



**NATIONAL POWER GRID
TRANSELECTRICA SA**

**PRELIMINARY REPORT
Q4 and January – December
2018**

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**PRELIMINARY REPORT ON THE ECONOMIC – FINANCIAL ACTIVITIES
OF NATIONAL POWER GRID TRANSELECTRICA SA**

**according to the provisions of article 67 of law 24/ 2017 on the capital market and Regulation 5/
2018 issued by the Financial Supervision Authority (ASF)**

for the time period ended on 31 December 2018

Date of the report:	15 February 2019
Name of the trading company:	NPG TRANSELECTRICA SA, company managed under two-tier system
Headquarters:	Bucharest 1, Blvd. Gen. Gheorghe Magheru 33, postal code 010325
Working location:	Bucharest 3, Str. Olteni no. 2-4, postal code 030786
Phone / fax numbers:	004 (0)21 303 5611/ 021 303 5610
Single code with the ORC:	13328043
Number in the Trade Register:	J40/ 8060/ 2000
RON (Legal Entity Identifier) code:	254900OLXOUQC90M036
Date of Company establishment:	31.07.2000/ OUG 627
Share capital:	733,031,420 RON, subscribed and paid
Regulated market where the issued securities are transacted:	Bucharest Stock Exchange (BVB), Premium category
The main characteristics of issued securities:	73,303,142 dematerialised, nominative, ordinary, indivisible shares of 10 RON / share nominal value, freely transactable as of 29.08.2006 under TEL symbol 20,000 nominative, dematerialised unsecured bonds of 10,000 RON / bond nominal value, transacted on the BVB, Credit Titles sector, 3 rd category Corporate bonds of TEL 18; maturity date 19.12.2018, being redeemed on due date
Market value:	1,576,017,553 RON (21.50 RON/share on 31.12.2018)
Accounting standard applied:	International financial reporting standards
Audit:	The preliminary financial statements elaborated on 31.12.2018 have not been audited

STATEMENT OF RESPONSIBLE PERSONS

To the best of our knowledge the non-audited stand-alone preliminary simplified financial statements elaborated for the 12 months' period ended on 31 December 2018 were drawn up in accordance with Order 2844/2016 of the Public Finance Minister approving the Accounting regulations compliant with the International Financial Reporting Standards and provide fair image according to the actual state of the assets, liabilities, financial position, profit & loss account of NPG Transelectrica SA.

This report includes accurate complete preliminary information about the economic-financial circumstances and activity of NPG Transelectrica SA.

Bucharest, 15 February 2019

**Marius-Danut
CARASOL**

**Claudia-Gina
ANASTASE**

**Andreea
Georgiana FLOREA**

**Constantin
SARAGEA**

**Adrian
SAVU**

**Directorate
Chairman**

**Directorate
Member**

**Directorate
Member**

**Directorate
Member**

**Directorate
Member**



2018 vs 2017 key figures

KEY FIGURES – 2018

FINANCIAL HIGHLIGHTS

RON	2,719	mn	▼	-11%	Revenues
				y/y	
RON	403	mn	▲	6%	EBITDA
				y/y	
RON	89	mn	▲	216%	Net profit
				y/y	
TWh	55.78		▲	2%	Charged energy volume**
				y/y	

OPERATIONAL

2.47%	*	▲	0.30	pp	OTC
			y/y		
44.47		▲	0.3%		Transmitted electricity***
TWh			y/y		

OTC – One's own technological consumption (losses)

* The share of technological consumption (loss) in the electricity taken from the transmission grid (transmitted power)

** Billed quantity is defined as the electricity amount taken out from electric networks of public interest (the transmission & the distribution networks), less the electricity exports

*** The transmitted quantity is defined as the amount of energy physically carried through the transmission network

INVESTMENTS

RON	171	mn	▼	-7%	Acquisition of tangible and intangible assets
				y/y	
RON	248	mn	▲	23%	Fixed assets recorded in the accounts (commissioning)
				y/y	

Note: For ease of reading and understanding the results, some figures presented in graphs and / or tables use millions of Ron as measuring unit and are rounded up to this unit. This presentation convention may, in certain cases, result in minor differences between the totalising figures and the totals obtained by summing up the component elements.



Financial data

The synthesis of preliminary financial results on 31 December 2018 is provided in the tables below. The financial results have not been audited, and their extended variant for the same period is given in the Annexes to this Report.

SEPARATE STATEMENT OF PROFIT OR LOSS - unaudited				
[RON mn]	31/12/2018	31 December 2017 as per HAGA 6/30.04.2018	Δ	Δ (%)
Charged energy volume [TWh]	55.78	54.75	1.02	2%
ALLOWED PROFIT ACTIVITIES				
Operating revenues	1,178	1,173	4	0.4%
Transmission revenues	1,067	1,055	13	1%
System services revenues	64	68	(5)	(7%)
Other revenues	46	50	(4)	(8%)
Operating expenses	734	715	20	3%
System operating expenses	309	258	51	20%
Repairs and maintenance expenses	91	85	6	7%
Personnel expenses	193	179	14	8%
Other operating expenses	141	193	(51)	(27%)
EBITDA	443	459	(16)	(3%)
Depreciation	298	312	(14)	(4%)
EBIT	145	147	(2)	(1%)
ZERO PROFIT ACTIVITIES				
Operating revenues	1,542	1,887	(345)	(18%)
Technological system services revenues	637	582	55	9%
Balancing market revenues	904	1,305	(400)	(31%)
Operating expenses	1,582	1,966	(384)	(20%)
Technological system services expenses	678	661	16	2%
Balancing market expenses	904	1,305	(400)	(31%)
EBIT	(40)	(79)	39	49%
ALL ACTIVITIES (WITH PROFIT ALLOWED AND ZERO-PROFIT)				
Operating revenues	2,719	3,060	(341)	(11%)
Operating expenses	2,316	2,680	(364)	(14%)
EBITDA	403	380	23	6%
Depreciation	298	312	(14)	(4%)
EBIT	105	68	37	54%
Net finance result	(8)	(21)	13	61%
EBT - Profit before income tax	96	47	49	106%
Income tax	7	19	(12)	(62%)
Net profit	89	28	61	216%

SEPARATE STATEMENT OF FINANCIAL POSITION - unaudited				
[RON mn]	31/12/2018	31December 2017 as per HAGA 6/30.04.2018	Δ	Δ (%)
Non-current assets				
Tangible assets	2,887	3,044	(157)	(5%)
Intangible assets	23	16	7	46%
Financial assets	80	78	2	3%
Total non-current assets	2,990	3,138	(148)	(5%)
Current assets				
Inventories	35	32	3	9%
Trade and other receivables	1,088	819	269	33%
Cash and cash equivalents	482	521	(39)	(7%)
Total current assets	1,605	1,371	233	17%
TOTAL ASSETS	4,595	4,509	85	2%
Shareholders' Equity	2,750	2,718	32	1%
Non-current liabilities				
Borrowings	144	195	(51)	(26%)
Other non-current liabilities	486	488	(2)	(0.5%)
Total	630	684	(54)	(8%)
Current liabilities				
Borrowings	53	317	(264)	(83%)
Other current liabilities	1162	791	370	47%
Total	1,215	1,108	107	10%
Total liabilities	1,845	1,792	53	3%
Total shareholders' equity and liabilities	4,595	4,509	85	2%

SEPARATE STATEMENT OF CASH FLOWS - unaudited				
[M RON]	31/12/2018	31December 2017 as per HAGA 6/30.04.2018	Δ	Δ (%)
Cash flows before changes to working capital	414	356	58	16%
Cash flows from operating activities	459	127	332	262%
Net cash from operating activities	426	96	330	342%
Net cash used in investing activities	(149)	(40)	(110)	(278%)
Net cash used in financing activities	(315)	(470)	154	33%
Net increase/decrease in cash and cash equivalents	(39)	(413)	374	91%
Cash and cash equivalents as at 1 January	521	934	(413)	(44%)
Cash and cash equivalents at the end of the period	482	521	(39)	(7%)

OPERATIONAL RESULTS

Billed volume of energy

In January – December 2018 the total quantity of electricity billed for services provided on the electricity market (55.78 TWh) registered 2% increase compared to the same period of 2017 (the difference between the two periods being +1.02 TWh).

Such trend maintained in each of the studied months in 2018, prevailing in January and February when temperature values were very low and electricity consumption increased.

Operational revenues

Total operational revenues achieved in 2018 registered 11% decrease compared to the same period of last year (RON 2,719 mn in 2018 against RON 3,060 mn in 2017), mainly because of developments on the balancing market.

The segment of **profit allowed activities** registered slight 0.4% growth of revenues (RON 1,178 mn in 2018 compared to RON 1,173 mn in 2017), determined by a higher tariff valid from 01 July 2018 onward and by the 2% increase in the electricity consumption.

Revenues from the allocation of interconnection capacities grew 8% compared to the achieved value of 2017 (RON 82 mn in 2018 against RON 76 mn in 2017) corresponding to the utilisation degree of available interconnection capacities by the traders on the electricity market.

The mechanism allocating the interconnection capacity consists in organising annual, monthly, daily and intraday bids. The annual, monthly and intraday bids are explicit - as only the transmission capacity is auctioned, and the daily ones with Hungary are implicit - as capacity is simultaneously allocated with energy through the coupling mechanism.

On 19 November 2014 the regional energy exchange was established by Romania, Hungary, the Czech Republic and Slovakia, which means these four countries should reach to a single electricity price transacted on spot markets. Capacity allocation between Romania and Hungary, the only country of the 3 Romania has border with, is performed by the transporters: Transelectrica and MAVIR by means of a common mechanism based on bilateral agreement.

Beginning with 2016 the UIOSI principle was implemented on the Bulgarian border, and beginning with 2017 on the Serbian frontier as well. In accordance with this principle, participants that do not use the capacities gained at annual and monthly bids are remunerated (by Transelectrica) for such capacity. The

unused capacity is later sold at daily bids. The direction is reverse on the Hungarian border, meaning that MAVIR remunerates the participants for unused capacities.

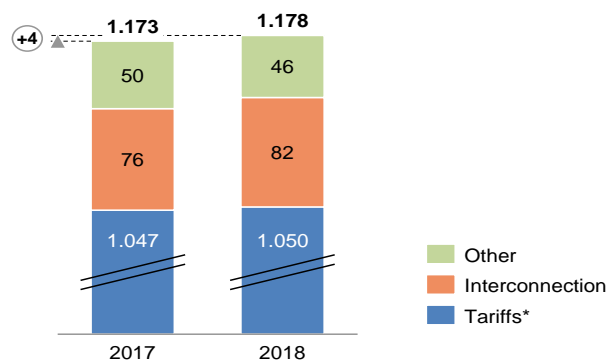
The market to allocate interconnection capacities is fluctuating and prices develop depending on the demand and need of participants on the electricity market to purchase interconnection capacity.

Net revenues from the allocation of interconnection capacities are used in accordance with the provisions of article 22 para (4) from ANRE Order 53/2013 and of article 16 para (6) from Regulation (EC) no. 714/2009, as financing source of investments to upgrade and develop the interconnection capacity with neighbouring systems.

Revenues from OTC transactions were RON 5.1 mn greater in 2018 compared to 2017 (RON 5.9 mn from RON 0.8 mn in 2017), due to 2018 registration of revenues from OTC transactions on the Balancing market after enforcement of the „Contract delegating the balancing responsibility” concluded with CIGA ENERGY SA beginning with 18.01.2018, by issuing invoices for positive imbalances.

“Other revenues” achieved in 2018 were 8% lower than those obtained in 2017 (RON 46 mn from RON 50 mn in 2017), which was mainly determined by registering in 2018 revenues from compensations, fines and penalties amounting to RON 1.6 mn (Menarom Pec SA, Tinmar Energy SA, etc.) compared to the revenues from compensations, fines and penalties registered in 2017 in sum of RON 6 mn (Arelco Power SRL, Enol Grup SA, etc.).

Operational revenues of profit allowed activities
(RON mn)



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

Revenues of zero-profit activities registered 18% decrease (RON 1,542 mn in 2018 compared to RON 1,887 mn in 2017) mainly determined by 31% drop in the revenues on the balancing market as a result of:

- negative imbalances registered from electricity suppliers on the balancing market, which were smaller in 2018 compared to 2017;

- physical notifications in general exceeding the internal consumption within the SEN;

- significant decrease of the system balancing costs (resulting from power upgrade selections and start-ups of thermal units) and of revenues resulting from system balancing (pursuant to the power downgrade selections).

The exceptional nature of the balancing market development is found in January 2017 when significant increase was registered for the consumption imbalances of balancing responsible parties, determined by higher deficit prices registered on the balancing market. Following the energy crisis from Romania, as well as from Europe, generated by very low temperatures in comparison with the climatic average of January, corroborated to an extended unavailability period of important generating power plants, in January 2017 the electricity market was faced with particular circumstances that resulted in spiking price increases on the Day-Ahead Market, Intraday Market and Balancing Market. Thus in January 2017 revenues achieved on the balancing market amounted to RON 427 mn in comparison with January 2018, when revenues achieved on the balancing market reached RON 41 mn.

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

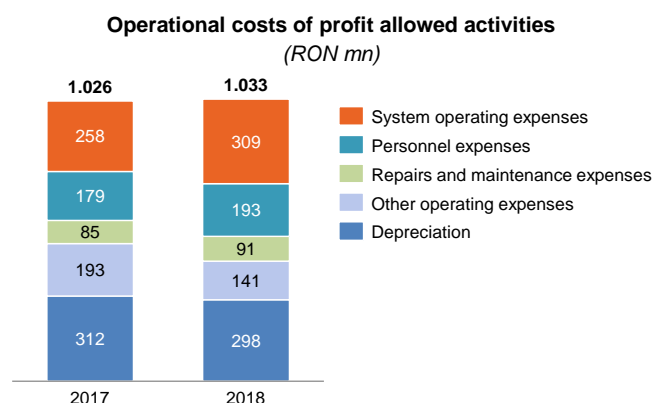
In 2018 revenues from provided technological services registered 9% increase compared to the same period of 2017 determined by the 2% growth in the electricity quantity delivered to consumers, by a higher average tariff approved by ANRE for such services (acc. to the table of average tariffs approved by ANRE in the studied intervals) and by increased expenses regarding technological system services when RS, RTL and electricity procurement prices increased, the last one nation-wide.

Operational costs

Total operational expenses (including amortisement) achieved in 2018 dropped 13% compared to the same period of last year (RON 2,615 mn against RON 2,992 mn in 2017), mainly because of the developments in the non-profit activity segment, but also resulting from decreased expense items.

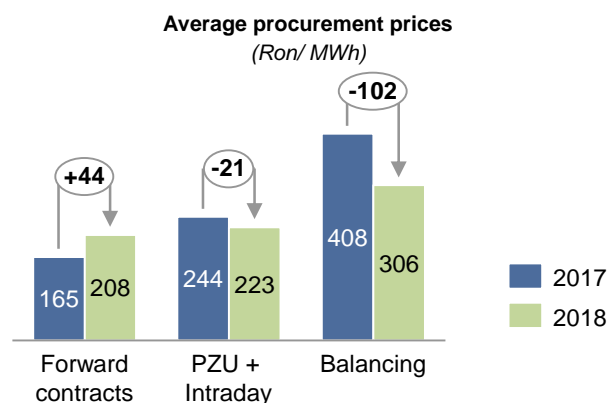
Expenses in the **profit allowed activity** segment (amortisement included) registered 0.6% decrease

(RON 1,033 mn in 2018 compared to RON 1,026 mn in 2017).



OTC: In 2018 such expenses were RON 46 mn higher in comparison with the ones registered during the same period of 2017, determined by about 14% greater electricity quantity necessary to cover one's own technological consumption (losses) in the RET (from 965 GWh in January-December 2017 to 1,100 GWh in 2018).

In 2018 the electricity required to cover technological consumption OTC was procured from the free electricity market, namely the Centralised Bilateral Contracts Market (PCCB), the Day-Ahead Market (PZU), the Balancing Market (PE) and the Intraday Market (PI) at 224 RON/MWh average procurement price, in comparison with 214 RON/MWh, the average procurement price of 2017.



* Preliminary values

Beginning with 18.01.2018 the Contract for "Electricity procurement with a view to cover imbalances from notified quantities relating to technological electricity losses in electricity transmission grids by transferring the balancing responsibility" no. C380/06.10.2014 came in force, being concluded between NPG Transelectrica SA and CIGA ENERGY SA, whereby energy procurement prices on the balancing market were reduced.

Congestions: Congestions (network restrictions) represent demands for electricity transmission beyond the technical capacity limits of the network requiring corrective actions of the transmission and system operator; they occur whenever, during operational scheduling or in real time, the power circulation between two system nodes or zones leads to the failure to comply with operational safety parameters of a power system.

In 2018 total congestion expenses amounted to RON 8 mn, being greater in comparison with 2017 (RON 0.2 mn), mainly determined by RON 5.2 mn cost generated by bad weather conditions (snow storm, frost) registered in Dobrogea region, which tripped a failure on the 400 kV OHL Constanta Nord – Tariverde. The line failure consisted in braking the double insulator chain of phase R to tower no. 7 while the active conductor fell on the ground. Under such circumstances in order to observe the N-1 safety principle during the accidental outage of the 400 kV OHL Constanța Nord – Tariverde, the decision was taken to reduce the output of wind power parks from Dobrogea region, Section 6 and within the Tulcea – Tariverde zone, to values below the notified capacity. The total quantity of electricity reduced by this congestion was 19,766 MWh until the line was restored to operation.

At the same time in October congestion expenses amounting to RON 1.3 mn were registered, determined by the provision of the N–1 safety principle in Section S4 during the planned disconnection of the 400 kV OHL Rosiori – Mukacevo, upon the request of the Ukrainian TSO while also providing the N–1 safety principle within Section S4 upon the planned taking out of operation of the 400 kV OHL Iernut – Sibiu Sud.

The **zero-profit activity** segment registered 20% cost reduction (RON 1,582 mn compared to RON 1,966 mn in 2017), mainly determined by diminished expenses on the balancing market, similar to the development of corresponding revenues.

These costs resulted from the notifications / achievements of participants on this market, and they have been fully covered by the revenues on the balancing market.

In 2018 expenses regarding technological system services registered minor 2% increase in comparison with 2017, mainly determined by rises of procurement prices for such technological system services on the competitive market, simultaneously with the electricity price increase on the national electricity market.

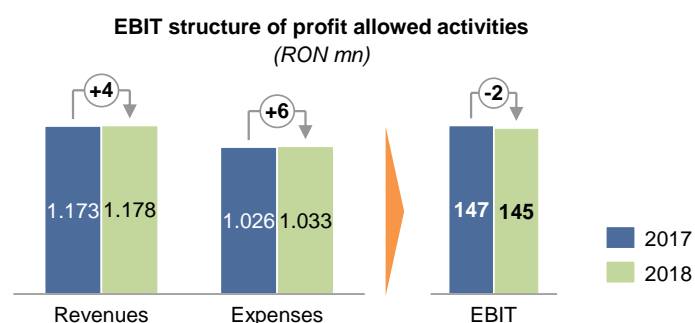
In 2018 technological system services were procured under regulated regime according to ANRE Decision 906/2017 (from Hidroelectrica SA) and in accordance

with GD 760/11.10.2017 approving the „Winter schedule in the energy domain in order to provide safe steady-state operation of the SEN”.

The Company re-invoices the value of technological system services procured from generators to the ANRE-licensed electricity suppliers that eventually benefit of such services.

Operational result

Profit allowed activities registered positive result in sum of RON 443 mn, slightly decreasing in comparison with the RON 459 mn of 2017, against the background of diminished average transmission rates achieved during 2018 for transmission services (2%) and with the functional system services (8%), as well as owing to the diminished revenues from the allocation of interconnection capacities.

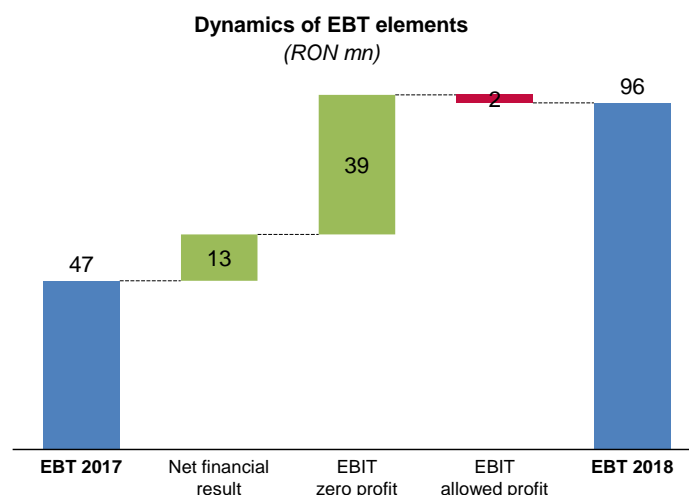


EBIT generated by zero-profit activities registered negative result of RON 40 mn compared to the loss registered during the same period of last year (RON -79 mn).

Gross result (EBT)

Gross profit recorded 106% growth from RON 47 mn in 2017 to RON 96 mn in 2018.

Such dynamics between the profit recorded in 2017 in comparison with 2018, broken down by the constitutive components of profit, is provided in the following graph:

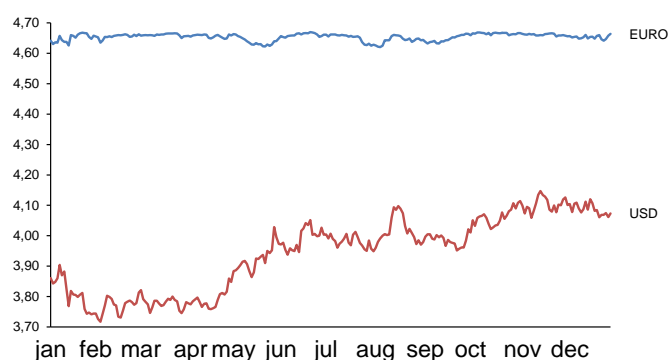


Financial result

The net financial result registered in 2018 was negative and amounted to RON 8 mn. It is lower in comparison with the similar period of 2017, mainly impacted by the development of the exchange rate for the national currency against the foreign ones, which the Company had contracted bank loans in with a view to finance its investment plans (Euro, Dollar), while simultaneously registering net interest expenses reduced by RON 7 mn during the studied period.

The Leu/Euro and Leu/USD exchange rates of 2018 are provided in the graph below.

Development of the exchange rates



Net result

Net profit registered considerable increase, reaching to RON 89 mn in 2018 in comparison with RON 28 mn obtained in 2017.

FINANCIAL POSITION

Non-current assets

Non-current assets dropped about 5% in 2018 against a background of decreasing current assets.

On the elaboration date of this report the revaluation of non-current assets is underway, those classified into Group 1 – “Constructions” and registered in accounting books on 31.12.2018 as well as of the assets belonging in the state public domain and provided under concession to NPG Transelectrica SA on 31.12.2018.

Current assets

Current assets registered 17% increase on 31 December 2018 (RON 1,605 mn) in comparison with the value recorded on 31 December 2017 (RON 1,371 mn), mainly determined by 33% increase of trading

receivables (RON 1,088 mn from RON 819 mn in 2017).

On 31 December 2018 clients on balance from operational activities and from the balancing market registered increase in comparison with 31 December 2017, mainly determined by:

- Greater volume of transactions on the balancing market in November and December 2018 compared to the same period of 2017, determining an increase of trade receivables on balance as of 31 December 2018 in comparison with 31 December 2017;
- trade receivables associated to the invoices issued for the electricity market in December 2018, collected in January 2019;
- Increase of the amount of electricity transmitted;

On 31 December 2018 clients on balance from operational activities registered increase in comparison with 31 December 2017, mainly determined by the greater amount of electricity transmitted, which has led to higher amount of trade receivables in December 2018 compared to December 2017.

On 31 December 2018 the Company registered approximately 19% trade receivables from the bonus type support scheme meant to promote high efficiency cogeneration (26% on 31 December 2017) against the total amount of trade receivables.

Clients from the bonus type support scheme meant to promote high efficiency cogeneration registered a decrease of trade receivables on 31 December 2018, mainly determined by:

- Collection of trade receivables amounting to RON 140 n corresponding to ANRE decisions with respect to the overcompensation of 2017 cogeneration, registered according to ANRE decisions issued in March 2018,
- Collection by means of bank transactions (RON 9.8 mn) associated to the 2015 overcompensation from Termoficare Oradea (for Electrocentrale Oradea, according to the spread-out agreement),
- Decreasing the ANRE-established monthly contribution amount for high efficiency cogeneration beginning with 01 July 2018.

On 31 December 2018 the Company registered trade receivables amounting to RON 199.1 mn, represented by invoices issued under the bonus type support scheme meant to promote high efficiency cogeneration, of which:

- 2011-2013 overcompensation amounting to RON 76.7 mn, namely from RAAN – RON 63.5 mn and from CET Govora SA – RON 13.2 mn;

- Undue bonus corresponding to 2014 in sum of RON 3.9 mn, from RAAN – RON 2 mn and from CET Govora SA – RON 1.9 mn;

- Undue bonus corresponding to 2015 amounting to RON 0.56 mn, namely from CET Govora SA – RON 0.53 mn, Interagro – RON 0.03 mn;

- 2016 overcompensation amounting to RON 56.7 mn, namely from Electrocentrale Bucharest;

- Contribution for cogeneration uncollected from the suppliers of electricity consumers and amounting to RON 21.1 mn, namely from: Transenergo Com – RON 5.8 mn, PetProd – RON 4.3 mn, Romenergy Industry – RON 2.7 mn, RAAN – RON 2.4 mn, UGM Energy – RON 1.8 mn, CET Govora SA – RON 0.9 mn, KDF Energy – RON 0.9 mn and others.

Until the date of this report the Company collected fully the trade receivables associated to the overcompensation under the 2017 support scheme as follows: bank transaction proceeds amounting to RON 90.9 mn from Electrocentrale Bucharest and collections by means of compensations carried out through the Institute of Management and Information (according to GD 685/1999) amounting to RON 49.4 mn (of which: Electrocentrale Bucharest – RON 35.7 mn; CET Govora SA – RON 10.7 mn; Enet SA – RON 3 mn).

In order to extinguish the liabilities generated by such overcompensation and undue bonus, the Company has asked the producers qualified for the support scheme to perform mutual compensations. In case of the producers that did not agree with this method extinguishing mutual liabilities (RAAN, Electrocentrale Bucharest, and CET Govora) the Company has applied and further applies the provisions of article 17 para 5 from Order 116/2013 of ANRE president approving the Regulation determining the collection mode of contributions for high efficiency cogeneration and the bonus payment for the electricity generated under high efficiency cogeneration.

On 31 December 2018 „Other trade receivables” amounting to RON 88 mn included mainly:

- Sundry debtors (RON 71.2 mn), of which:
 - Late payment penalties calculated for late paying clients, amounting to RON 62.6 mn (of which RON 26 mn represent penalties associated to the support scheme). The highest penalties for late payment were registered by the following clients: RAAN (RON 16.9 mn), CET Govora (RON 9.6 mn), Eco Energy SRL (RON 8.9 mn), Petprod SRL (RON 8.9 mn), Total Electric Oltenia (RON 3.3 mn), Arelco Power (RON 2.8 mn), Enol Grup (RON 2.5 mn), Also Energ (RON 2.1 mn). Allowances have been registered for the penalties

calculated for late payments of liabilities from operational activities;

- Trade receivable payable by OPCOM representing VAT associated to the in-kind contribution of RON 4.5 mn to the subsidiary's capital increase, which the Company has registered allowances for;

- Deferred expenses amounting to RON 6.5 mn, mainly represented by down payments to the contracts concluded with power suppliers, as necessary to cover one's own technological consumption for future periods (RON 5.3 mn), the guarantee fee for the 25710 EIB credit (RON 0.07 mn) and ING credit granting fee (RON 0.03 mn), and rents (RON 0.7 mn);

- Other non-current liabilities amounting to RON 4.6 mn, of which RON 4.2 mn representing guarantees for the land temporary occupation, calculated and retained in accordance with article 39 para (1), para (2) and para (5) of Law 46/2008 of the Forestry Code with a view to complete the investment objective of the 400 kV OHL Resita – Pancevo (Serbia).

Liabilities

Non-current liabilities amounting to RON 630 mn on 31 December 2018 have registered 8% decrease as a result of repayments made under existing loan agreements.

At the same time **current liabilities** registered 10% increase (from RON 1,108 mn on 31 December 2017 to RON 1,215 mn on 31 December 2018), mainly against a background of higher trade and other liability amounts (RON 342.8 mn) and of diminished current loans (RON -263.8 mn).

Trade and other liabilities have been 49% greater (from RON 700 mn on 31 December 2017 to RON 1,043 mn on 31 December 2018) mainly under the following influences:

- The decreased balance of the electricity market suppliers by RON 242 mn, mainly against a background of:
 - RON 178 mn increase in the liability balance associated to the balancing market, determined by increased volume of transactions on the balancing market in October - November 2018 in comparison with the same period of 2017;
 - RON 15.2 mn decrease of liabilities to suppliers associated to the support scheme, determined by the diminished bonus granted to generators qualified for December 2018, in comparison with the same period of 2017;
 - RON 78 mn increased balance of liabilities associated to the energy market, determined by higher

procurement prices for system reserves from the competitive market;

- RON 118.5 mn increase of other liabilities, mainly against a background of:
 - Increased balance of down payments mainly made for the invoices issued under market coupling transactions, from RON 20.1 mn in December 2017 to RON 55.8 mn in December 2018 (RON 35.7 mn increase);
 - Higher “sundry creditors” position by RON 15 mn, which mainly represent the net liability associated to the support scheme for high efficiency cogeneration that amounted to RON 46 mn on 31 December 2018 (31 December 2017: RON 30.4 mn);

In the 2018 provisions have registered increase from RON 41.5 mn on 31 December 2017 to RON 89.4 mn on 31 December 2018, mainly determined by the need to establish provisions for liabilities over clients.

The Company made down payments to supplier ELCOMEX - IEA SA SA amounting to RON 31,2 mn, which RON 0.7 mn penalties were calculated for with respect to the execution of the following projects:

- Connecting the 400 kV OHL Isaccea-Varna and the Isaccea-Dobrudja OHL into the 400 kV substation Medgidia Sud – down payment amounting to RON 9.95 mn;
- Converting the Portile de Fier - Resita – Timisoara - Sacalaz - Arad axis to 400 kV - Stage I - the 400/220/110 kV substation Resita – down payment amounting to RON 21.23 mn;

The amounts representing down payments granted to supplier ELCOMEX - IEA were secured by means of insurance policies issued by Asito Kapital SA.

Taking into account on 07.04.2017 Constanta Tribunal admitted the insolvency request of debtor Elcomex - IEA SA, the Company submitted on 01.07.2017 suing proceedings with respect to issuing a payment ordinance, action pertaining to file 24552/3/2017, new file 35865/3/2018, on the docket of Bucharest Tribunal, Section VI Civil, requesting the law court to pronounce judgment whereby debtor ASITO KAPITAL SA can be compelled to pay the amount of 7,058,773.36 Euro, (equivalent of RON 31.2 mn) representing security policies to pay the down payment BR – 1500544/18.11.2015 and BR – 1500520/29.07.2015. To this effect Ruling 4067/07.11.2017 was issued, written and communicated to both parties on 17.10.2018.

On 01.11.2018 Judgment 4067/07.11.2017 was legalised and transmitted to BEJ Raileanu with a view to put in practice the enforcement title.

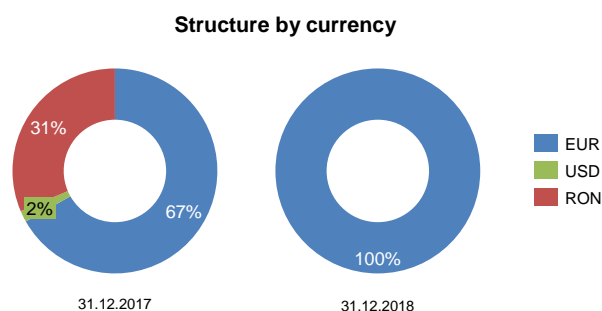
On 06.11.2018 ASITO KAPITAL SA paid RON 31.2 mn to the Company as follows:

- RON 21.2 mn according to Civil Ruling 4067/2017 (4,821,022.53 EUR at 4.4041 RON/Euro exchange rate);
- RON 9.9 mn according to Civil Ruling 4067/2017 (2,237,750.83 EUR at 4.4458 RON/Euro exchange rate);

Mention should be made in case of file 35865/3/2018 (former file no. 24552/3/2017) the hearing term set for settlement of the request to cancel the payment ordinance whereby repayment of RON 31.2 mn was ordered, was on 19.02.2019.

ASITO KAPITAL SA expressed during the legal term a **request of cancellation** against Ruling 4067/2017 (on 26.10.2018). Under such circumstances the Company is exposed to the risk of Ruling 4067/2017 being cancelled.

Interest-bearing debt (long-term borrowings and the current part of long-term borrowings) are provided under the following structure:



Shareholders' equities

Shareholders' equities registered 1% increase mainly determined by the 1% growth of retained earnings (RON 1,321 mn on 31 December 2018 compared to RON 1,259 mn on 31 December 2017), as a result of the increase in “Other reserves” based on the distribution / redistribution of RON 66.7 mn in accordance with AGOA Decision 15/14.12.2018.

Gross amount available for additional dividend distribution	RON 66,7 mn
Dividends per share	0,91 RON
Registration date:	04.01.2019
Ex-dividend date:	03.01.2019
Payment date:	25.01.2019

DEVELOPMENT OF SHARES

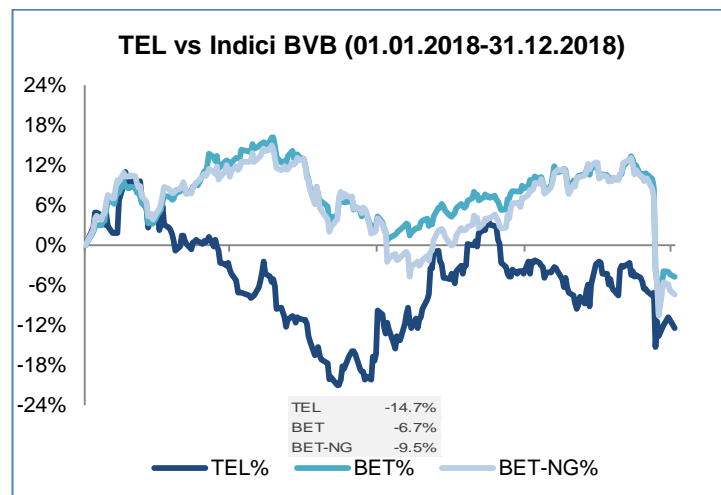
(01-January-2018 to 31-December-2018)

2018 began with 24.55 RON/share transaction price. At the end of this period (31 December 2018) stock exchange capitalisation was of RON 1,576 mn, while the share amounted to 21.50 RON. The minimum transaction price of 19.40 RON/share was registered on 04.06.2018, while the maximum of 27.25 RON/share was reached on 23.01.2018.

With 7.68% advance against Euro, from 25 July to 1 August the shares of Transelectrica represented the most profitable ones under the BET index, which recorded 0.79% appreciation during the fore-mentioned time interval.

From 25 July to 1 August TEL quotation fluctuated between 4.48% increase on 1 August, against a volume of 26,987 units, 7,350 shares above the average of the previous 20 days and an advance of 0.46% registered on 26 July, in the context of 1,174 titles being circulated.

In August Transelectrica recorded outstanding development on the Bucharest Stock Exchange, the Company registering almost 9.9% increase compared to July.





Operational data

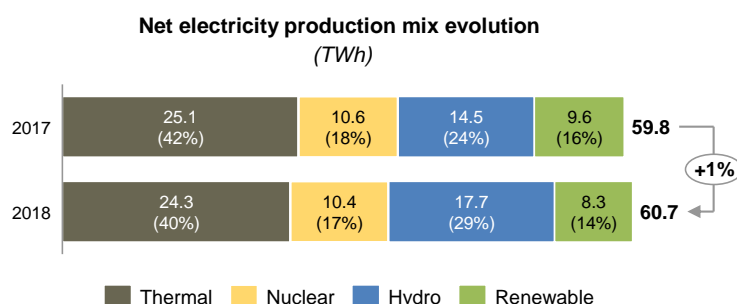
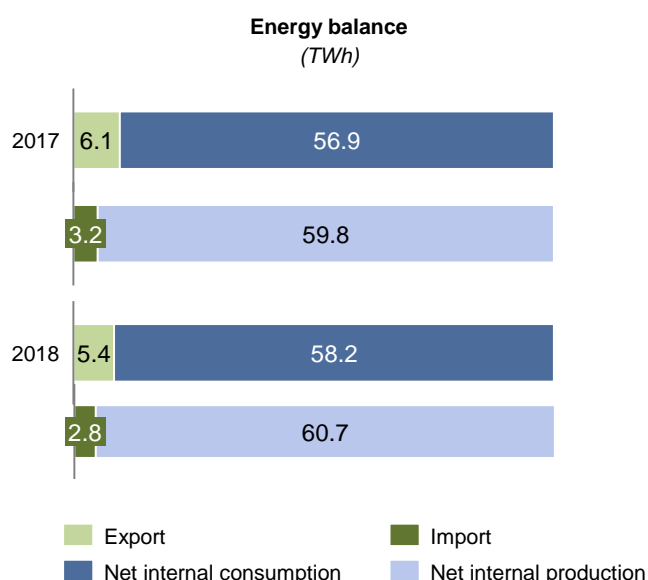
ENERGY BALANCE IN THE SEN

Analysing the development of the energy balance components, net domestic consumption¹ increased by 2.2% and net energy production grew 1.5% in January – December 2018 compared to the same time interval of the previous year.

Exporting cross-border physical exchanges dropped 11.8% compared to the same period of 2017, and importing cross-border flows registered 11.4% decrease.

Hydropower component registered 21.6% increase (17.7 TWh compared to 14.5 TWh).

Examining the component shares of the net generation mix from January to December 2018 one can notice the greatest share (40%) is the thermal component, followed by the hydro one (29%), while the electricity generated from renewable and nuclear sources reached to about 14% and 17% respectively.



GENERATION MIX

In the structure of the generation mix from January to December 2018 in comparison with the same period of 2017, the thermal component decreased about 3.5%, the output from nuclear sources dropped 1.1% and that of renewable sources 13.1%.

NATIONAL GENERATION FLEET

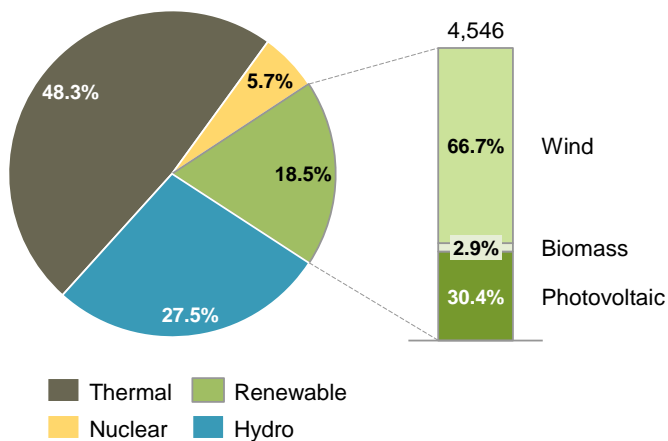
In 2018 the gross installed capacity into electric power plants decreased 0.5% in comparison with the same period of 2017.

The installed capacity into renewable source power parks increased about 0.2% from 4,535 MW installed on 31 December 2017 to 4,546 MW installed on 31 December 2018.

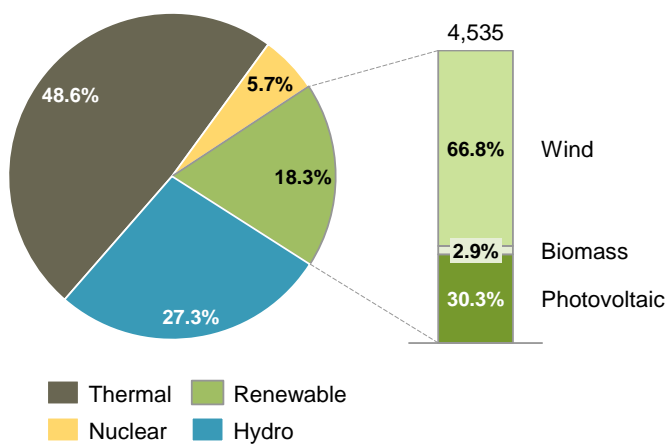
The dynamics of installed capacities associated to the time interval January – December 2018 versus 2017 is provided below:

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

Installed capacity in 2018 (24,606 MW, gross value)



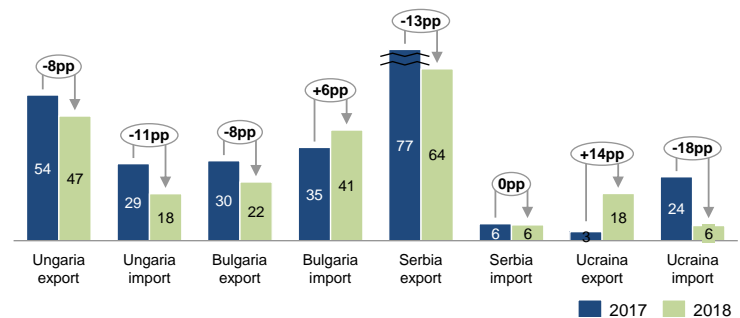
Installed capacity in 2017 (24,738 MW, gross value)



In actual terms physical export flows with Bulgaria (41.7%, -1,488 GWh) and Serbia (14.4%, -302 GWh) decreased compared to 2017, while increases were registered in relation with Hungary (190.5%, +683 GWh) and Ukraine (622.4%, +386 GWh).

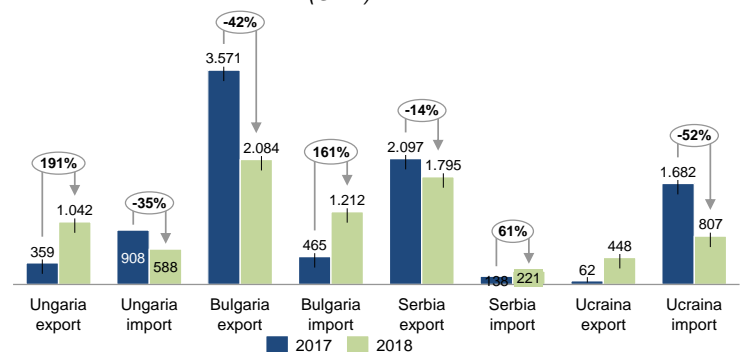
In January - December 2018 the utilisation degree of the total allocated capacity on the interconnection lines for export decreased in comparison with the same period of 2017 in case of most destinations, the only increase being registered in relation with Ukraine (+14 pp).

Utilisation degree of the total allocated capacity (%)



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

Physical flows (GWh)



CROSS-BORDER FLOWS

The 2018 distribution of import / export physical flows on interconnection lines in comparison with 2017 is as follows:

- Export increased and import decreased along the interconnection lines situated in zones with electricity generation deficit (meaning the borders with Hungary and Ukraine);
- Export decreased and import increased along the interconnection lines situated electricity generation excess zones (meaning the borders with Serbia and Bulgaria);

Such developments resulting into electricity transmission to long distances, which determined higher losses to be registered within RET.

ONE'S OWN TECHNOLOGICAL CONSUMPTION

In comparison with 2017, in 2018 OTC within RET increased about 14.04%, while the electricity injected into the RET outline increased only 0.30%.

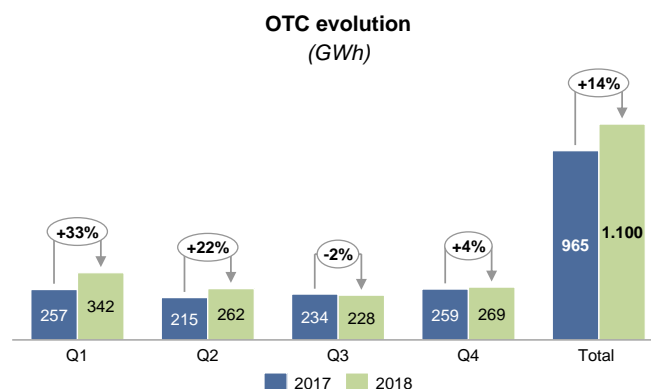
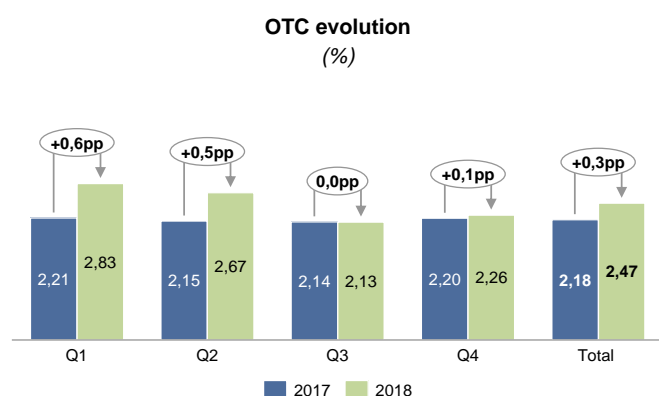
Creșterea a fost datorată în special ca urmare a:

- Disadvantageous distribution of import/export physical flows along the interconnection lines with neighbouring systems;
- Bad meteorological conditions, characterised by great precipitation quantities that determined significant increase of corona losses;

The significant loss increase occurred in the first half year.

The precipitation amount registered in 2018 was significantly greater than in 2017 in most geographic areas, decisively contributing to OTC increase since it developed the corona component.

As one can notice, the factors that significantly impacted the OTC in 2018, for instance precipitation and the distribution of cross-border physical flows, are outside the control of Transelectrica.



INCREASE FACTORS OF PHYSICAL OTC

In the 1st quarter of 2018 OTC within RET increased about 33.26% in comparison with the same period of 2017 because of the unfavourable import/export physical flows and of the disadvantageous generation distribution, which has led to electricity transmission to great distances from the generating source while bad meteorological conditions determined significant increase of corona losses. Losses grew from 2.21% to 2.83% in terms of the electricity that has been injected in the outline.

In the 2nd quarter of 2018 OTC within RET increased about 21.5% in comparison with the same period of 2017, especially because of the unfavourable import / export physical flows during the entire studied period because of the disadvantageous distribution of generation in April, but also the much worse meteorological conditions of June which determined significant increase of corona losses. Losses increased from 2.15% to 2.67% in terms of the electricity that has been injected into the outline.

In the 3rd quarter of 2018 OTC within RET decreased about 2.46% in comparison with the same period of 2017, especially due to favourable meteorological conditions in August and September, which determined significant decrease of corona losses. Losses decreased from 2.14% to 2.13% in terms of the electricity that has been injected into the outline.

In October 2018 OTC of absolute value decreased about 10.3% in comparison with October 2017 because of the smaller amount of electricity injected into the outline, the more advantageous generation structure and favourable

meteorological conditions. The percentage of losses compared to the electricity injected into the RET decreased from 2.27% in 2017 to 2.07% in 2018, as a result of CPT reduction in absolute value.

The net internal consumption of energy was 0.04% greater in comparison with October 2017.

The energy injected into the outline decreased 1.7% in October 2018 in comparison with the same period of 2017. Meteorological conditions in terms of precipitation were worse than in October 2017, generating smaller corona losses.

In November 2018 OTC in absolute value increased about 15.14% in comparison with November 2017, especially because of the disadvantageous distribution of physical flows on borders, which has led to greater electricity quantities transmitted to great distances from sources, but also because of the electricity injected into the outline. The percentage of losses increased from 2.07% in 2017 to 2.35% in 2018 in terms of the electricity that was injected into the outline, as a result of the significant OTC increase in absolute value. The net internal electricity consumption was 1.9% greater in November 2018 compared to November 2017, and the balance was of 28 GWh export compared to 125 GWh export (when physical import increased about 28 GWh and physical export decreased 70 GWh). The electricity injected into the outline increased 1.3% in November 2018 compared to the same period of 2017. Meteorological conditions were better than last year in terms of precipitation, thus determining reduced corona losses.

In December 2018 OTC in absolute value increased about 6.7% compared to December 2017 as a result of bad meteorological conditions, characterised by significant quantities of precipitation, which determined greater corona losses. The percentage of losses compared to the electricity injected into the RET was 2.34% compared to 2.27% registered in December 2017. The SEN balance was 147 GWh import, compared to 522 GWh export (while physical import increased about 348 GWh and physical export decreased about 322 GWh). The electricity injected into the outline increased 1.9% in December 2018 compared to the same period of 2017.

Meteorological conditions were worse and have determined greater corona losses.

In conclusion **in the 4th quarter of 2018** OTC within RET increased about 3.65% compared to the same period of 2017, as a result of disadvantageous structure of physical flows on borders in October and November, of the disadvantageous generation structure in October and of bad meteorological conditions in December. Losses increased from 2.2% to 2.26% because of a higher amount of electricity injected into the RET outline.

Investments

NON-CURRENT ASSETS RECORDED IN ACCOUNT BOOKS

The value of non-current assets registered in account books in 2018 was of RON 247.8 mn.

In 2018 the greatest transfers from tangible assets underway to tangible assets are mainly represented by the constitution of assets associated to investment objectives as follows:

- The 400 kV interconnection OHL Resita (Romania) - Pancevo (Serbia) – RON 98.59 mn;
- Refurbishing the 400/220/110/20 kV substation Bradu – RON 31.42 mn;
- Upgrading the 110 kV and 20 kV electric substations Suceava – RON 16.65 mn;
- Upgrading the 400/110/10 kV substation Cluj Est – RON 13.39 mn;
- Replacing the autotransformers and transformers in electric substations, stage 2 – RON 11.59 mn;
- Upgrading the command-control-protection system of the 220/110/20 kV substation Sardanesti – RON 11.04 mn;
- Connecting substations Turnu Magurele. Mostistea, Stalpu, and Teleajen to the optical fibre network of NPG Transelectrica SA - lot 2 – RON 4.51 mn;
- Remedying the failure to the 110-120 terminals of the 220 kV OHL Bucharest South – Ghizdaru – RON 4.27 mn;
- Replacing the 200 MVA, 231/121/10.5 kV autotransformer 2 from the 220/110 kV substation Resita – RON 4.25 mn;
- Replacing the circuit breakers in substations – RON 4.23 mn;
- Video wall display equipment for control rooms related to DEN/DET dispatch centres – RON 3.69 mn;
- Integrated security system within electric substations, stage IV (D.CA 16/ 2011) – RON 3.64 mn;
- Refurbishing the 400/110/20 kV substation Tulcea Vest - construction part – RON 2.86 mn;
- Installing optical fibre and upgrading the tele-protection system of the 400 kV double circuit (d.c.) OHL Tantareni-Turceni and 400 kV simple circuit (s.c.) OHL Urechesti - Rovinari – RON 2.85 mn;
- Procuring motor cars, 2018 – RON 2.74 mn;
- Regulating the coexistence of the 400 kV OHL Mintia - Arad in segment 15-20 with the Lugoj - Deva Highway, lot 4 – RON 2.69 mn;
- Endowing the 110 kV bay Nord and changing the components of the 110 kV bay Obor 2 of the 220/110/10 kV substation Fundeni – RON 2.48 mn;
- Installing optical fibre to the 220 kV OHL Fundeni-Brazi Vest - lot 1 – RON 2.39 mn;
- Upgrading the 220/110 kV substation Dumbrava – RON 2.15 mn;
- Upgrading the 110/6 kV of the 220/110/6 kV substation Pestis – RON 1.83 mn;
- Connecting the consumption point in MDF Factory, located in Arges County, communal centre Oarja, village Ceausesti, point Armata, plots 5 & 46, connection to the 110 kV bus-bar of 220/110/20 kV substation Pitesti Sud by means of a 110 kV underground line, about 450 m long – RON 1.83 mn
- Upgrading the hardware platforms of SCADA in Substation Slatina – RON 1.79 mn;
- Regulating the proximity of the 400 kV OHL Mintia - Arad, in segment 35-37 with the Lugoj - Deva Highway, lot 4 – RON 1.50 mn;
- Computation technique - Hardware & Software - Laptops – RON 1.38 mn;
- Relocating the 220 kV HV networks of Sebes – Turda Highway, Lot 1, km 0+000 – km 17+000, Section A – 220 kV d.c. OHL Alba Iulia – Sugag, Galceag, km 7+800, into the 25 – 26 clearing and km 11+080 – milestone 15 – RON 0.73 mn;
- Converting the Portile de Fier (Iron Gates) - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - stage I - the 400 kV s.c. OHL Portile de Fier - (Anina) – Resita – RON 0.70 mn;
- Relocating the HV networks of Brasov – Targu Mures - Cluj – Oradea Highway, section 2A Ogra – Campia Turzii, lot 2 Iernut – Chetani, km 3+600 – km 21+500 – the 220 kV OHL Iernut – Ungheni circuit 2 – RON 0.69 mn;
- Regulating the coexistence of the 400 kV OHL Mintia – Sibiu, in the 6-8 clearing with the Lugoj – Deva Highway, Lot 4, sector Ilia - Deva km 77+361 - km 99+500 – RON 0.64 mn;
- Replacing the accumulator batteries 1, 2, 3 and 4 from Substation Portile de Fier – RON 0.63 mn;
- Specific furniture for dispatchers in DET [Territorial Dispatcher Bacau, DET Cluj, DET Craiova and DET Timisoara – RON 0.62 mn;
- Modernising the personnel building of laz – RON 0.48 mn;
- Replacing the accumulator batteries 1, 2, 3 and 4 from Substation Portile de Fier – RON 0.42 mn.

PROCUREMENT OF ASSETS

The procurement of non-current and current assets in 2018 amounted to RON 170.61 mn compared to the same period of 2017 when such procurements amounted to RON 182.85 mn.

The balance of current and non-current assets under execution on 31 December 2018 is represented by projects in progress, of which the most significant are provided below:

- RET connection of the 300 MW WPP Ivesti, 88 MW WPP Falciu 1 and 18 MW WPP Falciu 2 through the new (400)/220/110 kV substation Banca – RON 46.88 mn;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - stage I - the 400/220/110 kV substation Resita – RON 27.47 mn
- Refurbishing the 400 kV substation Isaccea - stage I – Replacing the shunt reactors, the associated bays and the 400 kV bay Stupina – RON 23.46 mn;
- Refurbishing the 220/110 kV substation Turnu Severin Est – RON 20.79 mn;
- Extending the business continuity and post-disaster recovery services – RON 14.41 mn;
- Refurbishing the 400/220/110/20 kV substation Bradu – RON 12.23 mn;
- Replacing the EMS SCADA AREVA components – software & hardware – RON 11.45 mn;
- 400 kV d.c. OHL Cernavoda-Stalpu and connection into Gura Ialomitei – RON 10.85 mn;
- Connecting the 400 kV OHL Isaccea-Varna and the Isaccea-Dobrudja OHL in the 400 kV substation Medgidia Sud – RON 10.75 mn;
- Refurbishing the 400/110/20 kV substation Domnesti - RON 8.81 mn;
- Integrated security system in electric substations, stage IV – RON 8.02 mn;
- Refurbishing the 220/110 kV substation Hasdat– RON 7.10 mn;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - stage I - the 400/220/110 kV substation Resita – RON 6.63 mn;
- 400 kV OHL Gadalin - Suceava, including the SEN inteconnection – RON 5.97 mn;
- 400 kV HVDC Link (Submarine cable Romania - Turkey) – RON 5.85 mn;
- Refurbishing the 220 kV substation Otelarie [Steel Works] Hunedoara – RON 5.13 mn;
- 400 kV OHL Suceava - Balti for the project part on Romania's territory – RON 4.40 mn;
- 400 kV d.c. OHL Gutinas - Smardan – RON 3.74 mn
- Upgrading the 220/110/20 kV substation Raureni – RON 3.29 mn;
- Adding new functions to the IT control and registration of access into objectives of NPG Transelectrica SA – RON 3.20 mn;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - stage II, the 400 kV d.c. OHL Resita - Timisoara – Sacalaz (220/110 kV substation Timisoara) – RON 3.22 mn;
- Upgrading the 220/110/20 kV substation Arefu – RON 2.97 mn;
- RET connection of the 136 MW WPP Platonesti, Ialomita County by building a 110 kV bay in the 400/110 kV substation Gura Ialomitei, RON 2.89 mn
- Integrated security system in electric substations, stage III – RON 2.78 mn;
- Upgrading the 110 kV substations Bacau Sud & Roman Nord of the 400 kV axis Moldova, RON 2.62 mn;
- RET connection of the 99 MW WPP Dumesti and the 30 MW WPP Romanesti, Iasi County by building a 110 kV line bay in the 220/110 kV substation FAI – RON 2.54 mn;
- Research & development centre for LW technologies and fast intervention into SEN – Centre building - RON 2.21 mn;
- Security solution to implement security measures for classified information – RON 2.02 mn;
- Executive-DCBPA/CPA: Consolidation, upgrade and extension of NPG Transelectrica offices – RON 1.63 mn;
- Upgrading the tele-protection & telecommunication systems in Substation Cernavoda – RON 1.38 mn;
- Integrated security system in the new (400) 220/110 kV substation Banca – RON 1.13 mn;
- Achieving optical fibre communication between the 110 kV substation Pitesti Sud and the remote control & installation supervision centre of TB Pitesti – RON 1.11 mn;
- Upgrading the 220/110 kV substation Dumbrava – RON 1.04 mn;
- Refurbishing the 400/110/20 kV substation Smardan – RON 1.01 mn;
- Relocating the HV networks of the Brasov - Targu Mures - Cluj – Oradea Highway, section 2A Ogra-Campia Turzii, lot 2 Iernut - Chetani, km 3 + 600 km 21 + 500 - 400 kV OHL Iernut - Sibiu Sud, - RON 0.99 mn;
- Refurbishing the 220/110/20 kV substation Ungheni – RON 0.91 mn;
- RET connection of 400 kV substation Stupina and of the 400 kV OHL Isaccea-Varna – RON 0.87 mn ;
- Refurbishing the 220/110 kV substation Craiova Nord – RON 0.85 mn;

- 220 kV d.c. OHL Ostrovu Mare - RET, - RON 0.79 mn;
- 400 kV OHL Oradea – Beckescsaba – RON 0.79 mn;
- Upgrading the 110 kV & 400 (220 kV) installations from Substation Focsani Vest – RON 0.77 mn;
- The 400 kV substation Stalpu – RON 0.76 mn;
- The 400 kV d.c. (1 c.e.) OHL Constanta Nord-Medgidia Sud – RON 0.72 mn;
- Converting the 220 kV OHL Brazi Vest - Teleajen Stalpu to 400 kV, including the 400 MVA 400/220/20 kV autotransformer, extension work in the associated 400 kV & 220kV substations within the 400/220/110kV substation Brazi Vest – RON 0.68 mn;
- RET connection of the 33 MW WPP Sarichioi, Tulcea County into the 110 kV Zebil OHL bay in the 400/110 kV substation Tulcea Vest – RON 0.63 mn

CONTRACTUAL ASPECTS

The most important investment contracts signed in January-December 2018 are as follows:

- Refurbishing the 400/110/20 kV substation Smardan – RON 107.2 mn;
- Refurbishing the 110 kV substation Medgidia Sud – RON 49.8 mn;
- Refurbishing the 220/110 kV substation Hasdat – RON 49.7 mn;
- Refurbishing the 220/110 kV substation Craiova Nord – RON 46.1 mn;

FINANCIAL ASSETS

On 31 December 2018 the value of financial assets in comparison with last year registered increase, mainly determined by the Company's affiliation to the Regional Security Coordination Centre (CCSR) TSCNET Services GmbH by performing share purchase transaction.

The Shareholders' General Assembly decision 9 / 05.06.2018 approved the Company's affiliation to the Regional Security Coordination Centre, the amount of RON 2,207 mn representing the Company's participation to the share capital of TSCNET Services GmbH, the payment being made on 25.06.2018.



Significant events

EVENTS OF OCTOBER - DECEMBER 2018

- **Fitch Ratings reconfirms the Company's rating BBB stable outlook**

On 12 October 2018 the international credit rating agency Fitch Ratings reconfirmed the Company's long term rating at the level of the 2017 one, namely BBB stable outlook.

The credit rating opinion came as a recognition of the Company's efforts to reach operational and financial excellence, and at the same time its responsible approach to the business environment it operates in.

- **RSEEC 2018 Conference**

On 3-5 October the fourth edition of RSEEC was organised in the Polytechnic University of Bucharest, an international event where Transelectrica was co-organiser together with the CIGRE Romanian Committee and the Polytechnic University of Bucharest.

- **Electrical and Power Engineering (EPE 2018) International Conference**

On 18 October 2018 the International Conference Electrical and Power Engineering (EPE 2018) took place in Iasi, organised by the Technical University Gheorghe Asachi in partnership with NPG Transelectrica SA, the CNR CIGRE and the Romanian Academy's Energy Commission. Directorate members and the Company's executive and technical managerial teams have attended this event, where the round table "Assets modernisation and operation" was a topical venue and presentations were submitted there by representatives of the industrial, university and academic environments.

- **Agreement to put an end to the financial audit services**

On 10 October 2018 the Company signed the Agreement ending amiably the contract C210/2017 with company Deloitte Audit SRL as an effect of AGOA Decision 11 taken on 28 September 2018, whereby the shareholders have approved the ending of the audit contract by amiable means.

- **Incident in Stuparei substation**

When Co. SMART SA installed some pieces of equipment into secondary circuits on Monday 22 October 2018 at 11:36 h the 220/110 kV transformer substation Stuparei (Valcea County) got de-energised. The incident impacted the substations found in the south part of Valcea County, resulting in disconnected consumption of about 35 MW. The incident was repaired and consumers' supply was resumed in 12 to 15 minutes, except for an industrial consumer, resupplied after 23 minutes.

- **ASITO KAPITAL SA paid RON 31.18 mn**

On 06.11.2018 ASITO KAPITAL SA paid the amount of ron 31,2 mn to the Company in accordance with Civil ruling 4067/2017, representing the sum of 2,237,750.83 Euro down payment unreturned, which was secured under the bank indemnity letter for down payment BR-1500544/18.11.2015, as well as the sum of 4,821,022.53 Euro (equivalent of RON 21,2 mn at 4.4041 RON/Euro exchange rate), representing down payment unreturned, and secured under the bank indemnity letter for down payment BR-1500520/29.07.2015.

Ruling 4067/07.11.2017 has been drawn up and transmitted to both parties on 17.10.2018. On 01.11.2018 Ruling 4067/07.11.2017 was legalised and submitted to BEJ Raileanu in view of executing the enforcement title. On 06.11.2018 ASITO KAPITAL paid RON 31.2 mn to the Company but it has also requested cancellation, the following hearing term being 19.02.2019.

- **Transelectrica, founding member of the Association for Investor Relations at the Romanian Stock Exchange (ARIR)**

On 19 November 2018 NPG Transelectrica SA became one of the 11 founding members of the Association for Investor Relations at the Romanian Stock Exchange (ARIR). The other 10 founders are listed companies, companies with listing potential, fund administrators and professional people in investor relations, namely: the Bucharest Stock Exchange, the National Company Nuclearelectrica, ALRO, Franklin Templeton Investments – Bucharest Branch, Electromagnetica, Hidroelectrică, Teraplast, Daniela Serban, Cosmin Raduta and Tony Romani.

ARIR is non-governmental non-profit organisation established with a view to provide current and potential issuers a platform to develop professional people in the investor relations domain (IR) and to contribute to the implementation of the best corporative governance practice in the communications with investors. The new members, listed companies at the stock exchange or companies intending to get listed, as well as IR experts are invited to join the association to acquire higher representativity and impact over the capital market community.

By means of this Association IR professionals will contribute to elaborating and implementing the best investor communication, greater transparency of listed companies and compliance with the corporative governance principles in order to provide investors and shareholders with the essential items of an informed investment decision.

The activities of this Association will focus on five strategic directions with the following objectives:

1. Evaluation – Periodical assessment of the investors' perception of listed companies;
2. Presentation – Improving the presentation of listed companies;
3. Regulation – Monitoring the legislative framework and sustaining the members' opinion;
4. Communication – Consolidating connections and improving the dialogue with investors and analysts;
5. Recognition – Promoting the companies that implement the best practice;

- **Decision 13 of the Company's Shareholders' General Ordinary Assembly of 26 November 2018**

The Company's Shareholders' general ordinary assembly designated as provisional Supervisory Board members beginning with 30 November 2018 and four months' mandate the following gentlemen:

- Gheorghe OLTEANU
- Ion CIUCULETE
- Liviu ILASI
- Adrian MITROI
- Alin-Sorin MITRICA
- Fanel MIHALCEA
- Constantin DUMITRU

- **Decision 14 of the Company's Shareholders' General Ordinary Assembly of 26 November 2018**

The Shareholders' general ordinary assembly approved elaborating by the Company's managerial team of a reorganisation/restructuring plan aimed at rendering the Company activities efficient.

- **Paying the interest and nominal value TEL 18**

The Company as Issuer announced it has paid the interest and the nominal value on the redemption date 19 December 2018 for the bonds issued in 2013, in accordance with the Prospectus of the Inaugural Offer of bonds approved under Decision A-657/10.12.2013 of the Financial Supervision Authority.

- **Decision 15 of the Company's Shareholders' General Ordinary Assembly of 14 December 2018**

The Company's Shareholders' general ordinary assembly approved the distribution/redistribution of the amounts registered in the "retained result" and/or "other reserve" accounts in quantum of RON 66,7 mn; the assembly also approved the gross dividend per share amounting to 0.91 RON /share and 25.01.2019 as term to begin paying the dividends.

At the same time the assembly also approved 04.01.2019 as registration date and 03.01.2019 as ex-date, in accordance with applicable legal provisions.

- **Decision 16 of the Company's Shareholders' General Extraordinary Assembly of 21 December 2018**

The Company's Shareholders' general extraordinary assembly having met on 21 December 2018 approved the 2018-2027 Development Plan of the electricity transmission network.

At the same reunion the assembly approved the principle increase of the Company's share capital by means of in-kind contribution of a number of 17 lands, which the Company obtained ownership certificates for; approval was given for submission to the Office of the Trade Register from Bucharest Tribunal of the proposal to appoint JPA Audit & Consultance SRL as ANEVAR licensed valuator with a view to value the in-kind contribution that was proposed for share capital increase, in accordance with legal terms.

The assembly also approved completing the Company's portfolio with the activities encoded according to CAEN 7219 *Research-development in other natural sciences and engineering* and 4222 *Construction work of utility projects in the electricity and telecommunication domains*.

- **Change in the Directorate membership**

At the 21 December 2018 meeting the Supervisory Board of Transelectrica SA decided recalling from the capacity of Directorate members, beginning with 21 December 2018 the following persons:

- Adrian-Constantin RUSU
- Andreea Georgiana FLOREA
- Viorel VASIU
- Adrian-Mircea TEODORESCU

by appointing as of 21 December 2018 as provisional Directorate members with four months' mandate and possible extension for two more months based on thorough reasons, the mandate term cannot exceed the completion date of the selection procedure for Directorate members of the National Power Grid Company Transelectrica SA in accordance with the provisions of OUG 109/2011, if the procedure is completed within this time interval, the following persons:

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

During this meeting in accordance with the provisions of article 18 para (4) from the Articles of association of the National Power Grid Company Transelectrica SA the Supervisory Board elects as Directorate chairman, alternatively called Executive Director General or Chief Executive Officer – „CEO” – of the Company Mr. Marius-Danut CARASOL beginning with 21 December 2018.

LATER EVENTS

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

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



Other issues

SHAREHOLDERS' STRUCTURE

The structure of Company's shareholders on 31.12.2018 was as follows:

Shareholder name	No. of shares
Romanian state	43,020,309
Dedeman SRL	4,503,567
Others – legal persons	20,157,347
Others – natural persons	5,621,919
Total	73,303,142

DIRECTORATE MEMBERSHIP

On the date of this report the Directorate membership is as follows:

Marius-Danut CARASOL	Directorate Chairman
Andreea Georgiana FLOREA	Directorate Member
Constantin SARAGEA	Directorate Member
Claudia-Gina ANASTASE	Directorate Member
Adrian SAVU	Directorate Member

TARIFFS

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

Index	Tariff	m.u	Approved value		Difference %	Approved value		Difference %
			Reporting period			Reporting period		
			1 January-31 December 2017			1 January-31 December 2018		
			1 Jan-30 June	1 July-31 Dec		1 Jan-30 June	1 July-31 Dec	
A	Electricity transmission	Ron/MWh	18.70	16.86	-9.8%	16.86	18.13	+7.5%
B	Functional system services	Roni/MWh	1.30	1.11	-14.6%	1.11	1.11	-
C	Technological system services	Roni/MWh	11.58	9.39	-18.9%	12,06	10.44	-13.4%
	Billed quantity	TWh	52.0	54.0	-	54.0/55.0²	55.4	-

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

² The amount of electricity used in order to approve the transmission tariff and the tariffs of functional system services was 54.0 TWh (1 July 2017), and the electricity quantity used in order to approve the tariff for technological system services (1 January 2018) was 27.5 TWh for semester I 2018 (55.0 TWh each year)

Electricity transmission services

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

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

The most important calculation elements subjected to the ex-post corrections applied in order to calculate the newly approved tariff are: (i) electricity procurement price to cover one's own technological losses, (ii) the inflation index, (iii) using part of the revenues from the allocation of interconnection capacities as complementary source of the regulated tariff to cover regulated costs, (iv) higher electricity consumption above ANRE's forecast when it designed the tariff, (v) the partial investment correction;

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

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

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

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

described in this paragraph is **-1.0%** in changing the newly approved tariff.

Functional system services

The tariff was maintained due to the following individual calculation items whose net cumulated effect was zero:

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

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

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

Technological system services

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

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

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

➤ The quantity of electricity that can be billed at grid extraction was risen from 54.0 TWh to 55.4 TWh.

Such change in the billed amount of electricity contributed **-0.7%** to changing the newly approved tariff.

DISPUTES

The most important disputes that might impact the Company are provided further:

Note: To facilitate reading / understanding all sums of this chapter are expressed in Ron/Euro

▪ RAAN

On the docket of Mehedinti Tribunal, Section II Civil of Administrative and Fiscal Disputes file **3616/101/2014** was registered, pertaining to “claims amounting to 109,083.70 Ron, the value of invoice 1300215/31.12.2013”, file where the Company is defendant and claimant is the Autonomous Regie for Nuclear Activities, RAAN.

Civil sentence no. 127 pronounced on 10.10.2014 by Mehedinti Tribunal decided admitting the request of Claimant RAAN and compelling the Company to pay 109,083.70 Ron, the value of invoice no. 1300215/31.12.2013.

The Company filed appeal and requested the court instance a ruling admitting the appeal as it was expressed, cancelling the ruling and sentences appealed against and referring the case to the territorial competent instance in view of judgment, ascertaining the compliance with the provisions of article 1616-1617 Civil Code, for which reason it should ascertain the rightful compensation of mutual liabilities and their write-off until the concurrence of the smallest amount of the two, namely the total sum requested by the claimant in its summons, while compelling the respondent in appeal-claimant to pay the expenses with this appeal.

The appeal was recorded on the docket of the High Court for Cassation and Justice that decided cancelling ruling 843/2015 and referred the case to the Appeal Court Craiova for re-judgment.

Ruling 124/2017 of the Appeal Court Craiova admitted the appeal filed by Transelectrica and cancelled sentence 127/2014 pronounced by Mehedinti Tribunal, and the case was referred to Bucharest Tribunal, Section VI Civil for re-judgment. On the docket of Bucharest Tribunal the case was registered under no. 40444/3/2017, and by civil sentence 4406/04.12.2017 the court admitted RAAN's request and obliged Transelectrica to pay 1,090,831.70 Ron. The sentence was appealed against. Hearing term was set on 13.12.2018.

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

Under such circumstances RAAN has calculated penalties for its not collecting in due time the cogeneration bonus amounting to 3,496,914, which the Company withheld on account of uncollected receivables. The Company refused paying the amount of 3,496,914 and did not record it as liability under the support scheme.

File no. **9089/101/2013/a152** pertains to contestation against the Additional table of trade receivables against debtor RAAN. The disputed amount is 89,360,986 Ron.

Transelectrica SA has been recorded in the table of debtor RAAN with 11,264,777 Ron, in the category of liabilities resulting from the debtor's continued activity, but the actual sum requested by our company amounts to 89,360,986 Ron. The sum of 78,096,208.76 Ron was not included in the table on grounds that “it is not mentioned as liability in RAAN's accounting books”. Moreover, the judiciary liquidator considered the request to register 78,096,209 Ron in the table was submitted late, as it pertains to 2011 – 2013 intervals, for which reason the liability statement should have been expressed on the insolvency opening date, namely 18.09.2013. The contestation against the Additional table of trade receivables was submitted within the legal term, Mehedinti Tribunal accepting the accounting expertise evidence.

On the 14.06.2018 term the case judgment was suspended until settlement of file 3014/2/2014 on the docket of the High Court for Cassation and Justice. On 28.06.2018 a term was set to continue the procedure, namely handing over the heavy water quantity, consolidating the creditors' amount after settling all contestations, continuing all procedures with a view to recover trade receivables, representing the debtor company in court for recovery of such trade receivables, completing the valuation of patrimonial assets, elaborating the sale regulations and further capitalising the company's assets on 11 October 2018.

The procedure furthering term was established on **14.02.2019**.

▪ COURT OF AUDIT

Following an audit session of 2013 in the Company, the Court of Audit required the Company to implement certain measures as a result of certain deficiencies it had found during this audit session. Such decision and the conclusion issued by the Court of Audit were contested in the Appeal Court of Bucharest and file **1658/2/2014** was constituted pertaining to “cancelling the audit acts” – Conclusion 7/20.02.2014 issued by the Court of Audit.

On 13.06.2018 the claimant’s suit was partly admitted. The instance cancelled in part conclusion 7/20.02.2014, decision 37/9.12.2013 and the control report 35521/6.11.2012 issued by the defendant with respect to the measures required in the fore-mentioned decision in items I.1, I.3, I.6, I.8, I.11, II.14, II.15, II.17, II.18, II.20, II.21, II.22 and partially the measure of item II.13, which means removing the phrase “including those found in case of invoices issued by FLOREA ADMINISTRARE IMOBILIARA SRL”. The instance denies as groundless the remaining parts of the claimant’s suit and sanctions the electric power technical report elaborated by expert Toaxen Vasile for the case; it compels the defendant to pay 121,375 Ron to the claimant as law suit expenses (partial expert fees and judiciary stamp tax). Document: ruling 2771/2018, 13.06.2018.

Document: Ruling 2771/2018. On the date of this report such Ruling has not been drawn up.

Following an audit session performed in 2017, the Court of Audit required the Company to apply certain measures as a result of deficiencies it had found during this audit, NPG Transelectrica SA filed 8 contestations against the measures decided by Romania’s Court of Audit (CCR) under Decision 8/27.06.2017, requesting their cancellation, and against conclusion 77/03.08.2017, registered in the Company under no. 29117/08.08.2017, namely the Audit report 19211/26.05.2017.

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

▪ ANRE

NPG Transelectrica SA filed complaint against Order 51 / 26.06.2014 of ANRE president registered under no. 47714 / 04.08.2014 with ANRE and a contestation to the Appeal Court Bucharest, which is under file **4921/2/2014**, requesting either amending the fore-mentioned Order or issuing a new order to recalculate the RRR back at 9.87% (recalculated with β)

coefficient of 1.0359, in accordance with Transelectrica’s internal studies) or, in case such contestation is denied, it requested using the same 8.52% percentage that ANRE established for 2013 and the first semester of 2014.

On 26.06.2014 Order 51 of ANRE was issued and published in the Official Gazette no. 474/27.06.2014, which approved the average tariff for transmission services, the tariff of system services and the zone tariffs of transmission services charged by the National Power Grid Company Transelectrica SA and cancelled annex 1 to Order 96 / 2013 of ANRE president approving the tariff for transmission services, the tariff of system services, the zone tariffs for transmission services and the tariffs for reactive electricity charged by the economic operators from the electricity sector. The values taken into account by ANRE when calculating the regulated rate of return (RRR¹) in accordance with the Methodology establishing tariffs for electricity transmission services approved by ANRE Order 53/2013 (“Methodology”) have determined a RRR of 7.7%.

On the 27.03.2018 term the expert fee that was placed on the claimant’s account was paid and the decision was taken to resend a letter to this expert in order to elaborate the required expertise report and submit it to the file.

On the 25.09.2018 term a new letter would be sent to the expert in order to make the expertise report and submit it to the file, while also mentioning it should prove it was impossible to submit the expertise report by the court term, therefore case deferral will be decided.

On the hearing term **22.01.2019** the instance admitted in principle the request for accessory intervention to the interest of the defendant (ANRE), expressed by the intervenient ALRO SA, with appeal right alongside the main issue. The case is deferred until the following term established on **05.03.2019**. The dispute did not impact the relation with ANRE or the Company’s financial results.

OPCOM

On 24.11.2014 the Operator of the Electricity and Natural Gas Market OPCOM SA sued the Company with a view to compel it paying 582,086.31 Euro (2,585,161.72 Ron) representing the amount the claimant had paid as fine from the total fine of

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

1,031,000 Euro, such request pertaining to file **40814/3/2014**.

Previously the Shareholders' General Assembly of Subsidiary OPCOM SA decided on its 10.06.2014 reunion to pay the fine in full amounting to 1,031,000 Euro applied by the General Directorate Competition of the European Commission for its trespassing article 102 of the Treaty regarding operation of the European Union, in accordance with Decision AT 39984 on the antitrust case.

Also OPCOM SA requested the law court to compel the Company to pay another amount of 84,867.67 Ron as legal interest rate for the time interval 11.06.2014 – 24.11.2014.

The suit instituted by OPCOM SA was recorded under file 40814/3/2014, found on the docket of Bucharest Tribunal, Section VI Civil, pertaining to claims, main issue - dispute with professionals.

On the 24.07.2015 court session the instance admitted the summons filed by the Electricity and Natural Gas Market Operator OPCOM SA in contradiction with defendant the National Power Grid Company Transelectrica SA and compelled the defendant to pay 582,086.31 Euro to the claimant, representing the amount the claimant paid on behalf of the defendant from the 1,031,000 Euro fine applied under European Commission Decision on 05.03.2014 in the AT.39984 case as well as the legal interest to a sum of 582,086 Euro, calculated on 11.06.2014 until actual payment date. Also the instance compelled the defendant to pay 37,828 Ron to the claimant as law suit expenses; appeal right within 30 days from notification. Transelectrica SA filed appeal against sentence 4275/2015 pronounced in the fore-mentioned file, which was recorded on the docket of the Appeal Court Bucharest.

The Appeal Court's settlement in brief: admits the appeal, changes fully the civil sentence appealed against, namely it denies the summons as groundless. The court compels the respondent in appeal-claimant to pay 16,129 Ron representing judiciary stamp tax. Appeal within 30 days from notification, pronounced at public hearing of 10.10.2016. Document: Ruling 1517/2016 of 10.10.2016.

OPCOM SA filed appeal, which was recorded with the High Court for Cassation and Justice.

The term of the High Court for Cassation and Justice: 13.03.2018. This Court's settlement in brief: Admitted the appeal filed by the recurrent-claimant Electricity and Natural Gas Market Operator OPCOM SA against ruling 1517/10.10.2016, pronounced by the Appeal Court Bucharest, Section V Civil. Cancels the ruling

appealed against and refers the case to the appeal court for new judgment; final.

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

On 27.11.2018 NPG Transelectrica SA filed appeal.

▪ ROMENERGY INDUSTRY SRL

File no. **2088/107/2016** is found on the docket of Alba Tribunal.

Transelectrica filed request in order to be recorded in the creditors' list with the amount of 16,112,165 Ron. The trade receivable was admitted and registered into the preliminary table.

Settlement in brief: The instance approved the Report regarding the funds obtained from liquidation as well as the Plan to distribute such funds, according to article 160 para 5 from Law 85/2014. It established the term on **18.03.2018** in order to continue the bankruptcy procedure by means of capitalising the assets and recovering the trade receivables. The judiciary liquidator will elaborate and submit to the file, on each 15th day of the month on account of the previous month the monthly activity reports provided for in para 1 of article 59 from Law 85/2014; - as regards the verification term, at least 5 days before term the synthesis report every 120 days, provided in the final part of para 3 from article 59 of Law 85/2014. Document: Session conclusion 17.09.2018

▪ ASITO KAPITAL SRL

File no. 24552/3/2017 was instituted as it pertains to "payment ordinance – claims", a dispute amounting to 31,180,857.96 Ron.

On the 07.11.2017 term after deliberation the Bucharest Tribunal pronounced the following settlement, in brief:

- Admits the request ;
- It enjoined the debtor to pay 2,237,750.83 Euro (equivalent of 9,948,592.64 Ron at 4.4458 Ron/Euro exchange rate) within 20 days from its notification about this ruling, sum representing unreturned down payment which was secured under indemnity letter for down payment BR-1500544/18.11.2015;
- It enjoined the debtor to pay 4,821,022.53 Euro (equivalent of 21,233,265.32 Ron at 4.4041 Ron/Euro exchange rate) within 20 days from its notification about this ruling, sum representing unreturned down

payment which was secured under indemnity letter for down payment BR-1500520/29.07.2015;

- It enjoined the debtor to pay 200 Ron as law suit expenses within 20 days from its notification about this ruling. Cancellation request right is available within 10 days from communication. Document: Ruling 4067/2017 - 07.11.2017.

On the elaboration date of this report Ruling 4067/2017-07.11.2017 has been drawn up and notified to both parties. On 01.11.2018 Ruling 4067/2017 - 07.11.2017 was legalised and then transmitted to BEJ Raileanu in view of enforcing such executory title.

Term of cancellation request **19.02.2019**

On the docket of Constanta Tribunal is file no. 2236/118/2017, which pertains to the Company's request to be recorded with 31,189,486.75 Ron in the creditors' list of Elcomex IEA SA. The trade receivable was registered in the credited amounts provided the indemnity letters for down payment issued by Asito Kapital are enforced. Next procedural term: **05.04.2019**.

• **CONAID COMPANY SRL**

In 2013 Conaid Company SRL sued NPG Transelectrica for its unjustified refusal to sign an addendum to the connection contract or a new connection contract and requested claims for expenses incurred to that date amounting to 17,419,508 Ron, as well as unrealised profits in 2013-2033 amounting to 722,756,000 EUR. To date the Company has not concluded addendum to the connection contract because the suspensive terms provided in the contract have not been complied with by Conaid Company SRL. A new connection contract should have been concluded by 11.03.2014, date when the technical connection endorsement expired. As of the date of these financial statements the amounts claimed by Conaid Company SRL were considered contingent liabilities since it is improbable to require resource outputs including economic benefits to settle this obligation, and the amount of such obligation cannot be assessed quite credibly. File 5302/2/2013 on the docket of the High Court of Cassation and Justice, Administrative and Fiscal Disputes Section pertained to compelling the issuance of an administrative act, file stage- appeal, hearing term being set on 09.12.2015. On this term the High Court of Cassation and Justice admitted in principle the appeals and set the hearing term for the main issue on 08.04.2016 for the appeals, Judge Panel 4, with parties' summons.

Case judgment was deferred until 17.06.2016, when the instance deferred pronouncement on 29.06.2016,

when it pronounced Ruling 2148/2016 deciding as follows: "Denies the exceptions brought by the recurrent-claimant SC Conaid Company SRL, by the judiciary administrator RVA Insolvency Specialists SPRL and by the recurrent-defendant Transelectrica SA. Admits the appeal filed by the defendant National Power Grid Company Transelectrica SA against the hearing conclusion of 18.02.2014 and the civil sentence 1866 of 11.06.2014, pronounced by the Appeal Court Bucharest, Section VIII of administrative and fiscal disputes. Cancels the conclusion and partly the sentence appealed against and refers the case to Bucharest Tribunal, Section VI Civil to settle the claimant's suit in contradiction with National Power Grid Company Transelectrica SA. It maintains the other provisions of the sentence as regards the claimant's suit against the National Regulatory Authority in the Energy domain. Denies the appeals filed by claimant SC Conaid Company SRL, by the judiciary administrator RVA Insolvency Specialists SPRL and by the intervenient SC Duro Felguera SA against civil sentence 1866 of 11.06.2014, pronounced by the Appeal Court Bucharest, Section VIII of administrative and fiscal disputes. It denies the appeal filed by defendant National Power Grid Company Transelectrica SA against the hearing conclusion of 25.03.2014, pronounced by the Appeal Court Bucharest, Section VIII of administrative and fiscal disputes; final, pronounced at public hearing on 29 June 2016.

On the docket of Bucharest Tribunal, Section VI Civil the case was registered under no. 12107/3/2017. The Tribunal admits the inadmissibility exception and denies the request as inadmissible by civil sentence 4364/23.11.2017. It also denies the intervention request to the claimant's interest. Appeal right within 30 days from notification. The appeal was submitted to Bucharest Tribunal, Section VI Civil and placed at the parties' disposal by means of the court clerk on 23.11.2017.

▪ **FF WIND ENERGY INTERNATIONAL SRL**

File no. 47332/3/2017 on the docket of Bucharest Tribunal, Section VI Civil, whereby Co. FF Wind Energy International SRL requested in contradiction with NPG Transelectrica SA: - cancelling the one-sided termination statement of the RET connection contract 85/14.03.2011 issued on 02.03.2016 under no. 8295, - compelling the Company to pay 32,777,167.35 Ron as prejudice following contract termination and 45,000,000 Euro, representing the devaluation quantum of Co. FF Wind Energy International SRL by preventing it to achieve its purpose.

On the hearing term 28.12.2018 the instance denied the suing as it had been expressed as groundless; it

acknowledges the defendant has requested no law suit expenses and provides appeal right within 30 days from notification. In accordance with article 425 para 3 and of article 471 para 1 from the Civil procedural code, the appeal and the appeal reasons are submitted to Bucharest Tribunal, Section VI Civil.

Document: Ruling 3891/2018 of 28.12.2018.

▪ ANAF

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

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

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

In principle, ANAF's Fiscal audit report specifies mainly the following additional payment obligations: income tax amounting to 13,726,800 Ron, as well as accessories owed for a number of 123 unused invoices and labelled as missing (they were destroyed in the 26-27 June 2009 fire, in the working location from Millennium Business Centre of str. Armand Calinescu 2-4, Bucharest 2, where the Company operated at that moment), and were special regime documents.

These invoices were the subject matter of a dispute with ANAF that issued fiscal audit report on 20 September 2011 whereby it estimated payable VAT collected for a number of 123 unused invoices identified as missing.

The Company contested the Taxation decision F-MC 439/30.06.2017 within the legal term according to OG 92/2003 on the Fiscal procedural code.

ANAF issued the executory title 13540/22.08.2017 under which the additional payment liabilities established under Taxation decision F-MC 439/30.06.2017 were enforced.

The Company requested cancelling the enforcement title 13540/22.08.2017 from the Appeal Court under file no. 7141/2/2017. Settlement in brief: the court admitted the exception of the material incompetence of the Appeal Court Bucharest 1, SCAF. It declines the case settlement competence in favour of Law Court of Bucharest 1. No appeal right was given; this was pronounced at public hearing of 08.02.2018. Document: Ruling 478/2018 of 08.02.2018.

Following such competence declination file no. 8993/299/2018 was registered on the docket of Law Court of Bucharest 1 whereby the Company contested the enforcement initiated under the enforcement title 13540/22.08.2017, which relied on the Taxation decision F-MC 439/30.06.2017.

Settlement in brief: the court admitted the request of judgment suspension filed by the contester. In accordance with article 413 para (1) pt. 1 civil procedural court it suspended judgment until final settlement of file 1802/2/2018, found on the docket of the Appeal Court Bucharest, Section VIII of administrative and fiscal disputes. Appeal right during the entire suspension; appeal to be submitted to the Law Court of Bucharest 1. This was pronounced at public hearing.

Document: Conclusion - Suspension 17.04.2018

On the docket of the Appeal Court file no. 1802/2/2018 is found under preliminary procedure, whereby the Company contested the administrative fiscal act, the Decision F-MC 439/30.06.2017.

After the Company's contestation of the administrative fiscal act, Decision no. F-MC 439/30.06.2017, ANAF notified the Company Decision 122/13.03.2018 which denies as groundless the contestation filed by NPG Transelectrica SA, such decision being received on 16.03.2018, after filing the summons under file 1802/2/2018.

On the session term 06.11.2018 the court admitted the administration of the expertise evidence, in the accounting – fiscal specific domain.

Settlement in brief – it suspended judging the case until final settlement of the request which is the main issue of the file, with appeal right during such suspension.

The following judgment term under this file was established on **05.03.2019**.

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



Annexes

ANNEX 1: Stand-alone statement of the financial position - unaudited

[RON mn]	31/12/2018	31 December 2017 as per HAGA 6/30.04.2018	Δ	Δ (%)
ASSETS				
Non-current assets				
Tangible assets	2,887	3,044	(157)	(5%)
Intangible assets	23	16	7	46%
Financial assets	80	78	2	3%
Total non-current assets	2,990	3,138	(148)	(5%)
Current assets				
Inventories	35	32	3	9%
Trade and other receivables	1,088	819	269	33%
Cash and cash equivalents	482	521	(39)	(7%)
Total current assets	1,605	1,371	233	17%
Total assets	4,595	4,509	85	2%
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' Equity				
Share capital, of which:	733	733	0	0%
<i>Subscribed share capital</i>	733	733	0	0%
Share premium	50	50	0	0%
Legal reserves	124	119	5	4%
Revaluation reserves	456	500	(44)	(9%)
Other reserves	67	57	10	17%
Retained earnings	1,321	1,259	62	5%
Total shareholders' equity	2,750	2,718	32	1%
Non-current liabilities				
Long term deferred revenues	411	411	1	0%
Long term borrowings	144	195	(51)	(26%)
Deferred tax liability	23	25	(2)	(8%)
Employee benefits liabilities	52	53	(1)	(2%)
Total non-current liabilities	630	684	(54)	(8%)
Current liabilities				
Trade and other liabilities	1,043	700	343	49%
Other tax and social security liabilities	10	9	1	16%
Short-term borrowings	53	317	(264)	(83%)
Provisions	89	42	48	115%
Short-term deferred revenues	19	41	(22)	(53%)
Total current liabilities	1,215	1,108	107	10%
Total liabilities	1,845	1,792	53	3%
Total shareholders' equity and liabilities	4,595	4,509	85	2%

ANNEX 2: Stand-alone profit and loss account statement - unaudited

[RON mn]	T4 2018	T4 2017	31/12/2018	31December 2017 as per HAGA 6/30.04.2018	Budgeted 2018	Actual 2018 vs 2017	Actual 2018 vs 2017 (%)	2018 Actual vs Budget	2018 Actual vs Budget (%)
0	1	2	3	4	5	6=3-4	7=3/4	8=3-5	9=3/5
Operating revenues									
Transmission revenues	296	261	1,067	1,055	1,043	12	1%	24	2%
System services revenues	171	153	702	651	728	51	8%	(26)	(4%)
Balancing market revenues	406	219	904	1,305	997	(401)	(31%)	(93)	(9%)
Other revenues	13	12	46	49	43	(3)	(6%)	3	7%
Total operating revenues	887	646	2,719	3,060	2,811	(341)	(11%)	(92)	(3%)
Operating expenses									
System operating expenses	97	65	309	258	266	51	20%	43	16%
Balancing market expenses	406	219	904	1305	997	(401)	(31%)	(93)	(9%)
Technological system services expenses	181	160	678	661	676	17	3%	2	0%
Depreciation and Amortisation	72	78	298	312	326	(14)	(4%)	(28)	(9%)
Personnel expenses	56	47	193	179	197	14	8%	(4)	(2%)
Repairs and maintenance expenses	26	27	91	85	95	6	7%	(4)	(4%)
Materials and consumables	4	3	12	8	17	4	50%	(5)	(29%)
Other operating expenses	53	79	130	184	132	(54)	(29%)	(2)	(2%)
Total operating expenses	896	679	2,615	2,992	2,706	(377)	(13%)	(91)	(3%)
Operating profit	(9)	(33)	104	68	105	36	53%	(1)	(1%)
Finance income	4	3	17	19	8	(2)	(11%)	9	113%
Finance cost	5	10	25	40	23	(15)	(38%)	2	9%
Net finance result	(2)	(7)	(8)	(21)	(15)	13	62%	7	47%
Profit before income tax	(11)	(40)	96	47	90	49	104%	6	7%
Income tax	(3)	(3)	7	19	17	(12)	(63%)	(10)	(59%)
Net profit	(8)	(37)	89	28	73	61	218%	16	22%

ANNEX 3: Stand-alone statement of cash flows - unaudited

[RON mn]	31/12/2018	31December 2017 as per HAGA 6/30.04.2018	Δ
Cash flows from operating activities			
Correction of retained earnings required by shareholders	0	(76)	76
Profit for the period	89	28	61
Adjustments for:			
Income tax expense	7	19	(12)
Depreciation and amortisation expenses	298	312	(14)
Net expenses with adjustments for various debtors impairment	12	37	(24)
Reversal of adjustments for trade receivables impairment	(8)	(15)	6
Loss from various debtors	0	45	(45)
Net revenues with adjustments for various debtors impairment	(33)	(9)	(23)
Net expenditures with adjustments for inventory impairment	0	1	(1)
Profit/Loss from sales of tangible assets, net	(0)	1	(1)
Net expenses with value adjustments of tangible assets	3	2	1
Net expenses/revenues of provisions for risks and expenses	37	(10)	47
Interest expenses, interest revenues and unrealized revenue from foreign exchange rates	8	21	(13)
Cash flows before changes to working capital	414	356	58
Changes in:			
Clients and assimilated accounts – energy and other activities	(104)	2	(105)
Clients - balancing	(157)	12	(170)
Clients - cogeneration	20	(31)	51
Inventories	(3)	(2)	(1)
Trade and other liabilities – energy and other activities	146	(54)	201
Liabilities - balancing	179	(82)	261
Liabilities - cogeneration	(15)	41	(56)
Liabilities paid according to the ANAF taxation decision	0	(100)	100
Other tax and social security liabilities	1	0	1
Deferred revenues	(23)	(16)	(7)
Cash flows from operating activities	459	127	332
Paid interest	(20)	(22)	2
Income tax paid	(12)	(8)	(4)
Net cash from operating activities	426	96	330
Cash flows used in investing activities			
Acquisition of tangible and intangible assets	(171)	(183)	12
Proceeds from EC non-reimbursable financing	12	0	12
Collected interests	10	6	4
Participation titles held in TSC NET	(2)	0	(2)
Proceeds from sales of tangible assets	1	0	1
Received dividends	1	2	(1)
Other financial assets	0	135	(135)
Net cash used in investing activities	(149)	(40)	(110)
Cash flows used in financing activities			
Repayments of long-term loans	(114)	(134)	20
Reimbursement of liabilities	(200)	0	(200)
Special dividends paid as per GO 29/2017	0	(170)	170
Paid dividends	(1)	(166)	164
Net cash used in financing activities	(315)	(470)	154
Net increase/decrease in cash and cash equivalents	(39)	(413)	374
Cash and cash equivalents as at 1 January	521	934	(413)
Cash and cash equivalents at the end of the period	482	521	(39)

ANNEX 4: Economic-financial indicators of the reporting period – non-audited results

Indicators	Calculation formula	31/12/2018	31/12/2017
Current liquidity ratio (x)	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.32	1.24
Indebtness indicators (x):			
(1) Indebtedness indicator	$\frac{\text{Debt capital} \times 100}{\text{Shareholder's equity}}$	7.2%	18.8%
(2) Indebtedness indicator	$\frac{\text{Debt capital} \times 100}{\text{Committed capital}}$	6.7%	15.9%
Clients' turnover (zile)	$\frac{\text{Average client balance}^* \times \text{no.days}}{\text{Turnover}}$	90.86	71.41
Non-current assets turnover (x)	$\frac{\text{Turnover}}{\text{Non-current assets}}$	0.89	0.96

* The clients contributing to the turnover (energy, balancing, other clients, invoices to issue for clients) were taken into consideration. The average balance does not include doubtful clients, the cogeneration scheme and overcompensation.

ANNEX 5 REPORT (as per HAGEA 4/29.04.2015) about the contracts signed in quarter IV/ 2018 for procurement of assets, services and work amounting to more than 500,000 Euro/purchase (for assets and work) namely to more than 100,000 Euro/achiziție (for services)

No.	Contract number	Contractual object	Term	Value		Contract type	Legal base	Procurement procedure
				thous. Ron	thous. Euro			
0	1	2	3	4	5	6	7	8
1	BA 729/2018	Specific guard services and intervention to the objectives of TB Bacau	36 months	7,624	0.00	Services	Law 99/2016 + HG 394/2016	Open bid
2	C 398/2018	Car fuel for the car fleet and diesel generating sets of NPG Transelectrica SA	24 months	6,984	0.00	Supply	Law 99/2016 + HG 394/2016	Open bid
3	C 468/2018	Maintenance services for the balancing market platform DAMAS	36 months	0.00	819	Services	Law 99/2016 + HG 394/2016	Negotiation - no previous invitation
4	C 05/2009 AA6	Addendum 6 to contract 05/2009 "Services providing business continuity and post-disaster recovery"	12 months	0.00	653	Services	Law 114/2011	Negotiation - no previous invitation
5	C 370/2018	Motor cars to complete the Company's car fleet	3 months	2,744	0.00	Supply	Law 99/2016 + HG 394/2016	Open bid
6	BC 560/2018	Guard and intervention services for TB Bucharest	5 months	1,777	0.00	Services	Law 99/2016 + HG 394/2016	One's own procedure
7	SB 39/2018	Cleaning & hygienic services in the locations of TB Sibiu	36 months	851	0.00	Services	Law 99/2016 + HG 394/2016	Open bid
8	CT 724/2018	Specific guard, monitoring and intervention services to the objectives of TB Constanta, for 4 months	4 months	791	0.00	Services	Law 99/2016 + HG 394/2016	Negotiation - no previous invitation
9	BA 724/2018	Specific guard and intervention services for the objectives of TB Bacau	3 months	597	0.00	Services	Law 99/2016 + HG 394/2016	Negotiation - no previous invitation
10	BC 569/2018	Services: mowing, tree cutting and vegetation removal in order to prevent fires in electric substations managed by TB Bucharest	36 months	582	0.00	Services	Law 99/2016 + HG 394/2016	Open bid

ANNEX 6: Main clients and suppliers

No.	Main clients	Circul. 2017 (mill Ron)	Main clients	Circul. 2018 (mill Ron)
1	CIGA ENERGY SA	80	ELECTRICA FURNIZARE SA	118
2	AUTONOMOUS REGIE OF NUCLEAR ACTIVITIES	74	CIGA ENERGY SA	110
3	ELECTROCENTRALE BUCURESTI SA	61	AUTONOMOUS REGIE OF NUCLEAR ACTIVITIES	74
4	ENERGY COMPANY ELECTRICA SA	48	CINTA ENERGY SA	72
5	ELECTRICA FURNIZARE SA	46	ELECTROCENTRALE BUCURESTI SA	64
6	ENEL ENERGIE MUNTENIA SA	36	OPERATOR UL PIETEI DE ENERGIE ELECTRICA SI DE GAZE	64
7	ENEL ENERGIE SA	33	CO. ENERGY COMPLEX OLTENIA SA	38
8	E.ON ENERGIE ROMANIA SA	32	ENEL ENERGIE MUNTENIA SA	35
9	CO. ENERGY COMPLEX OLTENIA SA	26	ENEL ENERGIE SA	33
10	PETPROD SRL	21	E.ON ENERGIE ROMANIA SA	31

No.	Main suppliers	Circul. 2017 (mill Ron)	Main suppliers	Circul. 2018 (mill Ron)
1	HIDROELECTRICA SA	171	HIDROELECTRICA SA	215
2	ELECTROCENTRALE BUCURESTI SA	117	ELECTROCENTRALE BUCURESTI SA	106
3	AUTONOMOUS REGIE OF NUCLEAR ACTIVITIES	51	CO. ENERGY COMPLEX OLTENIA SA	100
4	CO. ENERGY COMPLEX OLTENIA SA	50	NATIONAL COMPANY OF NATURAL GAS ROMGAZ SA	71
5	MAVIR MAGYAR VILLAMOSENERGIA-IPARI ATVITELI RENDSZERIRANYITO ZRT	31	MAVIR MAGYAR VILLAMOSENERGIA-IPARI ATVITELI RENDSZERIRANYITO ZRT	70
6	ROMELECTRO SA	22	OPERATOR OF THE ELECTRICITY AND NATURAL GAS MARKET OPCOM SA	62
7	ENERGY COMPLEX HUNEDOARA SA	19	AUTONOMOUS REGIE OF NUCLEAR ACTIVITIES	51
8	OPERATOR OF THE ELECTRICITY AND NATURAL GAS MARKET OPCOM SA	18	ELECTROCENTRALE GALATI SA	21
9	NATIONAL COMPANY OF NATURAL GAS ROMGAZ SA	17	ENERGY COMPLEX HUNEDOARA SA	20
10	NPG TRANSELECTRICA SA (PROGNOZA ITC)	15	CIGA ENERGY SA	17

Annex 7 – Glossary

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