

NPG Transelectrica SA
Company managed under two-tier system

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

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

NPG Transelectrica SA

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

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

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

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

NPG Transelectrica SA

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

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

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

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

Directorate,

**Marius – Danut
CARASOL**
Chairman

**Claudia - Gina
ANASTASE**
Member

**Adrian
SAVU**
Member

**Andreea Georgiana
FLOREA**
Member

**Constantin
SARAGEA**
Member

Ana-Iuliana DINU
Director
Economic – Financial and
Administrative Unit

**Veronica
CRISU**
Manager, Accounting Dept.

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

NPG Transelectrica SA

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

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

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

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

NPG Tranelectrica SA

Stand-alone statement of cash flows on 31 March 2019

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

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

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

NPG Transelectrica SA

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

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

1. General information

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

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

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

2. Bases of elaboration

a) Statement of conformity

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

b) Professional reasoning and estimations

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

3. Significant accounting policies

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

4. Tangible and intangible assets

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

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

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

NPG Transelectrica SA

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

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

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

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

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

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

NPG Transelectrica SA

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

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

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

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

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

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

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

5. Trade and other receivables

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

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

The structure of trade receivables is as follows:

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

NPG Transelectrica SA

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

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

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

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

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

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

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

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

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

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

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

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

To extinguish receivables generated by overcompensation and undue bonus of years 2014-2017, the Company requested the generators qualified under the support scheme to make mutual compensations. In case of generators that did not agree with this manner to extinguish mutual receivables and liabilities (RAAN, Electrocentrale Bucharest, and CET Govora) the Company has applied and further applies the provisions of article 17 para 5 from Order 116/2013 of ANRE President approving the Regulation establishing the collection mode of the contribution for high efficiency cogeneration and the bonus payment for the electricity generated under high efficiency cogeneration: “in case the generator did not make the payment in full to the support scheme administrator for its payment obligations resulted in accordance with the provisions of this Regulation, the support scheme administrator pays to the producer the difference between the producer invoices and its payment obligations under the support scheme, with explicit mention of the respective amounts on the payment document” and retains for paying the amounts under the respective support scheme.

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

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

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

NPG Transelectrica SA

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

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

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

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

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

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

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

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

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

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

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

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

Taking into account the above, beginning with 9 May 2016 the Company ceased applying the provisions of article 17.5 from Order 116/2013 of ANRE President approving the Regulation establishing the collection mode of the contribution for high efficiency cogeneration and the bonus payment for electricity generated by high efficiency cogeneration and paid monthly the cogeneration bonus to CET Govora.

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

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

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

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

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

NPG Transelectrica SA

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

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

of Insolvency Procedures; pronounced at public hearing of 18 July 201.; Document: Ruling 1196/18.07.2018

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

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

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

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

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

Other receivables

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

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

- Various debtors (198,904,160), of which:
 - The net position of the support scheme regarding high efficiency cogeneration on 31 March 2019 registered receivable position amounting to 128,283,281 (31 December 2018 liability position in sum of 23,804,879);
The net position of the support scheme represents the difference between:
 - The cogeneration bonus withheld based on article 17 para 5 from Order 116/2013 of ANRE President, the ante overcompensation and unpaid bonus payable to electricity generations under high efficiency cogeneration, beneficiaries of the support scheme, on the one hand and
 - The contribution to collect from the suppliers of electricity consumers, the overcompensation of electricity and heat generation under high efficiency cogeneration, the undue bonus to collect from generators according to ANRE decisions, on the other hand;
 - Delay penalties calculated to payment defaulting clients amounting to 61,911,125 (of which 26,015,000 represent penalties under the support scheme). The greatest payment delay penalties were registered by clients: RAAN (16,901,449), CET Govora (9,606,504), Eco Energy SRL (8,909,843), Petprod SRL (8,894,655), Total Electric Oltenia (3,288,967), Enol Grup (2,541,312), Also Energ (2,121,010). Allowances were registered for the penalties calculated for late payment of operational activity receivables;
 - Compensations owed by suppliers for their failure to deliver electricity (Arelco Power 990,257 and Enol Group 2,541,312). Allowances were registered for the compensations owed by suppliers from operational activities;
 - Receivable collectable from OPCOM representing VAT amounting to 4,517,460 for the contribution in kind to the subsidiary's share capital;
- Deferred expenses amounting to 41,750,113, mainly represented by the contribution owed to ANRE for April-December 2019 (26,587,994) which is going to be borne gradually based on operational expenses, down payments to the contracts concluded with electricity suppliers to cover one's own technological consumption in the future (8,637,394), the subscriptions of national and international organisations (3,455,812) which are going to be borne gradually based on the 2019 operational expenses, the security fee for EIB credit 25,710 (58,986);
- Other non-current assets amounting to 4,550,039, of which 4,199,505 represent guarantees for temporary land taking up, calculated and withheld in accordance with article 39 para (1), para (2) and para (5) of Law 46/2008 on the Forestry Code, in view of achieving the investment objective for the 400 kV OHL Resita – Pancevo (Serbia).

Down payments to suppliers

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

NPG Transelectrica SA

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

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

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

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

Collectable VAT

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

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

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

The greatest allowances on 31 March 2019, calculated for trade receivables and their penalties were registered for CET Govora (25,274,256), SC Eco Energy SRL (24,736,066), SC Petprod SRL (23,539,650), Arelco Power (15,533,052), SC Total Electric Oltenia SA (14,185,577), Romenergy Industry (13,512,997), Elsaco Energy (9,276,118), RAAN (8,516,747), Also Energ (7,177,167), Opcom (5,577,320), and CET Brasov (4.664,627). To recover such receivables adjusted for depreciation the Company took the following steps: court proceedings, registration in the creditors' table, requesting explanations from ANAF (for the VAT amount to be cashed from Opcom) etc.

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

6. Cash and cash equivalents

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

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

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

7. Shareholders' equity

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

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

NPG Transelectrica SA

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

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

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

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

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

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

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

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

8. Deferred revenues

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

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

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

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

NPG Transelectrica SA

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

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

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

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

9. Borrowings

- *Non-current borrowings*

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

In January - March 2019 no borrowing proceeds took place.

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

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

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

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

NPG Transelectrica SA

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

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

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

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

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

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

• *Current borrowings*

Current borrowings are detailed as follows:

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

• *Contracted loans for cogeneration activities*

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

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

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

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

The credit line has been secured by means of:

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

NPG Transelectrica SA

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

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

10. Trade and other liabilities

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

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

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

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

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

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

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

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

On 31 March 2019 payment obligations are registered to suppliers (generators) in sum of 127,915,865 (Electrocentrale Bucharest – 65,773,451; RAAN – 51,183,836; CET Govora SA – 5,454,925; Energy Complex Oltenia – 3,020,965; Energy Complex Hunedoara – 925,844 and others) representing the monthly cogeneration bonus, ex-ante overcompensations for 2014, 2015 and 2018, the non-granted bonus in 2015, 2016 and 2018. The amounts representing Company liabilities under the support scheme to Electrocentrale Bucharest, RAAN, and CET Govora were withheld from payment according to article 17 para 5 from Order 116/2013 of ANRE President, since suppliers (generators) register payment obligations to the Company for the bonus type support scheme.

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

Generators (RAAN, Electrocentrale Bucharest, and CET Govora) did not agree with this manner to extinguish mutual receivables and liabilities, therefore the Company has applied and further applies the article 17 para 5 from Order 116/2013 of ANRE President approving the Regulation establishing the collection mode of the contribution for high efficiency cogeneration and the bonus payment for the electricity generated under high efficiency cogeneration: “in case the generator did not make the payment in full to the support scheme administrator for its payment obligations resulted in accordance with the provisions of this Regulation, the support scheme administrator pays to the producer the difference between the producer invoices and its payment obligations under the support scheme, with explicit mention of the respective amounts on the payment document” and withheld from payment the due amounts under the respective support scheme.

NPG Transelectrica SA

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

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

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

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

Since ANRE Decision 738/28.03.2014 was suspended by court civil judgment 3185/27.11.2015, which had determined the 2011-2013 overcompensation, CET Govora SA has no longer complied with the Agreement terms. Beginning with 9 May 2016 the general insolvency procedure was initiated for CET Govora. In accordance with the provisions of the Insolvency Law 85/2014 the Company ceased, beginning with 9 May 2016, to apply the provisions of article 17.5 from Order 116/2013 of ANRE President approving the Regulation establishing the collection mode of the contribution for high efficiency cogeneration and the payment mode of the bonus for electricity generated under high efficiency cogeneration and pays monthly the cogeneration bonus owed to CET Govora.

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

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

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

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

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

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

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

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

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

Provisions

NPG Transelectrica SA

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

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

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

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

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

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

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

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

11. Other tax and social security liabilities

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

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

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

12. Income tax

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

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

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

13. Operational revenues

NPG Transelectrica SA

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

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

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

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

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

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

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

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

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

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

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

Revenues from transmission services

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

Revenues from the allocation of interconnection capacities

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

NPG Transelectrica SA

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

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

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

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

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

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

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

Revenues from CPT transactions

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

Revenues from functional system services

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

Revenues from technological system services

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

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

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

Revenues on the balancing market

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

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

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

14. Expenses for system operations and on the balancing market

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

NPG Transelectrica SA

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

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

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

Expenses for one's own technological consumption

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

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

Congestion expenses

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

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

Expenses for the electricity consumption in RET substations

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

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

Expenses for functional system services

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

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

Expenses with Inter TSO Compensation (ITC)

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

NPG Transelectrica SA

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

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

Expenses for technological system services

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

Such services are contracted as follows:

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

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

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

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

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

Expenses regarding the balancing market

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

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

15. Personnel expenses

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

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

16. Other operational expenses

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

NPG Transelectrica SA

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

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

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

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

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

and against a background of increased:

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

17. Net financial result

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

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

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

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

18. Disputes and contingencies

i) Disputes

The management regularly analyses the ongoing litigations, and after consulting with its legal representatives decides the need to create provisions for the amounts involved or of their presentation in the financial reports.

NPG Transelectrica SA

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

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

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

- On the docket of Mehedinti Tribunal, Civil Section II, Administrative and Fiscal Disputes Section, the file no. 3616/101/2014 was recorded, involving the “claims in the amount of 1,090,831.70, counter value of invoice no. 1300215/31.12.2013”, a file in which the Company is the defendant, the plaintiff being the Autonomous Authority for Nuclear Activities – RAAN.

By civil sentence no. 127 ruled on October 10th, 2014, the Mehedinti Court admitted the request lodged by plaintiff RAAN and ordered NPG Transelectrica SA to pay the amount of 1,090,831.70 lei, the counter value of invoice no. 1300215/31.12.2013.

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

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

Against decision no. 843/November 5, 2015 of the Court of Appeal Craiova, Section II Civil, pronounced in the public hearing from November 5th, 2015, in file no. 3616/101/2014, as well as against the decision no. 127/2014 of the Mehedinti Court- Section II Civil, Administrative and Fiscal Disputes, pronounced in the public hearing from October 10th, 2014, in file no. 3616/101/2014, as well as against the Decision no. 1/2015 of the Mehedinti Tribunal, Section II Civil, Administrative and Fiscal Disputes, pronounced in the public hearing from January 9th, 2015, in file no. 3616/101/2014, NPG Transelectrica SA filed an appeal asking the court to allow the appeal as it was filed and to reverse the judgment and sentences under appeal and to refer the case to the trial court in the territorial jurisdiction for judgement, and to declare the compliance with the requirements of Articles 1616 and 1617 of the Civil Code, reason for which it is being required to declare the intervention of the compensation of mutual debts, and their redemption up to the amount of the smallest of them, namely the total amount requested by the plaintiff in the application for summons, ordering the appeal - plaintiff to pay the expenses occurred with this appeal.

The appeal was registered on the docket of the High Court of Cassation and Justice that decided to reverse decision no. 843/2015 and to remand the case for retrial to the same court, the Court of Appeal Craiova.

By decision no. 124/2017, the Court of Appeal Craiova admitted the appeal declared by Transelectrica and remanded sentence no. 127/2014 pronounced by Mehedinti Tribunal, and the case was remanded for retrial to the Bucharest Court – Section VI Civil. On the docket of the Bucharest Tribunal, the case was registered under no. 40444/3/2017 who, via civil sentence no. 4406/04.12.2017, admitted the request lodged by RAAN and ordered Transelectrica to pay the amount of 1,090,831.70 lei. The sentence was appealed. The resolution of the Court of Appeal of Bucharest: Denies the appeal as groundless; final. Ruled in open court today, December 13th, 2018;
Document: Ruling 535/2018 13.12.2018

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

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

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

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

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

NPG Transelectrica SA

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

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

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

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

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

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

- On the docket of Bucharest Tribunal, Section VI Civil the file no. 26024/3/2015 was recorded involving “claims”, a file in which the Company is the defendant, the plaintiff being the Autonomous Authority for Nuclear Activities – RAAN. By the application for summons filed by the plaintiff, they asked Transelectrica SA to pay the amount of 10,274,679. The court reserved judgement on June 13th, 2016, postponing the ruling until June 27th, 2016 when, by hearing protocol, it ordered the re-docking the case in order to discuss the administration of additional evidence to establish mutual debts and compensation invoked by the defendant, to date, setting the next hearing on November 28th, 2016.

By Hearing protocol from November 28th, 2016, the Bucharest Court has suspended the cause according to Article 413 (1) of the New Civil Procedure Code, in conjunction with Article 411 (1) of the New Civil Procedure Code. Appeal right throughout the suspension;

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

- On the docket of Bucharest Tribunal, Section VI Civil the file no. 3694/3/2016 was recorded involving “claims”, a file in which the Company is the defendant, the plaintiff being the Autonomous Authority for Nuclear Activities – RAAN. By the application for summons filed by the plaintiff, they asked Transelectrica SA to pay the amount of 15,698,722. On the grounds of Article 413 para. (1) pt. (1) of the Civil Procedure Code, on October 20th, 2016, the Bucharest Court ordered the suspension of judgement until the final settlement of the file no. 3014/2/2014 on the docket of the High Court of Cassation and Justice, involving appeal – annulment of the Decision of the ANRE Chairman no. 743/2014. Appeal during the entire suspension. The case was resumed after the final settlement of file no. 3014/2/2014, but it was suspended again on 31.01.2019 until file no. 9089/101/2013/a152 on the docket of Mehedinti Tribunal was settled.

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

By application for summons filed by the plaintiff, they asked RAAN to pay the amount of 86,513,431.

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

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

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

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

Through the Decision no. 563/June 14th, 2016, the Court of Appeal Craiova, Section II Civil rejected the appeals lodged against interim decision no. 10/January 28th, 2016, ruled by the Mehedinti Tribunal, Section II Civil, Administrative and

NPG Transelectrica SA

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

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

Fiscal Disputes Section.

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

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

- Following a control conducted in 2013, the Court of Auditors issued several measures to be implemented by the Company as a result of a series of deficits identified upon this verification. The decision and protocol issued by the Court of Auditors have been appealed before the Court of Appeal Bucharest, the file no. 1658/2/2014 being constituted.

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

On 13.06.2018 the following settlement was pronounced:

Settlement type: Partly admits the request.

Settlement in brief: Partly admits the plaintiff's action. Partly cancels conclusion 7/20.02.2014, ruling 37/9.12.2013 and the audit report 35521/6.11.2012 issued by the defendant as regards the measures provided under the fore-mentioned decision in items I.1, I.3, I.6, I.8, I.11, II.14, II, 15, II.17, II.18, II.20, II.21, II.22 and partially the measure of item II.13 in the sense of removing the phrase "including what has been found about the invoices issued by Florea Administrare Imobiliara SRL". For the remainder, the court rejects the request of the plaintiff as groundless. It approves the electricity technical expertise report drafted by Toaxen Vasile as expert; compels the defendant to pay 121,375 Lei law suit expenses to the claimant (partially expert fees and judiciary stamp tax). Appeal right within 15 days from notification. The appeal shall be lodged before the Bucharest Court of Appeal, Section VIII, Administrative and Fiscal Disputes Section; ruled in open court on June 13th, 2018.

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

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

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

NPG Transelectrica SA

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

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

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

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

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

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

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

The Shareholders' General Assembly of the subsidiary SC OPCOM SA, at the meeting from June 10th, 2014, decided upon full payment of the fine amounting to 1,031,000 euro imposed by the Directorate General for Competition – European Commission for breaching of Article 102 of the Treaty on the Functioning of the European Union, according to the Decision AT 39984 in the antitrust case. Subsidiary SC OPCOM SA has made full payment of the fine set by the European Commission.

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

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

On July 24th, 2015, the Bucharest Tribunal ruled the judgement no. 4275/2015, by which it ordered the following: "Admits the application for summons filed by plaintiff Romanian Gas and Electricity Market Operator - OPCOM SA against defendant National Power Grid Company Transelectrica SA Orders the defendant to pay the plaintiff the amount of 582,086.31 euro, representing the amount paid by the plaintiff in the defendant's stead from the fine in the amount of 1,031,000 euro, imposed by the Decision of the European Commission on March 5th, 2014 in the case AT.39984 and of the lawful interest related to the amount of 582,086 euro, calculated on June 11th, 2014 and up until de day of the actual payment; orders the defendant to pay the plaintiff the amount of 37,828 lei, as legal expenses. Appeal right within 30 days from notification. The appeal shall be lodged at the Bucharest Tribunal, Civil Section VI.

Against sentence no. 4275/2015, pronounced in the fore-mentioned file, Transelectrica SA filed an appeal, which was registered on the docket of the Appeal Court Bucharest. The resolution of the Appeal Court is the following: Admits the appeal. Changes the appealed civil sentence completely, meaning that it rejects the application for summons as ill-founded. Orders the appeal - plaintiff to pay the trial expenses to the appellant - defendant amounting to 16,129, representing legal stamp duty. Appeal right within 30 days from notification; ruled in open court today, October 10th, 2016. Document: Ruling 1517/2016 10.10.2016

OPCOM SA filed an appeal. The High Court of Cassation and Justice decided the following: Grants, in principle, the appellant-plaintiff Romanian Gas and Electricity Market Operator – OPCOM SA motion against decision no. 1517/10.10.2016, ruled by the Bucharest Court of Appeal, Section V Civil; sets the hearing for solving the appeal on March 13th, 2018. The parties will be summoned; ruled in open court on December 5th, 2017.

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

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

NPG Transelectrica SA

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The file was registered with the High Court for Cassation and Justice, on the docket on 17.06.2016, with settlement being postponed for 29.06.2016, when Decision no. 2148/2016 was given, as the High Court for Cassation and Justice decided as follows: “Rejects the exceptions invoked by the appellant - plaintiff S.C. Conaid Company S.R.L., via insolvency administrator RVA Insolvency Specialists SPRL, and by the appellant - defendant National Power Grid Company Transelectrica SA Admits the second appeal filed by the defendant National Power Grid Company Transelectrica SA against the hearing protocol of February 18th, 2014 and the civil sentence no. 1866 of June 11th, 2014, pronounced by the Court of Appeal Bucharest – Administrative and Fiscal Disputes Section VIII. Partially invalidates the contested protocol and judgment and refers the case to the Bucharest Tribunal, Civil Section VI, for settlement of the application of the plaintiff sought against the National Power Grid Company Transelectrica SA. Maintains the other provisions of the sentence concerning the plaintiff's action against the National Regulatory Authority for Energy. It rejects the appeals of the plaintiff Conaid Company SRL via insolvency administrator RVA Insolvency Specialists SPRL and the intervener Duro Felguera SA against the civil sentence 1866 of June 11th, 2014 pronounced by the Bucharest Court of Appeal, Administrative and Fiscal Disputes Section VIII. Rejects the appeal filed by the defendant National Power Grid Company

NPG Transelectrica SA

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

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

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

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

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

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

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

Hearing scheduled for: 11.06.2019.

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

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

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

The company FF Wind Energy International SRL filed an appeal.

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

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

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

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

- Income tax amounting to 13,726,800 plus accessories, owed for a number of 123 unused invoices identified as missing (they were destroyed in the fire that broke out the night of June 26th - 27th, 2009, at the business office from Millennium Business Centre from 2-4 Armand Calinescu Street, District 2, where the company carried out its activity), documents under special regime.

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

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

NPG Transelectrica SA

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

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

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

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

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

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

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

Document: Ruling 478/2018, 08.02.2018.

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

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

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

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

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

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

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

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

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

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

NPG Transelectrica SA

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NPG Transelectrica SA

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

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

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

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

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

Hearing: 19.09.2018

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

Document: Ruling 903/2018 (03.10.2018)

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

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

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

Also, the company is involved in significant disputes in which it has the quality of plaintiff, especially for debt recovery (e.g. Eco Energy SRL, Petprod SRL, Total Electric Oltenia SA, Arcelormittal Galati SA, Regia Autonoma de Activitati Nucleare, Romenergy Industry SRL, Energy Holding SRL, UGM Energy Trading SRL, CET Iasi, CET Bacau, CET Braila, CET Govora, CET Brasov, Elsaco Energy SRL, Elsaco Esco, Arelco Power SRL, Arelco Energy SRL, Inversolar Energy SA, Opcom, etc.). The Company registered allowances for the customers and other receivables in litigation and for the customers in bankruptcy. At the same time, the Company is also involved in litigations against former Directorate and Supervisory Board members, regarding the mandate agreements concluded between the Company and themselves.

The management of the Company considers that probably no resource output will be necessary to settle ongoing disputes. In addition, there are no other pending litigations which, either by their nature or by their value would deem necessary the presentation of some contingent assets or liabilities significant for the activity of the Company.

ii) Contingencies

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

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

NPG Transelectrica SA

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

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

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

- Fundamentals and execution of the revenue and expense budget;
 - Compliance with the budgetary, economic, financial and accounting discipline;
 - Compliance with the legal provisions regarding the public and private property of the state and of administrative-territorial units, held in any form;
 - Compliance with the provisions of the Government Order no. 64/2001 on the distribution of profits to the national entities, national companies and commercial companies with full or majority state capital, as well as self-governing administrations with later amendments and additions;
 - The use of reserve holdings;
 - The way of organizing and exercising the compulsory forms of internal / managerial control;
 - The way in which the amounts granted from the consolidated general budget were substantiated and justified;
- At the Company's headquarters, the fiscal audit of the Ministry of Public Finances – ANAF-DGAMC is ongoing, an inspection activity that started on 20.08.2018, with the following objectives:
 - Verifying the legality and conformity of fiscal returns and/or relevant operations for fiscal audit, the correctness and accuracy in complying with the obligations to establish taxation bases and the main fiscal liabilities of the income tax in the interval 01.01.2012 - 31.12.2016;
 - Verifying the compliance provisions regarding tax and accounting legislation;
 - Verifying other relevant taxation issues, whether accountable for the application of fiscal and accounting legislation;
- By Decision 12/01.03.2019 registered with the Company under no. 10818/01.03.2019, ANAF-DGAMC decided to suspend the tax audit starting March 1st, 2019, based on article 127 para (1) (b) of Law 207/2015 on the Tax Procedure Code.

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

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

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

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

The draft economic and financial audit report issued on February 21st, 2018 claims the effect of prejudicing the state budget with the total amount of 88,778,158, representing amounts collected but not paid to the state budget in the period 2006 – 2016, due to leasing the goods belonging to the State's public domain (infrastructure capacities and elements from the public telecommunications network) while not observing by the Company's and Teletrans SA's employees of the provisions of article 14, article 15 and article 16 of Law 213/1998 on public patrimony.

NPG Transelectrica SA

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

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

Teletrans' letter 13443 from 26.03.2018 notified Transelectrica the following:

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

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

The economic-financial audit objectives are:

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

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

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

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

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

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

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

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

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

19. Affiliated parties

NPG Transelectrica SA

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

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

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

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

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

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

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

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

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

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

NPG Transelectrica SA

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

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

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

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

The balances of Company-owned subsidiaries are as follows:

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

*) Trade receivables are provided with gross value.

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

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

ii) Salaries for the Company management

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

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

20. Credit risk

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

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

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

NPG Transelectrica SA

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

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

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

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

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

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

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

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

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

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

NPG Transelectrica SA

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

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

The development of allowances for doubtful receivables is as follows:

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

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

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

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

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

21. Later events

Designating provisional members in the Supervisory Board

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

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

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

Acceptance of mandate for provisional member in the Supervisory Board

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

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

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

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

NPG Transelectrica SA

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

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

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

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

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

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

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

Approving the membership of Consultative committees

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

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

Audit committee:

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

Energy security committee:

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

Extending the mandates of (provisional) Directorate members

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

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

by 2 more months beginning with 21.04.2019 until 20.06.2019

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

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

NPG Transelectrica SA

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

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

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

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

The credit line has been secured by means of:

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

Notification – indirect major holding of NN Group NV

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

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

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