

Note

regarding the consolidated financial results included in the Annual Consolidated Report 2017, according to the Decision no. 6 of the Ordinary General Shareholders Meeting on April 30th 2018

The attached note provides the financial-economic indicators included in the Directorate-elaborated Consolidated Annual Report, as updated using the Consolidated financial statements according to Decision 6 of 30 April 2018 of the Shareholders' General Ordinary Assembly of the National Power Grid Company Transelectrica SA

Directorate,

**Adrian-Constantin
RUSU**

**Directorate
Chairman**

**Dan-Valeriu
ARDELEAN**

**Directorate
Member**

**Andreea-Georgiana
FLOREA**

**Directorate
Member**

**Georgeta-Corina
POPESCU**

**Directorate
Member**

Florin-Cristian TĂTARU

**Directorate
Member**

Cristina STOIAN

Director of the
Accounting&Financial Strategy
Direction

Cristiana ZIRNOVAN

Manager of the Budgeting and
Managerial Reporting Department

Veronica CRISU

Manager of the Accounting
Department

Consolidated financial results according to the Decision no. 6 of th Ordinary General Shareholders Meeting, dated April 30th, 2018¹

STATEMENT OF FINANCIAL POSITION

The consolidated financial position statement according to the Decision no. 6 of th Ordinary General Shareholders Meeting, dated April 30th, 2018¹ is as follows:

Indicators [thousand Lei]	31.12.2017	31.12.2016	'17/'16
ASSETS			
Non-current assets			
Property, plant and equipment	3,085,762	3,254,345	-5.2%
Intangible assets	15,612	14,775	5.7%
Other investments	32,636	32,636	0.0%
Long term receivables	-	9,775	n/a
Total non-current assets	3,134,010	3,311,531	-5.4%
Current assets			
Inventories	50,106	45,475	10.2%
Trade and other receivables	825,949	864,332	-4.4%
Other financial assets	-	135,090	n/a
Cash and cash equivalents	553,875	960,489	-42.3%
Total current assets	1,429,445	2,005,386	-28.7%
TOTAL ASSETS	4,563,940	5,316,917	-14.2%
Shareholder's equity			
Share capital	733,031	733,031	0.0%
Share premium	49,843	49,843	0.0%
Legal reserves	119,153	116,552	2.2%
Other reserves	57,627	57,627	0.0%
Revaluation reserves	408,899	458,184	-10.8%
Retained earnings	1,366,936	1,714,462	-20.3%
Total equity attributable to the Group owners	2,735,489	3,129,699	-12.6%
Non-controlling interests	4,065	5,484	-25.9%
Total equity	2,739,554	3,135,183	-12.6%
Non-current liabilities			
Long term deferred revenues	412,866	433,692	-4.8%
Long term borrowings	195,186	501,930	-61.1%
Deferred tax liability	27,263	32,565	-16.3%
Employee benefits obligations	62,513	58,050	7.7%
Total non-current liabilities	697,828	1,026,237	-32.0%
Current liabilities			
Trade and other liabilities	693,349	877,058	-20.9%
Provisions	42,921	55,274	-22.3%
Other tax and social security liabilities	11,225	12,291	-8.7%
Short term borrowings	338,183	155,548	117.4%
Short term deferred revenues	40,881	38,025	7.5%
Income tax payable	-	17,301	n/a
Total current liabilities	1,126,558	1,155,497	-2.5%
Total liabilities	1,824,386	2,181,734	-16.4%
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES	4,563,940	5,316,917	-14.2%

¹ The information included in the Consolidated statement of the financial position, the profit & loss account and the treasury flow statement from the 2017 Consolidated Annual Report elaborated by governance structures on 28 March 2018 was updated using the Consolidated Financial Statements in accordance with Decision 6 of 30 April 2018 of the Shareholders' General Ordinary Assembly of the National Power Grid Company Transelectrica SA

PROFIT AND LOSS ACCOUNT

At Group level the profit and loss account statement according to the Decision no. 6 of th Ordinary General Shareholders Meeting, dated April 30th, 2018 is as follows:

Indicators [thousand Lei]	2017	2016	'17/'16
Operational revenues. of which:	3,068,004	2,738,088	12.0%
- Transmission revenues	1,054,629	1,146,257	(8.0)%
- System service revenues	650,747	716,340	(9.2)%
- Balancing market revenues	1,304,613	814,080	60.3%
- Other revenues	58,015	61,411	(5.5)%
Operational expenses. of which:	(3,003,859)	(2,396,372)	25.4%
- System operating expenses	(257,917)	(230,757)	11.8%
- Balancing market expenses	(1,304,613)	(814,080)	60.3%
- Technological system services expenses	(661,323)	(561,027)	17.9%
- Depreciation and amortization	(321,027)	(331,433)	(3.1)%
- Personnel expenses	(237,262)	(271,938)	(2.8)%
- Repairs and maintenance expenses	(52,383)	(28,913)	81.2%
- Consumables	(22,206)	(27,741)	(20.0)%
- Other operational expenses	(147,127)	(130,483)	12.8%
Operational result	64,145	341,716	n/a
Financial revenues	17,229	28,676	(39.9)%
Financial expenses	(40,854)	(48,520)	(15.8)%
Financial result	(23,625)	(19,844)	19.1%
Earnings befor tax	40,520	321,872	n/a
Income tax	(19,096)	(62,878)	(69.6)%
NET Result	21,424	258,994	n/a
Basic and diluted earnings per share [Lei/share]	0.29	3.53	n/a

CASH FLOWS

At Group level the cash flows statement according to the Decision no. 6 of th Ordinary General Shareholders Meeting, dated April 30th, 2018 is as follows:

Indicators [thousand lei]	2017	2016
Cash flows from operating activities		
Recording loss in retained earnings from correction off accounting errors	(75,727)	-
Result for the year	21,424	258,994
Adjustments for		
Income tax expense	19,096	62,878
Depreciation expenses	321,027	331,433
Expenses on provisions for impairment of trade receivables and other receivables	74,586	32,739
Losses from various debtors	45,081	-
Income from reversal of value losses for trade receivables and other receivables	(61,874)	(11,324)
Net expenses for adjustments for inventory impairment	1,612	-
Loss from disposal of intangible assets,net	838	273
Financial expenses regarding the adjustments for impairment of fixed assets	2,867	411
Value adjustments for property, plant and equipment	382	18,805
Value adjustments for provisions	(12,884)	19,100
Interest expense, interest income and unrealized foreign exchange gains	21,484	19,844
Cash flows before changes in working capital	357,912	733,152
Changes in:		
Trade and other receivables	(6,243)	308
Inventories	(10,374)	(156,359)
Trade and other liabilities	(81,148)	51,861
Other tax and social security liabilities	(1,066)	3,597
Liabilities paid according to NAFA tax decision	(99,891)	-
Deferred income	(17,970)	(29,640)
Cash generated from operating activities	141,220	602,919
Interest paid	(22,246)	(25,390)
Income tax paid	(8,861)	(66,538)
Net cash from operating activities	110,013	510,992
Cash flows used in investing activities		
Purchase of property, plant and equipment and of intangible assets	(191,801)	(142,730)
Other financial assets	135,090	(65,005)
Dividends received	-	1,219
Interest received	5,991	5,880
Cashing from the sale of property, plant and equipment	26	-
Net cash used in investing activities	(50,694)	(200,636)
Cash flows used in financing activities		
Proceeds from long term borrowings		
Repayments of long term borrowings	(134,372)	(162,486)
Repayments of short term borrowings	3,776	4,133
Dividends paid	(165,541)	(194,342)
Special dividends accordingly with GD 29/2017	(169,799)	-
Net cash used in financing activities	(465,935)	(352,695)
Cash flows from operating activities		
Net increase in cash and cash equivalents	(406,614)	(42,339)
Cash and cash equivalents as at January 1st	960,489	1,002,829
Cash and cash equivalents at the end of the period	553,875	960,489

**ANNUAL
CONSOLIDATED
REPORT**

2017

Report of the Supervisory Board regarding the consolidated financial statements drafted according to the International Financial Reporting Standards

The Supervisory Board relies on corporate governance principles, which establish the Company's responsible, professional and ethical attitude in relation with the main stakeholders. The Board examines the Company's strategy and its environmental premises it operates in, in order to plan Transelectrica's development and its performance, thus ensuring a rigorous formulation of objectives.

Within the Supervisory Board, the Company's Directorate provided detailed information regarding the consolidated financial statements of 2017.

The consolidated financial statements were presented to the Supervisory Board for review. At the meeting for the approval of the financial statements of 2017, the Audit Committee submitted to the Supervisory Board a report concerning the review of the results for the financial year 2017 and recommended to the Supervisory Board the approval of the consolidated financial statements drafted according to OMPF no. 2844/2016.

At the same time the Directorate's Annual Report elaborated in accordance with the requirements from the capital market legislation was reviewed by Supervisory Board members. The Consolidated Annual Report for 2017 provides a true and fair view of the Company's consolidated results for the financial year 2017.

The Audit Committee assists the Supervisory Board in fulfilling its own oversight responsibilities for the financial reporting process, the management reporting, the internal control system, the audit process, and the organizational process to monitor the compliance with laws, regulations and the code of conduct.

With highest consideration,

Supervisory Board Member

Chairman of the Supervisory Board

2017 Annual Consolidated Report regarding the consolidated financial statements drafted according to the International Financial Reporting Standards

To the best of our knowledge the consolidated financial-accounting statements as of December 31st 2017, drafted according to the applicable accounting standards, provide an accurate image consistent with reality of the assets, liabilities, financial position, profit and loss account of the Transelectrica Group, and the 2017 Consolidated Annual Report contains accurate and realistic information with respect to its development and performance, as well as the description of the main risks and uncertainties specific to the activity being carried out.

This Report presents **only the new elements compared to the 2017 Annual Report**, which result from the consolidation of Company's financial statements with its Subsidiaries.

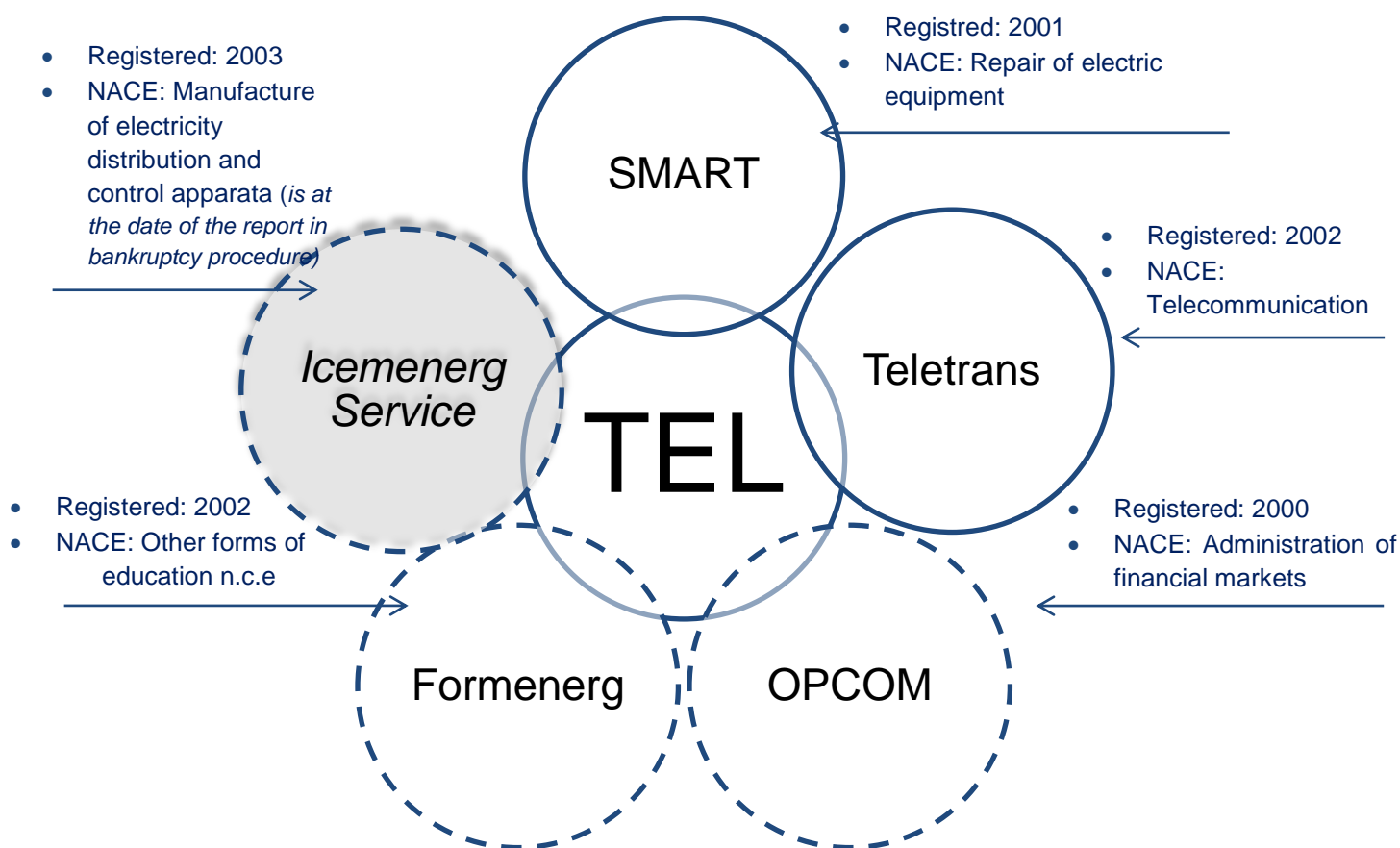
Directorate:

Georgeta- Corina	Andreea Georgiana	Dan-Valeriu	Florin-Cristian
POPESCU	FLOREA	ARDELEAN	TĂTARU
Chairman	Member	Member	Member

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PRESENTATION



On the date of this report Transelectrica has four subsidiaries in its structure, romanian legal entities, organised as joint stock companies where it is the sole shareholder, namely: OPCOM¹, Formenerg, Teletrans, and Icemenerg Service (which at the date of this report is in bankruptcy proceedings).

In the case of Smart, following the increase of its share capital on December 23rd, 2014 by the Management Board of Smart with the value of land plots for which certificates authenticating the ownership rights have been previously obtained, the Company became the major shareholder with a 70% shareholding of the subsidiary's share capital.

Among the Company's subsidiaries, only Smart and Teletrans are included in the Group's financial consolidation perimeter. Formenerg and Icemenerg-Service have not been taken into consideration for

¹ According to GEO 86/ 2014 the Ministry of Economy, Trade and Tourism is mandated to initiate and approve all operations and steps necessary in order to transfer the shares held by the National Power Grid Company Transelectrica SA in the Company Electricity and Natural Gas Market Operator OPCOM SA in the Company Training Power Engineers of Romania FORMENERG SA to the state private property and the administration of the Ministry of Economy, Trade and Tourism, while observing the applicable legal provisions.

the consolidation because according to the applicable accounting legislation, the impact of their activities is considered as being insignificant for the purpose of the consolidation, while OPCOM is subject to ANRE regulations and holds an independent position on the energy market, and therefore Transelectrica does not have control over it.

The subsidiaries participating to the consolidation perimeter (Smart and Teletrans) began procedures with a view to implement the corporate governance principles, in accordance with the regulations of GEO no. 109/2011 on the corporate governance of public enterprises. Thus, the recruited managers will be made responsible and remunerated according to the administration and management plans (which should include optimum administration/management structures) as provided in GEO no. 109/2011. By implementing the corporate governance principles, the Company intends to increase the efficiency of the two Subsidiaries' activities.

SMART



The main object of activity of the SC SMART SA subsidiary is reviewing and repairing of live apparatus and equipment, transformers and autotransformers, as well as the remedy of incidents in electric installations and micro-production of electric equipment. The Company has 8 subsidiaries with no legal personality, situated in the same locations as Transelectrica's branches.

- As of December 31st, 2017, the share capital amounts to 55,036 thousand lei, of which 38,528 thousand lei is subscribed and fully paid up by Transelectrica. The results of SMART are consolidated with the Company's financial results
- According to letter no. 165/13.01.2015 (registered at Transelectrica under no. 1552/14.01.2015) transmitted by the subsidiary, starting with 30.12.2014, when the capital had been increased by contribution in kind with the value of the land plots for which certificates authenticating the ownership rights were obtained, the shareholder structure is the following:
 - CNTEE Transelectrica SA – 70.005% - 3,852,860 shares
 - Romanian State through the Ministry of Economy – 29.994% - 1,650,770 shares.

TELETRANS



SC Teletrans SA was established under Decision no. 13/04.12.2002 of Transelectrica's General Assembly of Shareholders, pursuant to Law no. 31/1990 and the Orders no. 3098 and no. 3101 of 23.10.2002 issued by the Ministry of Industry and Trade.

- TELETRANS shares are 100% held by Transelectrica.
 - Based on the Articles of Association and the applicable legislation, Teletrans holds the ANCOM certificate for networks or electronic communications service provider since 2002 (GEO no. 679/2002), allowing it the right to provide the following electronic communications services:
 - Public electronic communications networks (starting with November 11th, 2004);
 - Publicly available electronic communications services: (i) Leased line services and (ii) Electronic communications services other than telephony and leased lines (as of 01.07.2003);
 - Private electronic communications networks and services (starting 15.01.2003)
 - Also, TELETRANS personnel benefit from certifications relevant to the operation and management of critical infrastructure IT & C systems.

- The share capital on 31.12.2017 was 6,874 thousand Lei, Transelectrica being sole shareholder. Teletrans results are consolidated with the Company's financial ones.

FORMENERG



Subsidiary SC FORMENERG SA is a company whose main business is training the personnel from the energy sector, Distrigaz Sud Retele, Distrigaz Confort, Cez Distribution, Omv Petrom, FDEE Electrica Distributie Transylvania Sud being among its clients. The Company provides a wide range of short term courses (a week or two) in domains such as- public procurement, human resources, finance-accounting, marketing and communication, operation, maintenance, energy strategy, natural gas, IT, legislation, licensing of electricians etc.

The share capital is 1,948 thousand lei, fully paid up, represented by 194,842 shares of 10 lei nominal value each.

ICEMENERG – SERVICE

On June 9th, 2017, the Bucharest Court of Appeal, VII Civil Division, ordered the bankruptcy procedure through the simplified procedure of the debtor, ICEMENERG SERVICE - SA Subsidiary, designating Solvendi SPRL as a provisional liquidator.

Subsidiary Icemenerg Service SA is focused on the design, manufacture and distribution of metering, running and control apparatuses meant for the power system, having got ISO 9001 and IQ NET certification from SRAC ROMANIA, ANRE licensed.

- The share capital amounts to 493 thousand Lei, fully paid on August 22nd, 2003, represented by 49,300 shares of 10 lei nominal value each.
- By Order no. 855/10.12.2004 of the Minister of Economy and Trade (on instituting the special administration procedure and financial supervision), starting with 23.12.2004 the special administration and financial supervision procedure was instituted in the SC ICEMENERG – SERVICE SA subsidiary during the privatization period of ICEMENERG – SERVICE SA, subsidiary of Transelectrica, with a view to determine the manner of administration and management as well as the measures to be taken in order to expedite the company's privatization process.
- Decision no. 1/28.02.2017 of the General Assembly of Shareholders approves the default of the company in simplified form.
- On the date of June 9th 2017, the Bucharest Court of Appeal, Civil Division VII, ordered the bankruptcy procedure through the simplified procedure of the debtor, ICEMENERG SERVICE -SA Subsidiary, Transelectrica recorded an impairment adjustment in the amount of 493 thousand lei in 2016 for the shares held at SC ICEMENERG SERVICE SA.
- CNTEE Transelectrica SA submitted to the registry of the court (Bucharest Court) a statement of claim in file no. 18051/3/2017 requesting the enrollment at the debtor of Icemenerg Service SA with the amount of 92.2 thousand lei representing the value of the financing made by CNTEE Transelectrica SA under the Convention no. C 156 / 21.06.2006, for the preparation of the privatization of the Company "Icemenerg-Service" Branch SA, out of which: the amount of 63.1 thousand lei representing registration fee at the ONRC of the share capital increase and the amount of 29.2 thousand lei representing evaluation report prepared by Inco Consulting SRL, sums recorded and detailed in the supporting documents annexed to the application, prior to the opening of the

procedure. Also, the amount of 200 lei was requested, representing the judicial stamp duty, related to the enrollment application of CNTEE Transelectrica SA at the advanced list of creditors in this file.

- On 07.08.2017, the judicial administrator SOLVENDI SPRL confirmed the inclusion in the preliminary table of receivables of the debtor of "Icemenerg-Service" S.A., the amount of 92.2 thousand lei, representing the value of the financing made by CNTEE Transelectrica SA based on the Convention no. C 156 / 21.06.2006, for the preparation of the privatization of the subsidiary "Icemenerg-Service" SA, to which is added the amount of 200 lei representing the judicial stamp duty related to the application for enrollment at the credential table.

OPCOM



OPCOM was established according to GD 627/2000 on the reorganisation of the National Electricity Company SA as subsidiary, whose sole shareholder is Transelectrica .

- As of December 31st, 2017, the share capital amounts to 30,687 thousand lei.
- The main activities of OPCOM are: organizing, managing and supervising the centralized electricity markets as well as managing and supervising of the centralized market from the natural gas sector.
- Transelectrica does not exercise actual direct control over the decision making mechanisms of OPCOM, whose administration is performed according to ANRE regulations.

IDENTIFICATION DETAILS

OPCOM

Headquarters	Bucharest 3, Bd. Hristo Botev 16-18
Number in the commercial register	J40 / 7542/ 2000
Single (fiscal) registration code	13278352
Share capital	8,100,000 Lei divided into 810,000 nominative shares of 10 Lei nominal value each
Sole shareholder	Transelectrica
Establishment document	Governmental Decision 627/ 2000

SMART

Headquarters	Bucharest 1, Blvd. Gen. Gh. Magheru 33
Number in the commercial register	J40/ 8613 / 2001
Single (fiscal) registration code	14232728
Share capital	55,036,300 Lei divided into 5,503,630 nominative shares of 10 Lei nominal value each
Shareholders	Transelectrica – 70.005% Romanian State – 29.995%
Establishment document	GD 710/ 2001 with respect to establishing the subsidiary Trading Company for Maintenance Services in the Electricity Transmission Grid SMART SA by reorganisation of certain activities of the National Power Grid Co. Transelectrica SA

TELETRANS



Headquarters	Bucharest 3, Bd. Hristo Botev 16-18
Number in the commercial register	J40/ 12511/ 2002
Single (fiscal) registration code	15061510
Share capital	6,874,430 Lei divided into 687,443 nominative shares of 10 Lei nominal value each
Sole shareholder	Transelectrica
Establishment document	AGA decision of 20.03.2002

FORMENERG

Headquarters	Bucharest 4, Blvd. Gheorghe Sincai 3
Number in the commercial register	J40/ 2265/ 2002
Single (fiscal) registration code	14529126
Share capital	1,948,420 Lei divided into 194,842 nominative shares of 10 Lei nominal value each
Sole shareholder	Transelectrica
Establishment document	Decision 33 of Transelectrica's AGA of 19.11.2001

ICEMENERG SERVICE

Headquarters	Bucharest 3, Blvd. Energeticienilor 8
Number in the commercial register	J40 / 11414 / 2003
Single (fiscal) registration code	15689117
Share capital	493,000 Lei divided into 49.300 nominative shares of 10 Lei nominal value each
Sole shareholder	Transelectrica
Establishment document	GD 2294/ 9.12.2004 approving the transfer of the share package held by subsidiary Trading Company Energy Research and Modernising Institute ICEMENERG SA Bucharest in subsidiary Trading Company ICEMENERG-SERVICE SA Bucharest to the National Power Grid Company Transelectrica SA

CONSOLIDATION OF FINANCIAL STATEMENTS

The general results of Group activities on 31.12.2017 were as follows:

Indicators [thousand Lei]	TEL	SMART	TELETRANS	Consolidation adjustments	TOTAL
Operational revenues	3,060,317	70,573	35,934	(98,820)	3,068,004
Operational expenses	(3,068,050)	(73,667)	(33,346)	95,477	(3,079,586)
Gross operational result	(7,733)	(3,094)	2,589	(3,343)	(11,582)
Financial result	(21,120)	(340)	14	(2,180)	(23,625)
Result before tax	(28,853)	(3,434)	(2,603)	(5,523)	(35,207)
Net result	(47,945)	(3,434)	(1,970)	(5,379)	(54,788)

Source: Transelectrica

Indicators [thousand Lei]	TEL	SMART	TELETRANS	Consolidation adjustments	TOTAL
Non-current assets	3,137,967	77,269	4,228	(85,454)	3,134,010
Current assets	1,370,806	50,944	30,969	(23,274)	1,429,445
TOTAL ASSETS	4,508,773	128,213	35,197	(108,728)	4,563,455
Shareholder's equity	2,717,147	73,577	30,416	(84,071)	2,739,069
Total liabilities	1,791,627	52,636	4,781	(24,657)	1,824,386
- LT liabilities	683,511	5,974	0	8,343	697,828
- ST liabilities	1,108,115	46,662	4,781	(33,000)	1,126,558
TOTAL EQUITY AND LIABILITIES	4,508,773	128,213	35,197	(108,728)	4,563,455

Source: Transelectrica

The general results of the activities performed by the group consisting of the Company and the two Subsidiaries that consolidate with are as follows:

Indicators [thousand Lei]	2017	2016	2015	'17/'16 [%]
Total revenues	3,085,233	2,766,764	3,028,888	11.5%
Total expenses	(3,120,441)	(2,444,892)	(2,611,984)	27.5%
Gross result	(35,207)	321,872	416,904	n/a
Net result	(54,788)	258,994	346,105	n/a

Source: Transelectrica

ACTIVITIES

In 2017 the two Subsidiaries included in the consolidation carried out activities in accordance with their main areas of activity, as follows:

- **TELETRANS** – has carried out activities as follows:
 - Services in the Information Technology domain:
 - Services offered to corporate clients on the Romanian market and asked by Transelectrica: outsourcing type services to administer information systems, administration of IT networks, IT systems and applications, elaborating IT software specific to clients, designing and constituting IT networks- LAN, MAN and WAN, design and implementation of IT systems, building IT systems and applications that use relational databases, ERP systems, making Internet sites, web-based applications, support services, preventive/corrective maintenance of IT equipment and systems, hardware and software maintenance;
 - IP services offered on the Romanian market to corporate clients, to suppliers of telecommunication and internet services: wide band internet services, physical supports for such connection;
 - Services for telecommunications:
 - For Transelectrica: services under Service Level Agreement (SLA) and services upon order;
 - For governmental organisations and other clients on Romania's liberalised telecommunication market by rented line services, dark fibre, co-location services and services associated to them.
 - Services in the Process Information domain:
 - Maintenance of process information systems / equipment;
 - Management of process information systems;
 - Elaborating and implementing new applications or developing existing ones;
 - Implementation and commissioning of process information systems;
 - Integrating the new command-control systems from refurbished substations into the EMS/SCADA;
 - Remote control/tele-management of electric substations from the Territorial Power Dispatcher (DET)/ National Power Dispatcher (DEN);

- **SMART** – has carried out activities:
 - As supplier of services and work for:
 - Maintenance of electric power installations;
 - Refurbishments and modernisations of electric power installations.
 - As supplier of consulting and design,
 - Devising specific products for electric power installations
 - of:
 - Installing primary instrumentation (vacuum, SF6, oil, air insulated);
 - Installing digital equipment and systems for protections, metering and command-control;
 - Laying and connecting (high voltage, secondary circuits, optical fibre) cables;
 - Controls and parameter setting for digital equipment.
 - Technical reviews, technical inspections, current and capital repairs, interventions upon accidental events and expertise operations, for clients from the energy sector and not only them, mainly to:
 - Installations and equipment that transmit and distribute low, medium, high and very high voltage electricity (750 kV inclusive);
 - Protection, automation, metering and command-control equipment and circuits for transformer and connection substations;
 - Transformers and autotransformers of all power and voltage levels (up to 500 MVA and 750 kV);
 - Overhead and cable lines (110 kV ÷ 750 kV).

GOVERNANCE STRUCTURES

In 2017 the executive governance of Subsidiaries was provided by the following persons:

SMART:

Florin-Cătălin STERE	CEO
Adrian CORBU	Deputy CEO I
Adriana FLOREA	Deputy CEO II

TELETRANS:

Dan DASOVEANU	CEO
Alia MEKKAOU	Economic Manager
Marius BITA	Legal Department Manager

FORMENERG:

Dragoș FLORESCU	CEO
Marcel NICULESCU	Economic Manager
Dominic Valentin COSTEA	Professional Development Manager
Ioana VOICESCU	Marketing Manager

OPCOM:

Victor IONESCU	CEO
Silvia FEDIUC	Economic Manager
Luminița LUPULUI	Transactions - Electricity Settlement Manager

FINANCIAL REPORT

FINANCIAL POSITION STATEMENT

The consolidated financial position statement is as follows:

Indicators [thousand Lei]	31.12.2017	31.12.2016	'17/'16
ASSETS			
Non-current assets			
Property, plant and equipment	3,085,762	3,254,345	-5,2%
Intangible assets	15,612	14,775	5,7%
Other investments	32,636	32,636	0,0%
Long term receivables	-	9,775	n/a
Total non-current assets	3,134,010	3,311,531	-5,4%
Current assets			
Inventories	50,106	45,475	10,2%
Trade and other receivables	825,464	864,332	-4,6%
Other financial assets	-	135,090	n/a
Cash and cash equivalents	553,875	960,489	-42,3%
Total current assets	1,429,445	2,005,386	-28,8%
TOTAL ASSETS	4,563,455	5,316,917	-14,2%
Shareholder's equity			
Share capital	733,031	733,031	0,0%
Share premium	49,843	49,843	0,0%
Legal reserves	57,627	116,552	2,2%
Other reserves	116,552	57,627	0,0%
Revaluation reserves	408,899	458,184	-10,8%
Retained earnings	1,369,052	1,714,462	-20,1%
Total equity attributable to the Group owners	2,735,004	3,129,699	-12,6%
Non-controlling interests	4,065	5,484	-18,4%
Total equity	2,739,069	3,135,183	-12,6%
Non-current liabilities			
Long term deferred revenues	412,866	433,692	-4,8%
Long term borrowings	195,186	501,930	-61,1%
Deferred tax liability	27,263	32,565	-16,3%
Employee benefits obligations	62,513	58,050	7,7%
Total non-current liabilities	697,828	1,026,237	-32,0%
Current liabilities			
Trade and other liabilities	693,349	877,058	-20,9%
Provisions	42,921	55,274	-22,3%
Other tax and social security liabilities	11,225	12,291	-8,7%
Short term borrowings	338,183	155,548	117,4%
Short term deferred revenues	40,881	38,025	7,5%
Income tax payable	-	17,301	n/a
Total current liabilities	1,126,558	1,155,497	-2,5%
Total liabilities	1,824,386	2,181,734	-16,4%
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES	4,563,455	5,316,917	-14,2%

Source: Transelectrica

PROFIT AND LOSS ACCOUNT

At Group level the profit and loss account statement is as follows:

Indicators [thousand Lei]	2017	2016	'17/'16
Operational revenues. of which:	3,068,004	2,738,088	12.0%
- Transmission revenues	1,054,629	1,146,257	-8.0%
- System service revenues	650,747	716,340	-9.2%
- Balancing market revenues	1,304,613	814,080	60.3%
- Other revenues	58,015	61,411	-5.5%
Operational expenses. of which:	(3,079,586)	(2,396,372)	28.5%
- System operating expenses	(257,917)	(230,757)	11.8%
- Balancing market expenses	(1,304,613)	(814,080)	60.3%
- Technological system services expenses	(661,323)	(561,027)	17.9%
- Depreciation and amortization	(321,027)	(331,433)	-3.1%
- Personnel expenses	(237,262)	(271,938)	-12.8%
- Repairs and maintenance expenses	(52,383)	(28,913)	81.2%
- Consumables	(22,206)	(27,741)	-20.0%
- Other operational expenses	(222,854)	(130,483)	70.8%
Operational result	(11,582)	341,716	n/a
Financial revenues	17,229	28,676	-39.9%
Financial expenses	(40,854)	(48,520)	-15.8%
Financial result	(23,625)	(19,844)	19.1%
Earnings before tax	(35,207)	321,872	n/a
Income tax	(19,581)	(62,878)	-69.6%
NET Result	(54,788)	258,994	n/a
Basic and diluted earnings per share [Lei/share]	(0.75)	3.53	n/a

Source: Transelectrica

CASH FLOWS

At Group level the cash flows statement is as follows:

Indicators [thousand Lei]	2017	2016
Cash flows from operational activities		
Result of the year	(54,788)	258,994
Adjustments for:		
Income tax expense	19,581	62,878
Depreciation expenses	321,027	331,433
Expenses on provisions for impairment of trade receivables and other receivables	74,586	32,739
Losses from various debtors	45,084	-
Income from reversal of value losses of trade receivables and other receivables	(61,874)	(11,324)
Net expenses for inventory adjustment	1,612	-
Loss from disposal of intangible assets, net	838	273
Financial expenses regarding the adjustments for impairment of fixed assets	2,867	411
Value adjustments for property, plant and equipment	382	18,805
Value adjustments for provisions	(12,884)	19,100
Interest expense, interest income and unrealised foreign exchange rate gains	21,484	19,844
	357,913	733,152
Changes in:		
Trade and other receivables	(10,859)	(156,359)
Inventories	(6,243)	308
Trade and other liabilities	(80,663)	51,861
Other tax and social security liabilities	(1,066)	3,597
Liabilities paid according to NFA tax decision	(99,891)	-
Deferred income	(17,970)	(29,640)
Cash flows from operational activities	141,123	602,919
Interest paid	(22,246)	(25,390)
Income tax paid	(8,861)	(66,538)
Net cash from operational activities	107,015	510,992
Cash flows used in investments activities		
Purchase of property, plant & equipment and of intangible assets	(191,801)	(142,730)
Other financial assets	135,090	(65,005)
Dividends received	-	1,219
Interest received	5,991	5,880
Cashing from the sale of property, plant and equipment	26	-
Net cash used in investments activities	(50,694)	(200,636)
Cash flows used in financing activities		
Proceeds from long term borrowings		
Repayments of long term borrowings	(134,372)	(162,486)
Repayments of short term borrowings	3,776	4,133
Dividends paid	(165,541)	(194,342)
Special dividends paid according to GO 29/2017	(169,799)	-
Net cash used in financing activities	(465,935)	(352,695)
Cash flows from operating activities		
Net increase in cash and cash equivalents	(465,935)	(42,339)
Cash and cash equivalents as at 1 January	960,489	1,002,829
Cash and cash equivalents at the end of period	553,875	960,489

LITIGATIONS

RAAN

Pending with the Mehedinti Court - Section II Civil, Administrative and Fiscal Litigation Section, the case file no. 9089/101/2013/a140 was recorded, involving the "claims in the amount of 86.5 mil. lei", a case file in which the Company is the defendant, the plaintiff being the Autonomous Authority for Nuclear Activities - RAAN.

By the application for summons filed by the plaintiff, Transelectrica SA was asked to pay the amount of 86.5 mil lei.

On May 19th, 2016, the Mehedinti Court - Section II Civil, Administrative and Fiscal Litigation Section, pronounced a closing of the meeting by which it ordered the following: "on the grounds of Article 413 (1) of the Civil Procedure Code, suspends the case until the settlement of the file no. 3014/2/2014 on the docket of the High Court of Cassation and Justice. With appeal throughout the suspension. Pronounced on May 19th, 2016, in open court."

We also mention the fact that, by the closing from September 18th, 2013, ruled by the Mehedinti Court in file no. 9089/101/2013, the opening of the general insolvency proceedings has been ordered against the debtor Autonomous Administration for Nuclear Activities R.A. (R.A.A.N.)

Through the sentence no. 387/March 20th, 2014, the Mehedinti Court confirmed the reorganization plan of the debtor Autonomous Administration for Nuclear Activities, proposed by the insolvency administrator Tudor & Partners SPRL and voted by the General Assembly of Creditors according to the minutes of February 28th, 2014.

By interim decision no. 10/January 28th, 2016, pronounced by the Mehedinti Court - Section II Civil, Administrative and Fiscal Litigation, the liquidator ordered the commencement of the bankruptcy procedure for the debtor pursuant to Article 107 (1) C of Law. no. 85/2006, and the dissolution of the debtor and cancellation of the debtor's right to administer.

Through the Decision no. 563/June 14th, 2016, the Court of Appeal Craiova – the Civil Section II dismissed the appeals against the interim judgment no. 10/January 28th, 2016, ruled by the Mehedinti Court - Civil Section II, Administrative and Fiscal Litigation Section.

Through the closing session on June 30th, 2016, the Mehedinti Court - Section II Civil, Administrative and Fiscal Litigation Section set the new procedural time limit as follows: "Sets the deadline for the submission of claims arising in the proceedings to August 13th, 2016. Sets the deadline for the verification of claims arising during the procedure, preparation, display and communication of additional table of receivables on September 29th, 2016. Sets the deadline for filing objections against receivables arising in the proceedings on October 9th, 2016 and for resolving the objections against receivables arising in the proceedings on October 20th, 2016. Sets the deadline for the preparation and display of the consolidated final table on November 10th, 2016."

Together with filing the receivables declaration in the bankruptcy proceedings of RAAN, Transelectrica SA may invoke the provisions of Article 52 of Law no. 85/2006, applicable to the bankruptcy proceedings for RAAN, provisions taken from Article 90 of Law no. 85/2014 concerning the creditor's right to invoke the compensation of his receivable with the one of the debtor, when the legal provisions on compensation in legal proceedings are completed on the date of commencement of the procedure. Transelectrica SA has been registered in the table of debtor RAAN with the amount of 11.3 lei under the category of receivables resulting from the continuation of the debtor's activity, the amount requested by our company being equal to 89.4 mil lei, our amount of 78.1 mil lei not being registered in the preliminary table because

"this is not listed as owed in RAAN's accounting records." Moreover, the liquidator considered that the request regarding the registration in the table of the amount equal to 78.1 mil lei is tardily filed, being related to the timeframe 2011 – 2013, reason for which the receivable declaration should have been filed at the moment of commencement of the insolvency proceedings, namely on September 18th, 2013. An appeal was filed against the Table. The Mehedinți Court approved the accounting expertise proof. The parties lodged objections against the audit expertise report, which were admitted by the court who set the hearing on February 22nd, 2018.

COURT OF AUDITORS

Following an inspection conducted in 2013, the Court of Auditors ordered certain measures to be implemented by the Company as a result of a series of deficits found during this inspection. The decision and closing issued by the Court of Auditors have been appealed before the Court of Appeal Bucharest, the file no. 1658/2/2014 being constituted.

At the hearing from January 20th, 2016, the court postponed the case so that the appointed accounting expert can express his point of view regarding the objections of the plaintiff against the expert report concerned and so that the technical expert can perform the expertise. On June 29th, 2016, the court postponed the case so that the technical expertise report may be finished. The next hearing was set on October 26th, 2016, and until the date of drafting this report, no other changes have been registered.

At the hearing from February 8th, 2017, the objections against the expert report have been notified. The following court hearing date was set on March 22nd, 2017.

Also, following an inspection conducted in 2017, the Court of Auditors has ordered certain measures to be implemented by the Company as a result of deficiencies found during this control. CNTEE Transelectrica SA filed a total of 8 appeals against the measures ruled by the Romanian Court of Auditors (CCR) via Decision no. 8/27.06.2017 requesting the annulment thereof, as well as the Decision no. 77/03.08.2017 registered with the Company's secretariat under no. 29117/08.08.2017, as well as the Control Report no. 19211/26.05.2017, as follows:

- Case file no. 6578/2/2017 pertains to the annulment of the findings from point 9 and the measures ruled at point II.11;
- Case file no. 6577/2/2017 pertains to the annulment of the findings from point 13 and the measures ruled at point II.13;
- Case file no. 6576/2/2017 pertains to the annulment of the findings from points 7.1, 7.2 and 8 and the measures ruled at point II.10;
- Case file no. 6574/2/2017 pertains to the annulment of the findings from point 5.2 and the measures ruled at point II.8;
- Case file no. 6581/2/2017 pertains to the annulment of the findings from point 6 and the measures ruled at point II.9;
- Case file no. 6580/2/2017 pertains to the annulment of the findings from point 10 and the measures ruled at point II.12;
- Case file no. 6582/2/2017 pertains to the annulment of the findings from point 11 and the measures ruled at point I.5;

- through the Decision no. 274/2017, CAB ruled the following: "Rejects the request as groundless. With right of appeal within 5 days from notification, with the remission of sentence on the head of the claim, which is submitted to the Court of Appeal Bucharest. With right of appeal within 15 days from notification, with the annulment of the action on the head of the claim, which is submitted to the Court of Appeal

Bucharest. Ruled on January 29th, 2018, pursuant to Art. 402 in conjunction with Art. 396 (2) of the Romanian Civil Procedure Code, notified via the registry of the court." as per the information available on the court website.

Case file no. 6583/2/2017 pertains to the annulment of the findings from point 5.1 and the measures ruled at point II.7;

- through the Decision no. 5207/2017, Bucharest Court of Appeal ruled the following: " Dismisses the plea of inadmissibility raised by the defendant as unfounded Dismisses the application for annulment as unfounded. Rejects the suspension request as groundless. Rejects the plaintiff's request to order the defendant to pay the legal costs, as groundless. With right of appeal within 5 days from notification with regard to the solution given for the suspension request, within 15 days from notification with regard to the solution given for the merits of the case and the request to appeal will be submitted to the Court of Appeal Bucharest – Section VIII Administrative and Fiscal Litigation. Ruled in open court today, December 28th, 2017." as per the information available on the court website.

Note:the litigations are registered on the docket of the Bucharest Court of Appeal and are currently in different settlement stages.

ANRE- THE NATIONAL REGULATORY AUTHORITY FOR ENERGY

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

On June 26th, 2014, the ANRE Order no. 51 was issued, published in the Official Journal under no. 474/June 27th, 2014 regarding the approval of the average tariff for the transmission service, the tariff for the system service and the zonal tariffs for the transmission service, payable to the National Power Grid Company "Transelectrica" - SA, and the repealing of Addendum no. 1 of the ANRE Chairman's Order no. 96/2013 regarding the approval of the average tariff for the transmission service, the tariff for the system service, the zonal tariffs for the transmission service and the tariffs for the reactive electrical energy, payable to economic agents from the electricity sector.

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

CNTEE Transelectrica SA considers that the enforcement of the provisions of Article 51 of the Methodology on establishing the Beta (β) parameter at the value of 0.433 shall determine the financial damage of the company by decreasing the rentability with an estimated value of 138.4 mil. lei⁴, having a significant impact on the financial interests of the company.

At the hearing from February 9th, 2016, the court admitted the evidence with the audit expertise - specialization financial investments and other entities of movable goods, extended the discussion on the

³ The value that caused the decrease of the RRR to 7.7%

⁴ Value calculated compared to the RRR of 8.52%

technical evidence discussion - electroenergetic specialization, after administering the evidence with the audit expertise - specialization financial investments and other entities of movable goods.

At the hearings from March 25th, 2016, April 22nd, 2016, June 10th, 2016 and March 3rd, 2017, the court postponed the judgement of the cause because of the missing technical expertise report. The next hearing was set for February 13th, 2018.

OPCOM

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

The General Assembly of Shareholders of the subsidiary OPCOM SA decided at the meeting from June 10th, 2014, upon full payment of the fine amounting to 1,031,000 euro imposed by the Directorate General for Competition – European Commission for breaching of Article 102 of the Treaty on the Functioning of the European Union, according to the Decision no. AT 39984 in the antitrust case. The subsidiary SC OPCOM SA has made full payment of the fine set by the European Commission.

On November 24th, 2014, the subsidiary SC OPCOM SA summoned CNTEE Transelectrica SA in order to force it to pay the amount of 582,086.31 euro (2.6 mil lei at the National Bank of Romania exchange rate from November 24th, 2014), representing the amount paid by her as fine, from the total of the fine amounting to 1,031,000 euro.

Also, the subsidiary SC OPCOM SA requested the court to order the Company to pay the amount of 0.85 mil lei as lawful interest related to the period between June 11th, 2014 - November 24th, 2014, plus legal expenses amounting to 0.38 mil lei.

The action filed by the Subsidiary OPCOM SA is subject of the file no. 40814/3/2014 on the docket of the Bucharest Court, Section VI Civil, involving claims, litigation with professionals matter, and the hearing date was set on June 29th, 2015. The Company filed counterstatement for the application for summons, claiming exceptions and substantive defenses regarding the unfoundedness and unlawfulness of the action.

On July 24th, 2015, the Bucharest Court ruled the judgement no. 4275/2015, by which it ordered the following: "Admits the application for summons filed by plaintiff Romanian Gas and Electricity Market Operator - OPCOM S.A. against defendant National Power Grid Company "Transelectrica" S.A. Orders the defendant to pay the plaintiff the amount of 582,086.31 euro, representing the amount paid by the plaintiff in the defendant's stead from the fine in the amount of 1,031,000 euro, imposed by the Decision of the European Commission on March 5th, 2014 in the case no. AT.39984 and of the lawful interest related to the amount of 582,086.31 euro, calculated on June 11th, 2014 and up until the day of the actual payment. Orders the defendant to pay the plaintiff the amount of 0.38 mil lei, as legal expenses. With right of appeal within 30 days from notification. The request for appeal shall be lodged before the Bucharest Court – Section VI Civil."

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

OPCOM S.A. filed a second appeal. The High Court of Cassation and Justice decided the following: Grants, in principle, the appellant-plaintiff Operatorul Pieței de Energie Electrică și Gaze Naturale – OPCOM S.A. motion against decision no. 1517/10.10.2016, ruled by the Bucharest Court of Appeal – Section V Civil. Sets the hearing for solving the appeal on March 13th, 2018. The parties will be summoned. Ruled in open court on December 5th, 2017.

In 2014, the company recorded a provision amounting to 2.7 mil lei for the litigation with the subsidiary SC OPCOM SA.

CONAID COMPANY SRL

In 2013, Conaid Company SRL took legal actions against CNTEE Transelectrica for the unjustified refusal of the latter to sign an addendum to the connection agreement or to sign a new connection agreement, and requested the compensation for costs incurred up to that time, amounted to 17.4 mil lei and loss of profit for the period 2013 - 2033 amounting to EUR 722,756,000. So far, the Company did not conclude an addendum to the connection agreement because the suspensive provisions included therein have not been met by Conaid Company SRL. A new connection agreement would have had to be concluded by March 11th, 2014, the date on which the technical connection permit has expired. On the date of these financial statements, the amounts claimed by Conaid Company SRL were regarded as contingent liabilities as it is unlikely to settle this obligation, there will be necessary outflows of resources embodying economic benefits and the value of obligation cannot be evaluated with sufficient reliability. The file no. 5302/2/2013 was on the dockets of the High Court, involving the obligation of issuing of an administrative document, the procedural stage – second appeal, the next hearing being on December 9th, 2015. At this hearing, the High Court of Cassation and Justice admitted, in principle, the second appeals and set the hearing, in substance, of the second appeals on April 8th, 2016, Formation 4, summoning the parties. The judgement was postponed for June 17th, 2016, when the court reserved judgement, postponing the judgement until June 29th, 2016, when it pronounced Decision no. 2148/2016, by which it ordered the following: "Rejects the exceptions invoked by the appellant - plaintiff S.C. Conaid Company S.R.L., via insolvency administrator RVA Insolvency Specialists SPRL, and by the appellant - defendant National Company for Energy Transportation Transelectrica S.A. Admits the second appeal filed by the defendant National Company for Energy Transportation Transelectrica S.A. against the hearing protocol of February 18th, 2014 and the civil sentence no. 1866 of June 11th, 2014, pronounced by the Court of Appeal Bucharest – Section VIII, Administrative and Fiscal Litigation Section. Partially invalidates the contested protocol and judgment and refers the case to the Bucharest Court – Section VI Civil, for settlement of the application of the plaintiff sought against the National Power Grid Company Transelectrica S.A. Maintains the other provisions of the sentence concerning the plaintiff's action against the National Regulatory Authority for Energy. Rejects the second appeals of the plaintiff SC Conaid Company S.R.L. via insolvency administrator RVA Insolvency Specialists SPRL and the intervener S.C. Duro Felguera S.A. against the civil sentence no. 1866 of June 11th, 2014 pronounced by the Bucharest Court of Appeal – Section VIII, Administrative and Fiscal Litigation. Rejects the second appeal filed by the defendant National Power Grid Company Transelectrica S.A. against the hearing protocol from March 25th, 2014, pronounced by the Bucharest Court of Appeal - Section VIII, Administrative and Fiscal Litigation. Final. Ruled in open court on June 29th, 2016.

On the docket of Bucharest Court – Section VI Civil, the case was registered under no. 12107/3/2017. By civil sentence no. 4364/23.11.2017, the Court admits the exception to the ineligibility of the claim and rejects it as ineligible. It also rejects the motion to intervene in the interest of the plaintiff. With right of appeal within 30 days from notification. The appeal is lodged at the Bucharest Court - Section VI Civil. Sent to the parties via registry on November 23rd, 2017.

FF WIND ENERGY INTERNAȚIONAL SRL

Case file no. 47332/3/2017 on the docket of the Bucharest Court - Section VI Civil, by which the company FF Wind Energy Internațional SRL requests the following against CNTEE Transelectrica SA: - the annulment of the unilateral statement for the termination of the PTG connection agreement no. 85/14.03.2011 issued on March 2nd, 2016 under no. 8295, - ordering the Company to pay the amount of 33 mil. lei as damages following the termination of the agreement and to pay the amount of 45,000,000 euro as the amount of depreciation of the company FF Wind Energy Internațional SRL caused by the impairment of its purpose.

Status of the file: in preliminary proceedings for notification of the action and filing statement of defense.

The company is involved in significant litigations in which it has the quality of plaintiff, especially for debt recovery (e.g. Eco Energy SRL, Petprod SRL, Total Electric Oltenia SA, Arcelormittal Galati SA, Regia Autonomă de Activități Nucleare, Romenergy Industry SRL, Energy Holding SRL, UGM Energy Trading SRL).

The Company registered adjustments for value losses regarding customers and other claims at issue as well as for bankrupt customers.

ANAF - NATIONAL AGENCY FOR FISCAL ADMINISTRATION

NAFA control over the 2005-2010 period took place between 14.12.2011-30.06.2017. Following the inspection, a tax inspection report was finalized with the Taxation Decision no. F-MC 439 / 30.06.2017, supplemented with additional notes on 12.07.2017.

The amount of 99,891 is made up of 99,013 (according to the Decision mentioned above) and to which have been added accessories in the amount of 877, for the period 01.07.2017-26.09.2017, the date of extinguishment of the obligation to NAFA.

The amount of 99,013 is made up of the amount of 35,105 representing additional debts (profit tax and VAT) and 63,908 of the tax related tax liabilities (interest / increase and delay penalties). The amount of 99,927 is influenced by the inclusion of the amount of 99,013, according to the Taxation Decision no. F-MC 439 / 30.06.2017 issued on 12.07.2017 by NAFA.

The additional tax liability structure in the amount of 35,105 is shown in the table below:

Year	2005*	2006*	2007*	2008	2009	2010	Total
Income tax	231.5	13,577.5	5,224.0	809.4	1,978.9	1,671.3	23,492.6
VAT	0.0	76.4	6,199.6	772.7	2,416.9	2,147.0	11,612.5
TOTAL	231	13,654	11,424	1,582	4,396	3,818	35,105

*Note:

1) Period 1: Sept 2005 - Nov 2007: 123 missing bills, justified by the Company as burned in the fire that occurred on the night of June 26-27, 2009, at the work point of the Millennium Business Center building in Armand str. Calinescu nr. 2-4, sector 2;

2) Period 2: Dec 2006 - May 2007: 349 bills found missing in the same fire

Period 1: Sept 2005 - Nov 2007: 123 missing invoices, justified by the Company as burned in the fire that occurred on the night of June 26-27, 2009, at the work point of the Millennium Business Center Building in Armand Calinescu Street no. . 2-4, sector 2;

2) Period 2: Dec 2006 - May 2007: 349 bills found missing in the same fire

3) The VAT for the period 1 for a number of 123 invoices and not found in the above amounts, being retained in another fiscal inspection report (RIF) issued in 2011, litigation lost by the Company on 30.04.2014 and definitively on 01.03.2017. For the amount paid by the Company (44,443) there were adjustments for the impairment of the receivable in 2012 and 2014. In 2017, the receivable loss expense was recorded, together with the reversal of the depreciation adjustment, with a ntTVA effect for the sept 2005-nov 2006 for a number of 123 invoices was retained in another tax inspection report issued in 2011, the litigation for the amount paid by the Company (44,443) was definitively lost on March 1, 2017

4) Profit tax on the 123 burned invoices: 13,735

5) Profit tax on the 349 burned invoices: 4.787

6) VAT collected for the 349 burned invoices: 5.695

Amounts highlighted under 4), 5) and 6) represent the amounts of the Fiscal report ended on 30.06.2017.

Interests / increases and late payment penalties from the beginning of the period up to the date of execution are shown below:

	**Amount 2005-2016	Amount 2017	Total
Interest/ delay increases and penalties for Income Tax	47,211	1,704	49,915
Interest/ delay increases and penalties for VAT	14,583	362	14,946
TOTAL	62,794	2,066	63,860

****Note:**

- 1) Additionally amount for 123 burned invoices : 31,429
- 2) Additionally amount for 349 burned invoices : 22,591

Apart from the details presented in the above mentioned Memorandums, the NAFA findings for the 2005-2010 period include both additional debits and accessories corresponding to the unrealized system technological services provided in the framework agreements approved by ANRE, for which Transelectrica records revenues from penalties. At the same time, NAFA retained additional debits and accessories corresponding to the findings of the Court of Accounts regarding the expenditures that were not aimed at the continuous training of the employees and which are not forms of professional training and for which the RCC Decision no. 14/2011.

In 2017, the Company challenged the NAFA Taxation Decision and, given that until March 13, 2018, the NAFA had failed to resolve the appeal, it requested the annulment of the Decision by the Court of Appeal of Bucharest file No 1802/2/2018.

Thus, by eliminating the amount of 97,824 related to the debits and the interest / penalties and the delay penalties retained in the NAFA Decision from the Other Expenses from the operation, the recalculated operating result is as follows:

th lei	2017	2016
Revenues		
Transmission revenues	1,054,629	1,146,257
Revenues from system services	650,747	716,340
Revenues on the balancing market	1,304,613	814,080
Other revenues	58,015	61,411
Total revenues	3,068,004	2,738,088
Operating expenses		
Expenses for operating system	(257,917)	(230,757)
Expenses for balancing market	(1,304,613)	(814,080)
Expenses regarding the technological system serv	(661,323)	(561,027)
Depreciation	(321,027)	(331,433)
Personnel expenses	(237,262)	(271,938)
Expenses for repair and maintenance	(52,383)	(28,913)
Expenses for materials and consumables	(22,206)	(27,741)
Other operating expenses	(122,963)	(130,483)
Total operating expenses	(2,979,694)	(2,396,372)
Operational result	88,310	341,716

The Company considered the taxation base was not reasonably determined by ANAF depending on the fully regulated nature of such activity on the electricity market, but it was set proportionally to the number and value of invoices during the verified time interval. Transelectrica deemed itself entitled to take proceedings in court because it considers ANAF did not take into account all the data and documents relevant for estimation, as provided in the Fiscal procedural code applicable then. Thus the Company took ANAF to the Appeal Court of Bucharest in August 2012 to recover the amount and requested to admit the document proof and the judiciary accounting expertise proof.

On 18 September 2013 the expertise report was issued and submitted to the case file on the 20 September 2013 term. On the 18 October 2013 term the parties expressed objections to the judiciary expertise report, which were admitted by the Appeal Court on the 15 November 2013 term and were notified to the designated expert. On the 7 March 2014 term the expert submitted the answer to the Company's objections. As against the revenues taken into account by ANAF, used by ANAF when estimating the collected value added tax amounting to 16,303, the judiciary accounting expertise report found unjustified revenues in sum of 551 to which sum the value added tax and accessories to it should have been calculated. The hearing was deferred in order to acknowledge the answer to the objections made to the expertise report.

On the hearing date 30.04.2014 the settlement pronounced by the first instance, the Appeal Court Bucharest, Section VIII of Administrative and Fiscal Disputes (Ruling 1356/2014) in File 6657/2/2012 was: "Denies the request of claimant CNTEE Transelectrica SA (Contestation against the Administrative fiscal deed of ANAF)".

The Company filed appeal by requesting to be set within the term submitted in this file, with hearing term set on 07.04.2016, session that took place in the High Court of Cassation and Justice, Administrative and Fiscal Disputes Section. On 07.04.2016 a new term was set on 02.06.2016 for absence of procedure, term when the instance deferred pronouncement on 16.06.2016.

On this term the High Court of Cassation and Justice, Administrative and Fiscal Disputes Section pronounced ruling 1945/16.06.2016, stipulating as follows: "Admits the request and resets the recurrent-claimant within the appeal filing term. Denies as groundless the appeal filed by the National Power Grid Company Transelectrica against Sentence 1365 of 30 April 2014 of the Appeal Court Bucharest, Section VIII of administrative and fiscal disputes section. Irrevocable. Pronounced at public hearing today, 16 June 2016". Ruling 1945/16.06.2016 pronounced by the High Court of Cassation and Justice was notified to the Company by photocopy.

Contest for cancellation was filed against ruling 1945/16.06.2016 submitted to the High Court of Cassation and Justice. On 01.03.2017 the High Court of Cassation and Justice decided in ruling 779 as follows: "denies the exception of inadmissibility of contestation for cancellation filed by contender Transelectrica SA, invoked by statement by the respondent in appeal General Directorate Adminstrating Large Tax Payers. Denies as groundless the contestation for cancellation filed by contender Transelectrica SA against civil ruling 1945 of 16 June 2016 of the High Court of Cassation and Justice, Section of administrative and fiscal disputes, pronounced in file 6657/2/2012. Irrevocable". Until the elaboration date of these financial statements the Company has not received the printed ruling 779/01.03.2017.

The additional payable liabilities set by ANAF-DGAMC under the taxation decision 62/2011 were registered under "other operational expenses" by including the provision constituted in the financial years 2012 and 2014 into revenues.

- recording under "operational expenses regarding depreciation allowances for current assets" the depreciation allowances for:
 - Elcomex IEA SA in sum of 31,868;
 - Arelco Power SRL in sum of 18,782;

- other uncertain clients and sundry debtors in sum of 7,602 (Elsaco Energy SRL, Eva Energy, Enol Grup SA, CET Govora SA, PetProd SRL (etc)

The Company is also involved in:

-Litiations with subsidiary SMART SA

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

Case file subject:

Compelling SMART SA to pay 1,841 , VAT included and the sum of 232 as accessories – representing the reduced value of our patrimony by the defendant's violating the provisions of contracts C. 43/2005 and C.237/2010.

Case file stage: On the hearing date 11.10.2017 Bucharest Tribunal pronounced civil ruling 3592/11.10.2017, whereby it denied as inadmissible the action filed by CNTEE Transelectrica SA in contradiction with the Company of Maintenance Services to the Electricity Transmission Grid SMART SA.

On 04.12.2017 CNTEE Transelectrica SA filed appeal against civil ruling 3592/2017 pronounced by Bucharest Tribunal on 11.10.2017. Such appeal is included in file 1015/2/2018 on the docket of the Appeal Court Bucharest, with hearing term set on 07.05.2018.

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

Case file subject:

Compelling Company SMART SA to pay 2,797 , VAT included + 1,212 accessories calculated to the amount of 2,872 Smart has misunderstood the sum of 2,871,823.43 Lei represented accessories (interest rates).

File stage: On the hearing date 07.06.2017 the instance in accordance with article 413 para 1 pt. 1 NCPC suspended judging the case until the final settlement of file 1658/3/2014 on the docket of the Appeal Court Bucharest in contradiction with the Court of Accounts. Appeal right during the entire suspension period.

Remarks about the circumstances when such action was initiated

Item 3 from Ruling 37/2013 of the Court of Accounts retained the following: "Making undue payments in the estimated sum of 314 for deforestation services provided by the same provider at higher tariffs as well as for services provided on the same surfaces" (pages 3-6 of Ruling 37/2013)

1. Case file no. 48509/3/2017 registered with Bucharest Tribunal, Section VI Civil

File subject:

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

a) Return to our company the amount of 7,652 where VAT is to be added, as prejudice incurred by our company as a consequence of the defendant's enrichment with no just cause, in the first place, and as undue payment, in the second place;

b) Compelling the defendant to pay the non-achieved benefits associated to the sum paid under the enrichment title without just cause, in the main, calculated from the date when the subscribed made the undue payments to the defendant until the date when the law court was notified, in quantum of 2,773, as well as compelling the defendant to further pay the non-achieved benefits until the actual return date of the sum representing the principal by the defendant.

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

- Litigations with the subsidiary Teletrans SA

1. Case file no. **20223/3/2017** registered with Bucharest Tribunal, Section VI Civil

Case file object:

Teletrans SA requests compelling CNTEE Transelectrica SA to pay 4,635 , as value of the performance bond constituted as per contract C243/2010, to which the sum of 293 is added, legal interest calculated on the maturity date until law suit opening – 31.05.2017.

stage of the case file :Court hearing term on 13.04.2018, in view of settling the dispute in amiable manner.

2. Case file no. **16216/3/2017** registered with Bucharest Tribunal, Section VI Civil

Case file object:

By its suing request Teletrans SA asks the instance

- To ascertain the services under contract 03/2007 have been fully provided, as added;
- In subsidiary to ascertain the services under contract 03/2007 have been provided and partially accepted, as it has been added;

- To oblige Transelectrica to pay 4,649 , to which VAT of 883,360.56 Lei is added, representing the amounts of invoices 115/2017, 123/2017 up to 143/2017;
- To oblige Transelectrica to pay 214,355.40 Euro plus VAT, at the exchange rate on the invoice issuance dates, representing the value of services provided and partially accepted for the contractual interval May 2014 – November 2016, "in subsidiary if admitted the second subject of the request not the first subject of the request";

stage of the case file: hearing term 23.04.2018, in view of settling of the litigation amicably.

▪ OTHERS

The company is involved in significant litigations, especially for receivables recovery (e.g. Petprod SRL, Total Electric Oltenia SA, Arcelormittal Galați SA, Regia Autonomă de Activități Nucleare, Romenergy Industry SRL, Energy Holding SRL, UGM Energy Trading SRL, Elsaco Energy, Elcomex, SC ICPE Electrocond SA, CET SA Iași, CET Energoterm Reșița SA, SC Electrocentrale Oradea, SC Total Electric Oltenia SA and others). At the same time, the Company is also involved in litigations against former Directorate and Board of Supervisors members, regarding the mandate agreements concluded between the Company and themselves.

CONTINGENCIES

The following control measures are ongoing at the Company's headquarters

Ministry of Public Finance - General Division for Economic and Financial Inspection - an inspection activity that started on 15.09.2017 and which was suspended by Address 243104 / 29.11.2017 on the same date. The objectives undergoing verification for 2012-2016 are presented below:

- substantiating and executing the revenues and expenses budget;
- compliance with the budgetary, economic, financial and accounting discipline;
- compliance with the legal provisions regarding the public and private property of the state and of the units
- administrative-territorial units, held in any form;
- compliance with the provisions of the Government Order no. 64/2001 on the distribution of profits to the national entities, national companies and commercial companies with full or majority state capital, as well as self-governing administrations with subsequent amendments and completions;
- the use of reserve holdings;
- the way of organizing and exercising the compulsory forms of internal / managerial control;
- the way in which the amounts granted from the consolidated general budget were substantiated and justified.

The inspection started on 15.09.2017 and was suspended on 29.11.2017.

The Ministry of Economy –Control Body Division of the Minister– the control began on January 18th, 2018 – the objectives of the control are: verifying the compliance with legal provisions and internal norms pertaining to the entity's organization and functioning, verifying the way in which the acquisition activity is organized and performed, verifying the way in which consultancy, legal assistance and representation and litigation agreements are concluded and performed, verifying the way in which the sponsorship

agreements are concluded and performed, inspection of the transportation expenses, analysis of the way in which orders, instructions and other requirements of the Ministry of Economy in the specific field of activity are fulfilled, verifying the completion status of the measures ruled via previous reports, comparative analysis of the entity's economic and financial results in the last three years of activity.

The National Agency for Public Procurement – the control started on February 26th, 2018 – the control is aimed at verifying the compliance to the rules pertaining to the drafting of the technical specifications in the procedure of awarding the contract having as object Retehnologizarea Stația 220/110 kV Turnu Severin Est - participation notice no.166637 / 15.03.2016.

On December 31st, 2017 the subsidiary Teletrans S.A. underwent a control by General Division of Economic and Financial Inspection of the Ministry of Public Finance, completed in 2018.

According to the economic and financial inspection report draft issued on February 21st, 2018, the Teletrans subsidiary would have caused prejudice to the state budget in the amount of 88,778 lei, as a result of the contracts concluded with different companies, which concerned the use of capacities and digital streams of the public telecommunications infrastructure. On December 31st, 2017, the Company's management did not have the necessary information to conduct a meaningful review to determine the effect of the results of this draft statement on the separate financial statements for the year ended on December 31st, 2017. As of December 31st, 2017, Teletrans SA, subsidiary of the Company, was undergoing a control that began on May 29th, 2015 by the General Division of Economic and Financial Inspection of the Ministry of Public Finance, the period being verified 01.01.2010-31.12.2014, according to the Service Order no. 82 / 27.05.2015 and 01.01.2015- present, according to the Service Order no. 38 / 31.05.2017, the objectives of the economic-financial inspection action being:

- substantiating and executing the revenue and expenses budget;
- Compliance with the budgetary economic-financial and accounting discipline;
- Compliance with the legal provisions regarding assets of the public and private state domain and of the administrative territorial units;
- The organisation and exercise of compulsory internal / managerial control;
- verifying the compliance with the provisions of GO 26/2013 on enhancing financial discipline of certain economic operators where the state or administrative territorial units are single or majority shareholders, or hold directly or indirectly majority participation in 2015 – to date.

According to the economic-financial report draft issued on 21st, February 2018, subsidiary Teletrans would have caused prejudice to the state budget in the amount of 88,778 , after concluding contracts with various companies pertaining to the utilization of digital capacities and flows from the public telecommunication infrastructure.

By Address no. 13443 of 26.03.2018 Teletrans communicated to Transelectrica the following

- In 21.02.2018 – 10.03.2018 several meetings took place between the representatives of Teletrans and the representatives of the Ministry's audit team, meetings that established that the basis of calculation used in the draft report was erroneous, being strictly reported to the revenues recorded without taking into account the expenses made (the total depreciation of the purchased equipment, the human resource as well as the total of the indirect related expenses of this activity) and without fully understanding the commercial and legal relations between Transelectrica and Teletrans;
- Consequently, the audit team together with the managers of the Economic-Financial Audit Division from the Ministry of Finance provided a new term to Teletrans by which it should submit the reviewed situation and additional explanations for the reviewed time interval, extending the 27.02.2018 term by 30.03.2018.

Teletrans letter also specified that, taking into account the above, the managerial team of Teletrans has got solid reasons to believe the finding about the so-called deviation from the draft audit report will be removed and this report will find Teletrans performed correct commercial activities.

Regarding the lawfulness of the exploitation of the surplus fiber optics, in argumenting the legal nature of the contractual relationship, was taken into account the legal opinion issued by Bostina & Asociații, according to which the previous contract C45 / 2006 had been qualified as a mandate contract without representation having as object "The conclusion by SC TELETRANS SA in its own name but in the account of Transelectrica's public telecommunication network for the purpose of trading the capacity and its infrastructure elements". The qualifying date of the legal act made possible the conclusion of Convention C 111/2014, while maintaining the nature of legal relations between the parties..

Considering that the ANAF-DGAMC findings for the period 2005-2010 include both additional debits and accessories corresponding to the technological services provided in the framework agreements approved by ANRE and considering that until the financial statements were drafted, the official reply from the Authority regarding the modification of the framework contract as requested by the Company was not received, at this moment it is not possible to accurately estimate the possible influence of the authorities' interpretation of the unrealized system technological services for which Transelectrica records revenue from penalties for the capacities not provided to it under the contract, under the conditions provided by IAS 37 Provisions, contingent liabilities and contingent assets.

At the same time, according to the Court of Auditors' findings regarding the expenditures that were not aimed at the continuous training of the employees and which are not forms of professional training and for which the RCC Decision no. 14/2011, ANAF-DGAMC retained additional debits and corresponding accessories.

Currently there are litigations with the Court of Auditors regarding controls from 2013 and 2017. Taking into account the findings of the Court of Auditors from the Decisions of the years 2013 and 2017, there is the potential of additional tax liabilities that cannot be accurately determined at this time under the provisions of IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Thus considering the above on December 31st 2017 the Company's management did not have the necessary information to make a sound analysis in order to determine the effect of the results of this draft report on the separate financial statements for the year ended 31 December 2017.

From 16.01.2017 to 05.05.2017 Romania's Court of Auditors conducted an audit at Smart SA pertaining to "Control of the asset management of the national electricity transmission network".

Upon completion of the control, the Inspection Report was issued on 05.05.2017. The use of the Inspection Report was carried out according to Decision no. 6 / 07.06.2017. Against this decision, Smart SA filed an appeal.

The appeal was settled by the Appeals Commission through the Closing no. 75 / 25.07.2017, by which the appeal was rejected. The closing was received by the company on 31.07.2017.

Within the legal term Smart SA filed a complaint against Closing no. 75/25.07.2017 issued by the Appeal Remedies Commission, established at the level of the Court of Auditors of Romania, requesting the annulment of the closing, as well as the annulment of the Decision no. 6 / 07.06.2017 issued by the Court of Auditors - Department IV. The complaint is the subject of the case file no. 6412/2/2017, appearing before the Bucharest Court of Appeal, Section VIII administrative and fiscal litigation.

Since, from the date of receiving the Closing no. 75 / 25.07.2017, the state of suspension of the obligation to execute the Decision no. 6/2017 has ceased, in order to carry out the measures ordered by the Court of Auditors by decision, the Plan of Measures registered under no. 5790 / 23.08.2017 has been developed and implemented.

The initial deadline for carrying out the measures ordered by the Romanian Court of Auditors was 29.12.2017. The deadline was extended until 30.06.2018.