To the: Bucharest Stock Exchange – Department of Operations Issuers Regulated Markets
Financial Supervision Authority - General Directorate Supervision - Issuers Division

Current report as per the provisions of Regulation 5/2018 of ASF and the BVB Code
Date of the report: **15 November 2018**
Name of Issuer Company: **CNTEE TRANSELECTRICA SA, Company Managed under Two-tier System**
Headquarters: Bucharest 1, Blvd. Magheru no. 33
Working location: Bucharest 3, Str. Olteni no. 2-4
Phone / fax numbers: 4021 3035 611 / 4021 3035 610
Single registration code: 13328043
Number in the Commercial Register: J40/8060/2000
Share capital subscribed and paid: 733,031,420 Lei
LEI Code: 254900OLXCOUQC90M036
Regulated market where the issued securities are transacted: Bucharest Stock Exchange

Important event to report: – Summary of financial results for the first 9 months of 2018
Such report includes:

- Report on the activities of CNTEE Transelectrica SA during January-September 2018
- Simplified stand-alone intermediary financial statements non-audited on 30 September 2018

The segment of profit allowed operations: the increase of the billed volume in 9M 2018 as compared to 9M 2017 has not entirely covered the 5% decrease in the average transmission tariff, resulting in a 4% diminuation in total revenue (a decrease unbalanced by the increase in the tariff valid from July 1st 2018). Considering the 17,7% growth in the amount of electricity needed to cover our own technological consumption in the RET, OTC costs were higher by 14.6%. Factors not under the control of the Company and significantly influencing the OTC at 9M 2018 were the precipitation and distribution of cross-border physical flows.

The zero profit operations: registered a negative result but in a positive evolution with respect to the same period of 2017, driven by an increase in revenues from technological system services with 8%, of billed volume and the average tariff approved by ANRE, while the related expenditures registered a reduction of 1%.

	U.M.	9M 2018	9M 2017	Δ
Financiar				
Billed volume	[TWh]	41.27	40.51	▲ 1.87%
PROFIT ALLOWED ACTIVITIES				
Total revenue	[RON mn]	852	884	▼ 4%
Average transmission tariff (achieved)	[RON/MWh]	17.23	18.05	▼ 5%
Revenues from transmission and other activities on the energy market	[RON mn]	771	794	▼ 3%
EBITDA	[RON mn]	354	391	▼ 9%
Depreciation	[RON mn]	226	234	▼ 3%
EBIT	[RON mn]	128	157	▼ 18%
PASS-THROUGH OPERATIONS				
EBIT	[RON mn]	-14	-56	▲75%
ALL ACTIVITIES (Profit Allowed and Pass-Through Operations)				
EBIT	[RON mn]	114	101	▲ 13%
Net profit	[RON mn]	98	65	▲ 51%
Operational				
Consumption	[TWh]	43.0	42.1	▲ 2%
Production	[TWh]	45.5	44.3	▲ 3%
Export	[TWh]	4.2	4.5	▼ 7%

The report on CNTEE Transelectrica SA activities in January-September 2018 and the Simplified stand-alone intermediary financial statements non-audited on 30 September 2018 are available beginning with 15 September 2018.

- Online, on the website www.transelectrica.ro, section Investor Relations Periodical Reports / Reports, namely https://www.transelectrica.ro/rapoarte-2018;
- At Company location: str. Olteni no. 2-4, Bucharest 3

Adrian-Constantin RUSU
Executive Director General
Directorate Chairman

Andreea Georgiana FLOREA
Directorate Member

NPG Transelectrica SA
Company managed under two-tier system

Stand-alone Simplified Interim Financial Statements
of the date and for the nine months' period ended on
30 September 2018

Elaborated in accordance with the
International Accounting Standard 34 – Interim Financial Reporting
(free translation)

NPG Transelectrica SA
Stand-alone simplified financial position statement of 30 September 2018
(All amounts are expressed in RON, unless otherwise specified)

	Note	30 September 2018	31 December 2017 as per AGA decision no. 6 of 30.04.2018
Assets			
Non-current assets			
Tangible assets	**4**	2,916,892,084	3,044,365,315
Intangible assets	**4**	23,488,386	15,563,225
Financial assets	**4.19**	80,245,910	78,038,750
Total non-current assets		**3,020,626,380**	**3,137,967,290**
Current assets			
Inventories		34,635,682	32,014,652
Trade and receivables	**5**	774,191,290	818,529,879
Cash and cash equivalents	**6**	651,349,082	520,746,500
Total current assets		**1,460,176,054**	**1,371,291,031**
Total assets		**4,480,802,434**	**4,509,258,321**
Shareholder's equity and liabilities			
Shareholder's equity			
Share capital, of which:		733,031,420	733,031,420
Subscribed share capital		733,031,420	*733,031,420*
Share premium		49,842,552	49,842,552
Legal reserves		118,961,487	118,961,487
Revaluation reserves		466,590,918	499,921,435
Other reserves		62,540,382	56,953,503
Retained earnings		1,389,780,404	1,258,921,369
Total shareholder's equity	**7**	**2,820,747,163**	**2,717,631,766**
Non-current liabilities			
Long-term deferred revenues	**8**	394,655,631	410,642,185
Borrowings	**9**	149,490,267	195,185,934
Deferred tax liability		23,695,361	25,036,280
Employee benefits liabilities		52.646.906	52,646,906
Total non-current liabilities		**620.488.165**	**683,511,305**
Current liabilities			
Trade and other liabilities	**10**	679,149,371	699,936,819
Other tax and social security liabilities	**11**	7,714,478	8,688,192
Borrowings and related interest	**9**	262,943,673	317,063,988
Provisions		42,188,458	41,545,187
Short-term deferred revenues	**8**	47,571,126	40,881,064
Total current liabilities		**1,039,567,106**	**1,108,115,250**
Total liabilities		**1,660,055,271**	**1,791,626,555**
Total shareholder's equity and liabilities		**4,480,802,434**	**4,509,258,321**

The attached notes 1-21 constitute integrant part of these stand-alone simplified interim financial statements.

NPG Transelectrica SA
Stand-alone profit and loss account for the nine months' period ended on 30 September 2018
(All amounts are expressed in RON, unless otherwise specified)

	Note	01 July – 30 September 2018	01 July – 30 September 2017	01 January – 30 September 2018	01 January – 30 September 2017
Revenues					
Transmission revenues		265,852,632	239,577,641	770,926,848	793,584,000
System service revenues		154,961,791	141,960,100	530,155,344	497,338,068
Revenues from the balancing market		167,076,119	280,272,909	497,923,243	1,085,320,880
Other revenues		11,203,066	13,178,185	33,438,255	38,077,986
Total revenues	**13**	**599,093,608**	**674,988,835**	**1,832,443,690**	**2,414,320,934**
Operational expenses					
System operation expenses	**14**	(62,143,810)	(63,385,134)	(212,059,933)	(192,467,961)
Expenses on the balancing market	**14**	(167,076,119)	(280,272,909)	(497,923,243)	(1,085,320,880)
Expenses with technological system services	**14**	(187,395,413)	(182,611,160)	(496,782,239)	(501,635,475)
Depreciation		(74,719,026)	(77,794,011)	(225,812,921)	(233,955,601)
Salaries and other retributions	**15**	(48,138,234)	(44,194,634)	(136,981,450)	(132,035,981)
Repairs and maintenance		(27,085,960)	(23,446,673)	(64,721,896)	(57,719,129)
Materials and consumables		(2,792,979)	(2,047,397)	(7,259,798)	(5,064,570)
Other operational expenses	**16**	(27,519,729)	(29,358,267)	(76,824,974)	(105,552,551)
Total operational expenses		**(596,871,270)**	**(703,110,185)**	**(1,718,366,454)**	**(2,313,752,148)**
Operational profit		**2,222,338**	**(28,121,350)**	**114,077,236**	**100,568,786**
Financial revenues		6,270,139	4,352,390	13,374,090	16,420,118
Financial expenses		(7,415,430)	(9,770,488)	(19,717,318)	(30,207,471)
Net financial result	**17**	**(1,145,291)**	**(5,418,098)**	**(6,343,228)**	**(13,787,353)**
Profit before income tax		**1,077,047**	**(33,539,448)**	**107,734,008**	**86,781,433**
Income tax	**12**	(1,569,009)	(48,622)	(10,205,491)	(21,986,212)
Profit of the period		**(491,962)**	**(33,588,070)**	**97,528,517**	**64,795,221**

	Nota	01 July – 30 September 2018	01 July – 30 September 2017	01 January – 30 September 2018	01 January – 30 September 2017
Profit of the period		**(491,962)**	**(33,588,070)**	**97,528,517**	**64,795,221**
Other comprehensive revenue items		**-**	**-**	**-**	**-**
Total comprehensive revenue		**(491,962)**	**(33,588,070)**	**97,528,517**	**64,795,221**

The stand-alone simplified interim financial statements were approved by the Company's governance team on 12 November 2018 and signed on its behalf by:

Adrian-Constantin RUSU	**Andreea Georgiana FLOREA**	**Adrian-Mircea TEODORESCU**	**Constantin SARAGEA**	**Viorel VASIU**
Directorate Chairman	Directorate Member	Directorate Member	Directorate Member	Directorate Member

Ana-Iuliana DINU
Director Economic, Financial & Administrative Unit

Veronica CRISU
Manager Accounting Department

The attached notes 1-21 constitute integrant part of these stand-alone simplified interim financial statements.

NPG Transelectrica SA
Stand-alone statement of shareholder's equity changes on 30 September 2018
(All amounts are expressed in RON, unless otherwise specified)

	Share capital	Share premiums	Legal reserves	Revaluation reserve	Other reserves	Retained earnings	Total
Balance on 1 January 2017	**733,031,420**	**49,842,552**	**116,360,295**	**549,088,226**	**56,953,728**	**1,602,438,193**	**3,107,714,414**
Comprehensive result of the period							
Profit of the period	-	-	-	-	-	64,795,221	**64,795,221**
Other comprehensive result items, of which:							
Recognition of defined benefit plan actuarial gains	-	-	-	-	-	-	-
Total other comprehensive result items of the period	-	-	-	-	-	-	-
Total comprehensive result of the period		-	-	-	-	64,795,221	**64,795,221**
Other items							
Transfer of revaluation reserves to retained earnings	-	-	-	(37,101,301)	-	37,101,301	-
Legal reserve indexation	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-
Total other items	-	-	-	**(37,101,301)**	-	**37,101,301**	-
Contributions from and distributions to shareholders							
Subsidies of assets such as public stocks (connection fee)	-	-	-	-	-	-	-
Dividends distribution	-	-	-	-	-	(165,445,191)	**(165,445,191)**
Total contributions from and distributions to shareholders	-	-	-	-	-	**(165,445,191)**	**(165,445,191)**
Balance on 30 September 2017	**733,031,420**	**49,842,552**	**116,360,295**	**511,986,925**	**56,953,728**	**1,538,889,523**	**3,007,064,443**
Balance on 1 January 2018 as per AGA decision no. 6 of 30.04.2018	**733,031,420**	**49,842,552**	**118,961,487**	**499,921,435**	**56,953,503**	**1,258,921,369**	**2,717,631,766**
Comprehensive result of the period							
Profit of the period	-	-	-	-	-	97,528,517	**97,528,517**
Other comprehensive result items, of which	-	-	-	-	-	-	-
Recognition of actuarial losses under the defined benefit plan	-	-	-	-	-	-	-
Total other comprehensive result items of the period	-	-	-	-	-	-	-
Total comprehensive result of the period	-	-	-	-	-	**97,528,517**	**97,528,517**
Other items							
Transfer of revaluation reserves to retained earnings	-			(33,330,517)	-	33,330,517	-
Legal reserve indexation	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-
Total other changes	-	-	-	**(33,330,517)**	-	**33,330,517**	-
Contributions from and distributions to shareholders							
Write-off of assets such as public stocks	-	-	-	-	-	-	-
Subsidies of assets such as public stocks (connection fee)	-	-	-	-	5,586,881	-	**5,586,881**
Dividends distribution	-	-	-	-	-	-	-
Total contributions from and distributions to shareholders	-	-	-	-	-	-	**5,586,881**
Balance on 30 September 2018	**733,031,420**	**49,842,552**	**118,961,487**	**466,590,918**	**62,540,384**	**1,389,780,402**	**2,820,747,163**

The attached notes 1-21 constitute integrant part of these stand-alone simplified interim financial statements.

	9 months' period ended on 30 September 2018	9 months' period ended on 30 September 2017
Cash flows from operational activities		
Profit of the period	97,528,517	64,795,221
Allowances for:		
Income tax expense	10,205,491	21,986,212
Depreciation and amortisation expenses	225,812,921	233,955,601
Expenditures with adjustments for trade receivables impairment	9,199,071	40,228,245
Reversal of adjustments for trade receivables impairment	(8,798,856)	(8,102,576)
Net revenues with allowances for various debtors	-	-
Net expenditures with adjustments for inventories impairment	113,868	380,623
(Profit)/loss from sales of tangible assets, net	(342,599)	604,740
Net expenses with value adjustments of tangible assets	736,114	1,042,079
Net expenses/(revenues) of provisions for risks and expenses	529,598	(8,404,959)
Interest expenses, interest revenues and unrealized revenues from exchange rate differences	6,637,099	13,380,693
Cash flows before current capital changes	**341,621,223**	**359,865,879**
Changes in:		
Clients and assimilated accounts - energy and other activities	(19,447,052)	(130,718,110)
Clients – balancing	35,413,796	120,496,182
Clients – cogeneration	29,420,949	(47,064,839)
Inventories	(2,621,030)	(2,048,268)
Trade and other liabilities - energy and other activities	139,942,411	8,397,483
Liabilities - balancing	(59,250,915)	(153,904,197)
Liabilities - cogeneration	(94,894,823)	(32,908,253)
Other tax and social security liabilities	(973,714)	(1,291,952)
Deferred revenues	(15,373,252)	(17,983,379)
Cash flows from operational activities	**353,837,593**	**102,840,546**
Paid interest	(6,418,418)	(8,070,601)
Income tax paid	(11,193,720)	(8,064,579)
Net cash flow generated by operational activities	**336,225,455**	**86,705,366**
Cash flows from investments		
Procurements of tangible and intangible assets	(112,758,130)	(135,207,915)
Proceeds from EC non-reimbursable financing	11,663,639	-
Cashed interest	5,524,035	4,256,582
Participation titles held in TSC NET	(2,207,160)	-
Proceeds from sales of tangible assets	675,628	-
Dividends cashed	1,148,000	2,180,584
Other financial assets	-	135,090,000)
Net cash used in investments	**(95,953,988)**	**6,319,251**
Cash flows used for financing		
Repayments of long term borrowings	(108,269,883)	(125,396,726)
Dividends paid	(1,399,002)	(165,219,348)
Net cash used for financing	**(109,668,885)**	**(290,616,074)**
Net reduction of cash and cash equivalents	**130,602,582**	**(197,591,457)**
Cash and cash equivalents on 1 January	**520,746,500**	**933,661,193**
Cash and cash equivalents at the end of the period	**651,349,082**	**736,069,736**

The attached notes 1-21 constitute integrant part of these stand-alone simplified interim financial statements.

1. General information

The main business of NPG Transelectrica SA (Company) consists in: providing electricity transmission and system services, balancing market operator, administrator of the bonus type support scheme, other related activities. They are carried out in accordance with the provisions of operational licence 161/2000 issued by ANRE updated under ANRE Decision 802/18.05.2016, of the General terms associated to the licence approved under ANRE Order 104/2014 and of the Company's final certification as transmission and system operator of the National Power System according to the ownership unbundling model.

Official headquarters are in Blvd. General Gheorghe Magheru 33, Bucharest 1. At present the Company's executive group are active in the working location of Str. Olteni 2-4, Bucharest 3.

The stand-alone interim financial statements elaborated on 30 September 2018 have not been audited.

2. Elaboration basics

a) Statement of compliance

These stand-alone simplified interim financial statements have been elaborated in accordance with IAS 34 *Interim financial reporting*. They do not include all the information necessary for a complete set of financial statements in accordance with the International Financial Reporting Standards (IFRS). Nevertheless some explanatory notes have been included to explain the events and transactions significant for understanding the changes occurred in the Company's financial position and performance since the last annual stand-alone financial statements of the date and for the financial period ended on 31 December 2017.

b) Professional reasoning and estimations

The significant reasoning the governing team have used in applying the Company's accounting policies and the main uncertainty sources regarding estimations were the same with those applied to the stand-alone financial statements as of and for the financial period ended on 31 December 2017.

3. Significant accounting policies

Accounting policies applied to these stand-alone simplified interim financial statements are the same with those applied to the Company's stand-alone financial statements as of and for the financial period ended on 31 December 2017, except for the enforcement of new applicable standards in force beginning with 1 January 2018.
The Company anticipates that EU's passing of IFRS 9 Financial instruments and IFRS 15 Revenues from contracts with customers applicable for annual intervals beginning on or after 1 January 2018 will not have a significant impact over the Company's financial statements in the initial period of application.

4. Tangible, intangible and financial assets

i) Tangible assets

The diminished total value of tangible assets on 30 September 2018 compared to 31 December 2017 was determined by the registration of amortisement for such assets.
In the first 9 months of 2018 the value of tangible assets underway mainly represented by investments into high voltage substations and lines has increased as follows:

- Replacing the components of the EMS SCADA AREVA system - software & hardware components - 11,436,243;
- Upgrading the 110 kV & 20 kV substations Suceava - 7,521,124;
- Upgrading the command-control-protection system of the 220/110/20 kV substation Sardanesti - 5,547,969;
- The interconnection 400 kV OHL Resita (Romania) - Panchevo (Serbia) - 4,607,083;
- Replacing the 200 MVA, 231/121/10.5 AT 2 from the 220/110 kV substation Resita - 4,565,860;
- Connecting substations Turnu Magurele, Mostistea, Stalpu, Teleajen to the optical fibre network of NPG Transelectrica SA, lot 2 - 4,274,429;
- Refurbishing the 400 kV substation Isaccea, Stage I - Replacing the shunt reactors, the related bays and the 400 kV bay Stupina - 7,822,473;
- Videowall type display equipment for the control rooms of dispatcher centres DEN/DET - 3,692,883;
- Refurbishing the 220 kV substation Otelarie Hunedoara - 4,698,316;
- Refurbishing the 400/220/110/20 kV substation Bradu - 5,668,490;

- Replacing circuit breakers of electric substations – 3,407,137;
- Regulating the coexistence of the 400 kV OHL Mintia - Arad, in segment 15-20, with the Lugoj – Deva motorway, lot 4 - 2,699,235;
- Equipping the 110 kV bay Nord and changing the elements of the 110 kV bay Obor 2 from the 220/110/10 kV substation Fundeni - 1,662,920;
- Connecting the consumption point Fabrica MDF, located in Arges, small town Oarja, village Ceausesti, point Armata, fields 5 & 46, to the 110 kV bus-bar of the 220/110/20 kV substation Pitesti Sud by means of the 110 kV LES (underground line) about 450 m long - 1,833,141;
- Refurbishing the 220/110 kV substation Turnu Severin Est - 17,359,905;
- Upgrading the 220/110 kV substation Dumbrava – 3,239,771;
- Regulating the proximity of the 400 kV OHL Mintia - Arad, in segment 35-37, with the Lugoj – Deva motorway, lot 4 - 1,503,818;
- Computation hardware & software technique, laptops - 864,644;
- Upgrading the hardware & software platforms of the SCADA system from substation Slatina - 782,672;
- Live work technology research & development centre and fast intervention in the SEN, Centre building - 1,123,090;
- Relocating the high voltage 220 kV networks, Sebes – Turda motorway, Lot 1, km 0+000 ÷ km 17+000, section A – 220 kV double circuit OHL Alba Iulia – Sugag, Galceag, km 7+800, in the 25 - 26 clearing and km 11+080 – milestone 15 - 737,968;
- Replacing the accumulator batteries 1, 2, 3 & 4 from substation Portile de Fier - 633,007;
- Refurbishing the 220/110/20 kV substation Ungheni - 835,954;
- Relocating the high voltage 220 kV networks, Sebes – Turda motorway, Lot 1, km 0+000 ÷ km 17+000, section A km 0+000 – 14+000: the 220 kV simple circuit OHL Cluj Floresti-Alba Iulia, km 13+185, in the 300 – 301 clearing - 424,235.
- Live work technology research & development centre and fast intervention in the SEN - Centre building (NPG Decision 491 / 09.05.2011) - 1,123,090;
- Connecting substations Turnu Magurele, Mostistea, Stalpu, Teleajen to the optical fibre network of NPG Transelectrica SA, lot 2 - 4,274,429;
- The 400 kV double circuit OHL Cernavoda-Stalpu and connection into Gura Ialomitei - 2,118,202;

In January-September 2018 the greatest transfers from tangible assets underway to tangible assets are mainly represented by by assets achieved under investment objectives as follows:

- The 400 kV interconnection OHL Resita (Romania) - Panchevo (Serbia) - 98,590,976;
- Upgrading the 110 kV & 20 kV substations Suceava - 16,650,633;
- Upgrading the 400/110/10 kV substation Cluj Est - 13,397,886;
- Replacing autotransformers and transformers of electric substations, stage 2 - 11,589,719;
- Upgrading the command-control-protection system of the 220/110/20 kV substation Sardanesti - 11,044,995;
- Connecting substations Turnu Magurele, Mostistea, Stalpu, Teleajen to the optical fibre network of NPG Transelectrica SA, lot 2 - 4,512,429;
- Repairing the defect to the 110-120 terminals of the 220 kV OHL Bucharest Sud – Ghizdaru - 4,274,773;
- Replacing the 200 MVA, 231/121/10.5 AT 2 from the 220/110 kV substation Resita - 4,254,252;
- Videowall type display equipment for the control rooms of the dispatcher centres DEN/DET - 3,692,883;
- Integrated security system to electric substations, stage IV (BA decision 16 / 2011) - 3,637,057;
- Installing optical fibre and upgrading the teleprotection system of the 400 kV double circuit OHL Tantareni-Turceni and the 400 kV simple circuit OHL Urechesti-Rovinari - 2,849,279;
- Regulating the coexistence of LEA 400 kV Mintia - Arad, in segment 15-20, with the Lugoj – Deva motorway, lot 4 - 2,699,235;
- Installing optical fibre to the 220 kV OHL Fundeni-Brazi Vest, lot 1 - 2,396,915;
- Upgrading the 220/110 kV substation Dumbrava - 2,152,158;
- Upgrading the 110/6 kV station of the 220/110/6 kV substastion Pestis - 1,835,204;
- Connecting the consumption point Fabrica MDF, located in Arges, small town Oarja, village Ceausesti, point Armata, fields 5 & 46, to the 110 kV bus-bar of the 220/110/20 kV substation Pitesti Sud by means of a 110 kV LES (underground line) about 450 m long - 1,834,274;
- Upgrading the hardware platforms of the SCADA system from substation Slatina - 1,796,946;
- Regulating the proximity of the 400 kV OHL Mintia - Arad, in segment 35-37, with the Lugoj – Deva motorway, lot 4 - 1,503,818;
- Computation hardware & software technique, laptops - 1.388.018;

- Replacing the circuit breakers of electric substation - 986,840;
- Relocating the high voltage 220 kV networks, Sebes – Turda motorway, Lot 1, km 0+000 ÷ km 17+000, Section A – the 220 kV double circuit OHL Alba Iulia – Sugag, Galceag, km 7+800, in the 25 - 26 clearing and km 11+080 – milestone 15 - 737,968;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage I - the 400 kV simple circuit OHL Portile de Fier – (Anina) – Resita - 701,108;
- Regulating the coexistence of the 400 kV OHL Mintia - Sibiu, in the 6-8 clearing, and of Lugoj – Deva motorway, Lot 4, sector Ilia - Deva km 77+361 & km 99+500 - 643.849;
- Upgrading the personnel building of Iaz - 478.202;
- Replacing the accumulator batteries 1, 2, 3 & 4 from substation Portile de Fier - 424.235.

The balance of tangible assets underway on 30 September 2018 is represented by ongoing projects, the most significant being provided below:

- Refurbishing the 400/220/110/20 kV substation Bradu - 42,462,348;
- Connectint to RET the 300 MW WPP Ivesti, the 88 WPP Falciu 1 and the 18 MW WPP Falciu 2 through the new (400)/220/110 kV substation Banca - 46,884,983;
- Replacing the components of the EMS SCADA AREVA system, the software & hardware components - 11,436,243;
- Refurbishing the 220 kV substation Otelarie Hunedoara - 4,753,657;
- Extending the business continuity and post-disaster recovery services - 14,413,918;
- Integrated security system in electric substations, stage IV - 8,016,681;
- Refurbishing the 220/110 kV substation Turnu Severin Est - 18,563,307;
- Connecting the 400 kV OHL Isaccea-Varna and the Isaccea-Dobrudja OHL in the 400 kV substation Medgidia Sud - 10,861,114;
- The 400 kV double circuit OHL Cernavoda-Stalpu and connection in Gura Ialomitei - 10,487,477;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage I - the 400/220/110 kV substation Resita - 6,634,580;
- 400 kV HVDC link (Romania - Turkey submarine cable) - 5,853,759;
- Refurbishing the 400 kV OHL Isaccea, stage I - Replacing the shunt reactors, related bays and the 400 kV bay Stupina - 9,378,592;
- The 400 kV OHL Gadalin - Suceava, including its SEN interconnection - 6,021,417;
- Refurbishing the 220/110 kV substation Hasdat - 4,516,905;
- The 400 kV OHL Suceava - Balti, for the project part on Romanian territory - 4,439,104;
- Adding new functions to the control and IT access supervision system for the objectives of NPG Transelectrica SA - 3,200,918;
- The 400 kV double circuit Gutinas – Smardan OHL - 3,704,340;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage II, the 400 kV double circuit OHL Resita – Timisoara – Sacalaz (the 220/110 kV substation Timisoara) - 23,705,831;
- Connecting to RET the 136 MW WPP Platonesti, Ialomita County, by building a 110 kV bay in the 400/110 kV substation Gura Ialomitei - 2,889,337;
- Integrated security system to electric substations, stage III - 2,798,024;
- Upgrading the 220/110/20 kV substation Arefu - 2,915,194;
- Upgrading the 220/110/20 kV substation Raureni - 3,251,922;
- By-passing the 110 kV OHL-s Cetate 1 & 2 near the 110/20/6 kV substation Ostrovul Mare - 2,578,438;
- Connecting to RET 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 - 2,545,853;
- Upgrading the 220/110 kV substation Dumbrava - 4,169,554;
- Security solution to implement security measures for classified information - 2,024,289;
- Executive group - DCBPA / CPA: Consolidation, upgrade and extension of NPG Transelectrica offices - 1,627,393;
- Equipping the 110 kV bay Nord and changing the elements in the 110 kV bay Obor 2 of the 220/110/10 kV substation Fundeni - 1,662,920;
- Refurbishing the 220/110/20 kV substation Ungheni - 824,540;
- Integrated security system to a new (400) 220/110 kV substation Banca - 1,133,202;
- Building optical fibre communication betwwen the 110 kV substation Pitesti Sud and the installations tele (remote) control and supervision centre of TB Pitesti - 1,109,672;
- Connecting to RET the 400 kV substation Stupina and connecting the 400 kV OHL Isaccea-Varna - 874,015;

- Refurbishing the 400/110/20 kV substation Tulcea Vest, construction part - 2,739,753;
- The 220 kV double circuit OHL Ostrovu Mare – RET - 755,084;
- The 400 kV OHL Oradea – Beckescsaba - 788,626;
- The 400 kV substation Stalpu - 756,389;
- Converting the 220 kV OHL Brazi Vest – Teleajen – Stalpu to 400 kV, including procurement of a 400MVA 400/220/20 kV autotransformer, substation extension work - 693,864;
- Refurbishing the 400/110/20 kV substation Domnesti - 809,390;
- Live work technology research & development centre and fast intervention in SEN, Centre building - 1,772,871;
- Connecting to RET the 33 MW WPP Sarichioi, Tulcea County, in the 110 kV OHL bay Zebil of the 400/110 kV substation Tulcea Vest - 632,769.
- Relocating the high voltage networks, Brasov – Targu Mures – Cluj – Oradea motorway, section 2A Ogra – Campia Turzii, lot 2 Iernut – Chetani, km 3+600 – km 21+500 – the 220 kV OHL Iernut – Ungheni circuit 2 - 693,134;
- Upgrading the 110 kV substations Bacau Sud and Roman Nord of the 400 kV axis Moldova - 526,996.

ii) Intangible assets

The greatest entries of intangible assets underway by 30 September 2018 were:

- Replacing the components of the AREVA EMS SCADA system, software & hardware components - 7,808,729;
- Software licenses applicable in the 110 kV & 20 kV substations Suceava - 236,093;
- NEPLAN software licences + CIM/XML 7 module licences NEPLAN software (2 new licences, 5 CIM/XML modules) and up-grade for 13 NEPLAN licences + 5 CIM/XML module licences - 22,707.

In January-September 2018, the greatest transfers from intangible assets underway to intangible assets are represented by:

- Upgrading the software platforms of the SCADA system from substation Slatina – 401,058;
- Software licences applicable in the 110 kV & 20 kV substations Suceava – 236,093;
- Metering and SCADA licences in the 220/110/20 kV substation Sardanesti – 149,852;
- Station control server licences in the 220/110 kV substation Dumbrava – 139,066;
- EUROSTAG & SYSCAN software licences – 137,863;
- Software licences applicable in the 400/110/10 kV substation Cluj Est – 117,765;
- Upgrade the existing antimalware solution – 45,414;

The balance of intangible assets under execution on 30 September 2018 is represented by ongoing projects, of which the most significant are provided below:

- Implementing the Electronic Archiving and Document Management system in NPG Transelectrica SA - 5,474,290;
- Replacing the components of the EMS SCADA AREVA system, the software & hardware components - 11,808,808;
- Extending the MIS – advanced reporting and budgetary planning solution - 3,047,834;
- Extending the business continuity and post-disaster recovery services in the Executive group - 351,208.

iii) Financial assets

The increased value of financial assets on 30 September 2018 compared to 31 December 2017 was determined by the Company's affiliation to the Regional Security Coordination Centre (CCSR) TSCNET Services GmbH by means of a share purchase transaction.
AGA decision 9/05.06.2018 approved Company affiliation to the Security coordination centre of the region, the amount of 2,207,160 representing the Company's participation to the share capital of TSCNET Services GmbH, payment being made on 25.06.2018.
NPG Transelectrica SA while implementing the regional initiatives regarding application of provisions from the "Regulation (EU) 2015/1222 of the Commission of 24 July 2015 establishing guidelines for the allocation of capacities and congestion management" and the "Regulation (EU) 2017/1485 of the Commission of 2 August 2017 establishing a

guideline to operate the electricity transmission system", identified the need to affiliate the Company to the Regional Security Coordination Centre (CCSR) TSCNET Services GmbH.
The Centre was set up in order to serve the Transmission and System Operators (OTS) from Europe's east-central-western region (CORE region, of which Romania belongs), in view of implementing the coordinated European network codes, in accordance with the affiliation model adopted by all Transmission Operators in the region.

5. Trade and other receivables

On 30 September 2018 and 31 December 2017 trade and other receivables were as follows:

	30 September 2018	31 December 2017 as per AGA decision no. 6 of 30.04.2018
Trade receivables	815,788,848	846,827,429
Other receivables	117,607,282	116,536,143
Down payments to suppliers	11,207,459	11,102,342
VAT to recover	32,816,270	47,005,991
Allowances for doubtful trade receivables	(126,000,106)	(122,650,719)
Allowances for other doubtful trade receivables	(77,228,463)	(80,291,307)
Total trade and other receivables	**774,191,290**	**818,529,879**

The structure of trade receivables is as follows:

	30 September 2018	31 December 2017 as per AGA decision no. 6 of 30.04.2018
Clients on the electricity market, of which:	814,516,636	845,529,240
- Clients - operational activities	416,425,032	382,602,892
- Clients - balancing market	208,133,752	243,547,548
- Clients - bonus support scheme to promote high efficiency cogeneration	189,957,852	219,378,800
Clients from other activities	1,272,212	1,298,189
Total trade receivables	**815,788,848**	**846,827,429**

- NPG Transelectrica SA carries out its operational activities under the Operational Licence 161/2000 issued by ANRE, updated under Decision 802/18.05.2016 of ANRE president for the provision of electricity transmission services, system services and balancing market administration.

On 30 September 2018, clients on balance from operational activities registered increase compared to 31 December 2017 mainly determined by the higher tariff of electricity transmission services beginning with 01 July 2018.
The main clients on balance on the electricity market are represented by: RAAN, Electrica Furnizare SA, Electrocentrale Bucharest SA, Ciga Energy, Enel Energie Muntenia SA, E.ON Energie Romania SA, Enel Energie SA, Petprod SRL, Alro SA, CET Govora SA. There is about 52.50% share of main clients from the electricity market in the total trade receivables.

Balance trade liabilities for the balancing market, amounting to 208,133,752, registered value drop compared to 31 December 2017, as a consequence of diminished transactions on this market.

- NPG Transelectrica SA performs the activities of the bonus type support scheme to promote high efficiency cogeneration in its capacity of support scheme administrator, in accordance with the provisions of HGR 1215/2009, "the main attributions being to monthly collect the cogeneration contribution and monthly paying bonuses".

On 30 September 2018 the Company registered receivables payable from the bonus support scheme to promote high efficiency cogeneration for about 23% (31 December 2017 - 26%) of the total trade receivables.
Clients from the bonus support scheme to promote high efficiency cogeneration registered on 30 September 2018 o drop of receivables, mainly determined by:
- Collection of receivables as per ANRE decisions regarding overcompensation of cogeneration activities in 2017, amounting to 140,341,573, registered according to ANRE decisions of March 2018 for the overcompensated activities under the 2017 support scheme;
- Collecting overcompensation for 2015 from Termoficare Oradea (for Electrocentrale Oradea, according to the Spread-out agreement) by bank transactions (9,774,959), as per the Spread-out agreement);
- Reduced monthly contribution value for high efficiency cogeneration determined by ANRE, beginning with 01 July 2018.

Thus until the date of this interim financial reporting the Company collected in full the receivables associated to the overcompensation for the 2017 support scheme activities (sum of 140,341,573), as follows: proceeds by bank transactions amounting to 90,898,688 from Electrocentrale Bucharest and proceeds based on compensations performed through the Institute of Management and Information (according to HG 685/1999) amounting to 49,442,885 (of which: Electrocentrale Bucharest– 35,756,183; CET Govora– 10,658,266; Enet SA– 3,028,436);

On 30 September 2018 the Company registered receivables amounting to 189,957,852, represented by the invoices issued under the bonus support scheme to promote high efficiency cogeneration, of which:
- Overcompensation for 2011-2013 amounting to 76.702.140, namely from RAAN – 63,467,054 and CET Govora SA – 13,235,086;
- Undue bonus for 2014 amounting to 3,914,960, namely from RAAN – 1,981,235, CET Govora – 1,933,725;
- Undue bonus for 2015 amounting to 563,899, namely from CET Govora – 534,377, Interagro – 29,523;
- Overcompensation for 2016 amounting to 56,680,387, namely from Electrocentrale Bucharest;
- Cogeneration contribution not collected from the suppliers of electricity consumers, amounting to 20,841,180, namely from: Transenergo Com – 5,882,073, PetProd – 4,391,193, Romenergy Industry – 2,680,620, RAAN – 2,385,922, UGM Energy – 1,814,175, CET Govora – 900,864, KDF Energy – 887,527 and others.

In order to discharge the receivables generated by the overcompensation and undue bonus the Company requested reciprocal compensations from the qualified generators under the support scheme. For the generators (RAAN, Electrocentrale Bucharest, CET Govora) that have not agreed with this mode of discharging mutual receivables and liabilities the Company has applied and further applies the provisions of article 17 para 5 from Order 116/2013 of ANRE president approving the Regulation establishing the collection mode of the contribution for high efficiency cogeneration and the bonus payment for electricity generated under high efficiency cogeneration: "in case the generator did not make the full payment to the administrator of the support scheme for its liabilities resulting according to the provisions of this regulation, the support scheme administrator pays to the generator the difference between the invoices issued by the generator and the payment liabilities of the generator under the support scheme, with explicit mention of the respective amounts on the payment document" and withheld from payment the due amounts related to the corresponding support scheme.
NPG Transelectrica SA has concluded with CET Govora SA an agreement to compensate and reschedule the payments of amounts representing the equivalent receivables from the overcompensation value of the 2011-2013 time frame and the undue bonus for 2014 (Agreement C 135/30.06.2015 and Addendum 1/04.08.2015). The Agreement term was 1 year (timeframe July 2015-August 2016) and it provided the Company's right to calculate and collect payment penalties over the instalment period.
In accordance with this Agreement the Company's receivables to be collected from CET Govora SA were compensated with its liabilities to CET Govora SA, amounting to 40,507,669 represented by cogeneration bonus for the timeframe May 2014 – October 2015 withheld by applying the provisions of article 17 para 5 from Order 116/2013 of ANRE president and the Agreement provisions.
Following the suspension in court of ANRE Decision 738/28.03.2014 establishing the overcompensation amount for the timeframe 2011-2013 by Civil sentence 3185/27.11.2015, CET Govora SA has no longer observed its obligations assumed under the Agreement.
Beginning with 9 May 2016 the general insolvency procedure was initiated against CET Govora. To receive its liabilities recorded before the insolvency proceedings the Company applied the specific procedures provided by Law 85/2014 on insolvency and requested the court admission of its liabilities according to legal provisions.
Taking into account the fore-mentioned circumstances beginning with 9 May 2016 the Company ceased applying the provisions of article 17.5 from Order 116/2013 of ANRE president approving the Regulation establishing the collection mode of the contribution for high efficiency cogeneration and the bonus payment for electricity produced under high efficiency cogeneration and paid the cogeneration bonus monthly to CET Govora.
By Civil ruling 2430/05.10.2016 the High Court of Cassation and Justice admitted the appeal filed by ANRE against Civil sentence 3185/27.11.2015, partially cancelled the contested sentence and denied the suspension request expressed by CET Govora, the judgment being final. Thus beginning with 05.10.2016 the effects of ANRE Decision 738/28.03.2014 are no longer suspended, being in full effect.

Under such circumstances the Company applies the provisions of article 17 para 5 from ANRE Order 116/ 2013 for the mutual liabilities and receivables after the insolvency procedure, meaning it retains the bonus owed to CET Govora SA up to the amounts unpaid to the Company according to the support scheme.

On 08.12.2016 Governmental Decision 925 amended and added GD 1215/2009 establishing the criteria and terms necessary for the implementation of the support scheme to promote high efficiency cogeneration based on the demand for useful thermal power.
Thus on 30 September 2018 the Company did not register allowances for the receivables under the support scheme, as the uncollected amount of such receivables will be included in the cogeneration contribution.

Other receivables

On 30 September 2018 other receivables amounting to 117,607,282 include mainly sundry debtors (102,489,022), deferred expenses (5,455,898), other fixed receivables (4,551,264) and payable income tax (1,256,345).
Sundry debtors amount to 102,489,022 of which penalties for late payments calculated to late paying clients amounting to 62,645,415 (of which 26,012,776 are penalties under the support scheme). The greatest late payment penalties were registered by the following clients: RAAN (16,901,449), CET Govora (9,606,504), Eco Energy SRL (8,909,843), Petprod SRL (8,894,655), Total Electric Oltenia (3,288,967), Arelco Power (2,816,658), Enol Group (2,541,312), Also Energ (2,121,010). Allowances were registered for the penalties calculated for late payments of receivables from operational activities.

In the debtor category are also registered the following receivables:
- Amounts representing down payments to supplier ELCOMEX - IEA SA amounting to 31,180,858, which 687,458 penalties were calculated for. Down payments were provided to supplier ELCOMEX - IEA SA for the execution of the following projects:
    - Connecting the 400 kV OHL Isaccea-Varna and the OHL Isaccea-Dobrudja into the 400 kV substation Medgidia Sud – down payment amounting to 9,948,593;
    - 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 21,232,265.

Down payments to ELCOMEX - IEA SA were secured by means of insurance policies issued by Asito Kapital SA.
On 07.04.2017 Constanta Tribunal, Section II Civil, by Hearing conclusion 294/2017, admitted the request to declare debtor Elcomex - IEA SA insolvent, designating Pricewaterhouse Coopers Business Recovery Services IPURL as judiciary administrator.
On the insolvency statement date NPG Transelectrica SA had concluded with Elcomex IEA SA contracts C163/29.07.2015 "Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV / the 400/220/110 kV substation Resita" and C255/18.11.2015 "Connecting the 400 kV OHL Isaccea-Varna and the 400 kV OHL Isaccea-Dobruja in the 400 kV substation Medgidia Sud, stage I". When Elcomex IEA SA was declared insolvent NPG Transelectrica SA registered in the creditors' list for the amount of 31,189,487 lei, representing the value of the down payment provided to Elcomex IEA SA for contracts C163/29.07.2015 and C255/18.11.2015 and other expenses.
Pricewaterhouse Coopers Business Recovery Services IPURL notified NPG Transelectrica on 07.07.2017 about the denunciation of contract C 163/29.07.2015 "Converting the Portile de Fier – Resita – Timisoara – Sacalaz – Arad axis to 400 kV / the 400/220/110 kV substation Resita". On 08.08.2017 the Judiciary Administrator Pricewaterhouse Coopers Business Recovery Services IPURL considered itself obliged to acknowledge the denunciation of NPG Transelectrica SA of contract C255/18.11.2015 "Connecting the 400 kV OHL Isaccea-Varna and the 400 kV OHL Isaccea-Dobruja in the 400 kV substation Medgidia Sud, stage I", notified by the Company under letter 24597/05.07.2017 as well as contract termination upon the initiative of NPG Transelectrica SA.
The Company submitted on 01.07.2017 summons regarding issuance of a payment ordinance, suit under file no. 24552/3/2017, on the docket of Bucharest Tribunal, Section VI Civil, requesting the court to pronounce a judgment obliging the debtor ASITO KAPITAL SA to pay the amount of 7,058,773.36 Euro *(equivalent of 31,180,857.96 Lei)*, representing insurance policies to provide down payments BR – 1500544/18.11.2015 and BR – 1500520/29.07.2015. Until 07.11.2017 the court decided deferring pronouncement under file 24552/3/2017, on the docket of Bucharest Tribunal, Section VI Civil, and term: 24.10.2017
Settlement in brief: Admits the request. Orders the debtor to pay 2,237,750.83 Euro (equivalent of 9,948.592,64 Lei at the exchange rate of 4.4458 lei / euro) within 20 days from notification of this judgment, representing unreturned down payment secured under indemnity letter for down payment no. BR-1500544/18.11.2015 as well as 4,821,022.53 Euro (equivalent of 21,233,265.32 Lei at the 4.4041 lei/euro exchange rate) representing unreturned down payment secured under indemnity letter no. BR-1500520/29.07.2015 for down payment; 200 Lei as suit legal costs. Appeal right within 10 days from notification.
Decision 4067/07.11.2017 was drafted and communicated to both parties on 17.10.2018. As of October 26, 2018, ASITO KAPITAL SA formulated within the legal term an application for annulment against the Decision 4067/2017. On 01.11.2018, Decision 4067/07.11.2017 was legalized and BEJ Raileanu filed for execution of the enforcement order.
On 06.11.2018, ASITO KAPITAL SA paid the Company the amount of 31,181,857.96 as follows:
- the amount of 21,233,265.32 - according to the Civil Decision no. 4067/2017 (EUR 4,821,022.53 at the 4.4041 rate);
- the amount of 9,948,592.64 - according to the Civil Decision no. 4067/2017 (EUR 2,237,750.83 at the 4,4458 rate).

On the docket of Constanta Tribunal is file no. 2236/118/2017 with respect to the demand to be recorded in the creditors' list of Elcomex IEA SA with 31,189,486.75 Lei. The liability was recorded in the credits provided enforcement of down payment indemnity letters issued by Asito Kapital. Term for procedural furtherance: 07.12.2018.

The Company has registered allowances amounting to 31,876,744.

- Receivables to recover from OPCOM representing VAT associated to the contribution in kind to the subsidiary's capital amounting to 4,517,460.

The registered deferred expenses amounting to 5,455,898 are mainly represented by the contracts concluded with electricity suppliers as required in order to cover one's own technological consumption (losses) in the near future (1,404,820), security fee for IEB 25710 credit (81,318) ING credit granting fee (109,988), 2018subscriptions paid to national and international organisations (1,172,394), rents (701,502), annual ANRE contribution (753,766);

Other receivables amounting to 4,551,264, of which 4,199,505 representing securities for temporary land occupation, calculated and withheld according to article 39 para (1), para (2) and para (5) of Law 46/2008 regarding the Forestry Code in view of performing the investment objective of the 400 kV OHL Resita – Panchevo (Serbia).

VAT to recover

On 30 September 2018 the Company registered payable VAT amounting to 32,816,270, mainly representing settlements with negative VAT amounts for the following months: May 2018 (334,720), June 2018 (2,829,735), July 2018 (7,816,448), August 2018 (5,892,124) and September 2018 (15,928,892) and non-exigible VAT in collecting position amounting to 14,351. From such balance the amount of 3,164,455 has been collected until the date of this interim financial reporting.

Down payments to suppliers

On 30 September 2018 down payments paid to suppliers are represented by service debtor suppliers amounting to 11,207,459, which means mainly sums from the transactions under the price coupling mechanism. The price coupling mechanism was applied beginning with 19 November 2014, on which date the 4 Market Market Coupling project providing coupling of the day-ahead electricity markets (DAM) from Romania, Hungary, Czech Republic and Slovakia became operational. Under the price coupling mechanism of day-ahead electricity markets the electricity exchanges correlate the following day electricity transactions based on bids, taking into account the interconnection capacity the TSO placed at their disposal whereby the capacity is implicitly allocated. NPG Transelectrica SA, in its capacity of TSO, transfers electricity both in physical and commercial terms to the neighbour TSO (MAVIR- Hungary) and manages the congestion revenues of the respective interconnection (article 139 of ANRE Order 82/2014), and in relation with OPCOM SA it holds the capacity of Implicit Participant on the Day-Ahead Market.
In its capacity of Transfer Agent and Implicit Participant NPG Transelectrica SA has got the commercial assignment to settle the energy transacted between OPCOM SA and MAVIR.

Allowances for impairment of receivables, of doubtful receivables and other doubtful receivables

Transelectrica's policy consists in recording allowances for value losses in quantum of 100% for clients under disputes, insolvency and bankruptcy and 100% for trade and other receivables uncollected within more than 180 days, except for outstanding receivables generated by the support scheme. Also the Company makes a case by case analysis of receivables and other uncollected liabilities.

The greatest allowances on 30 September 2018, calculated for receivables and associated penalties, were registered for Elcomex IEA SA (31,868,316), Eco Energy SRL (24,736,066), Petprod SRL (23,539,650), Arelco Power (17,359,453), Total Electric Oltenia SA (14,185,577), Romenergy Industry (13,512,997), Elsaco Energy (9,293,972), RAAN (8,516,707), Also Energ (7,177,167), CET Brasov (4,664,627), Opcom (4,517,460). To recover the impaired receivables the Company took the following measures: summoning in court, registering in the creditors' list, demanding explanations from ANAF (for collectable VAT from Opcom) etc.

The exposure to the collection risk and the allowances for receivables are provided in Note 20.

The Company anticipates that EU's application of IFRS 9 'Financial Instruments' applicable for annual intervals beginning on or after 1 January 2018 will have no significant impact over the Company's financial statements in the initial period of application.

6. Cash and cash equivalents

On 30 September 2018 and on 31 December 2017, cash and cash equivalents were as follows:

	30 September 2018	31 December 2017 as per AGA decision no. 6 of 30.04.2018
Current accounts and deposits in banks, of which:	651,171,625	520,708,388
- cash and deposits from high efficiency cogeneration	66,350,039	19,172,948
- cash from revenues relating to the allocation of interconnection capacities used for network investments	111,407,091	84,247,056
- cash from the connection fee	23,555,715	31,152,565
Cash desk	69,457	37,850
Other cash equivalents	108,000	262
Total	**651,349,082**	**520,746,500**

Bank deposits with maturity under 90 days constituted from monetary availabilities found in current accounts (including cogeneration deposits) amounted to 361,052,068 on 30 September 2018 and to 251,047,468 on 31 December 2017.

7. Shareholder's equity

In accordance with the provisions of OUG 86/2014 establishing some reorganisation measures for the public central administration and amending and adding certain normative acts, on 20 February 2015 the Company's Shareholders' Register recorded the transfer of 43,020,309 shares from the Romanian State's account managed by the Government's General Secretariat into the Romanian State's account managed by the Ministry of Economy, Trade and Tourism.

In accordance with the provisions of article 2 from OUG 55/19 November 2015 establishing some reorganisation measures for the public central administration and amending and adding certain normative acts, the Ministry of Economy, Commerce and Relations with the Business Environment (MECRMA) was established by reorganising the Ministry of Economy, Trade and Tourism which was disassembled, taking over its activities as well as the structures of the small & medium-sized enterprises and business environment from the Ministry of Energy, Small and Medium-sized Enterprises and Business Environment.

According to the provisions of HG 27/12 January 2017 on the organisation and operation of the Ministry of Economy, the Company operates under the supervision of the Economy Ministry. On 3 March 2017 the Company's Shareholders' Register recorded the transfer of 43,020,309 shares from the Romanian State's account managed by the Ministry of Economy, Trade and Tourism into the Romanian State's account managed by the Ministry of Economy.

At the end of each reporting period the Company's share capital fully subscribed and paid, amounting to 733,031,420 is divided into 73,303,142 ordinary shares at 10 Lei/share nominal value each and corresponds with that recorded in the Office of the Commercial Register.

The shareholders' structure on 30 September 2018 and on 31 December 2017 was as follows:

	30 September 2018		31 December 2017	
Shareholder	**Number of shares**	**% of share capital**	**Number of shares**	**% of share capital**
Romanian State prinby MECRMA	43,020,309	58.69%	43,020,309	58.69%
Other legal person shareholders	20,310,286	27.71%	20,689,339	28.22%
DEDEMAN SRL	4,503,567	6.14%	4,192,363	5.72%
Other natural person shareholders	5,468,980	7.46%	5,401,131	7.37%
Total	**73,303,142**	**100.00%**	**73,303,142**	**100.00%**

The increase of shareholder's equity on 30 September 2018 compared to 31 December 2017 was mainly determined by recording the net profit amounting to 97,528,517, achieved on 30 September 2018 into retained earnings.

8. Deferred revenues

Deferred revenues are mainly represented by: connection fees, other subsidies for investments, European non-reimbursable financing from the Ministry of European Funds, as well as revenues from the utilisation of the interconnection capacity. On 30 September 2018 deferred revenues were as follows:

	30 September 2018	Of which: short term part on 30.09.2018	31 December 2017 as per AGA decision no. 6 of 30.04.2018	Of which: short term part on 31.12.2017
Deferred revenues – allocation of interconnection capacity	12,896,814	12,896,814	5,797,166	5,797,166
Deferred revenues – European funds	2,648,362	2,648,362	2,558,135	2,558,135
Connection fee funds	289,833,842	23,549,652	311,396,019	23,558,353
European Funds	107,822,322	6,952,405	101,624,877	7,415,017
Other subsidies	29,025,416	1,523,893	30,147,052	1,552,393
Total	**442,226,757**	**47,571,126**	**451,523,249**	**40,881,064**

Short-term development of deferred revenues in January – September 2018 is as follows:

	30 September 2018	31 December 2017 as per AGA decision no. 6 of 30.04.2018
Balance at the beginning of the period	40,881,064	38,125,074
Deferred collections from interconnection capacities	59,486,960	75,479,347
Proceeds from European funds	90,227	1,327,202
Transfer from long-term deferred revenues	(499,814)	2,299,514
Revenues from utilisation of interconnection capacity	(52,387,311)	(76,260,688)
Revenues from European funds	-	(89,385)
Total	**47,571,126**	**40,881,064**

Long-term development of deferred revenues in January- September 2018 is as follows:

	30 September 2018	31 December 2017
Balance at the beginning of the period	410,642,185	429,858,527
Connection fee (returned)/collected	(3,816,948)	14,227,840
Non-reimbursable funds	11,678,183	173,928
Transfer into short-term deferred revenues	499,814	(2,299,514)
Re-entering subsidies to revenues	(24,347,603)	(31,318,596)
Total	**394,655,631**	**410,642,185**

In May 2018 the Company collected 10,243,894 Lei from the European Commission for the project of common interest of the Internal line between Cernavoda and Stalpu, representing non-reimbursable financing under the Connecting Europe Facility mechanism. The Internal line between Cernavoda and Stalpu project includes the following investments:
- 400 kV double circuit OHL Cernavoda-Stalpu and connection in substation Gura Ialomitei (new line);
- Extending the 400 kV substation Cernavoda;
- Extending the 400 kV substation Gura Ialomitei;
- The 400 kV substation Stalpu (new);

Project implementation monitoring and control will be provided by the Innovation and Networks Executive Agency (INEA).

In July 2018 NPG TRANSELECTRICA SA collected the amount of 1,401,708 Lei from the European Commission for the 400 kV double circuit overhead line Gutinas – Smardan project and the amount of 18,037 Lei from the Ministry of Economy, a budgetary allocation for the Oradea – Bekescaba OHL project.

9. Borrowings

● *Long-term borrowings*

On 30 September 2018 the amount of long-term borrowings diminished compared to 31 December 2017 mainly due to repayments made in accordance with existing loan agreements.
In January – September 2018 there were no proceeds from the long-term borrowings.

Loan movements in the nine months' period ended on 30 September 2018 are as follows:

	Currency	Interest rate	Book value	Due date
Balance on 1 January 2018			**509.355.179**	
New proceeds			**0**	
Repayments, of which:			**(108.269.883)**	
NIB PIL No 02/18	USD	LIBOR+0.9%	(3,317,659)	15-Apr-2018
BIRD 7181	EUR	0% last notification	(32,691,989)	15-Jan-2020
NIB PIL No 03/5	EUR	EURIBOR+0.85%	(10,702,475)	15-Sep-2018
NIB PIL No 02/37	EUR	EURIBOR+0.9%	(5,729,234)	15-Sep-2018
BEI 25709	EUR	3.596%	(11,202,268)	10-Sep-2025
BEI 25710	EUR	3.856%+2.847%	(5,622,957)	11-Apr-2028
ING + BRD	EUR	EURIBOR+2.75%	(39,003,300)	13-Feb-2019
Unsecured bonds	RON	6.1%	-	19-Dec-2018
Exchange rate differences on repayment date			**(101,488)**	
Balance on 30 September 2018			**400,983,808**	

On 30 September 2018 and on 31 December 2017 the balances of long-term borrowings contracted from credit institutions are as follows:

Description	**30 September 2018**	**31 December 2017 as per AGA decision no. 6 of 30.04.2018**
NIB PIL No 02/18	-	3,417,420
BIRD 7181	10,925,410	43,603,118
NIB PIL No 03/5	-	10,717,310
NIB PIL No 02/37	-	5,737,176
BEI 25709	78,591,982	89,742,370
BEI 25710	91,878,876	97,425,565
ING + BRD	19,587,540	58,712,220
Unsecured bonds	200,000,000	200,000,000
Total long-term borrowings from credit institutions, of which:	**400,983,808**	**509,355,179**
Current part of long-term borrowings	**(251,493,541)**	**(314,169,245)**
Total long-term borrowings net of current instalments	**149,490,267**	**195,185,934**

The long-term part of borrowings will be repaid as follows:

	30 September 2018	31 December 201 as per AGA decisio no. 6 of 30.04.201
From 1 to 2 years	23,995,547	51,449,375
From 2 and 5 years	67,464,207	68,912,530
Over 5 years	58,030,512	74,824,029
Total	**149,490,267**	**195,185,934**

The Company has not taken risk hedging measures associated to its hard currency liabilities or to the exposure to interest rate risks.

All long-term borrowings, except for IEB 25709, IEB 25710 contracts and bonds, bear variable interest and consequently the book value of long term borrowings approximates their fair value.

● *Short-term borrowings*

Short-term borrowings are detailed as follows:

	30 September 2018	31 December 2017 as per AGA decision no. 6 of 30.04.2018
Current portion of long term credits	251,493,541	314,169,245
Interest rates of long-term borrowings	1,890,680	2,460,222
Interest rates of bonds	9,559,452	434,521
Total short-term borrowings	**262,943,673**	**317,063,988**

● *Loans contracted for current activities*

Transelectrica concluded the credit contract C55/01.03.2018 with Raiffeisen Bank for 12 months in sum of 100,000,000 to finance the bonus type support scheme to promote high efficiency cogeneration as account overdraft, with interest rate calculated depending on the ROBOR 1M reference rate, which is added negative 0.35% margin. In case the value of the reference rate ROBOR 1M is below 0.35%, the interest rate applied is 0%. On 30.09.2018 the credit line has not been used. It was secured by means of:

- Chattel mortgage over the account opened with the bank;
- Chattel mortgage over the liabilities resulting from the contracts for the contribution for high efficiency cogeneration concluded with Cez Vanzare SA, E.ON Energy Romania SA.

10. Trade and other liabilities

On 30 September 2018 and on 31 December 2017 trade and other liabilities were as follows:

	30 September 2018	31 December 2017 as per AGA decision no. 6 of 30.04.2018
Suppliers on the energy market	404,010,711	538,923,244
Suppliers of assets	58,431,910	62,898,568
Suppliers of other activities	24,124,826	27,782,443
Sums owed to employees	5,520,146	5,866,258
Other liabilities	187,061,778	64,466,306
Total	**679,149,371**	**699,936,819**

- On 30 September 2018 and on 31 December 2017 liabilities on balance on the energy market amount to 404,010,711 namely 538,923,244 and provide the following structure:

	30 September 2018	31 December 2017 as per AGA decision no. 6 of 30.04.2018
Suppliers on the electricity market, of which:		
- Suppliers - operational activities	130,034,111	110,800,907
- Suppliers - balancing market	145,669,552	204,920,467
- Suppliers - bonus type support scheme to promote high efficiency cogeneration	128,307,048	223,201,870
Total	**404,010,711**	**538,923,244**

- Higher balance of liabilities related to operational activities determined mainly by the greater amounts of electricity to cover technological losses in the transmission network and the indexation of the average electricity price necessary to cover CPT in the RET;

- Lower balance of liabilities related to the balancing market mainly determined by the payment of liabilities on balance on the electricity market on 31 December 2017 and reduced volume of balancing market transactions in August – September 2018 compared to the 4th quarter of 2017.
Electricity market suppliers are mainly represented by: Hidroelectrica SA, Electrocentrale Bucharest, RAAN, Mavir, Complex Energetic Oltenia. On 30 September 2018 their share was about 77% in the total energy suppliers.

- Reduced liabilities under the support scheme to suppliers (producers) were determined by the payment of invoices issued according to ANRE decisions for undue bonus and ante overcompensation for 2017.

On 30 September 2018 the Company registered payment liabilities to suppliers (producers) amounting to 128,307,048 (Electrocentrale Bucharest – 60,008,529; RAAN – 51,183,836; CET Govora SA – 4,442,758 and others) representing monthly cogeneration bonus, ex-ante overcompensation for 2014 & 2015, bonus unpaid in 2015 & 2016. The amounts representing the Company's liabilities under the support scheme to Electrocentrale Bucharest, RAAN, and CET Govora were withheld from payment according to article 17 para 5 from Order 116/2013 of ANRE president, since suppliers (producers) register payment liabilities to the Company for the bonus type support scheme.

The Company asked the suppliers (producers) that did not pay the overcompensation invoices to agree with compensating mutual liabilities at their minimum level through the Institute of Management and Information (IMI) which is uniformly managing all information received from tax-payers according to the provisions of HG 685/1999.
Producers (RAAN, Electrocentrale Bucharest, CET Govora) did not agree with this method to settle mutual liabilities and for this reason the Company has applied and still applies the provisions of article 17 para 5 from Order 116/2013 of ANRE president approving the Regulation establishing the collection manner of the contribution for high efficiency cogeneration and bonus payment for the electricity generated by high efficiency cogeneration: "in case the generator did not make the full payment to the administrator of the support scheme for its liabilities resulting according to the provisions of this regulation, the support scheme administrator pays to the generator the difference between the invoices issued by the generator and the payment liabilities of the generator under the support scheme, with explicit mention of the respective amounts on the payment document" and withheld from payment the due amounts related to the corresponding support scheme.

NPG Transelectrica SA concluded with CET Govora SA a compensation agreement spreading out the amounts representing liabilities from the value of the 2011-2013 overcompensation and of the undue bonus for 2014 (Agreement C 135/30.06.2015 and Addendum 1/04.08.2015). The Agreement term was 1 year (July 2015-August 2016) and provided the Company's right to calculate and collect penalties during payment spread-out.
Under this Agreement the Company' liabilities payable by CET Govora SA were compensated with its liabilities to CET Govora SA, represented by cogeneration bonus for May 2014 – September 2015 withheld by applying the provisions of article 17 para 5 from Order 116/2013 of ANRE president and of the Agreement provisions, amounting to 40,507,669.
Court civil sentence 3185/27.11.2015 suspended ANRE Decision 738/28.03.2014 establishing the value of the 2011-2013 overcompensation, therefore CET Govora SA has no longer complied with the obligations assumed under the Agreement. Beginning with 9 May 2016 the general insolvency procedure was instituted for CET Govora. Taking into account the provisions of Law 85/2014 on insolvency the Company ceased beginning with 9 May 2016 applying the provisions of article 17.5 from Order 116/2013 of ANRE president approving the Regulation establishing the collection manner of the contribution for high efficiency cogeneration and bonus payment for the electricity generated by high efficiency cogeneration and pays monthly to CET Govora the cogeneration bonus owed to it.
Civil ruling 2430/05.10.2016 of the High Court of Cassation and Justice admitted ANRE's appeal against Civil ruling

3185/27.11.2015, partly cancelled the sentence appealed against and denied the suspension request of CET Govora. Thus beginning with 05.10.2016 the effects of ANRE Decision 738/28.03.2014 are no longer suspended, but in full force.

Under such circumstances the Company applies the provisions of article 17 para 5 from ANRE Order 116/ 2013 for mutual liabilities occurred after the insolvency procedure, meaning it will withheld the bonus owed to CET Govora SA until the concurrence of the amounts related to the support scheme unpaid to the Company.

- Diminished balance of asset suppliers on 30 September 2018 compared to 31 December 2017 resulted from liability payments to asset suppliers.
- Liabilities to the suppliers of other activities are mainly represented by services provided by third parties which did not reach maturity, and such liabilities diminished in comparison with 31 December 2017.
- On 30 September 2018 the Company has not outstanding liabilities to suppliers, the state budget or local institutions.
- The structure of liabilities recorded into „other liabilities" is as follows:

	30 September 2018	31 December 2017 as per AGA decision no. 6 of 30.04.2018
Sundry creditors	142,717,574	31,958,422
Clients-creditors	32,685,415	20,823,604
Payable dividends	1,015,330	2,414,333
Other liabilities	10,643,459	9,269,947
Total	**187,061,778**	**64,466,306**

On 30 September 2018 the sundry creditors entry amounting to 142,717,574 mainly represented the net position of the support scheme for high efficiency cogeneration, which on 30 September 2018 recorded liability position amounting to 141,729,424 (31 December 2017: 30,451,865).

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

- The value of the contribution collectable from the suppliers of electricity consumers, the value of overcompensation for electricity and heat generated under high efficiency cogeneration, the undue bonus payable by producers according to ANRE decisions, on the one hand, and
- The value of the cogeneration bonus withheld according to article 17 para 5 from Order 116/2013 of ANRE president, of the ex-ante overcompensation and unpaid bonus to electricity generators under high efficiency cogeneration, beneficiaries of the support scheme, on the other hand.

Clients creditors on 30 September 2018 amount to 32,685,415, of which 32,400,946 are sums collected in advance from MAVIR and OPCOM under the transactions of the price coupling mechanism.

On 30 September 2018 dividends owed to Company shareholders but unpaid amounted to 1,015,330, of which 250,027 corresponds to the dividends distributed from 2016 profit. Such amounts are at the shareholders' disposal by means of the payment agent.

Other liabilities amounting to 10,643,459 are mainly represented by payment bonds under contracts on energy markets and performance bonds of service provisions contracts concluded by NPG Transelectrica SA.

11. Other tax and social security liabilities

On 30 September 2018 and on 31 December 2017 other tax and social security liabilities include:

	30 September 2018	31 December 2017 as per AGA decision no. 6 of 30.04.2018
Contribution to social insurance funds	5,406,283	5,097,678
Salary tax	987,721	1,913,700
Other payable taxes	1,320,474	1,676,814
Total	**7,714,478**	**8,688,192**

On 30 September 2018 the Company registered payment liabilities for contributions to social insurance funds, salary taxes and others, which were paid in September 2018.

12. Income tax

The Company's current and deferred income tax is determined at 16% statutory rate.

The income tax expenses in the 3rd quarter of 2018 and the 3rd quarter of 2017, as well as on 30 September 2018 and 30 September 2017 were as follows:

	3rd quarter 2018	**3rd quarter 2017**	**30 September 2018**	**30 September 2017**
Expenses of current income tax	1,265,187	94,010	11,546,410	25,088,177
Net expenses with deferred income tax	303,822	(142,632)	(1,340,919)	(3,101,965)
Total	**1,569,009**	**(48,622)**	**10,205,491**	**21,986,212**

13. Operational revenues

01 July – 30 September 2018 compared with 01 July – 30 September 2017

Operational revenues include revenues for services the Company provided on the electricity market, transmission and system services, allocation of interconnection capacities, balancing market operation services and other revenues.

Average tariffs approved by ANRE for services provided on the electricity market are as follows:

	Average tariff of transmission services	Average tariff of technological system services	Average tariff of functional system services
Order 108/20.06.2018 for 01 July – 30 September 2018	18.13	10.44	1.11
Order 48/22.06.2017 for 01 July – 30 September 2017	16.86	9.39	1.11

The average tariff of electricity transmission has two components: tariff for electricity introduction into the grid (T_G) and tariff for electricity extraction from the grid (T_L). Zone tariffs of transmission services for electricity introduction into (T_G) and extraction (T_L) from the grid were approved by ANRE Order 48/2017.

The quantity of electricity delivered to consumers where tariffs were charged for services provided on the electricity market is as follows:

	01 July – 30 September 2018	**01 July – 30 September 2017**
Electricity quantity delivered to consumers (MWh)	13,307,723	13,116,007

Revenues achieved in 01 July – 30 September 2018 and in 01 July – 30 September 2017 are as follows:

	01 July – 30 September 2018	**01 July – 30 September 2017**
Transmission service revenues	240,975,008	219,699,925
Revenues from the allocation of interconnection capacities	21,948,674	18,450,849
Revenues from reactive energy	1,149,367	1,368,216
Revenues from Inter TSO Compensation (ITC)	276,236	46,295
CPT transaction revenues	1,503,347	12,356
Revenues from transmission services – total	**265,852,632**	**239,577,641**
Revenues from functional system revenues	14,770,959	14,557,081
Revenues from technological system revenues	140,017,573	126,323,534

Revenues from unplanned DAM exchanges	173,259	1,079,485
Revenues from system services – total	**154,961,791**	**141,960,100**
Revenues on the balancing market	167,076,119	280,272,909
Other revenues	11,203,066	13,178,185
Total revenues	**599,093,608**	**674,988,835**

Revenues from transmission services

Transmission service revenues increased by 21,275,083 in 01 July – 30 September 2018 compared to 01 July – 30 September 2017, determined both by 1.46% greater electricity quantities delivered to consumers and by the average tariff increase approved by ANRE for such services beginning with 01 July 2018 (as per the fore-mentioned table with average tariffs approved by ANRE in the studied time intervals).

Revenues from functional system services

Revenues from functional system services increased by 213,878 in 01 July – 30 September 2018 compared to 01 July – 30 September 2017, determined by the 1.46% increase of electricity quantities delivered to consumers when the same average tariff approved by ANRE was maintained for such services in the studied period (as per the fore-mentioned table with average tariffs approved by ANRE in the studied time intervals).

Revenues from the allocation of interconnection capacitaties

In 01 July – 30 September 2018 revenues from the allocation of interconnection capacities increased by 3,497,825 compared to the achievements of 01 July – 30 September 2017, corresponding to the utilisation degree of available interconnection capacities by the traders on the electricity market.

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

The allocation mechanism for interconnection capacities consists in annual, monthly, daily and intra-daily bids. The annual, monthly and intra-daily bids are explicit, and only the transmission capacity is auctioned, while daily bids with Hungary are implicit, simultaneously allocating the capacity with the energy under the coupling mechanism.

The establishement since 19 November 2014 of the regional energy exchange by Romania, Hungary, the Czech Republic and Slovakia means these four countries should reach having a single price for the electricity transacted on spot markets. Capacity allocation between Romania and Hungary, the only country of the 3 Romania has border with, is performed by the transmission operators: Transelectrica and MAVIR, by joint mechanism based on a bilateral agreement.

Beginning with 2016 the UIOSI principle was applied on the Bulgarian border, and beginning with 2017 also on the Serbian frontier. In accordance with this principle the participants that do not use the capacity they have won at annual and monthly auctions are remunerated (by Transelectrica) for such capacity. This will be subsequently sold under daily bids. On the Hungarian border the sense is reversed, meaning MAVIR remunerates the participants for unused capacities.

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 article 16 para (6) of Regulation (EC) 714/2009, as financing source for investments made to upgrade and develop interconnection capacities with neighbouring systems.

Revenues from technological system services

Revenues from technological system services increased by 13,694,039 in 01 July – 30 September 2018 compared to 01 July – 30 September 2017, determined by the 1.46% increase of electricity quantities delivered to consumers and the greater average tariff approved by ANRE for such services (as per the fore-mentioned table with average tariffs approved by ANRE in the studied time intervals).

In 01 July – 30 September 2018 revenues from technological system services decreased 47,377,480 compared to expenses made to procure technological services. The loss was caused both by reduced revenues from technological system services since the average tariff approved by ANRE was diminished beginning with 01 July 2018 (from 12.06 Lei/MWh to 10.44 Lei/MWh), and by greater expenses for technological system services, when the RS and RTL procurement prices grew and electricity prices also rised on the national market.

Revenues on the balancing market

The revenues achieved on the balancing market decreased by 113,196,790 in 01 July – 30 September 2018 compared to 01 July – 30 September 2017, mainly determined by:

- Negative imbalances registered by electricity suppliers on the balancing market at smaller rates in 01 July – 30 September 2018 compared to 01 July – 30 September 2017;
- Physical notifications in general exceeding the internal SEN consumption;
- Lower system balancing costs (resulting from power upgrade selections and thermal units start-ups) and reduced system balancing revenues (resulting from power downgrade selections).

Balancing market represents the Company's zero profit activity.

01 January – 30 September 2018 compared to 01 January – 30 September 2017

Average tariffs approved by ANRE for services provided on the electricity market during the studied interval are as follows:

	Average tariff of transmission services	Average tariff of technological system services	Average tariff of functional system services
Order 108/20.06.2018 for 01 July – 30 September 2018	18.13	10.44	1.11
Order 122/19.12.2017 for 01 January – 30 June 2018	16.86	12.06	1.11
Order 48/22.06.2017 for 01 July – 30 September 2017	16.86	9.39	1.11
Order 27/22.06.2016 for 01 January – 30 June 2017	18.70	11.58	1.30

The electricity quantity delivered to consumers in 01 January – 30 September 2018, namely in 01 January – 30 September 2017, is as follows:

	01 January – 30 September 2018	**01 January – 30 September 2017**
Electricity quantity delivered to consumers (MWh)	41,265,509	40,508,253

Revenues achieved in 01 January – 30 September 2018 and in 01 January – 30 September 2017 are as follows:

	01 January – 30 September 2018	**01 January – 30 September 2017**
Transmission service revenues	710,961,962	731,076,584
Revenues from the allocation of interconnection capacities	51,705,344	56,684,089
Revenues from reactive energy	4,581,543	4,554,854
Revenues from Inter TSO Compensation (ITC)	356,826	650,960
CPT transaction revenues	3,321,173	617,513
Revenues from transmission services – total	**770,926,848**	**793,584,000**
Revenues from functional system services	45,803,584	50,164,916
Revenues from technological system services	482,435,706	445,231,585
Revenues from unplanned DAM exchanges	1,641,748	1,941,567
Revenues from failure aids	274,306	0
Revenues from system services – total	**530,155,344**	**497,338,068**
Revenues on the balancing market	497,923,243	1,085,320,880
Other revenues	33,438,255	38,077,986
Total revenues	**1,832,443,690**	**2,414,320,934**

Transmission service revenues

From 01 January to 30 September 2018 compared to 01 January – 30 September 2017 the electricity quantity delivered to consumers increased 1.87%, namely by 757,256 MWh, but transmission service revenues decreased 20,114,622, owing to

diminished average tariffs approved by ANRE for such services (as per the fore-mentioned table with average tariffs approved by ANRE in the studied time intervals).

Revenues from functional system services

From 01 January to 30 September 2018 revenues from functional system services registered 4,361,332decrease compared to those achieved in 01 January – 30 September 2017, determined by diminished average tariff approved by ANRE (as per the fore-mentioned table with average tariffs approved by ANRE in the studied time intervals).

Revenues from the allocation of interconnection capacities

From 01 January to 30 September 2018 revenues from the allocation of interconnection capacities decreased 4,978,745 compared to 01 January – 30 September 2017, corresponding to the utilisation degree of available interconnection capacities by traders on the electricity maret.

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

The allocation mechanism for interconnection capacities consists in annual, monthly, daily and intra-daily bids. The annual, monthly and intra-daily bids are explicit, and only the transmission capacity is auctioned, while daily bids with Hungary are implicit, simultaneously allocating the capacity with the energy under the coupling mechanism.

The establishement since 19 November 2014 of the regional energy exchange by Romania, Hungary, the Czech Republic and Slovakia means these four countries should reach having a single price for the electricity transacted on spot markets. Capacity allocation between Romania and Hungary, the only country of the 3 Romania has border with, is performed by the transmission operators: Transelectrica and MAVIR, by joint mechanism based on a bilateral agreement.

Beginning with 2016 the UIOSI principle was applied on the Bulgarian border, and beginning with 2017 also on the Serbian frontier. In accordance with this principle the participants that do not use the capacity they have won at annual and monthly auctions are remunerated (by Transelectrica) for such capacity. This will be subsequently sold under daily bids.

On the Hungarian border the sense is reversed, meaning MAVIR remunerates the participants for unused capacities. Daily bids marginal prices are used for compensations or the market spread price associated to price differences between the Hungarian Day-Ahead Market (DAM) and the Romanian Day-Ahead Market (DAM). This is the reason why revenues from capacity congestions on the HU-RO border were smaller.

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 article 16 para (6) of Regulation (EC) 714/2009, as financing source for investments made to upgrade and develop interconnection capacities with neighbouring systems.

Revenues from technological system services

Such revenues decreased 37.204.121 from 01 January to 30 September 2018 compared to 01 January – 30 September 2017 determined by 1.87% increase of electricity quantities delivered to consumers and by higher average tariff approved by ANRE for such services (as per the fore-mentioned table with average tariffs approved by ANRE in the studied time intervals).

From 01 January to 30 September 2018 revenues from technological system services decreased 14,346,533 compared to the expenses made to procure technological system services. This amount is diminishing the Company's gross profit registered on 30 September 2018.

Revenues on the balancing market

Balancing market revenues decreased 587.397.637 in 01 January – 30 September 2018 compared to 01 January – 30 September 2017, determined by:

- Negative imbalances registered by electricity suppliers on the balancing market at smaller rates in 01 July – 30 September 2018 compared to 01 July – 30 September 2017;
- Physical notifications in general exceeding the internal SEN consumption;
- Significant drop of system balancing costs (resulting from power upgrade selections and thermal units start-ups) and reduced system balancing revenues (resulting from power downgrade selections).

Balancing market represents the Company's zero profit activity.

14. Expenses to operate the system and from the balancing market

01 July – 30 September 2018 compared to 01 July – 30 September 2017

Expenses made from 01 July to 30 September 2018 compared to 01 July – 30 September 2017 are as follows:

	01 July – 30 September 2018	01 July – 30 September 2017
Expenses with technological consumption (losses)	52,784,726	50,696,164
Congestion expenses	613,272	52,283
Expenses for electricity consumption of RET substations	3,316,792	3,083,312
Expenses regarding functional system services	3,749,078	4,455,921
Expenses with Inter TSO Compensation (ITC)	1,679,942	5,097,454
Total operational expenses	**62,143,810**	**63,385,134**
Expenses regarding technological system services	187,395,413	182,611,160
Expenses on the balancing market	167,076,119	280,272,909
Total	**416,615,342**	**526,269,203**

Expenses with technological consumption (losses)

They represent expenses for electricity procurement from the free power market to cover one's own technological consumption (CPT) in the RET. In 01 July – 30 September 2018 expenses with technological system services were higher by 2.088.562 compared to 01 July – 30 September 2017, mainly determined by greater electricity quantities required to cover technological consumptions (losses) in the transmission network and by the higher average procurement price for the electricity necessary to cover CPT in the RET.

Congestion expenses

Congestions (network restrictions) are electricity transmission demands beyond the grid's technical capacity limits and corrective activities are required from the transmission and system operator; they occur when during operation scheduling or during real time operation the power flow between two system nodes or zones leads to incompliance with safe operational parameters of an electric power system. In 01 July – 30 September 2018 they amounted to 613,272.

In July congestion expenses of 3,448 were registered, determined by overload reduction to the 400 MVA, 400/220 kV AT3 of Brazi Vest, in order to provide the N–1 safety principle, while CECC Petrom operated at 738 MW, the 400 kV OHL Brazi Vest – Darste was taken out of operation according to schedules and the 400 kV OHL Brazi Vest – Domnesti tripped (400 MVA AT3 Brazi Vest remaining the only path discharging into the system the TG1 output and the TA of CECC Petrom, which are connected to 400 kV).
In September congestion expenses amounting to 609,824 Lei were recorded, determined by the provision of N–1 safety principle when the 400 kV OHL Rosiori – Mukacevo was taken out of operation.

Expenses regarding functional system services

Such expenses represent international exchanges of electricity which are not contracted with neighbouring countries and expenses with unplanned day-ahead market exchanges. These expenses decreased 706,843 in 01 July – 30 September 2018 compared to 01 July – 30 September 2017, mainly determined by diminished expenses for unplanned electricity exchanges (unplanned exports) on the balancing market.

Expenses with Inter TSO Compensation (ITC)

ITC expenses amounting to 1,679,942 represent monthly payment obligations / collection rights of each transmission and system operator (TSO). They are determined under the compensation / settlement mechanism for the effects from the utilisation of the electricity transmission network (RET) for electricity transits between the TSOs of the 35 countries that

applied this ENTSO-E mechanism. In 01 July – 30 September 2018 such expenses decreased 3,417.512 compared to the similar period of last year.

Expenses regarding technological system services

They increased 4,784,253 from 01 July to 30 September 2018 compared to 01 July – 30 September 2017, determined by:

- Higher procurement prices for technological system services on the competitive market;
- Higher electricity price on the national electricity market.

The Company procures technological system services from producers with a view to maintain the safe operational level of SEN and the quality of electricity transmitted at parameters provided in applicable norms.

Such services are contracted as follows:
- Under regulated regime under Governmental Decisions and according to the decisions of the National Regulatory Authority in the Energy domain (ANRE);
- By means of competitive mechanisms.

In 01 July – 30 September 2018 technological system services were procured under regulated regime from Hidroelectrica SA (ANRE decisions 1001/2018 and 1440/2018) and from Hunedoara SA (ANRE decision 655/2018).

NPG Transelectrica SA re-invoices the value of technological system services procured from producers to the ANRE-licensed electricity suppliers that finally benefit of such services.

Expenses on the balancing market

Balancing market expenses result from the notifications / achievements of participants on this market, being fully covered by the revenues achieved on the balancing market. In 01 July – 30 September 2018 they amounted to 167,076,119.

01 January – 30 September 2018 compared to 01 January – 30 September 2017

Expenses made from 01 January to 30 September 2018 compared to 01 January – 30 September 2017 are as follows:

	01 January – 30 September 2018	**01 January – 30 September 2017**
Expenses regarding the technological consumption	174,307,600	151,680,056
Congestion expenses	6,002,449	93,643
Expenses for electricity consumption in RET substations	12,303,325	10,472,907
Expenses regarding functional system services	9,546,491	13,098,670
Expenses with Inter TSO Compensation (ITC)	9,900,068	17,122,685
Total operational expenses	**212,059,933**	**192,467,961**
Expenses regarding technological system services	496,782,239	501,635,475
Expenses on the balancing market	497,923,243	1,085,320,880
Total	**1,206,765,415**	**1,779,424,316**

Expenses regarding the technological consumption

Expenses with one's own technological consumption (CPT) represent electricity procurement expenses as required in order to keep installations energised and to transmit electricity through the interconnected transmission network.

From 01 January to 30 September 2018 such expenses increased 22,627,544 compared with those recorded in the same period last year because a greater electricity quantity was necessary to cover technological losses in the transmission network.

Congestion expenses

Congestions (network restrictions) are electricity transmission demands beyond the grid's technical capacity limits and corrective activities are required from the transmission and system operator; they occur when during operation scheduling or during real time operation the power flow between two system nodes or zones leads to incompliance with safe operational parameters of an electric power system. From 01 January to 30 September 2018 congestion expenses amounted to 6,002,449.

Harsh weather (snow storm, freeze) registered in February 2018 in Dobrogea region caused failure to the 400 kV OHL Constanta Nord – Tariverde. The line defect was breaking the double insulator chain of the R phase from tower 7 and active conductor falling to ground. Under such circumstances to observe the N-1 safety principle during the accidental withdrawal of the 400 kV OHL Constanta Nord – Tariverde, output reduction was ordered for the WPPs of Dobrogea region, Section 6 and in Tulcea – Tariverde area, to values below notified capacities. 19,766 MWh were the total power reduction of the congestion until the line would be put back in operation, and NPG Transelectrica SA paid 5,234,582 as congestion cost.
In April 2018 congestion expenses amounting to 154,595 were recorded, determined by the compliance with the N-1 safety principle upon the planned outage of the 400 kV interconnection OHL Rosiori – Mukacevo.
In July congestion expenses of 3,448 were recorded, determined by reduced overload on the 400 MVA, 400/220 kV AT3 Brazi Vest, in order to provide N–1, while CECC Petrom operated at 738 MW, the 400 kV OHL Brazi Vest – Darste was taken out of operation according to schedule and the 400 kV OHL Brazi Vest – Domnesti tripped (the 400 MVA AT3 Brazi Vest remaining the only path discharging into the system the TG1 output and the TA of CECC Petrom, which are connected to 400 kV).
In September congestion expenses of 609,824 Lei were recorded, determined by the N–1 safety principle when the 400 kV OHL Rosiori – Mukacevo was taken out of operation according to schedule.

Expenses for electricity consumption in RET substations

Such expenses increased 1,830,418 from 01 January to 30 September 2018 compared to 01 January – 30 September 2017, determined by higher electricity procurement price.

Expenses regarding functional system services

They decreased 3,552,179 from 01 January to 30 September 2018 compared to 01 January – 30 September 2017 mainly determined by diminished expenses on the balancing market and on the day-ahead market with respect to unplanned electricity exchanges (exports) with neighbouring countries interconnected to the SEN.

Expenses with Inter TSO Compensation (ITC)

Monthly payment / collection obligations of each transmission and system operator (TSO) are determined under the compensating (settlement) mechanism for the effects of RET utilization for electricity transits between the TSOs of the 35 countries that applied this ENTSO-E mechanism. From 01 January to 30 September 2018 these expenses decreased 7,222,617 compared to the same period of last year.

Expenses regarding technological system services

They diminished 4,853,236 from 01 January to 30 September 2018 compared to 01 January – 30 September 2017.

In the reported period the Company procured technological system services under regulated regime according to ANRE decisions and applicable legal regulations.

From 01 January to 30 September 2018 technological system services were procured under regulated regime according to ANRE decisions 906/2017 and 1001/1440/2018 (from Hidroelectrica SA), ANRE decision 655/2018 (from Hunedoara SA), as well as according to GD 760/11.10.2017 approving the „Winter schedule for the energy sector in order to provide safe steady-state operational conditions for the SEN".

NPG Transelectrica SA re-invoices the value of technological system services procured from producers to the ANRE-licensed electricity suppliers that finally benefit of such services.

Expenses on the balancing market

From 01 January to 30 September 2018 the balancing market expenses amounted to 497,923,243 according to the development provided in chapter *Revenues on the balancing market*.

Such expenses result from the notifications / achievements of participants on this market, being fully covered by the balancing market revenues.

15. Personnel expenses

	01 July – 30 September 2018	01 July – 30 September 2017
Expenses with personnel wages	41,102,540	31,074,775
Social expenses	2,590,696	1,813,607
Expenses with tickets provided to employees	1,468,188	2,149,739
Expenses regarding employees' participation to the profit achieved last year	0	20,741
Expenses under the mandate contract and of other committees, commissions	587,071	394,493
Social insurance and protection expenses	2,126,654	8,569,208
Provisions constituted for salary and assimilated expenses	(2,296)	(61,851)
Other expenses	265,381	233,922
Total	**48,138,234**	**44,194,634**

	01 January – 30 September 2018	01 January – 30 September 2017
Expenses with personnel wages	118,671,642	93,820,363
Social expenses	4,766,572	4,157,765
Expenses with tickets provided to employees	4,637,559	6,137,796
Expenses regarding employees' participation to the profit achieved last year	0	6,443,745
Expenses under the mandate contract and of other committees, commissions	1,679,921	1,233,773
Social insurance and protection expenses	6,480,713	27,606,371
Provisions constituted for salary and assimilated expenses	(9,088)	(8,021,471)
Other expenses	754,131	657,639
Total	**136,981,450**	**132,035,981**

Personnel expenses made from 01 January to 30 September 2018 registered increase compared to 01 January – 30 September 2017, mainly determined by the fiscal measures provided in OUG 79/2017 amending and adding Law 227/2015 on the Fiscal Code.

16. Other operational expenses

	01 July – 30 September 2018	01 July – 30 September 2017
Other expenses with services provided by third parties	11,221,757	12,654,649
Postal expenses and telecommunication taxes	137,707	298,064
Rent expenses	2,150,391	2,066,992
Net operational (revenues)/expenses regarding allowances for current assets impairment	2,686,666	4,952,771
Other expenses	11,323,208	9,385,791
	27,519,729	**29,358,267**

	01 January – 30 September 2018	01 January – 30 September 2017
Other expenses with services provided by third parties	35,908,283	36,527,964
Postal expenses and telecommunication taxes	600,614	859,635
Rent expenses	6,422,813	6,229,686
Net operational (revenues)/expenses regarding allowances for current assets impairment	514,083	32,506,292
Other expenses	33,379,181	29,428,974
	76,824,974	**105,552,551**

Such expenses diminished in the reported period of current year, compared to the similar one in 2017 mainly determined by diminished (net) operational expenses regarding allowances for current assets impairment. Thus from 01 January to 30 September 2018 allowances were registered for doubtful clients' liabilities or under insolvency, mainly: Eva Energy, CET Govora SA, Arcelormittal Galati SA, CE Hunedoara SA, and from 01 January to 30 September 2017 allowances were registered for doubtful clients' liabilities or under insolvency, mainly: Arelco Power SRL, Elsaco Energy SRL, Fidelis Energy SRL, Cet Govora SA, Transenergo Com SA, Eva Energy, Enol Grup SA etc.

17. Net financial result

	01 July – 30 September 2018	01 July – 30 September 2017
Interest rate revenues	3,412,601	1,109,157
Revenues from exchange rate differences	2,848,979	1,055,481
Other financial revenues	8,559	2,187,752
Total financial revenues	**6,270,139**	**4,352,390**
Interest rate expenses	(4,879,691)	(5,438,696)
Expenses for exchange rate differences	(2,535,739)	(4,331,792)
Total financial expenses	**(7,415,430)**	**(9,770,488)**
Net financial result	**(1,145,291)**	**(5,418,098)**

	01 January – 30 September 2018	01 January – 30 September 2017
Interest rate revenues	6,959,808	4,084,872
Revenues from exchange rate differences	5,094,088	10,125,130
Other financial revenues	1,320,194	2,210,116
Total financial revenues	**13,374,090**	**16,420,118**
Interest rate expenses	(14,973,808)	(16,480,449)
Expenses for exchange rate differences	(4,743,510)	(13,727,022)
Total financial expenses	**(19,717,318)**	**(30,207,471)**
Net financial result	**(6,343,228)**	**(13,787,353)**

On 30 September 2018 the Company registered net financial loss amounting to 6,343,228, which is 7,444,125 lower compared to the same period of 2017. This was mainly determined by the development of the national currency exchange rate against the foreign currencies the Company has contracted bank loans to finance its investment plans (Euro, Dollar).

The exchange rate of the national currency registered on 30 September 2018 compared to that registered on 30 September 2017 was as follows:

Currency	**30.09.2018**	**30.09.2017**
Lei / Euro	4.6637	4.5991
Lei / US Dollar	4.0210	3.8977

18. Disputes, commitments and contingencies

i) Disputes

The governance team examine periodically the ongoing disputes, and after consultation with the legal representatives they decide on the need to set up provisions for the involved amounts or to show them in the financial statements.

Taking into account the existing information the Company's management considers there are no significant disputes ongoing where the Company is defendant except for the following:

• 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 1,090,831.70, the value of invoice 1300215/31.12.2013", in which file the Company is defendant and the claimant is the Autonomous Regie for Nuclear Activities, RAAN.
Civil sentence 127 pronounced on 10.10.2014 by Mehedinti Tribunal admitted the request expressed by Claimant RAAN and obliged NPG Transelectrica SA to pay 1,090,831.70 Lei, the value of invoice 1300215/31.12.2013.

The amount requested for payment represents penalties calculated by RAAN for the bonus due under the support scheme and withheld by the Company, in its capacity of Administrator of the support scheme that applied the provisions of article 17 para 5 from Order 116/2013 of ANRE president (see Note 9). The amount was enforced by RAAN on 15.06.2016, according to the Conclusion of the Court Enforcer Office Ailiesei & Guta under the enforcement file 12105/2016.

Civil ruling 843/2015 of Appeal Court Craiova denied as without interest the appeal filed by NPG Transelectrica SA against civil sentence 127/10.10.2014.

NPG Transelectrica SA filed appeal against ruling 843/05.11.2015 pronounced by the Appeal Court Craiova, Section II Civil at the public hearing of 05.11.2015under file 3616/101/2014, and against sentence 127/2014 pronounced by Mehedinti Tribunal, Section II Civil of Administrative and Fiscal Disputes at the public hearing of 10.10.2014, under file 3616/101/2014, as well as against sentence 1/2015 pronounced by Mehedinti Tribunal, Section II Civil of Administrative and Fiscal Disputes at the public hearing of 09.01.2015, under file 3616/101/2014, whereby it requested the court 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 INTIMATA-claimant to pay the expenses with this appeal.

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

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 lei. The sentence was appealed against. Hearing term: 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 article17 para 5 of Order 116/2013 of ANRE president.

Under such circumstances RAAN 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.

• On the docket of Mehedinti Tribunal, Section II Civil of Administrative and Fiscal Disputes file 1284/101/2015 was registered, pertaining to "claims amounting to 11,637,440", file where the Company is defendant, the claimant being the Autonomous Regie for Nuclear Activities, RAAN.

The claimant's summons required compelling Transelectrica SA to pay the amount of 11,637,439.66 Lei.

On 22.05.2015 Mehedinti Tribunal, Section II Civil of Administrative and Fiscal Disputes pronounced sentence 41/2015, stating as follows: "Admits the exception of territorial incompetence. Declines the settlement competency in favour of Bucharest Tribunal, Section VI Civil. No appeal". The file was registered with Bucharest Tribunal, Section VI Civil under number 24206/3/2015.

Claimant RAAN expressed request to change the quota of claimed rights, asking to oblige Transelectrica SA to pay the indexed amount of 17,805,680.

On 03.11.2015 Bucharest Tribunal, Section VI Civil pronounced sentence 6075/2015 stating as follows: "Admits the request as filed. Compels the defendant to pay 17,805,680 to the claimant, representing the value of bonus and penalties. Denies as groundless the claimant's request to be granted suit costs. Appeal right within 30 days from notification. Appeal to be submitted to Bucharest Tribunal, Section VI Civil".

The sentence was notified on 04.07.2016, according to the registration stamp for correspondence entry in Transelectrica SA. Appeal was filed against the sentence. The hearing conclusion of 12.01.2017 pronounced under file 24206/3/2015, the Appeal Court Bucharest decided suspending appeal judgment until final settlement of file 9089/101/2013/a152 on the docket of Mehedinti Tribunal, according to article 413 para 1 pt. 1 NCPC. Appeal right during entire suspension time.

The Appeal Court Bucharest decided suspending case judgment considering its settlement depends on the ruling to be pronounced under file 9089/101/2013/a152 on the docket of the High Court of Cassation and Justice, pertaining to contestation of the additional receivables table of the Autonomous Regie for Nuclear Activities SA.

• On the docket of Bucharest Tribunal, Section VI Civil file 26024/3/2015 was registered pertaining to "claims", file where the Company is defendant and claimant is the Autonomous Regie for Nuclear Activities, RAAN.
The claimant's summons required compelling Transelectrica SA to pay the amount of 10,274,679.

On 13.06.2016 decided deferring pronouncement until 27.06.2016, when by hearing conclusion decided re-instating the case on the docket in view of discussing about additional evident to be brought in order to establish mutual liabilities and compensate as the defendant claimed up-to-date, setting the next term on 28.11.2016.
The 28.11.2016 hearing conclusion of Bucharest Tribunal suspended the case according to article 413 (1) NCPC against article 411 (1) NCPC. Appeal right during entire suspension time.

Bucharest Tribunal decided suspending case judgment considering its settlement depends on the ruling to be pronounced under file 3014/2/2014 on the docket of the High Court of Cassation and Justice, pertaining to appeal in order to cancel Decision 743/2014 of ANRE President.

• On the docket of Bucharest Tribunal, Section VI Civil file 3694/3/2016 was registered pertaining to "claims", file where the Company is defendant and claimant is the Autonomous Regie for Nuclear Activities, RAAN.
The claimant's summons required compelling Transelectrica SA to pay the amount of 15.698.722.

In accordance with article 413 para 1 it. 1 Civil procedural code, Bucharest Tribunal decided on 20.10.2016 to suspend judging the case until final settlement of file 3014/2/2014 on the docket of the High Court of Cassation and Justice, pertaining to appeal in order to cancel Decision 743/2014 of ANRE President. Appeal right during entire suspension time.

• On the docket of Mehedinti Tribunal, Section II Civil of Administrative and Fiscal Disputes file 9089/101/2013/a140 was registered, pertaining to "claims for 86,513,431", file where the Company is defendant and claimant is the Autonomous Regie for Nuclear Activities, RAAN.
Claimant's summons required compelling Transelectrica SA to pay the amount of 86,513,431.

On 19.05.2016 Mehedinti Tribunal, Section II Civil of Administrative and Fiscal Disputes pronounced hearing conclusion stating: "In accordance with article 413 pt. 1 Civil Procedure Code, decides suspending the case until settlement of file 3014/2/2014 on the docket of the High Court of Cassation and Justice. Appeal right during entire suspension time. Pronounced today 19 May 2016 at public hearing".

• Mention should be made the conclusion of 18.09.2013 pronounced by Mehedinti Tribunal under file 9089/101/2013 decided instituting the general insolvency procedure against debtor Autonomous Regie for Nuclear Activities RA (RAAN).

Sentence 387/20.03.2014 of Mehedinti Tribunal acknowledged the reorganisation plan of debtor Autonomous Regie for Nuclear Activities, proposed by the judiciary administrator Tudor&Asociatii SPRL and voted by the General Assembly of Creditors according to the minutes of 28.02.2014.

By interim ruling 10/28.01.2016 pronounced by Mehedinti Tribunal, Section II Civil of Administrative and Fiscal Disputes, the syndic judge decided beginning the procedure of debtor's bankruptcy, according to article 107 para 1 let C of Law 85/2006, as well as dissolving the debtor and cancelling its administration right.

Ruling 563/14.06.2016 of the Appeal Court Craiova, Section II Civil denied the appeals filed against the interim ruling 10/28.01.2016, pronounced by Mehedinti Tribunal, Section II Civil of Administrative and Fiscal Disputes.

By the hearing conclusion of 30.06.2016 Mehedinti Tribunal, Section II Civil of Administrative and Fiscal Disputes decided the new procedural terms as follows: "Setting the deadline on 13.08.2016 to submit receivables demands occurred during the procedure. Setting the deadline on 29.09.2016 to verify receivables occurred during the procedure, to draw up, display and notify the additional receivables table. Setting the deadline on 9 September 2016 to submit objections to the receivables

occurred during the procedure and on 20 September 2016 to settle such objections to the receivables occurred during the procedure. Setting the deadline on 10.11.2016 to elaborate and display the final consolidated table".

Once submitting the receivables statement in the procedure of RAAN's bankruptcy Transelectrica SA can invoke the provisions of article 52 of Law 85/2006, applicable to the bankruptcy procedure for RAAN, provisions resumed by article 90 of Law 85/2014, regarding the creditor's right to request compensating its liability with the debtor's to it, whenever the law-provided terms for legal compensations are met on the procedure establishment date. Transelectrica SA was recorded in the table of debtor RAAN with 11,264,777 Lei, in the category of liabilities resulting from the debtor's continued activity, but the amount requested by our company is 89,360,986 Lei, but the sum of 78,096,208.76 Lei 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 Lei in the table was made late, as it pertains to 2011 – 2013, for which reason the liability statement should be expressed on the insolvency opening date, namely 18.09.2013. We submitted objection to the Table. Mehedinti Tribunal admitted the accounting expertise evidence. The parties expressed objections to the accounting expertise report, which were admitted by the instance that set the hearing term on 22.02.2018. On the objection judgment date 22.02.2018 a new procedural term was set: 14.02.2019.

• During an audit performed in 2013 the Court of Accounts decided some measures to be applied by the Company as a result of some deficiencies found at this audit. The Court of Accounts' decision and conclusion were appeals against at the Appeal Court Bucharest, under file 1658/2/2014.
At the 20.01.2016 hearing the instance deferred the case to enable the designated chartered accountant to express his opinion about the defendant's objections to the expertise report and the technical expert to perform his expertise. On 29.06.2016 the instance deferred the case in order to have the technical expertise report completed. The following hearing term was set on 26.10.2016, and nothing else occurred until the date of this report.
On 13.06.2018 the following settlement was pronounced:
Settlement type: Admits partly the request.
Settlement in brief: Admits in part the claimant's suit. Partly cancels conclusion 7/20.02.2014, ruling 37/9.12.2013 and the audit report 35521/6.11.2012 issued by the defendant as regards the measures provided under 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 in the sense of removing the phrase „including what has been found about the invoices issued by FLOREA ADMINISTRARE IMOBILIARA SRL". Denies the other part of the claimant's suit as groundless. Sanctions the electric power technical expertise report elaborated by expert Toaxen Vasile. Compels the defendant to pay 121,375 Lei law suit expenses to the claimant (partially expert fees and judiciary stamp tax). Appeal right within 15 days from notification. Appeal to be submitted to the Appeal Court Bucharest Section VIII of Administrative and Fiscal Disputes. Pronounced at public hearing today, 13.06.2018.
Document: Ruling 2771/2018, 13.06.2018.

• NPG Transelectrica SA filed complaint against Order 51/26.06.2014 of ANRE president, registered with ANRE under no. 47714/04.08.2014 and a contestation to the Appeal Court Bucharest, under file 4921/2/2014, whereby it requested either amending the fore-mentioned Order or issuing a new order, which should recalculate the RRR at 9.87% (recalculated with (β) coefficient of 1.0359, as per Transelectrica's internal reviews) or if such request is denied, using the same 8.52% percentage established by ANRE for 2013 and the first semester of 2014.

On 26.06.2014 ANRE Order 51 was issued, published in Romania's Official Gazette no. 474/27.06.2014, approving the average tariff for transmission services, the tariff for system services and the zone tariffs of transmission services used by the National Power Grid Company Transelectrica SA and cancelling annex 1 to Order 96/2013 of ANRE president approving the average tariff for transmission services, the tariff for system services and the zone tariffs of transmission services as well as the tariffs for reactive electric power, applied by economic operators of the electricity sector.

The values taken into calculation for the regulated profitability rate (RRR[1]) by ANRE according to the Methodology establishing the electricity transmission tariffs approved by ANRE Order 53/ 2013 ("Methodology"), have determined 7.7% RRR.

On the 09.02.2016 term the instance admitted the accounting expertise evidence, speciality of financial investments and other security entities, prorogation of discussing the technical expertise evidence, electric power speciality after administrating the accounting expertise evidence, speciality of financial investments and other security entities.
On the terms 25.03.2016, 22.04.2016, 10.06.2016 and 03.03.2017 the instance deferred judging the case because the technical expertise report was missing. The expertise completion term was set on 22 January 2019.
The dispute did not impact the relationship with ANRE or the Company's financial results.

[1] *RRR- Regulated Rate of Return, found in specific literature as short acronym WACC standing for Weighted Average Cost of Capital, the formula of these two indicators being similar: RRR = WACC = CCP + Kp/(1 – T) + CCI x Ki*

• On 4 March 2014 the European Commission issued notification specifying it has applied a fine of 1.031.000 EUR to Subsidiary OPCOM SA for abuse of dominant position on the Romanian market with respect to facilitating electricity transactions on the spot market trespassing EU's antitrust norms. The Company was included in the process as parent company of Subsidiary OPCOM SA, being jointly liable to pay the fine.

The Shareholders' General Assembly of Subsidiary OPCOM SA decided on 10.06.2014 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 according to Decision AT 39984 on the antitrust case. Subsidiary OPCOM SA paid fully the fine established by the European Commission.

On 24.11.2014 Subsidiary OPCOM SA sued NPG Transelectrica SA, in view of compelling it to pay 582,086 Euro (2,585,162 Lei at the BNR exchange rate of 24.11.2014) representing the amount it had paid as fine from the total fine of 1,031,000 Euro.

Also Subsidiary OPCOM SA requested the instance to compel the Company to pay 84,867.67 Lei as legal interest rate for the time interval 11.06.2014 – 24.11.2014, to which legal suit expenses amounting to 37,828 are added. The suit instituted by Subsidiary OPCOM SA is recorded under file 40814/3/2014, on the docket of Bucharest Tribunal, Section VI Civil, pertaining to claims, issue- dispute with professionals. NPG Transelectrica SA filed contestation to the summons in this case, claiming exceptions and fundamental defence with respect to the case groundlessness and illegality.

On 24.07.2015 Bucharest Tribunal pronounced sentence 4275/2015 deciding as follows: "Admits the summons filed by the Electricity and Natural Gas Market Operator OPCOM SA in contradiction with defendant the National Power Grid Company Transelectrica SA. Compels 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 582,086 Euro, calculated on 11.06.2014 until actual payment date. Compels the defendant to pay 37,828 Lei as law suit expenses. Appeal right within 30 days from notification. The appeal to be filed with Bucharest Tribunal, Section VI Civil".

Transelectrica SA filed appeal against sentence 4275/2015, pronounced under the fore-mentioned file on the docket of the Appeal Court Bucharest. The settlement of the Appeal Court was as follows: Admits the appeal; changes fully the civil sentence appealed against, meaning it denies the summons as groundless. Compels the respondent in appeal-claimant to pay law suit expenses amounting to 16,129 to the respondent in appeal-defendant, representing judiciary stamp tax. Appeal right within 30 days from notification. Pronounced at public hearing today, 10.10.2016. Document: Ruling 1517/2016, 10.10.2016.

OPCOM SA filed appeal. The High Court of Cassation and Justice decided as follows: Admits in principle 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. Sets the term on 13.03.2018 in order to settle the appeal. The parties will be summoned. Pronounced at public hearing today, 05 December 2017.
On the 13.03.2018 term 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 sends the case to the appeal instance for new judgment; final.

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

The Company registered in 2014 a provision of 2,670,029 Lei for the dispute with Subsidiary OPCOM SA.

• 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 date amounting to 17,419,508 Lei and 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 principal hearing term on 08.04.2016 for the appeals, Judge Panel 4, with parties' summoning. Case judgment was deferred to 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. 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. 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 29.06.2016.

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 will be submitted to Bucharest Tribunal, Section VI Civil. Placed at the parties' disposal by means of the court clerk today, 23.11.2017.

• After an audit performed in 2017 the Court of Accounts decided some measures to be applied by the Company as a result of some deficiencies found at this audit. NPG Transelectrica SA filed 8 contestations against the measures decided by Romania's Court of Accounts (CCR) under Decision 8/27.06.2017, requesting its cancellation, and against Conclusion 77/03.08.2017, registered under no. 29117/08.08.2017 with the Company's Registration Department, as well as against the Audit report 19211/26.05.2017. Contestations are under settlement on the docket of the Appeal Court Bucharest and of the High Court of Cassation and Justice.

• File 47332/3/2017 on the docket of Bucharest Tribunal, Section VI Civil, whereby Co. FF Wind Energy International SRL requests 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 Lei as prejudice after 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. File stage: under preliminary procedure of suit notification and elaboration of objections. Hearing term- 29.11.2018.

• At the offices of Transelectrica SA general fiscal inspection took place targeting the interval December 2005 – December 2010. Such general fiscal audit began on 14.12.2011 and ended on 26.06.2017, date of the final discussion with Transelectrica SA.
ANAF – DGAMC established additional fiscal obligations payable by the Company, namely income tax and VAT, as well as accessory fiscal liabilities (interest/delay indexations and penalties) with respect to technological system services (STS) invoiced by energy suppliers, considered non-deductible after the fiscal audit.
In accordance with the taxation decision F-MC 439/30.06.2017, in total sum of 99,013,399 Lei, ANAF – DGAMC established additional fiscal liabilities payable by the Company, amounting to 35,105,092 Lei, as well as accessory fiscal ones (interest/delay indexations and penalties), amounting to 63,908,307 Lei.
ANAF's Fiscal audit report specifies mainly the following additional payment obligations:

- Income tax amounting to 13,726,800, as well as accessories, owed for a number of 123 unused invoices found 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 then), special regime documents.
  These invoices were the issue of a dispute with ANAF that issued fiscal audit report on 20 September 2011 estimating payable VAT collected for a number of 123 unused invoices identified as missing;
  On the 30.04.2014 term the Appeal Court Bucharest, Section VIII of administrative and fiscal disputes (Ruling 1356/2014) under file 6657/2/2012 denied the request of „claimant NPG Transelectrica SA (Contestation against ANAF's Fiscal administrative act)". On 01.03.2017 the High Court of Cassation and Justice decided by ruling 779 as follows: „denies the inadmissibility exception of the contestation for cancellation filed by contester Transelectrica SA, invoked by defence by the respondent in appeal, the General Directorate for Large Tax-payers Administration. Denies as groundless the contestation for cancellation filed by contester Transelectrica SA against civil ruling 1945 of 16 June 2016 of the High Court of Cassation and Justice, Section of administrative and fiscal disputes, pronounced in file 6657/2/2012. Irrevocable".

- Income tax amounting to 4,795,483 and collected VAT amounting to 5,694,636, as well as accessories owed for a number of 349 unused invoices found 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 Company operated then), special regime documents;
- Income tax amounting to 4,320,277 and collected VAT amounting to 5,130,329, as well as accessories relating to expenses with technological system services invoiced by producers in 01.01.2007 - 31.12.2010 and according to which the Company issued penalty invoices calculated by applying 200% over the VAT-free unit price, multiplied with the quantity of unrealised services. According to the findings of the fiscal audit team, starting from the penalty invoices issued non-deductible expenses were established for unrealised / not provided technological system services, which generate additional payable income tax, as well as additional payable VAT for the technological system services invoiced by the electricity suppliers but not provided / achieved.

The Company filed contestation 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 enforcement title 13540/22.08.2017 based on which the additional payment obligations established under the Taxation decision F-MC 439/30.06.2017 were executed.

The Company requested cancelling the enforcement title 13540/22.08.2017 from the Appeal Court in file 7141/2/2017. Settlement in brief: Admits the exception of the material incompetence of the Appeal Court Bucharest, SCAF. Declines the case settlement competence in favour of Law Court of Bucharest 1. Pronounced at public hearing today 08.02.2018.
Document: Ruling 478/2018, 08.02.2018.

Following competence declination file 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, based on the Taxation decision F-MC 439/30.06.2017.
Settlement in brief: Admits the request of judgment suspension filed by the contester. In accordance with article 413 para (1) pt. 1 civil procedural court suspends judgment until final settlement of file 1802/2/2018, 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. Pronounced at public hearing. Document: conclusion-suspension 17.04.2018

On the docket of the Appeal Court is file 1802/2/2018 whereby the Company contested the administrative fiscal act, the Decision 439/30.06.2017. At the trial date of 06.11.2018 it was accepted the administration of the evidence with expertise in accounting specialization - taxation. Trial date was set on 08.01.2019.

After the Company's contestation of the administrative fiscal act, Decision 439/30.06.2017, ANAF notified the Company Decision 122/13.03.2018 which denies as groundless the contestation filed by NPG Transelectrica SA, which was received on 16.03.2018, after filing the summons under file 1802/2/2018.

• By its summons the claimant Resita City requests compelling defendant NPG Transelectrica SA to pay the following amounts:
- 2,129,765.86 Lei, representing rent for the land area temporarily taken from the forestry fund in 2015;
- 2,129,765.86 Lei, representing land rent for 2016;
- 2,129,765.86 Lei, representing land rent for 2018;
- Penalty legal interest from due date until actual payment.

The case is under preliminary procedure, file 2494/115/2018* being recorded on the docket of Caras Severin Tribunal. The first hearing term will be established when the legal terms for defence submission by Transelectrica, namely the defence answer of Resita City have expired.

The Company is also involved in significant disputes as claimant, especially to recover liabilities (e.g. Eco Energy SRL, Petprod SRL, Total Electric Oltenia SA, Arcelormittal Galati SA, Autonomous Regie for Nuclear Activities, Romenergy Industry SRL, Energy Holding SRL, UGM Energy Trading SRL, CET Iasi, CET Bacau, CET Braila, CET Govora, CET Brasov, Elsaco Energy SRL, Elsaco Esco, Arelco Power SRL, Arelco Energy SRL, Inversolar Energy SA, Opcom, etc.). The Company registered allowances for value losses of clients and other disputed liabilities, as well as for clients under bankruptcy. 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.

The management of the Company considers that probably no resource output will be necessary to settle ongoing disputes. Moreover there are no disputes underway which either by nature or value might require submission of assets or significant contingent liabilities for the Company activities.

ii) Commitments

At the date of preparation of these interim financial statements and as at December 31st, 2017, the Company had assumed commitments amounting to 1.103.263.342 and respectively 1.121.769.861, representing mainly ongoing contracts for investment works related to the modernization and upgrading of the transport network.

iii) Contingencies

Audits are in progress in the Company headquarters as follows:

• Ministry of Public Finance, General Division of Economic-Financial Inspection, which began on 15.09.2017 and was suspended by Letter 243104/29.11.2017 on the same date. The inspection was resumed on 18.06.2018 (as per Letter 261403/12.06.2018) and was suspended by Letter 261775/17.07.2018. The verification objectives for 2012-2016 are provided below:

- Foundation and execution of the revenue and expense budget;
- Compliance with budgetary, economic-financial and accounting discipline;
- Compliance with legal provisions regarding the asset from the state's public and private domain and from that of administrative-territorial units, held under any form;
- Compliance with the provisions of Governmental Ordinance 64/2001 on profit distribution to national societies, national companies and trading companies with full or majority state capital, as well as into autonomous regies, with later amendments and additions;
- The utilisation of constituted reserves;
- The organisation and application of compulsory internal/managerial control;
- The foundation and justification of amounts granted from the general consolidated budget;

• Ministry of Economy, Division of the Minister's Control Body- the control began on 18.01.2018 with the following objectives: checking the compliance with legal provisions and internal norms with respect to the entity's organisation and operation; verifying the organisation and performance of procurement activities; verifying the conclusion and execution of consultancy contracts, legal assistance and representation and the entity's disputes; verifying the conclusion and execution of sponsorship contracts; verifying how travel expenses are made; examining the manner in which orders, guidelines are fulfilled, as well as other provisions issued by the economy minister in the specific activity domain; verifying the application stage of measures provided in previous reports; comparative analysis of the entity's economic-financial results of the last three years.

• In the Company headquarters there is fiscal audit performed by the Ministry of Public Finance – ANAF, which began on 20.08.2018 and targeting:

- Verifying the legality and conformity of fiscal returns and/or relevant operations for fiscal audit, the correctness and accuracy in complying with the obligations to establish taxation bases and the main fiscal liabilities of the income tax in the interval 01.01.2012 - 31.12.2016;
- Verifying the compliance with fiscal and accounting provisions;
- Verifying other relevant taxation issues, whether accountable for the application of fiscal and accounting legislation;

• On 30 September 2018 Teletrans SA, Company subsidiary, was under control began on 29.05.2015 by the General Division of Economic-Financial Inspection from the Public Finance Ministry, the inspected period being 01.01.2010-31.12.2014, according to the Service order 82/27.05.2015 and 01.01.2015- to date, according to the Service order 38/31.05.2017; the economic-financial inspection objectives are:

- Foundation and execution of the revenue and expense budget;
- Compliance with budgetary, economic-financial and accounting discipline;
- Compliance with legal provisions regarding the asset from the state's public and private domain and from that of administrative-territorial units;
- The organisation and application of compulsory internal/managerial control;
- Verifying the compliance with the provisions of GO 26/2013 on enhancing financial discipline at economic operators where the state or administrative territorial units are single or majority shareholders or they hold directly or indirectly majority participation, from 2015 to date.

The draft economic–financial inspection report issued on 21 February 2018 specifies that, following rental of assets from the state public domain (capacities and infrastructure items of the public telecommunication network) the representatives of the Company and of Teletrans SA failed to comply with the provisions of article 14, article 15 and article 16 of Law 213/1998 regarding assets of public property, and allegedly the state budget was prejudiced in total sum of 88,778,158 Lei, representing amounts collected and not transferred to the state budget in 2006-2016.

Letter 13443 of 26.03.2018 from Teletrans informed Transelectrica as follows:

- From 21.02.2018 to 10.03.2018 several meetings were held with Teletrans representatives and the control team members from the Ministry, which established the calculation base used in the draft report calculations was wrong, as it strictly related to revenues registered without taking into account the expenses made (total amortisement of procured network equipment, human resources as well as the total indirect expenses of such activities) and without fully understanding the trading and juridical relations between Transelectrica and Teletrans;
- Consequently the control team together with the management of the General Division of Economic-Financial Inspection from the Public Finance Ministry granted Teletrans a new term by which it should submit the reviewed situation and additional explanations for the inspected interval, extending the initial term 27.02.2018 until 30.03.2018.

As regards the legality of operating the excess optical fibre, the contractual relation was argued in juridical terms by taking into account the legal opinion of Bostina&Asociatii according to which the previous contract C45/2006 was qualified as mandate contract without representation aiming at "concluding contracts by TELETRANS SA in its own name but on account of Transelectrica's public telecommunication network in view of trading its capacity and infrastructure components". The qualification provided to the juridical act enabled concluding Agreement C111/2014, while maintaining the juridical relations of the parties.

Until the approval date of stand-alone interim financial statements on 30 September 2018 the Company has not finished the analysis necessary to determine the possible effect of the result of the draft economic–financial report issued on 21 February 2018.

At present there are disputes on the docket with the Court of Accounts with respect to audits performed in 2013 and in 2017. Taking into account the Court of Accounts' findings included in decisions of 2013 and 2017, it is likely to have additional fiscal obligations that for the time being cannot be accurately determined according to the terms provided in IAS Standard 37 Provisions, contingent liabilities and assets.

Thus taking into account the above on 30 September 2018 the Company's management did not have the necessary information to make pertinent analysis and determine the effects of the results of such draft report over the stand-alone interim financial statements on 30 September 2018.

19. Affiliated parties

i) Transactions with the subsidiaries held by the Company

Entity	Country of Origin	30 September 2018 % of shares	31 December 2017 as per AGA decision no. 6 of 30.04.2018 % of shares
SMART SA	Romania	70	70
TELETRANS SA	Romania	100	100
ICEMENERG SA *)	Romania	-	-
OPCOM SA **)	Romania	97.84	100
FORMENERG SA	Romania	100	100
ICEMENERG SERVICE SA ***)	Romania	100	100

*) On 07.04.2014 the National Office of the Trade Register admitted file 121452/03.04.2014 pertaining to erasing the Subsidiary Energy Research and Modernising Institute ICEMENERG SA Bucharest. Order 123/13.03.2014 (registration deed and operation permit) the Trade Register recorded the "National Research-Development Institute for Energy Bucharest" (HGR 925/2010). The Company filed complaint against the resolution of ORC director that decided registering the erasure of Subsidiary ICEMENERG SA Bucharest.

Bucharest Tribunal Section VI Civil, by sentence 3569/14.07.2014 pronounced in file 15483/3/2014, where the Company was in contradiction with defendants Subsidiary Energy Research and Modernising Institute Icemenerg SA Bucharest and the National Research-Development Institute for Energy Icemenerg Bucharest, denied the Company's complaint, on grounds that GD 925/2010 was not cancelled until erasure date with the ORC. The Appeal Court notified on 24.02.2015 the settlement pronounced under file 15483/3/2014 namely ruling 173/2015, whereby the appeal of NPG Transelectrica SA was denied as groundless and the settlement final.

Transelectrica SA filed contestation for cancellation against ruling 173/2015, pronounced by the Appeal Court Bucharest,

included in file 1088/2/2015, on the docket of the Appeal Court Bucharest, Section VI Civil, with hearing term on 13.05.2015. On 13.05.2015 ruling 777/2015 of the Appeal Court Bucharest denied as groundless the cancellation objection, the ruling being final.

At its reunions of 28.03.2016 and 30.08.2016 AGEA did not approve reducing the share capital of NPG Transelectrica SA by 1,084,610 Lei, representing share capital subscribed and paid of Subsidiary ICEMENERG SA Bucharest, by diminishing the Romanian State's participation to the share capital of NPG Transelectrica SA, while applying the provisions of GD 925/2010. In 2015 the Company recorded allowance amounting to 1,083,450 for the shares held from Subsidiary Energy Research and Modernising Institute ICEMENERG SA Bucharest, which was erased.

**) In 2016, the share capital of OPCOM SA was increased by 22,587,300, by contribution in kind of shareholder NPG Transelectrica SA.
The contribution in kind is represented by intangible assets, namely the "Commercial electricity exchange OPCOM" and the "Regional electricity exchange OPCOM", financed from the Company's own sources and from IBRD funds, being assessed according to the Assessment report 786/15.03.2016 issued by JPA Audit & Consultant SRL. The amendment in the articles of association of OPCOM SA based on AGEA Decision 6/15.06.2016 was registered with the ONRC according to the Registration certificate of 11.07.2016. The financial statements of OPCOM SA describe the share capital increase by contribution in kind of shareholder NPG Transelectrica SA as share capital subscribed and not fully paid.

On 13.02.2018 the Shareholders' general extraordinary assembly of Subsidiary OPCOM SA approved increasing the share capital of Co. Electricity and Natural Gas Market Operator OPCOM SA ("OPCOM SA") by 678,790 Lei as contribution in kind represented by the value of the land which the company got Ownership certificate for series M03 no. 12899/27.02.2014 issued by the Ministry of Economy. The contribution in kind was assessed by an expert valuator designated by the ONRC. In exchange for the contribution in kind to the share capital the company issued 67,879 new nominative shares of 10 Lei nominal value each to the new shareholder the Romanian State through the Ministry of Economy, which as of the date of the AGEA decision exercises the attributions of stakeholder. On 20.03.2018 the National Office of the Trade Register from Bucharest Tribunal settled the registration request for the share capital increase of OPCOM SA and consequently on 31 March 2018 the share capital of OPCOM SA has been 31,366,090 Lei, representing a number of 3,136,609 nominative shares at 10 Lei per share and 97.84% participation to benefits and losses.

***) On 09.06.2017 Bucharest Tribunal, Section VII Civil, decided bankruptcy of debtor Co. Subsidiary ICEMENERG SERVICE SA by simplified procedure, designating Solvendi SPRL as provisional judiciary liquidator.
The Company registered in 2016 an allowance amounting to 493,000 for the shares held in Subsidiary ICEMENERG SERVICE SA.

The value of shares the Company holds in its subsidiaries was 78,038,750 on 30 September 2018 and 78,038,750 on 31 December 2017.
EU's application of IFRS 9 „Financial Instruments" applicable for annual intervals beginning on or after 1 January 2018 will have no significant impact over the Company's financial statements in the initial period of application.

The balances of Company-held subsidiaries are as follows:

AFFILIATED ENTITY	**Receivables*)**		**Trading liabilities**	
	30 September 2018	**31 December 2017 as per AGA decision no. 6 of 30.04.2018**	**30 September 2018**	**31 December 2017 as per AGA decision no. 6 of 30.04.2018**
SMART SA	52.915	16.884.019	6.471.226	8.992.426
TELETRANS SA	220.320	192.966	6.365.436	7.361.973
FORMENERG SA	-	-	1.395	-
OPCOM SA	25.073.801	23.995.729	11.539.650	7.442.483
TOTAL	**25.347.036**	**41.072.714**	**24.377.707**	**23.796.882**

*) Receivables are provided at gross value.

Ongoing transactions with Company subsidiaries in the reported period are as follows:

AFFILIATED ENTITY	Sales			
	3rd quarter 2018	3rd quarter 2017	9 months 2018	9 months 2017
SMART SA	83.350	192.735	479.884	556.562
TELETRANS SA	235.648	2.473.770	1.859.488	2.966.663
OPCOM SA	32.364.176	200.020.496	151.006.195	425.453.527
TOTAL	**32.683.174**	**202.687.001**	**153.345.567**	**428.976.752**

AFFILIATED ENTITY	Procurements			
	3rd quarter 2018	3rd quarter 2017	9 months 2018	9 months 2017
SMART SA	21,447,898	19,377,433	51,119,721	47,288,346
TELETRANS SA	8,950,143	13,472,694	25,878,050	28,325,958
FORMENERG SA	4,169	41,104	8,210	88,159
OPCOM SA	120,925,643	38,898,836	256,897,732	155,121,588
TOTAL	**151,327,853**	**71,790,067**	**333,903,713**	**230,824,051**

ii) Salaries of Company management

Salaries paid to the management for their services consist mainly of the basic wage and benefits at the end of the labour contract and post-hiring. They are detailed as follows:

	3rd quarter 2018	3rd quarter 2017	9 months 2018	9 months 2017
Short term benefits	3,087,044	2,340,382	6,951,182	6,771,022
Other long term benefits	75,076	44,848	87,268	76,444
Total	**3,162,120**	**2,385,230**	**7,038,450**	**6,847,466**

20. Credit risk

The credit risk means a risk under which the Company supports financial loss as consequence of a client's failure to comply with contractual obligations or counterparty's to a financial instrument. This risk comes mainly from receivables and from cash and cash equivalents.

The counterparty risk relies on Company internal and external success factors. External success factors, which systematically reduce this risk are: decentralising the energy sector with distinct generation, transmission, distribution and supply activities, and the client interface is represented by the supplier; electricity transactions on the Romanian market take place on two market segments: the regulated and the competitive market. Internal success factors for the treatment of the counterparty risk include: diversifying the clients' portfolio as well as the number of services provided on the electricity market.

Financial assets that might expose the Company to the collection risk are mainly receivables and cash and cash equivalents. The Company applied a number of policies providing services are sold to clients with proper collection, by including in trading contracts their obligation to constitute financial securities. The value of receivables net of value loss allowances represents the maximum amount subjected to the collection risk.

The maximum exposure to the collection risk on the reporting date was as follows:

	30 September 2018	31 December 2017 as per AGA decision no. 6 of 30.04.2018
Financial assets		
Net trade receivables	689,788,742	724,176,710
Other net receivables and down payments to suppliers	51,586,278	47,347,178
VAT to recover	32,816,270	47,005,991
Cash and cash equivalents	651,349,082	520,746,500
Total	**1,425,540,372**	**1,339,276,379**

The age of receivables on the financial position statement date was as follows:

	Gross value 30 September 2018	Allowance 30 September 2018	Gross value 31 December 2017 as per AGA decision no. 6 of 30.04.2018	Allowance 31 December 2017 as per AGA decision no. 6 of 30.04.2018
Having not reached maturity	454,170,409	2,721,485	557,134,751	1,268,176
Maturity exceeded 1 – 30 days	78,274,313	-	1,649	2,345
Maturity exceeded 31 – 90 days	307,893	37,410	2,780,207	2,853,477
Maturity exceeded 90 – 180 days	1,363,449	235,647	(322,245)	-
Maturity exceeded 180 – 270 days	2,100,975	2,104,637	58,688,984	1,618,294
Maturity exceeded 270 – 365 days	2,853,736	2,853,782	25,856,404	21,850,588
Over one year	276,718,073	118,047,145	202,687,679	95,057,839
Total	**815,788,848**	**126,000,106**	**846,827,429**	**122,650,719**

The age of 'Other receivables' on the financial position statement date was as follows:

	Gross value 30 September 2018	Allowance 30 September 2018	Gross value 31 December 2017 as per AGA decision 6 of 30.04.2018	Allowance 31 December 2017 as per AGA decision 6 of 30.04.2018
Having not reached maturity	26,778,516	2,566,026	70,307,272	2,525,896
Maturity exceeded 1 – 30 days	888,739	-	55,235	-
Maturity exceeded 31 – 90 days	15,223	6	63,007	57,063
Maturity exceeded 90 – 180 days	153,106	-	34,644,875	34,533,556
Maturity exceeded 180 – 270 days	77,000	26,216	2,954,880	2,925,623
Maturity exceeded 270 – 365 days	31,348,002	31,289,859	179,445	112,945
Over one year	69,554,155	43,346,356	66,439,763	40,136,225
Total	**128,814,741**	**77,228,463**	**174,644,477**	**80,291,308**

The greatest allowances on 30 September 2018, calculated for receivables and their penalties were registered for Elcomex IEA SA (31,868,316), Eco Energy SRL (24,736,066), Petprod SRL (23,539,650), Arelco Power (17,359,453), Total Electric Oltenia SA (14,185,577), Romenergy Industry (13,512,997), Elsaco Energy (9,293,972), RAAN (8,516,707), Also Energ (7,177,167), CET Brasov (4,664,627), and Opcom (4,517,460).

To recover the impairment allowances the Company took the following measures: suing, recording in the creditors' list etc.

Transelectricas's policy consists in registering 100% allowances for value losses for clients under dispute, in insolvency and bankruptcy and 100% for receivables and other receivables not collected for more than 180 days, except for the outstanding receivables generated by the support scheme. The Company also makes a case by case analysis of receivables and other uncollected liabilities. EU's application of IFRS 9 'Financial Instruments' applicable for annual intervals beginning on or after 1 January 2018 will have no significant impact over the Company's financial statements in the initial period of application.

Allowances for doubtful receivables depreciation were as follows:

	30 September 2018	31 December 2017 as per AGA decision no. 6 of 30.04.2018
Balance on 1 January	**122,650,719**	**100,578,031**
Recognition of allowances	9,038,045	36,575,509
Reversal of allowances	5,688,658	14,502,821
Balance at the end of the period	**126,000,106**	**122,650,719**

Allowances for other doubtful receivables depreciation were as follows:

	30 September 2018	31 December 2017 as per AGA decision no. 6 of 30.04.2018
Balance on 1 January	**80,291,307**	**90,080,080**
Recognition of allowances	218,222	38,009,855
Reversal of allowances	3,281,066	47,798,627
Balance at the end of the period	**77,228,463**	**80,291,308**

Financial assets that might expose the Company to the collection risk are mainly receivables and cash and cash equivalents. The Company applied a number of policies making sure services are sold to clients with proper collection by including in trading contracts their obligation to constitute financial securities. The value of receivables net of value loss allowances represents the maximum amount subjected to the collection risk. The collection risk of such receivables is limited because these amounts are mainly owed by state-owned companies.

Cash is placed with financial institutions considered of minimum risk. Deposits are placed in the Banca Comerciala Romana, Garanti Bank, Alpha Bank, Banca Transilvania, Exim Bank, ING, CITIBANK, Raiffeisen, Credit Europe Bank.

21. Subsequent events

Reconfirming of the Company's long-term rating by the international credit rating Agency Fitch Ratings

The international credit rating agency Fitch Ratings reconfirmed the Company's long-term rating to the level of the 2017 one, namely 'BBB', stable outlook. This credit rating opinion recognises the Company's efforts to reach operational and financial excellence, as well as a responsible approach in the business environment it acts in.

Signing the Agreement terminating amiably the financial audit services

According to AGOA Decision 11 of 28 September 2018, shareholders approved the amiable ending of the financial audit contract C210/2017 with Co. Deloitte Audit SRL and mandated the Company's Directorate to take the necessary steps to end it by parties' agreement, so the National Power Grid Company Transelectrica SA signed the ending Agreement on 10.10.2018.

The payment by ASITO KAPITAL SA of the amount of 31,181,857.96

On 06.11.2018, ASITO KAPITAL SA paid the Company the amount of 31,181,857.96 according to the Civil Decision no. 4067/2017, representing the amount of EUR 2,237,750.83 advance not paid back and guaranteed by the guarantee letter for payment of the advance no. BR-1500544/18.11.2015, as well as the amount of EUR 4,821,022.53 (equivalent to the amount of 21,233,265.32 lei at the exchange rate of RON 4.4041/EUR representing an advance not paid back and guaranteed by the guarantee letter for payment of the advance nr. BR-1500520/29.07.2015 (see Note 5 - Receivables, Chapter Other Receivables).

NATIONAL POWER GRID
TRANSELECTRICA SA

QUARTERLY REPORT
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REPORT ON THE ECONOMIC – FINANCIAL ACTIVITIES OF THE NPG TRANSELECTRICA SA

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

for the time period ended on 30 September 2018

Date of the report:	12 November 2018
Name of the trading company:	NATIONAL POWER GRIG TRANSELECTRICA SA, company managed under two-tier system
Headquarters:	Bucharest 1, Blvd. Gen. Gheorghe Magheru no. 33, postal code 010325
Working location:	Bucharest 3, Str. Olteni no. 2 - 4, postal code 030786
Phone / fax numbers:	021 303 5611/ 021 303 5610
Single code with the OCR:	13328043
Sequential number in the CR:	J40 / 8060 / 2000
LEI Code (Legal Entity Identifier)	254900OLXOUQC90M036
Date of Company establishment:	31.07.2000/ GEO 627
Share capital:	733,031,420 RON, subscribed and paid
Regulated market where the issued securities are transacted:	Bucharest Stock Exchange, Premium category
Main features of the issued securities:	73,303,142 dematerialised nominative indivisible ordinary shares of 10 RON/ share nominal value each, freely transacted from 29.08.2006 with TEL symbol 20,000 nominative dematerialised unsecured bonds of 10,000 RON / bond nominal value each, transacted on the BVB in Credit Titles sector – Category 3 Corporative bonds under TEL 18 symbol in their category; maturity date 19.12.2018
Market value:	1,722,623,837 RON (23.50 RON/share on 30.09.2018)
Accounting standard applied:	International financial reporting standards
Auditing:	The financial statements elaborated on 30.09.2018 have not been audited

STATEMENT OF RESPONSIBLE PERSONS

To the best of our knowledge, the interim, simplified, unaudited, stand-alone financial statements for the 9 months' period ending on 30 September 2018 have been elaborated in accordance with the applicable international accounting standard 34 (International Financial Reporting Standards as they are approved by the European Union) and they provide a fair truthful image of the assets, liabilities, financial position, profit and loss account of the National Power Grid Transelectrica SA.

This report contains accurate full information with respect to the economic-financial situation and activities of the National Power GridTranselectrica SA.

Bucharest, 12 November 2018

Adrian-Constantin RUSU	**Andreea Georgiana FLOREA**	**Constantin SARAGEA**	**Adrian-Mircea TEODORESCU**	**Viorel VASIU**
Directorate Chairman	**Directorate Member**	**Directorate Member**	**Directorate Member**	**Directorate Member**

Key figures 9 M 2018 vs 9 M 2017

The present translation of the Quarterly Report for January – September 2018 is provided as a free transalation of the report in romanian language, which is the official and binding version.

KEY FIGURES – 9 months 2018

FINANCIAL		
RON **1,832** mn	**▼24.1%** y/y	**Revenues**
RON **340** mn	**▼1.6%** y/y	**EBITDA**
RON **97.53** mn	**▲50.5%** y/y	**Net profit**
41.27 TWh	**▲1.87%** y/y	**Billed energy****

OPERATIONAL		
2.55* %	**▲0.38pp** y/y	**OTC**
32.59 TWh	**▲0.07%** y/y	**Transmitted energy*****

OTC One's own technological consumption (losses)

* Share of technological consumption in the electricity taken by the transmission grid (transmitted energy)

** The billed quantity is defined by the electricity amount taken out of the public interest electricity networks (the transmission grid and the distribution networks), minus electricity exports

*** The transmitted quantity is defined by the amount of energy physically carried within the transmission grid

INVESTMENTS		
RON **112.76** mn	**▼16.6%** y/y	**Procurement of tangible and of intangible assets**
RON **199.41**mn	**▲100.4%** y/y	**Fixed assets recorded in account books (PIF)**

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 30 September 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.

Stand-alone profit and loss account				
[RON mn], unaudited figures	**9M 2018**	**9M 2017**	**Δ**	**Δ (%)**
Billed volume of energy- TWh	41.27	40.51	0.76	2%
PROFIT-ALLOWED ACTIVITIES				
Operational revenues	**852**	**884**	**(32)**	**(4)%**
Transmission and other revenues from the power market	771	794	(22)	(3)%
Functional system services	47	52	(5)	(9)%
Other revenues	33	38	(5)	(12)%
Operational costs	**498**	**493**	**5**	**1%**
System operational costs	212	192	20	10%
Maintenance and repair	65	58	7	12%
Salaries and other retributions	137	132	5	4%
Other costs	84	111	(27)	(24)%
EBITDA	**354**	**391**	**(37)**	**(9)%**
Amortisement	226	234	(8)	(3)%
EBIT	128	157	(29)	(18)%
ZERO-PROFIT ACTIVITIES				
Operational revenues	**980**	**1,531**	**(550)**	**(36%)**
Technological system services	482	445	37	8%
Balancing market	498	1,085	(587)	(54%)
Operational costs	**995**	**1,587**	**(592)**	**(37%)**
Technological system services	497	502	(5)	(1%)
Balancing market	498	1,085	(587)	(54%)
EBIT	**(14)**	**(56)**	42	(75)%
ALL ACTIVITIES (PROFIT-ALLOWED AND ZERO-PROFIT)				
Operational revenues	1,832	2,414	(582)	(24%)
Operational costs	1,493	2,080	(587)	(28%)
EBITDA	**340**	**335**	**5**	**2%**
Amortisement	226	234	(8)	(3%)
EBIT	**114**	**101**	**14**	**13%**
Financial result	(6)	(14)	7	(54)%
EBT	**108**	**87**	**21**	**24%**
Income tax	10	22	(12)	(54%)
Net profit	**98**	**65**	**33**	**51%**

Stand-alone financial position statement				
[RON mn] unaudited figures	**30 September 2018**	**31 December 2017 as per AGA decision 6/30.04.2018**	**Δ**	**Δ (%)**
Non-current assets				
Tangible assets	2,917	3,044	(127)	(4)%
Intangible assets	23	16	8	51%
Financial assets	80	78	2	3%
Total of non-current assets	**3,021**	**3,138**	**(117)**	**(4)%**
Current assets				
Inventories	35	32	3	8%
Trade receivables	774	819	(44)	(5)%
Cash and cash equivalents	651	521	131	25.1%
Current assets total	**1,460**	**1,371**	**89**	**6.5%**
Asset total	**4,481**	**4,509**	**(28)**	**(1)%**
Shareholder's equities	**2,821**	**2,718**	**103**	**4%**
Non-current liabilities				
Loans	149	195	(46)	(23)%
Other liabilities	471	488	(17)	(4)%
Non-current liabilities total	**620**	**684**	**(63)**	**(9)%**
Current liabilities				
Loans	263	317	(54)	(17)%
Other liabilities	777	791	(14)	(2)%
Current liabilities total	**1,040**	**1,108**	**(69)**	**(6)%**
Liabilities total	**1,660**	**1,792**	**(132)**	**(7)%**
Shareholder's equities and liabilities	**4,481**	**4,509**	**(28)**	**(1)%**

Stand-alone cash flow statement				
[RON mn] unaudited figures	**9M 2018**	**9M 2017**	**Δ**	**Δ (%)**
Cash flow before changes of current capital	342	360	(18)	(5)%
Cash flow operating activity	354	103	251	n/a
Net cash from operating activity	336	87	250	n/a
Net cash used in investments	(96)	6	(102)	n/a
Net cash used in financing	(110)	(291)	181	n/a
Net increase/(decrease) of cash and cash equivalents	**131**	**(198)**	**328**	n/a
Cash and cash equivalents on 1 January	**521**	**934**	(413)	(44)%
Cash and cash equivalents at the end of the period	**651**	**736**	**(85)**	**(12)%**

OPERATIONAL RESULTS

Billed volume of energy

From January to September 2018 the total charged energy volume charged for services on the power market (41.27 TWh) recorded 1.87% increase compared to the same period of 2017 (the difference between the two periods being +0.8 TWh).

This trend manifested itself in each of the analysed months of 2018, predominantly in January and February, when the electricity consumption increased because of very low temperatures.

Operational revenues

The total operational revenues achieved in the first 9 months of 2018 have recorded 24**%** decrease compared to the same period last year (from RON 1.832 mn to RON 2.414 mn).

The segment of **profit allowed activities** registered 4% revenue drop (RON 852 mn in January-September 2018 from RON 884 mn in the same period of 2017), determined by diminished average tariffs of transmission services beginning with 1 July 2017 (decrease uncompensated by the tariff increase valid since 1 July 2018 and by the 1.87% increase in the electricity consumption)

Revenues from the allocation of interconnection capacities decreased 9% compared to what was obtained in the first 9 months of 2017 (RON 52 mn in the first 9 months of 2018 from RON 57 mn in the first 9 months of 2017) corresponding to the utilisation degree of available interconnection capacity by traders on the electricity market.

The mechanism for allocation of interconnection capacity consists of organising annual, monthly, daily and intraday auctions. The annual, monthly and intraday ones are explicit - only transmission capacity is auctioned, and the daily ones with Hungary are implicit – the capacity is allocated simultaneously with energy through the coupling mechanism.

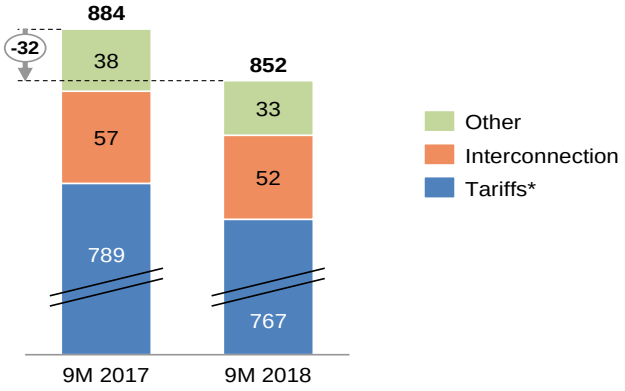
The establishment of the regional power market by Romania, Hungary, the Czech Republic and Slovakia starting on 19 November 2014 implies that these four countries will have a unique price for electricity traded on spot markets. The allocation of capacity between Romania and Hungary, the only country out of 3 that Romania shares a border with, is made by transporters: Transelectrica and MAVIR, by joint mechanism, based on a bilateral agreement.

Beginning with 2016 the UIOSI principle was implemented on the Bulgarian border and starting with 2017, on the Serbian border as well. According to this principle, the participants that do not use the capacity they have obtained upon annual and monthly bids are remunerated (by Transelectrica) for the capacity in question. Unused capacity is sold later at daily auctions. On the border with Hungary things are the other way round, in the sense that MAVIR remunerates the participants for unused capacities.

The market allocating interconnection capacities is fluctuating, its prices being in accordance with the market participants' demand and need to procure interconnection capacity.

The net revenues from the allocation of interconnection capacities are used in accordance with article 22 para (4) from Order 53/2013 of ANRE and with article 16 para (6) of Regulation (EC) 714/2009, as financing source for the modernisation and development of the interconnection capacity with neighbouring systems.

Operational revenues of profit allowed activities
(RON mn)



** Transmission tariff, functional system services, reactive energy, unplanned exchanges DAM, ITC*

Revenues from zero-profit activities registered 36% decrease (RON 980 mn in the first 9 months of 2018 from RON 1,531 mn in the first 9 months of 2017) determined mainly by 54% lower revenues on the balancing market because of:

- Lower negative balances of electricity suppliers on the balancing market between 1 January and 30 September 2018 compared to 1 January - 30 September 2017;

- Physical notifications, in general exceeding the internal consumption at SEN level;

- Significant decrease in system balancing costs (result of power upgrade selections and thermal units start-ups) and revenue resulting from system balancing (result of power downgrade selections);

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

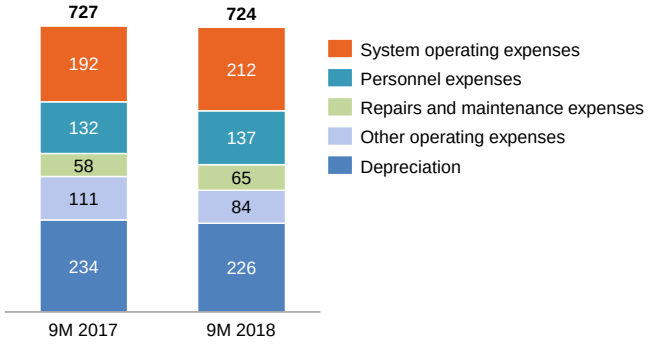
From January to September 2018, the revenues of provided technological services increased 8% compared to the same period of 2017 as a result of the 1.87% increased amount of electricity delivered to consumers and the rise in the average tariff approved by ANRE for these services (see the table on average tariffs approved by ANRE for the analysed periods).

Operational expenses

Total operating expenses (including amortisement) achieved between 1 January - 30 September 2018 decreased by 26% compared to the same period of the previous year (RON 1,718 mn from RON 2,314 mn in the same period of 2017), mainly following developments in the non-profit segment, but also as a result of registering lower amounts in the category of allowances.

On the segment of profit-allowed activities, expenses (including amortisement) decreased by 0.4% (RON 724 mn from RON 727 mn in the same period of 2017).

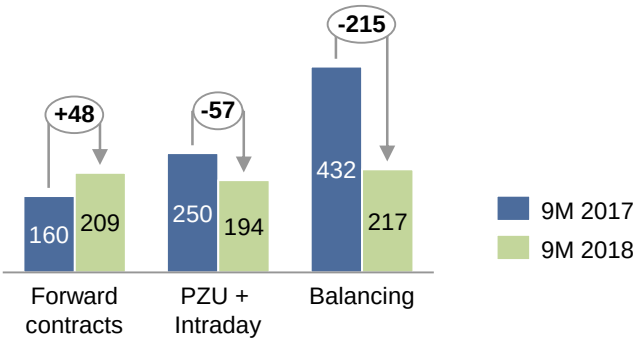
Operational costs of profit allowed activities
(RON mn)



CPT: In January-September 2018 such expenses were higher by RON 23 mn compared to the same period of 2017 as a result of the increased amount of electricity needed to cover their own technological consumption in the RET by about 17.7 % (from 705,678 MWh from January to September 2017 to 830,793 MWh in the same period in 2018).

In the first nine months of 2018 CPT energy was purchased from the free electricity market, namely the Centralised Bilateral Contracts Market (PCCB), the Day-ahead Market (DAM), the Balancing Market (PE) and the Intraday Market (PI) at the average purchase price of 205 RON / MWh compared to the average purchase price of 214.1 RON / MWh in the same period of 2017.

Average procurement prices
(RON/ MWh)



** Estimated values*

Beginning with 18.01.2018 the following Contract entered in force: "Power Procurement Contract to Cover the Imbalances from the Notified Quantities for the Power Technological Losses in the Power Transmission Network through Balancing Responsibility Transfer", C380/06.10.2014, concluded between NPG Transelectrica SA and CIGA ENERGY SA, whereby the energy purchase prices were reduced on the balancing market.

Congestions: Congestions (network restrictions) represent demands of electricity transmission exceeding the technical capacity limits of the network, requiring corrective activities of the transmission and system operator and they occur when, upon operational scheduling or during real time operation the power circulation between two system nodes or zones leads to infringing the safe operational parameters in the operation of a power system.

From 1 January to 30 September 2018 congestion expenses amounted to a total of RON 6 mn, mainly due to the failure registered on the 400kV Constanta Nord-Tariverde OHL in February 2018, RON 5.2 mn and a sum of RON 0.1 mn of congestion expenses determined by the observance of the N-1 safety criterion upon planned withdrawal of the 400 kV Rosiori - Mukacevo interconnection OHL.

The segment of **zero-profit activities** registered a 37% cost decrease (RON 995 mn from RON 1,587 mn in the same period of 2017), mainly due to the decrease of expenses on the balancing market similar to the evolution of the corresponding revenues.

These expenses result from the notifications/ achievements of the participants on this market, being fully covered by balancing market revenues.

Between January and September 2018, expenses on technological system services registered a minor decrease of 1% compared to the similar period of 2017 determined by the purchase prices of technological

system services on the smaller competitive markets compared to the same period of the previous year .

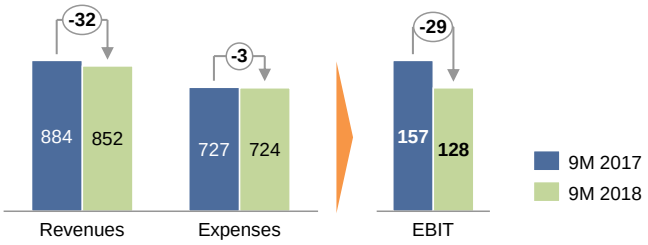
During the 9 months of 2018 technological system services were purchased under regulated regime according to ANRE Decision 906/2017 (from Hidroelectrica SA) and according to GD 760/ 11.10.2017 approving the "Winter Energy Programme to Provide Safe Operation and Stability of SEN".

The Company re-invoices the value of technological system services purchased from the producers to the ANRE licensed power suppliers, who finally benefit from these services.

Operational result

Profit-allowed activities recorded a positive result of RON 128 mn, down from RON 157 mn (9M 2017), against the decrease in average transmission tariffs approved by ANRE for transmission service (5%) and functional system tariffs (10%) and as a result of the decrease in revenues from the allocation of interconnection capacity.

EBIT structure of profit allowed activities
(RON mn)



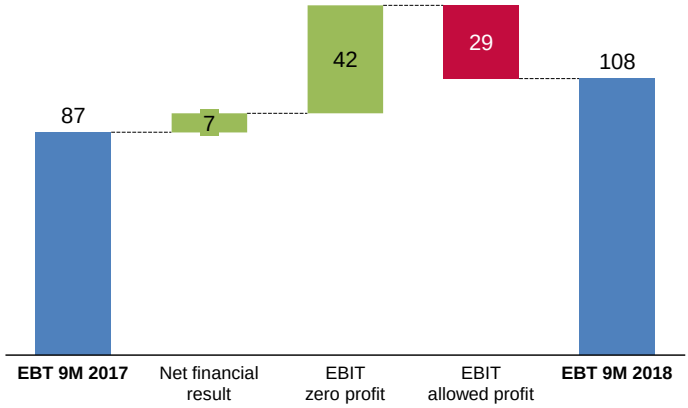
EBIT generated by **zero-profit activities** registered a negative result of RON 14 mn against the loss registered in the same period last year (RON -56 mn).

Gross profit (EBT)

Gross profit increased by 24% from RON 87 mn in January-September 2017 to RON 108 mn in January-September 2018.

The dynamics of the profit recorded in January-September 2018 and January-September 2017, broken down by the constitutive items of profit is provided in the following graph:

Dynamics of EBT items
(RON mn)

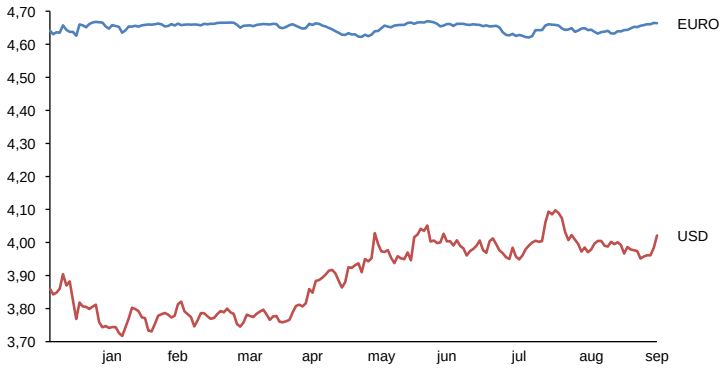


Financial result

The net financial result registered in January-September 2018 was negative, amounting to RON 6 mn. The is less than the similar period of 2017, mainly influenced by the evolution of the national currency's foreign exchange rate in relation to foreign currencies in which the Company has contracted bank loans to finance investment programmes (Euro, Dollar).

The development of the Leu/Euro and Leu/USD exchange rates in the first nine months of 2018 is provided in the following graph.

Exchange rate development



Net profit

The gross profit was 24% higher in the first nine months of 2018 (RON 108 mn) compared to the same period in 2017 (RON 87 mn).

The net profit registered a comparable increase reaching to RON 98 mn in 9M of 2018, compared to RON 65 mn in 9M of 2017.

FINANCIAL POSITION

Non-current assets

Non-current assets recorded a decrease of about 4% in the first nine months of the year amid a decline in tangible assets.

On 30 September 2018, decrease was recorded in the value of tangible assets compared to 31 December 2017, as a result of the amortisement of such assets. In the first nine months of 2018, the tangible and intangible assets in progress are mainly represented by the investments performed in the high voltage power substations and lines, and the largest transfers from ongoing assets to tangible and intangible assets are mainly represented by the creation of assets related to investment objectives.

Current assets

Current assets recorded 6% increase on 30 September 2018 (RON 1,460 mn) compared to the value recorded on 31 December 2017 (RON 1,371 mn), mainly due to the increase in 'Cash and cash equivalents', of which bank deposits constituted for less than 90 days, consisting of the cash balances available in current accounts amounted to RON 361 mn, and on 31 December 2017 they amounted to RON 251 mn.

On 30 September 2018, clients on balance from operational activities recorded increase compared to 31 December 2017, mainly due to the tariff increase for power transmission services as of 1 July 2018.

For the balancing market, trade receivables on balance amounting to RON 208 mn registered value decrease as compared to 31 December 2017 (RON 244 mn), as a result of reduced transactions on this market.

On 30 September 2018, the Company registered receivable from the bonus type support scheme to promote high efficiency cogeneration of about 23% (26% on 31 December 2017) of total trade receivables.

The clients of the bonus type support scheme to promote high efficiency cogeneration registered decreased receivables on 30 September 2018, mainly due to:

- Collecting receivables corresponding to the ANRE decisions regarding the overcompensation of the cogeneration activity for 2017, amounting to RON 140 mn, registered according to ANRE decisions issued in March 2018,
- Collecting through bank transactions (RON 9.8 mn) associated to the overcompensation for 2015 from Termoficare Oradea (for Electrocentrale Oradea, according to Spread-out agreement),
- Decrease of the monthly contribution for high efficiency cogeneration, set by ANRE, starting with 1 July 2018.

On 30 September 2018, the Company registers receivables amounting to RON 189.9 mn, represented by issued invoices associated to the bonus type support scheme to promote high efficiency cogeneration, of which:

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

- Undue 2014 bonus amounting to RON 3.9 mn, namely from RAAN – RON 2 mn, and CET Govora – RON 1.9 mn;

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

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

- Contribution for cogeneration not collected from the suppliers of electricity consumers amounting to RON 20,8 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 – RON 0.9 mn, KDF Energy – RON 0.9 mn and others.

By the date of this interim financial report, the Company has fully collected the overcompensation liabilities under the 2017 support scheme as follows: receipts through bank transactions amounting to RON 90.9 mn from Electrocentrale Bucharest and proceeds based on compensations made through the Institute of Management and Information (in accordance with Government Decision 685/1999) amounting to RON 49.4 mn (of which: Electrocentrale Bucharest – RON 35.7 mn, CET Govora – RON 10.7 mn, Enet SA - RON 3 mn) .

To extinguish the liabilities generated by overcompensation and undue bonus, the Company has asked the producers qualified for the support scheme to make mutual compensations. In case of the producers that did not agree with this method of 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 of contributions for high efficiency cogeneration and the bonus payment for the electricity generated under high efficiency cogeneration.

On 30 September 2018 'Other receivables' amounting to RON 118 mn mainly include:

- Sundry debtors (RON 102 mn) of which:

- Late payment penalties calculated for late paying clients, amounting to RON 62.6 mn (of which RON 26 mn represent penalties under the support scheme). The highest penalties for late payment were registered by 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 Group (RON 2.55 mn), Also Energ (RON 2.1 mn). Allowances were registered for the penalties calculated for late payment of liabilities from operational activities;

- Amounts representing down payments granted to supplier ELCOMEX - IEA SA of RON 31.2 mn, for which penalties of RON 0.69 mn were calculated. The down payments were granted to supplier ELCOMEX - IEA SA for the execution of investment projects, covered by insurance policies issued by Asito Kapital SA.

The Company registered allowances amounting to RON 31.8 mn.

- Liability to be recovered from OPCOM representing VAT related to the in-kind contribution of RON 4.5 mn to the subsidiary's capital increase, for which the Company has registered allowances;

- Deferred expenses amounting to RON 5.5 mn mainly represented by down payments to contracts concluded with power suppliers necessary to cover the technological consumption for future periods (RON 1.4 mn), guarantee fee for BEI credit 25710 (RON 0.08 mn) and ING credit granting fee (RON 0.1 mn), contributions for 2018 paid to national and international bodies (RON 1.2 mn), rents (RON 0.7 mn), ANRE annual contribution (RON 0.8 mn);
- Other non-current liabilities amounting to RON 4.6 mn from which RON 4.2 mn represent guarantees for the land temporary occupation, calculated and retained according to article 39 para (1), para (2) and para (5) of Law 46/2008 on the Forestry Code, in order to achieve the 400 kV OHL Resita - Pancevo (Serbia) investment objective.

Liabilities

Non-current liabilities amounting to RON 620 mn on 30 September 2018 registered 9% decrease as a result of repayments made under existing loan agreements.

At the same time, **current liabilities registered** 6% decrease (from RON 1,108 mn on 31 December 2017 to RON 1,040 mn on 30 September 2018), mainly due to the decrease of trade and other liabilities (RON -21 mn), short-term loans (RON -54 mn).

Trade and other liabilities were 3% higher (from RON 700 mn on 31 December 2017 to RON 679 mn on 30 September 2018), mainly influenced by:

- The decreased balance of the power market suppliers by RON 135 mn, mainly because of:

- RON 59 mn decrease in the balance of liabilities related to the balancing market due to the made payment obligations on balance on the power market on 31 December 2017 and the decreased volume of the balancing market transactions from August-September 2018 compared to quarter IV 2017,

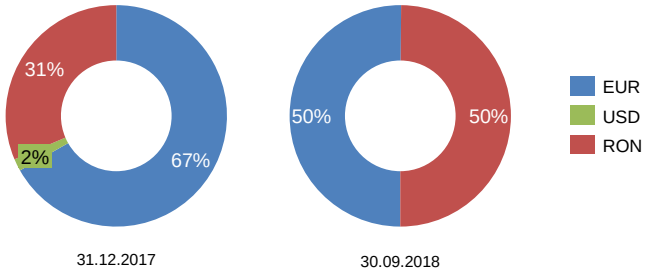
- Decreases of RON 95 mn in the liabilities related to the support scheme to the suppliers (producers) determined by the payment of invoices issued according to ANRE decisions for the undue bonus and the ex-ante overcompensation for 2017,

- Increase of RON 123 mn in other liabilities, mainly due to:

- Increased position of 'sundry payables' amounting to RON 111 mn, which mainly represents the net liability related to the support scheme to promote high efficiency cogeneration, which on 30 September 2018 amounted to RON 141,7 mn (31 December 2017: RON 30.4 mn).

Interest-bearing (non-current and current) **liabilities** are provided below, structured by currency.

Structure by currency



SHAREHOLDER'S EQUITIES

Equities registered a 4% increase mainly due to the 10%increase in the retained earnings (RON 1,390 mn on 30 September 2018 compared to RON 1,259 mn on 31 December 2017), following the transfer of the 2018 result.

DEVELOPMENT OF SHARES

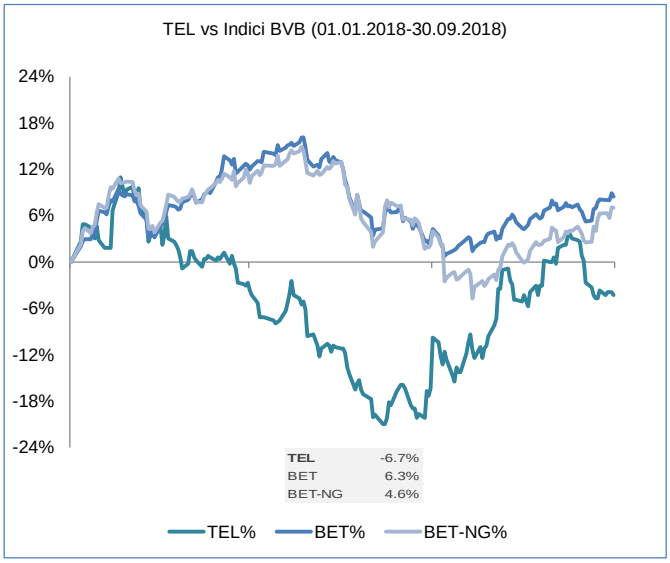
(01-Jan-2018 to 30-September-2018)

2018 started with a trading price of RON 24.55 share. The end of the period (30 September 2018) the market capitalisation was RON 1,723 mn the share's price is RON 23.50. The minimum trading price was registered on 04.06.2018, 19.40 RON/share, the maximum 27.25 RON/share being reached on 23.01.2018.

With 7.68% advance against the Euro from 25 July to 1 August, Transelectrica's shares were the most profitable titles in the BET index, its appreciation being 0.79% for that time.

Between July 25 and August 1, TEL's quotation fluctuated between 4.48% increase on 1 August related to volume of 26,987 units, above the average of the previous 20 days of about 7,350 shares and 0.46% advance registered on 26 July, in the context of a flow of 1,174 titles.

In August Transelectrica had a remarkable evolution on the Bucharest Stock Exchange, the Company's quotation recording almost 9.9% increase compared to July.



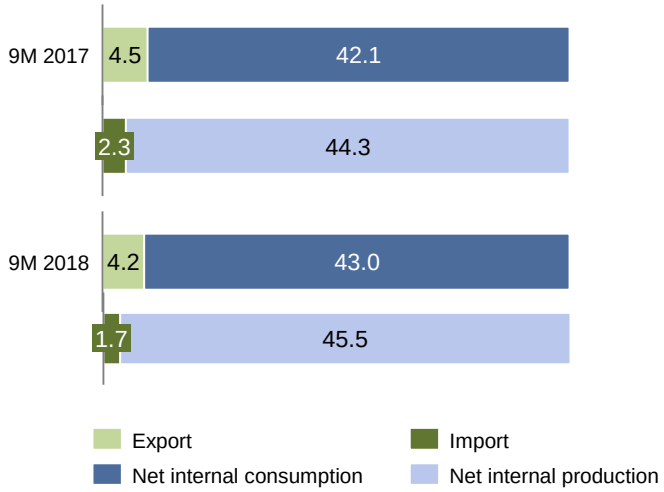
Operational data

ENERGY BALANCE WITHIN SEN

Analysing the development of the energy balance components, net domestic consumption[1] increased by 2.1% and net energy production[1] grew 2.8% from January to September 2018 compared to the same period of the previous year.

Cross-border physical export exchanges decreased 6.5% compared to the same period of 2017, and cross-border import flows decreased 28.1%.

Power balance
(TWh)



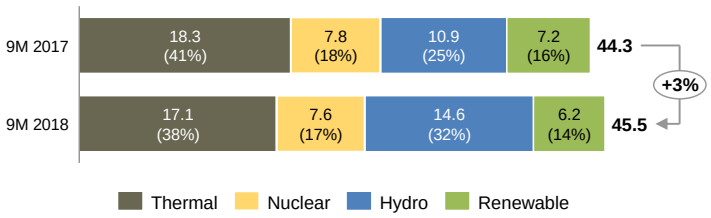
GENERATION MIX

In the structure of the generation mix, from January to September 2018 compared to the same period of the 2017, there was about 6.7% decrease of the thermal component share, 1.6% decrease of nuclear sources and 14.6% of renewable sources.

The contribution of the hydro component increased 33.5% (14.6 TWh compared to 10.9 TWh).

Examining the shares of the generation mix components in January - September 2018, the greatest share (38%) is represented by the thermal power component, followed by the hydro power one (32%), while the energy generated from renewable and nuclear sources have approximately a 14% and 17% share, respectively.

Mix of net electricity output
(TWh)



NATIONAL GENERATION FLEET

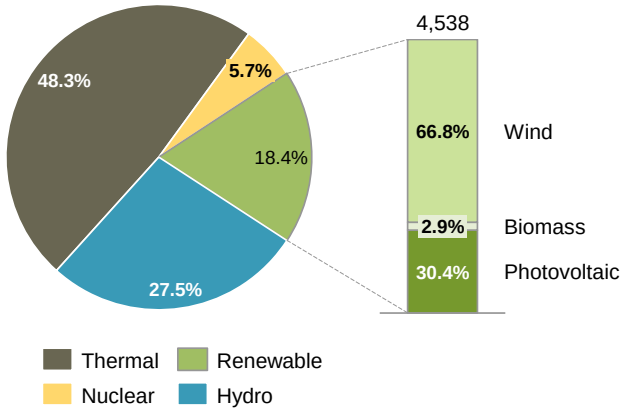
In the first nine months of 2018, gross installed capacity in electric power plants decreased by 0.5% compared to the same period in 2017.

The installed capacity in renewable source parks increased approximately by 0.06% from 4,536 MW installed on 30 September 2017 to 4,538 MW installed on 30 September 2018.

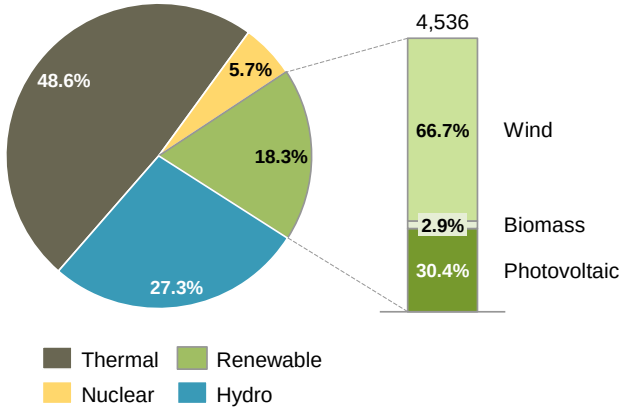
The dynamics of installed capacity associated to January - September 2018 and 2017, versus, is given below:

[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 of 9M 2018 (24,612 MW, gross value)



Installed capacity of 9M 2017 (24,738 MW, gross value)



CROSS-BORDER FLOWS

The distribution of physical import/export flows on the interconnection lines in the first 9M of 2018 compared to the same period of 2017 is as follows:

- increased export and decreased import on the interconnection lines located in the deficient power generation areas (on the borders with Hungary and Ukraine),

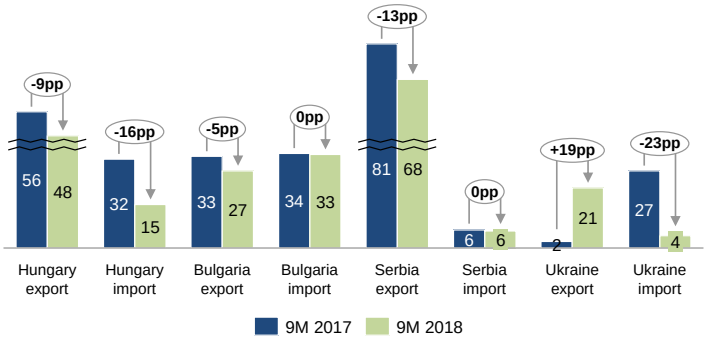
- decreased export and increased import on the interconnection lines located in surplus power generation areas (on the borders with Serbia and Bulgaria).

Concretely, compared to the first nine months of 2017, physical export flows decreased with Bulgaria (39.5% -1,046 GWh) and Serbia (18.9% -284 GWh), while in relation with Hungary (221% +650 GWh) and Ukraine (847% +387 GWh) they increased.

Examining the physical import flows, increases are noticed in relation with Bulgaria and Serbia while decreases are recorded in relation with Hungary and Ukraine.

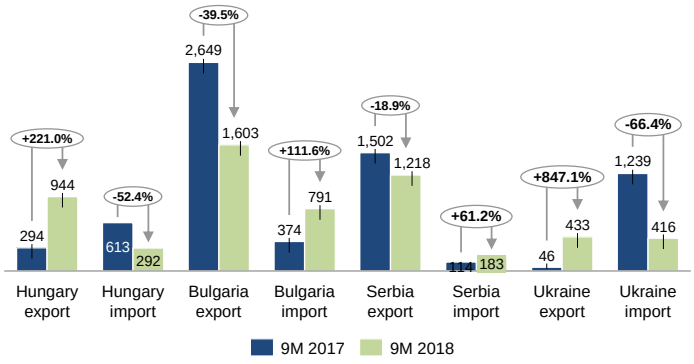
From January to September 2018 the utilisation degree of the total allocated capacity on the export interconnection lines decreased compared to the same period of 2017 for most destinations, registering an increase only in relation with Ukraine (+19 pp).

Utilisation degree of total allocated capacity (%)



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

Physical flows
(GWh)



ONE'S OWN TECHNOLOGICAL CONSUMPTION

Compared to the first nine months of 2017, in the hirst nine months of 2018, the CPT in RET increased by approx. 17.7%, while the power entering the RET outline was higher by only 0.07%.

The increase was mainly due to:

- The disadvantageous distribution of the physical import/export flows on the interconnection lines with the neighbouring systems;

- Bad weather conditions, characterised by greater precipitation quantities that have led to a significant increase in corona losses.

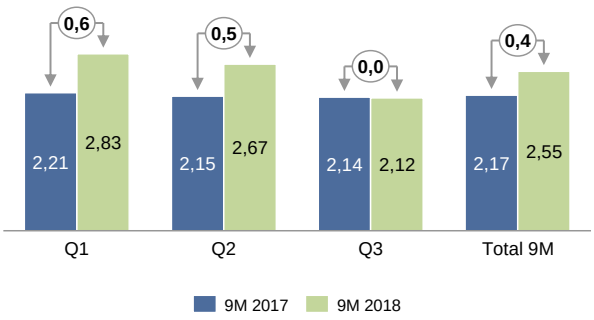
The significant increase of losses occurred in the first half of the year.

While the losses increased about 17.7%, the total cost incurred for their coverage increased about 14.6%, when the average purchase price dropped about 4.3%.

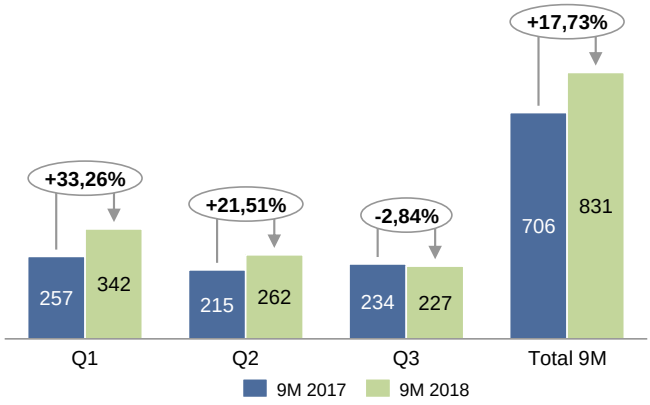
The amount of rainfall recorded in the first 9 months of 2018 was significantly higher than in 2017 in most geographical areas, contributing decisively to CPT growth by increasing the corona component.

As one can see, the factors that significantly influenced the CPT in 2018, such as by example rainfall and distribution of cross-border physical flows, are not under the control of Transelectrica.

OTC evolution
(%)



Realized OTC
(GWh)



PHYSICAL CPT INCREASE FACTORS

In the first quarter of 2018 the CPT in RET increased about 33.26% compared to the same period of 2017 due to unfavourable physical import / export flows and the disadvantageous generation distribution that led to increased energy transmission at long distances from sources and due to unfavourable weather conditions that caused a sharp increase in corona losses. In terms of power input in the outline, losses increased from 2.21% to 2.83%.

In the second quarter of 2018 the CPT in RET increased about 21.5% compared to the same period in 2017, mainly due to unfavourable import / export flows over the examined period. Due to the unfavourable generation distribution in April, as well as due to the much unfavourable weather conditions in June that led to a sharp increase in corona losses. In terms of power input in the outline, losses increased from 2.15% to 2.67%.

In July 2018, the absolute value of CPT increased compared to July 2017 by about 10.40%, due to disadvantageous physical import / export flows, which led to increased energy transmission at long distances from sources and due to unfavourable weather conditions that led to increased corona losses. The percentage of losses regarding power input in the RET increased from 2.02% in 2017 to 2.29% in 2018. Net domestic consumption was 1.71% higher than in July

2017. Power input in the outline dropped 2.44% in July 2018 compared to the same period of 2017. Weather conditions were bad, and precipitation amounts were higher than in the previous year.

In August 2018 the absolute value of the CPT decreased about 6.96% compared to August 2017, especially due to the favourable weather conditions that led smaller corona losses. The percentage of losses related to power inputs in the RET decreased from 2.18% in 2017 to 2.04% in 2018. Power input in the outline dropped 0.53% in August 2018 compared to the same period of 2017.

The precipitation amounts registered in August 2018 were lower than in 2017 in all geographical areas, excepting Oltenia, where they increased about 10%. In Muntenia and Dobrogea, two regions with high density of 400 kV lines, the decrease was up to 39% and 75%, respectively. This fact led to the reduction of losses in RET by approx. 6% compared to the previous year.

In September 2018 the absolute value of CPT decreased about 10.41% compared to September 2017 due to favourable weather conditions that have led to reduced corona losses. The percentage of losses related to power inputs in the RET decreased from 2.21% in 2017 to 2.04% in 2018. Power input in the outline dropped by 3.65% in September 2018 compared to the same period of 2017. Weather conditions were good, the registered precipitation amounts being lower than in the previous year.

In conclusion, **in the third quarter of 2018** the CPT in RET decreased about 2.83% compared to the similar period of 2017, mainly due to favourable weather conditions in August and September, which led to a significant reduction of corona losses. In terms of power input in the outline, losses decreased from 2.14% to 2.12%.

Investments

NON-CURRENT ASSETS RECORDED IN ACCOUNT BOOKS

The value of non-current assets registered in account books in the first nine months of 2018 was of RON 199.41 mn.

The greatest transfers of January – September 2018 from tangible assets underway to tangible assets are mainly represented by commissioning of investment objectives as follows:

- 400 kV interconnection OHL Resita (Romania) - Pancevo (Serbia) – RON 98.59 mn;
- Modernisation of 110 kV and 20 kV Suceava power substations – RON 16.65 mn;
- Modernisation of 400/110/10 kV Cluj Est power substation – RON 13.39 mn;
- Replacing the autotransformers and transformers of power substations - stage 2 – RON 11.59 mn;
- Upgrading the command-control-protection system of the 220/110/20 kV Sardanesti substation – RON 11.04 mn;
- Connecting Turnu Magurele, Mostistea, Stalpu, Teleajen substations 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 Sud – Ghizdaru – RON 4.27 mn;
- Replacing 2-200 MVA autotransformer, 231/121/10.5 in the 220/110 kV Resita substation – RON 4.25 mn;
- Video wall display equipment for control rooms related to DEN/DET dispatch centres – RON 3.69 mn;
- Integrated security system for power substations, stage IV (D.CA 16/2011) – RON 3.64 mn;
- Installing optical fibre and upgrading the tele-protection system of the 400 kV OHL Tantareni-Turceni and 400 kV OHL Urechesti - Rovinari – RON 2.85 mn;
- Coexistence regulation between 400 kV OHL Mintia - Arad, 15-20 section, and Lugoj - Deva Motorway, lot 4 – RON 2.69 mn;
- Installing optical fibre on 220 kV OHL Fundeni-Brazi Vest LEA - lot 1 – RON 2.39 mn;
- Modernisation of 220/110 kV Dumbrava substation – RON 2.15 mn;
- Modernisation of the 110/6 kV station from the 220/110/6 kV Pestis substation - RON 1.83 mn;
- Connecting consumption place MDF factory, located in Arges County, Oarja town, Ceausesti village, Armata point, fields 5 & 46, connection to the 110 kV bus-bar in the 220/110/20 kV substation Pitesti Sud via a 110 kV LES (underground line) about 450 m long – RON 1.83 mn;
- Upgrading the SCADA system hardware platforms in Slatina substation – RON 1.79 mn;
- Regulating the proximity of the 400 kV OHL Mintia - Arad, 35-37 section, with the Lugoj - Deva Motorway, lot 4 – RON 1.50 mn;
- Computer technology - Hardware and Software - Laptops – RON 1.38 mn;
- Replacing of circuit breakers in power substations – RON 0.98 mn;
- Relocating 220 kV HV grids Sebes - Turda Motorway, Lot 1, km 0 + 000 - km 17 + 000, Section A - 220 kV OHL dc. Alba Iulia - Sugag, Galceag, km 7 + 800, in the opening 25-26 and km 11 + 080 - terminal 15 – RON 0.73 mn;
- Converting Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV- Stage I - 400 kV OHL Portile de Fier - (Anina) - Resita – RON 0.70 mn;
- Coexistence regulation between the 400 kV OHL Mintia - Sibiu LEA, in opening 6-8, and Lugoj - Deva motorway, Lot 4, Ilia - Deva km 77 + 361 - km 99 + 500 – RON 0.64 mn;
- Modernisation of Iaz staff building –RON 0,48 mn;
- Replacing accumulator batteries 1, 2, 3 and 4 of substation Portile de Fier -RON 0.42 mn.

PROCUREMENTS OF ASSETS

Procurements of tangible and intangible assets in the first 9 months of 2018 amounted to RON 112.75 mn compared to the same period of 2017 when the procurements amounted to RON 135.20 mn.

The balance of tangible and intangible assets in progress on 30 September 2018 is represented by the ongoing projects, the most significant of which are listed below:

- Refurbishment of 400/220/110/20 kV substation Bradu – RON 42.46 mn;
- Connection to RET of 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;
- Replacing system components of EMS SCADA AREVA - software & hardware components – RON 11.44 mn;

- Refurbishment of 220 kV substation Otelarie Hunedoara – RON 4.75 mn;
- Extending the business continuity and recovery after disasters services – RON 14.41 mn;
- Integrated security system in power substations, stage IV – RON 8.02 mn;
- Refurbishment of the 220/110 kV substation Turnu Severin Est – RON 18.56 mn;
- Connecting 400 kV Isaccea-Varna OHL and Isaccea-Dobrudja OHL to 400 kV Medgidia Sud substation – RON 10.86 mn;
- 400 kV OHL Cernavoda-Stalpu and connection to Gura Ialomitei – 10.49 mn;
- Converting Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - Stage I – 400/200/110 kV substation Resita – RON 6.63 mn;
- 400 kV HVDC Link (Romania - Turkey submarine cable) – RON 5.85 mn;
- Refurbishment of the 400 kV substation Isaccea - Stage I - Replacing shunt reactors, related bays and the 400 kV Stupina bay – RON 9.38 mn;
- 400 kV OHL Gadalin – Suceava, including its interconnection to the SEN – RON 6.02 mn;
- Refurbishment of the 220/110 kV substation Hasdat – RON 4.52 mn;
- 400 kV OHL Suceava – Balti, for the part of the project located in Romania – RON 4.43 mn;
- Adding new functions to the control system and the computerised access record in the objectives of NPG Transelectrica SA – RON 3.20 mn;
- 400 kV OHL Gutinas - Smardan – RON 3.70 mn;
- Converting Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV- Stage II - 400 kV OHL Resita – Timisoara – Sacalaz (220/110 kV substation Timisoara), RON 23.70 mn;
- Connecting to the RET the 136 MW WPP Platonesti, Ialomita County, by making a 110 kV bay in the 400/110 kV substation Gura Ialomitei – RON 2.88 mn;
- Integrated security system in power substations, stage III – RON 2.79 mn;
- Modernisation of the 220/110/20 kV substation Arefu – RON 2.91 mn;
- Modernisation of the 220/110/20 kV Raureni – RON 3,25 mn;
- By-passing the 110 kV OHL Cetate 1 & 2 in the vicinity of 110/20/6 kV substation Ostrovul Mare – RON 2.57 mn;
- Connecting to RET the 99 MW WPP Dumesti and 30 MW WPP Romanesti, Iasi County, by making a 110 kV line bay in the 220/110 kV substation FAI – RON 2.54 mn;
- Modernisation of the 220/110 kV substation Dumbrava – RON 4.17 mn;
- Security solution to implement classified information security measures – RON 2.02 mn;
- Executive - DCBPA / CPA: Consolidation, modernisation and extension of headquarters NPG Transelectrica – RON 1.62 mn;
- Equipping the 110 kV north bay and replacing elements in the 110 kV bay Obor 2 from the 220/110/10 kV substation Fundeni –RON 1.66 mn;
- Refurbishment of the 220/110/20 kV substation Ungheni – RON 0.82 mn;
- Integrated security system in the new (400) 220/110 kV substation Banca – RON 1.13 mn;
- Optical fibre communication performed between 110 kV Pitesti Sud substation and remote control and surveillance centre of TB Pitesti installations – RON 1.11 mn;
- Connecting to RET 400 kV substation Stupina and the 400 kV OHL Isaccea-Varna – RON 0.87 mn;
- Refurbishing the 400/110/20 kV substation Tulcea Vest - construction part – RON 2.73 mn;
- 220 kV double circuit OHL Ostrovu Mare - RET – RON 0.75 mn;
- 400 kV OHL Oradea - Beckescsaba – RON 0.78 mn;
- 400 kV substation Stalpu – RON 0.75 mn;
- Converting the 220 kV OHL Brazi Vest - Teleajen - Stalpu to 400 kV, including procurement of 400 MVA 400/220/20 kV autotransformer, TB expansion works – RON 0.69 mn;
- Refurbishing the 400/110/20 kV substation Domnesti – RON 0.81 mn;
- Research and development centre of live work technologies and rapid intervention in SEN - Building centre – RON 1.77 mn;
- Connecting to RET the 33 MW WPP Sarichioi, Tulcea County, in the 110 kV OHL bay Zebil of 400/110 kV substation Tulcea Vest – RON 0.63 mn.
- Relocating the HV networks of Brasov - Targu Mures - Cluj – Oradea Motorway, section 2A Ogra - Campia Turzii, lot 2 Iernut - Chetani, km 3 + 600 - km 21 + 500 - 220 kV OHL Iernut - Ungheni circuit 2 – RON 0.69 mn;
- Modernising the 110 kV Bacau Sud and Roman Nord substations related to the 400 kV axis Moldova – RON 0.53 mn;
- Replacing the EMS SCADA AREVA system components - software & hardware components – RON 7.8 mn;
- Software licenses applicable to the 110 kV and 20 kV Suceava substations – RON 0.24 mn;

FINANCIAL ASSETS

The value of financial assets on 30 September 2018 compared to the same period of the previous year registered an increase mainly due to the Company's affiliation to the Regional Security Coordination Centre (CCSR) TSCNET Services GmbH by conducting a 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.

CONTRACTUAL ISSUES

The most important investment contracts signed between January-September 2018 are:

- Refurbishment of the 400/110/20 kV substation Smardan – RON 107.2 mn;
- Refurbishment of the 110 kV substation Medgidia Sud – RON 49.77 mn;
- Refurbishment of the 220/110 kV substation Hasdat – RON 49.7 mn;
- Refurbishment of the 220/110 kV substation Craiova Nord – RON 46.1 mn.

Significant events

JULY – SEPTEMBER 2018 EVENTS

- **Regulated tariffs applicable from 1 July 2018**

On 25.06.2018 Official Gazette 519 presents the ANRE Order 108 / 20.06.2018 regarding approval of the average tariff for transmission services, for the components of the transmission tariff for the introduction of power into the grid (TG) and the extraction of power from the grid (TL), the tariff for the system services and the regulated price for reactive power, practiced by the Company.

Therefore, the regulated tariffs for power transmission services and system services, applicable from 1 July 2018 are:

Service	Tariff applied until 30 June 2018	Tariff applied from 1 July 2018	Difference
	RON/MWh	RON/MWh	%
I. Power transmission	16.86	18.13	+7.5%
II. Functional system services	1.11	1.11	-
III. Technological system services	12.06	10.44	-13.4%

Tariffs applicable from 1 July 2018 will not impact the electricity prices for final consumers.

- **Moody's improves the Company's rating outlook from stable to positive**

The International Rating Agency Moody's Investors Service reconfirms last year's rating of the National Power Grid Company Transelectrica SA, respectively Ba1, with outlook improvement from stable to positive.

Moody's rating is a favourable objective opinion on Transelectrica's capability to sustain its financial obligations.

Improving the rating outlook from stable to positive, according to a press release of 4 July 2018, shows that Transelectrica has very strong, stable and predictable financial values, a process with development trends characterised by consistent implementation of regulatory standards, and this trend is expected to continue.

- **Change in the Directorate**

At the meeting of 24 August 2018, the Supervisory Board appointed as provisional Directorate members the following persons:

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

The mandate is granted for a period of 4 months, starting with 17 September 2018, with possible extension, for a further two months.
In accordance with article 18 para (4) of the Company's Articles of association, the Supervisory Board elected Mr. Adrian - Constantin RUSU as Directorate Chairman (Executive Director General or Chief Executive Officer – CEO – of the Company), from 17 September 2018,.

- **Acceptance of mandate for provisional Directorate members**

The declaration of mandates acceptance was signed before the notary on 13/14 September 2018, their appointment becoming effective from 17 September 2018.

- **Amendments in the law on electricity**

The Official Gazette 604 of 16 July 2018 published Law 167 of 10 July 2018 for the amendment and completion of the Electricity and Natural Gas Law 123/2012.

- **Acceptance of upgrade works in the 400/220/110/20 kV transformer substation Suceava**

The company inaugurated on 27 July 2018 the upgrade works carried out in the 400/220/110/20 kV transformer substation Suceava, an important node of the Electricity Transmission Grid providing the safe operation of the National Power System and connecting the country's historical provinces. Launched in August 2015, the modernisation works focused on the 110 kV and 20 kV voltage levels and were performed by the association of Siemens SRL - EMSESNS PROD SRL. The investment value is over

RON 24 mn and relies entirely on the Company's own funds. The 400/220/110/20 kV Suceava substation is a major power node in the north of the country for the future 400 kV OHL Gadalin-Suceava, which will close the 400 kV ring between Moldova and Transilvania and for the future 400 kV OHL Suceava-Balti, part of the project to interconnect the power systems of Romania and the Republic of Moldova.

- **Completing the 'Studies on the new 400 kV double-circuit overhead line (OHL) between substations Smardan and Gutinas' project**

NPG Transelectrica SA completed the project 'Studies on the new 400 kV double-circuit overhead line between substations Smardan and Gutinas' co-financed by the European Union, under the financial assistance programme for actions of common interest in trans-European energy networks (TEN-E), based on the European Commission's Decision of 9 August 2012.

The purpose of this project was to analyse the opportunity and need to establish a new 400 kV OHL between the existing Smardan and Gutinas substations, according to ENTSO-E requirements, to the conclusions of other studies performed for the eastern area of the National Power System (SEN) and taking into account the connection to SEN of installed capacity from renewable or conventional sources.

Transelectrica is the Transmission System Operator in Romania, which manages, operates, maintains, upgrades and develops the transmission grid comprising 81 transformer substations, with a capacity of about 38,058 MVA and 8,834.40 km of 110 / 220 kV, 400 kV and 750 kV overhead lines, under the management of 8 transmission branches.

- **Support sponsorship for disaster-struck persons**

Alongside the Red Cross, Transelectrica provided sponsorships for the projects 'United for the community' and 'Support for the victims of 2018 floods', the disaster-struck people from the floods of June - July 2018. The beneficiaries of these projects were the disaster-struck people of the Neamt and Vrancea counties.

Granted amounts were used to rebuild dwellings and household annexes affected by floods, as well as to distribute food and clothing to affected families.

At the same time Transelectrica also sponsored the project 'Together we give', performed by Tulcea Red Cross, which consisted in the distribution of food and hygienic products to the needy families in Tulcea County.

- **Cernavoda Substation incident**

On August 16 at 18:57 h during the re-energising manoeuvers of the 400 kV OHL Cernavoda-Constanta Nord, which maintenance work was carried out to, the staff of Cernavoda substation made a wrong manoeuvre that disconnected Unit 2 of the Cernavoda Nuclear Power Plant. Following the incident, Unit 2 of the Cernavoda NPP did not trip but got insulated on auxiliary services. Unit 2 of Cernavoda NPP was put into operation in parallel with the National Power System at 21:05 h, the return to nominal capacity was achieved in about 6 hours. The incident had no impact on nuclear safety, facilities and personnel. It also did not impact the electricity supply to consumers.

- **Decision 10 of the Shareholders' General Extraordinary Assembly from 20 August 2018**

Decision 10 of the Shareholders' General Extraordinary Assembly held on 20 August approved the affiliation of NPG Transelectrica SA to the shareholders of the Joint Allocation Office SA - the European Centre for the Allocation of Cross-Border Capacity Transmission and mandated the NPG Transelectrica SA Directorate to fulfil all the formalities and documents related to the Company's participation to the Joint Allocation Office's share capital.

- **Transelectrica expedites investments in Dobrogea**

NPG Transelectrica SA announced completing the second stage of the refurbishment project for the 400/110/20 kV transformer substation Tulcea Vest, investment included in a wider series of completed projects, underway or ready to be initiated by Transelectrica in Dobrogea region.

The 400/110/20 kV substation Tulcea Vest is an important node of the electricity transmission grid and the main supplying source for Tulcea City, for the industrial platform comprising mainly ALUM Tulcea and the Naval Shipyard Tulcea. Refurbishing Tulcea Vest substation contributes to higher SEN operational safety in the south-eastern region by introducing new state-of-the-art equipment, and to decreased risks of electricity supply in Dobrogea region. Substation refurbishment included two stages: the first one in 2013-2015 and the second one in 2017-2018.

Transelectrica has completed, has in execution and is about to initiate work to six major projects of total amount over RON 390 mn:

- **Refurbishing the 400/110/20 kV substation Tulcea Vest** – stage two of the refurbishment process accepted in September 2018;

- **Refurbishing the 400 kV substation Isaccea** – in execution, stage 1 will be completed in 2019, stage 2 – in 2025;
- **Refurbishing the 400/110/20 kV substation Medgidia Sud** – completion term: 2021;
- **Connecting the 400 kV OHL Isaccea-Varna and the 400 kV OHL Isaccea** – completion term: 2020;
- **Medgidia Sud – the 400 kV double circuit OHL Constanta Nord** – completion term: 2024;
- **400 kV OHL Tulcea Vest - Isaccea** – investment amounting to RON 3,673 mn completed in 2017;

- **NPG Transelectrica SA affiliation to TSCNET**

On 25 September 2018 NPG Transelectrica SA announced its affiliation as shareholder of TSCNET Services seated in Munich, one of the Regional Security Coordinators (RSC) for the European transmission network.

By Romania's affiliation TSCNET will provide network security services to grid operators from twelve European countries.

Transelectrica is the 15th shareholder of TSCNET.

The affiliation of NPG Transelectrica SA to the Security Coordination Centre of CORE region, TSCNET Services, was approved by the Shareholders' General Assembly of NPG Transelectrica SA, at the reunion of 5 June 2018.

- **Decision 11 of the Company's Shareholders' General Ordinary Assembly of 28 September 2018**

The Shareholders' General ordinary assembly of 28 September 2018 appointed as provisional members in the Supervisory Board of NPG Traselectrica SA, two months' mandate term as of 30 September 2018, the following persons:

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

The same reunion approved the amiable termination of the financial audit contract with Co. Deloitte Audit SRL.

- **Decision 12 of the Company's Shareholders' General Ordinary Assembly of 28 September 2018**

The Shareholders' General ordinary assembly of 28 September 2018 approved the rectified 2018 Revenue and Expense Budget, the form of the addendum to be signed by provisional members in the variant proposed by the Ministry of Economy, DPAPS' letter 37954/ 11.09.2018 as well as the 3 years' term for the financial audit contract, mandating the Company Directorate to initiate the procurement procedure in order to submit financial audit service contracting to AGA's approval.

SUBSEQUENT EVENTS

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

On 12 October 2018 the Company announced 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 appreciation of Transelectica pertains to the third regulatory cycle applicable until mid- 2019 and took mainly into account the conservative balance approach and the rising trend of the Company's financial results, both sustained by national regulations of electricity transmission.

The rating reconfirmed by Fitch shows the Company's individual credit profile.

- **RSEEC 2018 Conference**

On 3-5 October the fourth edition of RSEEC took place in the Polytechnic University of Bucharest, an international event where Transelectrica was co-organiser next to 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 organised by the Technical University Gheorghe Asachi in partnership with NPG Transelectrica SA, CNR CIGRE and the Romanian Academy's Energy Commission. Directorate members and the Company's executive and technical management attended this event, where the round table "Assets modernisation and operation" was a topical venue where presentations were submitted by representatives of the industrial, university and academic environments.

- **Incident in Stuparei substation**

When SMART SA installed some 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 in the south part of Valcea County, resulting in broken 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.

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

AGOA Decision 11 of 28 September 2018 provided the shareholders' approval to end amiably the financial audit contract C210/2017 requested by Deloitte Audit SRL
The Company signed the Ending agreement on 10.10.2018.

- **ASITO KAPITAL SA paid RON 31,18 mn**

On 06.11.2018 ASITO KAPITAL SA paid the amount of RON 31,18 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 21,23 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.

Other issues

SHAREHOLDERS' STRUCTURE

The Company's shareholder structure on 30.09.2018 was as follows:

Shareholder name	**no. shares**
Romanian State	43,020,309
Dedeman SRL	4,503,567
Other shareholders - legal persons	20,310,286
Other shareholders - natural persons	5,468,680
Total	**73,303,142**

DIRECTORATE MEMBERSHIP

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

Adrian-Constantin RUSU	Directorate Chairman
Andreea Georgiana FLOREA	Directorate Member
Constantin SARAGEA	Directorate Member
Viorel VASIU	Directorate Member
Adrian-Mircea TEODORESCU	Directorate Member

TARIFFS

The tariffs approved by ANRE (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-30 September 2017			**1 January-30 September 2018**		
			1 Jan-30 June	1 July-30 Sept		**1 Jan-30 June**	**1 July-30 Sept**	
A	Electricity transmission	RON/ MWh	18.70	16.86	-9.8%	**16.86**	**18.13**	**+7.5%**
B	Functional system services	RON/ MWh	1.30	1.11	-14.6%	**1.11**	**1.11**	**-**
C	Technological system services	RON/ MWh	11.58	9.39	-18.9%	**12.06**	**10.44**	**-13.4%**
	Billed quantity	TWh	52.0	54.0	**-**	**54.0/55.0**[2]	**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 tariff increase **(+7.5%**) 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 rised 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 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 anual 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 new tariff approved 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 rised 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

Tariff drop **(-13.4%**) was determined by:

- The ex-post negative correction included in the newly approved tariff, set according to the methodology applicable for partial compensation (up to 80%) of the profit gathered by 30.06.2017. The profit obtained in 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 rised 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.

The regulatory framework for technological system services (ANRE Order 45/2017) contains tariff adjustment mechanisms after minimum six months from tariff approval, meant to provide in time full recovery of costs incurred by the Company when procuring such services. The Company will request the regulatory authority to apply such mechanisms on 1 January 2019.

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 RON 109,083.70, 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 127 pronounced on 10.10.2014 by Mehedinti Tribunal decided admitting the request of Claimant RAAN and compelling the Company to pay RON 109,083.70, the value of invoice 1300215/31.12.2013.

The Company filed appeal and requested the instance whereby it requested the court 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 RON 1,090,831.70. 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 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 **9089/101/2013/a152** pertains to contestation against the Additional table of receivables against debtor RAAN. The disputed amount is RON 89,360,986.

Transelectrica SA was recorded in the table of debtor RAAN with RON 11,264,777, in the category of liabilities resulting from the debtor's continued activity, but the amount requested by our company is RON 89,360,986. The sum of RON 78,096,208.76 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 RON 78,096,209 in the table was made late, as it pertains to 2011 – 2013, for which reason the liability statement should be expressed on the insolvency opening date, namely 18.09.2013. The contestation against the Additional table of receivables was submitted within the legal term, Mehedinti Tribunal accepting the accounting expertise evidence.

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

The procedural furtherance term was set on 14.02.2019.

- **COURT OF ACCOUNTS**

Following an audit session of 2013 in the Company, the Court of Audit required the Company to apply certain measures as a result of deficiencies it has found during this audit. 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 audit acts" – Conclusion 7/20.02.2014 issued by the Court of Accounts.

On **13.06.2018** the claimant's suit is partly admitted. Cancels partly 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". Denies as groundless the remaining parts of the claimant's suit. Sanctions the electric power technical report elaborated by expert Toaxen Vasile for the case. Compels the defendant to pay RON 121,375 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. At the date of this report, the Decision is not drafted

Following an audit performed in 2017, the Court of Accounts required the Company to apply certain measures as a result of deficiencies it has found during this audit, NPG Transelectrica SA filed 8 contestations against the measures decided by Romania's Court of Accounts (CCR) by 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 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, according to 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 semester I 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 (RRR[1]) according to the Methodology establishing tariffs for electricity transmission services approved by ANRE Order 53/ 2013 ("Methodology") determined RRR of 7.7%.

On the 27.03.2018 term the expert fee placed on the claimant's account was paid and the decision will be to resend letter to the expert to make 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, mentioning it should prove it was impossible to submit the expertise report by the court term, therefore case deferral will be decided. A new hearing term is set on **22.01.2019**.

The dispute did not impact the relation with ANRE or the Company's financial results.

[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 x Ki*

OPCOM

On 24.11.2014 Subsidiary OPCOM SA sued NPG Transelectrica SA in view of compelling it to pay 582,086.31 Euro (RON 2,585,161.72 at the BNR exchange rate of 24.11.2014) representing the amount it had paid as fine from the total fine of 1,031,000 Euro, request pertaining to file **40814/3/2014**.

Previously the Shareholders' General Assembly of Subsidiary OPCOM SA decided on 10.06.2014 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 according to Decision AT 39984 on the antitrust case.

Also Subsidiary OPCOM SA requested the instance to compel the Company to pay RON 84,867.67 as legal interest rate for the time interval 11.06.2014 – 24.11.2014.

The suit instituted by Subsidiary OPCOM SA is recorded under file 40814/3/2014, on the docket of Bucharest Tribunal, Section VI Civil, pertaining to claims, 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 582,086 Euro, calculated on 11.06.2014 until actual payment date. Also the instance compelled the defendant to pay RON 37,828 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, 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. Compels the respondent in appeal-claimant to pay RON 16,129 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 S.A filed appeal, which was recorded with the High Court for Cassation and Justice.

This Court's term: **13.03.2018**. Court 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 RON 26,070.31 as law suit expenses to the respondent in appeal-claimant. Appeal right within 30 days from notification.

- **ROMENERGY INDUSTRY SRL**

On the Alba Tribunal is registred the file no. 2088/107/2016

Transelectrica filed an application for registration at the creditor's table with the amount of RON 16.112.165. The claim was admitted and entered in the Preliminary Table.

Solution in Brief: Approves the Report on Liquidation Funds and the Distribution Plan, based on Art. 160 paragraph 5 of Law 85/2014. Fixes the deadline on December 10, 2018, to continue the bankruptcy proceedings, by capitalizing on the assets and recovering the receivables. The judicial liquidator will prepare and submit to the file: - on 15th of the month, for the previous month, the monthly activity reports provided by par. 1 of art. 59 Law 85/2014; - for the verification period, 5 days before the deadline, the summary report to 120 days, provided by the final part of paragraph 3 of art. 59 Law 85/2014. Document: Closure of sitting 17.09.2018

- **ASITO KAPITAL SRL**

File 24552/3/2017 pertains to "payment ordinance – claims", dispute amounting to RON 31,180,857.96.

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

- Admits the request;

- Enjoins the debtor to pay 2,237,750.83 Euro (equivalent of RON 9,948,592.64 at 4.4458 RON/euro exchange rate) within 20 days from notification of this ruling, representing unreturned down payment secured under indemnity letter for down payment BR-1500544/18.11.2015;

- Enjoins the debtor to pay 4,821,022.53 Euro (equivalent of RON 21,233,265.32 at 4.4041 RON/euro exchange rate) within 20 days from notification of this ruling, representing unreturned down payment secured under indemnity letter for down payment BR-1500520/29.07.2015;

- Enjoins the debtor to pay RON 200 as law suit expenses within 20 days from notification of this ruling.

Cancellation request right available within 10 days from. Document: Ruling 4067/2017, 07.11.2017.

On the elaboration date of this report Ruling 4067/2017-07.11.2017 was written and notified to the parties. On 01.11.2018 Ruling 4067/2017 - 07.11.2017 was legalised and sent to BEJ Raileanu in view of enforcing the executory title.

On the docket of Constanta Tribunal is file 2236/118/2017 pertaining to the request to be recorded with RON 31,189,486.75 in the creditors' list of Elcomex IEA SA. The liability was registered in the credited amounts provided the indemnity letters for down payment issued by Asito Kapital are enforced. Next procedural term: **07.12.2018.**

- **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 date amounting to RON 17,419,508 and 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 principal hearing term on 08.04.2016 for the appeals, Judge Panel 4, with parties' summoning.

Case judgment was deferred to 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 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. 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 Conaid Company SRL, by the judiciary administrator RVA Insolvency Specialists SPRL and by the intervenient Duro Felguera SA against civil sentence 1866 of 11.06.2014, pronounced by the Appeal Court Bucharest, Section VIII of administrative and fiscal disputes. 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 the parties' disposal by means of the court clerk today 23.11.2017

- **FF WIND ENERGY INTERNATIONAL SRL**

File 47332/3/2017 on the docket of Bucharest Tribunal, Section VI Civil, whereby Co. FF Wind Energy International SRL requests 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 RON 32,777,167.35 as prejudice after 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.

File stage: under preliminary procedure of suit notification and elaboration of objections. Hearing term: **29.11.2018.**

- **ANAF**

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

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

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

ANAF's Fiscal audit report specifies mainly the following additional payment obligations: income tax amounting to 13,726,800, as well as accessories, owed for a number of 123 unused invoices found 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 Company operated then), special regime documents.

These invoices were the issue of a dispute with ANAF that issued fiscal audit report on 20 September 2011 estimating 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 in file 7141/2/2017. Settlement in brief: Admits the exception of the material incompetence of the Appeal Court Bucharest, SCAF. Declines the case settlement competence in favour of Law Court of Bucharest 1. Pronounced at public hearing today 08.02.2018. Document: Ruling 478/2018 of 08.02.2018.

Following competence declination file 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, based on the Taxation decision 13540/22.08.2017, relying on the Taxation decision F-MC 439/30.06.2017.

Settlement in brief: Admits the request of judgment suspension filed by the contester. In accordance with article 413 para (1) pt. 1 civil procedural court suspends judgment until final settlement of file 1802/2/2018, 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. Pronounced at public hearing.

Document: conclusion - suspension 17.04.2018

On the docket of the Appeal Court is file 1802/2/2018 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 439/30.06.2017, ANAF notified the Company Decision 122/13.03.2018 which denies as groundless the contestation filed by NPG Transelectrica SA, which was received on 16.03.2018, after filing the summons under file 1802/2/2018.

The next hearing term on 06.11.2018 admitted the accounting - fiscalism expertise report.

The following hearing terms in the file was set on **08.01.2019**.

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

Annexes

ANNEX 1: Stand-alone statement of financial position

[RON mn] unaudited figures	30 September 2018	31 December 2017 As per HAGA no. 6/30.04.2018	Δ	Δ (%)
ASSETS				
Non-current assets				
Tangible assets	2,917	3,044	(127)	(4)%
Intangible assets	23	16	8	51%
Financial assets	80	78	2	3%
Total non-current assets	**3,021**	**3,138**	**(117)**	**(4)%**
Current assets				
Inventories	35	32	3	8%
Trade and receivables	774	819	(44)	(5)%
Other financial assets	0	0	0	n/a
Cash and equivalents	651	521	131	25%
Total current assets	**1,460**	**1,371**	**89**	**6%**
TOTAL ASSETS	**4,481**	**4,509**	**(28)**	**(1)%**
SHAREHOLDER'S EQUITY & LIABILITIES				
Shareholder's equities				
Share capital, of which	733	733	0	n/a
Share capital subscribed	733	733	0	n/a
Share premium	50	50	0	n/a
Legal reserves	119	119	0	n/a
Revaluation reserves	467	500	(33)	(7)%
Other reserves	63	57	6	10%
Retained earning	1,390	1,259	131	10%
Total shareholder's equities	**2,821**	**2,718**	**103**	**4%**
Non-current liabilities				
Long term deferred revenues	395	411	(16)	(4)%
Borrowings	149	195	(46)	(23)%
Liabilities of deferred taxes	24	25	(1)	(5)%
Obligations regarding employees' benefits	53	53	0	0%
Total non-current liabilities	**620**	**684**	**(63)**	**(9)%**
Current liabilities				
Trade and other liabilities	679	700	(21)	(3)%
Other tax and social security liabilities	8	9	(1)	(11)%
Borrowings	263	317	(54)	(17)%
Provisions	42	42	1	(2)%
Short term deferred revenues	48	41	7	16%
Total current liabilities	**1,040**	**1,108**	**(69)**	**(6)%**
Total liabilities	**1,660**	**1,792**	**(132)**	**(7%**
Total shareholder's equities and liabilities	**4,481**	**4,509**	**(28)**	**(1)%**

ANNEX 2: Stand-alone profit and loss account

[RON mn] unaudited figures									
Indicator	**Q3 2018**	**Q3 2017**	**9M 2018**	**9M 2017**	**Budgeted 2018**	**Achieved 2018 vs 2017 9M**	**Achieved 2018 vs 2017 9M (%)**	**Achieved vs budgeted 9M 2018**	**Achieved vs budgeted 9M 2018 (%)**
Operational revenues									
Transmission service revenues	266	240	771	794	768	(23)	(3)%	3	0%
System service revenues	155	142	530	497	540	33	7%	(10)	(2)%
Revenues from the balancing market	167	280	498	1.085	742	(587)	(54)%	(244)	(33)%
Other revenues	11	13	33	38	32	(5)	(13)%	1	3%
Total operational revenues	**599**	**675**	**1,832**	**2,414**	**2,082**	**(582)**	**(24)%**	**(250)**	**(12)%**
Operational expenses									
System operation expenses	62	63	212	192	199	20	10%	13	7%
Balancing market expenses	167	280	498	1.085	742	(587)	(54)%	(244)	(33)%
Expenses of technological system services	187	183	497	502	509	(5)	(1)%	(12)	(2)%
Amortisement	75	78	226	234	245	(8)	(3)%	(19)	(8)%
Salaries and other retributions	48	44	137	132	144	5	4%	(7)	(5)%
Repairs and maintenance	27	23	65	58	75	7	12%	(10)	(13)%
Materials and consumables	3	2	7	5	13	2	40%	(6)	(46)%
Other operational expenses	28	29	76	105	96	(29)	(28)%	(20)	(21)%
Total operational expenses	**597**	**703**	**1,718**	**2.313**	**2.023**	**(595)**	**(26)%**	**(305)**	**(15)%**
Operational profit	**2**	**(28)**	**114**	**101**	**59**	**13**	**13%**	**55**	**93%**
Financial revenues	6	4	14	16	6	(2)	(13)%	8	133%
Financial expenses	(7)	(10)	20	30	18	(100	(33)%	2	11%
Net financial result	**(1)**	**(5)**	**(6)**	**(14)**	**(12)**	**7**	**54%**	**6**	**50%**
Profit before income tax	**1**	**(34)**	**108**	**87**	**47**	**21**	**24%**	**61**	**130%**
Income tax	920	0	10	22	7	(12)	(55)%	3	43%
Profit of the period	**(0.5)**	**(34)**	**98**	**65**	**40**	**33**	**51%**	**58**	**145%**

ANNEX 3: Stand-alone cash flow statement

[RON mn] unaudited figures	9M 2018	9M 2017	Δ
Cash flows from operational activities			
Profit of the period	98	65	33
Allowances for:			
Income tax expense	10	22	(12)
Depreciation and amortisation expenses	226	234	(8)
Expenditures with adjustments for trade receivables impairment	9	40	(31)
Reversal of adjustments for trade receivables impairment	(9)	(8)	(1)
Revenues net of allowances for impairment of sundry debtors	0	0	n/a
Net expenses with allowances for inventories depreciation	0	0	(0)
Net (profit)/loss from sales of tangible assets	0	1	(1)
Net expenses with allowances for tangible assets	1	1	(0)
Net expenses/(revenues) with provisions for risks and expenses	1	(8)	9
Interest expenses, interest revenues and unrealized revenues differences	7	13	(7)
Cash flows before changes in the current capital	**342**	**360**	**(18)**
Changes in:			
Clients and assimilated accounts - energy and other activities	(19)	(131)	111
Clients - balancing	35	120	(85)
Clients - cogeneration	29	(47)	76
Inventories	(3)	(2)	(1)
Trade liabilities and other liabilities - energy and other activities	140	8	132
Liabilities – balancing	(59)	(154)	95
Liabilities – cogeneration	(95)	(33)	(62)
Other tax and social security liabilities	(1)	(1)	0
Deferred revenues	(15)	(18)	3
Cash flows from operational activities	**354**	**103**	**251**
Interest paid	(6)	(8)	2
Income tax paid	(11)	(8)	(3)
Net cash from operational activities	**336**	**87**	**250**
Cash flows used in investments			
Procurements of tangible and intangible assets	(113)	(135)	22
Proceeds from non-reimbursable EC financing	12	-	n/a
Collected interest	6	4	1
Participation titles held in TSC NET	(2)	-	n/a
Proceeds from sales of tangible assets	1	-	n/a
Dividends cashed	1	2	(1)
Other financial assets	-	135	(135)
Net cash used in investments	**(96)**	**6**	**(102)**
Cash flows from financing activities			
Repayments of non-current loans	(108)	(125)	17
Dividends paid	(1)	(165)	164
Net cash used in financing activities	**(110)**	**(291)**	**181**
Net diminution of cash and cash equivalents	**132**	**(198)**	**328**
Cash and cash equivalents on 1 January	**521**	**934**	**(413)**
Cash and cash equivalents at the end of the period	**651**	**736**	**(85)**

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

Indicators	Calculation formula	9M 2018	9M 2017
Current liquidity (x)	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.40	1.78
Indebtedness indicators (x):**			
(1) Indebtedness indicator	$\frac{\text{Debt capital}}{\text{Shareholder's equity}} \times 100$	14.62	13.24
(2) Indebtedness indicator	$\frac{\text{Debt capital}}{\text{Committed capital}} \times 100$	12.76	11.69
Clients' turnover (days)	$\frac{\text{Average client balance}}{\text{Turnover}} \times \text{no. days}$	83.87	61.12
Non-current assets turnover (x)	$\frac{\text{Turnover}}{\text{Non-current assets}}$	0.60	0.75

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

** In the calculation of indebtedness indicators for the 9L 2018 it was reflected both the long-term and the short term loans of the Company. For the 9 month period of 2017, it was reflected only the long term loans of the Company. For comparability, the recalculated version of indicators for 9 months 2018, are as follow:
Indebtedness indicator (1) = 5.30%, Indebtedness indicator (2) = 5.03%

ANNEX 5 REPORT (as per HAGEA 4/29.04.2015) on the contracts signed in the 3rd quarter / 2018 to procure assets, services and work amounting above 500,000 Euro/purchase (for assets and work) namely above 100,000 Euro/purchase (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	C 145/2018	Refurbishment of the 110 kV substation Medgidia Sud	29 months	0.00	10.681	Work	Law 99/2016 + HG 394/2016	Open bid
2	C 190/2018	Upgrading the 400(220)/110/20 kV substation Munteni	34 months	43.306	0.00	Work	Law 99/2016 + HG 394/2016	Open bid
3	C 185/2018	Replacing AT and TRAFO in substations, stage 2, phase 2 - LOT I (8 AT-s, 200 MVA)	43 months	0.00	8,498,	Work	Law 99/2016 + HG 394/2016	Open bid
4	C 131/2018	LOT 3 - 110 kV mobile bays	7.2 months	0.00	1,934,	Work	Law 99/2016 + HG 394/2016	Open bid
5	SB 28/2018	Special guard & monitoring services and intervention to the objectives of TB Sibiu	36 months	6.678	0.00	Services	Law 99/2016 + HG 394/2016	Open bid
6	SB 35/2018	Replacing the 220/110 kV AT2 in substation Gheorgheni	12 months	6.088	0.00	Work	Law 99/2016 + HG 394/2016	Open bid
7	C 186/2018	Replacing AT and TRAFO in substations, stage 2, phase 2 - LOT II (4 TRAFO, 16 MVA)	25 months	0.00	1.125	Work	Law 99/2016 + HG 394/2016	Open bid
8	C 161/2018	Mobile phone and mobile internet services (framework agreement)	36 months	0.00	382	Services	Law 99/2016 + HG 394/2016	Open bid
9	BC 558/2018	Services to elaborate topographic-cadastre documents in order to tabulate the expropriated land surfaces for the investment to the 400 kV double circuit OHL Cernavoda-Stalpu connecting to substation Gura Ialomitei	12 months	942	0.00	Services	Law 99/2016 + HG 394/2016	Simplified procedure
10	C 177/2018	Subsequent contract 1 to framework agreement C 161/2018 - “Mobile phone and mobile internet services”	15 months	0.00	159	Services	Law 99/2016 + HG 394/2016	Re-offering
11	CR 41/2018	Specific guard services to the objectives of TB Craiova during 3 months	3 months	482	0.00	Services	Law 99/2016 + HG 394/2016	Negotiation with no preliminary invitation to competitive bid procedure
12	CT 703/2018	Mowing services and removal of vegetation from TB Constanta	24 months	474	0.00	Services	Law 99/2016 + HG 394/2016	Open bid

ANNEX 6: Main clients and suppliers

No.	Main clients	Turnover 9M 2017 (RON mn)	Main clients	Turnover 9M 2018 (RON mn)
1	CIGA ENERGY SA	758	REGIA AUTONOMA PENTRU ACTIVITATI NUCLEARE	71
2	OPERATORUL PIETEI DE ENERGIE ELECTRICA SI DE GAZE	523	ELECTRICA FURNIZARE SA	31
3	SOCIETATEA ENERGETICA ELECTRICA SA	368	ELECTROCENTRALE BUCHAREST SA	58
4	ELECTRICA FURNIZARE SA	309	CIGA ENERGY SA	30
5	E.ON ENERGIE ROMANIA SA	256	MAVIR MAGYAR VILLAMOSENERGIA-IPARI ATVITELI RENDSZ	4
6	ENEL ENERGIE MUNTENIA SA	246	ENEL ENERGIE MUNTENIA SA	16
7	ENEL ENERGIE SA	227	E.ON ENERGIE ROMANIA SA	14
8	MAVIR MAGYAR VILLAMOSENERGIA-IPARI ATVITELI RENDSZ	187	ENEL ENERGIE SA	14
9	CEZ VANZARE SA	151	SOCIETATEA COMPLEXUL ENERGETIC OLTENIA SA	11
10	SOCIETATEA COMPLEXUL ENERGETIC OLTENIA SA	143	CINTA ENERGY SA	11

No.	Main suppliers	Turnover 9M 2017 (RON mn)	Main suppliers	Turnover 9M 2018 (RON mn)
1	HIDROELECTRICA SA	1,170	HIDROELECTRICA SA	156
2	MAVIR MAGYAR VILLAMOSENERGIA-IPARI ATVITELI RENDSZERIRANYITO ZRT	533	ELECTROCENTRALE BUCHAREST SA	62
3	SOCIETATEA COMPLEXUL ENERGETIC OLTENIA SA	531	REGIA AUTONOMA PENTRU ACTIVITATI NUCLEARE	51
4	ELECTROCENTRALE BUCURESTI SA	463	MAVIR MAGYAR VILLAMOSENERGIA-IPARI ATVITELI RENDSZERIRANYITO ZRT	22
5	SOCIETATEA NATIONALA DE GAZE NATURALE ROMGAZ SA	344	SOCIETATEA COMPLEXUL ENERGETIC OLTENIA SA	21
6	COMPLEXUL ENERGETIC HUNEDOARA SA	300	SOCIETATEA NATIONALA DE GAZE NATURALE ROMGAZ SA	13
7	OPERATORUL PIEȚEI DE ENERGIE ELECTRICĂ ȘI DE GAZE NATURALE OPCOM SA	259	OPERATORUL PIETEI DE ENERGIE ELECTRICA SI DE GAZE NATURALE OPCOM SA	12
8	VEOLIA ENERGIE PRAHOVA SRL (former Dalkia)	87	COMPLEXUL ENERGETIC HUNEDOARA SA	11
9	ENERGOBIT SA	72	NPG TRANSELECTRICA SA	9
10	ELECTROCENTRALE GALATI SA	71	CIGA ENERGY SA	7

Annex 7 – Glossary

„ANRE”	National Regulatory Authority in the Electricity Domain
„BAR” / RAB	Regulated asset base
„BVB”	Bucharest Stock Exchange, operator of the regulated market where the shares are transacted
„CEE” / EEC	European Economic Community
„Company”, „NPG”, ”TEL”, “CNTEE”	National Power Grid Company Transelectrica SA
„CPT”,”OTC”	Own Technological Consumption (losses)
„CS”	Supervisory Board
„DEN”	National Power Dispatcher
„EBIT”	Operational profit before interest, income tax and
„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” / GD	Governmental decision
„IFRS”	International Financial Reporting Standards
„JPY”	Japanese Yen, official currency of Japan
„LEA” / OHL	Overhead lines
„Leu” or „Lei” or „RON”	Romania’s official currency
„MFP”	Ministry of Public Finance
„MO”	Romania’s Official Gazette
„OG”	Governmental ordinance
„OPCOM”	Operator of the Electricity Market from Romania OPCOM SA
„OUG”	Governmental emergency ordinance
„PZU” / DAM	Day-Ahead Market
„RET”	Electricity Transmission Grid, electric network of national strategic interest with nominal line voltage above 110 kV
„SEN”	National Power System
„SMART”	Trading Company for Maintenance Services to the Electricity Transmission Grid, SMART SA
„SSF”	Functional system services
„SST”	Technological system services
„TEL”	Stock exchange indicator of Transelectrica
„TSR”	Total shareholders’ return
„UE” / EU	European Union
„u.m.” / m.u	Measuring unit
„USD” or “US dollars”	American Dollar, official currency of the United States of America
„WACC”	Weighted average cost of capital