



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

**Communique according to the provisions of Law 24/2017, Regulation 5/2018 of ASF and BVB Code**

Report date: **November 15, 2019**

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

Registered office: Boulevard Gheorghe Magheru 33, Bucharest 1

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

Phone / fax numbers: 004 021 303 5611/ 021 303 5610

Unique registration code: 13328043

Number in the Commercial Register: J40/8060/2000

Share capital subscribed and paid: 733.031.420 RON

LEI code: 254900OLXCOUQC90M036

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

**Reporting includes:**

- Semestrial report about the activities of NPG Transelectrica SA in January-September 2019
- Stand-alone interim simplified financial statements non-audited on 30 September 2019

**Important event to report: – Summary of financial results from Q3 2019**

**Segment of profit-allowed activities:** In the area of main business (transmission and SEN dispatching) at 9M 2019 compared to the same period of 2018, the increase of total revenues and the average tariff for the transport service did not mitigate the effect of the 8% decrease of EBITDA, the decrease due mainly to increasing the average prices of electricity purchase to cover its own technological consumption in the transport network, EBITDA being negatively influenced in the first 9M of 2019.

Transmission revenues and other activities on the energy market registered an increase of +5% due to the increase of realized transport tariff (+4%) in 9M 2019 compared to 9M 2018 and an increase with +10.7 million Lei from interconnection revenues, such increases were mainly determined by higher regulated tariffs applicable in the reporting period.

The context January-September 2019 was difficult, characterised by higher costs for transmission system operation, especially the electricity procurement costs to compensate technical losses in the grid (OTC) significantly 22% higher, although physical technical losses were fewer than last year (2.29% technical losses at 9M 2019 compared to 2.55% - 9M 2018).

**Segment zero profit activities:** At 9M 2019 temporary financial loss was recorded of -26 million Lei in comparison with -14 million Lei registered at 9M 2018. In January - September 2019 revenues from technological system services were lower compared to the expenses made to procure technological system services. The decrease is determined by a diminished tariff approved by ANRE for such services, but also by greater expenses regarding technological system services when procurement prices increased for such services on the competitive market, restoration reserve and the replacement reserve, in comparison with the same period last year..

	M.U.	9M 2019	9M 2018	Δ
<b>Financial</b>				
Charged energy volume	[TWh]	41.29	41.27	▲ 0.1%
<b>PROFIT ALLOWED ACTIVITIES</b>				
Total revenues	[RON mn]	907	852	▲ 6%
Average transmission tariff (achieved)	[RON/MWh]	17.89	17.23	▲ 4%
Transmission revenues and from other activities on the energy market	[RON mn]	809	771	▲ 5%
EBITDA	[RON mn]	325	354	▼ 8%
Amortisement	[RON mn]	210	226	▼ 7%
EBIT	[RON mn]	116	128	▼ 10%
<b>ZERO PROFIT ACTIVITIES</b>				
EBIT	[RON mn]	(26)	(14)	▼ 84%
<b>ALL ACTIVITIES (PROFIT ALLOWED AND ZERO PROFIT)</b>				
EBIT	[RON mn]	89	114	▼ 22%
Net profit	[RON mn]	74	98	▼ 25%
<b>Operational</b>				
Net internal consumption	[TWh]	43.0	43.0	▼ 0%
Net internal production	[TWh]	42.2	45.5	▼ 7%
Export	[TWh]	3.0	4.2	▼ 27%

The report about the activity of CNTEE Transelectrica SA in January-September 2019 and the Stand-alone Interim Simplified Statements as of 30 September 2019 are available beginning with November 15, 2019.

• Online, on website [www.transelectrica.ro](http://www.transelectrica.ro), section Investor Relations Periodical Reporting / Reports, namely <https://www.transelectrica.ro/rapoarte-2019>;

• At Company offices: str. Olteni no. 2-4, Bucharest 3.

**Claudia-Gina ANASTASE**  
Executive Director General  
Directorate Chairman







**Adrian SAVU**  
Directorate Member





**NATIONAL POWER GRID  
TRANSELECTRICA SA**

**QUARTERLY REPORT  
January – September  
2019**

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**REPORT REGARDING THE ECONOMIC – FINANCIAL ACTIVITIES OF**

**NPG TRANSELECTRICA SA**

**according to provisions of Article 67 of Law no. 24/ 2017 on the capital market and Regulation no.5 / 2018 issued by the Financial Supervision Authority (ASF) for the period ended on 30 September 2019**

Date of the report:	November 15 <sup>th</sup> 2019
Company name:	NATIONAL POWER GRID COMPANY TRANSELECTRICA SA, managed under two-tier system
Registered office:	Bucharest, No. 33 Gen. Gheorghe Magheru Blvd., 3 <sup>rd</sup> district, ZIP code 010325
Working location:	Bucharest, No. 2 - 4, Olteni Street, 3 <sup>rd</sup> District, ZIP code 030786
Phone / fax numbers:	004 021 303 5611/ 021 303 5610
Unique registration code:	13328043
Number in the Commercial Register:	J40/ 8060/ 2000
LEI Code (Legal Entity Identifier)	254900OLXOUQC90M036
Company's establishment date:	July 31 <sup>st</sup> , 2000 / OUG 627
Share capital:	733,031,420 RON, subscribed and paid
Regulated market where the issued securities are traded:	Bucharest Stock Exchange, Premium Category
The main features of the issued securities:	73,303,142 shares with a nominal value of 10 RON / share, dematerialized, registered, ordinary, indivisible shares, freely tradable from August 29 <sup>th</sup> , 2006 under the TEL symbol.
Total market value:	1,510,044,725 RON (21 RON/share on 30.06.2019)
Applied accounting standard:	International Financial Reporting Standards
Audit:	The quarterly financial statements drafted on September 30 <sup>th</sup> , 2019 are not 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*

## **RESPONSIBLE PERSONS' STATEMENT**

To the best of our knowledge, the stand-alone interim simplified financial statements as of and for the 9 months ended on 30 September 2019 were elaborated in accordance with the International Accounting Standard 34 “Interim Financial Reporting” and provide accurate image in compliance with the actual situation of assets, liabilities, financial position, profit and loss account of NPG Transelectrica SA.

This report comprises fair complete information about the economic-financial situation and activities of NPG Transelectrica SA.

**Bucharest, 06 November 2019**

**Claudia-Gina  
ANASTASE**

**Directorate  
Chairman**

**Adrian  
SAVU**

**Directorate  
Member**

**Andreea Georgiana  
FLOREA**

**Directorate  
Member**

**Luca-Nicolae  
IACOBICI**

**Directorate  
Member**

**Virgiliu  
IVAN**

**Directorate  
Member**



## Key figures 9M 2019 vs 9M 2018

### KEY FIGURES

#### FINANCIAL HIGHLIGHTS

RON	<b>1,783</b>	mn	▼	<b>-3%</b>	<b>Revenues</b>
				y/y	
RON	<b>299</b>	mn	▼	<b>-12%</b>	<b>EBITDA</b>
				y/y	
RON	<b>74</b>	mn	▼	<b>-25%</b>	<b>Net profit</b>
				y/y	
TWh	<b>41.29</b>		▲	<b>0.1%</b>	<b>Charged energy volume**</b>
				y/y	

#### OPERATIONAL

<b>2.29%</b>	*	▼	<b>-0.26</b>	pp	<b>OTC</b>
			y/y		
<b>31.79</b>		▼	<b>-2%</b>		<b>Transported energy***</b>
TWh			y/y		

#### INVESTMENTS

RON	<b>169</b>	mn	▲	<b>50%</b>	<b>Acquisition of tangible and intangible assets</b>
				y/y	
RON	<b>57.44</b>	mn	▼	<b>-71%</b>	<b>Fixed assets recorded in the accounts (commissioning)</b>
				y/y	

OTC – 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 summary of the financial results on September 30<sup>th</sup>, 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.

Separate statement of profit or loss					
[RON mn]	9M 2019	9M 2018	Δ	Δ (%)	2018
	1	2	3=1-2	4=1/2	5
Charged energy volume [TWh]	41.29	41.27	0.03	0.1%	55.78
<b>ALLOWED PROFIT ACTIVITIES</b>					
<b>Operating revenues</b>	<b>907</b>	<b>852</b>	<b>55</b>	<b>6%</b>	<b>1.180</b>
Transmission and other revenues on the electricity market	809	771	38	5%	1.070
Functional system services	60	47	12	26%	64
Other revenues	39	33	5	15%	46
<b>Operating expenses</b>	<b>582</b>	<b>498</b>	<b>84</b>	<b>17%</b>	<b>740</b>
System operating expenses	268	212	56	26%	309
Repairs and maintenance expenses	73	65	8	13%	91
Personnel expenses	158	137	22	16%	189
Other expenses	82	84	(2)	(2%)	152
<b>EBITDA</b>	<b>325</b>	<b>354</b>	<b>(29)</b>	<b>(8%)</b>	<b>440</b>
Depreciation	210	226	(16)	(7%)	298
EBIT	116	128	(13)	(10%)	142
<b>ZERO PROFIT ACTIVITIES</b>					
<b>Operating revenues</b>	<b>876</b>	<b>980</b>	<b>(105)</b>	<b>(11%)</b>	<b>1,541</b>
Technological system services revenues	470	482	(12)	(2%)	637
Balancing market revenues	405	498	(93)	(19%)	904
<b>Operating expenses</b>	<b>902</b>	<b>995</b>	<b>(93)</b>	<b>(9%)</b>	<b>1,582</b>
Technological system services expenses	497	497	0	0%	678
Balancing market expenses	405	498	(93)	(19%)	904
EBIT	(26)	(14)	(12)	(84%)	(40)
<b>ALL ACTIVITIES (WITH PROFIT ALLOWED AND ZERO-PROFIT)</b>					
Operating revenues	1,783	1,832	(49)	(3%)	2,722
Operating expenses	1,484	1,493	(9)	(1%)	2,322
<b>EBITDA</b>	<b>299</b>	<b>340</b>	<b>(41)</b>	<b>(12%)</b>	<b>400</b>
Depreciation	210	226	(16)	(7%)	298
<b>EBIT</b>	<b>89</b>	<b>114</b>	<b>(25)</b>	<b>(22%)</b>	<b>101</b>
Net finance result	(6)	(6)	0	1%	(8)
<b>EBT - Profit before income tax</b>	<b>83</b>	<b>108</b>	<b>(25)</b>	<b>(23%)</b>	<b>93</b>
Income tax	9	10	(1)	(9%)	12
<b>Net profit</b>	<b>74</b>	<b>98</b>	<b>(24)</b>	<b>(25%)</b>	<b>81</b>

<b>Separate statement of financial position</b>				
[RON mn]	9M 2019	2018	Δ	Δ (%)
	1	2	3=1-2	4=1/2
<b>Non-current assets</b>				
Tangible assets	2,900	2,988	(89)	(3%)
Intangible assets	32	23	9	40%
Financial assets	82	80	1	2%
<b>Total</b>	<b>3,013</b>	<b>3,091</b>	<b>(78)</b>	<b>(3%)</b>
<b>Current assets</b>				
Inventories	38	35	3	8%
Trade and other receivables	781	1,064	(283)	(27%)
Other financial assets	80	-	80	n/a
Cash and cash equivalents	272	482	(210)	(44%)
<b>Total</b>	<b>1,170</b>	<b>1,581</b>	<b>(410)</b>	<b>(26%)</b>
<b>Total assets</b>	<b>4,184</b>	<b>4,672</b>	<b>(488)</b>	<b>(10%)</b>
<b>Shareholders' Equity</b>	<b>2,829</b>	<b>2,809</b>	<b>20</b>	<b>1%</b>
<b>Non-current liabilities</b>				
Long term borrowings	128	144	(16)	(11%)
Other non-current liabilities	475	520	(44)	(9%)
<b>Total</b>	<b>603</b>	<b>664</b>	<b>(60)</b>	<b>(9%)</b>
<b>Current liabilities</b>				
Short-term borrowings	109	53	56	n/a
Other current liabilities	642	1,146	(504)	(44%)
<b>Total</b>	<b>751</b>	<b>1,199</b>	<b>(448)</b>	<b>(37%)</b>
<b>Total liabilities</b>	<b>1,354</b>	<b>1,863</b>	<b>(509)</b>	<b>(27%)</b>
<b>Total shareholder's equity and liabilities</b>	<b>4,184</b>	<b>4,672</b>	<b>(488)</b>	<b>(10%)</b>

<b>Separate statement of cash flows</b>				
[RON mn]	9M 2019	9M 2018	Δ	Δ (%)
Cash flows before changes to working capital	266	342	(76)	(22%)
Cash flows from operating activities	83	354	(271)	(77%)
Net cash from operating activities	66	336	(271)	(80%)
Net cash used in investing activities	(246)	(96)	(150)	n/a
Net cash used in financing activities	(30)	(110)	79	72%
<b>Net increase/decrease in cash and cash equivalents</b>	<b>(210)</b>	<b>131</b>	<b>(341)</b>	<b>n/a</b>
<b>Cash and cash equivalents as at 1 January</b>	<b>482</b>	<b>521</b>	<b>(39)</b>	<b>(7%)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>272</b>	<b>651</b>	<b>(380)</b>	<b>(58%)</b>



## OPERATIONAL RESULTS

### Charged volume of energy

In January – September 2019 the total quantity of electricity charged for services provided on the electricity market (41.29 TWh) registered slight 0.1% increase compared to the same period of 2018 (a -0.03 TWh difference is found between the two time intervals).

### Operational revenues

Total operational revenues achieved in the first 9 months of 2019 decreased 3% compared to the similar interval of last year (RON 1,783 mn at 9M 2019 compared to RON 1,832 mn at 9M 2018), mainly determined by operational revenues associated to the zero profit activities (technological system services and the balancing market).

The segment of **profit allowed activities** registered slight 6% revenue increase (RON 907 mn at 9M 2019 compared to RON 852 mn at 9M 2018), determined by the growth of the tariff valid in the reporting period. On 01.07.2019 the tariffs approved by ANRE under Order 81/24.06.2019 came into force.

In the first 9 months of 2019 revenues from the allocation of interconnection capacities registered increase of RON 10.7 mn compared to 9M 2018, corresponding to the utilisation degree of interconnection capacity by traders on the electricity market.

The allocation mechanism of interconnection capacities consists in organising annual, monthly, daily and intraday bids. The annual, monthly and intraday bids are explicit – bidding only the transmission capacity, and the daily one with Hungary are implicit – the capacity is allocated simultaneously with the energy through the coupling mechanism.

Beginning with 19 November 2014 the regional power exchange established by Romania, Hungary, the Czech Republic and Slovakia means these four countries should reach to a single electricity price transacted on spot markets. The capacity allocation between Romania and Hungary, the only country of these three Romania has got frontier with, is performed by the transmission operators: Transelectrica and MAVIR, by means of a common mechanism under a bilateral agreement.

Beginning with 2016 the UIOSI principle was applied on the Bulgarian border, and beginning with 2017 on the Serbian frontier as well. In accordance with such principle participants that do not use the capacities they win at annual and monthly bids are remunerated (by Transelectrica) for such capacity. The unused capacity is later sold under daily bids. There is reverse sense on

the Hungarian border, namely MAVIR remunerates the participants for unused capacities.

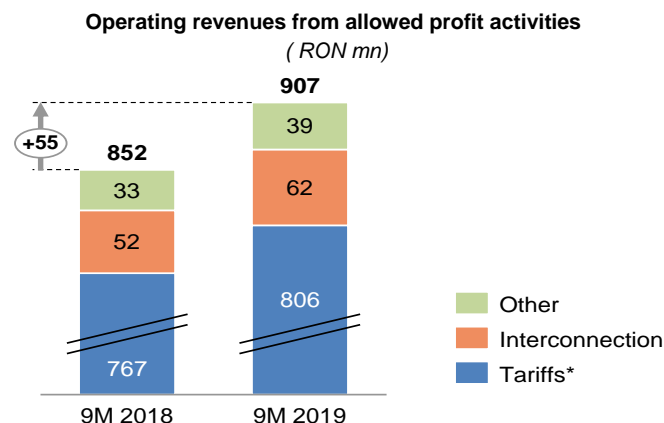
The market allocating the interconnection capacities is fluctuating as prices evolve depending on the demand and need of market participants to procure interconnection capacity. .

Net revenues from the allocation of interconnection capacity are used according to 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 for investments aimed at upgrading and developing the interconnection capacity with neighbouring systems.

Reactive energy revenues decreased in January - September 2018 by RON 3.6 mn since the consumption of reactive electricity absorbed from RET by Arcelor Mittal Hunedoara dropped, as they commissioned (in the steel works) a SVC (Static Var Compensator) type piece of equipment compensating the reactive energy. Thus such reduced revenues from reactive energy are owed to Arcelor Mittal Hunedoara that took local measures to improve the power factor, reduce the reactive power absorbed from RET and implicitly reduced the invoices for reactive energy.

Revenues from energy transactions for OTC were mainly obtained by selling the excess energy on the Intraday Market managed by OPCOM and under the BRP CIGA Energy, on the Balancing Market.

Revenues from OTC transactions were higher by RON 2.8 mn in the studied period of 2019 compared to the same interval of 2018 since the imbalances of Transelectrica had opposite direction from the imbalances of BRP CIGA ENERGY and thus it was better to sell the excess energy in the BRP than selling it on the Balancing Market.



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

**Revenues from zero-profit activities** decreased 11% (RON 876 mn at 9M 2019 against RON 980 mn at 9M

2018), mainly determined by 19% drop of revenues on the balancing market (from RON 498 mn at 9M 2018 to RON 405 mn at 9M 2019)

In January - September 2019 revenues from technologic system services registered decrease by RON 11.9 mn compared to the same interval of 2018, determined by diminished regulated tariff approved by ANRE and an insignificant 0.1% increase of electricity quantity delivered to consumers, namely 25,831 MWh.

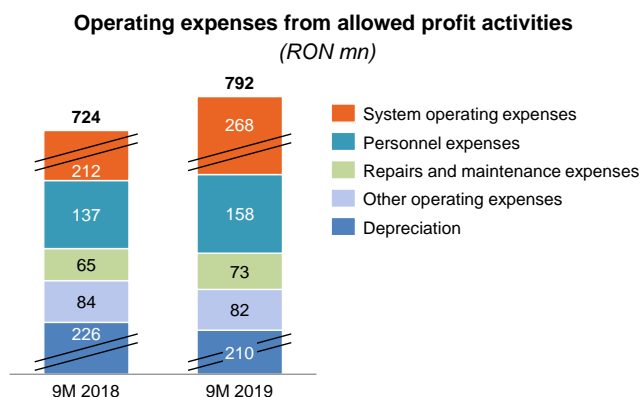
Balancing market revenues decreased by RON 92.6 mn compared to the same period of last year as a consequence of:

- Reduced negative imbalance registered for electricity suppliers on the balancing market as a result of their providing better balancing in the first 9 months of 2019 compared to 9M 2018;
- The manner in which contracting is achieved on the markets before the balancing one and little participation of electricity generators on the day-ahead and intraday electricity market;
- The development of hydraulicity;
- Highly unpredictable and volatile output from renewable sources (especially wind);
- The development of the average deficit price registered on the balancing market;
- The development of the electricity demand as winter was milder than in 2018.

## Operational expenses

Total operational expenses (amortisement included) achieved in the 9M of 2019 registered slight drop (1%) compared to the same period of last year (RON 1,694 mn against RON 1,718 mn at 9L 2018).

As regards the **profit allowed activities** segment, expenses (amortisement included) registered 9% increase (RON 792 mn at 9M 2019 compared to RON 724 mn at 9M 2018).



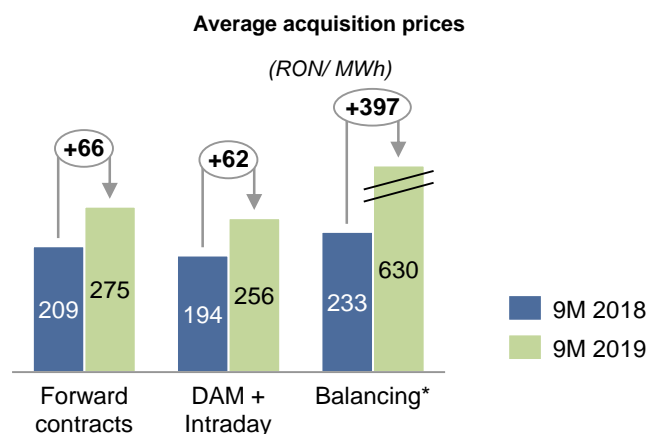
**OTC:** In the first 9 months of 2019 expenses regarding one's own technological consumption were greater by

RON 39 mn compared to the same period of 2018, because the average procurement price for electricity necessary to cover OTC within RET increased.

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

The differences between the hourly quantities actually achieved and those procured after transacting on the PCCB, PZU and PI are compensated on the Balancing Market (PE) during the operational day.

Beginning with 18.01.2018 the Contract of "Electricity procurement to cover imbalances from notified quantities associated to technological electricity losses in electricity transmission networks by transferring the balancing responsibility" C380/06.10.2014 became effective, concluded between NPG Transelectrica SA and CIGA ENERGY SA, which reduced the procurement prices of energy on the balancing market.



\*Preliminary values, the average price was calculated at the net value (purchases-sales) and does not take into account the PRE services.

Analysing the average price development of forward contracts in 2018 – 2019 one can notice a clearly rising trend with positive slope, no oscillations, of the price registered in 2018. Moreover the energy selling offers on the PCCB were much more reduced in quantitative terms against the existing purchase offers, which makes demand exceed neatly the offer and the concluding bid price - higher.

In January 2019 OTC expenses were higher because the average price of contracts concluded on the PCCB with delivery in January 2019 was of 287.44 Lei, 36% higher than the price of January 2018. This price trend was justified by 120% higher prices of certificates for greenhouse gas effects (ETS) at the beginning of 2018. As of 1 January 2019 the "Market stability reserve" (MSR) became effective, which imposes a limited number of certificates for greenhouse gas effects. Such

measure impacted mainly the coal-fired generating power plants, which determine the market marginal price in many cases.

This was mirrored in the average price of contracts concluded on this market with delivery in January - September 2019, which was 275 Lei, 31% higher than the price of January -September 2018.

At European level prices are impacted by the separation of the bidding zone Germany – Austria into two distinct zones beginning with 1 October 2018. The average procurement price of electricity on the PZU was higher at 9M 2019 than in the similar period of last year, against a background of demand exceeding the electricity offer all over Europe.

In January 2019 Romania was predominantly importer of electricity, because certain generating power plants were unavailable, which has led to significant price increase on the Day-Ahead Market (PZU). Thus in January 2019 the average price on the PZU was two times higher than the price recorded in January 2018.

In the following months there was a decreasing trend in the average price of electricity procured on the PZU and on the bilateral contracts market as compared to the price of January 2019. Nevertheless, given the other factors influencing electricity procurement, OTC costs remained higher than in the similar period of 2018.

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

In 2018 the thresholds that limited the minimum and maximum price of deficit electricity were removed, which led to significant increase of the average procurement price of deficit energy.

Thus taking into consideration the total average price on all markets, a medium price of 284 Lei/MWh follows at 9L 2019, compared to the average procurement price of 205 Lei/MWh at 9L 2018.

**Congestions:** Congestions (network restrictions) are demands of electricity transmission beyond the technical capacity limits of the grid, and corrective activities are required from the transmission and system operator; they occur whenever during operational scheduling or during real time operation the power flow between two system nodes or zones leads to trespassing the operational safety parameters of an electric power system.

In January – September of this year RON 1.7 mn congestion expenses were recorded, as determined by the safety criterion N–1 being provided when the 220 kV OHL Fantanele - Gheorgheni was unavailable because

of bad meteorological conditions and of N–1 provision in section 4, while the 400 kV OHL Iernut – Sibiu Sud was taken out of operation as planned.

**Expenses with electricity consumption within RET substations:** they increased RON 2.8 mn in January - September 2019 compared to the same period of 2018, determined by the growing trend of electricity prices and especially by the higher firm prices than last year to conclude contracts on the competitive electricity market in 2019.

**Functional system services:** The associated expenses grew RON 17.6 mn in January - September 2019 compared to January - September 2018, mainly determined by higher expenses on the balancing market and on the day-ahead market with respect to unplanned electricity exchanges with the neighbouring countries that are interconnected to the SEN.

**Inter TSO Compensation (ITC) expenses:**

The monthly payment obligations / collection rights for each transmission and system operator (TSO) are established under the compensation / settlement mechanism for the effects of the electricity transmission grid (RET) being used for electricity transits in-between the TSO-s of the 35 countries that adopted this ENTSO-E mechanism.

In 01 January 2019 – 30 September 2019 these expenses were RON 1 mn higher than in the similar period of last year.

The **zero-profit activities** segment recorded 9% lower costs (RON 902 mn at 9L 2019 compared to RON 995 mn at 9L 2018), mainly determined by the lower expenses on the balancing market.

The Company procures **technological system services** from generators SEN in view of maintaining operational safety within SEN as well as the quality of transmitted electricity at parameter values provided in applicable technical norms.

Such services are contracted as follows:

- Under regulated regime according to Governmental Decisions and the Decisions of the National Regulatory Authority in the Energy Domain (ANRE);
- By means of competitive mechanisms.

The cumulated value of expenses for technological system services in the first 9 months of 2019 is almost equal to the cumulated value of STS expenses made in the first 9 months of 2018 (9L 2019 compared to 9L 2018: increase of RON 0.03 mn)

The value of costs for STS procurement in January - September 2019 was mainly determined by the following factors:

- Procurement prices for technological system services on the competitive market were higher in comparison with the procurement prices of 2018 for RS (frequency restoration reserve) and RTR (electricity high wave).

A significant influence over the increase of procurement prices for technological system services on the competitive market was generated by higher prices recorded on the electricity market in January - September 2019.

- Procurement prices of technological system services for RTL (replacement reserve) on the competitive market were lower in comparison with the procurement prices of 2018, because a higher competition occurred for this kind of reserve.

An important influence for the higher procurement Price of STS on the competitive market was also determined by a very high concentration of the market for technological system services for the frequency restoration reserve and electricity high wave during the studied interval, as well as by higher prices registered on the electricity market.

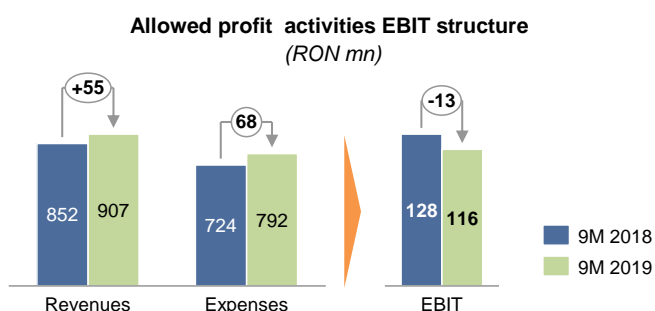
During the reported period the Company procured technological system services under regulated regime according to ANRE decisions and to applicable legal regulations.

The Company is re-invoicing the technological system services procured from generators to ANRE-licensed electricity suppliers, which eventually benefit of such services.

In the following period estimations are that development trend of prices for procuring technological system services will be maintained, in compliance with the achievements from the first 9 months of 2019.

## Operational result

**Profit allowed activities** registered RON 116 mn result in 9L 2019, decreasing from RON 128 mn at 9L 2018, mainly because of higher costs on the electricity market which were not compensated by increased revenues in the analysed period, and owing to the impact of OUG 114/2018, namely RON 26.6 mn in 9L 2019 compared to RON 2.2 mn in 9L 2018



**EBIT** generated by **zero-profit activities** registered negative RON 26 mn result compared to the RON 14 mn loss recorded in the same period of last year.

Thus in January - September 2019 revenues from technological system services were RON 12 mn smaller than the expenses made for procurement of technological system services. The loss was caused by a lower regulated tariff and higher expenses for technological system services when the procurement price of RS (frequency restoration reserve) and RTL (replacement reserve) was higher on the competitive market.

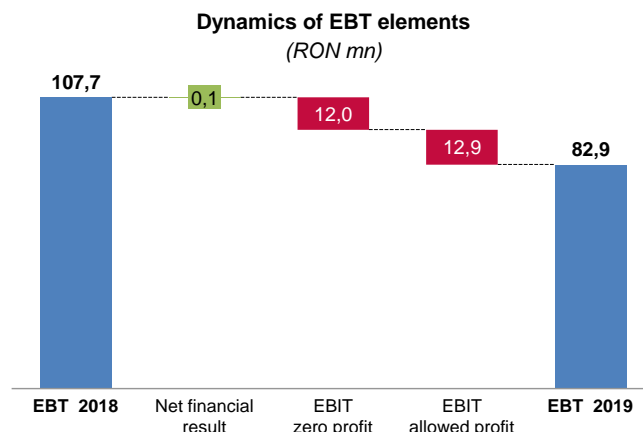
This amount diminishes the Company's gross profit registered on 30 September 2019.

In case the electricity quantities which are applied STS and SSF tariffs will be those estimated for 2019, revenue increases can be registered during this time interval in accordance with the new tariffs established under ANRE Order 81/2019 (13.05 Lei/MWh for STS, namely 1.84 Lei/MWh for SSF).

## Gross result (EBT)

Gross profit decreased 23% from RON 108 mn at 9L 2018 to RON 83 mn at 9L 2019.

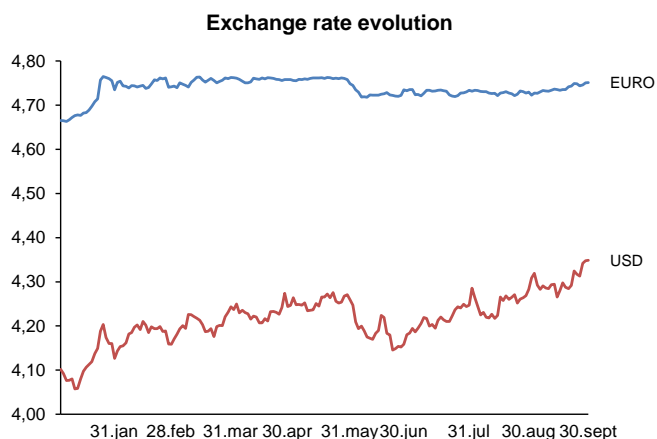
The profit dynamics between the registrations of 9L 2018 compared to 9L 2019, broken down into the constitutive components of profit, is provided in the graph below:



## Financial result

The net financial result registered in 9L 2019 was negative and amounted to RON 6 mn. This was mainly influenced by the development of the national currency's exchange rate against the foreign currencies the Company has contracted bank loans in (Euro) to finance its investment plans.

The development of the Lei/Euro and Lei/USD exchange rates in January - September 2019 is provided in the graph below:



## Net result

Net profit decreased and reached to RON 74 mn at 9L 2019 compared to RON 98 mn at 9L 2018.

## FINANCIAL POSITION

### Non-current assets

Non-current assets decreased about 3% in January - September 2019 against a background of tangible assets decrease, as determined by registered amortisement.

Intangible assets increased during the studied period, mainly because the utilisation right was recognised for the Company-leased spaces in the Platinum office building.

### Current assets

They diminished 26% on 30 September 2019 (RON 1,170 mn) compared to the value recorded on 31 December 2018 (RON 1,581 mn), mainly determined by decreased receivables.

**Trade receivables** diminished 27% (RON 781 mn on 30 September 2019 from RON 1,064 mn at the end of 2018), mainly because the following decreased:

- Receivables on balance on 30 September 2019 amounted to RON 132.9 mn and related to the balancing market, which registered value drop compared to 31 December 2018 (RON 400.6 mn), as a consequence of reduced transactions on this market.
- Clients on balance from operational activities that on 30 September 2019 register decrease compared to 31 December 2018, mainly determined by lower electricity quantities delivered to consumers in May and June 2019 compared to November and December 2018.

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

The main clients on the electricity market cover 53% share in the total trade receivables.

**Collectable receivables from the bonus type support scheme** to promote high efficiency cogeneration amounted to 28% on 30 September 2019 (31 December 2018 - 19%) of the total trade receivables.

The Company carries out activities associated to the bonus type support scheme to promote high efficiency cogeneration as administrator of such support scheme in accordance with the provisions of HGR 1215/2009, "the main attributions being to collect monthly the cogeneration contribution and to pay bonuses every month".

Clients under the bonus type support scheme to promote high efficiency cogeneration registered increase on 30 September 2019, mainly determined by a higher value of the monthly contribution, namely from 0.0105 Lei/kWh (December 2018) to 0.01564 Lei/kWh (July 2019).

On 30 September 2019 the Company registered receivables amounting to RON 222.4 mn, represented by invoices issued under 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, Interagro – RON 0.03 mn;
- 2016 overcompensation amounting to RON 56.68 mn, namely from Electrocentrale Bucharest;
- Cogeneration contribution not collected from the suppliers of electricity consumers in sum of RON 21.20 mn, 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.

To liquidate receivables generated by overcompensation and undue bonus the Company requested the generators qualified under the support scheme to make mutual compensations. In case of generators (RAAN, Electrocentrale Bucharest, and CET Govora) that did not agree with this manner to quench mutual receivables and liabilities the Company has applied and further applies the provisions of article 17 para 5 of Order

116/2013 of ANRE president approving the Regulation on 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** on 30 September 2019 amounting to RON 107.6 mn mainly include:

- Sundry debtors (RON 80.9 mn), of which:
  - Delay penalties amounting to RON 69 mn calculated for payment defaulting clients (of which RON 35.3 mn represent penalties under the support scheme). The greatest delay penalties were registered by the following clients: RAAN (RON 16.9 mn), CET Govora (RON 9.6 mn), Electrocentrale Bucharest (RON 9.4 mn), Eco Energy SRL (RON 8.9 mn), Petprod SRL (RON 8.9 mn), Total Electric Oltenia (RON 3.2 mn), Enol Grup (RON 2.5 mn), Also Energ (RON 2.1 mn). Allowances were registered for the penalties calculated for late payment of receivables from operational activities;
  - Compensations amounting to RON 3.5 mn owed by suppliers for their non-delivery of electricity (Arelco Power - RON 1 mn and Enol Grup – RON 2.5 mn). Allowances were registered for the compensations owed by suppliers from operational activities;
  - Receivable amounting to RON 5.8 mn recoverable from OPCOM, of which RON 4.5 mn are VAT for the contribution in kind to the subsidiary's share capital, and RON 1.3 mn represent penalties;
- Deferred expenses amounting to RON 18.7 mn, of which the most relevant are: the 2% contribution of the turnover (OUG 114/2018) owed to ANRE for October-December 2019 (RON 8.9 mn), which will be spread out under the operational expenses of 2019; down payments to contracts concluded with electricity suppliers, as necessary to cover one's own technological consumption in future periods (RON 6.7 mn); subscriptions to national and international organisations (RON 1.2 mn) which will be supported gradually by the 2019 operational expenses, as well as lease and maintenance paid to Dagesh Rom SRL for October 2019 (RON 0.7 mn);
- 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 according to article 39 para (1), para (2) and para (5) of Law 46/2008 on the Forestry Code in order to carry out the investment project for the 400 kV OHL Resita – Pancevo (Serbia).

## Liabilities

**Non-current liabilities** amounting to RON 603 mn on 30 September 2019 registered 9% decrease as a result

of repayments made in accordance with existing loan agreements and of diminished deferred revenues.

At the same time **current liabilities** also recorded 37% decrease (from RON 1,199 mn on 31 December 2018 to RON 751 mn on 30 September 2019), mainly against a background of diminished trade receivables and other receivables as follows:

- On 30 September 2019 compared to 31 December 2018, **liabilities on balance on the electricity market** amounted to RON 340.8 mn, namely to RON 780.3 mn and were impacted by:
    - *Reduced balance of balancing market liabilities* which was determined by paying the payment obligations found on balance on the electricity market on 31 December 2018 (RON 383 mn) and by the reduced transaction volume on the balancing market in Q III 2019 compared to Q IV 2018, which impacted the liability volume of the balancing market on balance on 30 September 2019 (RON 63 mn).
- Suppliers on the electricity market are mainly represented by: Hidroelectrica, MAVIR, Energy Complex Oltenia, Electrocentrale Bucharest, OPCOM, Romgaz, Electrocentrale Galati, Energy Complex Hunedoara, Veolia Energie Prahova, and Ciga Energy. On 30 September 2019 their share was about 85% in the total electricity suppliers.
- *Reduced balance of liabilities relating to operational activities* was mainly determined by paying the payment obligations found on balance on the electricity market on 31 December 2018;
  - *Reduced liabilities associated to the support scheme* to suppliers (generators) determined by diminished payment obligations for the monthly bonus of September 2019 compared to December 2018.

On 30 September 2019 payment obligations were registered to suppliers (generators) in sum of RON 111.2 mn (Electrocentrale Bucharest – RON 56.7 mn, RAAN – RON 51.2 mn, and CET Govora SA – RON 3.4 mn), representing the monthly cogeneration bonus, by the ex-ante-overcompensation in 2014 and 2015, and unpaid bonus in 2015 and 2016.

The amounts representing Company liabilities associated to the support scheme to Electrocentrale Bucharest, RAAN, and CET Govora were withheld for payment in accordance with 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.

- Other liabilities significantly dropped from RON 159.9 mn in December 2018 to RON 92.5 mn on 30 September 2019, since dividends were paid in the first

part of 2019 and sundry debtors decreased (on 30 September 2019 they amount to RON 8.8 mn compared to RON 24.9 mn on December 2018) and mainly represent the net position of the support scheme regarding high efficiency cogeneration.

*Higher balance of asset suppliers* on 30 September 2019 compared to 31 December 2018 was owed to greater volumes of investment work invoiced to asset suppliers.

Dividends owed to Company shareholders on 30 September 2019 and unpaid amount to RON 0.7 mn, being associated to 2016 and 2017.

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

**Provisions** registered decrease from RON 95.6 mn on 31 December 2018 to RON 64.4 mn on 30 September 2019, mainly determined by reversing the RON 31.18 mn provision constituted for the disputed 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 term of 19.02.2019 when judiciary investigation has ended and the floor was granted to the parties for exceptions, evidence and substance matter the instance deferred pronouncement twice until 20.03.2019. After deliberation Bucharest Tribunal pronounced the following settlement in brief:

- It denies the request with respect to reversing the enforcement as inadmissible.
- It denies as groundless the request to return the stamp tax related to the request with respect to reversing the enforcement.
- It denies as groundless the request filed by contester-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 recurrent-creditor the National Power Grid Company TRANSELECTRICA SA; final.

It was pronounced at public hearing on 20.03.2019. Document: Ruling 743/20.03.2019.

The court clerk office certificate issued on 18.04.2019 by Bucharest Tribunal, Section VI Civil certified Ruling 743/20.03.2019.

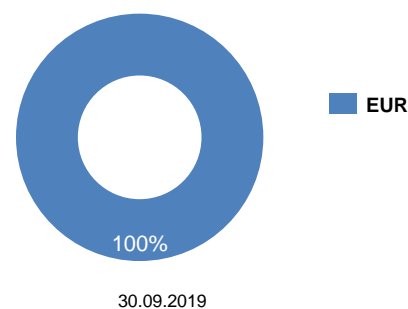
On 04.10.2019 Asito Kapital filed appeal against Civil ruling 3840/19.12.2018, and the file was referred to the Appeal Court Bucharest for settlement, with no hearing term set for the time being. Transelectrica filed defence within the legal time interval, and now the hearing term is pending.

## Interest-bearing liabilities

On 30 September 2019 the non-current borrowing value diminished in comparison with 31 December 2018, mainly due to repayments made in accordance with existing loan agreements.

All non-current borrowings (in Euro), except for contracts BEI 25709 and BEI 25710, bear variable interest rate both on 31 December 2018 and on 30 September 2019.

Structure per currency



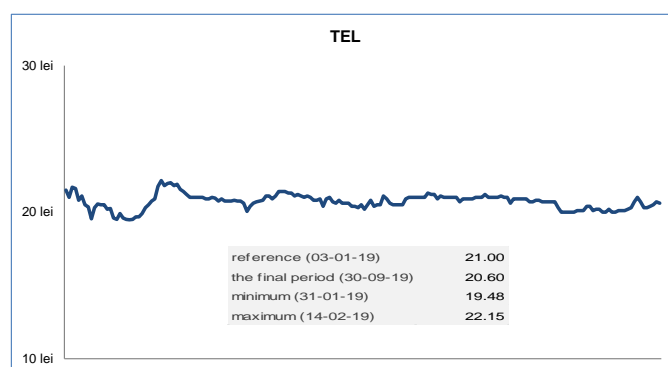
## Shareholders' equities

Shareholders' equities registered 1% increase, mainly determined by registering the net profit amounting to RON 74 mn achieved on 30 September 2019 in the retained earnings.

## DEVELOPMENT OF SHARES

(01-Jan-2019 to 30-September-2019)

2019 began with 21 Lei/share transaction price. At the end of this period (30 September 2019) stock exchange capitalisation was of RON 1,510 mn, finding the share at 20.6 Lei/share price. The minimum transaction price of 19.48 Lei/share was registered on 31.01.2019, while the maximum price of 22.15 Lei/share occurred on 14.02.2019.



In the third quarter of 2019 TEL shares transacted on Romania's capital market registered 2,853 transactions, with average number of 43.89 transactions/day and 768,324 transacted shares, in total value of RON 15,774 mn.

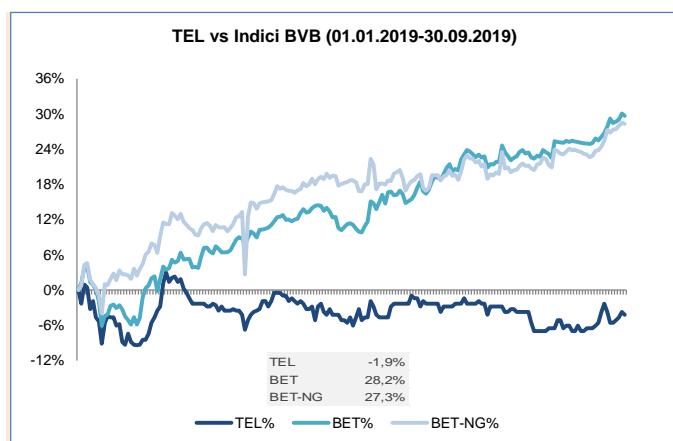
Transelectrica shares are part in the structure of the following stock exchange indexes: BET, BET-BK, BET-NG, BET-TR, BET-XT, BET-XT-TR, BET Plus.

From among these, the most representative for the Company are:

- BET index (Bucharest Exchange Trading - reference index of the capital market showing the development of the most liquid 16 companies listed on the regulated market of the BVB)
- BET-NG index (Bucharest Exchange Trading Energy & Related Utilities - sectorial index showing the development of companies in the energy sector and the associated utilities listed on the regulated market of the BVB).

In accordance with the latest adjustment date registered on 18.10.2019, TEL shares account for 1.51% in the BET index and for 4.17% in the BET-NG index.

The development of TEL shares under the fore-mentioned two indexes is provided in the graph below:



## MAIN RISKS AND UNCERTAINTIES

The environment the Company operates in provides uncertainty such as threats for objective achievement or opportunities.

Obviously, knowing such threats enables their hierarchical classification depending on their occurrence, on the magnitude of their impact over objectives and on the costs associated to the measures meant to reduce occurrence hazards or to limit unwanted consequences.

In Transelectrica risks are periodically and systematically analysed in relation to the performance of Company activities; a Register of detected risks is elaborated as well as an Action plan with measures meant to limit possible consequences of such risks, in accordance with legal provisions.

The items which might impact the Company's liquidity comprise among others:

- Interest rate fluctuation,
- Exchange rate variation,
- The financing agreement provisions: funding contracts include clauses with respect to complying with certain financial indicators, the change of control over the Company and *pari passu* type clauses.
- Breaching such clauses can entail preliminary notification providing reasonable time interval, followed by anticipated credit payment; certain credits include penalising clauses in case of anticipated repayment. To date the Company has received no such notification of anticipated repayment for its failure to comply with assumed obligation,
- The credit risk: the Company bears financial loss because of a contractual partner's incapacity or refusal to perform contractual obligations. Such risk results mainly from trade receivables, cash and cash equivalents,
- Risk of not collecting securities under investment projects: the main cause of such risk results from bank or insurance companies that provide security services without the financial capacity to comply with the obligations assumed under the issued security instruments,
- The fiscalism level, inclusive of introducing new taxes and charges.

Transelectrica benefits of very good liquidity for the time being, which is also mirrored by financial indicators.

The Company does not stop at treating the consequences of likely occurring events but it also performs reactive management, implementing measures meant to mitigate risk occurrence.

As provided by standards, periodical review of risks leads to re-allocation of resources in compliance with changed hierarchical classifications and implicitly – changed priorities.

Transelectrica pays proper attention to analysing the risk environment and to timely detecting possible risks that are likely to occur in the future, which should be approached in due time.

In January-September 2019 the Company did not meet impossible situations preventing it to comply with financial obligations.

Therefore there are no risks and uncertainties for the remaining months of 2019 to impact Company liquidity, others than what has been provided above.





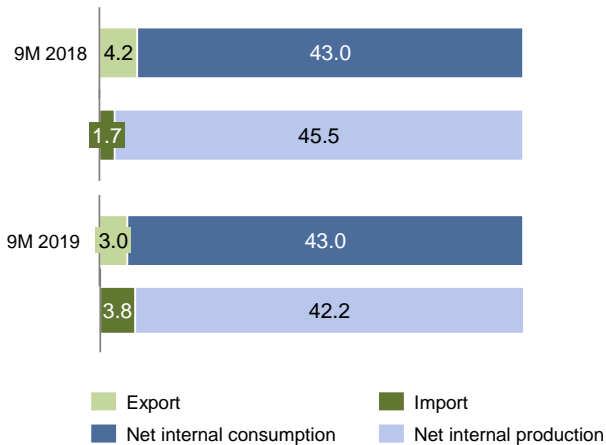
## Operational data

### ENERGY BALANCE WITHIN SEN

Analysing the January – September 2019 development of the energy balance components in comparison with the same period of last year the net internal consumption<sup>1</sup> decreased 0.2% and the net electricity output dropped 7.2%.

Cross-border exporter physical exchanges dropped 27% in comparison with the similar period of 2018, and cross-border importer flows increased 126%.

Energy balance  
(TWh)



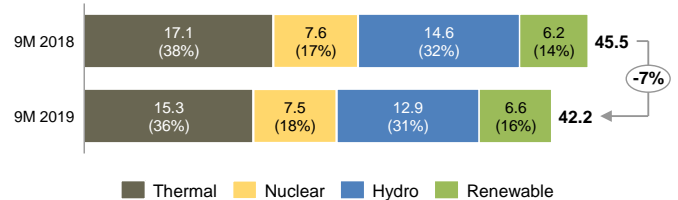
### GENERATION MIX

In January – September 2019 compared to the similar period of 2018 the generating mix structure registered about 10.6% decrease of the thermal component, a 1.5% drop of the nuclear output and a 11.8% decrease in the hydro component. The contribution of renewable sources recorded 6.1% increase.

Analysing the shares of the net generation mix components in January - September 2019 one can notice the greatest share (36.2%) is represented by the thermal component, followed by the hydro component (30.5%), while the electricity generated from renewable and nuclear sources cover 15.5% and 17.8%.

<sup>1</sup> Values do not include the consumption of auxiliary services from electricity generating plants; the net consumption value includes the losses of transmission and distribution networks as well as the consumption of pumps from pumping storage hydropower substations

Net electricity production mix evolution  
(TWh)



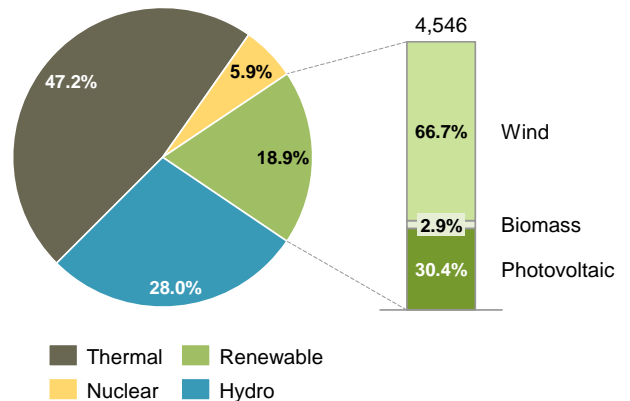
### NATIONAL GENERATION FLEET

In January - September 2019 the gross installed capacity in electric power plants registered 2.1% decrease compared to the same period of 2018.

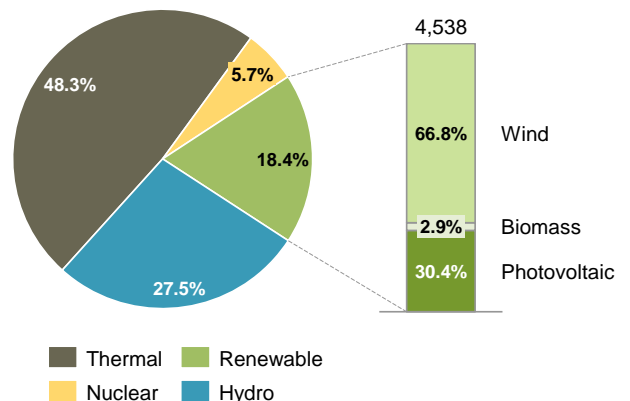
The installed capacity of renewable power parks grew about 0.2%, from 4,538 MW installed on 30 September 2018 to 4,546 MW installed on 30 September 2019.

The dynamics of installed capacity in January – September 2019 versus 2018 is provided below:

Installed power 2019 (24.106 MW. gross)



Installed power 2018 (24.612 MW. gross)



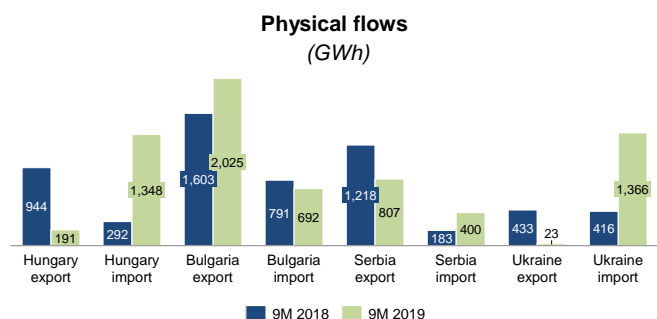
## CROSS-BORDER FLOWS

The distribution of import / export physical flows on interconnection lines in January - September 2019 compared to the same period of 2018 is the following:

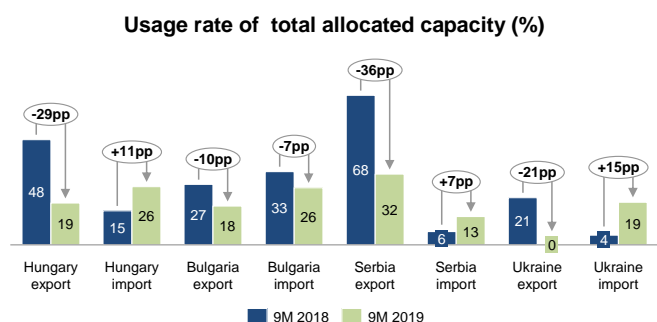
- Export decreased on the Serbian, Hungarian and Ukrainian borders and increased on the Bulgarian frontier, while import decreased on the Bulgarian border and significantly increased on the interconnection lines found in deficit areas of electricity generation (on the Hungarian and Ukrainian borders), but also a 118% increase was recorded on the interconnection line found in the excess area of electricity generation, namely the Serbian frontier).

In concrete terms, compared to the time interval January - September 2018, exporter physical flows decreased with Serbia (33.7%, -410 GWh), Hungary (79.8%, -753 GWh) and Ukraine (94.6%, -409 GWh) and increased with Bulgaria (26.3%, +422 GWh) at the same time with the significant increase of importer physical flows on the interconnection lines with Serbia (118.1%, +217 GWh), Hungary (361.5%, +0.056 GWh) and Ukraine (228.4%, +950 GWh), while with respect to Bulgaria they decreased (13%, -99 GWh).

Both import and export physical flows on each border are provided below:



In January - September 2019 the utilisation rate of the total capacity allocated on interconnection lines for export decreased in comparison with the same period of 2018 on all destinations.



The utilisation rate of total capacity rights along one border and direction represents the ratio expressed as percentage between the energy associated to the

achieved (notified) trading exchanges of one month and the energy corresponding to the total capacity rights.

## ONE'S OWN TECHNOLOGICAL CONSUMPTION

In comparison with the time interval January - September 2018, in January - September 2019 OTC within RET dropped about 12.6%, while in percentage terms OTC decreased from 2.55% to 2.29%.

The factors that significantly influenced the OTC in January – September 2019, for instance precipitation and the distribution of cross-border physical flows are beyond Transelectrica's control.

## OTC DEVELOPMENT FACTORS

**In January 2019** OTC as absolute value decreased 6.7% compared to January 2018 due to favourable import/export physical flows that led to reducing the electricity transmission to long distance from sources. The loss percentage against the electricity injected into RET dropped from 2.44% in 2018 to 2.31% in 2019. The electricity injected in the outline dropped 1.6% in January 2019 (69.4 GWh) compared to the similar period of 2018, against the 13.7% lower quantity of electricity received from generators that are directly connected to RET (511.7 GWh), while import grew 173.3% (433.9 GWh) as well as the electricity received from RED by 3.4% (8.3 GWh). Meteorological conditions were bad, the amount of precipitation being greater than last year, contributing to corona losses.

**In February 2019** OTC as absolute value dropped 27.1% compared to February 2018 due to favourable import/export physical flows that led to reduced electricity transmission at long distance from sources and to good meteorological conditions that determined reduced corona losses. The percentage of losses compared to the electricity injected into the RET dropped from 2.81% in 2018 to 2.34% in 2019. The electricity injected into the outline decreased 12.2% (480.4 GWh) in February 2019 compared to the similar period of 2018, against the 19.3% reduced quantity of electricity received from generators that are directly connected to RET (687.9 GWh) and 1.7% less electricity received from the RED (4.8 GWh), while import increased 220.9% (212.3 GWh).

**In March 2019** OTC as absolute value decreased about 32.9% compared to March 2018 due to favourable import/export physical flows that led to reducing the electricity transmission to long distance from sources and to good meteorological conditions that determined little corona losses. The percentage of losses against the electricity injected into the RET dropped from 3.26% in 2018 to 2.40% in 2019. The electricity injected into the outline decreased 8.8% (347.4 GWh) in March 2019, compared to the similar period of 2018, against the

12.8% reduced amount of electricity received from generators directly connected to RET (431 GWh) and 15.2% less electricity from RED (54.8 GWh), while imports grew 77.1% (147.4 GWh).

**In April 2019** OTC as absolute value decreased 16.1% compared to April 2018 due to favourable import/export physical flows that led to reducing the electricity transmission to long distance from sources. The percentage of losses compared to the electricity injected into RED dropped from 3.01% in 2018 to 2.39% in 2019. The electricity injected into the outline grew 5.6% in April 2019 (about 177.5 GWh) compared to the similar period of 2018, against 2.95% greater quantity of electricity received from generators directly connected to RET (about 78 GWh) and 137% higher import (195.2 GWh), while the electricity received from RED dropped 25.7% (about 96 GWh). The meteorological conditions were bad as the registered amount of precipitation was higher than last year and contributed to more corona losses.

**In May 2019** OTC as absolute value decreased 0.7% compared to May 2018 because of bad meteorological conditions with abundant precipitation, which facilitated corona losses and cancelled the effect of beneficial import/export physical flows. The percentage of losses compared to the electricity injected into RET grew from 2.48% in 2018 to 2.49% in 2019. The electricity injected into the outline increased only 0.07% (about 2.2 GWh) in May 2019 compared to the similar period of 2018, against 4.76% reduced amount of electricity received from generators directly connected to RET (about 125 GWh) and 16.5% smaller import (about 47.7 GWh), while the electricity received from RED grew 60% (about 175 GWh).

**In June 2019** OTC as absolute value decreased about 9.4% compared to June 2018 because of beneficial import/export physical flows that led to reduced electricity transmission to long distance and to good meteorological conditions that determined little corona losses. The percentage of losses compared to the electricity injected into RET dropped from 2.53% in 2018 to 2.38% in 2019. The electricity injected in the outline dropped 3.9% (about 134.2 GWh) in June 2019 compared to the similar period of 2018, against the 6.9% reduced quantity of electricity received from generators directly connected to RET (about 203 GWh) and 44.5%

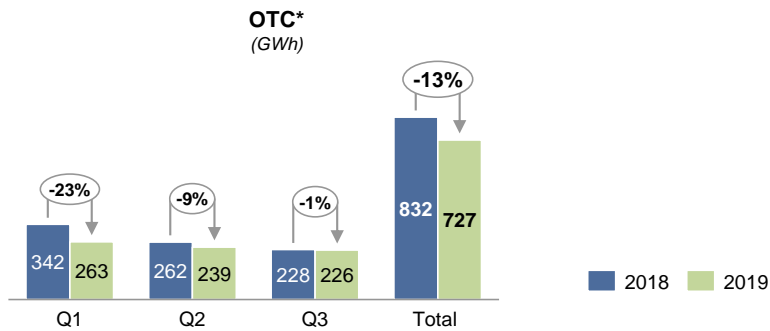
less import (about 110.8 GWh), while the electricity received from RED grew 77.98% (about 180GWh).

**In July 2019** OTC as absolute value decreased about 13.2% compared to July 2018 due to favourable import/export physical flows that led to reducing the electricity transmission to long distance from sources and due to good meteorological conditions determining reduced corona losses. The percentage of losses compared to the electricity injected into RET dropped from 2.29% in 2018 to 1.93% in 2019. The electricity injected in the outline grew 2.8% (97 GWh) in July 2019 compared to the similar period of 2018, against a background of 525% higher import (397 GWh), of 2.3% (69 GWh) less electricity received from generators connected to RET and about 60% (231 GWh) less electricity received from RED.

**In August 2019** OTC as absolute value decreased about 9% compared to August 2018, especially because of more disadvantageous generation structure and of bad meteorological conditions determining higher corona losses. The percentage of losses compared to the electricity injected into RET grew from 2.06% in 2018 to 2.24% in 2019. The electricity injected into the outline dropped about 1.6% (58 GWh) in August 2019 compared to the similar period of 2018, as a result of about 14% (441 GWh) less electricity received from generators connected to RET and about 34% (84 GWh) less electricity received from RED, while import grew 252% (467 GWh).

**In September 2019** OTC as absolute value decreased about 2.4% compared to September 2018 because of unfavourable generation structure. The percentage of losses compared to the electricity injected into RET grew from 2.07% in 2018 to 2.11% in 2019. The electricity injected in the outline increased about 0.5% (16 GWh) in September 2019 compared to the similar period of 2018, since import grew 211% (429 GWh) while the electricity received from generators connected to RET dropped 12% (370 GWh) and 21% (42 GWh) less electricity was received from RED. The meteorological conditions were similar to those of last year.

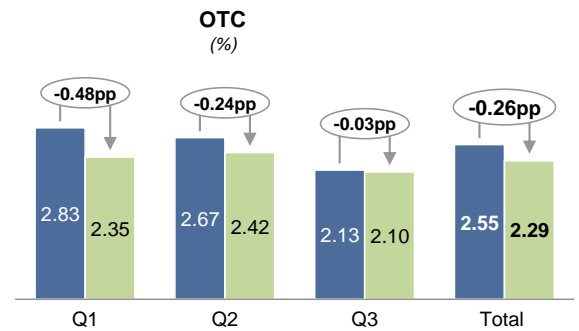
*Mention should be made the September 2019 values are preliminary.*



\* OTC physical value= OTC purchased value -OTC value sold

**In conclusion**, in the first quarter of 2019 OTC within RET decreased about 23.2% compared to the similar period of 2018, especially because of beneficial import/export physical flows that led to reduced electricity transmission to long distance from sources and due to good meteorological conditions that determined reduced corona losses.

In the second quarter 2019 the OTC within RET decreased about 8.8% compared to the same period of 2018, especially due to beneficial import/export physical flows that led to reduced electricity transmission to long distance from sources.



In the third quarter of 2019 OTC within RET was only about 1% smaller than in 2018, when the three months' cumulated positive effect of physical flows was to a great extent cancelled by the negative impact of disadvantageous generation structure, while the precipitation quantities cumulated in the respective time intervals were comparable. Losses decreased from 2.13% to 2.1% in terms to electricity injected into the outline.

Thus in terms of electricity injected into the outline losses dropped from 2.55% at 9M 2018 to 2.29% at 9M 2019.



## Investments

### NON-CURRENT ASSETS RECORDED IN ACCOUNTING BOOKS

Investments underway have increased during the analysed period since major investment projects are found under various execution stages, and they will be accepted as non-current assets in the following regulatory period.

The non-current assets value registered in accounting books at 9M 2019 was of RON 57.4 mn (RON 199.4 mn at 9M 2018), decreasing 71%, namely RON 142 mn.

On 30 September 2019 the greatest transfers from tangible assets underway into tangible assets are mainly represented by the commissioning of investment objectives as follows:

- Refurbishing the 400/110/20 kV substation Domnesti – RON 31.8 mn;
- Refurbishing the 400/220/110/20 kV substation Bradu – RON 12.3 mn;
- 110 kV, 220 kV & 400 kV mobile bays – RON 5 mn;
- Hardware and software computation technique, PC desktop – RON 1.9 mn;
- Security solution to implement security measures for classified information – RON 1.5 mn;
- Relocating the high voltage networks, Brasov - Targu Mures - Cluj – Oradea Motorway, section 2A Ogra-Campia Turzii, lot 2 Iernut - Chetani, km 3 + 600 km 21 + 500 - 400 kV OHL Iernut-Sibiu Sud – RON 1.1 mn;
- Specific furniture for dispatchers, DET Bacau, DET Cluj, DET Craiova and DET Timisoara – RON 0.6 mn;
- Replacing diesel units 1 & 2 in the 400/110 kV substation Darste – RON 0.5 mn;
- Specific furniture for dispatchers, DET Bacau, DET Cluj, DET Craiova and DET Timisoara – RON 0.4 mn;
- Connecting to RED the 110 kV substation Ulmi of the Electricity Distribution Co. Muntenia Nord SA and making the work in the line bay of the 110 kV OHL Targoviste - Titu (Ulmi) in the 220 / 110 kV substation Targoviste belonging to NPGTranselectrica SA – RON 0.3 mn;
- Providing the coexistence conditions between the 220 kV OHL Alba Iulia-Sugag and Alba-Iulia-Galceag and the interior road – RON 0.3 mn;
- Water installation in the 110/220 kV substation Suceava – RON 0.3 mn;

- Intervention towers type Universal Guyed Portal for 220-400 kV, including their prefabricated foundations – RON 0.3 mn;
- Remote protection of the 400 kV OHL Arad (Romania) – Sandorfalva (Hungary) – RON 0.2 mn;
- Replacing the accumulator battery no. 2 in the 220/110 kV substation Pitesti Sud – RON 0.2 mn.

### PROCUREMENT OF ASSETS

In January - September 2019 the procurements of tangible and intangible assets amounted to RON 168.9 mn compared to the same period of 2018, when such procurements amounted to RON 112.8 mn.

The balance of tangible and intangible assets under execution on 30 September 2019 is represented by ongoing 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 46.8 mn;
- Refurbishing the 400/110/20 kV substation Domnesti (H.CA 5 / 19.05.2010) – RON 4.6 mn;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, Stage I – the 400 kV simple circuit OHL Portile de Fier - (Anina) – Resita – RON 33.5 mn;
- Refurbishing the 220/110 kV substation Turnu Severin Est – RON 34.7 mn;
- Extending the business continuity and post-disaster recovery services, Executive branch – RON 14.4 mn;
- 110 kV, 220 kV & 400 kV mobile bays – RON 16.3 mn;
- The 400 kV double circuit OHL Cernavoda - Stalpu and connection in Gura Ialomitei – RON 12.8 mn;
- Replacing the components of the EMS SCADA AREVA system, software & hardware components – RON 11.4 mn;
- Connecting the 400 kV OHL Isaccea - Varna and the Isaccea - Dobrudja OHL in the 400 kV substation Medgidia Sud – RON 11.1 mn;
- Refurbishing the 220 kV substation Otelarie Hunedoara – RON 10.1 mn;
- Integrated security system in electric substations, stage IV – RON 8 mn;

- Refurbishing the 220/110 kV substation Hasdat – RON 8.4 mn;
- Upgrading the 110 kV substations Bacau Sud & Roman Nord, the 400 kV axis Moldova–RON 9.5 mn;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, Stage I: the 400/220/110 kV substation Resita – RON 6.6 mn;
- The 400 kV OHL Gadalin - Suceava, including SEN interconnection – RON 6 mn;
- HVDC Link 400 kV (Romania - Turkey submarine cable) – RON 5.9 mn;
- Upgrading the 110 kV and 400 (220) kV installations from substation Focsani Vest – RON 8.5 mn;
- The 400 kV OHL Suceava - Balti, for the project segment on Romania's territory – RON 4.4 mn;
- The 400 kV double circuit OHL Gutinas – Smardan – RON 3.8 mn;
- Upgrading the 220/110/20 kV substation Raureni – RON 3.3 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 6.6 mn;
- Adding new functions to the control system and IT supervision of access into the objectives of NPG Transelectrica SA – RON 3.2 mn;
- Upgrading the 220/110/20 kV substation Arefu – RON 3.2 mn;
- Connecting to RET the 136 MW WPP Platonesti, Ialomita County, by building a 110 kV bay in the 400/110 kV substation Gura Ialomitei–RON 2.9 mn;
- Integrated security system in electric substations, stage III – RON 2.8 mn;
- By-passing the 110 kV OHL Cetate 1 & 2 near the 110/20/6 kV substation Ostrovul Mare–RON 2.6 mn;
- Connecting to RET the 99 MW WPP Dumesti and the 30 MW WPP Romanesti, Iasi County, by building a 110 kV line bay in the 220/110 kV substation FAI – RON 2.5 mn;
- Research & development centre for live work technology and fast SEN intervention – Centre building – RON 3.6 mn;
- Refurbishing the 400/110/20 kV substation Smardan – RON 2 mn;
- Upgrading the 220/110 kV substation Dumbrava – RON 11.5 mn;
- Refurbishing the 220/110 kV substation Craiova Nord – RON 6.5 mn.
- Upgrading the tele protection & telecommunication system in substation Cernavoda – RON 2.4 mn;
- Consolidation, modernisation and extension of NPG Transelectrica offices for Executive–RON 1.6 mn;
- Replacing autotransformers and transformers in electric substation, stage 2 – RON 1.5 mn;
- Upgrading the 400 (220)/110/20 kV substation Munteni – RON 4 mn;
- Refurbishing the 220/110/20 kV substation Ungheni – RON 4.4 mn;
- Integrated security system in the new 400/220/110 kV substation Banca – RON 1.1 mn;
- Achieving optical fibre communication between the 220/110/20 kV substation Pitesti Sud and the remote control & installation supervision centre of TB Pitesti (FS) – RON 1.1 mn;
- Compensations for the lands required for the 400 kV OHL Oradea – Beckescsaba – RON 1 mn;
- Replacing the 200/110 kV AT2 in substation Gheorghieni – RON 5.3 mn;
- Stages 2 and 3 of the 400 kV AXIS in substation Timisoara – RON 3.2 mn;
- Relocation of Sebes – Turda, lot 1, Section C – RON 0.8 mn;
- Connecting to RET the 400/110 kV substation Rahmanu – RON 1 mn;
- Upgrading the DET building - RON 0.9 mn;
- Replacing the components of the EMS SCADA AREVA system – software & hardware components – RON 14.4 mn;
- Implementing an Electronic Archiving and Document Management system in NPG Transelectrica SA – RON 5.5 mn;
- Extending the business continuity and post-disaster recovery services, Executive branch – RON 0.4 mn.

### INVESTMENT ACTIVITY ON 30.09.2019

Investment expenses on 30 September 2019 are detailed according to the main chapters of the annual investment plan correlated with the main chapters from the Company's Development Plan as follows:

No.	Types of expenditures	2019 Investment Programme (RON thou.)	Achieved (RON thou.)	
			9M 2019	9M 2018
	<b>Grand Total (A+B)</b>	<b>288,845</b>	<b>164,406</b>	<b>119,156</b>
<b>A</b>	<b>Company's own expenses</b>	283,107	161,436	108,947
<b>B</b>	<b>Investments financed from the connection fee</b>	5,739	2,970	10,210

\* 2019 Annual Investment Program revizion A6

On 30 September 2019 the investment plan was achieved 57%. In comparison with the achievements of 30 September 2018, investments grew 38% on 30 September 2019.

## **CONTRACTUAL ASPECTS**

The most important investment contracts signed in January - September 2019 are:

- Refurbishing the 110 kV substation Timisoara and converting the Portile de Fier-Anina-Resita-Timisoara-Sacalaz-Arad axis to 400 kV, stage II: the 400 kV substation Timisoara – RON 7.7 mn,
- Refurbishing the 220/110 kV substation Iaz – RON 54.8 mn,
- Installing the 400 MVA AT2 and related bay in substation Iernut and upgrading the command-

control system of the 400/220/110/6 kV substation Iernut; connecting to RET the 430 MW CCC Iernut belonging to Romgaz SA and design & execution work for the protection system of the electric line connecting the new units of SPEE Iernut – RON 30.7 mn.

- Connecting the 400 kV OHL Isaccea-Varna and the 400 kV OHL Isaccea-Dobrudja in the 400 kV substation Medgidia Sud, stage I - extending the 400 kV substation Medgidia Sud, procuring the 400 kV GIS assembly, installing and commissioning the 400 kV GIS assembly – RON 24.6 mn.



## Significant events

### **JANUARY - SEPTEMBER 2019 EVENTS**

- **Mandate acceptance, provisional directorate member**

Mr. Adrian Savu, provisional Directorate member appointed on December 21, 2018 by the Supervisory Board signed the mandate acceptance statement on 3 January 2019, his appointment becoming effective on the signature date in accordance with the mandate acceptance statement.

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

The Shareholders' General Ordinary Assembly of 21 January 2019 approved the appointment of BDO AUDIT SRL as the Company's financial auditor for a period of three years.

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

The Company has begun the complete refurbishment works of the 220/110 kV Craiova Nord transformer substation, a 9.89 mil Euro investment. The contract was signed in 2018, the completion deadline being 2020. The 220/110 kV Craiova Nord transformer substation provides electricity to the consumers in Craiova City, as well as to the industrial consumers in the region. The substation was commissioned in 1974, this being the first complete refurbishment.

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

This is part of the extensive process of strengthening the electricity transmission grid in the Bucharest area, 144,447,000 Lei is the total value of the refurbishment project for the 400/110/20 kV Domnesti substation, which began in 2018. The investment is due to be completed in 2020.

The work started in June 2018 in Domnesti Substation. At present work is executed to achieve the 400 KV GIS substation and to build the Control building. This stage involves the transition from the outdoor primary equipment with air insulation, to the indoor primary equipment located in the building of the 400 kV GIS substation.

The 400/110/20kV Domnesti substation is the last one to undergo the modernisation process, being preceded by the refurbishment of the 400/220/110/10 kV substation

Bucharest South (2006-2009; 2014-2015) and 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 one was commissioned in 1982.

- **Finalising the repair work**

Transmission Branch Bacau completed the capital repair of the segment between towers 192 and 253 from the 220 kV overhead lines Gutinas-Munteni, a project amounting to more than one million Lei.

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

The Shareholders' General Ordinary Assembly having gathered on 29 March 2019 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 as of 30 March 2019, a two-months' term of office. The Shareholders' General Ordinary Assembly approved the remuneration and established the mandate contract form, while the Ministry of Economy's representative was empowered to sign the mandate contracts of the provisional Supervisory Board members.

- **Refusal to accept the mandate of provisional Supervisory Board member**

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

- **Mandate acceptance as provisional Supervisory Board member**

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



- **Appointing the Supervisory Board Chairman and the provisional Supervisory Board member**

The Supervisory Board having met on 08 April 2019 decided electing Mr. Mircea Gheorghe Dumitru COSEA Supervisory Board Chairman and to appoint Mr. Florin-Radu CIOCANELEA as provisional Supervisory Board member with mandate until 29 May 2019, expiry date for the mandates of Supervisory Board members in office.

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

The Ministry of European Funds approved a non-reimbursable European fund amounting to 31 million Euros for the “400 kV OHL Gutinas-Smardan” Project under the Large Infrastructure Operational Programme (POIM) 2014-2020. The investment’s total value is 56.8 million Euros. The 400 kV OHL Gutinas-Smardan will be 140 km long and cross 25 towns from 3 counties (Bacau, Vrancea and Galati). In accordance with the project implementation schedule, the investment will start this year, the commissioning deadline being December 2022.

- **Approval for the membership of Consultative committees**

On 11.04.2019 the Supervisory Board appointed the members of consultative committees from 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 mandates of (provisional) Directorate members**

On its meeting of 11 April 2019 the Supervisory Board decided extending the mandates of provisional Directorate members:

- Marius - Danut CARASOL
- Claudia - Gina ANASTASE

- Andreea - Georgiana FLOREA
- Constantin SARAGEA
- Adrian SAVU

with 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, in form of overdraft amounting to 150 million lei, with an interest calculated according to ROBOR 1M reference rate, to which a margin of 0.50% is added. Addendum 1 was concluded on 24.04.2019, by which the credit line was supplemented with 25 million lei, namely from 150 to RON 175 mn.

- **Indirect major holding of NN Group N.V**

NN Group NV informed the issuer by the notification registered under no. 17857/11.04.2019 in the Company that, following the transaction carried out, the percentage held in concert is 5.12% of NPG Transelectrica’s share capital.

- **Decision 12 of the Company’s Shareholders’ General Ordinary Assembly of 24 April 2019**

On 24 April 2019 the Shareholders’ General Ordinary Assembly approved the annual financial result of 2018, audited by auditor BDO Audit SRL.

- **Decision 13 of the Company’s Shareholders’ General Ordinary Assembly of 8 May 2019**

The Shareholders’ General Extraordinary Assembly having gathered on 8 May 2019 approved the Company's participation into increasing the share capital of the Company for Maintenance Services to the Electricity Transmission Grid Smart SA, a Company subsidiary, with cash contribution of RON 24 mn maximum amount.

- **Decisions 14 and 15 of the Company’s Shareholders’ General Ordinary Assembly of 14 May 2019**

The Shareholders’ General Ordinary Assembly at its gathering of 14 May 2019 appointed

- Mr. Adrian MITROI
- Mr. Alin Sorin MITRICA
- Mr. Constantin DUMITRU
- Mrs. Virginia Mihaela TOADER
- Mrs. Mihaela CONSTANTINOVICI
- Mr. Mircea Gheorghe Dumitru COSEA
- Mr. Florin-Radu CIOCANELEA

as provisional Supervisory Board members of the National Power Grid Company Transelectrica SA beginning with 30 May 2019, four months' mandate. It approved the remuneration, the mandate contract form and it 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.

It also established the 2019 Investment plan and estimations for 2020 and 2021 and approved the Company's 2019 Revenue and Expense Budget, as well as the 2020 and 2021 estimates.

- **Building the 400 kV overhead line (OHL) Portile de Fier-Anina-Resita**

Romania's Government approved the Governmental Decision with respect to taking out of the forestry fund the lands required in order to build the 400 kV OHL Portile de Fier-Anina-Resita, component in the conversion of the Portile de Fier-Resita-Timisoara-Sacalaz-Arad axis to 400 kV, an essential project for the closure of Romania's 400 kV ring, maintaining the national energy security and increasing the interconnection capacity with neighbouring countries.

- **Increasing the share capital of subsidiary SMART SA**

The Company's Directorate approved initiating the implementation of Smart SA's share capital increase, after the subsidiary's preliminary execution of the private economic operators' (OEP) test and also beginning the proceedings needed to delegate the subsidiary's Board of Administration the competence to approve the share capital increase with a cash contribution of up to RON 24 mn as well as carrying out all the measures prior to this operation.

- **Extending the mandates of (provisional) Directorate members and appointing the Supervisory Board's Chairman**

In the context of current Directorate members' mandates reaching term on 20 June 2019 the Supervisory Board decided extending the mandates of provisional Directorate members:

- Marius - Danut CARASOL
- Claudia - Gina ANASTASE
- Andreea Georgiana FLOREA
- Alina - Elena TEODORU
- Adrian SAVU

by 4 months beginning with 21.06.2019, with possible extension by two more months.

At the same time Mr. Marius Danut CARASOL was appointed Directorate Chairman, alternatively called Executive Director General or Company CEO.

At the same gathering Supervisory Board members appointed Mr. Mircea Gheorghe Dumitru COSEA as Chairman of the Supervisory Board.

- **Stage before closing the 400 kV ring of Bucharest**

At the beginning of June the Company launched a bid to procure a study meant to find the best development solutions of the electricity network supplying the metropolitan area or Bucharest with 10 years' prospect.

- **Promulgating Law 120/2019**

The President of Romania enacted Law 120/2019 with respect to some measures required in order to carry out work and implement nationally important projects for the electricity transmission grid. The law facilitates the completion of the vital investment projects for Romania's energy security and the construction of overhead lines, the compliance with the deadlines of European-funded projects, having an essential role in the consolidation and expansion of the power transmission infrastructure in Romania.

- **Agreements to end the contracts the Company concluded with Smart SA**

On 21.06.2019 the suspensive terms were fulfilled as provided in the clauses of ending agreements the Company concluded with its subsidiary, pertaining to "Upgrading the 220/110 kV substation Dumbrava" and "Upgrading the 220/110 kV substation Raureni".

As regards the impact of terminating the fore-mentioned contracts on SEN safety, mention should be made NPG Transelectrica SA took measures in order to prevent such impact on the operational safety: - provisional work was made in substation DUMBRAVA which provides safe operation in the area; - substation RAURENI operates under normal conditions and additional maintenance services were provided.

- **New tariff applicable as of 1 July 2019**

Romania's Official Gazette 516/25.06.2019 published ANRE Order 81/24.06.2019 approving the average tariff of transmission services, the components of the transmission tariff introducing electricity in the grid (TG) and extracting electricity from the grid (TL), the system service tariffs as well as the regulated tariff for reactive electricity charged by the Company. Regulated tariffs for electricity transmission services and system services are applicable beginning with 1 July 2019.

- **The Company received the Bronze Level Recognition prize**

On 2 August Transelectrica obtained the Bronze Level Recognition prize in the top of the most sustainable

companies on the local market, achieved by The Azores. The study Romania CSR Index 2019 has been elaborated by the independent consulting agency The Azores and it examines the performance and the transparency with respect to Corporate Sustainability among companies of Romania.

- **Convocation of AGEA on August 19**

The Company's management convened, in accordance with the legal provisions in force, the Shareholders' General Extraordinary Assembly in order to submit for their approval the increase in the Company's share capital, subsequent to AGEA Decision 16/21.12.2018, by issuing new shares and observing the preference right of the existing shareholders on the registration date, with a maximum amount of RON 20.2 mn, of which RON 11.9 mn represent the value determined by an expert for 17 lands for which ownership certificates have been issued to the Company.

- **ANRE sanction**

On August 27 ANRE issued minutes ascertaining and sanctioning the Company for its incompliance with 7 items provided in article 15 of Regulation (EC) 714/2009; the Company will examine the motivation of such minutes with a view to exercise its right to contest in court the possible irregularities thereof.

- **Draft letter of expectation regarding the selection procedure for CS members**

On August 29 the Ministry of Economy, in its capacity of tutelary public authority transmitted the draft letter of expectation in view of performing the selection procedure for Supervisory Board members in the Company.

- **Conference organised under partnership with CIGRE**

The Company is the partner of the National Romanian Committee of CIGRE in organising the fifth edition of the International Conference regarding Condition Monitoring, Diagnosis and Maintenance of high voltage equipment and lines 2019 - CMDM 2019. The event organised with the support of CIGRE Paris, was held on September 9-11 2019 in the Radisson Blu Hotel of Bucharest.

- **Recall and appointment of Directorate member and Chairman**

The Company's Supervisory Board decided recalling Mr. Marius Danut CARASOL from his capacities of Directorate member and Chairman and electing Mrs. Claudia-Gina ANASTASE as Directorate Chairman, alternatively called Executive Director General or Company's Chief Executive Officer - CEO.

- **Decisions 16, 17, 18, 19, 20, 21, 22 and 23 of the Company's Shareholders' General Ordinary Assembly of 20 September 2019**

In accordance with AGOA Decisions 16, 17, 18, 19, 20, 21, 22 and 23 of September 20 the following persons were designated as provisional members for two months:

- Adrian MITROI,
- Petru TARNICERU,
- Ionica BADILA,
- Mihaela Virginia TOADER,
- Mihaela CONSTANTINOVICI,
- Mircea Gheorghe Dumitru COSEA,
- Florin-Radu CIOCANELEA

their appointment becoming effective on September 30.

- **Rating Moody's Investors Service**

The International Rating Agency Moody's Investors Service reconfirms the rating granted last year to the Company, namely Ba1 positive outlook.

- **Recruitment announcement**

On September 25 the Ministry of Economy initiated the recruitment and selection of candidates to be nominated in view of appointing the Company's Supervisory Board members.

## LATER EVENTS

- **Signing the financing contract for the 400 kV OHL Gutinas - Smardan**

The Company signed the financing contract to build the 400 kV overhead line (OHL) Gutinas - Smardan amounting to 33.43 million Euro. The European non-reimbursable financing was obtained under the Operational Programme Large Infrastructure (POIM) 2014-2020, Priority Axis 8 - Smart and sustainable systems of electricity transmission and natural gas transport, Specific objective 8.1 – Increasing the capacity of the National Power System to take over the electricity generated from renewable sources. The total investment value is 56.76 million Euro.

- **Appointing the Chairman, approving the membership of consultative committees of the Supervisory Board**

The Supervisory Board having assembled on 10.10.2019 appointed Mr. Mircea Gherorghe Dumitru COSEA as Chairman and designated the consultative committee members of the Supervisory Board as follows:

Nomination and remuneration committee:

- Mihaela CONSTANTINOVICI - chairman
- Adrian MITROI - member

- Petru TARNICERU - member
- Ionica BADILA - member

Audit committee:

- Adrian MITROI - chairman
- Mircea Gheorghe Dumitru COSEA - member
- Virginia Mihaela TOADER - member
- Petru TARNICERU - member
- Ionica BADILA - member

Energy security committee:

- Mircea Gheorghe Dumitru COSEA - chairman
- Virginia Mihaela TOADER - member
- Mihaela CONSTANTINOVICI - member

- **Changes in the Company's management**

At its gathering of October 16 the Supervisory Board extended the provisional mandates of Directorate members beginning with 21 October 2019 for two months:

- Claudia - Gina ANASTASE
- Andreea Georgiana FLOREA
- Adrian SAVU

It has designated the following persons as provisional Directorate members beginning with October 21 for two months:

- Virgiliu IVAN
- Luca-Nicolae IACOBICI

It appointed Mrs. Claudia-Gina ANASTASE as Directorate Chairman, alternatively called Executive Director General or the Company's Chief Executive Officer – "CEO" – beginning with 21 October 2019, for two months.

It decided designating Mr. Florin – Radu Ciocanelea as member in the Nomination and Remuneration Committee and in the Energy Security Committee of the Company's Supervisory Board.

- **Convocation of the Shareholders' General Extraordinary Assembly**

The Directorate of Transelectrica SA convened in accordance with the provisions of the Company law 31/1990, republished, with later amendments and additions, of Law 24/2017 on the issuers of financial instruments and market operations, of ASF Regulation 5/2018 regarding the issuers of financial instruments and market operations, as well as of the Company's applicable Articles of association, the Shareholders' general extraordinary assembly on 19.08.2019 in order to submit to the approval of the Shareholders' general extraordinary assembly the increase of the share capital of the National Power Grid Company Transelectrica SA, subsequent to AGEA Decision 16/21.12.2018, by issuing new shares, no share premium and observing the preference right of existing shareholders on the registration date, by maximum 20,248,262 Lei, of which 11,883,300 Lei represent the expert determined value of 17 lands which the Company was issued ownership certificates for.

On 26.11.2019 the Directorate of Transelectrica SA convened again the Shareholders' general extraordinary assembly (third convocation) to subject to approval the increase of the share capital with the expert determined value of 17 lands, which ownership certificates were issued for.



## Other Issues

### SHAREHOLDERS STRUCTURE

The Company's shareholder structure on 30.09.2019 was as follows:

Shareholder's name	No. of shares	Share in total
Romanian State	43,020,309	58.7%
Dedeman SRL	4,503,567	6.1%
Privately Managed Pension Fund NN	4,007,688	5.5%
Other legal person shareholders	16,402,277	22.4%
Other natural person shareholders	5,369,301	7.3%
<b>Total</b>	<b>73,303,142</b>	<b>100%</b>

### DIRECTORATE MEMBERSHIP

On the date of this report the Directorate membership is as follows:

Claudia-Gina ANASTASE	Directorate Chairman
Andreea Georgiana FLOREA	Directorate Member
Adrian SAVU	Directorate Member
Virgiliu IVAN	Directorate Member
Luca-Nicolae IACOBICI	Directorate Member

### TARIFFS

On 01.07.2019 the tariffs approved by ANRE under Order 81/24.06.2019 are provided in the table below.

Index	Tariff	m.u.	Charged tariff		Difference %
			1 Jan-30 Jun 2019	1 Jul-31 Dec 2019*	
<b>A</b>	Electricity transmission	lei/MWh	18.13	<b>17.68</b>	<b>-2.5%</b>
<b>B</b>	Functional system services	lei/MWh	1.11	<b>1.84</b>	<b>+65.9%</b>
<b>C</b>	Technological system services	lei/MWh	10.44	<b>13.05</b>	<b>+25.0%</b>

The factors of significant contribution to tariffs changing in the last review made by ANRE are provided further (\*tariffs becoming effective on 01.07.2019 and applicable until 31.12.2019, this being called the transitory interval from the third to the fourth regulatory period according to ANRE Order 57/08.05.2019).

#### Electricity transmission services

The tariff decrease (**-2.5%**) is mainly explained by two factors:

1. Ex-post corrections - as applied to compensate the differences between the forecasted values used in the tariff calculation during previous tariff years and the actual values recorded (final corrections associated to the difference between the estimated costs & revenues and those achieved in 1 July 2017 - 30 June 2018; the inflation correction used in establishing the tariff of 1 July 2017 - 30 June 2018 and the correction related to the recovery difference between the inflation used in setting

the tariff for 1 July 2016 - 30 June 2017 and the recorded one) they were positive. Ex-post corrections contributed **+1.9%** to increasing the newly-approved tariff compared to the applicable tariff;

Calculation items were submitted to ex-post corrections applied in the calculation of the newly-approved tariff and the most important are: (i) the electricity procurement price to cover one's own technological consumption, (ii) uncontrollable operation and maintenance costs, (iii) costs associated to electricity transmission in-between OTS-s, (iv) costs necessary to remove congestions, (v) revenues obtained from other

activities using resources recognised for transmission activities (revenues from the allocation of interconnection capacities, revenues from other provisions, revenues from reactive electricity and revenues from transits in peripheral countries);

2. Ex-post corrections - they relate to the investment programme and the efficiency gain for controllable operation and maintenance costs. By applying the provisions of ANRE Order 57/08.05.2019 the correction taken into consideration to calculate tariffs valid as of 1 July 2019 was 1/10 for the correction resulting as difference between the value of the approved investment programme and the value achieved in 01.07.2014-30.06.2018, and of 1/8 from the total value of the correction applied to the efficiency gain for controllable operation and maintenance costs. Ex-post corrections contributed **-6.6%** to changing the newly-approved tariff compared to the applied one;

Besides the fore-mentioned corrections (items 1 & 2) which impacted **-4.7%** the newly-approved tariff compared to the previous one, the annual forecast of costs recognised in the new tariff approved is higher than the annual cost forecast included in the previous tariff. The increase of the annual cost forecast contributed **+3.3%** to changing the newly-approved tariff compared to the applied one.

Another factor that contributed to establishing the value of the approved tariff applicable as of 01.07.2019 compared to the tariff valid until 30.06.2019, was the Amount of electricity chargeable upon network extraction. It was increased from 54.4 TWh per year (27.7 MWh for a semester) to 56 TWh (28 TWh for semester II 2019). The amendment of the chargeable quantity contributed **-1.1%** to changing the newly-approved tariff compared to the applied one.

#### **Functional system services**

Tariff increase was determined by the following individual calculation items:

➤ The ex-post correction applied to the regulated revenue, resulting from the closure of the

2017-2018 tariff period and the positive correction resulting from the estimates of the 2018-2019 tariff period included in the new tariff was smaller than the negative correction applied in the tariff of last year. The ex-post correction contributed **+27.3%** to changing the newly-approved tariff compared to the applied one;

➤ The annual forecast of costs recognised in the newly-approved tariff is higher than the annual cost forecast included in the previous tariff. The increase of the annual cost forecast contributed **+40.7%** to changing the newly-approved tariff compared to the applied one;

➤ The quantity of electricity chargeable upon network extraction was increased from 55.4 TWh to 56 TWh. The changed chargeable quantity has contributed **-2.04%** to changing the newly-approved tariff.

#### **Technological system services**

The tariff increase (**25%**) was determined by:

➤ The ex-post positive correction included in the newly-approved tariff, established as per the methodology applicable to compensate the loss cumulated in 2018-2019. The ex-post correction contributed 11.7% to increasing the newly-approved tariff;

The annual forecast of costs recognised in the new procurement tariff for technological system services in the tariff period 1 July 2019 - 30 June 2020 is higher than the forecast of costs recognised in the previous tariff year. The higher cost forecast was determined by higher procurement prices of technological system services under bids during the current tariff period compared to the ANRE-forecasted prices. The decrease of the annual cost forecast contributed **14.43%** to changing the newly-approved tariff;

➤ The quantity of electricity chargeable upon network extraction was increased from 55.4 TWh to 56 TWh. The changed chargeable quantity contributed **-1.1%** to changing the newly-approved tariff in comparison to the applied one.

## SIGNIFICANT TRANSACTIONS

The legal documents concluded according to the provisions of article 82 from Law 24/2017 regarding significant transactions concluded with affiliated parties in the first 9 months of 2019 were reported in Current Reports and include:

- Current report of April 16 – addendum 1 to contract C136/28.06.2018 with subsidiary Teletrans SA as provider.

- Current report of May 16 - contract amounting to more than 50,000 Euro with subsidiary SMART SA.
- Current report of July 17 - 27.06.2019 - effective date of Addendum 5 to contract C256/01.07.2014 concluded with subsidiary Teletrans SA as provider.

## DISPUTES

The most important disputes impacting the Company are provided below:

*Note: For reading facility and understanding all amounts in this chapter are expressed in Lei/Euro*

### ▪ RAAN

File 3616/101/2014 was registered on the docket of Mehedinti Tribunal, Section II Civil, Administrative and Fiscal Disputes pertaining to “claims amounting to 1,090,831.70 Lei, value of invoice 1300215/31.12.2013”, file in which the Company is defendant, the claimant being the Autonomous Authority for Nuclear Activities – RAAN.

Civil ruling 127 pronounced on 10.10.2014 by Mehedinti Tribunal decided admitting the request filed by claimant RAAN and compelling the Company to pay 1,090,831.70 Lei, the amount under invoice 1300215/31.12.2013.

The Company filed appeal requesting the court to admit it as filed, cancel the decision and rulings appealed against and refer the case to the territorial competent court for judgment, ascertain the compliance with the requirements in articles 1616-1617, Civil Code, for which reason it requested ascertaining the lawful compensation of mutual liabilities and their quenching up to the concurrence of the least amount thereof, namely the total sum the claimant asked in the suing deed, and compel the recurrent - claimant to pay the expenses incurred with this appeal.

The appeal was registered on the docket of the High Court of Cassation and Justice that decided cancelling decision 843/2015 and refer the case for re-judgment to the same instance, the Appeal Court Craiova.

Ruling 124/2017 of the Appeal Court Craiova admitted the appeal filed by Transelectrica and cancelled decision 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, which by civil ruling 4406/04.12.2017 decided admitting the

request filed by RAAN and obliged Transelectrica to pay 1,090,831.70 Lei. This sentence was contested by appeal. The hearing term was set on 13.12.2018.

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

Under such circumstances RAAN calculated penalties for its not collecting the due cogeneration bonus amounting to 3,496,914 Lei, withheld by the Company on behalf of uncashed receivables. The Company refused paying the amount of 3,496,914 Lei, which was not registered as liability under the support scheme.

File 9089/101/2013/a152 related to contestation against the additional Receivables Table and against debtor RAAN, the disputed amount being 89,360,986 Lei.

Transelectrica SA was recorded with 11,264,777 Lei in the table of debtor RAAN, in the category of receivables resulting from the debtors' continued activities, although the Company requested the amount of 89,360,986 Lei. But the remaining 78,096,209 Lei were not registered in the preliminary receivables table on reason that “they are not found as payable liability in the accounting books of RAAN.” Moreover the judiciary liquidator considered the request to record the amount of 78,096,209 Lei as being late since it related to 2011 – 2013, for which reason the receivable statement should have been expressed when the insolvency procedure was opened, namely on 18.09.2013. Contestation was submitted against the preliminary receivables table within the legal term and Mehedinti Tribunal admitted the accounting expertise evidence.

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

and on 14.02.2019 Mehedinti Tribunal decided connecting the fore-mentioned file to the one marked 9089/101/2013/a140 (about claims – payment demand). Thus case judgment was postponed since the instance considered it useful for case settlement to present Civil ruling 2969/26.09.2018, pronounced by the High Court of Cassation and Justice under file 3014/2/2014, on cancelling Decision 743/2014 of ANRE president.

The settlement of Mehedinti Tribunal by Decision 163 / 20.06.2019 is the following: It admits the exception of decline. It partly admits the main matter as well as the connected contestation. It compels the defendant to pay 16,950,117.14 Lei to the claimant, receivable occurred during the procedure and decided registering this amount in the creditors' table constituted against debtor RAAN. It denies the other connected requests. In accordance with article 453 para 2 from the Civil Procedural Code it compels the defendant to pay 1000 Lei to the claimant as law court expenses. Appeal right is granted. It was pronounced at public hearing. Document Decision 163/20.06.2019.

*The next hearing term was set on 30.10.2019, with pronouncement on 09.11.2019.*

#### **COURT of AUDIT**

Following an audit performed in 2013, the Court of Audit issued several measures to be implemented by the Company as a result of some deficits, which were detected upon such control. The decision and protocol issued by the Court of Audit have been appealed before the Appeal Court of Bucharest, file 1658/2/2014 being constituted, which pertained to "cancelling the control deeds" – Conclusion 7/20.02.2014 issued by the Court of Audit.

On 13.06.2018 the claimant's case was partly admitted. It cancels conclusion 7/20.02.2014, decision 37/9.12.2013 and the control report 35521/6.11.2012 elaborated by the defendant with respect to the measures included 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 partly the measure of item II.13 meaning to remove the phrase "including what has been found about the invoices issued by FLOREA ADMINSTRARE IMOBILIARA SRL". It denies the other request of the claimant as groundless. It acknowledged the electric power technical expertise report executed for the case by expert Toaxen Vasile. It compels the defendant to pay 121,375 Lei to the claimant as law court expenses (in part expert fees and judiciary stamp tax). Document decision 2771/13.06.2018.

*Transelectrica filed appeal on 14.06.2019. The following term was set on 28.10.2021.*

Following an audit performed in 2017, the Court of Audit issued several measures to be implemented by the Company as a result of some deficits, which were detected upon such control. NPG Transelectrica SA elaborated 8 contestations against the measures decided by Romania's Court of Audit (CCR) under Decision 8/27.06.2017, requesting its cancellation and that of conclusion 77/03.08.2017, registered in the Company under no. 29117/08.08.2017, as well as the Audit report 19211/26.05.2017.

Contestations are under settlement on the docket of the Appeal Court Bucharest and of the High Court of Cassation and Justice with terms set after 2019, namely 2020-2021.

#### **ANRE**

NPG Transelectrica SA filed complaint against Order 51/26.06.2014 of ANRE President, registered with ANRE under no. 47714/4.08.2014, and an appeal before the Appeal Court of Bucharest under file 4921/2/2014, requesting either the amendment of the aforementioned Order or the issuance of a new one, which should recalculate the RRR value at the level of 9.87% (recalculated with a ( $\beta$ ) coefficient of 1.0359, according to the internal analyses conducted by Transelectrica) or, should this request be rejected, using the same percentage of 8.52% set by ANRE for 2013 and in the first semester of 2014.

On 26.06.2014 ANRE Order 51 was issued and published in the Official Gazette 474/27.06.2014 regarding approval of the average tariff for transmission services, the system service tariffs and zone tariffs for transmission services charged by the National Power Grid Company Transelectrica SA and cancellation of annex 1 to Order 96/2013 of ANRE President approving the average tariff for transmission services, the system service tariffs and zone tariffs for transmission services and the tariffs for reactive electricity charged by economic operators of the electricity sector. The values taken into calculation for the regulated rate of return (RRR<sup>1</sup>) by ANRE in accordance with the Methodology establishing the tariff for electricity transmission services approved under ANRE Order 53/ 2013 ("Methodology"), have determined a RRR value of 7.7%.

On the 27.03.2018 hearing term the expert fee established on the claimant's behalf was paid and a letter will be decided to be transmitted to the expert in order to elaborate the approved expertise report and submit it to the file on the established term.

<sup>1</sup> RRR - The Regulated Rate of Return is found in specific literature under the short name of WACC – Weighted Average Cost of Capital – and the formula of the two indicators is resemblant:  $RRR = WACC = CCP + Kp/(1 - T) + CCI \times Ki$



On the 25.09.2018 hearing term the settlement in brief was to return by letter to the expert, with a view to elaborate the expertise report and submit it to the file, also mentioning it is impossible to submit the expertise report until the hearing term, which reason will decide postponing the case.

On the 22.01.2019 hearing term the instance approved in principle the accessory intervention request in the defendant's interest (ANRE), expressed by the intervenient ALRO SA, appeal granted with the substance matter. On 25.06.2019 the decision was taken to defer the case in order to enable the parties to get acquainted with the content of the expertise report, therefore a new judgment term was granted on 10.09.2019.

On the 10.09.2019 hearing term taking into account the request of the claimant's representative to get acquainted with the objections expressed by the intervenient and to be provided with the possibility to answer them, taking also into account the claimant submitted meeting notices accompanied by deeds requiring translation, it admits the case deferral request and decides granting *a new hearing term established on 03.12.2019*.

This dispute did not impact the relationship with ANRE nor the Company's financial results.

- **OPCOM**

On 24.11.2014 the Electricity and Natural Gas Market Operator OPCOM SA summoned the Company in order to compel it paying the amount of 582,086 Euro (2,585,162 Lei), representing the amount paid by it as fine, from the fine total amounting to 1,031,000 Euro, such request being included in file 40814/3/2014.

Previously, the Shareholders' General Assembly of the subsidiary SC OPCOM SA, at their meeting of 10.06.2014 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 European Union Functioning, according to the Decision AT 39984 in the antitrust case.

Also OPCOM SA requested the law court to compel the Company paying 84,867.67 Lei as legal interest related to the 11.06.2014 – 24.11.2014 time interval, which was added the law court expenses amounting to 37,828 Lei.

The case instituted by OPCOM SA is the subject of file 40814/3/2014, on the docket of Bucharest Tribunal, Section VI Civil, pertaining to claims, subject matter - dispute with professionals.

On 24.07.2015 during the law court session the instance admitted the suing filed by claimant Electricity and

Natural Gas Operator OPCOM SA in contradiction with defendant National Power Grid Company Transelectrica SA and obliged the defendant to pay 582,086.31 Euro to the claimant which was the amount the claimant has paid instead of the defendant from the sum of the 1,031,000 Euro fine applied by Decision of the European Commission on 05.03.2014 in the case AT.39984, as well as the legal interest associated to 582,086.31 Euro, calculated from 11.06.2014 until actual payment. The instance also obliged the defendant payment 37,828 Lei as law court expenses, with appeal right within 30 days from notification. Transelectrica SA filed appeal against ruling 4275/2015 pronounced under the fore-mentioned file, which was registered on the docket of the Appeal Court Bucharest.

The Appeal Court's settlement in brief: it admits the appeal, it changes entirely the civil ruling appealed against, meaning it denies the suing as groundless. It compels the recurrent-claimant to pay law suit expenses amounting to 16,129 to the defendant, representing judiciary stamp fee. Appeal right within 30 days from notification. It was pronounced at public hearing on 10.10.2016. Document: Ruling 1517/2016 / 10.10.2016.

OPCOM S.A filed appeal, registered with the High Court of Cassation and Justice.

Hearing term with the High Court of Cassation and Justice: 13.03.2018. The High Court of Cassation and Justice's settlement in brief: It admits the appeal filed by the recurrent-claimant Electricity and Natural Gas Operator OPCOM SA against decision 1517/10.10.2016 pronounced by the Appeal Court Bucharest, Section V Civil. It invalidates the decision appealed against and referred the case to the appeal instance 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 26,070.31 Lei as law suit expenses to the respondent in appeal-claimant. Appeal right granted within 30 days from notification.

*On 27.11.2018 NPG Transelectrica SA filed appeal, which is under screening with ICCJ.*

In 2014 the Company registered a provision amounting to 2,670,029 Lei for the dispute with Subsidiary OPCOM SA.

In file 17765-3-2019 the matter is to compel defendant OPCOM SA to pay 4,517,460 Lei of invoice series TEL 16 AAA 19533/29.07.2016, representing VAT value, associated to the contribution of NPG Transelectrica SA to the share capital of OPCOM SA, issued under the Loan Contract 7181RO/2003, commitment to finance the investment of the "Electricity Market Project"; compelling

OPCOM SA to pay 1,293,778.27 Lei under invoices TEL 19 T00 17/28.01.2019 and TEL 19 T00 131/10.07.2019 representing legal penalising interest calculated for failure to pay in due time the invoice series TEL 16 AAA 19533/29.07.2016.

The amount of 4,517,460 Lei, the main debit of petition 1 of this case represents VAT associated to OPCOM's share capital increase by contribution in kind, substantiated in intangible assets received as corresponding to phase I A and phase II of contracts P081406-O-C78, P081406-C125 and P081406-C300.

On the hearing term of 27.09.2019 the inadmissibility exception is rejected as well as the prescription exception as groundless. It denies the request as groundless. It denies the creditor's request to compel the debtor to pay law court expenses as groundless. With cancellation request within 10 days from notification, to be submitted to Bucharest Tribunal, Section VI Civil.

#### • **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 an requested compensations amounting to 17,419,508 Lei for the expenses incurred until that date, as well as unachieved profits in 2013-2033 amounting to 722,756,000 EUR. To date the Company has not concluded an addendum to the connection contract because the suspensive conditions included in the contract were not complied with by Conaid Company SRL. A new connection contract should have been concluded by 11 March 2014, expiry date of the technical connection endorsement. On the date of these financial statements the amounts claimed by Conaid Company SRL were considerate as contingent liabilities because it is unlikely to require resource output including economic benefit in order to settle such obligation, and the amount of such obligation cannot be assessed with sufficient credibility. File 5302/2/2013 was on the docket of the High Court of Cassation and Justice, Section of Administrative and Fiscal Disputes, pertaining to obligation to issue administrative deed; case stage - appeal with hearing term on 09.12.2015. On this term the High Court of Cassation and Justice admitted in principle the appeals and established the hearing term on 08 April 2016 for the main issue of such. Judge panel 4 ruled, with the parties summoned.

Case judgment was deferred to 17.06.2016, when the instance again deferred pronouncement until 29.06.2016, when it pronounced Decision 2148/2016 stating as follows: "It denies the exceptions claimed by the recurrent-claimant Conaid Company SRL by means of the judiciary administrator RVA Insolvency Specialists

SPRL and by the recurrent-defendant the National Power Grid Company Transelectrica SA. It admits the appeal filed by the National Power Grid Company Transelectrica SA against the hearing conclusion on 18 February 2014 and civil ruling 1866 / 11 June 2014, pronounced by the Appeal Court Bucharest, Section VIII of administrative & fiscal disputes. It cancels the contested conclusion and partly the ruling and refers the case to Bucharest Tribunal, Section VI Civil to settle the claimant's case in contradiction with the National Power Grid Company Transelectrica SA. It maintains the other sentence provisions with respect to the claimant's law suit against the National Regulatory Authority in the Energy domain. It denies the appeals filed by claimant SC Conaid Company SRL by means of the judiciary administrator RVA Insolvency Specialists SPRL and by the intervenient SC Duro Felguera SA against civil ruling 1866 of 11 June 2014, pronounced by the Appeal Court Bucharest, Section VIII of Administrative and Fiscal Disputes. It denies the appeal filed by the defendant National Power Grid Company Transelectrica SA against the hearing conclusion of 25 March 2014, pronounced by the Appeal Court Bucharest, Section VIII of Administrative and Fiscal Disputes; final. It was 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's Civil ruling 4364/23.11.2017 admits the inadmissibility exception and denies the request as inadmissible. It also denies the intervention request to the claimant's interest. Appeal right is granted within 30 days from notification. Appeal was filed to Bucharest Tribunal, Section VI Civil and the court clerk office put it at the parties' disposal on 23.11.2017.

On 02.11.2018 on the docket of Bucharest Tribunal, Section VI Civil a new suing request was filed by Conaid Company SRL under file 36755/3/2018, by which the claimant requested the court to compel Transelectrica SA to "repair the prejudice caused to the claimant as a result of the defendant's culpable non-execution of obligations in quantum of 17,216,093.43 Lei, consisting of actual damage incurred and unrealised benefit, provisionally estimated at 100,000 Euro... taking into account the unjustified refusal of Transelectrica SA to conclude and sign an addendum to Contract C154/27.04.2012, and in case the instance deem in formal terms the claimant's obligation of suspensive terms cannot be considered as fulfilled, such non-execution is owed to the exclusive guilt of Transelectrica SA, as the defendant prevented the compliance with the terms".

On the hearing term of 15.10.2019 it denies as groundless the exceptions of: absence of active processual quality and absence of interest. It joins the

prescription exception to the substance matter. Appeal together with substance matter. Pronounced by placing the settlement to the parties' disposal by means of the court's clerk office.

*The term granted to further examining the trial is on 26.11.2019, summoning the parties. Appeal together with substance. Pronounced by placing the settlement to the parties' disposal by the court's clerk office.*

#### ▪ **FF WIND ENERGY INTERNATIONAL SRL**

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

On the 28.12.2018 hearing term the instance denied the suing as specified as being groundless. It ascertained the defendant had not requested law suit expenses. Appeal right granted within 30 days from notification. According to article 425 para 3 and article 471 para 1 of the Civil Procedural Code the appeal and its grounds were submitted to Bucharest Tribunal, Section VI Civil. Document: Ruling 3891 / 28.12.2018.

Company FF Wind Energy International SRL filed appeal, which was judged on 18.06.2019, while pronouncement was deferred until 23.07.2019, when the settlement in brief was the following: „It denies the appeal as groundless. Appeal right is granted within 30 days from notification. The appeal will be submitted to the Appeal Court Bucharest, pending nullity. It was pronounced at public hearing. Document: Ruling 1191/23.07.2019”.

#### ▪ **ANAF**

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 Lei and accessories, owed for a number of unused invoices identified as missing (they were destroyed in the fire that broke out the night of 26-27 June 2009, at the business office of 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 dispute with ANAF, the latter sending a tax inspection report on 20.09.2011 which estimated the amount of collected VAT for a number of 123 unused invoices identified as missing.

The Company contested within legal terms the Taxation decision F-MC 439/30.06.2017, in accordance with OG 92/2003 with respect to the Fiscal Procedural Code.

ANAF issued enforcement title 13540/22.08.2017 based on which the additional payment obligations were executed in accordance with the Taxation decision F-MC 439/30.06.2017.

The Company requested cancelling the enforcement title 13540/22.08.2017 from the Appeal Court under file 7141/2/2017. Settlement in brief: It admits the exception of material incompetence of the Appeal Court Bucharest, SCAF. It declines the material competence of settling the case to the Law Court of Bucharest 1. No appeal is granted; pronounced at public hearing of 08.02.2018. Document: Ruling 478/2018 / 08.02.2018.

After such competence declining file 8993/299/2018 was registered on the docket of Law Court of Bucharest 1 whereby the Company contested the enforcement initiated according to the enforcement title 13540/22.08.2017, relying on the Taxation decision F-MC 439/30.06.2017.

Upon Company's contestation of the fiscal administrative document - Decision F-MC 439/30.06.2017 ANAF notified the Company its Decision 122/13.03.2018 through which it rejects, as groundless, the contestation filed by NPG Transelectrica SA; the decision was received on 16.03.2018, after filing the application for summons which is subject to casefile 1802/2/2018.

Settlement in brief: It admits the request of judgment suspension filed by the appellant. On the grounds of Article 413 (1) (1) of the Civil Procedure Code, judgement is suspended until the final settlement of case file 1802/2/2018, pending with 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. It was pronounced at public hearing. Document: Conclusion - Suspension 17.04.2018.

File 1802/2/2018 is on the docket of the Appeal Court whereby the Company contested the administrative fiscal Decision F-MC 439/30.06.2017.

On the 06.11.2018 hearing term the court admitted administrating the expertise evidence, in the accounting-fiscalism domain.

*New hearing term: 05.11.2019.*

#### ▪ **ROMENERGY INDUSTRY**

File 2088/107/2016 on the docket of Alba Tribunal pertains to “Bankruptcy and Request to be recorded in the creditors’ list”.

Transelectrica submitted request to be recorded in the creditors’ list with 16,112,165.18 million Lei, and such receivable was admitted and registered in the preliminary table.

Settlement in brief: The term was established on 14.10.2019, in order to continue the bankruptcy procedure by capitalising the asset and recovering the receivables. The judiciary liquidator will elaborate and submit to the file: - on each 15<sup>th</sup> day of the month the monthly activity reports of the previous month as provided in para 1 of article 59, Law 85/2014; - for the verification term - 5 days before such date the synthetic report every 120 days as provided in the final part of para 3 of article 59, Law 85/2014.

*The new hearing term was set on 27.01.2020*

#### ▪ **DAGESH ROM**

File 17284/3/2015 is found on the docket of Bucharest Tribunal / Appeal Court and it pertains to claims amounting to 2,784,950 Lei, representing the indexation of rent and delay penalties for such rent indexation + 168,500 Lei as difference of service fee and delay penalties.

##### *Bucharest Tribunal’s settlement*

1. It admits the write-off exception with respect to the claims represented by: - rent difference requested for 04.03.2012 - 12.05.2012; related penalties requested as rent difference calculated for 04.03.2012 - 12.05.2012; service fee difference asked for the interval 04.03.2012 - 12.05.2012; related penalties requested as service fee difference calculated for 04.03.2012 - 12.05.2012. It denies such claims as being written-off.

2. It denies the other claims as groundless.

3. It compels the claimant to pay 2,250 Lei as law court expenses to the defendant.

4. Appeal right is granted within 30 days from notification, to be submitted to Bucharest Tribunal, Section VI Civil. It was pronounced at public hearing. Ruling 7230/15.11.2016.

*Settlement of the Appeal Court Bucharest:* Dagesh filed appeal on 04.10.2017. Settlement in brief: It admits the appeal. It partly changes the contested ruling; it partly admits the suing, namely it compels the defendant to pay 76,265.23 Lei as service fee difference for 2012 and 76,265.23 Lei as related delay penalties. It maintains the other ruling provisions appealed against. It compels the recurrent defendant pay to the recurrent claimant 31,877.45 Lei as law suit expenses, for first instance and appeal; appeal right within 30 days from notification. Appeal will be submitted to the Appeal Court Bucharest, Section VI Civil. It was pronounced at public hearing. Document: Ruling 810/20.04.2018.

*Both parties filed appeal, with hearing term on 12.11.2019 before the High Court of Cassation and Justice.*

#### ▪ **RESITA MUNICIPALITY**

File 2494/115/2018\* registered on the docket of Caras Severin Tribunal pertains to suing filed by claimant Resita City that requests compelling defendant Transelectrica SA to pay the following amounts:

- 2,129,765.86 Lei representing rent for the land temporarily taken up from the forest fund in 2015;

- 2,129,765.86 Lei representing land rent for 2016;

- 2,129,765.86 lei representing land rent for 2018;

- Legal penalising interest from due date until actual payment.

Settlement in brief: It admits the exception of territorial incompetence for Caras Severin Tribunal. It declines the settlement competence of the request filed by claimant Resita City through the mayor in contradiction with defendant NPG Transelectrica SA in favour of Bucharest Tribunal. No appeal according to article 132 para 3 Civil Procedural Code. It was pronounced at public hearing on 11 March 2019. Document: Ruling 313/11.03.2019

*On 25.10.2019 Bucharest Tribunal declines settlement of case.*

#### ▪ **ELCEN**

Transelectrica SA filed contestation against the judiciary administrator’s refusal to answer the payment request, which pertains to file 6642/3/2018 registered on the docket of Bucharest Tribunal; by such contestation Transelectrica requested compelling debtor ELCEN SA – a company under insolvency to pay 56,680,387 Lei, representing the value of the overcompensation in accordance with Decision 476/30.03.2017 of ANRE president.

Bucharest Tribunal's settlement in brief: It denies as groundless the exception of late contestation claimed by the defendant ELCEN by complaint. It admits the contestation filed against the judiciary administrator's measures; it compelled the debtor to pay 56,680,387 Lei, representing unpaid difference under the overcompensation decision 476/30.03.2017 and the invoice series TEL17COG no. 17948/30.03.2017. It admits the request item with respect to compelling the debtor to pay law court expenses.

It compels the debtor to pay 2,500 Lei law court expenses to the contestator, representing stamp tax and expertise fee. Appeal right is granted within 7 days from notification; appeal will be submitted to Bucharest Tribunal, Section VI Civil. It was pronounced at public hearing. Document: civil ruling 7834/21.12.2018.

*Elcen filed appeal, which on 11.06.2019 was rejected as groundless.*

#### ▪ ASITO KAPITAL SA

On 01.07.2017 the Company filed suing with respect to issuing payment ordinance, case under file 24552/3/2017 on the docket of Bucharest Tribunal, Section VI Civil, requesting the instance to pronounce decision compelling debtor ASITO KAPITAL SA to pay 7,058,773.36 Euro (equivalent of 31,180,857.96 Lei) representing security policies for down payments BR – 1500544/18.11.2015 and BR – 1500520/29.07.2015.

Settlement in brief: It admits the request and compels the debtor to pay 2,237,750.83 Euro within 20 days from receipt of this decision (equivalent of 9,948,592.64 Lei at the 4.4458 Lei / Euro exchange rate) representing unreturned down payment secured under the security letter BR-1500544/18.11.2015 as well as 4,821,022.53 Euro (equivalent of 21,233,265.32 Lei at 4,4041 Lei / Euro exchange rate) representing unreturned down payment secured under security letter BR-1500520/29.07.2015; 200 Lei as law court expenses. Cancellation request right is granted within 10 days from notification.

Ruling 4067/07.11.2017 was elaborated and notified to both parties on 17.10.2018.

On 01.11.2018 Decision 4067/07.11.2017 was legalised and transmitted to BEJ Raileanu in order to execute the enforcement title.

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

- 21,233,265.32 – according to Civil Ruling 4067/2017 (4,821,022.53 Euro at 4.4041 Lei / Euro);
- 9,948,592.64 – according to Civil Ruling 4067/2017 (2,237,750.83 Euro at 4.4458 Lei / Euro).

On 26.10.2018 ASITO KAPITAL SA filed cancellation request against Ruling 4067/2017 within the legal term.

Taking into account the cancellation request filed by ASITO KAPITAL SA against Ruling 4067/2017 the Company constituted a dispute provision amounting to 31,180,858.

In the casefile 35865/3/2018 (old file 24552/3/2017) the hearing term was set on 19.02.2019 to settle the cancellation request for the payment ordinance providing return of 31.2 million Lei; deferred pronouncement: 20.03.2019.

On the 19.02.2019 hearing term when the juridical inquiry ended and the floor was given to the parties for exceptions, evidence and the case substance matter, the instance deferred pronouncement twice until 20.03.2019. After deliberation Bucharest Tribunal pronounced the following settlement in brief:

- It denies the request with respect to reversing the enforcement as inadmissible.
- It denies as groundless the request to return the stamp tax relating to the request with respect to reversing the enforcement.
- It denies as groundless the cancellation request filed by the contestator-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 recurrent – creditor the National Power Grid Company TRANSELECTRICA SA; final. It was pronounced at public hearing on 20.03.2019.

Document: Ruling 743/2019 / 20.03.2019.

The court clerk office certificate issued on 18.04.2019 by Bucharest Tribunal, Section VI Civil certifies Ruling 743/2019 /20.03.2019.

NPG Transelectrica SA cancelled the provision of 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.

Asito Kapital SA submitted to Bucharest Tribunal, Section VI Civil a suing request pertaining to "ascertaining deed cancellation" (securities to pay down payments BR 1500544/18.11.2015 and BR 1500520/29.07.2015, issued by Asito Kapital SA) casefile under file 28445/3/2017 where NPG Transelectrica SA and Elcomex IEA SA are defendants. In the same file it also expressed an intervention request for its own interest. Under this case Asito Kapital requested the court to ascertain the absolute nullity of securities for down payments BR 1500544/18.11.2015

and BR 1500520/29.07.2015, issued by Asito Kapital SA and Moldasig SA.

On 19.12.2018 Bucharest Tribunal pronounced the following settlement:

- It denies the case as groundless.
- It denies the accessory intervention request as groundless.
- It denies the re-conventional request as groundless; appeal within 30 days from notification, to be submitted to Bucharest Tribunal, Section VI Civil. It was pronounced at public hearing on 19.12.2018. Document: Ruling 3840/2018.

On 04.10.2019 Asito Kapital filed appeal against Civil Ruling 3840/19.12.2018, and the file was referred to the Appeal Court Bucharest for settlement, with no hearing term set for the time being. Transelectrica filed contestation within the legal term, hearing term pending.

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 the Company and them.



## Annexes

**ANNEX 1: Stand-alone statement of financial position**

[RON mn]	9M 2019	2018	Δ	Δ (%)
	1	2	3=1-2	4=1/2
<b>ASSETS</b>				
<b>Non-current assets</b>				
Tangible assets	2,900	2,988	(89)	(3%)
Intangible assets	32	23	9	40%
Financial assets	82	80	1	2%
<b>Total non-current assets</b>	<b>3,013</b>	<b>3,091</b>	<b>(78)</b>	<b>(3%)</b>
<b>Current assets</b>				
Inventories	38	35	3	8%
Trade and other receivables	781	1,064	(283)	(27%)
Other financial assets	80	0	80	n/a
Cash and cash equivalents	272	482	(210)	(44%)
<b>Total current assets</b>	<b>1,170</b>	<b>1,581</b>	<b>(410)</b>	<b>(26%)</b>
<b>Total assets</b>	<b>4,184</b>	<b>4,672</b>	<b>(488)</b>	<b>(10%)</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>Shareholders' Equity</b>				
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	491	523	(32)	(6%)
Other reserves	14	67	(53)	(80%)
Retained earnings	1,418	1,313	105	8%
<b>Total shareholders' equity</b>	<b>2,829</b>	<b>2,809</b>	<b>20</b>	<b>1%</b>
<b>Non-current liabilities</b>				
Long term deferred revenues	370	411	(41)	(10%)
Long term borrowings	128	144	(16)	(11%)
Deferred tax liability	52	56	(4)	(6%)
Employee benefits liabilities	52	52	0	0%
<b>Total non-current liabilities</b>	<b>603</b>	<b>664</b>	<b>(60)</b>	<b>(9%)</b>
<b>Current liabilities</b>				
Trade and other liabilities	528	1,021	(493)	(48%)
Other tax and social security liabilities	8	10	(2)	(20%)
Short-term borrowings	109	53	56	n/a
Provisions	64	96	(31)	(33%)
Short-term deferred revenues	38	19	19	96%
Income tax payable	3,4	0,2	3,2	n/a
<b>Total current liabilities</b>	<b>751</b>	<b>1,199</b>	<b>(448)</b>	<b>(37%)</b>
<b>Total liabilities</b>	<b>1,354</b>	<b>1,863</b>	<b>(509)</b>	<b>(27%)</b>
<b>Total shareholders' equity and liabilities</b>	<b>4,184</b>	<b>4,672</b>	<b>(488)</b>	<b>(10%)</b>



**ANNEX 2: Stand-alone profit or loss statement**

[RON mn]									
Indicator	2018	9M 2019	9M 2018	Budgeted 9M 2019	Achieved 2019 vs 2018	Achieved 2019 vs 2018 %	Achieved vs Budgeted 2019	Achieved vs Budgeted 2019 %	
0	1	2	3	4	5=2-3	6=2/3	7=2-4	8=2/4	
<b>Operating revenues</b>									
Transmission revenues	1,070	809	771	834	38	5%	(25)	(3%)	
System services revenues	702	530	530	537	(0)	(0%)	(7)	(1%)	
Balancing market revenues	904	405	498	573	(93)	(19%)	(168)	(29%)	
Other revenues	46	39	33	41	5	15%	(3)	(7%)	
<b>Total operating revenues</b>	<b>2,722</b>	<b>1,783</b>	<b>1,832</b>	<b>1,985</b>	<b>(49)</b>	<b>(3%)</b>	<b>(202)</b>	<b>(10%)</b>	
<b>Operating expenses</b>									
System operating expenses	309	268	212	270	56	26%	(2)	(1%)	
Balancing market expenses	904	405	498	573	(93)	(19%)	(168)	(29%)	
Technological system services expenses	678	497	497	509	0	0%	(12)	(2%)	
Depreciation and Amortisation	298	210	226	231	(16)	(7%)	(21)	(9%)	
Personnel expenses	189	158	137	162	22	16%	(3)	(2%)	
Repairs and maintenance expenses	91	73	65	88	8	13%	(15)	(17%)	
Materials and consumables	12	5	7	10	(2)	(29%)	(5)	(48%)	
Other operating expenses	141	77	77	132	0	0%	(55)	(42%)	
<b>Total operating expenses</b>	<b>2,620</b>	<b>1,694</b>	<b>1,718</b>	<b>1,974</b>	<b>(24)</b>	<b>(1%)</b>	<b>(280)</b>	<b>(14%)</b>	
<b>Operating profit</b>	<b>101</b>	<b>89</b>	<b>114</b>	<b>11</b>	<b>(25)</b>	<b>(22%)</b>	<b>79</b>	<b>n/a</b>	
Financial income	17	8	13	4	(6)	(43%)	4	86%	
Financial expenses	25	14	20	13	(6)	(30%)	1	6%	
<b>Net finance result</b>	<b>(8)</b>	<b>(6)</b>	<b>(6)</b>	<b>(9)</b>	<b>0</b>	<b>1%</b>	<b>3</b>	<b>30%</b>	
<b>Profit before income tax</b>	<b>93</b>	<b>83</b>	<b>108</b>	<b>2</b>	<b>(25)</b>	<b>(23%)</b>	<b>81</b>	<b>n/a</b>	
Income tax	12	9	10	0	(1)	(9%)	9	n/a	
<b>Net profit</b>	<b>81</b>	<b>74</b>	<b>98</b>	<b>1</b>	<b>(24)</b>	<b>(25%)</b>	<b>73</b>	<b>n/a</b>	

### ANNEX 3: Stand-alone cash flow statement

[RON mn]	9L 2019	9L 2018	Δ	2019 vs 2018 (%)
<b>Cash flows from operational activities</b>				
Profit of the period	73.6	97.5	(24)	(25%)
<b>Adjustments for:</b>				
Income tax expense	9.3	10.2	(1)	(9%)
Amortisement expense	203.6	225.8	(22)	(10%)
Expenses with adjustments for trade receivables impairment	5.2	9.2	(4)	(44%)
Revenues from reversal of adjustments for trade receivables impairment	(2.9)	(8.8)	6	67%
Losses from various debtors	0.8	0.0	1	n/a
Net revenues with adjustments for various debtors impairment	(1.4)	0.0	(1)	n/a
Net expenditures with adjustments for inventories impairment	(0.0)	0.1	(0)	n/a
Net profit/ loss on sale of tangible assets	0.3	(0.3)	1	n/a
Net expenditures on adjustments of value regarding tangible assets	2.4	0.7	2	n/a
Expenses/Revenues regarding provisions for risks and expenses, net	(31.3)	0.5	(32)	n/a
Interest expense, interest revenue and unrealised exchange rate gains	6.3	6.6	(0)	(5%)
<b>Cash flows before changes to working capital</b>	<b>265.9</b>	<b>341.6</b>	<b>(76)</b>	<b>(22%)</b>
<b>Changes in:</b>				
Clients and assimilated accounts - energy and other activities	37.1	(19.4)	57	n/a
Clients – balancing	267.7	35.4	232	n/a
Clients – cogeneration	(23.3)	29.4	(53)	n/a
Inventories	(2.8)	(2.6)	(0)	(7%)
Trade and other liabilities - energy and other activities	(41.7)	139.9	(182)	n/a
Liabilities - balancing	(320.5)	(59.3)	(261)	n/a
Liabilities - cogeneration	(77.0)	(94.9)	18	19%
Other taxes and social insurance liabilities	(2.0)	(1.0)	(1)	n/a
Deferred revenues	(20.9)	(15.4)	(5)	(36%)
<b>Cash flows from operational activities</b>	<b>82.5</b>	<b>353.8</b>	<b>(271)</b>	<b>(77%)</b>
Interest paid	(7.0)	(6.4)	(1)	(10%)
Income tax paid	(9.8)	(11.2)	1	13%
<b>Net cash generated from operational activities</b>	<b>65.7</b>	<b>336.2</b>	<b>(271)</b>	<b>(80%)</b>
<b>Cash flows from the investment activity</b>				
Acquisition of tangible and intangible assets	(168.9)	(112.8)	(56)	(50%)
Proceeds from non-reimbursable EC financing	0.0	11.7	(12)	(100%)
Received Interests	3.2	5.5	(2)	(42%)
Participation titles held in TSC NET	0.0	(2.2)	2	100%
Proceeds from sale of tangible assets	0.0	0.7	(1)	(100%)
Dividends cashed	0.1	1.1	(1)	(88%)
Other financial assets	(80.0)	0.0	(80)	n/a
<b>Net cash used in the investment activity</b>	<b>(245.5)</b>	<b>(96.0)</b>	<b>(150)</b>	<b>n/a</b>
<b>Cash flows used in financing activities</b>				
Repayments of non-current borrowings	(46.5)	(108.3)	62	57%
Utilisation of the credit line for cogeneration	83.0	0.0	83	n/a
Dividends paid	(67.0)	(1.4)	(66)	n/a
<b>Net cash used in financing activities</b>	<b>(30.5)</b>	<b>(109.7)</b>	<b>79</b>	<b>72%</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>(210.3)</b>	<b>130.6</b>	<b>(341)</b>	<b>n/a</b>
<b>Cash and cash equivalents as at January 1<sup>st</sup></b>	<b>482.2</b>	<b>520.7</b>	<b>(39)</b>	<b>(7%)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>271.8</b>	<b>651.3</b>	<b>(380)</b>	<b>(58%)</b>

#### ANNEX 4: Economic-financial indicators of the reporting period

Indicators	Formula	9M 2019	2018
<b>Current liquidity ratio (x)</b>	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.56	1.32
<b>Indebtness indicators (x):</b>			
(1) Indebtedness indicator	$\frac{\text{Debt capital} \times 100}{\text{Shareholder's equity}}$	8.4%	7.0%
(2) Indebtedness indicator	$\frac{\text{Debt capital} \times 100}{\text{Committed capital}}$	7.7%	6.6%
<b>Clients' turnover (days)</b>	$\frac{\text{Average client balance}^* \times \text{no.days}}{\text{Turnover}}$	98.52	90.96
<b>Non-current assets turnover (x)</b>	$\frac{\text{Turnover}}{\text{Non-current assets}}$	0.58	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: Amendment of the Articles of Incorporation of the Company in 2019

None

#### ANNEX 6: Appointment / recalling deeds in 2019

##### Directorate

- In accordance with CS Decision 20/11.04.2019
  - In the context of current Directorate members' mandates reaching term on 20 April 2019 the Supervisory Board decided extending the mandates of provisional Directorate members with 2 months. beginning with 21.04.2019 until 20.06.2019 for the following persons: Marius-Danut CARASOL, Claudia-Gina ANASTASE, Andreea Georgiana FLOREA, Constantin SARAGEA, and Adrian SAVU
- In accordance with CS Decision 21/11.04.2019
  - Mr. Marius-Danut CARASOL is elected as Directorate Chairman, alternatively called Executive Director General or the Company's Chief Executive Officer – CEO for 21 April – 20 June 2019.
- In accordance with CS Decision 30/04.06.2019
  - Supervisory Board members acknowledged the mandates of provisional Directorate members will reach their term on 20 June 2019: Marius-Danut CARASOL, Claudia-Gina ANASTASE, Andreea Georgiana FLOREA, Constantin SARAGEA, and Adrian SAVU
- In accordance with CS Decisions 31, 32, 33, 34, 35 / 04.06.2019
  - Since on 20 June 2019 the mandates of current Directorate members reached their term, the Supervisory Board decided extending the mandates of provisional Directorate members by 4 months, beginning with 21.06.2019 for the following persons: Marius - Danut CARASOL, Claudia - Gina ANASTASE, Andreea Georgiana FLOREA, Alina-Elena TEODORU, and Adrian SAVU
- In accordance with CS Decision 54/19.09.2019
  - The Supervisory Board are recalling Mr. Marius Danut Carasol from his capacities of Directorate member and Chairman
- In accordance with CS Decision 55/19.09.2019
  - The Supervisory Board are electing Mrs. Claudia-Gina ANASTASE as Directorate Chairman, alternatively called Executive Director general or Chief Executive Officer – “CEO” of the Company

## Supervisory Board

- In accordance with AGOA Decisions 4, 5, 6, 7, 8, 9, 10 and 11 / 29 March 2019
  - Beginning with 30 March 2019 the following were appointed provisional Supervisory Board members of the Company with two months' mandate term: Adrian MITROI, Alin Sorin MITRICA, Constantin DUMITRU, Virginia Mihaela TOADER, Mihaela CONSTANTINOVICI, Mircea Gheorghe Dumitru COSEA, and Carmen Nina CRISU.
- In accordance with AGOA Decision 5/29 March 2019
  - Mr. Alin Sorin MITRICA, appointed as provisional Supervisory Board member signed the mandate acceptance statement on 02 April 2019, date when his appointment becomes effective.
- In accordance with AGOA Decision 10/29 March 2019
  - Mrs. Carmen Nina CRISU appointed as provisional Supervisory Board member refused accepting the mandate for incompatibility reasons.
- In accordance with Decisions 13/08.04.2019 and 14/08.04.2019
  - The Supervisory Board decided electing Mr. Mircea Gheorghe Dumitru COSEA as Supervisory Board Chairman and appointing Mr. Florin – Radu CIOCANELEA as provisional Supervisory Board member, with mandate expiring on 29 May 2019, expiry date as well for the mandates of Supervisory Board members in office.
- In accordance with AGOA Decisions 14 & 15 / 14 May 2019
  - The mandates of provisional Supervisory Board members in the Company are extended by four months beginning with 30 May 2019.
- In accordance with CS Decision 29/04.06.2019
  - Mr. Mircea Gheorghe Dumitru COSEA is elected Supervisory Board Chairman.
- In accordance with AGOA Decisions 16, 17, 18, 19, 20, 21, 22 and 23 / 20 September 2019
  - Adrian MITROI, Petru TARNICERU, Ionica BADILA, Mihaela Virginia TOADER, Mihaela CONSTANTINOVICI, Mircea Gheorghe Dumitru COSEA, Florin-Radu CIOCANELEA were appointed provisional Supervisory Board members of the Company beginning with 30 September 2019, two more months' mandate.

**ANNEX 7 REPORT (according to HAGEA 4/29.04.2015) on the contracts signed in quarter III/ 2019 to procure assets, services and work, which value is higher than 500,000 Euro/purchase (for assets and work) and above 100,000 Euro/purchase (for services)**

No.	Contract number	Contractual object	Term	Value		Contract type	Legal base	Procurement procedure
				Mii Lei	Mii Euro			
0	1	2	3	4	5	6	7	8
1	C 862/2019	Replacing AT3-ATUS-FS 400/400/160 MVA 400/231/22 kV in the 400/220 kV substation Portile de Fier	14	-	2,830	Work	Law 99/2016 + HG 394/2016	Open bid
2	C 870/2019	RCA & CASCO car insurance services for the motor cars owned by NPG TRANSELECTRICA SA (framework agreement)	36	1,903	-	Services	Law 99/2016 + HG 394/2016	Simplified procedure
3	C 849/2019	Public/operative phone services, integrated communication (VPN) and internet services (framework agreement)	36	-	924	Services	Law 99/2016 + HG 394/2016	Open bid
4	C 816/2019	Monitoring services for used water quality in electric transmission / connection substations, offices of NPG TRANSELECTRICA SA and solutions to reduce pollution	36	486	-	Services	Law 99/2016 + HG 394/2016	Simplified procedure
5	C 812/2019	Internal and external air transport services for 24 months (framework agreement)	24	2,627	-	Services	Law 99/2016 + HG 394/2016	Open bid
6	CT 755/2019	Maintenance services for the passage corridor of OHL-s crossing areas with many trees	36	1,289	-	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. the operator of the regulated market where the shares are transacted
„CEE”/EEC	European Economic Community
„Company”. „NPG”. „TEL”	National Power Grid Company Transelectrica SA
„OTC”	One’s own technological consumption
„CS”	Supervisory Board
„DEN”	National Power Dispatcher
„EBIT”	Operational profit before interest and income tax
„EBITDA”	Operational profit before interest. income tax and amortisement
„EBT”	Operational profit before income tax
„ENTSOE”	European Network of Transmission and System Operators for Electricity
„HG”	Governmental decision
„IFRS”	International Financial Reporting Standards
„LEA”/ OHL	Overhead electric lines
„Leu” or „Lei” or „RON”	Official currency of Romania
„MFP”	Ministry of Public Finance
„MO”	Romania’s Official Gazette
„OG”	Governmental ordinance
„OPCOM”	Operator of the Electricity and Natural Gas Market in Romania OPCOM SA
„OUG”	Governmental emergency ordinance
„PZU” /DAM	Day-ahead Market
„RET”	Electricity Transmission Grid. the electric network of national strategic interest with nominal line voltage above 110 kV
„SEN”	National Power System
“RS”	Secondary control (frequency restoration reserve)
“RTL”	Slow tertiary control (replacement reserve)
„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
“EU”	European Union
“m.u.”	Measuring unit
“USD” or “US dollars”	American dollar. the official currency of the United States of America
„WACC”	Weighted average cost of capital



**NPG Transelectrica SA**  
**Company managed under two-tier system**

Stand-alone Interim Simplified Financial Statements  
of and for the nine months' period ended on  
**30 September 2019**

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



**NPG Tranelectrica SA**

Stand-alone profit and loss account statement for the nine months' period ended on 30 September 2019

*(All amounts are expressed in LEI, unless otherwise provided)*

	Note	30 September 2019	31 December 2018
<b>Assets</b>			
<b>Non-current assets</b>			
Tangible assets	4	2,899,793,502	2,988,303,101
Intangible assets	4	31,781,534	22,752,925
Financial assets	4	81,500,833	80,245,910
<b>Total non-current assets</b>		<b>3,013,075,869</b>	<b>3,091,301,936</b>
<b>Current assets</b>			
Inventories		37,569,723	34,768,678
Trade and receivables	5	781,049,505	1,063,594,025
Other financial assets	6	80,000,000	-
Cash and cash equivalents	7	271,812,261	482,158,679
<b>Total current assets</b>		<b>1,170,431,489</b>	<b>1,580,521,382</b>
<b>Total assets</b>		<b>4,183,507,358</b>	<b>4,671,823,318</b>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>			
Share capital, of which:		733,031,420	733,031,420
<i>Share capital subscribed</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		490,915,050	522,585,647
Other reserves		13,582,654	66,664,045
Retained earnings		1,418,379,345	1,313,139,735
<b>Total shareholders' equity</b>	<b>8</b>	<b>2,829,493,111</b>	<b>2,809,005,489</b>
<b>Non-current liabilities</b>			
Long term deferred revenues	9	370,334,685	411,154,678
Borrowings	10	127,846,552	143,866,115
Deferred tax liability		52,461,541	56,100,417
Employee benefit obligations		52,411,509	52,411,509
<b>Total non-current liabilities</b>		<b>603,054,287</b>	<b>663,532,719</b>
<b>Current liabilities</b>			
Trade and other liabilities	11	528,245,419	1,020,793,710
Other tax and social security liabilities	13	8,009,419	10,052,456
Borrowings and related interest	10	109,023,113	53,311,446
Provisions	12	64,356,784	95,557,513
Short term deferred revenues	9	37,932,740	19,329,257
Income tax payable		3,392,485	240,728
<b>Total current liabilities</b>		<b>750,959,960</b>	<b>1,199,285,110</b>
<b>Total liabilities</b>		<b>1,354,014,247</b>	<b>1,862,817,829</b>
<b>Total shareholders' equity and liabilities</b>		<b>4,183,507,358</b>	<b>4,671,823,318</b>

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

**NPG Traselectrica SA**

Stand-alone profit and loss account statement for the nine months' period ended on 30 September 2019

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

	Note	01 July – 30 September 2019	01 July – 30 September 2018	01 January – 30 September 2019	01 January – 30 September 2018
<b>Revenues</b>					
Transmission revenues		257,018,803	265,852,632	809,156,043	770,926,848
System service revenues		202,352,607	154,961,791	530,109,314	530,155,344
Balancing market revenues		125,435,228	167,076,119	405,364,762	497,923,243
Other revenues		14,367,244	11,203,066	38,541,535	33,438,255
<b>Total operational revenues</b>	<b>15</b>	<b>599,173,882</b>	<b>599,093,608</b>	<b>1,783,171,654</b>	<b>1,832,443,690</b>
<b>Operational expenses</b>					
System operation expenses	16	(88,301,190)	(62,143,810)	(268,117,622)	(212,059,933)
Balancing market expenses	16	(125,435,228)	(167,076,119)	(405,364,762)	(497,923,243)
Expenses with technological system services	16	(143,681,857)	(187,395,413)	(496,812,381)	(496,782,239)
Amortisement		(67,968,813)	(74,719,026)	(209,971,449)	(225,812,921)
Salaries and other retributions	17	(55,606,878)	(48,138,234)	(158,484,470)	(136,981,450)
Repairs and maintenance		(28,545,287)	(27,085,960)	(72,854,302)	(64,721,896)
Materials and consumables		(1,807,586)	(2,792,979)	(5,184,717)	(7,259,798)
Other operational expenses	18	(38,237,587)	(27,519,729)	(77,208,581)	(76,824,974)
<b>Total operational expenses</b>		<b>(549,584,426)</b>	<b>(596,871,270)</b>	<b>(1,693,998,284)</b>	<b>(1,718,366,454)</b>
<b>Operational profit</b>		<b>49,589,456</b>	<b>2,222,338</b>	<b>89,173,370</b>	<b>114,077,236</b>
Financial revenues		1,848,922	6,270,139	7,608,870	13,374,090
Financial expenses		(3,695,150)	(7,415,430)	(13,875,853)	(19,717,318)
<b>Net financial result</b>	<b>19</b>	<b>(1,846,228)</b>	<b>(1,145,291)</b>	<b>(6,266,983)</b>	<b>(6,343,228)</b>
<b>Profit before income tax</b>		<b>47,743,228</b>	<b>1,077,047</b>	<b>82,906,387</b>	<b>107,734,008</b>
Income tax	14	(4,371,682)	(1,569,009)	(9,309,988)	(10,205,491)
<b>Profit of the period</b>		<b>43,371,546</b>	<b>(491,962)</b>	<b>73,596,399</b>	<b>97,528,517</b>

**NPG Transelectrica SA**

Stand-alone profit and loss account statement for the nine months' period ended on 30 September 2019

*(All amounts are expressed in LEI, unless otherwise provided)*

	Note	01 July – 30 September 2019	01 July – 30 September 2018	01 January – 30 September 2019	01 January – 30 September 2018
<b>Profit of the period</b>		<b>43,371,546</b>	<b>(491,962)</b>	<b>73,596,399</b>	<b>97,528,517</b>
<b>Other comprehensive revenue</b>		-	-	-	-
<b>Total comprehensive result</b>		<b>43,371,546</b>	<b>(491,962)</b>	<b>73,596,399</b>	<b>97,528,517</b>

The stand-alone interim simplified financial statements provided here were approved by the Company's management on 08 November 2019 and signed on its behalf by:

**Directorate,****Claudia - Gina  
ANASTASE  
Chairman****Adrian  
SAVU  
Member****Andreea Georgiana  
FLOREA  
Member****Virgiliu  
IVAN  
Member****Luca-Nicolae  
IACOBICI  
Member****Ana-Iuliana DINU**  
Director  
Economic - Financial and Administrative Unit**Maria BADILA**  
Head of Accounting-Fiscality Department

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

**NPG Transelectrica SA**

Stand-alone statement of shareholders' equity changes on 30 September 2019

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

	Share capital	Share premium	Legal reserves	Revaluation reserve	Other reserves	Retained earnings	Total
<b>Balance on 1 January 2018</b>	<b>733.031.420</b>	<b>49.842.552</b>	<b>118.961.487</b>	<b>499.921.435</b>	<b>56.953.503</b>	<b>1.258.921.369</b>	<b>2.717.631.766</b>
<b>Comprehensive result of the period</b>							
Profit of the period	-	-	-	-	-	81,303,373	<b>81,303,373</b>
<b>Other items of comprehensive result, of which:</b>							
Recognition of defined benefit plan actuarial gains	-	-	-	-	-	316,395	316,395
Surplus from revaluation of tangible assets	-	-	-	100,361,123	-	-	100,361,123
Deferred tax liability assoc. to reval. reserves	-	-	-	(33,611,852)	-	-	(33,611,852)
<b>Total other items of comprehensive result of the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66,749,271</b>	<b>-</b>	<b>316,395</b>	<b>67,065,666</b>
<b>Total comprehensive result of the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>81,619,768</b>	<b>148,369,039</b>
<b>Other items</b>							
Transfer of revaluation reserves into retained earnings	-	-	-	(44,085,059)	-	44,085,059	-
Legal reserve indexation	-	-	4,780,602	-	-	(4,780,602)	-
Other items	-	-	-	-	-	-	-
<b>Total other items</b>	<b>-</b>	<b>-</b>	<b>4,780,602</b>	<b>(44,085,059)</b>	<b>-</b>	<b>39,304,457</b>	<b>-</b>
<b>Contributions from and distributions to shareholders</b>							
Subsidies of assets such as public stocks (connection fee)	-	-	-	-	9,710,542	-	<b>9,710,542</b>
Dividend distribution	-	-	-	-	-	(66,705,859)	<b>(66,705,859)</b>
<b>Total contributions from and distributions to shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,710,542</b>	<b>(66,705,859)</b>	<b>(56,995,317)</b>
<b>Sold la 31 December 2018</b>	<b>733,031,420</b>	<b>49,842,552</b>	<b>123,742,090</b>	<b>522,585,647</b>	<b>66,664,045</b>	<b>1,313,139,735</b>	<b>2,809,005,489</b>
<b>Balance on 1 January 2019</b>	<b>733,031,420</b>	<b>49,842,552</b>	<b>123,742,090</b>	<b>522,585,647</b>	<b>66,664,045</b>	<b>1,313,139,735</b>	<b>2,809,005,489</b>
<b>Comprehensive result of the period</b>							
Profit of the period	-	-	-	-	-	73,596,399	<b>73,596,399</b>
<b>Other items of comprehensive result , of which</b>							
Recognition of defined benefit plan actuarial losses	-	-	-	-	-	-	-
<b>Total other items of comprehensive result</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive result of the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73,596,399</b>	<b>73,596,399</b>
<b>Other items</b>							
Transfer of revaluation reserves into retained earnings	-	-	-	(31,670,598)	-	31,670,598	-
Legal reserve indexation	-	-	-	-	-	-	-
Other items	-	-	-	-	-	(27,387)	<b>(27,387)</b>
<b>Total other changes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(31,670,598)</b>	<b>-</b>	<b>31,643,211</b>	<b>(27,387)</b>
<b>Contributions from and distributions to shareholders</b>							
De-recognition of intangible assets such as public stocks	-	-	-	-	(54,428,609)	-	<b>(54,428,609)</b>
Subsidies of assets such as public stocks (connection fee)	-	-	-	-	1,347,218	-	<b>1,347,218</b>
Dividend distribution	-	-	-	-	-	-	-
<b>Total contributions from and distributions to shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(53,081,391)</b>	<b>-</b>	<b>(53,081,391)</b>
<b>Balance on 30 September 2019</b>	<b>733,031,420</b>	<b>49,842,552</b>	<b>123,742,090</b>	<b>490,915,049</b>	<b>13,582,654</b>	<b>1,418,379,345</b>	<b>2,829,493,110</b>

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

**NPG Traselectrica SA**

Notes to the stand-alone interim financial statements on 30 September 2019

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

	<b>9 months' period ended on 30 September 2019</b>	<b>9 months' period ended on 30 September 2018</b>
<b>Cash flows from operational activities</b>		
Profit of the period	73,596,399	97,528,517
<b>Allowances for:</b>		
Income tax expense	9,309,988	10,205,491
Amortisement expense	203,642,764	225,812,921
Expenses with allowances to impair trade receivables	5,153,779	9,199,071
Reversal of allowances to impair trade receivables	(2,865,297)	(8,798,856)
Losses from sundry debtors	766,923	-
Net revenues with allowances to impair sundry debtors	(1,351,447)	-
Net revenues/expenses with allowances to impair inventories	(44,267)	113,868
Net profit/loss from the sale of tangible assets	320,769	(342,599)
Net expenses with value allowances for tangible assets	2,401,935	736,114
Net revenues regarding risk and expense provisions	(31,284,047)	529,598
Interest expense, interest revenue and unrealised exchange rate gains	6,290,600	6,637,099
<b>Cash flows before changes in the current capital</b>	<b>265,938,099</b>	<b>341,621,224</b>
<b>Changes in:</b>		
Clients and assimilated accounts – energy and other activities	37,099,316	(19,447,052)
Clients – balancing	267,685,953	35,413,796
Clients – cogeneration	(23,278,684)	29,420,949
Inventories	(2,801,045)	(2,621,030)
Trade and other liabilities - energy and other activities	(41,655,897)	139,942,411
Liabilities – balancing	(320,533,574)	(59,250,915)
Liabilities – cogeneration	(77,025,114)	(94,894,823)
Other tax and social security liabilities	(2,043,037)	(973,714)
Deferred revenues	(20,869,292)	(15,373,252)
<b>Cash flows from operational activities</b>	<b>(82,516,725)</b>	<b>353,837,593</b>
Interest paid	(7,037,453)	(6,418,418)
Income tax paid	(9,791,996)	(11,193,720)
<b>Net cash generated from operational activities</b>	<b>65,687,276</b>	<b>336,225,455</b>
<b>Cash flows from investments</b>		
Procurements of tangible and intangible assets	(168,884,834)	(112,758,130)
Proceeds from EC non-reimbursable financing	-	11,663,639
Cashed interest	3,211,433	5,524,035
Participation titles held in TSC NET	-	(2,207,160)
Proceeds from sales of tangible assets	-	675,628
Dividends cashed	132,581	1,148,000
Other financial assets	(80,000,000)	-
<b>Net cash used in investments</b>	<b>(245,540,820)</b>	<b>(95,953,988)</b>
<b>Cash flows used for financing</b>		
Repayments of non-current borrowings	(46,478,736)	(108,269,883)
Utilisation of the cogeneration credit line	82,951,925	-
Dividends paid	(66,966,063)	(1,399,002)
<b>Net cash used in financing</b>	<b>(30,492,874)</b>	<b>(109,668,885)</b>
<b>Net diminution of cash and cash equivalents</b>	<b>(210,346,418)</b>	<b>130,602,582</b>
<b>Cash and cash equivalents on 1 January</b>	<b>482,158,679</b>	<b>520,746,500</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>271,812,261</b>	<b>651,349,082</b>

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

## **NPG Transelectrica SA**

Notes to the stand-alone interim financial statements on 30 September 2019

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

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### **1. General information**

The main business of NPG Transelectrica SA (“Company”) consists in: providing electricity transmission and system services, balancing market operator, administrator of the bonus type support scheme, and other related activities. They are carried out according to the provisions of operational licence 161/2000 issued by ANRE, updated under ANRE Decision 641/25.04.2018, of the General licence terms approved by ANRE Order 104/2014, and of the Company’s final certification as transmission and system operator of the National Power System according to the ownership unbundling model.

Official headquarters are in Blvd. General Gheorghe Magheru 33, Bucharest 1.

At present the Company’s executive group are active in the working location of Str. Olteni 2-4, Bucharest 3.

The stand-alone interim financial statements elaborated on 30 September 2019 have not been audited.

### **2. Elaboration bases**

#### **a) Statement of compliance**

These stand-alone interim simplified financial statements have been elaborated in accordance with IAS 34 *Interim 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 some explanatory notes have been included to explain the events and transactions that are significant for understanding the changes occurred in the Company’s financial position and performance since the last annual stand-alone financial statements of the date and for the financial period ended on 31 December 2018.

#### **b) Professional reasoning and estimations**

The significant reasoning that the governing team have used in applying the Company’s accounting policies and the main uncertainty sources regarding estimations were the same with those applied to the stand-alone financial statements as of and for the financial period ended on 31 December 2018.

### **3. Significant accounting policies**

Accounting policies applied to these stand-alone simplified interim financial statements are the same with those applied to the Company’s stand-alone financial statements as of and for the financial period ended on 31 December 2018, except for the enforcement of new applicable standards in force beginning with 1 January 2019.

### **4. Tangible, intangible and financial assets**

#### **a) Tangible assets**

The total diminished value of tangible assets on 30 September 2019 compared to 31 December 2018 was determined by the amortisement registered for such assets.

On 30 September 2019 tangible assets underway registered increase compared to 31 December 2018, mainly represented by investments into the high voltage electric substations and lines as follows:

- Refurbishing the 400/110/20 kV substation Domnesti – 28,472,794;
- 110 kV, 220 kV and 400 kV mobile bays – 21,294,757;
- Refurbishing the 220/110 kV substation Turnu Severin Est – 13,906,798;
- Refurbishing the 400 kV substation Isaccea, Stage I – Replacing the shunt reactors, the associated bays as well as the 400 kV bay Stupina – 7,134,819;
- Upgrading the 110 kV substations Bacau Sud and Roman Nord of the 400 kV axis Moldova – 6,868,489;
- Upgrading the 110 kV and 400 (220 kV) installations from substation Focsani Vest – 7,696,810;
- Refurbishing the 220 kV substation Otelarie Hunedoara – 4,968,120;
- Hardware and software computation technique, PC Desktop – 2,092,513;
- The 400 kV double circuit OHL Cernavoda-Stalpu and connection in Gura Ialomitei – 1,981,059;

## **NPG Transelectrica SA**

Notes to the stand-alone interim financial statements on 30 September 2019

*(All amounts are expressed in LEI, unless otherwise provided)*

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- Refurbishing the 220/110 kV substation Craiova Nord – 5,610,761;
- Upgrading the 400 (220)/110/20 kV substation Munteni – 3,560,534;
- Connecting to RET the 400/110 kV substation Rahmanu – 955,022;
- Research & development centre of live work technologies and fast SEN intervention, Centre building – 1,339,657;
- Refurbishing the 400/110/20 kV substation Smardan – 976,225;
- Relocating the 220 kV HV networks, Sebes -Turda Motorway, lot 1, km 0 + 000 – km 17+ 000, Section C – km 0 + 300 – 849,986;
- Specific furniture for dispatchers, needed in DET Bacau, DET Cluj, DET Craiova & DET Timisoara – 590,957;
- Refurbishing the 220/110 kV substation Hasdat – 5,527,000;
- Refurbishing the 220/110/20 kV substation Ungheni – 3,495,873.
- Converting the Portile de Fier-Resita-Timisoara-Sacalaz-Arad axis to 400 kV / the 400 kV OHL Portile de Fier- (Anina)- Resita- 6,032,297;
- Converting the Portile de Fier-Resita-Timisoara-Sacalaz-Arad axis to 400 kV / the 400 kV OHL Portile de Fier- (Anina)- Resita- 645,352;
- Replacing the 200/110 kV AT2 in substation Gheorghieni- 5,301,108;

On 30 September 2019 the greatest transfers from tangible assets underway to tangible assets are mainly represented by the commissioning of investments as follows:

- Refurbishing the 400/110/20 kV substation Domnesti – 31,753,775;
- Refurbishing the 400/220/110/20 kV substation Bradu – 12,277,242;
- 110 kV, 220 kV and 400 kV mobile bays – 5,039,102;
- Hardware and software computation technique, PC Desktop – 1,935,750;
- Security solution to implement the security measures for classified information – 1,529,182;
- Relocating the HV networks, Brasov - Targu Mures - Cluj – Oradea Motorway, section 2A Ogra- Campia Turzii, lot 2 Iernut - Chetani, km 3 + 600 km 21 + 500 - 400 kV OHL Iernut-Sibiu Sud –1,061,469;
- Specific furniture for dispatchers, needed in DET Bacau, DET Cluj, DET Craiova & DET Timisoara – 590,957;
- Replacing the diesel units nos. 1 & 2 in the 400/110 kV substation Darste – 473,592;
- Specific furniture for dispatchers, needed in DET Bacau, DET Cluj, DET Craiova & DET Timisoara – 365,257;
- Connecting to RED the 110 kV electric substation Ulmi held by the Electricity Distribution Co. Muntenia Nord SA while carrying out the work in the line bay of the 110 kV bay Targoviste - Titu (Ulmi) in the 220 / 110 kV substation Targoviste of NPG Transelectrica SA – 310,680;
- Providing the coexistence conditions between the 220 kV OHL Alba Iulia -Sugag and Alba-Iulia-Galceag with the interior road – 263,815;
- Water installation in the 110/220 kV substation Suceava – 259,805;
- Special intervention towers type universal guyed portal for 220-400 kV, including prefabricated foundations – 259,747;
- Remote protection of the 400 kV OHL Arad (Romania) – Sandorfalva (Ungaria) – 202,233;
- Replacing the accumulator batter no. 2 in the 220/110 kV substation Pitesti Sud – 159,965;

The balance of tangible assets under execution on 30 September 2019 is represented by ongoing projects, 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 (BA decision 5 / 19.05.2010) – 4,588,186;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, Stage I - the 400 kV simple circuit OHL Portile de Fier - (Anina) - Resita – 33,501,794;
- Refurbishing the 220/110 kV substation Turmu Severin Est – 34,701,488;
- Extending the business continuity and post-disaster recovery services in the Executive branch - 14,413,918;

## **NPG Transelectrica SA**

Notes to the stand-alone interim financial statements on 30 September 2019

*(All amounts are expressed in LEI, unless otherwise provided)*

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- 110 kV, 220 kV and 400 kV mobile bays – 16,355,964;
- The 400 kV double circuit OHL Cernavoda - Stalpu and connection in Gura Ialomitei – 12,834,045;
- Replacing the components of EMS SCADA AREVA system – software & hardware components – 11,444,853;
- Connecting the 400 kV OHL-s Isaccea - Varna and Isaccea - Dobrudja in the 400 kV substation Medgidia Sud – 11,133,153;
- Refurbishing the 220 kV substation Otelarie Hunedoara – 10,101,633;
- Integrated security system in electric substations, stage IV – 8,021,336;
- Refurbishing the 220/110 kV substation Hasdat – 8,427,314;
- Upgrading the 110 kV substations Bacau Sud and Roman Nord of the 400 kV axis Moldova – 9,486,409;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, Stage I - the 400/220/110 kV substation Resita – 6,627,560;
- The 400 kV OHL Gadalin - Suceava, including SEN interconnection – 6,021,551;
- 400 kV HVDC Link (Romania - Turkey submarine cable) – 5,853,759;
- Upgrading the 110 kV & 400 (220 kV) installations of substation Focsani Vest – 8,463,084;
- The 400 kV OHL Suceava - Balti, for the project segment on Romania's territory – 4,439,104;
- The 400 kV double circuit OHL Gutinas - Smardan – 3,786,525;
- Upgrading the 220/110/20 kV substation Raureni – 3,331,220;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage II, the 400 kV double circuit OHL Resita - Timisoara - Sacalaz (the 220/110 kV substation Timisoara) – 6,627,600;
- Adding two new functions to the control system keeping computerised records of access into the objectives of NPG Transelectrica SA – 3,200,918;
- Upgrading the 220/110/20 kV substation Arefu – 3,205,788;
- 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;
- Integrated security system in electric substations, stage III – 2,798,024;
- By-passing the 110 kV OHL Cetate 1 & 2 near the 110/20/6 kV substation Ostrovul Mare – 2,578,438;
- Connecting to RET the 99 MW WPP Dumesti and the 30 MW WPP Romanesti, Iasi County by building a 110 kV line bay in the 220/110 kV substation FAI – 2,545,853;
- Research & development centre of live work technologies and fast SEN intervention, Centre building – 3,550,331;
- Refurbishing the 400/110/20 kV substation Smardan – 1,985,425;
- Upgrading the 220/110 kV substation Dumbrava – 11,541,300;
- Refurbishing the 220/110 kV substation Craiova Nord – 6,464,821;
- Upgrading the tele-protection & telecommunication system in substation Cernavoda – 2,438,120;
- Consolidating, modernising and extending the offices of NPG Transelectrica, the Executive branch – 1,627,393;
- Replacing autotransformers and transformers in electric substations, stage 2 – 1,514,290;
- Upgrading the 400 (220)/110/20 kV substation Munteni – 4,041,330;
- Refurbishing the 220/110/20 kV substation Ungheni – 4,405,189;
- Integrated security system in the new 400/220/110 kV substation Banca – 1,133,202;
- Providing optical fibre communication between the 220/110/20 kV substation Pitesti Sud and the remote control and installation supervision centre of TB Pitesti (FS) – 1,114,268;
- Compensations for the lands related to the 400 kV OHL Oradea - Beckescsaba – 1,007,172;
- Replacing the 200/110 kV AT2 in substation Gheorghieni - 5,322,892;
- Stages 2 and 3 of the 400 kV axis in substation Timisoara – 3,225,022;
- Relocating Sebes – Turda, lot 1, Section C - 849,986;
- Connecting to RET the 400/110 kV substation Rahmanu – 989,359;
- Upgrading the DET building – 906,224;



## NPG Transelectrica SA

Notes to the stand-alone interim financial statements on 30 September 2019

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

### b) Intangible assets

The balance of intangible assets under execution on 30 September 2019 increased and is represented by ongoing projects, the most significant ones being provided below:

- Replacing the EMS SCADA AREVA system components, software and hardware components – 14,371,941;
- Implementing an Electronic Archiving and Document Management system in NPG Transelectrica SA – 5,474,290;
- Extending the business continuity and post-disaster recovery services in the Executive branch – 351,208.

Intangible assets growth on 30 September 2019 is mainly represented by the recognised usage right for the Company-leased spaces in the Platinum Office Building in sum of 8,438,246 (contract C217/2015 concluded with Dagesh Rom SRL), according to the provisions of IFRS 16 – Leasing contracts.

### c) Financial assets

The higher financial assets on 30 September 2019 compared to 31 December 2018 were determined by the Company's affiliation to the shareholders of the Joint Allocation Office SA (JAO), the European Centre allocating cross-border capacities. The justifying Notice 39007/19.09.2019 of the Company's Directorate approved signing and transferring the amount of 259,325 Euro, representing the subscription of NPG Transelectrica to the shareholders of JAO, which also received the approval of the Shareholders' General Extraordinary Assembly of NPG Transelectrica by HAGEA 10/10.08.2018.

The need for the Company's affiliation to the European body was identified during the implementation in NPG Transelectrica SA of the regional initiatives with respect to applying the provisions of Regulation (EU) 2016/1719.

## 5. Trade and other liabilities

On 30 September 2019 and on 31 December 2018 trade and other liabilities were as follows:

	<b>30 September 2019</b>	<b>31 December 2018</b>
Trade receivables	805,749,996	1,040,797,078
Other receivables	107,588,138	83,495,790
Down payments to suppliers	50,516,433	52,627,078
Recoverable VAT	13,882,090	82,507,514
Allowances for doubtful trade receivables	(141,932,083)	(139,644,236)
Allowances for other doubtful trade receivables	(54,755,069)	(56,189,199)
<b>Total trade and other liabilities</b>	<b>781,049,505</b>	<b>1,063,594,025</b>

The trade receivables structure is as follows:

	<b>30 September 2019</b>	<b>31 December 2018</b>
Clients on the electricity market, of whom:	804,274,201	1,038,272,786
- Clients – operational activity	448,981,277	438,569,602
- Clients – balancing market	132,867,622	400,553,575
- Clients – bonus type support scheme to promote high efficiency cogeneration	222,425,302	199,149,609
Clients of other activities	1,475,795	2,524,292
<b>Total trade receivables</b>	<b>805,749,996</b>	<b>1,040,797,078</b>

- NPG Transelectrica SA carries out its operational activities under the Operational Licence 161/2000 issued by ANRE, updated under Decision 641/25.04.2018 of ANRE president for the provision of electricity transmission services, system services and balancing market administration.

On 30 September 2019 clients on balance from operational activities registered decrease compared to 31 December 2018, mainly determined by reduced electricity quantities delivered to consumers in August and September 2019 in comparison with November and December 2018.

The main clients on balance on the electricity market are represented by: RAAN, OPCOM, Electrocentrale Bucharest SA,

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Electrica Furnizare SA, Enel Energie Muntenia SA, E.ON Energie Romania SA, Enel Energie SA, CEZ Vanzare, ALRO, and Petprod SRL. The main clients on the electricity market account for about 53% share in the total trade receivables.

Receivables on balance on 30 September 2019 amounting to 132,867,622 and relating to the balancing market registered value drop compared to 31 December 2018, since transactions decreased on this market.

- NPG Transelectrica SA performs activities under the bonus type support scheme to promote high efficiency cogeneration as administrator of the support scheme, in accordance with the provisions of HGR 1215/2009, “the main attributions being to collect monthly the cogeneration contribution and pay bonuses every month”.

On 30 September 2019 the Company registered receivables payable from the bonus type support scheme to promote high efficiency cogeneration of about 28% (31 December 2018 - 19%) of the total trade receivables.

The clients on the bonus type support scheme to promote high efficiency cogeneration registered on 30 September 2019 an increase, mainly determined by a higher monthly contribution from 0.0105 Lei/kWh (December 2018) to 0.01564 Lei/kWh (July 2019).

On 30 September 2019 the Company registered receivables payable amounting to 222,425,302, represented by invoices issued under the bonus type support scheme to promote high efficiency cogeneration, of which:

- 2011-2013 overcompensation amounting to 76,702,140, namely from RAAN – 63,467,054 and CET Govora SA – 13,235,086;
- Undue bonus for 2014 in sum of 3,914,960, namely from RAAN – 1,981,235 and CET Govora – 1,933,725;
- Undue bonus for 2015 amounting to 563,899, namely from CET Govora – 534,377, Interagro – 29,523;
- 2016 overcompensation amounting to 56,680,387 namely from Electrocentrale Bucharest;
- Cogeneration contribution not cashed from the suppliers of electricity consumers amounting to 21,200,214, namely 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 and KDF Energy – 887,527 and others.

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 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 withheld from payment the due 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 in amount of 86,513,431”, where the Company is claimant and the Autonomous Authority for Nuclear Activities – RAAN is defendant. The law court summons filed by Transelectrica SA requested the instance 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 ANRE Decision 743/28.03.2014, the parties being RAAN (claimant) and ANRE (defendant).

Mention should be also made that the hearing conclusion of 18.09.2013 issued by Mehedinti Tribunal under file 9089/101/2013 pronounced opening 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 the 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-

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provided conditions for 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 and 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 taken to suspend it until settlement of file 3014/2/2014 on the docket of the ICCJ (High Court of Cassation and Justice).

On 20.06.2019 Mehedinti Tribunal decided the following: *"It admits the exception of decline. It partly admits the main issue and associated contestation. It compels defendant RAAN to pay to claimant Transelectrica the amount of 16,950,117.14 Lei accrued during the procedure, judging to record it in the creditors' table constituted against debtor RAAN by this sum. The other associated demands are denied. In accordance with article 453 para 2 from the Civil Procedural Code it compels the defendant to pay 1000 Lei law court expenses to the claimant. Appeal right is granted. It was pronounced on 20.06.2019 at public hearing"*. Document: Ruling 163/2019 of 20.06.2019. Civil judgment 163/2019 was notified on 15.07.2019, and Transelectrica will file appeal.

Transelectrica filed appeal, which was judged on 30.10.2019 in the Appeal Court Craiova, with pronouncing on 6 November 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 of ANRE President's Order 116/2013 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 ruling 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 confirms 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 denies 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 sets 8 October 2018 as substantial term to continue the procedure. Appeal right within 7 days from notification performed by means of the Bulletin of Insolvency Procedures; pronounced at public hearing of 18 July 2018"*. Document: Ruling 1196/18.07.2018.

The amount of 22,188,224.16 represents receivable payable by 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.

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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.

Taking into account 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.

In accordance with point 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 liabilities***

On 30 September 2019 other liabilities amounting to 107,588,138 mainly include sundry debtors (80,881,109), deferred expenses (18,747,572), and other intangible assets (4,568,745) as follows:

- Sundry debtors (80,881,109), of which the most relevant are:
  - Late payment penalties calculated to defaulting clients and amounting to 69,055,159 (of which 35,333,525 represent penalties under the support scheme). The greatest delay penalties were registered by the following clients: RAAN (16,901,449), CET Govora (9,648,129), Electrocentrale Bucharest (9,409,174), 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 liabilities from operational activities;
  - Compensations amounting to 3,528,867 owed by suppliers for electricity undelivered (Arelco Power - 987,555 and Enol Grup - 2,541,312). Allowances were registered for the compensations owed by suppliers from operational activities;
  - Receivable collectable from OPCOM amounting to 5,811,238, of which 4,517,460 represent VAT for the contribution in kind to the subsidiary's share capital and 1,293,778 represent penalties;
- Deferred expenses amounting to 18,747,572 of which the most relevant are:
  - 2% contribution from turnover (OUG 114/2018) owed to ANRE for October-December 2019 (8,862,665) which will be spread-out upon the 2019 operational expenses;
  - Down payments to contracts concluded with electricity suppliers as necessary to cover one's own technological consumption for future periods (6,699,177);
  - Subscriptions to national and international organisations (1,207,809) which will be spread out upon the 2019 operational expenses;
  - Rent and maintenance paid to Dagesh ROM SRL for October 2019 (714,937);
- Other intangible receivables amounting to 4,568,745, of which 4,199,505 represent securities 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) and 369,240 represent other intangible receivables, namely guarantees of suppliers.

### ***Down payments to suppliers***

On 30 September 2019 down payments to suppliers are represented by supplier-debtors for provided services amounting to 50,516,433 and mainly represent down payments given to suppliers of tangible assets related to investment objectives, in sum of 50,357,703 and a difference amounting to 158,730 represents down payments from transactions associated to the price coupling mechanism. The price coupling mechanism was applied beginning with 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 energy

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transacted between OPCOM SA and MAVIR.

### **Recoverable VAT**

On 30 September 2019 the balance of the 442 VAT account was of 13,882,090 consisting of recoverable VAT amounting to 21,217,817 representing the negative settlements for April - September 2019 and 7,335,727 non-exigible VAT.

### *Allowances to impair trade receivables, doubtful trade receivables and other doubtful receivables*

The policy of Transelectrica provides registration of allowances for value losses amounting to 100% for clients under disputes, under insolvency and bankruptcy and to 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 impairment allowances on 30 September 2019 were calculated for trade receivables and their associated penalties, which were registered for CET Govora (25,687,152), SC Eco Energy SRL (24,736,066), SC Petprod SRL (23,539,650), Arelco Power (15,533,047), 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 (5,811,238), and CET Brasov (4,664,627).

To recover the liabilities under impairment allowances the Company took the following measures: taking the matter to court, registration in the creditors' table, requesting explanations from ANAF (for collectable VAT from Opcom) etc.

Note 21 provides the exposure to the collection risk, and the allowances for trade receivables.

### **6. Other financial assets**

On 30 September 2019 and 31 December 2018 other financial assets were as follows:

	<u>30 September 2019</u>	<u>31 December 2018</u>
Bank deposits with maturity beyond 90 days (constituted from the revenues related to the allocation of interconnection capacities used for network investments)	80,000,000	-
<b>Total</b>	<b>80,000,000</b>	<b>-</b>

### **7. Cash and cash equivalents**

They include cash balances, demand-funds and deposits of initial maturity up to 90 days from their constitution date, which register insignificant exposure to the risk of changing their fair value and the Company uses them to manage non-current commitments.

On 30 September 2019 and 31 December 2018 cash and cash equivalents were as follows:

	<u>30 September 2019</u>	<u>31 December 2018</u>
Bank current accounts and deposits of initial maturity up to 90 days, of which:		
- Cash and deposits from high efficiency cogeneration	271,612,430	482,089,074
- Cash and deposits from the allocation of interconnection capacities used for network investments	-	41,705,447
- Connection fee cash	59,222,435	133,729,367
Cash desk	14,938,447	18,426,374
Other cash equivalents	96,679	69,605
	103,152	-
<b>Total</b>	<b>271,812,261</b>	<b>482,158,679</b>

Bank deposits of initial maturity below 90 days constituted from monetary availabilities of current accounts amounted to 92,693,754 on 30 September 2019 and to 309,135,805 on 31 December 2018.

### **8. Shareholders' equities**

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

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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 establishing some reorganisation measures in the public central administration and amending and adding certain norms, the Ministry of Economy, Trade and Business Environment Relations (MECRMA) was established by reorganising and taking over the activities of the Ministry of Economy, Trade and Tourism that was cancelled while the Ministry of Energy, Small & Medium Sized Enterprises and Business Environment took over the activities and structures in the SME domain.

In compliance with 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 30 September 2019 and 31 December 2018 was the following:

Shareholder	30 September 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	16,402,277	22.38%	20,157,347	27.50%
DEDEMAN SRL	4,503,567	6.14%	4,503,567	6.14%
Privately managed pension fund NN/NN, SAFPAP SA pensions	4,007,688	5.47%	-	-
Other natural person shareholders	5,369,301	7.32%	5,621,919	7.67%
<b>Total</b>	<b>73,303,142</b>	<b>100.00%</b>	<b>73,303,142</b>	<b>100.00%</b>

Variation of shareholders' equities:

On 30 September 2019 the shareholders' equities' variation compared to 31 December 2018 was mainly determined by:

- Growth of shareholders' equities after registering the net profit amounting to 73,596,399 into retained earnings, achieved on 30 September 2019;
- Reduction of shareholders' equities because the public assets were reduced, by applying the provisions of Governmental Decisions (HG) 615, 682 and 683 of 2019 that amended the inventories of state's public domain assets.

## 9. Deferred revenues

They are mainly represented by: connection fee, other subsidies for investments, non-reimbursable European funds cashed from the Ministry of European Funds, and revenues from the utilisation of interconnection capacities. On 30 September 2019 deferred revenues were as follows:

	30 September 2019	Of which: the non-current portion on 30.09.2019	31 December 2018	Of which: the non-current portion on 31.12.2018
Deferred revenues – allocation of interconnection capacities	6,899,386	6,899,386	7,896,067	7,896,067
Deferred revenues –European funds	2,425,049	2,425,049	2,219,181	2,219,181
Connection fee funds	270,702,814	20,434,956	285,748,510	4,393,799
European funds	100,607,894	6,951,520	106,017,816	3,674,067
Other subsidies	27,632,282	1,221,830	28,602,361	1,146,144
<b>Total</b>	<b>408,267,425</b>	<b>37,932,740</b>	<b>430,483,935</b>	<b>19,329,257</b>

The development of current deferred revenues in January - September 2019 was the following:

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	<b>30 September 2019</b>	<b>31 December 2018</b>
Balance at the beginning of the period	19,329,257	40,881,064
Deferred collection from the interconnection capacity	60,894,363	95,112,435
Proceeds from European funds	205,865	90,227
Transfer from non-current deferred revenues	19,394,296	(23,311,754)
Revenues from using the interconnection capacity	(61,891,041)	(93,013,534)
Revenues from European funds		(429,181)
<b>Total</b>	<b>37,932,740</b>	<b>19,329,257</b>

The development of non-current deferred revenues in January - September 2019 was as follows:

	<b>30 September 2019</b>	<b>31 December 2018</b>
Balance at the beginning of the period	411,154,679	410,642,185
Connection subsidies	(1,154,299)	(2,675,827)
Non-reimbursable funds		11,626,794
Non-reimbursable funds to return		14,544
Transfer into current deferred revenues	(17,188,092)	23,311,755
Re-entering subsidies into revenues	(22,477,603)	(31,764,772)
<b>Total</b>	<b>370,334,685</b>	<b>411,154,679</b>

### 10. Borrowings

- Non-current borrowings*

On 30 September 2019 the value of non-current borrowings diminished in comparison with 31 December mainly due to reimbursements made according to existing loan agreements.

In January - September 2019 there were no proceeds from borrowings.

Borrowings moved in the nine months' period ended on 30 September 2019 as follows:

	<b>Hard currency</b>	<b>Interest rate</b>	<b>Accounting value</b>	<b>Due date</b>
<b>Balance on 1 January 2019</b>			<b>195,361,864</b>	
<b>New proceeds</b>			<b>0</b>	
<b>Returns, of which:</b>			<b>(46,473,680)</b>	
BIRD 7181	EUR	0.%; last notification	(9,437,281)	15-Jan-2020
BEI 25709	EUR	3.596%	(11,400,278)	10-Sep-2025
BEI 25710	EUR	3.856%+2.847%	(5,749,961)	11-Apr-2028
ING + BRD	EUR	EURIBOR+2.75%	(19,886,160)	13-Feb-2019
<b>Exchange rate differences on repayment date</b>			<b>3,403,603</b>	
<b>Balance on 30 September 2019</b>			<b>152,291,787</b>	

On 30 September 2019 and on 31 December 2018 the balances of non-current borrowings contracted from credit institutions were as follows:

<b>Description</b>	<b>30 September 2019</b>	<b>31 December 2018</b>
BIRD 7181	1,535,729	10,925,879
BEI 25709	68,627,000	78,595,352
BEI 25710	82,129,058	86,252,253
ING + BRD	0	19,588,380
<b>Total non-current borrowings from credit institutions, of which:</b>	<b>152,291,787</b>	<b>195,361,864</b>
<b>Current portion of non-current borrowings</b>	<b>(24,445,235)</b>	<b>(51,495,749)</b>

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Description	30 September 2019	31 December 2018
<b>Total non-current borrowings, net of current instalments</b>	<b>127,846,552</b>	<b>143,866,115</b>

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

	30 September 2019	31 December 2018
From 1 to 2 years	22,909,506	23,996,576
From 2 to 5 years	68,728,519	67,467,099
Beyond 5 years	36,208,527	52,402,440
<b>Total</b>	<b>127,846,552</b>	<b>143,866,115</b>

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*

They are detailed as follows:

	30 September 2019	31 December 2018
Current portion of non-current credits	24,445,235	51,495,749
Current credits (for cogeneration activities)	82,951,924	
Interest rates of current and non-current borrowings	1,625,954	1,815,697
<b>Total current borrowings</b>	<b>109,023,113</b>	<b>53,311,446</b>

- *Loans contracted for cogeneration activities*

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

It has been secured by means of:

- Chattel mortgage on the bank account opened with the bank;
- Chattel mortgage on 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 in order to finance the bonus type support scheme for high efficiency cogeneration as account overdraft amounting to 150,000,000 with interest rate calculated depending on the reference ROBOR 1M rate, which is added 0.50% margin.

Addendum 1 to the contract was concluded on 24.04.2019 whereby the credit line was added 25,000,000 namely from 150,000,000 to 175,000,000.

On 30 September 2019 the balance of this facility amounted to 82,951,925.

The credit line has been secured by means of:

- Chattel mortgage on the bank account opened with the bank;
- Chattel mortgage on 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.



## NPG Transelectrica SA

Notes to the stand-alone interim financial statements on 30 September 2019

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

### 11. Trade and other liabilities

On 30 September 2019 and on 31 December 2018 trade and other liabilities were as follows:

	<u>30 September 2019</u>	<u>31 December 2018</u>
Suppliers on the energy market	340,772,769	780,292,021
Asset suppliers	58.109.414	44.513.840
Suppliers of other activities	30.875.081	29.309.948
Sums owed to employees	5.948.209	6.729.336
Other liabilities	92.539.946	159.948.565
<b>Total</b>	<b><u>528.245.419</u></b>	<b><u>1.020.793.710</u></b>

On 30 September 2019 and on 31 December 2018 liabilities on balance on the energy market amounting to 340,772,769 namely 780,292,021 had the following structure:

	<u>30 September 2019</u>	<u>31 December 2018</u>
Suppliers on the electricity market, of which:		
- Suppliers – operational activity	146,954,376	188.914,941
- Suppliers – balancing market	62,855,596	383,389,169
- Suppliers – bonus type support scheme to promote high efficiency cogeneration	130,962,797	207,987,911
<b>Total</b>	<b><u>340,772,769</u></b>	<b><u>780,292,021</u></b>

- 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 third quarter of 2019 compared to the fourth of 2018, impacting the amount of liabilities related to the balancing market on balance on 30 September 2019.

On 30 September 2019 their share was about 85% in the total energy suppliers.

- Lower liabilities related to the support scheme to suppliers (generators) were determined by diminished payment obligations for the monthly bonus until September 2019 compared to December 2018.

On 30 September 2019 payment obligations to suppliers (generators) were registered amounting to 111,233,187 (Electrocentrale Bucharest – 56,680,387; RAAN – 51,183,836 and CET Govora SA – 3,368,966), representing the monthly bonus for cogeneration, ante-overcompensation for 2014 and 2015, unpaid bonus in 2015 and 2016.

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 such suppliers (generators) have payment obligations to the Company for the bonus type support scheme.

The suppliers on the electricity market are mainly represented by: Hidroelectrica, MAVIR (HU), Energy Complex Oltenia, Electrocentrale Bucharest, OPCOM, Energy Complex Hunedoara, Romgaz, Ciga Energy, Veolia Energie Prahova, and Electrocentrale Galati.

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 of extinguishing mutual receivables and liabilities, therefore the Company has applied and further applies article 17 para 5 from Order 116/2013 of ANRE President approving the Regulation establishing the collection mode of the contribution for high efficiency cogeneration and the bonus payment for electricity 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

Notes to the stand-alone interim financial statements on 30 September 2019

*(All amounts are expressed in LEI, unless otherwise provided)*

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 of May 2014 – October 2015 amounting to 40,507,669, withheld by applying the provisions of article 17 para 5 of ANRE President's Order 116/2013 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. Taking into account 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. 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 accrued 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.

- Increased balance of asset suppliers on 30 September 2019 compared 31 December 2018 owed to a higher investment volume invoiced to asset providers.
- Liabilities to suppliers of other activities are mainly represented by liabilities for the services provided by third parties, which have not reached their due date.
- On 30 September 2019 the Company did not register outstanding liabilities to the state budget or local institutions.
- The structure of liabilities registered into other liabilities was the following:

	<b>30 September 2019</b>	<b>31 December 2018</b>
Sundry creditors	8,772,580	24,983,402
Client-creditors	59,375,448	55,729,127
Dividends to pay	691,847	67,657,910
Other liabilities	23,700,071	11,578,126
<b>Total</b>	<b>92,539,946</b>	<b>159,948,565</b>

“Sundry creditors” amounting to 8,772,580 represent mainly the net position of the support scheme for the high efficiency cogeneration which on 30 September 2019 registered liability position in sum of 6,321,774 (31 December 2018 liability position amounting to 23,804,879).

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

- The cogeneration bonus withheld as per article 17 para 5 from Order 116/2013 of ANRE's president, the ante-overcompensation and the unpaid bonus payable to generators of electricity under high efficiency cogeneration that are beneficiaries of the support scheme, on the one hand, and
- The collectable contribution from the suppliers of electricity consumers, the overcompensation of electricity and heat generation under high efficiency cogeneration, undue bonus to collect from generators according to ANRE decision, on the other hand.

“Client creditors” on 30 September 2019 amounted to 59,375,448, of which 58,351,655 represent amounts cashed in advance from MAVIR and OPCOM under the transactions of the price coupling mechanism

On 30 September 2019 dividends owed to Company shareholders and unpaid amounted to 691,847. They relate to 2016 and 2017 and are at the shareholders' disposal by means of the payment agent.

Other liabilities in sum of 23,700,071 are mainly represented by the performance bonds of the electricity market contracts concluded by NPG Transelectrica SA amounting to 14,759,329 and the usage right during the lease contract of the Company-leased spaces in the Platinum Office Building amounting to 8,437,806 (contract C217/2015 concluded with Dagesh Rom SRL), according to the provisions of IFRS 16 – Leasing contracts.

## NPG Transelectrica SA

Notes to the stand-alone interim financial statements on 30 September 2019

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

### 12. Provisions

On 30 September 2019 and on 31 December 2018 the provisions were as follows:

	<b>30 September 2019</b>	<b>31 December 2018</b>
Provisions for disputes	31,104,046	62,297,305
Provisions for mandate contracts	33,132,184	33,132,184
Provisions for the employees' profit fund participation	44,799	44,799
Other provisions	75,755	83,225
<b>TOTAL</b>	<b>64,356,784</b>	<b>95,557,513</b>

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

On the hearing term of 19.02.2019 when the juridical research ended and the parties were granted the floor on exceptions, evidence and the substance matter of the case, the instance deferred pronouncement twice until the term of 20.03.2019.

After deliberation Bucharest Tribunal pronounced the following settlement in brief:

- Denies the request pertaining to enforcement reversal as inadmissible.
- Denies the request to return the stamp tax relating to the request with respect to the enforcement reversal as groundless.
- 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. Pronounced at public hearing on 20.03.2019.
- Document: Ruling 743/2019 /20.03.2019.

The Certificate of the court clerk office issued on 18.04.2019 by Bucharest Tribunal, Section VI civil certifies Decision 743/2019 / 20.03.2019 (see Note 19).

On 04.10.2019 Asito Kapital filed appeal against Civil ruling 3840/19.12.2018, and the file was referred to the Appeal Court Bucharest for settlement, hearing term not set for the time being. Transelectrica filed response during the legal term, and the hearing term setting is pending.

### 13. Other tax and social security liabilities

On 30 September 2019 and on 31 December 2018 other tax and social security liabilities comprise:

	<b>30 September 2019</b>	<b>31 December 2018</b>
Contribution to social security funds	5,744,586	7,290,426
Salary tax	1,072,189	1,591,088
Other payable charges	1,192,644	1,170,942
<b>Total</b>	<b>8,009,419</b>	<b>10,052,456</b>

On 30 September 2019 the Company registered payment obligations for contributions to social security funds, salary tax and other charges, which were outstanding and paid in October 2019.

### 14. Income tax

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

The income tax expense in quarter III 2019 and in quarter III 2018, as well as the income tax on 30 September 2019 and 30 September 2018 is provided as follows:

	<b>Q III 2019</b>	<b>Q III 2018</b>	<b>30 September 2019</b>	<b>30 September 2018</b>
Expenses with current income tax	5,832,708	1,265,187	12,943,752	11,546,410
Net expenses with deferred income tax	(1,461,027)	303,822	(3,633,765)	(1,340,919)
<b>Total</b>	<b>4,371,681</b>	<b>1,569,009</b>	<b>9,309,987</b>	<b>10,205,491</b>

**NPG Transelectrica SA**

Notes to the stand-alone interim financial statements on 30 September 2019

*(All amounts are expressed in LEI, unless otherwise provided)***15. Operational revenues****01 July 2019 - 30 September 2019 in comparison with 01 July 2018 - 30 September 2018**

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 average tariffs for services provided on the electricity market in quarter III of 2019 and in quarter III of 2018 were as follows:

	Average tariff for transmission services	Tariff of technological system services	Tariff of functional system services
Order 81/24.06.2019 – for quarter III 2019	17.68	13.05	1.84
Order 108/20.06.2018 – for quarter III 2018	18.13	10.44	1.11

The average electricity transmission tariff 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:

	<b>01 July 2019 – 30 September 2019</b>	<b>01 July 2018 – 30 September 2018</b>
Electricity quantity delivered to consumers (MWh)	13.370.907	13.307.723

Revenues achieved in quarter III 2019 and in quarter III 2018 are provided as follows:

	<b>01 July 2019 – 30 September 2019</b>	<b>01 July 2018 – 30 September 2018</b>
Transmission service revenues	234,765,575	240,975,008
Revenues from the allocation of interconnection capacity	20,400,775	21,948,674
Revenues from reactive electricity	265,971	1,149,367
Revenues from Inter TSO Compensation (ITC)	128,856	276,236
Revenues from CPT transactions	1,457,626	1,503,347
<b>Transmission service revenues – total</b>	<b>257,018,803</b>	<b>265,852,632</b>
Revenues from functional system services	24,602,396	14,770,959
Revenues from technological system services	174,972,384	140,017,573
Revenues with unplanned exchanges on the PZU (DAM)	2,777,827	173,259
Revenues from failure aids	0	0
<b>System service revenues – total</b>	<b>202,352,607</b>	<b>154,961,791</b>
Revenues on the balancing market	125,435,228	167,076,119
Other revenues	14,367,244	11,203,066
<b>Total revenues</b>	<b>599,173,882</b>	<b>599,093,608</b>

*Transmission service revenues*

Such revenues recorded 6,209,433 decrease in quarter III 2019 compared to quarter III 2018, determined by the diminished average tariff for transmission services approved by ANRE (as per the table of ANRE-approved tariffs in the studied periods provided above), while the quantity of electricity delivered to consumers grew 0.47%, namely by 63,184 MWh.

## **NPG Traselectrica SA**

Notes to the stand-alone interim financial statements on 30 September 2019

*(All amounts are expressed in LEI, unless otherwise provided)*

### *Revenues from the allocation of interconnection capacity*

In quarter III 2019 revenues from the allocation of interconnection capacity decreased 1,547,899 in comparison with quarter III 2018, in accordance with the utilisation level of available interconnection capacity by the traders on the electricity market.

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.

Consequently the lower revenues from the allocation of interconnection capacities registered in the studied time interval is owed to a lower interest of participants to procure interconnection capacity, electricity being transacted more on the internal market.

### *Revenues from functional system services*

In quarter III 2019 revenues from functional system services increased with 9,831,437 compared to quarter III 2018, as determined by higher tariffs approved by ANRE for such services (as per the table of ANRE-approved tariffs in the studied periods provided above) and by 0.47% greater quantities of electricity delivered to consumers, namely by 63,184 MWh.

### *Revenues from technological system services*

Such revenues increased with 34,954,811 in quarter III 2019 compared to quarter III 2018, determined by higher tariffs approved by ANRE for such services (as per the table of ANRE-approved tariffs in the studied periods provided above) and by 0.47% greater quantities of electricity delivered to consumers.

In quarter III 2019 revenues from technological system services were greater by 31,290,527 compared to the expenses made in order to procure such technological system services.

### *Revenues on the balancing market*

The revenues achieved on the balancing market decreased by 41,640,891 in quarter III 2019 compared to quarter III 2018, mainly determined by the following issues:

- Reduced negative imbalance registered for electricity suppliers on the balancing market;
- The contracting manner on the markets before the balancing one and low participation on the day-ahead and intraday electricity markets;
- The development of hydraulicity;
- Highly unpredictable and volatile output from renewable sources (especially wind);
- The development of the average deficit price registered on the balancing market;

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

## **01 January 2019 - 30 September 2019 in comparison with 01 January 2018 - 30 September 2018**

The ANRE-approved tariffs for services provided on the electricity market in the studied intervals are as follows:

	Average tariff for transmission services	Tariff for technological system services	Tariff for functional system services
Order 81/24.06.2019 for 01 July – 30 September 2019	17.68	13.05	1.84
Order 108/20.06.2018 for 01 July 2018 – 30 June 2019	18.13	10.44	1.11
Order 122/19.12.2017 for 01 January – 30 June 2018	16.86	12.06	1.11

The electricity quantity delivered to consumers in 01 January 2019-30 September 2019, namely 01 January 2018-30 September 2018 was as follows:

	<b>01 January 2019 – 30 September 2019</b>	<b>01 January 2018 – 30 September 2018</b>
Electricity quantity delivered to consumers (MWh)	41,291,340	41,265,509

**NPG Transelectrica SA**

Notes to the stand-alone interim financial statements on 30 September 2019

*(All amounts are expressed in LEI, unless otherwise provided)*

Revenues achieved in 01 January 2019-30 September 2019 and in 01 January 2018-30 September 2018 were as follows:

	<b>01 January 2019 – 30 September 2019</b>	<b>01 January 2018 – 30 September 2018</b>
Transmission service revenues	738,840,846	710,961,962
Revenues from the allocation of interconnection capacity	62,432,499	51,705,344
Revenues from reactive electricity	977,119	4,581,543
Revenues from Inter TSO Compensation (ITC)	823,926	356,826
Revenues from CPT transactions	6,081,653	3,321,173
<b>Transmission service revenues – total</b>	<b>809,156,043</b>	<b>770,926,848</b>
Revenues from functional system services	55,594,119	45,803,584
Revenues from technological system services	470,458,939	482,435,706
Revenues from unplanned exchanges on the PZU (DAM)	4,056,256	1,641,748
Revenues from failure aids	0	274,306
<b>System service revenues – total</b>	<b>530,109,314</b>	<b>530,155,344</b>
Revenues on the balancing market	405,364,762	497,923,243
Other revenues	38,541,535	33,438,255
<b>Total revenues</b>	<b>1,783,171,654</b>	<b>1,832,443,690</b>

*Transmission service revenues*

Since the electricity quantity delivered to consumers in 01 January 2019 - 30 September 2019 increased insignificantly by 0.06% compared to 01 January 2018 - 30 September 2018, namely by 25,831 MWh, transmission service revenues increased with 27,878,884, determined by higher average tariffs for such services approved by ANRE (as per the table of ANRE-approved tariffs in the studied periods provided above).

*Revenues from the allocation of interconnection capacities*

In 01 January 2019 - 30 September 2019 such revenues increased with 10,757,155 compared to 01 January 2018 - 30 September 2018, in accordance with the utilisation level of available interconnection capacity by the traders on the electricity market.

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 intraday 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, since the capacity is simultaneously auctioned together with the electricity by means of the coupling mechanism.

As of 19 November 2014 a regional energy exchange 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 means of a common mechanism based on bilateral agreement.

Beginning with 2016 the UIOSI principle was applied on the Bulgarian border, and from 2017 - on the Serbian frontier 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 such capacity. The unused capacity is subsequently sold under daily bids. There is a reversed sense on the Hungarian border, which means 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 sources of the investments meant to modernise and develop the interconnection capacity with neighbouring systems.

## **NPG Transelectrica SA**

Notes to the stand-alone interim financial statements on 30 September 2019

*(All amounts are expressed in LEI, unless otherwise provided)*

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### *Revenues from reactive electricity*

In 01 January 2019 - 30 September 2019 such revenues decreased by 3,604,424 compared to 01 January 2018 - 30 September 2018 because of a reduced consumption of reactive electricity absorbed from the RET by Arcelor Mittal Hunedoara, against a background of commissioning (in the steel works) a SVC (Static Var Compensator) type piece of equipment compensating the reactive energy. Thus lower revenues from reactive energy are owed to Arcelor Mittal Hunedoara that took local measures to improve the power factor, to reduced reactive power absorbed from the RET and implicitly to reduced payable invoices for reactive energy.

### *Revenues from CPT transactions*

Such revenues were mainly obtained by selling the excess electricity on the Intraday Market managed by OPCOM and on the Balancing Market by means of BRP CIGA Energy. They were higher with 2,760,480 in 01 January 2019 - 30 September 2019 compared to 01 January 2018 - 30 September 2018 because the imbalances of Transelectrica were contrary to the imbalances of BRP CIGA Energy and thus it was better to sell the excess electricity by means of the BRP than on the Balancing Market.

### *Revenues from functional system services*

In 01 January 2019 - 30 September 2019 such services increased with 9,790,535 compared to 01 January 2018 - 30 September 2018, determined by higher tariffs approved by ANRE for such services (as per the table of ANRE-approved tariffs in the studied periods provided above), against the background of insignificant 0.06% increase of the electricity quantity delivered to consumers, namely by 25,831 MWh.

### *Revenues from technological system services*

Such revenues decreased by 11,976,767 in 01 January 2019 - 30 September 2019 compared to 01 January 2018 - 30 September 2018, determined by lower tariff approved by ANRE for such services (as per the table of ANRE-approved tariffs in the studied periods provided above), against the background of insignificant 0.06% increase of the electricity quantity delivered to consumers, namely by 25,831 MWh.

In 01 January 2019 - 30 September 2019 revenues from technological system services were lower by 26,353,442 compared to the expenses made to procure such services. This amount diminishes the Company's gross profit registered on 30 September 2019.

### *Revenues on the balancing market*

They diminished by 92,558,481 in 01 January 2019 - 30 September 2019 compared to 01 January 2018 - 30 September 2018, mainly determined by the following issues:

- Reduced negative imbalance registered for electricity suppliers on the balancing market;
- The contracting manner on the markets before the balancing one and little participation of electricity generators on the day-ahead and intraday electricity markets;
- The development of hydraulicity;
- Highly unpredictable and volatile output from renewable sources (especially wind);
- The development of the average deficit price registered on the balancing market;
- The development of the electricity demand during a milder winter than in 2018;

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

## **16. Expenses to operate the system and the balancing market**

### **01 July 2019 - 30 September 2019 in comparison with 01 July 2018 - 30 September 2018**

Expenses made in quarter III 2019 compared to quarter III 2018 were as follows:

	<b>01 July 2019 – 30 September 2019</b>	<b>01 July 2018 – 30 September 2018</b>
Expenses with one's own technological consumption	68,244,215	52,784,726
Congestion expenses	0	613,272
Expenses with electricity consumption in RET substations	4,390,032	3,316,792

## NPG Transelectrica SA

Notes to the stand-alone interim financial statements on 30 September 2019

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

Expenses regarding functional system services	8,679,801	3,749,078
Expenses with Inter TSO Compensation (ITC)	6,987,142	1,679,942
<b>Total operational expenses</b>	<b>88,301,190</b>	<b>62,143,810</b>
Expenses regarding technological system services	143,681,857	187,395,413
Expenses regarding the balancing market	125,435,228	167,076,119
<b>Total</b>	<b>357,418,275</b>	<b>416,615,342</b>

### *Expenses with one's own technological consumption*

They represent expenses to procure electricity on the free electricity market in order to cover one's own technological consumption (CPT) within RET and were higher with 15,459,489 in quarter III 2019 compared to quarter III 2018, mainly determined by the higher average procurement price of electricity necessary to cover the CPT within RET.

### *Expenses with electricity consumption in RET substations*

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

Such expenses increased with 1,073,240 in quarter III 2019 compared to quarter III 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 regarding functional system services*

These expenses represent uncontracted international electricity exchanges with neighbouring countries and the unplanned exchanges on the day-ahead market.

Such expenses increased with 4,930,723 in quarter III 2019 compared to quarter III 2018, determined by higher balancing market expenses for unplanned electricity exchanges with neighbouring countries that are interconnected to the SEN.

### *Expenses with Inter TSO Compensation (ITC)*

ITC expenses amounted to 6,987,142 and represent monthly payment obligations / collection rights for 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.

### *Expenses regarding technological system services*

In quarter III 2019 such expenses diminished by 43,713,556 compared to quarter III 2018, determined by lower procurement prices for technological system services for the the replacement reserve (RTL) on the competitive market in comparison with the procurement prices in the same period of 2018, because of higher competition for this reserve. At the same time procurement prices of technological system services on the competitive market were higher compared to these prices in the same interval of 2018 for the frequency restoration reserve (RS) and the electricity high wave (RTR).

The Company procures technological system services from generators with a view to maintain the safe operation of the SEN and the quality of transmitted electricity at parameters required 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 quarter III 2019 technological system services were procured under regulatory regime according to ANRE Decision 1203/1551/2019 (from Co. Hidroelectrica SA) and to ANRE Decision 2047/2018 (from the Energy Complex Hunedoara SA).

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



## NPG Transelectrica SA

Notes to the stand-alone interim financial statements on 30 September 2019

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

### Expenses regarding the balancing market

The expenses made on the balancing market follow from the notifications / achievements of participants on this market, being fully covered by the revenues achieved on this balancing market. In quarter III 2019 they amounted to 125,435,228.

### 01 January 2019 - 30 September 2019 in comparison with 01 January 2018 - 30 September 2018

Expenses made in 01 January 2019 - 30 September 2019 compared to 01 January 2018 - 30 September 2018 were as follows:

	<b>01 January 2019 – 30 September 2019</b>	<b>01 January 2018 – 30 September 2018</b>
Expenses with one's own technological consumption	213,361,736	174,307,600
Congestion expenses	1,652,204	6,002,449
Expenses - the electricity consumption in RET substations	15,079,582	12,303,325
Expenses regarding functional system services	27,133,978	9,546,491
Expenses with Inter TSO Compensation (ITC)	10,890,122	9,900,068
<b>Total operational expenses</b>	<b>268,117,622</b>	<b>212,059,933</b>
Expenses regarding technological system services	496,812,381	496,782,239
Balancing market expenses	405,364,762	497,923,243
<b>Total</b>	<b>1,170,294,765</b>	<b>1,206,765,415</b>

### Expenses with 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) within RET.

In 01 January 2019 - 30 September 2019 such expenses were higher by 39,054,136 compared to 01 January 2018 - 30 September 2018 because the average procurement price of electricity necessary to cover CPT within RET increased.

### 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 an electric power system.

In 01 January 2019 - 30 September 2019 congestion expenses amounted to 1,652,204 as determined by the provision of the N-1 safety principle when the 220 kV OHL Fantanele – Gheorgheni was unavailable, owing to bad meteorological conditions and by providing the N-1 safety principle in section 4, while according to schedule the 400 kV OHL Iernut – Sibiu Sud was taken out of operation.

### Expenses with electricity consumption in RET substations

Such expenses increased with 2,776,257 in 01 January 2019 - 30 September 2019 compared to 01 January 2018 - 30 September 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 regarding functional system services

They increased with 17,587,487 in 01 January 2019 - 30 September 2019 compared to 01 January 2018 - 30 September 2018, as determined by higher balancing and day-ahead market expenses for unplanned electricity exchanges with neighbouring countries that are interconnected to the SEN.

## NPG Transelectrica SA

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### *Expenses with Inter TSO Compensation (ITC)*

Monthly payment obligations / collection rights of each transmission and system operator (TSO) which 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 01 January 2019 - 30 September 2019 such expenses were 990,054 greater than the same period of last year.

### *Expenses regarding technological system services*

Such expenses increased with 30,142 in 01 January 2019 - 30 September 2019 compared to 01 January 2018 - 30 September 2018, mainly determined by higher procurement prices of technological system services on the competitive market for the frequency restoration reserve (RS) and the electricity high wave (RTR), in comparison with their procurement prices from the same period of last year. The very high concentration of the technological system service market for the frequency restoration reserve (RS) and the high electricity wave (RTR) had also an important impact over the increase of procurement prices for technological system services during the studied period, as well as the higher prices on the electricity market in January - September 2019.

At the same time procurement prices of technological system services for the replacement reserve (RTL) were lower on the competitive market compared to the procurement prices in the same period of 2018, because of higher competition with respect to this kind of reserve.

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

Thus in 01 January 2019 - 30 September 2019 technological system services were procured under regulatory regime according to ANRE Decision 1440/2018 (from Co. Hidroelectrica SA), ANRE Decision 1203/1551/2019 (from Co. Hidroelectrica SA), ANRE Decision 2047/2018 (from Co. Energy Complex Hunedoara SA), ANRE Decision 1911/2018 (from Co. Electrocentrale Galati SA), and to HG 773/27.09.2018 approving the „Measures with respect to the safe and secure operation of the National Power System from 1 November 2018 to 31 March 2019”.

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

### *Balancing market expenses*

They amounted to 405,364,762 in 01 January 2019 - 30 September 2019 and evolved as provided in the chapter entitled *Revenues on the balancing market*.

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

## **17. Personnel expenses**

	<b>01 July 2019 – 30 September 2019</b>	<b>01 July 2018 – 30 September 2018</b>
Expenses with employees' salaries	43,662,454	41,102,540
Social expenses	3,393,408	2,590,696
Expenses with meal tickets to employees	4,476,820	1,468,188
Expenses - the mandate contract and other committees, commissions	575,013	587,071
Expenses regarding social security and protection	3,156,491	2,126,654
Provisions constituted for salary and assimilated expenses	(1,740)	(2,296)
Other expenses	344,432	265,381
<b>Total</b>	<b>55,606,878</b>	<b>48,138,234</b>

	<b>01 January 2019 – 30 September 2019</b>	<b>01 January 2018 – 30 September 2018</b>
Expenses with employees' salaries	132,408,065	118,671,642
Social expenses	6,331,852	4,766,572
Expenses with meal tickets to employees	7,664,920	4,637,559
Expenses for the mandate contract and other committees,	1,730,372	1,679,921

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commissions		
Expenses regarding social security and protection	9,522,670	6,480,713
Provisions constituted for salary and assimilated expenses	(7,471)	(9,088)
Other expenses	834,062	754,131
<b>Total</b>	<b>158,484,470</b>	<b>136,981,450</b>

Personnel expenses made in quarter III 2019 compared to quarter III 2018, namely made in 01 January 2019 - 30 September 2019 compared to 01 January 2018 - 30 September 2018 registered increase, mainly determined by higher personnel salaries, social expenses, meal tickets to personnel and higher social security and protection expenses.

**18. Other operational expenses**

	<b>01 July 2019 – 30 September 2019</b>	<b>01 July 2018 – 30 September 2018</b>
Other expenses with services executed by third parties	15,431,424	11,221,757
Postal expenses and telecommunication fees	237,057	137,707
Royalties and rents	333,267	2,150,391
(Net) operational expenses regarding allowances to impair current assets	88,447	2,686,666
Other expenses, of which:	22,147,392	11,323,208
- <i>Expenses for taxes and charges (ANRE fee, natural monopoly tax, other local taxes and charges)</i>	12,565,652	4,426,667
- <i>Expenses regarding merchandise</i>	1,412,485	589,975
- <i>Other operational expenses</i>	8,169,255	6,306,566
<b>Total</b>	<b>38,237,587</b>	<b>27,519,729</b>

In quarter III 2019 such expenses increased with 10,717,858 compared to quarter III 2018, mainly determined by the percentage quantum of the ANRE annual charge that increased to 2% from the turnover of NPG Transelectrica SA compared to 0.1% applied the previous year in compliance with OUG nr. 114/2018, and by the growth of other expense items such as: other expenses with services executed by third parties, merchandise expense and other operational expenses.

	<b>01 January 2019 – 30 September 2019</b>	<b>01 January 2018 – 30 September 2018</b>
Other expenses with services executed by third parties	44,970,991	35,908,283
Postal expenses and telecommunication fees	687,373	600,614
Royalties and rents	1,035,542	6,422,813
(Net) operational expenses regarding allowances to impair current assets	892,768	514,083
Other expenses, of which:	29,621,907	33,379,181
- <i>(Net) expenses regarding provisions for other operational expenses</i>	(28,874,641)	1,274,801
- <i>Expenses for taxes and charges (ANRE fee, natural monopoly tax, other local taxes and charges)</i>	38,110,858	14,293,404
- <i>Merchandise expenses</i>	3,257,290	1,716,721
- <i>Other operational expenses</i>	17,128,400	16,094,255
<b>Total</b>	<b>77,208,581</b>	<b>76,824,974</b>

In 01 January 2019 - 30 September 2019 such expenses increased with 383.607 compared to 01 January 2018 - 30 September 2018, determined by the growth / diminution of expense items such as:

- Tax and charge expenses increased because the percentage quantum of the ANRE annual charge grew to 2% from the turnover of NPG Transelectrica SA compared to 0.1% applied the previous year, in compliance with OUG 114/2018;
- Other expenses with services provided by third parties increased because the basic services for data exchanges were registered in the first semester of 2019, such calculations being coordinated by TSCNET Services including the

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costs generated by the Company's affiliation to the shareholders of TSCNET; higher civil protection and guard expenses, higher merchandise expenses, etc.;

- Registering certain (nete) expenses regarding provisions for other operational expenses, mainly because the provision amounting to 31,180,858 constituted for the dispute with ASITO KAPITAL SA was cancelled (see Note 19).

**19. Net financial result**

	<b>01 July 2019 – 30 September 2019</b>	<b>01 July 2018 – 30 September 2018</b>
Interest revenue	1,365,429	3,412,601
Revenues from exchange rate differences	481,678	2,848,979
Other financial expenses	1,815	8,559
<b>Total financial revenues</b>	<b>1,848,922</b>	<b>6,270,139</b>
Interest expense	(2,469,070)	(4,879,691)
Expenses from exchange rate differences	(1,226,080)	(2,535,739)
<b>Total financial expenses</b>	<b>(3,695,150)</b>	<b>(7,415,430)</b>
<b>Net financial result</b>	<b>(1,846,228)</b>	<b>(1,145,291)</b>

	<b>01 January 2019 – 30 September 2019</b>	<b>01 January 2018 – 30 September 2018</b>
Interest revenue	3,833,189	6,959,808
Revenues from exchange rate differences	3,613,341	5,094,088
Other financial revenues	162,340	1,320,194
<b>Total financial revenues</b>	<b>7,608,870</b>	<b>13,374,090</b>
Interest expense	(6,847,710)	(14,973,808)
Expenses from exchange rate differences	(7,028,143)	(4,743,510)
<b>Total financial expenses</b>	<b>(13,875,853)</b>	<b>(19,717,318)</b>
<b>Net financial result</b>	<b>(6,266,983)</b>	<b>(6,343,228)</b>

On 30 September 2019 the Company registered net financial loss amounting to 6,266,983, by 76,245 smaller than in the similar period of 2018. It was mainly influenced by the national currency's exchange rate against the foreign currencies the Company has contracted bank loans in view of financing its investment plans (Euro) and by the diminished interest expenses.

The national currency's average exchange rate registered on 30 September 2019 in comparison with that registered on 30 September 2018 was as follows:

<b>Currency</b>	<b>30.09.2019</b>	<b>30.09.2018</b>
Lei / Euro	4.7382	4.6514

**20. Disputes and contingencies***i) Disputes*

The managerial team regularly analyses the ongoing disputes, and after consulting with legal representatives decides the need to create provisions for the amounts involved or their presentation in the financial statements.

Taking into account the existing information, the Company's management believes that there are no significant ongoing disputes in which the Company is defendant, except for the following ones:

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• On the docket of Mehedinti Tribunal, Civil Section II, Administrative and Fiscal Disputes Section file no. 3616/101/2014 was recorded, involving the “claims in the amount of 1,090,831.70, 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. Civil ruling 127 pronounced on 10 October 2014 by Mehedinti Tribunal admitted the request filed by plaintiff RAAN and ordered NPG Transelectrica SA to pay the amount of 1,090,831.70 Lei, constituting the value of invoice 1300215/31.12.2013.

The amount requested for payment represents penalties calculated by RAAN for the bonus due to it 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 15 June 2016 according to the Decision issued by the Bankruptcy Court Officer Ailiesei & Guta under the enforcement file 12105/2016. Civil decision 843/2015 of the Appeal Court Craiova denied as uninteresting the appeal filed by NPG Transelectrica SA against civil sentence 127/10.10.2014.

NPG Transelectrica SA filed appeal against decision 843 / 05.11.2015 of Appeal Court of Craiova, Section II Civil, pronounced in the public hearing of 05.11.2015 under file 3616/101/2014, as well as against ruling 127/2014 of the Mehedinti Court, Section II Civil, Administrative and Fiscal Disputes, pronounced in the public hearing of 10.10.2014 under file 3616/101/2014, as well as against ruling 1/2015 of Mehedinti Tribunal, Section II Civil, Administrative and Fiscal Disputes, pronounced in the public hearing of 09.01.2015 under file 3616/101/2014, which requested a court decision allowing the appeal as it was filed and reversing the judgment and sentences under appeal and referring the case to the trial court in the territorial jurisdiction for judgement, and stating the compliance with the requirements of Articles 1616 and 1617 of the Civil Code, reason for which it is also required to declare the occurrence of mutual debts compensation 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 made with this appeal.

The appeal was registered on the docket of the High Court of Cassation and Justice that decided to reverse decision 843/2015 and to remand the case for retrial to the same court - the Appeal Court of Craiova.

Decision 124/2017 of the Appeal Court of Craiova admitted the appeal filed by Transelectrica and cancelled sentence 127/2014 pronounced by Mehedinti Tribunal, while the case was referred for retrial to Bucharest Tribunal, Section VI Civil. On the docket of the Bucharest Tribunal the case was registered under no. 40444/3/2017 which by civil ruling 4406/04.12.2017 admitted the request filed by RAAN and ordered Transelectrica to pay the amount of 1,090,831.70 Lei. The sentence was appealed. The resolution of the Bucharest Court of Appeal: denies the appeal as groundless; final. It was ruled in open hearing on 13 December 2018.

Document: Ruling 535/2018; 13.12.2018

In 2014-2015 the Company withheld for payment the bonus owed to RAAN under the support scheme based on the provisions of ANRE regulations, namely article 17 para 5 from Order 116/2013 of ANRE’s president.

Under such circumstances RAAN calculated penalties for late payment of the due cogeneration bonus amounting to 3,496,914, withheld from the payment by the Company on account of non-cashed receivables. The Company refused paying the amount of 3,496,914 and did not register it as liability in the support scheme.

• File 1284/101/2015 was registered on the docket of Mehedinti Tribunal, Section II Civil, Administrative and Fiscal Disputes Section, pertaining to “claims amounting to 11,637,440”, a file where the Company is defendant, the claimant being the Autonomous Authority for Nuclear Activities – RAAN.

The application for summons filed by the claimant asked the court to compel Transelectrica SA to pay the amount of 11,637,439.66 Lei.

On 22.05.2015 Mehedinti Tribunal, Section II Civil, Administrative and Fiscal Disputes Section, pronounced ruling 41/2015 ordering as follows: “Admits the exception of territorial incompetence. It declines ruling competence in favour of Bucharest Tribunal, Civil Section VI. No appeal right is granted”. The file was registered under no. 24206/3/2015 with the Bucharest Court, Civil Section VI.

Defendant RAAN filed request to change the quota of claimed rights, asking to oblige Transelectrica SA to pay the indexed amount of 17,805,680 Lei.

Bucharest Tribunal by its Civil Section VI pronounced ruling 6075/2015 and ordered the following: “It admits the request as it has been filled in. It compels the defendant to pay the amount of 17,805,680 Lei to the claimant, representing the

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equivalent value of the bonus and penalties. It denies the claimant's request to be granted legal expenses as groundless. Appeal is granted within 30 days from notification. The appeal will be referred to Bucharest Tribunal, Civil Section VI".

This ruling was notified on 04.07.2016, according to the stamp recording the entrance of correspondence in Transelectrica SA. Appeal was filed against it. The conclusion of the hearing session on 12.01.2017 pronounced under file 24206/3/2015 by the Appeal Court of Bucharest ordered suspending the appeal judgement until the final settlement of file 9089/101/2013/a152 found on the docket of Mehedinti Tribunal, in accordance with article 413 para 1 pct. 1 NCPC. Appeal right granted during the entire suspension time.

The Appeal Court of Bucharest decided suspending the judgement of the case, considering that its settlement depends on the decision to be pronounced under file 9089/101/2013/a 152 (which was connected with file 9089/101/2013/a140) found on the docket of Mehedinti Tribunal, and pertaining to the challenge of the additional receivables table of the Autonomous Authority for Nuclear Activities SA.

- On the docket of Bucharest Tribunal, Section VI Civil file 26024/3/2015 was recorded pertaining to "claims", in which the Company is defendant, the claimant being the Autonomous Authority for Nuclear Activities – RAAN. The application for summons filed by the claimant asked the court to compel Transelectrica SA to pay the amount of 10,274,679.

On 13.06.2016 the law court deferred pronouncement to 27.06.2016 when it decided replacing the case on the docket in view of debating on the administration of additional evidence in order to establish mutual debits and the compensation mentioned by the defendant, and it settled the next hearing term on 28.11.2016.

The hearing conclusion of 28.11.2016 from Bucharest Tribunal suspended the case according to article 413 (1) NCPC against article 411 (1) NCPC. Appeal right granted during the entire suspension time.

Bucharest Tribunal decided suspending the judgement of the case, considering that its settlement depends on the decision to be pronounced under file 9089/101/2013/a152 found on the docket of Mehedinti Tribunal.

- On the docket of Bucharest Tribunal, Section VI Civil file 3694/3/2016 was recorded pertaining to "claims", in which the Company is defendant, the claimant being the Autonomous Authority for Nuclear Activities – RAAN. The application for summons filed by the claimant asked the court to compel Transelectrica SA to pay the amount of 15,698,722.

In accordance with article 413 para 1 pct. 1 from the Civil Procedural Code, on 20.10.2016 Bucharest Tribunal decided suspending the judgment of this case until final settlement of file 3014/2/2014 on the docket of the High Court of Cassation and Justice, pertaining to appeal in order to cancel Decision 743/2014 of ANRE President. Appeal right granted during the entire suspension time. The case was replaced on the docket when final settlement was pronounced under file 3014/2/2014, but it was suspended again on 31.01.2019 until settlement of file 9089/101/2013/a152 (connected with A 140) found on the docket of Mehedinti Tribunal, namely on that of the Appeal Court Craiova which was judged on 30.10.2019, pronouncement pending.

- On the docket of Mehedinti Tribunal, Section II Civil file 9089/101/2013/a140 was recorded (which was connected to the file indicated under a152), pertaining to "claims for the amount of 86,513,431"; the Company is claimant under this file, the defendant being the Autonomous Authority for Nuclear Activities – RAAN.

The summons filed by Transelectrica SA requested the court to compel defendant RAAN to pay the amount of 86,513,431.

On 20.06.2019 Mehedinti Tribunal decided as follows: It admits the exception of decline. It admits the main issue and the connected contestation. It compels defendant RAAN to pay the amount of 16,950,117.14 Lei to claimant Transelectrica, a receivable occurred during the procedure, deciding the registration of this sum in the creditors' table constituted against debtor RAAN. It denies the other connected issues. In accordance with article 453 para 2 of the Civil Procedural Code, it compels the defendant to pay 1,000 Lei law court expenses to the claimant. Appeal right granted. It was pronounced on 20.06.2019 at public hearing. Document: Decision 163/2019, 20.06.2019. Civil ruling 163/2019 was notified on 15.07.2019, and Transelectrica filed appeal, which was judged on 30.10.2019 in the Appeal Court Craiova, pronouncement pending.

Mention should be made that the hearing conclusion of 18.09.2013 issued by Mehedinti Tribunal under file 9089/101/2013 pronounced opening the general insolvency procedure against debtor Autonomous Authority for Nuclear Activities RA (RAAN).

Ruling 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 the minutes of 28.02.2014.

By the intermediate ruling 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.

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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.

In the hearing conclusion of 30.06.2016 Mehedinti Tribunal, Section II Civil, Administrative and Fiscal Disputes section, established the new procedural terms as follows: "Sets the 13.08.2016 deadline to submit the trade receivable claims occurring during the procedure; sets the 29.09.2016 deadline to verify the claims occurring during the procedure, to compile, display and communicate the additional receivable table. It sets the deadline on 9 October 2016 to file appeals against receivables occurred during the procedure and on 20 October 2016 to settle appeals against claims occurred during the procedure; sets the deadline for the preparation and display of the consolidated final table on 10.11.2016".

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 for legal compensation are complied with on the procedure opening date. Transelectrica SA was recorded 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 filed contestation of the Additional Receivables Table included in file 9089/101/2013/a152 (connected to the file indicated by a 140). 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 taken to suspend it until settlement of file 3014/2/2014 on the docket of the ICCJ. Next hearing term: 06.06.2019. On 20.06.2019 Mehedinti Tribunal decided the following: It admits the exception of decline. It partly admits the main issue and associated contestation. It compels defendant RAAN to pay to claimant Transelectrica the amount of 16,950,117.14 Lei accrued during the procedure, judging to record it in the creditors' table constituted against debtor RAAN by this sum. The other associated demands are denied. In accordance with article 453 para 2 from the Civil Procedural Code it compels the defendant to pay 1000 Lei law court expenses to the claimant. Appeal right is granted. It was pronounced on 20.06.2019 at public hearing. Document: Ruling 163/2019 of 20.06.2019. Civil judgment 163/2019 was notified on 15.07.2019, and Transelectrica will file appeal.

- Following an audit performed in 2013, the Court of Audit issued several measures to be implemented by the Company as a result of some deficits, which were detected upon such control. The decision and protocol issued by the Court of Audit have been appealed before the Appeal Court of Bucharest, file 1658/2/2014 being constituted. At the 20.01.2016 hearing the court deferred the case in order 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 29.06.2016 the law court postponed the case in order to enable completion of the technical expertise report. The next hearing was set on 26.10.2016, and no other changes have been registered until the date of this report. On 13.06.2018 the following settlement was pronounced: "Partly admits the request". Settlement in brief: Partly admits the claimant's case and partly cancels the defendant-issued conclusion 7/20.02.2014, decision 37/9.12.2013 and the control report 35521/6.11.2012 with respect to the measures in the above decision, indicated in points I.1, I.3, I.6, I.8, I.11, II.14, II, 15, II.17, II.18, II.20, II.21, II.22 and partially the measure of pct. II.13, meaning to remove the phrase "including what has been found about the invoices issued by Florea Administrare Imobiliara SRL". The court rejects the remainder of the claimant's request 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 granted within 15 days from notification. The appeal will be referred to the Bucharest Court of Appeal, Section VIII, Administrative and Fiscal Disputes Section; ruled in open court on 13.06.2018. Document: Ruling 2771/2018 / 13.06.2018. Transelectrica filed appeal with term on 28.10.2021.

- NPG Transelectrica SA filed complaint against Order 51/26.06.2014 of ANRE President, registered with ANRE under no. 47714/4.08.2014, and an appeal before the Appeal Court of Bucharest under file 4921/2/2014, requesting either the amendment of the aforementioned Order or the issuance of a new one, which should recalculate the RRR value at the level of 9.87% (recalculated with a  $\beta$  coefficient of 1.0359, according to the internal analyses conducted by Transelectrica) or, should this request be rejected, using the same percentage of 8.52% set by ANRE for 2013 and in the first semester of 2014. On 26.06.2014 ANRE Order 51 was issued and published in the Official Gazette 474/27.06.2014 regarding approval of the average tariff for transmission services, the system service tariffs and zone tariffs for transmission services charged by the National Power Grid Company Transelectrica SA and cancellation of annex 1 to Order 96/2013 of ANRE President approving the average tariff for transmission services, the system service tariffs and zone tariffs for transmission services and the tariffs for reactive electricity charged by economic operators of the electricity sector.

The values taken for the calculation of the regulated rate of return (RRR<sup>1</sup>) by ANRE according to the Methodology

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establishing the tariffs of electricity transmission services approved by ANRE Order 53/ 2013 (“Methodology”) determined the RRR at 7.7%.

<sup>1</sup> RRR- Regulated Rate of Return is found in specific literature under the acronym WACC – Weighted Average Cost of Capital, and the formula of the two indicators is similar:  $RRR = WACC = CCP + Kp/(1 - T) + CCI \times Ki$

On the 09.02.2016 term the court admitted the accounting expertise evidence - specialisation of financial investments and other movable asset entities, extended the discussion to the technical evidence discussion – electric power specialisation, after administrating the audit expertise evidence - specialisation of financial investments and other movable asset entities.

On the hearing terms of 25.03.2016, 22.04.2016, 10.06.2016 and 03.03.2017 the law court deferred judgment because the technical expertise report was missing.

The dispute has not impacted the relationship with ANRE or the Company’s financial results. Hearing term: 03.12.2019.

- On 4 March 2014 the European Commission issued notification specifying it has imposed a 1,031,000 Euro fine 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 to pay the fine.

The Shareholders’ General Assembly of subsidiary SC OPCOM SA, at their meeting of 10.06.2014 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 European Union Functioning, 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 24.11.2014 subsidiary SC OPCOM SA summoned NPG Transelectrica SA in order to compel it paying the amount of 582,086 Euro (2,585,162 Lei at the National Bank of Romania exchange rate of 24.11.2014), representing the amount paid by it as fine, from the total fine amount of 1,031,000 Euro.

Also subsidiary SC OPCOM SA requested the court to order the Company to pay the amount of 84,867.67 Lei as legal interest related to the period 11.06.2014 – 24.11.2014, plus legal expenses amounting to 37,828. The action filed by the subsidiary SC OPCOM SA is subject of file 40814/3/2014 on the docket of Bucharest Tribunal, Section VI Civil, involving claims, disputes with professionals. NPG Transelectrica SA has filed 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.

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

On 24.07.2015 Bucharest Tribunal pronounced judgement 4275/2015, by which it ordered the following: “Admits the application for summons filed by claimant Romanian Gas and Electricity Market Operator OPCOM SA against defendant National Power Grid Company Transelectrica SA; it orders the defendant to pay the amount of 582,086.31 Euro to the claimant, representing the amount paid by it in the defendant’s stead from the fine amounting to 1,031,000 Euro, charged by the Decision of the European Commission on 5.03.2014 in the case AT.39984 and the legal interest related to the amount of 582,086 Euro, calculated on 11.03.2014 and up to the actual payment date; it orders the defendant to pay the amount of 37,828 Lei as legal expenses to the claimant. Appeal right granted within 30 days from notification. The appeal will be referred to the Bucharest Tribunal, Civil Section VI”.

Transelectrica SA filed appeal against ruling 4275/2015 pronounced in the above-mentioned file, which was registered on the docket of the Appeal Court Bucharest. The Appeal Court’s settlement was as follows: Admits the appeal. Changes entirely the civil ruling appealed against, meaning it denies as groundless the suing. It compels the recurrent-claimant to pay law suit expenses amounting to 16,129 to the defendant, representing judiciary stamp fee. Appeal right within 30 days from notification. It was pronounced at public hearing on 10.10.2016. Document: Decision 1517/2016 / 10.10.2016.

OPCOM SA filed appeal. The High Court of Cassation and Justice decided as follows: Admits in principle the appeal filed by the recurrent-claimant Romanian Gas and Electricity Market Operator OPCOM SA against decision 1517/10.10.2016 pronounced by the Appeal Court Bucharest, Section V Civil. It sets the term on 13.03.2018 in view of settling the appeal; the parties will be summoned. It was pronounced at public hearing on 05 December 2017.

On the 13.03.2018 hearing term the appeal filed by the recurrent-claimant Romanian Gas and Electricity Market Operator OPCOM SA was admitted against decision 1517/10.10.2016, pronounced by the Appeal Court Bucharest, Section V Civil. Invalidates the contested decision and refers the case to the court of appeal; 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 26,070.31 Lei as law suit expenses to the respondent in appeal-claimant. Appeal right granted within 30 days from notification.

Transelectrica SA filed appeal. The file is under filtering with ICCJ, no hearing term being set.



## **NPG Transelectrica SA**

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• The suing filed by Conaid Company SRL, registered on the docket of Appeal Court Bucharest under file 5302/2/2013 the claimant requested the law court to ascertain as follows:

a) It should find out the unjustified refusal of Transelectrica SA to conclude and sign an addendum to Contract C154/27.04.2012 for RET connection of the 102 MW WPP Garana and the 147 MW WPP Garana from the area of localities Brebu Nou, Garana, Slatina and Timis, Caras Severin County, by building the 400/110 kV electric substation Garana and the 400 kV double circuit OHL connecting the 400/110 kV substation Garana as input-output into/from the new 400 kV OHL Portile de Fier – Resita,

b) Compel Transelectrica SA to conclude the addendum to the contract, which should contain the changes relating to the new technical solutions according to CTES 422/21/12/2012,

c) Ascertain the obligation of suspensive terms cannot be considered as fulfilled by the claimant because of the defendant's exclusive guilt,

d) Ascertain the unjustified refusal of Transelectrica SA to conclude and sign a new RET connection contract of the 102 MW WPP Garana and the 147 MW WPP Garana in the area of localities Brebu Nou, Garana, Slatina and Timis, Caras Severin County, by building the 400/110 kV electric substation Garana and the 400 kV d. circuit OHL to connect the 400/110 kV substation Garana as input-output into/from the new 400 kV OHL Portile de Fier – Resita and compel us to concluded the new connection contract,

e) It should compel Transelectrica SA "to pay the amounts of 722,756,000 Euro, representing the unrealised profit according to the business plan, pending indexation, and of 17,419,508.07 Lei representing actual expenses registered in the company's accounting books, pending indexation, which represent the prejudice caused in culpable manner to the claimant company"

The conclusion of the Appeal Court Bucharest, Section VIII of Administrative and Fiscal Disputes pronounced at public hearing of 18.02.2014 in file 5302/2/2013, the court decided denying the exception of the court's material incompetence as groundless, claimed by our company.

The conclusion of the Appeal Court Bucharest, Section VIII of Administrative and Fiscal Disputes pronounced at public hearing of 25.03.2014 in file 5302/2/2013, the court decided denying the exception of case inadmissibility as groundless, as claimed by our company.

The conclusion of the Appeal Court Bucharest, Section VIII of Administrative and Fiscal Disputes pronounced at public hearing of 20.05.2014 in file 5302/2/2013, the court decided separating the request with respect to compelling the defendants to pay compensations and constituting a new file 3372/2/2014, registered on the docket of the Appeal Court Bucharest, Section VIII of Administrative and Fiscal Disputes, a file in which by the conclusion pronounced at the public hearing of 24.06.2014 the instance pronounced the following settlement: "In accordance with article 413 para 1 pct. 1 of the Civil Procedural Code it suspends judging the case. Appeal right granted during the entire suspension. Appeal to be filed to the Appeal Court Bucharest. Pronounced at public hearing on 24 June 2014".

Civil ruling 1866/11.06.2014 of the Appeal Court Bucharest, Section VIII of Administrative and Fiscal Disputes pronounced at public hearing of 11.06.2014 denied as groundless the suit filed by SC CONAID COMPANY SRL, retaining the exceptions submitted by defendant Transelectrica SA by defence were denied under the hearing conclusions of 18.02.2014 and 25.03.2014, for the reasons shown there.

Transelectrica SA filed appeal against the denial of exceptions and of the hearing conclusions of 18.02.2014 and 25.03.2014. Both the claimant and the intervenient in claimant's favour filed appeal against the ruling.

The file was registered on the docket of the High Court of Cassation and Justice, which on 17.06.2016 deferred pronouncement to 29.06.2016, when Decision 2148/2016 was issued whereby the High Court of Cassation and Justice decided as follows: "Denies the exceptions invoked by the recurrent-claimant SC Conaid Company SRL by means of the judiciary administrator RVA Insolvency Specialists SPRL and by the recurrent-defendant the National Power Grid Company Transelectrica SA. It admits the appeal filed by the defendant National Power Grid Company Transelectrica SA against the hearing conclusion of 18 February 2014 and civil ruling 1866 of 11 June 2014 pronounced by the Appeal Court Bucharest, Section VIII of Administrative and Fiscal Disputes. It cancels the contested conclusion and partly the ruling and refers the case to Bucharest Tribunal, Section VI Civil to settle the claimant's case in contradiction with the National Power Grid Company Transelectrica SA. It maintains the other ruling provisions as regards the claimant's suit against the National Regulatory Authority in the Energy Domain. It denies the appeals filed by claimant SC Conaid Company SRL by means of the judiciary administrator RVA Insolvency Specialists SPRL and by the intervenient SC Duro Felguera SA against civil ruling 1866 of 11 June 2014, pronounced by the Appeal Court Bucharest, Section VIII of Administrative and Fiscal Disputes. It denies the appeal filed by the defendant National Power Grid Company Transelectrica SA against the hearing conclusion of 25 March 2014, pronounced by the Appeal Court Bucharest, Section VIII of Administrative and Fiscal Disputes; final. Pronounced at public hearing on 29 June 2016".

The file was re-registered under no. 12107/3/2017 on the docket of Bucharest Tribunal.

Bucharest Tribunal on 09.11.2017 deferred pronouncement on 23.11.2017, when it issued ruling 4364/23.11.2017 specifying as follows: "It admits the exception of inadmissibility. It denies the request as inadmissible. It denies the intervention request in the claimant's interest. Appeal right granted within 30 days from notification. Appeal will be filed to the Appeal Court Bucharest, Section VI Civil. The court clerk office notified it on 23.11.2017".

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No appeal filed by the claimant was registered until the date hereof.

On 02.11.2018 on the docket of Bucharest Tribunal, Section VI Civil a new suing request was filed by Conaid Company SRL under file 36755/3/2018, by which the claimant requested the court to compel Transelectrica SA to “repair the prejudice caused to the claimant as a result of the defendant’s culpable non-execution of obligations in quantum of 17,216,093.43 Lei, consisting of actual damage incurred and unrealised benefit, provisionally estimated at 100,000 Euro... taking into account the unjustified refusal of Transelectrica SA to conclude and sign an addendum to Contract C154/27.04.2012, and in case the instance deem in formal terms the claimant’s obligation of suspensive terms cannot be considered as fulfilled, such non-execution is owed to the exclusive guilt of Transelectrica SA, as the defendant prevented the compliance with the terms”.  
Hearing term: 26.11.2019.

- After a control carried in 2017 the Court of Audit decided on certain measures to be implemented by the Company following certain deficiencies found upon such control. NPG Transelectrica SA expressed 8 contestations against the measures decided by Romania’s Court of Audit (CCR) in Decision 8/27.06.2017, requesting its cancellation and against conclusion 77/03.08.2017, registered in the Company under no 29117/08.08.2017, as well as the Audit report 19211/26.05.2017. Contestations are under settlement on the docket of the Appeal Court Bucharest and of the High Court of Cassation and Justice.

- File 47332/3/2017 on the docket of Bucharest Tribunal, Section VI Civil, whereby Company FF Wind Energy International SRL requests in contradiction with NPG Transelectrica SA: - cancelling the one-sided statement to denounce the RET 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 following contract termination as well as 45,000,000 Euro, representing the devaluation quantum of Company FF Wind Energy International SRL by hindering its purpose. File stage: under preliminary procedure of case notification and contest filing.

Settlement in brief: Denies the suing as specified as being groundless. It ascertains the defendant has not requested law suit expenses. Appeal right granted within 30 days from notification. According to article 425 para 3 and article 471 para 1 of the Civil Procedural Code the appeal and its grounds are submitted to Bucharest Tribunal, Section VI Civil. The court clerk office notified it on 28.12.2018. Document: Decision 3891/2018 / 28.12.2018. Company FF Wind Energy International SRL filed appeal, which was heard on 18.06.2019, while pronouncement was deferred three times, the latest term being 23.07.2019. The settlement of the Appeal Court Bucharest: denies the appeal as groundless.

- 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:

- Corporate 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 26-27 June 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 dispute with ANAF, the latter sending a tax inspection report on 20.09.2011 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 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 01.03.2017 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. It dismisses the appeal for cancellation formulated by the appellant Transelectrica SA against civil decision no. 1945 of 16.06.2016 of the High Court of Cassation and Justice - Administrative and Tax Appeals Division, 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 26-27 June 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;

- 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

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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 OG 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 the Appeal Court to cancel the enforcement title 13540/22.08.2017 in file 7141/2/2017. Settlement in brief: Admits the exception of the material incompetence of the Appeal Court Bucharest, SCAF. It declines the case settlement competence in favour of Law Court of Bucharest District 1. No appeal. Such was ruled in open court on 08.02.2018.

Document: Ruling 478/2018 / 08.02.2018.

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

Settlement in brief: It admits the request of judgment suspension filed by the appellant. On the grounds of Article 413 (1) (1) of the Civil Procedure Code, judgement is suspended until the final settlement of case file no. 1802/2/2018, pending with 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. It was ruled in open court. Document: Conclusion - Suspension 17.04.2018

Pending with the Appeal Court is the case file 1802/2/2018 through which the Company contested the fiscal administrative document - 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. Hearing scheduled for: 05.11.2019.

Upon Company's contestation of the fiscal administrative document - Decision F-MC 439/30.06.2017, ANAF notified the Company its Decision 122/13.03.2018 through which it rejects, as groundless, the contestation filed by NPG Transelectrica SA; the decision was received on 16.03.2018, after filing the application for summons which is subject to casefile 1802/2/2018.

• On 01.07.2017 the Company filed suing with respect to issuing payment ordinance, case under file 24552/3/2017 on the docket of Bucharest Tribunal, Section VI Civil, requesting the instance to pronounce decision compelling debtor ASITO KAPITAL SA to pay 7,058,773.36 Euro (*equivalent to 31,180,857.96 Lei*) representing security policies for down payment BR – 1500544/18.11.2015 and BR – 1500520/29.07.2015.

Settlement in brief: It admits the request and orders the debtor to pay 2,237,750.83 Euro within 20 days from receipt of this decision (equivalent of 9,948,592.64 Lei at the exchange rate 1 Euro = 4.4458 Lei) representing unreturned down payment secured under the security letter BR-1500544/18.11.2015 as well as 4,821,022.53 Euro (equivalent of 21,233,265.32 Lei at the exchange rate 4.4041 Lei / Euro) representing unreturned down payment secured under the security letter BR-1500520/29.07.2015; 200 Lei as law suit expenses. Cancellation request right is granted in 10 days from notification. Ruling 4067/07.11.2017 was elaborated and notified to both parties on 17.10.2018.

On 01.11.2018 Decision 4067/07.11.2017 was legalised and transmitted to BEJ Raileanu in order to execute the enforcement title.

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

- 21,233,265.32 - according to Civil decision 4067/2017 (4,821,022.53 Euro at 4.4041 Lei / Euro);
- 9,948,592.64 - according to Civil decision 4067/2017 (2,237,750.83 Euro at 4.4458 Lei / Euro).

On 26.10.2018 ASITO KAPITAL SA expressed cancellation request against Decision 4067/2017 within the legal term.

Taking into account the cancellation request of ASITO KAPITAL SA against decision 4067/2017 the Company constituted a provision amounting to 31,180,858 for disputes.

In case of file 35865/3/2018 (former file 24552/3/2017) the hearing term was set on 19.02.2019 to settle the cancellation request for the payment ordinance providing return of 31.2 mill. Lei; deferred pronouncement: 20.03.2019.

On the 19.02.2019 term when the juridical inquiry has ended and the floor was given to the parties for exceptions, evidence and the case substance matter the instance deferred pronouncement twice until 20.03.2019. After deliberation Bucharest Tribunal pronounced the following settlement in brief:

- It denies the request with respect to reversing the enforcement as inadmissible.
- It denies as groundless the request to return the stamp tax relating to the request with respect to reversing the

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enforcement.

- It denies as groundless the cancellation request filed by the contester-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 recurrent - creditor the National Power Grid Company TRANSELECTRICA SA; final. It was pronounced at public hearing on 20.03.2019. Document: Ruling 743/2019 / 20.03.2019.

The court clerk office certificate issued on 18.04.2019 by Bucharest Tribunal, Section VI Civil, certifies Ruling 743/2019 /20.03.2019. NPG Transelectrica SA cancelled the provision of 31,180,858 constituted for the dispute with ASITO KAPITAL SA under file 35865/3/2018 (former file 24552/3/2017), on the docket of Bucharest Tribunal, Section VI Civil.

On 04.10.2019 Asito Kapital filed appeal against Civil ruling 3840/19.12.2018, and the file was referred to the Appeal Court Bucharest for settlement, with no hearing term set for the time being.

- Through its summons under file 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 temporarily taken up from the forest fund in 2015;
  - 2,129,765.86 Lei representing land rent for 2016;
  - 2,129,765.86 Lei representing land rent for 2018;
  - Legal penalty interest from due date until actual payment;
  - Law court expenses;

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

Settlement: It admits the exception of territorial incompetence for Caras Severin Tribunal. It declines the settlement competence of the request filed by claimant Resita City through the mayor in contradiction with defendant NPG Transelectrica SA in favour of Bucharest Tribunal. No appeal according to article 132 para 3 Civil Procedural Code. It was pronounced at public hearing on 11 March 2019. Document: Ruling 313/2019. Hearing term: 17.09.2019 at Bucharest Tribunal. Settlement in brief: Admits the exception of territorial incompetence for Bucharest Tribunal. It declines the settlement competence in favour of Caras-Severin Tribunal. It ascertains the occurrence of the negative conflict of competence between Bucharest Tribunal and Caras-Severin Tribunal. It suspends the case and refers the file to the High Court of Cassation and Justice in view of settling the negative competence conflict. No appeal is granted; it was pronounced on 25.10.2019.

Pronouncement will be exercised by providing the settlement to the parties by means of the court's clerk office.

Document: Ruling 2376/2019 / 25.10.2019

- Through its summons claimant National Authority of Forests Romsilva, Forestry Division Caras Severin requests compelling defendant NPG Transelectrica SA to pay the following amounts:
  - 2,433,608.52 Lei annual rent for temporary land occupation from the national forestry fund + delay penalties from rent payment due date 31.01.2018 until their full actual payment;
  - 304,298.47 Lei for final taking up a land area of the national forestry fund and the loss of timber mass for operation + delay penalties calculated as of 10.05.2015 until their full actual payment.

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

On 29.11.2018 Caras Severin Tribunal pronounced ruling 3326/2018 deciding as follows: „It admits the territorial incompetence exception of Caras-Severin Tribunal. It declines the settlement competence for the suing filed by claimant RNP-Romsilva, Forestry Division Caras-Severin against defendants the National Power Grid Company Transelectrica SA and the National Power Grid Company Transelectrica SA, Transmission Branch Timisoara; final. It was pronounced at public hearing on 29.11.2018”.

The file was registered under no 2434/115/2018 on the docket of Bucharest Tribunal, Section IV Civil which on 22.01.2019 pronounced the following conclusion: “It admits the functional incompetence exception. It decides referring the file to Section VI Civil of Bucharest Tribunal for competent settlement; no appeal. It was pronounced at public hearing on 22.01.2019”.

The file was re-registered under no 2434/115/2018\* on the docket of Bucharest Tribunal, Section VI Civil, which on 13.02.2019 pronounced the following conclusion: “It admits the exception of suit material incompetence of Bucharest Tribunal, Section VI Civil, sustained ex officio. It declines the case settlement competence in favour of Bucharest Tribunal, Section IV Civil, which will receive promptly the file. It ascertains as occurred the negative competence conflict, it suspends judging the case and refers the file to the Bucharest Court of Appeal to settle the conflict; no appeal. It was pronounced at public hearing on 13.02.2019”. Hearing term: 04.10.2019 at Bucharest Tribunal, Section IV Civil. Settlement in brief: In accordance with the provisions of article 413 para 1 pt. 1 of the Civil Procedural Code it suspends judging this case until final settlement of the civil ruling 743/F/2019 pronounced under file 3155/115/2018 of Caras Severin Tribunal. Appeal right

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granted during the entire suspension, the appeal to be registered with the Bucharest Tribunal, section IV civil. It was pronounced at public hearing on 4.10.2019. Document: Conclusion – Suspension, 04.10.2019

- Claimant Pop Lucia's suing requests compelling defendant NPG Transelectrica SA to pay compensations for land expropriation in accordance with Law 33/1994.

On 29.10.2012 ICCJ issued Decision 6555: It admits the appeals filed by claimant National Power Grid Company Transelectrica SA Bucharest through NPG Transelectrica SA, Transmission Branch Cluj and defendant Pop Lucia against civil decision 219/2011-A of 22 November 2011 of the Appeal Court Oradea, Section I Civil. It cancels the contested decision and refers the case for re-judgment to the same instance; irrevocable.

Hearing term: 19.09.2018

Settlement in brief: It admits the civil appeal filed by the recurrent appellant POP LUCIA as grounded, in contradiction with the recurrent NPG Transelectrica SA Bucharest through the NPG Transelectrica SA, Transmission Branch Cluj in the name of the Romanian State and the Prosecutor's Office from the Appeal Court Oradea against civil ruling 240/C of 19 June 2008 pronounced by Bihor Tribunal, which it partly changes in the following sense: It increases the quantum of compensations granted of first instance from 25,000 Euro to 48,914 Euro. It maintains the other ruling provisions. It compels the recurrent party the National Power Grid Company Transelectrica SA Bucharest through NPG Transelectrica SA, Transmission Branch Cluj to pay the appellant POP LUCIA 2,500 Lei as law suit expenses. It denies as groundless the appeal filed by appellant the National Power Grid Company Transelectrica SA Bucharest through NPG Transelectrica SA, Transmission Branch Cluj against the same ruling; final. Appeal right granted within 15 days from notification. It was pronounced at public hearing on 03.10.2018.

Document: Ruling 903/2018 / 03.10.2018.

On 20.02.2019 the High Court of Cassation and Justice pronounced decision 327/20.02.2019 deciding as follows: "It denies as groundless the appeal filed by claimant National Power Grid Company Transelectrica SA, through NPG Transelectrica SA, Transmission Branch Cluj, in the Romanian State's name against decision 903-A / 3 October 2018 of the Appeal Court Oradea, Section I Civil. It denies the request of recurrent defendant Pop Lucia to be granted law suit expenses; irrevocable".

- By appealing the judicial administrator's decision to refuse to answer the payment request under file 6642/3/2018 registered with the Bucharest Tribunal, Transelectrica asked that Electrocentrale Bucharest SA, a debtor under the insolvency procedure, should be compelled to pay 56,680,387 Lei, i.e. the equivalent value of the over-compensation, based on Decision 476/30.03.2017 of ANRE President. Settlement in brief: It rejects as unfounded the exception for the late appeal invoked by the defendant ELCEN in the appeal. 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 Lei, i.e. the non-paid difference for the Overcompensation decision 476/30.03.2017 and the invoice series TEL17COG 17948/30.03.2017. It admits the request to compel the debtor to pay legal expenses. It compels the debtor to pay the appellant 2500 Lei as legal expenses, representing a stamp fee and a provisional expertise fee. Appeal right granted within 7 days from notification. Appeal to be submitted to Bucharest Tribunal, Section VII Civil. It was ruled at public hearing on 21.12.2018. Document: Ruling 7834/2018 / 21.12.2018.

ELCEN filed appeal which the Bucharest Tribunal denied as groundless on 11.06.2019.

- File 17284/3/2015 on the docket of Bucharest Tribunal / Appeal Court. Through its summons claimant Dagesh Rom request compelling NPG Transelectrica SA to pay 2,784,950 Lei, representing rent indexation and delay penalties for rent indexation + 168,500 Lei, representing the difference of service fee and delay penalties.

Settlement of TMB

1. It admits the write-off exception with respect to the claims represented by: - rent difference requested for 04.03.2012 - 12.05.2012; related penalties requested as rent difference calculated for 04.03.2012 - 12.05.2012; service fee difference asked for the interval 04.03.2012 - 12.05.2012; related penalties requested as service fee difference calculated for 04.03.2012 - 12.05.2012. It denies such claims as being written-off.

2. It denies the other claims as groundless.

3. It compels the claimant to pay 2,250 Lei as law suit expenses to the defendant.

4. Appeal right within 30 days from notification; appeal to be submitted to Bucharest Tribunal, Section VI Civil. It was pronounced at public hearing; Decision 7230/15.11.2016.

Settlement of CAB: filed appeal on 04.10.2017. Settlement in brief: It admits the appeal. It partly changes the contested ruling; it partly admits the suing, namely it compels the defendant to pay 76,265.23 Lei as service fee difference for 2012 and 76,265.23 Lei as related delay penalties. It maintains the other ruling provisions appealed against. It compels the recurrent defendant pay to the recurrent claimant 31,877.45 Lei as law suit expenses, for first instance and appeal; appeal right within 30 days from notification. Appeal will be submitted to the Appeal Court Bucharest, Section VI Civil. It was pronounced at public hearing. Document: Decision 810/20.04.2018.

Both parties filed appeal, which is on the docket of the High Court for Cassation and Justice.

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The Company is also involved in significant disputes as claimant, especially in view of recovering receivables (e.g. Eco Energy SRL, Petprod SRL, Total Electric Oltenia SA, Arcelormittal Galati SA, Autonomous Authority for Nuclear Activities, Romenergy Industry SRL, Energy Holding SRL, UGM Energy Trading SRL, CET Iasi, CET Bacau, CET Braila, CET Govora, CET Brasov, Elsaco Energy SRL, Elsaco Esco, Arelco Power SRL, Arelco Energy SRL, Inversolar Energy SA, Opcom, etc). The Company recorded value allowances for clients and for other disputed receivables and for bankrupt clients as well.

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.

The Company's managerial team considers it likely not to have situations requiring resource outputs to settle ongoing disputes. Moreover, there are no other disputes that by either their nature or their value could require providing significant contingent assets or liabilities for Company activities.

### *ii) Contingencies*

Control activities are performed in the Company offices as follows:

- Ministry of Public Finance, General Directorate of Economic-Financial Inspection began an inspection on 15.09.2017 that was suspended by Letter 243104/29.11.2017 on the same date. The inspection was resumed on 18.06.2018 (as per Letter 261403/12.06.2018) and was suspended by Letter 261775/17.07.2018. The objectives to be verified for 2012-2016 are provided below:

- Foundation and execution of the revenue and expense budget;
- Compliance with budgetary, economic-financial and accounting discipline;
- Compliance with legal provisions regarding the assets from the state's public and private domain and from the administrative-territorial units, held in any form;
- Compliance with the provisions of Governmental Ordinance 64/2001 on profit distribution in national societies, national and trading companies with full or majority state capital as well as in autonomous authorities, with later amendments and additions;
- How the constituted reserves have been used;
- The organisation and exercise of the mandatory internal / managerial control;
- Foundation and justification of amounts granted from the general consolidated budget.

- The fiscal inspection of the Ministry of Public Finance, ANAF - DGAMC is in progress in the Company offices, an inspection that began on 20.08.2018 and pertained to:

- Verify the legality and conformity of fiscal returns and / or of relevant operations for fiscal inspection; the accuracy and exactness of fulfilled obligations to establish the taxation base and the main income tax fiscal obligations for 01.01.2012 - 31.12.2016;
- Verify the compliance with the provisions of fiscal and accounting legislation;
- Verify other relevant issues for taxation, if they are of interest to apply the fiscal and accounting legislation.

Decision 12/01.03.2019 registered under no 10818/01.03.2019 in the Company ANAF- DGAMC decided suspending the fiscal inspection beginning with 01.03.2019, in accordance with article 127 para 1 let. b of Law 207/2015 on the Fiscal Procedural Code. The fiscal inspection was resumed on 04.06.2019 (notification 52/03.06.2019 of ANAF-DGAMC) and was suspended beginning with 05.06.2019 (notification 43/05.06.2019 ANAF-DGAMC). The fiscal inspection was resumed on 20.08.2019 (notification 65/19.08.2019 of ANAF-DGAMC) and was suspended beginning with 11.09.2019 (notification 68/09.09.2019 of ANAF-DGAMC), being resumed on 17.10.2019 based on Notification 81/16.10.2019 of ANAF-DGAMC.

- On 14.10.2019 MFP-ANAF-DGAMC- Economic-Financial Inspection Department came to the Company specifying it would provide audit pertaining to:

- "Checking the compliance with the provisions of article 43 from the **Governmental Emergency Ordinance 114/2018** instituting certain measures for public investments and other fiscal-budgetary measures, amending and adding certain norms and prorogation certain terms (hereinafter called OUG 114/2018), according to which:  
*„Economic operators with full or majority state capital applying the provisions of Governmental Ordinance 26/2013 enhancing financial discipline to certain economic operators where the state or administrative-territorial units are single or majority shareholders or directly or indirectly hold majority participation, approved with additions by Law 47/2014, with later amendments and additions, **distribute and transfer as per legal terms within 60 days from the approval of 2018 financial statements, as dividends or payments to the state budget, in case of autonomous enterprises, 35% of the amounts distributed to other reserves, in accordance with article 1 para (1) let. g) of Governmental Ordinance 64/2001 on profit distribution to national societies, national companies and trading companies with full or majority state capital and to autonomous enterprises, approved with amendments by Law 769/2001, with later amendments and additions, found in the monetary availability accounts existing in the cash register and bank accounts as well as those relating to***

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*current investments on 31 December 2018 and which on the same date have not been committed under procurement contracts to be used as one's own financing sources".*

The audit is under way. On the elaboration date of these Notes the final Fiscal Audit Report has not been issued by MFP-ANAF-DGAMC-SIEF.

- Romania's Government, the Control body of the prime-minister began a control on 03.01.2019 in NPG Transelectrica SA and SMART SA; the control objectives are as follows: verify the compliance with provisions regarding the organisation and operation of NPG Transelectrica SA; verify the compliance with legal corporate governance provisions pertaining to designating and remunerating the decision-making bodies of NPG Transelectrica SA (Supervisory board, Directorate); verify the compliance with legal provisions related to granting, concluding and performing contracts in NPG Transelectrica SA; verify the compliance with legal provisions about revenue constitution and achievement, as well as about committing and making expenses at NPG Transelectrica SA level; verify the manner of contracting and execution of the finance contract 08164/14.04.2008 concluded between Co. SMART SA and ING Bank, and other issues the control team deemed relevant. Financing contract 08164/14.04.2008 was valid until 1 November 2019. All financial obligations pertaining to the total facility were fully paid by SMART SA until ending date.

- A verification type control performed by ANRE took place in the Company that began on 21.01.2019 and targeted to: verify how the Company carried out as of 01.01.2016 its obligations established in the Regulation regarding the management and organisation of maintenance operations, approved by ANRE Orders 35/2002 and 845/2017; verify how the Company performed, beginning with 01.01.2016, vegetation cutting and modelling cutting in order to establish and maintain the required distance from electric networks; verify how the Company performed, beginning with 01.01.2016, the reliability analysis for network elements impacted by incidents and how it correlated this with investment and maintenance operations according to its obligation to provide safe electricity supply, stipulated in article 36, para (7), let. c) of the Electricity and natural gas law 123/2012, with later amendments and additions.

After such control ANRE elaborated the Verification report 60854/11.07.2019, registered in Transelectrica under no. 30258/11.07.2019.

- Ministry of Public Finance, ANAF – DGAMC performed sudden control to Teletrans SA, a Company subsidiary. The control began on 17.07.2015 according to Working order 470/15.07.2019.

After the control ANAF- DGAMC transmitted partial Inspection Minutes which does not provide final conclusions or measures decided.

- Ministry of Public Finance, General Directorate of Economic-Financial Inspection performed economic-financial inspection to Teletrans SA, a Company subsidiary. The inspection began on 29.05.2015 and verified the 01.01.2010-31.12.2014 time interval, according to working order 82/27.05.2015 and 01.01.2015- to date, according to working order 38/31.05.2017 and it was suspended beginning with 12.06.2019 until a date to be notified later (as per letter 261987/14.06.2019 of the Ministry of Public Finance, General Directorate of Economic-Financial Inspection).

The objectives of such economic-financial inspection are the following:

- Foundation and execution of the revenue and expense budget;
- Compliance with budgetary, economic-financial and accounting discipline;
- Compliance with legal provisions regarding the assets from the state's public and private domain and from the administrative-territorial units;
- The organisation and exercise of the mandatory internal / managerial control;
- Verify the compliance with the provisions of GO 26/2013 on enhancing financial discipline at economic operators where the state or the administrative-territorial units are single or majority shareholders or directly or indirectly have majority participation, in 2015 – to date.

The draft Economic-financial inspection report elaborated on 21 February 2018 specifies that the state budgeted was prejudiced in total amount of 88,778,158 Lei, representing cashed sums that were not transferred to the state budget in 2006-2016 following rental of assets from the state public domain (capacities and infrastructure elements from the public telecommunication network) and the Company's and Teletrans' representatives did not comply with the provisions of articles 14, 15 and 16 of Law 213/1998 regarding the public property assets.

Letter 13443 / 26.03.2018 of Teletrans communicated to Transelectrica the following:

- From 21.02.2018 to 10.03.2018 several meetings were organised between Teletrans and the representatives of Ministry's control team, following which they established the calculation base used in the draft report was wrong, since it took into account only the recorded revenues without the expenses made (total amortisement of the network elements procured, human resources and total 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 management of the General Directorate for Economic-Financial Inspection in the Finance Ministry granted Teletrans a new deadline by which the reviewed situation should be

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submitted with additional information for the inspected interval, changing the initial date of 27.02.2018 to 30.03.2018.

Beginning with 26.03.2019 the General Directorate of Economic-Financial Inspection of the Ministry of Public Finance extended the previous control to the time interval 01.01.2015 - 31.12.2018, according to the Finance Ministry's notice 261043/25.03.2019, registered in Teletrans under no. 3053/26.03.2019.

The objectives of such economic-financial inspection are the following:

- Foundation and execution of the revenue and expense budget;
- Compliance with budgetary, economic-financial and accounting discipline;
- Compliance with legal provisions regarding the assets from the state's public and private domain and from the administrative-territorial units;
- The organisation and exercise of the mandatory internal / managerial control;
- Verify the compliance with the provisions of GO 26/2013 on enhancing financial discipline at economic operators where the state or the administrative-territorial units are single or majority shareholders or directly or indirectly have majority participation, in 2015 – to date.

As regards the legality of operating the excess of optical fibre the arguments on the juridical nature of the contractual relation took into account the legal opinion issued by Bostina&Asociatii according to which the previous contract C45/2006 was qualified as mandate contract without representation pertaining to "Teletrans SA concluding contracts in its own name but on behalf of the public telecommunication network of Transelectrica in order to trade its capacity and infrastructure elements". Such qualification of the juridical deed enabled concluding Convention C111/2014, while keeping the juridical relations between parties.

Letter 42553 / 17.10.2018 of NPG Transelectrica SA transmitted to Teletrans SA the analysis of revenues collected and expenses incurred from June 2006 to November 2017, which analysis pertained to the excess optical fibre capacity and requested subsidiary Teletrans to take care and send the Company's view to the Economic-Financial Inspection of the MFP accompanied by the analysis, before they elaborate the final Economic-financial inspection report.

Also upon Teletrans' request the Company sent letter 16537/05.04.2019 to the subsidiary with respect to some aspects of the investment objective "Rehabilitation and upgrade of certain components of the transmission dispatcher system of NPG Transelectrica SA", to the total royalty amount paid by the Company in 2006-2019, and the total optical fibre costs in 2006-2019.

Until the date of these interim financial statements Teletrans SA has not received the Economic-financial inspection report, and what more is notification 263395/29.10.2019 registered under no. 10004/30.10.2019 in Teletrans the control was suspended beginning with 29.10.2019.

At present there are disputes on the docket with the Court of Audit about their controls performed in 2013 and 2017. Taking into account the Court of Audit's findings recorded in its 2013 and 2017 decisions it is likely to result additional fiscal obligations which cannot be accurately determined now according to the terms provided in Standard IAS 37 Provisions, contingent liabilities and assets.

### 21. Affiliated parties

*Transactions with the Company's subsidiaries*

Entity	Country of origin	30 September 2019	31 December 2018
		% of shares	% of shares
SMART SA *)	Romania	70.005	70.005
TELETRANS SA	Romania	100	100
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 decision 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 increase of the share capital of subsidiary SC Smart SA by contribution in kind and the concordant amendment of the articles of association according to Decision 12375/22.12.2014 of the Chairman of the



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Board of Administration in this subsidiary and to BA Decision 19/22.12.2014. The Company also requested the competent court to cancel the two fore-mentioned decisions and suspend the application of deeds cancellation is requested for, until settlement of this case.

In file 32675/3/2015 Bucharest Tribunal, Section VI Civil pronounced civil ruling 6468/16.11.2015 deciding as follows: "It admits the exception of inadmissibility. It denies as inadmissible the suing filed by claimant Transelectrica in contradiction with defendants Subsidiary Company for maintenance services to the electric transmission grid SMART SA, the Romanian State and ONRC. Appeal right within 30 days from notification; appeal to be submitted to Bucharest Tribunal, Section VI Civil. Pronounced at public hearing on 16 November 2015". NPG Transelectrica SA filed appeal registered on the docket of the Appeal Court Bucharest, file settled on the 23 May 2016 hearing term when the Appeal Court Bucharest pronounced civil decision 903/23.05.2016 deciding: "It denies the appeal as groundless. It admits the notification of the Constitutional Court. In accordance with article 29 para 4 of Law 47/1992 it notifies the Constitutional Court to settle the unconstitutionality exception of provisions from article 114 para 3 if Law 31/1990 against the provisions of articles 16, 21 and 44 of the Constitution, an exception claimed by the appellant; final".

The unconstitutionality exception pertained to file 1338D/2016 of the Constitutional Court. In this file the Constitutional Court pronounced Decision 398/19.06.2018, which was transmitted for publication together with Letter 8024/24.09.2018.

In accordance with the provisions of article 509 para (1) item 11 from the Civil Procedural Code Transelectrica SA submitted request to review Decision 903/A/2016, pronounced by the Appeal Court Bucharest, Section VI Civil on 23.05.2016 in file 32675/3/2015, which maintained the Civil ruling 6468/2015 of 16.11.2015 pronounced by Bucharest Tribunal, Section VI Civil, requesting the court to change entirely the contested decision, meaning admitting the appeal, denying as groundless the inadmissibility exception of the case and consequently re-judge case, while admitting the suing as expressed.

The review request pertained to file 7763/2/2018 of the Appeal Court Bucharest, Section VI Civil.

On 26.03.2019 the Appeal Court Bucharest deferred pronouncement to 09.04.2019, then to 23.04.2019, then to 07.05.2019, then to 14.05.2019 when ruling 835/14.05.2019 decided as follows: "It admits the review request. It entirely changes the contested decision, meaning it admits the appeal. It cancels civil ruling 6468/16.11.2015. It denies the decline exception of recurrent Subsidiary Company for Maintenance Services to the Electric Transmission Grid Smart SA from the right to invoke the request write-off exception pertaining to ascertaining the nullity of the two contested decisions. It denies the request write-off exception and the complaint lateness exception as groundless. It denies the inadmissibility exception as groundless. It admits the exception of the absent passive law suit capacity of defendant ONRC. It denies the request filed in contradiction with this defendant as introduced against a person without passive law suit capacity. It admits the request filed by claimant the NATIONAL POWER GRID COMPANY TRANSELECTRICA SA in contradiction with defendants the ROMANIAN STATE and the SUBSIDIARY COMPANY FOR MAINTENANCE SERVICES to the ELECTRIC TRANSMISSION GRID SMART SA. It cancels Decision 19/22.12.2014 of the BA of the Subsidiary Company for Maintenance Services to the Electric Transmission Grid SMART SA and Decision 12375/22.12.2014 of the BA Chairman of the Subsidiary Company for Maintenance Services to the Electric Transmission Grid SMART SA. It compels the recurrent defendant Subsidiary Company for Maintenance Services to the Electric Transmission Grid SMART SA to pay 250 Lei as law suit expenses to the appellant; final. It was pronounced at public hearing on 14.05.2019".

Decision 19/22.12.2014 of the Board of Administration of the Subsidiary Company for Maintenance Services to the Electric Transmission Grid SMART SA mandated the BA Chairman of the Subsidiary Company for Maintenance Services to the Electric Transmission Grid SMART SA to perform all legal procedures in order to increase the Company's share capital and amend accordingly the Articles of Association.

Decision 12375/22.12.2014 of the BA Chairman of the Subsidiary Company for Maintenance Services to the Electric Transmission Grid SMART SA decided increasing the share capital by 16,507,700 Lei representing contribution in kind, and concordant change of shareholders granting the Secretariat General of the Government seated in Bucharest 1, Piata Victoriei 1 1,650,770 shares of 10 Lei nominal value each, which were granted to the Romanian State by means of the Secretariat General of the Government that received 29.994% participation quota to benefits and losses, amending the Articles of Association and mandating Mr. Florin Rosu to carry out the publicity formalities and registration with the ORCB.

\*\*\*) On 09.06.2017 Bucharest Tribunal, Section VII Civil decided initiation of bankruptcy by simplified procedure of debtor Subsidiary Company ICEMENERG SERVICE SA, designating Solvendi SPRL as provisional judiciary liquidator. The Company registered in 2016 a depreciation allowance amounting to 493,000 for the shares held with Subsidiary SC ICEMENERG SERVICE SA.

The value of Company-held shares in its subsidiaries amounted to 78,038,750 on 30 September 2019 and to 78,038,750 on 31 December 2018.

The balances with Company subsidiaries are as follows:

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AFFILIATED ENTITY	Trade receivables*)		Trade liabilities	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
SC SMART SA	6,900,337	15,975,004	8,118,166	6,609,697
SC TELETRANS SA	213,500	273,466	7,814,729	9,282,984
SC FORMENERG SA	0	0	0	28,703
SC OPCOM SA	68,487,316	69,433,519	61,410,679	62,030,702
<b>TOTAL</b>	<b>75,601,153</b>	<b>85,681,989</b>	<b>77,343,574</b>	<b>77,952,086</b>

\*) Trade receivables are provided with their gross value.

The transactions performed with Company subsidiaries in the reported period were as follows:

AFFILIATED ENTITY	Sales			
	Quarter III 2019	Quarter III 2018	9 months 2019	9 months 2018
SC SMART SA	133,854	83,350	441,632	479,884
SC TELETRANS SA	120,069	235,648	745,559	1,859,488
SC OPCOM SA	192,336,285	32,364,176	412,323,907	151,006,195
<b>TOTAL</b>	<b>192,590,208</b>	<b>32,683,174</b>	<b>413,511,098</b>	<b>153,345,567</b>

AFFILIATED ENTITY	Procurements			
	Quarter III 2019	Quarter III 2018	9 months 2019	9 months 2018
SC SMART SA	34,877,532	21,447,898	60,144,460	51,119,721
SC TELETRANS SA	2,814,738	8,950,143	23,305,390	25,878,050
SC FORMENERG SA	1,217	4,169	6,707	8,210
SC OPCOM SA	38,940,360	120,925,643	204,814,921	256,897,732
<b>TOTAL</b>	<b>76,633,847</b>	<b>151,327,853</b>	<b>288,271,478</b>	<b>333,903,713</b>

**22. Credit risk**

The credit risk is the hazard by which the Company stands financial loss for a client's failure to comply with contractual obligations or a counterpart's to a financial instrument. Such risk results mainly from trade receivables as well as cash and cash equivalents.

The counterpart risk is treated using factors inside and outside the Company. The external success factors with influence on the systematic risk reduction are: decentralising the energy sector making the generation, transmission, distribution and supply distinct activities, while the supplier is the client's interface; electricity is traded on Romania's market by two segments: the regulated market and the competitive one. Internal success factors for the counterpart risk treatment include: diversification of the clients' portfolio and of the number of services provided on the electricity market.

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

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

	30 September 2019	31 December 2018
<b>Financial assets</b>		
Net trade receivables	663,817,913	901,152,842
Other net receivables and down payments to suppliers	103,349,502	79,933,669

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Recoverable VAT	13,882,090	82,507,514
Cash and cash equivalents	271,812,261	482,158,679
Other financial assets	80,000,000	-
<b>Total</b>	<b>1,132,861,766</b>	<b>1,545,752,704</b>

The age of receivables on the financial position statement date is provided below:

	<b>Gross value 30 September 2019</b>	<b>Impair allowance 30 September 2019</b>	<b>Gross value 31 December 2018</b>	<b>Impair allowance 31 December 2018</b>
Have not reached their maturity	518,595,091	1,002,775	755,702,939	2,264,233
Due date exceeded 1 – 30 days	249,672	14,891	2,149,726	-
Due date exceeded 31 – 90 days	92,488	75,923	279,687	169,230
Due date exceeded 90 – 180 days	2,661,676	2,504,935	61,807	37,271
Due date exceeded 180 – 270 days	1,557,804	1,158,424	928,448	932,223
Due date exceeded 270 – 365 days	131,070	134,407	2,101,062	2,104,637
More than a year	282,462,195	137,040,729	279,573,409	134,136,642
<b>Total</b>	<b>805,749,996</b>	<b>141,932,083</b>	<b>1,040,797,078</b>	<b>139,644,236</b>

The age of ‘Other receivables’ on the financial position statement date is provided below:

	<b>Gross value 30 September 2019</b>	<b>Impair allowance 30 September 2019</b>	<b>Gross value 31 December 2018</b>	<b>Impair allowance 31 December 2018</b>
Have not reached maturity	92,432,489	411,170	65,288,686	3,625,818
Due date exceeded 1 – 30 days	663,752	-	4,125	-
Due date exceeded 31 – 90 days	9,551,908	256,286	46,024	7,542
Due date exceeded 90 – 180 days	80,624	46,648	867,662	5
Due date exceeded 180 – 270 days	1,078,359	1,077,059	153,106	153,106
Due date exceeded 270 – 365 days	11,643	7,542	78,870	26,216
More than a year	68,167,886	52,956,364	69,684,397	52,376,512
<b>Total</b>	<b>171,986,661</b>	<b>54,755,069</b>	<b>136,122,870</b>	<b>56,189,199</b>

The greatest depreciation allowances on 30 September 2019, calculated for trade receivables and their penalties were registered for CET Govora (25,687,153), SC Eco Energy SRL (24,736,066), SC Petprod SRL (23,539,650), Arelco Power (15,533,047), 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 (5,811,238), CET Brasov (4,664,627). To recover receivables with depreciation allowances the Company took the following measures: suing to court, recording in the creditors’ list, requesting explanations from ANAF (for recoverable VAT from Opcom) etc.

Transelectrica’s policy consists in registering 100% allowances for value losses with clients under dispute, insolvency and bankruptcy and 100% of trade receivables and other uncollected receivables during more than 180 days, except for outstanding receivables generated by the support scheme. The Company also performs case-by-case analysis of trade receivables and other uncollected receivables.

The impairment allowances for doubtful receivables are as follows:

	<b>30 September 2019</b>	<b>31 December 2018</b>
<b>Balance on 1 January</b>	<b>139,644,236</b>	<b>122,650,719</b>
Recognition of impairment allowances	5,153,779	25,315,210
Reversal of impairment allowances	2,865,932	8,321,693
<b>Concluding balance</b>	<b>141,932,083</b>	<b>139,644,236</b>

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The impairment allowances for other doubtful receivables are as follows:

	<u>30 September 2019</u>	<u>31 December 2018</u>
<b>Balance on 1 January</b>	<b>56,189,199</b>	<b>80,291,308</b>
Recognition of impairment allowances	1,181,875	10,395,305
Reversal of impairment allowances	2,616,005	34,497,414
<b>Concluding balance</b>	<b>54,755,069</b>	<b>56,189,199</b>

Financial assets that might submit the Company to the collection risk are trade receivables and cash and cash equivalents. The Company has put in practice a series of policies making sure the services are sold to clients with proper collection, by including in their trading contracts the obligation to constitute financial securities. The value of receivables net of value allowances represents the maximum amount exposed to the collection risk. The collection risk associated to such receivables is limited, because such amounts are mainly owed by state-owned companies.

Cash is placed into financial institutions considered as providing minimum risk.

### 23. Later events

- ***Signing the financing contract for the 400 kV OHL Gutinas – Smardan***

The Company signed the financing contract in order to build the 400 kV overhead line (OHL) Gutinas – Smardan, amounting to 33.43 million Euros. The European non-reimbursable finance was obtained under the Operational Programme Large Infrastructure (POIM) 2014-2020, Priority Axis 8 – Smart sustainable systems of electricity transmission and natural gas transport, Specific objective 8.1 – Increasing the capacity of the National Power System in order to take over the output of renewable resources. The total investment value is of 56.76 million Euros.

- ***Appointing the Chairman, approving the membership in the Consultative Committees of the Supervisory Board***

The Supervisory Board having assembled on 10.10.2019 appointed Mr. Mircea Gheorghe Dumitru COSEA as Supervisory Board Chairman and designated the members of consultative committees from the Supervisory Board as follows:

Nomination and remuneration committee:

- Mihaela CONSTANTINOVICI - chairperson
- Adrian MITROI - member
- Petru TARNICERU - member
- Ionica BADILA – member

Audit committee:

- Adrian MITROI – chairman
- Mircea Gheorghe Dumitru COSEA - member
- Virginia Mihaela TOADER - member
- Petru TARNICERU – member
- Ionica BADILA – member

Energy security committee:

- Mircea Gheorghe Dumitru COSEA – chairman
- Virginia Mihaela TOADER - member
- Mihaela CONSTANTINOVICI – member

- ***Changes in the Company' management***

At the meeting of 16 October 2019 the Supervisory Board extended the mandates of provisional members and Directorate members beginning with 21 October 2019, for two months, to the following persons:

- Claudia - Gina ANASTASE
- Andreea Georgiana FLOREA
- Adrian SAVU

It designated the provisional Directorate members beginning with 21 October 2019, for two months, the following persons:

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- Virgiliu IVAN
- Luca-Nicolae IACOBICI

Mrs. Claudia-Gina ANASTASE A was appointed as chairperson for the Directorate, alternatively called Executive Director General or Chief Executive Officer – “CEO” – of the Company beginning with 21 October 2019, for two months.

It decided designating Mr. Florin – Radu Ciocanelea as member in the Nomination and Remuneration Committee and in the Energy Security Committee of the Company’s Supervisory Board.

- ***Convening the Shareholders’ General Extraordinary Assembly***

The Directorate of the National Power Grid Company Transelectrica SA convened in accordance with the provisions of the Company Law 31/1990, republished, with later amendments and additions, of Law 24/2017 on the issuers of financial instruments and market operations, of ASF Regulation 5/2018 on the issuers of financial instruments and market operations, and of the applicable Company’s Articles of Association, the Shareholders’ general extraordinary assembly on 19.08.2019 in order to submit to the approval of the Shareholders’ general extraordinary assembly the increase of the share capital of the National Power Grid Company Transelectrica SA, subsequent to AGEA Decision 16/21.12.2018, by issuing new shares without share premium and observing the preference right of existent shareholders on the registration date with a maximum amount of 20,248,262 Lei, of which 11,883,300 Lei represent the expert-determined value of 17 lands which ownership certificates were provided for to the Company.

On 26.11.2019 the Directorate of Transelectrica SA convened again the Shareholders’ general extraordinary assembly (the third convocation) in order to submit to approval the share capital increase with the expert-determined value for 17 lands, which ownership certificates have been issued for.