

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

Communique in compliance with Law no. 24/2017, ASF Regulation no. 5/2018 and of the BVB Code

Date of the communique: **15 May 2019**

Name of Issuer Company: **NPG TRANSELECTRICA SA, Company Managed under Two-tier System**

Headquarters: Bucharest 1, Boulevard Gheorghe Magheru 33,

Working location: Bucharest 3, Str. Olteni 2-4

Phone / fax numbers: 004 (0)21 30 35 611 / ... 021 30 35 610

Single registration code: 13328043

Number in the Trade Register: J40/8060/2000

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

LEI code: 254900OLXCOUQC90M036

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

Important event to report: – Summary of financial results for quarter I 2019

The report includes:

- Quarterly report on the activity of NPG Transelectrica SA during January-March 2019
- Intermediate stand-alone financial statements unaudited on 31 March 2019

In Q1 2019, Transelectrica experienced an improvement in profitability for profit-allowed activity, as compared to Q1 2018.

Profit-Allowed Segment: In the main area of core activities (National Power System transmission and dispatching) in Q1 2019, the company achieved better financial results compared to Q1 2018. The EBIT operational profit (profit before income tax and interest) was higher by RON 17 mn (+ 31%) compared to the previous year.

Transmission income grew by +6% amid the higher transmission tariff (+ 7%) in Q1 2019 as compared to Q1 2018 and an increase in revenues from cross-border transmission capacity sales, these increases fully absorbing the decrease of national power consumption, reflecting in lower billed quantities (-2%).

Q1 2019 was a difficult one, characterized by high operating costs of the transmission system, particularly the costs of power procurement to compensate for technical losses in the grid (OTC). Despite the fact that the physical level of technical losses was lower than in the previous year (technical loss percentage 2.35% Q1 2019 versus 2.83% in Q1 2018), total power procurement costs were significantly higher (+RON 14 mn representing +21%) amid a substantial increase in the price of energy on the wholesale market (the average price paid by Transelectrica was over 50% higher, from RON 194 mn/MWh in Q1 2018 to RON 299 mn/MWh in Q1 2019).

Zero-Profit Segment: Q1 2019 recorded a temporary financial loss of – RON 28 mn versus temporary profit + RON 27 mn registered in Q1 2018. Thus, in Q1 2019, the revenues from technological system services were lower compared to the expenses related to the purchase of technological system services. Revenues from technological system services registered a decrease due to the decrease in the amount of electricity delivered to consumers and the tariff approved by ANRE for these services.

	M.U.	Q1 2019	Q1 2018	Δ
Financial				
Charged energy volume	[TWh]	14,68	15,00	▼ 2%
PROFIT ALLOWED ACTIVITIES				
Total revenues	[RON mn]	317	300	▲ 6%
Average transmission tariff (achieved)	[RON/MWh]	18,03	16,85	▲ 7%
Transmission revenues and from other activities on the energy market	[RON mn]	290	272	▲ 7%
EBITDA	[RON mn]	144	130	▲ 10%
Amortisement	[RON mn]	72	76	▼ 4%
EBIT	[RON mn]	72	55	▲ 31%
ZERO PROFIT ACTIVITIES				
EBIT	[RON mn]	(28)	27	▼ 205%
ALL ACTIVITIES (PROFIT ALLOWED AND ZERO PROFIT)				
EBIT	[RON mn]	44	82	▼ 47%
Net profit	[RON mn]	38	68	▼ 44%
Operational				
Net internal consumption	[TWh]	15,3	15,6	▼ 2%
Net internal production	[TWh]	15,0	16,8	▼ 11%
Export	[TWh]	1,1	1,7	▼ 38%

The report about the activities of NPG Transelectrica SA in January-March 2019 and the Stand-alone interim non-audited financial statements of 31 March 2019 are available beginning with 15 May 2019.

- online, on the website www.transelectrica.ro, section Investor Relations Periodical Reports/Reports, namely <https://www.transelectrica.ro/rapoarte-2018>;
- at Company offices: str. Olteni 2-4, Bucharest 3;

Marius Danut CARASOL
Executive Director General
Directorate Chairman

Claudia-Gina ANASTASE
Directorate Member

NPG Transelectrica SA
Company managed under two-tier system

Stand-alone simplified intermediary financial statements
on and for the three months period ended on
31 March 2019

Elaborated in accordance with the
International Accounting Standard 34 – “Intermediary Financial Reporting”

NPG Transelectrica SA

Stand-alone simplified statement of financial position on 31 March 2019

(All amounts are expressed in Lei, unless otherwise provided)

	Note	31 March 2019	31 December 2018
Assets			
Non-current assets			
Tangible assets	4	2,952,479,108	2,988,303,101
Intangible assets	4	34,743,503	22,752,925
Financial assets		80,245,910	80,245,910
Total non-current assets		3,067,468,521	3,091,301,936
Current assets			
Inventories		34,920,735	34,768,678
Trade and receivables	5	876,229,577	1,063,594,025
Cash and cash equivalents	6	177,588,791	482,158,679
Total current assets		1,088,739,103	1,580,521,382
Total assets		4,156,207,624	4,671,823,318
Shareholders' equity and liability			
Shareholders' equity			
Share capital, of which:		733,031,420	733,031,420
<i>Subscribed share capital</i>		733,031,420	733,031,420
Share premium		49,842,552	49,842,552
Legal reserves		123,742,090	123,742,090
Revaluation reserves		511,469,505	522,585,647
Other reserves		66,927,859	66,664,045
Retained earnings		1,362,250,417	1,313,139,735
Total shareholders' equity	7	2,847,263,843	2,809,005,489
Non-current liabilities			
Long term deferred revenue	8	381,219,258	411,154,678
Borrowings	9	139,644,346	143,866,115
Deferred tax liability		54,931,606	56,100,417
Employee benefits obligations		52,411,509	52,411,509
Total non-current liabilities		628,206,719	663,532,719
Current liabilities			
Trade and other liabilities	10	539,851,725	1,020,793,710
Other tax and social security liability	11	7,954,107	10,052,456
Borrowings and related interest	9	27,509,880	53,311,446
Provisions		64,373,856	95,557,513
Short term deferred revenues	8	40,632,956	19,329,257
Income tax payable	12	414,538	240,728
Total current liabilities		680,737,062	1,199,285,110
Total liabilities		1,308,943,781	1,862,817,829
Total shareholders' equity and liabilities		4,156,207,624	4,671,823,318

The attached 1-21 notes constitute integral part of these stand-alone simplified intermediary financial statements.

NPG Transelectrica SA

Stand-alone profit and loss account for the three months' period ended on 31 March 2019

(All amounts are expressed in Lei, unless otherwise provided)

	Note	Three months' period ended on 31 March 2019	Three months' period ended on 31 March 2018
Revenues			
Revenues from transmission services		290,170,469	271,921,176
Revenues from system services		173,314,529	202,047,549
Revenues on the balancing market		175,033,364	200,460,888
Other revenues		10,335,909	10,504,838
Total revenues	13	648,854,271	684,934,451
Operational expenses			
Expenses for system operation	14	(100,914,281)	(86,643,329)
Expenses with the balancing market	14	(175,033,364)	(200,460,888)
Expenses with technological system services	14	(184,801,227)	(157,658,579)
Amortisement		(72,294,037)	(75,531,329)
Salaries and other retributions	15	(47,766,983)	(43,327,267)
Repairs and maintenance		(19,672,279)	(12,612,831)
Materials and consumables		(1,613,598)	(1,715,127)
Personnel expenses	16	(3,244,197)	(25,315,461)
Total operational expenses		(605,339,966)	(603,264,811)
Operational profit		43,514,305	81,669,640
Financial revenues		3,030,934	2,590,159
Financial expenses		(7,114,205)	(6,265,813)
Net financial result	17	(4,083,271)	(3,675,654)
Profit before income tax		39,431,034	77,993,986
Income tax	12	(1,436,495)	(9,797,694)
Profit of the period		37,994,539	68,196,292

The stand-alone simplified intermediary financial statements hereby provided were approved by the Company's management on 09 May 2019 and signed on its behalf by the:

Directorate,

**Marius – Danut
CARASOL**
Chairman

**Claudia - Gina
ANASTASE**
Member

**Adrian
SAVU**
Member

**Andreea Georgiana
FLOREA**
Member

**Constantin
SARAGEA**
Member

Ana-Iuliana DINU
Director
Economic – Financial and
Administrative Unit

**Veronica
CRISU**
Manager, Accounting Dept.

The attached 1-21 notes constitute integrant part of these stand-alone simplified intermediary financial statements.

NPG Transelectrica SA

Stand-alone statement of changes in shareholders' equity on 31 March 2019

(All amounts are expressed in Lei, unless otherwise provided)

	Share capital	Share premiums	Legal reserves	Revaluation reserves	Other reserves	Retained earnings	Total
Balance on 1 January 2018	733,031,420	49,842,552	118,961,487	499,921,435	56,953,503	1,258,921,369	2,717,631,766
Comprehensive revenue of the period							
Profit of the period	-	-	-	-	-	81,303,373	81,303,373
Other comprehensive revenue, of which:							
Recognition of actuarial gains of the defined benefit plan						316,395	316,395
Surplus from revaluation of tangible assets				100,361,123			100,361,123
Liability from deferred tax of revaluation reserves				(33,611,852)			(33,611,852)
Total other comprehensive revenue of the period	-	-	-	66,749,271	-	316,395	67,065,666
Total comprehensive revenue of the period	-	-	-	66,749,271	-	81,619,768	148,369,039
Other items							
Transfer of revaluation reserves into retained earnings	-	-	-	(44,085,059)	-	44,085,059	-
Increase of legal reserve	-	-	4,80,602	-	-	(4,780,602)	-
Other items	-	-	-	-	-	-	-
Total other items	-	-	4,780,602	(44,085,059)	-	39,304,457	-
Contributions from and distributions to shareholders							
Subsidies related to assets of public patrimony (connection fee)	-	-	-	-	9,710,542		9,710,542
Dividend distribution	-	-	-	-	-	(66,705,859)	(66,705,859)
Total contributions from and distributions to shareholders	-	-	-	-	9,710,542	(66,705,859)	(56,995,317)
Balance on 31 December 2018	733,031,420	49,842,552	123,742,090	522,585,647	66,664,045	1,313,139,735	2,809,005,489
Balance on 1 January 2019	733,031,420	49,842,552	123,742,090	522,585,647	66,664,045	1,313,139,735	2,809,005,489
Comprehensive revenue of the period							
Profit of the period	-	-	-	-	-	37,994,539	37,994,539
Other comprehensive revenue, of which	-	-	-	-	-	-	-
Recognition of actuarial losses of the defined benefit plan	-	-	-	-	-	-	-
Total comprehensive revenue items	-	-	-	-	-	-	-
Total comprehensive revenue of the period	-	-	-	-	-	37,994,539	37,994,539
Other items							
Revaluation reserves transfer into retained earnings	-			(11,116,143)	-	11,116,143	-
Increase of legal reserve	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-
Total other changes	-	-	-	(11,116,143)	-	11,116,143	-
Contributions from and distributions to shareholders							
De-recognition of public patrimony assets	-	-	-	-	-	-	-
Subsidies for public patrimony assets (connection fee)	-	-	-	-	263,815	-	263,815
Dividend distribution	-	-	-	-	-	-	-
Total contributions from and distributions to shareholders	-	-	-	-	263,815	-	263,815
Balance on 31 March 2019	733,031,420	49,842,552	123,742,090	511,469,504	66,927,859	1,362,250,417	2,847,263,843

The attached 1-21 notes constitute integral part of these stand-alone simplified intermediary financial statements.

NPG Transelectrica SA

Stand-alone statement of cash flows on 31 March 2019

(All amounts are expressed in Lei, unless otherwise provided)

	Three months' period ended 31 March 2019	Three months' period ended on 31 March 2018
Cash flows from operational activities		
Profit of the period	37,994,539	68,196,292
Allowances for:		
Income tax expenses	1,436,495	9,797,694
Amortisement expenses	70,184,475	75,531,329
Allowance expenses for trade receivables	2,912,142	1,978,054
Reversal of allowances for trade receivables	(1,777,597)	(1,509,685)
Net revenues from allowances for sundry debtors	(967,702)	(213,327)
Net revenues from allowances for inventories	(198,612)	(58,401)
Net profit/loss from sale of tangible assets	-	78,498
Net expenses with value allowances for tangible assets	1,051,059	539,165
Net revenues regarding provisions for risks and expenses	(31,184,452)	(4,011)
Interest expense, interest revenue and unrealised foreign exchange gains	4,446,368	3,680,659
Cash flows before changes in the current capital	83,896,715	158,016,267
Changes into:		
Clients and assimilated accounts - electric power and other activities	(78,671,728)	(26,130,557)
Clients – balancing	289,333,983	57,737,671
Clients – cogeneration	(23,370,145)	(135,179,944)
Inventories	(152,057)	(2,584,879)
Trade and other liabilities - electric power and other activities	(74,915,016)	18,199,931
Liabilities – balancing	(341,583,285)	(75,921,024)
Liabilities – cogeneration	3,246,611	12,148,854
Other tax and social security liabilities	(2,098,349)	(72,506)
Deferred revenues	(8,367,907)	(11,419,406)
Cash flows from operational activities	(152,681,178)	(5,205,593)
Interest paid	(1,784,656)	(2,490,950)
Income tax paid	(2,431,496)	-
Net cash generated from operational activities	(156,897,330)	(7,696,543)
Cash flows from investment		
Procurements of tangible and intangible assets	(48,794,626)	(42,073,591)
Interest rates collected	1,190,030	1,062,639
Net cash used in investments	(47,604,596)	(41,010,952)
Cash flows used in financing		
Repayment of non-current borrowings	(33,770,968)	(49,752,434)
Utilisation of credit line for cogeneration	-	76,859,539
Dividend paid	(66,296,994)	(136,359)
Net cash used for financing	(100,067,962)	26,970,746
Net diminution of cash and cash equivalents	(304,569,888)	(21,736,749)
Cash and cash equivalents on 1 January	482,158,679	520,746,500
Cash and cash equivalents at the end of the period	177,588,791	499,009,751

The attached 1-21 notes constitute integrant part of these stand-alone simplified intermediary financial statements.

NPG Transelectrica SA

Notes to the stand-alone intermediary financial statements on 31 March 2019

(All amounts are expressed in Lei, unless otherwise provided)

1. General information

The main activity of NPG Transelectrica SA ("The Company") consists of: electricity transmission services and system services, operator of the balancing market, administrator of the bonus type support scheme, other related activities. These activities take place according to the provisions of the business license no. 161/2000 issued by ANRE, updated through ANRE Decision 641/25.04.2018, of the General Conditions associated to the license approved through ANRE Order 104/2014 and of the Company's final certification as transmission and system operator of the National Power System according to the property separation model ("ownership unbundling").

The headquarters is located in Blvd. General Gheorghe Magheru no. 33, Bucharest 1. At present the Company's executive team perform their activities in Str. Olteni no. 2-4, Bucharest 3.

The stand-alone intermediary financial statements elaborated on 31 March 2019 have not been audited.

2. Bases of elaboration

a) Statement of conformity

These stand-alone simplified intermediary financial statements have been elaborated in accordance with IAS 34 *Intermediary financial reporting*. They do not include all the information necessary for a complete set of financial statements in accordance with the International Financial Reporting Standards ("IFRS"). Nevertheless certain explanatory notes are included in order to explain the events and transactions significant in view of understanding the changes occurred in the Company's financial position and performance since the last annual stand-alone financial statements on and for the financial year ended on 31 December 2018.

b) Professional reasoning and estimations

The significant reasoning used by the managerial team in order to apply the Company's accounting policies, as well as the main uncertainty sources related to estimations were the same with those applied to the stand-alone financial statements on and for the financial year ended on 31 December 2018.

3. Significant accounting policies

The accounting policies used in these stand-alone simplified intermediary financial statements are the same with those applied in the Company's stand-alone financial statements on and for the financial year ended on 31 December 2018, except for the application of the standards in force beginning with 1 January 2019.

4. Tangible and intangible assets

The total value of tangible assets diminished on 31 March 2019 compared to 31 December 2018, which was mainly determined by the registration of amortisement for such assets.

In the first quarter of 2019 the value of tangible assets in progress increased, those mainly represented by investments made in the high voltage substations and electric lines, as follows:

- Refurbishing the 400/110/20 kV substation Domnesti – 22,371,960;
- 110 kV, 220 kV and 400 kV mobile bays – 5,950,229;
- Refurbishing the 400 kV substation Isaccea - Stage I - Replacing the shunt reactors, their associated bays, and the 400 kV bay Stupina – 5,285,795;
- Refurbishing the 220/110 kV substation Turnu Severin Est – 2,977,185;
- Upgrading the 110 kV and 400 (220 kV) installations from substation Focsani Vest – 2,085,358;
- The 400 kV double circuit OHL Cernavoda-Stalpu and its connection in Gura Ialomitei – 1,981,059;
- Upgrading the 110 kV substations Bacau Sud and Roman Nord of the 400 kV axis Moldova – 428,400;
- Refurbishing the 220/110 kV substation Hasdat – 391,582;
- Research & Development Centre for LW technologies and fast intervention to SEN – Centre building – 236,912;
- Compensations for lands relating to the 400 kV OHL Oradea – Beckescsaba – 218,547;
- Refurbishing the 220/110/20 kV substation Ungheni – 195,416;

NPG Transelectrica SA

Notes to the stand-alone intermediary financial statements on 31 March 2019

(All amounts are expressed in Lei, unless otherwise provided)

In the first quarter of 2019, the greatest transfers from tangible assets in progress to tangible assets are mainly represented by commissioning such investments as follows:

- Replacing the diesel groups 1 and 2 in the 400/110 kV substation Darste – 473,592;
- Achieving the coexistence conditions between the 220 kV OHL Alba Iulia -Sugag and Alba-Iulia-Galceag with the interior road – 263,815;
- Installing water into the 110/220 kV substation Suceava – 259,805;
- Tele-protection for the 400 kV OHL Arad (Romania) – Sandorfalva (Hungary) – 202,233;
- Replacing the accumulator battery 2 in the 220/110 kV substation Pitesti Sud – 158,681;
- OPzV2420 Vetis accumulator battery with 105 elements – 73,200;

The balance of tangible assets in progress on 31 March 2019 is represented by projects underway, of which the most significant are:

- Connecting to RET the 300 MW WPP Ivesti, the 88 MW WPP Falciu 1 and the 18 MW WPP Falciu 2 by means of the new (400)/220/110 kV substation Banca – 46,884,983;
- Refurbishing the 400/110/20 kV substation Domnesti (CA decision 5 / 19.05.2010) – 31,183,341;
- Refurbishing the 400 kV substation Isaccea - Stage I - Replacing the shunt reactors, their associated bays, and the 400 kV bay Stupina – 28,749,960;
- Converting the Portile de Fier (Iron Gates) - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - Stage I - 400 kV simple circuit OHL Portile de Fier - (Anina) – Resita – 27,477,506;
- Refurbishing the 220/110 kV substation Turmu Severin Est – 23,771,874;
- Extending the business continuity and post-disaster recovery services to the Executive branch -14,413,918;
- The 400 kV double circuit OHL Cernavoda - Stalpu and its connection to Gura Ialomitei – 12,834,045;
- Refurbishing the 400/220/110/20 kV substation Bradu – stage 4 – 12,290,562;
- Replacing the components of EMS SCADA AREVA system - the software and hardware components – 11,444,853;
- Connecting the 400 kV Isaccea - Varna OHL and Isaccea – Dobrogea OHL in the 400 kV substation Medgidia Sud – 10,921,451;
- Integrated security system to electric substations, stage IV – 8,021,232;
- Refurbishing the 220/110 kV substation Hasdat – 7,493,898;
- Converting the Portile de Fier (Iron Gates) - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - Stage I - the 400/220/110 kV substation Resita – 6,627,560;
- The 110 kV, 220 kV and 400 kV mobile bays – 6,050,537;
- The 400 kV OHL Gadalina - Suceava, including the interconnection to SEN – 6,021,417;
- 400 kV HVDC Link (Romania - Turkey submarine cable) – 5,853,759;
- Refurbishing the 220 kV Otelarie Hunedoara – 5,182,434;
- The 400 kV OHL Suceava - Balti, for the project segment on Romanian territory – 4,400,349;
- The 400 kV OHL double circuit OHL Gutinas – Smardan – 3,763,106;
- Upgrading the 220/110/20 kV substation Raureni – 3,288,670;
- Converting the Portile de Fier (Iron Gates) - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, Stage II, 400 kV double circuit OHL Resita - Timisoara – Sacalaz (the 220/110 kV substation Timisoara) – 3,224,541;
- Extending with new functions the control and IT access record system in the objectives of NPG Transelectrica SA – 3,200,918;
- Upgrading the 110 kV substations Bacau Sud and Roman Nord of the 400 kV Moldova axis – 3,046,320;
- Upgrading the 220/110/20 kV substation Arefu – 2,999,736;
- Connecting to RET the 136 MW WPP Platonesti, Ialomita County, by building a 110 kV bay in the 400/110 kV substation Gura Ialomitei – 2,889,337;
- Upgrading the 110 kV and 400 (220 kV) installations from substation Focsani Vest – 2,851,631;
- Integrated security system to electric substations, stage III – 2,798,024;
- Upgrading the 110 kV and 400 (220 kV) installations from substation Focsani Vest – 2,599,684;
- Bypassing the 110 kV OHL Cetate 1 & 2 near the 110/20/6 kV substation Ostrovul Mare – 2,578,438;

NPG Transelectrica SA

Notes to the stand-alone intermediary financial statements on 31 March 2019

(All amounts are expressed in Lei, unless otherwise provided)

- Connecting to RET the 99 MW WPP Dumesti and the 30 MW WPP Romanesti, Iasi County by building a 110 kV bay in the 220/110 kV bay FAI – 2,545,853;
- Research & Development Centre for LW technologies and fast intervention to SEN – Centre building - 2,447,586;
- Security solution to implement security measures for classified information – 2,024,289;
- Upgrading the 220/110 kV substation Dumbrava – 1,922,729;
- Upgrading the tele-protection & telecommunication system in substation Cernavoda – 1,716,029;
- Consolidating, upgrading and extending the offices of NPG Transelectrica for the Executive – 1,627,393;
- Integrated security system to the new 400/220/110 kV substation Banca – 1,133,202;
- Achieving optical fibre communication between the 220/110/20 kV substation Pitesti Sud and the remote control & installation supervision centre of TB (Transmission Branch) Pitesti (FS) – 1,110,032;
- Compensations for the lands associated to the 400 kV OHL Oradea – Beckescsaba – 1,007,172;
- Refurbishing the 220/110/20 kV substation Ungheni – 1,104,731;
- Refurbishing the 400/110/20 kV substation Smardan – 1,103,045;
- Relocating the high voltage networks of Brasov - Targu Mures - Cluj – Oradea Motorway, section 2A Ogra-Campia Turzii, lot 2 Iernut - Chetani, km 3 + 600 km 21 + 500 - the 400 kV OHL Iernut - Sibiu Sud – 1,061,469;
- Refurbishing the 220/110 kV substation Craiova Nord – 915,175;

The balance of tangible assets under execution on 31 March 2019 is represented by projects in progress, of which the most significant are:

- Replacing the components of EMS SCADA AREVA system - the software and hardware components – 11,808,808;
- Implementing the Electronic Archiving and Document Management system in NPG Transelectrica SA – 5,474,290;
- Extending the business continuity and post-disaster recovery services to the Executive branch – 351,208;

The balance of intangible assets increased in the first quarter of 2019, being mainly represented by the recognition of the right of use amounting to 14,766,931 of the Company rented space from Platinum office building (contract C217/2015 concluded with Dagesh Rom SRL), according to the provisions of IFRS 16 – Leasing contracts.

On 31 March 2019 the accounting value of the right of use for the Company rented space in the Platinum office building amounts to 12,657,369.

5. Trade and other receivables

On 31 March 2019 and on 31 December 2018 trade and other receivables were as follows:

	31 March 2019	31 December 2018
Trade receivables	730,240,038	1,040,797,078
Other receivables	247,320,613	83,495,790
Down payments to suppliers	12,121,525	52,627,078
Receivable VAT	82,546,885	82,507,514
Allowances for doubtful receivables	(140,778,781)	(139,644,236)
Allowances for other doubtful receivables	(55,220,702)	(56,189,199)
Total trade and other receivables	876,229,577	1,063,594,025

The structure of trade receivables is as follows:

	31 March 2019	31 December 2018
Clients on the electricity market, of which:	728,855,656	1,038,272,786
- Clients - operational activity	395,119,301	438,569,602
- Clients - balancing market	111,219,592	400,553,575
- Clients - bonus type support scheme to promote high efficiency cogeneration	222,516,763	199,149,609
Clients from other activities	1,384,382	2,524,292
Total trade receivables	730,240,038	1,040,797,078

NPG Transelectrica SA

Notes to the stand-alone intermediary financial statements on 31 March 2019

(All amounts are expressed in Lei, unless otherwise provided)

- NPG Transelectrica SA carries out its operational activities based on Operational Licence 161/2000 issued by ANRE, updated by Decision 641/25.04.2018 of ANRE President, to provide electricity transmission & system services and to manage the balancing market.

On 31 March 2019 the clients on balance from operational activities register decrease compared to 31 December 2018, mainly determined by the reduction of electricity amounts delivered to consumers in February and March 2019 compared to November and December 2018.

The main clients on balance from the electricity market are represented by: RAAN, Electrocentrale Bucharest SA, Electrica Furnizare SA, Enel Energie Muntenia SA, E.ON Energie Romania SA, Enel Energie SA, MET Romania Energy SA, Petprod SRL, OPCOM SA, and CET Govora SA. The share of main clients on the electricity market is about 52% in the total trade receivables.

Receivables on balance on 31 March 2019 in sum of 111,219,529, related to the balancing market registered value drop compared to 31 December 2018, as a result of diminished transactions on this market.

- NPG Transelectrica SA carries out its activities relating to the bonus type support scheme to promote high efficiency cogeneration as administrator of such support scheme, in accordance with the provisions of HG 1215/2009, “the main attributions being to collect each month the contribution for cogeneration and pay bonuses monthly”.

On 31 March 2019 the Company registers receivables collectable from the bonus type support scheme to promote high efficiency cogeneration of about 30% (31 December 2018 - 19%) of the total trade receivables.

Clients of the bonus type support scheme to promote high efficiency cogeneration registered on 31 March 2019 a determined increase, mainly receivables corresponding to ANRE decisions issued in March 2019 on the overcompensation of the 2018 cogeneration amounting to 8,786,766 and undue bonus in sum of 6,544,762 granted in 2018.

On 31 March 2019 the Company registers collectable receivables amounting to 222,516,763, represented by its invoices issued for the bonus type support scheme to promote high efficiency cogeneration, of which:

- Overcompensation for 2011-2013 amounting to 76,702,140, namely from RAAN – 63,467,054 and CET Govora SA – 13,235,086;
- Undue bonus for 2014 amounting to 3,914,960, namely from RAAN – 1,981,235, CET Govora – 1,933,725;
- Undue bonus for 2015 amounting to 563,899, namely from CET Govora – 534,377, Interagro – 29,523;
- Overcompensation for 2016 amounting to 56,680,387, namely from Electrocentrale Bucharest;
- Undue bonus for 2018 amounting to 4,977,532, namely from the Energy Complex Oltenia – 3,020,965, Electrocentrale Bucharest – 1,030,706, Energy Complex Hunedoara – 925,844, Poligen Power Energy – 17;
- Overcompensation for 2018 amounting to 8,786,766, namely from Electrocentrale Bucharest;
- Contribution for cogeneration uncollected from the suppliers of electricity consumers, amounting to 21,200,214 from: Transenergo Com – 5,882,073, PetProd – 4,391,193, Romenergy Industry – 2,680,620, RAAN- 2,385,922, UGM Energy – 1,814,175, CET Govora – 900,864, KDF Energy – 887,527 and others.

To date the Company cashed fully the receivables associated to the overcompensation of activities from the 2018 support scheme (amounting to 8,786,766 - by means of bank transactions) and to the undue bonus of 2018 (amounting to 6,544,762, of which 3,946,809 by compensation and 2,597,953 by bank transactions).

To extinguish receivables generated by overcompensation and undue bonus of years 2014-2017, the Company requested the generators qualified under the support scheme to make mutual compensations. In case of generators that did not agree with this manner to extinguish mutual receivables and liabilities (RAAN, Electrocentrale Bucharest, and CET Govora) 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 the electricity generated under high efficiency cogeneration: “in case the generator did not make the payment in full to the support scheme administrator for its payment obligations resulted in accordance with the provisions of this Regulation, the support scheme administrator pays to the producer the difference between the producer invoices and its payment obligations under the support scheme, with explicit mention of the respective amounts on the payment document” and retains for paying the amounts under the respective support scheme.

- On the docket of Mehedinti Tribunal, Section II Civil of Administrative & Fiscal Disputes file 9089/101/2013/a140 was registered, pertaining to “claims amounting to 86,513,431”, a file where the Company is claimant and the Autonomous Authority for Nuclear Activities – RAAN.

The law court summons filed by Transelectrica SA requested it to compel defendant RAAN to pay 86,513,431.

On 19.05.2016 Mehedinti Tribunal, Section II Civil of Administrative & Fiscal Disputes pronounced hearing conclusion and ordered as follows: “In accordance with article 413 pt. 1 Civil Procedure Code decides suspending the case until settlement of file 3014/2/2014 found on the docket of the High Court for Cassation and Justice. Appeal right is valid during the entire suspension term; pronounced on 19 May 2016 at public hearing”; hearing term on 06.06.2019. Mention should be made file 3014/2/2014 on the docket of the High Court for Cassation and Justice pertained to appeal in order to cancel

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ANRE Decision 743/28.03.2014, the parties being RAAN (claimant) and ANRE (defendant).

Mention should be also made that on 18.09.2013 Mehedinti Tribunal pronounced under file 9089/101/2013 to open the general insolvency procedure against debtor Autonomous Authority for Nuclear Activities RA (RAAN).

Judgment 387/20.03.2014 of Mehedinti Tribunal confirmed the reorganisation plan of debtor Autonomous Authority for Nuclear Activities, proposed by the judiciary administrator Tudor&Asociatii SPRL and voted by the General Assembly of Creditors according to minutes of 28.02.2014.

In the intermediate decision 10/28.01.2016 pronounced by Mehedinti Tribunal, Section II Civil of Administrative & Fiscal Disputes, the syndic judge decided initiating the debtor's bankruptcy procedure based on article 107 para 1 let. C of Law 85/2006, as well as breaking up the debtor and cancelling its administration right.

Decision 563/14.06.2016 of the Appeal Court Craiova, Section II Civil denied the appeals filed against the intermediary decision 10/28.01.2016, pronounced by Mehedinti Tribunal, Section II Civil of Administrative & Fiscal Disputes.

Once submitting the receivable statement under RAAN's bankruptcy procedure Transelectrica SA can resort to the provisions of article 52 from Law 85/2006, applicable to RAAN's bankruptcy procedure, provisions resumed in article 90 of Law 85/2014 on the creditor's right to invoke compensation for its receivables with its debtor's to it, whenever the law-provided conditions in terms of legal compensation are complied with on the procedure opening date. Transelectrica SA was recoded with 11,264,777 Lei in the table of debtor RAAN, in the category of receivables resulting from the debtor's uninterrupted activity, the actual amount the Company requested being 89,360,986 Lei, but 78,096,208.76 Lei were not registered in the preliminary receivable table because "such sum was not recorded as owed liability in RAAN's accounting books". Moreover the judiciary liquidator considered the request to record 78,096,209 Lei was made late since it pertained to 2011 – 2013, for which reason the receivable statement should have been submitted when the insolvency procedure began, namely on 18.09.2013. The Company contested the preliminary receivables table; Mehedinti Tribunal admitted the accounting expertise evidence. The parties filed objections to the accounting expertise report, which the court admitted and set the hearing date on 22.02.2018. On the contestation judgment term 14.06.2018 the decision was to suspend it until settlement of file 3014/2/2014 on the docket of the ICCJ. Hearing term: 06.06.2019.

- NPG Transelectrica SA concluded with CET Govora SA an agreement to compensate and spread out the payment of amounts representing receivables from the 2011-2013 overcompensation and the 2014 undue bonus (Agreement C 135/30.06.2015 and Addendum 1/04.08.2015). The Agreement term was about 1 year (July 2015-August 2016) and it provided the Company's right to calculate and cash penalties during payment spread-out.

In accordance with such Agreement the Company's receivables collectable from CET Govora SA were compensated with its liabilities to CET Govora SA, represented by cogeneration bonus for May 2014 – October 2015 amounting to 40,507,669, withheld by applying the provisions of article 17 para 5 from Order 116/2013 of ANRE President and the Agreement provisions.

Since ANRE Decision 738/28.03.2014 was suspended by court civil judgment 3185/27.11.2015, which had determined the 2011-2013 overcompensation, CET Govora SA has no longer complied with the Agreement terms.

Beginning with 9 May 2016 the general insolvency procedure was initiated for CET Govora. In view of recovering the receivables accrued before opening the insolvency procedure the Company followed the specific procedures specified by the Insolvency Law 85/2014 and requested the court to admit its receivables, as per legal provisions.

Taking into account the above, 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 generated by high efficiency cogeneration and paid monthly the cogeneration bonus to CET Govora.

Civil decision 2430/05.10.2016 of the High Court of Cassation and Justice admitted the appeal filed by ANRE against civil ruling 3185/27.11.2015, partly cancelled the sentence appealed against and denied the suspension request of CET Govora, such decision being final. Thus beginning with 05.10.2016 the effects of ANRE Decision 738/28.03.2014 are no longer suspended, bearing full effects.

Under such circumstances the Company applies the provisions of article 17 para 5 of ANRE Order 116/ 2013 for mutual receivables and liabilities occurred after the insolvency procedure, meaning withholding the bonus due to CET Govora SA up to the concurrence of amounts related to the support scheme that were not paid to the Company.

Transelectrica was registered in the Preliminary and final receivables table with total amount of 28,200,440.31, of which 25,557,189.98 relates to the support scheme. As regards the receivable amounting to 21,962,243.71 Lei representing principal and penalties related to invoice 8116/08.04.2016, it is registered under the suspensive condition of pronouncement of a final juridical decision in favour of ANRE under file 2428/2/2014 on the docket of the Appeal Court Bucharest, pertaining to cancelling ANRE decision 738/28.03.2014.

On the term of 18.07.2018 Valcea Tribunal pronounced the following settlement:

It confirmed the reorganisation plan of SC CET Govora SA proposed by the judiciary administrator EURO INSOL SPRL, submitted on 25 May 2018 to the file and printed in the Bulletin of Insolvency Procedures 11924 of 13 June 2018. It denied the contestations submitted by creditors: Energy Complex Oltenia SA, SNTFM CFR Marfa SA, Solek Project Delta SRL, Solek Project Omega SRL, Clean Energy Alternativ SRL and Solar Electric Curtisoara SRL. It set 8 October 2018 as substantial term to continue the procedure. Appeal right within 7 days from notification performed by means of the Bulletin

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of Insolvency Procedures; pronounced at public hearing of 18 July 2017. Document: Ruling 1196/18.07.2018

Ruling 766/03.12.2018 of the Appeal Court Pitesti cancelled the amount of 28,013,984.83 representing a liability the Company registered in the Creditors' Table (File 1396/90/2016).

Under such circumstances the Company included the amount of 22,188,224.16 from the support scheme in the sundry debtors' account, which is analytically distinct - ANRE, and impacts the net position of the support scheme. In accordance with pt. 11 of HG 925/2016 amending and adding HG 1.215/2009 establishing the criteria and conditions necessary to implement the support scheme to promote high efficiency cogeneration based on the useful heat demand, ANRE is going to elaborate the regulatory framework for the financial closure of this scheme.

The amount of 22,188,224.16 represents receivable collectable from CET Govora under the support scheme in sum of 25,557,189.98, corrected with the bonus amounting to 3,368,965.82 the Company withheld according to article 17 para 5 from Order 116/2013 of ANRE President.

In accordance with the provisions of Governmental Decision 925/2016 with later amendments and additions, the Company has not registered allowance expenses for clients under the support scheme; the unrecovered amount of such receivables will be included in the cogeneration contribution.

According to pt. 11 of HG 925/2016 amending and adding HG 1.215/2009 establishing the criteria and conditions necessary in order to implement the support scheme to promote high efficiency cogeneration based on the demand of useful heat demand, ANRE will elaborate the regulatory framework for the financial closure of this scheme.

Other receivables

On 31 March 2019 other receivables amounting to 247,320,613 include mainly sundry debtors (198,904,160), deferred expenses (41,750,113), and other non-current receivables (4,550,039).

On 31 martie 2019 other receivables amounting to 247,320,613 include in the main:

- Various debtors (198,904,160), of which:

- The net position of the support scheme regarding high efficiency cogeneration on 31 March 2019 registered receivable position amounting to 128,283,281 (31 December 2018 liability position in sum of 23,804,879);

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

➤ The cogeneration bonus withheld based on article 17 para 5 from Order 116/2013 of ANRE President, the ante overcompensation and unpaid bonus payable to electricity generations under high efficiency cogeneration, beneficiaries of the support scheme, on the one hand and

➤ The contribution to collect from the suppliers of electricity consumers, the overcompensation of electricity and heat generation under high efficiency cogeneration, the undue bonus to collect from generators according to ANRE decisions, on the other hand;

- Delay penalties calculated to payment defaulting clients amounting to 61,911,125 (of which 26,015,000 represent penalties under the support scheme). The greatest payment delay penalties were registered by clients: RAAN (16,901,449), CET Govora (9,606,504), Eco Energy SRL (8,909,843), Petprod SRL (8,894,655), Total Electric Oltenia (3,288,967), Enol Grup (2,541,312), Also Energ (2,121,010). Allowances were registered for the penalties calculated for late payment of operational activity receivables;
- Compensations owed by suppliers for their failure to deliver electricity (Arelco Power 990,257 and Enol Group 2,541,312). Allowances were registered for the compensations owed by suppliers from operational activities;
- Receivable collectable from OPCOM representing VAT amounting to 4,517,460 for the contribution in kind to the subsidiary's share capital;
- Deferred expenses amounting to 41,750,113, mainly represented by the contribution owed to ANRE for April-December 2019 (26,587,994) which is going to be borne gradually based on operational expenses, down payments to the contracts concluded with electricity suppliers to cover one's own technological consumption in the future (8,637,394), the subscriptions of national and international organisations (3,455,812) which are going to be borne gradually based on the 2019 operational expenses, the security fee for EIB credit 25,710 (58,986);
- Other non-current assets amounting to 4,550,039, of which 4,199,505 represent guarantees for temporary land taking up, calculated and withheld in accordance with article 39 para (1), para (2) and para (5) of Law 46/2008 on the Forestry Code, in view of achieving the investment objective for the 400 kV OHL Resita – Pancevo (Serbia).

Down payments to suppliers

On 31 March 2019 down payments made to suppliers are represented by supplier-debtors for services provided amounting to 12,121,525 and mainly represent amounts from the transactions associated to the price coupling mechanism. The price

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coupling mechanism began being applied on 19 November 2014, date when the '4 Markets Market Coupling' project providing connection of the day-ahead electricity markets (DAM) from Romania, Hungary, Czech Republic and Slovakia became operational. Such price coupling mechanism of day-ahead markets means the electricity exchanges correlate the electricity transactions for the following day based on bids, taking into account the interconnection capacity made available by the TSO, whereby it is implicitly allocated. NPG Transelectrica SA as TSO transfers electricity both in physical and commercial terms to the neighbouring TSO (MAVIR, Hungary) and manages the congestion revenues on the respective interconnection (article 139 from ANRE Order 82/2014), and in relation to OPCOM SA it is Implicit Participant to the Day-Ahead Market.

In its capacity of Transfer Agent and Implicit Participant NPG Transelectrica SA has the commercial task to settle the electricity transacted between OPCOM SA and MAVIR.

Collectable VAT

On 31 March 2019 the Company registers receivable VAT amounting to 82,546,885, mainly representing the settlements with negative VAT for October 2018 – March 2019.

Allowances to depreciate trade receivables, doubtful trade receivables and other doubtful receivables

The policy of Transelectrica provides to register allowances for value losses amounting to 100% for clients under disputes, under insolvency and bankruptcy and 100% of trade receivables and other receivables not cashed within more than 180 days, except for outstanding receivables generated by the support scheme. The Company also makes case by case analysis of trade receivables and other uncollected receivables.

The greatest allowances on 31 March 2019, calculated for trade receivables and their penalties were registered for CET Govora (25,274,256), SC Eco Energy SRL (24,736,066), SC Petprod SRL (23,539,650), Arelco Power (15,533,052), SC Total Electric Oltenia SA (14,185,577), Romenergy Industry (13,512,997), Elsaco Energy (9,276,118), RAAN (8,516,747), Also Energ (7,177,167), Opcom (5,577,320), and CET Brasov (4,664,627). To recover such receivables adjusted for depreciation the Company took the following steps: court proceedings, registration in the creditors' table, requesting explanations from ANAF (for the VAT amount to be cashed from Opcom) etc.

Note 20 provides the exposure to the collection risk, and the allowances for trade receivables.

6. Cash and cash equivalents

On 31 March 2019 and 31 December 2018 cash and cash equivalents are as follows:

	31 March 2019	31 December 2018
Current accounts and deposits in banks, of which:	177,458,077	482,089,074
- Cash and deposits from high efficiency cogeneration	5,024	41,705,447
- Cash from revenues associated to the allocation of interconnection capacity, used for network investments	41,016,030	133,729,367
- Cash from the connection fee	17,626,756	18,426,374
Cash desk	80,824	69,605
Other cash equivalents	49,890	-
Total	177,588,791	482,158,679

Bank deposits with maturity below 90 days constituted from monetary availabilities found in current accounts (including the cogeneration deposits) amounted to 700,237 on 31 March 2019 and to 309,135.805 on 31 December 2018.

7. Shareholders' equity

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

In accordance with the provisions of article 2 from OUG 55/19 November 2015 establishing some reorganisation measures in the public central administration and amending and adding certain norms, the Ministry of Economy, Trade and Relations with the Business Environment (MECRMA) was established by reorganising and taking over the activities of the Ministry

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of Economy, Trade and Tourism that was cancelled and the Ministry of Energy, Small & Medium Sized Enterprises and Business Environment took over the activities and structures in the SME domain.

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

At the end of each reporting period the Company's full share capital subscribed and paid amounting to 733,031,420 is divided into 73,303,142 ordinary shares of 10 Lei/share nominal value each and it corresponds to the one recorded with the Office of the Trade Register.

The shareholders' structure on 31 March 2019 and 31 December 2018 has been as follows:

Shareholder	31 March 2019		31 December 2018	
	Number of shares	% of the share capital	Number of shares	% of the share capital
Romanian State by MECRMA	43,020,309	58.69%	43,020,309	58.69%
Other legal person shareholders	20,240,667	27.61%	20,157,347	27.50%
DEDEMAN SRL	4,503,567	6.14%	4,503,567	6.14%
Other natural person shareholders	5,538,599	7.56%	5,621,919	7.67%
Total	73,303,142	100.00%	73,303,142	100.00%

The increase of shareholders' equity on 31 March 2019 compared to 31 December 2018 was mainly determined by registering the net profit amounting to 37,994,539, achieved on 31 March 2019 and by capitalising the surplus achieved from revaluation reserves amounting to 11,116,143.

8. Deferred revenues

Deferred revenues are mainly represented by: the connection fee, other investment subsidies, non-reimbursable European funds collected from the Ministry of European Funds, as well as revenues from the utilisation of interconnection capacities. On 31 March 2019 deferred revenues were as follows:

	31 March 2019	Of which: The short term portion on 31.03.2019	31 December 2018	Of which: The short term portion on 31.12.2018
Deferred revenues – allocating the interconnection capacity	6,669,070	6,669,070	7,896,067	7,896,067
Deferred revenues – European funds	2,425,049	2,425,049	2,219,181	2,219,181
Funds of the connection fee	280,656,534	23,191,849	285,748,510	4,393,799
European Funds	104,214,028	6,952,390	106,017,816	3,674,067
Other subsidies	27,887,533	1,394,599	28,602,361	1,146,144
Total	421,852,214	40,632,956	430,483,935	19,329,257

The development of deferred revenues in January - March 2019 is as follows:

	31 March 2019	31 December 2018
Opening balance	19,329,257	40,881,064
Deferred proceeds from interconnection capacities	20,435,853	95,112,435
Proceeds from European funds	205,868	90,227
Transfer from non-current deferred revenues	22,324,828	(23,311,755)
Revenues from the use of interconnection capacities	(21,662,849)	(93,013,534)
Revenues from European funds	0	(429,181)
Total	40,632,956	19,329,257

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The development of non-current deferred revenues in January - March 2019 is as follows:

	31 March 2019	31 December 2018
Opening balance	411,154,679	410,642,185
Connection subsidies	(155,176)	(2,675,827)
Non-reimbursable funds	0	11,626,793
Non-reimbursable funds to repay	0	14,544
Transfer into current deferred revenues	1,984,527	23,311,755
Resuming subsidies to revenues	(31,764,772)	(31,764,772)
Total	381,219,258	411,154,678

9. Borrowings

- *Non-current borrowings*

On 31 March 2019 the value of non-current borrowings diminished in comparison with 31 December 2018 mainly due to repayments made according to existing loan agreements.

In January - March 2019 no borrowing proceeds took place.

The movements of borrowings during the three months ending on 31 March 2019 are as follows:

	Hard currency	Interest rate	Accounting value	Due date
Sold la 1 January 2019			195,361,864	
New proceeds			0	
Repayments, of which:			(33,770,968)	
IBRD 7181	EUR	0.0% last notification	(8,177,327)	15-Jan-2020
EBI 25709	EUR	3.596%	(5,707,481)	10-Sep-2025
EIB 25710	EUR	3.856%+2.847%	-	11-Apr-2028
ING + BRD	EUR	EURIBOR+2.75%	(19,886,160)	13-Feb-2019
Exchange rate differences on repayment date			(3,826,209)	
Balance on 31 March 2019			165,417,105	

On 31 March 2019 and 31 December 2018 the balances of non-current loans contracted from credit institutions are as follows:

Description	31 March 2019	31 December 2018
IBRD 7181	2,806,836	10,925,879
EIB 25709	74,529,000	78,595,352
EIB 25710	88,081,269	86,252,253
ING + BRD	0	19,588,380
Total non-current loans from credit institutions, of which:	165,417,105	195,361,864
Current portion of non-current borrowings	(25,772,759)	(51,495,749)
Total non-current loans net of current instalments	139,644,346	143,866,115

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The non-current portion of borrowings will be repaid as follows:

	31 March 2019	31 December 2018
From 1 to 2 years	45,931,846	23,996,576
From 2 to 5 years	45,931,846	67,467,099
Over 5 years	47,780,654	52,402,440
Total	139,644,346	143,866,115

The Company has not applied hedging against risks associated to its liabilities in foreign currency or to its exposure to interest rate risks.

All non-current borrowings except for EIB 25709 and EIB 25710 are bearers of variable interest and consequently the accounting value of non-current borrowings approximates their fair value.

- *Current borrowings*

Current borrowings are detailed as follows:

	31 March 2019	31 December 2018
Current portion of non-current credits	25,772,59	51,495,749
Interest related to the non-current and current loans	1,737,121	1,815,697
Total current borrowings	27,509,880	53,311,446

- *Contracted loans for cogeneration activities*

Transelectrica concluded the credit contract C55/01.03.2018 with Raiffeisen Bank for 12 months to finance the bonus type support scheme for high efficiency cogeneration, amounting to 100,000,000 in the form of account overdraft, interest rate being calculated depending on the reference rate ROBOR 1M, which is added a negative 0.35% margin. In case the reference rate ROBOR 1M is lower than 0.35%, the interest rate applied is 0%. The contract was completed on 27.03.2019.

The credit line was secured by means of:

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

On 04 April 2019 Transelectrica concluded the credit contract C733 with Banca Transilvania for 12 months to finance the bonus type support scheme for high efficiency cogeneration amounting to 150,000,000 as account overdraft, the interest rate being calculated depending on the reference rate ROBOR 1M, which is added a 0.50% margin.

On 24.04.2019 Addendum 1 was concluded to this contract adding 25,000,000 to the credit line, namely from 150,000,000 to 175,000,000.

The credit line has been secured by means of:

- Movable property mortgage on the bank account opened with the bank;
- Movable property mortgage over the receivables resulting from contracts on the contribution for high efficiency cogeneration concluded with Cez Vanzare SA, E.ON Energie Romania SA, Enel Energie SA, SC Tinmar Energy SA, and Enel Energie Muntenia SA.

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*(All amounts are expressed in Lei, unless otherwise provided)***10. Trade and other liabilities**

On 31 March 2019 and 31 December 2018 trade and other liabilities are as follows:

	31 March 2019	31 December 2018
Suppliers on the energy market	383,694,980	780,292,021
Suppliers of assets	43,033,731	44,513,840
Suppliers of other activities	53,403,748	29,309,948
Amounts owed to employees	6,262,323	6,729,336
Other liabilities	53,456,943	159,948,565
Total	539,851,725	1,020,793,710

On 31 March 2019 and 31 December 2018 liabilities on balance on the energy market amount to 383,694,980 namely 780,292,021 and have the following structure:

	31 March 2019	31 December 2018
Suppliers on the electricity market, of which:		
- Suppliers - operational activities	130,654,574	188,914,941
- Suppliers - balancing market	41,805,885	383,389,169
- Suppliers - bonus type support scheme to promote high efficiency cogeneration	211,234,521	207,987,911
Total	383,694,980	780,292,021

- The reduced balance of liabilities related to operational activities was mainly determined by paying the payment obligations on balance on the electricity market on 31 December 2018.

- The reduced balance of liabilities related to the balancing market was determined by paying the payment obligations on balance on the electricity market on 31 December 2018 and by the reduced volume of transactions on the balancing market in the first quarter of 2019 compared to the fourth of 2018.

Suppliers on the electricity market are mainly represented by: Hidroelectrica, MAVIR, Electrocentrale Bucharest, Energy Complex Oltenia, OPCOM, Romgaz, Electrocentrale Galati, Energy Complex Hunedoara, Veolia Energie Prahova, and Ciga Energy. On 31 March 2019 their share was about 85% in the total number of power suppliers.

- Higher liabilities related to the support scheme to suppliers (generators) were determined by ANRE-issued decisions to pay the non-granted bonus (22,246,276) and by the ex-ante overcompensation (8,062,358) of 2018.

On 31 March 2019 payment obligations are registered to suppliers (generators) in sum of 127,915,865 (Electrocentrale Bucharest – 65,773,451; RAAN – 51,183,836; CET Govora SA – 5,454,925; Energy Complex Oltenia – 3,020,965; Energy Complex Hunedoara – 925,844 and others) representing the monthly cogeneration bonus, ex-ante overcompensations for 2014, 2015 and 2018, the non-granted bonus in 2015, 2016 and 2018. The 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, since suppliers (generators) register payment obligations to the Company for the bonus type support scheme.

The Company requested the suppliers (generators) that did not pay the overcompensation invoices the agreement to compensate mutual liabilities at their minimum level by means of the Institute of Management and Informatics (IMI), which is uniformly managing all information received from tax-payers according to HG 685/1999.

Generators (RAAN, Electrocentrale Bucharest, and CET Govora) did not agree with this manner to extinguish mutual receivables and liabilities, therefore the Company has applied and further applies the 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 the electricity generated under high efficiency cogeneration: “in case the generator did not make the payment in full to the support scheme administrator for its payment obligations resulted in accordance with the provisions of this Regulation, the support scheme administrator pays to the producer the difference between the producer invoices and its payment obligations under the support scheme, with explicit mention of the respective amounts on the payment document” and withheld from payment the due amounts under the respective support scheme.

NPG Transelectrica SA

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NPG Transelectrica SA concluded with CET Govora SA an agreement to compensate and spread out the payment of amounts representing receivables from the 2011-2013 overcompensation and the 2014 undue bonus (Agreement C 135/30.06.2015 and Addendum 1/04.08.2015). The Agreement term was about 1 year (July 2015-August 2016) and it provided the Company's right to calculate and cash penalties during payment spread-out.

In accordance with such Agreement the Company's receivables collectable from CET Govora SA were compensated with its liabilities to CET Govora SA, represented by cogeneration bonus for May 2014 – October 2015 amounting to 40,507,669, withheld by applying the provisions of article 17 para 5 from Order 116/2013 of ANRE President and the Agreement provisions.

Since ANRE Decision 738/28.03.2014 was suspended by court civil judgment 3185/27.11.2015, which had determined the 2011-2013 overcompensation, CET Govora SA has no longer complied with the Agreement terms. Beginning with 9 May 2016 the general insolvency procedure was initiated for CET Govora. In accordance with the provisions of the Insolvency Law 85/2014 the Company ceased, beginning with 9 May 2016, to apply 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 payment mode of the bonus for electricity generated under high efficiency cogeneration and pays monthly the cogeneration bonus owed to CET Govora.

Civil decision 2430/05.10.2016 of the High Court of Cassation and Justice admitted the appeal filed by ANRE against civil ruling 3185/27.11.2015, partly cancelled the sentence appealed against and denied the suspension request of CET Govora, such decision being final. Thus beginning with 05.10.2016 the effects of ANRE Decision 738/28.03.2014 are no longer suspended, bearing full effects.

Under such circumstances the Company applies the provisions of article 17 para 5 of ANRE Order 116/ 2013 for mutual receivables and liabilities occurred after the insolvency procedure, meaning withholding the bonus due to CET Govora SA up to the concurrence of amounts related to the support scheme that were not paid to the Company.

- Diminished balance of asset suppliers on 31 March 2019 compared to 31 December 2018 was owed to payment of liabilities to the suppliers of assets.
- Liabilities to suppliers of other activities are mainly represented by liabilities for the services provided by third parties, which have not reached their maturity;
- On 31 March 2019 the Company has not registered outstanding liabilities to suppliers, the state budget or local institutions;
- The structure of liabilities registered under 'other liabilities' is as follows:

	31 March 2019	31 December 2018
Sundry creditors	1,166,629	24,983,402
Clients-creditors	24,605,025	55,729,127
Payable dividends	1,360,916	67,657,910
Other liabilities	26,324,373	11,578,126
Total	53,456,943	159,948,565

On 31 March 2019 the 'Sundry creditors' entry amounting to 1,166,629 is mainly represented by payment obligations relating to royalties owed to the Ministry of Economy in accordance with the Concession Contract 1/2004, securities for bid participation and other payment obligations to various creditors.

'Clients creditors' on 31 March 2019 amount to 24,605,025, of which 23,811,446 represent amounts cased in advance from MAVIR and OPCOM from transactions under the price-coupling mechanism.

On 31 March 2019 dividends owed to Company shareholders still unpaid amount to 1,360,916, of which 296,228 relate to dividends distributed from the account of „Other reserves – One's own financing sources constituted from profit" based on AGA Decision 11/16.10.2017; the amount of 446,709 relate to dividends distributed from the retained earnings according to AGA Decision 15/14.12.2018.

Such amounts are at the shareholders' disposal by means of the payment agent.

Other liabilities amounting to 26,324,373 are mainly represented by the performance bonds of contracts on the electricity market concluded by NPG Transelectrica SA in sum of 13,096,015 and by the right of use amounting to 12,657,222 during the lease contract, of the Company-rented spaced in the Platinum office building (contract C217/2015 concluded with Dagesh Rom SRL), according to the provisions of IFRS 16 – Leasing contracts.

Provisions

NPG Transelectrica SA

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On 31 March 2019 and 31 December 2018 provisions were as follows:

	31 March 2019	31 December 2018
Provisions for disputes	31,116,447	62,297,305
Provisions for mandate contracts	33,132,184	33,132,184
Provisions of the fund for employees' participation to profit	44,799	44,799
Other provisions	80,426	83,225
TOTAL	64,373,856	95,557,513

Reduced provisions are mainly determined by cancelling the provision amounting to 31,180,858 constituted for the dispute with ASITO KAPITAL SA under file 35865/3/2018 (old file 24552/3/2017), on the docket of Bucharest Tribunal, Section VI Civil.

On the hearing termen 19.02.2019 when the juridical research has ended and the parties were granted the floor on exceptions, evidence and the substance matter of the case, the instance deferred pronouncement, and once again it deferred until the term of 20.03.2019. After deliberation Bucharest Tribunal pronounced the following settlement in brief:

- Denies as inadmissible the request pertaining to reversal of enforcement.
- Denies as groundless the request to return the stamp tax related to the request pertaining to reversal of enforcement.
- Denies as groundless the cancellation request filed by the contestor-debtor ASITO KAPITAL SA against Civil Ruling 4067/07.11.2017 pronounced by Bucharest Tribunal, Section VI Civil under file 24552/3/2017, in contradiction with the respondent in appeal - creditor the National Power Grid Company TRANSELECTRICA SA; final. Pronounced at public hearing on 20.03.2019. Document: Decision 743/2019 /20.03.2019.

The Certificate from the office of the court clerk issued on 18.04.2019 by Bucharest Tribunal, Section VI civil certifies Decision 743/2019 / 20.03.2019 (see Note 18).

11. Other tax and social security liabilities

On 31 March 2019 and 31 December 2018 other tax and social security liabilities include:

	31 March 2019	31 December 2018
Contribution to social insurance funds	5,585,278	7,290,426
Salary tax	1,020,783	1,591,088
Other payable taxes	1,348,046	1,170,942
Total	7,954,107	10,052,456

On 31 March 2019 the Company registered payment obligations for the contributions to social insurance funds, salary tax and other taxes, which were due and paid in April 2019.

12. Income tax

The Company's current and deferred income tax is determined by a statutory 16% rate.

The income tax expense in the first quarter of 2019 and first quarter of 2018 is as follows:

	First quarter 2019	First quarter 2018
Current income tax	2,605,306	10,611,987
Deferred income tax	(1,168,811)	(814,293)
Total	1,436,495	9,797,694

13. Operational revenues

NPG Transelectrica SA

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(All amounts are expressed in Lei, unless otherwise provided)

Operational revenues include the revenues achieved by the Company's provision of transmission and system services on the electricity market, by allocating the interconnection capacities, by operating the balancing market and other revenues.

The ANRE-approved tariffs for services provided on the electricity market in the first quarter of 2019 and in the first quarter of 2018 are as follows:

	Average tariff for transmission services	Tariff of technological system services	Tariff of functional system services
Order 108/20.06.2018 - for quarter I 2019	18.13	10.44	1.11
Order 122/19.12.2017 - for quarter I 2018	16.86	12.06	1.11

The average tariff of electricity transmission has two components: tariff for electricity injection into the network (T_G) and tariff for electricity extraction from the network (T_L).

Zone tariffs related to the transmission service introducing electricity in the network (T_G) and extracting electricity from the network (T_L) were approved by ANRE Order 108/2018 beginning with 01 July 2018.

The electricity quantity delivered to consumers which was applied tariffs for services provided on the electricity market is as follows:

	Quarter I 2019	Quarter I 2018
Electricity quantity delivered to consumers (MWh)	14,678,488	15,000,712

Operational revenues achieved in quarter I 2019 and in quarter I 2018 are as follows:

	Quarter I 2019	Quarter I 2018
Revenues from transmission services	264,632,670	252,777,141
Revenues from the allocation of interconnection capacities	22,744,334	16,674,578
Revenues from reactive energy	267,462	1,743,764
Revenues from Inter TSO Compensation (ITC)	408,021	49,247
Revenues from CPT transactions	2,117,982	676,446
Revenues from transmission services – total	290,170,469	271,921,176
Revenues from functional system services	16,293,165	16,650,714
Revenues from technological system services	156,568,331	184,493,700
Revenues from unplanned exchanges on the DAM	453,033	834,422
Revenues from failure aids	0	68,713
Revenues from system services – total	173,314,529	202,047,549
Revenues on the balancing market	175,033,364	200,460,888
Other revenues	10,335,909	10,504,838
Total revenues	648,854,271	684,934,451

Revenues from transmission services

Since the electricity quantity delivered to consumers decreased 2.15% in quarter I 2019 compared to quarter I 2018, namely by 322,224 MWh, transmission service revenues registered increase amounting to 11,855,529, determined by the growth of the average tariff for transmission services approved by ANRE (according to the table of ANRE-approved tariffs for the studied periods, provided above).

Revenues from the allocation of interconnection capacities

In the first quarter of 2019 revenues from the allocation of interconnection capacities registered increase by 6,069,756 compared to the first quarter of 2018, corresponding to the utilisation degree of available interconnection capacity by traders on the electricity market.

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(All amounts are expressed in Lei, unless otherwise provided)

The market allocating such interconnection capacities is fluctuating, prices evolve depending on demand and on the needs of participants on the electricity market to procure interconnection capacity.

The allocation mechanism for interconnection capacity consists of annual, monthly, daily and intradaily bids. The annual, monthly and intraday bids are explicit, as only the transmission capacity is put to auction, while the daily bids with Hungary are implicit, because the capacity is simultaneously auctioned together with the electricity, by means of the coupling mechanism.

Beginning with 19 November 2014 a regional energy market was established by Romania, Hungary, the Czech Republic and Slovakia, which means these four countries should reach to a single price for the electricity transacted on spot markets. The capacity allocation between Romania and Hungary, the only country of those 3 Romania has got frontier with, is provided by the transmission operators: Transelectrica and MAVIR by common mechanism based on bilateral agreement.

Beginning with 2016 the UIOSI principle was applied on the Bulgarian border, and beginning with 2017 on the Serbian one as well. In accordance with such principle the participants that do not use the capacity obtained under annual and monthly bids are remunerated (by Transelectrica) for this capacity. The unused capacity is subsequently sold under daily bids. There is a reversed sense on the Hungarian border, namely MAVIR remunerates the participants for unused capacities.

Net revenues from the allocation of interconnection capacity are used in accordance with the provisions of article 22 para (4) of ANRE Order 53/2013 and of article 16 para (6) of Regulation (EC) 714/2009, as financing source of investments upgrading and developing the interconnection capacity with neighbouring systems.

Revenues from CPT transactions

Revenues from CPT transactions were higher by 1,441,536 in the first quarter of 2019 compared to the first quarter of 2018 because greter revenues were registered from CPT transactions on the balancing market. Such increase is owed to the positive imbalances of NPG Transelectrica SA, which reduced the total imbalance of the BRP.

Revenues from functional system services

In the first quarter of 2019 revenues from functional system decreased 357,549 in comparison with the achievements from the first quarter of 2018, a sum determined by diminished quantities of electricity delivered to consumers while the same ANRE-approved tariff was maintained for such services (according to the table of ANRE-approved tariffs for the studied periods, provided above).

Revenues from technological system services

Revenues from technological system services decreased 27,925,369 in the first quarter of 2019 compared to the first quarter of 2018, a sum determined by 2.15% diminished quantity of electricity delivered to consumers and by reduced ANRE-approved tariff for such services (according to the table of ANRE-approved tariffs for the studied periods, provided above).

In the first quarter of 2019 revenues from technological system services were lower by 28,232,896 compared to the expenses for procurement of technological system services while the procurement price of the secondary reserve and slow tertiary reserve increased on the competitive market.

This amount diminish the Company's gross profit registered on 31 March 2019.

Revenues on the balancing market

Revenues achieved on the balancing market registered decrease of 25,427,524 in the first quarter of 2019 compared to the first quarter of 2018, mainly determined by:

- Reduced negative imbalance registered for electricity suppliers on the balancing market, namely the imbalance between the net contractual position notified and the actual delivered power decreased;
- The manner of contracting on the markets before the balancing one;

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

14. Expenses for system operations and on the balancing market

Expenses made in the first quarter of 2019 compared to the first quarter of 2018 are as follows:

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(All amounts are expressed in Lei, unless otherwise provided)

	Quarter I 2019	Quarter I 2018
Expenses for one's own technological consumption	81,104,194	67,230,738
Expenses with congestions	1,639,293	5,234,582
Expenses for electricity consumption in RET substations	6,338,271	5,566,910
Expenses for functional system services	10,300,373	3,211,099
Expenses with Inter TSO Compensation (ITC)	1,532,150	5,400,000
Total operational expenses	100,914,281	86,643,329
Expenses for technological system services	184,801,227	157,658,579
Expenses regarding the balancing market	175,033,364	200,460,888
Total	460,748,872	444,762,796

Expenses for one's own technological consumption

They represent expenses to procure electricity on the free electricity market, namely the Centralised Market of Bilateral Contracts (PCCB), the Day-Ahead Market (DAM), the Balancing Market (PE) and the Intraday Market (PI) in order to cover one's own technological consumption (CPT / losses) in the RET.

In the first quarter of 2019 expenses for one's own technological consumption were higher by 13,873,456 compared to the first quarter of 2018, because there was a greater electricity quantity required in order to cover one's own technological consumption in the transmission network and the increase in the average electricity price for CPT coverage in the RET.

Congestion expenses

Congestions (network restrictions) are demands for electricity transmission above the technical capacity limits of the network, which require corrective activities of the transmission & system operator; they occur when the power flow between two system nodes or zones, upon operation scheduling or during real time running, leads to incompliance with the safety parameters in the operation of a power system.

Congestion expenses amounted to 1,639,293 in the first quarter of this year, determined by the need to provide the N-1 safety principle, when the 220 kV OHL Fantanele – Gheorgheni was unavailable because of bad meteorological conditions.

Expenses for the electricity consumption in RET substations

In order to carry out electricity transmission by means of electricity substations and to operate safely the Romanian Power System NPG Transelectrica SA should procure electricity in view of covering the consumption for auxiliary services from high voltage substations managed by the Company, namely the consumption of auxiliary services from 81 electric substations, for each consumption place.

Such expenses increased 771,361 in the first quarter of 2019 compared to the first quarter of 2018, as determined by the growing trend of electricity prices and especially by the higher firm prices than last year, which were used in the contracts of electricity supply on the competitive market for 2019.

Expenses for functional system services

Expenses for functional system services represent the uncontracted international exchanges of electricity with neighbouring countries and expenses with unplanned exchanges for the day-ahead market.

Such expenses increased 7,089,274 in the first quarter of 2019 compared cu to the first quarter of 2018, mainly determined by greater expenses on the balancing market and on the day-ahead market with respect to unplanned electricity exchanges with neighbouring countries interconnected to SEN.

Expenses with Inter TSO Compensation (ITC)

ITC expenses amounting to 1,532,150 represent monthly payment obligations / collection rights of each transmission and system operator (TSO). They are determined under the compensation/settlement mechanism for the effects of utilising the electricity transmission network (RET) for electricity transits in-between the TSO-s of the 35 countries that adhered to this ENTSO-E mechanism. In the first quarter of 2019 such expenses were lower by 3,867,850 compared to the same period of last year.

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*(All amounts are expressed in Lei, unless otherwise provided)**Expenses for technological system services*

The Company procures technological system services from generators with a view to maintain the safe operation of SEN and the quality of electricity transmitted, at parameters set in applicable technical norms.

Such services are contracted as follows:

- Under regulatory regime based on Governmental Decisions and on the decisions issued by the National Regulatory Authority in the Energy domain (ANRE);
- By means of competitive mechanisms;

In the first quarter of 2019 technological system services were procured under regulated regime according to ANRE Decision 1440/2018 (from Co. Hidroelectrica SA), ANRE Decision 2047/2018 (from the Energy Complex Co. Hunedoara SA), ANRE Decision 1911/2018 (from Co. Electrocentrale Galati SA), as well as according to HG 773/27.09.2018 approving the 'Measures on the safety and security level in the operation of the National Power System from 1 November 2018 to 31 March 2019'.

Expenses for technological system services increased 27,142,648 in the first quarter of 2019 compared to the first quarter of 2018, mainly determined by higher procurement prices for technological system services on the competitive market, as generated by higher prices recorded on the electricity market during the studied period.

An important influence in the higher procurement Price of STS on the competitive market was generated by the high concentration of the technological system services market by each type of service (secondary reserve, fast tertiary reserve, slow tertiary reserve).

NPG Transelectrica SA re-invoices the technological system services procured from generators to the ANRE-licensed electricity suppliers that eventually benefit of such services.

Expenses regarding the balancing market

Expenses regarding the balancing market amounted to 175,033,364 in the first quarter of 2019 and followed the development provided in the *Revenues on the balancing market* chapter.

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

15. Personnel expenses

	Quarter 2019	Quarter I 2018
Expenses with personnel salaries	42,746,519	38,115,074
Social expenses	246,137	675,748
Expenses for meal tickets provided to employees	1,684,275	1,679,757
Expenses for mandate contracts and other committees, commissions	568,460	539,696
Expenses for social insurance and protection	2,347,990	2,126,994
Provisions constituted for salary expenses and assimilated	(2,799)	(4,011)
Other expenses	176,401	194,009
Total	47,766,983	43,327,267

Personnel expenses made in the first quarter of 2019 registered increase compared to the first quarter of 2018, determined by higher expenses with personnel salaries.

16. Other operational expenses

	Quarter I 2019	Quarter I 2018
Other expenses for services provided by third parties	14,435,103	11,317,576
Expenses for postal and telecommunication fees	244,103	253,284
Rental expenses	367,773	2,149,628
(Net) operational expenses with provisions for the depreciation of current assets	(31,768)	196,641
Other expenses, of which:	(11,771,014)	11,398,332
- (Net) expenses with provisions for other operational expenses	(30,130,594)	539,164
- Expenses for taxes and charges (ANRE fee, natural monopoly tax, other local taxes and charges)	12,897,883	5,447,529

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- Expenses for international subscriptions	1,137,918	1,155,252
- Travel expenses	1,035,463	1,080,906
- Expenses for merchandise	780,823	238,574
- Expenses for power procured for administrative consumption	740,656	565,230
- Expenses for natural gas procured	517,567	409,554
- Expenses with personnel transportation	270,170	269,949
- Expenses for studies and research	52,250	643,050
- Other operational expenses	926,850	1,049,124
Total	3,244,197	25,315,461

In the first quarter of 2019 such expenses decreased 22,071,264 compared to the first quarter of 2018, determined by

- The drop of (net) expenses with provisions for other operational expenses as a result of cancelling the 31,180,858 provision constituted for the dispute with ASITO KAPITAL SA (see Note 18),

and against a background of increased:

- Expenses for taxes and charges because the percentage quantum of ANRE's annual fee increased to 2% from the turnover of NPG Transelectrica SA compared to 0.1% applied in the previous year according to OUG 114/2018;
- Other expenses for services provided by third parties because in the first quarter of 2019 the basic services for data exchanges, calculations coordinated by TSCNET Services were registered, including the costs generated by the Company's affiliation to the shareholders of TSCNET. Such costs are quarterly registered in 2019.

17. Net financial result

	Quarter I 2019	Quarter I 2018
Revenues from interest rates	1,085,923	1,239,543
Revenues from exchange rate differences	1,919,136	1,330,901
Other financial revenues	25,875	19,715
Total financial revenues	3,030,934	2,590,159
Expenses with interest rates	(1,706,081)	(5,133,406)
Expenses with exchange rate differences	(5,408,124)	(1,132,407)
Total financial expenses	(7,114,205)	(6,265,813)
Net financial result	(4,083,271)	(3,675,654)

On 31 March 2019 the Company registered net financial result (loss) amounting to 4,083,271, 407,617 higher compared to the one registered in the same period of 2018. It was mainly influenced by the development of the national currency's exchange rate with the foreign currencies the Company has contracted bank loans to finance its investments (Euro, Dollar).

The national currency's average exchange rate registered on 31 March 2019 compared to the one registered on 31 March 2018 is as follows:

Currency	31.03.2019	31.03.2018
Lei / Euro	4.7464	4.6594
Lei / US Dollar	4.1761	3.7785

18. Disputes and contingencies*i) Disputes*

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.

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

- On the docket of Mehedinti Tribunal, Civil Section II, Administrative and Fiscal Disputes Section, the file no. 3616/101/2014 was recorded, involving the “claims in the amount of 1,090,831.70, 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 Mehedinti Court admitted the request lodged by plaintiff RAAN and ordered NPG Transelectrica SA to pay the amount of 1,090,831.70 lei, the counter value of invoice no. 1300215/31.12.2013.

The amount requested for payment represents penalties calculated by RAAN for the bonus due under the support scheme and withheld by the Company, in its capacity of Administrator of the support scheme that applied the provisions of article 17 para 5 from Order 116/2013 of ANRE president (see Note 9). The amount was enforced by RAAN on June 15th, 2016, as per the Decision issued by the Bankruptcy Receiver Office Ailiesei & Guta in the enforcement file no. 12105/2016.

Civil ruling 843/2015 of Appeal Court Craiova denied as without interest the appeal filed by NPG Transelectrica SA against civil sentence 127/10.10.2014.

Against decision no. 843/November 5, 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 Mehedinti Court- Section II Civil, Administrative and Fiscal Disputes, pronounced in the public hearing from October 10th, 2014, in file no. 3616/101/2014, as well as against the Decision no. 1/2015 of the Mehedinti Tribunal, Section II Civil, Administrative and Fiscal Disputes, pronounced in the public hearing from January 9th, 2015, in file no. 3616/101/2014, NPG Transelectrica SA filed an appeal asking the court to allow the appeal as it was filed and to reverse the judgment and sentences under appeal and to refer the case to the trial court in the territorial jurisdiction for judgement, and to declare the compliance with the requirements of Articles 1616 and 1617 of the Civil Code, reason for which it is being required to declare the intervention of the compensation of mutual debts, and their redemption up to the amount of the smallest of them, namely the total amount requested by the plaintiff in the application for summons, ordering the appeal - plaintiff to pay the expenses occurred with this appeal.

The appeal was registered on the docket of the High Court of Cassation and Justice that 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 Transelectrica and remanded sentence no. 127/2014 pronounced by Mehedinti Tribunal, and the case was remanded for retrial to the Bucharest Court – Section VI Civil. On the docket of the Bucharest Tribunal, 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 Transelectrica to pay the amount of 1,090,831.70 lei. The sentence was appealed. The resolution of the Court of Appeal of Bucharest: Denies the appeal as groundless; final. Ruled in open court today, December 13th, 2018;
Document: Ruling 535/2018 13.12.2018

In 2014-2015 the Company withheld the bonus owed to RAAN under the support scheme according to the provisions of ANRE regulations, namely article 17 para 5 of Order 116/2013 of the ANRE president.

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

- On the docket of Mehedinti Tribunal, Section II Civil, Administrative and Fiscal Disputes Section, the file no. 1284/101/2015 was registered, involving the “claims in the amount of 11,637,440”, a file in which the Company is the defendant, the plaintiff being the Autonomous Authority for Nuclear Activities – RAAN.

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

On May 22th, 2015, the Mehedinti Court - Section II Civil, Administrative and Fiscal Disputes Section, ruled the sentence no. 41/2015, by which it ordered the following: “Admits the exception of territorial incompetence. It declines ruling competency in favour of Bucharest Tribunal, Civil Section VI. No appeal. The file was registered to the Bucharest Court - Civil Section VI, under no. 24206/3/2015.

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The claimant RAAN expressed request to change the quota of claimed rights, asking to oblige Transelectrica SA to pay the indexed amount of 17,805,680.

On November 3rd, 2015, the Bucharest Court, Civil Section VI delivered the sentence no. 6075/2015, by which it ordered the following: "Upholds the application in the way it was completed. Orders the defendant to pay the plaintiff the amount of 17,805,680.lei, representing the equivalent value of the bonus and penalties. It dismisses the application for granting legal expenses, lodged by the plaintiff, as ill-founded. The judgment can be appealed within 30 days from the communication. The appeal will be submitted to Bucharest Tribunal, Civil Section VI.

The ruling was communicated on July 4th, 2016, according to the registration entry stamp of the correspondence with Transelectrica SA. The ruling was appealed. The hearing conclusion of 12.01.2017 pronounced under file 24206/3/2015, the Appeal Court Bucharest decided suspending appeal judgment until final settlement of file 9089/101/2013/a152 on the docket of Mehedinti Tribunal, according to article 413 para 1 pt. 1 NCPC. Appeal during the entire suspension.

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

- On the docket of Bucharest Tribunal, Section VI Civil the file no. 26024/3/2015 was recorded involving "claims", a file in which the Company is the defendant, the plaintiff being the Autonomous Authority for Nuclear Activities – RAAN. By the application for summons filed by the plaintiff, they asked Transelectrica SA to pay the amount of 10,274,679. The court reserved judgement on June 13th, 2016, postponing the ruling until June 27th, 2016 when, by hearing protocol, it ordered the re-docking 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. Appeal right throughout the suspension;

The Court of Bucharest decided to suspend hearing the case, considering that its settlement depends on the decision to be given in file no. 9089/101/2013/a152 on the docket of Mehedinti Tribunal.

- On the docket of Bucharest Tribunal, Section VI Civil the file no. 3694/3/2016 was recorded involving "claims", a file in which the Company is the defendant, the plaintiff being the Autonomous Authority for Nuclear Activities – RAAN. By the application for summons filed by the plaintiff, they asked Transelectrica SA to pay the amount of 15,698,722. On the grounds of Article 413 para. (1) pt. (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. Appeal during the entire suspension. The case was resumed after the final settlement of file no. 3014/2/2014, but it was suspended again on 31.01.2019 until file no. 9089/101/2013/a152 on the docket of Mehedinti Tribunal was settled.

- On the docket of Mehedinti Tribunal, Section II Civil, Administrative and Fiscal Disputes Section, the file no. 9089/101/2013/a140 was registered involving "claims in the amount of 86,513,431", a file in which the Company is the plaintiff, the defendant being the Autonomous Authority for Nuclear Activities – RAAN. By application for summons filed by the plaintiff, they asked RAAN to pay the amount of 86,513,431.

On May 19th, 2016 the Mehedinti Tribunal, Section II Civil, Administrative and Fiscal Disputes Section, pronounced a hearing protocol by which it ordered the following: "Based on art. 413 pt. 1 of the Civil Procedure Code decides suspending the case until settlement of file no. 3014/2/2014 on the docket of the High Court of Cassation and Justice. Appeal during the entire suspension. Pronounced on May 19th, 2016, in open court"; hearing scheduled for 06.06.2019;

- Mention should be made that by the protocol dated on September 18th, 2013, ruled by the Mehedinti Tribunal in file no. 9089/101/2013, the opening of the general insolvency proceedings has been ordered against the debtor Autonomous Administration for Nuclear Activities RA (R.A.A.N.)

By means of sentence 387/20.03.2014 Mehedinti Tribunal confirmed the reorganisation plan of debtor Autonomous Administration for Nuclear Activities, proposed by the judiciary administrator Tudor&Asociatii SPRL and voted by the General Assembly of Creditors according to the minutes of 28.02.2014.

In the intermediate ruling 10/28.01.2016, pronounced by Mehedinti Tribunal, Section II Civil of Administrative and Fiscal Disputes the syndic judge ordered opening the bankruptcy procedure for the debtor based on art. 107 para 1 let C of Law 85/2006, as well as dissolving the debtor and withdrawing its administration right.

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 Tribunal, Section II Civil, Administrative and

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Fiscal Disputes Section.

By the hearing protocol of 30.06.2016, the Mehedinti Tribunal, Section II Civil, Administrative and Fiscal Disputes section, set the new procedural terms as follows: "Sets the deadline for submitting the trade receivables claims occurring during the procedure on 13.08.2016; sets the deadline for verifying claims occurring during the procedure, compiling, displaying and communicating the additional receivables table on 29.09.2016. It sets the deadline for filing appeals against receivables occurring during the procedure on 9 October 2016 and for settling appeals against claims occurring during the procedure on 20 October 2016; sets the deadline for the preparation and display of the consolidated final table on 10 November 2016";

Together with filing the receivables declaration in the bankruptcy proceedings of RAAN, Transelectrica SA may invoke the provisions of Article 52 of Law no. 85/2006, applicable to the bankruptcy proceedings for RAAN, provisions taken from Article 90 of Law no. 85/2014 concerning the creditor's right to invoke the compensation of his receivable with the one of the debtor, when the legal provisions on compensation in legal proceedings are completed on the date of commencement of the procedure. Transelectrica SA has been registered in the table of debtor RAAN with the amount of 11,264,777 lei under the category of receivables resulting from the continuation of the debtor's activity, the amount requested by our company being equal to 89,360,986 lei, our amount of 78,096,208.76 lei not being registered in the preliminary table because "this is not listed as owed in RAAN's accounting records." Moreover, the liquidator considered that the request regarding the registration in the table of the amount equal to 78,096,209 lei is tardily filed, being related to the timeframe 2011 – 2013, reason for which the receivable declaration should have been filed at the moment of commencement of the insolvency proceedings, namely on September 18th, 2013. An objection was filed against the Additional Receivables Table. The Mehedinti Court approved the evidence with the audit expertise. The parties expressed objections to the accounting expertise report, which were admitted by the instance that set the hearing term on 22.02.2018. On the 14.06.2018 term the case judgment was suspended until settlement of file 3014/2/2014 on the docket of the High Court for Cassation and Justice. Hearing scheduled for: 06.06.2019.

- Following a control 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 upon 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 20.01.2016 hearing the court deferred the case to enable the designated chartered accountant to express his opinion about the defendant's objections to the expertise report and the technical expert to perform his expertise. On June 29th, 2016, the court postponed the case so that the technical expertise report may be finished. The next hearing was set on October 26th, 2016, and until the date of drafting this report; no other changes have been registered.

On 13.06.2018 the following settlement was pronounced:

Settlement type: Partly admits the request.

Settlement in brief: Partly admits the plaintiff's action. Partly cancels conclusion 7/20.02.2014, ruling 37/9.12.2013 and the audit report 35521/6.11.2012 issued by the defendant as regards the measures provided under the fore-mentioned decision in items 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 partially the measure of item II.13 in the sense of removing the phrase "including what has been found about the invoices issued by Florea Administrare Imobiliara SRL". For the remainder, the court rejects the request of the plaintiff as groundless. It approves the electricity technical expertise report drafted by Toaxen Vasile as expert; compels the defendant to pay 121,375 Lei law suit expenses to the claimant (partially expert fees and judiciary stamp tax). Appeal right within 15 days from notification. The appeal shall be lodged before the Bucharest Court of Appeal, Section VIII, Administrative and Fiscal Disputes Section; ruled in open court on June 13th, 2018.

Document: Ruling 2771/2018, 13.06.2018. Transelectrica filed an appeal, which was rejected by ICCJ as groundless by decision no. 145/28.01.2016.

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

On 26.06.2014 ANRE Order 51 was issued, published in Romania's Official Gazette no. 474/27.06.2014, approving the average tariff for transmission services, the tariff for system services and the zone tariffs of transmission services used by the National Power Grid Company Transelectrica SA and cancelling annex 1 to Order 96/2013 of ANRE president approving the average tariff for transmission services, the tariff for system services and the zone tariffs of transmission services as well as the tariffs for reactive electric power, applied by economic operators of the electricity sector.

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

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

At the hearings from March 25th, 2016, April 22nd, 2016, June 10th, 2016 and March 3rd, 2017, the court postponed the judgement of the cause because of the missing technical expertise report. The expertise completion term was set on January 22nd, 2019.

The dispute did not impact the relationship with ANRE or the Company's financial results. Hearing scheduled for: 14.05.2019.

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

The Shareholders' General Assembly of the subsidiary SC OPCOM SA, 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 AT 39984 in the antitrust case. Subsidiary SC OPCOM SA has made full payment of the fine set by the European Commission.

On November 24th, 2014, subsidiary SC OPCOM SA summoned NPG Transelectrica SA in order to force it to pay the amount of 582,086 EUR (2,585,162 lei at the National Bank of Romania exchange rate from November 24th, 2014), representing the amount paid by her as fine, from the total of the fine amounting to 1,031,000 EUR.

Also, the subsidiary SC OPCOM SA requested the court to order the Company to pay the amount of 84,867.67 lei as lawful interest related to the period June 11th, 2014 - November 24th, 2014, plus legal expenses amounting to 37,828. The action filed by the subsidiary SC OPCOM SA is subject of the file no. 40814/3/2014 on the docket of the Bucharest Tribunal, Section VI Civil, involving claims, litigation with professionals. NPG Transelectrica SA has lodged a counterclaim against the application for summons in this case, invoking exceptions and defences on the main issue of the matter regarding the unfounded and unlawful character of the action.

On July 24th, 2015, the Bucharest Tribunal 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 SA against defendant National Power Grid Company Transelectrica SA Orders the defendant to pay the plaintiff the amount of 582,086.31 euro, representing the amount paid by the plaintiff in the defendant's stead from the fine in the amount of 1,031,000 euro, imposed by the Decision of the European Commission on March 5th, 2014 in the case 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 37,828 lei, as legal expenses. Appeal right within 30 days from notification. The appeal shall be lodged at the Bucharest Tribunal, Civil Section VI.

Against sentence no. 4275/2015, pronounced in the fore-mentioned file, Transelectrica SA filed an appeal, which was registered on the docket of the Appeal Court Bucharest. The resolution of the Appeal Court 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 appeal - plaintiff to pay the trial expenses to the appellant - defendant amounting to 16,129, representing legal stamp duty. Appeal right within 30 days from notification; ruled in open court today, October 10th, 2016. Document: Ruling 1517/2016 10.10.2016

OPCOM SA filed an appeal. The High Court of Cassation and Justice decided the following: Grants, in principle, the appellant-plaintiff Romanian Gas and Electricity Market Operator – OPCOM SA 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 on December 5th, 2017.

At the hearing from March 13th, 2018, the court granted the appellant-plaintiff Romanian Gas and Electricity Market Operator – OPCOM SA motion against decision no. 1517/10.10.2016 ruled by the Bucharest Court of Appeal, Civil Section V. Invalidates the contested decision and refers the case to the court of appeal; final.

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

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On the 01.10.2018 hearing term the Appeal Court Bucharest decided denying the appeal as groundless and compelling the respondent in appeal-defendant to pay 26,070.31 Ron as law suit expenses to the respondent in appeal-claimant. Appeal right within 30 days from notification.

The Company registered a provision of 2,670,029 Lei for the dispute with Subsidiary OPCOM SA in 2014.

• Through the suit filed by Conaid Company SRL, registered with Bucharest Tribunal in file no. 5302/2/2013, the plaintiff asked that the court should establish:

a) The court should establish the unsupported refusal of Transelectrica SA to enter and sign an addendum to Contract no. C154/27.04.2012 for the connection to the Power Transmission Grid of the 102 MW WPP Garana and the 147 MW WPP Garana in the area of Brebu Nou, Garana, Slatina and Timis, Caras Severin county, by establishing the 400/110 kV Garana power substation and the 400 kV DC OHL for the connection of the 400/110 kV Garana power substation in an input-output system to the new 400 kV Portile de Fier - Resita OHL,

b) that Transelectrica should be compelled to enter the addendum to the contract, including the changes related to the new technical solution, based on CTES approval no. 422/21/12/2012

c) That the obligation regarding suspensive conditions cannot be classified as met by the plaintiff for the exclusive fault of the defendant;

d) The court should establish the unsupported refusal of Transelectrica SA to enter and sign a new Contract for the connection to the National Power Grid of the 102 MW Garana WPP and the 147 MW Garana WPP in the area of Brebu Nou, Garana, Slatina and Timis, Caras Severin county, by establishing the 400/110 kV Garana power substation and the 400 kV DC OHL for the connection of the 400/110 kV Garana power substation in an input-output system to the new 400 kV Portile de Fier - Resita OHL, and decide to compel us to enter the new connection contract.

e) The Court should compel Transelectrica SA "to pay the sums of 722,756,000 EUR, representing the profit not achieved according to the business plan, under the reserve of increase, and 17,419,508.07 RON, representing actual expenses registered in account books, under the reserve of increase, representing the damage caused to the plaintiff company"

Through the ruling of the Court of Appeal of Bucharest, Administrative and Fiscal Disputes Section VIII, given in public court on 18.02.2014, in file no. 5302/2/2013, the competent court decided to reject as ill-founded the exception of the material incompetence of the court, invoked by our company.

Through the ruling of the Court of Appeal of Bucharest, Administrative and Fiscal Disputes Section VIII, given in public court on 25.03.2014, in file no. 5302/2/2013, the competent court decided to reject as ill-founded the exception of non-admissible action, invoked by our company.

Through the ruling of the Bucharest Court of Appeal, Administrative and Fiscal Disputes Section VIII, given in public court on 20.05.2014, in file no. 5302/2/2013, the competent court decided to separate the demand aimed at compelling the defendants to pay indemnities and to set up a new file, no. 3372/2/2014, registered with the Court of Appeal of Bucharest, Administrative and Fiscal Disputes Section VIII, where, through the ruling given in public court on 24.06.2014, the court decided the following solution: "In accordance with article 413 para 1 item 1 from the Civil procedural code, it suspends judging the case. Appeal during the entire suspension. The appeal is submitted to the Court of Appeal Bucharest. Ruled in open court on June 24 2014"

Through civil ruling no. 1866/11.06.2014 of the Court of Appeal of Bucharest - Administrative and Fiscal Disputes Section VIII, given in public court on 11.06.2014, the action filed by S.C. CONAID COMPANY S.R.L. was rejected as ill-founded, considering that the exceptions invoked by the defendant Transelectrica SA in the appeal were rejected through the rulings of 18.02.2014 and 25.03.2014, for the reasons therein shown.

Transelectrica SA filed an appeal against the sentence regarding the rejection of exceptions and against the meeting rulings of 18.02.2014 and 25.03.2014.

Both the plaintiff and the plaintiff's representative filed an appeal against the ruling.

The file was registered with the High Court for Cassation and Justice, on the docket on 17.06.2016, with settlement being postponed for 29.06.2016, when Decision no. 2148/2016 was given, as the High Court for Cassation and Justice decided as follows: "Rejects the exceptions invoked by the appellant - plaintiff S.C. Conaid Company S.R.L., via insolvency administrator RVA Insolvency Specialists SPRL, and by the appellant - defendant National Power Grid Company Transelectrica SA Admits the second appeal filed by the defendant National Power Grid Company Transelectrica SA 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 - Administrative and Fiscal Disputes Section VIII. Partially invalidates the contested protocol and judgment and refers the case to the Bucharest Tribunal, Civil Section VI, for settlement of the application of the plaintiff sought against the National Power Grid Company Transelectrica SA. Maintains the other provisions of the sentence concerning the plaintiff's action against the National Regulatory Authority for Energy. It rejects the appeals of the plaintiff Conaid Company SRL via insolvency administrator RVA Insolvency Specialists SPRL and the intervener Duro Felguera SA against the civil sentence 1866 of June 11th, 2014 pronounced by the Bucharest Court of Appeal, Administrative and Fiscal Disputes Section VIII. Rejects the appeal filed by the defendant National Power Grid Company

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Transelectrica SA against the hearing protocol from March 25th, 2014, pronounced by the Bucharest Court of Appeal, Administrative and Fiscal Disputes Section VIII; final. Ruled in open court on June 29, 2016”;

The file was re-registered with Bucharest Tribunal under no. 12107/3/2017.

Bucharest Tribunal had the action on its docket on 09.11.2017, postponing the decision for 23.11.2017, when ruling no. 4364/23.11.2017 was given, as follows: “Admits the exception of inadmissibility; dismisses the application as inadmissible; rejects the application for leave to intervene in the applicant's interest. Appeal right within 30 days from notification. Such appeal is submitted to the Court of Bucharest, Civil Section VI. Sent to the parties via registry today, November 23rd, 2017”

No appeal filed by the plaintiff has been registered so far.

On 02.11.2018 Bucharest Tribunal, Civil Section VI registered a new lawsuit filed by Conaid Company SRL, in file no. 36755/3/2018, by which the plaintiff asked that the court should compel Transelectrica SA to “repair the damages caused to the plaintiff, pursuant to the defendant’s failure to meet its obligations, of 17,216,093.43 RON, consisting of an actually incurred damage and the non-achieved benefits, provisionally estimated at 100,000 EUR (...) considering the unjustified refusal of Transelectrica SA to enter and sign an addendum to Contract no. C154/27.04.2012 and when the court considers that, from a formal point of view, it cannot be considered that the plaintiff has met its obligation regarding suspensive conditions, this failure to perform is due to the exclusive fault of Transelectrica SA, since the plaintiff prevents the fulfilment of requirements”

Hearing scheduled for: 11.06.2019.

- 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. NPG Transelectrica SA 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 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. Contestations are on the docket of the Appeal Court Bucharest and the High Court of Cassation and Justice.

- Case file no. 47332/3/2017 on the docket of Bucharest Tribunal, Section VI Civil, by which the company FF Wind Energy International SRL requests the following against NPG Transelectrica SA: - cancelling the one-sided termination statement of the National Power Grid connection contract 85/14.03.2011 issued on 02.03.2016 under no. 8295, - compelling the Company to pay 32,777,167.35 Lei as prejudice after contract termination and 45,000,000 Euro, representing the devaluation amount of Co. FF Wind Energy International SRL by preventing it to achieve its purpose. Status of the file: in preliminary proceedings for notification of the action and filing statement of defence.

Settlement in brief: Rejects the law suit, as stipulated, classifying it as groundless. Acknowledges the claimant has not asked for law suit expenses. Appeal right within 30 days from notification. In accordance with article 425 para 3 and of article 471 para 1 from the Civil Procedural Code, the appeal and the appeal reasons are submitted to Bucharest Tribunal, Civil Section VI; sent to the parties via registry today, December 28, 2018. Document: Ruling 3891/2018, 28.12.2018.

The company FF Wind Energy International SRL filed an appeal.

- At the offices of Transelectrica SA, a general fiscal inspection took place targeting the interval December 2005 – December 2010. Such general fiscal audit began on 14.12.2011 and ended on 26.06.2017, date of the final discussion with Transelectrica SA.

ANAF – DGAMC established additional fiscal obligations payable by the Company, namely income tax and VAT, as well as accessory fiscal liabilities (interest/delay indexations and penalties) with respect to technological system services (STS) invoiced by energy suppliers, considered non-deductible after the fiscal audit.

In accordance with the taxation decision F-MC 439/30.06.2017, in total sum of 99,013,399 Lei, ANAF – DGAMC established additional fiscal liabilities payable by the Company, amounting to 35,105,092 Lei, as well as accessory fiscal ones (interest/delay indexations and penalties), amounting to 63,908,307 Lei.

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

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

On the 30.04.2014 term the Appeal Court Bucharest, Administrative and Fiscal Disputes Section VIII (Ruling 1356/2014) under file 6657/2/2012 denied the request of “claimant NPG Transelectrica SA (Appeal against ANAF’s Fiscal administrative act)”. On March 1, 2017, the High Court of Cassation and Justice ordered by decision no. 779 the following: “denies the inadmissibility exception of the contestation for cancellation filed by contestor Transelectrica SA, invoked by defence by the respondent in appeal, the General Directorate for Large Tax-payers Administration; dismisses the appeal for

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cancellation formulated by the appellant Transelectrica SA against civil decision no. 1945 of 16 June 2016 of the High Court of Cassation and Justice, Administrative and Fiscal Disputes Section, pronounced in file no. 6657/2/2012, as unfounded; irrevocable”.

- Income tax amounting to 4,795,483 and collected VAT amounting to 5,694,636 plus accessories, owed for a number of 349 unused invoices identified as missing (they were destroyed in the fire that broke out the night of June 26th - 27th, 2009, at the business office from Millennium Business Centre from 2-4 Armand Calinescu Street, Bucharest 2, where the company carried out its activity), documents under special regime;

- Income tax amounting to 4,320,277 and collected VAT amounting to 5,130,329, as well as accessories relating to expenses with technological system services invoiced by producers in 01.01.2007 - 31.12.2010 and according to which the Company issued penalty invoices calculated by applying 200% over the VAT-free unit price, multiplied with the quantity of unrealised services. According to the findings of the fiscal audit team, starting from the penalty invoices issued non-deductible expenses were established for unrealised / not provided technological system services, which generate additional payable income tax, as well as additional payable VAT for the technological system services invoiced by the electricity suppliers but not provided / achieved.

The Company filed an appeal against the Taxation decision F-MC 439/30.06.2017 within the legal term according to GO 92/2003 on the Fiscal procedural code. ANAF issued the enforcement title 13540/22.08.2017 based on which the additional payment obligations established under the Taxation decision F-MC 439/30.06.2017 were executed.

The Company requested cancelling the enforcement title 13540/22.08.2017 from the Appeal Court in file 7141/2/2017. Settlement in brief: Admits the exception of the material incompetence of the Appeal Court Bucharest, SCAF; declines the case settlement competence in favour of Law Court of Bucharest District 1; no appeal; ruled in open session on February 8th, 2018

Document: Ruling 478/2018, 08.02.2018.

After declining the jurisdiction, on the docket 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 Taxation Decision F-MC 439/30.06.2017.

Settlement in brief: Admits the request of judgment suspension filed by the appellant. On the grounds of Article 413 (1) pt. (1) of the Civil Procedure Code, judgement is suspended until the final settlement of case file no. 1802/2/2018, on the docket of the Court of Appeal Bucharest, Section VIII Administrative and Fiscal Disputes. Appeal right during the entire suspension; appeal to be submitted to the Law Court of Bucharest 1; ruled in open court. Document: Conclusion - Suspension 17.04.2018

On the docket of the Court of Appeal is the case file no. 1802/2/2018 through which the Company contested the fiscal administrative document - Decision no. f-mc 439/30.06.2017. On the session term 06.11.2018 the court admitted the administration of the expertise evidence, in the accounting – fiscal specific domain. Hearing scheduled for: 14.05.2019.

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 NPG Transelectrica SA; the decision was received on March 16th, 2018, after filing the application for summons which is subject to case file no. 1802/2/2018.

• The Company submitted on 01.07.2017 a summons regarding issuance of a payment ordinance, suit under file no. 24552/3/2017, on the docket of Bucharest Tribunal, Section VI Civil, requesting the court to pronounce a judgment obliging the debtor ASITO KAPITAL SA to pay the amount of 7,058,773.36 Euro (*equivalent of 31,180,857.96 Lei*), representing insurance policies to provide down payments BR – 1500544/18.11.2015 and BR – 1500520/29.07.2015.

Settlement in brief: The demand is admitted. The debtor is ordered to pay 2,237,750.83 Euro (equivalent of 9,948.592,64 Lei at the exchange rate of 4.4458 lei / euro) within 20 days from notification of this judgment, representing unreturned down payment secured under indemnity letter for down payment BR-1500544/18.11.2015 as well as 4,821,022.53 Euro (equivalent of 21,233,265.32 Lei at the 4.4041 lei/euro exchange rate) representing unreturned down payment secured under indemnity letter BR-1500520/29.07.2015 for down payment; 200 Lei as suit legal costs. Appeal right within 10 days from notification.

Decision 4067/07.11.2017 was drafted and communicated to both parties on 17.10.2018.

On 01.11.2018, Decision 4067/07.11.2017 was legalized and BEJ Raileanu filed for execution of the enforcement order.

On 06.11.2018, ASITO KAPITAL SA paid the Company the amount of 31,181,857.96 as follows:

- The amount of 21,233,265.32 - according to the Civil Decision no. 4067/2017 (EUR 4,821,022.53 at the 4.4041 rate);
- The amount of 9,948,592.64 - according to the Civil Decision no. 4067/2017 (EUR 2,237,750.83 at the 4.4458 rate);

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As of October 26, 2018, ASITO KAPITAL SA formulated within the legal term an application for annulment against the Decision 4067/2017.

Considering the demand for cancellation filed by ASITO KAPITAL SA against Decision 4067/2017, the Company established a provision for litigation of 31,180,858.

We should mention that, within file 35865/3/2018 (former file no. 24552/3/2017) the hearing term set for settlement of the request to cancel the payment ordinance whereby repayment of 31.2 mill Lei was ordered, was set for on 19.02.2019. Postponement of decision: 20.03.2019.

At the hearing on 19.02.2019, after the conclusion of the judicial investigation and granting the parties the right to address the court on exceptions, evidence and the merits of the case, the court deferred pronouncing, postponing the pronouncement twice until the hearing of 20.03.2019. Following deliberation, the Bucharest Tribunal gave the following settlement in brief:

- Dismisses as inadmissible the request for the reversal of enforcement.
- Dismisses as groundless the request for a refund of the stamp duty related to the claim for the reversal of enforcement.
- Dismisses the request for annulment made by the appellant-debtor ASITO KAPITAL S.A. against the Civil Sentence no. 4067 / 07.11.2017 pronounced by the Bucharest Tribunal - Section VI Civil in file no. 24552/3/2017, in contradiction with the respondent-in-appeal-creditor of the National Power Grid Company TRANSELECTRICA S.A., as unfounded. Final. Pronounced in open court today, March 20th, 2019. Document: Decision no. 743/2019 /20.03.2019.

Decision no. 743/2019 /20.03.2019 is certified by the Certificate from the Office of the Court Clerk, issued on 18.04.2019 by the Bucharest Tribunal, Section VI Civil.

Until the date of these interim financial statements, Decision no. 743/2019 / 20.03.2019 was not drafted and was not notified to the creditor NPG Transelectrica SA.

• Through the summons of case file no. 2494/115/2018, the claimant Resita City requests that the defendant NPG Transelectrica SA should be compelled to pay the following amounts:

- 2,129,765.86 Lei, representing rent for the land area temporarily taken from the forestry fund in 2015;
- 2,129,765.86 Lei, representing land rent for 2016;
- 2,129,765.86 Lei, representing land rent for 2018;
- Penalty legal interest from due date until actual payment;
- Legal expenses;

File 2494/115/2018* was registered on the docket of Caras Severin Tribunal.

Settlement: Admits the exception of territorial incompetence of Caras Severin Tribunal. Declines the competence to settle the request expressed by claimant Resita City – by its mayor in contradiction with defendant NPG Transelectrica SA in favour of Bucharest Tribunal. No appeal according to art. 132 para 3 of the Civil Procedural Code; pronounced in public hearing on March 11st, 2019; Document: Ruling 313/2019.

• In its lawsuit, the plaintiff National Forestry Authority Romsilva, Caras Severin Forest Management Department asks that the defendant NPG Transelectrica SA should be compelled to pay the following amounts:

- 2,433,608.52 Lei, annual lease for the temporary occupation of the land in the national forest fund + late payment penalties from the due date of the lease 31.01.2018 until actual full payment;
- 304,298.47 Lei, equivalent value of the final disposal of the land from the national forest fund, equivalent value of the loss in the enhanced exploitation of wood + late payment penalties from 10.05.2015 until actual and full payment;

The case was included in file 2434/115/2018, on the docket of Caras Severin Tribunal.

On 29.11.2018 Caras Severin Tribunal pronounced sentence no. 3326/2018, ordering the following: “Admit the exception for territorial non-competence of the Caras Severin Tribunal. Decline jurisdiction for solving the demand filed by the plaintiff RNP - Romsilva, Caras Severin Forest Management Department against the defendants National Power Grid Company Transelectrica SA and National Power Grid Company Transelectrica SA - Timisoara Transmission Branch; final. Ruled in open court on November 29th, 2018”

The file was registered on the docket of Bucharest Tribunal, Section IV Civil, no. 2434/115/2018, which on 22.01.2019, pronounced the following settlement: “Admit the exception of functional non-competence. The file should be submitted to Section VI Civil of the Bucharest Court, for settlement. No appeal; ruled in open court on January 22nd, 2019”

The file was re-registered with the Court of Bucharest - Section VI Civil, no. 2434/115/2018*, which, on 13.02.2019, pronounced the following settlement: “Admits the exception of the fundamental non-competence of the Court of Bucharest - Section VI Civil, invoked automatically. To decline jurisdiction in favour of Bucharest Court, Section IV Civil, to which

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the file shall be immediately submitted. Ascertains a negative conflict of competence; suspends the case judgment and submits the file to the Court of Appeal of Bucharest, for settlement. No appeal. Ruled in open court on February 13rd, 2019"

- In her lawsuit, the plaintiff Pop Lucia asks that the defendant NPG Transelectrica SA should be compelled to pay damages for land expropriation based on Law 33/1994.

On October 29th, 2012, ICCJ: Decision no. 6555: To admit the appeals filed by plaintiff National Power Grid Company Transelectrica SA Bucharest through National Power Grid Company Transelectrica SA, Cluj Transmission Branch and the defendant Pop Lucia against the civil decision no. 219/2011-A of November 22nd, 2011 of the Court of Appeal of Oradea, Section I Civil. To dispose of the appealed decision and send the case to the same court, for reconsideration purposes; irrevocable.

Hearing: 19.09.2018

Settlement in brief: Admits the civil appeal filed by the appellant POP LUCIA, against the respondent in appeal National Power Grid Company Transelectrica SA Bucharest through National Power Grid Company Transelectrica SA, Cluj Transmission Branch, on behalf of the Romanian state, and the Prosecutor's Office of the Court of Appeal of Oradea, against the civil sentence no. 240/C of June 19, 2008 given by the Court of Bihor, which it partially changes, i.e. It increases the amount of indemnities awarded by the first court, from 25,000 EUR to 48,914 EUR. It maintains the other provisions of the ruling. It compels the defendant NPG Transelectrica SA Bucharest, through NPG Transelectrica SA, Cluj Transmission Branch, to pay 2,500 RON to the appellant POP LUCIA as legal expenses. It rejects the appeal filed by NPG Transelectrica SA Bucharest through NPG Transelectrica SA, Cluj Transmission Branch, against the same ruling; final. Appeal within 15 days from notification; ruled in open court, today, 03.10.2018.

Document: Ruling 903/2018 (03.10.2018)

On 20.02.2019 the High Court for Cassation and Justice pronounced ruling no. 327/20.02.2019, deciding as follows: "To reject as unfounded the appeal filed by the National Power Grid Company Transelectrica SA Bucharest through NPG Transelectrica SA, Cluj Transmission Branch on behalf of the Romanian state against the Decision no. 903-A of October 3, 2018 of the Court of Appeal of Oradea, Section I Civil. To reject the request of the respondent in appeal Pop Lucia for the reimbursement of legal expenses. Irrevocable"

- By appealing the decision of the judicial administrator to refuse to answer the payment request, subject to file no. 6642/3/2018 registered with Bucharest Tribunal, Transelectrica asked that Electrocentrale Bucuresti SA, a debtor under the insolvency procedure, should be compelled to pay 56,680,387 RON, i.e. the equivalent value of the over-compensation, based on the Decision of ANRE President no. 476/30.03.2017. Settlement in brief: It rejects as unfounded the exception for the late appeal invoked by the respondent in appeal ELCEN by objection. It admits the appeal filed against the measure of the judicial administrator. It compels the debtor to pay the appellant the amount of 56,680,387 RON, i.e. the non-paid difference for the Overcompensation decision no. 476/30.03.2017 and the invoice series TEL17COG no. 17948/30.03.2017. It admits the request that the debtor should be compelled to pay legal expenses. It compels the debtor to pay the appellant 2,500 RON as legal expenses, representing a stamp fee and a provisional expertise fee. Appeal right within 7 days from notification. Appeal to be submitted to Bucharest Tribunal, Section VII Civil; ruled in open court on December 21st, 2018. Document: Ruling 7834/2018 (21.12.2018)

ELCEN filed appeal, which is under preliminary procedure with the Appeal Court Bucharest.

Also, the company is involved in significant disputes 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 registered allowances 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 Supervisory Board members, regarding the mandate agreements concluded between the Company and themselves.

The management of the Company considers that probably no resource output will be necessary to settle ongoing disputes. 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.

ii) Contingencies

The following audit measures are ongoing in Transelectrica's headquarters:

- Ministry of Public Finance, General Department of Economic and Financial Inspection - an audit activity that started on 15.09.2017 and which was suspended by Address 243104 / 29.11.2017 on the same date. The inspection was resumed on

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18.06.2018 (as per Letter 261403/12.06.2018) and was suspended by Letter 261775/17.07.2018. The verification objectives for 2012-2016 are provided below:

- Fundamentals and execution of the revenue and expense budget;
- Compliance with the budgetary, economic, financial and accounting discipline;
- Compliance with the legal provisions regarding the public and private property of the state and of administrative-territorial units, held in any form;
- Compliance with the provisions of the Government Order no. 64/2001 on the distribution of profits to the national entities, national companies and commercial companies with full or majority state capital, as well as self-governing administrations with later amendments and additions;
- The use of reserve holdings;
- The way of organizing and exercising the compulsory forms of internal / managerial control;
- The way in which the amounts granted from the consolidated general budget were substantiated and justified;

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

- Verifying the legality and conformity of fiscal returns and/or relevant operations for fiscal audit, the correctness and accuracy in complying with the obligations to establish taxation bases and the main fiscal liabilities of the income tax in the interval 01.01.2012 - 31.12.2016;
- Verifying the compliance provisions regarding tax and accounting legislation;
- Verifying other relevant taxation issues, whether accountable for the application of fiscal and accounting legislation;

By Decision 12/01.03.2019 registered with the Company under no. 10818/01.03.2019, ANAF-DGAMC decided to suspend the tax audit starting March 1st, 2019, based on article 127 para (1) (b) of Law 207/2015 on the Tax Procedure Code.

• The Romanian Government's – the control body of the prime minister – audit action began on January 3rd, 2019 in NPG Transelectrica SA and SMART SA – the objectives of the audit action are: checking the observance of provisions regarding the organization and operation of NPG Transelectrica SA, checking the observance of legal provisions regarding corporate governance rules regarding the appointment and compensation of the decision-making bodies of NPG Transelectrica SA (the Supervisory Board, Directorate), checking the observance of legal provisions regarding the assignment, entering and development of contracts in NPG Transelectrica SA, checking the observance of legal provisions regarding the establishment and achievement of incomes, as well as regarding the commitment and performance of expenses in NPG Transelectrica SA, checking the contracting and development of the financing contract no. 08164/14.04.2008 concluded between SMART SA and ING Bank, other aspects classified as relevant by the audit team.

• The Company's headquarters are hosting an audit of ANRE that began on 21.01.2019, with the following topics: checking how the company has fulfilled, starting 01.01.2016, the obligations set out in the Rules for the management and operation of maintenance activities approved by ANRE Orders no. 35/2002 and no. 845/2017, checking how the Company has performed as of 01.01.2016 works for the deforestation of vegetation and ornamental cutting, to create and maintain distance from power grids, checking how the company has performed, as of 01.01.2016, a reliability analysis for the grid elements in the areas affected by incidents and has performed correlation with investment and maintenance works, based on the obligation to ensure safety in electricity supply, stipulated under article 36 (7) (c) of the Electricity and natural gas law 123/2012, with later amendments and additions.

• On March 31st, 2018 Teletrans SA, a subsidiary of the Company was under audit that began on 29.05.2015 by the General Economic-Financial Audit Directorate from the Ministry of Public Finance, the reviewed period being 01.01.2010-31.12.2014, according to the service orders 82/27.05.2015 and 01.01.2015- to date, according to the service order 38/31.05.2017; the economic-financial audit objectives being:

- Fundamentals and execution of the revenue and expense budget;
- Compliance with the budgetary, economic, financial and accounting discipline;
- Compliance with the legal provisions regarding the assets from the state's public and private domain and in that of administrative-territorial units;
- The way of organising and exercising the compulsory forms of internal / managerial control;
- Checking the compliance with the provisions of GO 26/2013 on enhancing financial discipline of certain economic operators where the state or administrative territorial units are single or majority shareholders, or hold directly or indirectly majority participation during 2015 – to date;

The draft economic and financial audit report issued on February 21st, 2018 claims the effect of prejudicing the state budget with the total amount of 88,778,158, 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 SA's employees of the provisions of article 14, article 15 and article 16 of Law 213/1998 on public patrimony.

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Teletrans' letter 13443 from 26.03.2018 notified Transelectrica the following:

- In 21.02.2018 – 10.03.2018, several meetings took place between the representatives of Teletrans and the representatives of the Ministry's control team, which decided the calculation base used in the draft report was wrong, as it strictly related to the revenues registered without taking into account the expenses made (total amortisement of the procured grid equipment, human resources as well as all indirect costs of such activities) and without fully understanding the commercial and juridical relations between Transelectrica and Teletrans;
- Consequently, the control team together with the managers of the Economic-Financial Audit Division from the Ministry of Finance provided a new deadline to Teletrans by which it should submit the reviewed situation and additional explanations for the reviewed time interval, extending the 27.02.2018 term by 30.03.2018;

Beginning with 26.03.2019 the General Economic–Financial Audit Directorate from the Ministry of Public Finance extends the previous audit, the verified period being 01.01.2015 - 31.12.2018, according to the endorsement of the Ministry of Finance no. 261043/25.03.2019, registered at Teletrans under no. 3053/26.03.2019.

The economic-financial audit objectives are:

- Fundamentals and execution of the revenue and expense budget;
- Compliance with the budgetary, economic, financial and accounting discipline;
- Compliance with the legal provisions regarding the assets from the state's public and private domain and in that of administrative-territorial units;
- The way of organizing and exercising the compulsory forms of internal / managerial control
- Checking the compliance with the provisions of GO 26/2013 on enhancing financial discipline of certain economic operators where the state or administrative territorial units are single or majority shareholders, or hold directly or indirectly majority participation during 2015 – to date;

Until the date of these interim financial statements, Teletrans SA did not receive the Economic and Financial Inspection Report, the control being underway.

Regarding the legality of operating the excess optical fibre, the contractual relation was argued in juridical terms by taking into account the legal opinion of Bostina&Asociatii according to which the previous contract C45/2006 was qualified as mandate contract without representation aiming at "concluding contracts by TELETRANS SA in its own name but on account of Transelectrica's public telecommunication network in view of trading its capacity and infrastructure components". The construction of the juridical deed enabled concluding Covenant C111/2014, while maintaining the nature of juridical relations between the parties.

Letter 42553/17.10.2018 of NPG Transelectrica SA sent to Teletrans SA provided the analysis of revenues collected and expenses incurred during June 2006 - November 2017, analysis regarding the excess capacity of optical fibre and requested subsidiary Teletrans to transmit the Company's point of view with the analysis to the Economic-financial Inspection of MFP before it elaborates the Final RIF (Fiscal Audit Report).

At the request of Teletrans, the Company also sent to the subsidiary address no.16537/05.04.2019 regarding the investment objective "Rehabilitation and modernisation of some components of the dispatch system of NPG Transelectrica SA", the total amount of the royalty paid by the Company over the period 2006-2019, total optical fibre costs for 2006-2019.

Thus in view of determining the possible effect of the result with the draft economic-financial inspection report issued on February 21st, 2018, the Company examined the revenues collected by Transelectrica from Teletrans and the expenses incurred by Transelectrica from June 2006 to November 2017, associated to the excess optical fibre capacity, resulting in 3,047,441 difference between revenues collected and expenses made.

Consequently, until the approval date of these stand-alone interim financial statements on March 31st, 2019, the Company had not finished the analysis necessary to determine the possible effect of the result of the draft economic–financial report issued on 21 February 2018.

Thus, taking into account all of the above, as of March 31st, 2019, the Company did not have the necessary information to make a pertinent analysis with regards to determining the effect of this draft report's conclusion over the interim financial statements for the period ended on March 31st, 2019.

Currently there are ongoing disputes with the Court of Auditors regarding controls carried out in 2013 and 2017. Taking into account the findings of the Court of Accounts, found in the Decisions of the years 2013 and 2017, there is the possibility of additional tax liabilities, which at this time cannot be accurately determined under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

19. Affiliated parties

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*(All amounts are expressed in Lei, unless otherwise provided)**i) Transactions with the Company-owned subsidiaries*

Entity	Country of origin	31 March 2019 % of shares	31 December 2018 % of shares
SMART SA *)	Romania	70.005	70.005
TELETRANS SA	Romania	100	100
ICEMENERG SA **)	Romania	-	-
OPCOM SA	Romania	97.84	97.84
FORMENERG SA	Romania	100	100
ICEMENERG SERVICE SA ***)	Romania	100	100

*) On the docket of law courts there was a dispute under file 32675/3/2015 pertaining to cancelling the Designated Person's Resolution 154954/30.12.2014, pronounced under File 449314/23.12.2014, based on which the Office of the Trade Register from Bucharest Tribunal registered the share capital increase of subsidiary Co. Smart SA with contribution in kind and the according amendment of the articles of association by Decision 12375/22.12.2014 of the President of the subsidiary's Board of Administration and BA Decision 19/22.12.2014. The Company has also requested the competent court to cancel the fore-mentioned decisions and to suspend applying the documents which cancellation is requested of until settlement of the case.

Under file 32675/3/2015 Bucharest Tribunal, Section VI Civil pronounced civil ruling 6468/16.11.2015, whereby it decided as follows: "Admits the exception of inadmissibility; denies as inadmissible the court summons of claimant Transelectrica in contradiction with defendants: Subsidiary Company SMART SA for maintenance services to the electricity transmission grid, the Romanian State and ONRC; appeal right within 30 from notification. The appeal file is submitted to Bucharest Tribunal, Section VI Civil. Pronounced during public hearing of 16 November 2015". NPG Transelectrica SA filed appeal, which was registered on the docket of the Appeal Court Bucharest; the file was settled on the hearing term 23 May 2016, when the Appeal Court Bucharest pronounced civil decision 903/23.05.2016 deciding as follows: "Denies the appeal as groundless; admits the request to notify the Constitutional Court; in accordance with article 29 para 4 of Law 47/1992, it notifies the Constitutional Court to settle the exception of unconstitutionality for the provisions of article 114 para 3 of Law 31/1990 compared to the provisions of articles 16, 21 and 44 from the Constitution, an exception called up by the claimant in appeal; final".

**) On 07.04.2014 the National Office of the Trade Register admitted file 121452/03.04.2014 pertaining to erasing the Subsidiary Energy Research and Modernising Institute ICEMENERG SA Bucharest. Order 123/13.03.2014 (registration deed and operation licence) registered the National Institute of Energy Research-Development Bucharest with the Trade Register (HGR 925/2010). The Company filed complaint against the decision of ORC director deciding registration of cancellation for Subsidiary ICEMENERG SA Bucharest in the trade register.

Bucharest Tribunal Section VI Civil pronounced Ruling 3569/14.07.2014 in file 15483/3/2014, where the Company was in contradiction with defendants: Subsidiary Energy Research and Modernising Institute Bucharest and the National Institute of Energy Research-Development Icemenerg Bucharest, which rejected the Company's complaint on grounds that HG 925/2010 was not cancelled until the date of ORC erasure. The Appeal Court notified on 24.02.2015 the settlement pronounced for file 15483/3/2014 namely Decision 173/2015, which denied as groundless the appeal of NPG Transelectrica SA and the decision was final.

Transelectrica SA filed contestation for cancellation against Decision 173/2015 pronounced by the Appeal Court Bucharest, found in file 1088/2/2015 found on the docket of the Appeal Court Bucharest, Section VI civil, with hearing term on 13.05.2015. On 13.05.2015 the Appeal Court Bucharest by Decision 777/2015 denied as groundless the contestation for cancellation and the decision was final.

In the sessions of 28.03.2016 and 30.08.2016 AGEA did not approve reducing by 1,084,610 Lei the share capital of NPG Transelectrica SA, representing the share capital subscribed and paid of Subsidiary ICEMENERG SA Bucharest, by diminishing the Romanian State's participation to the share capital of NPG Transelectrica SA, in view of applying the provisions of HG 925/2010. In 2015 the Company registered allowance of 1,083,450 for its shares held in the Energy Research and Modernising Institute ICEMENERG SA Bucharest, which was erased.

***) On 09.06.2017 Bucharest Tribunal, Section VII Civil decided bankruptcy by simplified procedure of Subsidiary ICEMENERG SERVICE SA, designating Solvendi SPRL as provisional judiciary liquidator.

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In 2016 the Company registered allowance amounting to 493,000 for its shares held in Subsidiary Co. ICEMENERG SERVICE SA.

The value of Company shares held in its subsidiaries is 78,038,750 on 31 March 2019 and 78,038,750 on 31 December 2018.

The balances of Company-owned subsidiaries are as follows:

AFFILIATED ENTITY	Trade receivables*)		Trade liabilities	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
SC SMART SA	315,708	15,975,004	5,503,614	6,609,697
SC TELETRANS SA	239,822	273,466	8,341,367	9,282,984
SC FORMENERG SA	0	0	0	28,703
SC OPCOM SA	24,479,617	69,433,519	20,320,075	62,030,701
TOTAL	25,035,147	85,681,989	34,165,056	77,952,086

*) Trade receivables are provided with gross value.

Tranzactiile derulate in cu filialele Companiei in perioada raportata sunt detaliate dupa cum urmeaza:

AFFILIATED ENTITY	Sales		Procurements	
	Quarter I 2019	Quarter I 2018	Quarter I 2019	Quarter I 2018
SC SMART SA	115,082	242,050	10,585,544	13,454,097
SC TELETRANS SA	317,559	250,694	12,576,120	7,444,769
SC FORMENERG SA	0	0	960	915
SC OPCOM SA	151,069,564	56,388,647	89,782,599	81,165,095
Total	151,502,206	56,881,391	112,945,224	102,064,876

ii) *Salaries for the Company management*

The salaries paid to the management for their services mainly comprise the basic wage and benefits when the labour contract ends and post-employment. They are detailed as follows:

	Quarter I 2019	Quarter I 2018
Short-term benefits	3,462,888	3,076,640
Other long term benefits	10,500	-
Total	3,473,388	3,076,640

20. Credit risk

The credit risk is the one which the Company bears financial loss as a consequence of a client's incompliance with contractual obligations or a counterpart's from a financial instrument. Such risk mainly results from trade receivables and cash and cash equivalents.

The counterpart risk is treated using the Company's internal and external success factors. The external success factors bearing effect on systematic risk reduction are: decentralisation of the energy sector where generation, transmission, distribution and supply are distinct activities and the client interface is represented by the supplier; electricity is transacted on Romania's market by means of two market segments: the regulated market and the competitive one. The internal success factors for counterpart's risk treatment include: diversified client portfolio and diversification of services provided on the electricity market.

The financial assets that might subject the Company to the collection risk are mainly trade receivables and cash and cash equivalents. The Company applied a series of policies making sure services are sold to clients with proper collection, by including in trading contracts their obligation to constitute financial securities. Receivables net of value loss allowances represent the maximum amount exposed to the collection risk.

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

	31 March 2019	31 December 2018
Financial assets		
Net trade receivables	589,461,257	901,152,842
Other net receivables and down payments to suppliers	204,221,436	79,933,669
Receivable VAT	82,546,885	82,507,514
Cash and cash equivalents	177,588,791	482,158,679
Total	1,053,818,369	1,545,752,704

The seniority of receivables on the elaboration date of the financial position is provided below:

	Gross value 31 March 2019	Allowance 31 March 2019	Gross value 31 December 2018	Allowance 31 December 2018
Not arrived to maturity	438,520,458	2,589,798	755,702,939	2,264,233
Due date exceeded from 1 to 30 days	8,133,596	824,521	2,149,726	-
Exceeded from 31 to 90 days	807,350	145,290	279,687	169,230
Exceeded from 90 to 180 days	133,264	40	61,807	37,271
Exceeded from 180 to 270 days	62,216	37,271	928,448	932,223
Exceeded from 270 to 365 days	928,448	932,223	2,101,062	2,104,637
More than one year	281,654,706	136,249,638	279,573,409	134,136,642
Total	730,240,038	140,778,781	1,040,797,078	139,644,236

The seniority of “Other receivables” on the elaboration date of the financial position is provided below:

	Gross value 31 March 2019	Allowance 31 March 2019	Gross value 31 December 2018	Allowance 31 December 2018
Not arrived to maturity	155,424,767	2,658,021	65,288,686	3,625,818
Due date exceeded from 1 to 30 days	58,398	6,183	4,125	-
Due date exceeded from 31 to 90 days	35,009,534	1,065,510	46,024	7,542
Exceeded from 90 to 180 days	4,169	7,542	867,662	5
Exceeded from 180 to 270 days	867,654	857,646	153,106	153,106
Exceeded from 270 to 365 days	40,918	-	78,870	26,216
More than one year	68,036,698	50,625,800	69,684,397	52,376,512
Total	259,442,138	55,220,702	136,122,870	56,189,199

On 31 March 2019 the greatest depreciation allowances calculated for trade receivables and their penalties were registered for CET Govora (25,274,256), SC Eco Energy SRL (24,736,066), SC Petprod SRL (23,539,650), Arelco Power (15,533,052), SC Total Electric Oltenia SA (14,185,577), Romenergy Industry (13,512,997), Elsaco Energy (9,276,118), RAAN (8,516,747), Also Energ (7,177,167), Opcom (5,577,320), and CET Brasov (4,664,627). In order to recover the receivables it has adjusted for depreciation the Company took the following measures: suing to court, registration in the creditors' table, requesting explanations from ANAF (for the receivable VAT from Opcom) etc.

Transelectrica's policy provides registering 100% allowances for value losses of clients under dispute, insolvency and bankruptcy, and 100% of trade receivables and other receivables not collected for more than 180 days, except for outstanding receivables generated by the support scheme. The Company is also making case by case analysis of trade receivables and other uncollected receivables. EU's adoption of IFRS 9 'Financial instruments' applicable for annual periods beginning on or after 1 January 2018 has no significant additional impact over the Company's financial statements in the initial application period.

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The development of allowances for doubtful receivables is as follows:

	31 March 2019	31 December 2018
Balance on 1 January	139,644,236	122,650,719
Recognition of allowances	2,912,142	25,315,210
Reversal of allowances	1,777,597	8,321,693
Balance at the end of the period	140,778,781	139,644,236

The development of allowances for other doubtful receivables is as follows:

	31 March 2019	31 December 2018
Balance on 1 January	56,189,199	80,291,308
Recognition of allowances	869,306	10,395,305
Reversal of allowances	1,837,803	34,497,414
Balance at the end of the period	55,220,702	56,189,199

The financial assets that might subject the Company to the collection risk are mainly trade receivables and cash and cash equivalents. The Company applied a series of policies making sure services are sold to clients with proper collection, by including in trading contracts their obligation to constitute financial securities. Receivables net of value loss allowances represent the maximum amount exposed to the collection risk. The collection risk of such receivables is limited since such amounts are mainly owed by state-owned companies.

Cash has been placed into financial institutions that are considered of minimum risk.

21. Later events*Designating provisional members in the Supervisory Board*

In accordance with Decisions 4, 6, 7, 8, and 9 of 29 March 2019 taken by the Shareholders' General Ordinary Assembly, the following provisional Supervisory Board members designated with mandate until 30.05.2019 signed on 01 April 2019 the mandate acceptance statements, namely: Mr. Adrian MITROI, Mr. Constantin DUMITRU, Mrs. Virginia Mihaela TOADER, Mrs. Mihaela CONSTANTINOVICI, and Mr. Mircea Gheorghe Dumitru COSEA; their appointment became effective beginning with the date of this current report. The appointment of Mrs. Carmen Nina CRISU and of Mr. Alin Sorin MITRICA according to HGOA 5 and 10 of 29 March 2019, also designated until 30.05.2019, will become effective when they will sign the mandate acceptance statements before the notary public to become provisional members in the Supervisory Board of the National Power Grid Company Transelectrica SA.

Refusal to accept the mandate of provisional member in the Supervisory Board

Mrs. Carmen Nina CRISU appointed as provisional member in the Supervisory Board, in accordance with Decision 10 of 29 March 2019 of the Shareholders' General Ordinary Assembly refused accepting the mandate for incompatibility reasons.

Acceptance of mandate for provisional member in the Supervisory Board

Mr. Alin Sorin MITRICA appointed as provisional member in the Supervisory Board, in accordance with Decision 5 of 29 March 2019 of the Shareholders' General Ordinary Assembly signed on 02 April 2019 the mandate acceptance statement, date when his appointment becomes effective.

Appointing the Chairperson of the Supervisory Board and of a provisional Supervisory Board member

In accordance with its legal and statutory attributions the Supervisory Board decided at its meeting on 08 April 2019 by Decisions 13/2019 and 14/2019 as follows:

- Mr. Mircea Gheorghe Dumitru COSEA was appointed Chairman of the Supervisory Board;
- Mr. Florin – Radu CIOCANELEA was appointed provisional Supervisory Board member. The mandate of Mr. Florin – Radu CIOCANELEA will expire on 29 May 2019, date when the mandates of Supervisory Board members in office will

NPG Transelectrica SA

Notes to the stand-alone intermediary financial statements on 31 March 2019

(All amounts are expressed in Lei, unless otherwise provided)

expire or before this date, when the Shareholders' general assembly will appoint a Supervisory Board member for the position left vacant by Mrs. Nina Carmen CRISU's mandate refusal. The appointment of Mr. Florin – Radu CIOCANELEA became effective on 08 April 2019, date when he signed before the notary public the mandate acceptance statement as Supervisory Board member in the National Power Grid Company Transelectrica SA.

Non-reimbursable European financing for the 400 kV OHL Gutinas – Smardan investment project

The Ministry of European Funds approved non-reimbursable European financing of 31.019 million Euros for the “400 kV Overhead Line Gutinas-Smardan” project under the Operational Programme Large Infrastructure (POIM), 2014-2020. The total investment amount is 56.8 million Euros. The 400 kV OHL Gutinas-Smardan will be 140 km long and pass by 25 localities of 3 counties (Bacau, Vrancea and Galati). The investment will begin this year in accordance with the project implementation schedule and its commissioning is provided in December 2022. As far as the national importance and benefits are concerned, the 400 kV OHL Gutinas-Smardan provides:

- Enhancing the Electricity Transmission Grid and increasing the transmission capacity for the power generated in Dobrogea region to the consumption centres in the rest of the country;
- Avoiding limiting the discharge of electricity generated in power parks from Dobrogea region;
- Increasing the safety of supply for consumers in Moldova and removing congestions from the Electricity Transmission Grid;

In regional terms this new high voltage overhead line will contribute to consolidating the integration of the regional and European energy market by providing north-south and east-west interconnections and internal lines, thus contributing to a developed European infrastructure of electricity transmission. The 400 kV OHL Gutinas-Smardan project has been included in the Development Plan of the Electricity Transmission Grid in 2018-2027, approved by ANRE and endorsed by the Ministry of Economy.

Approving the membership of Consultative committees

Decision 15/2019 of the Supervisory Board designated the members of the Board's consultative committees. The nomination and remuneration committee:

1. Constantin DUMITRU - chairman
2. Mihaela CONSTANTINOVICI - member
3. Adrian MITROI - member
4. Alin - Sorin MITRICA - member
5. Florin - Radu CIOCANELEA - member

Audit committee:

1. Adrian MITROI - chairman
2. Mircea Gheorghe Dumitru COSEA - member
3. Virginia Mihaela TOADER - member
4. Alin - Sorin MITRICA - member

Energy security committee:

1. Mircea Gheorghe Dumitru COSEA - chairman
2. Virginia Mihaela TOADER - member
3. Constantin DUMITRU - member
4. Florin - Radu CIOCANELEA - member

Extending the mandates of (provisional) Directorate members

In context of term completion on 20 April 2019 for the mandates of current Directorate members, the Supervisory Board decided on 11 April 2019 to extend the mandates of provisional Directorate members:

- Marius - Danut CARASOL
- Claudia - Gina ANASTASE
- Andreea - Georgiana FLOREA
- Constantin SARAGEA
- Adrian SAVU

by 2 more months beginning with 21.04.2019 until 20.06.2019

Contracting a credit line to finance the bonus-type support scheme for high efficiency cogeneration

On 04 April 2019 Transelectrica concluded the credit contract C733 with Banca Transilvania for 12 months in order to finance the bonus type support scheme for high efficiency cogeneration as account overdraft amounting to 150,000,000; the

NPG Transelectrica SA

Notes to the stand-alone intermediary financial statements on 31 March 2019

(All amounts are expressed in Lei, unless otherwise provided)

interest rate is calculated depending on the reference rate ROBOR 1M, which is added 0.50% margin.

On 24.04.2019 Addendum 1 was concluded to this contract adding the credit line by 25,000,000 from 150,000,000 to 175,000,000 respectively.

The credit line has been secured by means of:

- Movable property mortgage on the bank account opened with the bank;
- Movable property mortgage over the receivables resulting from contracts on the contribution for high efficiency cogeneration concluded with Cez Vanzare SA, E.ON Energie Romania SA, Enel Energie SA, SC Tinmar Energy SA, and Enel Energie Muntenia SA;

Notification – indirect major holding of NN Group NV

NN Group NV informed the issuer by notification registered in the Company under no. 17857/11.04.2019 that after the transaction made the held percentage in packed mode is 5.12% of the share capital of NPG Transelectrica SA.

Increase of the share capital of the Smart Network Maintenance Company – “SMART SA”, a subsidiary of the Company

The Extraordinary General Assembly of the Shareholders of the National Power Grid Company "Transelectrica" SA from May 8, 2019 approved by the Decision no. 13 the Company's participation in the increase of the share capital of the Company for Maintenance of the Electrical Transport Network "Smart" - SA, a subsidiary of the Company, with a cash contribution of up to 24,000,000.



NPG TRANSELECTRICA SA

QUARTERLY REPORT
January – March
2019

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**QUARTERLY REPORT ON THE ECONOMIC – FINANCIAL ACTIVITIES
OF NPG TRANSELECTRICA SA**

According to the provisions of article 67 of law 24/2017 on the capital market and of Regulation 5/2018 issued by the Financial Supervisory Authority (ASF)

For the period ended on 31 March 2019

Date of the report:	15 May 2019
Name of trading company:	NPG TRANSELECTRICA SA, company managed under two-tier system
Headquarters:	Bucharest 1, Blvd. Gen. Gheorghe Magheru 33, postal code 010325
Working location:	Bucharest 3, Str. Olteni no. 2 - 4, postal code 030786
Phone / fax numbers:	004 021 303 5611/ 021 303 5610
Single code with the ORC:	13328043
Sequential number in the RC:	J40 / 8060 / 2000
LEI (Legal Entity Identifier) code	2549000LXOUQC90M036
Date of Company establishment:	31.07.2000 / OUG 627
Share capital:	RON 733,031,420, subscribed and paid
Regulated market where the issued securities are transacted:	Bucharest Stock Exchange, Premium category
Main characteristics of the issued securities:	73,303,142 dematerialised nominative ordinary indivisible shares of 10 RON/share nominal value each, freely to transact from 29.08.2006 under TEL symbol 20,000 nominative dematerialised unsecured bonds of 10,000 RON/bond nominal value, transacted on the BVB sector Credit Titles, Category 3 Corporative bonds under TEL 18 symbol; maturity date 19.12.2018, being redeemed on maturity
Market value:	1,521,040,196 RON (20.75 RON/share on 31.03.2019)
Accounting standard applied:	International financial reporting standards
Audit:	The quarterly financial statements elaborated on 31.03.2019 have not been audited

This Report use a free translation from Romanian, which is the official and binding version, and will prevail, in the event of any discrepancies with the English version

STATEMENT OF RESPONSIBLE PERSONS

To the best of our knowledge the stand-alone simplified intermediary financial statements on and for the 3 months period ended on 31 March 2019 were elaborated in accordance with the International Accounting Standard 34 – “Intermediary Financial Reporting” and provide fair image compliant to the actual state of the assets, liabilities, financial position, profit and loss account of NPG Transelectrica SA.

This report includes accurate and complete information with respect to the economic-financial situation and the activities of NPG Transelectrica SA.

Bucharest, 9 May 2019

**Marius-Dănuț
CARAȘOL**

**Directorate
Chairman**

**Claudia-Gina
ANASTASE**

**Directorate
Member**

**Adrian
SAVU**

**Directorate
Member**

**Andreea Georgiana
FLOREA**

**Directorate
Member**

**Constantin
SARAGEA**

**Directorate
Member**



Key figures of Q1 2019 vs Q1 2018

KEY FIGURES - 2019

FINANCIAL HIGHLIGHTS

RON	649	mn	▼	-5%	Revenues
				y/y	
RON	116	mn	▼	-26%	EBITDA
				y/y	
RON	38	mn	▼	-44%	Net profit
				y/y	
TWh	14.68		▼	-2%	Charged energy volume**
				y/y	

OPERATIONAL

2.35%	*	▼	-0.48	pp	OTC
			y/y		
11.20		▼	-7%		Transported energy***
TWh			y/y		

INVESTMENTS

RON	49	mn	▲	16%	Acquisition of tangible and intangible assets
				y/y	
RON	1.47	mn	▼	-99%	Fixed assets recorded in the accounts (commissioning)
				y/y	

CPT – One's Own Technological Consumption (losses)

* Share of one's own technological consumption in the electricity taken over by the electricity transmission grid (transmitted energy)

** The charged quantity is defined by the electricity amount extracted from public interest networks (transmission and distribution networks), less the electricity exports

*** The transmitted quantity is defined by the power amount physically flowed in the transmission network

Note: For reading facility and result understanding, certain figures provided in graphs and/or tables use RON million as measuring unit and are rounded up to it. This presentation convention might determine in certain circumstances minor differences between totalling figures and totals obtained by summing up the components.



Financial data

The synthesis of financial results on 31 March 2019 is provided in the tables below. The financial results have not been audited, and their extended variant for the same time interval is provided in Annexes to this Report.

Stand-alone profit or loss statement					
[RON mn]	Q1 2019	Q1 2018	Δ	Δ (%)	2018
	1	2	3=1-2	4=1/2	5
Charged energy volume [TWh]	14.68	15.00	(0.32)	(2%)	55,78
ALLOWED PROFIT ACTIVITIES					
Operating revenues	317	300	17	6%	1,180
Transmission and other revenues on the electricity market	290	272	18	7%	1,070
Functional system services	17	17	(1)	(4%)	64
Other revenues	10	11	(0)	(2%)	46
Operating expenses	173	170	4	2%	740
System operating expenses	101	87	14	16%	309
Repairs and maintenance expenses	20	13	7	54%	91
Personnel expenses	48	43	5	12%	189
Other expenses	4	27	(22)	(84%)	152
EBITDA	144	130	14	10%	440
Depreciation	72	76	(3)	(4%)	298
EBIT	72	55	17	31%	142
ZERO PROFIT ACTIVITIES					
Operating revenues	332	385	(53)	(14%)	1,541
Technological system services revenues	157	184	(28)	(15%)	637
Balancing market revenues	175	200	(25)	(13%)	904
Operating expenses	360	358	2	0.5%	1,582
Technological system services expenses	185	158	27	17%	678
Balancing market expenses	175	200	(25)	(13%)	904
EBIT	(28)	27	(55)	(205%)	(40)
ALL ACTIVITIES (WITH PROFIT ALLOWED AND ZERO-PROFIT)					
Operating revenues	649	685	(36)	(5%)	2,722
Operating expenses	533	528	5	1%	2,322
EBITDA	116	157	(41)	(26%)	400
Depreciation	72	76	(3)	(4%)	298
EBIT	44	82	(38)	(47%)	101
Net financial result	(4)	(4)	(0)	(11%)	(8)
EBT - Profit before income tax	39	78	(39)	(49%)	93
Income tax	1	10	(8)	(85%)	12
Net profit	38	68	(30)	(44)%	81

Stand-alone statement of financial position				
[RON mn]	Q1 2019	2018	Δ	Δ (%)
	1	2	3=1-2	4=1/2
Non-current assets				
Tangible assets	2,952	2,988	(36)	(1%)
Intangible assets	35	23	12	53%
Financial assets	80	80	(0)	(0%)
Total	3,067	3,091	(24)	(1%)
Current assets				
Inventories	35	35	0	0%
Trade and other receivables	876	1,064	(187)	(18%)
Cash and cash equivalents	178	482	(305)	(63%)
Total	1,089	1,581	(492)	(31%)
Total assets	4,156	4,672	(516)	(11%)
Shareholders' Equity	2,847	2,809	38	1%
Non-current liabilities				
Borrowings	140	144	(4)	(3%)
Other non-current liabilities	489	520	(31)	(6.0%)
Total	628	664	(35)	(5%)
Current liabilities				
Borrowings	28	53	(26)	(48%)
Other current liabilities	653	1,146	(493)	(43%)
Total	681	1,199	(519)	(43%)
Total liabilities	1,309	1,863	(554)	(30%)
Total shareholder's equity and liabilities	4,156	4,672	(516)	(11%)

Stand-alone statement of cash flows				
[RON mn]	Q1 2019	Q1 2018	Δ	Δ (%)
Cash flows before changes to working capital	84	158	(74)	(47%)
Cash flows from operating activities	(153)	(5)	(147)	n/a
Net cash from operating activities	(157)	(8)	(149)	n/a
Net cash used in investing activities	(48)	(41)	(7)	(16%)
Net cash used in financing activities	(100)	27	(127)	n/a
Net increase/decrease in cash and cash equivalents	(305)	(22)	(283)	n/a
Cash and cash equivalents as at 1 January	482	521	(39)	(7%)
Cash and cash equivalents at the end of the period	178	499	(321)	(64%)

OPERATIONAL RESULTS

Charged volume of energy

In January – March 2019 the total quantity of electricity charged for services provided on the electricity market (15 TWh) registered 2% decrease compared to the same period of 2018 (-0.32 TWh difference between the two periods).

Operational revenues

Total operational revenues achieved in the first quarter of 2019 dropped 5% compared to the same period of last year (RON 649 mn in Q1 2019 against RON 685 mn in Q1 2018), mainly determined by operational revenues from zero profit activities (technological services and the balancing market).

The **profit allowed activity** segment registered slight 6% increase of revenues (RON 317 mn in Q1 2019 compared to RON 300 mn in Q1 2018), determined by a higher tariff valid from 01 July 2018 on.

In quarter I 2019 revenues from the allocation of interconnection capacities increased RON 6.07 mn compared to quarter I 2018, corresponding to the utilisation degree of available interconnection capacities by the traders on the electricity market.

The mechanism allocating interconnection capacities consists in annual, monthly, daily and intraday bids. The annual, monthly and intraday ones are explicit, providing only the transmission capacity for auction while the daily bids with Hungary are implicit, allocating the capacity at the same time with energy, by means of the coupling mechanism.

Beginning with 19 November 2014 a regional energy exchange was set up by Romania, Hungary, the Czech Republic and Slovakia, which means these four countries should reach to a single price of electricity transacted on spot markets. The capacity between Romania and Hungary, the only country of the 3 Romania has frontier with, is allocated by transmission operators: Transelectrica and MAVIR by means of common mechanism based on bilateral agreement.

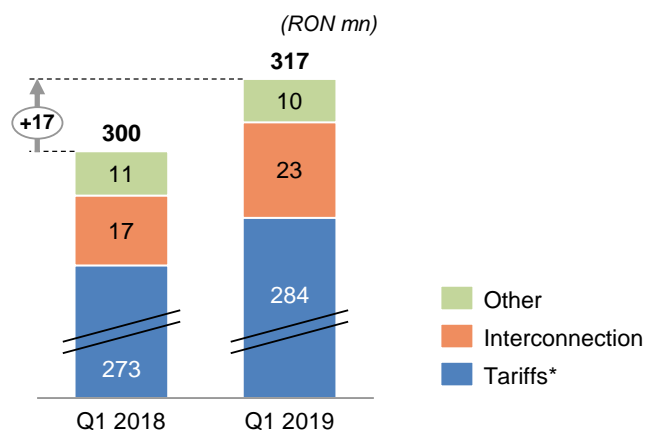
Beginning with 2016 the UIOSI principle was implemented on the Bulgarian border, and beginning with 2017 on the Serbian frontier as well. In accordance with this principle participants that do not use the capacities obtained under the annual and monthly bids are remunerated (by Transelectrica) for such capacity. The unused capacity is afterwards sold at daily bids. The sense is reversed on the Hungarian border, meaning MAVIR is remunerating the participants for unused capacities.

The market allocating interconnection capacities is fluctuating, and prices evolve depending on demand and on the electricity market participants' need to procure interconnection capacity.

Net revenues obtained from the allocation of interconnection capacities are used in accordance with the provisions of article 22 para (4) of ANRE Order 53/2013 and article 16 para (6) of Regulation (EC) 714/2009 as financing source for investments upgrading and developing the interconnection capacity with neighbouring systems.

Revenues from CPT transactions were RON 1.44 mn higher in Q1 of 2019 compared Q1 of 2018 because higher revenues were registered from CPT transactions on the balancing market. This increase is owed to the positive imbalances of Transelectrica SA which contributed to reducing the BRP's total imbalance.

Operational revenues of profit allowed activities



*transmission tariff, functional system services, reactive energy, unplanned exchanges DAM, ITC, OTC transactions

Revenues from zero-profit activities registered 14% decrease (RON 332 mn in Q1 2019 against RON 385 mn in Q1 2018) mainly determined by 15% drop in the revenues from technological system services.

In quarter I 2019 revenues from technological system services decreased RON 27.93 mn compared to quarter I 2018 determined by the 2% decrease of electricity quantities delivered to consumers and by diminished ANRE-approved tariff for such services (as per the table with ANRE-approved tariffs).

Revenues on the balancing market decreased 13% in the studied period as a consequence of:

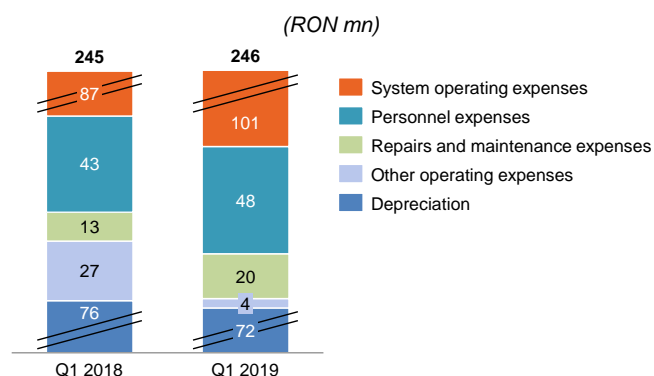
- Reduced negative imbalance registered by electricity suppliers on the balancing market, namely a reduced imbalance between the net contractual position notified and the power actually delivered;
- The contracting manner applied on the markets before the balancing market;

Operational expenses

Total operational expenses (amortisement included) made during quarter I 2019 registered slight 0.3% increase in comparison with the same period of last year (RON 605 mn against RON 603 mn in quarter I 2018), mainly as a result of developments in the non-profit activity segment.

In the **profit allowed activities** segment expenses (amortisement included) registered slight 0.1% increase (RON 246 mn in Q1 2019 compared to RON 245 mn in Q1 2018).

Operational costs of profit allowed activities



CPT: In quarter I 2019 expenses for one's own technological consumption were RON 13.87 mn greater compared to quarter I 2018, because of higher average procurement prices for electricity necessary for such CPT coverage within RET.

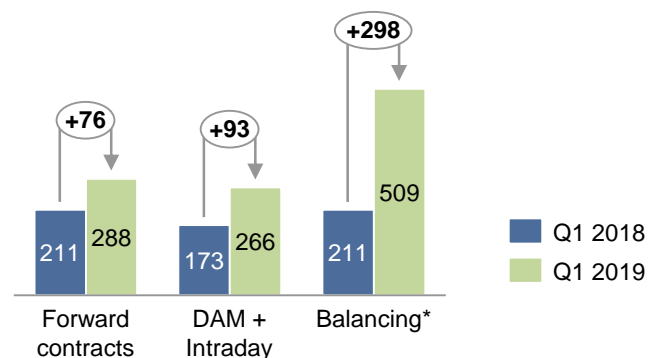
Such expenses represent electricity procurement on the free electricity market, namely the Centralised Market of Bilateral Contracts (PCCB), the Day-Ahead Market (DAM), the Balancing Market (PE) and the Intraday Market (PI) in order to cover one's own technological consumption (CPT) within RET.

Differences between the hourly quantities actually achieved and the procured ones after transacting on the PCCB, DAM and PI are compensated on the Balancing Market (PE) during the operational day.

Beginning with 18.01.2018 the "Electricity procurement to cover imbalances from notified quantities related to technological electricity losses within transmission network by transferring the balancing responsibility" contract C380/06.10.2014 concluded between NPG Transelectrica SA and CIGA ENERGY SA became effective, whereby procurement prices were reduced for the electricity procured on the balancing market.

Average procurement prices

(RON / MWh)



*Preliminary values

Examining the development of the average price under 2018 – 2019 forward contracts one can notice a clearly increasing trend with positive curve, no fluctuation, of the price registered in 2018. Moreover the energy sale offers on the PCCB provided much lower quantities compared to purchase offers, which led to a net excess of the offer by the demand and a higher closure price of bids.

Such price growing trend is justified by 120% higher prices of certificates for greenhouse gas effect emissions (ETS) from the beginning of 2018. The „Market stability reserve“ (MSR) became effective as of 1 January 2019, requiring a limit number of certificates for greenhouse gas effect emissions. Such measure impacted mainly the coal-fired generating plants, which set the market marginal price in many instances.

This was mirrored in the average price of contracts concluded on this market with delivery in quarter I 2019, which was RON 288, 36% higher than the price of quarter I 2018.

In Europe prices are influenced by the separation of the bidding zone Germany – Austria into two distinct zones beginning with 1 October 2018. Analysing the DAM prices – the market sending price signals – at European level price increase was noticed in the third quarter of 2018, and the trend is further growing. The average procurement price of electricity on the DAM is higher in the first quarter of 2019 than in the same period of the previous year against the background of demand exceeding the energy offer at European level.

In January 2019 Romania was prevailing importer of electricity because certain generating plants were unavailable, which led to significant increase of prices on the Day-Ahead Market (DAM). Thus in January 2019 an average price was registered on the DAM twice higher than that registered in January 2018 and in quarter I 2019 the average price was 265 RON/MWh,

54% higher than the price registered in the same period of 2018.

The difference between the electricity actually consumed in order to cover CPT and the energy procured represents imbalances, which are automatically covered by the Balancing Market.

In 2018 the ceilings limiting the minimum and maximum prices of deficit energy were removed, which has led to significant increase of the average price to procure deficit energy.

Thus taking into consideration the total average procurement price on all markets, a 299 RON/MWh average price results in Q1 2019 compared to the 194 RON/MWh average procurement price of Q1 2018.

Congestions: Congestions (network restrictions) represent demands for electricity transmission above the technical capacity limits of the network, which require corrective activities of the transmission & system operator; they occur when the power flow between two system nodes or zones upon operational scheduling or during real time operation leads to incompliance with the safety operational parameters of a power system.

In the first quarter of this year congestion expenses amounting to RON 1.64 mn were registered, which were determined by the provision of the N-1 safety principle, the unavailability of the 220 kV OHL Fantanele – Gheorgheni after bad meteorological conditions.

Functional system services: Specific expenses increased by RON 7.09 mn in Q1 2019 compared to Q1 2018, mainly determined by higher expenses on the balancing market and on the day-ahead market because of unplanned electricity exchanges with neighbouring countries that are interconnected to the SEN.

The **zero-profit activity** segment registered 0.5% cost increase (RON 360 mn compared to RON 358 mn in Q1 2018), mainly determined by higher expenses with technological system services.

The Company procures technological system services from generators with a view to provide safe operation of the SEN and quality for the transmitted electricity, at parameters required by applicable technical norms.

Such services are contracted:

- Under regulated regime based on Governmental Decisions and on the decisions issued by the National Regulatory Authority in the Energy domain (ANRE);
- By means of competitive mechanisms;

In quarter I 2019 technological system services were procured under regulated regime according to ANRE Decision 1440/2018 (from Co. Hidroelectrica SA), ANRE Decision 2047/2018 (from Co. Energy Complex Hunedoara SA), ANRE Decision 1911/2018 (from Co. Electrocentrale Galati SA), and according to HG 773/27.09.2018 approving the „Measures regarding the safety and security degree of the National Power System from 1 November 2018 to 31 March 2019”.

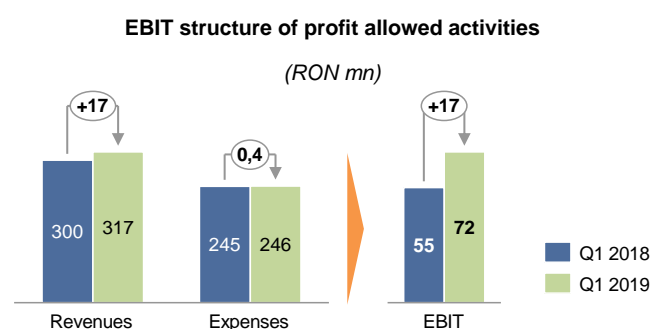
Expenses regarding technological system registered increase of RON 27.14 mn in quarter I 2019 compared to quarter 1 2018, mainly determined by higher procurement prices for technological system services on the competitive market, generated by higher electricity prices during the studied period.

An important influence for the greater procurement cost of STS on the competitive market was generated also by the high concentration degree of the technological system service market, by each type of service (secondary reserve, fast tertiary reserve, slow tertiary reserve).

The Company re-invoices the value of technological system services procured from generators to ANRE-licensed electricity suppliers that eventually benefit of such services.

Operational result

Profit allowed activities registered positive RON 72 mn result in Q1 2019 compared to RON 55 mn in Q1 2018, against a background of higher average transmission tariff during 2018 and the lineal development of total expenses (amortisement included) during the studied periods.



EBIT generated by zero-profit activities registered negative RON 28 mn result, compared to the RON 27 mn profit recorded in the same period of last year.

Thus in quarter I 2019 revenues from technological system services were RON 28 mn smaller in comparison with the expenses made to procure technological system services. The loss was caused by greater expenses regarding technological system services while the procurement prices of RS (secondary

reserve) and RTL (slow tertiary reserve) increased on the competitive market.

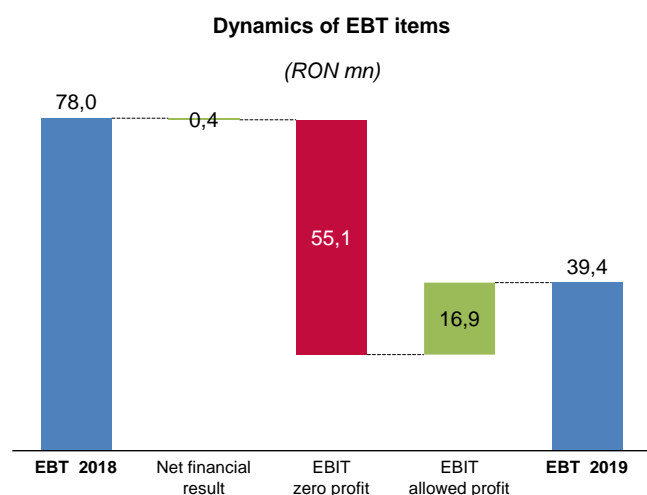
This amount is diminishing the Company's gross profit registered on 31 March 2019.

In the following period estimations are to maintain the development trend of procurement costs of technological system services in accordance with the achievements of Q1 2019.

Gross result (EBT)

The gross profit dropped 49% from RON 78 mn in Q1 2018 to RON 39 mn in Q1 2019.

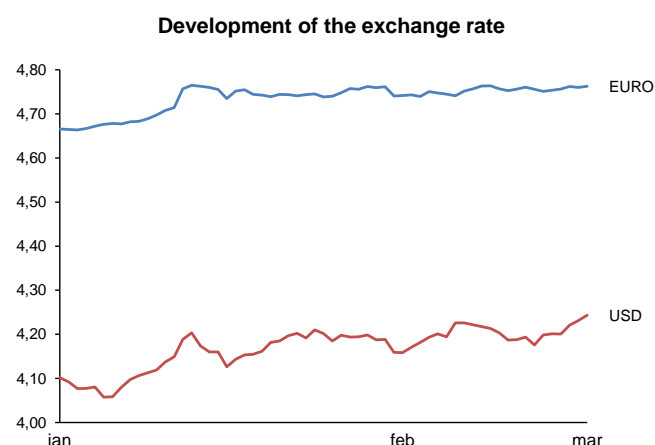
The dynamics of the profit registered in Q1 2018 compared to Q1 2019, broken down by profit components is provided in the graph below:



Financial result

The net financial result registered in quarter I 2019 was negative, amounting to RON 4 mn. This is similar to quarter 1 2018, mainly influenced by the development of the national currency's exchange rate against the foreign currencies the Company has contracted bank loans to finance its investment projects.

The development of the RON/Euro and RON/USD exchange rate in quarter I 2019 is provided below.



Net result

Net profit dropped, reaching to RON 38 mn in Q1 2019 compared to RON 68 mn in Q1 2018.

FINANCIAL POSITION

Non-current assets

Non-current assets decreased about 1% in quarter 1 2019 against a background of reduced tangible assets.

At the end of 2018 tangible assets classified in Group 1 – “Constructions” and registered in accounting books on 31.12.2018 were revaluated, together with the assets from the state public domain provided under concession to NPG Transelectrica SA on 31.12.2018.

Intangible assets increased in Q1 2019 mainly because of recognising the right of use for Company-rented spaces in Platinum office building.

Current assets

Current assets diminished 31% on 31 March 2019 (RON 1,089 mn) compared to the value registered on 31 March 2018 (RON 1,581 mn), mainly determined by reduced cash and cash equivalents.

Trade receivables provide diminished percentage of 18% (RON 876 mn in quarter I 2019 from RON 1,064 mn in quarter I 2018), mainly because:

- Clients on balance from operational activities registered drop on 31 March 2019 compared to 31 December 2018, mainly determined by reduced amounts of electricity delivered to consumers in February and March 2019 compared to November and December 2018.

The main clients on balance on the electricity market are represented by: RAAN, Electrocentrale Bucharest SA, Electrica Furnizare SA, Enel Energie Muntenia SA, E.ON Energie Romania SA, Enel Energie SA, MET Romania Energy SA, Petprod SRL, OPCOM SA, and CET Govora SA.

There is about 52% share of clients on the electricity market in total trade receivables.

- Receivables on balance on 31 March 2019 amount to RON 111.22 mn relate to the balancing market and registered value loss compared to 31 December 2018, as a consequence of reduced transactions on this market.
- Collectable receivables under the bonus type support scheme to promote high efficiency cogeneration take up about 30% (31 December 2018 - 19%) of the total trade receivables.

Transelectrica SA carries out activities under the bonus type support scheme to promote high efficiency cogeneration in its capacity of support scheme administrator in accordance with the provisions of HGR 1215/2009, „the main attributions being to collect each month the cogeneration contribution and to pay monthly the bonuses”.

Clients under the bonus type support scheme to promote high efficiency cogeneration registered decrease on 31 March 2019 mainly determined by the decisions of ANRE issued in March 2019 with respect to the 2018 overcompensation amounting to RON 8.79 mn and the undue bonus granted in 2018, amounting to RON 6.54 mn.

On 31 March 2019 the Company registered collectable receivables amounting to RON 222.52 mn, represented by invoices associated to the bonus type support scheme to promote high efficiency cogeneration, of which:

- 2011-2013 overcompensation amounting to RON 76.7 mn, namely from RAAN – RON 63.46 mn and CET Govora SA – RON 13.23 mn;
- 2014 undue bonus amounting to RON 3.91 mn from RAAN – RON 1.98 mn and CET Govora – RON 1.93 mn;
- 2015 undue bonus amounting to RON 0.56 mn, namely from CET Govora – RON 0.53 mn and Interagro – RON 0.03 mn;
- 2016 overcompensation amounting to RON 56.68 mn from Electrocentrale Bucharest;
- 2018 undue bonus amounting to RON 4.98 mn, namely from the Energy Complex Oltenia – RON 3.02 mn, Electrocentrale Bucharest – RON 1.03 mn, the Energy Complex Hunedoara – RON 0.93 mn;
- 2018 overcompensation amounting to RON 8.79 mn from Electrocentrale Bucharest;
- Contribution for cogeneration amounting to RON 21.20 mn uncollected from the suppliers of electricity consumers, namely from: Transenergo Com – RON 5.88 mn, PetProd – RON 4.39 mn, Romenergy Industry – RON 2.68 mn, RAAN – RON 2.38 mn, UGM Energy – RON 1.81 mn, CET Govora – RON 0.90 mn, KDF Energy – RON 0.88 mn and others.

Until the date of this report the Company collected in full the receivables associated to the 2018 overcompensation of support scheme activities (in sum of RON 8.79 mn - by means of bank transactions) and the 2018 undue bonus (amounting to RON 6.54 mn, of which RON 3.95 mn by compensation and RON 2.60 mn by bank transactions).

To extinguish receivables generated by overcompensation and undue bonus the Company requested the generators qualified under the support scheme to make mutual compensations. In case of the generators (RAAN, Electrocentrale Bucharest, and CET Govora) that did not agree with this manner to extinguish 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 payment mode of the bonus for electricity generated under high efficiency cogeneration.

Other receivables amounting to RON 247.32 mn on 31 March 2019 mainly include sundry debtors (RON 198.90 mn), deferred expenses (RON 41.75 mn), other non-current receivables (RON 4.55 mn) as follows:

- Sundry debtors (RON 198.90 mn), of which:
 - The net position of the support scheme regarding high efficiency cogeneration which on 31 March 2019 registered receivable position amounting to RON 128.28 mn (31 December 2018 liability position amounting to RON 23.80 mn);
 - Payment delay penalties calculated for badly defaulting clients amounting to RON 61.91 mn (of which RON 26.01 mn represent penalties for the support scheme). The greatest penalties for delayed payment were registered by the following clients: RAAN (RON 16.90 mn), CET Govora (RON 9.61 mn), Eco Energy SRL (RON 8.91 mn), Petprod SRL (RON 8.89 mn), Total Electric Oltenia (RON 3.29 mn), Enol Grup (RON 2.54 mn), Also Energ (RON 2.12 mn). Allowances were registered for the penalties calculated for late payment of receivables from operational activities;
 - Compensations those suppliers owe for their non-delivery of electricity (Arelco Power RON 0.99 mn and Enol Group RON 2.54 mn). Allowances were registered for the suppliers from operational activities;
 - Collectable receivables from OPCOM representing the VAT related to the in-kind contribution to the subsidiary's capital amounting to RON 4.52 mn;
- Deferred expenses amounting to RON 41.75 mn mainly represented by the contribution owed to ANRE for April-December 2019 (RON 26.59 mn) which is going to be borne gradually from operational expenses, down payments to contracts concluded with electricity suppliers as required in order to cover one's own technological consumption in the future (RON 8.64 mn), subscriptions to national and international organisations (RON 3.46 mn), which will be gradually borne from the 2019 operational expenses, and the security fee for EIB credit;

- Other non-current receivables amounting to RON 4.6 mn, of which RON 4.2 mn represent securities for temporary land occupation, calculated and withheld in accordance with article 39 para (1), para (2) and para (5) of Law 46/2008 on the Forestry Code in view of achieving the investment objective of the 400 kV OHL Resita – Pancevo (Serbia).

Liabilities

Non-current liabilities amounting to RON 628 mn on 31 March 2019 registered 5% decrease following the repayments made in accordance with the existing loan agreements and the diminished deferred revenues.

At the same time **current liabilities** also registered 43% decrease (from RON 1,199 mn on 31 December 2018 to RON 681 mn on 31 March 2019), mainly against a background of diminished trade liabilities and other liabilities as follows:

- On 31 March 2019 compared to 31 December 2018 *liabilities on balance on the energy market* amounted to RON 383.69 mn, namely RON 780.29 mn, being mainly influenced by:

- Decreased balance of *liabilities related to operational activities*, which was mainly determined by paying the payment obligations on balance on the electricity market on 31 December 2018;

- Decreased balance of *liabilities related to the balancing market*, which was determined by paying the payment obligations on balance on the electricity market on 31 December 2018 and by the reduced volume of transactions on the balancing market in quarter I 2019 compared to quarter IV 2018.

The main suppliers on the electricity market are as follows: Hidroelectrica, MAVIR, Electrocentrale Bucharest, Energy Complex Oltenia, OPCOM, Romgaz, Electrocentrale Galati, Energy Complex Hunedoara, Veolia Energie Prahova, and Ciga Energy. On 31 March 2019 their share is about 85% in the total number of energy suppliers.

- Greater *liabilities under the support scheme to suppliers* (generators) were determined by the decisions issued by ANRE to pay the non-granted bonus (RON 22.25 mn) and the ex-ante overcompensation (RON 8.06 mn) of 2018.

On 31 March 2019 are registered payment obligations to suppliers (generators) amounting to RON 127.92 mn (Electrocentrale Bucharest – RON 65.77 mn, RAAN – RON 51.18 mn, CET Govora SA – RON 5.45 mn, Energy Complex Oltenia – RON 3.02 mn, Energy Complex Hunedoara – RON 0.93 mn and others) representing the 2014, 2015 and 2018 monthly cogeneration bonus, the ex-ante overcompensation, the

2015, 2016 and 2018 non-granted bonus. The amounts representing Company liabilities under the support scheme towards 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 suppliers (generators) register payment obligations to the Company under the bonus type support scheme.

The Company applies the provisions of article 17 para 5 from Order 116/2013 of ANRE president for mutual liabilities and receivables accrued after the insolvency procedure, meaning it retains the bonus owed to CET Govora SA up to the concurrence of the amounts related to the support scheme that were not paid to the Company.

- *Liabilities to suppliers of other activities* are mainly represented by liabilities for services provided by third parties, liabilities which did not reach maturity and amounting to RON 53.40 mn on 31 March 2018 compared to RON 6.73 mn on 31 December 2018.
- *Other liabilities* significantly dropped from RON 159.95 mn in December 2018 to RON 53.46 mn on 31 March 2019, since dividends were paid in the first part of 2019 and client creditors decreased (amounting to RON 24.61 mn on 31 March 2019 compared to RON 55.73 mn in December 2018 and mainly representing amounts collected in advance from MAVIR and OPCOM under the transactions made by means of the price-coupling mechanism).

Provisions decreased from RON 95.6 mn on 31 December 2018 to RON 64.4 mn on 31 March 2019, mainly determined by the cancellation of the RON 31.18 mn provision constituted for the dispute with ASITO KAPITAL SA under file 35865/3/2018 (old file 24552/3/2017), found on the docket of Bucharest Tribunal, Section VI Civil.

On the hearing term 19.02.2019 when the juridical research has ended and the parties were given the floor on exceptions, evidence and the substance matter of the case the instance deferred pronouncement, and once again it deferred until the term of 20.03.2019. After deliberation the Bucharest Tribunal pronounced the following settlement in brief:

- Denies as inadmissible the request pertaining to reversal of enforcement;
- Denies as groundless the request to return the stamp tax related to the request pertaining to reversal of enforcement;
- Denies as groundless the cancellation request filed by the contestor-debtor ASITO KAPITAL SA against Civil Ruling 4067/07.11.2017 pronounced by Bucharest Tribunal, Section VI civil under file

24552/3/2017, in contradiction to the respondent in appeal - creditor the National Power Grid Company TRANSELECTRICA SA; final. Pronounced at public hearing on 20.03.2019. Document: Decision 743/2019 /20.03.2019.

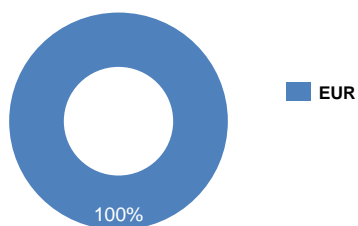
The Certificate from the office of the court cler issued on 18.04.2019 by Bucharest Tribunal, Section VI civil certifies Decision 743/2019 /20.03.2019.

Interest-bearing liabilities

On 31 March 2019 the amount of non-current borrowings diminished compared to 31 December 2018, mainly because repayments were made according to the existing loan agreements.

All non-current borrowings, except for contracts EIB 25709 and EIB 25710 are bearing variable interest and are constituted only in Euro currency, both on 31 December 2018 and on 31 March 2019.

Structure by currency



Shareholders' equity

Shareholders' equity increased 1% mainly determined by net profit registration amounting to RON 38 mn in the retained earnings, which was achieved on 31 March 2019 and by capitalising the surplus in sum of RON 11 mn achieved from revaluation reserves.

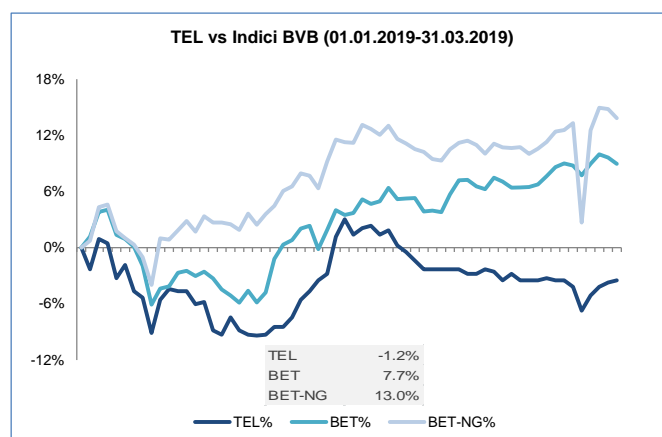
On 31 March 2019 dividends owed to Company shareholders and unpaid amount to RON 1.36 mn, of which RON 0.30 mn relates to the dividends distributed from the account „Other reserves – One's own financing sources constituted from profit" based on AGA decision 11/16.10.2017 and the amount of RON 0.45 mn relating to dividends distributed from retained earnings in accordance with AGA Decision 15/14.12.2018.

These amounts are placed at the disposal of the payment agent.

DEVELOPMENT OF SHARES

(01-Jan-2019 to 31-March-2019)

2019 began with 21 RON/share transaction price. At the end of this period (31 March 2019) stock exchange capitalisation was RON 1,521 mn, and TEL share amounted to 20.75 RON. The minimum transaction price of 19.48 RON/share was registered on 31.01.2019, while the maximum one of 22.15 RON/share was reached on 14.02.2018.



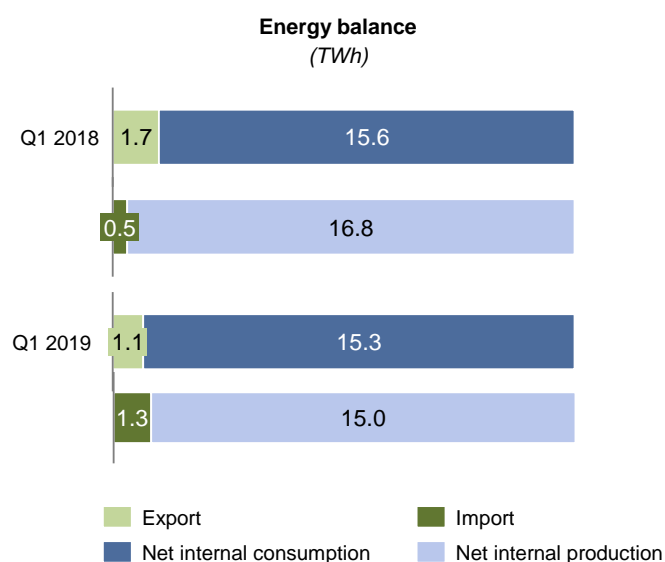


Operational data

ENERGY BALANCE WITHIN SEN

Analysing the development of the energy balance components in January – March 2019 in comparison with the same period of last year the net internal consumption¹ dropped 2.1% and the net electricity output – 10.5%.

Exporter physical cross-border exchanges decreased 37.8% compared to the same period of 2018, and importer cross-border flows registered 147.6% increase.



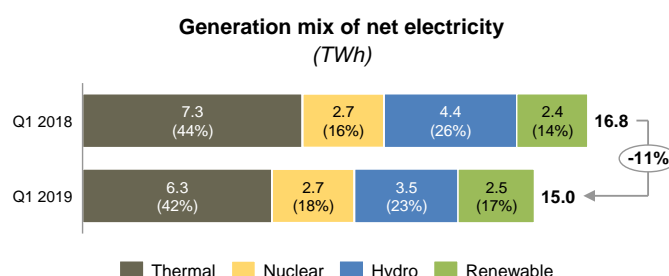
GENERATION MIX

In January - March 2019 the generation mix structure compared to the same period of 2018 registered about 13.9% decrease of the thermal component and about 21.8% drop of hydro component.

The nuclear and renewable source components increased 1% and 7.6%.

Examining the shares of the generation mix components in January – March 2019 one can notice the greatest share (42%) is of the thermal component, followed by the hydro one (23%) and the electricity generated from

nuclear and renewable sources have got about 18% and 17% shares.

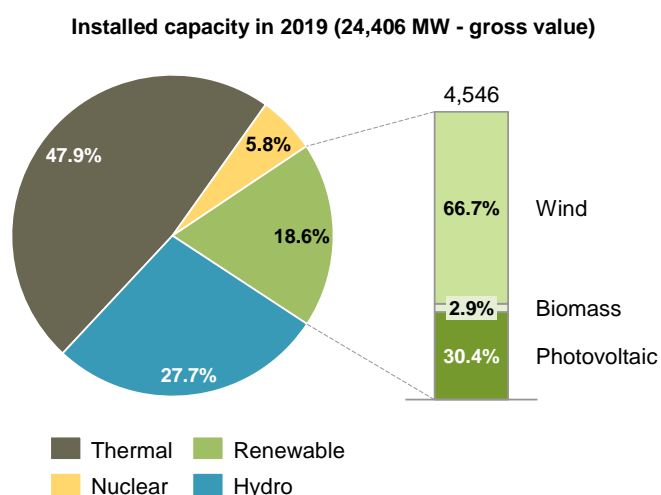


NATIONAL GENERATION FLEET

In quarter I 2019 the gross installed capacity in electric power plants dropped 1% compared to the same period of 2018.

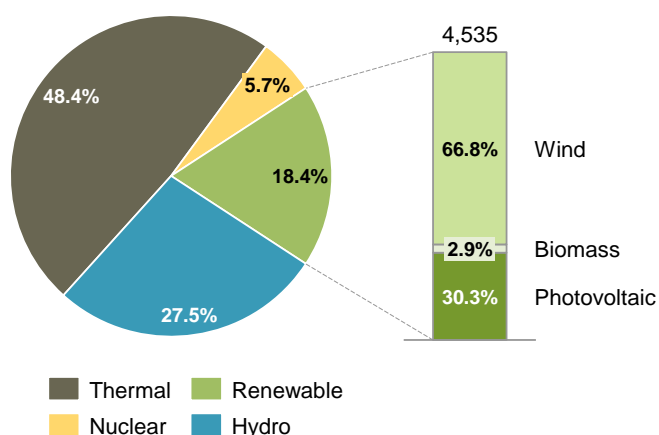
The installed capacity in renewable power parks increased about 0.2%, from 4,535 MW installed on 31 March 2019 to 4,546 MW installed on 31 March 2018.

The dynamics of installed capacities in January – March 2019 versus 2018 is provided below:



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

Installed capacity in 2018 (24,628 MW - gross value)



CROSS-BORDER FLOWS

The distribution of import/export physical flows on interconnection lines in quarter I 2019 compared to the same period of 2018 was as follows:

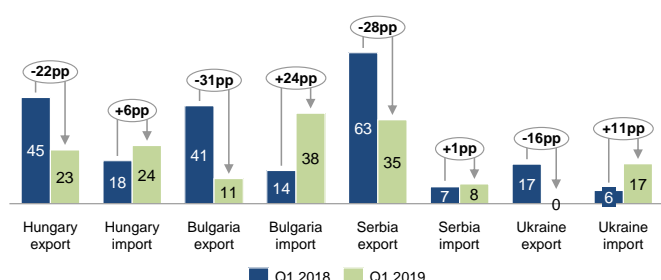
- Export decreased on all borders and import increased significantly, both on interconnection lines found in electricity generation deficit areas (on the borders with Hungary and Ukraine) and on the interconnection line situated in the exceeding electricity generation zone, namely the Serbian frontier.

In actual terms compared to quarter I 2018 exporter physical flows decreased with Bulgaria (12.2% - 98 GWh), Serbia (24.3% - 102 GWh), Hungary (85.4% - 283 GWh), Ukraine (97.3% - 173 GWh) while importer physical flows significantly increased on the interconnection lines with Serbia (278% +86 GWh), Hungary (216% +270 GWh), Ukraine (227% +451 GWh) while they dropped in relation to Bulgaria (7.4% -14 GWh).

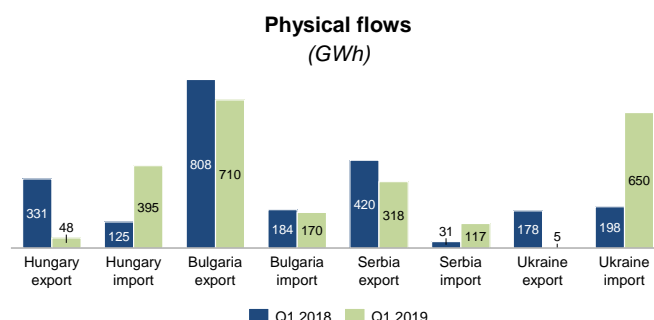
In January - March 2019 the utilisation degree of the total allocated capacity along interconnection lines for export decreased in comparison with the same time interval of 2018 to all destinations.

The utilisation degree of total capacity rights on one border and one direction represent the percentage ratio between the energy associated to commercial exchanges achieved (notified) during one month and the energy corresponding to the total capacity rights.

Utilisation degree of the total allocated capacity (%)



Both import and export physical flows of each frontier are provided below:



ONE'S OWN TECHNOLOGICAL CONSUMPTION

In comparison with quarter I 2018, during quarter I 2019 OTC within RET decreased about 23%, while the electricity entering the RET outline decreased from 2.83% to 2.35%.

The factors that significantly influenced the OTC in quarter I 2019 for example precipitation and the distribution of cross-border physical flows are beyond Transelectrica's control.

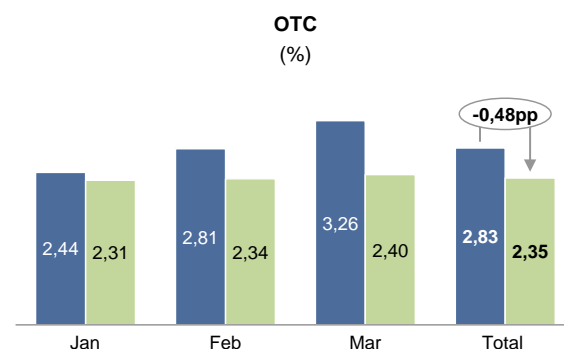
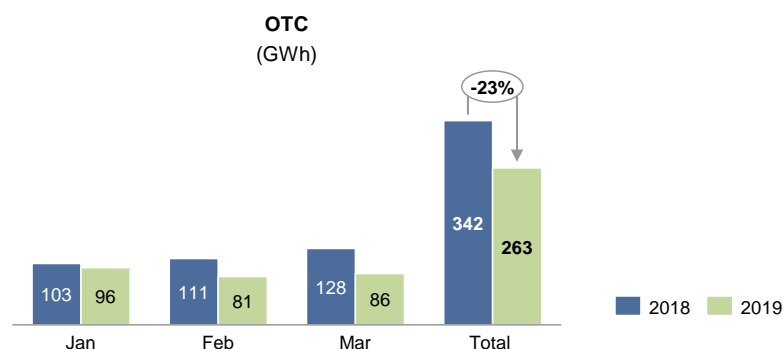
Decrease factors of physical OTC

In January 2019 CPT in absolute value decreased 6.75% compared to January 2018 as a result of favourable import/export physical flows, which has led to reduced electricity transmission at long distance from sources. The percentage of losses compared to the electricity injected in the RET decreased from 2.44% in 2018 to 2.31% in 2019. The electricity injected in the outline dropped 1.64% (69.43 GWh) in January 2019 compared to the same period of 2018, against a background of lower electricity by 13.74% (511.7 GWh) received from generators directly connected to RET, while import increased 173.27% (433.94 GWh) and of the electricity received from RED by 3.35% (8.34 GWh). Meteorological conditions were worse, the quantity of precipitation being greater than last year and contributing to higher losses by corona effects.

In February 2019 CPT in absolute value decreased 27.13% compared to February 2018 as a result of more favourable import/export physical flows, which has led to reduced electricity transmission at long distance from sources and because of better meteorological conditions that determined reducing corona losses. The percentage of losses compared to the electricity injected in the RET decreased from 2.81% in 2018 to 2.34% in 2019. The electricity injected in the outline decreased 12.18% (480.4 GWh) in February 2019 compared to the same period of 2018, against a background of lower electricity by 19.27% (687.93 GWh) received from generators directly connected to RET and the electricity received from RED by 1.73% (4.8 GWh), while import increased 220.92% (212.32 GWh).

In March 2019 CPT in absolute value dropped decreased with 32,9% compared to march 2018, especially because of better import/export physical flows that led to reduced electricity transmission to long distance from sources and of better meteorological conditions, which determined reduced corona losses. Energy related to the RET decreased from 3.26% in 2018 2.40% in 2019. The electricity injected in the outline

decreased by 8.84% (347.42 GWh) in March 2019, compared to the similar period of 2018, due to the reduction of the energy received from the producers connected directly to the RET with 12.76% (431 GWh) and the energy received from RED by 15.23% (54.85 GWh), with the increase of the import with 76.8% (146.8 GWh).



In conclusion in quarter I 2019 CPT (losses) within RET decreased about 23.16% compared to the same period of 2018, especially because of better import/export physical flows that led to reduced electricity transmission

far away from sources and given the better meteorological conditions that determined reduced corona losses. In comparison with the electricity injected in the outline, losses decreased from 2.83% to 2.35%.



Investments

NON-CURRENT ASSETS REGISTERED IN ACCOUNTING BOOKS

The value of non-current assets registered in accounting books in quarter I 2019 was RON 1.47 mn (RON 131.03 mn in Q1 2018) decreasing by 99%, respectively RON 129.56 mn.

In quarter I 2019 the greatest transfers from tangible assets in progress to tangible assets are mainly represented by constituting assets related to investment objects as follows:

- Replacing diesel groups 1 & 2 in the 400/110 kV substation Darste – RON 0.47 mn;
- Providing coexistence conditions between the 220 kV Alba Iulia - Sugag and Alba-Iulia-Galceag with the interior road – RON 0.26 mn;
- Water installation in the 110/220 kV substation Suceava – RON 0.26 mn;
- Tele-protection for the 400 kV OHL Arad (Romania) – Sandorfalva (Hungary) – RON 0.20 mn;
- Replacing the accumulator battery no. 2 in the 220/110 kV substation Pitesti Sud – RON 0.16 mn;
- OPzV2420 Vetis accumulator battery with 105 elements – RON 0.07 mn.

PROCUREMENT OF ASSETS

The procurements of tangible and intangible assets amounted to RON 48.79 mn in quarter I 2019 compared to the same period 2018, when procurements amounted to RON 42.07 mn.

The balance of tangible and intangible assets on 31 March 2019 is represented by underway projects, of which the most significant are provided below:

- Connecting to RET the 300 MW WPP Ivesti, the 88 MW WPP Falciu 1 and the 18 MW WPP Falciu 2 through the new (400)/220/110 kV substation Banca – RON 46.88 mn;
- Refurbishing the 400/110/20 kV substation Domnesti (BA Dec. 5 / 19.05.2010) – RON 31.18 mn;
- Refurbishing the 400 kV substation Isaccea - Stage I - Replacing the shunt reactors, the related bays as well as the 400 kV bay Stupina – RON 28.75 mn;
- Converting the Portile de Fier (Iron Gates) - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - Stage

I - the 400 kV simple circuit OHL Portile de Fier - (Anina) – Resita – RON 27.48 mn;

- Refurbishing the 220/110 kV substation Turnu Severin Est – RON 23.77 mn;
- Extending the business continuity and post-disaster recovery services to the executive branch - RON 14.41 mn;
- The 400 kV double circuit OHL Cernavoda - Stalpu and connection in Gura Ialomitei – RON 12.83 mn;
- Refurbishing the 400/220/110/20 kV substation Bradu – stage 4 – RON 12.29 mn;
- Replacing the EMS SCADA AREVA system's software and hardware components - RON 11.44 mn;
- Connecting the 400 kV OHL Isaccea - Varna and the Isaccea - Dobrudja OHL in the 400 kV substation Medgidia Sud – RON 10.92 mn;
- Integrated security system for electric substations, stage IV – RON 8.02 mn;
- Refurbishing the 220/110 kV substation Hasdat – RON 7.49 mn;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - Stage I - the 400/220/110 kV substation Resita – RON 6.63 mn;
- Mobile 110 kV, 220 kV & 400 kV bays – RON 6.05 mn;
- The 400 kV OHL Gadalin - Suceava, including its connection to SEN – RON 6.02 mn;
- 400 kV HVDC Link (submarine cable Romania - Turkey) – RON 5.85 mn;
- Refurbishing the 220 kV Otelarie (Steel Works) Hunedoara – RON 5.18 mn;
- The 400 kV OHL Suceava - Balti, for the project segment on Romanian territory – RON 4.40 mn;
- The 400 kV double circuit OHL Gutinas – Smardan – RON 3.76 mn;
- Upgrading the 220/110/20 kV substation Raureni – RON 3.29 mn;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage II, the 400 kV double circuit OHL Resita - Timisoara – Sacalaz (220/110 kV substation Timisoara) – RON 3.22 mn;
- Extending with new functions the control and IT access supervision system for the objectives of NPG Transelectrica SA – RON 3.20 mn;
- Upgrading the 110 kV substations Bacau Sud and Roman Nord from the 400 kV axis Moldova – RON 3.05 mn;

- Upgrading the 220/110/20 kV substation Arefu – RON 3 mn;
- Connecting to RET the 136 MW WPP Platonesti, Ialomita by building a 110 kV bay in the 400/110 kV substation Gura Ialomitei – RON 2.89 mn;
- Upgrading the 110 kV & 400 (220 kV) installations of substation Focsani Vest – RON 2.85 mn;
- Integrated security system for electric substations, stage III – RON 2.80 mn;
- Upgrading the 110 kV & 400 (220 kV) installations of substation Focsani Vest – RON 2.60 mn;
- By-passing the 110 kV OHL Cetate 1 & 2 near the 110/20/6 kV substation Ostrovul Mare – RON 2.58 mn;
- Connecting to RET the 99 MW WPP and the 30 MW WPP Romanesti, Iasi County, by building a 110 kV line bay in the 220/110 kV substation FAI – RON 2.55 mn;
- Research & development centre of LW technologies and fast intervention in the SEN – Centre building – RON 2.45 mn;
- Security solution to implement security measures for classified information – 2.02 mn;
- Upgrading the 220/110 kV substation Dumbrava – RON 1.92 mn;
- Upgrading the tele-protection & telecommunication system in substation Cernavoda – RON 1.72 mn;
- Consolidating, upgrading and extending the offices of NPG Transelectrica for the Executive – RON 1.63 mn;
- Integrated security system in the new 400/220/110 kV substation Banca – RON 1.13 mn;
- Achieving optical fibre communication between the 220/110/20 kV Pitesti Sud and the remote control & installation supervision centre of TB Pitesti (FS) – RON 1.11 mn;
- Damages for lands related to the 400 kV OHL Oradea – Beckescsaba – RON 1.01 mn;
- Refurbishing the 220/110/20 kV substation Ungheni – RON 1.10 mn;
- Refurbishing the 400/110/20 kV substation Smardan – RON 1.10 mn;
- Relocating the high voltage networks of the Motorway Brasov - Targu Mures - Cluj – Oradea, section 2A Ogra - Campia Turzii, lot 2 Iernut - Chetani, km 3 + 600 km 21 + 500 - the 400 kV OHL Iernut - Sibiu Sud – RON 1.06 mn;
- Refurbishing the 220/110 kV substation Craiova Nord – RON 0.92 mn.

CONTRACTUAL ASPECTS

The most important investment contracts signed in January- March 2019 are as follows:

- Refurbishing the 110 kV substation Timisoara and converting the Portile de Fier - Anina - Resita - Timisoara - Sacalaz - Arad to 400 kV, stage II: the 400 kV substation Timisoara – RON 87.73 mn,
- Refurbishing the 220/110 kV substation Iaz – RON 54.79 mn,
- Procuring three 100 MVAR, 400 kV shunt reactors for the 400 kV substations Arad, Bucharest South and Bradu – RON 13.49 mn.
- Installing a 400/110 kV, 250 MVA transformer 3 in the 400/110 kV substation Sibiu Sud - primary equipment (transformer + related 400/110 kV bays) – RON 13.14 mn.



Significant events

JANUARY - MARCH 2019 EVENTS

- **Acceptance of mandate for provisional member in the directorate**

Mr. Adrian Savu, provisional Directorate member designated on 21 December 2018 by the Supervisory Board signed on 03 January 2019 the acceptance mandate, his appointment becoming effective on signing date, according to the mandate acceptance statement.

- **Decision 1 of 21 January 2019 of the Shareholders' General Ordinary Assembly of the Company**

The Shareholders' General Ordinary Assembly in the 21 January 2019 reunion approved appointing BDO AUDIT SRL as financial auditor of the Company for three years.

- **Preliminary financial results of 2018**

On 15 February 2019 the Company published the annual preliminary financial results of 2018, an account including the preliminary report about Company activities in January-December 2018 and the preliminary non-audited stand-alone intermediary financial statements of 31 December 2018.

- **Winter operational task force for SEN**

The Directorate chairman Mr. Marius Danut Carasol and Directorate members Mr. Constantin Saragea and Mr. Adrian Savu participated on 15 February 2018 to the Winter Operational Task Force of the National Power System, attended by representatives of all operators from the energy sector.

- **Full refurbishment of the 220/110 kV substation Craiova Nord**

The Company launched the refurbishment work for the 220/110 kV transformer substation Craiova Nord, an investment amounting to 9.89 mill Euro. The contract was signed in 2018 and its completion deadline is in 2020. The 220/110 kV substation Craiova Nord provides electricity to Craiova City consumers and the industrial ones in the area. The substation was commissioned in 1974, and this will be its first full refurbishment.

- **Transelectrica continues refurbishing the 400/220/110/20 kV transformer substation Domnesti**

This is an integrant part of the electricity transmission network enhancement process in Bucharest City area. The total value of the refurbishment project for the 400/110/20 kV substation Domnesti began in 2018 amounts to RON 144,447,000. The investment will be completed in 2020.

The work of substation Domnesti began in June 2018, currently the 400 kV GIS substation being built and the control building. This stage means the outdoor air-insulated primary equipment will be converted to indoor primary equipment, located in the 400 kV GIS building.

The 400/110/20 kV substation Domnesti is the last one undergoing upgrade, being preceded by the 400/220/110/10 kV substation Bucuresti Sud (2006-2009; 2014-2015) and by the modernisation of the 220/110/10 kV substation Fundeni (2006-2007). The 110 kV substation Domnesti was commissioned in 1980, and the 400 kV - in 1982.

- **Completing the repairs**

The transmission Branch Bacau completed the capital repairs in the segment between towers 192 and 253 of the 220 kV OHL Gutinas-Munteni, a project amounting to over one million Lei.

- **Decisions 4, 5, 6, 7, 8, 9, 10 and 11 of 29 March 2019 taken by the Shareholders' General Ordinary Assembly of the Company**

The Shareholders' General Ordinary Assembly at the 29 March 2019 reunion appointed

- Mr. Adrian MITROI
- Mr. Alin Sorin MITRICA
- Mr. Constantin DUMITRU
- Mrs. Virginia Mihaela TOADER
- Mrs. Mihaela CONSTANTINOVICI
- Mr. Mircea Gheorghe Dumitru COSEA
- Mrs. Carmen Nina CRISU

as provisional Supervisory Board members of the National Power Grid Company Transelectrica SA beginning with 30 March 2019, for two months' mandate term. It approved remuneration, established

the shape of the mandate contract and mandated the Ministry of Economy's representative to sign the mandate contracts of provisional Supervisory Board members of the National Power Grid Company Transelectrica SA.

LATER EVENTS

• Designating the provisional members in the Supervisory Board

Decisions 4, 6, 7, 8, and 9 of 29 March 2019 taken by the Shareholders' General Ordinary Assembly designated under mandate until 30.05.2019 the following provisional Supervisory Board members: Mr. Adrian MITROI, Mr. Constantin DUMITRU, Mrs. Virginia Mihaela TOADER, Mrs. Mihaela CONSTANTINOVICI, Mr. Mircea Gheorghe Dumitru COSEA that signed the mandate acceptance statement on 01 April 2019. Their appointment became effective beginning with 1 April 2019.

The appointment of Mrs. Carmen Nina CRISU and of Mr. Alin Sorin MITRICA according to HAGOA 5 and 10 of 29 March 2019 designated until 30.05.2019 will become effective when they sign the mandate acceptance statements before the notary public for the positions of provisional Supervisory Board members in the National Power Grid Company Transelectrica SA.

• Refusal of provisional member mandate in the Supervisory Board

Mrs. Carmen Nina CRISU appointed as provisional Supervisory Board member according to Decision 10 of 29 March 2019 of the Shareholders' General Ordinary Assembly refused accepting the mandate for incompatibility reasons.

• Acceptance of the mandate for provisional Supervisory Board member

Mr. Alin Sorin MITRICA appointed as provisional Supervisory Board member according to Decision 5 of 29 March 2019 of the Shareholders' General Ordinary Assembly signed the mandate acceptance statement on 02 April 2019, date when his appointment became effective.

• Appointing the Supervisory Board chairman and provisional Supervisory Board member

The Supervisory Board issued Decisions 13/2019 and 14/2019 on 08 April 2019 and decided appointing Mr. Mircea Gheorghe Dumitru COSEA as the Supervisory Board chairman and Florin – Radu CIOCANELEA as provisional Supervisory Board member with mandate expiring on 29 May 2019, expiry date of the mandate of Supervisory Board members in office.

• Non-reimbursable European financing for the 400 kV OHL Gutinas – Smardan investment project

The Ministry of European Funds approved non-reimbursable European financing of 31,019 million Euro of the 400 kV OHL Gutinas-Smardan" project under the Operational Programme Large Infrastructure (POIM) 2014-2020. The total investment value amounts to 56.8 million Euro. The 400 kV OHL Gutinas-Smardan will be 140 km long and will pass by 25 localities of 3 counties (Bacau, Vrancea and Galati). The investment will begin this year according to the project implementation schedule, with completion date in December 2022.

• Approval of membership in the consultative committees

Decision 15/2019 of the Supervisory Board designated the members in the consultative committees of the board as follows:

Nomination and remuneration committee:

- Constantin DUMITRU - chairman
- Mihaela CONSTANTINOVICI - member
- Adrian MITROI – member
- Alin - Sorin MITRICA – member
- Florin - Radu CIOCANELEA - member

Audit committee:

- Adrian MITROI - chairman
- Mircea Gheorghe Dumitru COSEA – member
- Virginia Mihaela TOADER - member
- Alin - Sorin MITRICA – member

Energy security committee:

- Mircea Gheorghe Dumitru COSEA - chairman
- Virginia Mihaela TOADER - member
- Constantin DUMITRU - member
- Florin - Radu CIOCANELEA - member

• Extending the mandate of (provisional) Directorate members

Taking into account on 20 April 2019 expired the mandates of current Directorate members, the Supervisory Board decided at the 11 April 2019 meeting to extend the mandates of provisional Directorate members:

- Marius - Danut CARASOL
- Claudia - Gina ANASTASE
- Andreea - Georgiana FLOREA
- Constantin SARAGEA
- Adrian SAVU

by 2 months beginning with 21.04.2019 until 20.06.2019.

- **Contracting the credit line to finance the bonus type support scheme for high efficiency cogeneration**

On 04 April 2019 the Company concluded the credit contract C733 with Banca Transilvania for 12 months in order to finance the bonus type support scheme for high efficiency cogeneration as account overdraft, amounting to 150,000,000 RON, with interest rate calculated depending on the reference rate ROBOR 1M, which a 0.50% margin is added to. Addendum 1 to the contract was signed on 24.04.2019 supplementing the credit line by RON 25 mn from RON 150 mn to RON 175 mn.

- **Indirect major holdings of NN Group NV**

NN Group NV informed the issuer by letter registered under no. 17857/11.04.2019 in the Company that after the transaction made the percentage held in packed mode is 5.12% of the share capital of NPG Transelectrica SA.

- **Decision 12 of 24 April 2019 taken by the Company's Shareholders' General Ordinary Assembly**

On 24 April 2019 the Shareholders' General Ordinary approved the annual financial results of 2018 audited by auditor BDO Audit SRL.

- **Decision 13 of 8 May 2019 taken by the Company's Shareholders' General Extraordinary Assembly**

The Shareholders' General Extraordinary Assembly at the 8 May 2019 reunion approved the Company's participation to increasing the share capital of the Company for Maintenance Services in the Electricity Transmission Grid Company Smart SA, Company subsidiary by cash contribution amounting to maximum RON 24 mn, according to Note 16866/04.04.2019.



Other issues

SHAREHOLDERS STRUCTURE

The structure of Company shareholders on 31.03.2019 is as follows:

Shareholder name	No. of shares
Romanian State	43,020,309
Dedeman SRL	4,503,567
Other shareholders – legal persons	20,240,667
Other shareholders - natural persons	5,538,599
Total	73,303,142

DIRECTORATE MEMBERSHIP

The Directorate membership on the date of this report is as follows:

Marius-Danut CARASOL	Directorate Chairman
Claudia-Gina ANASTASE	Directorate Member
Andreea Georgiana FLOREA	Directorate Member
Constantin SARAGEA	Directorate Member
Adrian SAVU	Directorate Member

TARIFFS

ANRE-approved tariffs (Order 108/2018) are provided in the table below:

Index	Tariff	m.u.	Approved value		Difference %	Approved value		Difference %
			Reporting period			Reporting period		
			1 January-31 December 2017			1 January-31 December 2018		
			1 Jan-30 June	1 July-31 Dec		1 Jan-30 June	1 July-31 Dec*	
A	Electricity transmission	RON/MWh	18.70	16.86	-9.8%	16.86	18.13	+7.5%
B	Functional system services	RON/MWh	1.30	1.11	-14.6%	1.11	1.11	-
C	Technological system services	RON/MWh	11.58	9.39	-18.9%	12.06	10.44	-13.4%
	Billed quantity	TWh	52.0	54.0	-	54.0/55.0 ²	55.4	-

The factors with significant contribution to tariff changes at the last review operated by ANRE (*tariffs with effect from 01.07.2018 applicable on 31.03.2019) are provided below.

² The electricity quantity used for the approval of the transmission tariff and functional system services tariffs was 54.0 TWh (1 July 2017), and the electricity quantity used for the approval of technological system services tariffs (1 January 2018) was 27.5 TWh for semester I 2018 (55.0 TWh annually)

Electricity transmission services

The tariff increase **(+7.5%)** is mainly explained by two factors:

1. Ex-post corrections - corrections applied in order to compensate the differences between the forecasted values used when calculating the tariff in previous year and the actually registered values (final corrections for 1 July 2016 - 30 June 2017, preliminary corrections for 1 July 2017 - 30 June 2018) were negative however smaller in absolute value compared to the ones applied to the tariff in force. The ex-post corrections contributed **+6.5%** to increasing the newly-approved tariff compared to the applied one;

The most important calculation elements included in the ex-post corrections applied when calculating the newly approved tariff were: (i) the electricity procurement price to cover one's own technological losses, (ii) the inflation index, (iii) using part of the revenues obtained from allocating interconnection capacities as source supplementing the regulated tariff with a view to cover the regulated costs, (iv) electricity consumption increase above the ANRE forecast when it designed the tariff, (v) the partial investment correction;

2. The forecasted inflation used in the calculation in the newly-approved tariff was higher than the forecasted inflation used in the calculation of tariffs approved for the current year (the inflation index used in the new tariff calculation is superior to the inflation index used in the tariff calculation for the current year). The inflation index difference contributed to **+4.6%** change in the newly-approved tariff compared to the applicable one.

Besides such positive corrections there have been other factors that contributed to establishing the approved tariff applied on 01.07.2018 compared to one applied until 30.06.2018:

➤ The quantity of electricity that can be billed upon network extraction was increased from 54.0 TWh to 55.4 TWh. The quantity that can be billed contributed to **-2.5%** to decreasing the newly-approved tariff.

➤ The annual basic revenue calculated as sum of annual regulated costs established using the 5 years' cost forecast approved by ANRE for the regulatory period 01.07.2014-30.06.2019 is slightly higher than the annual basic revenue corresponding to the current year. Lineal-rendering the series of annual revenues from the regulatory period led to redistributing the annual revenues while maintaining the total value of revenue cumulated for 5 years and revenues development from one year to the next was impacted by a negative decreasing slope. The two

elements provided in this paragraph contributed together **-1.0%** to changing the newly-approved tariff.

Functional system services

The tariff was maintained because the following individual calculation items had a net cumulated effect equalling zero:

➤ The ex-post negative correction included in the new tariff was smaller in absolute value compared to the negative correction applied to the tariff of last year. The ex-post correction contributed **+6.0%** to changing the newly-approved tariff against the current one;

➤ The annual cost forecast recognised in the newly tariff approved is smaller than the annual cost forecast included in the current year's tariff. The annual cost forecast contributed **-3.4%** to changing the newly-approved tariff against the current one;

➤ The electricity quantity that can be billed upon network extraction increased from 54.0 TWh to 55.4 TWh. The change in the electricity quantity that can be billed contributed **-2.5%** to changing the newly-approved tariff compared to the current one.

Technological system services

Tariff decrease **(-13.4%)** was determined by:

➤ The ex-post negative correction included in the newly approved tariff, established according to the applicable methodology for partial compensation (of 80%) of the profit accumulated by 30.06.2017. The profit obtained in the fore-mentioned period was mainly achieved against a background of significant reduction in the procurement unit prices for technological system services compared to the ANRE-forecasted unit prices included in anticipation in the calculation of approved tariffs. In order to mitigate the impact over the regulated tariff upon Transelectrica's request ANRE established a spread-out schedule for the application of the two years' correction, in 1 July 2017 – 30 June 2018 and 1 July 2018 – 30 June 2019 based on which the second portion of the correction for 1 July 2016 – 30 June 2017 was applied, as well as the unachieved part of the first portion. The ex-post correction contributed **-18.0%** to decreasing the newly-approved tariff compared to the current one;

➤ The annual forecast of recognised costs in the new tariff to procure technological system services in the tariff year 1 July 2018 - 30 June 2019 is higher than the forecast of costs recognised in semester I 2018 (semester II of the tariff year 1 July 2017 – 30 June 2018). The cost forecast increase was determined by higher bid procurement prices for technological system services in the current tariff

period compared to ANRE-forecasted prices. The annual cost forecast contributed **+5.4%** to increasing the newly-approved tariff compared to the current one;

➤ The electricity quantity that can be billed upon network extraction increased from 55.0 TWh to 55.4 TWh. The change in the quantity that can be billed contributed **-0.7%** to decreasing the newly-approved tariff compared to the current one.

DISPUTES

The most important disputes that might impact the Company are provided further:

Note: To facilitate reading / understanding all sums of this chapter are expressed in RON/Euro

▪ RAAN

On the docket of Mehedinti Tribunal, Section II Civil of Administrative and Fiscal Litigation Disputes file **3616/101/2014** was registered, pertaining to “claims amounting to RON 1,090,831.70, the value of invoice 1300215/31.12.2013”, file where the Company is defendant and claimant is the Autonomous Authority for Nuclear Activities, RAAN.

Civil sentence no. 127 pronounced on 10.10.2014 by Mehedinti Tribunal decided admitting the request of Claimant RAAN and compelling the Company to pay RON 109,083,170, the value of invoice no. 1300215/31.12.2013.

The Company filed appeal and requested the court instance a ruling admitting the appeal as it was expressed, cancelling the ruling and sentences appealed against and referring the case to the territorial competent instance in view of judgment, ascertaining the compliance with the provisions of article 1616-1617 Civil Code, for which reason it should ascertain the rightful compensation of mutual liabilities and their write-off until the concurrence of the smallest amount of the two, namely the total sum requested by the claimant in its summons, while compelling the respondent in appeal-claimant to pay the expenses with this appeal.

The appeal was recorded on the docket of the High Court for Cassation and Justice that decided cancelling ruling 843/2015 and referred the case to the Appeal Court Craiova for re-judgment.

Ruling 124/2017 of the Appeal Court Craiova admitted the appeal filed by Transelectrica and cancelled sentence 127/2014 pronounced by Mehedinti Tribunal, and the case was referred to Bucharest Tribunal, Section VI Civil for re-judgment. On the docket of Bucharest Tribunal the case was registered under no. 40444/3/2017, and by civil sentence 4406/04.12.2017 the court admitted RAAN's request and obliged Transelectrica to pay RON 1,090,831.70. The

sentence was appealed against. Hearing term was set on 13.12.2018.

In 2014-2015 the Company withheld the bonus owed to RAAN under the support scheme according to the provisions of ANRE regulations, namely article 17 para 5 of Order 116/2013 of ANRE president.

Under such circumstances RAAN has calculated penalties for its not collecting in due time the cogeneration bonus amounting to RON 3,496,914, which the Company withheld on account of uncollected receivables. The Company refused paying the amount of RON 3,496,914 and did not record it as liability under the support scheme.

File no. 9089/101/2013/a152 pertains to contestation against the Additional table of trade receivables against debtor RAAN. The disputed amount is RON 89,360,986.

Transelectrica SA has been registered in the table of debtor RAAN with RON 11,264,777, in the category of liabilities resulting from the debtor's continued activity, but the actual sum requested by our company amounts to RON 89,360,986. The sum of RON 78,096,209 was not included in the table on grounds that “it is not mentioned as liability in RAAN's accounting books”. Moreover, the judiciary liquidator considered the request to register RON 78,096,209 in the table was submitted late, as it pertains to 2011 – 2013 interval, for which reason the liability statement should have been expressed on the insolvency opening date, namely 18.09.2013. The contestation against the Additional table of trade receivables was submitted within the legal term, Mehedinti Tribunal accepting the accounting expertise evidence.

On the 14.06.2018 term the case judgment was suspended until settlement of file 3014/2/2014 on the docket of the High Court for Cassation and Justice.

The procedure furthering term was established on **06.06.2019**.

▪ COURT OF AUDIT

Following an audit session of 2013 in the Company, the Court of Audit required the Company to implement certain measures as a result of certain deficiencies it had found during this audit session. Such decision and the conclusion issued by the Court of Audit were contested in the Appeal Court of Bucharest and file **1658/2/2014** was constituted pertaining to “cancelling the audit acts” – Conclusion 7/20.02.2014 issued by the Court of Audit.

On 13.06.2018 the claimant's suit was partly admitted. The instance cancelled in part conclusion 7/20.02.2014, decision 37/9.12.2013 and the control report 35521/6.11.2012 issued by the defendant with respect to the measures required in the fore-mentioned decision in items 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 partially the measure of item II.13, which means removing the phrase “including those found in case of invoices issued by FLOREA ADMINISTRARE IMOBILIARA SRL”. The instance denies as groundless the remaining parts of the claimant's suit and endorses the electric power technical report elaborated by expert Toaxen Vasile for the case; it compels the defendant to pay RON 121,375 to the claimant as law suit expenses (partial expert fees and judiciary stamp tax). Document: ruling 2771/2018, 13.06.2018.

Document: Ruling 2771/2018. On 13.06.2018 Transelectrica filed appeal, which was rejected by the High Court for Cassation and Justice as groundless.

Following an audit session performed in 2017, the Court of Audit required the Company to apply certain measures as a result of deficiencies it had found during this audit. NPG Transelectrica SA filed 8 contestations against the measures decided by Romania's Court of Audit (CCR) under Decision 8/27.06.2017, requesting their cancellation, and against conclusion 77/03.08.2017, registered in the Company under no. 29117/08.08.2017, namely the Audit report 19211/26.05.2017.

Contestations are under settlement on the dockets of the Appeal Court Bucharest and of the High Court for Cassation and Justice.

▪ ANRE

NPG Transelectrica SA filed complaint against Order 51/26.06.2014 of ANRE president registered under no. 47714/04.08.2014 with ANRE and a contestation to the Appeal Court Bucharest, which is under file **4921/2/2014**, requesting either amending the fore-mentioned Order or issuing a new order to recalculate the RRR back at 9.87% (recalculated with β) coefficient of 1.0359, in accordance with

Transelectrica's internal studies) or, in case such contestation is denied, it requested using the same 8.52% percentage that ANRE established for 2013 and the first semester of 2014.

On 26.06.2014 Order 51 of ANRE was issued and published in the Official Gazette no. 474/27.06.2014, which approved the average tariff for transmission services, the tariff of system services and the zone tariffs of transmission services charged by the National Power Grid Company Transelectrica SA and cancelled annex 1 to Order 96/2013 of ANRE president approving the tariff for transmission services, the tariff of system services, the zone tariffs for transmission services and the tariffs for reactive electricity charged by the economic operators from the electricity sector. The values taken into account by ANRE when calculating the regulated rate of return (RRR¹) in accordance with the Methodology establishing tariffs for electricity transmission services approved by ANRE Order 53/2013 (“Methodology”) have determined a RRR of 7.7%.

On the 27.03.2018 term the expert fee that was placed on the claimant's account was paid and the decision was taken to resend a letter to this expert in order to elaborate the required expertise report and submit it to the file.

On the 25.09.2018 term a new letter would be sent to the expert in order to make the expertise report and submit it to the file, while also mentioning it should prove it was impossible to submit the expertise report by the court term, therefore case deferral will be decided.

On the hearing term 22.01.2019 the instance admitted in principle the request for accessory intervention to the interest of the defendant (ANRE), expressed by the intervenient ALRO SA, with appeal right alongside the main issue. The case is deferred until the following term established on 14.05.2019

The dispute did not impact the relation with ANRE or the Company's financial results.

• OPCOM

On 24.11.2014 the Operator of the Electricity and Natural Gas Market OPCOM SA sued the Company with a view to compel it paying 582,086.31 Euro (RON 2,585,161.72) representing the amount the claimant

¹ RRR- Regulated Rate of Return is found in specific literature with the acronym WACC – Weighted Average Cost of Capital; the formula of the two indicators is resemblant: $RRR = WACC = CCP + Kp/(1 - T) + CCI \times Ki$

had paid as fine from the total fine of 1,031,000 Euro, such request pertaining to file **40814/3/2014**.

Previously the Shareholders' General Assembly of Subsidiary OPCOM SA decided on its 10.06.2014 reunion to pay the fine in full amounting to 1,031,000 Euro applied by the General Directorate Competition of the European Commission for its trespassing article 102 of the Treaty regarding operation of the European Union, in accordance with Decision AT 39984 on the antitrust case.

Also OPCOM SA requested the law court to compel the Company to pay another amount of RON 84,867.67 as legal interest rate for the time interval 11.06.2014 – 24.11.2014, plus law suit expenses amounting to RON 37,828.

The suit instituted by OPCOM SA was recorded under file 40814/3/2014, found on the docket of Bucharest Tribunal, Section VI Civil, pertaining to claims, main issue - dispute with professionals.

On the 24.07.2015 court session the instance admitted the summons filed by the claimant Electricity and Natural Gas Market Operator OPCOM SA in contradiction with defendant the National Power Grid Company Transelectrica SA and compelled the defendant to pay 582,086.31 Euro to the claimant, representing the amount the claimant paid on behalf of the defendant from the 1,031,000 Euro fine applied under European Commission Decision on 05.03.2014 in the AT.39984 case as well as the legal interest to a sum of 582,086.31 Euro, calculated since 11.06.2014 until actual payment date. Also the instance compelled the defendant to pay RON 37,828 to the claimant as law suit expenses; appeal right within 30 days from notification. Transelectrica SA filed appeal against sentence 4275/2015 pronounced in the fore-mentioned file, which was recorded on the docket of the Appeal Court Bucharest.

The Appeal Court's settlement in brief: admits the appeal, changes fully the civil sentence appealed against, namely it denies the summons as groundless. The court compels the respondent in appeal-claimant to pay RON 16,129, representing judiciary stamp tax. Appeal within 30 days from notification, pronounced at public hearing of 10.10.2016. Document: Ruling 1517/2016 of 10.10.2016.

OPCOM SA filed appeal, which was recorded with the High Court for Cassation and Justice.

The term of the High Court for Cassation and Justice: 13.03.2018. This Court's settlement in brief: Admitted the appeal filed by the recurrent-claimant Electricity and Natural Gas Market Operator OPCOM SA against ruling 1517/10.10.2016, pronounced by the Appeal

Court Bucharest, Section V Civil. Cancels the ruling appealed against and refers the case to the appeal court for new judgment; final.

On the 01.10.2018 hearing term the Appeal Court Bucharest decided denying the appeal as groundless and compelling the respondent in appeal-defendant to pay RON 26,070.31 as law suit expenses to the respondent in appeal-claimant. Appeal right within 30 days from notification.

On 27.11.2018 NPG Transelectrica SA filed appeal.

The Company recorded in 2014 a provision of RON 2,670,029 for the dispute with subsidiary OPCOM SA.

• **CONAID COMPANY SRL**

In 2013 Conaid Company SRL sued NPG Transelectrica for its unjustified refusal to sign an addendum to the connection contract or a new connection contract and requested claims for expenses incurred to that date amounting to RON 17,419,508, as well as unrealised profits in 2013-2033 amounting to 722,756,000 EUR. To date the Company has not concluded addendum to the connection contract because the suspensive terms provided in the contract have not been complied with by Conaid Company SRL. A new connection contract should have been concluded by 11.03.2014, date when the technical connection endorsement expired. As of the date of these financial statements the amounts claimed by Conaid Company SRL were considered contingent liabilities since it is improbable to require resource outputs including economic benefits to settle this obligation, and the amount of such obligation cannot be assessed quite credibly. File 5302/2/2013 on the docket of the High Court of Cassation and Justice, Administrative and Fiscal Disputes Section pertained to compelling the issuance of an administrative act, file stage-appeal, hearing term being set on 09.12.2015. On this term the High Court of Cassation and Justice admitted in principle the appeals and set the hearing term for the main issue on 08.04.2016 for the appeals, Judge Panel 4, with parties' summons.

Case judgment was deferred until 17.06.2016, when the instance deferred pronouncement on 29.06.2016, when it pronounced Ruling 2148/2016 deciding as follows: "Denies the exceptions brought by the recurrent-claimant SC Conaid Company SRL, by the judiciary administrator RVA Insolvency Specialists SPRL and by the recurrent-defendant Transelectrica SA. Admits the appeal filed by the defendant National Power Grid Company Transelectrica SA against the hearing conclusion of 18.02.2014 and the civil sentence 1866 of 11.06.2014, pronounced by the

Appeal Court Bucharest, Section VIII of administrative and fiscal disputes. Cancels the conclusion appealed against and partly the sentence and refers the case to Bucharest Tribunal, Section VI Civil to settle the claimant's suit in contradiction with National Power Grid Company Transelectrica SA. It maintains the other provisions of the sentence as regards the claimant's suit against the National Regulatory Authority in the Energy domain. Denies the appeals filed by claimant SC Conaid Company SRL, by the judiciary administrator RVA Insolvency Specialists SPRL and by the intervenient SC Duro Felguera SA against civil sentence 1866 of 11.06.2014, pronounced by the Appeal Court Bucharest, Section VIII of administrative and fiscal disputes. It denies the appeal filed by defendant National Power Grid Company Transelectrica SA against the hearing conclusion of 25.03.2014, pronounced by the Appeal Court Bucharest, Section VIII of administrative and fiscal disputes; final, pronounced at public hearing on 29 June 2016.

On the docket of Bucharest Tribunal, Section VI Civil the case was registered under no. 12107/3/2017. The Tribunal admits the inadmissibility exception and denies the request as inadmissible by civil sentence 4364/23.11.2017. It also denies the intervention request to the claimant's interest. Appeal right within 30 days from notification. The appeal was submitted to Bucharest Tribunal, Section VI Civil and placed at the parties' disposal by means of the court clerk on 23.11.2017.

At the time of this report no appeal was filed by the claimant.

On 02.11.2018, on the docket of Bucharest Tribunal, Section VI Civil it was registered a new law suit filed by Conaid Company SRL, under file no. 36755/3/2018 by which the claimant requested the court to oblige Transelectrica SA "to repair the prejudice caused to the claimant as a result of faulty non-execution of obligation by the defendant, in quantum of RON 17,216,093.43, amounting to the actual loss borne and the unrealized benefit, provisionally estimated at 100,000 euros. In view of Transelectrica SA's unjustified refusal to conclude and sign an addendum to Contract No. C154/27.04.2012, and if the court considers that it cannot formally be considered as fulfilled by the claimant the obligation of suspensive conditions, this non-execution is due to the exclusive fault of Transelectrica SA, the defendant preventing the fulfilment of the conditions".

Hearing term: 11.06.2019.

▪ FF WIND ENERGY INTERNAȚIONAL SRL

File no. 47332/3/2017 on the docket of Bucharest Tribunal, Section VI Civil, whereby Co. FF Wind Energy International SRL requested in contradiction with NPG Transelectrica SA: - cancelling the one-sided termination statement of the RET connection contract 85/14.03.2011 issued on 02.03.2016 under no. 8295, - compelling the Company to pay RON 32,777,167.35 as prejudice following contract termination and 45,000,000 Euro, representing the devaluation quantum of Co. FF Wind Energy International SRL by preventing it to achieve its purpose.

On the hearing term 28.12.2018 the instance denied the suing as it had been expressed as groundless; it acknowledges the defendant has requested no law suit expenses and provides appeal right within 30 days from notification. In accordance with article 425 para 3 and of article 471 para 1 from the Civil Procedural Code, the appeal and the appeal reasons are submitted to Bucharest Tribunal, Section VI Civil.

Document: Ruling 3891/2018 of 28.12.2018.

Co. FF Wind Energy International SRL filed an appeal.

▪ ANAF

At the offices of Transelectrica SA a general fiscal inspection took place, which targeted the time interval December 2005 – December 2010. Such general fiscal audit began on 14.12.2011 and ended on 26.06.2017, which was also the date of the final discussion with Transelectrica SA.

ANAF-DGAMC has established additional fiscal obligations payable by the Company, namely income tax and VAT, as well as accessory fiscal liabilities (interest/delay indexations and penalties) with respect to technological system services (STS) which were invoiced by energy suppliers and were considered non-deductible after the fiscal audit.

In accordance with the taxation decision F-MC 439/30.06.2017, in total amount of RON 99,013,399, ANAF-DGAMC established additional fiscal liabilities payable by the Company amounting to RON 35,105,092, as well as accessory fiscal liabilities (interest/delay indexations and penalties), which amounted to RON 63,908,307.

In principle, ANAF's Fiscal audit report specifies mainly the following additional payment obligations: income tax amounting to RON 13,726,800, as well as accessories owed for a number of unused invoices and labelled as missing (they were destroyed in the 26-27 June 2009 fire, in the working location from Millennium Business Centre of str. Armand Calinescu

2-4, Bucharest 2, where the Company operated at that moment), and were special regime documents.

These invoices were the subject matter of a dispute with ANAF that issued fiscal audit report on 20 September 2011 whereby it estimated payable VAT collected for a number of unused invoices identified as missing.

The Company contested the Taxation decision F-MC 439/30.06.2017 within the legal term according to OG 92/2003 on the Fiscal procedural code.

ANAF issued the executory title 13540/22.08.2017 under which the additional payment liabilities established under Taxation decision F-MC 439/30.06.2017 were enforced.

The Company requested cancelling the enforcement title 13540/22.08.2017 from the Appeal Court under file no. 7141/2/2017. Settlement in brief: the court admitted the exception of the material incompetence of the Appeal Court Bucharest 1, SCAF. It declines the case settlement competence in favour of Law Court of Bucharest 1. No appeal right was given; this was pronounced at public hearing of 08.02.2018. Document: Ruling 478/2018 of 08.02.2018.

Following such competence declination file no. 8993/299/2018 was registered on the docket of Law Court of Bucharest 1 whereby the Company contested the enforcement initiated under the enforcement title 13540/22.08.2017, which relied on the Taxation decision F-MC 439/30.06.2017.

After the Company's contestation of the administrative fiscal act, Decision no. F-MC 439/30.06.2017, ANAF notified the Company Decision 122/13.03.2018 which denies as groundless the contestation filed by NPG Transelectrica SA, such decision being received on 16.03.2018, after filing the summons under file 1802/2/2018.

Settlement in brief: the court admitted the request of judgment suspension filed by the contester. In accordance with article 413 para (1) pt. 1 civil procedure code, it suspended judgment until final settlement of file 1802/2/2018, on the docket of the Appeal Court Bucharest, Section VIII of administrative and fiscal disputes. Appeal right during the entire suspension; appeal to be submitted to the Law Court of Bucharest 1. This was pronounced at public hearing. Document: Conclusion - Suspension 17.04.2018

On the docket of the Appeal Court file no. 1802/2/2018 is found under preliminary procedure, whereby the Company contested the administrative fiscal act, the Decision F-MC 439/30.06.2017.

On the session term 06.11.2018 the court admitted the administration of the expertise evidence, in the accounting – fiscal specific domain. New hearing term: 14.05.2019.

At the same time the Company is involved in disputes with former Directorate and Supervisory Board members with respect to the mandate contracts concluded between them and the Company.



Annexes

ANNEX 1: Stand-alone statement of financial position

[RON mn]	Q1 2019	2018	Δ	Δ (%)
	1	2	3=1-2	4=1/2
ASSETS				
Non-current assets				
Tangible assets	2,952	2,988	(36)	(1%)
Intangible assets	35	23	12	53%
Financial assets	80	80	(0)	(0%)
Total non-current assets	3,067	3,091	(24)	(1%)
Current assets				
Inventories	35	35	0	0%
Trade and other receivables	876	1,064	(187)	(18%)
Cash and cash equivalents	178	482	(305)	(63%)
Total current assets	1,089	1,581	(492)	(31%)
Total assets	4,156	4,672	(516)	(11%)
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' Equity				
Share capital, of which:	733	733	0	0%
<i>Subscribed share capital</i>	733	733	0	0%
Share premium	50	50	0	0%
Legal reserves	124	124	(0)	(0%)
Revaluation reserves	511	523	(11)	(2%)
Other reserves	67	67	0	0%
Retained earnings	1,362	1,313	49	4%
Total shareholders' equity	2,847	2,809	38	1%
Non-current liabilities				
Long term deferred revenues	381	411	(30)	(7%)
Long term borrowings	140	144	(4)	(3%)
Deferred tax liability	55	56	(1)	(2%)
Employee benefits liabilities	52	52	0	0%
Total non-current liabilities	628	664	(35)	(5%)
Current liabilities				
Trade and other liabilities	540	1,021	(481)	(47%)
Other tax and social security liabilities	8	10	(2)	(21%)
Short-term borrowings	28	53	(26)	(48%)
Provisions	64	96	(31)	(33%)
Short-term deferred revenues	41	19	21	110%
Income tax payable	0,4	0,2	0,2	72%
Total current liabilities	681	1,199	(519)	(43%)
Total liabilities	1,309	1,863	(554)	(30%)
Total shareholders' equity and liabilities	4,156	4,672	(516)	(11%)

ANNEX 2: Stand-alone profit or loss statement

[RON mn]									
Indicator	2018	2017	Q1 2019	Q1 2018	Budgeted Q1 2019	Achieved 2019 vs 2018	Achieved 2019 vs 2018 (%)	Achieved vs budgeted 2019	Achieved vs budgeted 2019 (%)
0	1	2	3	4	5	6=3-4	7=3/4	8=3-5	9=3/5
Operating revenues									
Transmission revenues	1,070	1,055	290	272	294	18	7%	(4)	(1%)
System services revenues	702	651	173	202	174	(29)	(14%)	(1)	(1%)
Balancing market revenues	904	1,305	175	200	239	(25)	(13%)	(64)	(27%)
Other revenues	46	50	11	11	12	0	0%	(1)	(8%)
Total operating revenues	2,722	3,060	649	685	719	(36)	(5%)	(70)	(10%)
Operating expenses									
System operating expenses	309	258	101	87	103	14	16%	(2)	(2%)
Balancing market expenses	904	1305	175	200	239	(25)	(13%)	(64)	(27%)
Technological system services expenses	678	661	185	158	159	27	17%	26	16%
Depreciation and Amortisation	298	312	72	75	79	(3)	(4%)	(7)	(9%)
Personnel expenses	189	179	48	43	49	5	12%	(1)	(2%)
Repairs and maintenance expenses	91	85	20	13	18	7	54%	2	11%
Materials and consumables	12	8	2	2	2	0	0%	0	0%
Other operating expenses	141	185	3	25	42	(22)	(88%)	(39)	(93%)
Total operating expenses	2,620	2,992	606	603	691	3	0%	(85)	(12%)
Operating profit	101	68	43	82	28	(39)	(48%)	15	54%
Finance income	17	19	3	2	3	1	50%	0	0%
Finance expenses	25	40	7	6	8	1	17%	(1)	(13%)
Net finance result	(8)	(21)	(4)	(4)	(5)	0	0%	1	20%
Profit before income tax	93	47	39	78	23	(39)	(50%)	16	70%
Income tax	12	19	1	10	3	(9)	(90%)	(2)	(67%)
Net profit	81	28	38	68	20	(30)	(44%)	18	90%

ANNEX 3: Stand-alone cash flow statement

[RON mn]	Q1 2019	Q1 2018	Δ	2018 vs 2017 (%)
Cash flows from operational activities				
Profit of the period	38.0	68.2	(30)	(44%)
Allowances for:				
Income tax expense	1.4	9.8	(8)	(85%)
Amortisement expenses	70.2	75.5	(5)	(7%)
Allowances for impairment of trade receivables	2.9	2.0	1	47%
Reversal of allowances for impairment of trade receivables	(1.8)	(1.5)	(0)	(18%)
Net revenues with allowances for impairment of sundry debtors	(1.0)	(0.2)	(1)	n/a
Net revenues with allowances for impairment of inventories	(0.2)	(0.1)	(0)	n/a
Net profit / loss from the sale of tangible assets	0.0	0.1	(0)	n/a
Net expenses with allowances for tangible assets	1.1	0.5	1	95%
Net revenues regarding risk and expense provisions	(31.2)	(0.0)	(31)	(n/a)
Interest expense, interest revenue and unrealised foreign exchange gains	4.4	3.7	1	21%
Cash flow before changes in the current capital	83.9	158.0	(74)	(47%)
Changes in:				
Clients and assimilated accounts - energy and other activities	(78.7)	(26.1)	(53)	n/a
Clients – balancing	289.3	57.7	232	n/a
Clients – cogeneration	(23.4)	(135.2)	112	83%
Inventories	(0.2)	(2.6)	2	94%
Trade liabilities and other liabilities - energy and other activities	(74.9)	18.2	(93)	n/a
Liabilities - balancing	(341.6)	(75.9)	(266)	n/a
Liabilities - cogeneration	3.2	12.1	(9)	(73%)
Other tax and social security liabilities	(2.1)	(0.1)	(2)	n/a
Deferred revenues	(8.4)	(11.4)	3	27%
Cash flows from operational activities	(152.7)	(5.2)	(147)	n/a
Interest paid	(1.8)	(2.5)	1	28%
Income tax paid	(2.4)	0.0	(2)	n/a
Net cash generated from operational activities	(156.9)	(7.7)	(149)	n/a
Cash flows from investments				
Procurements of tangible and intangible assets	(48.8)	(42.1)	(7)	(16%)
Interest cashed	1.2	1.1	0	12%
Net cash used in investments	(47.6)	(41.0)	(7)	(16%)
Cash flows used for financing				
Reimbursements of non-current borrowings	(33.8)	(49.8)	16	32%
Utilisation of the credit line for cogeneration	0.0	76.9	(77)	n/a
Dividends paid	(66.3)	(0.1)	(66)	n/a
Net cash used for financing	(100.1)	27.0	(127)	n/a
Net diminution of cash and cash equivalents	(304.6)	(21.7)	(283)	n/a
Cash and cash equivalents on 1 January	482.2	520.7	(39)	(7%)
Cash and cash equivalents at the end of the period	177.6	499.0	(321)	(64%)

ANNEX 4: Economic-financial indicators of the reporting period

Indicatori	Formula de calcul	Q1 2019	2018
Current liquidity ratio (x)	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.60	1.32
Indebtness indicators (x):			
(1) Indebtedness indicator	$\frac{\text{Debt capital} \times 100}{\text{Shareholder's equity}}$	5.9%	7.0%
(2) Indebtedness indicator	$\frac{\text{Debt capital} \times 100}{\text{Committed capital}}$	5.5%	6.6%
Clients' turnover (zile)	$\frac{\text{Average client balance}^* \times \text{no.days}}{\text{Turnover}}$	85.55	90.96
Non-current assets turnover (x)	$\frac{\text{Turnover}}{\text{Non-current assets}}$	0.21	0.87

* The clients contributing to the turnover (energy, balancing, other clients, and clients with invoices to issue) were taken into consideration. The values corresponding to doubtful clients, the cogeneration scheme and the overcompensation were not included in the average balance.

ANNEX 5 REPORT (as per HAGEA 4/29.04.2015) on the contracts signed in quarter IV/ 2018 for procurements of assets, services and work amounting to over 500,000 Euro/procurement (for procurements of assets and work) and over 100,000 Euro/procurement (for services)

No.	Contract number	Contractual object	Term	Value		Contract type	Legal base	Procurement procedure
				Thous. RON	Thous. Euro			
0	1	2	3	4	5	6	7	8
1	BA 729/2018	Specialised guard and intervention services to the objectives of TB Bacau	36 months	7,624	0.00	Services	Law 99/2016 + HG 394/2016	Open bid
2	C 398/2018	Car fuel for the car fleet and the diesel groups of NPG Transelectrica SA	24 months	6,984	0.00	Supply	Law 99/2016 + HG 394/2016	Open bid
3	C 468/2018	Maintenance services for the DAMAS platform of the balancing market	36 months	0.00	819	Services	Law 99/2016 + HG 394/2016	Negotiation, no preliminary invitation
4	C 05/2009 AA6	Addendum 6 to contract 05/2009 "Services providing business continuity and post-disaster recovery"	12 months	0.00	653	Services	Law 114/2011	Negotiation, no preliminary invitation
5	C 370/2018	Motor cars to complete the Company's car fleet	3 months	2,744	0.00	Supply	Law 99/2016 + HG 394/2016	Open bid
6	BC 560/2018	Guard and intervention services for TB Bucharest	5 months	1,777	0.00	Services	Law 99/2016 + HG 394/2016	One's own procedure
7	SB 39/2018	Cleaning and hygiene services in the locations of TB Sibiu	36 months	851	0.00	Services	Law 99/2016 + HG 394/2016	Open bid
8	CT 724/2018	Specialised guard, monitoring and intervention services to the objectives of TB Constanta, for 4 months	4 months	791	0.00	Services	Law 99/2016 + HG 394/2016	Negotiation, no preliminary invitation
9	BA 724/2018	Specialised guard and intervention for the objectives of TB Bacau	3 months	597	0.00	Services	Law 99/2016 + HG 394/2016	Negotiation, no preliminary invitation
10	BC 569/2018	Mowing services, tree cutting and removal of vegetation in view of preventing fires in the electric substations managed by TB Bucharest	36 months	582	0.00	Services	Law 99/2016 + HG 394/2016	Open bid

Annex 6 – Glossary

ANRE	National Regulatory Authority in the Electricity domain
BAR / RAB	Regulated asset base
BVB	Bucharest Stock Exchange, operator of the regulated market where the shares are transacted
CEE / EEC	European Economic Community
Company, NPG, TEL	National Power Grid Company Transelectrica SA
CPT	One's own technological consumption
CS	Supervisory Board
DEN	National Power Dispatcher
EBIT	Operational profit before interest rates and income tax
EBITDA	Operational profit before interest rates, income tax and amortisement
EBT	Operational profit before income tax
ENTSOE	European Network of Transmission System Operators for Electricity
HG	Governmental decision
IFRS	International Financial Reporting Standards
JPY	Japanese Yen, official currency of Japan
LEA / OHL	Overhead electric lines
Leu or Lei or RON	Romania's official currency
MFP	Ministry of Public Finance
MO	Romania's Official Gazette
OG	Governmental Ordinance
OPCOM	Operator of Romania's Electricity Market OPCOM SA
OUG	Governmental Emergency Ordinance
PZU / DAM	Day- Ahead Market
RET	Electricity Transmission Network, electricity grid of national and strategic interest of nominal voltage above 110 kV
SEN	National Power System
RS	Secondary control
RTL	Slow tertiary control
SMART	Trading Company for Maintenance Services to the Electricity Transmission Grid, SMART SA
SSF	Functional system services
SST	Technological system services
TEL	Stock exchange indicator for Transelectrica
TSR	Total shareholders' return
UE	European Union
m.u.	Measuring unit
USD or US dollars	American dollar, official currency of the United States of America
„WACC”	Weighted average cost of capital