

NPG TRANSELECTRICA SA

Two-Tier Company

Condensed Consolidated Interim Financial Statements

as of and for the six months' period ending on

30 June 2019

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

free translation

NPG TRANSELECTRICA SA
CONSOLIDATED FINANCIAL POSITION AS OF JUNE 30, 2019
(All amounts are presented in thousand RON, unless otherwise indicated)

	Note	30 june 2019	31 december 2018
Assets			
Non-current assets			
Tangible assets	4	2,992,374	3,043,346
Intangible assets	4	33,649	23,152
Financial assets		34,843	34,843
Long Term Receivables		0	0
Total fixed assets		3,060,866	3,101,342
Current assets			
Inventories		59,290	54,085
Trade and other receivables	5	832,838	1,069,938
Other financial assets	6	50,000	0
Cash and cash equivalents	7	316,827	505,494
Total current assets		1,258,955	1,629,517
Total assets		4,319,821	4,730,858
Shareholder's equity and liabilities			
Shareholders' equity			
Share capital		733,031	733,031
Share premium		49,843	49,843
Legal reserve		123,742	123,742
Revaluation reserve		526,299	551,185
Other reserves		68,030	66,705
Retained earnings		1,360,272	1,315,729
Total shareholders' equities attributable to Group owners	8	2,861,217	2,840,236
Non-controlling interests		(264)	1,335
Total equity		2,860,953	2,841,571
Non-current liabilities			
Long term deferred revenues	9	377,145	411,155
Long term Borrowings	10	134,646	143,866
Deferred tax liabilities		58,242	61,016
Employee benefits obligations		65,986	65,986
Total non-current liabilities		636,019	682,023

NPG TRANSELECTRICA SA
CONSOLIDATED FINANCIAL POSITION AS OF JUNE 30, 2019
(All amounts are presented in thousand RON, unless otherwise indicated)

	Note	30 june 2019	31 december 2018
Current liabilities			
Trade and other liabilities	11	512,045	1,018,348
Other tax and social security liabilities	13	10,636	11,578
Current Borrowings	10	194,151	61,149
Provisions	12	65,110	96,494
Short term deferred revenues	9	38,840	19,329
Income tax payable		2,066	367
Total current liabilities		822,847	1,207,264
Total liabilities		1,458,867	1,889,287
Total shareholders' equity and liabilities		4,319,820	4,730,858

The Consolidated Financial Statements were been approved by the Company's management on August 12, 2019 and signed on its behalf by the:

Directorate,

Marius-Danut
CARASOL
Chairman

Claudia-Gina
ANASTASE
Member

Adrian
SAVU
Member

Andreea Georgiana
FLOREA
Member

Alina-Elena
TEODORU
Member

Ana-Iuliana DINU
Director
Economic - Financial and Administrative Unit

Cristiana ZIRNOVAN
Manager
Budgeting and Management Reporting Department

NPG TRANSELECTRICA SA
CONSOLIDATED PROFIT AND LOSS ACCOUNT STATEMENT ON JUNE 30, 2019
(All amounts are presented in thousand RON, unless otherwise indicated)

	Note	30 june 2019	30 june 2018
Operating revenues			
Transmission revenues		552,137	505,074
System service revenues		327,757	375,194
Balancing market revenues		279,930	330,847
Other revenues		17,369	28,151
Total operating revenues	15	1,177,193	1,239,266
Operating expenses			
System Operating Expenses	16	(179,816)	(149,916)
Balancing market expenses	16	(279,930)	(330,847)
Technological system services expenses	16	(353,131)	(309,387)
Depreciation and amortization		(147,333)	(155,700)
Personnel expenses		(132,023)	(118,171)
Repairs and maintenance expenses		(30,666)	(25,399)
Materials and consumables		(9,322)	(11,133)
Other operational expenses	17	(16,574)	(34,128)
Total operating expenses		(1,148,795)	(1,134,682)
Operating result		28,398	104,584
Financial revenues		5,796	6,051
Financial expenses		(10,360)	(12,628)
Net finance result	18	(4,564)	(6,577)
Profit before income tax		23,834	98,007
Income tax	14	(4,673)	(8,852)
Result for the year from continuing operations		19,162	89,155
Profit of the period			
Attributable to:			
Owners of the Group		20,761	91,297
Non-controlling interests		(1,599)	(2,142)
Basic and diluted earnings per share (lei/share)		0.26	1.22

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NPG TRANSELECTRICA SA
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY ON JUNE, 30 2019

(All amounts are presented in thousand RON, unless otherwise indicated)

	<i>Capital social</i>	<i>Prime de emisiune</i>	<i>Rezerve legale</i>	<i>Rezerva din reevaluare</i>	<i>Alte rezerve</i>	<i>Rezultat reportat</i>	<i>Atribuibil grupului</i>	<i>Aferent interes minoritar</i>	<i>TOTAL</i>
Balance on 1 January 2018	733.031	49.843	119.153	408.899	57.627	1.366.936	2.735.489	4.065	2.739.554
Comprehensive result of the period									
Profit of the period	-	-	-	-	-	75,380	75,380	-	75,380
Other comprehensive income									
Actuarial loss/profit recognition related to the benefit plan	-	-	-	-	-	(2,958)	(2,958)	-	(2,958)
Surplus from revaluation of tangible assets	-	-	-	119,080	-	-	119,080	-	119,080
Deferred tax liability associated to revaluation reserves	-	-	-	(36,607)	-	-	(36,607)	-	(36,607)
Total other comprehensive revenue of the period	-	-	-	82,473	-	(2,958)	79,515	-	79,515
Total comprehensive result of the period	-	-	-	82,473	-	72,422	154,895	-	154,895
Other items									
Transfer of revaluation reserves to retained earnings	-	-	-	(57,499)	-	57,499	-	-	-
Increase of the legal reserve	-	-	4,781	-	-	(4,781)	-	-	-
Non-controlling interests arising from decrease of ownership in SMART SA	-	-	-	-	-	2,730	2,730	(2,730)	-
Total other items	-	-	4,781	(57,499)	-	55,448	2,730	(2,730)	-
Contributions from and distributions to shareholders									
Reclassification of prior years	-	-	(192)	117,312	(632)	(112,370)	4,118	-	4,118
Subsidies of public assets (connection fee)	-	-	-	-	9,711	-	9,711	-	9,711
Distribution of dividends from the profit of the year	-	-	-	-	-	-	-	-	-
Distribution of additional dividends as per GO no. 29/2017	-	-	-	-	-	(66,706)	(66,706)	-	(66,706)
Adjustments to retained earnings	-	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	(192)	117,312	9,078	(179,076)	(52,877)	-	(52,877)
Balance as at 31 December 2018	733.031	49.843	123.742	551.185	66.705	1.315.731	2.840.237	1.335	2.841.572

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Manager Budgeting and Management Reporting Department

NPG TRANSELECTRICA SA
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY ON JUNE, 30 2019

(All amounts are presented in thousand RON, unless otherwise indicated)

	<i>Capital social</i>	<i>Prime de emisiune</i>	<i>Rezerve legale</i>	<i>Rezerva din reevaluare</i>	<i>Alte rezerve</i>	<i>Rezultat reportat</i>	<i>Atribuibil grupului</i>	<i>Aferent interes minoritar</i>	<i>TOTAL</i>
Balance on 1 January 2019	733,031	49,843	123,742	551,185	66,705	1,315,731	2,840,237	1,335	2,841,572
Comprehensive result of the period									
Profit of the period	-	-	-	-	-	19,162	19,162	-	19,162
Other comprehensive income									
Actuarial loss/profit recognition related to the benefit plan	-	-	-	-	-	-	-	-	-
Surplus from revaluation of tangible assets	-	-	-	-	-	-	-	-	-
Deferred tax liability associated to revaluation reserves	-	-	-	-	-	-	-	-	-
Total other comprehensive revenue of the period	-	-	-	-	-	-	-	-	-
Total comprehensive result of the period	-	-	-	-	-	19,162	19,162	-	19,162
Other items									
Transfer of revaluation reserves to retained earnings				(24,887)		24,887	-	-	-
Increase of the legal reserve							-	-	-
Non-controlling interests arising from decrease of ownership in SMART SA						1,599	1,599	(1,599)	-
Other elements						(1,105)	(1,105)		(1,105)
Total other items	-	-	-	(24,887)	-	25,381	494	(1,599)	(1,105)
Contributions from and distributions to shareholders									
Subsidies of public assets (connection fee)					1,325		1,325	-	1,325
Distribution of dividends from the profit of the year							-	-	-
Distribution of additional dividends as per GO no. 29/2017							-	-	-
Adjustments to retained earnings							-	-	-
Total transactions with owners	-	-	-	-	1,325	-	1,325	-	1,325
Balance as at 31 june 2019	733,031	49,843	123,742	526,298	68,030	1,360,273	2,861,218	(264)	2,860,954

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NPG TRANSELECTRICA SA
CONSOLIDATED STATEMENT OF CASH FLOWS ON JUNE, 30 2019
(All amounts are presented in thousand RON, unless otherwise indicated)

	30 june 2019	30 june 2018
Cash flows from operational activities		
Profit of the period	19,162	89,155
Adjustments for:		
Income tax expense	4,673	8,852
Amortisement expense	140,787	155,700
Expenses with adjustments for trade receivables impairment	3,784	4,481
Revenues from reversal of adjustments for trade receivables impairment	(2,524)	(3,664)
Losses from various debtors	186	-
Net revenues with adjustments for various debtors impairment	(690)	(2,828)
Net expenditures with adjustments for inventories impairment	117	75
Net profit/ loss on sale of tangible assets	(0)	(360)
Net expenditures on adjustments of value regarding tangible assets	1,491	544
Expenses/Revenues regarding provisions for risks and expenses, net	(31,564)	(92)
Interest expense, interest revenue and unrealised exchange rate gains	4,817	6,779
Cash flows before changes in the current capital	140,240	258,642
Changes in:		
Inventories	(5,623)	(3,955)
Clients and assimilated accounts	243,485	106,362
Trade payables and other liabilities	(448,202)	(46,924)
Other taxes and social insurance liabilities	(942)	(1,611)
Deferred revenues	(13,174)	(15,690)
Cash flows from operational activities	(84,215)	296,824
Paid interests	(4,661)	(4,728)
Paid income tax	(5,485)	(11,465)
Net cash generated from operational activities	(94,361)	280,631
Cash flows from the investment activity		
Acquisition of tangible and intangible assets	(101,281)	(83,178)
Proceeds from EC grants	-	10,244
Received Interests	2,213	3,010
Participation titles held in TSC NET	-	(2,207)
Proceeds from sale of tangible assets	11	676
Other financial assets	(50,000)	(125,045)
Net cash used in the investment activity	(149,058)	(196,501)
Cash flows used in financing activities		
Repayments of non-current borrowings	(39,521)	(58,693)
Use of credit line	160,674	-
Repayments of current borrowings	-	(7,626)
Dividends paid	(66,400)	(985)
Net cash used in financing activities	54,752	(67,305)
	0	0
Cash and cash equivalents as of 1 January	505,494	553,875
Net diminution of cash and cash equivalents	(188,667)	16,825
Cash and cash equivalents at the end of the period	316,827	570,700

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NPG TRANSELECTRICA SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT JUNE, 30 2019
(All amounts are presented in thousand RON, unless otherwise indicated)

1. General information

The main activity of NPG Transelectrica SA ("Company") and of its subsidiaries (together with the Company called "Group") consists in: providing electricity transmission and system services, balancing market operator, administrator of the bonus type support scheme, and other related activities. They are performed in accordance with Operational Licence 161/2000 issued by ANRE, updated under ANRE Decision 641/25.04.2018, with the General terms associated to the licence approved by ANRE Order 104/2014 and with the final Company certification as transmission and system operator of the National Power System, according to the ownership unbundling model under ANRE Order 164/07.12.2015.

The headquarters' address: Blvd General Gheorghe Magheru 33, Bucharest 1. At present the activities of the Company's executive branch are carried out in the working location of Str. Olteni 2-4, Bucharest 3.

The Group's consolidated financial statements of 30 June 2019 elaborated in accordance with the International Financial Reporting Standards adopted by the European Union are available at the Company's working location found in St. Olteni 2-4, Bucharest 3 and on the Company's site.

The Group's consolidated financial statements elaborated on 30 June 2019 have not been audited.

Beginning with 2006 Company shares have been transacted on the Bucharest Stock Exchange under TEL symbol. In accordance with the Decision / 18 July 2012 of the Shareholders' General Extraordinary Assembly the Company passed from the one-tier administration system to the two-tier one. Thus the Company is managed by a Directorate under the supervision of a Supervisory Board.

The main Group companies and the percentage of Company-held shares are provided below:

Entity	Country of origin	30 June 2019	31 December 2018
		% of shares	% of shares
SMART SA	Romania	70	70
TELETRANS SA	Romania	100	100

SMART SA

SMART SA with headquarters in Blvd Magheru 33, Bucharest 1 has as main business maintenance operations provided to the transmission-dispatcher system. It was established in accordance with HG 710/19.07.2001 on 1 November 2001. The share capital was 55,036 on 31 December 2016, of which 38,529 are subscribed and fully paid by the Company.

The Shareholders' General Extraordinary Assembly of Smart SA approved under Decision 14/10.12.2014 increasing the share capital of Smart SA by contribution in kind, with the value of lands ownership certificates have been obtained for.

On 30.12.2014 the Trade Register Office from Bucharest Tribunal settled the request to register the share capital increase of Smart SA and consequently on 31 December 2015 the structure of Smart SA shareholders was as follows:

NPG Transelectrica SA	- number of shares	3,852,860
	- participation quota to benefits and losses:	70.005%
Romanian State by the Secretariat General of the Government	- number of shares	1,650,770
	- participation quota to benefits and losses:	29.994%

Beginning with 25.01.2016 the National Office of the Trade Register performed the amendment in the shareholders' structure of Smart SA, namely the mention about the administration of the state portfolio, amendment required according to article 10 of OUG 86/2014, amended and updated.

*) On the docket of law courts there was a dispute - file 32675/3/2015 - pertaining to cancelling Resolution 154954/30.12.2014 of the Designated Person, pronounced under file 449314/23.12.2014, based on which the Trade Register Office from Bucharest Tribunal registered the share capital increase of Subsidiary Smart SA by contribution in kind and amended accordingly the articles of association as per Decision 12375/22.12.2014 of the Board of Administration's Chairman of the subsidiary and of BA

Decision 19/22.12.2014. The Company has also requested the competent court to cancel the two fore-mentioned decisions and suspend the application of deeds which cancellation is requested of until settlement of the promoted action.

Bucharest Tribunal, Section VI Civil under file 32675/3/2015 pronounced civil ruling 6468/16.11.2015, deciding as follows: "It admits the exception of inadmissibility. It denies the suing filed by claimant Transelectrica in contradiction with defendants the Subsidiary Company for maintenance services to the electricity transmission network SMART SA, the Romanian State and ONRC, as inadmissible. Appeal right is granted within 30 days from notification. Appeal right will be submitted to Bucharest Tribunal, Section VI Civil. It was pronounced at public hearing on 16 November 2015". NPG Transelectrica SA filed appeal, which was registered on the docket of the Appeal Court Bucharest and the file was settled on the hearing term 23 May 2016, when the Appeal Court Bucharest pronounced civil ruling 903/23.05.2016, deciding as follows: "It denies the appeal as groundless. It 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 non-constitutionality exception of provisions from article 114 para 3 of Law 31/1990 compared to the provisions of article 16, article 21 and article 44 of the Constitution, an exception claimed by the appellant; final".

The non-constitutionality exception was included in file 1338D/2016 of the Constitutional Court. Under this file the Constitutional Court pronounced Decision 398/19.06.2018, which was transmitted for publication together with letter 8024/24.09.2018.

In accordance with the provisions of article 509 para (1) pt. 11 of the Civil Procedural Code Transelectrica SA filed request to review Decision 903/A/2016, pronounced by the Appeal Court Bucharest, Section VI Civil on 23.05.2016 under file 32675/3/2015, whereby it maintained civil ruling 6468/2015 / 16.11.2015, pronounced by Bucharest Tribunal, Section VI Civil, requesting the instance to change entirely the contested decision, namely to admit the appeal, to deny as groundless the exception of action inadmissibility and consequently to re-judge the case, and to admit the suing as filed.

The review request was included in file 7763/2/2018 of the Appeal Court Bucharest, Section VI Civil.

On 26.03.2019 the Appeal Court Bucharest had only to pronounce, but postponed pronouncement until 09.04.2019, then until 23.04.2019, then until 07.05.2019, then until 14.05.2019 when its decision 835/14.05.2019 stipulated as follows: "It admits the review request; it changes entirely the contested decision, namely it admits the appeal. It cancels civil ruling 6468/16.11.2015. It denies the exception of the Subsidiary's decline from the right to claim the exception of request prescription pertaining to ascertaining the nullity of the two contested decisions. It denies the exception of inadmissibility as groundless. It admits the exception of defendant ONRC's absence of passive law suit capacity. It denies the request filed in contradiction with this defendant, as being introduced against a person without passive law suit capacity.

Thus the request filed by claimant Transelectrica in contradiction with defendants the Romanian State and SMART, is admitted. It cancels Decision 19/22.12.2014 of the Subsidiary's Board of Administration and the BA Decision 12375/22.12.2014 of the BA Chairman in the Subsidiary. It obliges the recurrent-defendant SMART to pay 250 Lei to the reviewer as law court expenses; final. It was pronounced at public hearing on 14.05.2019.

Subsidiary SMART SA has as main activity the performance of reviews and repairs to live instrumentation and equipment, transformers and autotransformers; remedial of incidents to electric installations and micro-production of electric equipment. It has 8 branches without legal personality, found in the same locations as Transelectrica's branches.

The mission entrusted to SMART SA upon its establishment was to provide preventive maintenance, special work and corrective maintenance to the Electricity Transmission Grid (RET), starting from the primordial objective of Transelectrica: provision of electricity transmission within the national transmission network under safe steady-state conditions.

TELETRANS SA

Teletrans SA was established under AGA decision 13/04.12.2002 of Transelectrica, according to Law 31/1990 and to Orders 3098 and 3101 / 23.10.2002 of the Ministry of Industry and Trade. Transelectrica holds 100% the shares of TELETRANS.

In accordance with its By-laws and applicable norms Teletrans has held the ANCOM certificate of network supplier or electronic communication services since 2002 (OUG 679/2002), whereby it benefits of the right to provide the following electronic communication services:

- Public networks of electronic communications (beginning with 11.11.2004);
- Electronic communication services dedicated to the public: (i) Rented line services and (ii) Electronic communication services, others than telephone and rented lines (beginning with 01.07.2003);
- Private electronic communication networks and services (beginning with 15.01.2003).

Also TELETRANS personnel benefits of certifications relevant for the operation and administration of IT&C systems dedicated to critical infrastructures.

On 30.06.2019 the share capital was 6,874 mill Lei (687,443 shares of 10 Lei nominal value).

Group mission

The Group mission is to provide safe secure operation of the National Power System (SEN), while complying with the norms and performance provided in the applicable technical regulations as well as providing public service for all users of electricity transmission grids under transparent non-discriminating equidistant conditions for all market participants.

Bases of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group holds control over an entity whenever it is exposed or is entitled to variable gains resulting from its involvement in the entity and has the capacity to impact these gains by the power over such entity. Financial statements of subsidiaries are included in the consolidated financial statements from the time of control starts until it ends.

On the elaboration date of these consolidated financial statements the Company comprises five subsidiaries, Romanian legal persons, organised as joint-stock companies: Formenerg, OPCOM, Teletrans, Smart and Icemenerg Service (now found under bankruptcy procedure).

From among Company subsidiaries only Smart and Teletrans are included in the Group's financial consolidation area. Formenerg and Icemenerg-Service have not been taken into calculation for consolidation because, in accordance with applicable accounting legislation the impact of their activities is considered insignificant for consolidation, while OPCOM is subject to ANRE rules and holds independent position on the energy market, consequently Transelectrica exercises no control over it.

(ii) Loss of control

When losing control the Group derecognises the subsidiary's assets and liabilities, any interests which do not control other components of shareholders' equities attributable to the subsidiary. Any surplus or deficit resulting from loss of control is recognised in the profit and loss account. If the Group maintains any interest in the former subsidiary then such interest is assessed at its fair value as of the date when control is lost. Later on such interest is accounted for using the equivalence method or as a financial asset available for sale, depending on the degree of influence maintained.

(iii) Transactions removed from consolidation

Balances and transactions within the Group as well as any unrealised revenues or expenses resulting from Group transactions are removed when elaborating the consolidated financial statements. Unrealised profits relating to the transactions with associated entities, accounted using the equivalence method are removed in counterpart with the investment into the associated entity, to the extent of the Group's interest in such entity. Unrealised losses are removed the same way as unrealised gains, however only to the extent in which there are no value depreciation clues.

2. Bases of elaboration

a) Statement of conformity

These consolidated interim simplified financial statements have been elaborated in accordance with IAS 34 – Interim financial reporting. They do not include all the information necessary for a full set of financial statements in accordance with the International Financial Reporting Standards (“IFRS”). Nevertheless certain explanatory notes are included to explain the events and transactions significant in view of understanding the changes made in the Group’s financial position and performance since the last annual consolidated financial statements as of and for the financial exercise ended on 31 December 2018.

b) Professional reasoning and estimations

The management has used significant reasoning in the application of the Company’s accounting policies and the main sources of uncertainties regarding estimations were the same with those applied to the stand-alone financial statements as of and for the financial exercise ended on 31 December 2018.

3. Significant accounting policies

The accounting policies applied in these consolidated interim financial statements are the same with those applied to the Company’s stand-alone financial statements as of and for the financial exercise ended on 31 December 2018, except for the implementation of new applicable standards as of 1 January 2019.

4. Tangible and intangible assets

Note tangible and intangible assets: To facilitate reading and understanding, all amounts of this chapter are expressed in Lei

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

In semester I 2019 the value of tangible assets underway mainly represented by investments into high voltage substations and lines has increased as follows:

- Refurbishing the 400/110/20 kV substation Domnesti – 27,811,715;
- 110 kV, 220 kV and 400 kV mobile bays – 21,188,979;
- Refurbishing the 220/110 kV substation Turnu Severin Est – 11,132,114;
- Refurbishing the 400 kV substation Isaccea - stage I - Replacing the shunt reactors & related bays, the 400 kV bays Stupina – 6,725,933;
- Upgrading the 110 kV substations Bacau Sud and Roman Nord from the 400 kV axis Moldova – 5,024,060;
- Upgrading the 110 kV & 400 (220 kV) installations within substation Focsani Vest – 4,330,501;
- Refurbishing the 220 kV substation Otelarie Hunedoara – 2,968,815;
- Computation technique - hardware & software - desktop PC – 2,092,513;
- The 400 kV double circuit OHL Cernavoda-Stalpu and connection in Gura Ialomitei – 1,981,059;
- Refurbishing the 220/110 kV substation Craiova Nord – 1,029,453;
- Upgrading the 400 (220)/110/20 kV Munteni – 1,008,724;
- Connecting the 400/110 kV substation Rahmanu to RET – 955,022;
- Research and development centre for Live Work (LW) technologies and fast SEN intervention - Centre building – 949,967;
- Refurbishing the 400/110/20 kV substation Smardan – 872,517;
- Relocating the 220 kV high voltage (HV) networks, Sebes – Turda Motorway, lot 1, km 0 + 000 – km 17+ 000 - Section C – km 0 + 300 – 849,986;
- Furniture specific to dispatchers for DET Bacau, DET Cluj, DET Craiova and DET Timisoara – 590,957;
- Refurbishing the 220/110 kV substation Hasdat – 564,848;
- Refurbishing the 220/110/20 kV substation Ungheni – 507,569.

The accompanying notes form an integral part of the consolidated financial statements

NPG TRANSELECTRICA SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT JUNE, 30 2019
(All amounts are presented in thousand RON, unless otherwise indicated)

In semester I the greatest transfers from tangible assets underway to tangible assets are mainly represented by commissioning the investment objectives as follows:

- Refurbishing the 400/220/110/20 kV substation Bradu – 12,277,242;
- Security solution to implement security measures for classified information – 1,529,182;
- Relocating the high voltage networks, Brasov - Targu Mures - Cluj - Oradea Motorway, section 2A Ogra - Campia Turzii, lot 2 Iernut - Chetani, km 3 + 600 km 21 + 500 - 400 kV OHL Iernut-Sibiu Sud – 1,061,469;
- Computation technique - hardware & software - desktop PC – 530,700;
- Replacing the diesel sets nos. 1 2 in the 400/110 kV substation Darste – 473,592;
- Furniture specific to dispatchers for DET Bacau, DET Cluj, DET Craiova and DET Timisoara – 365,257;
- Connecting to RED (the distribution network) the 110 KV substation Ulmi of the Electricity Distribution Company Muntenia Nord SA, also performing the work in the associated line bay of the 110 kV OHL Targoviste - Titu (Ulmi) from the 220 / 110 kV substation Targoviste belonging to NPG Transelectrica SA – 310,680;
- Achieving the coexistence conditions between the 220 kV OHL Alba Iulia - Sugag and Alba-Iulia-Galceag with the interior road – 263,815;
- Water installation work in the 110/220 kV substation Suceava – 259,805;
- Tele protection of the 400 kV OHL Arad (Romania) – Sandorfalva (Hungary) – 202,233;
- Inlocuire baterie acumulatori nr. 2 in Statia 220/110 kV Pitesti Sud – 158,681;
- Racordarea Platformei ArcelorMittal Galati pentru separarea instalatiilor ArcelorMittal Galati SA de instalatiile SDEE Muntenia Nord SA, in vederea racordarii directe a acestora la instalatiile NPG Transelectrica SA – 78,588;
- OPzV2420 105 accumulator battery with Vetis elements – 73,200.

The balance of tangible assets under execution on 30 June 2019 is represented by ongoing projects, of which the most significant are provided below:

- Connecting to RET the 300 MW WPP Ivesti, the 88 MW WPP Falciu 1 and the 18 MW WPP Falciu 2 by means of the new (400)/220/110 kV substation Banca – 46,884,983;
- Refurbishing the 400/110/20 kV substation Domnesti (BA decision 5 / 19.05.2010) – 36,623,097;
- Refurbishing the 400 kV substation Isaccea - stage I - Replacing the shunt reactors & related bays, the 400 kV bays Stupina – 30,190,098;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - stage I - the 400 kV simple circuit OHL Portile de Fier - (Anina) - Resita – 27,841,822;
- Refurbishing the 220/110 kV substation Turnu Severin Est – 31,926,803;
- Extending the business continuity and post-disaster recovery services in the Executive branch - 14,413,918;
- 110 kV, 220 kV and 400 kV mobile bays – 21,289,047;
- The 400 kV double circuit OHL Cernavoda - Stalpu and connection in Gura Ialomitei – 12,834,045;
- Replacing the components of the EMS SCADA AREVA system - software and hardware – 11,444,853;
- Connecting the 400 kV OHL-s Isaccea - Varna and Isaccea - Dobrudja in the 400 kV substation Medgidia Sud – 10,927,303;
- Refurbishing the 220 kV substation Otelarie Hunedoara – 8,102,328;
- Integrated security system in electric substations, stage IV – 8,021,232;
- Refurbishing the 220/110 kV substation Hasdat – 7,667,163;
- Upgrading the 110 kV substations Bacau Sud and Roman Nord of the 400 kV axis Moldova – 7,641,981;
- Trecerea la tensiunea de 400 kV a axului Portile de Fier - Resita - Timisoara - Sacalaz - Arad - Etapa I - Statia 400/220/110 kV Resita – 6,627,560;

The accompanying notes form an integral part of the consolidated financial statements

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- LEA 400 kV Gadalin - Suceava, inclusiv interconectarea la SEN – 6,021,551;
- HVDC Link 400 kV (Submarine cable Romania - Turkey) – 5,853,759;
- Upgrading the 110 kV and 400 (220 kV) installations of substation Focsani Vest – 5,096,775;
- LEA 400 kV Suceava - Balti, for the project segment on Romania's territory – 4,439,104;
- LEA 400 kV d.c. Gutinas – Smardan – 3,785,466;
- Upgrading the 220/110/20 kV Raureni – 3,331,220;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - stage II - the 400 kV double circuit OHL Resita - Timisoara - Sacalaz (the 220/110 kV substation Timisoara) – 3,224,698;
- Adding new functions and thereby extending the control and IT access supervision system in the objectives of NPG Transelectrica SA – 3,200,918;
- Upgrading the 220/110/20 kV substation Arefu – 3,034,571;
- Connecting to RET the 136 MW WPP Platonesti, Ialomita County by building a 110 kV bay in the 400/110 kV substation Gura Ialomitei – 2,889,337;
- Integrated security system in electric substations, stage III – 2,798,024;
- By-passing the 110 kV OHL Cetate 1 & 2 near the 110/20/6 kV substation Ostrovul Mare – 2,578,438;
- Connecting to RET the 99 MW WPP Dumesti as well as the 30 MW WPP Romanesti, Iasi County by building a new 110 kV line bay in the 220/110 kV substation FAI – 2,545,853;
- Research & development centre for LW technologies and fast intervention into SEN – Centre building – 3,160,640;
- Refurbishing the 400/110/20 kV substation Smardan – 1,975,562;
- Upgrading the 220/110 kV substation Dumbrava – 1,961,794;
- Refurbishing the 220/110 kV substation Craiova Nord – 1,883,513;
- Upgrading the tele protection and telecommunication system in substation Cernavoda – 1,821,503;
- Consolidation, upgrade and extension the offices of NPG Transelectrica, Executive branch – 1,627,393;
- Computation technique - hardware & software - desktop PC – 1,561,813;
- Upgrading the 400 (220)/110/20 kV substation Munteni – 1,489,520;
- Refurbishing the 220/110/20 kV substation Ungheni – 1,416,885;
- Integrated security system to the new 400/220/110 kV substation Banca – 1,133,202;
- Providing optical fibre communication between the 220/110/20 kV substation Pitesti Sud and the Installations Remote Control and Supervision Centre of TB Pitesti (SF) – 1,110,268;
- Compensations for the lands related to the 400 kV OHL Oradea – Beckescsaba – 1,007,172;
- Relocating the HV networks, Brasov - Targu Mures - Cluj - Oradea Motorway, section 2A Ogra-Campia Turzii, lot 2 Iernut - Chetani, km 3 + 600 km 21 + 500 - 400 kV OHL Iernut - Sibiu Sud – 1,061,469;

The balance of intangible assets under execution on 30 June 2019 is represented by ongoing projects, of which the most significant are provided below:

- Replacing the components of the EMS SCADA AREVA system - software and hardware – 12,878,308;
- Implementing an Electronic Archiving & Document Management system in NPG Transelectrica SA – 5,474,290;
- Extending the business continuity and post-disaster recovery services in the Executive branch – 351,208.

Intangible assets growth in semester I 2019 is mainly represented by the recognised usage right in sum of 10,547,514, the Company-leased spaces in the Platinum Office Building (contract C217/2015 concluded with Dagesh Rom SRL), according to IFRS 16 – Leasing contracts.

5. Trade and other liabilities

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

	<u>30 june 2019</u>	<u>31 december 2018</u>
Trade receivables	760,006	1,047,228
Other receivables	226,559	89,327
Down payments to suppliers	15,964	52,627
Non-reimbursable funds receivable	0	0
VAT to recover	32,973	82,774
Adjustments for impairment of uncertain trade receivables	(144,284)	(143,013)
Adjustments for impairment of other uncertain receivables	(58,379)	(59,005)
Total	<u>832,838</u>	<u>1,069,938</u>

Structure of trade receivables as follows:

	<u>30 june 2019</u>	<u>31 december 2018</u>
Clients on the electricity market, of which:	752,978	1,038,273
- Clients - operational activities	399,722	438,570
- Clients - balancing market	146,958	400,554
- Clients - bonus type support scheme to promote high efficiency cogeneration	206,297	199,150
Clients from other activities	7,028	8,955
Total trade receivables	<u>760,006</u>	<u>1,047,228</u>

- Transelectrica carries out its operational activities under the Operational Licence 161/2000 issued by ANRE, updated under Decision 802/18.05.2016 of ANRE president for the provision of electricity transmission services, system services and balancing market administration.

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

The main clients on balance on the electricity market are represented by: RAAN, Electrocentrale Bucharest SA, Electrica Furnizare SA, Enel Energie Muntenia SA, E.ON Energie Romania SA, Enel Energie SA, MET Romania Energy SA, CEZ Vanzare, MAVIR, and Petprod SRL. The main clients on the electricity market account for about 51% share in the total trade receivables.

Receivables on balance on 30 June 2019, amounting to 146,958, associated to the balancing market registered value decrease in comparison with 31 December 2018, following the diminished transactions on this market.

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

On 30 June 2019 the Company registered receivables payable from the bonus type support scheme to promote high efficiency cogeneration for about 27% (31 December 2018 - 19%) of the total trade receivables.

Clients from the bonus type support scheme to promote high efficiency cogeneration registered increase on 30 June 2019, mainly determined by a growth of the monthly contribution from 0.0105 Lei/kWh (December 2018) to 0.01186 Lei/kWh (June 2019).

On 30 June 2019 the Company registered receivables payable amounting to 206,297, represented by issued invoices under the bonus type support scheme to promote high efficiency cogeneration, of which:

- 2011-2013 overcompensation in sum of 76,702, namely from RAAN – 63,467 and CET Govora

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SA – 13,235;

- 2014 undue bonus in sum of 3,915, namely from RAAN – 1,981 and CET Govora – 1,934;
- 2015 undue bonus in sum of 564, namely from CET Govora – 534 and Interagro – 30;
- 2016 overcompensation in sum of 56,680, namely from Electrocentrale Bucharest;
- Cogeneration contribution not collected from the suppliers of electricity consumers, amounting to 21.200, namely from: Transenergo Com – 5,882, PetProd – 4,391, Romenergy Industry – 2,681, RAAN-2,386, UGM Energy – 1,814, CET Govora – 901, KDF Energy – 888 and others.

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

- On the docket of Mehedinti Tribunal, Section II Civil of Administrative & Fiscal Disputes file 9089/101/2013/a140 was registered pertaining to “claims in amount of 86,513,431 lei”, where the Company is claimant and the Autonomous Authority for Nuclear Activities – RAAN is defendant. The law court summons filed by Transelectrica SA requested the instance to compel defendant RAAN to pay 86,513,431 lei.

On 19.05.2016 Mehedinti Tribunal, Section II Civil of Administrative & Fiscal Disputes pronounced hearing conclusion and ordered as follows: “In accordance with article 413 pt. 1 Civil Procedure Code decides suspending the case until settlement of file 3014/2/2014 found on the docket of the High Court for Cassation and Justice. Appeal right is valid during the entire suspension term; pronounced on 19 May 2016 at public hearing”; hearing term on 06.06.2019. Mention should be made file 3014/2/2014 on the docket of the High Court for Cassation and Justice pertained to appeal in order to cancel ANRE Decision 743/28.03.2014, the parties being RAAN (claimant) and ANRE (defendant).

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

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

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

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

Once submitting the receivable statement under RAAN’s bankruptcy procedure Transelectrica SA can resort to the provisions of article 52 from Law 85/2006, applicable to RAAN’s bankruptcy procedure, provisions resumed in article 90 of Law 85/2014 on the creditor’s right to invoke compensation for its receivables with its debtor’s to it, whenever the law-provided conditions for legal compensation are complied with on the procedure opening date. Transelectrica SA was recoded with 11,264,777 Lei in the table of debtor RAAN, in the category of receivables resulting from the debtor’s uninterrupted activity, the actual amount the Company requested being 89,360,986 Lei, but 78,096,208.76 Lei were not registered in the preliminary receivable table because “such sum was not recorded as owed liability in RAAN’s accounting books”. Moreover the judiciary liquidator considered the request to record 78,096,209 Lei was made late since it pertained to 2011 – 2013, for which reason the receivable statement should have been submitted when the insolvency procedure began, namely on 18.09.2013. The Company contested the

preliminary receivables table; Mehedinti Tribunal admitted the accounting expertise evidence. The parties filed objections to the accounting expertise report, which the court admitted and set the hearing date on 22.02.2018. On the contestation judgment term 14.06.2018 the decision was taken to suspend it until settlement of file 3014/2/2014 on the docket of the ICCJ.

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

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

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

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

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

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

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

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

Transelectrica was registered in the Preliminary and final receivables table with total amount of 28,200,440.31 RON, of which 25,557,189.98 RON relates to the support scheme. As regards the receivable amounting to 21,962,243.71 RON 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 18.07.2018 hearing date, the Valcea Tribunal pronounced the following settlement:

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

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Ruling 766/03.12.2018 of the Appeal Court Pitesti cancelled the amount of 28,013,984.83 RON 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 RON 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 RON represents receivable payable by CET Govora under the support scheme, in sum of 25,557,189.98 RON, corrected with the bonus amounting to 3,368,965.82 RON 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.

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

Other receivables

On 30 June 2019 other receivables amounting to 226.559 mainly include sundry debtors, deferred expenses and other intangible receivables as follows:

- Sundry debtors which are mainly impacted by:

- Net position of the support scheme regarding high efficiency cogeneration which on 30 June registered trade receivable position amounting to 109,144,189 RON (31 December 2018 - liability position in sum of 23,804,879 RON);

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

- The cogeneration bonus withheld according to article 17 para 5 from Order 116/2013 of ANRE president, the ex-ante overcompensation and unpaid bonus payable to electricity generators under high efficiency cogeneration benefitting of the support scheme, on the one hand, and
- The contribution collectable from the suppliers of electricity consumers, the overcompensation of electricity and heat generation under high efficiency cogeneration, the undue bonus collectable from generators as per ANRE decisions, on the other hand;
- Payment delay penalties calculated to defaulting clients and amounting to 62,706,754 RON (of which 26,028,827 RON represent penalties under the support scheme). The greatest delay penalties were registered by the following clients: RAAN (16,901,449 RON), CET Govora (9,648,129 RON), Eco Energy SRL (8,909,843 RON), Petprod SRL (8,894,655 RON), Total Electric Oltenia (3,288,967 RON), Enol Grup (2,541,312 RON), and Also Energ (2,121,010 RON). Allowances were registered for the penalties calculated for late payment of operational activity receivables;
- Compensations amounting to 3,531,569 RON owed by suppliers for non-delivery of electricity (Arelco Power - 990,257 RON and Enol Group - 2,541,312 RON). Allowances were registered for the compensations owed by suppliers from operational activities;
- Receivable collectable from OPCOM representing VAT amounting to 4,517,460 RON for the contribution in kind to the subsidiary's share capital;

- Deferred expenses are mainly represented by the 2% contribution from turnover (OUG 114/2018) owed to ANRE for April -December 2019 (17,725,329 RON), which will be spread-out upon the 2019 operational expenses, the down payments to contracts concluded with electricity suppliers as necessary to cover one's own technological consumption for future periods (6,702,806 RON), the subscriptions to national and international organisations (2,275,236 RON) which will be spread out upon the 2019 operational expenses, rent and maintenance paid to Dagesh ROM SRL for July 2019 (712,598 RON);

- Other intangible receivables of which 4,199,505 RON represent securities for temporary land taking up, calculated and withheld in accordance with article 39 para (1), para (2) and para (5) of Law 46/2008 on the Forestry Code, in view of achieving the investment objective for the 400 kV OHL Resita – Pancevo (Serbia).

The accompanying notes form an integral part of the consolidated financial statements

Down payments to suppliers

On 30 June 2019 down payments to suppliers are represented by supplier-debtors for services provided amounting to 15,594 and mainly represent amounts from the transactions associated to the price coupling mechanism. The price coupling mechanism was applied beginning with 19 November 2014, date when the '4 Markets Market Coupling' project providing connection of the day-ahead electricity markets (DAM) from Romania, Hungary, Czech Republic and Slovakia became operational. Such price coupling mechanism of day-ahead markets means the electricity exchanges correlate the electricity transactions for the following day based on bids, taking into account the interconnection capacity made available by the TSO, whereby it is implicitly allocated. NPG Transelectrica SA as TSO transfers electricity both in physical and commercial terms to the neighbouring TSO (MAVIR, Hungary) and manages the congestion revenues on the respective interconnection (article 139 from ANRE Order 82/2014), and in relation to OPCOM SA it is Implicit Participant to the Day-Ahead Market.

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

Recoverable VAT

On 30 June 2019 the Company registered recoverable VAT amounting to 32,973, mainly represented by negative VAT settlements of February & Jun 2019.

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

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

The greatest allowances on 30 June 2019 calculated for trade receivables and their associated penalties were registered for CET Govora (25,145,036), SC Eco Energy SRL (24,736,066 RON), SC Petprod SRL (23,539,650 RON), Arelco Power (15,533,047 RON), SC Total Electric Oltenia SA (14,185,577 RON), Romenergy Industry (13,512,997 RON), Elsaco Energy (9,276,118 RON), RAAN (8,516,747 RON), Also Energ (7,177,167 RON), Opcom (5,577,320 RON), and CET Brasov (4,664,627 RON). The Company took the following steps to recover such receivables adjusted for depreciation: court proceedings, registration in the creditors' table, requesting explanations from ANAF (for the VAT amount to be cashed from Opcom) etc. Note 21 provides the exposure to the collection risk, and the allowances for trade receivables.

6. Other financial assets

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

	<u>30 june 2019</u>	<u>31 december 2018</u>
Bank deposits with maturity above 90 days	50.000	-
Total	50.000	-

Bank deposits with maturity above 90 days constituted of available monetary sums from current accounts amounted to 50,000 on 30 June 2019.

7. Cash and cash equivalents

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

	<u>30 june 2019</u>	<u>31 december 2018</u>
Current bank accounts and deposits of which:	316,544	505,353
- cash and deposits from high efficiency cogeneration	0	41,705
- cash of revenues from the allocation of interconnection capacities used for network investments	105,326	133,729
- cash from the connection fee	17,777	18,426
Cash desk	191	141
Other cash equivalents	92	1
Total	316,827	505,494

8. Shareholders' equities

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

In accordance with the provisions of article 2 from OUG 55/19 establishing some reorganisation measures in the public central administration and amending and adding certain norms, the Ministry of Economy, Trade and Business Environment Relations (MECRMA) was established by reorganising and taking over the activities of the Ministry of Economy, Trade and Tourism that was cancelled while the Ministry of Energy, Small & Medium Sized Enterprises and Business Environment took over the activities and structures in the SME domain.

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

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

The shareholders' structure on 30 June 2019 and on 31 December 2018 was the following:

Shareholder	30 june 2019		31 december 2018	
	Number of shares	% of the share capital	Number of shares	% of the share capital
Romanian State by MECRMA	43.020.309	58,69%	43.020.309	58,69%
Other legal person shareholders	16.543.060	22,57%	20.157.347	27,50%
DEDEMAN SRL	4.503.567	6,14%	4.503.567	6,14%
Privately managed pension fund NN	4.007.688	5,47%	-	-
Other natural person shareholders	5.228.518	7,13%	5.621.919	7,67%
Total	73.303.142	100,00%	73.303.142	100,00%

The growth of shareholders' equities on 30 June 2019 compared to 31 December 2018 was mainly determined by recording the net profit achieved on 30 June 2019.

9. Deferred revenues

Deferred revenues are mainly represented by: the connection fee, other investment subsidies, non-reimbursable European funds cashed from the Ministry of European Funds, as well as revenues from the utilisation of interconnection capacities. On 30 June 2019 deferred revenues were as follows:

	30 june 2019	Of which: short term part on 30 june 2019	31 december 2018	Of which: short term part on 31 december 2018
Deferred revenues – allocation of the interconnection capacity	7,547	7,547	7,896	7,896
Deferred revenues – European funds	2,425	2,425	2,219	2,219
Connection fee funds	275,653	20,687	285,749	4,394
European funds	102,411	6,952	106,018	3,674
Other subsidies	27,949	1,228	28,602	1,146
Total	415,985	38,840	430,484	19,329

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

	<u>30 june 2019</u>	<u>31 december 2018</u>
Opening balance 1 january	19.329	40.881
Cash in advance related to interconnection capacity	41.445	95.112
Proceeds from European funds	206	90
Transfer of long-term deferred revenues (connection tariff)	19.654	(23.312)
Revenues from the use of interconnection capacities	(41.794)	(93.014)
Revenues from European funds	0	(429)
Balance on the end of period	<u>38.840</u>	<u>19.329</u>

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

	<u>30 june 2019</u>	<u>31 december 2018</u>
Opening balance 1 january	411,155	412,866
Connection subsidies	(669)	(2,676)
Non-reimbursable funds	0	11,627
Non-refundable funds to be repaid	0	15
Transfer from short term deferred revenues	(18,316)	23,312
Subsidies wich resumed into revenues	(15,025)	(33,988)
Balance on the end of period	<u>377,145</u>	<u>411,155</u>

10. Borrowings

• Non-current borrowings

On 30 June 2019 non-current borrowings diminished in value compared to 31 December 2018 mainly because of repayment liabilities made in accordance with existing loan agreements.

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

Borrowings moved in the six months' period ended on 30 June 2019 as follows:

	Currency Interest rate	Accounting value	Due date
Balance on 1 January 2019		195,362	
New proceeds		0	
Repayments, of which:		(39,521)	
BIRD 7181	EUR 0.% ultima comunicare	(8,17	15-Ian-2020
BEI 25709	EUR 3.596%	(5,707)	10-Sep-2025
BEI 25710	EUR 3.856%+2.847%	(5,750)	11-Apr-2028
ING + BRD	EUR EURIBOR+2.75%	(19,886)	13-Feb-2019
Exchange rate differences on repayment date		2.898	
Balance on 30 June 2019		158.739	

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

Descriere	<u>30 june 2019</u>	<u>31 december 2018</u>
BIRD 7181 (b)	2,791	10,926
BEI 25709 (i)	74,096	78,595
BEI 25710 (i)	81,852	86,252
BRD-ING (j)	0	19,588
Total non-current loans from credit institutions, of which:	<u>158,739</u>	<u>195,362</u>
Less: Current portion of non-current borrowings	<u>(24,092)</u>	<u>(51,496)</u>
Total non-current loans net of current instalments	<u>134,646</u>	<u>143,866</u>

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

	<u>30 june 2019</u>	<u>31 december 2018</u>
From 1 to 2 years	45,665	23,997
From 2 to 5 years	45,665	67,467
More than 5 years	43,317	52,402
Total	<u>134,646</u>	<u>143,866</u>

The Group 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>30 june 2019</u>	<u>31 december 2018</u>
Current portion of non-current borrowings	24,092	51,496
Short-term bank loans	161,760	0
Smart credit lines	6,751	7,837
Interest related to the non-current and current loans	1,548	1,816
Total current borrowings	<u>194,151</u>	<u>61,149</u>

• *Borrowings contracted for cogeneration activities*

Transelectrica concluded the credit contract C55/01.03.2018 with Raiffeisen Bank for 12 months in order to finance the bonus type support scheme for high efficiency cogeneration; the credit amounts to 100,000 as 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.

It was secured by means of:

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

On 04 April 2019 Transelectrica concluded the credit contract C733 with Banca Transilvania for 12 months in order to finance the bonus type support scheme for high efficiency cogeneration; the credit amounts to 150,000 as account overdraft, 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 to the credit line, namely from 150,000 to 175,000.

On 30 June 2019 proceeds amounting to 161,760 were cashed.

The credit line was secured by means of:

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

SMART S.A. subsidiary has borrowed a credit line from ING Bank NV Amsterdam, with variable interest.

The structure of the credit line is presented as follows:

- Working capital to support and finance the current activity
- Commitments in the form of a letter of guarantee for the repayment of the advance

On June 30, 2018, the subsidiary used 6,751.

11. Trade and other liabilities

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

	<u>30 june 2019</u>	<u>31 december 2018</u>
Providers - electricity market	353.899	780.292
Asset providers	30.489	30.651
Providers of other activities	43.708	22.565
Amounts due to employees	7.722	8.590
Other liabilities	76.227	176.250
Total	<u>512.046</u>	<u>1.018.347</u>

On 30 June 2019 and on 31 December 2018 liabilities on balance on the energy market amounted to 353,899 namely 780,292 and provided the following structure:

	<u>30 june 2019</u>	<u>31 december 2018</u>
Providers - electricity market, of wich:		
-providers - operational activity	117,044	188,915
-providers - balancing market	93,604	383,389
-providers- bonus type support scheme to promote high efficiency cogeneration	143,251	207,988
Total	<u>353,899</u>	<u>780,292</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 second quarter of 2019 compared to the fourth of 2018, impacting the amount of liabilities related to the balancing market on balance on 30 June 2019.

Electricity market suppliers are mainly represented by: Hidroelectrica, MAVIR, Electrocentrale Bucharest, Energy Complex Oltenia, OPCOM, Romgaz, Energy Complex Hunedoara, Electrocentrale Galati, Veolia Energie Prahova, and Ciga Energy. On 30 June 2019 their share was about 85% in the total electricity suppliers.

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

On 30 June 2019 payment obligations were registered for suppliers (generators) amounting to 111,233,187 (Electrocentrale Bucharest – 56,680,387, RAAN – 51,183,836 and CET Govora SA – 3,368,966, representing the monthly cogeneration bonus, the ex-ante overcompensation for 2014 and 2015, the unpaid bonus in 2015 and 2016. The amounts representing Company liabilities under the support scheme to Electrocentrale Bucharest, RAAN, and CET Govora were withheld from payment according to article 17 para 5 from Order 116/2013 of ANRE President, since such suppliers (generators) have payment obligations to the Company for the bonus type support scheme.

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

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

NPG Transelectrica SA concluded with CET Govora SA an agreement to compensate and spread out the

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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. Taking into account the provisions of the Insolvency Law 85/2014 the Company ceased, beginning with 9 May 2016, to apply the provisions of article 17.5 from Order 116/2013 of ANRE President approving the Regulation establishing the collection mode of the contribution for high efficiency cogeneration and the payment mode of the bonus for electricity generated under high efficiency cogeneration and pays monthly the cogeneration bonus owed to CET Govora.

Civil decision 2430/05.10.2016 of the High Court of Cassation and Justice admitted the appeal filed by ANRE against civil ruling 3185/27.11.2015, partly cancelled the sentence appealed against and denied the suspension request of CET Govora, 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 accrued after the insolvency procedure, meaning withholding the bonus due to CET Govora SA up to the concurrence of amounts related to the support scheme that were not paid to the Company.

- Liabilities to suppliers of other activities are mainly represented by liabilities for the services provided by third parties, which have not reached their due date;
- On 30 June 2019 the Group did not register outstanding liabilities to the state budget or local institutions;

The structure of liabilities registered under 'other liabilities' is as follows:

	30 june 2019	31 december 2018
Various creditors	1,209	25,055
Client-creditors	45,706	71,021
Dividends to pay	1,258	67,658
Other liabilities	28,055	12,516
Total	76,227	176,250

On 30 June 2019 the 'Sundry creditors' entry amounting to 1,209 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.

"Client creditors" on 30 June 2019 amounted to 45,706, of which 28,933 represent sums cashed in advance from MAVIR and OPCOM from transactions under the price-coupling mechanism.

On 30 June 2019 dividends owed to Company shareholders but unpaid amounted to 1,259, of which 277 relate to dividends distributed from the "Other reserves – One's own financing sources constituted from profit" according to AGA Decision 11/16.10.2017 and 397 relate to dividends distributed from retained earnings according to AGA Decision 15/14.12.2018.

Such amounts are at the shareholders' disposal through the payment agent.

Other liabilities amounting to 28,055 are mainly represented by the performance bonds of the electricity market contracts concluded by NPG Transelectrica SA amounting to 14,229 and by the usage right during the lease contract in sum of 10,548 for the Company-leased spaces in the Platinum Office Building (contract C217/2015 concluded with Dagesh Rom SRL), according to the provisions of IFRS 16 – Leasing contracts.

12. Provisions

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

	<u>30 june 2019</u>	<u>31 december 2018</u>
Provisions for litigations	31,206	62,440
Provisions for mandate contracts	33,132	33,132
Provisions for the employees' profit participation fund	45	55,024
Other provisions	727	866
Total	<u>65,110</u>	<u>96,494</u>

Reduced provisions are mainly determined by cancelling the provision amounting to 31,181 constituted for the dispute with ASITO KAPITAL SA under file 35865/3/2018 (former file 24552/3/2017), on the docket of Bucharest Tribunal, Section VI Civil.

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

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

The Certificate of the court clerk office issued on 18.04.2019 by Bucharest Tribunal, Section VI civil certifies Decision 743/20.03.2019 (see Note 20).

13. Other tax and social security liabilities

On 30 June 2019 and on 31 December 2018 other tax and social security liabilities included:

	<u>30 june 2019</u>	<u>31 december 2018</u>
Contribution to the social security funds	7,172	8,429
Payable VAT	532	11
Salary tax	1,344	1,906
Other tax payable	1,589	1,232
Total	<u>10,636</u>	<u>11,578</u>

On 30 June 2019 the Company registered payment obligations for the contributions to social security funds, salary tax and other taxes which were due and paid in July 2019.

14. Income tax

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

The income tax expense on 30 June 2019 and on 30 June 2018 is provided as follows:

	<u>30 june 2019</u>	<u>30 june 2018</u>
Expenses with current income tax	7,183	10,557
Net income from deferred income tax	(2,510)	(1,704)
Total	<u>4,673</u>	<u>8,852</u>

15. Operational revenues

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

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

	Average tariff for transmission services	Average tariff of technological system services	Average tariff of functional system services
Order nr. 108/20.06.2018 for 01 january – 30 june 2019	18.13	10.44	1.11
Order nr. 122/19.12.2017 for 01 january – 30 june 2018	16.86	12.06	1.11

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

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

The electricity quantity delivered to consumers in the first half of 2019 and 2018, which was applied tariffs for services provided on the electricity market is as follows:

	30 june 2019	30 june 2018
Amount of electricity delivered to consumers (MWh)	27,920,433	27,957,786

The revenues achieved in the first half of 2019 and of 2018 were as follows:

	30 june 2019	30 june 2018
Transmission revenues	504,075	469,987
Revenues from the allocation of interconnection capacities	42,032	29,757
Revenues from reactive energy	711	3,432
Revenues from transactions with own technological consumption	4,624	1,818
Inter TSO Compensation (ITC) revenues	695	81
Total revenues from electricity transmission	552,137	505,074
Revenues from functional system services	30,992	31,033
Revenues from technological system services	295,487	342,418
Revenues from unplanned exchanges on DAM	1,278	1,468
Revenues of failure aids	0	274
Total revenues from system services	327,757	375,194
Revenues on the balancing market	279,930	330,847
Other revenues	18,061	28,151
Total revenues	1,177,885	1,239,266

Transmission revenues

Since the electricity quantity delivered to consumers diminished by 0.13%, namely 37,353 MWh in semester I 2019 in comparison with semester I 2018, transmission revenues registered increase of 34,088 determined by higher average tariffs for transmission services, as approved by ANRE (as per the table of ANRE-approved tariffs in the studied periods provided above).

Revenues from the allocation of interconnection capacities

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In semester I 2019 revenues from the allocation of interconnection capacities registered increase with 12,275 compared to semester I 2018, corresponding to the utilisation degree of available interconnection capacities by the traders on the electricity market.

Revenues from OTC transactions

Such revenues of OTC transactions were mainly obtained by selling the excess electricity on the intraday market managed by OPCOM and by means of BRP CIGA Energy on the balancing market. They were higher with 2,806 in semester I 2019 in comparison with semester I 2018, because the imbalances of Transelectrica had contrary sense to the imbalances of BRP CIGA Energy and thus the sale of excess electricity by means of the BRP was more beneficial than the balancing market sale.

Revenues from functional system services

In semester I 2019 revenues from functional system services decreased with 41 compared to the achievements of semester I 2018, as determined by the reduced electricity quantity delivered to consumers, while the same tariff approved by ANRE was maintained for such services (according to the table of ANRE-approved tariffs in the studied periods provided above).

Revenues from technological system services

Such revenues from technological system services registered decrease by 46,932 in semester I 2019 compared to semester I 2018, determined by the reduced electricity quantity delivered to consumers and by the diminished tariff for such services, as approved by ANRE (according to the table of ANRE-approved tariffs in the studied periods provided above).

In semester I 2019 revenues from technological system services were lower by 57,644 in comparison with the expenses for procurement of achieved technological system services. This loss was caused by increased expenses with technological system services while the procurement price of the RS (frequency restoration reserve) and of the RTL (replacement reserve) increased on the competitive market.

Such amount diminish the Company's gross profit registered on 30 June 2019.

Balancing market revenues

Such revenues registered 50,917 decrease in semester I 2019 compared to semester I 2018, mainly determined by the following issues:

- Reduced negative imbalance registered for electricity suppliers on the balancing market as a result of their better balancing in semester I 2019 compared to semester I 2018;
- The contracting manner on the markets before the balancing one and low participation of electricity generators on the day-ahead and intraday electricity markets;
- The development of hydraulicity;
- Highly unpredictable and volatile output from renewable sources (especially wind);
- The development of the average deficit price registered on the balancing market;
- The development of the electricity demand during a milder winter than in 2018;

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

16. System operation and balancing market expenses

Expenses made in H1 2019 compared to H1 2018 were as follows:

	30 june 2019	30 june 2018
Expenses on own technological consumption	145,118	121,523
Congestion expenses	1,652	5389
Expenses for the electricity consumption in RET substations	10,690	8,987
Expenses regarding functional system services	18,454	5,797
ITC expenses (Inter TSO Compensation)	3,903	8,220
Total system operating expenses	179,816	149,916
Expenses regarding technological system services	353,131	309,387
Balancing market expenses	279,930	330,847
Total	812,876	790,150

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Expenses regarding 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 (OTC / losses) in the RET.

In semester I 2019 the expenses with respect to technological system services were 23,595 greater in comparison with semester I 2018 due to the higher average price for electricity procurement as necessary to cover the OTC in the RET.

Congestion expenses

In the first semester of the current year congestion expenses amounted to 1,652, as determined by the provision of the N-1 safety principle when the 220 kV OHL Fantanele – Gheorgheni was unavailable because of bad meteorological conditions and by the same provision of the N-1 safety principle in section 4 when the 400 kV OHL Iernut – Sibiu Sud was taken out of operation according to schedule.

Expenses for the electricity consumption in RET substations

Such expenses registered increase of 1,703 in semester I 2019 compared to semester I 2018, as determined by the growing trend of electricity prices and especially by the higher firm prices than last year, which were used in the contracts of electricity supply on the competitive market for 2019.

Expenses regarding functional system services

Such expenses registered increase of 12,657 in semester I 2019 compared to semester I 2018, as determined by greater expenses on the balancing market and on the day-ahead market for the unplanned electricity exchanges with neighbouring countries interconnected to SEN.

Inter TSO Compensation (ITC) expenses

The monthly payment obligations / collection rights of each transmission and system operator (TSO) 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 semester of the current such expenses were lower by 4,317 in comparison with the same period of last year due to regularising the expense estimates.

Expenses regarding technological system services

Such expenses made for technological system services registered increase of 43,744 in semester I 2019 compared to semester I 2018, mainly determined by higher procurement prices for technological system services on the competitive market for the frequency restoration reserve and the replacement reserve in comparison with the procurement prices as compared to the same period of last year.

The very high concentration of the technological system service market for the frequency restoration reserve and the replacement reserve during the studied period as well as the higher prices of the electricity market in semester I 2019 had also an important impact over the increase of procurement prices for technological system services.

During the reported time interval the Company procured technological system services under regulated regime in accordance with ANRE decisions and applicable legal regulations.

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

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

Balancing market expenses

Such expenses made in the first semester of the current amounted to 279,929, in accordance with the development provided in *Balancing market revenues*.

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

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17. Other operational expenses

	<u>30 june 2019</u>	<u>30 june 2018</u>
Other expenses with services provided by third parties	16,759	5,444
Postal and telecommunication expenses	602	640
Expenses on rents	1,849	5,599
(Revenues)/ Expense net for impairment adjustments for current assets	688	(1,936)
Other expenses	(3,324)	24,382
Total	<u>16,574</u>	<u>34,128</u>

In the first half of 2019, these expenses registered a decrease in the amount of 17,554 compared to the first half of 2018, determined by the evolution of the position "other expenses" influenced by the adjustments in the consolidation.

18. Net financial result

	<u>30 june 2019</u>	<u>30 june 2018</u>
Interest revenues	2,613	3,629
Revenues from exchange rate differences	3,146	2,261
Other financial revenues	36	161
Total financial revenues	<u>5,796</u>	<u>6,051</u>
Interest expenses	(4,539)	(10,401)
Expenses from exchange rate differences	(5,813)	(2,226)
Other financial expenses	(8)	0
Total financial expenses	<u>(10,360)</u>	<u>(12,627)</u>
Net financial result	<u>(4,564)</u>	<u>(6,576)</u>

On 30 June 2019 Group registered net financial loss amounting to 4,564, lower by 2,012 in comparison with the same period of 2018. It was mainly influenced by the national currency's exchange rate against the foreign currencies the Company has contracted bank loans in view of financing its investment plans (Euro).

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

Currency	<u>30 june 2019</u>	<u>30 june 2018</u>
Lei / Euro	4.7414	4.6537

18. Litigations and contingents

Note tangible and intangible assets: To facilitate reading and understanding, all amounts of this chapter are expressed in RON

i) Litigations

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

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

RAAN

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

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Civil ruling 127 pronounced on 10 October 2014 by Mehedinti Tribunal admitted the request filed by plaintiff RAAN and ordered NPG Transelectrica SA to pay the amount of 1,090,831.70 Lei, constituting the value of invoice 1300215 / 31.12.2013.

The amount requested for payment represents penalties calculated by RAAN for the bonus due to it under the support scheme and withheld by the Company, in its capacity of Administrator of the support scheme that applied the provisions of article 17 para 5 from Order 116/2013 of ANRE president (see Note 9). The amount was enforced by RAAN on 15 June 2016 according to the Decision issued by the Bankruptcy Court Officer Ailiesei & Guta under the enforcement file 12105/2016.

Civil decision 843/2015 of the Appeal Court Craiova denied as uninteresting the appeal filed by NPG Transelectrica SA against civil sentence 127/10.10.2014.

NPG Transelectrica SA filed appeal against decision 843/ 5 November 2015 of Appeal Court of Craiova, Section II Civil, pronounced in the public hearing of 5 November 2015 under file 3616/101/2014, as well as against ruling 127/2014 of the Mehedinti Court, Section II Civil, Administrative and Fiscal Disputes, pronounced in the public hearing of 10 October 2014 under file 3616/101/2014, as well as against ruling 1/2015 of Mehedinti Tribunal, Section II Civil, Administrative and Fiscal Disputes, pronounced in the public hearing of 9 January 2015 under file 3616/101/2014, which requested a court decision allowing the appeal as it was filed and reversing the judgment and sentences under appeal and referring the case to the trial court in the territorial jurisdiction for judgement, and stating the compliance with the requirements of Articles 1616 and 1617 of the Civil Code, reason for which it is also required to declare the occurrence of mutual debts compensation and their redemption up to the amount of the smallest of them, namely the total amount requested by the plaintiff in the application for summons, ordering the appeal - plaintiff to pay the expenses made with this appeal.

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

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

Document: Decision 535/2018 / 13.12.2018

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

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

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

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

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

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

On 03.11.2015 Bucharest Tribunal by its Civil Section VI pronounced ruling 6075/2015 and ordered the following: "It admits the request as it has been filled in. It compels the defendant to pay the amount of 17,805,680 Lei to the claimant, representing the equivalent value of the bonus and penalties. It denies the

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claimant's request to be granted legal expenses as groundless. Appeal is granted within 30 days from notification. The appeal will be referred to Bucharest Tribunal, Civil Section VI".

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

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

- On the docket of Bucharest Tribunal, Section VI Civil file 26024/3/2015 was recorded pertaining to "claims", in which the Company is defendant, the claimant being the Autonomous Authority for Nuclear Activities – RAAN.

The application for summons filed by the claimant asked the court to compel Transelectrica SA to pay the amount of 10,274,679.

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

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

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

- On the docket of Bucharest Tribunal, Section VI Civil file 3694/3/2016 was recorded pertaining to "claims", in which the Company is defendant, the claimant being the Autonomous Authority for Nuclear Activities – RAAN.

The application for summons filed by the claimant asked the court to compel Transelectrica SA to pay the amount of 15,698,722.

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

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

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

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

- Mention should be made that the hearing conclusion of 18.09.2013 issued by Mehedinti Tribunal under file 9089/101/2013 pronounced opening the general insolvency procedure against debtor Autonomous

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Authority for Nuclear Activities RA (RAAN).

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

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.

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

Once submitting the receivable statement under RAAN's bankruptcy procedure Transelectrica SA can resort to the provisions of article 52 from Law 85/2006, applicable to RAAN's bankruptcy procedure, provisions resumed in article 90 of Law 85/2014 on the creditor's right to invoke compensation for its receivables with its debtor's to it, whenever the law-provided conditions for legal compensation are complied with on the procedure opening date. Transelectrica SA was recoded with 11,264,777 Lei in the table of debtor RAAN, in the category of receivables resulting from the debtor's uninterrupted activity, the actual amount the Company requested being 89,360,986 Lei, but 78,096,208.76 Lei were not registered in the preliminary receivable table because "such sum was not recorded as owed liability in RAAN's accounting books". Moreover the judiciary liquidator considered the request to record 78,096,209 Lei was made late since it pertained to 2011 – 2013, for which reason the receivable statement should have been submitted when the insolvency procedure began, namely on 18.09.2013. The Company filed contestation of the Additional Receivables Table included in file 9089/101/2013/a152 (connected to the file indicated by a 140). Mehedinti Tribunal admitted the accounting expertise evidence. The parties filed objections to the accounting expertise report, which the court admitted and set the hearing date on 22.02.2018. On the contestation judgment term 14.06.2018 the decision was taken to suspend it until settlement of file 3014/2/2014 on the docket of the ICCJ. Next hearing term: 06.06.2019. On 20.06.2019 Mehedinti Tribunal decided the following: It admits the exception of decline. It partly admits the main issue and associated contestation. It compels defendant RAAN to pay to claimant Transelectrica the amount of 16,950,117.14 Lei accrued during the procedure, judging to record it in the creditors' table constituted against debtor RAAN by this sum. The other associated demands are denied. In accordance with article 453 para 2 from the Civil Procedural Code it compels the defendant to pay 1000 Lei law court expenses to the claimant. Appeal right is granted. It was pronounced on 20.06.2019 at public hearing. Document: Ruling 163/2019 of 20.06.2019. Civil judgment 163/2019 was notified on 15.07.2019, and Transelectrica will file appeal.

Romanian Court of Accounts

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

At the 20.01.2016 hearing the court deferred the case in order to enable the designated chartered accountant to express his opinion about the defendant's objections to the expertise report and the technical expert to perform his expertise. On 29.06.2016 the law court postponed the case in order to enable completion of the technical expertise report. The next hearing was set on 26.10.2016, and no other changes have been registered until the date of this report.

On 13.06.2018 the following settlement was pronounced: "Partly admits the request".

Settlement in brief: Partly admits the claimant's case and partly cancels the defendant-issued conclusion 7/20.02.2014, decision 37/9.12.2013 and the control report 35521/6.11.2012 with respect to the measures in the above decision, indicated in points I.1, I.3, I.6, I.8, I.11, II.14, II, 15, II.17, II.18, II.20,

The accompanying notes form an integral part of the consolidated financial statements

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II.21, II.22 and partially the measure of pct. II.13, meaning to remove the phrase “including what has been found about the invoices issued by Florea Administrare Imobiliara SRL”. The court rejects the remainder of the claimant’s request as groundless. It approves the electricity technical expertise report drafted by Toaxen Vasile as expert; compels the defendant to pay 121,375 Lei law suit expenses to the claimant (partially expert fees and judiciary stamp tax). Appeal right granted within 15 days from notification. The appeal will be referred to the Bucharest Court of Appeal, Section VIII, Administrative and Fiscal Disputes Section; ruled in open court on 13.06.2018.

Document: Decision 2771/2018, 13.06.2018. Transelectrica filed appeal, which the ICCJ denied as groundless under decision 145/28.01.2016.

ANRE

• NPG Transelectrica SA filed complaint against Order 51/26.06.2014 of ANRE President, registered with ANRE under no. 47714/4.08.2014, and an appeal before the Appeal Court of Bucharest under file 4921/2/2014, requesting either the amendment of the aforementioned Order or the issuance of a new one, which should recalculate the RRR value at the level of 9.87% (recalculated with a (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 2013 and in the first semester of 2014.

On 26.06.2014 ANRE Order 51 was issued and published in the Official Gazette 474/27.06.2014 regarding approval of the average tariff for transmission services, the system service tariffs and zone tariffs for transmission services charged by the National Power Grid Company Transelectrica SA and cancellation of annex 1 to Order 96/2013 of ANRE President approving the average tariff for transmission services, the system service tariffs and zone tariffs for transmission services and the tariffs for reactive electricity charged by economic operators of the electricity sector.

The values taken for the calculation of the regulated rate of return (RRR¹) by ANRE according to the Methodology establishing the tariffs of electricity transmission services approved by ANRE Order 53/2013 (“Methodology”) determined the RRR at 7.7%.

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

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

The dispute has not impacted the relationship with ANRE or the Company’s financial results. Hearing term: 10.09.2019 in order to acknowledge the judiciary technical report and express possible objections.

OPCOM

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

The Shareholders’ General Assembly of the subsidiary SC OPCOM SA, at their meeting of 10.06.2014 decided upon full payment of the fine amounting to 1,031,000 euro imposed by the Directorate General for Competition, European Commission for breaching of Article 102 of the Treaty on the European Union Functioning, according to the Decision AT 39984 in the antitrust case. Subsidiary SC OPCOM SA has made full payment of the fine set by the European Commission.

On 24.11.2014 subsidiary SC OPCOM SA summoned NPG Transelectrica SA in order to compel it paying the amount of 582,086 Euro (2,585,162 Lei at the National Bank of Romania exchange rate of 24.11.2014), representing the amount paid by her as fine, from the total of the fine amounting to 1,031,000 Euro.

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

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

has filed a counterclaim against the application for summons in this case, invoking exceptions and defences on the main issue of the matter regarding the unfounded and unlawful character of the action.

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

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

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

On the 13.03.2018 hearing term the appeal filed by the recurrent-claimant Romanian Gas and Electricity Market Operator OPCOM SA was admitted against decision 1517/10.10.2016, pronounced by the Appeal Court Bucharest, Section V Civil. Invalidates the contested decision and refers the case to the court of appeal; final.

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

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

Conaid Company

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

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

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

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

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

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

The conclusion of the Appeal Court Bucharest, Section VIII of Administrative and Fiscal Disputes pronounced at public hearing of 18.02.2014 in file 5302/2/2013, the court decided denying the exception

of the court's material incompetence as groundless, claimed by our company.

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

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

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

Transelectrica SA filed appeal against the denial of exceptions and of the hearing conclusions of 18.02.2014 and 25.03.2014.

Both the claimant and the intervenient in claimant's favour filed appeal against the ruling.

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

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

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

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

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

Hearing term: 17.09.2019

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

FF Wind Energy International

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

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

ANAF

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

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

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

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

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

These invoices were subject to a dispute with ANAF, the latter sending a tax inspection report on 20.09.2011 which estimated the amount of collected VAT for a number of 123 unused invoices identified as missing;

On the 30.04.2014 term the Appeal Court Bucharest, Administrative and Fiscal Section VIII (Ruling 1356/2014) under file 6657/2/2012 denied the request of "claimant NPG Transelectrica SA (Appeal against ANAF's Fiscal administrative act)". On 01.03.2017 the High Court of Cassation and Justice ordered by decision no. 779 the following: "denies the inadmissibility exception of the contestation for cancellation filed by contester Transelectrica SA, invoked by defence by the respondent in appeal, the General Directorate for Large Tax-payers Administration. It dismisses the appeal for cancellation formulated by the appellant Transelectrica SA against civil decision no. 1945 of 16.06.2016 of the High Court of Cassation and Justice - Administrative and Tax Appeals Division, pronounced in file no. 6657/2/2012, as unfounded; irrevocable".

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

The accompanying notes form an integral part of the consolidated financial statements

- 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 OG 92/2003 on the Fiscal procedural code. ANAF issued the enforcement title 13540/22.08.2017 based on which the additional payment obligations established under the Taxation decision F-MC 439/30.06.2017 were executed.

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

Document: Ruling 478/2018 / 08.02.2018;

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

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

Pending with the Appeal Court is the case file 1802/2/2018 through which the Company contested the fiscal administrative document - Decision F-MC 439/30.06.2017. On the session term 06.11.2018 the court admitted the administration of the expertise evidence, in the accounting – fiscal specific domain. Hearing scheduled for: 10.09.2019.

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

Asito Kapital

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

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

Decision 4067/07.11.2017 was written and notified to both parties on 17.10.2018.

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

On 06.11.2018 Asito Kapital SA paid the amount of 31,181,857.96 to the Company as follows:

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

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

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

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

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

- Denies the request with respect to reversing the enforcement as inadmissible;
- Denies the request to return the stamp tax relating to the request with respect to reversing the enforcement as groundless;
- Denies the cancellation request filed by the contester-debtor ASITO KAPITAL SA against Civil ruling 4067/07.11.2017 pronounced by Bucharest Tribunal, Section VI Civil under file 24552/3/2017, in contradiction with the recurrent - creditor National Power Grid Company TRANSELECTRICA SA as groundless; final. It was pronounced at public hearing on 20.03.2019. Document: Decision 743 / 2019 / 20.03.2019.

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

NPG Transelectrica SA cancelled the provision amounting to 31,180,858 constituted for the dispute with ASITO KAPITAL SA under file 35865/3/2018 (former file 24552/3/2017) on the docket of Bucharest Tribunal, Section VI Civil.

Resita City

• Through its summons under file 2494/115/2018 the claimant Resita City requests that the defendant NPG Transelectrica SA should be compelled to pay the following amounts:

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

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

Settlement: It admits the exception of territorial incompetence for Caras Severin Tribunal. It declines the settlement competence of the request filed by claimant Resita City through the mayor in contradiction with defendant NPG Transelectrica SA in favour of Bucharest Tribunal. No appeal according to article 132 para 3 Civil Procedural Code. It was pronounced at public hearing on 11 March 2019. Document: Ruling 313/2019. Hearing term: 17.09.2019 at Bucharest Tribunal.

National Authority of Forests Romsilva

• Through its summons claimant National Authority of Forests Romsilva, Forestry Division Caras Severin requests compelling defendant NPG Transelectrica SA to pay the following amounts:

- 2,433,608.52 Lei annual rent for temporary land occupation from the national forestry fund + delay penalties from rent payment due date 31.01.2018 until their full actual payment;
- 304,298.47 Lei for final taking up a land area of the national forestry fund and the loss of timber mass for operation + delay penalties calculated as of 10.05.2015 until their full actual payment;

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

On 29.11.2018 Caras Severin Tribunal pronounced ruling 3326/2018 deciding as follows: „It admits the territorial incompetence exception of Caras-Severin Tribunal. It declines the settlement competence for

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the suing filed by claimant RNP-Romsilva, Forestry Division Caras-Severin against defendants the National Power Grid Company Transelectrica SA and the National Power Grid Company Transelectrica SA, Transmission Branch Timisoara; final. It was pronounced at public hearing on 29.11.2018”.

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

The file was registered under no 2434/115/2018* on the docket of Bucharest Tribunal, Section VI Civil on 13.02.2019, which pronounced the following conclusion: “It admits the exception of suit material incompetence of Bucharest Tribunal, Section VI Civil, sustained ex officio. It declines the case settlement competence in favour of Bucharest Tribunal, Section IV Civil, which will receive promptly the file. It ascertains as occurred the negative competence conflict, it suspends judging the case and refers the file to the Bucharest Court of Appeal to settle the conflict; no appeal. It was pronounced at public hearing on 13.02.2019”. Hearing term: 04.10.2019 at Bucharest Tribunal, Section IV Civil.

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

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

Hearing term: 19.09.2018

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

Document: Decision 903/2018 / 03.10.2018.

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

ELCEN

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

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

Dagesh Rom

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

Settlement of TMB

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

2. It denies the other claims as groundless.

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

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

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

Both parties filed appeal with hearing term on 24.09.2019 at the High Court of Cassation and Justice.

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

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

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

The Company is also involved in:

I. Litigations with the subsidiary SMART SA

- Case file no. **3269/3/2015** registered with Bucharest Tribunal, Section VI Civil, renumbered **1015/2/2018** with the Court of Appeal Bucharest, Case file subject:

Compelling SMART SA to pay 1,841 , VAT included and the sum of 232 as accessories – representing the reduced value of our patrimony by the defendant's violating the provisions of contracts C, 43/2005 and C,237/2010, Case file stage: On the hearing date 11,10,2017 Bucharest Tribunal pronounced civil ruling 3592/11,10,2017, whereby it denied as inadmissible the action filed by NPG Transelectrica SA in contradiction with the Company of Maintenance Services to the Electricity Transmission Grid SMART SA, On 04.12.2017 NPG Transelectrica SA filed appeal against civil ruling 3592/2017 pronounced by Bucharest Tribunal on 11.10.2017, Such appeal is included in file 1015/2/2018 on the docket of the Appeal Court Bucharest, with hearing term set on 26.09.2019.

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

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

File stage: On the hearing date 07.06.2017 the instance in accordance with article 413 para 1 pt, 1

NCPC suspended judging the case until the final settlement of file 1658/3/2014 on the docket of the Appeal Court Bucharest in contradiction with the Court of Accounts, Appeal right during the entire suspension period.

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

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

- a) Return to our company the amount of 7,652 where VAT is to be added, as prejudice incurred by our company as a consequence of the defendant's enrichment with no just cause, in the first place, and as undue payment, in the second place;
- b) Compelling the defendant to pay the non-achieved benefits associated to the amount paid under the enrichment title without just cause, in the main, calculated from the date when the subscribed made the undue payments to the defendant until the date when the law court was notified, in quantum of 2,773, as well as compelling the defendant to further pay the non-achieved benefits until the actual return date of the amount representing the principal debt by the defendant.

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

Settlement in brief: Based on art. 413 paragraph 1 point 1 Civil Procedure Code orders the suspension of the case pending the final settlement of file no.6577/2/2017 on the dockets of CAB - Section II Administrative and Fiscal Contentious Division. with hearing term set on 25.09.2019.

II. Litigations with the subsidiary Teletrans SA

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

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

Case file stage: At the hearing of 18.05.2018, the application was rejected as unfounded. Procedural stage: appeal.

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

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

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

Case file stage: At the term of 22.04.2019, the exception of the limitation of the material right to action regarding the fiscal invoices for February - March 2014 is admitted. 115 / 01.032015 and no. 123 / 01.03.2017 as prescribed. Dismisses the action as unfounded. Procedural stage: on the merits.

ii) Contingents

Control activities are performed in the Company offices as follows:

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

- Compliance with budgetary, economic-financial and accounting discipline;
 - Compliance with legal provisions regarding the assets from the state's public and private domain and from the administrative-territorial units, held in any form;
 - Compliance with the provisions of Governmental Ordinance 64/2001 on profit distribution in national societies, national and trading companies with full or majority state capital as well as in autonomous authorities, with later amendments and additions;
 - How the constituted reserves have been used;
 - The organisation and exercise of the mandatory internal / managerial control;
 - Foundation and justification of amounts granted from the general consolidated budget;
- The fiscal inspection of the Ministry of Public Finance, ANAF - DGAMC is in progress in the Company offices, an inspection that began on 20.08.2018 and pertained to:
- Verify the legality and conformity of fiscal returns and / or of relevant operations for fiscal inspection; the accuracy and exactness of fulfilled obligations to establish the taxation base and the main income tax fiscal obligations for 01.01.2012 - 31.12.2016;
 - Verify the compliance with the provisions of fiscal and accounting legislation;
 - Verify other relevant issues for taxation, if they are of interest to apply the fiscal and accounting legislation;

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

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

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

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

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

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

The objectives of such economic-financial inspection were:

- Foundation and execution of the revenue and expense budget;
- Compliance with budgetary, economic-financial and accounting discipline;
- Compliance with legal provisions regarding the assets from the state's public and private domain and from the administrative-territorial units;

The accompanying notes form an integral part of the consolidated financial statements

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- The organisation and exercise of the mandatory internal / managerial control;
- Verify the compliance with the provisions of GO 26/2013 on enhancing financial discipline at economic operators where the state or the administrative-territorial units are single or majority shareholders or directly or indirectly have majority participation, in 2015 – to date;

The draft Economic–financial inspection report elaborated on 21 February 2018 specifies that the state budgeted was prejudiced in total amount of 88,778,158 Lei, representing cashed sums that were not transferred to the state budget in 2006-2016 following rental of assets from the state public domain (capacities and infrastructure elements from the public telecommunication network) and the Company's and Teletrans' representatives did not comply with the provisions of articles 14, 15 and 16 of Law 213/1998 regarding the public property assets.

Letter 13443 / 26.03.2018 of Teletrans informed Transelectrica as follows:

- From 21.02.2018 to 10.03.2018 several meetings were organised between Teletrans and the representatives of Ministry's control team, following which they established the calculation base used in the draft report was wrong, since it took into account only the recorded revenues without the expenses made (total amortisement of the network elements procured, human resources and total indirect costs of such activities) and without fully understanding the commercial and juridical relations between Transelectrica and Teletrans;
- Consequently the control team together with the management of the General Directorate for Economic-Financial Inspection in the Finance Ministry granted Teletrans a new deadline by which the reviewed situation should be submitted with additional information for the inspected interval, changing the initial date of 27.02.2018 to 30.03.2018.

Beginning with 26.03.2019 the General Directorate of Economic-Financial Inspection of the Ministry of Public Finance extended the previous control to the time interval 01.01.2015 - 31.12.2018, according to the Finance Ministry's notice 261043/25.03.2019, registered in Teletrans under no 3053/26.03.2019.

The objectives of such economic-financial inspection were:

- - Foundation and execution of the revenue and expense budget;
- - Compliance with budgetary, economic-financial and accounting discipline;
- - Compliance with legal provisions regarding the assets from the state's public and private domain and from the administrative-territorial units;
- - The organisation and exercise of the mandatory internal / managerial control;
- - Verify the compliance with the provisions of GO 26/2013 on enhancing financial discipline at economic operators where the state or the administrative-territorial units are single or majority shareholders or directly or indirectly have majority participation, in 2015 – to date;

Teletrans SA has not received the economic-financial inspection report until the date of these interim financial statements.

As regards the legality of operating the excess of optical fibre the arguments on the juridical nature of the contractual relation took into account the legal opinion issued by Bostina&Asociatii according to which the previous contract C45/2006 was qualified as mandate contract without representation pertaining to "Teletrans SA concluding contracts in its own name but on behalf of the public telecommunication network of Transelectrica in order to trade its capacity and infrastructure elements". Such qualification of the juridical deed enabled concluding Convention C111/2014, while keeping the juridical relations between parties.

Letter 42553 / 17.10.2018 of NPG Transelectrica SA transmitted to Teletrans SA the analysis of revenues collected and expenses incurred from June 2006 to November 2017, which analysis pertained to the excess optical fibre capacity and requested subsidiary Teletrans to take care and send the Company's view to the Economic-Financial Inspection of the MFP accompanied by the analysis, before they elaborate the final Economic-financial inspection report.

Also upon Teletrans' request the Company sent letter 16537/05.04.2019 to the subsidiary with respect to some aspects of the investment objective "Rehabilitation and upgrade of certain components of the transmission dispatcher system of NPG Transelectrica SA", to the total royalty amount paid by the Company in 2006-2019, and the total optical fibre costs in 2006-2019.

Thus in view of determining the possible effect of the result included in the draft economic–financial inspection report elaborated on 21 February 2018, the Company analysed the revenues collected by Transelectrica from Teletrans and the expenses incurred by Transelectrica from June 2006 to November 2017 for the excess optical fibre capacity, of which a difference of 3,047,441 resulted between cashed

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revenues and expenses made.

Thus taking into account the above on 30 June 2019 the Company management did not have the information necessary to make pertinent analysis in view of determining the effect of the results from this draft report on the stand-alone interim financial statements as of 30 June 2019.

At present there are disputes on the docket with the Court of Audit about their controls performed in 2013 and 2017. Taking into account the Court of Audit's findings recorded in its 2013 and 2017 decisions it is likely to result additional fiscal obligations which cannot be accurately determined now according to the terms provided in Standard IAS 37 Provisions, contingent liabilities and assets.

20. Credit risk

The credit risk is the hazard by which the Group stands financial loss for a client's failure to comply with contractual obligations or a counterpart's to a financial instrument. Such risk results mainly from trade receivables as well as cash and cash equivalents.

The counterpart risk is treated using factors inside and outside the Group. The external success factors with influence on the systematic risk reduction are: decentralising the energy sector making the generation, transmission, distribution and supply distinct activities, while the supplier is the client's interface; electricity is traded on Romania's market by two segments: the regulated market and the competitive one. Internal success factors for the counterpart risk treatment include: diversification of the clients' portfolio and of the number of services provided on the electricity market.

Financial assets that might subject the Group to the collection risk are trade receivables and cash and cash equivalents, in the main. The Company has put in practice a series of policies making sure the services are sold to clients with proper collection, by including in trading contracts their obligation to constitute financial securities. The value of receivables net of value allowances represents the maximum amount exposed to the collection risk.

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

	<u>Net value</u> <u>30 june 2019</u>	<u>Net value</u> <u>31 december 2018</u>
Financial assets		
Net trade receivables	615,722	904,215
Cash and cash equivalents	316,827	505,494
Net other receivables	168,180	30,322
VAT to recover	32,973	82,774
Other financial assets	50,000	0
Total	<u>1,183,701</u>	<u>1,522,805</u>

The age of receivables on the financial position statement date is provided below:

	<u>Gross</u> <u>value 30</u> <u>june 2019</u>	<u>Adjustment of</u> <u>depreciation</u> <u>30 june 2019</u>	<u>Gross value</u> <u>31 december</u> <u>2018</u>	<u>Adjustment of</u> <u>depreciation 31</u> <u>december 2018</u>
Not reached to maturity	456,049	510	744,341	2,264
Due date exceeded 1 – 30 days	6,293	204	7,717	0
Due date exceeded 31 – 90 days	2,485	2,179	1,270	169
Due date exceeded 90 – 180 days	3,012	970	74	37
Due date exceeded 180 – 270 days	165	122	941	932
Due date exceeded 270 – 365 days	7,038	37	2,101	2,105
More than a year	284,963	140,262	290,785	137,506
Total	<u>760,006</u>	<u>144,284</u>	<u>1,047,228</u>	<u>143,013</u>

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The age of 'Other receivables' on the financial position statement date is provided below:

	Gross value 30 june 2019	Adjustment of depreciation 30 june 2019	Gross value 31 december 2018	Adjustment of depreciation 31 december 2018
Not reached to maturity	40,650	739	68,022	3,626
Due date exceeded 1 – 30 days	8,615	41	4,125	0
Due date exceeded 31 – 90 days	48,898	5	46,024	7,542
Due date exceeded 90 – 180 days	53,803	1,072	868	0
Due date exceeded 180 – 270 days	105	8	153	153
Due date exceeded 270 – 365 days	3,495	858	78,87	26,216
More than a year	70,993	55,657	72,783	55,193
Total	226,559	58,379	141,955	59,005

The greatest depreciation allowances on 30 June 2019, calculated for trade receivables and their penalties were registered for CET Govora (25,145), SC Eco Energy SRL (24,736), SC Petprod SRL (23,540), Arelco Power (15,533), SC Total Electric Oltenia SA (14,186), Romenergy Industry (13,513), Elsaco Energy (9,276), RAAN (8,517), Also Energ (7,177), Opcom (5,577), and CET Brasov (4,665). To recover receivables with depreciation allowances the Company took the following measures: suing to court, recording in the creditors' list, requesting explanations from ANAF (for recoverable VAT from Opcom) etc.

Group's policy consists in registering 100% allowances for value losses with clients under dispute, insolvency and bankruptcy and 100% of trade receivables and other uncollected receivables during more than 180 days, except for outstanding receivables generated by the support scheme. The Group also performs case-by-case analysis of trade receivables and other uncollected receivables.

The depreciation allowances for other doubtful receivables are as follows:

	30 june 2019	31 december 2018
Opening balance 1 january	143,014	124,988
Recognition of adjustments for impairment	3,782	26,479
Reversal of adjustments for impairment	2,511	8,454
Balance on the end of period	144,284	143,014

The development of depreciation allowances for other doubtful receivables was as follows:

	30 june 2019	31 december 2018
Opening balance 1 january	59,005	82,913
Recognition of adjustments for impairment	1,195	10,436
Reversal of adjustments for impairment	1,821	34,344
Balance on the end of period	58,379	59,005

Financial assets that might submit the Group to the collection risk are trade receivables and cash and cash equivalents. The Group has put in practice a series of policies making sure the services are sold to clients with proper collection, by including in their trading contracts the obligation to constitute financial securities. The value of receivables net of value allowances represents the maximum amount exposed to the collection risk. The collection risk associated to such receivables is limited, because such amounts are mainly owed by state-owned companies.

Cash is placed into financial institutions considered as providing minimum risk.

21. Later events

Publication of ANRE Order 81/24.06.2019 in the Official Gazette 516/25.06.2019

Official Gazette 516/25.06.2019 published ANRE Order 81/24.06.2019 on the approval of average tariffs for transmission services, of components in the transmission tariff for electricity injection into the network (TG) and for electricity extraction from the network (TL), the tariff for system services and the regulated price of reactive electricity practiced by the Company. Consequently the regulated tariffs applicable beginning with 01 July 2019 to electricity transmission services and system services are:

Service	Tariff applied until 30 June 2019	Tariff applicable as of 1 July 2019	Difference
	Lei/MWh	Lei/MWh	%
I. Electricity transmission (average tariff)	18.13	17.68	-2.5%
II. Functional system services	1.11	1.84	+65.8%
III. Technological system services	10.44	13.05	+25.0%

Compliance with the suspensive terms provided in the ending agreements the Company concluded with its subsidiary SMART SA

On 21.06.2019 were fulfilled the suspensive terms provided in the ending agreements concluded by the Company with its subsidiary, namely C777/06.06.2019 and C778/06.06.2019 associated to the juridical deeds C 99/2016 and C 259/2016. As of 21.06.2019, enforcement date of ending agreements C 99/2016 and C 259/2016, the parties are obliged within 30 days, namely by 21.07.2019, to carry out the following formalities: Report on delivered goods, provided services and executed work; account on the amounts owed in-between the parties according to contractual provisions and to the hand-over/take-over minutes for manufactured products.

As regards the impact of the two contracts' ending over SEN safety, NPG Transelectrica SA took measures to avoid impacting the operational safety:

- Provisional work was performed in substation DUMBRAVA enabling the safe operation in this area;
- Substation RAURENI operates under normal conditions while additional maintenance services were provided;

Convocation of the Shareholders' General Extraordinary Assembly

The Directorate of the National Power Grid Company Transelectrica SA convened in accordance with the provisions of the Company Law 31/1990, republished, with later amendments and additions, of Law 24/2017 on the issuers of financial instruments and market operations, of ASF Regulation 5/2018 on the issuers of financial instruments and market operations, and of the applicable Company's Articles of Association, the Shareholders' general extraordinary assembly on 19.08.2019 in order to submit to the approval the increase of the share capital of the National Power Grid Company Transelectrica SA, subsequent to AGEA Decision 16/21.12.2018, by issuing new shares without share premium and observing the preference right of existent shareholders on the registration date with a maximum amount of 20,248,262 Lei, of which 11,883,300 Lei represent the expert-determined value of 17 lands which ownership certificates were provided for to the Company.