










**NPG TRANSELECTRICA SA**

**QUARTERLY REPORT**

**January – March**

**2019**

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

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

**For the period ended on 31 March 2019**

Date of the report:	15 May 2019
Name of trading company:	NPG TRANSELECTRICA SA, company managed under two-tier system
Headquarters:	Bucharest 1, Blvd. Gen. Gheorghe Magheru 33, postal code 010325
Working location:	Bucharest 3, Str. Olteni no. 2 - 4, postal code 030786
Phone / fax numbers:	004 021 303 5611/ 021 303 5610
Single code with the ORC:	13328043
Sequential number in the RC:	J40 / 8060 / 2000
LEI (Legal Entity Identifier) code	254900OLXOUQC90M036
Date of Company establishment:	31.07.2000 / OUG 627
Share capital:	RON 733,031,420, subscribed and paid
Regulated market where the issued securities are transacted:	Bucharest Stock Exchange, Premium category
Main characteristics of the issued securities:	73,303,142 dematerialised nominative ordinary indivisible shares of 10 RON/share nominal value each, freely to transact from 29.08.2006 under TEL symbol  20,000 nominative dematerialised unsecured bonds of 10,000 RON/bond nominal value, transacted on the BVB sector Credit Titles, Category 3 Corporative bonds under TEL 18 symbol; maturity date 19.12.2018, being redeemed on maturity
Market value:	1,521,040,196 RON (20.75 RON/share on 31.03.2019)
Accounting standard applied:	International financial reporting standards
Audit:	The quarterly financial statements elaborated on 31.03.2019 have not been audited

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

## **STATEMENT OF RESPONSIBLE PERSONS**

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

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

**Bucharest, 9 May 2019**

**Marius-Dănuț  
CARAȘOL**

**Directorate  
Chairman**

**Claudia-Gina  
ANASTASE**

**Directorate  
Member**

**Adrian  
SAVU**

**Directorate  
Member**

**Andreea Georgiana  
FLOREA**

**Directorate  
Member**

**Constantin  
SARAGEA**

**Directorate  
Member**



## Key figures of Q1 2019 vs Q1 2018

### KEY FIGURES - 2019

#### FINANCIAL HIGHLIGHTS

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

#### OPERATIONAL

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

#### INVESTMENTS

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

CPT – One's Own Technological Consumption (losses)

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

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

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

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



## Financial data

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

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

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

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

## OPERATIONAL RESULTS

### Charged volume of energy

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

### Operational revenues

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

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

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

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

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

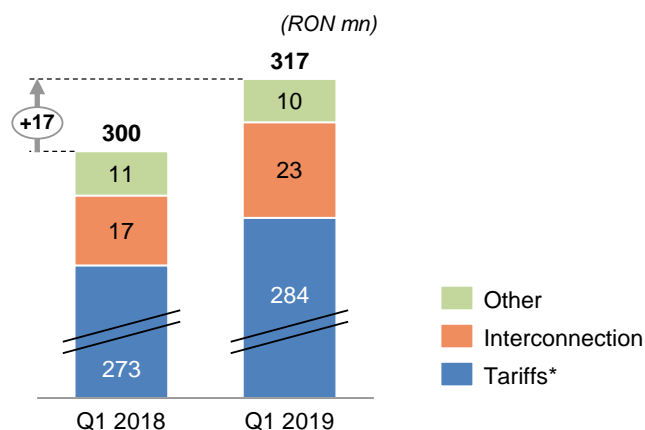
Beginning with 2016 the UIOSI principle was implemented on the Bulgarian border, and beginning with 2017 on the Serbian frontier as well. In accordance with this principle participants that do not use the capacities obtained under the annual and monthly bids are remunerated (by Transelectrica) for such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

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

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

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

Operational revenues of profit allowed activities



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

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

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

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

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

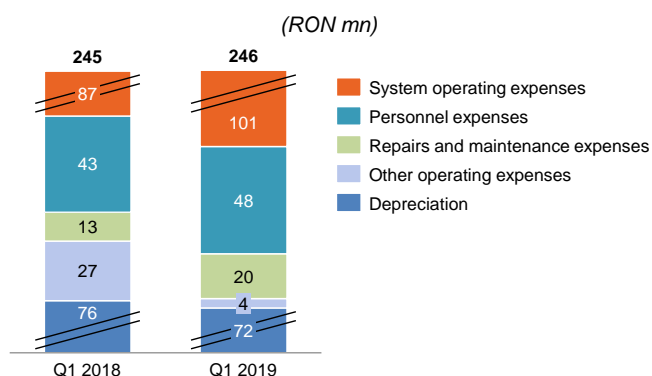


## Operational expenses

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

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

Operational costs of profit allowed activities



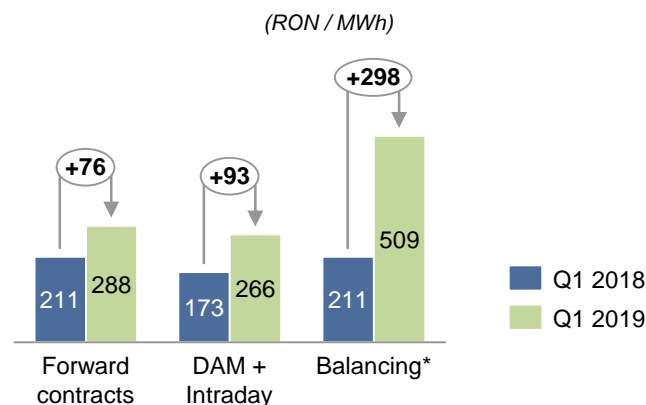
**CPT:** In quarter I 2019 expenses for one's own technological consumption were RON 13.87 mn greater compared to quarter I 2018, because of higher average procurement prices for electricity necessary for such CPT coverage within RET.

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

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

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

Average procurement prices



\*Preliminary values

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Such services are contracted:

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

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

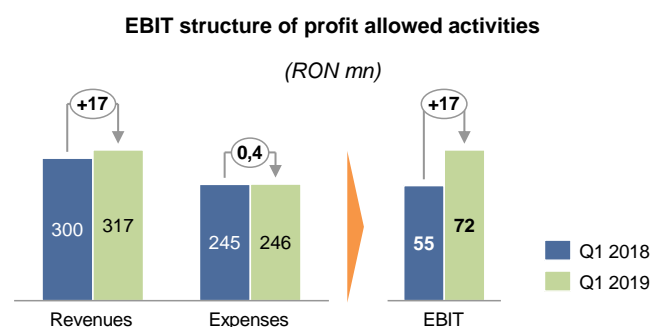
Expenses regarding technological system registered increase of RON 27.14 mn in quarter I 2019 compared to quarter 1 2018, mainly determined by higher procurement prices for technological system services on the competitive market, generated by higher electricity prices during the studied period.

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

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

## Operational result

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



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

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

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

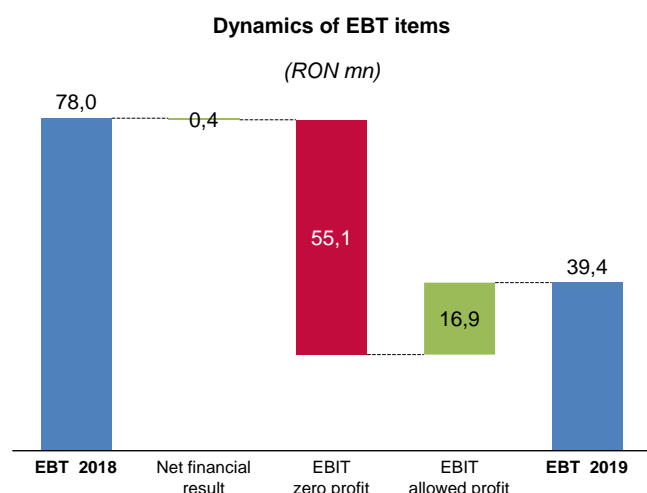
This amount is diminishing the Company's gross profit registered on 31 March 2019.

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

### Gross result (EBT)

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

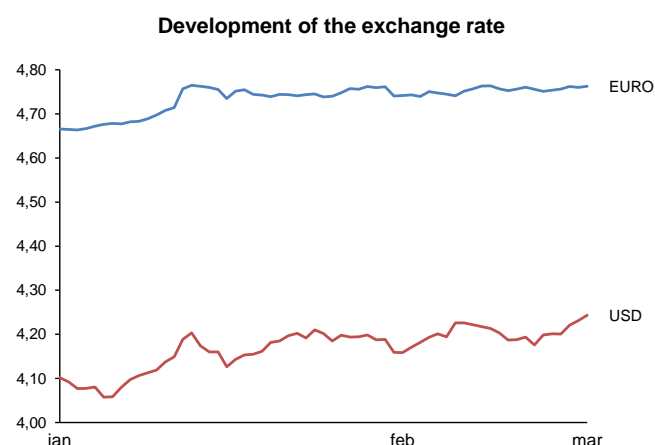
The dynamics of the profit registered in Q1 2018 compared to Q1 2019, broken down by profit components is provided in the graph below:



### Financial result

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

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



### Net result

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

## FINANCIAL POSITION

### Non-current assets

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

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

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

### Current assets

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

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

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

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

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

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

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

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

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

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

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

To extinguish receivables generated by overcompensation and undue bonus the Company requested the generators qualified under the support scheme to make mutual compensations. In case of the generators (RAAN, Electrocentrale Bucharest, and CET Govora) that did not agree with this manner to extinguish mutual receivables and liabilities the Company has applied and further applies the provisions of article 17 para 5 from Order 116/2013 of ANRE president approving the Regulation establishing the collection mode of the contribution for high efficiency cogeneration and the payment mode of the bonus for electricity generated under high efficiency cogeneration.

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

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

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

## Liabilities

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

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

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

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

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

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

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

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

2015, 2016 and 2018 non-granted bonus. The amounts representing Company liabilities under the support scheme towards Electrocentrale Bucharest, RAAN, and CET Govora were withheld from payment according to article 17 para 5 from Order 116/2013 of ANRE president, because the suppliers (generators) register payment obligations to the Company under the bonus type support scheme.

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

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

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

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

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

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

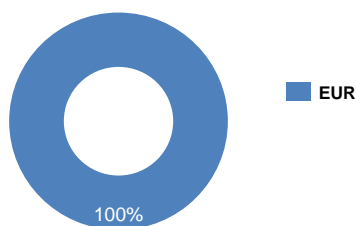
The Certificate from the office of the court cler issued on 18.04.2019 by Bucharest Tribunal, Section VI civil certifies Decision 743/2019 /20.03.2019.

### Interest-bearing liabilities

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

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

Structure by currency



### Shareholders' equity

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

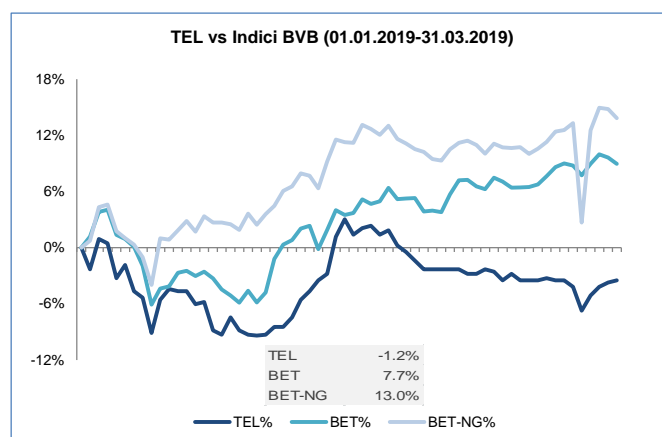
On 31 March 2019 dividends owed to Company shareholders and unpaid amount to RON 1.36 mn, of which RON 0.30 mn relates to the dividends distributed from the account „Other reserves – One's own financing sources constituted from profit" based on AGA decision 11/16.10.2017 and the amount of RON 0.45 mn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

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

### DEVELOPMENT OF SHARES

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

2019 began with 21 RON/share transaction price. At the end of this period (31 March 2018) stock exchange capitalisation was RON 1,521 mn, and TEL share amounted to 20.75 RON. The minimum transaction price of 19.48 RON/share was registered on 31.01.2019, while the maximum one of 22.15 RON/share was reached on 14.02.2018.



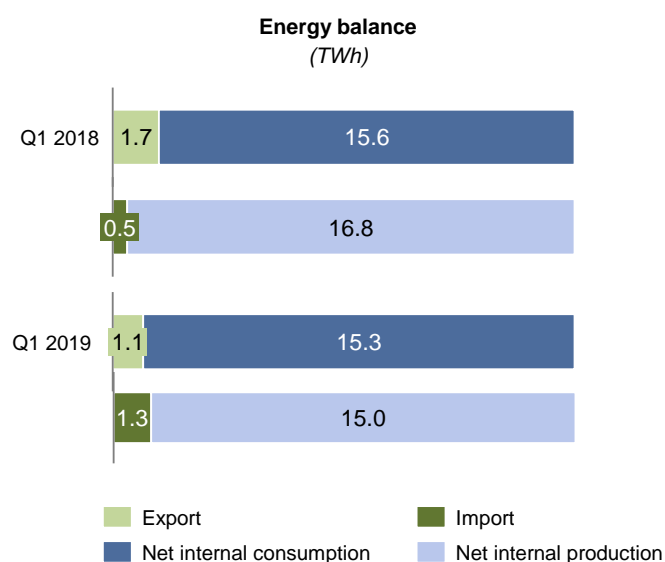


## Operational data

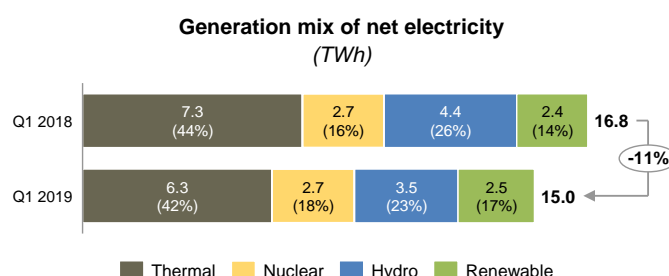
### ENERGY BALANCE WITHIN SEN

Analysing the development of the energy balance components in January – March 2019 in comparison with the same period of last year the net internal consumption<sup>1</sup> dropped 2.1% and the net electricity output – 10.5%.

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



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



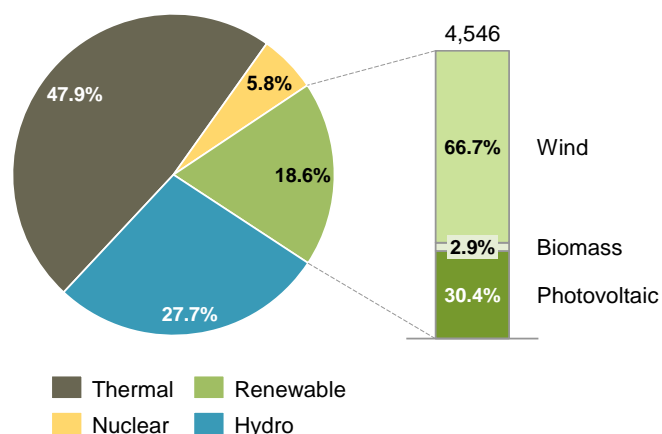
### NATIONAL GENERATION FLEET

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

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

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

#### Installed capacity in 2019 (24,406 MW - gross value)



### GENERATION MIX

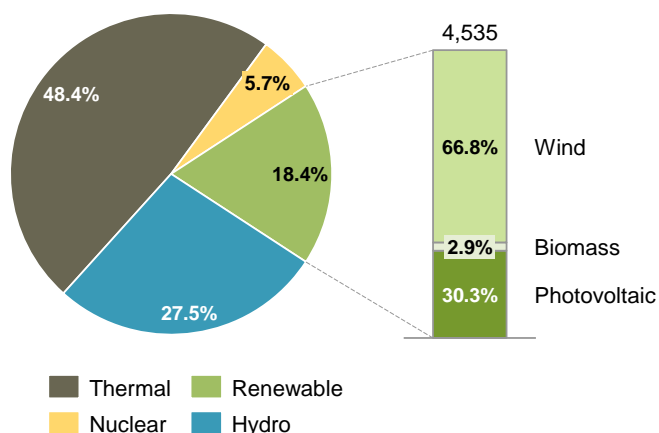
In January - March 2019 the generation mix structure compared to the same period of 2018 registered about 13.9% decrease of the thermal component and about 21.8% drop of hydro component.

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

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

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

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



## CROSS-BORDER FLOWS

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

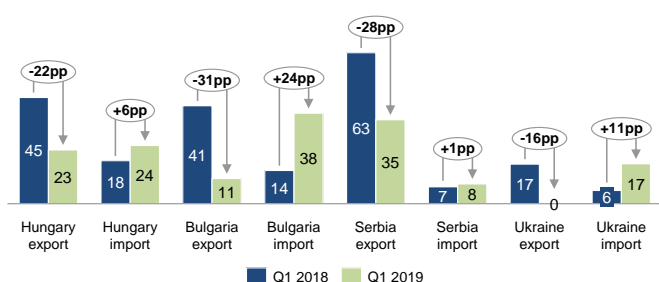
- Export decreased on all borders and import increased significantly, both on interconnection lines found in electricity generation deficit areas (on the borders with Hungary and Ukraine) and on the interconnection line situated in the exceeding electricity generation zone, namely the Serbian frontier.

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

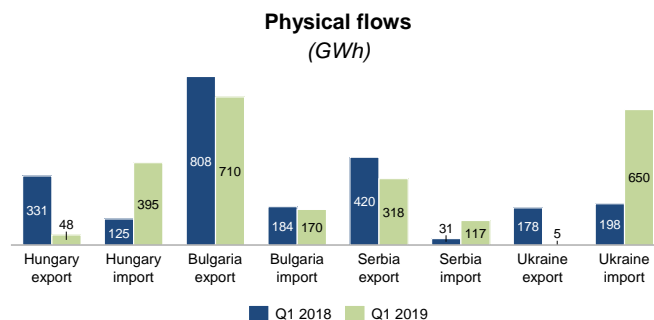
In January - March 2019 the utilisation degree of the total allocated capacity along interconnection lines for export decreased in comparison with the same time interval of 2018 to all destinations.

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

Utilisation degree of the total allocated capacity (%)



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



## ONE'S OWN TECHNOLOGICAL CONSUMPTION

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

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

### Decrease factors of physical OTC

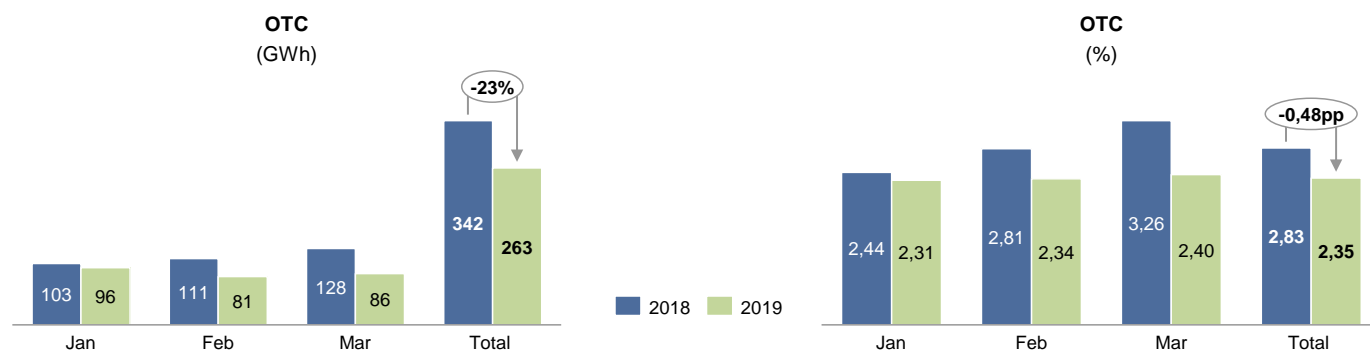
In January 2019 CPT in absolute value decreased 6.75% compared to January 2018 as a result of favourable import/export physical flows, which has led to reduced electricity transmission at long distance from sources. The percentage of losses compared to the electricity injected in the RET decreased from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

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



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

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



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

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



## Investments

### NON-CURRENT ASSETS REGISTERED IN ACCOUNTING BOOKS

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

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

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

### PROCUREMENT OF ASSETS

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

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

- Connecting to RET the 300 MW WPP Ivesti, the 88 MW WPP Falciu 1 and the 18 MW WPP Falciu 2 through the new (400)/220/110 kV substation Banca – RON 46.88 mn;
- Refurbishing the 400/110/20 kV substation Domnesti (BA Dec. 5 / 19.05.2010) – RON 31.18 mn;
- Refurbishing the 400 kV substation Isaccea - Stage I - Replacing the shunt reactors, the related bays as well as the 400 kV bay Stupina – RON 28.75 mn;
- Converting the Portile de Fier (Iron Gates) - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - Stage I - the 400 kV simple circuit OHL Portile de Fier - (Anina) – Resita – RON 27.48 mn;
- Refurbishing the 220/110 kV substation Turnu Severin Est – RON 23.77 mn;
- Extending the business continuity and post-disaster recovery services to the executive branch - RON 14.41 mn;
- The 400 kV double circuit OHL Cernavoda - Stalpu and connection in Gura Ialomitei – RON 12.83 mn;
- Refurbishing the 400/220/110/20 kV substation Bradu – stage 4 – RON 12.29 mn;
- Replacing the EMS SCADA AREVA system's software and hardware components - RON 11.44 mn;
- Connecting the 400 kV OHL Isaccea - Varna and the Isaccea - Dobrudja OHL in the 400 kV substation Medgidia Sud – RON 10.92 mn;
- Integrated security system for electric substations, stage IV – RON 8.02 mn;
- Refurbishing the 220/110 kV substation Hasdat – RON 7.49 mn;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - Stage I - the 400/220/110 kV substation Resita – RON 6.63 mn;
- Mobile 110 kV, 220 kV & 400 kV bays – RON 6.05 mn;
- The 400 kV OHL Gadalin - Suceava, including its connection to SEN – RON 6.02 mn;
- 400 kV HVDC Link (submarine cable Romania - Turkey) – RON 5.85 mn;
- Refurbishing the 220 kV Otelarie (Steel Works) Hunedoara – RON 5.18 mn;
- The 400 kV OHL Suceava - Balti, for the project segment on Romanian territory – RON 4.40 mn;
- The 400 kV double circuit OHL Gutinas – Smardan – RON 3.76 mn;
- Upgrading the 220/110/20 kV substation Raureni – RON 3.29 mn;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage II, the 400 kV double circuit OHL Resita - Timisoara – Sacalaz (220/110 kV substation Timisoara) – RON 3.22 mn;
- Extending with new functions the control and IT access supervision system for the objectives of NPG Transelectrica SA – RON 3.20 mn;
- Upgrading the 110 kV substations Bacau Sud and Roman Nord from the 400 kV axis Moldova – RON 3.05 mn;

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

## **CONTRACTUAL ASPECTS**

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

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



## Significant events

### JANUARY - MARCH 2019 EVENTS

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

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

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

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

- **Preliminary financial results of 2018**

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

- **Winter operational task force for SEN**

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

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

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

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

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

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

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

- **Completing the repairs**

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

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

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

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

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

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

## LATER EVENTS

### • Designating the provisional members in the Supervisory Board

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

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

### • Refusal of provisional member mandate in the Supervisory Board

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

### • Acceptance of the mandate for provisional Supervisory Board member

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

### • Appointing the Supervisory Board chairman and provisional Supervisory Board member

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

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

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

### • Approval of membership in the consultative committees

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

Nomination and remuneration committee:

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

Audit committee:

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

Energy security committee:

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

### • Extending the mandate of (provisional) Directorate members

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

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

by 2 months beginning with 21.04.2019 until 20.06.2019.

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

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

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

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

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

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

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

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



## Other issues

### SHAREHOLDERS STRUCTURE

The structure of Company shareholders on 31.03.2019 is as follows:

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

### DIRECTORATE MEMBERSHIP

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

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

### TARIFFS

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

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

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

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

### **Electricity transmission services**

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

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

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

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

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

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

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

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

### **Functional system services**

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

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

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

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

### **Technological system services**

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

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

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



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

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

## DISPUTES

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

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

### ▪ RAAN

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

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

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

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

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

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

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

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

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

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

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

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

## ▪ COURT OF AUDIT

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

On 13.06.2018 the claimant’s suit was partly admitted. The instance cancelled in part conclusion 7/20.02.2014, decision 37/9.12.2013 and the control report 35521/6.11.2012 issued by the defendant with respect to the measures required in the fore-mentioned decision in items I.1, I.3, I.6, I.8, I.11, II.14, II.15, II.17, II.18, II.20, II.21, II.22 and partially the measure of item II.13, which means removing the phrase “including those found in case of invoices issued by FLOREA ADMINISTRARE IMOBILIARA SRL”. The instance denies as groundless the remaining parts of the claimant’s suit and endorses the electric power technical report elaborated by expert Toaxen Vasile for the case; it compels the defendant to pay RON 121,375 to the claimant as law suit expenses (partial expert fees and judiciary stamp tax). Document: ruling 2771/2018,13.06.2018.

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

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

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

## ▪ ANRE

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

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

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

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

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

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

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

## • OPCOM

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

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

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

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

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

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

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

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

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

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

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

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

On 27.11.2018 NPG Transelectrica SA filed appeal.

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

#### • **CONAID COMPANY SRL**

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

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

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

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

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

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

Hearing term: 11.06.2019.

#### ▪ FF WIND ENERGY INTERNAȚIONAL SRL

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

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

Document: Ruling 3891/2018 of 28.12.2018.

Co. FF Wind Energy International SRL filed an appeal.

#### ▪ ANAF

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



## Annexes

ANNEX 1: Stand-alone statement of financial position

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

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

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



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

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

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

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

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

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

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

## Annex 6 – Glossary

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