

CNTEE Transelectrica SA
Two-Tier Company

Condensed Stand-alone Interim Financial Statements
on the date and for the six-month period concluded on
June 30th, 2018

Drafted according to
The International Accounting Standard 34 – "Interim Financial Reporting"

CNTEE Transelectrica SACondensed stand-alone statement of the financial position on June 30th, 2018

(All amounts are expressed in RON, unless otherwise indicated)

	Note	June 30 th , 2018	December 31 st , 2017 as per AGA Decision no. 6 of 30.04.2018
Assets			
Fixed assets			
Tangible assets	4	2,951,894,381	3,044,365,315
Intangible assets	4	15,792,687	15,563,225
Financial assets	4	80,245,910	78,038,750
Total fixed assets		3,047,932,978	3,137,967,290
Current assets			
Inventories		34,943,333	32,014,652
Clients and assimilated accounts	5	715,781,413	818,529,879
Other financial assets	7	125,045,000	-
Cash and cash equivalents	6	545,607,214	520,746,500
Total current assets		1,421,376,960	1,371,291,031
Total assets		4,469,309,938	4,509,258,321
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital, from which:		733,031,420	733,031,420
<i>Subscribed share capital</i>		733,031,420	733,031,420
Share premium		49,842,552	49,842,552
Legal reserves		118,961,487	118,961,487
Revaluation reserves		477,515,837	499,921,435
Other reserves		58,337,182	56,953,503
Retained earnings		1,379,347,445	1,258,921,369
Total shareholders' equity	8	2,817,035,923	2,717,631,766
Non-current liabilities			
Non-current deferred revenues	9	400,955,731	410,642,185
Loans	10	156,257,774	195,185,934
Deferred tax liabilities		23,391,539	25,036,280
Obligations regarding employee benefits		52,646,906	52,646,906
Total non-current liabilities		633,251,950	683,511,305
Current liabilities			
Trade and other payables	11	622,880,063	699,936,819
Other taxes and social insurance obligations	12	7,740,147	8,688,192
Loans and related interest	10	302,967,220	317,063,988
Provisions		41,697,199	41,545,187
Short-term deferred revenues	9	43,737,436	40,881,064
Total current liabilities		1,019,022,065	1,108,115,250
Total liabilities		1,652,274,015	1,791,626,555
Total shareholders' equity and liabilities		4,469,309,938	4,509,258,321

The attached notes 1-22 shall constitute an integral part of these condensed stand-alone interim financial statements.

CNTEE Transelectrica SAThe separate account of Profit and Loss for the six-month period ended on June 30th, 2018

(All amounts are expressed in RON, unless otherwise indicated)

	Note	April 1 st – June 30 th , 2018	April 1 st – June 30 th , 2017	January 1 st – June 30 th , 2018	January 1 st – June 30 th , 2017
Revenues					
Transmission revenues		233,153,040	255,416,926	505,074,216	554,006,359
System service revenues		173,146,004	166,148,655	375,193,553	355,377,968
Revenues from the balancing market		130,386,236	181,884,612	330,847,124	805,047,971
Other revenues		11,730,351	10,619,192	22,235,189	24,899,801
Total revenues	14	548,415,631	614,069,385	1,233,350,082	1,739,332,099
Operating expenses					
System operating expenses	15	(63,272,794)	(52,290,687)	(149,916,123)	(129,082,827)
Expenses on the balancing market	15	(130,386,236)	(181,884,612)	(330,847,124)	(805,047,971)
Expenses regarding the technological system services	15	(151,728,247)	(159,503,097)	(309,386,826)	(319,024,315)
Depreciation		(75,562,566)	(77,853,942)	(151,093,895)	(156,161,590)
Salaries and other retributions	16	(45,515,949)	(46,417,612)	(88,843,216)	(87,841,347)
Repairs and maintenance		(25,023,105)	(20,212,532)	(37,635,936)	(34,272,456)
Materials and consumables		(2,751,692)	(1,465,178)	(4,466,819)	(3,017,173)
Other operating expenses	17	(23,989,784)	(37,017,975)	(49,305,245)	(76,194,284)
Total operating expenses		(518,230,373)	(576,645,635)	(1,121,495,184)	(1,610,641,963)
Operating profit		30,185,258	37,423,750	111,854,898	128,690,136
Financial revenues		4,513,792	5,443,861	7,103,951	12,067,728
Financial expenses		(6,036,075)	(9,148,427)	(12,301,888)	(20,436,983)
Net financial result	18	(1,522,283)	(3,704,566)	(5,197,937)	(8,369,255)
Profit before income tax		28,662,975	33,719,184	106,656,961	120,320,881
Income tax	13	1,161,212	(6,393,537)	(8,636,482)	(21,937,590)
Profit of the financial year		29,824,187	27,325,647	98,020,479	98,383,291

CNTEE Transelectrica SA

The separate account of Profit and Loss for the six-month period ended on June 30th, 2018

(All amounts are expressed in RON, unless otherwise indicated)

	<u>Note</u>	<u>April 1st – June 30th, 2018</u>	<u>April 1st – June 30th, 2017</u>	<u>January 1st – June 30th, 2018</u>	<u>January 1st – June 30th, 2017</u>
Profit for the period		29,824,187	27,325,647	98,020,479	98,383,291
Other comprehensive income		-	-	-	-
Total comprehensive income		29,824,187	27,325,647		
98,020,479					98,383,291

This condensed stand-alone interim financial statements has been approved by Management on August 3rd, 2018 and have been signed on its behalf by:

**Adrian-Constantin
RUSU**

Directorate Chairman

**Andreea Georgiana
FLOREA**

Directorate Member

**Adrian-Mircea
TEODORESCU**

Directorate Member

**Constantin
SARAGEA**

Directorate Member

**Viorel
VASIU**

Directorate Member

Ana-Iuliana DINU

Economic, Financial & Administrative Unit Director

Cristina STOIAN

Economics and Financial Strategy Department Director

Veronica CRISU

Accounting Department Manager

The attached notes 1-22 shall constitute an integral part of these condensed stand-alone interim financial statement

CNTEE Transelectrica SA

 Stand-alone statement of the changes in equity on June 30th, 2018

(All amounts are expressed in RON, unless otherwise indicated)

	Share capital	Share premium	Legal reserves	Reserve fund from reevaluation	Other reserves	Retained earnings	Total
Balance on January 1st, 2017	733,031,420	49,842,552	116,360,295	549,088,226	56,953,728	1,602,438,193	3,107,714,414
Global result of the period							
Profit of the financial year	-	-	-	-	-	71,057,644	71,057,644
Other elements of the comprehensive income, from which:							
Recognition of actuarial gains regarding the determined plan of benefits	-	-	-	-	-	-	-
Total other elements of the comprehensive income of the period	-	-	-	-	-	-	-
Total comprehensive income of the period		-	-	-	-	71,057,644	71,057,644
Other elements							
Transfer of the reserves from reevaluation in the retained earnings	-	-	-	(12,738,513)	-	12,738,513	-
Increase of the legal reserve fund	-	-	-	-	-	-	-
Other elements	-	-	-	-	-	-	-
Total other elements	-	-	-	(12,738,513)	-	12,738,513	-
Contribution from shareholders and distributions to shareholders							
Subsidies of public assets (connection fee)	-	-	-	-	-	-	-
Distribution of dividends	-	-	-	-	-	-	-
Total contributions from shareholders and distributions to shareholders	-	-	-	-	-	-	-
Balance as of December 31st, 2017 as per AGA as per AGA Decision no. 6 of 30.04.2018	733,031,420	49,842,552	116,360,295	536,349,713	56,953,728	1,686,234,350	3,178,772,058
Balance as of January 1st, 2018 as per AGA as per AGA Decision no. 6 of 30.04.2018	733,031,420	49,842,552	118,961,487	499,921,435	56,953,503	1,258,921,369	2,717,631,766
Comprehensive income of the period							
Profit of the financial year	-	-	-	-	-	98,020,479	98,020,479
Other elements of the comprehensive income, from which:							
Recognition of actuarial losses regarding the determined plan of benefits	-	-	-	-	-	-	-
Total other elements of the comprehensive income	-	-	-	-	-	-	-
Total comprehensive income of the period	-	-	-	-	-	98,020,479	98,020,479
Other elements							
Transfer of the reserves from reevaluation in the retained earnings	-	-	-	(22,405,598)	-	22,405,598	-
Increase of the legal reserve fund	-	-	-	-	-	-	-
Other elements	-	-	-	-	-	-	-
Total other modifications	-	-	-	(22,405,598)	-	22,405,598	-
Contribution from shareholders and distributions to shareholders							
Derecognition of public assets	-	-	-	-	-	-	-
Subsidies of public assets (connection fee)	-	-	-	-	1,383,679	-	1,383,679
Distribution of dividends	-	-	-	-	-	-	-
Total contributions from shareholders and distributions to shareholders	-	-	-	-	1,383,679	-	1,383,679
Balance on June 30th, 2018	733,031,420	49,842,552	118,961,487	477,515,837	58,337,182	1,379,347,445	2,817,035,923

The attached notes 1-22 shall constitute an integral part of these condensed stand-alone interim financial statements.

CNTEE Transelectrica SANotes on the stand-alone interim financial statements on June 30th, 2018*(All amounts are expressed in RON, unless otherwise indicated)*

	The six-month period concluded on June 30th, 2018	The six-month period concluded on June 30th, 2017
Treasury flows from the operating activity		
Profit of the financial year	98,020,479	98,383,291
Adjustments for:		
Income tax expense	8,636,482	21,937,590
Depreciation expenses	151,093,895	156,161,590
Expenditures with adjustments for trade receivables impairment	4,184,338	33,840,741
Reversal of adjustments for trade receivables impairment	(3,603,920)	(5,977,685)
Net revenues with adjustments for various debtors impairment	(2,828,349)	(880,847)
Net expenditures with adjustments for inventories impairment	75,348	571,312
Net income/loss from the sale of tangible assets, net	(360,682)	427,394
Net expenditures on adjustments regarding tangible assets	505,141	695,889
Net expenditures/(income) regarding provisions for risks and expenses	38,339	(8,306,536)
Interest expenses, interest revenues and unrealized revenues from exchange rate differences	6,521,909	8,274,535
Cash flows before changes in the current capital	262,282,980	305,127,274
Changes in:		
Clients and assimilated accounts - electricity and other activities	37,512,219	(44,639,377)
Clients – balancing	58,912,614	65,853,749
Clients – cogeneration	9,033,475	(64,456,698)
Inventories	(2,928,681)	(2,221,002)
Trade payables and other liabilities - electricity and other activities	115,588,679	(67,935,011)
Liabilities – balancing	(79,011,634)	(151,585,727)
Liabilities – cogeneration	(88,854,757)	(32,562,243)
Other taxes and social insurance liabilities	(948,045)	897,541
Deferred revenues	(15,690,297)	(11,176,765)
Treasury flows from the operating activity	295,896,553	(2,698,259)
Paid interests	(4,400,993)	(5,324,109)
Paid income tax	(11,193,720)	-
Net cash from the operating activity	280,301,840	(8,022,368)
Cash flows from the investment activity		
Acquisition of tangible and intangible assets	(82,440,177)	(85,336,654)
Proceeds from EC grants	10,243,894	-
Collected interests	3,009,948	3,539,853
Owned shareholdings at TSC NET	(2,207,160)	-
Collection from sales of tangible assets	675,628	-
Other financial assets	(125,045,000)	(30,010,000)
Net cash used in the investment activity	(195,762,867)	(111,806,801)
Treasury flows used in the financing activity		
Repayments of long-term loans	(58,693,051)	(69,726,554)
Use of the cogeneration credit line	-	43,107,907
Paid dividends	(985,208)	(164,837,407)
Net cash used in the financing activity	(59,678,259)	(191,456,054)
Net decrease of cash and cash equivalents	24,860,714	(311,285,223)
Cash and cash equivalents on January 1st	520,746,500	933,661,193
Cash and cash equivalents at the end of the period	545,607,214	622,375,970

The notes attached 1-22 constitute an important part of this separate financial report.

1. General Information

The main activity of CNTEE Transelectrica SA ("The Company") consists of: the electricity transmission services and of the system service, operator of the balancing market, administrator of the bonus type support scheme, other related activities. These activities take place according to the provisions of the operating license no. 161/2000 issued by ANRE, updated by Decision ANRE no. 802/May 18th, 2016, of the general Conditions associated to the license approved by ANRE Order no. 104/2014 and of the final certification of the Company as a transmission and system operator of the National Energy System according to the model of separating the property ("ownership unbundling").

The address of the social headquarters is 33 General Gheorghe Magheru Blvd., Bucharest, district 1. Currently, the activity of the Company's executive takes place at the place of operations in 2-4 Otopeni Street, district 3, Bucharest.

The stand-alone interim financial statements drafted on June 30th, 2018 are not audited.

2. Bases of Drafting

a) Declaration of conformity

These condensed stand-alone interim financial statements were drafted according to IAS 34 *Interim Financial Reporting*. These do not include all the necessary information for a complete set of financial reports according to the International Financial Reporting Standards ("IFRS"). However, certain explanatory notes are included for explaining the events and the transactions which are significant for understanding the modifications from the financial position and the performance of the Company from the last stand-alone financial annual reports from the date of and for the financial year concluded on December 31st, 2017.

b) Professional reasoning and estimations

The significant reasoning used by the management for applying the accounting policies of the Company and the main uncertainty sources regarding estimations were the same with those applied to the stand-alone financial reports from the date of and for the financial year concluded on December 31st, 2017.

3. Significant accounting policies

The accounting policies applied in these condensed stand-alone interim financial statements are the same with those applied in the Company's stand-alone financial statements from the date of and for the financial year concluded on December 31st, 2017, to the exception of adopting the new standards in force as of January 1st, 2018.

The Company anticipates that the adoption by the UE of the IFRS 9 "Financial Instruments" and IFRS 15 „Revenue from Contracts with Customers" applicable for annual periods starting with or after January 1st, 2018, shall not have a significant impact on the financial statements of the Company during the initial period of application.

4. Tangible, intangible and financial assets

i) Tangible assets

The decrease of the total value of the tangible assets on June 30th, 2018 in comparison with December 31st, 2017 was determined by the record of the depreciation of these assets.

In the first semester of 2018, the value of tangible assets in progress is mainly represented by investment works in the high voltage electricity substations and lines, as follows:

- Upgrading the Suceava 110 kV and 20 kV substation – 7,501,722;
- Upgrading the command-control-protection system of the Sardanesti 220/110/20 kV substation – 5,547,969;
- 400 kV OHL interconnecting Resita (Romania) - Pancevo (Serbia) – 4,607,083;
- Replacing AT 2 - 200 MVA, 231/121/10.5, from the Resita 220/110 kV substation – 4,270,112;
- Connection of Turnu Măgurele, Mostistea, Stâlpu, Teleajen substations to the optical fiber network of CNTEE Transelectrica SA – Batch 2 – 4,270,199;
- Technical upgrade of the Isaccea 400 kV substation - Stage I - replacing the compensation bobbins, the corresponding cells and the Stupina 400 kV cell – 4,155,177;
- Equipment for videowall type display for the control rooms of the dispatching CPD/TPD centers – 3,692,883;
- Technical upgrade of the Otelarie Hunedoara 220 kV substation – 3,577,033;

CNTEE Transelectrica SANotes on the stand-alone interim financial statements on June 30th, 2018*(All amounts are expressed in RON, unless otherwise indicated)*

-
- Technical upgrade of the Bradu 400/220/110/20 kV substation – 3,544,986;
 - Replacing the connectors from electrical substations – 3,407,137;
 - Regulation of the coexistence between LEA 400 kV Mintia - Arad, in the section 15-20, with the Lugoj - Deva highway, 4th lot – 2,572,812;
 - Connection of the MDF factory demand facility from Arges, Oarja commune, Ceausesti village, Armata point, 5 and 46 land plots, connection to the 110 kV bus-bar of the Pitesti Sud 220/110/20 kV substation via a 110 kV UPL with a ca. 450 m length – 1,833,141;
 - Technical update of the Turnu Severin Est 220/110 kV substation – 1,676,289;
 - Upgrading the Dumbrava 220/110 kV substation – 1,695,176;
 - Regulation of the adjacency between LEA 400 kV Mintia - Arad, in the section 35-37, with the Lugoj - Deva highway, 4th lot – 1,444,192;
 - Computing and software – hardware and software – laptops - 864,644;
 - Upgrading the hardware and software platforms of the SCADA system in the Slatina substation – 782,672;
 - Technology research and development center for working with live equipment (LST) and rapid intervention in the NPS – center building – 777,213;
 - Relocation of the 220 kV high voltage networks Sebeş-Turda highway, 1st lot, km 0+000 – km 17+000, section A – Alba Iulia-Şugag 220 kV OHL d.c., Gâlceag, km 7+800, in the 25 – 26 opening and km 11+080 – milestone 15 – 737,968;
 - Replacing the accumulator batteries no. 1, 2, 3 and 4 in the Portile de Fier substation – 633,007;
 - Technical upgrade of the Ungheni 220/110/20 kV substation – 528,267;
 - Relocation of the 220 kV high voltage networks Sebeş – Turda highway, 1st lot, km 0+000 – km 17+000, section A km 0+000 – 14+000: – Cluj Floresti-Alba Iulia 220 kV s.c. OHL, km 13+185, in the opening 300-301 – 424,235.

In the first semester of 2018, the biggest transfers from tangible assets in progress at tangible assets are mainly represented by the creation of assets of the investment objectives, so:

- 400 kV OHL interconnecting Resita (Romania) - Pancevo (Serbia) – 98,590,976;
- Upgrading the Suceava 110 kV and 20 kV electrical substations – 16,650,633;
- Upgrading the Cluj Est 400/110/10 kV electric substation – 13,397,886;
- Replacing AT and TRAFO in electrical substations - Stage II – 11,589,719;
- Upgrading the command-control-protection system of the Sardanesti 220/110/20 kV substation – 11,016,977;
- Connection of Turnu Măgurele, Mostistea, Stâlpu, Teleajen substations to the optical fiber network of CNTEE Transelectrica SA – Batch 2 – 4,506,399;
- Reparation of the failure of the 110-120 terminals of the Bucharest Sud - Ghizdaru 220 kV OHL - 4,274,773;
- Replacing AT 2 - 200 MVA, 231/121/10.5, from the Resita 220/110 kV substation – 4,254,252;
- Equipment for videowall type display for the control rooms of the dispatching CPD/TPD centers – 3,692,883;
- Assembling the optic fiber and upgrading the system of distance protections on 400 kV OHL d.c. Tantareni-Turceni and 400 kV OHL s.c. Urechesti-Rovinari - 2,849,279;
- Assembling the optic fiber on the Fundeni-Brazi Vest 220 kV OHL – 1st lot – 2,396,915;
- Upgrading the 110/6 kV substation from the Pestis 220/110/6 kV substation – 1,835,204;
- Upgrading the hardware platforms of the SCADA system in the Slatina substation – 1,796,946;
- Computing and software – hardware and software – laptops - 1,388,018;
- Replacing the connectors from electrical stations – 986,840;
- Relocation of the 220 kV high voltage networks Sebeş – Turda highway, 1st lot, km 0+000 – km 17+000, section A – Alba Iulia – Şugag 220 kV OHL d.c., Gâlceag, km 7+800, in the 25 – 26 opening and km 11+080 – milestone 15 – 737,968;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to the 400 kV voltage - stage I - 400 kV OHL s.c. Portile de fier - (Anina) – Resita – 701,108;
- Regulating the coexistence between the Mintia-Sibiu 400 kV OHL, in the 6-8 opening, and the Lugoj-Deva highway, 4th lot, Ilia-Deva district, km 77+361 - km 99+500 – 643,849;
- Replacing the accumulator batteries no. 1, 2, 3 and 4 in the Portile de Fier substation – 424,235.

CNTEE Transelectrica SA

Notes on the stand-alone interim financial statements on June 30th, 2018

(All amounts are expressed in RON, unless otherwise indicated)

The balance of tangible assets in progress on June 30th, 2018 is represented by the projects in progress, the most significant being listed below:

- Technical upgrade of the Bradu 400/220/110/20 kV substation – 40,338,844;
- PTG connection of the Ivești 300 MW WPP, Fălciu 1 88 MW WPP and Fălciu 2 18 MW WPP via the new Banca (400)/220/110 kV substation – 46,884,983;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to the 400 kV voltage - stage I - 400 kV OHL s.c. Portile de fier - (Anina) – Resita – 20,378,619;
- Technical upgrade of the Otelarie Hunedoara 220 kV substation – 3,632,375;
- Extending the services providing business continuity and recovery after disasters - 14,419,361;
- Integrated security system in electric substations, stage IV – 10,308,122;
- Technical update of the Turnu Severin Est 220/110 kV substation – 6,240,911;
- Connecting the Isaccea - Varna 400 kV OHL and the Isaccea - Dobrudja OHL in the Medgidia Sud 400 kV substation – 10,861,114;
- 400 kV OHL d.c. Cernavodă-Stâlpu and connection in Gura Ialomiței – 8,392,419;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to the 400 kV voltage – stage I – Resita 400/220/110 kV substation – 6,619,547;
- 400 kV HVDC Link (submarine cable Romania - Turkey) – 5,853,759;
- Technical upgrade of the Isaccea 400 kV substation - Stage I - replacing the compensation bobbins, the corresponding cells and the Stupina 400 kV cell – 5,399,433;
- 400 kV OHL Gadalin - Suceava, including the NPS interconnection - 6,021,417;
- Technical upgrade of the Hasdat 220/110 kV substation – 4,456,278;
- Suceava - Balti 400 kV OHL, for the part of the project on Romanian territory - 4,433,086;
- Extending the control system with new functions and IT registration of access in the objectives of CNTEE Transelectrica SA - 3,200,918;
- 400 kV OHL d.c. Gutinas – Smardan – 3,227,997;
- Converting of the Portile de fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage II - Resita - Timisoara – Sacalaz 400 kV OHL d.c. (Timisoara 220/110 kV substation) – 3,223,388;
- Connecting the 136 MW wind power plant Platonesti, Ialomita county, to the PTG by constructing a 110 kV cell in the Gura Ialomitei 400/110 kV substation – 2,889,337;
- Integrated security system in electric substations, stage III - 2,798,024;
- Upgrading the Arefu 220/110/20 kV substation – 2,802,025;
- Upgrading the Raureni 220/110/20 kV substation – 2,771,986;
- By-passing the Cetate 110 kV OHL 1 & 2 in the proximity of the Ostrovul Mare 110/20/6 kV substation - 2,578,438;
- PTG connection of Dumesti 99 MW WPP and Romanesti 30 MW WPP, Iasi county, through constructing a 110 kV line cell in the FAI 220/110 kV substation – 2,545,853;
- Upgrading the Dumbrava 220/110 kV substation – 2,624,959;
- Security solution for implementing the security measures related to classified information – 2,024,289;
- Executive - DCBPA / CPA: Consolidation, upgrading and extension of the CNTEE "Transelectrica" headquarters – 1,627,393;
- Replacing the connectors from electrical substations – 3,210,585;
- Integrated security system at the new Banca (400) 220/110 kV substation – 1,133,202;
- Deploying an optical fiber line between the Pitesti Sud 110 kV substation and the remote control and installation supervision center of Pitesti transportation branch – 1,085,377;
- Connecting the Stupina 400 kV substation to the PTG and connecting the Isaccea-Varna 400 kV OHL – 874,015;
- Technical upgrade of the Tulcea Vest 400/110/20 kV substation - the construction part – 2,739,753;
- Ostrovu Mare 220 kV OHL double circuit - PTG – 755,084;
- Oradea – Beckescsaba 400 kV OHL – 770,350;
- Stalpu 400 kV substation – 751,519.
- Converting the Brazi Vest - Teleajen - Stalpu 220 kV OHL to 400 kV, including the purchase of the 400MVA 400/220/20 kV AT, extension works for stations – 693,864;
- Technical upgrade of the Domnesti 400/110/20 kV substation – 600,471;
- Technology research and development center for working with live equipment (LST) and rapid intervention in the NPS – center building – 1,426,994;

CNTEE Transelectrica SANotes on the stand-alone interim financial statements on June 30th, 2018*(All amounts are expressed in RON, unless otherwise indicated)*

- Connecting the Sarichioi 33 MW wind power plant, Tulcea county, to the PTG, in the Zebil 110 kV OHL cell from the Tulcea Vest 400/110 kV substation – 632,769.

ii) Intangible assets

For the intangible assets in progress, the largest entries in the first semester of 2018 were:

- Software licenses to be used in the Suceava 110 kV and 20 kV electrical substation – 236,093;
- NEPLAN software licenses + CIM/XML 7 NEPLAN Software module licenses (2 new licenses, 5 CIM/XML modules) and upgrade for 13 NEPLAN licenses + 5 CIM/XML module licenses – 22,707.

In the first semester of 2018, the largest transfers of intangible assets in progress to intangible assets are represented by:

- Upgrading the software platforms of the SCADA system in the Slatina substation – 401,058;
- Software licenses to be used in the Suceava 110 kV and 20 kV electrical substation – 236,093;
- Metering and SCADA licenses for Sardanesti 220/110/20 kV substation – 149,852;
- Software licenses to be used in the Cluj Est 400/110/10 kV electrical substation – 117,765;
- Upgrade of the existing antimalware solution – 22,707.

The balance of intangible assets in progress on June 30th, 2018 is represented by the projects in progress, the most significant being listed below:

- Implementing a system of Electronic Archiving and Document Management within CNTEE Transelectrica SA – 5,474,290;
- Replacement of EMS SCADA AREVA system components - software component, hardware component – 4,000,079;
- MIS extension – advanced reporting and budget planning solution – 3,047,834;
- Extending the services providing business continuity and recovery after disasters to the executive – 351,208.

iii) Financial assets

The increase in value of financial assets as of June 30th, 2018 compared to December 31st, 2017 was determined by the Company's affiliation to the Regional Security Coordination Centre (RSCC) TSCNET Services GmbH and the corresponding share purchase transaction.

The General Assembly of Shareholders no. 9/05.06.2018 approved the Company's affiliation to the Regional Security Coordination Centre and the Company's participation to the share capital of TSCNET Services GmbH, amounting to 2,207,160 was paid on June 25th, 2018.

While implementing the regional initiatives regarding the implementation of "Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management" and the "Commission Regulation (EU) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation" at CNTEE Transelectrica SA level, the Company identified the need of an affiliation with the Regional Security Coordination Centre (RSCC) TSCNET Services GmbH.

The Centre was founded to service the Transmission and System Operators (TSOs) from the eastern, central and western region of Europe (the CORE region – a region that Romania is part of), in order to facilitate the coordinated implementation of the European grid codes, according to the affiliation model adopted by all Transmission and System Operators in the region.

5. Trade receivables and other receivables

On June 30th, 2018 and December 31st, 2017, the trade receivables and other receivables are presented as follows:

	June 30th, 2018	December 31st, 2017 as per AGA Decision no. 6 of 30.04.2018
Trade receivables	772,172,089	846,827,429
Other Receivables	120,383,839	116,536,143
Down payments to suppliers	10,233,519	11,102,342
VAT to be recovered	13,572,388	47,005,991
Adjustments for impairment of uncertain trade receivables	(123,231,137)	(122,650,719)
Adjustments for depreciating other uncertain receivables	(77,349,285)	(80,291,307)

CNTEE Transelectrica SANotes on the stand-alone interim financial statements on June 30th, 2018*(All amounts are expressed in RON, unless otherwise indicated)*

Total trade receivables and other receivables	715,781,413	818,529,879
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The structure of the trade receivables is presented as follows:

	June 30th, 2018	December 31st, 2017 as per AGA Decision no. 6 of 30.04.2018
Customers on the electricity market, out of which:	770,957,921	845,529,240
- Clients - operational activity	375,977,661	382,602,892
- Clients - balancing market	184,634,934	243,547,548
- Clients - bonus type support scheme to promote the high-efficiency cogeneration	210,345,326	219,378,800
Clients from other activities	1,214,168	1,298,189
Total trade receivables	772,172,089	846,827,429

- CNTEE Transelectrica SA operates based on the Operating License No. 161/2000 issued by ANRE, as updated by the Decision of ANRE Chairman no. 802/May 18th, 2016, for the transmission of electricity, the provision of the system service and for the management of the balancing market.

On June 30th, 2018, the current customers in the operational activity registered a decrease compared to December 31st, 2017, which was mainly determined by:

- rise in the level of collection of receivables;
- decrease in the electricity quantity delivered to consumers in the months of May and June 2018 compared to the months of November and December 2017.

The main current customers on the electricity market are represented by: RAAN, Electrica Furnizare SA, Electrocentrale Bucuresti SA, Ciga Energy, Enel Energie Muntenia SA, E.ON Energie Romania SA, Enel Energie SA, Petprod SRL, Alro SA, CET Govora SA. The weight of the main customers on the electricity market is about 52% in the Total Gross Receivables.

The current receivables for the balancing market, amounting to 184,634,934, registered a value decrease compared to December 31st, 2017, following a decrease in the transactions on this market.

- CNTEE Transelectrica SA operates its activities related to the bonus type support scheme for promoting the high efficiency cogeneration, acting as the administrator of the support scheme according to the provisions of the Government Decision no. 1215/2009, "the main tasks being to collect, on a monthly basis, the contribution for cogeneration and the monthly payment of bonuses".

On June 30th, 2018, the Company registered receivables to be cashed from the bonus type support scheme for promoting the high efficiency cogeneration in a proportion of approximately 27% (December 31st, 2017 - 26%) of the total trade receivables.

The customers from the bonus type support scheme for promoting the high efficiency cogeneration registered a decrease in the receivables as of June 30th, 2018, mainly determined by the collection of receivables amounting to 140,341,573 related to the ANRE decisions regarding overcompensation the cogeneration activity for 2017, registered according to the ANRE decisions issued in the month of March 2018, on the overcompensation of the activity regarding the support scheme for the year 2017, as well as of the amounts spread up for payment in the first semester for the overcompensation for the year of 2015 from SC Electrocentrale Oradea SA.

In the timeframe January 1st – June 30th, 2018, the amounts related to the bonus type support scheme have decreased compared to December 31st, 2017, as a result of the collection of receivables, mainly due to the collection via bank transactions (7,798,826) related to the overcompensation for the year of 2015 from Termoficare Oradea (for Electrocentrale Oradea, according to the staging Convention).

On June 30th, 2018, the Company registered receivables amounting to 210,345,326, represented by the issued invoices under the bonus type support scheme for high efficiency cogeneration, out of which:

- overcompensation for the timeframe 2011 - 2013 in the amount of 76,702,140, namely from RAAN - 63,467,054 and CET Govora SA - 13,235,086;
- undue bonus for 2014 in the amount of 3,914,960, namely from RAAN – 1,981,235, CET Govora – 1,933,725;
- undue bonus for 2015 in the amount of 563,899, namely from CET Govora - 534,377, Interagro - 29,523;

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(All amounts are expressed in RON, unless otherwise indicated)

- overcompensation for 2015 in the amount of 1,976,132, namely from Electrocentrale Oradea (debt taken over by Termoficare Oradea);
- overcompensation for 2016 in the amount of 56,680,387, namely from Electrocentrale Bucuresti – 56,680,387;
- contribution for cogeneration not collected from the suppliers of electricity consumers, in the amount of 20,805,819, namely from: Transenergo Com – 5,882,073, PetProd - 4,391,193, Romenergy Industry – 2,680,620, RAAN-2,385,922, UGM Energy – 1,814,175, CET Govora – 900,864, KDF Energy – 887,527 and others.

At the date of this interim financial statement, the Company has fully collected the receivables for overcompensating the activity regarding the support scheme for the year of 2017 (the amount of 140,341,573), as follows: collections via bank transactions in the amount of 90,898,688 from Electrocentrale Bucuresti and collections on the grounds of compensations made via the Management and Informatics Institute (on the grounds of GD no. 685/1999) in the amount of 49,442,885 (out of which: Electrocentrale Bucuresti-35,756,183; CET Govora-10,658,266; Enet SA-3,028,436).

For discharging the receivables generated by the overcompensation and the undue bonus, the Company requested the reciprocal compensations from the qualified producers in the support scheme. For producers (RAAN, Electrocentrale Bucuresti, CET Govora) that have not agreed to this way of discharging the reciprocal receivables and debts, the Company has applied and continues to apply the provisions of Article 17 (5) of the Order of ANRE Chairman no. 116 / 2013 for approving the Regulation on determining the way to collect the contribution for high efficiency cogeneration and payment of the bonus for the electricity produced in high efficiency cogeneration: "if the manufacturer did not make the payment in full to the administrator of the support scheme for its obligations resulted in accordance with the provisions of this Regulation, the administrator of the support scheme pays to the producer the difference between the invoices issued by the producer and the payment obligations of the producer on the support scheme, with explicit mention on the payment document of the respective amounts", and detained from payment the amounts due related to the corresponding support scheme.

CNTEE Transelectrica SA has concluded an agreement with CET Govora on compensation and rescheduling of payments for the amounts representing the equivalent receivables from the counter value of the overcompensation for the timeframe 2011-2013 and of the undue bonus for 2014 (Agreement no. C 135/June 30th, 2015 and Addendum no. 1/August 4th, 2015). The period of the Agreement was 1 year (timeframe July 2015 - August 2016) and stipulated the Company's right to calculate and collect payment penalties over the installment period.

According to the Agreement, the Company's receivables to be collected from CET Govora SA were compensated with the debts to CET Govora SA, represented by the cogeneration bonus for the period May 2014 - October 2015 detained pursuant to the Art. 17 (5) from the Order of the ANRE Chairman no. 116/2013 and the provisions of the Agreement, in the amount of 40,507,669.

Following the suspension in court, by Civil sentence no. 3185/November 27th, 2015, the ANRE Decision no. 738/March 28th, 2014 on setting the overcompensation amount for the timeframe 2011 - 2013, CET Govora SA no longer respected the obligations undertaken according to the Agreement.

Starting with May 9th, 2016, the general insolvency proceedings were opened for CET Govora. To recover its liabilities recorded before the insolvency proceedings, the Company applied the specific procedures provided by the Law no. 85/2014 on Insolvency and requested admission of its liabilities, according to the law.

Given the aforementioned facts, starting with May 9th, 2016, the Company has terminated the enforcement of article 17 (5) from the Order of ANRE Chairman no. 116 / 2013 on approving the Regulation regarding the settlement of the collection procedure of the high efficiency cogeneration contribution and the payment of the bonus for the electricity produced via high efficiency cogeneration, and has paid the cogeneration bonus to CET Govora on a monthly basis.

Via Civil Decision no. 2430/October 5th, 2016, the High Court of Cassation and Justice admitted the appeal declared by ANRE against Civil Ruling no. 3185/November 27th, 2015, has partially cancelled the contested sentence and has rejected the suspension request lodged by CET Govora, the judgement being final. Thus, starting with 05.10.2016, the effects of the ANRE Decision no. 738/28.03.2014 are no longer suspended, being in full effect.

Under these circumstances, the Company enforces the provisions of article 17 (5) of the ANRE Order no. 116 / 2013 for the reciprocal debts and receivables occurred after the insolvency proceedings, retaining the bonus owed to CET Govora SA up to the amounts unpaid to the Company according to the support scheme.

On December 8th, 2016, by Government Decision no. 925, the amendment and supplement have been adopted for GD no. 1215/2009 on setting the necessary criteria and conditions to implement the support scheme for promoting the high efficiency cogeneration based on the useful heat demand.

Thus, on June 30th, 2018 the Company does not register provisions for the support scheme, the unrecovered value of these receivables being included in the cogeneration contribution.

Other receivables

As of June 30th, 2018, Other Receivables amounting to 120,383,839 primarily include different debtors (101,925,848),

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deferred expenses (7,827,074) and other long-term receivables (4,534,654) and income tax to be recovered (2,521,532).

The different debtors position amounts to 101,925,848 out of which late payment penalties calculated to late paying clients, amounting to 61,931,448 (out of which the amount of 26,012,769 represents penalties in relation to the support scheme). The largest penalties for late payment have been registered by the following customers: RAAN (16,901,449), SC CET Govora (9,606,504), SC Eco Energy SRL (8,909,843), SC Petprod SRL (8,894,655), Total Electric Oltenia (3,288,967), Arelco Power (2,816,658), Enol Grup (2,541,312), Also Energ (2,121,010). For the penalty charges for late payment of the receivables from operating activities were recorded depreciation adjustments.

In the debtor category, the following receivables are also registered:

- the down payments granted to the supplier ELCOMEX - IEA SA amounting to 31,180,858, to which penalties amounting to 687,458 have been added. The down payments have been granted to the supplier ELCOMEX - IEA SA for performing the following projects:
 - o Connecting the Isaccea-Varna 400 kV OHL and the Isaccea-Dobrudja OHL to the Medgidia Sud 400 kV substation – down payment amounting to 9,948,593;
 - o Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to the 400 kV voltage - Stage I - Resita 400/220/110 kV substation – down payment amounting to 21,232,265.

The down payments made to ELCOMEX - IEA SA have been secured with the insurance policies issued by Asito Kapital S.A.

On April 7th, 2017 the Court of Constanta, Section II Civil, by Hearing protocol no. 294/2017, upheld the application for a declaration of insolvency of the debtor Elcomex - IEA SA, naming Pricewaterhouse Coopers Business Recovery Services IPURL as insolvency administrator.

On the day of insolvency, CNTEE Transelectrica SA held the following agreements concluded with SC Elcomex IEA SA: C163/29.07.2015: "Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad / the 400/220/110 kV Resita substation to 400 kV" and C255/18.11.2015 "Connecting the Isaccea-Varna 400 kV OHL and Isaccea-Dobruja 400 kV OHL in the Medgidia Sud 400 kV substation, stage I". Following the declaration of insolvency of SC Elcomex IEA SA, CNTEE Transelectrica SA entered on its statement of affairs for the amount of 31,189,487 lei, representing the consideration of the down payment made to SC Elcomex IEA SA for the agreements no. C163/29.07.2015 and C255/18.11.2015 and other expenses.

Pricewaterhouse Coopers Business Recovery Services IPURL notifies CNTEE Transelectrica SA on 07.07.2017, regarding the cancellation of the agreement C 163/29.07.2015 "Converting the Portile de Fier-Reșița-Timișoara-Săcălaz-Arad to 400 kV / the 400/220/110 kV Reșița substation". On August 8th, 2017, the judiciary administrator Pricewaterhouse Coopers Business Recovery Services IPURL considers itself bound to note the cancellation by CNTEE Transelectrica SA of the agreement no. C255 from November 18th, 2015, regarding "Connection of the Isaccea-Varna 400 kV OHL and Isaccea-Dobruja 400 kV OHL in the Medgidia Sud 400 kV OHL, Stage I", notified by the Company with letter no. 24597 from July 5th, 2017, and at the same time the termination of the agreement on the initiative of CNTEE Transelectrica SA.

On July 1st, 2017, the Company submitted an application for summons regarding the issuance of a payment order, an action subject to the case file no. 24552/3/2017 on the docket of the Bucharest Court, Section VI Civil, requesting the Court to rule a decision obliging the debtor ASITO KAPITAL SA to pay the amount of 7,058,773.36 Euro (*the equivalent of 31,180,857.96 lei*), representing guarantee policies for the down payments no. BR – 1500544/November 18th, 2015, and no. BR – 1500520/July 29th, 2015. The court ordered the staying of proceedings until November 7th, 2017, in the case file no. 24552/3/2017, on the docket of the Bucharest Court, Section VI Civil. Hearing: 24.10.2017

Solution in brief: Accepted application. Orders the debtor to pay, within 20 days from notification of this decision, the amount of 2,237,750.83 euro (the equivalent of 9,948,592.64 lei at the exchange rate of 4.4458 euro), representing the down payment which was not reimbursed but guaranteed via letter of guarantee for the payment of the down payment no. BR-1500544/18.11.2015, as well as the amount of 4,821,022.53 euro (the equivalent of 21,233,265.32 lei at the exchange rate of 4.4041 lei/euro) representing the down payment which was not reimbursed but guaranteed via letter of guarantee for the payment of the down payment no. BR-1500520/29.07.2015; 200 lei as legal expenses. With right of request in annulment within 10 days from notification. By the date of drafting these financial statements, Decision 4067/2017 - 07.11.2017 has not been drafted and communicated in order to be enforced.

Impairment adjustment are recorded in the amount of 31,876,744.

- receivables from OPCOM representing VAT for the contribution in kind to the subsidiary's equity, amounting to 4,517,460;

The deferred expenses amounting to 7,827,074 are represented mainly by the advances on contracts concluded with the suppliers of electricity needed for covering the own technological consumption for future periods (1,778,454), a guarantee fee for the BEI 25710 loan (82,291) and commission of ING credit granting (191,592), levies paid for 2018 to national and international institutions (2,345,958), rents (605,425), ANRE yearly contribution (1,507,537).

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Other receivables amounted to 4,534,654, of which 4,199,505 represent guarantees for temporary occupation of the land calculated and retained in accordance with the art. 39 paragraph (1), paragraph (2) and paragraph (5) of the Law no. 46/2008 regarding the Forestry Code in order to achieve the investment objective LEA 400 kV Resita - Pancevo (Serbia).

VAT to be recovered

As of June 30th, 2018, the Company registers VAT to be recovered amounting to 13,572,388, mainly representing negative VAT accounts for the months of March 2018 (4,400,202), April 2018 (8,310,560), May 2018 (334,720) and June 2018 (2,829,735) and undue VAT on payment position amounting to 2,302,829. As of these interim financial statements, the amount of 12,710,762 has been collected from this balance.

Down payments to suppliers

As of June 30th, 2018, the down payments to suppliers are represented by the suppliers who are debtors for services amounted to 10,233,519, this mainly represent amounts from transactions related to the price coupling mechanism. Application of the price coupling mechanism began on November 19th, 2014, the date at which the project "4 Market Market Coupling" which provides the unification of the electricity markets DAM Square (Next Day Market) from Romania, Hungary, Czech Republic and Slovakia entered in the operating phase. Within the price coupling mechanism for the day-ahead markets, the electricity exchanges correlate the day-ahead electricity transactions based on bids, taking into account the interconnection capacity provided by the TSOs, by which it is implicitly allocated CNTEE Transelectrica SA, acting as TSO, transfers the electricity both in physical and commercial terms to the neighboring TSOs (MAVIR-Hungary) and manages the congestion revenues along the respective interconnection (Article 139 from ANRE Order no. 82/2014), while in relation to SC OPCOM SA it acts as Implicit Participant on the Day-Ahead Market.

As a Transfer Agent and Implicit Participant, CNTEE Transelectrica SA has the commercial task to settle the power traded between SC OPCOM SA and MAVIR.

Adjustments for depreciation of trade receivables, of uncertain trade receivables and of other uncertain receivables

Transelectrica's policy is to register impairments amounting to 100% for clients in litigation, under insolvency and bankruptcy, and 100% from trade receivables and other receivables not collected for more than 180 days, except for outstanding receivables generated by the support scheme. The Company also makes a case by case analysis of uncollected trade and other receivables.

As of June 30th, 2018, the highest adjustments of depreciation, calculated for the trade receivables and related penalties, have been recorded for Elcomex IEA SA (31,868,316), SC Eco Energy SRL (24,736,066), SC Petprod SRL (23,539,650), Arelco Power (17,359,453), SC Total Electric Oltenia SA (14,185,577), Romenergy Industry (13,512,997), Elsaco Energy (9,293,972), RAAN (8,516,707), Also Energ (7,177,167), CET Brasov (4,664,627), Opcom (4,517,460). The Company took the following measures in order to recover the impaired receivables: court proceedings, entering on the statement of affairs, requesting clarifications from ANAF (regarding the VAT collected from Opcom) and so on.

The Company's exposure to the collection risk, as well as the value adjustments for trade receivables, are presented in Note 21.

The Company anticipates that the adoption by the UE of the IFRS 9 "Financial Instruments" applicable for annual periods starting with or after January 1st, 2018, shall not have a significant impact on the financial statements of the Company during the initial period of application.

6. Cash and cash equivalents

On June 30th, 2018 and December 31st, 2017, the cash and cash equivalents were presented as follows:

	June 30th, 2018	December 31st, 2017 as per AGA Decision no. 6 of 30.04.2018
Current accounts and bank deposits, out of which:	545,422,777	520,708,388
- cash and deposits from high efficiency cogeneration	15,523,480	19,172,948
- cash from revenues related to interconnection capacity allocation used for grid investments	104,190,752	84,247,056
- cash from the connection fee	25,262,366	31,152,565
Petty cash	86,709	37,850
Other cash equivalents	97,728	262

CNTEE Transelectrica SANotes on the stand-alone interim financial statements on June 30th, 2018*(All amounts are expressed in RON, unless otherwise indicated)*

Total	545,607,214	520,746,500
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The bank deposits with maturity smaller than 90 days, constituted with cash available in current accounts (including cogeneration deposits) amounted to 531,402,636 at June 30th, 2018 and to 251,047,468 at December 31st, 2017.

7. Other financial assets

On June 30th, 2018 and December 31st, 2017, the other financial assets were presented as follows:

	June 30th, 2018	December 31st, 2017
Bank deposits with maturity larger than 90 days	125,045,000	-
Total	125,045,000	-

The bank deposits with maturity bigger than 90 days, constituted with cash available in current accounts amounted to 125,045,000 at June 30th, 2018.

8. Shareholders' equity

According to GEO 86/2014 on the establishment of reorganization measures at central public administration level and for modifying and completion of some normative acts, on February 20th, 2015 was recorded in the Company's shareholder Register the transfer of 43,020,309 shares from the account of the Romanian State from the administration of the General Secretariat of Government, in the account of the Romanian State in the management of the Ministry of Economy, Trade and Tourism.

Under the provisions of Article 2 of Government Emergency Ordinance no. 55/November 19th, 2015 on the establishment of reorganization measures at the central government level and to supplement several acts, the Ministry of Economy, Trade and Business Environment Relationship (MECRMA) was incorporated by reorganizing and taking over the activities of the Ministry of Economy, Trade and Tourism, which was dissolved, and by merging and structures in the field of small and medium businesses of the Ministry of Energy, Small and Medium Enterprises and Business Environment.

According to the provisions of GD no. 27/January 12th, 2017 on the organization and functioning of the Ministry of Economy, the Company functions under the authority of the Ministry of Economy. On March 3rd, 2017 the transfer in the amount of 43,020,309 shares was registered in the Company's Shareholder Register, from the account of the Romanian State from the administration of the Ministry of Economy, Trade and Tourism, in the account of the Romanian State in the administration of the Ministry of Economy.

At the end of each reporting period, the subscribed and paid share capital of the Company amounted to 733,031,420 is divided into 73,303,142 ordinary shares with a nominal value of 10 lei/share and corresponds to the one registered in the Trade Register.

The shareholding structure on June 30th, 2018 and December 31st, 2017 is as follows:

Shareholder	June 30th, 2018		December 31st, 2017	
	Number of shares	% of the share capital	Number of shares	% of the share capital
Romanian State through MECRMA	43,020,309	58.69%	43,020,309	58.69%
Other legal person shareholders	20,280,101	27.67%	20,689,339	28.22%
DEDEMAN SRL	4,323,567	5.89%	4,192,363	5.72%
Other natural person shareholders	5,679,165	7.75%	5,401,131	7.37%
Total	73,303,142	100.00%	73,303,142	100.00%

The increase in equity on June 30th, 2018 compared to December 31st, 2017 was driven primarily by registering the net profit in the reported result, amounting to 98,020,479, conducted on June 30th, 2018.

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(All amounts are expressed in RON, unless otherwise indicated)

9. Deferred revenues

Deferred revenues are mainly represented by: the connection fee, other subsidies for investments, non-refundable European funds collected from the Ministry of European Funds, as well as revenues from the use of interconnection capacities. As of June 30th, 2018, the report of the deferred revenues is as follows:

	June 30th, 2018	Of which: the short-term portion as of June 30th, 2018	December 31st, 2017 as per AGA Decision no. 6 of 30.04.2018	Of which: the short-term portion as of December 31st, 2017
Deferred Revenues – interconnection capacity allocation	7,590,122	7,590,122	5,797,166	5,797,166
Deferred Revenues – European Funds	2,558,135	2,558,135	2,558,135	2,558,135
Funds from the connection fee	296,921,085	25,111,325	311,396,019	23,558,353
European Funds	108,233,642	6,952,394	101,624,877	7,415,017
Other subsidies	29,390,183	1,525,460	30,147,052	1,552,393
Total	444,693,167	43,737,436	451,523,249	40,881,064

Evolution of the short-term deferred revenues in the timeframe January - June 2018 is presented as follows:

	June 30th, 2018	December 31st, 2017 as per AGA Decision no. 6 of 30.04.2018
Balance at the beginning of the period	40,881,064	38,125,074
Advance income related to the interconnection capacity	30,377,223	75,479,347
Income from European Funds	-	1,327,202
Transfer of long-term deferred income	1,063,416	2,299,514
Revenues from the use of the interconnection capacity	(28,584,267)	(76,260,688)
Revenues from European Funds	-	(89,385)
Total	43,737,436	40,881,064

The evolution in advance long-term revenues during the period of January-June 2018 is presented as follows:

	June 30th, 2018	December 31st, 2017
Balance at the beginning of the period	410,642,185	429,858,527
Connection fee (repaid)/ collected	(1,535,679)	14,227,840
Collection fee for fixed assets belonging to The State public domain	(1,383,679)	-
Non-refundable funds	10,243,894	157,426
Other deferred revenues	14,544	16,502
Transfer to short-term deferred revenues	(1,063,416)	(2,299,514)
Release of deferred revenues	(15,962,118)	(31,318,596)
Total	400,955,731	410,642,185

In May 2018, the Company collected the amount of 10,243,894 lei from the European Commission for the project of common interest "Internal Line between Cernavoda and Stalpu", representing non-refundable funds from the Connecting Europe Facility mechanism. The "Internal Line between Cernavoda and Stalpu" project includes the following investments:

- Cernavoda-Stalpu 400 kV OHL d.c. and connection in the Gura Ialomitei substation (new line);
- Extending the Cernavoda 400 kV substation;
- Extending the Gura Ialomitei 400 kV substation;
- Stalpu 400 kV Substation (new substation).

Innovation and Networks Executive Agency (INEA) shall monitor and control the project implementation.

CNTEE Transelectrica SANotes on the stand-alone interim financial statements on June 30th, 2018*(All amounts are expressed in RON, unless otherwise indicated)***10. Loans**● *Long-term loans*

As of June 30th, 2018, the value of long-term loans has diminished compared to December 31st, 2017 mainly due to repayments made under the existing loan agreements.

During timeframe January - June 2018, no withdrawals from long-term loans were conducted.

Movements in loans during the six-month period ended on June 30th, 2018 are presented as follows:

	Currency	Interest rate	Book value	Due date
Balance as of January 1st, 2018			509,355,179	
New withdrawals			0	
Refunds, from which:			(58,693,051)	
NIB PIL No 02/18	USD	LIBOR+0.9%	(3,317,660)	15-Apr-2018
BIRD 7181	EUR	last communicated 0%	(16,343,540)	15-Jan-2020
NIB PIL No 03/5	EUR	EURIBOR+0.85%	(5,361,875)	15-Sep-2018
NIB PIL No 02/37	EUR	EURIBOR+0.9%	(2,870,311)	15-Sep-2018
BEI 25709	EUR	3.596%	(5,612,268)	10-Sep-2025
BEI 25710	EUR	3.856%+2.847%	(5,622,957)	11-Apr-2028
ING + BRD	EUR	EURIBOR+2.75%	(19,564,440)	13-Feb-2019
Differences of exchange on the date of reimbursement			(25,001)	
Balance on June 30th, 2018			715,958,913	450,637,128

On June 30th, 2018 and December 31st, 2017, the balance of long-term loans contracted from credit institutions is presented as follows:

Description	June 30 th , 2018	December 31 st , 2017 as per AGA Decisior no. 6 of 30.04.2018
NIB PIL No 02/18	-	3,417,420
BIRD 7181	27,267,769	43,603,118
NIB PIL No 03/5	5,360,265	10,717,310
NIB PIL No 02/37	2,869,450	5,737,176
BEI 25709	84,158,750	89,742,370
BEI 25710	91,827,654	97,425,565
ING + BRD	39,153,240	58,712,220
Unsecured bonds	200,000,000	200,000,000
Total long-term loans from credit institutions, out of which:	450,637,128	509,355,179
Current portion of long-term loans	(294,379,354)	(314,169,245)
Total long-term loans net of current rates	156,257,774	195,185,934

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The long-term portion of loans will be repaid as follows:

	June 30th, 2018	December 31st, 2017 as per AGA Decision no 6 of 30.04.2018
Between 1 and 2 years	25,222,434	51,449,375
Between 2 and 5 years	67,426,596	68,912,530
Over 5 years	63,608,744	74,824,029
Total	156,257,774	195,185,934

The company did not perform activities related to hedging its foreign currency obligations or to exposure to interest rate risks.

All long-term loans, except JBIC, BEI 25709, 25710 EIB and the Bonds, bear the variable interest and therefore the book value of long-term loans approximates their fair value.

• *Short-term loans*

The short-term Loans are detailed as follows:

	June 30th, 2018	December 31st, 2017 as per AGA Decision no. 6 of 30.04.2018
Current portion of long-term loans	294,379,354	314,169,245
Interest on long-term loans	2,103,483	2,460,222
Interest on bonds	6,484,383	434,521
Total short-term loans	302,967,220	317,063,988

• *Loans contracted for the current activity*

Transelectrica has concluded the credit agreement no. C55/01.03.2018 with Raiffeisen Bank for a period of 12 months for financing the bonus type support scheme for high efficiency cogeneration, in the form of overdraft amounting to 100,000,000, with an interest calculated according to the ROBOR 1M reference rate, plus a negative margin of 0.35%. In the event that the value of the ROBOR 1M reference rate is smaller than 0.35%, the interest rate applied shall be of 0%. On June 30th, 2018, the credit line is not used.

This was guaranteed by:

- movable mortgage on the account opened at the bank;
- movable mortgage on receivables resulted from contracts regarding the contribution for high efficiency cogeneration, concluded with Cez Vanzare S.A., E.ON Energie Romania S.A.

11. Trade and other payables

On June 30th, 2018 and December 31st, 2017 trade payables and other liabilities are presented as follows:

	June 30th, 2018	December 31st, 2017 as per AGA Decision n 6 of 30.04.2018
Electricity market suppliers	411,559,626	538,923,244
Asset providers	41,088,379	62,898,568
Providers of other activities	27,471,710	27,782,443
Amounts due to the employees	5,455,529	5,866,258
Other liabilities	137,304,819	64,466,306
Total	622,880,063	699,936,819

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On June 30th, 2018 and December 31st, 2017, outstanding debts on the energy market amounted to 411,559,626 and 538,923,244 respectively, and presented the following structure:

	June 30th, 2018	December 31st, 2017 as per AGA Decision no. 6 of 30.04.2018
Suppliers on the electricity market, out of which:		
- suppliers - operational activity	151,303,681	110,800,907
- suppliers - balancing market	125,908,833	204,920,467
- suppliers - the bonus type support scheme for promoting the high efficiency cogeneration	134,347,113	223,201,870
Total	411,559,626	538,923,244

- increase in the balance of debts related to the operational activity was mainly determined by the increase in the electricity quantity for covering the own technological consumption in the transmission grid.

- the decrease in the balance of debts related to the balancing market was determined by the payment of current obligations on the electricity market on December 31st, 2017 and by the decrease in the trading volume on the balancing market from the 1st semester of 2018 compared to the 4th quarter of 2017.

The providers on the electricity market are represented mainly by: SC Hidroelectrica SA, Electrocentrale Bucuresti, RAAN, Complex Energetic Oltenia, Mavir. On June 30th, 2018, their share in total energy providers is about 75%.

- the decrease in debts related to the support scheme towards the suppliers (producers) was determined by the payment of the invoices issued as per ANRE decisions for the undue bonus and the ante-overcompensation for 2017.

As of June 30th, 2018, payment obligations were registered towards suppliers (producers) in the amount of 134,347,113 (Electrocentrale Bucuresti – 66,558,268, RAAN – 51,183,836, CET Govora SA – 4,408,824, and others), representing the monthly cogeneration bonus, the ante-overcompensation for the years of 2014, 2014 and 2015, as well as the bonus not granted for the years of 2015 and 2016. The amounts representing the debts of the Company regarding the support scheme towards Electrocentrale Bucuresti, RAAN, CET Govora have been retained from payment on the grounds of Article 17 (5) of the Order of the ANRE Chairman no. 116 / 2013, because the suppliers (producers) registered payment obligations towards the Company regarding the bonus type support scheme.

The Company requested the agreement of the suppliers (producers) who did not pay for the overcompensation invoices and the undue bonus, to compensate the reciprocal debts at their minimum level via the Management and Informatics Institute (IMI), entity that unitedly manages all information received from tax-payers, according to the provisions of GD no. 685 / 1999.

The producers (RAAN, Electrocentrale Bucuresti, CET Govora) that have not agreed to this method of discharging the reciprocal receivables and debts, and therefore the Company has applied and continues to apply the provisions of Article 17 (5) of the Order of ANRE Chairman no. 116 / 2013 for approving the Regulation on determining the way to collect the contribution for high efficiency cogeneration and payment of bonus for electricity produced in high efficiency cogeneration: "if the manufacturer did not make the payment in full to the administrator of the support scheme for its obligations resulted in accordance with the provisions of this Regulation, the administrator of the support scheme pays to the producer the difference between the invoices issued by the producer and the payment obligations of the producer on the support scheme with explicit mention on the payment document of the respective amounts" and detained from payment the amounts due related to the corresponding support scheme.

CNTEE Transelectrica SA has concluded an agreement with CET Govora on the compensation and rescheduling of payments for the amounts representing the equivalent receivables from the counter value of the overcompensation for the timeframe 2011 - 2013 and of the undue bonus for 2014 (Agreement no. C 135 / June 30th, 2015 and Addendum no. 1 / August 4th, 2015). The period of the Agreement was 1 year (timeframe July 2015 - August 2016) and stipulated the Company's right to calculate and collect payment penalties over the installment period.

According to the Agreement, the Company's receivables to be collected from CET Govora SA were compensated with the debts to CET Govora SA, represented by the cogeneration bonus for the period May 2014 - October 2015 detained pursuant to the Art. 17 (5) from the Order of the ANRE Chairman no. 116/2013 and the provisions of the Agreement, in the amount of 40,507,669.

Following the suspension in court, by Civil sentence no. 3185/ November 27th, 2015, the ANRE Decision no. 738/ March 28th, 2014 on setting the overcompensation amount for the timeframe 2011 - 2013, CET Gavora SA no longer respected the

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obligations undertaken according to the Agreement. Starting with May 9th 2016, the general insolvency proceedings were opened for CET Govora. Given the provisions of Law no. 85/2014 on insolvency, starting with May 9th, 2016, the Company has terminated the enforcement of Article 17 (5) from the Order of ANRE Chairman no. 116/2013 on approving the Regulation regarding the settlement of the collection procedure of the high efficiency cogeneration contribution and the payment of the bonus for the electricity produced via high efficiency cogeneration, and has paid the due cogeneration bonus to CET Govora on a monthly basis.

Via Civil Decision no. 2430/October 5th, 2016, the High Court of Cassation and Justice admitted the appeal declared by ANRE against Civil sentence no. 3185/November 27th, 2015, has partially cancelled the sentence and has rejected the suspension request lodged by CET Govora. Thus, starting with October 5th, 2016, the effects of the ANRE Decision no. 738/March 28th, 2014 are no longer suspended, being in full effect.

Under these circumstances, the Company enforces the provisions of article 17 (5) of the ANRE Order no. 116 / 2013 for the reciprocal debts and receivables occurred after the insolvency proceedings, retaining the bonus owed to CET Govora SA up to the amounts unpaid to the Company according to the support scheme.

- The decrease of the balance of asset suppliers on June 30th, 2018 compared to December 31st, 2017 is due to the payment of the debts towards the asset suppliers.
- The debts towards suppliers of other activities are mainly represented by the not due debts related to the services provided by third parties, debts which have registered a decrease compared to December 31st, 2017.
- As of June 30th, 2018, the Company registers no outstanding debts towards suppliers, the state budget or local institutions.
- The debts' structure recorded as "other liabilities" is presented as follows:

	June 30th, 2018	December 31st, 2017 as per AGA Decision no. 6 of 30.04.2018
Different Creditors	106,971,500	31,958,422
Clients - creditors	19,699,703	20,823,604
Dividends to be paid	1,429,124	2,414,333
Other liabilities	9,204,492	9,269,947
Total	137,304,819	64,466,306

On June 30th, 2018, the position 'different creditors' in the amount of 106,971,500 represented mainly the net position of the support scheme for high efficiency cogeneration, which on June 30th, 2018 registers a debt position amounting to 105,708,446 (December 31st, 2017: 30,451,865).

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

- the amount of contributions to be collected from the electricity suppliers, the amount of the overcompensation of the activity of electricity and heat production in high-efficiency cogeneration, the undue bonus to be collected from the producers, according to the ANRE decisions, on the one hand, and
- the cogeneration bonus amount withheld under Article 17 (5) of the Order no. 116/2013 of the ANRE Chairman, the ante-overcompensation and the bonus not granted to be paid to the high efficiency cogeneration energy producers, the beneficiaries of the support scheme, on the other hand.

"Customers creditors" on June 30th, 2018 amounted to 19,699,703, out of which 19,217,863 represent amounts collected in advance from MAVIR and OPCOM within the transactions related to the price coupling mechanism.

On June 30th, 2018, the dividends owed and unpaid to the Company's shareholders amount to 1,429,124, out of which the amount of 259,764 is related to dividends distributed from the profit of the year 2016. These amounts are available to the shareholders through the payment agent.

Other debts amounting to 9,204,492 are mainly represented by payment guarantees – energy market contracts and guarantees for the proper execution of service contracts concluded by CNTEE Transelectrica SA.

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	June 30th, 2018	December 31st, 2017 as per AGA Decision no. 6 of 30.04.2018
Contribution to social insurance funds	5,225,506	5,097,678
Payroll tax	964,435	1,913,700
Other taxes to pay	1,550,206	1,676,814
Total	7,740,147	8,688,192

On June 30th, 2018, the company registered payment obligations for contributions to social insurance funds, payroll tax and other taxes that were paid in the month of July, 2018.

13. Income tax

The current and deferred corporate tax of the Company is determined at a statutory rate of 16%.

The expenses on the corporate tax for the second quarter of 2018 and second quarter of 2017, as well as on June 30th, 2018 and June 30th, 2017 are presented as follows:

	Q II 2018	Q II 2017	June 30th, 2018	June 30th, 2017
Current income tax expenses	(330,764)	8,064,579	10,281,223	24,994,167
Deferred income tax net expenses	(830,448)	(1,671,042)	(1,644,741)	(3,056,577)
Total	(1,161,212)	6,393,537	8,636,482	21,937,590

14. Operating revenues**The second quarter of 2018 compared with the second quarter of 2017**

Operating revenues include revenues from the transmission and system services provided by the Company on the electricity market, as well as the allocation of interconnection capacity, balancing market operating services and other revenues.

The average tariffs approved by ANRE for services provided on the electricity market for the second quarters of 2018 and 2017 are presented as follows:

	Average price for the transmission service	Average price for the ancillary services	Average price for the functional system services
Order no. 122/19.12.2017 - for the second quarter of 2018	16.86	12.06	1.11
Order no. 27/22.06.2016 - for the second quarter of 2017	18.70	11.58	1.30

The average tariff for the electricity transmission has two components: the tariff for the electricity injected into the transmission grid (T_G) and the tariff for the electricity drawn off the transmission grid (T_L). The zonal tariffs regarding the transmission service for the injection of electricity into the transmission grid (T_G) and for drawing electricity off the transmission grid (T_L) have been approved by ANRE Order no. 48/2017.

The amount of electricity delivered to consumers to whom the prices for services provided on the electricity market were applied, is presented as follows:

	Second quarter 2018	Second quarter of 2017
The amount of electricity delivered to consumers (MWh)	12,957,074	12,801,012

The revenues earned in the second quarter of 2018 and in the second quarter of 2017 are as follows:

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	Second quarter 2018	Second quarter of 2017
Transmission revenues	217,209,813	238,555,614
Revenues from allocating the interconnection capacity	13,082,092	14,678,313
Revenues from reactive energy	1,688,412	1,642,668
Revenues from Inter TSO Compensation (ITC)	31,343	326,776
Revenues from Own Technological Consumption (OTC) transactions	1,141,380	213,555
Transmission revenues – total	233,153,040	255,416,926
Functional system service revenues	14,381,911	16,625,948
Revenues from technological system services	157,924,433	148,865,307
Revenues from unplanned shifts on DAM	634,067	657,400
Emergency aid revenues	205,593	0
System service revenues – total	173,146,004	166,148,655
Revenues on the balancing market	130,386,236	181,884,612
Other revenues	11,730,351	10,619,192
Total revenues	548,415,631	614,069,385

Transmission revenues

Given the rise in the amount of electricity delivered to consumers in the second quarter of 2018 compared to the second quarter of 2017, namely of 1.22% or 156,062 MWh, the income from the transmission service has registered a decrease in the amount of 21,345,801, determined by the decrease of the average tariffs approved by ANRE (according to the table on the average tariffs approved by ANRE for the analyzed timeframes, presented above).

Functional system service revenues

In the second quarter of 2018, the revenues from functional system services registered a decrease compared to the second quarter of 2017 with the amount of 2,244,037, determined by the decrease of the average tariff approved by ANRE (according to the table on the average tariffs approved by ANRE for the analyzed periods, presented above).

Revenues from allocating the interconnection capacity

In the second quarter of 2018, the income from the interconnection capacity allocation has registered an decrease compared to the second quarter of 2017, in the amount of 1,596,221, corresponding to the level of usage of the available interconnection capacity by traders on the electricity market.

The market for interconnection capacity allocation is fluctuating, the prices evolve depending on demand and the need of the participants on the energy market to purchase interconnection capacity.

The mechanism for the allocation of interconnection capacity consists in organizing annual, monthly, daily and intra-daily auctions. The annual, monthly and intra-daily are explicit – only the transmission capacity is bid on, and the daily ones with Hungary are implicit - are allocated simultaneously with the energy and capacity via the coupling mechanism.

The incorporation of the regional energy exchange by Romania, Hungary, the Czech Republic and Slovakia on November 19th, 2014 requires that these four countries have a unique price of electricity traded on the spot markets. The capacity allocation between Romania and Hungary, the only country of the 3 with which Romania has a border, is made by the carriers- Transelectrica and MAVIR, through the common mechanism, based on a bilateral agreement.

Starting with 2016, the UIOSI principle has been implemented at the border with Bulgaria, and starting with 2017 at the border with Serbia as well. According to this principle the participants not using the capacity won at the annual and monthly auctions, are compensated (by Transelectrica) for that capacity. This will subsequently be sold in the daily auctions.

On the Hungarian border the direction is reversed, meaning that MAVIR compensates the participants for the unused capacities. The compensations are set at the marginal price related to the daily auctions or at the market spread price related to the price differences on the Hungarian Day Ahead market (DA) and the Romanian Day Ahead market (DA). For this reason, the congestion income on the HU-RO border was lower.

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Using the net incomes from the interconnection capacity allocation is achieved in accordance with Article 22 (4) of the ANRE Order no. 53/2013 and Article 16 (6) of the Regulation (EC) no. 714/2009, as a source of financing for upgrading and development of the interconnection capacity with the neighboring systems.

Revenues from technological system services

Revenues from the technological system services have registered an increase in the second quarter of 2018 compared to the second quarter of 2017 in the amount of 9,059,126, determined by the 1.22% increase in the quantity of electricity delivered to consumers and by the increase of the average tariff approved by ANRE for these services (according to the table on the average tariffs approved by ANRE for the analyzed timeframes, presented above).

The income from the technological system services gained in the second quarter of 2018 were higher with 6,196,186 compared with the expenditures on the purchase of technological system services that were achieved.

This amount is found within the gross profit of the Company, reported on June 30th, 2018.

Revenues on the balancing market

The revenues from the balancing market have registered a decrease in the second quarter of 2018 compared to the second quarter of 2017, with the amount of 51,498,376, determined by:

- the negative imbalances registered at the level of electricity suppliers on the balancing market which were lower in the second quarter of 2018 compared to the second quarter of 2017;
- higher hydraulicity in the second quarter of 2018 compared to the second quarter of 2017 (especially in April); the physical notifications generally exceeded the internal consumption at NPS level;
- material decrease in system balancing costs (the result of increase selections and activating the thermal groups).

The balancing market represents a sector with zero profit for the Company.

The first semester of 2018 compared with the first semester of 2017

In the first semester of 2018 and the first semester of 2017, the average tariffs applicable in the second quarter of 2018 and in the second quarter of 2017 respectively, have been maintained.

The electricity volume delivered to consumers in the first semester of 2018 and in the first semester of 2017 is as follows:

	First semester 2018	First semester of 2017
The amount of electricity delivered to consumers (MWh)	27,957,786	27,402,464

The revenues earned in the first semester of 2018 and in the first semester of 2017 are as follows:

	First semester 2018	First semester of 2017
Transmission revenues	469,986,954	511,376,659
Revenues from allocating the interconnection capacity	29,756,670	38,233,240
Revenues from reactive energy	3,432,176	3,186,638
Revenues from Inter TSO Compensation (ITC)	80,590	604,665
Revenues from Own Technological Consumption (OTC) transactions	1,817,826	605,157
Transmission revenues – total	505,074,216	554,006,359
Functional system service revenues	31,032,625	35,607,835
Revenues from technological system services	342,418,133	318,908,051
Revenues from unplanned shifts on DAM	1,468,489	862,082
Emergency aid revenues	274,306	0
System service revenues – total	375,193,553	355,377,968
Revenues on the balancing market	330,847,124	805,047,971
Other revenues	22,235,189	24,899,801
Total revenues	1,233,350,082	1,739,332,099

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Transmission revenues

Given the rise in the amount of electricity delivered to consumers in the first semester of 2018 compared to the first semester of 2017, namely of 2.03% or 555,322 MWh, the income from the transmission service has registered a decrease in the amount of 41,389,705, determined by the decrease of the average tariffs approved by ANRE (according to the table on the average tariffs approved by ANRE for the analyzed timeframes, presented above).

Functional system service revenues

In the first semester of 2018, the revenues from functional system services registered a decrease compared to the first semester of 2017 with the amount of 4,575,210, determined by the decrease of the average tariff approved by ANRE (according to the table on the average tariffs approved by ANRE for the analyzed periods, presented above).

Revenues from allocating the interconnection capacity

In the first semester of 2018, the income from the interconnection capacity allocation has registered a decrease compared to the first semester of 2017, in the amount of 8,476,570, corresponding to the level of usage of the available interconnection capacity by traders on the electricity market.

The market for interconnection capacity allocation is fluctuating, the prices evolve depending on demand and the need of the participants on the energy market to purchase interconnection capacity.

The mechanism for the allocation of interconnection capacity consists in organizing annual, monthly, daily and intra-daily auctions. The annual, monthly and intra-daily are explicit – only the transmission capacity is bid on, and the daily ones with Hungary are implicit - are allocated simultaneously with the energy and capacity via the coupling mechanism.

The incorporation of the regional energy exchange by Romania, Hungary, the Czech Republic and Slovakia on November 19th, 2014 requires that these four countries have a unique price of electricity traded on the spot markets. The capacity allocation between Romania and Hungary, the only country of the 3 with which Romania has a border, is made by the carriers: Transelectrica and MAVIR, through the common mechanism, based on a bilateral agreement.

Starting with 2016, the UIOSI principle has been implemented at the border with Bulgaria, and starting with 2017 at the border with Serbia as well. According to this principle the participants not using the capacity won at the annual and monthly auctions, are compensated (by Transelectrica) for that capacity. This will subsequently be sold in the daily auctions.

On the Hungarian border the direction is reversed, meaning that MAVIR compensates the participants for the unused capacities. The compensations are set at the marginal price related to the daily auctions or at the market spread price related to the price differences on the Hungarian Day Ahead market (DA) and the Romanian Day Ahead market (DA). For this reason, the congestion income on the HU-RO border was lower.

Using the net incomes from the interconnection capacity allocation is achieved in accordance with Article 22 (4) of the ANRE Order no. 53/2013 and Article 16 (6) of the Regulation (EC) no. 714/2009, as a source of financing for upgrading and development of the interconnection capacity with the neighboring systems.

Revenues from technological system services

Revenues from the technological system services have registered an increase in the first semester of 2018 compared to the first semester of 2017 in the amount of 23,510,082, determined by the 2.03% increase in the quantity of electricity delivered to consumers and by the increase of the average tariff approved by ANRE for these services, starting with January 1st, 2018 (according to the table on the average tariffs approved by ANRE for the analyzed timeframes, presented above).

The income from the technological system services gained in the first semester of 2018 were higher with 33,031,307 compared with the expenditures on the purchase of technological system services that were achieved. The profit was achieved due to favorable market conditions and good governance of the acquisition process by auctioning the necessary power reserves from the electricity producers, embodied in obtaining, on auctions, of average unit prices lower than the unit prices forecasted, which were the basis for calculating the tariff for the technological system services.

This amount is found within the gross profit of the Company, reported on June 30th, 2018.

Revenues on the balancing market

The income from the balancing market have registered a decrease in the first semester of 2018 compared to the first semester of 2017, with the amount of 474,200,847, determined by:

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- the negative imbalances registered at the level of electricity suppliers on the balancing market which were lower in the first semester of 2018 compared to the first semester of 2017, and the significant decrease of the imbalance between the notified net contractual position and the actually delivered electricity, respectively;
- the access to available energy in dispatchable groups has maintained low values in the first semester of 2018 compared to the first semester of 2017;
- the available energy in dispatchable groups has maintained high values in the first semester of 2018 compared to the first semester of 2017, as a result of:
 - ✓ the registration of higher quotas of the Danube flow level;
 - ✓ the functioning under good conditions of the coal, gas and nuclear groups for the most part of the first semester of 2018.
- higher hydraulicity in the first semester of 2018 compared to the first quarter of 2017 (especially in April); the physical notifications generally exceeded the internal consumption at NPS level;
- material decrease in system balancing costs (the result of increase selections and activating the thermal groups).

The balancing market represents a sector with zero profit for the Company.

15. Expenses for operating the system and from the balancing market**The second quarter of 2018 compared with the second quarter of 2017**

The expenses in the second quarter of 2018 and in the second quarter of 2017 are as follows:

	Second quarter 2018	Second quarter of 2017
Expenses on own technological consumption	54,292,136	38,944,630
Expenses on congestions	154,595	1,615
Expenses on electricity consumption in PTG substations	3,419,623	3,120,811
Expenses with functional system services	2,586,314	3,501,400
Expenditures on Inter TSO Compensation (ITC)	2,820,126	6,722,231
Total Operational Expenses	63,272,794	52,290,687
Expenses regarding the technological system services	151,728,247	159,503,097
Expenses on the balancing market	130,386,236	181,884,612
Total	345,387,277	393,678,396

Expenses on Own Technological Consumption

These represent expenses on the purchase of electricity on the free energy market for covering the own technological consumption (OTC) in the PTG and they were higher in the second quarter of 2018 compared to the second quarter of 2017, with the amount of 15,347,506, mainly determined by the increase in the electricity quantity for covering the own technological consumption in the transmission grid and by the increase in the average purchase price of electricity needed to cover the OTC in the PTG.

Expenses on congestions

Congestions (network restrictions) are requests for electricity transmission beyond the technical capacity of the network, requiring corrective actions from the transmission and system operator and occur in the situation in which, in the programming of the operation or the operation in real time, the power flow between two nodes or system areas leads to the non-accomplishment of the safety parameters in the operation of a power system.

In the second quarter of the current year, the expenses on congestions have been registered to amount to 154,595, determined by the compliance with the safety criterion N-1 for the planned outage of the Rosiori-Mukacevo 400 kV interconnection OHL.

Expenses with functional system services

The expenses on the functional system services represent the non-contracted international exchanges of electricity with the neighboring countries and the expenses on unplanned exchanges on the Day-Ahead Market. These expenditures have registered a decrease in the second quarter of 2018 compared to the second quarter of 2017, amounting to 915,086, mainly

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determined by the decrease in the expenditures on the day-ahead market regarding the unplanned electricity exchanges with the neighboring countries connected to the NES.

Expenditures on Inter TSO Compensation (ITC)

ITC expenses, amounting to 2,820,126, represent the monthly payment obligations/rights of collection for each transmission system operator (TSO). They are established within the compensation/settlement mechanism for the effects of using the power transmission grid (PTG) for transits of electricity between TSO operators from 35 countries that acceded to this mechanism of the ENTSO-E. In the second quarter of 2018 these expenses were lower with 3,902,105 compared to same period of the previous year.

Expenses regarding the technological system services

In the second quarter of 2018, the expenditures regarding the technological system services have recorded a decrease compared to the second quarter of 2017, in the amount of 7,774,850, determined by the purchasing prices on the competitive market which were lower compared to the similar period of the previous year.

The technological system services are purchased by the Company from producers in order to comply with the operational security limits of the NPS and of the quality of the electricity transmitted at the parameters required by the technical norms in force.

The contracting of these services is performed:

- in a regulatory manner, based on Government Decisions and Decisions of the National Energy Regulatory Authority (ANRE);
- through competitive mechanisms.

In the second quarter of 2018 the purchase of technological system services was conducted in the regulatory regime according to ANRE decision no. 906/2017 (from SC Hidroelectrica SA) and ANRE decision no. 665/2018 (from SC Hunedoara SA).

CNTEE Transelectrica SA re-invoices the value of the technological system services purchased from producers, to the electricity suppliers licensed by ANRE, entities who ultimately benefit from these services.

Expenses on the balancing market

The expenditures on the balancing market result from the notifications / achievements of the participants on this market, and are fully covered by the income from the balancing market. In the second quarter of 2018, these amounted 130,386,236.

The first semester of 2018 compared with the first semester of 2017

The expenses in the first semester of 2018 compared with the ones in the first semester of 2017 are as follows:

	First semester of 2018	First semester of 2017
Expenses on own technological consumption	121,522,874	100,983,892
Expenses on congestions	5,389,177	41,360
Expenses on electricity consumption in PTG substations	8,986,533	7,389,595
Expenses with functional system services	5,797,413	8,642,749
Expenditures on Inter TSO Compensation (ITC)	8,220,126	12,025,231
Total Operational Expenses	149,916,123	129,082,827
Expenses regarding the technological system services	309,386,826	319,024,315
Expenses on the balancing market	330,847,124	805,047,971
Total	790,150,073	1,253,155,113

Expenses on Own Technological Consumption

Technological consumption expenses (OTC) are represented by electricity procurement costs as necessary to maintain installations under voltage and provide electricity transmission through the interconnected electricity grid.

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These were higher in the first semester of 2018 compared to the first semester of 2017, with the amount of 20,538,982, mainly determined by the increase in the electricity quantity for covering the own technological consumption in the transmission grid.

Expenses on congestions

Congestions (network restrictions) are requests for electricity transmission beyond the technical capacity of the network, requiring corrective actions from the transmission and system operator and occur in the situation in which, in the programming of the operation or the operation in real time, the power flow between two nodes or system areas leads to the non-accomplishment of the safety parameters in the operation of a power system.

In the first semester of 2018, the expenses on congestions have been registered to amount to 5,389,177.

Bad weather conditions (blizzard, frost) registered in the month of February 2018 in Dobrogea generated a failure on the Constanta Nord – Tariverde 400 kV OHL. The line failure was caused by breaking the double insulators chain on the R phase at pole no. 7 and the fall of the active conductor.

Under these circumstances, in order to observe the N-1 safety criterion during the accidental outage of the Constanta Nord – Tariverde 400 kV OHL, the Company lowered the DWPP production in the Dobrogea area, section 6 and the Tulcea – Tariverde area, at values under the notified power. The total energy quantity reduced on the congestion until recommissioning the line amounted to 19,766 MWh, with the congestion cost incurred to CNTEE Transelectrica SA amounting to 5,234,582.

In April 2018, the expenses on congestions have been registered to amount to 154,595, determined by the compliance with the safety criterion N-1 for the planned outage of the Rosiori-Mukacevo 400 kV interconnection OHL.

Expenses on electricity consumption in PTG substations

These expenses registered an increase of 1,596,938 in the first semester of 2018 compared to the first semester of 2017, determined by the increase in the purchasing prices for electricity.

Expenses with functional system services

These expenditures have registered a decrease in the first semester of 2018 compared to the first semester of 2017, amounting to 2,845,336, mainly determined by the decrease in the expenditures on the day-ahead market regarding the unplanned electricity exchanges with the neighboring countries connected to the NES.

Expenditures on Inter TSO Compensation (ITC)

The monthly payment/collection obligations for each transmission system operator (TSO) are set forth within the clearing (settlement) mechanism for the effects of using the PTG for electricity transfers between the OTS from the 35 countries that acceded to this mechanism within the ENTSO-E. In the first semester of the current year, these expenses have been 3,805,105 lower compared to the first semester of 2017.

Expenses regarding the technological system services

The expenditures regarding the technological system services have recorded a decrease in the first semester in the amount of 9,637,489, determined by the purchasing prices on the competitive market which were lower compared to the similar period of the previous year.

In the reported period, the Company purchased technological system services under regulated regime pursuant to the ANRE decisions and the applicable legal regulations.

In the first semester of 2018 the purchase of technological system services was conducted in the regulatory regime according to ANRE decision no. 906/2017 (from SC Hidroelectrica SA) and ANRE decision no. 655/2018 (from SC Hunedoara SA), as well as pursuant to GD no. 760/11.10.2017, approving the "Winter Program in the Energy Sector for Assuring the safety and stability of the NES".

CNTEE Transelectrica SA re-invoices the value of the technological system services purchased from producers, to the electricity suppliers licensed by ANRE, entities who ultimately benefit from these services.

Expenses on the balancing market

The expenses for the first semester of the current year related to the balancing market amounted to 330,847,124 following the evolution presented in the chapter *Revenues on the balancing market*.

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These expenses result from the notifications/achievements of the participants on this market, and are fully covered by the income from the balancing market.

16. Expenses on staff

	Second quarter of 2018	Second quarter of 2017
Expenses on staff wages	39,454,028	31,432,917
Social expenses	1,500,128	2,115,526
Expenses with employee vouchers	1,489,614	2,890,096
Expenses regarding employees' shareholding to the profit of the previous year	0	6,423,004
Expenses of the mandate contract and other committees, commissions	553,154	452,635
Expenses for social security and protection	2,227,065	10,756,283
Provisions constituted for expenses with wages and similar expenses	(2,781)	(7,908,656)
Other expenses	294,741	255,807
Total	45,515,949	46,417,612
	First semester of 2018	First semester of 2017
Expenses on staff wages	77,569,102	62,745,588
Social expenses	2,175,876	2,344,158
Expenses with employee vouchers	3,169,371	3,988,057
Expenses regarding employees' shareholding to the profit of the previous year	0	6,423,004
Expenses of the mandate contract and other committees, commissions	1,092,850	839,280
Expenses for social security and protection	4,354,059	19,037,163
Provisions constituted for expenses with wages and similar expenses	(6,792)	(7,959,620)
Other expenses	488,750	423,717
Total	88,843,216	87,841,347

The staff expenses incurred in the first semester of 2018 register an increase compared to the first semester of 2017, mainly determined by the tax measures provided in GEO no. 79/2017 amending and supplementing Law no. 227/2015 on the Fiscal Code.

17. Other Operating Expenses

	Second quarter of 2018	Second quarter of 2017
Other expenses on third party services	13,368,950	12,358,512
Postal expenses and telecommunication fees	209,623	288,827
Expenses on rents	2,122,794	2,075,187
Net (Revenues)/operating expenses related to the impairment of current assets	(2,369,224)	11,807,838
Other expenses	10,657,641	10,487,611
Total	23,989,784	37,017,975
	First semester of 2018	First semester of 2017
Other expenses on third party services	24,686,526	23,873,315
Postal expenses and telecommunication fees	462,907	561,571
Expenses on rents	4,272,422	4,162,694
Net (Revenues)/operating expenses related to the impairment of current assets	(2,172,583)	27,553,521
Other expenses	22,055,973	20,043,183
Total	49,305,245	76,194,284

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Such expenses decreased in the period reported in the current year, compared to the similar period in 2017, mainly determined by the decrease of the (net) operating expenses related to the impairment of current assets. Thus, in the first semester of 2018, receivable impairment adjustments were registered for uncertain customers or clients in the insolvency, mainly for: Eva Energy, Cet Govora SA, Arcelormittal Galati SA, and in the first semester of 2017, receivable impairment adjustments were registered for uncertain customers or clients in the insolvency, mainly for Arelco Power SRL, Elsaco Energy SRL, Fidelis Energy SRL, Cet Govora SA, Transenergo Com SA etc.

18. Net financial result

	Second quarter of 2018	Second quarter of 2017
Interest revenues	2,307,664	1,465,122
Revenues from exchange rate differences	914,208	3,970,290
Other financial revenues	1,291,920	8,449
Total financial revenue	4,513,792	5,443,861
Expenses on Interest	(4,960,711)	(5,477,635)
Expenses from exchange rate differences	(1,075,364)	(3,670,792)
Total financial expenses	(6,036,075)	(9,148,427)
Net financial result	(1,522,283)	(3,704,566)

	First semester of 2018	First semester of 2017
Interest revenues	3,547,207	2,975,715
Revenues from exchange rate differences	2,245,109	9,069,649
Other financial revenues	1,311,635	22,364
Total financial revenue	7,103,951	12,067,728
Expenses on Interest	(10,094,117)	(11,041,753)
Expenses from exchange rate differences	(2,207,771)	(9,395,230)
Total financial expenses	(12,301,888)	(20,436,983)
Net financial result	(5,197,937)	(8,369,255)

On June 30th, 2018 the Company recorded a net financial loss amounting to 5,197,937, with 3,171,318 lower than the one registered in the similar period of 2017. This was mainly a result of the interest rate net expenses registered in the first semester of 2018, which were with 1,519,128 lower than the first six months of 2017, as well as a result of the amounts collected as dividends from the Teletrans and Opcom subsidiaries, amounting to 1,275,413 (in the "Other financial revenues" section), while in 2017 these were collected during the second semester.

The exchange rates of the national currency recorded on June 30th, 2018 compared to the one recorded on June 30th, 2017 are presented as follows:

Currency	30.06.2018	30.06.2017
Lei / Euros	4.6611	4.5539
Lei / US Dollars	4.0033	3.9915

19. Litigations, commitments and contingencies**i) Litigations**

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

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

- Pending with the Mehedinti Court – Section II Civil, Administrative and Fiscal Litigation Section, the file no. 3616/101/2014 was recorded, involving the "claims in the amount of 1,090,831.70, counter value of invoice no.

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1300215/31.12.2013", a file in which the Company is the defendant, the plaintiff being the Autonomous Authority for Nuclear Activities – RAAN.

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

The amount requested for payment represents penalties calculated by RAAN for the bonus due from the support scheme and withheld from payment by the Company, in its capacity as Administrator of the support scheme, who enforced the provisions of Article 17 (5) of ANRE's Order no. 116 / 2013 (see Note 9). The amount was enforced by RAAN on July 15th, 2016, as per the Decision issued by the Bankruptcy Receiver Office Ailiese si Guta in the enforcement file no. 12105/2016.

By civil decision no. 843/2015, the Craiova Court of Appeal rejected the appeal filed by CNTEE Transelectrica SA against civil sentence no. 127/10.10.2014, as lacking interest.

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

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

By decision no. 124/2017, the Court of Appeal Craiova admitted the appeal declared by Transelectrica and remanded sentence no. 127/2014 pronounced by the Mehedinti Court, and the case was remanded for retrial to the Bucharest Court – Section VI Civil. On the docket of the Bucharest Court, the case was registered under no. 40444/3/2017 who, via civil sentence no. 4406/04.12.2017, admitted the request lodged by RAAN and ordered Transelectrica to pay the amount of 1,090,831.70 lei. The decision is under appeal.

In the period 2014 - 2015, the Company has retained the due support scheme bonus from payment to RAAN, pursuant to the provisions of the ANRE regulations, namely the Article 17 (5) of ANRE Chairman's Order no. 116/2013.

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

- Pending with the Mehedinti Court - Section II Civil, Administrative and Fiscal Litigation Section, the file no. 1284/101/2015 was recorded, involving the "claims in the amount of 11,637,440", a file in which the Company is the defendant, the plaintiff being the Autonomous Authority for Nuclear Activities - RAAN.

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

On May 22th, 2015, the Mehedinti Court - Section II Civil, Administrative and Fiscal Litigation Section, ruled the sentence no. 41/2015, by which it ordered the following: 'Admits the exception for lacking territorial jurisdiction. Declines jurisdiction in favor of Bucharest Court, Section VI Civil. With no means of appeal.' The file was registered to the Bucharest Court - Section VI Civil, under no. 24206/3/2015.

The applicant RAAN filed a request to amend the amount of the alleged right, seeking the increased amount of 17,805,680 from Transelectrica SA.

On November 3rd, 2015, the Bucharest Court, Section VI Civil delivered the sentence no. 6075/2015, by which it ordered the following: 'Upholds the application in the way it was completed. Orders the defendant to pay the plaintiff the amount of 17,805,680, representing the equivalent value of the bonus and penalties. Dismisses the application for granting legal

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expenses, lodged by the plaintiff, as ill-founded. With appeal within 30 days from communication. The appeal is lodged at the Bucharest Court - Section VI Civil."

The ruling was communicated on July 4th, 2016, according to the registration entry stamp of the correspondence with Transelectrica SA. An appeal was lodged against the sentence. By Hearing protocol from January 12th, 2017, pronounced in the file no. 24206/3/2015, the Court of Appeal Bucharest ordered the postponement of the hearing of the appeal until the final settlement of the file no. 9089/101/2013/a152 on the docket of the Mehedinti Court, on the grounds of Article 413 (1) of the New Civil Procedure Code. With appeal throughout the suspension.

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

- Pending with the Bucharest Court – Section VI Civil the file no. 26024/3/2015 was recorded, involving the "claims", a file in which the Company is the defendant, the plaintiff being the Autonomous Authority for Nuclear Activities – RAAN. By application for summons filed by the plaintiff, they asked Transelectrica SA to pay the amount of 10,274,679.

The court reserved judgement on June 13th, 2016, postponing the ruling until June 27th, 2016 when, by hearing protocol, it ordered the redocking of the case in order to discuss the administration of additional evidence to establish mutual debts and compensation invoked by the defendant, to date, setting the next hearing on November 28th, 2016.

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

The Court of Bucharest decided the suspension of the judgement of the case, considering that its settlement depends on the decision to be ruled in file no. 3014/2/2014 on the docket of the High Court of Cassation and Justice, involving appeal - annulment of the Decision of the ANRE Chairman no. 743/2014.

- Pending with the Bucharest Court – Section VI Civil the file no. 3694/3/2016 was recorded, involving the "claims", a file in which the Company is the defendant, the plaintiff being the Autonomous Authority for Nuclear Activities – RAAN. By application for summons filed by the plaintiff, they asked Transelectrica SA to pay the amount of 15,698,722.

On the grounds of Article 413 (1) (1) of the Civil Procedure Code, on October 20th, 2016, the Bucharest Court ordered the suspension of judgement until the final settlement of the file no. 3014/2/2014 on the docket of the High Court of Cassation and Justice, involving appeal – annulment of the Decision of the ANRE Chairman no. 743/2014. With appeal throughout the suspension.

- Pending with the Mehedinti Court – Section II Civil, Administrative and Fiscal Litigation Section, the file no. 9089/101/2013/a140 was recorded, involving the "claims in the amount of 86,513,431", a file in which the Company is the defendant, the plaintiff being the Autonomous Authority for Nuclear Activities – RAAN. By application for summons filed by the plaintiff, they asked Transelectrica SA to pay the amount of 86,513,431 lei.

On May 19th, 2018, the Mehedinti Court - Section II Civil, Administrative and Fiscal Litigation Section, pronounced a hearing protocol 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 today, May 19th, 2016, in open court."

- We also mention the fact that, by the protocol dated on 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 on 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.

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

By the hearing protocol of June 30th, 2016, 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 debtors, when the legal provisions on compensation in legal proceedings are completed on the date of commencement of the procedure. Transelectrica SA has been registered in the table of debtor RAAN with the amount of 11,264,777 lei under the category of receivables resulting from the continuation of the debtor's activity, the amount requested by our company being equal to 89,360,986 lei, our amount of 78,096,208.76 lei not being registered in the preliminary table because "this is not listed as owed in RAAN's accounting records." Moreover, the liquidator considered that the request regarding the registration in the table of the amount equal to 78,096,209 lei is tardily filed, being related to the timeframe 2011 – 2013, reason for which the receivable declaration should have been filed at the moment of commencement of the insolvency proceedings, namely on September 18th, 2013. Objection was filed against the Table. The Mehedinti Court approved the evidence with the audit expertise. The parties lodged objections against the audit expertise report, which were admitted by the court who set the hearing on February 22nd, 2018. At the appeal hearing from February 22nd, 2018, the hearing was set for the continuation of the proceedings: 11.10.2018.

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

At the 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.

The following solution was ruled on June 13th, 2018:

Solution type: Partly admits the request.

Solution in brief: Partly admits the plaintiff's action. Partly cancels protocol no. 7/20.02.2014, decision no. 37/9.12.2013 and control report no. 35521/6.11.2012 issued by the defendant regarding the measures imposed via the aforementioned decision at points 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 in part the measure from point II.13, namely by removing the phrase "including the contested items related to the invoices issued by SC FLOREA ADMINSTRARE IMOBILIARĂ SRL". For the remainder, the court rejects the request of the plaintiff as groundless. Approves the electricity technical expertise report drafted by Toaxen Vasile as expert. Orders the defendant to pay the plaintiff the amount of 121,375 lei as legal expenses (partially the expert fees and stamp duty). With appeal within 15 days from communication. The appeal shall be lodged before the Bucharest Court of Appeal – Section VIII, Administrative and Fiscal Litigation Section. Ruled in open court this 13th day of June, 2018.

Document: Decision 2771/2018 from June 13th, 2018.

- 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 before the Court of Appeal Bucharest, subject of the file no. 4921/2/2014, requesting either the amendment of the aforementioned Order, or the issuance of a new order, which should recalculate the RRR value at the level of 9.87% (recalculated with a (β) coefficient of 1.0359, according to the internal analyses conducted by Transelectrica) or, should this request be rejected, using the same percentage of 8.52% set by ANRE for the year of 2013 and for the first semester of 2014.

On June 26th, 2014, the ANRE Order no. 51 was issued, published in the Official Journal under no. 474/June 27th, 2014 on 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.

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The values taken into consideration for calculating the Regulated Rate on Return (RRR¹) by ANRE, according to the Methodology on establishing the tariffs for the electricity transmission service, approved by ANRE Order no. 53/2013 ("the Methodology") have determined an 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 0.432 shall determine the financial damage of the company by decreasing the rentability with an estimated value of 138.4 mil. lei³, 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 technical evidence discussion – electro-energetic specialization, after administering the evidence with the audit expertise - specialization financial investments and other entities of movable goods.

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

- 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 the subsidiary SC OPCOM SA shareholders, at the meeting from June 10th, 2014, decided upon full payment of the fine amounting to 1,031,000 euro imposed by the Directorate General for Competition – European Commission for breaching of Article 102 of the Treaty on the Functioning of the European Union, according to the Decision 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 euro (2,585,162 lei at the National Bank of Romania exchange rate from November 24th, 2014), representing the amount paid by her as fine, from the total of the fine amounting to 1,031,000 euro.

Also, the subsidiary SC OPCOM SA requested the court to order the Company to pay the amount of 84,867.67 lei as lawful interest related to the period between June 11th, 2014 - November 24th, 2014, plus legal expenses amounting to 37,828. The action filed by the subsidiary SC OPCOM SA is subject of the file no. 40814 / 3 / 2014 on the docket of the Bucharest Court, Section VI Civil, involving claims, litigation with professionals matter. CNTEE Transelectrica SA has lodged counterclaim against the application for summons in this case, invoking exceptions and defenses on the main issue of the matter regarding the unfounded and unlawful character 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 euro, calculated on June 11th, 2014 and up until de day of the actual payment. Orders the defendant to pay the plaintiff the amount of 37,828 lei, as legal expenses. With right of appeal within 30 days from notification. The request for appeal shall be lodged before the Bucharest Court – Section VI Civil."

Against sentence no. 4275/2015, pronounced in the aforementioned file, Transelectrica SA filed an appeal, which was registered on the docket of the Court of Appeal Bucharest. 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, 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.

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

² The value that caused the decrease of the RRR to 7.7%

³ Value calculated compared to the RRR of 8.52%

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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 today, December 5th, 2017.

At the hearing from March 13th, 2018, the court granted 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. Invalidates the contested decision and refers the case to the court of appeal. Final.

In 2014, the company recorded a provision amounting to 2,670,029 for the litigation with the subsidiary SC OPCOM SA.

- In 2013, Conaid Company SRL took legal actions against CNTEE Transelectrica SA 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 17,419,508 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 docket of the High Court, involving the obligation of issuing of an administrative document, the procedural stage – second appeal, the 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 case trial was postponed for the date of 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 Transelectrica S.A. Admits the second appeal filed by the defendant National Power Grid Company 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 today, November 23rd, 2017.

- Following a verification conducted in 2017, the Court of Auditors issued several measures to be implemented by the Company as a result of a series of deficits identified within this verification. CNTEE Transelectrica SA filed a total of 8 objections against the measures ruled by the Romanian Court of Auditors (CCR) via Decision no. 8/27.06.2017 requesting the annulment thereof, as well as the Decision 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. The objections are currently pending with the Bucharest Court of Appeal and the High Court of Cassation and Justice.

- Case file no. 47332/3/2017 on the docket of the Bucharest Court - Section VI Civil, by which the company FF Wind Energy International 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 32,777,167.35 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 International 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. Hearing: 06.09.2018.

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• The general tax inspection took place at Transelectrica SA's headquarters, which regarded the period between December 2005 and December 2010. The general tax inspection commenced on December 14th, 2011 and ended on June 26th, 2017, the date of the final discussion with Transelectrica SA.

ANAF – DGAMC set forth additional tax payment liabilities to the Company, respectively corporation tax and VAT, as well as ancillary tax liabilities (interest/late interest and late payment interest) related to the technological system services (TSS) invoiced by the electricity suppliers, considered not deductible following the tax inspection.

On the grounds of the Notice of assessment no. F-MC 439/30.06.2017 amounting to a total of 99,013,399 lei, ANAF – DGAMC set forth additional tax payment liabilities to the Company amounting to 35,105,092 lei, as well as ancillary tax liabilities (interest/late interest and late payment interest) amounting to 63,908,307 lei.

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

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

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

At the hearing from April 30th, 2014, the court of first instance - Bucharest Court of Appeal, Section VIII Administrative and Fiscal Litigation (Decision no. 1356/2014) in case no. 6657/2/2012 rejected "the application of the defendant CNTEE Transelectrica SA is rejected (Complaint against the Fiscal administrative document issued by ANAF)". On March 1st, 2017, through decision no. 779, the High Court of Cassation and Justice ordered the following: "rejects the exception of inadmissibility of the appeal for annulment filed by the contesting party Transelectrica SA, advanced via counterstatement by appellee General Directorate for Large Taxpayers Management. Rejects the appeal for annulment filed by the contesting party Transelectrica SA against Civil Decision no. 1945 from June 16th, 2016 of the High Court of Cassation and Justice - Administrative and Fiscal Litigation Section, ruled in file no. 6657/2/2012, as ill-founded. Irrevocable."

- Corporation tax amounting to 4,795,483 and collected VAT amounting to 5,694,636 plus accessories, owed for a number of 349 unused invoices identified as missing (they were destroyed in the fire that broke out the night of June 26th - 27th, 2009, at the business office from Millennium Business Center from 2 - 4 Armand Calinescu Street, District 2, where the company carried out its activity), documents under special regime;
- Corporation tax amounting to 4,320,277 and collected VAT amounting to 5,130,329 plus accessories, related to the expenses on technological system services invoiced by the generators in the time interval between January 1st, 2007 and December 31st, 2010 and according to which the Company issued penalty invoices calculated by applying a percentage of 200% on the unit price without VAT, multiplied by the quantity of services not carried out. According to the findings of the tax inspection team, based on the issued penalty invoices non-deductible expenses have been set forth for the technological system services not performed / not carried out, which generates additional corporation tax to be paid, as well as additional VAT to be paid, corresponding to the technological system services not performed / not carried out, invoiced by the electricity suppliers.

Within the legal deadline, the Company appealed the Note of assessment no. F-MC 439/June 30th, 2017, according to GD no. 92/2003 on the Fiscal Procedure Code. ANAF issued enforcement order no. 13540/22.08.2017; the additional payment obligations according to Notice of assessment no. F-MC 439/30.06.2017 were enforced based on this order.

The Company requested the annulment of the enforcement order no. 13540/22.08.2017 before the Court of Appeal – casefile no. 7141/2/2017. Solution in brief: Admits the lack of jurisdiction related to subject matter of the Court of Appeal Bucharest – Administrative and Fiscal Litigation Section. Declines the jurisdiction related to subject matter for this case in favor of Bucharest 1st District Court. With no means of appeal. Ruled in open court today, February 8th, 2018.

Document: Decision no. 478/2018 from February 8th, 2018.

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

Solution in brief: Admits the suspension request filed by the contesting party. On the grounds of Article 413 (1) (1) of the Civil Procedure Code, judgement is suspended until the final settlement of casefile no. 1802/2/2018, pending with the Court of Appeal Bucharest, Section VIII Administrative and Fiscal Litigation. With appeal throughout the suspension. The notice of appeal must be filed with the Bucharest 1st District Court. Delivered in open court. Document: Hearing protocol – Suspension 17.04.2018.

Pending with the Court of Appeal is the casefile no. 1802/2/2018 through which the Company contested the fiscal administrative document - Decision no. f-mc 439/30.06.2017. Hearing: 23.10.2018.

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

The company is also 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 Autonoma de Activitati Nucleare, Romenergy Industry SRL, Energy Holding SRL, UGM Energy Trading SRL, CET Iasi, CET Bacau, CET Braila, CET Govora, CET Brasov, Elsaco Energy SRL, Elsaco Esco, Arelco Power SRL, Arelco Energy SRL, Inversolar Energy SA, Opcom, etc.). The company recorded adjustments for value losses for the customers and other receivables in litigation and for the customers in bankruptcy. At the same time, the Company is also involved in litigations against former Directorate and Board of Supervisors members, regarding the mandate agreements concluded between the Company and themselves.

The management of the Company considers it is likely that there will be no cases in which an outflow of resources will be required for settling the pending litigation. In addition, there are no other pending litigations which, either by their nature or by their value would deem necessary the presentation of some contingent assets or liabilities significant for the activity of the Company.

ii) Commitments

As of June 30th, 2018, and December 31st, 2017, the Company had commitments amounting to 810,383,970 and 1,121,769,861 mainly representing ongoing contracts related to the investment program for the modernization and upgrading of the transmission grid.

iii) Contingencies

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

The Ministry of Public Finances – Directorate General for Economic and Financial Inspection – inspection measure started on September 15th, 2017 and suspended at the same date via Notification no. 243104/29.11.2017. The inspection measure was resumed on June 18th, 2018 (as per Notification no. 261403/12.06.2018) and suspended via Notification no. 261775/17.07.2018. The verification objectives for the period 2012 – 2016 are the following:

- substantiating and execution of the statement of expenditure and revenue;
- observing the budgetary, economic, financial and accounting discipline;
- observing the legal provisions related to the State's public and private goods and the administrative and territorial units, held under any form;
- observing the provisions of GO no. 64/2001 on the allocation of profit of national companies, national undertakings and commercial companies fully or majority State-owned, as well as autonomous companies, as subsequently amended and supplemented;
- the way of using the constituted reserves;
- the way of organizing and exercising the mandatory internal/managerial control instruments;
- the way of substantiating and justifying the amounts granted from the general consolidated budget.

• The Ministry of Economy – Direction for Minister Control Body – the control commenced on January 18th, 2018 – the objectives of the measure are: verifying the observance of 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, verifying the way in which the transportation expenses are made, analysis of the way in which orders, instructions and other requirements of the Ministry of Economy in the specific field of activity are performed, 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.

• As of June 30th, 2018, Teletrans S.A., the Company's subsidiary, was subject to a control measure started on May 29th, 2015, carried out by the Directorate General for Economic and Financial Inspection of the Ministry of Public Finances; the periods subject to verification is January 1st, 2010 – December 31st, 2014 as per administrative order no. 82/27.05.2015 and January 1st, 2015 – present date, as per administrative order no. 38/31.05.2017. The objectives of the economic and financial inspection measure are:

- substantiating and execution of the statement of expenditure and revenue;
- observing the budgetary, economic, financial and accounting discipline;

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- observing the legal provisions related to the State's public and private goods and the administrative and territorial units;
- the way of organizing and exercising the mandatory internal/managerial control instruments;
- observing the provisions of GO no. 26/2013 on the consolidation of the financial discipline of economic agents where the State or the administrative and territorial units are sole or majority shareholders or they hold, directly or indirectly, a majority participation, in the period 2015 – present date.

As of June 30th, 2018, Teletrans S.A., the Company's subsidiary, was subject to a control measure carried out by the Directorate General for Economic and Financial Inspection of the Ministry of Public Finances for the period 2010 – 2014 which was completed in 2018. The draft economic and financial inspection report issued on February 21st, 2018 claims the effect of prejudicing the state budget with the total amount of 88,778,158 lei, representing amounts collected but not paid to the state budget in the period 2006 – 2016, due to leasing the goods belonging to the State's public domain (infrastructure capacities and elements from the public telecommunications network) while not observing by the Company's and Teletrans S.A.'s employees of the provisions of Art. 14, Art. 15 and Art. 16 of Law no. 213/1998 on public patrimony.

Via Notification no. 13443 of March 26th, 2018, Teletrans informed Transelectrica of the following:

- between February 21st, 2018 and March 10th, 2018 took place several meetings between Teletrans representatives and the representatives of the control team within the Ministry. Following these meetings, it was established that the basis for calculation used in the draft report was false as it took into consideration strictly the registered revenues, without considering the expenses incurred (the total depreciation of the network equipment purchased, the human resource and the total indirect expenses related to this activity) and without truly considering the commercial and legal relations between Transelectrica and Teletrans.
- as a result, the control team and the management of the Directorate General for Economic and Financial Inspection of the Ministry of Public Finances granted Teletrans a new deadline for filing the revised report and additional explanations for the controlled time period, delaying the initial deadline of February 27th, 2018 to March 30th, 2018.

Regarding the legality of the operation of excess optic fiber – in the argument of the legal nature of the contractual relationship the legal opinion issued by Bostina&Asociatii was considered. According to this opinion, the previous contract no. C45/2006 was qualified as a mandate contract without representation for the "conclusion by SC TELETRANS SA in their own name but in the account of the public telecommunications network of Transelectrica of contracts aiming to market its infrastructure capacity and elements". The qualification granted to the legal document allowed the conclusion of Convention no. C111/2014 while maintaining the nature of the legal relations between the parties.

The Company has not finished the required analysis with regards to the possible effect over the interim financial statements for the period ended on June 30th, 2018, of the economic and financial inspection report, issued on February 21st, 2018, until the date of the approval of the interim financial statements for the period ended on March 31st, 2018.

There are currently litigations pending with the Court of Auditors pertaining to the control measures carried out in 2013 and 2017. Considering the findings of the Court of Auditors stated in the Decisions from 2013 and 2017, there is a possibility that future additional fiscal obligations shall arise; at this moment these obligations cannot be accurately determined in conformity with the IAS 37 Standard – Provisions, contingent liabilities and contingent assets.

Thus, considering all of the above, as of June 30th, 2018 the Company did not have the necessary information to make a pertinent analysis with regards to determining the effect over the interim financial statements for the period ended on June 30th, 2018, of the conclusion of the draft report.

20. Affiliated Parties

i) Transactions with the Company's subsidiaries

Affiliate	Country of origin	June 30 th , 2018 % of shares	December 31 st , 2017 % of shares
SMART SA *)	Romania	70	70
TELETRANS SA	Romania	100	100
ICEMENERG SA **)	Romania	-	-
OPCOM SA ****)	Romania	97.84	100
FORMENERG SA	Romania	100	100
ICEMENERG SERVICE SA ***)	Romania	100	100

*) On the docket of the courts there was a litigation - file no. 32675/3/2015 - involving the annulment of Resolution of the

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Designated Person No. 154954/December 30th, 2014, pronounced in file no. 449314/December 23rd, 2014, under which the Trade Register attached to the Bucharest Court has registered the share capital increase of the subsidiary SC Smart SA with contribution in kind and amended the Articles of Association according to Decision no. 12375/December 22nd, 2014 of the Chairman of the Board of Directors of the subsidiary and according to Board Decision no. 19/December 22nd, 2014. The Company also requested the competent court for the annulment of the two aforementioned decisions and the suspension of the enforcement of deeds whose annulment is requested, until the resolution of the promoted action.

In the file no. 32675/3/2015, the Bucharest Court – Section VI Civil pronounced the civil sentence no. 6468/November 16th, 2015, through which it ordered the following: "Admits the exception of inadmissibility. Dismisses the application for summons filed by the plaintiff Transelectrica against the defendants: the subsidiary Company for electricity transmission grid maintenance services SMART SA, the Romanian State and ONRC, as inadmissible. With right of appeal within 30 days from notification. The appeal is lodged with the Bucharest Court Section VI Civil. Pronounced in open court today, November 16th, 2015". CNTEE Transelectrica SA lodged an appeal, which was registered on the docket of the Court of Appeal, the case being settled at the hearing from May 23rd, 2016, when the Court of Appeal Bucharest ruled the civil decision no. 903/23.05.2016, by which it ordered the following: "Rejects the appeal as ill-founded. Admits the notification of the Constitutional Court. Pursuant to Article 29 (4) of Law no. 47/1992, notifies the Constitutional Court to resolve the exception of unconstitutionality of Article 114 (3) of Law no. 31/1990 in relation to the provisions of Article 16, Article 21 and Article 44 of the Constitution, exception invoked by the appellant. Final."

**) On April 7th, 2014 it was accepted by the National Trade Register, the file registration number 121452/April 3rd, 2014 involving the deregistration of the Subsidiary Institute for Energy Research and Modernization – ICEMENERG SA Bucharest. Through the order no. 123/March 13th, 2014 (act of registration and authorization of functioning), was registered at the Trade Register the 'National Institute of Research and Development for Energy Bucharest' (GD no. 925/2010). The company filed a complaint against the resolution of ORC director ordering the registration in the trade register of the deregistration of the Subsidiary ICEMENERG SA Bucharest.

Bucharest Court, Civil Section VI, through the sentence no. 3569/July 14th, 2014 pronounced in the file no. 15483/3/2014, in which the company was found in contradiction with the defendants the Subsidiary Institute for Energy Research and Modernization "Icemenerg" S.A. Bucharest and the National Institute of Research and Development for Energy-Icemenerg Bucharest rejected the complaint of the Company, motivated by the fact that GD no. 925/2010 was not abolished until the deregistration at ORC (Trade Register Office). The Court of Appeal has notified on February 24th, 2015 the solution pronounced in the file no. 15483/3/2014 and namely Decision no. 173/2015, which dismissed the appeal of CNTEE Transelectrica SA as ill-founded, the decision being final.

Against the Decision no. 173/2015, pronounced by Bucharest Court of Appeal, Transelectrica SA filed an appeal for annulment, which makes the object of the file no. 1088/2/2015 before the Court of Appeal - Section VI Civil, with hearings on May 13th, 2015. On May 13th, 2015, by Decision no. 777/2015, the Court of Appeal Bucharest dismissed the appeal for annulment as ill-founded, the decision being final.

At the meetings from March 28th, 2016 and August 30th, 2016, the Extraordinary General Assembly did not approve the decrease of the share capital of CNTEE Transelectrica SA with the amount of 1,084,610 lei, representing the share capital subscribed and paid of the ICEMENERG SA Bucuresti subsidiary, by decreasing the participation of the Romanian State in the share capital of CNTEE Transelectrica SA, for enforcing the provisions of GD no. 925/2010. In 2015, the Company registered an impairment amounting to 1,083,450 for the shares held by the Institute for Energy Research and Upgrades – ICEMENERG SA Bucharest subsidiary, which was removed from the register.

***) On June 9th, 2017, the Bucharest Court – Section VI Civil pronounced the entering into bankruptcy under the simplified procedure of the debtor subsidiary ICEMENERG SERVICE – SA, and appointed Solvendi SPRL as temporary liquidator.

In 2016, the Company registered an impairment amounting to 493,000 for the shares held by the SC ICEMENERG SERVICE SA subsidiary.

****)

- In 2016, the share capital of SC OPCOM SA was increased by 22,587,300, by in-kind contribution of shareholder CNTEE Transelectrica SA.

The in-kind contribution consists of intangible assets, namely "OPCOM Electricity Trade Exchange" and "OPCOM Electricity Regional Exchange", self-funded by the Company and from IBRD funds, valued as per Valuation Report no. 786/15.03.2016 issued by JPA Audit & Consultanta SRL. The amendment of the articles of incorporation of SC OPCOM SA, based on the Decision no. 6/15.06.2016 of the Extraordinary General Assembly of Shareholders, was registered at the Trade Registry Office according to the Certificate for Registration of Specifications of 11.07.2016. In the financial statements of SC OPCOM SA, the share capital of was increased by the in-kind contribution of shareholder CNTEE

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Transelectrica SA, the increase being registered as subscribed and not fully paid up share capital.

• On February 13th, 2018, the Extraordinary General Assembly of the SC OPCOM SA subsidiary approved the share capital increase of Operatorul Pieteii de Energie Electrica si de Gaze Naturale OPCOM SA ("OPCOM SA") by the amount of 678,790 lei, via in-kind contribution represented by the value of the land plot for which the company obtained the Certificate authenticating the ownership rights for land plots series M03 no. 12899/27.02.2014, issued by the Ministry of Economy. The in-kind contribution was assessed by an expert designated by the National Trade Registry Office. In exchange for the in-kind contribution to the share capital, the company issued for the new shareholder – the Romanian State via the Ministry of Economy, who exercises the duties of an involved party as of the date of the AGEA decision – a number of 67,879 new nominative shares with a nominal value of 10 lei each. On March 20th, 2018, the National Trade Registry Office attached to the Bucharest Court settled the application to register the share capital increase of OPCOM SA and, consequently, as of March 31st, 2018, the share capital of OPCOM SA amounts to 31,366,090 lei, representing a number of 3,136,609 nominative shares with a value of 10 lei per share and a shareholding quota in gains and loss of 97.84%.

The total value of the shares held by the Company in its subsidiaries amounted to 78,038,750 on June 30th, 2018, 2017 and to 78,038,750 on December 31st, 2017.

The adoption by the UE of the IFRS 9 "Financial Instruments" applicable for annual periods starting with or after January 1st, 2018, does not have a significant impact on the financial statements of the Company during the initial period of application.

Balances with subsidiaries owned by the Company are presented as follows:

AFFILIATE ENTITY	Trade receivables*)		Trade payables	
	June 30 th , 2018	December 31 st , 2017 as per AGE Decision no. 6 of 30.04.2018	June 30 th , 2018	December 31 st , 2017 as per AGE Decision no. 6 of 30.04.2018
SC SMART SA	89,240	16,884,019	8,462,256	8,992,426
SC TELETRANS SA	1,362,490	192,966	6,323,320	7,361,973
SC OPCOM SA	22,195,992	23,995,729	8,347,906	7,442,483
TOTAL	23,647,722	41,072,714	23,133,482	23,796,882

*) The trade receivables are presented at their gross value.

Transactions carried out with the Company's subsidiaries in the reporting period are detailed as follows:

AFFILIATE ENTITY	Sales			
	Second quarter 2018	Second quarter of 2017	First semester 2018	First semester of 2017
SC SMART SA	154,484	128,973	396,534	363,827
SC TELETRANS SA	1,373,146	260,222	1,623,840	492,893
SC OPCOM SA	62,253,372	302,593,668	118,642,019	452,158,146
TOTAL	63,781,002	302,982,863	120,662,393	453,014,866

AFFILIATE ENTITY	Purchases			
	Second quarter 2018	Second quarter of 2017	First semester 2018	First semester of 2017
SC SMART SA	16,217,726	12,187,941	29,671,823	27,910,913
SC TELETRANS SA	9,483,138	5,878,902	16,927,907	14,853,264
SC FORMENERG SA	3,126	47,055	4,041	47,055
SC OPCOM SA	54,806,994	25,233,293	135,972,089	112,492,488
TOTAL	80,510,984	43,347,191	182,575,860	155,303,720

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The wages paid to the management for the services rendered consist mainly of the base salary and also benefits upon termination of the labor agreement and upon post-employment. These are detailed as follows:

	Second quarter of 2018	Second quarter of 2017	First semester of 2018	First semester of 2017
Short-term benefits	3,144,067	2,679,328	6,212,783	6,139,778
Other long-term benefits	-	-	-	31,596
Total	3,144,067	2,679,328	6,212,783	6,171,374

21. Credit Risk

The credit risk is the risk in which the Company bears a financial loss following the non-fulfilment of contractual obligations by a customer or counterparty to a financial instrument. This risk results mainly from trade receivables and the cash and cash equivalents.

The treatment of counterparty risk is based on internal and external factors of success of the Company. The external factors of success - which have an effect upon the systematic reduction of the risk, are: decentralizing the energy sector in which the production, transmission, distribution and supply are separate activities and the customer interface is represented by the supplier, the electricity trading on the Romanian market on two market segments: the regulated market and the competitive market. The internal factors of success in the treatment of counterparty risk include: diversifying the client portfolio and diversifying the number of services on the electricity market.

Financial assets that may submit the Company to the risk of collection are mainly the trade receivables and the cash and cash equivalents. The company has enforced a series of policies that ensure that the sale of services is performed towards the customers with an appropriate collection by including in their commercial contracts of their obligation to provide financial guarantees. The value of receivables, net of the adjustments for value losses, represents the maximum amount exposed at the risk of collection.

At the date of reporting, the maximum exposure to the risk of collection was:

	June 30th, 2018	December 31st, 2017 as per AGA Decision no. 6 of 30.04.2018
Financial assets		
Net trade receivables	648,940,952	724,176,710
Other net receivables and down payments to suppliers	53,268,073	47,347,178
VAT to be recovered	13,572,388	47,005,991
Cash and cash equivalents	545,607,214	520,746,500
Other financial assets	125,045,000	-
Total	1,386,433,627	1,339,276,379

The status of the maturity of receivables on the day of drafting the report of the financial position, is presented below:

	Gross Value	Adjustment of depreciation	Gross Value	Adjustment of depreciation
	June 30th, 2018	June 30th, 2018	December 31st, 2017 as per AGA Decision no. 6 of 30.04.2018	December 31st, 2017 as per AGA Decision no. 6 of 30.04.2018
Not due	412,979,819	1,774,541	557,134,751	1,268,176
Due date exceeded by 1 to 30 days	74,245,796	-	1,649	2,345
Due date exceeded by 31 to 90 days	1,104,934	325,654	2,780,207	2,853,477
Due date exceeded by 90 to 180 days	2,063,529	-	(322,245)	-
Due date exceeded by 180 to 270 days	1,638,423	1,638,356	58,688,984	1,618,294
Due date exceeded by 270 to 365 days	810,383	513,554	25,856,404	21,850,588
Due date exceeded by more than a year	279,329,205	118,979,032	202,687,679	95,057,839
Total	772,172,089	123,231,137	846,827,429	122,650,719

CNTEE Transelectrica SANotes on the stand-alone interim financial statements on June 30th, 2018*(All amounts are expressed in RON, unless otherwise indicated)*

The status of the maturity of "Other receivables" on the date of drafting the report of the financial position, is presented below:

	Gross Value June 30th, 2018	Adjustment of depreciation June 30th, 2018	Gross Value as of December 31st, 2017, as per AGA as per AGA Decision no. 6 of 30.04.2018	Adjustment of depreciation as of December 31st, 2017, as per AGA as per AGA Decision no. 6 of 30.04.2018
Not due	29,119,299	2,566,026	70,307,272	2,525,896
Due date exceeded by 1 to 30 days	37,251	-	55,235	-
Due date exceeded by 31 to 90 days	162,596	-	63,007	57,063
Due date exceeded by 90 to 180 days	94,023	73,880	34,644,875	34,533,556
Due date exceeded by 180 to 270 days	51,923	48,634	2,954,880	2,925,623
Due date exceeded by 270 to 365 days	34,599,360	34,551,057	179,445	112,945
Due date exceeded by more than a year	66,552,907	40,109,687	66,439,763	40,136,225
Total	130,617,358	77,349,285	174,644,477	80,291,308

As of June 30th, 2018, the highest adjustments of depreciation, calculated for the trade receivables and related penalties, have been recorded for Elcomex IEA SA (31,868,316), SC Eco Energy SRL (24,736,066), SC Petprod SRL (23,539,650), Arelco Power (17,359,453), SC Total Electric Oltenia SA (14,185,577), Romenergy Industry (13,512,997), Elsaco Energy (9,293,972), RAAN (8,516,707), Also Energ (7,177,167), Cet Brasov (4,664,627), Opcom (4,517,460).

For recovering the adjusted receivables for depreciation, the Company has taken the following measures: taking legal action, registering in the statement of affairs etc.

Transelectrica's policy is to register impairments amounting to 100% for clients in litigation, under insolvency and bankruptcy, and 100% from trade receivables and other receivables not collected for more than 180 days, except for outstanding receivables generated by the support scheme. The Company also makes a case by case analysis of uncollected trade and other receivables. The adoption by the UE of the IFRS 9 "Financial Instruments" applicable for annual periods starting with or after January 1st, 2018, does not have a significant additional impact on the financial statements of the Company during the initial period of application.

The evolution of depreciation adjustments for uncertain receivables is presented as follows:

	June 30th, 2018	December 31st, 2017 as per AGA Decision no. 6 of 30.04.2018
Balance on the 1st of January	122,650,719	100,578,031
Recognition of impairments	4,184,338	36,575,509
Reversal of impairments	3,603,920	14,502,821
Balance at the end of the period	123,231,137	122,650,719

The evolution of depreciation adjustments for other uncertain receivables is presented as follows:

	June 30th, 2018	December 31st, 2017 as per AGA Decision no. 6 of 30.04.2018
Balance on the 1st of January	80,291,307	90,080,080
Recognition of impairments	175,924	38,009,855
Reversal of impairments	3,117,946	47,798,627
Balance at the end of the period	77,349,285	80,291,308

CNTEE Transelectrica SA

Notes on the stand-alone interim financial statements on June 30th, 2018

(All amounts are expressed in RON, unless otherwise indicated)

Financial assets that may submit the Company to the risk of collection are mainly the trade receivables and the cash and cash equivalents. The company has enforced a series of policies that ensure that the sale of services is performed towards the customers with an appropriate collection by including in their commercial contracts of their obligation to provide financial guarantees. The value of receivables, net of the adjustments for value losses, represents the maximum amount exposed at the risk of collection. The risk of collection from such receivables is limited, as these amounts are mainly owed by the state-owned companies.

The cash is placed in financial institutions, which are considered as having minimal risk. The deposits are placed with Banca Comerciala Romana, Garanti Bank, Alpha Bank, Banca Transilvania, Exim Bank, BRD, ING, CITIBANK, Raiffeisen, Credit Europe Bank.

22. Subsequent Events

Moody's granted the Company the Ba1 rating, with a perspective improvement from stable to positive

As of July 3rd, 2018, Moody's improved the rating perspective from stable to positive.

Changes in the Directorate structure

At the meeting from July 11th, 2018, the Board of Supervisors decided the following:

- extending the mandates of the following provisional members of the Directorate by a duration of 2 months, until September 16th, 2018:
 - Adrian – Constantin RUSU
 - Andreea – Georgiana FLOREA
 - Constantin SARAGEA

- appointing as provisional Directorate members with a 2-month mandate, starting with July 17th, 2018 and until September 16th, 2018, of the following persons:

- Adrian-Mircea TEODORESCU
- Viorel VASIU

The appointment of the aforementioned Directorate members became effective starting with the date of signing before a notary public of the declaration of acceptance of the mandate as member of the National Power Grid Company "Transelectrica" S.A. Directorate.

Pursuant to Art. 18 (4) of the Articles of Association of the National Power Grid Company "Transelectrica" – S.A., the Board of Supervisors appoints Mr. Adrian – Constantin RUSU as Directorate Chairman (alternatively called Chief Executive Officer – "CEO" – of the Company) of the National Power Grid Company "Transelectrica" – S.A., starting with July 17th, 2018.

Mandate acceptance by the Directorate provisional members

The new provisional members of the Directorate, namely Mr. Adrian-Mircea TEODORESCU and Mr. Viorel VASIU, appointed on July 11th, 2018 by the Board of Supervisors for a 2-month mandate, signed before the notary the declaration of acceptance of their mandates on July 11th, 2018, their appointment being effective as of July 17th, 2018.

Amending and supplementing the Electricity and Natural Gas Act no. 123/2012

Law no. 167 of July 10th, 2018, amending and supplementing the Electricity and Natural Gas Act no. 123/2012, was published in the Official Journal no. 604 of July 16th, 2018.

Taking over the modernization works carried out at the Suceava 400/220/110/20 kV transformation electrical substation

On July 27th, 2018, CNTEE Transelectrica SA inaugurated the modernization works carried out in the Suceava 400/220/110/20 kV transformation electrical substation, and important node in the Power Transmission Grid which ensures the operational safety of the National Power System and which connects the country's historical provinces. Started in August 2015, the modernization works aimed the 110 kV and 20 kV voltage levels and have been carried out by the Siemens SRL - EMSESNS PROD SRL association. The investment is valued at over 24 million lei and is fully financed by the Company's own funds. The Suceava 400/220/110/20 kV substation is an important energy node in the northern part of the country, both for the future Gadalina-Suceava 400 kV OHL (which will close off the 400 kV ring between the Moldova and Ardeal regions), and the future Suceava-Balti 400 kV OHL (which is part of the interconnection project for the power systems of Romania and the Republic of Moldova).