

ANNUAL CONSOLIDATED REPORT

2018



Bucharest South Station - Photo by Alex Gully

Report of the Supervisory Board regarding the consolidated financial statements drafted according to the International Financial Reporting Standards

The Board of Supervisors relies on the corporative governance principles, which state a responsible, professional and ethical attitude of the Company towards all stakeholders. The Board examines the Company's strategy and its environmental premises it operates in, in order to plan Transelectrica's development and its performance, thus ensuring a rigorous formulation of objectives.

The consolidated financial statements for 2018 were presented to the Supervisory Board for review, the Company's Directorate providing detailed information on the annual results. At the meeting for the approval of the financial statements of 2018, the Audit Committee submitted to the Supervisory Board a report concerning the review of the results for the financial year 2018 and recommended to the Supervisory Board the approval of the consolidated financial statements drafted according to OMPF no. 2844/2016.

At the same time the Directorate's Annual Report elaborated in accordance with the requirements from the capital market legislation was reviewed by Supervisory Board members. The Consolidated Annual Report for 2018 provides a true and fair view of the Company's consolidated results for the financial year 2018.

The Audit Committee assists the Supervisory Board in fulfilling its own oversight responsibilities for the financial reporting process, the management reporting, the internal control system, the audit process, and the organizational process to monitor the compliance with laws, regulations and the code of conduct.

With highest consideration,

Supervisory Board

Chairman of the Supervisory Board

Statement of the responsible persons

To the best of our knowledge the consolidated financial-accounting statements as of December 31st 2018, drafted according to OMFP no. 2844/2016 for the approval of the Accounting Regulations in line with International Financial Reporting Standards, provide an accurate image consistent with reality of the assets, liabilities, financial position, profit and loss account of the Transelectrica Group, and the 2018 Consolidated Annual Report contains accurate and realistic information with respect to its development and performance, as well as the description of the main risks and uncertainties specific to the activity being carried out.

This Report presents **only the new elements compared to the 2018 Annual Report**, which result from the consolidation of Company's financial statements with its Subsidiaries.

Directorate,

**Marius-Danut
CARASOL**

**Directorate
Chairman**

**Claudia-Gina
ANASTASE**

**Directorate
Member**

**Andreea Georgiana
FLOREA**

**Member
Directorate**

**Constantin
SARAGEA**

**Directorate
Member**

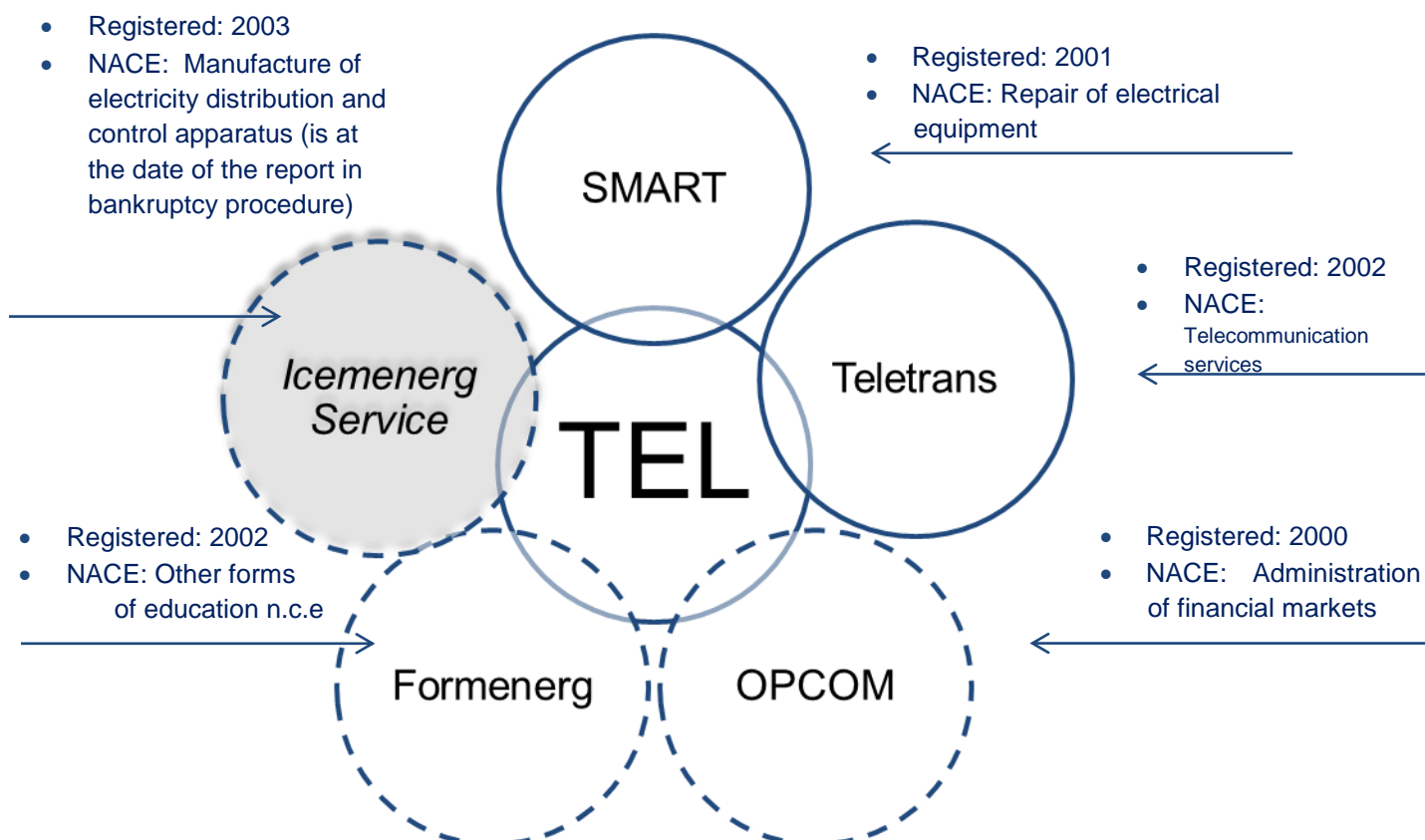
**Adrian
SAVU**

**Directorate
Member**

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PRESENTATION



On the date of this report Transelectrica has five subsidiaries in its structure, Romanian legal entities, organised as joint stock companies where it is the sole shareholder, namely: Formenerg, Teletrans, and Icemenerg Service (is at the date of the report in bankruptcy procedure).

In the case of Smart, following the increase of its share capital on December 23rd, 2014 by the Management Board of Smart with the value of land plots for which certificates authenticating the ownership rights have been previously obtained, the Company became the major shareholder with a 70% shareholding of the subsidiary's share capital.

Among the Company's subsidiaries, only Smart and Teletrans are included in the Group's financial consolidation perimeter. Formenerg and Icemenerg-Service have not been taken into consideration for the consolidation because according to the applicable accounting legislation, the impact of their activities is considered as being insignificant for the purpose of the consolidation, while OPCOM is subject to ANRE regulations and holds an independent position on the energy market, and therefore Transelectrica does not have control over it.

The subsidiaries participating to the consolidation perimeter (Smart and Teletrans) began procedures with a view to implement the corporative governance principles, in accordance with the regulations of GEO no. 109/2011 on the corporate governance of public enterprises. Thus, the recruited managers will be made responsible and remunerated as provided in GEO no. 109/2011. By implementing the corporate governance principles, the Company intends to increase the efficiency of the two Subsidiaries' activities taking steps to accomplish the objectives assumed.

SMART



The main object of activity of the SC SMART SA subsidiary is reviewing and repairing of live apparatus and equipment, transformers and autotransformers, as well as the remedy of incidents in electric installations and micro-production of electric equipment. The Company has 8 subsidiaries with no legal personality, situated in the same

The mission for which SMART SA was set up is to provide preventive maintenance, special works and corrective maintenance of the Transmission Electricity Network (RET), starting from the primary objective of Transelectrica: to ensure the transport of electricity in the national transport network in safety and stability conditions.

As general strategic objectives, at least the following shall be considered:

- ✓ Ensuring high availability of assets in the RET
- ✓ Increasing flexibility in operation
- ✓ Decreasing intervention times
- ✓ Coordination of maintenance services/works with the National Energy Dispatcher (DEN)

As of December 31st, 2018, the share capital amounts to 55,036 thousand lei.

According to letter no. 165/13.01.2015 (registered at Transelectrica under no. 1552/14.01.2015) transmitted by the subsidiary, starting with 30.12.2014, when the capital had been increased by contribution in kind with the value of the land plots for which certificates authenticating the ownership rights were obtained, the shareholder structure is the following:

- ✓ CNTEE Transelectrica SA – 70.005% - 3,852,860 shares
- ✓ The Romanian State through **the Ministry of Economy** – 29,995% - 1.650.770 shares
- ✓ The results of SMART are consolidated with the Company's financial results

TELETRANS



liary TELETRANS SA was established under AGA Decision no. 13/04.12.2002 of Transelectrica, pursuant to Law no. 31/1990 and the Orders no. 3098 and no. 3101 of 23.10.2002 issued by the Ministry of Industry and Trade and it is the provider of specific telecommunication and IT services for the operational and management activity of Transelectrica, having as main scope the provision of specific telecommunication services and information technology in the transmission electric networks.

Based on the Articles of Association and the applicable legislation, Teletrans holds the ANCOM certificate for networks or electronic communications service provider since 2002 (GEO no. 679/2002), allowing it the right to provide the following electronic communications services:

- ✓ Public electronic communications networks (starting with November 11th, 2004);
- ✓ Publicly available electronic communications services: (i) Leased line services and (ii) Electronic communications services other than telephony and leased lines (as of 01.07.2003);
- ✓ Private electronic communications networks and services (starting with January 15th, 2003).
- ✓ The TELETRANS staff also holds certifications relevant for the operation and management of IT&C systems dedicated to critical infrastructures.

TELETRANS competencies are structured in the following main directions:

- ✓ telecommunication services - mainly as administrator of the Company's optical fibre network, a network of about 5,000 km long and covering the entire territory of Romania;
- ✓ process information services, in particular in the energy field;
- ✓ managerial IT services, including consulting, design, implementation, maintenance, technical assistance and training for complex systems, software applications, Oracle databases, communications equipment, structured cabling, Internet / Intranet.

TELETRANS uses a fibre optic network built in reliable OPGW technology with access points in 110 localities as well as cross-border links with Hungary, Bulgaria and Serbia and provides EMS / SCADA integration services for renewable energy producers and the new control-command systems in refurbished stations.

The share capital on 31.12.2018 was 6,874 thousand Lei, Transelectrica being sole shareholder.

- ✓ TELETRANS shares are 100% held by Transelectrica.

- ✓ Teletrans results are consolidated with the Company's financial ones.

FORMENERG



The company FORMENERG was established as a result of Decision no. 33/19.11.2001 of the General Shareholders Meeting - "Transelectrica" S.A., by outsourcing the activity of the Training and Improvement Branch of the Energy Sector Staff.

FORMENERG started its activity on March 21, 2002.

Subsidiary FORMENERG SA is a company whose main object of activity is the initial and continuous professional training in all fields of activity of the personnel with attributions in the energy field of all sectors of the national economy and of other beneficiaries, among them Transelectrica, GDF SUEZ Energy Romania, Romgaz, Transgaz Mediaş, Nuclearelectrica and Hidroelectrica.

FORMENERG SA is the oldest professional training centre in Romania with more than 48 years experience in the field of professional training that has succeeded in modernizing and adapting to the requirements of its clients, offering a wide range of courses in various fields: management, marketing, finance, accounting, legislation, IT, quality, environment, occupational health and safety, construction, energy strategy, ECDL, communication, human resources, European funds, public procurement, technical courses, energy sector specific courses.

FORMENERG's competences are structured in the following main directions:

- ✓ carrying out the training activity
- ✓ launching new courses
- ✓ participation in auctions
- ✓ re-authorizing courses
- ✓ improving the technical-material basis of the company

The share capital is 1,948 thousand lei, fully paid up, represented by 194,842 shares of 10 lei nominal value each.

- ✓ FORMENERG shares are 100% held by Transelectrica.

ICEMENERG – SERVICE

On the date of June 9th 2017, the Bucharest Court, Civil Division VII, ordered the bankruptcy procedure through the simplified procedure of the debtor, ICEMENERG SERVICE SA, designating Solvendi SPRL as a provisional liquidator.

- Subsidiary ICEMENERG Service SA is focused on the design, manufacture and distribution of metering, running and control apparatuses meant for the power system, having got ISO 9001 and IQ NET certification from SRAC ROMANIA, ANRE licensed.
- By Order no. 855/10.12.2004 of the Minister of Economy and Trade (on instituting the special administration procedure and financial supervision), starting with 23.12.2004 the special administration and financial supervision procedure was instituted in the SC ICEMENERG – SERVICE SA subsidiary during the privatization period of ICEMENERG – SERVICE SA, subsidiary of Transelectrica, with a view to determine the manner of administration and management as well as the measures to be taken in order to expedite the company's privatization process.
- AGA Decision no. 1/28.02.2017 of the General Assembly of Shareholders approves the default of the company in simplified form.
- On the date of June 9th 2017, according to the Sentence issued by the Bucharest Court, Civil Section VII in file 18051/3/2017, the bankruptcy was filed through a simplified procedure of the company. Transelectrica recorded an impairment adjustment in the amount of 493 thousand lei 2016 for the shares held at subsidiary ICEMENERG SERVICE SA.
- CNTEE Transelectrica SA submitted to the registry of the court (Bucharest Court) a statement of claim in file no. 18051/3/2017 requesting the enrolment at the debtor of Icemenerg Service SA with

the amount of 92.2 thousand lei representing the value of the financing made by CNTEE Transelectrica SA under the Convention no. C 156 / 21.06.2006, for the preparation of the privatization of the Company Subsidiary "Icemenerg-Service" SA, out of which: the amount of 63.1 thousand lei representing registration fee at the ONRC of the share capital increase and the amount of 29.2 thousand lei representing the evaluation report prepared by Inco Consulting SRL, amounts recorded and detailed in the supporting documents annexed to the application, prior to the opening of the procedure. Also, the amount of 200 lei was requested, representing the judicial stamp duty, related to the enrolment application of CNTEE Transelectrica SA at the advanced list of creditors in this file.

- On 07.08.2017, the judicial administrator SOLVENDI SPRL confirmed the inclusion in the preliminary table of receivables of the debtor of the Subsidiary "Icemenerg-Service" S.A., the amount of 92.2 thousand lei, representing the value of the financing made by CNTEE Transelectrica SA based on the Convention no. C 156 / 21.06.2006, for the preparation of the privatization of the Company Subsidiary "Icemenerg-Service" SA, to which is added the amount of 200 lei representing the judicial stamp duty related to the enrolment application at the list of creditors.
- Following the completion of the valuation procedure of the Company's assets, as it results from the Regulation on Asset Recovery Procedure (informative material on the agenda of creditors' meetings dated April 19, 2018), a market value of the assets amounted to 10,860,796 euros, equivalent to 50,337,703 lei, at a EUR / RON exchange rate of 4,6348, on the valuation date of January 9, 2018.

The share capital amounts to 493 thousand Lei, fully paid up and represented by 49,300 shares of 10 lei nominal value each.

OPCOM



OPCOM SA was established according to GD 627/2000 on the reorganisation of the National Electricity Company SA as subsidiary, whose sole shareholder is Transelectrica .

According to the provisions of the primary and secondary legislation in force, the Company Operatorul Pietei de Energie Electrica si Gaze Naturale OPCOM SA performs the role of electricity market administrator, providing an organized, viable and efficient framework for commercial transactions in the wholesale electricity market and conducting centralized gas market management activities under conditions of consistency, fairness, objectivity , independence, equidistance, transparency and non-discrimination.

Main activities carried out by OPCOM in accordance with the provisions of the primary and secondary legislation in force:

- ✓ Exercising the organization and administration of centralized electricity markets;
- ✓ Exercising the Settlement Operator function, by performing the settlement operations for the Next Day Market and the Intra-Day Market, respectively establishing the payment / collection obligations for the Balancing Market and the quantitative and value imbalances of the Parties responsible for balancing;
- ✓ Exercising the function of organizer and administrator of the green certificate market;
- ✓ Exercising the position of administrator of the Greenhouse Gas Emissions Trading Scheme;
- ✓ Exercising the management of centralized markets in the natural gas sector;
- ✓ Supervising the operation of the administered markets;
- ✓ Collecting and publishing market statistics according to the Energy Law.

Transelectrica does not exercise actual direct control over the decision making mechanisms of OPCOM, whose administration is performed according to ANRE regulations.

As of December 31st, 2018, OPCOM's share capital amounts to 31,366 thousand lei.

The shareholder structure is as follows:

- ✓ CNTEE Transelectrica SA – 97,84%
- ✓ The Romanian State through the Ministry of Economy – 2,16%

IDENTIFICATION DATA**SMART**

| | |
|-----------------------------------|--|
| Headquarters | Bucharest 1 , Bd. Gen. Gh. Magheru 33, |
| Number in the trade register | J40/ 8613 / 2001 |
| Single (fiscal) registration code | 14232728 |
| Share capital | 55,036,300 Lei divided into 5,503,630 nominative shares of 10 Lei nominal value each |
| Shareholders | Transelectrica – 70.005% Romanian State – 29.994% |
| Establishment document | GD 710/ 2001 with respect to establishing the subsidiary Trading Company for Maintenance Services in the Electricity Transmission Grid SMART SA by reorganisation of certain activities of the National Power Grid Co. Transelectrica SA |

TELETRANS

| | |
|-----------------------------------|---|
| Headquarters | Bucharest 3, Bd. Hristo Botev 16-18, |
| Number in the trade register | J40/ 12511 / 2002 |
| Single (fiscal) registration code | 15061510 |
| Share capital | 6,874,430 Lei divided into 687,443 nominative shares of 10 Lei nominal value each |
| Sole shareholder | Transelectrica |
| Establishment document | CNTEE Transelectrica's AGA Decision no.13 dated 20.03.2002 and orders of the Minister of Industry and Resources no.3098,3101 / 23.10.2002 |

FORMENERG

| | |
|-----------------------------------|---|
| Headquarters | Bucharest 4, Blvd. Gheorghe Sincai 3 |
| Number in the trade register | J40/ 2265 / 2002 |
| Single (fiscal) registration code | 14529126 |
| Share capital | 1,948,420 Lei divided into 194,842 nominative shares of 10 Lei nominal value each |
| Sole shareholder | Transelectrica |
| Establishment document | Decision 33 of Transelectrica's AGA of 19.11.2001 |

ICEMENERG SERVICE

| | |
|-----------------------------------|--|
| Headquarters | Bucharest 3, Bd. Energeticienilor nr. 8, |
| Number in the trade register | J40/ 11414 / 2003 |
| Single (fiscal) registration code | 15689117 |
| Share capital | 493,000 Lei divided into 49,300 nominative shares of 10 Lei nominal value each |
| Sole shareholder | Transelectrica |
| Establishment document | GD 925 of September 1, 2010 on the establishment, organization and functioning of the National Research and Development Institute for Energy - ICEMENERG Bucharest |

OPCOM

| | |
|-----------------------------------|--|
| Headquarters | Bucharest 3, Bd. Hristo Botev 16-18 |
| Number in the trade register | J40 / 7542/ 2000 |
| Single (fiscal) registration code | 13278352 |
| Share capital | 31,366,090 Lei divided into 3,136,609 nominative shares of 10 Lei nominal value each |
| Shareholders | Transelectrica – 97.84% Romanian State – 2.16% |

Establishment document

Governmental Decision 627/ 2000

GOVERNANCE STRUCTURES

The management of the subsidiaries at the date of this report is provided by the following persons:

SMART:

Catalin CONSTANTINESCU CEO
Adrian CORBU Deputy CEO I
Daniela-Adriana FLOREA Deputy CEO II

TELETRANS:

Dan DASOVEANU CEO
Alia MEKKAOUI Economic Manager
Nicolae Marius BITA Legal Department Manager

FORMENERG:

Dragoş FLORESCU CEO
Marcel NICULESCU Economic Manager
Mariana CROITORU Commercial Manager

OPCOM:

Victor IONESCU CEO
Silvia FEDIUC Economic Manager
Luminița LUPULUI Transactions - Short Term Settlement Manager

CONSOLIDATION RESULTS 2018-2016

The general results of Group activities on 31.12.2018 were as follows:

| Mil. Lei | 2018 | 2017 | 2016 | 18/17 |
|--------------------|----------------|----------------|----------------|---------|
| Operating revenues | 2.725.605 | 3.068.004 | 2.738.088 | ▼ (11%) |
| Operating expenses | (2.319.680) | (2.682.832) | (2.064.939) | ▼ (14%) |
| EBITDA | 405.925 | 385.172 | 673.149 | ▲ 5% |
| Depreciation | (306.967) | (321.027) | (331.433) | ▼ (4%) |
| EBIT | 98.957 | 64.145 | 341.716 | ▲ 54% |
| Net finance result | (9.738) | (23.625) | (19.844) | ▼ (59%) |
| EBT | 89.219 | 40.520 | 321.872 | ▲ 120% |
| Income tax | (13.839) | (19.096) | (62.878) | ▼ (28%) |
| Income tax | 75.380 | 21.424 | 258.994 | ▲ 252% |

| Mil. lei | 2018 | 2017 | 2016 | 18/17 |
|---|-----------|-----------|-----------|---------|
| Non-current assets | 3.101.342 | 3.134.010 | 3.311.531 | ▼ (1%) |
| Current assets | 1.629.517 | 1.429.930 | 2.005.386 | ▲ 14% |
| TOTAL ASSETS | 4.730.858 | 4.563.940 | 5.316.917 | ▲ 4% |
| Shareholders' Equity | 2.840.236 | 2.735.489 | 3.129.699 | ▲ 4% |
| Non-controlling interests | 1.335 | 4.065 | 5.484 | ▼ (67%) |
| Non-current liabilities | 682.023 | 697.828 | 1.026.237 | ▼ (2%) |
| Current liabilities | 1.207.264 | 1.126.558 | 1.155.497 | ▲ 7% |
| TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES | 4.730.858 | 4.563.940 | 5.316.917 | ▲ 4% |

| Mil lei | 2018 | 2017 | 2016 | 18/17 |
|---|-----------------|------------------|-----------------|---------|
| Net cash from the operating activities | 434.654 | 110.013 | 510.992 | ▲ 295% |
| Cash used in the investment activities | (153.242) | (50.694) | (200.636) | ▲ 202% |
| Cash used in the financing activities | (329.792) | (465.935) | (352.695) | ▼ (29%) |
| Net increase/decrease in cash and cash equivalents | (48.381) | (406.614) | (42.339) | ▼ (88%) |
| Cash and cash equivalents as at January 1st | 553.875 | 960.489 | 1.002.829 | ▼ (42%) |
| Cash and cash equivalents at the end of the period | 505.494 | 553.875 | 960.489 | ▼ (9%) |

ACTIVITIES

In 2018 the two Subsidiaries included in the consolidation carried out activities in accordance with their main areas of activity, as follows:

- **TELETRANS**

The services offered by TELETRANS to third-party customers consist mainly of IT & C solutions with the use of a proprietary network that operates on the TRANSELECTRICA fibre optic surplus (a pair of fibres and two pairs on some sections) and in the interconnection solutions of the producers of renewable energy in the National Energy System.

Complex operator services

Fibre optic data transmission services:

- Complex data transmission services at IP / MPLS STM16 / STM64, 1Gb, 10Gb, Lambda level on the company's own DWDM network;
- Complex services n x Mb, n x 1Gb, 10 Gb on company's own IP / MPLS equipment;
- Specialized technical assistance.

Internet Protocol (IP) Services:

- Internet access over 100 points in the national fibre optic network;
- Secure VPN networks on IP / MPLS network;
- Metropolitan / national customer interconnection;

Collocation Services in:

- Collocation centres of the company in Bucharest and Timisoara;
- Points of territorial presence of the company from 35 county seats;
- The 400 kV and 220 kV electrical stations of the sole shareholder.

Services dedicated to the SCADA system

- Integration of alternative energy producers (wind and cogeneration) into the national EMS / SCADA system.
- Services for the commissioning and maintenance of the communication systems necessary for the integration of renewable energy producers.
- Technical support

In 2018, has carried out activities as follows:

- Services in the Information Technology domain:

- Services offered to corporative clients on the Romanian market and asked by Transelectrica: outsourcing type services to administer information systems, administration of IT networks, IT systems and applications, elaborating IT software specific to clients, designing and constituting IT networks- LAN, MAN and WAN, design and implementation of IT systems, building IT systems and applications that use relational databases, ERP systems, making Internet sites, web-

based applications, support services, preventive/corrective maintenance of IT equipment and systems, hardware and software maintenance;

- IP services offered on the Romanian market to corporate customers, telecommunication and Internet service providers:

broadband Internet services, physical carriers for this type of connection;

➤ Services for telecommunications:

- for Transelectrica: services under Service Level Agreement (SLA) and services upon order;

- for government bodies and for other clients on the liberalized telecommunications market in Romania, through leased line services, dark fiber services, collocation services and associated services.

➤ Services in the Process Information domain:

- Maintenance of process information systems / equipment;
- Management of process information systems;
- Elaborating and implementing new applications or developing existing ones;
- Implementation and commissioning of process information systems;
- Integrating the new command-control systems from refurbished substations into the EMS/SCADA; Remote control/tele-management of electric substations from the Territorial Power Dispatcher (DET)/ National Power Dispatcher (DEN)

- **SMART**

The main activity of the company is to carry out inspections and repairs to the primary equipment from the electrical networks, the remediation of incidents to electrical installations, the provision of services in the energy field, the microproduction of electrical equipment.

Smart S.A. was established with the purpose of carrying out the maintenance and repair services of CNTEE Transelectrica S.A. and must prioritize the necessary resources for the RET's maintenance activity, according to the mission established at the start of the project.

In addition, the company can also carry out other related activities to support the main object of activity, in accordance with the legislation in force and its own status, in the conditions of the safe operation of the National Energy System.

SMART SA has designed, documented and implemented an Integrated Management System for quality, environment, labour security and health in accordance with the requirements of the following reference standards:

- ISO 9001:2015 "Quality management systems; Requirements" - for quality;
- ISO 14001:2015 "Environment management systems; Specifications and User Guide" - for the environment;

- OHSAS 18001:2008 "Occupational health and safety management systems" - for occupational safety.

The Integrated Quality-Environment-Safety and Health Management System is certified by SRAC and IQNet with certificates no. 1111/21.12.2017 for ISO 9001: 2015, no. 112/21.12.2017 for ISO 14001: 2015 and 139/21.12.2017 for OHSAS 18001: 2008, valid until 21.12.2020 and recognized in more than 120 countries. Through the integrated management system, the company guarantees customers that the services provided are at least in compliance with the specified requirements.

Also, "Smart" S.A. has obtained two licenses from CNCAN for the quality management system in the nuclear field, namely:

- Authorization no. 17-028, for construction-assembly activities, valid until 03.11.2019 and
- Authorization no. 17-027, for the provision of services for nuclear installations, valid until 03.11.2019, according to the Ordinances of CNCAN president no. 65, 66, 71, 72/2003.

Smart S.A. is certified by the National Regulatory Authority for Energy for the following types of works:

- A - Testing of electrical equipment and installations;
- A3 - Testing of electrical equipment and installations, in order to certify compliance of wind and photovoltaic power plants with applicable technical norms;
- B - Design and execution of indoor electrical installations for civil and industrial constructions, overhead and underground connections at a nominal voltage of 0.4 kV;
- C1B - design of overhead or underground electric lines with nominal voltages of 0,4 kV - 110 kV and transformer stations with a rated voltage of up to 20 kV;
- C2B - execution of overhead or underground electric lines with nominal voltages of 0,4 kV - 110 kV and transformer stations with a rated voltage of up to 20 kV;
- D1 - design of overhead electric lines with nominal voltages of 110 kV - 400 kV and underground electric lines with nominal voltages of 110 kV or 220 kV;
- D2 - execution of overhead electric lines with nominal voltages of 110 kV - 400 kV and underground electric lines with nominal voltages of 110 kV or 220 kV;
- E1 - design of electrical stations and installations belonging to the electrical part of the power plants;
- E2 - execution of electrical stations and works on the electrical part of the power plants;
- F - execution of painting works for the electric networks/deflection for the overhead lane of overhead power lines.

Also, Smart owns authorizations issued by MAI-IGSU for works of:

- Installation and maintenance of systems and installations for limiting and extinguishing fires, except for those containing certain fluorinated greenhouse gases, authorization no.5501/08.02.2016 granted for an indefinite period.
- Installation and maintenance of signalling, alarm and alert systems and installations in the event of fire, authorization no. 5502/08.02.2016 of indeterminate validity.
- Design of systems and installations for signalling, alarm and alert in the event of fire, authorization no. 6599/10.01.2017 with indeterminate validity.

Smart S.A. is certified for the forestry activity by the Ministry of Environment, Waters and Forests, having the permit no. 1315/23.07.2018, valid until 23.07.2020.

In 2018 has been carried out activities:

- As supplier of services and work for:
 - Maintenance of electric power installations;
 - Refurbishments and modernisations of electric power installations.
- As supplier of consulting and design,
 - Devising specific products for electric power installations
- activities of:
 - Installing primary instrumentation (vacuum, SF6, oil, air insulated);
 - Installing digital equipment and systems for protections, metering and command-control;
 - Laying and connecting (high voltage, secondary circuits, optical fibre) cables;
 - Controls and parameter setting for digital equipment.
- Technical reviews, technical inspections, current and capital repairs, interventions upon accidental events and expertise operations, for clients from the energy sector and not only them, mainly to:
 - Installations and equipment that transmit and distribute low, medium, high and very high voltage electricity (750 kV inclusive);
 - Protection, automation, metering and command-control equipment and circuits for transformer and connection substations;
 - Transformers and autotransformers of all power and voltage levels (up to 500 MVA and 750 kV);
 - Overhead and cable lines (from 110 kV to 750 kV).

FINANCIAL POSITION STATEMENT

The consolidated financial position statement is as follows:

| | December 31st, 2018 | December 31st, 2017 | December 31st, 2016 |
|---|------------------------|------------------------|------------------------|
| Non-current assets | | | |
| Tangible assets | 3.043.346 | 3.085.762 | 3.254.345 |
| Intangible assets | 23.152 | 15.612 | 14.775 |
| Financial assets | 34.843 | 32.636 | 32.636 |
| Long-term receivables | 0 | 0 | 9.775 |
| Total non-current assets | 3.101.342 | 3.134.010 | 3.311.531 |
| Current assets | | | |
| Inventories | 54.085 | 50.106 | 45.475 |
| Trade and other receivables | 1.069.938 | 825.949 | 864.332 |
| Other financial assets | 0 | 0 | 135.090 |
| Cash and cash equivalents | 505.494 | 553.875 | 960.489 |
| Total current assets | 1.629.517 | 1.429.930 | 2.005.386 |
| Total assets | 4.730.858 | 4.563.940 | 5.316.917 |
| Shareholders' equity | | | |
| Share capital | 733.031 | 733.031 | 733.031 |
| First emission | 49.843 | 49.843 | 49.843 |
| Legal reserves | 123.742 | 119.153 | 116.552 |
| Revaluation reserves | 551.185 | 408.899 | 458.184 |
| Other reserves | 66.705 | 57.627 | 57.627 |
| Reported result | 1.315.729 | 1.366.936 | 1.714.462 |
| Equity attributable to the owners of the Group | 2.840.236 | 2.735.489 | 3.129.699 |
| Minority interests | 1.335 | 4.065 | 5.484 |
| Total equity | 2.841.571 | 2.739.554 | 3.135.183 |
| Non-current liabilities | | | |
| Long-term deferred revenues | 411.155 | 412.866 | 433.692 |
| Borrowings | 143.866 | 195.186 | 501.930 |
| Deferred tax liability | 61.016 | 27.263 | 32.565 |
| Employee benefits obligations | 65.986 | 62.513 | 58.050 |
| Total non-current liabilities | 682.023 | 697.828 | 1.026.237 |
| Current liabilities | | | |
| Trade and other liabilities | 1.018.348 | 693.349 | 877.058 |
| Other tax and social security liabilities | 11.578 | 11.225 | 12.291 |
| Borrowings | 61.149 | 338.183 | 155.548 |
| Provisions | 96.494 | 42.921 | 55.274 |
| Short-term deferred income | 19.329 | 40.881 | 38.025 |
| Income tax payable | 367 | 0 | 17.301 |
| Total current liabilities | 1.207.264 | 1.126.558 | 1.155.497 |
| Total shareholders' equity and liabilities | 4.730.858 | 4.563.940 | 5.316.917 |

PROFIT AND LOSS ACCOUNT

At Group level the profit and loss account statement is as follows:

| | December 31st, 2018 | December 31st, 2017 | December 31st, 2016 |
|--|------------------------|------------------------|------------------------|
| Operating Revenues | | | |
| Transmission revenues | 1.069.837 | 1.054.629 | 1.146.257 |
| Revenues from system services | 701.622 | 650.747 | 716.340 |
| Revenues on the balancing market | 903.865 | 1.304.613 | 814.080 |
| Other revenues | 50.281 | 58.015 | 61.411 |
| Total revenues | 2.725.605 | 3.068.004 | 2.738.088 |
| Operating expenses | | | |
| System operating expenses | (308.872) | (257.917) | (230.757) |
| Expenses on the balancing market | (903.865) | (1.304.613) | (814.080) |
| Expenses regarding the technological system services | (677.725) | (661.323) | (561.027) |
| Depreciation | (306.967) | (321.027) | (331.433) |
| Personnel expenses | (248.804) | (237.262) | (271.938) |
| Repairs and maintenance expenses | (62.466) | (52.383) | (28.913) |
| Expenses for materials and consumables | (28.312) | (22.206) | (27.741) |
| Other operating expenses | (89.635) | (147.127) | (130.483) |
| Total operating expenses | -2.626.647 | -3.003.859 | -2.396.372 |
| Operating result | 98.957 | 64.145 | 341.716 |
| Financial revenues | 16.020 | 17.229 | 28.676 |
| Financial expenses | -25.758 | -40.854 | -48.520 |
| Net financial result | -9.738 | -23.625 | -19.844 |
| Result before income tax | 89.219 | 40.520 | 321.872 |
| Income tax | -13.839 | -19.096 | -62.878 |
| Result for the year from continuing operations | 75.380 | 21.424 | 258.994 |
| RESULT FOR THE YEAR | | | |
| Attributable to: | | | |
| Owners of the Group | 78.110 | 22.843 | 265.155 |
| Non-controlling interests | -2.730 | -1.419 | -6.161 |
| Basic and diluted lost/earnings per share (lei/share) | 1,03 | 0.29 | 3.53 |

CASH FLOWS

At Group level the cash flows statement is as follows:

| | December 31st, 2018 | December 31st, 2017 | December 31st, 2016 |
|---|------------------------|------------------------|------------------------|
| Cash flows from operating activities | | | |
| Recording loss in retained earnings from correction off accounting errors | 0 | (75.727) | 0 |
| Profit for the year | 75.380 | 21.424 | 258.994 |
| Cash flows before changes in the current capital | 432.340 | 357.912 | 733.152 |
| Changes in: | | | |
| Stocks | (3.979) | (6.243) | 308 |
| Trade and other receivables | (214.992) | (10.374) | (156.359) |
| Trade and other liabilities | 277.717 | (81.148) | 51.861 |
| Other tax and social security liabilities | 353 | (1.066) | 3.597 |
| Liabilities paid according to NAFA tax decision | - | (99.891) | - |
| Deferred revenues | (22.974) | (17.970) | (29.640) |
| Cash flows from operating activities | 468.466 | 141.220 | 602.919 |
| Interest paid | (20.948) | (22.246) | (25.390) |
| Income tax paid | (12.865) | (8.861) | (66.538) |
| Net cash from operating activities | 434.654 | 110.013 | 510.992 |
| Cash flows used in investing activities | | | |
| Purchase of tangible and intangible assets | (173.236) | (191.801) | (142.730) |
| Proceeds from EC grants | 11.646 | 0 | 0 |
| Interest received | 9.867 | 5.991 | 5.880 |
| Owned shareholdings at TSC NET | (2.207) | 0 | 0 |
| Cashing from the sale of tangible assets | 688 | 26 | - |
| Dividends received | 0 | - | 1.219 |
| Other financial assets | 0 | 135.090 | (65.005) |
| Net cash used in the investment activity | (153.242) | (50.694) | (200.636) |
| Cash flows used in financing activities | | | |
| Borrowing from short-term loans | 0 | 3.776 | 4.133 |
| Repayments of long term borrowings | (113.900) | (134.372) | (162.486) |
| Repayments of short term borrowings | (13.282) | 0 | 0 |
| Reimbursement of liabilities | (200.000) | 0 | 0 |
| Special dividends as per GO no. 29/2017 | 0 | (169.799) | - |
| Paid dividends | (2.610) | (165.541) | (194.342) |
| Net cash used in financing activities | (329.792) | (465.935) | (352.695) |
| Net decrease of cash and cash equivalents | (48.381) | (406.614) | (42.339) |
| Cash and cash equivalents as of 1 January | 553.875 | 960.489 | 1.002.829 |
| Cash and cash equivalents at the end of the period | 505.494 | 553.875 | 960.489 |

LITIGATIONS

RAAN

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

Civil sentence no. 127 pronounced on 10.10.2014 by Mehedinti Court decided admitting the request of Plaintiff RAAN and compelling the Company to pay 109,0831.70 lei, the value of invoice no. 1300215/31.12.2013.

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

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

Ruling 124/2017 of the Appeal Court Craiova admitted the appeal filed by Transelectrica and cancelled sentence 127/2014 pronounced by Mehedinti Court, and the case was referred to Bucharest Court, Civil Section VI for re-judgement. On the docket of Bucharest Court the case was registered under no. 40444/3/2017, and by civil sentence 4406/04.12.2017 the court admitted RAAN’s request and obliged Transelectrica to pay 1,090,831.70 lei. The decision is under appeal. Hearing term was set on 13.12.2018.

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

Under such circumstances RAAN has calculated penalties for its not collecting in due time the cogeneration bonus amounting to 3,496,914, which the Company withheld on account of uncollected receivables. The amount of 3,496,914 lei was refused to pay by the Company and was not recorded as a debt under the support scheme.

The subject matter of the case file no. **9089/101/2013/a152** is a appeal of the additional Table of receivables against debtor RAAN.

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

At the hearing of 14.06.2018, the case is suspended until the case no. 3014/2/2014 on the role of HCCJ. On 28.06.2018 a term was set to continue the procedure, namely handing over the heavy water quantity, consolidating the creditors’ amount after settling all appeals, continuing all procedures with a view to recover trade receivables, representing the debtor company in court for recovery of such trade receivables, completing the valuation of patrimonial assets, elaborating the sale regulations and further capitalising the company’s assets.

A follow-up hearing was established on **06.06.2019**.

COURT OF AUDITORS

Following an audit session of 2013 in the Company, the Court of Audit required the Company to implement certain measures as a result of certain deficiencies it had found during this audit session. The decision and protocol issued by the Court of Auditors have been appealed before the Court of Appeal Bucharest, the case file no. **1658/2/2014** was thus constituted, aimed at the "annulment of the control documents" – Protocol no. 7/20.02.2014 issued by the Court of Auditors..

On 13.06.2018 the plaintiff's suit was partly admitted. The instance cancelled in part conclusion 7/20.02.2014, decision 37/9.12.2013 and the control report 35521/6.11.2012 issued by the defendant with respect to the measures required in the fore- mentioned decision in items I.1, I.3, I.6, I.8, I.11, II.14, II.15, II.17, II.18, II.20, II.21, II.22 and partially the measure of item II.13, which means removing the phrase "including those found in case of invoices issued by FLOREA ADMINISTRARE IMOBILIARA SRL". 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 plaintiff (partially expert fees and judiciary stamp tax).

Document: Decision 2771/13.06.2018

On the date of this report such Ruling has not been drawn up.

Following a verification conducted in 2017, the Court of Auditors issued several measures to be implemented by the Company as a result of a series of deficits identified within this verification, The decision and protocol issued by the Court CNTEE Transelectrica SA filed a total of 8 objections against the measures ruled by the Romanian Court of Auditors (CCR) via Decision no. 8/27.06.2017 requesting the annulment thereof, as well as the Decision no. 77/03.08.2017 registered with the Company's secretariat under no. 29117/08.08.2017, as well as the Control Report no. 19211/26.05.2017. The appeals are pending before the Bucharest Court of Appeal and the High Court of Cassation and Justice.

ANRE

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

On June 26th, 2014, the ANRE Order no, 51 was issued, published in the Official Journal under no, 474/June 27th, 2014 on the approval of the average tariff for the transmission service, the tariff for the system service and the zonal tariffs for the transmission service, payable to the National Power Grid Company "Transelectrica" - SA, and the repealing of Addendum no, 1 of the ANRE Chairman's Order no, 96/2013 regarding the approval of the average tariff for the transmission service, the tariff for the system service, the zonal tariffs for the transmission service and the tariffs for the reactive electrical energy, payable to economic agents from the electricity sector. The values taken into consideration for calculating the Regulated Rate on Return (RRR¹) by ANRE, according to the Methodology on establishing the tariffs for the electricity transmission service, approved by ANRE Order no. 53/2013 ("the Methodology") have determined a RRR value of 7.7%.

At the hearing of September 25, 2018, an address will return to the expert with a view to prepare and submit the expert report, indicating that it is impossible to submit the expert's report until the trial, in which case postponement of the case will be ordered.

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

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

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

OPCOM

On 24.11.2014, the Operator of the Electricity and Natural Gas Market - OPCOM SA, sued the Company for the payment of the amount of 582,086.31 euros (2,585,161.72 lei), representing the amount paid by this is a fine, of the total amount of the fine of 1,031,000 euros, the application being filed under file no. **40814/3/2014**.

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

Also OPCOM SA requested the law court to compel the Company to pay another amount of 84,867.67 lei as legal interest rate for the time interval 11.06.2014 – 24.11.2014.

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

On the 24.07.2015 court session the instance admitted the summons filed by the Electricity and Natural Gas Market Operator OPCOM SA in contradiction with defendant the National Power Grid Company Transelectrica SA and compelled the defendant to pay 582,086.31 Euro to the plaintiff, representing the amount the plaintiff paid on behalf of the defendant from the 1,031,000 Euro fine applied under European Commission Decision on 05.03.2014 in the AT.39984 case as well as the legal interest to a amount of 582,086.31 Euro, calculated on 11.06.2014 until actual payment date. The court also orders the defendant to pay to the plaintiff the amount of 37,828 lei, as legal costs, with a right of appeal within 30 days of communication. Against the sentence no. 4275/2015, pronounced in the aforementioned file, Transelectrica SA formulated an appeal, which was registered before Bucharest Court of Appeal.

The resolution of the Court of Appeal is the following: Admits the appeal. Changes the appealed civil sentence completely, meaning that it rejects the application for summons as unfounded. The court compels the respondent in appeal-plaintiff to pay 16,129 lei representing judiciary stamp tax. Appeal within 30 days of communication, pronounced at public hearing of 10.10.2016.

Document: Decision 1517/2016/10.10.2016

OPCOM S.A filed an appeal which was registered with the High Court of Cassation and Justice.

The term of the High Court for Cassation and Justice: 13.03.2018.

This Court's settlement in brief: Accepts the appeal by the plaintiff Operator of the Electricity and Natural Gas Market - OPCOM S.A. against Decision no. 1517 / 10.10.2016, pronounced by the Bucharest Court of Appeal - the Civil Division V. It lodges the contested decision and sends the case to a new 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 legal expenses to the respondent in appeal-plaintiff. Appeal right within 30 days of communication.

On 27.11.2018 CNTEE Transelectrica SA filed appeal.

ASITO KAPITAL SRL

File no. **24552/3/2017** was instituted as it pertains to "payment ordinance – claims", a dispute amounting to 31,180,857.96 lei.

On the date of 07.11.2017 after the deliberation, the Bucharest Court pronounced the following resolution in short:

Admits the request.

- Orders the debtor to pay within 20 days of the communication of this judgement the amount of 2,237,750.83 euros (equivalent of 9,948,592.64 lei at 4.4458 Euro exchange rate) amount representing unreturned down payment which was secured under guarantee letter for down payment BR-1500544/18.11.2015;
- Orders the debtor to pay within 20 days of the communication of this judgement the amount of 4,821,022.53 euros (equivalent of 21,233,265.32 lei at 4.4041 lei/Euro exchange rate) Euro exchange rate) amount representing unreturned down payment which was secured under guarantee letter for down payment BR-1500520/29.07.2015;
- Orders the debtor to pay within 20 days of the communication of this judgement the amount of 200 lei as legal expenses. With right of request in annulment within 10 days of communication Document: Decision 4067/2017- 07.11.2017 has been drawn up and transmitted to both parties on 17.10.2018.

On 01.11.2018 the Decision 4067/2017 - 07.11.2017 was legalised and then transmitted to BEJ Raileanu in view of enforcing such executory title.

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

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

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

In view of the application for annulment filed by ASITO KAPITAL SA against the Decision 4067/2017, the Company constituted a provision for litigations amounting to 31.180.858.

Mention should be made in case of file 35865/3/2018 (former file no. 24552/3/2017) the hearing term set for settlement of the request to cancel the payment ordinance whereby repayment of 31.2 mil lei was ordered, was set for 19.02.2019.

The resolution was postponed until: **20.03.2019**.

On the docket of Constanta Court is file no. 2236/118/2017, which pertains to the Company's request to be recorded with 31,189,486.75 lei in the creditors' list of Elcomex IEA SA. The trade receivable was registered in the credited amounts provided the indemnity letters for down payment issued by Asito Kapital are enforced. Next procedural term: **05.04.2019**.

CONAID COMPANY SRL

In 2013, Conaid Company SRL took legal actions against CNTEE Transelectrica for the unjustified refusal of the latter to sign an addendum to the connection agreement or to sign a new connection agreement, and requested the compensation for costs incurred up to that time, amounted to 17.4 mil lei and loss of profit for the period 2013 - 2033 amounting to EUR 722,756,000. So far, the Company did not conclude an addendum to the connection agreement because the suspensive provisions included therein have not been met by Conaid Company SRL. A new connection agreement would have had to be concluded by March 11th, 2014, the date on which the technical connection permit has expired. On the date of these financial statements, the amounts claimed by Conaid Company SRL were regarded as contingent liabilities as it is unlikely to settle this obligation, there will be necessary outflows of resources embodying economic benefits and the value of obligation cannot be evaluated with sufficient reliability. File 5302/2/2013 on the docket of the High Court of Cassation and Justice. Administrative and Fiscal Disputes Section pertained to compelling the issuance of an administrative act, file stage- appeal, hearing term being set on 09.12.2015 On this term the High Court of Cassation and Justice admitted in principle the appeals and set the hearing term for the main issue on 08.04.2016 for the appeals, Judge Panel 4, with parties' summons.

Case judgement was deferred until 17.06.2016, when the instance deferred pronouncement on 29.06.2016, when it pronounced Decision no. 2148/2016, by which it ordered the following: Rejects the exceptions invoked by the plaintiff - plaintiff Conaid Company S.R.L., via insolvency administrator RVA Insolvency Specialists SPRL, and by the plaintiff - defendant the National Power Grid Company Transelectrica S.A. Admits the appeal filed by the defendant National Power Grid Company Transelectrica SA against the hearing conclusion of 18.02.2014 and the civil sentence 1866 of 11.06.2014, pronounced by the Appeal Court Bucharest, Section VIII of administrative and fiscal disputes. Cancels the conclusion appealed against and partly the sentence and refers the case to Bucharest Court, Civil Section VI to settle the plaintiff's case in contradiction with the National Power Grid Company Transelectrica SA. Maintains the other provisions of the judgement regarding the plaintiff's action against the National Regulatory Authority for Energy. Rejects the appeals filed by the plaintiff Conaid Company S.R.L., via insolvency administrator RVA Insolvency Specialists SPRL, and by the plaintiff - defendant Duro Felguera SA against the civil sentence no. 1866 of June 11th, 2014, pronounced by the Appeal Court Bucharest, Section VIII of administrative and fiscal disputes. Rejects the appeal filed by the defendant National Power Grid Company Transelectrica S.A. against the hearing protocol from March 25th, 2014, pronounced by the Bucharest Court of Appeal - Section VIII, Administrative and Fiscal Litigation. Final. Ruled in open court on June 29th, 2016.

On the docket of Bucharest Court – Civil Section VI, the case was registered under no. 12107/3/2017. By civil sentence no. 4364/23.11.2017, the Court admits the exception to the ineligibility of the claim and rejects it as ineligible. It also rejects the motion to intervene in the interest of the plaintiff. With right of appeal within 30 days of communication. The appeal was submitted to Bucharest Court, Civil Section VI and placed at the parties' disposal by means of the court clerk on 23.11.2017.

On 02.11.2018, the Bucharest Court - Civil Section VI - was registered with a new appeal filed by Conaid Company SRL, file no. 36755/3/2018 by which the plaintiff requested the court to order Transelectrica SA to pay compensation for the damage caused to the plaintiff as a result of the default of the defendant in the amount of 17,216,093.43 lei, amounting to the actual loss suffered and the unrealized benefit, provisionally estimated at EUR 100,000, given the unjustified refusal of Transelectrica SA to conclude and sign an addendum to Contract No. C154 / 27.04.2012, and in the event that the court considers that, from the point of view formally can not be regarded as fulfilled by the applicant in respect of the suspensive conditions, this non-execution is due to the exclusive fault of Transelectrica SA, the defendant preventing the fulfilment of the conditions. "

Hearing: **09.04.2019.**

FF WIND ENERGY INTERNAȚIONAL SRL

Case file no. 47332/3/2017 on the docket of the Bucharest Court - Civil Section VI, by which the company FF Wind Energy Internațional SRL requests the following against CNTEE Transelectrica SA: - the annulment of the unilateral statement for the termination of the RET connection agreement no. 85/14.03.2011 issued on March 2nd, 2016 under no. 8295, - ordering the Company to pay the amount of 32,777,167.35 lei as damages following the termination of the agreement and to pay the amount of 45,000,000 euro as the amount of depreciation of the company FF Wind Energy Internațional SRL caused by the impairment of its purpose.

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

Document: Decision 3891/2018 of 28.12.2018.

ELECTROCENTRALE BUCURESTI SA

Case file no. 6642/3/2018 on the docket of the Bucharest Court has as object the appeal against the measure of the judicial administrator of Electrocentrale Bucuresti SA to refuse to answer the request for payment. Transelectrica requested the debtor ELCEN SA - a company in insolvency, to pay the amount

of 56,680,387 lei, corresponding to overcompensation, according to ANRE President Decision no. 476 / 30.03.2017.

The Bucharest Court resolution, in short: Rejects as unfounded the exception to the delay in the appeal filed by the ELCEN intimation by way of pleading. Admits the appeal against the measure of the legal administrator. Orders the debtor to pay the contestant the amount of 56,680,387 lei, representing the unpaid difference related to the overcompensation Decision no. 476 / 30.03.2017 and invoices series TEL17COG no. 17948 / 30.03.2017. Admits the head of the claim concerning the debtor's obligation to pay the legal expenses. Obliges the debtor to pay to the contestants the amount of 2,500 lei in legal costs, representing the stamp duty and the temporary expertise fee. With right of appeal within 7 days of communication

The appeal is submitted to Bucharest Court, Civil Section VII. Pronounced at public hearing on 21.12.2018. Document: civil sentence no. 7834/21.12.2018

MUNICIPALITY OF RESITA

The case file **2494/115/2018*** on the dockets of Caraş Severin Court has the object of ordering the Company to pay the following amounts:

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

The first hearing was set for **11.03.2019**.

NATIONAL FOREST ADMINISTRATION - ROMSILVA

By the petition to sue, the plaintiff, the National Forest Administration - Romsilva - Caraş Severin Forest Directorate requested the defendant CNTEE Transelectrica SA to pay the following amounts:

- 2,433,608.52 lei, annual rent for temporarily occupying land from the national forest fund + penalties for late payments from the due date of the rent 31.01.2018 until the actual and full payment;
- 304,298.47 lei, the equivalent of the final removal from the national forestry fund of the land area, the equivalent of the loss of growth of wood exploitation + penalties for late payments calculated from 10.05.2015 until their actual and full payment.

The case was the subject of file no. **2434/115/2018**, filed before Caraş Severin Court.

On 29.11.2018, Caras Severin Court ruled the judgement no. 3326/2018, by which it ordered the following: Admits the exception of territorial incompetence of Caras Severin Court. Dismisses the competence to resolve the petition for damages filed by the plaintiff RNP-Romsilva, Caraş-Severin Forest Directorate against the defendants the National Power Grid Company "Transelectrica" SA and the National Power Grid Company "Transelectrica" SA - Timisoara Transmission Subsidiary. Final. Ruled in public hearing on 29.11.2018.

The case file was filed before the Bucharest Court - Civil Section IV, under no. 2434/115/2018, which, on 22.01.2019, pronounced the following conclusion: "Admits the exception of functional incompetence. Has the file forwarded to the Civil Sentence VI of Bucharest Court for competent settlement. With no means of appeal. Ruled in public hearing on 22/01/2019".

The case file was filed before Bucharest Court - Civil Section VI, under no. 2434/115/2018*, which, on 13.02.2019, pronounced the following conclusion: "Admits the exception to the procedural material lack of competence of the Bucharest Court -Civil Section VI, invoked ex officio. Dismisses the jurisdiction to resolve the case in favour of Bucharest Court - Civil Division IV, to which the case will be filed immediately. Determines the negative conflict of jurisdiction, suspends the judgement of the case and submits the file to Bucharest Court of Appeal for the settlement of the conflict. With no means of appeal. Ruled in public hearing on 13.02.2019."

ANAF

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

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

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

ANAF's Tax inspection report mainly records the following additional payment liabilities: Corporation tax amounting to 13,726,800 lei plus accessories, due for a number of unused invoices identified as missing (they were destroyed in the fire that broke out the night of June 26th - 27th, 2009, at the business office from Millenium Business Center of Armand Calinescu 2-4, district 2, where the Company operated at that moment), and were special regime documents.

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

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

ANAF issued enforcement order no. 13540/22.08.2017; the additional payment obligations according to Notice of assessment no. F-MC 439/30.06.2017 were enforced based on this order.

The Company requested the annulment of the enforcement order no. 13540/22.08.2017 before the Court of Appeal –case file no. 7141/2/2017.

Settlement in brief: Admits the lack of jurisdiction related to subject matter of the Court of Appeal Bucharest – Administrative and Fiscal Litigation Section. Declines the case settlement competence in favour of Law Court of Bucharest 1. With no means of appeal. Ruled in public hearing of 08.02.2018 Document: Decision 478/2018 of 08.02.2018.

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

Settlement in brief: Admits the suspension request filed by the contesting party. On the grounds of Article 413 (1) (1) of the Civil Procedure Code, judgement is suspended until the final settlement of case file no. 1802/2/2018, pending with the Court of Appeal Bucharest, Section VIII Administrative and Fiscal Litigation. Appeal right during the entire suspension; appeal to be submitted to the Law Court of Bucharest 1. This was pronounced at public hearing.

Document: Hearing protocol – Suspension 17.04.2018

On the dockets of the Court of Appeal there is in preliminary proceedings the file no. 1802/2/2018 by which the Company contested the fiscal administrative act Decision no. F-MC 439/30.06.2017.

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

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

SUBSIDIARY SMART SA litigations

- Case file no. **8296/280/2017** registered with Arges Court - Civil Section

Obligation of SMART SA to pay 36,224.86 as claims to professionals

Case file stage: At the hearing of 11.04.2018, Arges Court partially admits the application. The defendant is obliged to refund to the plaintiff the amount of 7.227,02 lei, representing a debited amount wrongly paid. Sets the final fee for the expert at the amount of 1,500 lei. Orders the plaintiff to pay to the Local Bureau for Judicial Technical Expertise at Dolj Court the amount of 800 lei, representing a difference of expert fee. Orders the defendant to pay 3,191.74 lei as legal costs to the plaintiff (partially expert fees and judiciary stamp tax). With right of appeal within 30 days of communication The appeal will be filed with the Pitesti District Court.

Ruled on 11.04.2018, by placing the settlement to the parties' disposal by means of the instance registry. Document: Decision no. 2849/2018 11.04.2018

The next hearing was set for May 16, 2019.

- Case file no. **40958/3/2016** registered with Bucharest Court, Civil Section VI Case file object:

Compelling Company SMART SA to pay 2,797 , VAT included + 1,212 accessories calculated to the amount of 2,872. Smart has misunderstood the amount of 2.872 represented accessories (interest rates).

Case file stage: On the hearing date 07.06.2017 the instance in accordance with article 413 para 1 pt. 1 NCPC suspended judging the case until the final settlement of file 1658/3/2014 on the docket of the Appeal Court Bucharest in contradiction with the Court of Accounts. With appeal throughout the suspension.

Remarks about the circumstances when such action was initiated

Item 3 from Ruling 37/2013 of the Court of Accounts retained the following: "Making undue payments in the estimated amount of 314.228 lei for deforestation services provided by the same provider at higher tariffs as well as for services provided on the same surfaces "(pages 3-6 of the Decision no. 37/2013)

Case file stage: suspended

- Case file no. **48509/3/2017** registered with Bucharest Court, Civil Section VI Case file object:

CNTEE Transelectrica SA requests by court action to have SMART SA compelled to:

a) Return to our company the amount of 7,652 where VAT is to be added, as prejudice incurred by our company as a consequence of the defendant"s enrichment with no just cause, in the first place, and as undue payment, in the second place;

b) Compelling the defendant to pay the non-achieved benefits associated to the amount paid under the enrichment title without just cause, in the main, calculated from the date when the subscribed made the undue payments to the defendant until the date when the law court was notified, in quantum of 2,773, as well as compelling the defendant to further pay the non-achieved benefits until the actual return date of the amount representing the principal debt by the defendant,

Case file stage:: On 12.03.2018 we were notified the appeal filed by SMART which we answered on 22.03.2018, and the first hearing term is to be set later.

Settlement in brief: Based on art. 413 paragraph 1 point 1 Civil Procedure Code orders the suspension of the case pending the final settlement of file no.6577/2/2017 on the dockets of CAB - Section II Administrative and Fiscal Contentious Division. With right of appeal during the period of suspension, the appeal must be filed with the Bucharest Court Section VI. Ruled in public hearing of 24.04.2018. Document: Hearing protocol – Suspension 24.04.2018

- Case file no. **10085/3/2017** registered with Bucharest Court, Civil Section VI File subject: litigations with professionals

Claims of SC Electromontaj SA representing the value of the non-use of the intervention poles, the amount of 100,000 euros representing the revenues obtained or which could be obtained from the

unlawful operation of the intervention poles during the period 22.09.2016-05.02.2017

Case file stage: At the hearing of 15.02.2019, the case is postponed due to lack of expertise.

The next hearing was set for 12.04.2019.

SUBSIDIARY TELERANS SA litigations

- Case file no. **20223/3/2017** registered with Bucharest Court, Civil Section VI Case file object:

Teletrans SA requests compelling CNTEE Transelectrica SA to pay 4,635 , as value of the performance bond constituted as per contract C243/2010, to which the amount of 293 is added, legal interest calculated on the maturity date until law suit opening,

Case file stage:: At the hearing of 31.05.2017, the application was rejected as unfounded. Admits the case; appeal within 30 days of communication. Appeal will be submitted to Bucharest Court, Civil Section VI. Decision 1505/18.05.2018 not communicated.

- Case file no. **16216/3/2017** registered with Bucharest Court, Civil Section VI Case file object:

By the for legal action, Teletrans S.A. requests the court to:

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

Case file stage: in the hearing of 10.12.2018, in view of settling of the litigation amicably, the case is postponed. Hearing 25.02.2019.