invoked by the appellant - plaintiff S.C. Conaid Company S.R.L., via insolvency administrator RVA Insolvency Specialists SRL, and by the appellant - defendant National Company for Energy Transportation Transelectrica S.A. Admits the second appeal filed by the defendant National Company for Energy Transportation Transelectrica S.A. against the hearing protocol of February 18th, 2014 and the civil sentence no. 1866 of June 11th, 2014, pronounced by the Court of Appeal Bucharest – Section VIII, Administrative and Fiscal Litigation Section. Partially invalidates the contested protocol and judgment and refers the case to the Bucharest Court – Section VI Civil, for settlement of the application of the plaintiff sought against the National Power Grid Company Transelectrica S.A. Maintains the other provisions of the sentence concerning the plaintiff's action against the National Regulatory Authority for Energy. Rejects the second appeals of the plaintiff SC Conaid Company S.R.L. via insolvency administrator RVA Insolvency Specialists SPRL and the intervener S.C. Duro Felguera S.A. against the civil sentence no. 1866 of June 11th, 2014. Rejects the second appeal filed by the defendant National Power Grid Company

Transelectrica S.A. against the hearing protocol from March 25th, 2014, pronounced by the Bucharest Court of Appeal - Section VIII, Administrative and Fiscal Litigation. Final. Ruled in open court today, June 29th, 2016".

The file no. 5302 / 2 / 2013 has been forwarded to the Bucharest Court - Section VI Civil, for retrial, under no. 12107 / 3 / 2017, with hearing set on November 23th, 2017.

▪ OTHERS

The company is involved in significant litigations in which it has the quality of plaintiff, especially for debt recovery (e.g. Eco Energy SRL , Petprod SRL, Total Electric Oltenia SA , Arcelormittal Galati SA, Regia Autonoma de Activitati Nucleare, Romenergy Industry SRL, Energy Holding SRL, UGM Energy Trading SRL, Elsaco Energy, Elcomex). The Company registered adjustments for value losses regarding customers and other claims at issue as well as for bankrupt customers.

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

CONTINGENT LIABILITIES

▪ ANAF

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

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

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

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

Corporation tax amounting to 14 plus accessories, owed for a number of 123 unused invoices identified

as missing (they were destroyed in the fire that broke out the night of June 26th - 27th, 2009, at the business office from Millennium Business Center from 2 - 4 Armand Călinescu Street, District 2, where the company carried out its activity), documents under special regime.

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

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

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

Corporation tax amounting to 5 mil lei and VAT collected amounting to 6 mil lei plus accessories, owed for a number of 349 unused invoices identified as missing (they were destroyed in the fire that broke out the night of June 26th - 27th, 2009, at the business office from Millennium Business Center from 2 - 4 Armand Călinescu Street, District 2, where the company carried out its activity), documents under special regime;

Corporation tax amounting to 4 mil lei and collected VAT amounting to 5 mil lei plus accessories, related to the expenses on technological system services invoiced by the generators in the time interval between January 1st, 2007 and December 31st, 2010 and according to which the Company issued penalty invoices calculated by applying a percentage of 200% on the unit price without VAT, multiplied by the quantity of services not carried out. According to the findings of the tax inspection team, based on the issued penalty invoices non-deductible expenses have been set forth for the technological system services not performed / not carried out, which generates additional corporation tax to be paid, as well as additional VAT to be paid, corresponding to the technological system services not performed / not carried out, invoiced by the electricity suppliers.

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

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



Annexes

ANNEX 1: Separate Statement of Financial Position

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

ANNEX 2: Separate Statement of profit and loss

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

ANNEX 3: Separate Statement of Cash Flow

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

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

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

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

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

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

Annex 6 – Glossary of terms

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