

NOTE,

regarding SGEA approval for the share capital increase of National Power Grid Company Transelectrica SA, following SGEA Decision 16/21.12.2018, by issuing new shares, without issue premium and by respecting the preference right of the existing shareholders at the registration date, with a maximum value of 20,248,262 Lei, out of which 11,883,300 Lei represents the value of 17 lands established by the expert, for which the Company has obtained property right ascertaining certificates, as well the delegation of powers to the Company's Directorate pursuant to article 114 (1) of Company Law 31/1990 and art. 85 (2) of Law 24/2017 in order to decide on the share capital increase for a period of 3 years

1. Generalities

National Power Grid Company Transelectrica SA (hereinafter referred to as the "Company") was established by GD 627/2000, with later amendments and additions, now being a joint-stock company, organized and operating in accordance with the Romanian law and the Company's Articles of Association, approved by the Shareholders' General Assembly, subject to the provisions of the capital market legislation as issuer of securities.

In accordance with the provisions of GD 834/1991 *on establishing and valuating the lands belonging to state capital trading companies*, as amended by GD 107/2008, and with Criteria 2665/1C/311/1992 issued by the Ministry of Finance and MLPAT, with later amendments and additions, the Company has drawn up the necessary documentation in order to obtain certificates of attestation of ownership of the land and, over time, the competent authorities have issued such certificates for a number of 17 lands.

In accordance with the provisions of article 12 (5) from Law 137/2002 *on certain measures to expedite privatisation*, with later amendments and additions, *if the issuance of certificates ascertaining the land ownership right was not followed, prior to privatisation, by the corresponding share capital increase or if the certificate is issued after privatisation, the share capital shall be rightfully increased by the land value, which will be considered an in-kind contribution of the state or of an administrative-territorial unit, as the case may be, in return for which additional shares will be issued and they will rightfully belong to the public institution concerned*. Consequently, according to the privatisation law, the effect of issuing certificates ascertaining the land ownership right is the obligation to increase the share capital with the value of these lands, the corresponding shares being attributed to the Romanian State through the *public institution concerned*, which, in the Company's case, is the Ministry of Economy.

2. Context

From the perspective of Company Law 31/1990, republished, with later amendments and additions, the provisions of art. 215 (1) and (3) apply to the share capital increase with the value of the land for which property right ascertaining certificates were issued:

(1) *If the share capital increase consists of in-kind contributions, the general assembly that has agreed this shall propose to the judge-delegate the appointment of one or more experts for the assessment of these contributions, under art. 38 and 39. (...)*

(3) *After the submission of the expert report, the SGEA convened once again may decide the share capital increase, taking into account the experts' conclusions.*

In view of the above, in the SGEA of December 21, 2018, the shareholders approved of para. 2 of Decision 16 “the share capital increase, in principle, of National Power Grid Company Transelectrica SA with the in-kind contribution represented by the value of 17 lands for which the Company has obtained property right ascertaining certificates and the submission to the Trade Register National Office of Bucharest Tribunal of the proposal to designate JPA Audit si Consultanta SRL, as an ANEVAR authorised valuer, to assess, according to the law, the in-kind contribution which is subject to the share capital increase, according to Note 42693/14.11.2018”.

SGEA Decision 16/21.12.2018, including the proposal regarding the expert's appointment, was registered with the Trade Register National Office of Bucharest Tribunal (ORCTB). According to the certificate of amendments 42863/30.01.2019 issued by the Trade Register National Office of Bucharest Tribunal (ORCTB), “the registration application orders the registration in the Trade Register of the amendments regarding: appointment of ANEVAR valuer, according to the data of SGEA decision 16/21.12.2018.” and it was admitted as it was formulated.

Following the validation by ORCTB of SGEA's proposal regarding the expert, JPA Audit si Consultanta SRL as an ANEVAR authorised valuer has drawn up and communicated to the Company Valuation Report 21278/10.05.2019, setting the fair value at 31.03.2019 of the 17 lands for which the Company has obtained property right ascertaining certificates, land belonging to the Company, at the amount of 11,883,300 Lei, representing 2,495,024 Euro.

According to art. 216 of Company Law 31/1990, republished, with later amendments and additions, common law for the share capital increase, as well as according to art. 12 (5²) of Law 137/2002 *on certain measures to expedite privatisation*, with later amendments and additions, the special law regulating the share capital increase with the value of the land for which property right ascertaining certificates have been issued, regulates in favour of the other shareholders (other than the Romanian State) a preference right to purchase a number of additional shares necessary to maintain the equity interest in the share capital.

By reference to the provisions of art. 215 (3) of Company Law 31/1990, republished, with later amendments and additions, **the SGEA must be convened to decide on the share capital increase, by issuing new shares, with a maximum value including the value of 17 lands for which the Company has obtained property right ascertaining certificates and for which the JPA Audit si Consultanta SRL expert has set a fair value of RON 11,883,300 Lei, respecting the preference right of the existing shareholders, carrying out the increase** (the attribution to decide on the share capital increase) **that is to be delegated to the Company's Directorate**, pursuant to article 114 (1) of Company Law 31/1990 and art. 85 (2) of Law 24/2017, **for a period of 3 years** (following the conditions set by SGA).

3. Conditions for the share capital increase and the delegation to the Directorate of the power to decide, in compliance with the conditions approved by SGA.

In accordance with the provisions of article 12 (5¹) and of article 12 (5²) from Law 137/2002 *on certain measures to expedite privatisation*, with later amendments and additions, the special law

regulating the share capital increase with the value of the land for which property right ascertaining certificates have been issued, *the share capital increase with the value of lands property right ascertaining certificates were issued for will be made without adding a share premium, and the subscription price of shares associated to the preference right exercised by existing shareholders under the share capital increase with the value of lands property right ascertaining certificates were issued for will be established without adding a share premium.* Consequently, **the subscription price of the new shares** issued once with the share capital increase with the value of the lands property right ascertaining certificates were issued for **is determined without adding an issue premium, the price being the nominal value of the issued shares, namely 10 lei.**

The Company's share capital increase with a **maximum value of 20,248,262 Lei**, out of which 11,883,300 lei represents the value of 17 lands established by the expert, for which the Company has obtained property right ascertaining certificates will be made by **issuing new shares, without issue premium** and by **respecting the preference right** of the existing shareholders at the registration date, and **when the time-limit for subscription expires, the unsubscribed shares will be canceled.**

At the same time, the following conditions will be met:

- (i) new shares will be offered for subscription at nominal value, namely 10 Lei/share, without issue premium.
- (ii) the period in which shares may be subscribed in the exercise of the preference right will be one month from the date set in the prospectus and will begin on a date subsequent to the registration date related to the share capital increase and the SGEA decision publication date.
- (iii) the subscription rate of 0.027623 determined by the ratio between the maximum number of new shares issued to exercise the preference right and the total number of shares held by the shareholders in the existing capital.
- (iv) each shareholder registered at the registration date may subscribe for each share held 0.027623 new issued shares.
- (v) the number of new issued shares that may be subscribed under the preference rights is calculated by multiplying the Subscription Rate by the number of shares held at the registration date and the result, if not an integer, is rounded down to the nearest integer.

Example for other shareholders	New shares
1 share	0,027623
10 shares	0,276226
100 shares	2,762264
1000 shares	27,622639

Considering article 114 (1) of Company Law 31/1990 and article 85 (2) of the Law 24/2017, there is the proposal **to delegate to the Company's Directorate the power to take the necessary decisions to finalise the share capital increase in compliance with the conditions deriving from the Company's statute as issue on the capital market and the conditions approved by**

the SGEA. The term of delegation is proposed to be the maximum period set by law, namely **3 years.**

4. Proposals

In view of the above, taking into account the provisions in accordance with the provisions of art. 14 para. 2 letters d) and n) of National Power Grid Company Transelectrica SA's Articles of Association, updated on 21.12.2018, the provisions of art. 113 letters (f) and (m) and of Company Law 31/1990, republished, with later amendments and additions, the provisions of art. 12 of Law 137/2002, with later amendments and additions, as well as provisions of art. 114 (1) of Company Law 31/1990 and art. 85 para. (2) of Law 24/2017 on issuers of financial instruments and market operations, we submit to the SGA the following for approval:

1. Approval by the Shareholders' General Extraordinary Assembly of the share capital increase of National Power Grid Company Transelectrica SA, following SGEA Decision 16/21.12.2018, by issuing new shares, up to maximum 2,024,826 new shares, without share premium and observing the preference right of shareholders existing on the registration date, of maximum value of 20,248,262 Lei, out of which 11,883,300 lei represents the value of 17 lands established by the expert, for which the Company has received property right ascertaining certificates, under the following conditions:

- (i) new shares will be offered for subscription at nominal value, namely 10 lei/share, without issue premium.
- (ii) the period in which shares may be subscribed in the exercise of the preference right will be one month from the date set in the prospectus and will begin on a date subsequent to the registration date related to the share capital increase and the SGEA decision publication date.
- (iii) the subscription rate of 0.027623 determined by the ratio between the maximum number of new shares issued to exercise the preference right and the total number of shares held by the shareholders in the existing capital.
- (iv) each shareholder registered at the registration date may subscribe for each share held 0.027623 new issued shares.
- (v) the number of new issued shares that may be subscribed under the preference rights is calculated by multiplying the Subscription Rate by the number of shares held at the registration date and the result, if not an integer, is rounded down to the nearest integer.

Example for other shareholders	New shares
1 share	0,027623
10 shares	0,276226
100 shares	2,762264
1000 shares	27,622639

- (vi) after the expiry of the time-limit on the exercise of the preference right, all unsubscribed shares will be canceled,

2. Delegation of powers to the Company's Directorate pursuant to article 114 (1) of Company Law 31/1990 and art. 85 (2) of Law 24/2017 of the power to decide, in compliance with the conditions approved by SGEA, on the share capital increase for a period of 3 years, including, but not limited to:
 - contracting the services of an authorised intermediary for issuing the prospectus;
 - drawing up and submitting the prospectus proportional to the offer for approval to the Financial Supervisory Authority;
 - initiating and running the public offer addressed to existing shareholders at the registration date;
 - approving the term and conditions for exercising the preference right of the existing shareholders, proportional to the number of shares held at the registration date, in order to keep the share held by each shareholder prior to the share capital increase;
 - approving the procedure for subscribing the new shares issued within the framework of the share capital increase;
 - establishing the exact value with which the share capital is increased;
 - issuing the new shares;
 - validating the results of the subscription of new shares at the end of the preference rights' period of exercise, cancelling the shares issued but unsubscribed in the share capital increase procedure and the actual share capital increase;
 - modifying the Company's Articles of Association corresponding to the share capital increase, namely art. 7 - Share capital, as well as approving its updated form.
3. Establishing **registration date** to which the effects of SGEA Decision will apply, **ex-date** and **payment date**, namely the calendar day for the share lending, into the financial instrument accounts opened in the system of the central depository for preference rights, established in accordance with applicable legal provisions.