



**To the: Bucharest Stock Exchange – Department of Operations Issuers Regulated Markets
Financial Supervision Authority - General Directorate Supervision - Issuers Division**

Current report as per the provisions of Regulation 5/2018 of ASF and the BVB Code

Date of the report: **October 2nd, 2018**

Name of 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

LEI Code: 254900OLXCOUQC90M036

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

**Important event to report: – Consolidated Interim Financial Statements for period ended
June 30th, 2018**

The report includes:

- Consolidated Interim Financial Statements on 30 June 2018

Availability

This report can be consulted starting with 2 October 2018:

- online, on the website www.transelectrica.ro, section Investor Relations/ Periodical Reports /Reports <https://www.transelectrica.ro/rapoarte-2018>;
- at the Company's headquarters: str. Olteni no. 2-4, sector 3, Bucharest

Adrian-Constantin RUSU
Executive Director General
Directorate Chairman

Andreea Georgiana FLOREA
Directorate Member



The National Power Grid Company Transelectrica
2-4 Olteni Street Bucharest, District 3, 030786, Romania
Trade Register Number J40/8060/2000, Single Registration Code 13328043
Phone +4021 303 56 11, Fax +4021 303 56 10
Share capital subscribed and paid: 733.031.420 Lei www.transelectrica.ro

NATIONAL POWER GRID TRANSELECTRICA SA

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**ON THE DATE AND FOR THE SIX-MONTH PERIOD ENDED
JUNE 30th, 2018**

**PREPARED IN ACCORDANCE WITH
INTERNATIONAL ACCOUNTING STANDARD 34 –“INTERIM FINANCIAL REPORTING”
ADOPTED BY THE EUROPEAN UNION**

NATIONAL POWER GRID TRANSELECTRICA SA
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
ON JUNE 30th, 2018
(All amounts are expressed in thousand RON, unless otherwise indicated)

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NATIONAL POWER GRID TRANSELECTRICA SA
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
ON JUNE 30th, 2018

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

	<u>Note</u>	<u>June 30th,2018</u> <i>(non-audited)</i>	<u>December 31st,2017</u> <i>(as per AGA Decision no. 6 of 30.04.2018)</i>
Assets			
Fixed assets			
Tangible assets	4	2,994,273	3,085,762
Intangible assets	4	15,848	15,612
Financial assets		34,843	32,636
Total fixed assets		3,044,964	3,134,010
Current assets			
Inventories		54,061	50,106
Trade and other liabilities	5	724,129	825,949
Other financial assets	6	125,045	-
Cash and cash equivalents	7	570,700	553,875
Total current assets		1,473,935	1,429,930
Total assets		4,518,899	4,563,940
Shareholders' equity and liability			
Shareholders' equity			
Share capital		733,031	733,031
Share premium		49,843	49,843
Legal reserves		119,153	119,153
Other reserves		59,011	57,627
Revaluation reserves		390,427	408,899
Retained earnings		1,481,580	1,366,936
Total shareholders' equities attributable to Group owners	8	2,833,046	2,735,489
Non-controlling interests		1,923	4,065
Total shareholders' equity		2,834,969	2,739,554
Non-current liabilities			
Long term deferred income	9	403,196	412,866
Loans	10	156,258	195,186
Deferred tax liabilities		25,559	27,263
Employee benefits obligations		62,513	62,513
Total non-current liabilities		647,525	697,828

The attached notes constitute integrant part of these consolidated simplified interim financial statements.
Free translation from the original Romanian version

NATIONAL POWER GRID TRANSELECTRICA SA
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
ON JUNE 30th, 2018

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

	<u>Note</u>	<u>June 30th,2018</u> <i>(non-audited)</i>	<u>December 31st,2017</u> <i>(as per AGA Decision no. 6 of 30.04.2018)</i>
Current liabilities			
Trade and other liabilities	11	623,210	693,349
Provisions		42,971	42,921
Other tax and social security liabilities	12	9,922	11,225
Loans	10	316,460	338,183
Short term deferred revenue	9	43,737	40,881
Income tax payable		104	-
Total current liabilities		1,036,405	1,126,558
Total liabilities		1,683,931	1,824,386
Total shareholders' equity and liability		4,518,899	4,563,940

The consolidated simplified interim financial statements hereby submitted have been approved by the governance team on 28 September 2018 and signed on its behalf by:

Directorate,

Adrian – Constantin RUSU

Directorate Chairman

Andreea Georgiana FLOREA
Member

Adrian-Mircea TEODORESCU
Member

Constantin SARAGEA
Member

Viorel VASIU
Member

Ana-Iuliana DINU
Director, Economic
Financial and
Administrative Unit

Cristina STOIAN
Director, Economic
and Financial
Strategy Division

Cristiana ZIRNOVAN
Manager, Budgeting
and Managerial
Reporting Department

NATIONAL POWER GRID TRANSELECTRICA SA
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF PROFIT OR LOSS
ON JUNE 30th, 2018
(All amounts are expressed in thousand RON, unless otherwise indicated)

	<u>Note</u>	Period of 6 months ended on June 30 th 2018 <i>(non-audited)</i>	Period of 6 months ended on June 30 th 2017 <i>(non-audited)</i>
Revenues			
Transmission revenues		505,074	554,006
System service revenues		375,194	355,378
Revenues from the balancing market		330,847	805,048
Other revenues		28,151	27,063
Total revenues	15	1,239,266	1,741,495
Operating expenses			
System Operating Expenses	16	(149,916)	(129,083)
Expenses on the balancing market	16	(330,847)	(805,048)
Expenses regarding the technological system services	16	(309,387)	(319,024)
Depreciation		(155,700)	(160,775)
Salaries and other retributions		(118,171)	(116,503)
Repairs and maintenance		(25,399)	(19,921)
Materials and consumables		(11,133)	(9,643)
Other operating expenses	17	(34,128)	(63,965)
Total operating expenses		(1,134,682)	(1,623,962)
Operating profit		104,584	117,533
Financial revenues		6,051	12,215
Financial expenses		(12,628)	(20,719)
Net financial result	18	(6,577)	(8,505)
Profit before income tax		98,007	109,028
Income tax expense	13	(8,852)	(21,417)
Profit of the period		89,155	87,612

The attached notes constitute integrant part of these consolidated simplified interim financial statements.
Free translation from the original Romanian version

NATIONAL POWER GRID TRANSELECTRICA SA
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF PROFIT OR LOSS
ON JUNE 30th, 2018

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

	<u>Note</u>	Period of 6 months ended on June 30 th 2018 <i>(non-audited)</i>	Period of 6 months ended on June 30 th 2017 <i>(non-audited)</i>
Attributable:			
Group owners		91,297	89,912
Non-controlling interests		(2,142)	(2,300)
Basic result and diluted per share (Lei/share)	14	1.22	1.20
Profit of the period		89,155	87,612
Other comprehensive revenue		-	-
Total comprehensive revenue		89,155	87,612

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Directorate Chairman

Andreea Georgiana

FLOREA

Member

Adrian-Mircea

TEODORESCU

Member

Constantin

SARAGEA

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Viorel VASIU

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Director, Economic
Financial and
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Cristina STOIAN

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Manager, Budgeting
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Reporting Department

NATIONAL POWER GRID TRANSELECTRICA SA
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
ON JUNE 30th, 2018
(All amounts are expressed in thousand RON, unless otherwise indicated)

	Share capital	Share premium	Legal reserves	Revaluation reserves	Other reserves	Retained earnings	Attributable to group owners	Non-controlling interests	Total
Balance on December 31st, 2017 <i>(as per AGA dec. 6 of 30.04.2018)</i>	733,031	49,843	119,153	408,899	57,627	1,366,936	2,735,489	4,065	2,739,554
Comprehensive revenue of the period	-	-	-	-	-	-	-	-	-
Profit of the period	-	-	-	-	-	89,155	89,155	-	89,155
Total comprehensive revenue of the period	-	-	-	-	-	89,155	89,155	-	89,155
Other comprehensive revenue items									
Recognition of actuarial loss regarding the benefit plan	-	-	-	-	-	362	362	-	362
Total other comprehensive revenue items	-	-	-	-	-	362	362	-	362
Total comprehensive revenue of the period	-	-	-	-	-	89,518	89,518	-	89,518
Other items:									
Transfer of the reserves from reevaluation in the retained earnings	-	-	-	(18,472)	-	22,983	4,512	-	4,512
Non-controlling interests arising from decrease of ownership in Smart	-	-	-	-	-	2,142	2,142	(2,142)	-
Total other items	-	-	-	(18,472)	-	25,126	6,654	(2,142)	4,512
Contributions from and distribution to shareholders:									
Subsidies of public assets (connection fee)	-	-	-	-	1,384	-	1,384	-	1,384
Total transactions with owners	-	-	-	-	1,384	-	1,384	-	1,384
Balance on June 30th, 2018 (non-audited)	733,031	49,843	119,153	390,427	59,011	1,481,580	2,833,046	1,923	2,834,969

The consolidated simplified interim financial statements hereby submitted have been approved by the governance team on 28 September 2018 and signed on its behalf by:

Adrian-Constantin RUSU Directorate Chairman	Andreea Georgiana FLOREA Member	Adrian-Mircea TEODORESCU Member	Constantin Viorel Member	SARAGEA VASIU Member	Ana-Iuliana DINU Director, Economic Financial and Administrative Unit	Cristina STOIAN Director, Economic and Financial Strategy Division	Cristiana ZIRNOVAN Manager, Budgeting and Managerial Reporting Department
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NATIONAL POWER GRID TRANSELECTRICA SA
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
ON JUNE 30th, 2018
(All amounts are expressed in thousand RON, unless otherwise indicated)

	Share capital	Share premium	Legal reserves	Revaluation reserve	Other reserves	Retained earnings	Attributable to group owners	Minority interests	Total
Balance on December 31st, 2016 (audited)	733,031	49,843	116,552	458,184	57,627	1,714,462	3,129,699	5,484	3,135,183
Comprehensive revenue of the period	-	-	-	-	-	-	-	-	-
Profit of the period	-	-	-	-	-	87,612	87,612	-	87,612
Total comprehensive revenue of the period	-	-	-	-	-	87,612	87,612	-	87,612
Other items:									
Transfer of the reserves from reevaluation in the retained earnings	-	-	-	(25,046)	-	25,046	-	-	-
Subsidies of long-term assets such as public stocks (connection fee)	-	-	-	-	-	-	-	-	-
Non-controlling interests arising from decrease of ownership in Smart	-	-	-	-	-	2,280	2,280	(2,280)	-
Other items	-	-	-	(61)	-	(197)	(257)	-	(257)
Total other items	-	-	-	(25,107)	-	27,130	2,023	(2,280)	(257)
Contributions from and distributions to shareholders, of which:									
Declared dividends	-	-	-	-	-	(165,445)	(165,445)	-	(165,445)
Total transactions with owners	-	-	-	-	-	(165,445)	(165,445)	-	(165,445)
Balance on June 30th, 2017 (non-audited)	733,031	49,843	116,552	433,077	57,627	1,663,758	3,053,889	3,204	3,057,092

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Directorate,

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Directorate Chairman

Andreea Georgiana FLOREA
Member

Adrian-Mircea TEODORESCU
Member

Constantin Viorel
Member

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NATIONAL POWER GRID TRANSELECTRICA SA
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
ON JUNE 30th, 2018
(All amounts are expressed in thousand RON, unless otherwise indicated)

	Period of 6 months ended on June 30 th 2018 <i>(non-audited)</i>	Period of 6 months ended on June 30 th 2017 <i>(non-audited)</i>
Cash flows from operational activities		
Profit of the period	89,155	87,612
Adjustments for:		
Income tax expense	8,852	21,097
Depreciation expenses	155,700	160,775
Net expenses with adjustments for assets	544	785
Expenses with provisions for impairment of trade receivables and other receivables	4,556	34,708
Revenues from reversal of provisions for impairment of trade receivables and other receivables	(6,492)	(7,155)
Revenues from reversal of provisions for risks and expenses	(92)	(8,391)
Net profit/loss from sales of tangible assets	(360)	427
Interest expenses, interest revenues and unrealised foreign exchange revenues	6,779	8,400
Treasury flows before changes in the current capital	258,642	298,259
Changes in:		
Trade and other receivables	106,362	(23,238)
Inventories	(3,955)	(3,163)
Trade payables and other liabilities	(46,924)	(254,536)
Other taxes and social security liabilities	(1,611)	(252)
Deferred income	(15,690)	(11,550)
Cash flows from operational activities	296,824	5,520
Interest paid	(4,728)	(5,324)
Income tax paid	(11,465)	(320)
Net cash used / generated from operational activities	280,631	(124)
Cash flows used / (generated) from investments		
Acquisition of tangible and intangible assets	(83,178)	(87,325)
Proceeds from EC grants	10,244	-
Collected interests	3,010	3,540
Owned shareholdings at TSC NET	(2,207)	-
Collections from sales of tangible assets	676	-
Other financial assets	(125,045)	(30,010)
Net cash used / (generated) from investments	(196,501)	(113,795)

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NATIONAL POWER GRID TRANSELECTRICA SA
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
ON JUNE 30th, 2018
(All amounts are expressed in thousand RON, unless otherwise indicated)

	Period of 6 months ended on 30 June 2018 <i>(non-audited)</i>	Period of 6 months ended on 30 June 2017 <i>(non-audited)</i>
Cash flows used in financing activities		
Repayments of long term loans	(58,693)	(69,727)
Withdrawals from short term loans	-	48,905
Repayments from short term loans	(7,626)	-
Paid dividends	(985)	(164,837)
Net cash used in financing activities	(67,305)	(185,659)
Net increase/ (decrease) of cash and cash equivalents	16,825	(299,579)
Cash and cash equivalents on 1 January (see Note 7)	553,875	960,489
Cash and cash equivalents at the end of the period (see Note 7)	570,700	660,911

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Directorate,

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NATIONAL POWER GRID TRANSELECTRICA SA
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
ON JUNE 30th, 2018

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

1. GENERAL INFORMATION

The main activity of CNTEE Transelectrica SA ('Company') and of its subsidiaries (hereinafter called with the Company – 'Group') consists of: providing electricity transmission services and system services, balancing market operator, administrator of the bonus support scheme, other related activities. They take place in accordance with the provisions of the operational licence no. 161/2000 issued by ANRE, updated by ANRE Decision 802/18.05.2016, with the General conditions associated to the licence, approved by ANRE Order 104/2014 and with the final certification of the Company as transmission and system operator of the National Power System according to the ownership unbundling model, also performing revisions and repairs into transmission installations; providing IT & telecommunication services and research in the energy domain.

CNTEE Transelectrica SA, parent company, was established in 2000 as Romanian joint stock company according to the Romanian legislation. The headquarters address is Blvd General Gheorghe Magheru 33, Bucharest 1. At present the Company's executive team perform activities in the working location of Str. Olteni 2-4, Bucharest 3.

The Group's consolidated interim financial statements of 30 June 2018 elaborated in accordance with the International Financial Reporting Standard 34 adopted by the European Union have not been audited.

The main Group Companies and the percentage of Company-held shares are provided below:

Entity	Country of origin	30 June 2018	31 December 2017
		<i>% of shares</i>	<i>% of shares</i>
Smart SA	Romania	70	70
Teletrans SA	Romania	100	100

SMART SA

Trading company SMART SA seated in Blvd Magheru 33, Bucharest 1 has as main business the maintenance work for the transmission-dispatcher system. It was established under GD 710/19.07.2001 on 1 November 2001. On 30 June 2018 the share capital was 55,036, of which 38,529 subscribed and fully paid by the Company. At present the subsidiary's executive team perform in the Bucharest working point, Calea Floreasca 246C, Sky Tower Building, 20th floor, Bucharest 1.

The Shareholders' General Extraordinary Assembly of Smart SA approved by Decision 14/10.12.2014 increasing the capital of Smart SA by contribution in kind with the amount of lands ownership certificates that were obtained for. On 30.12.2014 the Trade Register Office from Bucharest Tribunal settled the registration demand to increase the share capital of Smart SA and consequently on 30 June 2018 and on 31 December 2017, the shareholders' structure was:

- CNTEE Transelectrica SA
 - Number of shares 3,852,860
 - Participation quota to benefits and losses: 70.005%
- Romanian State through the Ministry of Economy, Trade and Business Environment Relations
 - Number of shares 1,650,770
 - Participation quota to benefits and losses: 29.995%

TELETRANS SA

Trading company TELETRANS S.A. seated in Blvd Hristo Botev 16-18, Bucharest 3, has as main business telephony, telegraphy, data transmission and has been established under AGA Decision 3/2002, with share capital of 6.874 on 30 June 2017, fully subscribed and paid. For the time being the subsidiary's executive team perform in Str. Polona 68-72, Business Centre Building, Bucharest 1.

NATIONAL POWER GRID TRANSELECTRICA SA
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
ON JUNE 30th, 2018

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

2. BASES OF ELABORATION

(a) Statement of conformity

These consolidated simplified interim financial statements were elaborated according to IAS 34 Interim financial reporting. They do not include all the necessary information for a complete set of financial reports in accordance with the International Financial Reporting Standards (IFRS). Nevertheless certain explanatory notes are included to clear up the events and transactions which are significant for understanding the changes occurred in the Group's financial position and performance from the last annual consolidated financial statements as of and for the financial year ended on 31 December 2017.

Such consolidated simplified interim financial statements were approved on 28 September 2018.

(b) Professional reasoning and estimations

Preparing these consolidated simplified interim financial statements means the management uses reasoning, estimations and assumptions impacting the application of accounting policies as well as the recognised value of assets, liabilities, revenues and expenses. Actual results can be different from these estimations.

The significant reasoning the management used in applying the Company's accounting policies and the main uncertainty sources regarding estimations were the same with those applied to the stand-alone financial statements as of and for the financial year ended on 31 December 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these consolidated simplified interim financial statements were the same with those applied to the stand-alone financial statements as of and for the financial year ended on 31 December 2017 except for the use of new standards in force beginning with 1 January 2018.

The Company anticipates that EU's adoption of IFRS 9 „Financial instruments” and of IFRS 15 „Revenues from contracts with customers” applicable for annual periods beginning with or after 1 January 2018 will not have a significant impact over the Company's financial statements in the initial period of application.

4. TANGIBLE AND INTANGIBLE ASSETS

4.1 Tangible assets

The amount of tangible assets recorded at the end of the previous financial year includes the actual value assessment registered for the Group's special buildings and installations. The total net value of tangible assets decreased in comparison with 31 December 2017 because the depreciation of such assets in the first 6 months of 2018 was recorded against the background of increased amounts of tangible assets in progress.

Thus the increase registered in the first semester 2018 was mainly represented by investments into the high voltage electric substations and lines as follows:

- Upgrading the 110 kV and 20 kV substations Suceava – 7,502;
- Upgrading the command-control-protection system of the 220/110/20 kV substation Sardanesti – 5,548;
- 400 kV interconnection OHL Resita (Romania) - Panchevo (Serbia) 4,607;
- Replacing the 200 MVA, 231/121/10.5 AT 2 of the 220/110 kV substation Resita – 4,270;
- Connecting substations Turnu Magurele, Mostistea, Stalpu, Teleajen to the Company's optical fibre network – lot 2 – 4,270;
- Refurbishing the 400 kV substation Isaccea – Stage I – Replacing the shunt reactors, the associated bays and the 400 kV bay Stupina – 4,155;
- Video wall type display equipment for the control rooms of dispatcher centres DEN/DET – 3,693;
- Refurbishing the 220 kV substation Otelarie (Steel Works) Hunedoara – 3,577;
- Refurbishing the 400/220/110/20 kV substation Bradu – 3,545;

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NATIONAL POWER GRID TRANSELECTRICA SA
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
ON JUNE 30th, 2018

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

- Replacing circuit breakers of electric substations – 3,407;
- Regulating the coexistence of 400 kV OHL Mintia - Arad, in the segment 15-20, with the highway Lugoj - Deva, lot 4 – 2,573;
- Connecting the consumption place the MDF Factory, located in Arges County, town Oarja, village Ceausesti, point Armata, lots 5 & 46, connecting to the 110 kV bus-bar of the 220/110/20 kV substation Pitesti Sud by an underground 110 kV line about 450 m long – 1,833;
- Refurbishing the 220/110 kV substation Turnu Severin Est – 1,676;
- Upgrading the 220/110 kV substation Dumbrava – 1,695;
- Regulating the nearing of 400 kV OHL Mintia - Arad, in the 35-37 segment, with the highway Lugoj - Deva, lot 4 – 1,444;
- Computation technique - hardware & software - Laptops – 865;
- Upgrading the hardware and software platforms of the SCADA system in substation Slatina – 783;
- Research & development centre of LST (live work) and fast intervention in the SEN – Centre building - 777;
- Relocating the high voltage 220 kV networks, highway Sebes – Turda, Lot 1, km 0+000 – km 17+000, section A – 220 kV double circuit (d.c.) OHL Alba Iulia – Sugag, Galceag, km 7+800, in the 25 – 26 clearing and km 11 + 080 – milestone 15 – 738;
- Replacing the accumulator batteries 1, 2, 3 and 4 from substation Portile de Fier – 633;
- Refurbishing the 220/110/20 kV substation Ungheni – 528;
- Relocating the high voltage 220 kV networks, highway Sebes – Turda, Lot 1, km 0+000 – km 17+000, section A km 0+000 – 14+000: – 220 kV simple circuit (s.c.) OHL Cluj Floresti-Alba Iulia, km 13+185, in the 300 – 301 clearing – 424.

In the first half of 2018, the biggest transfers of tangible assets in progress to tangible assets are mainly represented by the creation of assets for investment objectives as follows:

- 400 kV interconnection OHL Resita (Romania) - Panchevo (Serbia) – 98,591;
- Upgrading the 110 kV and 20 kV substation Suceava – 16,651;
- Upgrading the 400/110/10 kV substation Cluj Est – 13,398;
- Replacing autotransformers and transformers in electric substations - stage 2 – 11,590;
- Upgrading the command-control-protection system in the 220/110/20 kV substation Sardanesti – 11,017;
- Connecting substations Turnu Magurele, Mostistea, Stalpu, Teleajen to the Company's optical fibre network - lot 2 – 4,506;
- Remedial of failure to terminals 110-120 of the 220 kV OHL Bucharest Sud – Ghizdaru – 4,275;
- Replacing the 200 MVA, 231/121/10.5 AT 2 from the 220/110 kV substation Resita – 4,254;
- Video wall type display equipment meant for the control rooms of dispatcher centres DEN/DET – 3,693;
- Installing optical fibre and upgrading the tele-protection system of the 400 kV d.c. OHL Tantareni-Turceni and the 400 kV s.c. OHL Urechesti-Rovinari – 2,849;
- Installing optical fibre to the 220 kV OHL Fundeni-Brazi Vest - lot 1 – 2,397;
- Upgrading the 110/6 kV station of the 220/110/6 kV substation Pestis – 1,835;
- Upgrading the hardware platforms of the SCADA system from substation Slatina – 1,797;
- Computation technique - Hardware & Software - Laptops – 1,388;
- Replacing circuit breakers in electric substations – 987;
- Relocating the high voltage 220 kV networks, highway Sebes – Turda, Lot 1, km 0+000 – km 17+000, Section A – 220 kV d.c. OHL Alba Iulia – Sugag, Galceag, km 7+800, in the 25 – 26 clearing and km 11+080 – milestone 15 – 738;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - Stage I – 400 kV s.c. OHL Portile de Fier - (Anina) – Resita – 701;
- Regulating the coexistence of the 400 kV OHL Mintia - Sibiu, in the 6-8 clearing, and the highway Lugoj - Deva, Lot 4, sector Ilia - Deva km 77+361 - km 99+500 – 644;
- Replacing the accumulator batteries 1, 2, 3 and 4 from substation Portile de Fier – 424.

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The balance of tangible assets in progress on 30 June 2018 is represented by projects underway, the most significant of which being provided below:

- Refurbishing the 400/220/110/20 kV substation Bradu – 40,339;
- Connecting to RET the 300 MW WPP Ivesti, the 88 MW WPP Falcui 1 and the 18 MW WPP Falcui 2 through the new (400)/220/110 kV substation Banca – 46,885;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - Stage I - 400 kV s.c. OHL Portile de Fier - (Anina) – Resita – 20,379;
- Refurbishing the 220 kV substation Otelarie Hunedoara – 3,632;
- Extending the insurance services for business continuity and recovery after disasters – 14,419;
- Integrated security system in electric substations, stage IV – 10,308;
- Refurbishing the 220/110 kV substation Turnu Severin Est – 6,241;
- Connecting the 400 kV OHL Isaccea-Varna and the Isaccea-Dobrudja OHL into the 400 kV substation Medgidia Sud – 10,861;
- 400 kV d.c. OHL Cernavoda-Stalpu and connection into Gura Ialomitei – 8,392;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - Stage I - the 400/220/110 kV substation Resita – 6,620;
- 400 kV HVDC Link (submarine cable Romania - Turkey) – 5,854;
- Refurbishing the 400 kV substation Isaccea - Stage I - Replacing the shunt reactors, the associated bays and the 400 kV bay Stupina – 5,399;
- 400 kV OHL Gadalin - Suceava, including interconnection to SEN – 6,021;
- Refurbishing the 220/110 kV substation Hasdat– 4,456;
- 400 kV OHL Suceava - Balti, for the project part on Romanian territory – 4,433;
- Extending with new functions the control system & IT access supervision into Company objectives – 3,201;
- 400 kV d.c. OHL Gutinas – Smardan – 3,228;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage II, 400 kV d.c. OHL Resita - Timisoara – Sacalaz (the 220/110 kV substation Timisoara) – 3,223;
- Connecting to RET the 136 MW WPP Platonesti, Ialomita County, by building a 110 kV line bay in the 400/110 kV substation Gura Ialomitei – 2,889;
- Integrated security system in electric substations, stage III – 2,798;
- Upgrading the 220/110/20 kV substation Arefu – 2,802;
- Upgrading the 220/110/20 kV substation Raureni – 2,772;
- By-passing the 110 kV OHL Cetate 1 & 2 near the 110/20/6 kV substation Ostrovul Mare – 2,578;
- Connecting to RET the 99 MW WPP Dumesti and the 30 MW WPP Romanesti, Iasi County, by building a new 110 kV line bay in the 220/110 kV substation FAI – 2,546;
- Upgrading the 220/110 kV substation Dumbrava – 2,625;
- Security solution to implement security measures for classified information – 2,024;
- Executive - DCBPA / CPA: Consolidation, modernisation and extension of Company headquarters – 1,627;
- Replacing circuit breakers in electric substations – 3,211;
- Integrated security system in the new (400) 220/110 kV substation Banca – 1,133;
- Making optical fibre communication between the 110 kV substation Pitesti Sud and the remote control and installation supervision centre of TB Pitesti – 1,085;
- Connecting the 400 kV substation Stupina to RET; joining the 400 kV OHL Isaccea-Varna – 874;
- Refurbishing the 400/110/20 kV substation Tulcea Vest – construction part – 2,740;
- The 220 kV double circuit OHL Ostrovu Mare - RET – 755;
- The 400 kV OHL Oradea – Beckescsaba – 770;
- The 400 kV substation Stalpu – 752;
- Converting the 220 kV OHL Brazi Vest – Teleajen – Stâlpu to 400 kV, including procurement of the 400 MVA 400/220/20 kV autotransformer, substation extension work – 694;
- Refurbishing the 400/110/20 kV substation Domnesti - 600;
- Research & development centre of LST (live work) technologies and fast intervention into SEN – Centre building - 1,427;
- Connecting to RET the 33 MW WPP Sarichioi, Tulcea County, into the 110 kV bay Zebil from the 400/110 kV substation Tulcea Vest – 633.

The attached notes constitute integrant part of these consolidated simplified interim financial statements.

Free translation from the original Romanian version

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4.2 Intangible assets

For the intangible assets in progress the largest entries in the first semester 2018 have been:

- Software licences applicable in the 110 kV & 20 kV substations Suceava – 236;
- Software NEPLAN licences + licences of CIM/XML modules 7 Software NEPLAN (2 new licences, 5 CIM/XML modules) and up-grade for 13 NEPLAN licences + 5 licences of CIM/XML modules - 23.

In the first semester 2018 the biggest transfers from intangible assets in progress to intangible assets are represented by:

- Upgrading the software platforms of the SCADA system from substation Slatina – 401;
- Software licences applicable in the 110 kV & 20 kV substations Suceava – 236;
- Metering licences and SCADA licences in the 220/110/20 kV substation Sardanesti – 150;
- Software licences applicable in the 400/110/10 kV substation Cluj Est – 118;
- Upgrading the existent antimalware solution – 23;

The balance of intangible assets in progress on 30 June 2018 is represented by projects underway, the most significant of which being given below:

- Implementing an Electronic Archive & Document Management system in the Company – 5,474;
- Replacing the components of the EMS SCADA AREVA system – software & hardware components – 4,000;
- Extending the MIS – advanced reporting and budgetary planning solution – 3,048;
- Extending the insurance for business continuity and post-disaster recovery in the Executive – 351.

4.3 Financial assets

The increase in value of financial assets on 30 June 2018 compared to 31 December 2017 was determined by the Company's affiliation to the Coordination Centre of Security at Regional level (CCSR) TSCNET Services GmbH by means of share purchase.

Shareholders' General Extraordinary Assembly decision 9/05.06.2018 approved the Company's affiliation to the Coordination centre of security in the region, the amount of 2,207 representing the Company participation to the share capital of TSCNET Services GmbH, payment being made on 25.06.2018.

Since Company implements regional initiatives for the application of "Regulation (EU) 2015/1222 of the Commission of 24 July 2015 establishing a guideline regarding allocation of capacities and congestion management" and "Regulation (EU) 2017/1485 of the Commission of 2 August 2017 establishing a guideline regarding the operation of the electricity transmission system"), there is need for the Company to affiliate to the Coordination Centre of Security at Regional level (CCSR) TSCNET Services GmbH.

The Centre has been established to serve the Transmission & System Operators (TSO-s) of eastern-central-western Europe (CORE region, of which Romania belongs), in view of the coordinated implementation of European network codes, according to the affiliation model adopted by all Transmission & System Operators in the region.

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5. TRADE RECEIVABLES AND OTHER RECEIVABLES

On 30 June 2018 and on 31 December 2017 trade receivables and other receivables have been as follows:

	June 30th, 2018 <i>(non-audited)</i>	December 31st, 2017 <i>(as per AGA Decision no. 6 of 30.04.2018)</i>
Trade receivables	779,793	853,451
Other receivables	126,116	121,398
Down payments to suppliers	10,234	11,102
VAT to recover	13,572	47,899
Adjustments for impairment of uncertain trade receivables	(125,590)	(124,988)
Adjustments for impairment of other uncertain receivables	(79,997)	(82,913)
Total	724,129	825,949

On 30 June 2018 and on 31 December 2017 the balance of trade receivables in the balance was as follows:

	June 30th, 2018 <i>(non-audited)</i>	December 31st, 2017 <i>(as per AGA Decision no. 6 of 30.04.2018)</i>
Clients on the electricity market, of which:	770,958	845,529
- clients – operational activities	375,978	382,603
- clients – balancing market	184,635	243,548
- clients – bonus type support scheme to promote high efficiency cogeneration	210,345	219,379
Clients from other activities	8,836	7,922
Total	779,793	853,451

- The Group carries out operational activities based on the Operating Licence no. 161/2000 issued by ANRE, updated by ANRE President Decision 802/18.05.2016, for provision of electricity transmission services, system services and for administration of the balancing market.

On 30 June 2018 the current clients from operational activities decreased in comparison with 31 December 2017 mainly determined by:

- Rise in the level of collection of receivables;
- Decrease in the electricity quantity delivered to consumers in May and June 2018 compared to November and December 2017.

The main current clients on the electricity market are: RAAN, Electrica Furnizare SA, Electrocentrale Bucharest SA, Ciga Energy, Enel Energie Muntenia SA, E.ON Energie Romania SA, Enel Energie SA, Petprod SRL, Airo SA, and CET Govora SA. The weight of the main customers on the electricity market is about 52% in the total gross receivables.

The current receivables for the balancing market in sum of 184,635 registered value decrease compared to 31 December 2017, following the decrease in transactions on this market.

- The Group operates its activities related to the bonus type support scheme to promote high efficiency cogeneration acting as administrator of the support scheme, in accordance with the provisions Governmental Decision 1215/2009, “the main attributions being to collect monthly the contribution for cogeneration and monthly payment of bonuses”.

On 30 June 2018 the Company registered receivables to collect from the bonus type support scheme to promote high efficiency cogeneration in a proportion of approximately 27% (31 December 2017 - 26%) from the total trade receivables.

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Clients from the bonus type support scheme to promote high efficiency cogeneration registered on 30 June 2018 a decrease in the receivables mainly determined by the collection of receivables amounting to 140,342 related to ANRE decisions regarding overcompensation of cogeneration activity in 2017, registered according to ANRE decisions issued in March 2018 to overcompensate the support scheme activities of 2017, as well as of the amounts spread out for payment in the first semester to overcompensate year 2015 from Electrocentrale Oradea SA.

On 30 June 2018 the Company registered receivables amounting to 210,345, represented by invoices issued under the bonus type support scheme to promote high efficiency cogeneration, of which:

- Overcompensation for the timeframe 2011-2013 amounting to 76,702, namely from RAAN – 63,467 and from CET Govora SA – 13,235;
- Undue bonus for 2014 amounting to 3,915, namely from RAAN – 1,981, CET Govora – 1,934;
- Undue bonus for 2015 amounting to 564, namely from CET Govora - 534, Interagro - 30;
- Overcompensation for 2015 amounting to 1,976, namely from Electrocentrale Oradea (debt taken over by Termoficare Oradea);
- Overcompensation for 2016 amounting to 56,680, namely from Electrocentrale Bucharest;
- Contribution for cogeneration amounting to 20,806 uncollected from the suppliers of electricity consumers, namely from: Transenergo Com – 5,882, PetProd – 4,391, Romenergy Industry – 2,681, RAAN- 2,386, UGM Energy – 1,814, CET Govora – 901, KDF Energy – 888 and others.

Until the date of this interim financial report, the Company has fully recovered the claims for overcompensation of the 2015 support scheme activity on the basis of receivable receivable, mainly due to bank transaction (9,775) related to over-compensation for 2015 from Termoficare Oradea for Electrocentrale Oradea, according to the Schedule Agreement concluded by the Company).

Also until present interim financial reporting the Company cashed fully the receivables related to the activity overcompensation regarding the support scheme for 2017 (sum of 140,342), as follows: collections amounting to 90,899 from Electrocentrale Bucharest by bank transactions and collections amounting to 49,443 based on compensations performed through the Management and Informatics Institute (according to GD 685/1999) (of which: Electrocentrale Bucharest – 35,756; CET Govora – 10,658; Enet SA – 3,028).

In order to discharge the receivables generated by the overcompensation and undue bonus the Company requested reciprocal compensations from the qualified generators in the support scheme. For the generators (RAAN, Electrocentrale Bucharest, CET Govora) that have not agreed with this ways of discharging mutual receivables and liabilities the Company has applied and further applies the provisions of article 17 para 5 from Order 116/2013 of ANRE president approving the Regulation establishing the collection mode of the contribution for high efficiency cogeneration and the bonus payment for electricity produced under high efficiency cogeneration: “in case the generator did not make the full payment to the administrator of the support scheme for its liabilities resulting according to the provisions of this regulation, the support scheme administrator pays to the generator the difference between the invoices issued by the generator and the payment liabilities of the generator under the support scheme, with explicit mention of the respective amounts on the payment document” and withheld from payment the amounts due related to the corresponding support scheme.

The Company has concluded with CET Govora SA an agreement on compensation and rescheduling of payments for the amounts representing the equivalent receivables from the value of the overcompensation of the 2011-2013 time frame and the undue bonus for 2014 (Agreement C 135/30.06.2015 and Addendum 1/04.08.2015). The Agreement term was 1 year (timeframe July 2015-August 2016) and it provided the Company’s right to calculate and collect payment penalties over the instalment period.

In accordance with this Agreement the Company’s receivables to be collected from CET Govora SA were compensated with its liabilities to CET Govora SA, amounting to 40,508 represented by cogeneration bonus for the timeframe May 2014 – October 2015 withheld by applying the provisions of article 17 para 5 from Order 116/2013 of ANRE president and the Agreement provisions.

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Following the suspension in court by Civil sentence 3185/27.11.2015, ANRE Decision 738/28.03.2014 establishing the overcompensation amount for the timeframe 2011-2013, CET Govora SA has no longer observed its obligations assumed under the Agreement.

Beginning with 9 May 2016 the general insolvency procedure was initiated against CET Govora. To receive its liabilities recorded before the insolvency proceedings the Company applied the specific procedures provided by Law 85/2014 on insolvency and requested the court admission of its liabilities according to legal provisions.

Taking into account the fore-mentioned circumstances beginning with 9 May 2016 the Company ceased applying the provisions of article 17.5 from Order 116/2013 of ANRE president approving the Regulation establishing the collection mode of the contribution for high efficiency cogeneration and the bonus payment for electricity produced under high efficiency cogeneration and paid the cogeneration bonus monthly to CET Govora.

By Civil ruling 2430/05.10.2016 the High Court of Cassation and Justice admitted the appeal state by ANRE against Civil sentence 3185/27.11.2015, has partially cancelled the contested sentence and has released the suspension request lodged by CET Govora, the judgment being final. Thus beginning with 05.10.2016 the effects of ANRE Decision 738/28.03.2014 are no longer suspended, being in full effect.

Under such circumstances the Company applies the provisions of article 17 para 5 from ANRE Order 116/ 2013 for mutual liabilities and receivables after insolvency proceedings, meaning retaining the bonus owed to CET Govora SA up to the amounts unpaid to the Company according to the support scheme.

On 08.12.2016 Governmental Decision 925 adopted the amendment and addition to GD 1215/2009 establishing the criteria and conditions necessary to implement the support scheme to promote high efficiency cogeneration based on the useful heat demand.

Thus on 30 June 2018 the Company does not register depreciation adjustments for the support scheme, the unrecovered value of such receivables being included in the cogeneration contribution.

Other receivables

On 30 June 2018 the Group has other receivables amounting to 126,116 which include mainly various Company debtors (101,926).

Various debtors amount to 101,926 of which late payment penalties calculated to late paying clients amounting to 61,931 (of which 26,013 represents penalties related to the support scheme). The largest penalties for late payment have been registered by the following clients: RAAN (16,901), SC CET Govora (9,607), Eco Energy SRL (8,910), Petprod SRL (8,895), Total Electric Oltenia (3,289), Arelco Power (2,817), Enol Group (2,541), Also Energ (2,121). Depreciation adjustments were recorded for the penalties calculated for late payment of receivables from operational activities.

In the debtor category the following receivables are also registered:

- Down payments made to supplier ELCOMEX - IEA SA amounting to 31,181, to which penalties amounting to 687 were calculated. Down payments were paid to supplier ELCOMEX - IEA SA for performing the following projects:
 - Connecting the 400 kV OHL Isaccea-Varna and the OHL Isaccea-Dobrudja into the 400 kV substation Medgidia Sud – down payment amounting to 9,949;
 - Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - Stage I - the 400/220/110 kV substation Resita – down payment amounting to 21,232.

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

On 07.04.2017 Constanta Tribunal, Section II Civil by Hearing closure 294/2017 admitted the request to declare debtor Elcomex - IEA SA under insolvency, designating Pricewaterhouse Coopers Business Recovery Services IPURL as judiciary administrator.

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On the insolvency start-up date the Company held the following agreements concluded with Elcomex IEA SA: contracts C163/29.07.2015 "Converting the Portile de Fier – Resita - Timisoara – Sacalaz – Arad axis to 400 kV / the 400/220/110 kV substation Resita" and C255/18.11.2015 "Connecting the 400 kV OHL Isaccea-Varna and the 400 kV OHL Isaccea-Dobruja in the 400 kV substation Medgidia Sud stage I". Following initiation of insolvency of Elcomex IEA SA the Company recorded in the creditors' list for the amount of 31,189, representing the down payment granted to Elcomex IEA SA for contracts C163/29.07.2015 and C255/18.11.2015 as well as for other expenses.

Pricewaterhouse Coopers Business Recovery Services IPURL notified the Company on 07.07.2017 with respect to cancelling contract C 163/29.07.2015 "Converting the Portile de Fier – Resita - Timisoara – Sacalaz – Arad axis to 400 kV / the 400/220/110 kV substation Resita". On 08.08.2017 the Judiciary Administrator Pricewaterhouse Coopers Business Recovery Services IPURL considered itself bound to note the Company's cancellation of contract C255/18.11.2015 "Connecting the 400 kV OHL Isaccea-Varna and the 400 kV OHL Isaccea-Dobruja in the 400 kV substation Medgidia Sud stage I", notified under letter 24597/05.07.2017 as well as the contract termination upon the Company initiative.

On 01.07.2017 the Company submitted a request for summons regarding issuance of payment ordinance, suit included in file 24552/3/2017 on the docket of Bucharest Tribunal, 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 (equivalent of 31,181 Lei) representing security policies for the down payments BR – 1500544/18.11.2015 and BR – 1500520/29.07.2015. Until 07.11.2017 the court decided deferring pronouncement in file 24552/3/2017, on the docket of Bucharest Tribunal, Section VI Civil. Term: 24.10.2017

Settlement in brief: Admits the request. Orders the debtor to pay the amount of 2,237,750.83 Euro (equivalent of 9,949 Lei at 4.4458 Lei/Euro exchange rate) within 20 days from decision notification and representing down payment which was not reimbursed but guaranteed via indemnity letter for payment of down payment BR-1500544/18.11.2015 as well as the amount of 4,821,022.53 Euro (equivalent of 21,233 Lei at 4.4041 Lei/Euro exchange rate) representing down payment which was not reimbursed but guaranteed via indemnity letter for payment of down payment BR-1500520/29.07.2015; and 200 Lei as court trial expenses. Appeal right within 10 days from notification. Until the date of these financial statements Ruling 4067/2017 - 07.11.2017 has not been written and communicated for enforcement.

The Company recorded impairment adjustment of 31,877.

- Receivables from OPCOM amounting to 4,517 representing VAT for the contribution in kind to the subsidiary's equity, for all amount being recorded adjustments for depreciation.

Deferred expenses amounting to 7,827 are mainly represented by down payments on contracts concluded with the suppliers of electricity needed in order to cover one's own technological losses for future periods (1,778), a security fee for the BEI 25710 credit (82,291) and ING credit granting fee (192), levies paid for 2018 to national and international institutions (2,346), rents (605), annual contribution to ANRE (1,508).

Other long term receivables amounted to 4,535, of which 4,200 represents guarantees for temporary land occupation calculated and retained in accordance with article 39 para (1), para (2) and para (5) from Law 46/2008 on the Forestry Code, with a view to achieve the investment objective 400 kV OHL Resita – Panchevo (Serbia).

VAT to recover

On 30 June 2018 the Company registered VAT to recover amounting to 13,572, representing mainly negative VAT settlements for March 2018 (4,400), April 2018 (8,311), May 2018 (335) and June 2018 (2,830) and payable VAT non-exigible on position amounting to 2,303. As of these consolidated interim financial statements, the amount of 12,711 has been collected from this balance.

Down payments to suppliers

On 30 June 2018 the down payments amounting to 10,234 represent suppliers that are debtors for

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services, mainly amounts from the transactions related to the price coupling mechanism. The price coupling mechanism began being applied on 19 November 2014, date when the „4 Market Coupling” project providing union of the day-ahead electricity markets (DAM) of Romania, Hungary, Czech Republic and Slovakia entered the operational stage. Within the price coupling mechanism for the day-ahead markets the electricity exchanges correlate the day-ahead electricity transactions based on bids, taking into account the interconnection capacity provided by the TSO-s, by which it is implicitly allocated. The Company in its TSO capacity transfers electricity both in physical and in commercial terms to the neighbouring TSO (MAVIR, Hungary) and manages the congestion revenues along the respective interconnection (article 139 from ANRE Order 82/2014), while in relation with OPCOM SA it acts as Implicit Participant on the Day-Ahead market.

As Transfer Agent and Implicit Participant the Company has the commercial task to settle the power transacted between OPCOM SA and MAVIR.

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

The Company's policy consists of recording depreciation impairments for value losses in quantum of 100% for clients under dispute, under insolvency and bankruptcy, and 100% from trade receivables and other receivables uncollected for more than 180 days, except for outstanding receivables generated by the support scheme. The Company also makes a case by case analysis of uncollected trade and other receivables.

On 30 June 2018 the highest depreciation adjustments calculated for trade receivables and related penalties have been recorded for Elcomex IEA SA (31,868), Eco Energy SRL (24,736), Petprod SRL (23,540), Arelco Power (17,359), Total Electric Oltenia SA (14,186), Romenergy Industry (13,513), Elsaco Energy (9,294), RAAN (8,517), Also Energ (7,177), CET Brasov (4,665), and Opcom (4,517). The Company took the following measures with a view to recover the impaired receivables: suing in court, registration in the creditors' list, requesting clarifications from ANAF (for the VAT to collect from Opcom) etc.

The exposure to the collection risk as well as the value adjustments for trade receivables are presented in Note 21.

The Company anticipates that EU's adoption of IFRS 9 „Financial instruments” applicable for annual periods beginning with or after 1 January 2018 will not have significant impact over the Company's financial statements in the initial application period.

6. OTHER FINANCIAL ASSETS

On 30 June 2018 and on 31 December 2017, the statement of other financial assets was as follows:

	June 30th, 2018 <i>(non-audited)</i>	December 31st, 2017 <i>(as per AGA Decision no. 6 of 30.04.2018)</i>
Bank deposits with maturity over 90 days	125,045	-
Total	125,045	-

On 30 June 2018 the Group has constituted bank deposits with maturity over 90 days from the cash available in current accounts, amounting to 125,045.

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7. CASH AND CASH EQUIVALENTS

On 30 June 2018 and on 31 December 2017 the cash and cash equivalents were as follows:

	June 30th, 2018 <i>(non-audited)</i>	December 31st, 2017 <i>(as per AGA Decision no. 6 of 30.04.2018)</i>
Current accounts to banks and deposits, of which:	570,461	553,787
- cash and deposits from high efficiency cogeneration	15,523	19,173
- cash from revenues related to the allocation of interconnection capacities used for grid investments	104,191	84,247
- cash from the connection fee	25,262	31,153
Cash counter	141	88
Other cash equivalents	98	-
Total	570,700	553,875

Deposits with initial maturity smaller than 90 days, constituted from cash available in current accounts (including the cogeneration deposits) amounted to 537,843 on 30 June 2018 and to 251,047 on 31 December 2017.

8. SHAREHOLDER'S EQUITY

In accordance with the provisions of OUG 86/2014 on establishing certain reorganisation measures in the public central administration and amending and adding other norms, on 20 February 2015 the transfer of the 43,020,309 shares was recorded in the Company's Shareholder Register, from the Romanian State account managed by the Secretariat General of the Government into the Romanian State account managed by the Ministry of Economy, Trade and Tourism.

According to the provisions of article 2 from OUG 55/19 November 2015 establishing certain reorganisation measures in the public central administration and amending and adding other norms, the Ministry of Economy, Trade and Business Environment Relations (MECRMA) was established by reorganising and taking up the activities of the Ministry of Economy, Trade and Tourism that was unfounded, and by taking over the activities and structures from the domain of small and middle size enterprises and the business environment from the Ministry of Energy, Small and Medium size Enterprises and the Business Environment.

According to the provisions of GD 27/12 January 2017 on the reorganisation and operation of the Ministry of Economy, the Company operates under authority of this Ministry of Economy. On 3 March 2017 the transfer of the 43,020,309 shares was recorded in the Company's Shareholder Register, from the Romanian State account managed by the Ministry of Economy, Trade and Tourism into the Romanian State account managed by the Ministry of Economy.

At the end of each reporting period the Company's fully subscribed and paid share capital amounting to 733,031 is divided into 73,303,142 ordinary shares of 10 Lei/share nominal value each and corresponds to the one registered with the Trade Register Office.

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The shareholder structure on 30 June 2018 and on 31 December 2017 was as follows:

Shareholder	June 30 th , 2018 (non-audited)		December 31 st , 2017 (as per AGA Decision no. 6 of 30.04.2018)	
	Number of shares	% from share capital	Number of shares	% from share capital
Romanian State by MECRMA	43,020,309	58.69%	43,020,309	58.69%
Other legal person shareholders	20,280,101	27.67%	20,689,339	28.22%
DEDEMAN SRL	4,323,567	5.89%	4,192,363	5.72%
Other natural person shareholders	5,679,165	7.75%	5,401,131	7.37%
Total	73,303,142	100.00%	73,303,142	100.00%

The increase in the Group's equity on 30 June 2018 compared to 31 December 2017 was mainly determined by registering the net profit amounting to 89,155 in the retained earnings on 30 June 2018.

9. DEFERRED REVENUES

Deferred revenues are mainly represented by the: connection fee, other subsidies for investments, European grants collected from the Ministry of European Funds, and revenues from the use of the interconnection capacity. On 30 June 2018 the deferred revenues statement was as follows:

	June 30 th , 2018 (non-audited)	Of which: the short term part on June 30 th , 2018 (non-audited)	December 31 st , 2017 (as per AGA Decision no. 6 of 30.04.2018)	Of which: the short term part on December 31 st , 2017
Deferred revenues – allocation of the interconnection capacity	7,590	7,590	5,797	5,797
Deferred revenues- European grants	2,558	2,558	2,558	2,558
Connection fee funds	296,921	25,111	311,396	23,558
European Funds	108,234	6,952	101,625	7,415
Other subsidies	31,630	1,525	32,371	1,553
Total	446,933	43,737	453,747	40,881

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The development of short term deferred revenues in the six months period ended on 30 June 2018 and in the financial year ended on 31 December 2017 is as follows:

	June 30th, 2018 <i>(non-audited)</i>	December 31st, 2017 <i>(as per AGA Decision no. 6 of 30.04.2018)</i>
Opening balance	40,881	38,025
Advance income related to the interconnection capacity	30,377	75,479
Income from European Funds	-	1,327
Transfer from long term deferred revenues (connection fee)	1,063	2,300
Revenues from use of the interconnection capacity	(28,584)	(76,261)
Revenues from European funds	-	(89)
Total	43,737	40,881

The development of long term deferred revenues in the six months period ended on 30 June 2018 and in the financial year ended on 31 December 2017 is as follows:

	June 30th, 2018 <i>(non-audited)</i>	December 31st, 2017 <i>(as per AGA Decision no. 6 of 30.04.2018)</i>
Opening balance	412,866	434,891
Connection fee (repaid)/ collected	(1,536)	14,228
Connection fee for fixed assets belonging to the state public domain	(1,384)	-
Non-refundable funds	10,244	174
Other deferred revenues	31	-
Transfer to short term deferred revenues	(1,063)	(2,300)
Release of deferred revenues	(15,962)	(34,127)
Total	403,196	412,866

In May 2018 the Company collected the amount of 10,244 from the European Commission for the project of common interest 'Internal line between Cernavoda and Stalpu', representing non-refundable financing under the Connecting Europe Facility. The Internal line between Cernavoda and Stalpu projects includes the following investments:

- 400 kV double circuit OHL Cernavoda-Stalpu & connection in substation Gura Ialomitei (new line);
- Extending the 400 kV substation Cernavoda;
- Extending the 400 kV substation Gura Ialomitei;
- The 400 kV substation Stalpu (new substation).

Innovation and Networks Executive Agency (INEA) will monitor and control the project implementation.

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10. LOANS

Long term loans

On 30 June 2018 the amount of long-term loans diminished compared to 31 December 2017 mainly due to repayments made according to the schedules of existing loan agreements. In January - June 2018 there have been no withdrawals from the long-term loans.

Movements in loans during the six months period ended on 30 June 2018 are as follows:

	Currency	Interest rate	Book value	Due date
Balance on January 1st 2018			509,355	
New withdrawals			-	
Repayments, of which:			(58,693)	
NIB PIL No 02/18	USD	LIBOR+0,9%	(3,318)	15-Apr-2018
BIRD 7181	EUR	0.0% last notification	(16,344)	15-Jan-2020
NIB PIL No 03/5	EUR	EURIBOR+0.85%	(5,362)	15-Sep-2018
NIB PIL No 02/37	EUR	EURIBOR+0.9%	(2,870)	15-Sep-2018
BEI 25709	EUR	3.596%	(5,612)	10-Sep-2025
BEI 25710	EUR	3.856%+2.847%	(5,623)	11-Apr-2028
ING + BRD	EUR	EURIBOR+2.75%	(19,564)	13-Feb-2019
Exchange rate differences on reimbursement date			(25,001)	
Balance on June 30th, 2018			450,637	

On 30 June 2018 and on 31 December 2017 the balance of long-term loans contracted from credit institutions are as follows:

Description	June 30th, 2018 <i>(non-audited)</i>	December 31st, 2017 <i>(as per AGA Decision no. 6 of 30.04.2018)</i>
NIB PIL No 02/18	-	3,417
BIRD 7181	27,268	43,603
NIB PIL No 03/5	5,360	10,717
NIB PIL No 02/37	2,869	5,737
BEI 25709	84,159	89,742
BEI 25710	91,828	97,425
ING + BRD	39,153	58,712
Unsecured bonds	200,000	200,000
Total long-term loans from credit institutions, of which:	450,637	509,355
Current portion of long-term loans	(294,379)	(314,169)
Total long-term loans net of current rates	156,258	195,186

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

	June 30th, 2018 <i>(non-audited)</i>	December 31st, 2017 <i>(as per AGA Decision no. 6 of 30.04.2018)</i>
From 1 to 2 years	25,222	51,449
From 2 to 5 years	67,427	68,913
Over 5 years	63,609	74,824
Total	156,258	195,186

The Group has not performed hedging its foreign currency liabilities risk or its exposure to the interest rate risk.

All long-term loans except for BEI 25709, BEI 25710 and the bonds, bear variable interest and, consequently, the book value of long-term loans approximates their fair value.

Short-term loans

On 30 June 2018 and on 31 December 2017 short-term loans are detailed as follows:

	June 30th, 2018 <i>(non-audited)</i>	December 31st, 2017 <i>(as per AGA Decision no. 6 of 30.04.2018)</i>
Current portion of long-term loans	294,379	314,169
SMART revolving	13,493	21,119
Interest on long-term loans	2,103	2,460
Interest on bonds	6,484	435
Total short-term loans	316,460	338,183

Loans contracted for current activities

The Company concluded the credit contract C55/01.03.2018 amounting to 100,000 with Raiffeisen Bank for 12 months in order to finance the bonus type support scheme for high efficiency cogeneration in the form of overdraft, with interest calculated depending on the ROBOR 1M reference rate, to which a negative margin of 0.35% is added. In case the value of the ROBOR 1M reference rate is below 0.35%, the interest rate applied is 0%. On 30.06.2018 the credit line has not been used. It was secured by means of:

- Movable mortgage over the account opened with the bank;
- Movable mortgage on receivables resulted from the contracts on the contribution for high efficiency cogeneration, concluded with Cez Vanzare SA, E.ON Energie Romania SA.

Subsidiary SMART SA contracted a credit line from ING Bank NV Amsterdam, with variable interest. On 30 June 2018 the line credit structure was as follows:

- Current capital amounting to 23.200 to sustain and finance current activities, valid until 30 November 2018. Starting May 31st, 2018, 2 equal installments of 400 were reimbursed, correspondingly reducing the value of the facility.
- Commitments in a bank indemnity letter for down payment return amounting to 5,792, valid until 06 September 2019. The bank letter secures the 30% down payment from the value of products and work, which the company received under the execution contract C99/06.06.2016, pertaining to "Modernising the 220/110 kV substation Dumbrava", concluded with the Company.

In case of failure to comply with the contractual commitments assumed under the credit contract, with later amendments and additions, a default case occurrence becomes imminent and the credit line facility closes. On 30 June 2018 the subsidiary used 19,285.

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11. TRADE AND OTHER LIABILITIES

On 30 June 2018 and on 31 December 2017 trade and other liabilities were as follows:

	June 30th, 2018 <i>(non-audited)</i>	December 31st, 2017 <i>(as per AGA Decision no. 6 of 30.04.2018)</i>
Electricity market suppliers	411,560	538,923
Asset providers	25,121	46,283
Providers of other activities	24,116	18,634
Amounts due to employees	7,004	7,537
Other liabilities	155,410	81,972
Total	623,211	693,349

On 30 June 2018 and on 31 December 2017 outstanding liabilities on the energy market amounted to 411,560, namely 538,923 and presented the following structure:

	June 30th, 2018 <i>(non-audited)</i>	December 31st, 2017 <i>(as per AGA Decision no. 6 of 30.04.2018)</i>
Suppliers on the electricity market, out of which:		
- Suppliers - operational activity	151,304	110,801
- Suppliers – balancing market	125,909	204,920
- Suppliers – bonus type support scheme to promote high efficiency cogeneration	134,347	223,202
Total	411,560	538,923

- Increase in the balance of liabilities related to operational activities was mainly determined by the growth in the electricity amount to cover one's own technological losses in the transmission grid;
- Decrease in the balance of liabilities related to the balancing market was mainly determined by the payment of current payment liabilities on the electricity market on 31 December 2017 and by the reduced volume of transactions on the balancing market in the first semester of 2018 compared to the fourth quarter of 2017.

The main electricity market suppliers are: Hidroelectrica SA, Electrocentrale Bucharest, RAAN, Energy Complex Oltenia, and Mavir. On 30 June 2018 their share was about 75% in the total power suppliers.

- Decrease of liabilities related to the support scheme to suppliers (generators) was determined by payment of invoices issued as per ANRE decisions for the undue bonus and the ante-overcompensation for 2017.

On 30 June 2018 payment liabilities amounting to 134,347 were recorded to providers (generators) (Electrocentrale Bucharest – 66,558; RAAN – 51,184; CET Govora SA – 4,409 and others) representing the monthly cogeneration bonus, the ante-overcompensations for 2014 and 2015, the unpaid bonus for 2015 and 2016. Amounts representing Company liabilities under the support scheme to Electrocentrale Bucharest, RAAN, and CET Govora were withheld from payment according to article 17 para 5 from Order 116/2013 of ANRE president, because the providers (generators) register payment liabilities to the Company under the bonus type support scheme.

The Company requested the providers (generators) that have not paid the overcompensation invoices an agreement to compensate mutual liabilities at their minimum level by means of the Management and Informatics Institute (IMI) that uniformly manages all information received from tax-payers according to the provisions of GD 685/1999.

Generators (RAAN, Electrocentrale Bucharest, CET Govora) have not agreed with this mode of

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discharging the mutual receivables and liabilities, and therefore the Company has applied and further applies the provisions of article 17 para 5 from Order 116/2013 of ANRE president approving the Regulation establishing the collection mode of the contribution for high efficiency cogeneration and the bonus payment for electricity produced under high efficiency cogeneration: "in case the generator did not make the full payment to the administrator of the support scheme for its liabilities resulting according to the provisions of this regulation, the support scheme administrator pays to the generator the difference between the invoices issued by the generator and the payment liabilities of the generator under the support scheme, with explicit mention of the respective amounts on the payment document" and withheld from payment the amounts due related to the corresponding support scheme.

The Company has concluded with CET Govora SA an agreement on compensation and rescheduling of payments for the amounts representing the equivalent receivables from the value of the overcompensation of the 2011-2013 time frame and the undue bonus for 2014 (Agreement C 135/30.06.2015 and Addendum 1/04.08.2015). The Agreement term was 1 year (timeframe July 2015-August 2016) and it provided the Company's right to calculate and collect payment penalties over the instalment period.

In accordance with this Agreement the Company's receivables to be collected from CET Govora SA were compensated with its liabilities to CET Govora SA, amounting to 40,508 represented by cogeneration bonus for the timeframe May 2014 – October 2015 withheld by applying the provisions of article 17 para 5 from Order 116/2013 of ANRE president and the Agreement provisions.

Following the suspension in court by Civil sentence 3185/27.11.2015 of ANRE Decision 738/28.03.2014 establishing the overcompensation amount for the timeframe 2011-2013, CET Govora SA has no longer observed its obligations assumed under the Agreement. Beginning with 9 May 2016 the general insolvency procedure was initiated against CET Govora. Taking into account the provisions of Law 85/2014 on insolvency, beginning with 9 May 2016 the Company ceased applying the provisions of article 17.5 from Order 116/2013 of ANRE president approving the Regulation establishing the collection mode of the contribution for high efficiency cogeneration and the bonus payment for electricity produced under high efficiency cogeneration and pays monthly the cogeneration bonus owed to CET Govora.

By Civil ruling 2430/05.10.2016 the High Court of Cassation and Justice admitted the appeal state by ANRE against Civil sentence 3185/27.11.2015, has partially cancelled the contested sentence and has released the suspension request lodged by CET Govora, the judgment being final. Thus beginning with 05.10.2016 the effects of ANRE Decision 738/28.03.2014 are no longer suspended, being in full effect.

Under such circumstances the Company applies the provisions of article 17 para 5 from ANRE Order 116/ 2013 for mutual liabilities and receivables after insolvency proceedings, meaning retaining the bonus owed to CET Govora SA up to the amounts unpaid to the Company according to the support scheme.

- Diminishing the current providers of assets on 30 June 2018 compared to 31 December 2017 was due to liability payment to asset providers.
- Liabilities to providers of other activities are mainly represented by liabilities related to services provided by third parties that have not become due, liabilities that increased compared to 31 December 2017.
- On 30 June 2018 the Company has not registered outstanding liabilities to providers, the state budget or local institutions.

'Other liabilities' are structured as follows:

	June 30th, 2018 <i>(non-audited)</i>	December 31st, 2017 <i>(as per AGA Decision no. 6 of 30.04.2018)</i>
Different Creditors	107,016	32,010
Client-creditors	35,710	37,486
Dividends to be paid	1,429	2,414
Other liabilities	11,255	10,063
Total	155,410	81,973

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On 30 June 2018, the “Different Creditors” entry amounting to 107,016 represent mainly the net position of the support scheme regarding high efficiency cogeneration, which on 30 June 2018 registers liability position amounting to 105,708 (31 December 2017: 30,452).

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

- The amount of the contribution to be collected from electricity consumers’ suppliers, the amount of the overcompensation for electricity and heat production under high efficiency cogeneration, the undue bonus cashed from generators as per ANRE decisions, on the one hand, and
- The amount of the cogeneration bonus withheld based on article 17 para 5 from Order 116/2013 of ANRE president, the ante-overcompensation and the non-granted bonus to be paid to electricity production under high efficiency cogeneration, beneficiaries of the support scheme, on the other hand.

‘Client creditors’ on 30 June 2018 amounted to 35,710, of which 19,218 represents amounts collected in advance from MAVIR and OPCOM under the transactions related to the price coupling mechanism.

On 30 June 2018 dividends owed and unpaid to Company shareholders amount to 1,429. Such amounts are available to the shareholders by means of the payment agent.

Other liabilities amounting to 11.255 are mainly represented by payment securities – contracts on the electricity markets and by contractual performance bonds of service contracts concluded by the Group.

12. OTHER TAX AND SOCIAL SECURITY LIABILITIES

On 30 June 2018 and on 31 December 2017 other tax and social security liabilities include:

	June 30th, 2018 <i>(non-audited)</i>	December 31st, 2017 <i>(as per AGA Decision no. 6 of 30.04.2018)</i>
Payable VAT	539	745
Contribution to social insurance funds	6,449	6,364
Payroll tax	1,271	2,489
Other taxes to pay	1,664	1,627
Total	9,922	11,225

On 30 June 2018 the Group registered payment liabilities for contributions to social insurance funds, payroll and other taxes, which were paid in July 2018.

13. INCOME TAX

The Group’s current and deferred corporate is determined at statutory rate of 16%. The income tax expenses are as follows:

	June 30th, 2018 <i>(non-audited)</i>	June 30th, 2017 <i>(non-audited)</i>
Current income tax expense	10,557	25,557
Deferred income tax net expenses	(1,704)	(4,140)
Total	8,852	21,417

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14. RESULT PER SHARE

For the six months' periods ended on 30 June 2018 and on 30 June 2017 the result per share is:

	June 30th, 2018 <i>(non-audited)</i>	June 30th, 2017 <i>(non-audited)</i>
Net consolidated profit	89,155	87,612
Number of ordinary shares at the period start and end	73,303,142	73,303,142
Basic result and diluted per share (Lei/share)	1.22	1.20

15. REVENUES

Operational revenues include revenues from the transmission and system services the Group provided on the electricity market, from the allocation of interconnection capacity, from balancing market operation and other revenues.

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

	Average price for transmission services	Average price for technologic system services	Average price for functional system services
Order 122/19.12.2017 – for the first semester 2018	16.86	12.06	1.11
Order 27/22.06.2016 – for the first semester 2017	18.70	11.58	1.30

The average electricity transmission tariff has got two components: tariff of electricity input into the transmission grid (T_G) and tariff of electricity output from the grid (T_L).

Zone tariffs related to transmission services of electricity input into the grid (T_G) and of electricity output from the grid (T_L) were approved by ANRE Order 48/2017 beginning with 01 July 2017.

The amount of electricity delivered to consumers in the first semester of 2018, namely in the first semester of 2017, is as follows:

	June 30th, 2018 <i>(non-audited)</i>	June 30th, 2017 <i>(non-audited)</i>
Amount of electricity delivered to consumers (MWh)	27,957,786	27,402,464

The revenues earned in the first semester of 2018 and of 2017 are provided below:

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	June 30th, 2018 <i>(non-audited)</i>	June 30th, 2017 <i>(non-audited)</i>
Transmission revenues	469,987	511,377
Revenues from allocation of interconnection capacity	29,757	38,233
Revenues from reactive energy	3,432	3,187
Revenues from Inter TSO Compensation (ITC)	81	605
Revenues from Own Technological Consumption (OTC) transactions	1,818	605
Transmission revenues – total	505,074	554,006
Functional system service revenues	31,033	35,608
Revenues from technological system services	342,418	318,908
Revenues from unplanned exchanges on the DAM	1,468	862
Emergency aid revenues	274	-
System service revenues – total	375,194	355,378
Revenues on the balancing market	330,847	805,048
Other revenues	28,151	27,063
Total revenues	1,239,266	1,741,495

Transmission revenues

Given the rise in the amount of electricity delivered to consumers in the first semester of 2018 compared to the first semester of 2017 by 2.03%, namely 555,322 MWh, transmission revenues decreased in amount of 41.390, determined by diminished average tariffs approved by ANRE (as per the fore-mentioned table of ANRE approved average rates for the times interval studied).

Functional system service revenues

In the first semester of 2018 functional system service revenues registered decrease of 4,575 compared to the results from the first semester of 2017, determined by the drop in the ANRE-approved average tariff (as per the fore-mentioned table of ANRE approved average rates for the times interval studied).

Revenues from allocation of interconnection capacity

In the first semester of 2018 revenues from the interconnection capacity allocation registered 8,477 decrease compared to the results from the first semester of 2017, corresponding to the utilisation degree of the available interconnection capacity by traders on the electricity market.

The market for interconnection capacity allocation is fluctuating as prices evolve depending on demand and on the needs of participants on the electricity market to purchase interconnection capacity.

The mechanism allocating the interconnection capacity consists in 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 and allocated simultaneously with the energy and the capacity by means of the coupling mechanism.

The establishment of the regional energy exchange by Romania, Hungary, the Czech Republic and Slovakia on 19 November 2014 requires that the four countries reach to a unique price for the electricity traded on spot markets. Capacity is allocated between Romania and Hungary, the only country of the 3 with which Romania has a border, by means of the carriers: the Company and MAVIR, through a common mechanism under a bilateral agreement.

Beginning with 2016 the UIOSI principle has been implemented on the Bulgarian border, and beginning with 2017 on the Serbian border as well. According to this principle participants not using the capacity won at annual and monthly auctions are remunerated (by the Company) for that capacity. This will be

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afterwards sold in the daily auctions.

On the Hungarian border the direction is reversed, meaning that MAVIR remunerates the participants for unused capacities. Compensations are practiced at the marginal price related to daily auctions or at the market spread related to the price differences between the Hungarian Day Ahead Market (DAM) and the Romanian DAM. This is the reason why capacity congestion revenues on the HU-RO border were lower.

The net revenues from the allocation of the interconnection capacity are used in accordance with the provisions of article 22 para (4) from ANRE Order 53/2013 and those of article 16 para (6) of Regulation (EC) 714/2009, as financing source of investments made in order to upgrade and develop the interconnection capacities with neighbouring countries.

Technological system service revenues

Such revenues recorded 23,510 increase in the first semester of 2018 compared to the first semester of 2017, determined by 2.03% greater amounts of electricity delivered to consumers and the rise in the ANRE-approved average tariff for such services beginning with 01 January 2018 (as per the fore-mentioned table of ANRE approved average rates for the times interval studied).

In the first semester of 2018 technological system service revenues were greater in amount of 33,031 compared to the expenses made to procure technological system services. There was profit due to good market conditions and to the good administration of the bid procurement of required power reserves from electricity generators, substantiated in smaller average unit prices compared to the forecasted unit prices used in the calculation of the technological system service tariff.

This amount is found in the Company's gross profit registered on 30 June 2018.

Revenues on the balancing market

Revenues from the balancing market recorded 474,201 decrease in the first semester of 2018 compared to the first semester of 2017, determined by:

- Negative imbalances registered by electricity suppliers on the balancing market, which were smaller in the first semester of 2018 compared to the first semester of 2017, namely the significant reduction of the imbalance between the notified net contractual position and the actually delivered energy;
- The available energy of dispatchable units was used less in the first semester of 2018 compared to the first semester of 2017;
- The available energy of dispatchable units was used more in the first semester of 2018 compared to the first semester 2017, as a result of:
 - ✓ Recording higher levels of the Danube River flow rate;
 - ✓ Good operation of coal- and gas-fired units as well as of the nuclear ones in the most part of the first semester of 2018;
- Higher hydraulicity in the first semester of 2018 compared to the first semester of 2017 (especially in April); physical notifications generally exceeded the internal consumption of SEN;
- Significant drop of system balancing expenses (the result of step-up selections and of thermal units start-up).

The balancing market is a zero profit activity segment for the Company.

16. EXPENSES TO OPERATE THE SYSTEM AND EXPENSES ON THE BALANCING MARKET

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The expenses made in the first semester of 2018 compared to the first semester 2017 are as follows:

	June 30th, 2018 <i>(non-audited)</i>	June 30th, 2017 <i>(non-audited)</i>
Expenses on own technological consumption	121,523	100,984
Expenses on congestions	5,389	41
Expenses on electricity consumption in PTG substations	8,987	7,390
Expenses with functional system services	5,797	8,643
Expenses on TSO Compensation (ITC)	8,220	12,025
Total operational expenses	149,916	129,083
Expenses with technological system services	309,387	805,048
Expenses on the balancing market	330,847	319,024
Total	790,150	1,253,155

Expenses on technological losses

They represent expenses on the procurement of electricity needed in order to keep installations energised and transmit electricity through the interconnected transmission network.

These were higher by an amount of 20,539 in the first semester of 2018 compared to the first semester of 2017, mainly determined by the greater amount of electricity needed in order to cover technological losses in the transmission grid.

Expenses on congestions

Congestions (network restrictions) are demands of electricity transmission beyond the network's technical capacity limits, requiring corrective actions from the transmission and system operator; they occur when, upon operation scheduling or during real time operation the power flows between two system nodes or zones lead to incompliance with the operational safety parameters of a power system.

Congestion expenses amounting to 5,389 were recorded in the first semester of 2018.

Bad weather conditions (storm, freeze) registered in February 2018 in Dobrogea region brought about a failure to the 400 kV OHL Constanta Nord – Tariverde. The line defect was breaking the double insulator chain on the R phase to tower 7 and the active conductor falling down on ground.

Under such circumstances in order to comply with the safety principle N-1 during accidental disconnection of the 400 kV OHL Constanta Nord – Tariverde the dispatch order was reducing the output of the WPPD from Dobrogea region, Section 6 in Tulcea – Tariverde area to values below the notified capacity. The total amount of reduced energy by the congestion until the line went back into operation was of 19,766 MWh, and the Company bore the congestion cost of 5,235.

In April 2018 congestion expenses amounted to 155, determined by the compliance with the N-1 safety principle when the 400 kV OHL Rosiori – Mukachevo was disconnected as planned.

Expenses on electricity consumption in RET substations

Such expenses recorded increase of 1,597 in the first semester of 2018 compared to the first semester of 2017, determined by higher electricity procurement prices.

Expenses with functional system services

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They recorded decrease of 2,845 in the first semester of 2018 compared to the first semester of 2017 mainly determined by reduced day-ahead market expenses for unplanned electricity exchanges with the neighbouring countries interconnected to the SEN.

Expenses on Inter TSO Compensation (ITC)

The monthly payment / collection obligations of each transmission and system operator (TSO) are established under the compensation (settlement) mechanism for the effects of RET utilisation for electricity transits between the TSO-s of the 35 countries that acceded to this ENTSO-E mechanism. In the first semester of the current year such expenses were 3,805 smaller compared to the first semester of 2017.

Expenses with technological system services

Such technological system service expenses diminished 9,637 in the first semester of the current year, determined by the lower procurement prices on the competitive market compared to the similar period of last year.

During the reported period the Company procured technological system services under regulatory regime according to ANRE decisions and to applicable legal regulations.

In the first semester of 2018 technological system services were procured under regulatory regime according to ANRE Decision 906/2017 (from Hidroelectrica SA) and according to ANRE Decision 655/2018 (from Hunedoara SA), as well as according to GD 760/11.10.2017 approving the 'Winter schedule in the energy domain to provide safe stable operation of SEN'.

The Company re-invoices the value of technological system services purchased from producers to the electricity suppliers licenced by ANRE that ultimately benefit of such services.

Expenses on the balancing market

Expenses on the balancing market amounted to 330,847 in the first semester of the current year following the development presented in the chapter 'Revenues on the balancing market'.

These expenses result from the notifications / achievements of participants on this market, being fully covered by the balancing market revenues.

17. OTHER OPERATIONAL EXPENSES

	June 30th, 2018 (non-audited)	June 30th, 2017 (non-audited)
Other expenses with third party services	5,444	8,568
Postal expenses and telecommunication fees	640	737
Expenses on rents	5,599	5,502
Net operational (revenues)/expenses related to depreciation impairments of current assets	(1,936)	27,642
Other expenses	24,382	21,516
Total	34,128	63,965

Such expenses diminished in the reported period of the current year compared to the similar period of 2017 and was mainly determined by diminished (net) operational expenses related to the depreciation impairments of current assets. Thus in the first semester of 2018 receivable depreciation impairments were registered for uncertain clients or turned insolvent, mainly for: Eva Energy, Cet Govora SA, Arcelormittal Galati SA, and in the first semester of 2017 receivable depreciation impairments were recorded for uncertain clients or turned insolvent, mainly for Arelco Power SRL, Elsaco Energy SRL, Fidelis Energy SRL, Cet Govora SA, Transenergo Com SA etc.

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18. NET FINANCIAL RESULT

	June 30th, 2018 <i>(non-audited)</i>	June 30th, 2017 <i>(non-audited)</i>
Interest revenues	3,629	3,088
Revenues from exchange rate differences	2,261	9,104
Other financial revenues	161	22
Total financial revenues	6,051	12,215
Expenses on interest	(2,226)	(9,634)
Expenses from exchange rate differences	(10,401)	(11,086)
Total financial expenses	(12,627)	(20,719)
Net financial result	(6,576)	(8,505)

The net financial result got positive influence, mainly from the development of the corresponding position of expenses on interest.

The average exchange rate of the national currency recorded in the first semester of 2018 and in the first semester of 2017 is as follows:

Currency	30 June 2018	30 June 2017
Lei / Euro	4.6611	4.5539
Lei / US Dollar	4.0033	3.9915

19. LITIGATIONS, COMMITMENTS AND CONTINGENCIES

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.

Considering 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 Mehedinți Court – Section II Civil, Administrative and Fiscal Litigation Section, the file no. 3616/101/2014 was recorded, involving the "claims in the amount of 1,091, counter value of invoice no. 1300215/31.12.2013", a file in which the Company is the defendant, the plaintiff being the Autonomous Authority for Nuclear Activities – RAAN.

By civil sentence no. 127 ruled on October 10th, 2014, the Mehedinți Court admitted the request lodged by plaintiff RAAN and ordered the Company to pay the amount of 1,091, the counter value of invoice no. 1300215/31.12.2013.

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. The amount was enforced by RAAN on July 15th, 2016, as per the Decision issued by the Bankruptcy Receiver Office Ailiesei si Guta in the enforcement file no. 12105/2016.

By civil decision no. 843/2015, the Craiova Court of Appeal rejected the appeal filed by the Company against civil sentence no. 127/10.10.2014, as lacking interest.

Against the decision no. 843/November 5th, 2015 of the Court of Appeal Craiova - Section II Civil, pronounced in the public hearing from November 5th, 2015, in file no. 3616/101/2014, as well as against the decision no. 127/2014 of the Mehedinți 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

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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, the Company 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 decided to reverse decision no. 843/2015 and to remand the case for retrial to the same court, the Court of Appeal Craiova.

By decision no. 124/2017, the Court of Appeal Craiova admitted the appeal declared by the Company and remanded sentence no. 127/2014 pronounced by the Mehedinti Court, and the case was remanded for retrial to the Bucharest Court – Section VI Civil. On the docket of the Bucharest Court, the case was registered under no. 40444/3/2017 who, via civil sentence no. 4406/04.12.2017, admitted the request lodged by RAAN and ordered the Company to pay the amount of 1,091. The decision is under appeal.

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

Under these conditions, RAAN calculated penalties for late payment of the due cogeneration bonus in the amount of 3,497, withheld from the payment by the Company in the account of non-cashed receivables. The amount of 3,497 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", 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 the Company to pay the amount of 11,637.

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 favor 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 17,806 from the Company.

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 17,806, 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 the Company. 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

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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 application for summons filed by the plaintiff, they asked the Company to pay the amount of 10,275.

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 the "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 the Company to pay the amount of 15,699.

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 on the docket of the High Court of Cassation and Justice, involving appeal – annulment of the Decision of the ANRE Chairman no. 743/2014. With appeal throughout the suspension.

- Pending with the Mehedinți 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", 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 the Company to pay the amount of 86,513.

On May 19th, 2018, the Mehedinți 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.

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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 13th, 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, the Company 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 debtors, when the legal provisions on compensation in legal proceedings are completed on the date of commencement of the procedure. The Company has been registered in the table of debtor RAAN with the amount of 11,265 under the category of receivables resulting from the continuation of the debtor's activity, the amount requested by our company being equal to 89,361, our amount of 78,096 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 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 Mehedinți Court approved the evidence with the audit expertise. The parties lodged objections against the audit expertise report, which were admitted by the court who set the hearing on February 22nd, 2018. At the appeal hearing from February 22nd, 2018, the hearing was set for the continuation of the proceedings: October 11th 2018.

- 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 following solution was ruled on June 13th, 2018:

Solution type: Partly admits the request.

Solution in brief: Partly admits the plaintiff's action. Partly cancels protocol no. 7/20.02.2014, decision no. 37/9.12.2013 and control report no. 35521/6.11.2012 issued by the defendant regarding the measures imposed via the aforementioned decision at points I.1, I.3, I.6, I.8, I.11, II.14, II, 15, II.17, II.18, II.20, II.21, II.22 and in part the measure from point II.13, namely by removing the phrase "including the contested items related to the invoices issued by SC FLOREA ADMINSTRARE IMOBILIARĂ SRL". For the remainder, the court rejects the request of the plaintiff as groundless. Approves the electricity technical expertise report drafted by Toaxen Vasile as expert. Orders the defendant to pay the plaintiff the amount of 121,375 lei as legal expenses (partially the expert fees and stamp duty). With appeal within 15 days from communication. The appeal shall be lodged before the Bucharest Court of Appeal – Section VIII, Administrative and Fiscal Litigation Section. Ruled in open court at 13th of June, 2018. Document: Decision 2771/2018 from June 13th, 2018.

- The Company 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

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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 the Company) 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 Company, and the repealing of Addendum no. 1 of the ANRE Chairman's Order no. 96/2013 regarding the approval of the average tariff for the transmission service, the tariff for the system service, the zonal tariffs for the transmission service and the tariffs for the reactive electrical energy, payable to economic agents from the electricity sector.

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

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

At the hearings from March 25th, 2016, April 22nd, 2016, June 10th, 2016, March 3rd, 2017 and September 25th, 2018, the court postponed the judgement of the cause because of the missing technical expertise report. The deadline for completion of the expertise was set to November 06th, 2018. The litigation did not affect the relationship with the National Regulatory Authority for Energy and neither the financial results of the Group.

• 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 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 OPCOM S.A., being jointly responsible for paying the fine.

The General Assembly of the subsidiary 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 OPCOM SA has made full payment of the fine set by the European Commission.

On November 24th, 2014, the subsidiary OPCOM SA summoned the Company in order to force it to pay the amount of 582,086 euro (2,585 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 OPCOM SA requested the court to order the Company to pay the amount of 85 as lawful interest related to the period between June 11th, 2014 - November 24th, 2014, plus legal expenses amounting to 38. The action filed by the subsidiary 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. The Company has lodged counterclaim against the application for summons in this case, invoking exceptions and defenses on the main issue of the matter regarding the unfounded and unlawful character of the action.

On July 24th, 2015, the Bucharest Court ruled the judgement no. 4275/2015, by which it ordered the following: "Admits the application for summons filed by plaintiff Romanian Gas and Electricity Market Operator - OPCOM S.A. against defendant National Power Grid Company "Transelectrica" S.A. Orders

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

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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 euro, calculated on June 11th, 2014 and up until the day of the actual payment. Orders the defendant to pay the plaintiff the amount of 38 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, the Company 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, representing legal stamp duty. With appeal within 30 days from notification. Ruled in open court on October 10th, 2016. Document: Decision 1517/2016 from October 10th, 2016.

OPCOM S.A. filed a second appeal. The High Court of Cassation and Justice decided the following: Grants, in principle, the appellant-plaintiff Operatorul Pieței de Energie Electrică și Gaze Naturale – OPCOM S.A. motion against decision no. 1517/10.10.2016, ruled by the Bucharest Court of Appeal – Section V Civil. Sets the hearing for solving the appeal on March 13th, 2018. The parties will be summoned. Ruled in open court today, December 5th, 2017.

At the hearing from March 13th, 2018, the court granted the appellant-plaintiff Operatorul Pieței de Energie Electrică și Gaze Naturale – OPCOM S.A. motion against decision no. 1517/10.10.2016, ruled by the Bucharest Court of Appeal – Section V Civil. Invalidates the contested decision and refers the case to the court of appeal. Final.

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

- In 2013, Conaid Company SRL took legal actions against the Company 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 17,420 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 Conaid Company S.R.L., via insolvency administrator RVA Insolvency Specialists SPRL, and by the appellant - defendant Transelectrica S.A. Admits the second appeal filed by the defendant National Power Grid Company 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 Conaid Company S.R.L. via insolvency administrator RVA Insolvency Specialists SPRL and the intervener 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

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

On the docket of Bucharest Court – Section VI Civil, the case was registered under no. 12107/3/2017. By civil sentence no. 4364/23.11.2017, the Court admits the exception to the ineligibility of the claim and rejects it as ineligible. It also rejects the motion to intervene in the interest of the plaintiff. With right of appeal within 30 days from notification. The appeal is lodged at the Bucharest Court - Section VI Civil. Sent to the parties via registry at November 23rd, 2017.

- Following a verification conducted in 2017, 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 Company filed a total of 8 objections against the measures ruled by the Romanian Court of Auditors (CCR) via Decision no. 8/27.06.2017 requesting the annulment thereof, as well as the Decision no. 77/03.08.2017 registered with the Company's secretariat under no. 29117/08.08.2017, as well as the Control Report no. 19211/26.05.2017. The objections are currently pending with the Bucharest Court of Appeal and the High Court of Cassation and Justice.

- Case file no. 47332/3/2017 on the docket of the Bucharest Court - Section VI Civil, by which the company FF Wind Energy International SRL requests the following against the Company: - the annulment of the unilateral statement for the termination of the PTG connection agreement no. 85/14.03.2011 issued on March 2nd, 2016 under no. 8295, - ordering the Company to pay the amount of 32,777 as damages following the termination of the agreement and to pay the amount of 45,000,000 euro as the amount of depreciation of the company FF Wind Energy International SRL caused by the impairment of its purpose. Status of the file: in preliminary proceedings for notification of the action and filing statement of defense. Hearing October 18th, 2018.

- The general tax inspection took place at Company's headquarters, 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 the Company.

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, ANAF – DGAMC set forth additional tax payment liabilities to the Company amounting to 35,105, as well as ancillary tax liabilities (interest/late interest and late payment interest) amounting to 63,908.

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

- Corporation tax amounting to 13,727 plus accessories, owed for a number of 123 unused invoices identified as missing (they were destroyed in the fire that broke out the night of June 26th - 27th, 2009, at the business office from Millennium Business Center from 2 - 4 Armand Calinescu Street, District 2, where the company carried out its activity), documents under special regime.

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

At the hearing from April 30th, 2014, the court of first instance - Bucharest Court of Appeal, Section VIII Administrative and Fiscal Litigation (Decision no. 1356/2014) in case no. 6657/2/2012 rejected "the application of the defendant CNTEE Transelectrica SA is rejected (Complaint against the Fiscal administrative document issued by ANAF)". On March 1st, 2017, through decision no. 779, the High Court of Cassation and Justice ordered the following: "rejects the exception of inadmissibility of the appeal for annulment filed by the contesting party Transelectrica SA, advanced via counterstatement by appellee General Directorate for Large Taxpayers Management. Rejects the appeal for annulment filed by the contesting party Transelectrica SA against Civil Decision no. 1945 from June 16th, 2016 of the High Court of Cassation and Justice - Administrative and Fiscal Litigation Section, ruled in file no. 6657/2/2012,

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as ill-founded. Irrevocable."

- Corporation tax amounting to 4,795 and collected VAT amounting to 5,695 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 and collected VAT amounting to 5,130 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. ANAF issued enforcement order no. 13540/22.08.2017; the additional payment obligations according to Notice of assessment no. F-MC 439/30.06.2017 were enforced based on this order.

The Company requested the annulment of the enforcement order no. 13540/22.08.2017 before the Court of Appeal – casefile no. 7141/2/2017. Solution in brief: Admits the lack of jurisdiction related to subject matter of the Court of Appeal Bucharest – Administrative and Fiscal Litigation Section. Declines the jurisdiction related to subject matter for this case in favor of Bucharest 1st District Court. With no means of appeal. Ruled in open court on February 8th, 2018. Document: Decision no. 478/2018 from February 8th, 2018.

After declining the jurisdiction, pending with the 1st District Court is the casefile no. 8993/299/2018 through which the Company disputed the enforcement started on the grounds of enforcement order no. 13540/22.08.2017 which is based on the Notice of assessment no. F-MC 439/30.06.2017.

Solution in brief: Admits the suspension request filed by the contesting party. On the grounds of Article 413 (1) (1) of the Civil Procedure Code, judgement is suspended until the final settlement of casefile no. 1802/2/2018, pending with the Court of Appeal Bucharest, Section VIII Administrative and Fiscal Litigation. With appeal throughout the suspension. The notice of appeal must be filed with the Bucharest 1st District Court. Delivered in open court. Document: Hearing protocol – Suspension April 17th, 2018.

Pending with the Court of Appeal is the casefile no. 1802/2/2018 through which the Company contested the fiscal administrative document - Decision no. F-MC 439/30.06.2017. Hearing: October 23rd, 2018.

Upon contestation by the Company of the fiscal administrative document - Decision no F-MC 439/30.06.2017, ANAF notified the Company of Decision no. 122/13.03.2018 through it rejects, as ungrounded, the contestation filed by Company; the decision was received on March 16th, 2018, after filing the application for summons which is subject to casefile no. 1802/2/2018.

The company is also 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, CET Iasi, CET Bacau, CET Braila, CET Govora, CET Brasov, Elsaco Energy SRL, Elsaco Esco, Arelco Power SRL, Arelco Energy SRL, Inversolar Energy SA, Opcom, etc.). The company recorded adjustments for value losses for the customers and other receivables in litigation and for the customers in bankruptcy. At the same time, the Company is also involved in litigations against former Directorate and Board of Supervisors members, regarding the mandate agreements concluded between the Company and themselves.

The management of the Company considers it is likely that there will be no cases in which an outflow of

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resources will be required for settling the pending litigation. In addition, there are no other pending litigations which, either by their nature or by their value would deem necessary the presentation of some contingent assets or liabilities significant for the activity of the Company.

Commitments

As of June 30th, 2018, and December 31st, 2017, the Company had commitments amounting to 810,384 and 1,121,770 mainly representing ongoing contracts related to the investment program for the modernization and upgrading of the transmission grid.

Contingencies

The following control measures are ongoing at the Company's headquarters:

- The Ministry of Public Finances – Directorate General for Economic and Financial Inspection – inspection measure started on September 15th, 2017 and suspended at the same date via Notification no. 243104/29.11.2017. The inspection measure was resumed on June 18th, 2018 (as per Notification no. 261403/12.06.2018) and suspended via Notification no. 261775/17.07.2018. The verification objectives for the period 2012 – 2016 are the following:

- substantiating and execution of the statement of expenditure and revenue;
- observing the budgetary, economic, financial and accounting discipline;
- observing the legal provisions related to the State's public and private goods and the administrative and territorial units, held under any form;
- observing the provisions of GO no. 64/2001 on the allocation of profit of national companies, national undertakings and commercial companies fully or majority State-owned, as well as autonomous companies, as subsequently amended and supplemented;
- the way of using the constituted reserves;
- the way of organizing and exercising the mandatory internal/managerial control instruments;
- the way of substantiating and justifying the amounts granted from the general consolidated budget.

- The Ministry of Economy – Direction for Minister Control Body – the control commenced on January 18th, 2018 – the objectives of the measure are: verifying the observance of legal provisions and internal norms pertaining to the entity's organization and functioning, verifying the way in which the acquisition activity is organized and performed, verifying the way in which consultancy, legal assistance and representation and litigation agreements are concluded and performed, verifying the way in which the sponsorship agreements are concluded and performed, verifying the way in which the transportation expenses are made, analysis of the way in which orders, instructions and other requirements of the Ministry of Economy in the specific field of activity are performed, verifying the completion status of the measures ruled via previous reports, comparative analysis of the entity's economic and financial results in the last three years of activity.

- At the Company's headquarters, the fiscal inspection of the Ministry of Public Finances – NAFA is ongoing, an inspection activity that started on 20.08.2018, with the following objectives:

- verifying the legality and conformity of fiscal statements and/or relevant operations to the fiscal inspection, accuracy of the fulfilment of the obligations regarding the fiscal bases and the main obligations regarding: the profit tax during the period 01.01.2012-01.01.2016;
- verifying the compliance provisions regarding tax and accounting legislation;
- verifying other relevant tax issues, if it's important for applying of tax and accounting legislation.

- As of June 30th, 2018, Teletrans S.A., the Company's subsidiary, was subject to a control measure started on May 29th, 2015, carried out by the Directorate General for Economic and Financial Inspection of the Ministry of Public Finances; the periods subject to verification is January 1st, 2010 – December 31st, 2014 as per administrative order no. 82/27.05.2015 and January 1st, 2015 – present date, as per administrative order no. 38/31.05.2017. The objectives of the economic and financial inspection measure are:

- substantiating and execution of the statement of expenditure and revenue;

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- observing the budgetary, economic, financial and accounting discipline;
- observing the legal provisions related to the State's public and private goods and the administrative and territorial units;
- the way of organizing and exercising the mandatory internal/managerial control instruments;
- observing the provisions of GO no. 26/2013 on the consolidation of the financial discipline of economic agents where the State or the administrative and territorial units are sole or majority shareholders or they hold, directly or indirectly, a majority participation, in the period 2015 – present date.

As of June 30th, 2018. Teletrans S.A., was subject to a control measure carried out by the Directorate General for Economic and Financial Inspection of the Ministry of Public Finances for the period 2010 – 2014 and unfinished until the date of the current situation. The draft economic and financial inspection report issued on February 21st, 2018 claims the effect of prejudicing the state budget with the total amount of 88,778, representing amounts collected but not paid to the state budget in the period 2006 – 2016, due to leasing the goods belonging to the State's public domain (infrastructure capacities and elements from the public telecommunications network) while not observing by the Company's and Teletrans S.A.'s employees of the provisions of Art. 14, Art. 15 and Art. 16 of Law no. 213/1998 on public patrimony.

Via Notification no. 13443 of March 26th, 2018, Teletrans informed the Company of the following:

- between February 21st, 2018 and March 10th, 2018 took place several meetings between Teletrans representatives and the representatives of the control team within the Ministry. Following these meetings, it was established that the basis for calculation used in the draft report was false as it took into consideration strictly the registered revenues, without considering the expenses incurred (the total depreciation of the network equipment purchased, the human resource and the total indirect expenses related to this activity) and without truly considering the commercial and legal relations between the Company and Teletrans.
- as a result, the control team and the management of the Directorate General for Economic and Financial Inspection of the Ministry of Public Finances granted Teletrans a new deadline for filing the revised report and additional explanations for the controlled time period, delaying the initial deadline of February 27th, 2018 to March 30th, 2018.

Regarding the legality of the operation of excess optic fiber – in the argument of the legal nature of the contractual relationship the legal opinion issued by Boștina&Asociații was considered. According to this opinion, the previous contract no. C45/2006 was qualified as a mandate contract without representation for the "conclusion by TELETRANS SA in their own name but in the account of the public telecommunications network of the Company of contracts aiming to market its infrastructure capacity and elements". The qualification granted to the legal document allowed the conclusion of Convention no. C111/2014 while maintaining the nature of the legal relations between the parties.

The Company has not finished the required analysis with regards to the possible effect over the condensed consolidated interim financial statements for the period ended on June 30th, 2018, of the economic and financial inspection draft report, issued on February 21st, 2018.

There are currently litigations pending with the Court of Auditors pertaining to the control measures carried out in 2013 and 2017. Considering the findings of the Court of Auditors stated in the Decisions from 2013 and 2017, there is a possibility that future additional fiscal obligations shall arise; at this moment these obligations cannot be accurately determined in conformity with the IAS 37 Standard – Provisions, contingent liabilities and contingent assets.

Thus, considering all of the above, as of June 30th, 2018 the Company did not have the necessary information to make a pertinent analysis with regards to determining the effect over the condensed consolidated interim financial statements for the period ended on June 30th, 2018, of the conclusion of the draft report.

The Company is also involved in:

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• Litigations with subsidiary SMART SA

- Case file no. 3269/3/2015 registered with Bucharest Tribunal, Section VI Civil, renumbered 1015/2/2018 with the Court of Appeal Bucharest, case file subject: Compelling SMART SA to pay 1,841 , VAT included and the sum of 232 as accessories – representing the reduced value of our patrimony by the defendant's violating the provisions of contracts C 43/2005 and C 237/2010.

Case file stage: On the hearing date October 10th, 2017 Bucharest Tribunal pronounced civil ruling 3592/11.10.2017, whereby it denied as inadmissible the action filed by the Company in contradiction with SMART SA

On December 4th, 2017 the Company filed appeal against civil ruling 3592/2017 pronounced by Bucharest Tribunal on October 11th, 2017. Such appeal is included in file 1015/2/2018 on the docket of the Appeal Court Bucharest, with hearing term set on May 7th, 2018, dismissing the appeal as unfounded, with a right of appeal within 30 days of communication.

- Case file no. 40958/3/2016 registered with Bucharest Tribunal, Section VI Civil Case file subject: Compelling Company SMART SA to pay 2,797, VAT included + 1,212 accessories calculated to the amount of 2,872.

File stage: On the hearing date June 7th, 2017 the instance in accordance with article 413 para 1 pt, 1 NCPD suspended judging the case until the final settlement of file 1658/3/2014 on the docket of the Appeal Court Bucharest in contradiction with the Court of Accounts. Appeal right during the entire suspension period.

Remarks about the circumstances when such action was initiated: Item 3 from Ruling 37/2013 of the Court of Accounts retained the following: "Making undue payments in the estimated sum of 314 for deforestation services provided by the same provider at higher tariffs as well as for services provided on the same surfaces" (pages 3-6 of Ruling 37/2013). Status suspended.

- Case file no. 48509/3/2017 registered with Bucharest Tribunal, Section VI Civil, file subject: The Company requests by court action to have SMART SA compelled to:
 - a) Response to Company the amount of 7,652 where VAT is to be added, as prejudice incurred by the Company as a consequence of the defendant's enrichment with no just cause, in the first place, and as undue payment, in the second place;
 - b) Compelling the defendant to pay the non-achieved benefits associated to the sum paid under the enrichment title without just cause, in the main, calculated from the date when the subscribed made the undue payments to the defendant until the date when the law court was notified, in quantum of 2,773, as well as compelling the defendant to further pay the non-achieved benefits until the actual return date of the sum representing the principal by the defendant.

Case file stage: The solution in a nutshell, postpones the reason for making the accounting expertise. Deadline October 10th, 2018.

• Litigations with the subsidiary Teletrans SA

- Case file no. 20223/3/2017 registered with Bucharest Tribunal, Section VI Civil Case file object: Teletrans SA requests compelling the Company to pay 4,635 , as value of the performance bond constituted as per contract C243/2010, to which the sum of 293 is added, legal interest calculated on the maturity date until law suit opening – May 31st , 2017. Stage of the case file : At the trial date of May 18th , 2018, it rejected the request as unreasonable, with a 30-day appeal.
- Case file no. 16216/3/2017 registered with Bucharest Tribunal, Section VI Civil Case file object:

By its suing request Teletrans SA asks the instance:

- to ascertain the services under contract 03/2007 have been fully provided, as added:
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- in subsidiary to ascertain the services under contract 03/2007 have been provided and partially accepted, as it has been added;
- to oblige the Company to pay 4,649 , to which VAT of 883 is added, representing the amounts of invoices 115/2017, 123/2017 up to 143/2017;
- to oblige the Company to pay 214,355,40 Euro plus VAT, at the exchange rate on the invoice issuance dates, representing the value of services provided and partially accepted for the contractual interval May 2014 – November 2016, "in subsidiary if admitted the second subject of the request not the first subject of the request".

Stage of the case file: hearing term April 23rd , 2018, in view of settling of the litigation amicably. At the trial date of June 18th , 2018, the case was adjourned for the court to examine the contract concluded between the parties. New term of court October 15th , 2018.

20. TRANSACTIONS WITH OTHER STATE-OWNED COMPANIES

The Group's transactions for the transmission of electricity and other activities delivered as system operator and operator of the electricity market are carried out based on contractual relations, regularly with majority State-owned companies (for instance, Electrica Furnizare SA, Electrica SA, Hidroelectrica SA, Complexul Energetic Oltenia SA, Electrocentrale Bucuresti SA, Nuclearelectrica SA, Complexul Energetic Hunedoara SA etc.),

21. FINANCIAL INSTRUMENTS

Credit risk

The credit risk means the Group bears a financial loss following non-fulfilment of contractual obligations by a client or by counterparty to a financial instrument. Such risk results mainly from trade receivables and from cash and cash equivalents.

The counterparty risk is treated using Group internal and external success factors. The external success factors, which impact systematically the risk mitigation are: decentralising the energy sector where generation, transmission and supply are distinct activities, and the client interface is the supplier; electricity transaction on Romania's electricity market by means of two market segments: the regulated market and the competitive one. The internal success factors for counterparty risk treatment include: diversified client portfolio and diversified services provided on the electricity market.

Financial assets that may submit the Group to the collection risk are mainly trade receivables as well as the cash and cash equivalents. Policies have been applied providing service sales to clients with proper collection, by including their obligation to constitute financial bonds in the trading contracts. The value of receivables net of impairments for value loss represents the maximum amount exposed to the collection risk.

The maximum exposure to the collection risk on the reporting date was as follows:

	Net value	
	June 30 th , 2018 (non-audited)	December 31 st , 2017 (as per AGA Decision no. 6 of 30.04.2018)
Financial assets		
Net trade receivables	654,203	728,463
Cash and cash equivalents	570,700	553,875
Other net receivables	46,120	60,689
VAT to recover	13,572	47,899
Other financial assets	125,045	-
Total	1,409,641	1,390,926

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The maturity of receivables on the report date was as shown below:

	Gross value	Adjustment of depreciation	Gross value	Adjustment of depreciation
	June 30th, 2018	June 30th, 2018	December 31st, 2017 (as per AGA Decision no. 6 of 30.04.2018)	December 31st, 2017 (as per AGA Decision no. 6 of 30.04.2018)
Not due	412,154	1,775	573,750	1,268
Due date exceeded by 1 – 30 days	74,331	-	294	2
Due date exceeded by 31 – 90 days	1,275	326	2,877	2,853
Due date exceeded by 90 – 180 days	2,215	-	(91)	-
Due date exceeded by 180 – 270 days	1,904	1,638	61,178	2,979
Due date exceeded by 270 – 365 days	868	514	26,220	21,851
More than a year	287,046	121,338	189,222	96,034
Total	779,794	125,590	853,451	124,988

The age of 'Other liabilities' on the elaboration date of financial statements is provided below:

	Gross value	Adjustment of depreciation	Gross value	Adjustment of depreciation
	June 30th, 2018	June 30th, 2018	December 31st, 2017 (as per AGA Decision no. 6 of 30.04.2018)	December 31st, 2017 (as per AGA Decision no. 6 of 30.04.2018)
Not due	31,928	2,566	23,429	2,526
Due date exceeded by 1 – 30 days	80	-	73	0
Due date exceeded by 31 – 90 days	163	-	63	57
Due date exceeded by 90 – 180 days	95	74	34,681	34,534
Due date exceeded by 180 – 270 days	52	49	3,020	2,939
Due date exceeded by 270 – 365 days	34,637	34,572	179	113
More than a year	69,395	42,736	71,054	42,746
Total	136,350	79,997	132,500	82,913

The highest depreciation impairments on 30 June 2018, calculated for trade receivables and their penalties were registered in the case of Elcomex IEA SA (31,868), Petprod SRL (23,540), Eco Energy SRL (24,736), Arelco Power (17,359), Total Electric Oltenia SA (14,186), Romenergy Industry (13,513), Elsaco Energy (9,294), RAAN (8,517), Also Energ (7,177), CET Brasov (4,665), and Opcom (4,517).

With a view to recover the receivables impaired for depreciation the Company has taken the following measures: court suing, registration in the creditors' list etc.

The Company's policy is to register depreciation impairments for value loss amounting to 100% for clients under dispute, insolvency and bankruptcy and 100% for trade receivables and other receivables not collected in more than 180 days, except for outstanding receivables generated by the support scheme. The Company also makes a case by case review of uncollected trade and other receivables. The EU's

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adoption of IFRS 9 'Financial instruments' applicable for annual terms beginning on or after 1 January 2018 has no significant additional impact over the Company's financial statements in their initial application period.

The development of depreciation impairments for trade receivables is as follows:

	June 30th, 2018 <i>(non-audited)</i>	December 31st, 2017 <i>(as per AGA Decision no. 6 of 30.04.2018)</i>
Balance on 1 January	124,988	103,381
Recognition of depreciation impairment	4,234	36,576
Reversal of depreciation impairment	(3,632)	(14,969)
Balance at the end of the period	125,590	124,988

The development of depreciation impairments for other receivables is as follows:

	June 30th, 2018 <i>(non-audited)</i>	December 31st, 2017 <i>(as per AGA Decision no. 6 of 30.04.2018)</i>
Balance on 1 January	82,913	92,274
Recognition of depreciation impairment	201	38,010
Reversal of depreciation impairment	(3,118)	(47,371)
Balance at the end of the period	79,997	82,913

The financial assets that may submit the Group to the collection risk are mainly trade receivables as well as cash and cash equivalents. The Group applied a series of policies providing service sales to clients with proper collection, by including their obligation to constitute financial bonds in the trading contracts. The value of receivables net of impairments for value loss represents the maximum amount exposed to the collection risk. The collection risk associated to such receivables is limited because these amounts are mainly owed by state-owned companies.

Cash is placed with financial institutions considered of minimum risk. Deposits are placed with the Romanian Commercial Bank, Garanti Bank, Alpha Bank, Banca Transilvania, Exim Bank, BRD, ING, CITIBANK, Raiffeisen, Credit Europe Bank.

22. SUBSEQUENT EVENTS

Transelectrica rating update

As of July 3rd, 2018, *Moody's granted the Company the Ba1 rating, with a perspective improvement from stable to positive.*

Amending and supplementing the Electricity and Natural Gas Act no. 123/2012

Law no. 167 of July 10th, 2018, amending and supplementing the Electricity and Natural Gas Act no. 123/2012, was published in the Official Journal no. 604 of July 16th, 2018.

Taking over the modernization works carried out at the Suceava 400/220/110/20 kV transformation electrical substation

On July 27th, 2018, CNTEE Transelectrica SA inaugurated the modernization works carried out in the Suceava 400/220/110/20 kV transformation electrical substation, and important node in the Power Transmission Grid which ensures the operational safety of the National Power System and which connects the country's historical provinces. Started in August 2015, the modernization works aimed the 110 kV and 20 kV voltage levels and have been carried out by the Siemens SRL - EMSESNS PROD SRL association. The investment is valued at over 24 million lei and is fully financed by the Company's own

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funds. The Suceava 400/220/110/20 kV substation is an important energy node in the northern part of the country, both for the future Gadalın-Suceava 400 kV OHL (which will close off the 400 kV ring between the Moldova and Ardeal regions), and the future Suceava-Balti 400 kV OHL (which is part of the interconnection project for the power systems of Romania and the Republic of Moldova).

On August 20th, 2018, the General Shareholders' Meeting of CNTEE Transelectrica SA approves the affiliation of the Company to the Joint Allocation Office SA - the European Center for the Allocation of Cross-Border Capacities.

Changes in the Directorate structure

At the meeting from August 24th, 2018, the Board of Supervisors appointed as provisional Directorate members the following persons:

- Adrian-Constantin RUSU
- Andreea Georgiana FLOREA
- Constantin SARAGEA
- Adrian-Mircea TEODORESCU
- Viorel VASIU.

The mandate is granted for a period of 4 months, starting with September 17th, 2018, with the possibility of extending, for good reason, for a further two months.

Pursuant to Art. 18 (4) of the Articles of the Company., the Board of Supervisors appoints Mr. Adrian – Constantin RUSU as Directorate Chairman (alternatively called Chief Executive Officer – "CEO" – of the Company) of the Company, starting with September 17th, 2018.

Mandate acceptance by the Directorate provisional members

The declaration of acceptance of the mandates was signed before the notary on September 13/14, 2018, their appointment becoming effective from September 17th, 2018.

Program for granting financial assistance from the European Union to actions of common interest in the field of trans-European energy networks

The company completed the project, Studies on the new LEA 400 kv dc between the existing Smârdan-Gutinaș stations with the support of structural instruments. The total value of the project is 601 thousand euros, of which non-reimbursable financial assistance is max. 301 thousand euros.

The company accelerates investments in Dobrogea

The company completed the second phase of the 400/110/20kv Tulcea West refurbishment project, event marked on September 21th, 2018.

Transelectrica's Ordinary General Shareholders Meeting of September 28th, 2018

The decisions of the meeting of September 28th, 2018, addressed the following issues:

- the extension until November 30th, 2018 of the mandates of the interim members of the Supervisory Board;
- the amiable ending of the financial audit contract no. C210/2017 with Deloitte Audit SRL and mandate the Company's Directorate to start the procurement procedure to submit for the approval of the General Meeting of Shareholders the contracting of the financial audit services with the duration of the 3-year financial audit contract;
- approval of the company's revenue and expenditure budget for the year 2018.