



NPG TRANSELECTRICA SA

SEMESTRIAL REPORT

January – June

2019

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REPORT REGARDING THE ECONOMICAL AND FINANCIAL ACTIVITY OF NPG

"TRANSELECTRICA" SA

according to provisions of Article 65 of Law no. 24/2017 on the capital market and the Regulation no. 5/2018 issued by the Financial Supervisory Authority

for the period ending on June 30th, 2019

Report date:	August 14 th , 2019
Company name:	NATIONAL POWER GRID COMPANY TRANSELECTRICA SA, two-tier company
Registered office:	Bucharest, No. 33 Gen. Gheorghe Magheru Blvd., 3 rd district, ZIP code 010325
Operational office:	Bucharest, No. 2 - 4, Olteni Street, 3 rd District, ZIP code 030786
Telephone / fax:	021 303 5611/ 021 303 5610
Unique registration code:	13328043
Number in the Commercial Register:	J40/ 8060/ 2000
LEI Code (Legal Entity Identifier)	254900OLXOUQC90M036
Company's establishment date:	July 31 st , 2000 / OUG 627
Share capital:	733,031,420 RON, subscribed and paid
Trading regulated market for the issued securities:	Bucharest Stock Exchange, Premium Category
The main features of the issued securities:	73,303,142 shares with a nominal value of 10 RON / share, dematerialized, registered, ordinary, indivisible shares, freely tradable from August 29 th , 2006 under the TEL symbol.
Total market value:	1.539.365.982 ron (21 ron/share as of 30.06.2019)
Applied accounting standard:	International Financial Reporting Standards
Audit:	The quarterly financial statements drafted on June 30 th , 2019 are not audited

RESPONSIBLE PERSONS' STATEMENT

To the best of our knowledge, the stand-alone interim simplified financial statements as of and for the 6 months' period ended on 30 June 2019 have been elaborated in accordance with the International Accounting Standard 34 "Interim Financial Reporting" and they provide accurate image in compliance with the real situation of assets, obligations, financial position, profit and loss account of NPG Transelectrica SA.

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

Bucharest, august 14, 2019

**Marius-Dănuț
CARAȘOL**

**Directorate
Chairman**

**Claudia-Gina
ANASTASE**

**Directorate
Member**

**Alina-Elena
TEODORU**

**Directorate
Member**

**Andreea Georgiana
FLOREA**

**Directorate
Member**

**Adrian
SAVU**

**Directorate
Member**



Key figures H1 2019 vs H1 2018

KEY FIGURES

FINANCIAL HIGHLIGHTS

RON	1,184	mn	▼	-4%	Revenues
				y/y	
RON	182	mn	▼	-31%	EBITDA
				y/y	
RON	30	mn	▼	-69%	Net profit
				y/y	
TWh	27.92		▼	-0.1%	Charged energy volume**
				y/y	

OPERATIONAL

2.38%	*	▼	-0.37	pp	OTC
			y/y		
21.05		▼	-4%		Transported energy***
TWh			y/y		

INVESTMENTS

RON	101	mn	▲	22%	Acquisition of tangible and intangible assets
				y/y	
RON	18.25	mn	▼	-90%	Fixed assets recorded in the accounts (commissioning)
				y/y	

OTC – One's Own Technological Consumption (losses)

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

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

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

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



Financial data

The summary of the financial results on June 30th, 2019 is presented in the tables below. The financial results are not audited and the extended version for the same time period is presented in the Annexes to this Report.

Separate statement of profit or loss					
[RON mn]	H1 2019	H1 2018	Δ	Δ (%)	2018
	1	2	3=1-2	4=1/2	5
Charged energy volume [TWh]	27.92	27.96	(0.04)	(0.1%)	55.78
ALLOWED PROFIT ACTIVITIES					
Operating revenues	609	560	48	9%	1,180
Transmission and other revenues on the electricity market	552	505	47	9%	1,070
Functional system services	32	33	(0,2)	(1%)	64
Other revenues	24	22	2	9%	46
Operating expenses	369	330	39	12%	740
System operating expenses	180	150	30	20%	309
Repairs and maintenance expenses	44	38	7	18%	91
Personnel expenses	103	89	14	16%	189
Other expenses	42	54	(11)	(21%)	152
EBITDA	239	230	9	4%	440
Depreciation	142	151	(9)	(6%)	298
EBIT	97	79	18	23%	142
ZERO PROFIT ACTIVITIES					
Operating revenues	575	673	(98)	(15%)	1,541
Technological system services revenues	295	342	(47)	(14%)	637
Balancing market revenues	280	331	(51)	(15%)	904
Operating expenses	633	640	(7)	(1%)	1,582
Technological system services expenses	353	309	44	14%	678
Balancing market expenses	280	331	(51)	(15%)	904
EBIT	(58)	33	(91)	(275%)	(40)
ALL ACTIVITIES (WITH PROFIT ALLOWED AND ZERO-PROFIT)					
Operating revenues	1,184	1,233	(49)	(4%)	2,722
Operating expenses	1,002	970	32	3%	2,322
EBITDA	182	263	(81)	(31%)	400
Depreciation	142	151	(9)	(6%)	298
EBIT	40	112	(72)	(65%)	101
Net finance result	(4)	(5)	1	15%	(8)
EBT - Profit before income tax	35	107	(71)	(67%)	93
Income tax	5	9	(4)	(43%)	12
Net profit	30	98	(68)	(69%)	81

Separate statement of financial position				
[RON mn]	H1 2019	2018	Δ	Δ (%)
	1	2	3=1-2	4=1/2
Non-current assets				
Tangible assets	2,944	2,988	(45)	(1%)
Intangible assets	33	23	10	45%
Financial assets	80	80	0	0
Total	3,057	3,091	(34)	(1%)
Current assets				
Inventories	39	35	5	14%
Trade and other receivables	823	1,064	(241)	(23%)
Other financial assets	50	-	50	n/a
Cash and cash equivalents	297	482	(186)	(38%)
Total	1,209	1,581	(372)	(24%)
Total assets	4,266	4,672	(406)	(9%)
Shareholders' Equity	2,841	2,809	32	1%
Non-current liabilities				
Borrowings	135	144	(9)	(6%)
Other non-current liabilities	483	520	(36)	(7%)
Total	618	664	(45)	(7%)
Current liabilities				
Borrowings	187	53	134	252%
Other current liabilities	620	1,146	(526)	(46%)
Total	807	1,199	(392)	(33%)
Total liabilities	1,425	1,863	(438)	(24%)
Total shareholder's equity and liabilities	4,266	4,672	(406)	(9%)

Separate statement of cash flows				
[RON mn]	H1 2019	H1 2018	Δ	Δ (%)
Cash flows before changes to working capital	146	262	(116)	(44%)
Cash flows from operating activities	(83)	296	(379)	n/a
Net cash from operating activities	(93)	280	(373)	n/a
Net cash used in investing activities	(149)	(196)	47	24%
Net cash used in financing activities	56	(60)	116	n/a
Net increase/decrease in cash and cash equivalents	(186)	25	(210)	n/a
Cash and cash equivalents as at 1 January	482	521	(39)	(7%)
Cash and cash equivalents at the end of the period	297	546	(249)	(46%)

OPERATIONAL RESULTS

Charged volume of energy

From January to June 2019 the total quantity of electricity charged for services provided on the electricity market (27.92 TWh) registered slight 0.1% decrease compared to the same period of 2018 (-0.04 TWh difference between the two periods).

Operational revenues

Total operational revenues achieved in semester I of 2019 registered 4% decrease compared with the similar period of last year (RON 1,184 mn in H1 2019 against RON 1,233 mn in H1 2018), mainly determined by the operational revenues related to the zero profit activities (technological services and balancing market).

The **profit allowed activities** segment registered 9% revenue increase (RON 609 mn in H1 2019 compared to RON 560 mn in H1 2018), determined by the higher tariff valid from 01 July 2018 (in force on the report date as per ANRE order 108/2018).

In semester I of 2019 revenues from the allocation of interconnection capacities registered growth of RON 12.3 mn compared to semester I of 2018, this corresponding to the utilisation range of available interconnection capacities on the electricity market.

The allocation mechanism of interconnection capacities consists of organising annual, monthly, daily and intradaily bids. The annual, monthly and intradaily ones are explicit, as only the transmission capacity is put to auction while the daily bids with Hungary are implicit, since the capacity is simultaneously allocated together with the electricity by means of the electricity mechanism.

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

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

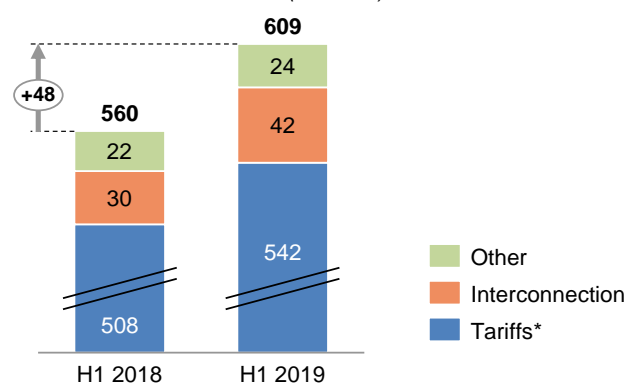
The market allocating the interconnection capacities is fluctuating, as prices evolve depending on demand and on the needs of electricity market participants to procure interconnection capacity.

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

Revenues from energy transactions for OTC were mainly obtained by selling the excess electricity on the Intraday Market managed by OPCOM and using PRE (BRP) CIGA Energy on the Balancing Market.

Revenues of OTC transactions were higher by RON 2.8 mn in semester I of 2019 compared to semester I of 2018 because the imbalances of Transelectrica were of contrary sense of BRP CIGA ENERGY's and thus the electricity sale using the BRP was more beneficial than the sale on the Balancing Market.

Operating revenues from allowed profit activities
(RON mn)



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

Revenues of zero-profit activities registered 15% decrease (RON 575 mn in H1 2019 compared to RON 673 mn in H1 2018), mainly determined by 14% lower revenues of technological system services and by 15% lower revenues on the balancing market.

In semester I of 2019 revenues of technological system services registered RON 46.9 mn drop compared to semester I of 2018, as determined by the diminished regulated tariff.

Revenues on the balancing market dropped RON 50.9 mn compared to the same time interval of last year as a result of:

- Reduced negative imbalance registered with electricity suppliers on the electricity market since

they achieved better balancing in semester I of 2019 compared to semester I of 2018;

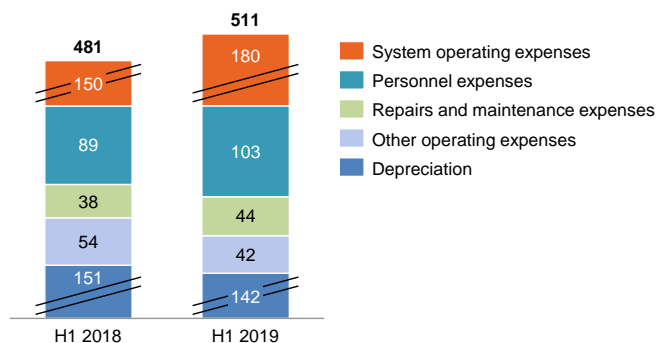
- The contracting manner on the markets previous to the balancing one and low participation of electricity generators on the day-ahead and intraday electricity markets;
- The development of hydraulicity;
- The high unpredictability and volatility of electricity output from renewable sources (especially wind);
- The development of the average deficit price registered on the balancing market;
- The development of electricity demand during a milder winter than in 2018.

Operational expenses

Total operational expenses (including amortisation) achieved in semester I of 2019 registered 2% increase compared to the same period of last year (RON 1,144 mn against RON 1,121 mn in semester I of 2018), mainly as a result of developments in the profit allowed activity segment.

In this **profit allowed activity** segment expenses (including amortisation) registered 6% increase (RON 511 mn in H1 2019 compared to RON 481 mn in H1 2018).

Operating expenses from allowed profit activities
(mn RON)

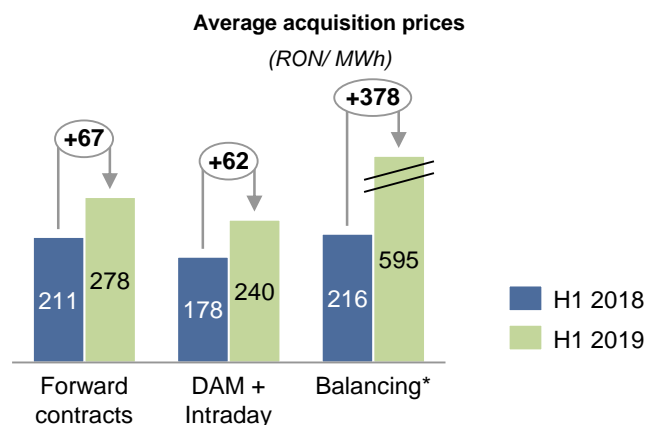


OTC: In semester I of 2019 expenses regarding one's own technological consumption increased by RON 23.6 mn compared to semester I of 2018 because the average procurement price of electricity necessary to cover ITC in the RET has been increased.

Such expenses represent electricity procurement costs on the free electricity market, namely the Centralised Market of Bilateral Contracts (PCCB), the Day-Ahead Market (PZU/DAM), the Balancing Market (PE) and the Intraday one (PI) to cover the technological consumption (OTC) in the RET.

The differences between the hourly quantities actually achieved and the ones procured after transactions on the PCCB, PZU and PI are compensated on the Balancing Market (PE) in the day of operation.

Beginning with 18.01.2018 Contract C380/06.10.2014 on "Electricity procurement to cover imbalances from notified quantities associated to technological electricity losses within transmission grids by transferring the balancing responsibility" was concluded between NPG Transelectrica SA and CIGA ENERGY SA, whereby the procurement prices on the balancing market were reduced.



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

Analysing the average price development under the forward contracts of 2018 – 2019 one can notice clear increasing rise with positive oscillation-free trend of the price registered in 2018. Moreover the electricity sale offers on the PCCB were much lower in quantitative terms than the existing purchase offers, which leads to a net higher demand than offer and thus the closure price of bids is higher.

In January 2019 higher OTC expenses were registered taking into account the average price was 287.44 Lei under the contracts concluded on the PCCB with delivery in January 2019, 36% higher than the price recorded in January 2018. This price trend was justified by 120% increased prices of the certificates issued for greenhouse-gas effect emissions (ETS) as of the beginning of 2018. From 1 January 2019 onward the "Market stability reserve" (MSR) became applicable, which requires a limited number of certificates for greenhouse gas emission. This measure impacted mostly the electricity generating plants using coal, which in many instances determine the marginal market price.

Such circumstances were mirrored in the 278 Lei average price of contracts concluded on this market with delivery in semester I of 2019, being 32% higher than the price recorded in semester I of 2018.

All over Europe prices are impacted by the separation between the Germany – Austria bidding area into two distinct zones beginning with 1 October 2018. The average price of electricity procurement on the PZU (DAM) was higher in semester I of 2019 than in the similar period of last year, against a Europe-wide background of demand exceeding the offer.

In January 2019 Romania has been predominantly electricity importer, because certain generating power plants were unavailable and this has led to significant increase of prices on the Day-Ahead Market (DAM). Thus in January 2019 a double average price was registered on the DAM compared to the price recorded in January 2018.

In the following months the trend was decreasing for the average price of the electricity procured on the DAM and on the bilateral contracts market compared to the one of January 2019. Nevertheless given there are other factors impacting the electricity procurement the OTC expenses stayed higher than those recorded in the same period of 2018.

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

In 2018 the ceilings limiting the minimum and maximum price of the deficit electricity were removed, which has led to a significant increase of the average price for procuring deficit energy.

Thus taking into consideration the total average price of all the markets a 279 Lei/MWh average price resulted for H1 2019, as compared to 198 Lei/MWh average procurement price in H1 2018.

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

Congestion expenses of RON 1.7 mn were registered in semester I of the current year, determined by the N-1 safety principle being provided while the 220 kV OHL Fantanele-Gheorgheni was unavailable because of bad meteorological conditions and of the N-1 principle provided in section 4, when the 400 kV OHL Iernut-Sibiu Sud was taken out of operation in accordance with the operational schedule.

Expenses regarding electricity consumption in RET substations: they increased by RON 1.7 mn in semester I of 2019 compared to semester I of 2018, as determined by the growing trend of electricity prices and moreover by higher firm prices, which were higher than last year and were used in order to conclude contracts for electricity supply in 2019.

Functional system services: Related expenses increased by RON 12.7 mn in H1 2019 compared to H1

2018, mainly determined by higher expenses on the balancing market and on the day-ahead market with respect to unplanned electricity exchanges with the neighbouring countries that are interconnected to the SEN.

Inter TSO Compensation (ITC) expenses:

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

In the first semester of the current year such expenses were smaller by RON 4.3 mn compared to the same period of last year because the expense estimates have been regularised.

The **zero-profit activities** segment registered 1% decrease of costs (RON 633 mn compared to RON 640 mn in H1 2018), mainly determined by lower expenses on the balancing market.

The Company procures **technological system services** from producers with a view to maintain the operational safety of the SEN as well as the quality of transmitted electricity at parameter values provided in applicable technical norms.

Such services are contracted as follows:

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

Expenses regarding technological system services increased by RON 43.7 mn in semester I of 2019 in comparison with semester I of 2018, mainly determined higher procurement prices for technological system services on the competitive market, for the frequency restoration reserve and the replacement reserve compared to the procurement from the similar period of last year:

- From 66.16 Lei/hMW average price to procure the RS (frequency restoration reserve) in Q1 2018 to 80 Lei / hMW in Q1 2019, namely from 69.75 Lei/hMW in Q2 2018 to 80.27 Lei/hMW in Q2 2019,
- From 37.87 Lei/hMW average price to procure RTR (replacement reserve) in Q1 2018 to 51.31 Lei/hMW in Q1 2019, namely from 38.19 Lei/hMW in Q2 2018 to 47.09 Lei/hMW in Q2 2019.

An important influence for the higher procurement Price of STS on the competitive market was also determined by a very high concentration of the market for technological system services for the frequency restoration reserve and replacement reserve during the

studied interval, as well as by higher prices registered on the electricity market in quarter I of 2019.

In the reported period the Company has procured technological system services under regulated regime in accordance with ANRE decisions and the applicable legal regulations.

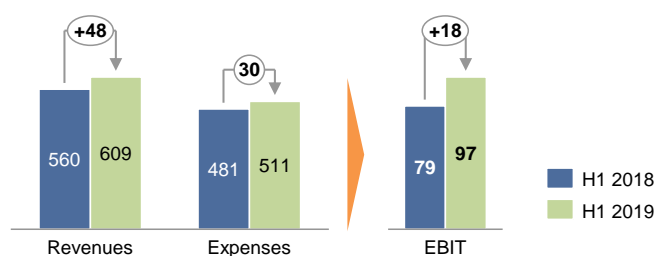
The Company is re-invoicing the technological system services procured from generators to ANRE-licensed electricity suppliers, which eventually benefit of such services.

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

Operational result

Profit allowed activities registered a positive result of RON 97 mn in H1 2019 compared to RON 79 mn in H1 2018 against a background of higher revenues, mainly due to the regulated average transmission tariff, which exceeded the increase of total expenses (including amortisement) during the studied time intervals.

Allowed profit activities EBIT structure
(RON mn)



EBIT generated by zero-profit activities registered negative result of RON 58 mn compared to the RON 33 mn profit recorded in the same period of last year.

Thus in semester I of 2019 revenues from technological system services were lower by RON 57 mn in comparison with the expenses made for procuring technological system services. Such loss was caused by the diminished regulated tariff and the increased procurement price for RS (frequency restoration reserve) and RTL (replacement reserve) on the competitive market.

This amount is diminishing the Company's gross profit registered on 30 June 2019.

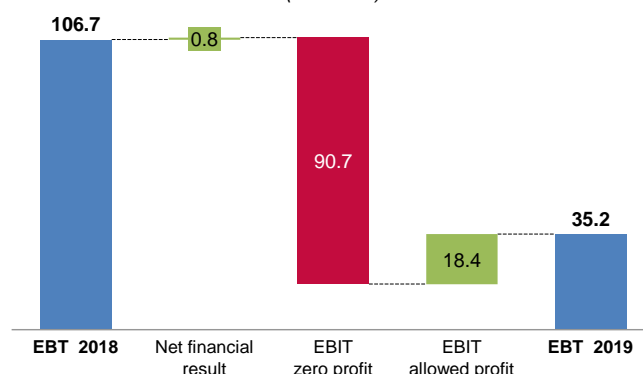
In case the electricity quantities which are applied STS and SSF tariffs will be those estimated for S2 2019, revenue increases can be registered during this time interval in accordance with the new tariffs established under ANRE Order 81/2019 (13.05 Lei/MWh for STS, namely 1.84 Lei/MWh for SSF).

Gross result (EBT)

Gross profit decreased 67%, from RON 107 mn in H1 2018 to RON 35 mn in H1 2019.

The profit dynamics between the registrations of H1 2018 in comparison with that of H1 2019, broken down into the constitutive components of profit, is provided in the graph below:

Dynamics of EBT elements
(RON mn)

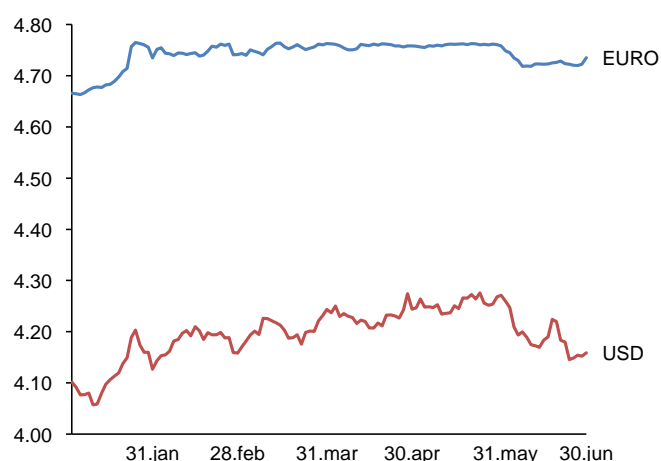


Financial result

The net financial result registered in semester I of 2019 was negative and amounted to RON 4 mn. This was mainly influenced by the development of the national currency's exchange rate against the foreign currencies the Company has contracted bank loans in to finance its investment plans.

The development of the Leu/Euro and Leu/USD exchange rates in semester I of 2019 is provided in the graph below.

Exchange rate evolution



Net result

Net profit registered decrease and reached to RON 30 mn in H1 2019, compared to RON 98 mn in H1 2018.

FINANCIAL POSITION

Non-current assets

Non-current assets registered about 1% decrease in semester I of 2019 against a background of decreased tangible assets determined by the registration of amortisement.

Intangible assets increased in H1 2019, mainly because the utilisation right was recognised for the Company-leased spaces in the Platinum office building.

Current assets

Current assets dropped 24% on 30 June 2019 (RON 1,209 mn) in comparison with their value registered on 31 December 2018 (RON 1,581 mn), mainly determined by reduced receivables.

Trade receivables registered 23% reduction (RON 823 mn in semestral I of 2019 from RON 1,064 mn at the end of 2018), mainly because of the following decreases:

- Receivables on balance on 30 June 2019, amounting to RON 146.9 mn, associated to the balancing market which registered value decrease compared to 31 December 2018 (RON 400.6 mn), as a consequence of reduced transactions on this market;
- Clients on balance from operational activities that on 30 June 2019 registered decrease in comparison with 31 December 2018, mainly determined by lower electricity quantities delivered to consumers in May and June 2019 as compared to November and December 2018.

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

The main clients on the electricity market cover 51% share in the total trade receivables.

Collectable receivables from the bonus type support scheme to promote high efficiency cogeneration covered 27% of the total trade receivables in H1 2019 (19% on 31 December 2018).

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

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

On 30 June 2019 the Company registered collectable receivables amounting to RON 206.3 mn, which are represented by invoices issued under the bonus type support scheme to promote high efficiency cogeneration, of which:

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

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

Other receivables amounting to RON 217.3 mn on 30 June 2019 mainly include:

- Sundry debtors (RON 180.5 mn), of which:
 - Net position of the support scheme regarding the high efficiency cogeneration registering receivable position on 30 June 2019 amounting to RON 109.1 mn (on 31 December 2018 it was a liability position amounting to RON 23.80 mn);

- Delay penalties amounting to RON 62.7 mn calculated for payment defaulting clients (of which RON 26.01 mn represent penalties associated to the support scheme). The highest payment delay penalties were registered for the following clients: RAAN (RON 16.90 mn), CET Govora (RON 9.61 mn), Eco Energy SRL (RON 8.91 mn), Petprod SRL (RON 8.89 mn), Total Electric Oltenia (RON 3.29 mn), Enol Grup (RON 2.54 mn), and Also Energy (RON 2.12 mn). Allowances have been registered for the penalties calculated for late payment of receivables from operational activities;

- Deferred expenses amounting to RON 28.8 mn, mainly represented by the 2% contribution from turnover (OUG 114/2018) owed to ANRE for April - December 2019 (RON 17.7 mn) which will be spread out upon the 2019 operational expenses; by the down payments under the contracts concluded with the suppliers of electricity necessary to cover one's own technological consumption of future time intervals (RON 6.7 mn); by the subscriptions to national and international organisations (RON 2.3 mn), which will be spread out upon the 2019 operational expenses;
- Other non-current receivables amounting to RON 4.6 mn, of which RON 4.2 mn are securities for temporary land occupation, calculated and withheld in accordance with article 39 para (1), para (2) and para (5) of Law 46/2008 on the Forestry Code with a view to carry out the investment project of the 400 kV OHL Resita – Pancevo (Serbia).

Liabilities

Non-current liabilities amounting to RON 618 mn on 30 June 2019 registered 7% decrease as a result of repayments made in accordance with existing loan agreements and of diminished deferred revenues.

At the same time **current liabilities** similarly registered 33% decreases (from RON 1,199 mn on 31 December 2018 to RON 807 mn on 30 June 2019), mainly against a background of diminished trade liabilities and other liabilities as follows:

- **Liabilities on balance on the energy market** amounted to RON 353.9 mn on 30 June 2019 in comparison with 31 December 2018, when they were of RON 780.3 mn, being influenced by:

- *Reduced balance of balancing market liabilities* which was determined by paying the payment obligations found on balance on the electricity market on 31 December 2018 (RON 383 mn) and by the reduced transaction volume on the balancing market in QII 2019 in comparison with QIV 2018, impacting the volume of balancing market liabilities on balance on 30 June 2019 (RON 94 mn).

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

- *Reduced balance of liabilities relating to operational activities* was mainly determined by paying the payment obligations found on balance on the electricity market on 31 December 2018;

- *Reduced liabilities associated to the support scheme* to suppliers (producers) determined by diminished payment obligations for the monthly bonus of June 2019 in comparison with December 2018.

On 30 June 2019 payment obligations are registered to suppliers (producers) amounting to RON 111.2 mn (Electrocentrale Bucharest – RON 56.7 mn, RAAN – RON 51.2 mn and CET Govora SA – RON 3.4 mn), representing the monthly cogeneration bonus, the ex-ante overcompensation for 2014 and 2015 as well as the unpaid bonus in 2015 and 2016.

The amounts representing Company liabilities associated to the support scheme towards Electrocentrale Bucharest, RAAN, and CET Govora were withheld for payment in accordance with article 17 para 5 from Order 116/2013 of ANRE president because the suppliers (producers) register payment obligations to the Company under the bonus type support scheme.

- **Other liabilities** significantly dropped from RON 159.9 mn in December 2018 to RON 58.2 mn on 30 June 2019, as dividends were paid in the first half of 2019 while creditor clients decreased (on 30 June 2019 they amounted to RON 30.4 mn compared to RON 55.7 mn in December 2018 and mainly represent amounts collected in advance from MAVIR and OPCOM under transactions associated to the price-coupling mechanism).

The higher balance of asset suppliers on 30 June 2019 compared to 31 December 2018 was owed to increased volumes of investment work invoiced by the asset suppliers.

Provisions registered decrease from RON 95.6 mn on 31 December 2018 to RON 64.4 mn on 30 June 2019, mainly determined by cancelling the RON 31.18 mn provision constituted for the dispute with ASITO KAPITAL SA pertaining to file 35865/3/2018 (former file 24552/3/2017), found on the docket of Bucharest Tribunal, Section VI Civil.

On the 19.02.2019 hearing term when juridical inquiry ended and the court granted the floor to the parties with respect to exceptions, evidence and the substance

matter of the case, the law court deferred pronouncement twice until the term of 20.03.2019. After deliberation Bucharest Tribunal pronounced the following settlement in brief:

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

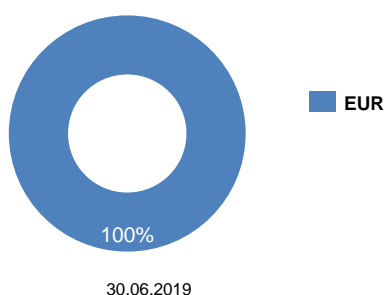
The court clerk certificate issued on 18.04.2019 by Bucharest Tribunal, Section VI Civil certifies Decision 743/20.03.2019.

Interest-bearing liabilities

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

All non-current borrowings, except for contracts BEI 25709 and BEI 25710, are bearers of variable interest and consist of only Euro, both on 31 December 2018 and on 30 June 2019.

Structure per currency



Shareholders' equity

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

On 30 June 2019 dividends owed to Company shareholders that were not paid amounted to RON 1.3 mn, of which RON 0.3 mn relate to dividends distributed from "Other reserves – One's own financing sources

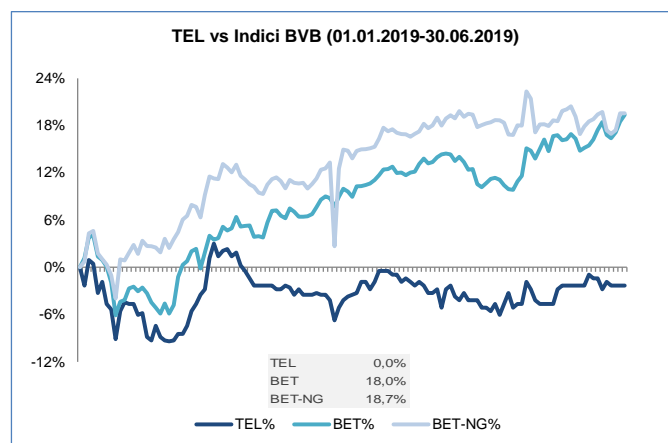
constituted from profit" account based on AGA decision 11/16.10.2017 and RON 0.4 mn relate to dividends distributed from retained earnings based on AGA Decision 15/14.12.2018.

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

DEVELOPMENT OF SHARES

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

2019 a debutat began with 21 Lei/share transaction price. At the end of this period (30 June 2019) stock exchange capitalisation was of RON 1,539 mn, finding the share at 21 Lei/share price. The minimum transaction price of 19.48 Lei/share was registered on 31.01.2019, while the maximum price of 22.15 Lei/share occurred on 14.02.2018.



MAIN RISKS AND UNCERTAINTY

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

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

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

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

- Interest rate fluctuation,
- Exchange rate variation,
- The financing agreement provisions: funding contracts include clauses with respect to complying with certain financial indicators, the change of

control over the Company and *pari passu* type clauses. Breaching such clauses can entail preliminary notification providing reasonable time interval, followed by anticipated credit payment; certain credits include penalising clauses in case of anticipated repayment. To date the Company has received no such notification of anticipated repayment for its failure to comply with assumed obligation,

- The credi risk: the Company bears financial loss because of a contractual partner's incapacity or refusal to perform contractual obligations. Such risk results mainly from trade receivables, cash and cash equivalents,
- Risk of not collecting securities under investment projects: the main cause of such risk results from bank or insurance companies that provide security services without complying with the assumed obligations under the indemnity instruments they have issued,
- The fiscality level, inclusive of introducing new taxes and charges,

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

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

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

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

In H1 2019 the Company has not faced impossible situations preventing it to comply with financial obligations.

Thus there are no risks and no uncertainty for the following months of 2019 to impact Company liquidity, others than what has been provided above.

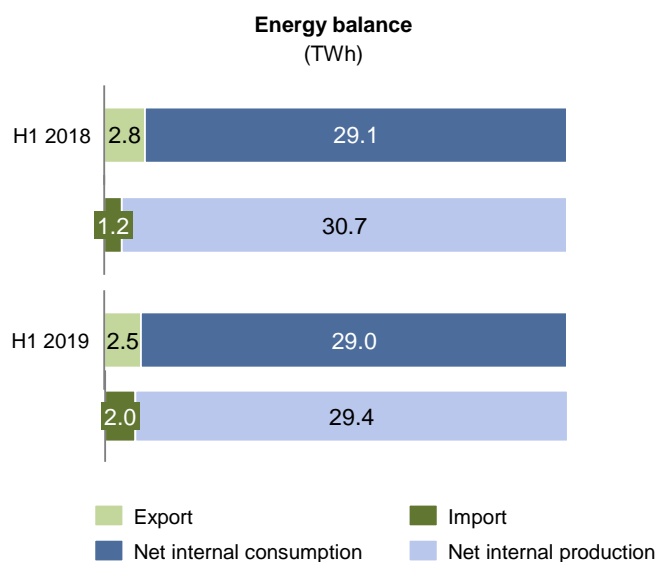


Operational data

ENERGY BALANCE WITHIN SEN

Analysing the January – June 2019 development of the energy balance components in comparison with the same period of last year the net internal consumption¹ decreased 0.5% and the net electricity output – 4.2%.

Cross-border exporter physical exchanges dropped 11% in comparison with the similar period of 2018, and cross-border importer flows registered increase of 68.1%.



GENERATION MIX

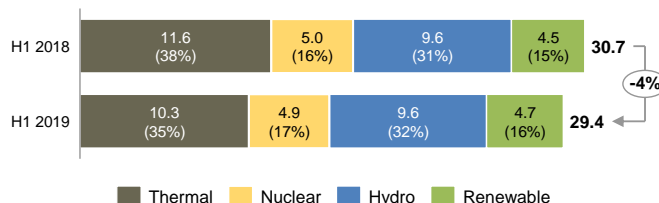
In January – June 2019 compared to the similar period of 2018 the generation mix provided about 11.8% drop of the thermal component, 1% decrease of output from nuclear sources and 0.9% decrease of the hydro component.

Renewable sources registered 4.8% increase of their contribution.

Analysing the shares of the net generation mix components in January - June 2019 one can notice the greatest share (34.9%) is covered by the thermal component followed by the hydro component (32.5%), while the electricity generated from renewable and nuclear sources provided shares of about 15.9% and 16.7% respectively.

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

Net electricity production mix evolution (TWh)

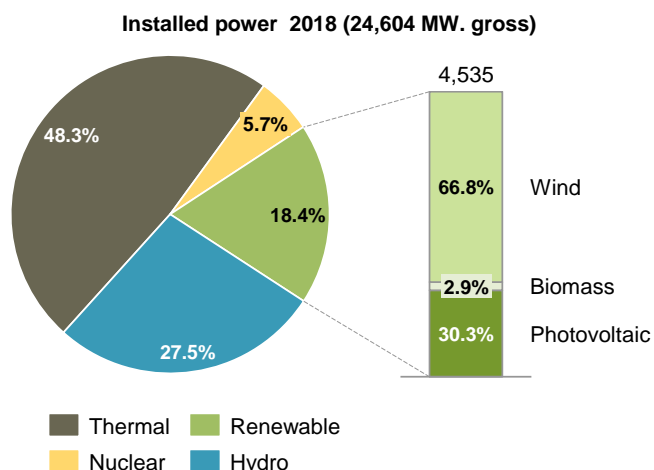
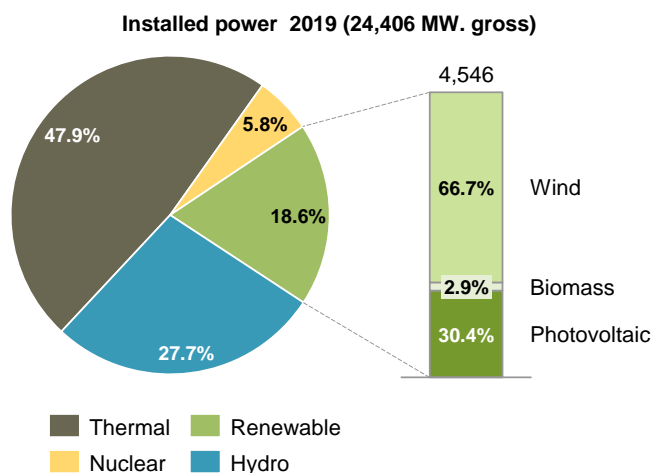


NATIONAL GENERATION FLEET

In semester I 2019 the gross installed capacity of power plants dropped 0.5% in comparison with the same period of 2018.

The installed capacity of renewable source power parks increased about 0.2%, from 4,535 MW installed on 30 June 2018 to 4,546 MW installed on 30 June 2019.

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



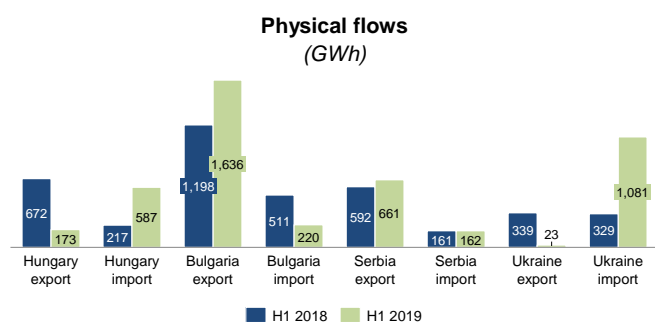
CROSS-BORDER FLOWS

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

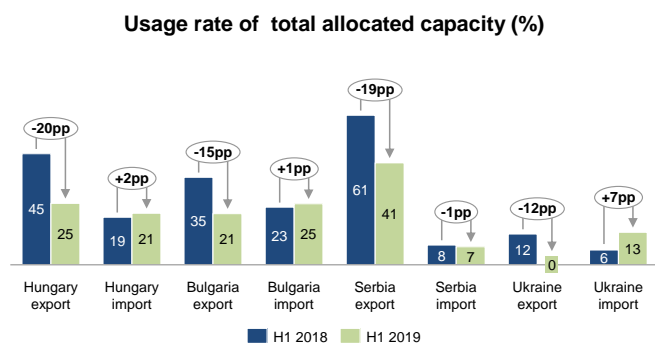
- Export decreased along the Hungarian and Ukrainian borders and increased on the Bulgarian and Serbian frontiers, while import decreased on the Bulgarian border and significantly increased on interconnection lines installed within areas of deficit electricity generation (on the Hungarian and Ukrainian borders), but there is also 0.6% increase on the interconnection line situated in the area of excess electricity output, namely the Serbian border.

In concrete terms, compared to semester I of 2018 the exporter physical flows decreased for Hungary (74.2%, -499 GWh) and Ukraine (93.2%, -316 GWh), increased with Bulgaria (36.5%, +438 GWh) and Serbia (11.6%, +69 GWh) at the same time with the significant increase of importer physical flows on interconnection lines with Hungary (170.4%, +370 GWh), Ukraine (228.3%, +751 GWh) and Serbia (0.6%, +1 GWh), while they registered decrease on the Bulgarian frontier (57%, -292 GWh).

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



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



The utilisation rate of total capacity rights along one border and direction represents the ratio expressed as percentage between the energy associated to the achieved (notified) trading exchanges of one month and the energy corresponding to the total capacity rights.

ONE'S OWN TECHNOLOGIC CONSUMPTION

In comparison with semester I of 2018, OTC within RET decreased about 16.9% in semester I of 2019 while the percentage OTC dropped from 2.76% to 2.38%.

The factors with significant influence over the OTC in semester I of 2019, for instance precipitation and the distribution of cross-border physical flows are not controlled by Transelectrica.

OTC DEVELOPMENT FACTORS

In January 2019 the absolute value of OTC decreased 6.7% in comparison with January 2018 because of favourable import/export physical flows that led to reduced electricity transmission at long distance from sources. The loss percentage against the electricity injected into the RET outline dropped from 2.44% in 2018 to 2.31% in 2019. The electricity injected in the outline dropped 1.6% in January 2019 (69.4 GWh) compared to the similar period of 2018, against a background of 13.7% (511.7 GWh) reduced electricity amount received from generators directly connected to RET while import increased 173.3% (433.9 GWh) and the electricity quantity received from the RED (distribution network) - 3.4% (8.3 GWh). Meteorological conditions were bad and the amount of registered precipitation was higher than last year, contributing to higher losses by corona effects.

In February 2019 the absolute value of OTC decreased 27.1% in comparison with February 2018 as a result of beneficial import/export physical flows, which led to reduced electricity amounts transmitted to long distance from sources and due to good meteorological conditions, which determined lower corona losses. The loss percentage compared to the electricity injected in the RET dropped from 2.81% in 2018 to 2.34% in 2019. The electricity injected in the outline decreased 12.2% (480.4 GWh) in February 2019 compared to the similar period of 2018, against a background of 19.3% (687.9 GWh) lower electricity amount received from generators directly connected to RET and of 1.7% (4.8 GWh) drop in the electricity quantity received from the RED, while import increased 220.9% (212.3 GWh).

In March 2019 the absolute value of OTC decreased about 32.9% in comparison with March 2018 due to beneficial import/export physical flows, which led to reduced electricity amounts transmitted to long distance from sources and due to good meteorological conditions, which determined low corona losses. The loss percentage compared to the electricity injected in the RET dropped from 3.26% in 2018 to 2.40% in 2019. The electricity injected in the outline decreased 8.8% (347.4 GWh) in March 2019 compared to the similar period of 2018, against a background of 12.8% (431 GWh) lower electricity amount received from generators

directly connected to RET and of 15.2% (54.8 GWh) drop in the electricity quantity received from the RED, while import increased 77.1% (147.4 GWh).

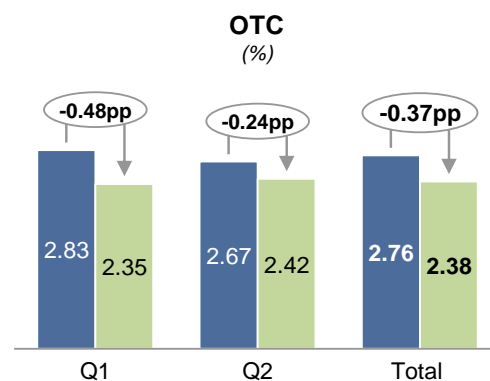
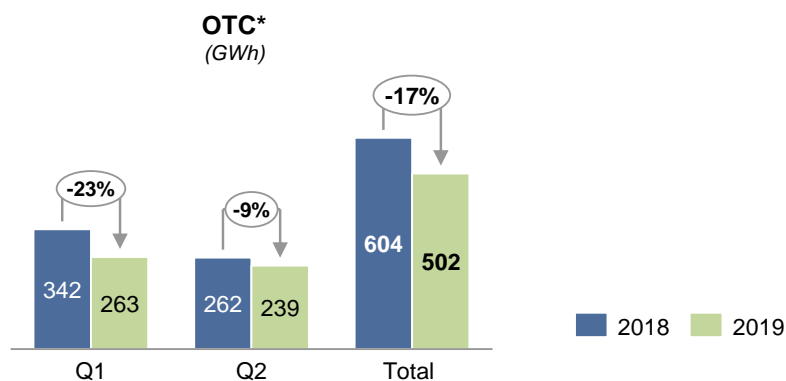
In April 2019 the absolute value of OTC decreased 16.1% in comparison to April 2018 due to beneficial import/export physical flows, which led to reduced electricity amounts transmitted to long distance from sources. The loss percentage compared to the **electricity** injected into the RET dropped from 3.01% in 2018 to 2.39% in 2019. The electricity injected in the outline increased 5.6% in April 2019 (about 177.5 GWh) compared to the similar period of 2018, against a background of about 2.95% (about 78 GWh) higher electricity amount received from generators directly connected to RET and of about 137% (195.2 GWh) import increase, while the electricity quantity received from the RED decreased 25.7% (about 96 GWh). Meteorological conditions were bad and the registered precipitation was higher than during last year, contributing to higher losses by corona effects.

In May 2019 the absolute value of OTC increased 0.7% in comparison with May 2018 following bad meteorological conditions characterised by abundant precipitation facilitating the increase of corona losses and cancelling the good effect of beneficial import/export physical flows. The percentage of losses in comparison with the electricity amount injected in the RET increased

from 2.48% in 2018 to 2.49% in 2019. The electricity injected in the outline increased only 0.07% (about 2.2 GWh) in May 2019 compared to the similar period of 2018, against a background of 4.76% (about 125 GWh) lower electricity amount received from generators directly connected to RET and of 16.5% (about 47.7 GWh) import drop, while the electricity quantity received from the RED increased 60% (about 175 GWh).

In June 2019 the absolute value of OTC decreased about 9.4% in comparison with June 2018 due to beneficial import/export physical flows, which led to reduced electricity amounts transmitted to long distance from sources and due to better meteorological conditions, which determined low corona losses. The loss percentage compared to the electricity injected into the RET dropped from 2.53% in 2018 to 2.38% in 2019. The electricity injected in the outline dropped 3.9% (about 134.2 GWh) in June 2019 compared to the similar period of 2018, against a background of 6.9% (about 203 GWh) lower electricity amount received from generators directly connected to RET and of 44.5% (about 110.8 GWh) import decrease, while the electricity quantity received from the RED increased 77.98% (about 180GWh).

Mention should be made the June values are preliminary.



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

In conclusion in the first quarter of 2019 the OCT within RET decreased about 23.2% in comparison with the similar period of 2018, especially due to beneficial import/export physical flows, which led to reduced electricity amounts transmitted to long distance from sources and due to good meteorological conditions, which determined reduced corona losses.

In the second quarter of 2019 the OTC within RET decreased about 8.8% in comparison with the similar period of 2018, especially because of beneficial import/export physical flows that led to reduced electricity transmission at long distance from sources.

Thus losses dropped from 2.76% in H1 2018 to 2.38% in H1 2019 compared to the electricity injected in the outline.



Investments

NON-CURRENT ASSETS RECORDED IN ACCOUNTING BOOKS

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

The value of non-current assets registered in accounting books in semester I of 2019 was RON 18.2 mn (RON 187.7 mn in H1 2018) decreasing 90%, namely RON 169.5 mn.

The greatest transfers from tangible assets underway into tangible assets are mainly represented by the commissioning of investment objectives as follows:

- Refurbishing the 400/220/110/20 kV substation Bradu – RON 12.3 mn;
- Security solution to implement security measures for classified information – RON 1.5 mn;
- Relocating the high voltage (HV) networks, Brasov - Targu Mures - Cluj – Oradea Motorway, section 2A Ogra - Campia Turzii, lot 2 Iernut - Chetani, km 3 + 600 km 21 + 500 - the 400 kV OHL Iernut-Sibiu Sud –RON 1.1 mn;
- Computation technique - hardware & software - desktop PC – RON 0.5 mn;
- Replacing the diesel sets nos. 1 & 2 in the 400/110 kV substation Darste – RON 0.5 mn;
- Furniture specific to dispatchers for DET Bacau, DET Cluj, DET Craiova and DET Timisoara – RON 0.4 mn;
- Connecting to RED the 110 kV electric substation Ulmi of the Electricity Distribution Company Muntenia Nord SA while also carrying out the work in the line bay associated to the 110 kV OHL Targoviste - Titu (Ulmi) in the 220 / 110 kV substation Targoviste of NPG Transelectrica SA – RON 0.3 mn;
- Providing the coexistence conditions between the 220 kV OHL Alba Iulia-Sugag and Alba-Iulia-Galceag with the interior road – RON 0.3 mn;
- Water installation in the 110/220 kV substation Suceava – RON 0.3 mn;
- Tele protection of the 400 kV OHL Arad (Romania) – Sandorfalva (Hungary) – RON 0.2 mn;
- Replacing the accumulator battery 2 in the 220/110 kV substation Pitesti Sud – RON 0.2 mn;

- Connecting the Platform of ArcelorMittal Galati to separate the installations of ArcelorMittal Galati SA from the installations of SDEE Muntenia Nord SA, in order to directly connect them to the installations of NPG Transelectrica SA – RON 0.1 mn;
- OPzV2420 accumulator battery, 105 Vets elements – RON 0.1 mn.

PROCUREMENT OF ASSETS

The procurement of tangible and intangible assets in semester I of 2019 amounted to RON 100.8 mn in comparison with the same period of 2018 when procurements amounted to RON 82.4 mn.

The balance of tangible and intangible 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 – RON 46.9 mn;
- Refurbishing the 400/110/20 kV substation Domnesti (BA decision 5 / 19.05.2010) – RON 36.6 mn;
- Refurbishing the 400 kV substation Isaccea - stage I - Replacing the shunt reactors, their associated bays and the 400 kV bay Stupina – RON 30.2 mn;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - stage I - the 400 kV simple circuit OHL Portile de Fier - (Anina) – Resita – RON 27.8 mn;
- Refurbishing the 220/110 kV substation Turnu Severin Est – RON 31.9 mn;
- Extending the business continuity and post-disaster recovery services in the Executive branch – RON 14.4 mn;
- 110 kV, 220 kV and 400 kV mobile bays – RON 21.3 mn;
- The 400 kV double circuit OHL Cernavoda - Stalpu and connection in Gura Ialomitei – RON 12.8 mn;
- Replacing the components of the EMS SCADA AREVA system - software & hardware components – RON 11.4 mn;
- Connecting the 400 kV OHL-s Isaccea - Varna and Isaccea - Dobrudja in the 400 kV substation Medgidia Sud – RON 10.9 mn;

- Refurbishing the 220 kV substation Otelarie Hunedoara – RON 8.1 mn;
- Integrated security system in electric substations, stage IV – RON 8 mn;
- Refurbishing the 220/110 kV substation Hasdat – RON 7.7 mn;
- Upgrading the 110 kV substations Bacau Sud and Roman Nord from the 400 kV axis Moldova – RON 7.6 mn;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - stage I - the 400/220/110 kV substation Resita – RON 6.6 mn;
- The 400 kV OHL Gadalin - Suceava, including SEN interconnection – RON 6 mn;
- 400 kV HVDC Link (Romania - Turkey submarine cable) – RON 5.9 mn;
- Upgrading the 110 kV & 400 (220 kV) installations of substation Focsani Vest – RON 5.1 mn;
- The 400 kV OHL Suceava - Balti for the project segment on Romania's territory – RON 4.4 mn;
- The 400 kV double circuit OHL Gutinas – Smardan – RON 3.8 mn;
- Upgrading the 220/110/20 kV substation Raureni – RON 3.3 mn;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage II, the 400 kV double circuit OHL Resita - Timisoara - Sacalaz (220/110 kV substation Timisoara) – RON 3.2 mn;
- Adding new functions and extending the control and computerised access supervision system in the objectives of NPG Transelectrica SA – RON 3.2 mn;
- Upgrading the 220/110/20 kV substation Arefu – RON 3 mn;
- Connecting to RET the 136 MW WPP Platonesti, Ialomita County, by building a 110 kV bay in the 400/110 kV substation Gura Ialomitei – RON 2.9 mn;
- Integrated security system in electric substations, stage III – RON 2.8 mn;
- By-passing the 110 kV OHL Cetate 1 & 2 near the 110/20/6 kV substation Ostrovul Mare – RON 2.6 mn;
- Connecting to RET the 99 MW Dumesti WPP and the 30 MW Romanesti WPP, Iasi County, by building a 110 kV bay in the 220/110 kV substation FAI – RON 2.5 mn;
- Research-development centre for Live Work (LW) technologies and fast intervention in the SEN - Centre building – RON 3.2 mn;
- Refurbishing the 400/110/20 kV substation Smardan – RON 2 mn;
- Upgrading the 220/110 kV substation Dumbrava – RON 2 mn;
- Refurbishing the 220/110 kV substation Craiova Nord – RON 1.9 mn;
- Upgrading the tele protection & telecommunication system in substation Cernavoda – RON 1.8 mn;
- Consolidating, modernising and extending the offices of NPG Transelectrica, Executive branch – RON 1.6 mn;
- Computation technique - hardware & software - desktop PC – RON 1.6 mn;
- Upgrading the 400 (220)/110/20 kV substation Munteni – RON 1.5 mn;
- Refurbishing the 220/110/20 kV substation Ungheni – RON 1.4 mn;
- Integrated security system in the new 400/220/110 kV substation Banca – RON 1.1 mn;
- Achieving optical fibre communication between the 220/110/20 kV substation Pitesti Sud and the remote control and installations supervision centre of TB Pitesti (SF) – RON 1.1 mn;
- Compensations for the lands needed for the 400 kV OHL Oradea – Beckescsaba – RON 1 mn;
- 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 – RON 1.1 mn;
- Replacing the components of the EMS SCADA AREVA system - software & hardware components – RON 12.9 mn;
- Implementing the Electronic Archiving and Document Management system in NPG Transelectrica SA – RON 5.5 mn;
- Extending the business continuity and post-disaster recovery services in the Executive branch – RON 0.4 mn.

INVESTMENT ACTIVITY IN H1 2019

Investment expenses of H1 2019 are detailed according to the main chapters of the annual investment plan correlated with the main chapters from the Company's Development Plan as follows:

No.	Types of expenditures	2019 Investment Programme (RON thou.)	Achieved (RON thou.)	
			H1 2019	H1 2018
	Grand total (A + B)	287.474	85.789	67.248
A	Company's own expenses	283.107	83.493	59.733
B	Investments financed from the connection fee	4.367	2.296	7.515

* 2019 Annual Investment Program revision A3

On 30 June 2019 the investment programme was achieved 30%. In comparison with the achievements of 30 June 2018, investments of H1 2019 increased 28%.

CONTRACTUAL ASPECTS

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

- Refurbishing the 110 kV substation Timisoara and converting the Portile de Fier - Anina - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage II: the 400 kV substation Timisoara – RON 87.7 mn,
 - Refurbishing the 220/110 kV substation Iaz – RON 54.8 mn,
 - Installing the 400 MVA autotransformer and its associated bay in Iernut sustation and upgrading the command-control system of the 400/220/110/6
- kV substation Iernut; connecting to RET the 430 MW generating place of CCC Iernut belonging to Romgaz SA and design & execution of the protection ssystem for the electric line connecting the new units of SPEE Iernut – RON 30.7 mn.
 - Connecting the 400 kV OHL Isaccea-Varna and the 400 kV OHL Isaccea-Dobrudja in the 400 kV substation Medgidia Sud, stage I - extending the 400 kV substation Medgidia Sud, procuring the 400 kV GIS assembly, installing and commissioning the 400 kV GIS assembly – RON 24.6 mn.



Significant events

JANUARY - JUNE 2019 EVENTS

- **Mandate acceptance for provisional directorate member**

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

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

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

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

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

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

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

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

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

the refurbishment of the 400/220/110/10 kV substation Bucharest South (2006-2009; 2014-2015) and the modernisation of the 220/110/10 kV substation Fundeni (2006-2007). The 110 kV substation Domnesti was commissioned in 1980, and the 400 kV one was commissioned in 1982.

- **Finalising the repair work**

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

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

The Shareholders' General Ordinary Assembly of 29 March 2019 appointed

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

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

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

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

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

Mr. Alin Sorin MITRICA, appointed as provisional Supervisory Board member in accordance with Decision 5 of 29 March 2019 of the Shareholders' General Ordinary Assembly signed the mandate acceptance

statement on 02 April 2019, on which date his appointment becomes effective.

- **Appointment of the Supervisory Board Chairman and of a provisional Supervisory Board member**

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

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

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

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

On 11.04.2019 the Supervisory Board appointed the members of the Board’s consultative committees as follows:

Nomination and remuneration committee:

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

Audit committee:

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

Energy security committee:

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

- **Extending the mandates of (provisional) Directorate members**

Having met on 11 April 2019 the Supervisory Board decided extending the mandates of provisional Directorate members:

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

with 2 months, beginning with 21.04.2019 until 20.06.2019.

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

On 04 April 2019 the Company concluded the credit contract C733 with Banca Transilvania for 12 months in order to finance the bonus-type support scheme for high efficiency cogeneration, in form of overdraft amounting to 150 million lei, with an interest calculated according to ROBOR 1M reference rate, to which a margin of 0.50% is added. Addendum 1 was concluded on 24.04.2019, by which the credit line was supplemented with 25 million lei, namely from 150 to RON 175 mn.

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

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

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

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

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

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

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

The Shareholders’ General Ordinary Assembly having gathered on 14 May 2019 appointed

- Mr. Adrian MITROI
- Mr. Alin Sorin MITRICA
- Mr. Constantin DUMITRU
- Mrs. Virginia Mihaela TOADER
- Mrs. Mihaela CONSTANTINOVICI

- Mr. Mircea Gheorghe Dumitru COSEA
- Mr. Florin-Radu CIOCANELEA

as provisional Supervisory Board members of the National Power Grid Company Transelectrica SA beginning with 30 May 2019, with a four months' mandate term. The Shareholders' General Ordinary Assembly approved establishing the remuneration, the mandate contract form and the Ministry of Economy's representative was empowered to sign the mandate contracts of the provisional Supervisory Board members of the National Power Grid Company Transelectrica SA.

At the same time they also established the Investment Programme for the financial year 2019 and the estimates for 2020 and 2021. The Shareholders' General Ordinary Assembly also approved the Company's 2019 Income and Expense Budget, as well as the estimates for 2020 and 2021.

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

The Romanian Government approved the HG regarding removal from the forestry fund of the lands needed to construct the 400 kV OHL Portile de Fier-Anina-Resita, which is component part of the conversion to 400 kV of the Portile de Fier-Resita-Timisoara-Sascalaz-Arad axis. This is an essential project for closing Romania's 400 kV ring, maintaining energy security nationwide and increasing interconnection capacity with neighbouring countries.

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

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

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

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

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

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

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

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

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

At the beginning of June the Company launched the bid meant to procure a study dedicated to finding the optimum development solutions for the electricity network supplying the metropolitan area of Bucharest City, with 10 years' perspective.

- **Promulgating Law 120/2019**

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

LATER EVENTS

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

On 21.06.2019 the suspensive terms stipulated in the clauses of agreements concluded by the Company with its subsidiary regarding the "Modernisation of the 220/110 kV Dumbrava substation", respectively "Modernisation of the 220/110 kV Raureni substation" were fulfilled.

As regards the impact of the two contracts' ending on the National Power System's safety, mention should be made that NPG Transelectrica SA has taken measures to prevent impacting operational security: - in DUMBRAVA substation some provisional work was executed in order to ensure the safe operation of the area; - RAURENI substation operates under normal conditions and additional maintenance services have been provided.

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

The Official Gazette 516/25.06.2019 published ANRE Order 81/24.06.2019 on approving the average transmission service tariffs, the components in the transmission tariff for electricity injection into the network (TG) and for electricity extraction from the network (TL), the system service tariffs and the regulated price of

reactive electricity charged by the Company. Regulated tariffs associated to electricity transmission services and system services are applicable beginning with 1 July 2019.

- **Convening the AGEA on 19 August 2019**

The Company's management convened, in accordance with the legal provisions in force, the Shareholders' General Extraordinary Assembly in order to submit for

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



Other Issues

SHAREHOLDERS STRUCTURE

The Company's shareholder structure on 30.06.2019 was as follows:

Shareholder's name	No. of shares
Romanian State	43,020,309
Dedeman SRL	4,503,567
Privately Managed Pension Fund NN	4,007,688
Other legal person shareholders	16,543,060
Other natural person shareholders	5,228,518
Total	73,303,142

DIRECTORATE MEMBERSHIP

La data prezentului raport componența Directoratului este după cum urmează:

Marius-Dănuț CARAȘOL	Președinte Directorat
Andreea Georgiana FLOREA	Membru Directorat
Claudia-Gina ANASTASE	Membru Directorat
Alina Elena TEODORU	Membru Directorat
Adrian SAVU	Membru Directorat

TARIFFS

The ANRE-approved tariffs (Order 108/2018, namely Order 122/19.12.2017) are provided in the table below:

Index	Tariff	m.u.	Tariff applied 1 Jan-30 June 2018	Tariff applied 1 Jan-30 June 2019*	Difference %
A	Electricity transmission	Lei/MWh	16.86	18.13	+7.5%
B	Functional system services	Lei/MWh	1.11	1.11	-
C	Technological system services	Lei/MWh	12.06	10.44	-13.4%

Further are provided the factors that significantly contributed to changing the tariffs at the last ANRE review (* tariffs that entered in force on 01.07.2018, applicable until 30.06.2019).

Electricity transmission services

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

1. Ex-post correction – applied in order to compensate the differences between estimated values used for tariff calculations in previous years and the actual registered values (final corrections for year 1 July 2016 - 30 June 2017, preliminary corrections for year 1 July 2017 - 30 June 2018); such corrections were negative but of lower absolute value compared to those applied in the current tariff. Ex-post corrections contributed +6.5% to the increase of the new tariff approved, compared to the current one;

The most important calculation elements subjected to the ex-post corrections applied in order to calculate the newly approved tariff are: (i) electricity procurement price to cover one's own technological losses, (ii) the inflation index, (iii) using part of the revenues from the

allocation of interconnection capacities as complementary source of the regulated tariff to cover regulated costs, (iv) higher electricity consumption above ANRE's forecast when it designed the tariff, (v) the partial investment correction;

2. The forecasted inflation used in the calculation of the newly approved tariff was higher than the forecasted inflation used in order to calculate the tariff of the current year (the inflation index used in the new tariff calculation is superior to the inflation index used in the calculation for the current year's tariff). The inflation index difference contributed **+4.6%** to changing the new tariff approved compared to the current one.

Besides positive corrections there have been other factors that contributed to the the new tariff value approved and applied from 01.07.2018 compared to the tariff applied until 30.06.2018:

- The quantity of electricity that can be billed

upon grid extraction was increased from 54.0 TWh to 55.4 TWh. Such change in the billed amount of electricity contributed **-2.5%** to changing the newly approved tariff.

- The annual basic revenue calculated as a sum of annual regulated costs established using the 5 years' cost forecast approved by ANRE for the regulatory interval 01.07.2014 – 30.06.2019 is slightly higher than the annual basic revenue corresponding to the current tariff year. Flattening the series of annual revenues during the regulatory period led to redistributing the annual revenues of the period while maintaining the total value of the 5 years' cumulated revenue; revenues from one year to the next were impacted by a negative decreasing slope. The cumulated contribution of these two elements described in this paragraph is **-1.0%** in changing the newly approved tariff.

Functional system services

The tariff was maintained as determined by the following individual calculation elements whose net cumulated effect was zero:

- The ex-post negative correction included in the new tariff was lower in absolute value compared to the negative correction applied to last year's tariff. The ex-post correction contributed **+6.0%** to changing the newly approved tariff;

- The annual forecast of recognised costs in the newly approved tariff is lower than the annual cost forecast included in the current year's tariff. The reduced annual cost forecast contributed **-3.4%** to changing the newly approved tariff;

- The quantity of electricity that can be billed upon grid extraction was increased from 54.0 TWh to 55.4 TWh. Such change in the billed amount of electricity contributed **-2.5%** to changing the newly approved tariff.

SIGNIFICANT TRANSACTIONS

The legal documents concluded in accordance with the provisions of article 82 of Law 24/2017 on significant transactions concluded with related parties in H1 2019 were reported in Current Reports and include:

- Current report of 16 April 2019 - addendum 1 to contract C136/28.06.2018 with subsidiary Teletrans SA as provider;

Technological system services

The **(-13.4%)** tariff decrease was determined by:

- The ex-post negative correction included in the newly approved tariff, set in accordance with the methodology applicable for partial compensation (up to 80%) of the profit gathered by 30.06.2017. The profit obtained during this period was mainly achieved against a significant drop in unit procurement prices for technological system services under bids compared to the unit prices forecasted by ANRE and included with anticipation in the calculation of approved tariffs. In order to mitigate the impact over the regulated tariff, upon Transelectrica's request, ANRE established a spread-out of corrections during two tariff years, July 1, 2017 – June 30, 2018 and July 1, 2018 – June 30, 2019, based on which the newly approved tariff was applied the second correction quota applicable to July 1, 2016 – June 30, 2017 as well as the unachieved part of the first quota. The ex-post correction contributed **-18.0%** to changing the newly approved tariff;

- The annual forecast of recognised costs in the new tariff to procure technological system services in the tariff year 1 July 2018 - 30 June 2019 is higher than the forecast of recognised costs in semester I 2018 (semester II of tariff year 1 July 2017 – 30 June 2018). The higher cost forecast was determined by higher bid procurement prices for technological system services in the current tariff period compared to ANRE-forecasted prices. The higher annual cost forecast contributed **+5.4%** to changing the newly approved tariff;

- The quantity of electricity that can be billed upon grid extraction was increased from 55.0 TWh to 55.4 TWh. Such change in the billed amount of electricity contributed **-0.7%** to changing the newly approved tariff.

- Current report of 16 May 2019 - contract amounting to more than 50,000 Euro with subsidiary SMART SA;
- Current report of 17 July 2019 - on 27.06.2019 Addendum 5 to contract C256/01.07.2014 concluded with subsidiary Teletrans SA as provider became effective;

LITIGATIONS

The most important litigations impacting the Company are provided further:

Note: To facilitate reading and understanding, all amounts of this chapter are expressed in Lei/Euro

▪ RAAN

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

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

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

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

Decision 124/2017 of the Appeal Court Craiova admitted the appeal filed by Transelectrica and cancelled decision 127/2014 pronounced by Mehedinti Tribunal, and the case was referred to Bucharest Tribunal, Section VI Civil for rejudgment. On the docket of Bucharest Tribunal the case was registered under no. 40444/3/2017, which by civil ruling 4406/04.12.2017 decided admitting the request filed by RAAN and obliged Transelectrica to pay 1,090,831.70 Lei. This sentence was contested by appeal. The hearing term was set on 13.12.2018.

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

Under such circumstances RAAN calculated penalties for its not collecting the due cogeneration bonus amounting to 3,496,914 Lei, withheld by the Company on behalf of uncashed receivables. The Company

refused paying the amount of 3,496,914 Lei, which was not registered as liability under the support scheme.

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

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

On the 14.06.2018 hearing term the case judgment was suspended until settlement of file 3014/2/2014 found on the docket of the High Court of Cassation and Justice, and on 14.02.2019 Mehedinti Tribunal decided connecting the fore-mentioned file to the one marked 9089/101/2013/a140 (pertaining to claims – payment demand). Thus case judgment was postponed since the instance considered it useful for case settlement to present Civil decision 2969/26.09.2018, pronounced by the High Court of Cassation and Justice under file 3014/2/2014, pertaining to cancelling Decision 743/2014 of ANRE president.

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

▪ COURT of AUDIT

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

On 13.06.2018 the claimant's case was partly admitted. It cancels conclusion 7/20.02.2014, decision 37/9.12.2013 and the control report 35521/6.11.2012 elaborated by the defendant with respect to the measures included in the fore-mentioned decision in items I.1, I.3, I.6, I.8, I.11, II.14, II.15, II.17, II.18, II.20, II.21, II.22 and partly the measure of item II.13 meaning to remove the phrase „including what has been found about the invoices issued by FLOREA ADMINSTRARE IMOBILIARA SRL”. It denies the other request of the claimant as groundless. It acknowledged the electric power technical expertise report executed for the case by expert Toaxen Vasile. It compels the defendant to pay 121,375 Lei to the claimant as law court expenses (in part expert fees and judiciary stamp tax). Document decision 2771/13.06.2018.

Transelectrica filed appeal on 14.06.2019.

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

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

▪ 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 into calculation for the regulated rate of return (RRR¹) by ANRE in accordance with the Methodology establishing the tariff for electricity transmission services approved under ANRE Order 53/ 2013 (“Methodology”), have determined a RRR value of 7.7%.

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

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

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

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

• OPCOM

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

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

total amounting to 1,031,000 Euro, such request being included in file **40814/3/2014**.

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

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

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

On 24.07.2015 during the law court session the instance admitted the suing filed by claimant Electricity and Natural Gas Operator OPCOM SA in contradiction with defendant National Power Grid Company Transelectrica SA and obliged the defendant to pay 582,086.31 Euro to the claimant which was the amount the claimant has paid instead of the defendant from the sum of the 1,031,000 Euro fine applied by Decision of the European Commission on 05.03.2014 in the case AT.39984, as well as the legal interest associated to 582,086.31 Euro, calculated from 11.06.2014 until actual payment. The instance also obliged the defendant payment 37,828 Lei as law court expenses, with appeal right within 30 days from notification. Transelectrica SA filed appeal against ruling 4275/2015 pronounced under the fore-mentioned file, which was registered on the docket of the Appeal Court Bucharest.

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

OPCOM SA filed appeal which was registered with the High Court of Cassation and Justice.

Hearing term with the High Court of Cassation and Justice: 13.03.2018. The High Court of Cassation and Justice's settlement in brief: It admits the appeal filed by the recurrent-claimant Electricity and Natural Gas Operator OPCOM SA against decision 1517/10.10.2016 pronounced by the Appeal Court Bucharest, Section V Civil. It invalidates the decision appealed against and

referred the case to the appeal instance for new judgment; final.

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

On 27.11.2018 NPG Transelectrica SA filed appeal, which is now screened by the High Court of Cassation and Justice.

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

• **CONAID COMPANY SRL**

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

Case judgment was deferred to 17.06.2016, when the instance again deferred pronouncement until 29.06.2016, when it pronounced Decision 2148/2016 stating as follows: "It denies the exceptions claimed by the recurrent-claimant Conaid Company SRL by means of the judiciary administrator RVA Insolvency Specialists SPRL and by the recurrent-defendant the National Power Grid Company Transelectrica SA. It admits the appeal filed by the National Power Grid Company Transelectrica SA against the hearing conclusion on 18 February 2014 and civil ruling 1866 / 11 June 2014,

pronounced by the Appeal Court Bucharest, Section VIII of administrative & fiscal disputes. It cancels the contested conclusion and partly the ruling and refers the case to Bucharest Tribunal, Section VI Civil to settle the claimant's case in contradiction with the National Power Grid Company Transelectrica SA. Menține celelalte dispoziții ale sentinței în ceea ce privește acțiunea reclamantei împotriva Autorității Naționale de Reglementare în Domeniul Energiei. It denies the appeals filed by claimant SC Conaid Company SRL by means of the judiciary administrator RVA Insolvency Specialists SPRL and by the intervenient SC Duro Felguera SA against civil ruling 1866 of 11 June 2014, pronounced by the Appeal Court Bucharest, Section VIII of Administrative and Fiscal Disputes. It denies the appeal filed by the defendant National Power Grid Company Transelectrica SA against the hearing conclusion of 25 March 2014, pronounced by the Appeal Court Bucharest, Section VIII of Administrative and Fiscal Disputes; final. It was pronounced at public hearing on 29 June 2016.

On the docket of Bucharest Tribunal, Section VI Civil the case was registered under no. 12107/3/2017. Civil ruling 4364/23.11.2017 of the Tribunal admits the inadmissibility exception and denies the request as inadmissible. It also denies the intervention request to the claimant's interest. Appeal right is granted within 30 days from notification. Appeal was filed to Bucharest Tribunal, Section VI Civil and the court clerk office put it at the parties' disposal on 23.11.2017.

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

New hearing term: 17.09.2019.

▪ **FF WIND ENERGY INTERNATIONAL SRL**

File 47332/3/2017 was registered on the docket of Bucharest Tribunal, Section VI Civil whereby Company FF Wind Energy International SRL requested in contradiction with NPG Transelectrica SA cancelling the

one-sided statement to denounce the RET connection contract 85/14.03.2011 issued on 02.03.2016 under no. 8295, and compelling the Company to pay 32,777,167.35 Lei as prejudice following contract termination as well as 45,000,000 Euro, representing the devaluation quantum of Company FF Wind Energy International SRL by hindering its purpose.

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

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

▪ **ANAF**

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

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

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

ANAF's Tax inspection report mainly records the following additional payment liabilities: income tax amounting to 13,726,800 Lei and accessories, owed for a number of unused invoices identified as missing (they were destroyed in the fire that broke out the night of 26-27 June 2009, at the business office of Millennium Business Centre from 2-4 Armand Calinescu Street, District 2, where the company carried out its activity), documents under special regime.

These invoices were subject to a dispute with ANAF, the latter sending a tax inspection report on 20.09.2011

which estimated the amount of collected VAT for a number of 123 unused invoices identified as missing.

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

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

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

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

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

Settlement in brief: It admits the request of judgment suspension filed by the appellant. On the grounds of Article 413 (1) (1) of the Civil Procedure Code, judgement is suspended until the final settlement of case file 1802/2/2018, pending with the Court of Appeal Bucharest, Section VIII Administrative and Fiscal Disputes. Appeal right during the entire suspension; appeal to be submitted to the Law Court of Bucharest 1. It was pronounced at public hearing. Document: Conclusion - Suspension 17.04.2018.

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

On the 06.11.2018 hearing term the court admitted administrating the expertise evidence, in the accounting-fiscality domain. *New hearing term: 10.09.2019.*

▪ ROMENERGY INDUSTRY

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

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

Settlement in brief: The term was established on *14.10.2019*, in order to continue the bankruptcy procedure by capitalising the asset and recovering the receivables. The judiciary liquidator will elaborate and submit to the file: - on each 15th day of the month the monthly activity reports of the previous month as provided in para 1 of article 59, Law 85/2014; - for the verification term - 5 days before such date the synthetic report every 120 days as provided in the final part of para 3 of article 59, Law 85/2014. Document: Hearing conclusion, 10.06.2019.

▪ DAGESH ROM

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

Bucharest Tribunal's settlement

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

2. It denies the other claims as groundless.

3. It compels the claimant to pay 2,250 Lei as law court expenses to the defendant. 4. Appeal right is granted within 30 days from notification, to be submitted to Bucharest Tribunal, Section VI Civil. It was pronounced at public hearing. Decision 7230/15.11.2016.

Settlement of the Appeal Court Bucharest: Dagesh filed appeal on 04.10.2017. Settlement in brief: It admits the appeal. It partly changes the contested ruling; it partly admits the suing, namely it compels the defendant to pay 76,265.23 Lei as service fee difference for 2012 and 76,265.23 Lei as related delay penalties. It maintains the other ruling provisions appealed against. It compels the recurrent defendant pay to the recurrent claimant 31,877.45 Lei as law suit expenses, for first instance and appeal; appeal right within 30 days from notification.

Appeal will be submitted to the Appeal Court Bucharest, Section VI Civil. It was pronounced at public hearing. Document: Decision810/20.04.2018.

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

▪ RESITA CITY

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

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

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

Bucharest Tribunal established the first hearing term on 17.09.2019.

▪ ELCEN

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

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

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

Elcen filed appeal, which was denied as groundless on 11.06.2019.

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



Annexes

ANNEX 1: Stand-alone statement of financial position

[RON mn]	H1 2019	2018	Δ	Δ (%)
	1	2	3=1-2	4=1/2
ASSETS				
Non-current assets				
Tangible assets	2,944	2,988	(45)	(1%)
Intangible assets	33	23	10	45%
Financial assets	80	80	0	0%
Total non-current assets	3,057	3,091	(34)	(1%)
Current assets				
Inventories	39	35	5	14%
Trade and other receivables	823	1,064	(241)	(23%)
Other financial assets	50	0	50	n/a
Cash and cash equivalents	297	482	(186)	(38%)
Total current assets	1,209	1,581	(372)	(24%)
Total assets	4,266	4,672	(406)	(9%)
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' Equity				
Share capital, of which:	733	733	0	0%
<i>Subscribed share capital</i>	733	733	0	0%
Share premium	50	50	0	0%
Legal reserves	124	124	0	0%
Revaluation reserves	501	523	(22)	(4%)
Other reserves	68	67	1	2%
Retained earnings	1,365	1,313	52	4%
Total shareholders' equity	2,841	2,809	32	1%
Non-current liabilities				
Long term deferred revenues	377	411	(34)	(8%)
Long term borrowings	135	144	(9)	(6%)
Deferred tax liability	54	56	(2)	(4%)
Employee benefits liabilities	52	52	0	0%
Total non-current liabilities	618	664	(45)	(7%)
Current liabilities				
Trade and other liabilities	506	1,021	(515)	(50%)
Other tax and social security liabilities	8	10	(2)	(18%)
Short-term borrowings	187	53	134	252%
Provisions	64	96	(31)	(33%)
Short-term deferred revenues	39	19	20	101%
Income tax payable	2.1	0.2	1.8	758%
Total current liabilities	807	1,199	(392)	(33%)
Total liabilities	1,425	1,863	(438)	(24%)
Total shareholders' equity and liabilities	4,266	4,672	(406)	(9%)

ANNEX 2: Stand-alone profit or loss statement

[RON mn]										
Indicator	2018	Q1 2019	H1 2019	H1 2018	Budgeted H1 2019	Achieved 2019 vs 2018	Achieved 2019 vs 2018 (%)	Achieved vs budgeted 2019	Achieved vs budgeted 2019 (%)	
0	1	2	3	4	5	6=3-4	7=3/4	8=3-5	9=3/5	
Operating revenues										
Transmission revenues	1070	290	552	505	556	47	9%	(4)	(1%)	
System services revenues	702	173	328	375	326	(47)	(13%)	2	1%	
Balancing market revenues	904	175	280	331	392	(51)	(15%)	(112)	(29%)	
Other revenues	46	10	24	22	29	2	9%	(5)	(17%)	
Total operating revenues	2,722	649	1,184	1,233	1,303	(49)	(4%)	(119)	(9%)	
Operating expenses										
System operating expenses	309	101	180	150	188	30	20%	(8)	(4%)	
Balancing market expenses	904	175	280	331	392	(51)	(15%)	(112)	(29%)	
Technological system services expenses	678	185	353	309	307	44	14%	46	15%	
Depreciation and Amortisation	298	72	142	151	155	(9)	(6%)	(13)	(8%)	
Personnel expenses	189	48	103	89	107	14	16%	(4)	(4%)	
Repairs and maintenance expenses	91	20	44	38	53	7	18%	(9)	(16%)	
Materials and consumables	12	2	3	4	6	(1)	(24%)	(3)	(44%)	
Other operating expenses	141	3	39	49	87	(10)	(21%)	(48)	(55%)	
Total operating expenses	2,620	605	1,144	1,121	1,295	23	2%	(151)	(12%)	
Operating profit	101	44	40	112	8	(72)	(65%)	32	n/a	
Financial income	17	3	6	7	3	(1)	(19%)	3	92%	
Financial expenses	25	7	10	12	11	(2)	(17%)	(1)	(7%)	
Net finance result	(8)	(4)	(4)	(5)	(8)	1	15%	4	45%	
Profit before income tax	93	39	35	107	0	(71)	(67%)	35	n/a	
Income tax	12	1	5	9	0	(4)	(43%)	5	n/a	
Net profit	81	38	30	98	(0)	(68)	(69%)	31	n/a	

ANNEX 3: Stand-alone cash flow statement

[RON mn]	H1 2019	H1 2018	Δ	2019 vs 2018 (%)
Cash flows from operational activities				
Profit of the period	30.2	98.0	(68)	(69%)
Allowances for:				
Income tax expense	4.9	8.6	(4)	(43%)
Amortisement expense	135.5	151.1	(16)	(10%)
Allowance expenses to impair trade receivables	3.8	4.2	(0)	(10%)
Reversal of allowances for trade receivables impairment	(2.4)	(3.6)	1	33%
Losses from sundry debtors	0.1	0.0	0	n/a
Net revenues with allowances for depreciation of sundry debtors	(0.7)	(2.8)	2	76%
Net revenues with allowances for inventories depreciation	0.1	0.1	0	55%
Profit/loss. net. from the sale of tangible assets	0.0	(0.4)	0	n/a
Net expenses with allowances regarding tangible assets	1.4	0.5	1	177%
Net revenues regarding provisions for risks and expenses	(31.3)	0.0	(31)	n/a
Interest expense. interest revenue and unrealised expenses and revenues from foreign exchange differences	4.7	6.5	(2)	(28%)
Cash flows from operational activities	146.3	262.3	(116)	(44%)
Changes into:				
Clients and assimilated accounts - energy and other activities	(6.1)	37.5	(44)	n/a
Clients - balancing	253.6	58.9	195	330%
Clients - cogeneration	(7.2)	9.0	(16)	n/a
Inventories	(4.7)	(2.9)	(2)	(60%)
Trade and other liabilities - energy and other activities	(95.3)	115.6	(211)	n/a
Liabilities - balancing	(289.8)	(79.0)	(211)	(267%)
Liabilities - cogeneration	(64.7)	(88.9)	24	27%
Other tax and liabilities for social security	(1.8)	(0.9)	(1)	(94%)
Deferred revenues	(13.2)	(15.7)	3	16%
Cash flows from operational activities	(82.9)	295.9	(379)	(128%)
Interest paid	(4.6)	(4.4)	(0)	(6%)
Income tax paid	(5.3)	(11.2)	6	53%
Net cash generated from operational activities	(92.8)	280.3	(373)	(133%)
Cash flows from investments				
Procurements of tangible and intangible assets	(100.8)	(82.4)	(18)	(22%)
Proceeds from non-reimbursable EC financing	0.0	10.2	(10)	(100%)
Interest cashed	2.2	3.0	(1)	(26%)
Participation titles held with TSC NET	0.0	(2.2)	2	n/a
Proceeds from sales of tangible assets	0.0	0.7	(1)	(100%)
Other financial assets	(50.0)	(125.0)	75	60%
Net cash used in investments	(148.6)	(195.8)	47	24%
Cash flows used for financing				
Repayments of non-current borrowings	(39.5)	(58.7)	19	33%
Using the credit line for cogeneration	161.8	0.0	162	n/a
Dividends paid	(66.4)	(1.0)	(65)	n/a
Net cash used for financing	55.8	(59.7)	116	194%
Net diminution of cash and cash equivalents	(185.6)	24.9	(210)	n/a
Cash and cash equivalents on 1 January	482.2	520.7	(39)	(7%)
Cash and cash equivalents at the end of the period	296.6	545.6	(249)	(46%)

ANNEX 4: Economic-financial indicators of the reporting period

Indicators	Formula	H1 2019	2018
Current liquidity ratio (x)	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.50	1.32
Indebtness indicators (x):			
(1) Indebtedness indicator	$\frac{\text{Debt capital} \times 100}{\text{Shareholder's equity}}$	11.3%	7.0%
(2) Indebtedness indicator	$\frac{\text{Debt capital} \times 100}{\text{Committed capital}}$	10.2%	6.6%
Clients' turnover (zile)	$\frac{\text{Average client balance}^* \times \text{no.days}}{\text{Turnover}}$	97.31	90.96
Non-current assets turnover (x)	$\frac{\text{Turnover}}{\text{Non-current assets}}$	0.38	0.87

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

ANNEX 5: Amendment of the Articles of Incorporation of the Company in 2019

None.

ANNEX 6: Appointment/revocation acts in 2019

Directorate

- In accordance with CS Decision 20/11.04.2019
 - In the context of current Directorate members' mandates reaching term on 20 April 2019 the Supervisory Board decided extending the mandates of provisional Directorate members with 2 months, beginning with 21.04.2019 until 20.06.2019 for the following persons: Marius-Danut CARASOL, Claudia-Gina ANASTASE, Andreea Georgiana FLOREA, Constantin SARAGEA, and Adrian SAVU
- In accordance with CS Decision 21/11.04.2019
 - Mr. Marius-Danut CARASOL is elected Directorate Chairman, alternatively called Executive Director General or Chief Executive Officer – CEO – of the Company for 21 April to 20 June 2019.
- In accordance with CS Decision 30/04.06.2019
 - Supervisory Board members acknowledged the mandates of provisional Directorate members will reach their term on 20 June 2019: Marius-Danut CARASOL, Claudia-Gina ANASTASE, Andreea Georgiana FLOREA, Constantin SARAGEA, and Adrian SAVU
- In accordance with CS Decision 31/04.06.2019
 - In the context of current Directorate members' mandates reaching term on 20 June 2019 the Supervisory Board decided extending the mandates of provisional Directorate members with 4 months beginning with 21.06.2019 for the following persons: Marius - Danut CARASOL, Claudia - Gina ANASTASE, Andreea Georgiana FLOREA, Alina-Elena TEODORU, and Adrian SAVU

Supervisory Board

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

ANEXA 7 REPORT (as per HAGEA 4/29.04.2015) on the contracts signed in H1/2019 for procurements of assets. services and work amounting to over 500.000 Euro/procurement (for procurements of assets and work) and over 100.000 Euro/procurement (for services)

No.	Contract no.	Contractual object	Term	Value		Contract type	Legal base	Procurement procedure
				Mii Ron	Mii Euro			
0	1	2	3	4	5	6	7	8
1	C 112/2019	Refurbishing the 110 kV substation Timisoara and converting the Portile de fier-Anina-Resita-Timisoara-Sacalaz-Arad axis to 400 kV. stage II: the 400 kV substation Timisoara	60	-	18,430	Work	Law 99/2016 + HG 394/2016	Open bid
2	C 8/2019	Refurbishing the 220/110 kV substation Iaz	34	-	11,732	Work	Law 99/2016 + HG 394/2016	Open bid
3	BC 575/2019	Guard and intervention services for TB Bucharest	36	13,724	-	Services	Law 99/2016 + HG 394/2016	Open bid
4	C 720/2019	Procuring three 100 MVAR. 400 kV shunt reactors for the 400 kV substations Arad. Bucharest South and Bradu	12	13,486	-	Supply	Law 99/2016 + HG 394/2016	Open bid
5	C 5/2019	Installing the 400/110 kV. 250 MVA transformer T3 in the 400/110 kV substation Sibiu Sud – primary equipment (T + 400/110 kV related bays)	18	13,140	-	Work	Law 99/2016 + HG 394/2016	Open bid
6	C 168/2019	Extending the 400 kV substation Cernavoda. stage II- connecting new lines	18	11,539	-	Work	Law 99/2016 + HG 394/2016	Open bid
7	CT 742/2019	Special guard. monitoring and intervention services for the objectives of TB Constanta	36	7,900	-	Services	Law 99/2016 + HG 394/2016	Open bid
8	CJ 4/2019	Upgrading the 220/110/20 kV substation Vetis - primary equipment	36	6,472	-	Work	Law 99/2016 + HG 394/2016	Open bid
9	C 96/2019	Failure remedial to tower 120 of the 220 kV OHL Fantanele-Gheorgheni	2.5	3,238	-	Work	Law 99/2016 + HG 394/2016	Negotiation. no prelim invitation
10	C 115/2019	Subsequent Contract 4 to the Framework agreement C 14/2016 - "procurement of primary equipment of medium and high voltage"	12	3,227	-	Supply	Law 99/2016 + HG 394/2016	Re-offering
11	CR 12/2019	220 kV double circuit OHL Ostrovu Mare RET (designing the execution details and technical assistance stage)	48	758	-	Services	Law 99/2016 + HG 394/2016	Open bid
12	C 111/2019	Financial audit services for 2018-2020	36	689	-	Services	Law 99/2016 + HG 394/2016	Simplified procedure
13	C 535/2019	Assessment services for the influence of transmission grid installations over air quality by monitoring the pollutant emissions in the atmosphere	36	539	-	Services	Law 99/2016 + HG 394/2016	Simplified procedure
14	CR 2/2019	Special guard. monitoring and intervention services for the objectives of TB Craiova for 3 months	3	506	-	Services	Law 99/2016 + HG 394/2016	Negotiation. no prelim invitation
15	SB 10/2019	Installing the 400 MVA. 400/231/22 kV autotransformer AT2 and bays in Iernut substation and upgrading the command-control system of the 400/220/110/6 kV substation Iernut. RET connection of the ccc 430 MW	26	30,740	-	Work	Law 99/2016 + HG 394/2016	Open bid

No.	Contract no.	Contractual object	Term	Value		Contract type	Legal base	Procurement procedure
				Mii Ron	Mii Euro			
		Iernut generation place belonging to SNGN ROMGAZ SA; design & execution of protection systems for the connecting electric lines of the new units in SPEE Iernut						
16	C 730/2019	Connecting the 400 kV OHL Isaccea-Varna and the 400 kV OHL Isaccea-Dobrudja in the 400 kV substation Medgidia Sud. Stage i- extending the 400 kV substation Medgidia Sud. procuring the 400 kV GIS assembly. installing and commissioning the 400 kV GIS assembly	10	-	5,168	Supply	Law 99/2016 + HG 394/2016	Negotiation. no prelim invitation to a competitive offering procedure
17	BC 598/2019	Changes of 110 kV. 220 kV and 400 kV electric overhead lines to achieve the objective: puncturing Blvd. Nicolae Grigorescu - Splai Dudesu	7	4,863	-	Work	Law 99/2016 + HG 394/2016	Open bid
18	C 733/2019	Revolving bank credit line	12	3,313	-	Services	Law 99/2016 + HG 394/2016	One's own procedure
19	TM 43/2019	Capital repairs of the 220 kV OHL Mintia - Timisoara anti-corrosive protection of towers	24	3,146	-	Work	Law 99/2016 + HG 394/2016	Open bid
20	SB 8/2019	Maintenance services for the clearance corridor of OHL-s passing through areas with trees	36	2,391	-	Services	Law 99/2016 + HG 394/2016	Open bid
21	PT 42/7381/2019	Guard. intervention and intervention for special circumstances to the objectives of TB Pitesti	6	1,411	-	Services	Law 99/2016 + HG 394/2016	Negotiation. no prelim invitation to a competitive offering procedure
22	BA 743/2019	Maintenance services for the clearance corridor of OHL-s passing through areas with trees	36	1,353	-	Services	Law 99/2016 + HG 394/2016	Open bid
23	SB 9/2019	Mowing services and vegetation removal in view of preventing fires in electric substations managed by TB Sibiu	36	583	-	Services	Law 99/2016 + HG 394/2016	Open bid
24	BA 742/2019	Mowing services and vegetation removal in view of preventing fires in electric substations managed by TB Bacau	24	553	-	Services	Law 99/2016 + HG 394/2016	Open bid
25	CR 22/2019	Special guard and intervention services for the objectives of TB Craiova for 3 months	3	506	-	Services	Law 99/2016 + HG 394/2016	Negotiation. no prelim invitation to a competitive offering procedure

Anexa 6 – Glosar de termeni

„ANRE”	National Regulatory Authority in the Electricity domain
„BAR”	Regulated asset base
„BVB”	Bucharest Stock Exchange. the operator of the regulated market where the shares are transacted
„CEE”	European Economic Community
„Company”. „NPG”. „TEL”	National Power Grid Company Transelectrica SA
„OTC”	One’s own technological consumption
„CS”	Supervisory Board
„DEN”	National Power Dispatcher
„EBIT”	Operational profit before interest and income tax
„EBITDA”	Operational profit before interest. income tax and amortisement
„EBT”	Operational profit before income tax
„ENTSOE”	European Network of Transmission and System Operators for Electricity
„HG”	Governmental decision
„IFRS”	International Financial Reporting Standards
„LEA”	Overhead electric lines
„Leu” or „Lei” or „RON”	Official currency of Romania
„MFP”	Ministry of Public Finance
„MO”	Romania’s Official Gazette
„OG”	Governmental ordinance
„OPCOM”	Operator of the Electricity and Natural Gas Market in Romania OPCOM SA
„OUG”	Governmental emergency ordinance
„PZU”	Day-ahead Market
„RET”	Electricity Transmission Grid. the electric network of national strategic interest with nominal line voltage above 110 kV
„SEN”	National Power System
„RS”	Secondary control (frequency restoration reserve)
„RTL”	Slow tertiary control (replacement reserve)
„SMART”	Trading Company for Maintenance Services to the Electricity Transmission Grid SMART SA
„SSF”	Functional system services
„SST”	Technological system services
„TEL”	Stock exchange indicator for Transelectrica
„TSR”	Total shareholders’ return
„UE”	European Union
„u.m.”	Measuring unit
„USD” sau “dolari US”	American dollar. the official currency of the United States of America
„WACC”	Weighted average cost of capital

