

To: **Bucharest Stock Exchange**
Financial Supervisory Authority

Current report according to the provisions of Law 24/2017, Regulation 1/2006 of the CNVM and the BSE Code

Date of the report: **May 15th, 2018**

Issuer Company: **National Power Grid Co. Transelectrica SA, managed under two tier system**

Headquarters: Bucharest 1, 33 Blvd. Magheru

Working location: Bucharest 3, 2-4 Olteni Street

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: RON733,031,420

Regulated market where the issued securities are traded: Bucharest Stock Exchange

Important event to report: – Summary of Financial Results for the First Quarter of 2018

Report includes:

- Quarterly report regarding the activity of CNTEE Transelectrica SA for the first Quarter of 2018
- Condensed stand-alone unaudited interim financial statements as of March 31st, 2018

The profit-allowed operations segment: the increase in billed volume in Q1 2018 as compared to Q1 2017 has not entirely covered the 10% decrease in the average transmission tariff, nor the increase of electricity purchase prices on the wholesale market for own technological consumption in the transport network, with a negative effect to EBITDA level.

The pass-through operations segment: a positive result of RON 27 mn as compared to RON 11 mn recorded in the same period of the 2017, the main driver of 2018 evolution being the 6% increase of the average tariff approved by the Regulator for these services whilst the volume increased by 3%.

Summary of the financial results for Q1 2018 are available below:

		Q1 2018	Q1 2017	Δ
Financials				
PROFIT- ALLOWED ACTIVITIES				
Billed volume	[TWh]	15,0	14,6	▲3%
Revenues	[RON mn]	300	332	▼10%
Average transmission tariff	[RON mn]	16,85	18,68	▼10%
Transmission revenues	[RON mn]	272	299	▼9%
EBITDA	[RON mn]	130	159	▼18%
Depreciation & Amortization	[RON mn]	76	78	▼4%
EBIT	[RON mn]	55	81	▼32%
PASS-THROUGH ACTIVITIES				
EBIT	[RON mn]	27	11	▲155%
ALL ACTIVITIES (PROFIT-ALLOWED AND PASS-THROUGH)				
EBIT	[RON mn]	82	91	▼11%
Net Income	[RON mn]	68	71	▼4%
Operations				
Consumption	TWh	15,6	15,1	▲3%
Production	TWh	16,8	16,6	▲2%
Net Export	TWh	1,7	2	▼15%

The report will be available starting with May 15th, 2018.

- online, on the website www.transelectrica.ro, section Investor Relations/ Periodical Reports/ Reports, respectively <https://www.transelectrica.ro/reports-2018>;
- at the Company's headquarters: str. Olteni no. 2-4, sector 3, Bucharest

Adrian Constantin RUSU
Executive Director General
Directorate Chairman

Andreea Georgiana FLOREA
Directorate Member

CNTEE Tranelectrica SA
Two-Tier Company

Condensed Stand-alone Interim Financial Statements
on the date and for the three-month period concluded on
March 31st, 2018

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

CNTEE Transelectrica SACondensed stand-alone statement of the financial position on March 31st, 2018*(All amounts are expressed in RON, unless otherwise indicated)*

	Note	March 31 st , 2018	December 31 st , 2017 as per AGA Decision no. 6 of 30.04.2018
Assets			
Fixed assets			
Tangible Assets	4	2,989,323,807	3,044,365,315
Intangible assets	4	15,376,448	15,563,225
Financial assets	4	78,038,750	78,038,750
Total fixed assets		3,082,739,005	3,137,967,290
Current assets			
Inventories		34,599,531	32,014,652
Clients and similar accounts	5	922,082,973	818,529,879
Cash and cash equivalents	6	499,009,751	520,746,500
Total current assets		1,455,692,255	1,371,291,031
Total assets		4,538,431,260	4,509,258,321
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital, from which:		733,031,420	733,031,420
<i>Subscribed Share Capital</i>		733,031,420	733,031,420
Initial offering		49,842,552	49,842,552
Legal reserves		118,961,487	118,961,487
Revaluation reserves		488,697,276	499,921,435
Other reserves		58,337,183	56,953,503
Retained earnings		1,338,341,819	1,258,921,369
Total shareholders' equity	7	2,787,211,737	2,717,631,766
Non-current liabilities			
Non-current deferred revenues	8	399,497,176	410,642,185
Loans	9	161,763,398	195,185,934
Deferred tax liabilities		24,221,988	25,036,280
Obligations regarding employee benefits		52,646,906	52,646,906
Total non-current liabilities		638,129,468	683,511,305
Current liabilities			
Trade and other payables	10	634,684,372	699,936,819
Other Taxes and Social Insurance Obligations	11	8,615,686	8,688,192
Loans and Related Interest	9	380,022,881	317,063,988
Provisions		41,541,176	41,545,187
Short-term deferred revenues	8	39,222,988	40,881,064
Income tax to be paid	12	9,002,952	-
Total current liabilities		1,113,090,055	1,108,115,250
Total liabilities		1,751,219,523	1,791,626,555
Total shareholders' equity and liabilities		4,538,431,260	4,509,258,321

The attached notes 1-21 shall constitute an integral part of these condensed stand-alone interim financial statements.

CNTEE Transelectrica SAThe separate account of Profit and Loss for the three-month period ended on March 31st, 2018*(All amounts are expressed in RON, unless otherwise indicated)*

	Note	The 3 month period ended on March 31 st , 2018	The 3 month period ended on March 31 st , 2017
Revenues			
Transmission revenues		271,921,176	298,589,433
System service revenues		202,047,549	189,229,313
Revenues from the Balancing Market		200,460,888	623,163,359
Other revenues		10,504,838	14,280,609
Total revenues	13	684,934,451	1,125,262,714
Operating expenses			
System operating expenses	14	(86,643,329)	(76,792,140)
Expenses on the Balancing Market	14	(200,460,888)	(623,163,359)
Expenses regarding the technological system services	14	(157,658,579)	(159,521,218)
Depreciation		(75,531,329)	(78,307,648)
Salaries and Other Retributions	15	(43,327,267)	(41,423,735)
Repairs and maintenance		(12,612,831)	(14,059,924)
Materials and Consumables		(1,715,127)	(1,551,995)
Other operating expenses	16	(25,315,461)	(39,176,309)
Total operating expenses		(603,264,811)	(1,033,996,328)
Operating profit		81,669,640	91,266,386
Financial revenues		2,590,159	6,623,867
Financial expenses		(6,265,813)	(11,288,556)
Net financial result	17	(3,675,654)	(4,664,689)
Profit before income tax		77,993,986	86,601,697
Income tax	12	(9,797,694)	(15,544,053)
Profit of the financial year		68,196,292	71,057,644

This separate financial report has been approved by Management on May 14th, 2018 and have been signed on its behalf by:

Directorate

Adrian-Constantin RUSU Chairman	Dan - Valeriu ARDELEAN Member	Andreea Georgiana FLOREA Member	Georgeta - Corina POPESCU Member	Florin - Cristian TATARU Member
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Cristina STOIAN
Economics and Financial Strategy Department Director

Veronica CRISU
Accounting Department Manager

The attached notes 1-21 shall constitute an integral part of these condensed stand-alone interim financial statements.

CNTEE Transelectrica SA

 Stand-alone statement of the changes in equity on March 31st, 2018

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

	Share capital	Share Premium	Legal Reserves	Reserve Fund from Revaluation	Other Reserves	Retained Earnings	Total
Balance on January 1st, 2017	733,031,420	49,842,552	116,360,295	549,088,226	56,953,728	1,602,438,193	3,107,714,414
Global Result of the Period							
Profit of the Financial Year	-	-	-	-	-	71,057,644	71,057,644
Other elements of the comprehensive income, from which:							
Recognition of actuarial gains regarding the determined plan of benefits	-	-	-	-	-	-	-
Total Other Elements of the Global Result of the Period	-	-	-	-	-	-	-
Total Global Result of the Period	-	-	-	-	-	71,057,644	71,057,644
Other Elements							
Transfer of the reserves from revaluation in the retained earnings	-	-	-	(12,738,513)	-	12,738,513	-
Increase of the Legal Reserve Fund	-	-	-	-	-	-	-
Other Elements	-	-	-	-	-	-	-
Total other elements	-	-	-	(12,738,513)	-	12,738,513	-
Contribution from shareholders and distributions to shareholders							
Subsidies of Public Assets (connection fee)	-	-	-	-	-	-	-
Distribution of Dividends	-	-	-	-	-	-	-
Total Contributions from Shareholders and Distributions to Shareholders	-	-	-	-	-	-	-
Balance as of December 31st, 2017 as per AGA as per AGA Decision no. 6 of 30.04.2018	733,031,420	49,842,552	116,360,295	536,349,713	56,953,728	1,686,234,350	3,178,772,058
Balance as of January 1st, 2018 as per AGA as per AGA Decision no. 6 of 30.04.2018	733,031,420	49,842,552	118,961,487	499,921,435	56,953,503	1,258,921,369	2,717,631,766
Comprehensive income of the period							
Profit of the Financial Year	-	-	-	-	-	68,196,292	68,196,292
Other Elements of the Global Result, from which:							
Recognition of Actuarial Losses regarding the Determined Plan of Benefits	-	-	-	-	-	-	-
Total Other Elements of the Global Result	-	-	-	-	-	-	-
Total Global Result of the Period	-	-	-	-	-	68,196,292	68,196,292
Other elements							
Transfer of the reserves from revaluation in the retained earnings	-	-	-	(11,224,159)	-	11,224,159	-
Increase of the Legal Reserve Fund	-	-	-	-	-	-	-
Other Elements	-	-	-	-	-	-	-
Total Other Modifications	-	-	-	(11,224,159)	-	11,224,159	-
Contribution from shareholders and distributions to shareholders							
Derecognition of Public Assets	-	-	-	-	-	-	-
Subsidies of Public Assets (connection fee)	-	-	-	-	1,383,680	-	1,383,680
Distribution of Dividends	-	-	-	-	-	-	-
Total Contributions from Shareholders and Distributions to Shareholders	-	-	-	-	1,383,680	-	1,383,680
Balance as of March 31st, 2018	733,031,420	49,842,552	118,961,487	488,697,276	58,337,183	1,338,341,819	2,787,211,737

The attached notes 1-21 shall constitute an integral part of these condensed stand-alone interim financial statements.

CNTEE Traselectrica SAStand-alone statement of the treasury flows on March 31st, 2018*(All amounts are expressed in RON, unless otherwise indicated)*

	The three-month period concluded on March 31st,2018	The three-month period concluded on March 31st, 2017
Treasury flows from the operating activity		
Profit of the financial year	68,196,292	71,057,644
Adjustments for:		
Income tax expense	9,797,694	15,544,053
Depreciation expenses	75,531,329	78,307,648
Expenses with adjustments for trade receivables impairment	1,978,054	21,691,311
Reversal of adjustments for trade receivables impairment	(1,509,685)	(5,054,061)
Net revenues with adjustments for various debtors' impairment	(213,327)	(1,057,453)
(revenues)/expenses with adjustments for inventories impairment	(58,401)	165,886
Net loss on disposal of property, plant and equipment	78,498	427,090
Net expenses on adjustments regarding tangible assets	539,165	357,641
Net revenues regarding risks and expenses provisions	(4,011)	(353,085)
Interest expenses, interest revenues and foregone revenues and expenses	3,680,659	4,514,872
Cash flows before changes in the current capital	158,016,267	185,601,546
Changes in:		
Clients and similar accounts - electricity and other activities	(26,130,557)	(52,128,307)
Clients - balancing	57,737,671	131,133,299
Clients - cogeneration	(135,179,944)	(128,707,128)
Inventories	(2,584,879)	(1,885,031)
Trade payables and other liabilities - electricity and other activities	18,199,931	(21,228,506)
Liabilities - balancing	(75,921,024)	(172,054,328)
Liabilities - cogeneration	12,148,854	74,761,394
Other taxes and social insurance liabilities	(72,506)	(912,857)
Deferred revenues	(11,419,406)	(4,455,928)
Treasury flows from the operating activity	(5,205,593)	10,124,154
Paid interests	(2,490,950)	(3,170,111)
Paid income tax	-	-
Net cash from the operating activity	(7,696,543)	6,954,043
Cash Flows from the Investment Activity		
Acquisition of tangible and intangible assets	(42,073,591)	(64,958,294)
Collected interests	1,062,639	1,158,414
Other financial assets	-	135,090,000
Net cash used in the investment activity	(41,010,952)	71,290,120
Treasury flows used in the financing activity		
Repayments of long-term loans	(49,752,434)	(60,489,825)
Use of the Cogeneration Credit Line	76,859,539	25,739,121
Paid dividends	(136,359)	(71,507)
Net cash used in the financing activity	26,970,746	(34,822,211)
Net decrease of cash and cash equivalents	(21,736,749)	43,421,952
Cash and cash equivalents on January 1st	520,746,500	933,661,193
Cash and cash equivalents at the end of the period	499,009,751	977,083,145

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

CNTEE Transelectrica SA

Notes on the stand-alone interim financial statements on March 31st, 2018

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

1. General Information

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

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

The stand-alone interim financial statements drafted on March 31st 2018 are not audited.

2. Bases of Drafting

a) Declaration of Conformity

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

b) Professional Reasoning and Estimations

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

3. Significant Accounting Policies

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

The Company expects the EU's passing of IFRS 9 "Financial instruments" and IFRS 15 "Revenues from clients' contracts" applicable for annual periods beginning with or after January 1st, 2018 will not significantly impact the Company's financial statements in the initial application period.

4. Tangible and Intangible Assets

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

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

- Upgrading the command-control-protection system of the Sardanesti 220/110/20 kV substation – 5,095,200;
- 400 kV OHL interconnecting Resita (Romania) - Pancevo (Serbia) – 4,535,332;
- Upgrading the Suceava 110 kV and 20 kV substation – 2,726,799;
- Equipment for videowall type display for the control rooms of the dispatching CPD/TPD centres – 2,548,643;
- Technical upgrade of the Bradu 400/220/110/20 kV substation – 1,844,941;
- Connection of the MDF factory demand facility from Arges, Oarja commune, Ceausesti village, Armata point, 5 and 46 land plots, connection to the 110 kV bus-bar of the Pitesti Sud 220/110/20 kV substation via a 110 kV UPL with a ca. 450 m length – 1,756,424;
- Computing and software – hardware and software – laptops - 1,391,435;
- Upgrading the hardware and software platforms of the SCADA system in the Slatina 400/220 substation – 678,838;

CNTEE Transelectrica SA

Notes on the stand-alone interim financial statements on March 31st, 2018

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

- Technical upgrade of the Ungheni 220/110/20 kV substation – 509,067;
- Technical update of the Turnu Severin Est 220/110 kV substation - 454,885;
- Technology research and development centre for working with live equipment (LST) and rapid intervention in the NPS – centre building – 446,576;
- Gadalin - Suceava 400 kV OHL, including the NPS interconnection – 359,854;

In the first quarter of 2018, the most important transfers from tangible assets in progress to tangible assets are mainly represented by the start-up of the investment objectives, so:

- 400 kV OHL interconnecting Resita (Romania) - Pancevo (Serbia) – STALPII 1-206 – 98,590,976;
- Upgrading the Cluj Est 400/110/10 kV substation – 13,385,294;
- Replacing AT and TRAF0 in electrical substations - Stage II – 5,577,449;
- Reparation of the failure of the 110-120 terminals of the Bucharest Sud - Ghizdaru 220 kV OHL - 4,274,773;
- Assembling the optic fibre and upgrading the system of distance protections on the Tantareni-Turceni 400 kV OHL d.c. and the Urechesi-Rovinari 400 kV OHL s.c. – 2,116,907;
- Equipment for videowall type display for the control rooms of the dispatching CPD/TPD centres – 1,977,475;
- Computing and software – hardware and software – laptops - 1,097,505;
- Replacing the connectors from electrical stations – 986,840;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to the 400 kV voltage - stage I - Portile de fier - (Anina) – Resita 400 kV OHL s.c. – 701,108;
- Regulating the coexistence between the Mintia-Sibiu 400 kV OHL, in the 6-8 opening, and the Lugoj-Deva highway, 4th lot, Ilia-Deva district, km 77+361 - km 99+500 – 643,849;
- Upgrading the 110/6 kV station from the Pestis 220/110/6 kV substation – 518,750;

The balance of tangible assets in progress on March 31st, 2018 is represented by the projects in progress, the most significant being listed below:

- PTG connection of the Ivești 300 MW WPP, Fălcui 1 88 MW WPP and Fălcui 2 18 MW WPP via the new Banca (400)/220/110 kV substation – 46,884,983;
- Technical upgrade of the Bradu 400/220/110/20 kV substation – Stage IV – 38,638,799;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to the 400 kV voltage - stage I - Portile de fier - (Anina) – Resita 400 kV OHL s.c. – 20,197,668;
- Extending the services providing business continuity and recovery after disasters to the executive – 14,413,918;
- Upgrading the Suceava 110 kV and 20 kV substation – 12,383,070;
- Connecting the Isaccea - Varna 400 kV OHL and the Isaccea - Dobrudja 400 kV OHL in the Medgidia Sud 400 kV substation – 10,759,659;
- Upgrading the command-control-protection system of the Sardanesti 220/110/20 kV station – 10,755,676;
- Integrated security system in electric substations, stage IV - 10,308,122;
- Cernavodă - Stâlpu 400 kV OHL d.c. and connection in Gura Ialomiței – 8,363,002;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to the 400 kV voltage - stage I - Resita 400/220/110 kV station – 6,574,499;
- Replacing AT and TRAF0 in electrical substations - Stage II – 6,102,690;
- 400 kV OHL Gadalin - Suceava, including the NPS interconnection - 6,021,417;
- 400 kV HVDC Link (submarine cable Romania - Turkey) – 5,853,759;
- Technical upgrade of the Hasdat 220/110 kV substation – 4,454,691;
- Suceava - Balti 400 kV OHL, for the part of the project on Romanian territory - 4,430,641;
- Gutinas – Smardan 400 kV OHL d.c. – 3,225,282;
- Converting of the Portile de fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage II - Resita - Timisoara – Sacalaz 400 kV OHL d.c. (Timisoara 220/110 kV substation) – 3,223,388;
- Extending the control system with new functions and IT registration of access in the objectives of CNTEE Transelectrica SA – 3,200,918;

CNTEE Transelectrica SA

Notes on the stand-alone interim financial statements on March 31st, 2018

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

- Upgrading the Raureni 220/110/20 kV station – 2,922,451;
- Connecting the 136 MW wind power plant Platonesti, Ialomita county, to the Grid through constructing a 110 kV cell in the Gura Ialomitei 400/110 kV station – 2,889,337;
- Upgrading the Arefu 220/110/20 kV station – 2,837,188;
- Integrated security system in electric substations, stage III - 2,798,024;
- Technical upgrade of the Tulcea Vest 400/110/20 kV substation - the construction part – 2,739,753;
- By-passing the Cetate 110 kV OHL 1 & 2 in the proximity of the Ostrovul Mare 110/20/6 kV substation - 2,578,438;
- PTG connection of Dumesti 99 MW WPP and Romanesti 30 MW WPP, Iasi county, through constructing a 110 kV line cell in the FAI 220/110 kV substation – 2,545,853;
- Assembling the optic fibre on the Fundeni-Brazi Vest 220 kV OHL – 1st lot – 2,135,878;
- Upgrading the hardware and software platforms of the SCADA system in the Slatina 400/220 substation – 2,094,171;
- Security solution for implementing the security measures related to classified information – 2,012,114;
- Connection of the MDF factory demand facility from Arges, Oarja commune, Ceausesti village, Armata point, 5 and 46 land plots, connection to the 110 kV bus-bar of the Pitesti Sud 220/110/20 kV substation via an 110 kV UPL with a ca. 450 m length – 1,757,557;
- Consolidation, upgrading and extension of the CNTEE "Transelectrica" headquarters – 1,627,393;
- Upgrading the 110/6 kV station from the Pestis 220/110/6 kV substation – 1,360,885;
- Technical upgrade of the Isaccea 400 kV substation - Stage I - replacing the compensation bobbins, the corresponding cells and the Stupina 400 kV cell – 1,256,403;
- Technical update of the Turnu Severin Est 220/110 kV substation – 1,153,854;
- Integrated security system at the new Banca 400/220/110 kV substation – 1,133,202;
- Deploying an optical fibre line between the Pitesti Sud 220/110/20 kV substation and the remote control and installation supervision centre of the Pitesti ST (SF) – 1,083,604;
- Upgrading the Dumbrava 220/110 kV substation – 1,014,842;
- Connecting the Stupina 400 kV substation to the PTG and connecting the Isaccea-Varna 400 kV OHL – 874,015;
- Technology research and development centre for working with live equipment (LST) and rapid intervention in the NPS – centre building – 873,069;
- Ostrovu Mare 220 kV OHL d.c. – PTG – 755,084;
- Oradea – Beckescsaba 400 kV OHL – 746,795;
- Assembling the optic fibre and upgrading the system of distance protections on the Tantareni-Turceni 400 kV OHL d.c. and the Urechesti-Rovinari 400 kV OHL s.c. – 718,933;
- Converting the Brazi Vest - Teleajen - Stalpu 220 kV OHL to 400 kV, including the purchase of the 400MVA 400/220/20 kV AT, extension works for the 400 kV and corresponding 220 kV stations, in the Brazi Vest 400/220/110kV station – 693,864;
- Connecting the Sarichioi, Tulcea county 33 MW wind power plant to the PTG, in the Zebil 110 kV cell from the Tulcea Vest 400/110 kV station – 632,769;
- Stalpu 400 kV substation – 609,621.

For the intangible assets in progress, the largest entry in the first quarter of 2018 was represented by:

- Upgrade of the existing antimalware solution – 22,707;

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

- Upgrading the Cluj Est 400/110/10 kV substation with software and licenses – 116,077;
- Heavy terminals for remote control – utility software for heavy terminals – 23,664;
- Upgrade of the existing antimalware solution – 22,707.

The balance of intangible assets in progress on March 31st, 2018 is represented by the projects in progress, the most significant being listed below:

CNTEE Transelectrica SA

Notes on the stand-alone interim financial statements on March 31st, 2018

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

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

5. Trade Receivables and Other Receivables

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

	March 31st, 2018	December 31st, 2017 as per AGA Decision no. 6 of 30.04.2018
Trade receivables	969,906,439	846,827,429
Other Receivables	122,736,478	116,536,143
Down payments to suppliers	6,192,272	11,102,342
VAT to be recovered	26,444,852	47,005,991
Adjustments for impairment of uncertain trade receivables	(123,119,088)	(122,650,719)
Adjustments for Depreciating Other Uncertain Receivables	(80,077,980)	(80,291,307)
Total Trade Receivables and Other Receivables	922,082,973	818,529,879

The structure of the Trade Receivables is presented as follows:

	March 31st, 2018	December 31st, 2017 as per AGA Decision no. 6 of 30.04.2018
Customers on the electricity market, out of which:	968,644,399	845,529,240
- Clients - operational activity	428,275,776	382,602,892
- Clients - balancing market	185,809,877	243,547,548
- Clients - bonus type support scheme to promote the high-efficiency cogeneration	354,558,746	219,378,800
Clients from other activities	1,262,040	1,298,189
Total Trade Receivables	969,906,439	846,827,429

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

On March 31st, 2018, the current customers in the operational activity registered an increase compared to December 31st, 2017, which was mainly determined by:

- increase in the electricity quantity delivered to consumers in the months of January and February 2018 compared to the months of November and December 2017;
- the overcompensation decisions for 2017, issued in 2018 by ANRE.

The main current customers on the electricity market are represented by: Electrocentrale Bucuresti SA, Electrica Furnizare SA, RAAN, Ciga Energy, Enel Energie Muntenia SA, E.ON Energie Romania SA, Enel Energie SA, CET Govora SA, MAVIR, CEZ Vanzare SA. The weight of the main customers on the electricity market is about 61% in the Total Gross Receivables.

The current receivables for the balancing market, amounting to 185,809,877, registered a value decrease compared to December 31st, 2017, following a decrease in the transactions on this market.

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

On March 31st, 2018, the Company registered receivables to be cashed from the bonus type support scheme for promoting the high efficiency cogeneration in a proportion of approximately 37% (December 31st, 2017 – 26%) of the total trade

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receivables.

The customers from the bonus type support scheme for promoting the high efficiency cogeneration registered an increase in the receivables on March 31st, 2018, mainly determined by the receivables amounting to 140,341,573 related to the ANRE decisions regarding overcompensation the cogeneration activity for 2017, registered according to the ANRE decisions issued in the month of March 2018, on the overcompensation of the activity regarding the support scheme for the year 2017.

In the timeframe January 1st – March 31st, 2018, the amounts related to the bonus type support scheme have increased compared to December 31st, 2017, mainly due to the over-compensation decisions for 2017, issued in 2018. The overview of the cashing of receivables for the cogeneration scheme is as follows:

- the amount of 5,230,786 representing the overcompensation for the year of 2015, via bank transactions from Termoficare Oradea (for Electrocentrale Oradea, according to the staging Convention).

On March 31st, 2018 the Company registered receivables amounting to 303,551,715, represented by the issued invoices under the bonus type support scheme for high efficiency cogeneration, out of which:

- overcompensation for the timeframe 2011 - 2013 in the amount of 76,702,140, namely from RAAN - 63,467,054 and CET Govora SA - 13,235,086;
- undue bonus for 2014 in the amount of 3,914,960, namely from RAAN – 1,981,235, CET Govora – 1,933,725;
- undue bonus for 2015 in the amount of 563,899, namely from CET Govora - 534,377, Interagro - 29,523;
- overcompensation for 2015 in the amount of 4,544,172, namely from Electrocentrale Oradea (debt taken over by Termoficare Oradea);
- overcompensation for 2016 in the amount of 56,680,387, namely from Electrocentrale Bucuresti – 56,680,387;
- overcompensation for 2017 in the amount of 140,341,573, namely from CET Govora -10,658,266, Electrocentrale Bucuresti – 126,654,871, Enet SA – 3,028,436;
- undue bonus for 2017 in the amount of 752, namely from OMV Petrom SA;
- contribution for cogeneration not collected from the suppliers of electricity consumers, in the amount of 20,803,831, namely from: Transenergo Com – 5,882,073, PetProd - 4,391,193, Romenergy Industry – 2,680,620, RAAN-2,385,922, Arelco Power – 2,378,723, UGM Energy – 1,814,175, CET Govora – 900,864, KDF Energy – 887,527 and others.

At the date of this interim financial statement, the Company has registered the following situation regarding the receivables for overcompensating the activity regarding the support scheme for the year of 2017:

- collections in the amount of 139,732,633, out of which collections via bank transactions in the amount of 90,898,688 from Electrocentrale Bucuresti and collections on the grounds of compensations made via the Management and Informatics Institute (on the grounds of DG no. 685/1999) in the amount of 48,833,945 (out of which: Electrocentrale Bucuresti – 35,756,183; CET Govora – 10,658,266; Enet SA – 2,419,496);
- due receivables amounting to 608,940 (ENET SA)
- For discharging the receivables generated by the overcompensation and the undue bonus, the Company requested the reciprocal compensations from the qualified producers in the support scheme. For producers (RAAN, Electrocentrale Bucuresti, CET Govora) that have not agreed to this way of discharging the reciprocal receivables and debts, the Company has applied and continues to apply the provisions of Article 17 (5) of the Order of ANRE Chairman no. 116 / 2013 for approving the Regulation on determining the way to collect the contribution for high efficiency cogeneration and payment of the bonus for the electricity produced in high efficiency cogeneration: "if the manufacturer did not make the payment in full to the administrator of the support scheme for its obligations resulted in accordance with the provisions of this Regulation, the administrator of the support scheme pays to the producer the difference between the invoices issued by the producer and the payment obligations of the producer on the support scheme, with explicit mention on the payment document of the respective amounts", and detained from payment the amounts due related to the corresponding support scheme.

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

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

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

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

obligations undertaken according to the Agreement.

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

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

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

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

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

Thus, on March 31st, 2018 the Company does not register provisions for the support scheme, the unrecovered value of these receivables being included in the cogeneration contribution.

Other receivables

As of March 31st, 2018, Other Receivables amounting to 122,736,478 primarily include different debtors (104,705,895), deferred expenses (12,245,666) and other long-term receivables (4,517,259).

The different debtors amount to 104,705,895 out of which late payment penalties calculated to late paying clients, amounting to 64,636,451 (out of which the amount of 26,012,769 represents penalties in relation to the support scheme).

The largest penalties for late payment have been registered by the following customers: RAAN (16,901,449), SC CET Govora (9,606,504), SC Eco Energy SRL (8,909,843), SC Petprod SRL (8,894,655), Total Electric Oltenia (3,288,967), Arcelor Mittal Galati (2,952,319), Also Energ (2,121,010). For the penalty charges for late payment of the receivables from operating activities were recorded depreciation adjustments.

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

- the down payments granted to the supplier ELCOMEX - IEA SA amounting to 31,180,858, to which penalties amounting to 687,458 have been added. The down payments have been granted to the supplier ELCOMEX - IEA SA for performing the following projects:

- o Connecting the Isaccea-Varna 400 kV OHL and the Isaccea-Dobrudja OHL to the Medgidia Sud 400 kV substation – down payment amounting to 9,948,593;
- o Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to the 400 kV voltage - Stage I - Resita 400/220/110 kV station – down payment amounting to 21,232,265.

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

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

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

Pricewaterhouse Coopers Business Recovery Services IPURL notifies CNTEE Transelectrica on August 7th, 2017, regarding the cancellation of the agreement C 163/29.07.2015 "Converting the Portile de Fier – Resita – Timisoara – Sacalaz – Arad to 400 kV / the 400/220/110 kV Resita substation". On August 8th, 2017, the judiciary administrator Pricewaterhouse Coopers Business Recovery Services IPURL considers itself bound to note the cancellation by CNTEE Transelectrica SA of the agreement no. C255 from November 18th, 2015, regarding "Connection of the Isaccea-Varna 400 kV OHL and Isaccea-Dobruja 400 kV OHL in the Medgidia Sud 400 kV OHL, Stage I", notified by the Company with letter no. 24597 from July 5th, 2017, and at the same time the termination of the agreement on the initiative of CNTEE Transelectrica SA.

Considering that to this date, the amount to be recovered from Elcomex IEA SA is impossible to estimate, there have been no adjustments of depreciation registered for the amounts owed by Elcomex IEA SA.

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On July 1st, 2017, the Company submitted an application for summons regarding the issuance of a payment order, an action subject to the **case file no. 24552/3/2017 on the docket of the Bucharest Court**, Section VI Civil, requesting the Court to rule a decision obliging the debtor ASITO KAPITAL SA to pay the amount of **7,058,773.36 Euro** (*the equivalent of 31,180,857.96 lei*), representing guarantee policies for the down payments no. BR – 1500544/November 18th, 2015, and no. BR – 1500520/July 29th, 2015. The court ordered the staying of proceedings until November 7th, 2017, in the case file no. 24552/3/2017, on the docket of the Bucharest Court, Section VI Civil. Hearing: October 24th, 2017

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

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

The deferred expenses amounting to 12,245,666 are represented mainly by the advances on contracts concluded with the suppliers of electricity needed for covering the own technological consumption for future periods (3,216,624), a guarantee fee for the BEI 25710 loan (86,665) and commission of ING credit granting (273,195), levies paid for 2018 to national and international institutions (3,484,310), rents (605,256), ANRE yearly contribution (2,261,308);

Other receivables amounted to 4,517,259, of which 4,199,505 represent guarantees for temporary occupation of the land calculated and retained in accordance with the art. 39 paragraph (1), paragraph (2) and paragraph (5) of the Law no. 46/2008 regarding the Forestry Code in order to achieve the investment objective LEA 400 kV Resita - Pancevo (Serbia).

VAT to be recovered

As of March 31st, 2018, the Company registers VAT to be recovered amounting to 26,444,852, mainly representing negative VAT accounts for the months of December 2017 (13,512,883), January (6,509,139), February (593,749) and March 2018 (4,400,202).

Down payments to suppliers

As of March 31st, 2018, the down payments to suppliers are represented by the suppliers who are debtors for services amounted to 6,192,272, this mainly represent amounts from transactions related to the price coupling mechanism. Application of the mechanism coupling through the price began on November 19th, 2014, the date at which the project "4 Market Market Coupling" which provides the unification of the electricity markets DAM Square (Next Day Market) from Romania, Hungary, Czech Republic and Slovakia entered in the operating phase. Within the price coupling mechanism for the day-ahead markets, the electricity exchanges correlate the day-ahead electricity transactions based on bids, taking into account the interconnection capacity provided by the TSOs, by which it is implicitly allocated CNTEE Transelectrica SA, acting as TSO, transfers the electricity both in physical and commercial terms to the neighbouring TSOs (MAVIR-Hungary) and manages the congestion revenues along the respective interconnection (Article 139 from ANRE Order no. 82/2014), while in relation to SC OPCOM SA it acts as Implicit Participant on the Day-Ahead Market.

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

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

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

As of March 31st, 2018, the highest adjustments of depreciation, calculated for the trade receivables and related penalties, have been recorded for Elcomex IEA SA (31,868,316), SC Eco Energy SRL (24,736,066), SC Petprod SRL (23,539,650), Arelco Power (14,545,496), SC Total Electric Oltenia SA (14,185,577), Romenergy Industry (13,512,997), Elsaco Energy (9,293,972), RAAN (8,516,707), Also Energ (7,177,167), Cet Brasov (4,664,627), Opcom (4,517,460). The Company took the following measures in order to recover the impaired receivables: court proceedings, entering on the statement of affairs, requesting clarifications from ANAF (regarding the VAT collected from Opcom) and so on.

The Company's exposure to the collection risk, as well as the value adjustments for trade receivables, are presented in Note 20.

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

6. Cash and cash equivalents

As of March 31st, 2018, and December 31st, 2017, the cash and cash equivalents were presented as follows:

	March 31st, 2018	December 31st, 2017 as per AGA Decision no. 6 of 30.04.2018
Current accounts and bank deposits, out of which:	390,919,719	520,708,388
- cash and deposits from high efficiency cogeneration	-	19,172,948
- cash from revenues related to interconnection capacity allocation used for grid investments	81,335,035	84,247,056
- cash from the connection fee	26,593,563	31,152,565
Petty cash	85,757	37,850
Other cash equivalents	75,677	262
Total	499,009,751	520,746,500

The bank deposits with maturity smaller than 90 days, constituted with cash available in current accounts (including cogeneration deposits) amounted to 305,987,900 at March 31st, 2018 and to 251,047,468 at December 31st, 2017.

7. Shareholders' equity

According to GEO 86/2014 on the establishment of reorganization measures at central public administration level and for modifying and completion of some normative acts, on February 20th, 2015 was recorded in the Company's shareholder Register the transfer of 43.020.309 shares from the account of the Romanian State from the administration of the General Secretariat of Government, in the account of the Romanian State in the management of the Ministry of Economy, Trade and Tourism.

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

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

At the end of each reporting period, the subscribed and paid share capital of the Company amounted to 733,031,420 is divided into 73,303,142 ordinary shares with a nominal value of 10 lei/share and corresponds to the one registered in the Trade Register. The shareholding structure on March 31st, 2018 and December 31st, 2017 is as follows:

Shareholder	March 31st, 2018		December 31st, 2017	
	Number of shares	% of the share capital	Number of shares	% of the share capital
Romanian State through MECRMA	43,020,309	58.69%	43,020,309	58.69%
Other legal person shareholders	20,548,351	28.03%	20,689,339	28.22%
DEDEMAN SRL	4,208,363	5.74%	4,192,363	5.72%
Other natural person shareholders	5,526,119	7.54%	5,401,131	7.37%
Total	73,303,142	100.00%	73,303,142	100.00%

CNTEE Transelectrica SANotes on the stand-alone interim financial statements on March 31st, 2018*(All amounts are expressed in RON, unless otherwise indicated)*

The increase in equity on March 31st, 2018 compared to December 31st, 2017 was driven primarily by registering the net profit in the reported result, amounting to 68,196,292, conducted on March 31st, 2018.

8. Deferred Revenues

Deferred revenues are mainly represented by: the connection fee, other subsidies for investments, non-refundable European funds collected from the Ministry of European Funds, as well as revenues from the use of interconnection capacities. As of March 31st, 2018, the report of the deferred revenues is as follows:

	March 31st, 2018	Of which: the short-term portion as of March 31st, 2017	December 31st, 2017 as per AGA Decision no. 6 of 30.04.2018	Of which: the short-term portion as of December 31st, 2017
Deferred Revenues - interconnection capacity allocation	3,888,997	3,888,997	5,797,166	5,797,166
Deferred Revenues - European Funds	2,558,135	2,558,135	2,558,135	2,558,135
Funds from the connection fee	302,707,623	24,255,382	311,396,019	23,558,353
European Funds	99,806,964	6,952,396	101,624,877	7,415,017
Other subsidies	29,758,445	1,568,078	30,147,052	1,552,393
Total	438,720,164	39,222,988	451,523,249	40,881,064

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

	March 31st, 2018	December 31st, 2017 as per AGA Decision no. 6 of 30.04.2018
Balance at the beginning of the period	40,881,064	38,125,074
Advance income related to the interconnection capacity	14,620,086	75,479,347
Income from European Funds	-	1,327,202
Transfer of long-term deferred income	250,093	2,299,514
Revenues from the use of the interconnection capacity	(16,528,255)	(76,260,688)
Revenues from European Funds	-	(89,385)
Total	39,222,988	40,881,064

CNTEE Transelectrica SANotes on the stand-alone interim financial statements on March 31st, 2018*(All amounts are expressed in RON, unless otherwise indicated)***9. Loans**• *Long-term loans*

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

During timeframe January – March 2018, no withdrawals from loans were conducted.

Movements in loans during the three-month period ended on March 31st, 2018 are presented as follows:

	Currency	Interest Rate	Book Value	Due Date
Balance as of January 1st, 2018			509,355,179	
New Withdrawals			0	
Refunds, from which:			(49,752,434)	
NIB PIL No 02/18	USD	LIBOR+0.9%	-	April 15 th , 2018
BIRD 7181	EUR	last communicated 0.0%	(16,343,540)	January 15 th , 2020
NIB PIL No 03/5	EUR	EURIBOR+0.85%	(5,361,875)	September 15 th , 2018
NIB PIL No 02/37	EUR	EURIBOR+0.9%	(2,870,311)	September 15 th , 2018
BEI 25709	EUR	3.596%	(5,612,268)	10-Sep-2025
BEI 25710	EUR	3.856%+2.847%	-	April 11 th , 2028
ING + BRD	EUR	EURIBOR+2.75%	(19,564,440)	February 13 th , 2019
Unsecured Bonds	RON	6.1%	-	December 19 th , 2018
Differences of Exchange on the date of reimbursement			(213,203)	
Balance as of March 31st, 2018			459,389,542	

As of March 31st, 2018, and December 31st, 2017, the balance of long-term loans contracted from credit institutions is presented as follows:

Description	March 31st, 2018	December 31st, 2017
NIB PIL No 02/18	3,317,659	3,417,420
BIRD 7181	27,247,294	43,603,118
NIB PIL No 03/5	5,356,240	10,717,310
NIB PIL No 02/37	2,867,295	5,737,176
BEI 25709	84,095,556	89,742,370
BEI 25710	97,381,658	97,425,565
ING + BRD	39,123,840	58,712,220
Unsecured Bonds	200,000,000	200,000,000
Total long-term loans from credit institutions, out of which:	459,389,542	509,355,179
Current portion of long-term loans	(297,626,144)	314,169,245
Total long-term loans net of current rates	161,763,398	195,185,934

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

	March 31 st , 2018	December 31 st , 2017
Between 1 and 2 years	25,203,494	51,449,375
Between 2 and 5 years	67,375,966	68,912,530
Over 5 years	69,183,938	74,824,029
Total	161,763,398	195,185,934

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

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

- *Short-term loans*

The short-term Loans are detailed as follows:

	March 31 st , 2018	December 31 st , 2017
Current portion of long-term loans	297,626,144	314,169,245
Short-term bank loans - for current activities	76,859,539	-
Interest on long-term loans	2,094,458	2,460,222
Interest on bonds	3,442,740	434,521
Total short-term loans	380,022,881	317,063,988

- *Loans contracted for the current activity*

Transelectrica has concluded the credit agreement no. C55/01.03.2018 with Raiffeisen Bank for a period of 12 months for financing the bonus type support scheme for high efficiency cogeneration, in the form of overdraft amounting to 100,000,000, with an interest calculated according to the ROBOR 1M reference rate, plus a negative margin of 0.35%. In the event that the value of the ROBOR 1M reference rate is smaller than 0.35%, the interest rate applied shall be of 0%. As of March 31st, 2017, withdrawals from the credit line in the amount of 76,859,539 were made.

This was guaranteed by:

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

10. Trade and other payables

As of March 31st, 2018, and December 31st, 2017, trade payables and other liabilities are presented as follows:

	March 31 st , 2018	December 31 st , 2017 as per AGA Decision n 6 of 30.04.2018
Electricity Market Suppliers	475,816,412	538,923,244
Asset providers	42,703,162	62,898,568
Providers of other activities	21,851,684	27,782,443
Amounts due to the employees	5,497,080	5,866,258
Other liabilities	88,816,034	64,466,306

CNTEE Transelectrica SANotes on the stand-alone interim financial statements on March 31st, 2018*(All amounts are expressed in RON, unless otherwise indicated)*

Total	634,684,372	699,936,819
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As of March 31st, 2018, and December 31st, 2017, outstanding debts on the energy market amounted to 422,998,532 and 591,678,777 respectively, and presented the following structure:

	March 31st, 2018	December 31st, 2017 as per AGA Decision no. 6 of 30.04.2018
Suppliers on the electricity market, out of which:		
- suppliers - operational activity	111,466,245	110,800,907
- suppliers - balancing market	128,999,443	204,920,467
- suppliers - the bonus type support scheme for promoting the high efficiency cogeneration	235,350,724	223,201,870
Total	475,816,412	538,923,244

- increase in the balance of debts related to the electricity market towards the operational activity providers was mainly determined by the increase in the electricity quantity for covering the own technological consumption in the transmission grid;
- the decrease in the balance of debts related to the balancing market was determined by the payment of current obligations on the electricity market on December 31st, 2017 and by the decrease in the trading volume on the balancing market in the first quarter of 2018 compared to the first quarter of 2017.

The providers on the electricity market are represented mainly by: Electrocentrale Bucuresti, SC Hidroelectrica SA, RAAN, Complex Energetic Oltenia, Mavir. As of March 31st, 2018, their share was ca. 71% in the total number of energy suppliers.

- the increase in debts related to the support scheme towards the suppliers (producers) was determined by the issuance of ANRE decisions pertaining to the payment of the undue bonus and the ante-overcompensation for 2017, as follows:

On March 31st, 2018, payment obligations were registered towards suppliers (producers) in the amount of 156,724,787 (Electrocentrale Bucuresti – 92,436,570, RAAN – 51,183,836, CET Govora SA – 6,257,950, Veolia Energie Iasi – 3,216,266, Electrocentrale Galati – 1,266,018 and others), representing the monthly cogeneration bonus, the ante-overcompensation for the years 2014, 2015 and 2017, as well as the bonus not granted for the years 2015, 2016 and 2017. The amounts representing the debts of the Company regarding the support scheme towards Electrocentrale Bucuresti, RAAN, CET Govora have been retained from payment on the grounds of Article 17 (5) of the Order of the ANRE Chairman no. 116 / 2013, because the suppliers (producers) registered payment obligations towards the Company regarding the bonus type support scheme.

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

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

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

According to the Agreement, the Company's receivables to be collected from CET Govora SA were compensated with the debts to CET Govora SA, represented by the cogeneration bonus for the period May 2014 - October 2015 detained pursuant

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to the Art. 17 (5) from the Order of the ANRE Chairman no. 116/2013 and the provisions of the Agreement, in the amount of 40,507,669.

Following the suspension in court, by Civil sentence no. 3185/ November 27th, 2015, the ANRE Decision no. 738/ March 28th, 2014 on setting the overcompensation amount for the timeframe 2011 - 2013, CET Gavora SA no longer respected the obligations undertaken according to the Agreement. Starting with May 9th 2016, the general insolvency proceedings were opened for CET Govora. Given the provisions of Law no. 85 / 2014 on insolvency, starting with May 9th, 2016, the Company has terminated the enforcement of Article 17 (5) from the Order of ANRE Chairman no. 116 / 2013 on approving the Regulation regarding the settlement of the collection procedure of the high efficiency cogeneration contribution and the payment of the bonus for the electricity produced via high efficiency cogeneration, and has paid the due cogeneration bonus to CET Govora on a monthly basis.

Via Civil Decision no. 2430 / October 5th, 2016, the High Court of Cassation and Justice admitted the appeal declared by ANRE against Civil sentence no. 3185 / November 27th, 2015, has partially cancelled the sentence and has rejected the suspension request lodged by CET Govora. Thus, starting with October 10th, 2016, the effects of the ANRE Decision no. 738 / March 28th, 2014 are no longer suspended, being in full effect.

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

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

	March 31st, 2018	December 31st, 2017 as per AGA Decision no. 6 of 30.04.2018
Different Creditors	58,218,800	31,958,422
Clients - creditors	19,199,326	20,823,604
Dividends to be paid	2,277,974	2,414,333
Other liabilities	9,119,934	9,269,947
Total	88,816,034	64,466,306

On March 31st, 2018, the position 'different creditors' in the amount of 58,218,800 represented mainly the net position of the support scheme for high efficiency cogeneration, which on March 31st, 2018 registers a debt position amounting to 56,969,473 (December 31st, 2017: 30,451,865).

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

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

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

"Customers creditors" on March 31st, 2018 amounted to 19,199,326, out of which 18,699,812 represent amounts collected in advance from MAVIR and OPCOM within the transactions related to the price coupling mechanism.

As of March 31st, 2018, the dividends owed and unpaid to the Company's shareholders amount to 2,277,974, out of which the amount of 637,403 is related to dividends distributed from the profit of the year 2016. These amounts are available to the shareholders through the payment agent.

Other debts amounting to 9,119,934 are mainly represented by payment guarantees - energy market contracts and guarantees for the proper execution of service contracts concluded by CNTEE Transelectrica SA.

11. Other Taxes and Social Insurance Obligations

As of March 31st, 2018 and December 31st, 2017, other taxes and social insurance obligations included:

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	March 31st, 2018	December 31st, 2017 as per AGA Decision no. 6 of 30.04.2018
Contribution to social insurance funds	5,023,836	5,097,678
Payroll tax	937,893	1,913,700
Other taxes to pay	2,653,957	1,676,814
Total	8,615,686	8,688,192

As of March 31st, 2018, the company registered payment obligations for contributions to social insurance funds, payroll tax and other taxes that were paid in the month of April, 2018.

12. Income Tax

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

The expenses on the income tax for the first quarter of 2018 and first quarter of 2017 are presented as follows:

	Q I 2018	Q I 2017
Current income tax	10,611,987	16,929,588
Deferred income tax,,	(814,293)	(1,385,535)
Total	9,797,694	15,544,053

13. Operating Revenues

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

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

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

The average tariff for the electricity transmission has two components: the tariff for the electricity injected into the transmission grid (T_G) and the tariff for the electricity drawn off the transmission grid (T_L).

The zonal tariffs regarding the transmission service for the injection of electricity into the transmission grid (T_G) and for drawing electricity off the transmission grid (T_L) have been approved by ANRE Order no. 48/2017.

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

	Q I 2018	Q I 2017
The amount of electricity delivered to consumers (MWh)	15,000,712	14,601,452

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

Q I 2018	Q I 2017
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Transmission revenues	252,777,141	272,821,045
Revenues from allocating the interconnection capacity	16,674,578	23,554,927
Revenues from reactive energy	1,743,764	1,543,970
Revenues from Inter TSO Compensation (ITC)	49,247	277,889
Revenues from Own Technological Consumption (CPT) transactions	676,446	391,602
Transmission Revenues - total	<u>271,921,176</u>	<u>298,589,433</u>
	Q I 2018	Q I 2017
Functional System Service Revenues	16,650,714	18,981,887
Revenues from technological system services	184,493,700	170,042,744
Revenues from unplanned shifts on DAM	834,422	204,682
Emergency aid revenues	68,713	0
System Service Revenues - total	<u>202,047,549</u>	<u>189,229,313</u>
Revenues on the balancing market	200,460,888	623,163,359
Other revenues	10,504,838	14,280,609
Total revenues	<u>684,934,451</u>	<u>1,125,262,714</u>

Transmission revenues

Given the rise in the amount of electricity delivered to consumers in the first quarter of 2018 compared to the first quarter of 2017, namely of 2.73% or 399,260 MWh, the income from the transmission service has registered a decrease in the amount of 20,043,904, determined by the decrease of the average tariffs approved by ANRE (according to the table on the average tariffs approved by ANRE for the analyzed timeframes, presented above).

Functional system service revenues

In the first quarter of 2018, the revenues from functional system services registered a decrease compared to the first quarter of 2017 with the amount of 2,331,173, determined by the decrease of the average tariff approved by ANRE starting with July 1st, 2018 (according to the table on the average tariffs approved by ANRE for the analyzed periods, presented above).

Revenues from allocating the interconnection capacity

In the first quarter of 2018, the revenues from the interconnection capacity allocation have registered a decrease compared to the first quarter of 2017, in the amount of 6,880,349, corresponding to the level of usage of the available interconnection capacity by traders on the electricity market.

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

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

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

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

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

Revenues from technological system services

Revenues from the technological system services have registered an increase in the first quarter of 2018 compared to the first quarter of 2017 in the amount of 14,450,956, determined by the 2.73% increase in the quantity of electricity delivered to consumers and by the increase of the average tariff approved by ANRE for these services, starting with January 1st, 2018 (according to the table on the average tariffs approved by ANRE for the analyzed timeframes, presented above).

The income from the technological system services gained in the first quarter of 2018 were higher with 26,835,121 compared with the expenditures on the purchase of technological system services that were achieved. The profit was achieved due to favorable market conditions and good governance of the acquisition process by auctioning the necessary power reserves from the electricity producers, embodied in obtaining, on auctions, of average unit prices lower than the unit prices forecasted, which were the basis for calculating the tariff for the technological system services.

This amount is found within the gross profit of the Company, reported on March 31st, 2018.

Revenues on the balancing market

The income from the balancing market has registered an increase in the first quarter of 2018 compared to the first quarter of 2017, with the amount of 422,702,471, determined by:

- the negative imbalances registered at the level of electricity suppliers on the balancing market which were lower in the first quarter of 2018 compared to the first quarter of 2017, and the significant decrease of the imbalance between the notified net contractual position and the actually delivered electricity, respectively;
- the access to available energy in dispatchable groups has maintained low values in the first quarter of 2018 compared to the first quarter of 2017;
- the available energy in dispatchable groups has maintained high values in the first quarter of 2018 compared to the first quarter of 2017, as a result of:
 - ✓ the registration of higher quotas of the Danube flow level;
 - ✓ the functioning under good conditions of the coal, gas and nuclear groups for the most part of the first quarter of 2018.

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

14. Expenses for operating the system and from the balancing market

Expenses in the first quarter of 2018 compared to the first quarter of 2017 are presented as follows:

	<u>Q I 2018</u>	<u>Q I 2017</u>
Expenses on own technological consumption	67,230,738	62,039,262
Expenses on congestions	5,234,582	39,745
Expenses on electricity consumption in RET substations	5,566,910	4,268,784
Expenses with functional system services	3,211,099	5,141,349
Expenses on Inter TSO Compensation (ITC)	5,400,000	5,303,000
Total Operational Expenses	<u>86,643,329</u>	<u>76,792,140</u>
Expenses regarding the technological system services	157,658,579	159,521,218
Expenses on the balancing market	200,460,888	623,163,359
Total	<u>444,762,796</u>	<u>859,476,717</u>

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Expenses on Own Technological Consumption

These represent expenses on the purchase of electricity on the free energy market for covering the own technological consumption (CPT) in the PTG and they were higher in the first quarter of 2018 compared to the first quarter of 2017, with the amount of 5,191,476, mainly determined by the increase in the electricity quantity for covering the own technological consumption in the transmission grid.

Expenses on congestions

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

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

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

Expenses on electricity consumption in RET substations

These expenses registered an increase of 1,298,126 in the first quarter of 2018 compared to the first quarter of 2017, determined by the increase in the purchasing prices for electricity.

Expenses with functional system services

The expenses on the functional system services represent the non-contracted international exchanges of electricity with the neighbouring countries and the expenses on unplanned exchanges on the Day-Ahead Market.

These expenditures have registered a decrease in the first quarter of 2018, increase amounting to 1,930,250, mainly determined by the decrease in the expenditures on the balancing market regarding the unplanned electricity exchanges with the neighbouring countries connected to the NES.

Expenditures on Inter TSO Compensation (ITC)

ITC expenses, amounting to 5,400,000, represent the monthly payment obligations/rights of collection for each transmission system operator (TSO). They are established within the compensation/settlement mechanism for the effects of using the electricity transmission grid (PTG) for transits of electricity between TSO operators from 35 countries that acceded to this mechanism of the ENTSO-E and have maintained relatively constant compared to the similar period of the previous year.

Expenditures regarding the technological system services

In the first quarter of 2018, the expenditures regarding the technological system services have recorded a decrease compared to the first quarter of 2017, in the amount of 1,862,639, determined by the purchasing prices on the competitive market which were lower compared to the similar period of the previous year.

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

The contracting of these services is performed:

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

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

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

Expenditures on the balancing market

In the first quarter of 2018 the expenditures on the balancing market amounted to 200,460,888 following the evolution presented in the chapter *Revenues on the balancing market*.

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

15. Expenses on staff

	<u>Q I 2018</u>	<u>Q I 2017</u>
Expenses on staff wages	38,115,074	31,312,671
Social expenses	675,748	228,632
Expenses with employee vouchers	1,679,757	1,097,961
Expenses of the mandate contract and other committees, commissions	539,696	386,645
Expenses for social security and protection	2,126,994	8,280,880
Provisions constituted for expenses with wages and similar expenses	-4,011	-50,964
Other expenses	194,009	167,910
Total	<u>43,327,267</u>	<u>41,423,735</u>

The staff expenses incurred in the first quarter of 2018 register a 1,903,532 increase compared to the first quarter of 2017, mainly determined by the tax measures provided in GEO no. 79/2017 amending and supplementing Law no. 227/2015 on the Fiscal Code and increasing the nominal value of food vouchers from 12.5 lei to 15 lei (starting with October 2017).

16. Other Operating Expenses

	<u>Q I 2018</u>	<u>Q I 2017</u>
Other expenses on third party services	11,317,576	11,514,803
Postal expenses and telecommunication fees	253,284	272,744
Expenses on rents	2,149,628	2,087,507
Net operating expenses related to the impairment of current assets	196,641	15,745,683
Other expenses, out of which:	11,398,332	9,555,572
- expenses related to taxes and levies (tax on natural monopoly, other local taxes and levies)	5,447,529	4,555,023
- net expenses related to provisions for other operating expenses	539,164	55,521
- expenses related to dispatches	1,080,906	1,039,994
- expenses related to international levies	1,155,252	780,404
- expenses related to purchased electricity for administrative consumption	565,230	597,750
- expenses related to commodities	238,574	158,649
- expenses related to studies and research	643,050	30,000
- expenses related to banking services and other similar services	295,703	325,275
- expenses related to staff transportation	269,949	201,101
- expenses related to ceased intangible and tangible assets and other equity operations	78,498	427,090
- expenses related to purchased natural gas	409,554	424,130
- other operating expenses	674,923	960,635
Total	<u>25,315,461</u>	<u>39,176,309</u>

In the first quarter of 2018, the other operating expenses have registered a decrease in the amount of 13,860,848 compared to the first quarter of 2017, mainly determined by the decrease in operating expenses related to the impairment of current assets (in the first quarter of 2017 receivable impairment adjustments were registered for uncertain customers or clients in the insolvency: Arelco Power SRL, Transenergo Com SA etc.).

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	Q I 2018	Q I 2017
Interest revenues	1,239,543	1,510,593
Revenues from exchange rate differences	1,330,901	5,099,359
Other financial revenue	19,715	13,915
Total financial revenue	2,590,159	6,623,867
Expenses on Interest	(5,133,406)	(5,564,118)
Expenses from exchange rate differences	(1,132,407)	(5,724,438)
Total financial expenses	(6,265,813)	(11,288,556)
Net financial result	(3,675,654)	(4,664,689)

The decrease of the net financial result regarding the exchange rate differences in the first quarter of 2018 compared to the first quarter of 2017, amounting to 426,585, was influenced by the evolution of the exchange rate of the national currency in relation to foreign currencies in which the Company has contracted bank loans for financing the investment programmes (Euros, Dollars)

The exchange rates of the national currency recorded on March 31st, 2018 compared to the one recorded on March 31st, 2017 are presented as follows:

Currency	31.03.2018	March 31st, 2017
Lei / Euros	4.6576	4.5511
Lei / US Dollars	3.7779	4.2615

On March 31st, 2018 the Company recorded a net financial result (loss) amounting to 3,675,654, with 989,035 lower than the one registered in the similar period of the year 2017.

18. Litigations and contingencies*i) Litigations*

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

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

- Pending with the Mehedinti Court – Section II Civil, Administrative and Fiscal Litigation Section, the file no. 3616/101/2014 was recorded, involving the "claims in the amount of 1,090,831.70, counter value of invoice no. 1300215/31.12.2013", a file in which the Company is the defendant, the plaintiff being the Autonomous Authority for Nuclear Activities – RAAN.

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

The amount requested for payment represents penalties calculated by RAAN for the bonus due from the support scheme and withheld from payment by the Company, in its capacity as Administrator of the support scheme, who enforced the provisions of Article 17 (5) of ANRE's Order no. 116 / 2013 (see Note 9).

The amount was enforced by RAAN on July 15th, 2016, as per the Decision issued by the Bankruptcy Receiver Office Ailiesei si Guta in the enforcement file no. 12105/2016.

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

Against the decision no. 843/May 11th, 2015 of the Court of Appeal Craiova - Section II Civil, pronounced in the public hearing from May 11th, 2015, in file no. 3616/101/2014, as well as against the decision no. 127/2014 of the Mehedinti

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

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

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

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

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

- Pending with the Mehedinti Court - Section II Civil, Administrative and Fiscal Litigations, the file no. 9089/101/2013/a138 was recorded, involving the "presidential ordinance", a file in which the Company is the defendant, the plaintiff being the Autonomous Authority for Nuclear Activities - RAAN – debtor in insolvency.

Through the sentence no. 63/2016, the court ordered the defendant to continue the electricity transmission and system services necessary for continuing the activity throughout the judicial reorganization of the RAAN. Transelectrica filed an appeal against that decision.

On May 10th, 2016, the Craiova Court of Appeal delivered its judgment no. 457/05.10.2016, which ordered the following: "Dismisses the appeal. Rejects the appeal as ill-founded. Final."

Also, the hearing of the appeal declared by RAAN against the decision of starting the bankruptcy proceedings, subject of file no. 9089 / 101 / 2013 / a137 before the Court of Appeal Craiova, was postponed until May 31st, 2016, when the case was taken for judgement.

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

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

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

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

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

On November 3rd, 2015, the Bucharest Court, Section VI Civil delivered the sentence no. 6075 / 2015, by which it ordered the following: 'Upholds the application in the way it was completed. Orders the defendant to pay the plaintiff the amount of

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17,805,680, representing the equivalent value of the bonus and penalties. Dismisses the application for granting legal expenses, lodged by the plaintiff, as ill-founded. With appeal within 30 days from communication. The appeal is lodged at the Bucharest Court - Section VI Civil."

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

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

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

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

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

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

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

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

- Pending with the Mehedinti Court – Section II Civil, Administrative and Fiscal Litigation Section, the file no. 9089/101/2013/a140 was recorded, involving the "claims in the amount of 86,513,431", a file in which the Company is the defendant, the plaintiff being the Autonomous Authority for Nuclear Activities – RAAN.

By application for summons filed by the plaintiff, they asked Transelectrica SA to pay the amount of 86,513,431 lei.

On May 19th, 2018, the Mehedinti Court - Section II Civil, Administrative and Fiscal Litigation Section, pronounced a hearing protocol by which it ordered the following: "on the grounds of Article 413 (1) of the Civil Procedure Code, suspends the case until the settlement of the file no. 3014 / 2 / 2014 on the docket of the High Court of Cassation and Justice". With appeal throughout the suspension. Pronounced today, May 19th, 2016, in open court."

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

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

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

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

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

Together with filing the receivables declaration in the bankruptcy proceedings of RAAN, Transelectrica SA may invoke the provisions of Article 52 of Law no. 85/2006, applicable to the bankruptcy proceedings for RAAN, provisions taken from Article 90 of Law no. 85/2014 concerning the creditor's right to invoke the compensation of his receivable with the one of the debtor, when the legal provisions on compensation in legal proceedings are completed on the date of commencement of the procedure. Transelectrica SA has been registered in the table of debtor RAAN with the amount of 11,264,777 lei under the category of receivables resulting from the continuation of the debtor's activity, the amount requested by our company being equal to 89,360,986 lei, our amount of 78,096,208.76 lei not being registered in the preliminary table because "this is not listed as owed in RAAN's accounting records." Moreover, the liquidator considered that the request regarding the registration in the table of the amount equal to 78,096,209 lei is tardily filed, being related to the timeframe 2011 – 2013, reason for which the receivable declaration should have been filed at the moment of commencement of the insolvency proceedings, namely on September 18th, 2013. Objection was filed against the Table. The Mehedinti Court approved the evidence with the audit expertise. The parties lodged objections against the audit expertise report, which were admitted by the court who set the hearing on February 22nd, 2018. At the appeal hearing from February 22nd, 2018, the hearing was set for the continuation of the proceedings: 28.06.2018.

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

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

At the hearing from February 8th, 2017, the objections against the expert report have been notified. Judgement was postponed for May 18th, 2018.

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

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

The values taken into consideration for calculating the Regulated Rate on Return (RRR¹) by ANRE, according to the Methodology on establishing the tariffs for the electricity transmission service, approved by ANRE Order no. 53/2013 ("the Methodology") have determined an RRR value of 7.7%.

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

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CNTEE Transelectrica SA considers that the enforcement of the provisions of Article 51 of the Methodology on establishing the Beta (β) parameter at the value of 0.432 shall determine the financial damage of the company by decreasing the rentability with an estimated value of 138.4 mil. lei³, having a significant impact on the financial interests of the company.

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

At the hearings from March 25th, 2016, April 22nd, 2016, June 10th, 2016 and March 3rd, 2017, the court postponed the judgement of the cause because of the missing technical expertise report. The deadline for completion of the expertise was set to May 29th, 2018.

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

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

On November 24th, 2014, the subsidiary SC OPCOM SA summoned CNTEE Transelectrica SA in order to force it to pay the amount of 582,086 euro (2,585,162 lei at the National Bank of Romania exchange rate from November 24th, 2014), representing the amount paid by her as fine, from the total of the fine amounting to 1,031,000 euro.

Also, the subsidiary SC OPCOM SA requested the court to order the Company to pay the amount of 84,867.67 lei as lawful interest related to the period between June 11th, 2014 - November 24th, 2014, plus legal expenses amounting to 37,828. The action filed by the subsidiary SC OPCOM SA is subject of the file no. 40814 / 3 / 2014 on the docket of the Bucharest Court, Section VI Civil, involving claims, litigation with professionals matter. CNTEE Transelectrica SA has lodged counterclaim against the application for summons in this case, invoking exceptions and defences on the main issue of the matter regarding the unfounded and unlawful character of the action.

On July 24th, 2015, the Bucharest Court ruled the judgement no. 4275/2015, by which it ordered the following: "Admits the application for summons filed by plaintiff Romanian Gas and Electricity Market Operator - OPCOM S.A. against defendant National Power Grid Company "Transelectrica" S.A. Orders the defendant to pay the plaintiff the amount of 582,086.31 euro, representing the amount paid by the plaintiff in the defendant's stead from the fine in the amount of 1,031,000 euro, imposed by the Decision of the European Commission on March 5th, 2014 in the case no. AT.39984 and of the lawful interest related to the amount of 582.086 euro, calculated on June 11th, 2014 and up until de day of the actual payment. Orders the defendant to pay the plaintiff the amount of 37,828 lei, as legal expenses. With right of appeal within 30 days from notification. The request for appeal shall be lodged before the Bucharest Court – Section VI Civil."

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

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

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

³ Value calculated compared to the RRR of 8.52%

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At the hearing from March 13th, 2018, the court granted the appellant-plaintiff Operatorul Pieței de Energie Electrică și Gaze Naturale – OPCOM S.A. motion against decision no. 1517/10.10.2016, ruled by the Bucharest Court of Appeal – Section V Civil. Invalidates the contested decision and refers the case to the court of appeal. Final.

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

- In 2013, Conaid Company SRL took legal actions against CNTEE Transelectrica for the unjustified refusal of the latter to sign an addendum to the connection agreement or to sign a new connection agreement and requested the compensation for costs incurred up to that time, amounted to 17,419,508 lei and loss of profit for the period 2013 - 2033 amounting to EUR 722,756,000. So far, the Company did not conclude an addendum to the connection agreement because the suspensive provisions included therein have not been met by Conaid Company SRL. A new connection agreement would have had to be concluded by March 11th, 2014, the date on which the technical connection permit has expired. On the date of these financial statements, the amounts claimed by Conaid Company SRL were regarded as contingent liabilities as it is unlikely to settle this obligation, there will be necessary outflows of resources embodying economic benefits and the value of obligation cannot be evaluated with sufficient reliability. The file no. 5302/2/2013 was on the docket of the High Court, involving the obligation of issuing of an administrative document, the procedural stage – second appeal, the hearing being on December 9th, 2015. At this hearing, the High Court of Cassation and Justice admitted, in principle, the second appeals and set the hearing, in substance, of the second appeals on April 8th, 2016, Formation 4, summoning the parties. The case trial was postponed for the date of June 17th, 2016, when the court reserved judgement, postponing the judgement until June 29th, 2016, when it pronounced Decision no. 2148/2016, by which it ordered the following: 'Rejects the exceptions invoked by the appellant - plaintiff S.C. Conaid Company S.R.L., via insolvency administrator RVA Insolvency Specialists SPRL, and by the appellant - defendant Transelectrica S.A. Admits the second appeal filed by the defendant National Company for Energy Transportation Transelectrica S.A. against the hearing protocol of February 18th, 2014 and the civil sentence no. 1866 of June 11th, 2014, pronounced by the Court of Appeal Bucharest – Section VIII, Administrative and Fiscal Litigation Section. Partially invalidates the contested protocol and judgment and refers the case to the Bucharest Court – Section VI Civil, for settlement of the application of the plaintiff sought against the National Power Grid Company Transelectrica S.A. Maintains the other provisions of the sentence concerning the plaintiff's action against the National Regulatory Authority for Energy. Rejects the second appeals of the plaintiff SC Conaid Company S.R.L. via insolvency administrator RVA Insolvency Specialists SPRL and the intervener S.C. Duro Felguera S.A. against the civil sentence no. 1866 of June 11th, 2014 pronounced by the Bucharest Court of Appeal – Section VIII, Administrative and Fiscal Litigation. Rejects the second appeal filed by the defendant National Company for Energy Transportation Transelectrica S.A. against the hearing protocol from March 25th, 2014, pronounced by the Bucharest Court of Appeal - Section VIII, Administrative and Fiscal Litigation. Final. Ruled in open court on June 29th, 2016.

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

- Following a verification conducted in 2017, the Court of Auditors issued several measures to be implemented by the Company as a result of a series of deficits identified within this verification. CNTEE Transelectrica SA filed a total of 8 objections against the measures ruled by the Romanian Court of Auditors (CCR) via Decision no. 8/27.06.2017 requesting the annulment thereof, as well as the Decision no. 77/03.08.2017 registered with the Company's secretariat under no. 29117/08.08.2017, as well as the Control Report no. 19211/26.05.2017.

- Case file no. 47332/3/2017 on the docket of the Bucharest Court - Section VI Civil, by which the company FF Wind Energy International SRL requests the following against CNTEE Transelectrica SA: - the annulment of the unilateral statement for the termination of the PTG connection agreement no. 85/14.03.2011 issued on March 2nd, 2016 under no. 8295, - ordering the Company to pay the amount of 33 mil. lei as damages following the termination of the agreement and to pay the amount of 45,000,000 euro as the amount of depreciation of the company FF Wind Energy International SRL caused by the impairment of its purpose. Status of the file: in preliminary proceedings for notification of the action and filing statement of defence. Hearing: 24.05.2018.

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

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

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

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

- Corporation tax amounting to 13,726,800 plus accessories, owed for a number of 123 unused invoices identified as missing (they were destroyed in the fire that broke out the night of June 26th - 27th, 2009, at the business office from Millennium Business Centre from 2 - 4 Armand Calinescu Street, District 2, where the company carried out its activity), documents under special regime.
These invoices were subject to a litigation with ANAF, the latter sending a tax inspection report on September 20th, 2011 which estimated the amount of collected VAT for a number of 123 unused invoices identified as missing. At the hearing from April 30th, 2014, the court of first instance - Bucharest Court of Appeal, Section VIII Administrative and Fiscal Litigation (Decision no. 1356/2014) in case no. 6657/2/2012 rejected "the application of the defendant CNTEE Transelectrica SA is rejected (Complaint against the Fiscal administrative document issued by ANAF)". On March 1st, 2017, through decision no. 779, the High Court of Cassation and Justice ordered the following: "rejects the exception of inadmissibility of the appeal for annulment filed by the contesting party Transelectrica SA, advanced via counterstatement by appellee General Directorate for Large Taxpayers Management. Rejects the appeal for annulment filed by the contesting party Transelectrica SA against Civil Decision no. 1945 from June 16th, 2016 of the High Court of Cassation and Justice - Administrative and Fiscal Litigation Section, ruled in file no. 6657/2/2012, as ill-founded. Irrevocable."
- Corporation tax amounting to 4,795,483 and collected VAT amounting to 5,694,636 plus accessories, owed for a number of 349 unused invoices identified as missing (they were destroyed in the fire that broke out the night of June 26th - 27th, 2009, at the business office from Millennium Business Centre from 2 - 4 Armand Calinescu Street, District 2, where the company carried out its activity), documents under special regime;
- Corporation tax amounting to 4,320,277 and collected VAT amounting to 5,130,329 plus accessories, related to the expenses on technological system services invoiced by the generators in the time interval between January 1st, 2007 and December 31st, 2010 and according to which the Company issued penalty invoices calculated by applying a percentage of 200% on the unit price without VAT, multiplied by the quantity of services not carried out. According to the findings of the tax inspection team, based on the issued penalty invoices non-deductible expenses have been set forth for the technological system services not performed / not carried out, which generates additional corporation tax to be paid, as well as additional VAT to be paid, corresponding to the technological system services not performed / not carried out, invoiced by the electricity suppliers.

Within the legal deadline, the Company appealed the Note of assessment no. F-MC 439/June 30th, 2017, according to GD no. 92/2003 on the Fiscal Procedure Code.

ANAF issued enforcement order no. 13540/22.08.2017; the additional payment obligations according to Notice of assessment no. F-MC 439/30.06.2017 were enforced based on this order.

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

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

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

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

Document: Hearing protocol – Suspension 17.04.2018

Pending with the Court of Appeal in proceedings for a preliminary ruling is the casefile no. 1802/2/2018 through which the Company contested the fiscal administrative document - Decision no. f-mc 439/30.06.2017.

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

The company is also involved in significant litigations in which it has the quality of plaintiff, especially for debt recovery

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

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

ii) Contingences

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

The Ministry of Public Finances – Directorate General for Economic and Financial Inspection – inspection measure started on September 15th, 2017 and suspended at the same date via Notification no. 243104/29.11.2017. The verification objectives for the period 2012 – 2016 are the following:

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

• The Ministry of Economy – Direction for Minister Control Body – the control commenced on January 18th, 2018 – the objectives of the measure are: verifying the observance of legal provisions and internal norms pertaining to the entity's organization and functioning, verifying the way in which the acquisition activity is organized and performed, verifying the way in which consultancy, legal assistance and representation and litigation agreements are concluded and performed, verifying the way in which the sponsorship agreements are concluded and performed, verifying the way in which the transportation expenses are made, analysis of the way in which orders, instructions and other requirements of the Ministry of Economy in the specific field of activity are performed, verifying the completion status of the measures ruled via previous reports, comparative analysis of the entity's economic and financial results in the last three years of activity.

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

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

As of March 31st, 2018, Teletrans S.A., the Company's subsidiary, was subject to a control measure carried out by the Directorate General for Economic and Financial Inspection of the Ministry of Public Finances for the period 2010 – 2014 which was completed in 2018. The draft economic and financial inspection report issued on February 21st, 2018 claims the effect of prejudicing the state budget with the total amount of 88,778,158 lei, representing amounts collected but not paid to the state budget in the period 2006 – 2016, due to leasing the goods belonging to the State's public domain (infrastructure

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capacities and elements from the public telecommunications network) while not observing by the Company's and Teletrans S.A.'s employees of the provisions of Art. 14, Art. 15 and Art. 16 of Law no. 213/1998 on public patrimony.

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

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

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

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

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

Thus, taking into account all of the above, as of March 31st, 2018 the Company did not have the necessary information to make a pertinent analysis with regards to determining the effect over the interim financial statements for the period ended on March 31st, 2018, of the conclusion of the draft report.

19. Affiliated Parties

i) Transactions with the Company's subsidiaries

Entity	Country of Origin	March 31 st , 2018 % of shares	December 31 st , 2017 % of shares
SMART SA *)	Romania	70	70
TELETRANS SA	Romania	100	100
ICEMENERG SA **)	Romania	-	-
OPCOM SA****)	Romania	97.84	100
FORMENERG SA	Romania	100	100
ICEMENERG SERVICE SA ***)	Romania	100	100

*) On the docket of the courts there was a litigation - file no. 32675/3/2015 - involving the annulment of Resolution of the Designated Person No. 154954/December 30th, 2014, pronounced in file no. 449314/December 23rd, 2014, under which the Trade Register attached to the Bucharest Court has registered the share capital increase of the subsidiary SC Smart SA with contribution in kind and amended the Articles of Association according to Decision no. 12375/December 22nd, 2014 of the Chairman of the Board of Directors of the subsidiary and according to Board Decision no. 19/December 22nd, 2014. The Company also requested the competent court for the annulment of the two aforementioned decisions and the suspension of

CNTEE Transelectrica SA

Notes on the stand-alone interim financial statements on March 31st, 2018

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

the enforcement of deeds whose annulment is requested, until the resolution of the promoted action.

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

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

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

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

At the meetings from March 28th, 2016 and August 30th, 2016, the Extraordinary General Assembly did not approve the decrease of the share capital of CNTEE Transelectrica SA with the amount of 1,084,610 lei, representing the share capital subscribed and paid of the ICEMENERG SA Bucuresti subsidiary, by decreasing the participation of the Romanian State in the share capital of CNTEE Transelectrica SA, for enforcing the provisions of GD no. 925/2010.

In 2015, the Company registered an impairment amounting to 1,083,450 for the shares held by the Institute for Energy Research and Upgrades – ICEMENERG SA Bucharest subsidiary, which was removed from the register.

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

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

*****) On 13.02.2018 the Extraordinary general assembly of SC OPCOM SA approved increasing the share capital of the Electricity and Natural Gas Market Operator Co. OPCOM SA ("OPCOM SA") by 678,790 Lei by contribution in-kind represented by the value of the land which the Company obtained the Ownership certificate for, series M03 12899/27.02.2014, issued by the Ministry of Economy. The in-kind contribution was assessed by a valuator expert designated by ONRC. In exchange for such in-kind contribution to the share capital the Company issued a number of 67,879 new nominative shares of 10 Lei nominal value each to the new shareholder, the Romanian State through the Ministry of Economy, which exercises the attributions of stakeholder as of the AGEA decision date. On 20.03.2018 the National Office of the Trade Register from Bucharest Tribunal settled the registration demand 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 of 10 Lei each, and 97.84% quota of participation to benefits and losses.

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

CNTEE Transelectrica SA

Notes on the stand-alone interim financial statements on March 31st, 2018

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

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

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

AFFILIATE ENTITY	Trade Receivables*)		Trade payables	
	March 31 st , 2018	December 31 st , 2017 as per AGA Decision no. 6 of 30.04.2018	March 31 st , 2018	December 31 st , 2017 as per AGA Decision no. 6 of 30.04.2018
SC SMART SA	148,396	16,884,019	4,824,908	8,992,426
SC TELETRANS SA	230,288	192,966	6,386,458	7,361,973
SC FORMENERG SA	0	0	0	0
SC OPCOM SA	16,767,497	23,995,729	6,984,803	7,442,483
TOTAL	17,146,181	41,072,714	18,196,169	23,796,882

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

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

AFFILIATE ENTITY	Sales		Purchases	
	First quarter of 2018	First quarter of 2017	First quarter of 2018	First quarter of 2017
SC SMART SA	242,050	234,854	13,454,097	15,722,972
SC TELETRANS SA	250,694	232,671	7,444,769	8,974,362
SC FORMENERG SA	0	0	915	0
SC OPCOM SA	56,388,647	149,564,478	81,165,095	87,259,195
Total	56,881,391	150,032,003	102,064,876	111,956,529

ii) Remuneration of Company's Management

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

	First quarter of 2018	First quarter of 2017
Short-term benefits	3,076,640	2,045,084
Other long-term benefits	-	31,596
Total	3,076,640	2,076,680

20. Credit Risk

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

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

CNTEE Transelectrica SANotes on the stand-alone interim financial statements on March 31st, 2018*(All amounts are expressed in RON, unless otherwise indicated)*

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

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

	March 31st, 2018	December 31st, 2017 as per AGA Decision no. 6 of 30.04.2018
Financial assets		
Net trade receivables	846,787,351	724,176,710
Other net receivables and down payments to suppliers	48,850,770	47,347,178
VAT to be recovered	26,444,852	47,005,991
Cash and cash equivalents	499,009,751	520,746,500
Total	922,082,973	1,339,276,379

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

	Gross Value March 31st, 2018	Adjustment of depreciation March 31st, 2018	Gross Value December 31st, 2017	Adjustment of depreciation December 31st, 2017
Not due	608,343,714	1,696,713	557,134,751	1,268,176
Due date exceeded by 1 to 30 days	76,458,742	281,102	1,649	2,345
Due date exceeded by 31 to 90 days	788,313	-	2,780,207	2,853,477
Due date exceeded by 90 to 180 days	761,281	761,225	(322,245)	-
Due date exceeded by 180 to 270 days	1,698,446	1,401,015	58,688,984	1,618,294
Due date exceeded by 270 to 365 days	58,686,782	1,733,339	25,856,404	21,850,588
Due date exceeded by more than a year	223,169,162	117,245,694	202,687,679	95,057,839
Total	969,906,439	123,119,088	846,827,429	122,650,719

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

	Gross value March 31st, 2018	Adjustment of depreciation March 31st, 2018	Gross value December 31st, 2017	Adjustment of depreciation December 31st, 2017
Not due	24,889,135	2,475,798	70,307,272	2,525,896
Due date exceeded by 1 to 30 days	20,135	6,751	55,235	-
Due date exceeded by 31 to 90 days	38,842	17,056	63,007	57,063
Due date exceeded by 90 to 180 days	102,025	250,710	34,644,875	34,533,556

CNTEE Transelectrica SANotes on the stand-alone interim financial statements on March 31st, 2018*(All amounts are expressed in RON, unless otherwise indicated)*

Due date exceeded by 180 to 270 days	34,563,931	34,399,073	2,954,880	2,925,623
Due date exceeded by 270 to 365 days	2,979,520	2,925,623	179,445	112,945
Due date exceeded by more than a year	66,335,163	40,002,972	66,439,763	40,136,225
Total	128,928,750	80,077,980	174,644,477	80,291,308

As of March 31st, 2018, the highest adjustments of depreciation, calculated for the trade receivables and related penalties, have been recorded for Elcomex IEA SA (31,868,316), SC Eco Energy SRL (24,736,066), SC Petprod SRL (23,539,650), Arelco Power (14,545,496), SC Total Electric Oltenia SA (14,185,577), Romenergy Industry (13,512,997), Elsaco Energy (9,293,972), RAAN (8,516,707), Also Energ (7,177,167), Cet Brasov (4,664,627), Opcom (4,517,460).

The Company took the following measures in order to recover the impaired receivables: court proceedings, entering on the statement of affairs, requesting clarifications from ANAF (regarding the VAT collected from Opcom) and so on.

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

CNTEE Transelectrica SA

Notes on the stand-alone interim financial statements on March 31st, 2018

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

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

	March 31st, 2018	December 31st, 2017 as per AGA Decision no. 6 of 30.04.2018
Balance on the 1st of January	122,650,719	100,578,031
Recognition of impairments	1,978,054	36,575,509
Reversal of impairments	1,509,685	14,502,821
Balance at the end of the period	123,119,088	122,650,719

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

	March 31st, 2018	December 31st, 2017 as per AGA Decision no. 6 of 30.04.2018
Balance on the 1st of January	80,291,308	90,080,080
Recognition of impairments	32,632	38,009,855
Reversal of impairments	245,958	47,798,627
Balance at the end of the period	80.72.982	80,291,308

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

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

21. Subsequent Events

Appointment of the provisional Supervisory Board Chairman

At the meeting from April 13th, 2018, via Decision no. 30, the members of the Supervisory Board appointed Mr. Olteanu Gheorghe to the position of Chairman of the Supervisory Board.

Appointment of a provisional Directorate member

At the meeting from April 20th, 2018, the Board of Supervisors appointed via Decision no. 37/2018 Mr. Adrian – Constantin Rusu in the position of provisional Directorate member. The term of office is granted for the period left until the mandate expiration of the Directorate members in office, namely until July 16th, 2018. The appointment of Mr. Adrian – Constantin RUSU became effective starting with the date of signing before a notary public of the declaration of acceptance of the mandate as member of the National Power Grid Company "Transelectrica" S.A. Directorate, on April 23rd, 2018, and his appointment shall enter into force as of the date of the Company's statement of notification.

On 20 April 2018 the contract was signed on financing by European funds the project of common interest "Internal line between Cernavoda and Stalpu" between the European Commission and Transelectrica

The National Power Grid Company Transelectrica SA collected on 08.05.2018 the first instalment of 2.2 billion Euros from the financing approved by the European Commission in January to build a high voltage internal line Cernavoda-Stalpu, found in the list of projects of common interest. The total amount of the grant approved by the European Commission is of 27 billion Euros, by means of Europe's Interconnection Mechanism. Such sum covers 50% of the eligible costs of the investment, the remaining cost portion being provided from the Company's own funds. The investment completion date is 31 December 2020. The "400 kV internal line Cernavoda-Stalpu" is the first project receiving funds from the six Transelectrica has in the European Commission's list of projects of common interest. The double circuit 400 kV line Cernavoda-Stalpu aims at consolidating the cross-section between the western Black Sea coast (eastern Romania) and the rest of the European system, while also contributing to enhancing the Romanian electricity transmission network, to increasing the interconnection capacity between Romania and Bulgaria, and to integrating the wind power from Dobrogea.

CNTEE Transelectrica SA

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

The new 400 kV line will be 160 km long; to commission it a 400 kV substation Stalpu has to be built and substations Cernavoda and Gura Ialomitei have to be extended.

Changing the Directorate Chairperson of the National Power Grid Company Transelectrica SA

Decision 38 of 04 May 2018 issued by the Supervisory Board attributed to Mr. RUSU Adrian-Constantin the position of Directorate chairperson, alternatively called Executive Director General or Chief Executive Officer (CEO) of the National Power Grid Company Transelectrica SA beginning with 07 May 2018. As of 7 May 2018 Mrs. POPESCU Georgeta-Corina's position of Directorate Chairperson, alternatively called Executive Director General or Chief Executive Officer (CEO) of the National Power Grid Company Transelectrica SA ended.

Governmental Decision to supplement the Ministry of Economy's budget from the Budgetary Reserve Fund placed at the Government's disposal, provided in the 2018 state budget and to apply the provisions of Law 255/2010 in case of expropriation procedures underway, pertaining to the privately owned buildings found in the expropriation corridor of the public utility project of national interest "400 kV OHL Oradea – Bekescsaba; Installing a 100 MVar shunt reactor in the 400 kV substation Oradea Sud; Telecommunication & tele-transmission equipment for the 400 kV OHL Oradea – Bekescsaba"

On 10 May 2018 the Governmental Decision was passed enabling the completion of expropriation procedures underway for the privately owned buildings found within the expropriation corridor of the public utility project of national interest of the 400 kV OHL Oradea – Bekescsaba. This Governmental Decision approved funds to install a 100 MVar shunt reactor in the 400 kV substation Oradea Sud and to procure telecommunication & tele-transmission equipment for the 400 kV OHL Oradea – Bekescsaba.

The 400 kV OHL Oradea – Bekescsaba was only partially commissioned, namely the double circuit segment of the 400 kV OHL Nadab (RO) – Bekescsaba (HU): 60 km, of which 22 in Romania, simultaneously with the 400 kV OHL Arad – Nadab. The 400 kV OHL Oradea Sud – Nadab segment is 72 km long, simple circuit A and has been partially completed.

Commissioning the Oradea – Nadab segment thus completing the 400 kV OHL Oradea – Bekescsaba also contributes to closing the 400 kV ring of the country's transmission network, a priority objective for Romania.

This line also leads to avoiding congestion costs in the north-wester part of the country, which last year amounted to about 39,000 Lei in March and to about 160,000 Lei in November.

At the same time the urgent completion of the work to the 400 kV OHL Oradea – Bekescsaba will remove the risk of impacting the safe operation of the Romanian Power System (SEN), an ever increasing hazard generated by the potential unavailability of the interconnection line between Romania and Ukraine (the 400 kV OHL Rosiori – Mukachevo), circumstance when it would become extremely difficult and costly to maintain the safe operation of the country's north-western region.

Line completion can be compared to providing a new electricity supply flux / route in the north-western part of the country, with significant impact over the increased operational safety and the availability in case of malfunctions in the transmission infrastructure caused by major failures, natural calamities, disasters, armed or terrorist attacks etc.

Also by commissioning the 400 kV OHL Oradea Sud – Nadab will increase by 100 MW the transfer capacity for export and by 300 MW the import transfer capacity, depending on the specific seasonal internal and external factors.

At present Romania has got only 7% interconnection capacity from the installed capacity of the SEN, as compared to 10% as provided in the European regulations for 2020, this aspect being notified to the European Commission. Commissioning the 400 kV OHL Oradea Sud – Nadab will contribute to approaching this European target.



CNTEE TRANSELECTRICA SA

QUARTERLY REPORT

January – March

2018

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**QUARTERLY REPORT REGARDING THE ECONOMICAL AND FINANCIAL ACTIVITY OF CNTEE
"TRANSELECTRICA" SA**

**according to provisions of Article 67 of Law no. 24 / 2017 on the capital market and the CNVM
Regulation no. 1 / 2006 issued by the National Securities Commission, currently the Financial
Supervisory Authority (ASF)**

for the period ended on March 31st, 2018

Report date:	May 15 th , 2018
Company name:	National Power Grid Company TRANSELECTRICA SA, two-tier company
Registered office:	Bucharest, No. 33 Gen. Gheorghe Magheru Blvd., 3 rd district, ZIP code 010325
Operational office:	Bucharest, No. 2 - 4, Olteni Street, 3 rd District, ZIP code 030786
Telephone / fax:	021 303 5611 / 021 303 5610
Unique registration code:	13328043
Number in the Commercial Register:	J40 / 8060 / 2000
LEI Code (Legal Entity Identifier)	254900OLXOUQC90M036
Company's establishment date:	July 31 st , 2000 / OUG 627
Share capital:	733,031,420 lei, subscribed and paid
Trading regulated market for the issued securities:	Bucharest Stock Exchange, Premium Category
The main features of the issued securities:	73,303,142 shares with a nominal value of 10 lei / share, dematerialized, registered, ordinary, indivisible shares, freely tradable from August 29 th , 2016 under the TEL symbol. 20,000 bonds with a nominal value of 10,000 lei / bond, nominative, dematerialized and unsecured bonds, traded at the BSE, the Credit Title sector – 3 rd Category, corporate Bonds under the TEL 18 symbol, within the category; Maturity date December 19 th , 2018.
Total market value:	1,722,623,837 lei (23.5 lei/share as of 30.03.2018)
Applied accounting standard:	International Financial Reporting Standards
Audit:	The quarterly financial statements drafted on March 31 st , 2018 are not audited

RESPONSIBLE PERSONS' STATEMENT

To our knowledge, the condensed unaudited statements for the three-months period ended on March 31st, 2018, have been issued according to the applicable accounting standards (International Financial Reporting Standards as approved by the European Union) and provide a correct and realistic view of CNTEE Transelectrica SA's assets, liabilities, financial position, profit and loss account.

This report contains correct and complete information regarding the financial and economic situation and the activity of CNTEE Transelectrica SA.

Bucharest, May 14th, 2018

Directorate,

**Adrian-
Constantin
RUSU**

**Directorate
Chairman**

**Dan-Valeriu
ARDELEAN**

Directorate Member

**Andreea-Georgiana
FLOREA**

Directorate Member

**Georgeta-Corina
POPESCU**

Directorate Member

**Florin-Cristian
TĂTARU**

Directorate Member



Key figures 3 M 2018 vs 3 M 2017

KEY FIGURES – 3 months 2018

FINANCIAL		
685 mil ron	▼ 39.1% y/y	Revenues
157 mil ron	▼ 7.2% y/y	EBITDA
68 mil ron	▼ 4.0% y/y	Net income
15.00 TWh	▲ 2.7% y/y	Charged energy volume**

OPERATIONAL		
2.83* %	▼ 0.62pp y/y	OTC
12.10 TWh	▲ 3.94% y/y	Transmitted energy***

OTC Own Technological Consumption

* The value of own technological consumption in the electric energy taken over by the power transmission grid (transmitted energy).

** The charged quantity is defined as the amount of energy extracted from the public electricity grids (transmission grid and distribution grid), except the exports of energy.

*** The transmitted quantity is defined as the amount of energy physically conveyed within the transmission grid.

INVESTMENTS		
Q1 2018	Q1 2017	
42.07 mil ron	64.96 mil ron	Purchase of tangible and intangible assets
131.02 mil ron	15.38 mil ron	Fixed assets recorded in the accounts (PIF)

Note: In order to facilitate reading and understanding of the results, certain figures presented in graphs and/or tables use mil lei as the unit of measure and are rounded up to this unit. This presentation convention might cause, in certain cases, minor differences between the total figures obtained by adding up the components.

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



Financial data

The summary of the financial results as of March 31st, 2018 is presented in the tables below. The financial results are not audited and the extended version for the same time period is presented in the Annexes to this Report.

Separate profit and loss account - unaudited				
[mil RON]	Q1 2018	Q1 2017	Δ	Δ (%)
Charged energy volume - TWh	15.00	14.60	0.4	3%
ALLOWED PROFIT ACTIVITIES				
Operational revenue	300	332	(32)	(10)%
Transmission	272	299	(27)	(9)%
Functional System Services	17	19	(2)	(9)%
Other revenues	11	14	(4)	(26)%
Operational Costs	170	173	(3)	(2)%
System operation costs	87	77	10	13%
Repairs and Maintenance	13	14	(1)	(7)%
Salaries and other retributions	43	41	2	5%
Other Costs	27	41	(14)	(35)%
EBITDA	130	159	(29)	(18)%
Depreciation	76	78	(3)	(4)%
EBIT	55	81	(26)	(32)%
ZERO-PROFIT ACTIVITIES				
Operational revenue	385	793	(408)	(51)%
Technological System Services	184	170	14	8%
The Balancing Market	200	623	(423)	(68)%
Operational Costs	358	783	(425)	(54)%
Technological System Services	158	160	(2)	(1)%
The Balancing Market	200	623	(423)	(68)%
EBIT	27	11	16	155%
ALL ACTIVITIES (WITH ALLOWED PROFIT AND ZERO-PROFIT)				
Operational revenue	685	1,125	(440)	(39)%
Operational Costs	528	956	(428)	(45)%
EBITDA	157	170	(12)	(7)%
Depreciation	76	78	(3)	(4)%
EBIT	82	91	(10)	(11)%
Financial Result	(4)	(5)	1	(21)%
EBT	78	87	(9)	(10)%
Income tax	10	16	(6)	(37)%
Net profit	68	71	(3)	(4)%

Separate Statement of Financial Position - unaudited					
[mil RON]	March 31 st , 2018	December 31 st , 2017, according to GMS decision no.6/30.04.2018	Δ	Δ (%)	
Fixed Assets					
Property, Plant and Equipment	2,989	3,044	(55)	(2)%	
Intangible assets	15	16	0	(1)%	
Financial assets	78	78	0	0%	
Long-term receivables	-	-	-	n/a	
Total fixed assets	3,083	3,138	(55)	(2)%	
Current assets					
Inventories	35	32	3	8%	
Receivables	922	818	104	13%	
Cash and equivalents	499	521	(22)	(4.2)%	
Total current assets	1,456	1,371	85	6.2%	
TOTAL ASSETS	4,538	4,509	30	1%	
Shareholders' equity	2,787	2,717	70	3%	
Non-current liabilities					
Loans	162	195	(33)	(17)%	
Other liabilities	476	488	(12)	(2)%	
Total non-current liabilities	638	684	(45)	(7)%	
Current Liabilities					
Trade payables and other payables	635	700	(65)	(9)%	
Loans	380	317	63	20%	
Other liabilities	99	91	8	12%	
Total current liabilities	1,114	1,108	5	0%	
Total liabilities	1,752	1,792	(40)	(2)%	
Shareholders' Equity and Liabilities	4,538	4,509	30	1%	

Separate Statement of Cash Flows - unaudited					
[mil RON]	Q1 2018	Q1 2017	Δ	Δ (%)	
Cash flow before the changing of working capital	158	186	(28)	(15)%	
Cash flow generated in the operating activity	(5)	10	(15)	n/a	
Net cash from the operating activity	(8)	7	(15)	n/a	
Net cash from the investment activity	(41)	71	(112)	n/a	
Net cash used in the financing activity	27	(35)	62	n/a	
Net decrease in cash and cash equivalents	(22)	43	(65)	n/a	
Cash and cash equivalents as of January 1st	521	934	(413)	(44)%	
Cash and cash equivalents at the end of the period	499	977	(478)	(49)%	

OPERATIONAL RESULTS

Charged energy volume

In the first quarter of 2018, the total charged energy volume for the services performed on the energy market (15.00 TWh) registered an increase of 3% compared to the first quarter of 2017 (the difference between the two periods being +0.4 TWh).

This trend was identified in every analyzed month of 2018, mainly in the months of January and February when, due to the very low temperatures, the energy consumption was high.

Operational revenue

The total operational revenue in the first quarter of 2018 registered a 39.1% decrease compared to the similar period of the previous year (685 mil lei in the first quarter of 2018, up from 1,125 mil lei in the first quarter of 2017).

The **allowed profit activities** segment registered a 9.66% decrease in revenues (300 mil lei in first quarter of 2018 from 332 mil lei in first quarter of 2017), determined by the lowering of average tariffs for the transmission service starting with July 1st, 2017, given the increase in energy consumption.

The revenues from the interconnection capacity allocation registered a 29.2% decrease compared to the amount achieved in the first quarter of 2017 (17 mil lei in the first quarter of 2018, down from 24 mil lei in the first quarter of 2017) related to the usage level of the interconnection availability by the traders on the energy market.

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

On November 19th, 2014, the establishment of the regional energy exchange by Romania, Hungary, The Czech Republic and Slovakia means these four countries should reach the same electricity price for the volumes traded on spot markets. Capacity allocation between Romania and Hungary, the only one of the 3 countries Romania has a border with, is performed by the transmission operators: Transelectrica and MAVIR, using a common mechanism based on a bilateral agreement.

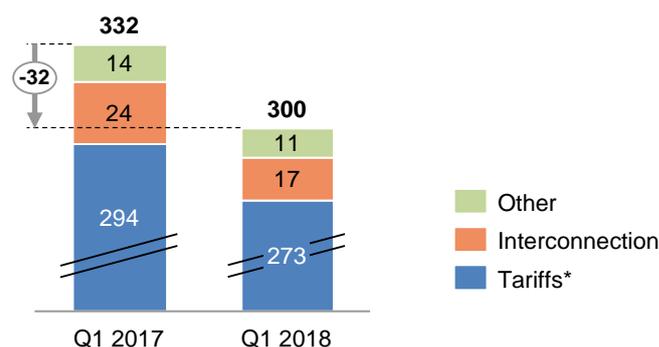
Starting with 2016, the UIOSI principle has been implemented at the border with Bulgaria, and starting

with 2017 at the border with Serbia as well. According to this principle, the participants not using the capacity won at the annual and monthly auctions, are compensated (by Transelectrica) for that capacity. The spare capacity is subsequently sold in the daily auctions. On the Hungarian border the direction is reversed, meaning that MAVIR compensates the participants for the unused capacities.

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

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

Operational revenue from activities with allowed profit
(mil lei)



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

The zero-profit activities revenues registered a 51.47% decrease (385 mil lei in the first quarter of 2018, down from 793 mil lei in the first quarter of 2017), determined mainly by the 67.83% decrease of revenues on the balancing market, as a result of:

- the negative imbalance registered at the level of electricity suppliers on the balancing market in the first quarter of 2018 in comparison with the first quarter of 2017, namely the significant reduction of the imbalance between the notified net contractual position and the actually delivered electricity;
- accessing the available energy in dispatchable groups has maintained high values in the first quarter of 2018 compared to the first quarter of 2017;
- the available energy in dispatchable groups has maintained high values in the first quarter of 2018 compared to the first quarter of 2017, as a result of:

- ✓ the registration of higher quotas of the Danube flow level;
- ✓ the functioning under good conditions, for the largest part of the first quarter of 2018, of the coal, gas and nuclear plants.

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

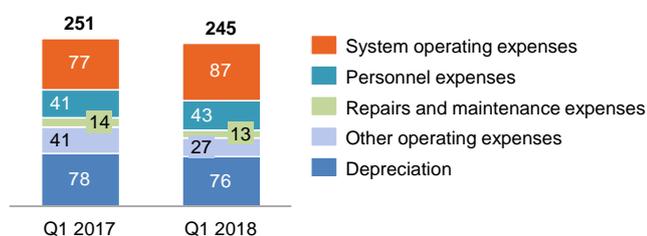
In the first quarter of 2018, the revenues from the performed technological services increased by 8% compared to the same period of 2017, due to the increase of the average tariffs for technological system services starting with January 1st, 2018, given the energy consumption increase.

Operational expenses

The total operational expenses (including depreciation) registered in the first quarter of 2018 decreased by 41.7% compared to the similar period of the previous year (603 mil lei, down from 1,034 mil lei in the same period of 2017).

In the segment of **activities with allowed profit**, the expenses (including depreciation) registered a 2.45% decrease (245 mil lei, down from 251 mil lei in the same period of 2017).

Operational costs from activities with allowed profit
(mil lei)



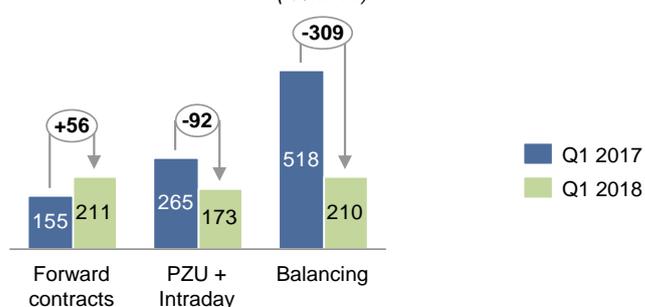
OTC: In the first quarter of 2018, these expenses have increased with the amount of 5.2 mil lei compared to the ones registered in the first quarter of 2017, due to the increase of the electricity quantity necessary to cover the CPT in PTG with ca. 33% (from 256,866 MWh in the first quarter of 2017, to 342,304 MWh in the first quarter of 2018).

The energy crisis registered in the first quarter of 2017, determined by the very low temperatures, in conjunction with the extension of the unavailability of the main power production plants, have determined the sudden increase of prices on the Day–Ahead Market (DAM), Intra–Day Market (IDM) and on the Balancing Market (BM), regarding the purchase of electricity for the own technological consumption.

Thus, in 2018, the electricity for covering the OTC has been purchased on the free energy market, namely on

the Centralized Market for Electricity Bilateral Contracts (CMBC), the Day–Ahead Market (DAM), the Balancing Market (BM) and the Intra–Day Market (IDM) at the average purchase price of 193.8 lei/MWh, compared to the average purchase price of 240.4 lei/MWh in the first quarter of 2017.

Average purchase prices
(lei/MWh)



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

In the first quarter of 2018 the congestion related expenses amounted to 5.2 mil lei due to the failure occurred on the Constanța Nord-Tariverde 400 kV OHL in February 2018.

The **zero-profit activities** segment registered a 54.24% cost decrease (358 mil lei from 783 mil lei in the same period of 2017), determined by the decrease of expenses on the balancing market.

In the period January – March 2018, the technological system services expenses registered a 1.17% decrease compared to the similar period of 2017, generated by the purchase prices for technological system services from the competitive market which were lower compared to the same period of the previous year.

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

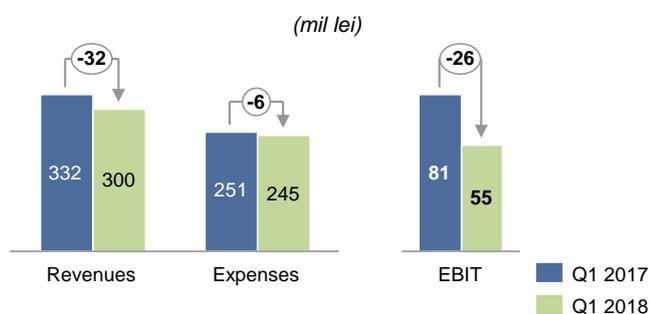
In the first quarter of 2018 the purchase of technological system services was conducted in the regulatory regime according to ANRE decision no. 906/2017 (from SC Hidroelectrica SA) and GD no. 760/11.10.2017, approving the "Winter Program in the Energy Sector for Assuring the safety and stability of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

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

Operational profit

The **allowed profit activities** registered a positive result of 55 mn lei, lowered from 81 mn lei, caused mainly by the lowering of the average transportation tariffs approved by ANRE for transport service (10%) and by the lowering of the ancillary services tariffs (15%), also by the lowering of the revenues from the interconnection capacity allocation.

EBIT structure for activities with allowed profit



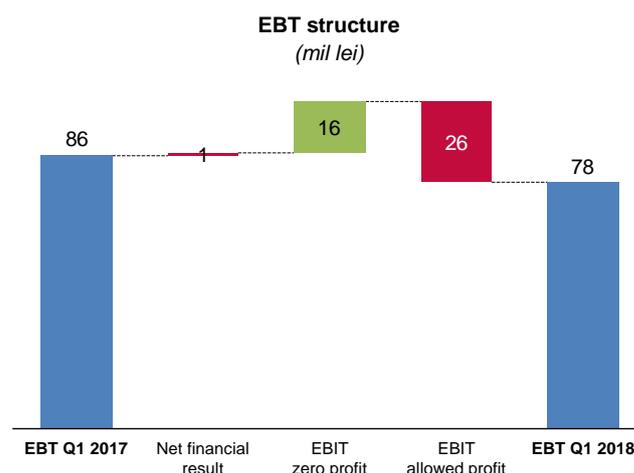
EBIT generated by the **zero-profit activities** registered a positive result of 27 mil lei compared to 11 mil lei, being influenced by the increase in the revenue of the technological system services generated by an increase of 6% in the tariffs.

For the entire activity, **EBIT** registered a decrease of ca. 10.37% (82 mil lei, down from 91 mil in the period of January – March 2017).

Gross profit (EBT)

The gross profit registered a 9.79% decrease, from 86 mil lei in the period of January – March 2017, down to 78 mil lei in the period of January – March 2018.

The difference between the profit registered in January – March 2018 and January – March 2017, broken down in the constitutive elements of the profit, is presented in the graph below:

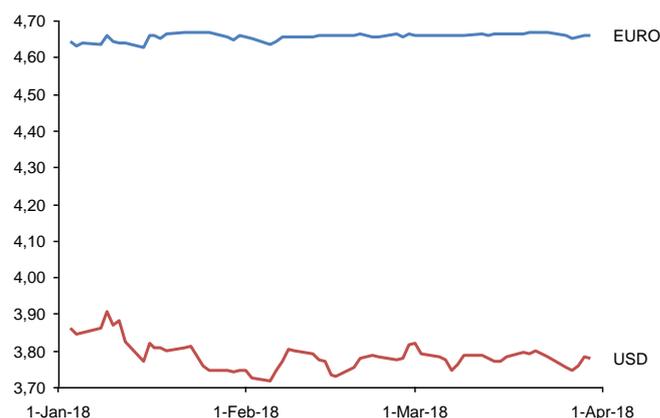


Financial result

The net financial result registered in the period January – March 2018 was negative amounting to 4 mil lei, due to the evolution of the position related to other financial revenues influenced by the evolution of the exchange rate of the national currency to foreign currencies (euro and dollar) in which the Company concluded bank loan agreements for financing the investment programs.

Thus, compared to the net financial result recorded in the period of January – March 2017, the net loss registered in the period of 2018 decreased by 1 mil lei.

Exchange rate evolution



Net profit

The net profit registered a decrease of ca. 3.84% compared to the one registered in the same period of 2017 (68 mil lei, down from 71 mil lei).

FINANCIAL POSITION

Fixed Assets

Fixed assets registered a 2% decrease at March 31st, 2018, compared to December 31st, 2017, mainly following the registration of property, plant and equipment depreciation related to the period.

Current assets

Current assets recorded a 6% increase at March 31st, 2018 (1,456 mil lei compared to the value registered at December 31st, 2017 of 1,371 mil lei), influenced by the 13% increase of receivables (922 mil lei at March 31st, 2018 compared to 818 at December 31st, 2017), and an increase of 8% in inventories (35 mil lei at March 31st, 2018 compared to 32 mil at December 31st, 2017).

The increase of the commercial receivables balance was influenced by the approximately 15% rise of current customers from the operational activity as of March 31st, 2018, which was mainly determined by:

- increase in the electricity quantity delivered to consumers in the months of January and February 2018 compared to the months of November and December 2017;
- decisions regarding the overcompensation for 2017, issued in 2018 by ANRE.

The main current customers on the electricity market are represented by: Electrocentrale Bucuresti SA, Electrica Furnizare SA, RAAN, Ciga Energy, Enel Energie Muntenia SA, E.ON Energie Romania SA, Enel Energie SA, CET Govora SA, MAVIR, CEZ Vanzare SA. The share of main customers in the total trade receivables on the energy market is ca. 61%.

Only the current receivables for the balancing market (186 mil lei), registered a value decrease compared to December 31st, 2017 (244 mil lei), as a result of the decrease in transactions on this market.

As of March 31st, 2018, the Company registered receivables to be cashed from the bonus type support scheme for promoting the high efficiency cogeneration in a proportion of approximately 37% of the total trade receivables.

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

The customers from the bonus type support scheme for promoting the high efficiency cogeneration registered an increase in the receivables on March 31st, 2018, mainly determined by the receivables related to the ANRE decisions on the overcompensation of the cogeneration activity for 2017, amounting to 140 mil lei, registered according to the ANRE Decisions issued in the month of March 2018, on the overcompensation of the activity regarding the support scheme for the year of 2017.

In the timeframe January 1st – March 31st, 2018, the amounts related to the bonus type support scheme have increased compared to December 31st, 2017, mainly due to the overcompensation decisions for 2017, issued in 2018. The overview of the collection of receivables for the cogeneration scheme is as follows:

- the amount of 5 mil lei representing the overcompensation for the year of 2015, via bank transactions from Termoficare Oradea (for Electrocentrale Oradea, according to the rescheduling Convention).

On March 31st, 2018 the Company registered receivables amounting to 304 mil lei, represented by the invoices issued under the bonus type support scheme for high efficiency cogeneration.

The receivables amounting to 304 mil lei are represented by the invoices issued under the bonus type support scheme for high efficiency cogeneration, out of which:

- overcompensation for the period of 2011 – 2013 in the amount of 76.70 mil lei, namely from RAAN – 63.47 mil lei and CET Govora SA – 13.24 mil lei;
- undue bonus for 2014 in the amount of 3.91 mil lei, namely from RAAN – 1.98 mil lei, CET Govora – 1.93 mil lei;
- undue bonus for 2015 in the amount of 0,56 mil lei, namely from CET Govora – 0.53mil lei, Interagro – 0.03 mil lei;
- overcompensation for 2015 in the amount of 4.54 mil lei, namely from Electrocentrale Oradea (debt taken over by Termoficare Oradea);
- overcompensation for 2016 in the amount of 56.68 mil lei, namely from Electrocentrale București;
- overcompensation for 2017 in the amount of 140.34 mil lei, namely from CET Govora – 10.66 mil lei, Electrocentrale București – 126.65 mil lei, Enet SA – 3.03 mil lei;

- cogeneration contribution not collected from the suppliers of energy consumers, amounting to 20.80, namely from: Transenergo Com – 5.88, PetProd – 4.39, Romenergy Industry – 2.68, RAAN – 2.39, Arelco Power – 2.38, UGM Energy – 1.81, CET Govora – 901, KDF Energy – 888 and others.

As of the date of drafting this statement, the Company has registered the following situation regarding the receivables for overcompensating the activity regarding the support scheme for the year of 2017:

- collections in the amount of 139.73 mil lei, out of which collections via bank transactions amounting to 90.90 mil lei from Electrocentrale București and cashing based on compensations made through the Institute for Management and Informatics (according to Government Decision no. 685/1999) amounting to 48.83 mil lei (out of which: Electrocentrale Bucharest - 35.76 mil lei, CET Govora - 10.66 mil lei lei, Enet SA - RON 2,42 mil lei);
- overdue receivables amounting to 0.61 mil lei (ENET SA).

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

CNTEE Transelectrica has concluded an agreement with CET Govora on compensation and rescheduling of payments for the amounts representing the equivalent receivables from the counter value of the overcompensation for the timeframe 2011 – 2013 and

of the undue bonus for 2014 (Agreement no. C 135/June 30th, 2015 and Addendum no. 1/August 4th, 2015). The period of the Agreement was 1 year (timeframe July 2015 – August 2016) and stipulated the Company's right to calculate and collect payment penalties over the instalment period.

According to the Agreement, the Company's receivables to be collected from CET Govora SA were compensated with the debts to CET Govora SA, represented by the cogeneration bonus for the period May 2014 – October 2015 detained pursuant to the Art. 17 (5) from the Order of the ANRE Chairman no. 116/2013 and the provisions of the Agreement, in the amount of 40.5 mil lei.

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

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

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

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

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

unpaid to the Company according to the support scheme.

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

Thus, on March 31st, 2018, the Company does not register depreciation adjustments for the receivables related to the support scheme, the unrecovered value of these receivables being included in the cogeneration contribution.

As of March 31st, 2018, other receivables amounting to 122.74 mainly include various debtors (104.71 mil lei), deferred expenses (12.25 mil lei) and other long-term receivables (4.52 mil lei).

Various debtors amount to 104.71 mil lei, out of which interest on late payments computed for clients in default of payment, amounting to 64.64 mil lei (of which the amount of 26.01 mil lei represents penalties related to the support scheme). The highest interests on late payments have been registered by the following clients: RAAN (16.90 mil lei), SC CET Govora (9.61 mil lei), SC Eco Energy SRL (8.91 mil lei), SC Petprod SRL (8.89 mil lei), Total Electric Oltenia (3.29 mil lei), Arcelor Mittal Galați (2.95 mil lei), Also Energ (2.12 mil lei). Impairment adjustments were recorded for the interest on late payments calculated for the late payment on receivables from the operational activity.

The following receivables are also registered under the category of different debtors:

- down payments made to the supplier ELCOMEX – IEA SA amounting to 31.18 mil lei, for which penalties amounting to 0.69 mil lei have been calculated. The down payments have been granted to the supplier ELCOMEX – IEA SA for performing the following projects:
 - Connecting the Isaccea-Varna 400 kV OHL and the Isaccea-Dobrudja OHL to the Medgidia Sud 400 kV substation – down payment amounting to 9.95 mil lei;
 - Converting the Porțile de Fier – Reșița – Timișoara – Săcălaz – Arad axis to the 400 kV voltage – stage I – Reșița 400/220/110 kV substation – down payment amounting to 21.23 mil lei.

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

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

On the day of insolvency, CNTEE Transelectrica SA held the following agreements concluded with SC Elcomex IEA SA: C163/29.07.2015: "Converting the Portile de Fier – Resita – Timisoara – Sacalaz – Arad to 400 kV / the 400/220/110 kV Resita substation" and C255/18.11.2015 "Connecting the OHL 400 kV Isaccea-Varna and OHL 400 kV Isaccea-Dobruja in the 400 kV Medgidia Sud station, stage I". Following the declaration of insolvency of SC Elcomex IEA SA, CNTEE Transelectrica SA entered on its statement of affairs for the amount of 31.19, representing the consideration of the down payment made to SC Elcomex IEA SA for the agreements no. C163/July 29th, 2015 and C255/November 18th, 2015, and other expenses.

Pricewaterhouse Coopers Business Recovery Services IPURL notifies CNTEE Transelectrica on August 7th, 2017, regarding the cancellation of the agreement C 163/July 29th, 2015 "Converting the Porțile de Fier – Reșița – Timișoara – Săcălaz – Arad to 400 kV / the 400/220/110 kV Reșița substation". On August 8th, 2017, the judiciary administrator Pricewaterhouse Coopers Business Recovery Services IPURL considers itself bound to note the cancellation by CNTEE Transelectrica SA of the agreement no. C255 from November 18th, 2015, regarding "Connection of the Isaccea-Varna 400 kV OHL and Isaccea-Dobruja 400 kV OHL in the Medgidia Sud 400 kV OHL, Stage I", notified by the Company with letter no. 24597 from July 5th, 2017, and at the same time the termination of the agreement on the initiative of CNTEE Transelectrica SA.

Considering that to this date, the amount to be recovered from Elcomex IEA SA is impossible to estimate, there have been no adjustments of depreciation registered for the amounts owed by Elcomex IEA SA.

On July 1st, 2017, the Company submitted an application for summons regarding the issuance of a payment order, an action subject to the case file no. 24552/3/2017 on the docket of the Bucharest Court, Section VI Civil, requesting the Court to rule a decision obliging the debtor ASITO KAPITAL SA to pay the amount of 7,058,773.36 Euro (the equivalent of 31,180.86), representing guarantee policies for the down payments no. BR – 1500544/November 18th, 2015, and no. BR – 1500520/July 29th, 2015. The court

ordered the postponement of proceedings until November 7th, 2017, in the case file no. 24552/3/2017, on the docket of the Bucharest Court, Section VI Civil.Hearing: October 24th, 2017

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

Liabilities

Long term liabilities as of March 31st, 2018 registered a 7% decrease, mainly following the reimbursements carried out according to the existent loan agreements. During the timeframe of January – March 2018, no withdrawals from loans were conducted.

Short-term liabilities have remained somewhat constant as of the date of these statements compared to the level registered as of December 31st, 2017 (1,114 mil lei as of March 31st, 2018 compared to 1,108 mil lei as of December 31st, 2017).

Short-term loans registered a 20% increase while Transelectrica contracted a credit line from Raiffeisen Bank for a 12-month period for financing the bonus type support scheme for high efficiency cogeneration, in the form of overdraft amounting to 100 mil lei.

Trade payables and other payables registered a 9% drop, the following being also included herein:

- current debts on the electricity market:

- the balance of debts for the operational activity registered a slight increase of 0.6% due to the increase in the electricity quantity for covering the own technological consumption in the transmission grid;
- the balance of debts related to the balancing market registered a 37% decrease (from 204 mil lei to 129 mil lei) determined by the

settlement of current payment liabilities on the electricity market as of December 31st, 2017 and by the decrease in the volume of trades on the balancing market during the first quarter of 2018 compared to the fourth quarter of 2017.

- the balance of debts related to the support scheme towards the suppliers (producers) registered a 5.4% increase, determined by the issuance of ANRE decisions pertaining to the payment of the undue bonus and the ante-overcompensation for 2017.

- The balance of asset suppliers registered a 32% drop as of March 31st, 2018 compared to December 31st, 2017, due to the settlement of debts towards asset suppliers.

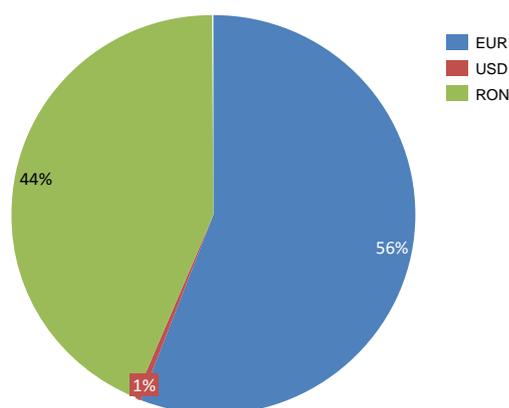
The debts towards suppliers of other activities are mainly represented by the not due debts related to the services provided by third parties, debts which have registered a 21% decrease compared to December 31st, 2017.

As of March 31st, 2018, the Company registers no outstanding debts towards suppliers, the state budget or local institutions.

- Other liabilities registered a 38% increase, mainly due to the "Different creditors" position (amounting to 58 mil lei as of March 31st, 2018 compared to 32 mil lei as of December 31st, 2017). This mainly represents the net position of the support scheme for high efficiency cogeneration, which on March 31st, 2018 registers a debt position amounting to 57 mil. lei (December 31st, 2017: 30 mil lei). The net position of the support scheme represents the difference between the amount of contributions to be collected from the electricity suppliers, the amount of the overcompensation of the activity of electricity and heat production in high-efficiency cogeneration, the undue bonus to be collected from the producers, according to the ANRE decisions, on the one hand, and the cogeneration bonus amount withheld under Article 17 (5) of the Order no. 116/2013 of the ANRE Chairman, the ante-overcompensation and the bonus not granted to be paid to the high efficiency cogeneration energy producers, the beneficiaries of the support scheme, on the other hand.

Deferred revenues registered a 4% decrease in the first quarter of 2018 compared to December 31st, 2017. These are mainly represented by: the connection fee, other subsidies for investments, non-refundable European funds collected from the Ministry of European Funds, as well as revenues from the use of interconnection capacities.

The interest bearing debts (long-term and short-term) are structurally presented in the following.



Shareholders' equity

Shareholders' equity register a 3% increase as of March 31st, 2018 compared to December 31st, 2017, which was primarily driven by registering the net profit in the reported result, amounting to 68 mil lei, accrued as of March 31st, 2018.

According to the provisions of GD no. 27/January 12th, 2017 on the organization and functioning of the Ministry of Economy, the Company functions under the authority of the Ministry of Economy.

On March 3rd, 2017 the transfer in the amount of 43,020,309 shares was registered in the Company's Shareholder Register, from the account of the Romanian State from the administration of the Ministry of Economy, Trade and Tourism, in the account of the Romanian State in the administration of the Ministry of Economy.

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

EVOLUTION OF SHARES

(December 31st, 2017 to March 31st, 2018)

In the period between January and March 2018, the Transelectrica share (BSE symbol: TEL) registered a weaker evolution compared to the main index of the Bucharest Stock Exchange (BET) but also compared to the BET-NG index.

2018 debuted with a trading price of 24.55 lei/share, the market capitalization amounting to 1,723 mil lei, the share price amounting to 23.50 lei at the end of the period (March 31st, 2018). The minimum trading price was registered on March 30th, 2018 and it amounted to 23.50 lei/share, and the maximum of 27.25 lei/share was registered on January 23rd, 2018.





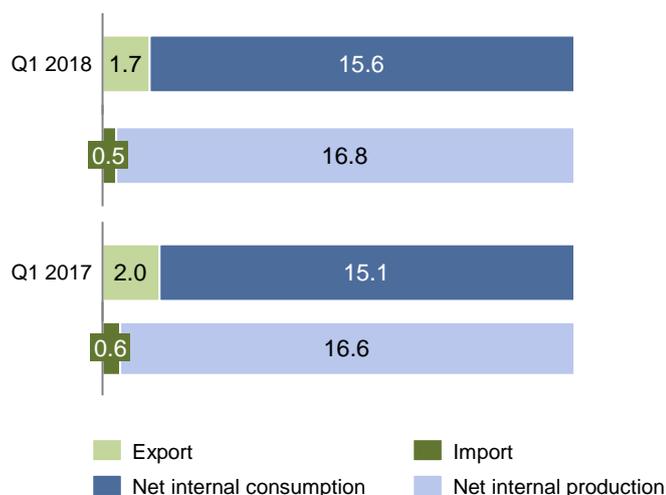
Operational data

THE ENERGY BALANCE OF NPS

Analyzing the development of the energy balance components in the period of January – March 2018 compared to the same period of the previous year, we can see that the net internal consumption¹ rose by 3.2% and the net energy production rose by 1.5%.

The physical cross-border exchanges for export decreased by 14.9% compared to the similar period of 2017, while the cross-border flows for import registered a decrease of 12.2%.

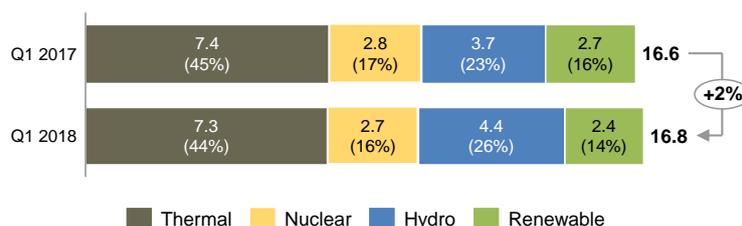
Energy balance
(TWh)



The weight of the hydro component registered a 18.6% increase (4.4 TWh compared to 3.7 TWh).

Analyzing the weights of the net generation mix components for January – March 2018, we observe that the highest weight (44%) is represented by the thermal component, followed by the hydro component (26%), and the energy generated from renewable and nuclear sources has a weight of approximately 14% and 16% respectively.

Net electricity production mix
(TWh)



NATIONAL PRODUCTION PARK

In the first quarter of 2018, the gross capacity installed in power plants registered a 0.4% decrease compared to the same period of 2017.

The capacity installed in renewable energy power plants rose by approximately 0.1%, from 4,533 MW installed as of March 31st, 2017, to 4,535 MW installed as of March 31st, 2018.

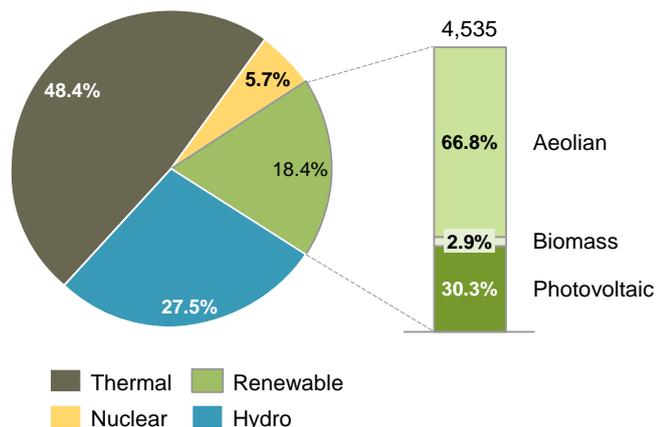
The dynamics of the installed capacity corresponding to the period of January – March 2018 and 2017 respectively is presented further below:

PRODUCTION MIX

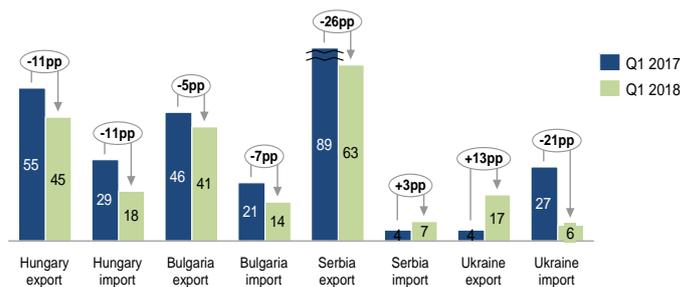
In the period of January – March 2018 compared to 2017, the generation mix structure registered a decrease in the weight of the thermal component of approximately 0.7%, of the nuclear component of 1.9% and of the renewable sources generation of 12.4%.

¹ values do not include the consumption of auxiliary services from the power plants generating electricity; the value of the net load includes the losses from transmission and distribution grids, as well as the consumption of pumps from the pumping storage hydropower substations.

Installed capacity Q1 2018 (24,628 MW, gross value)

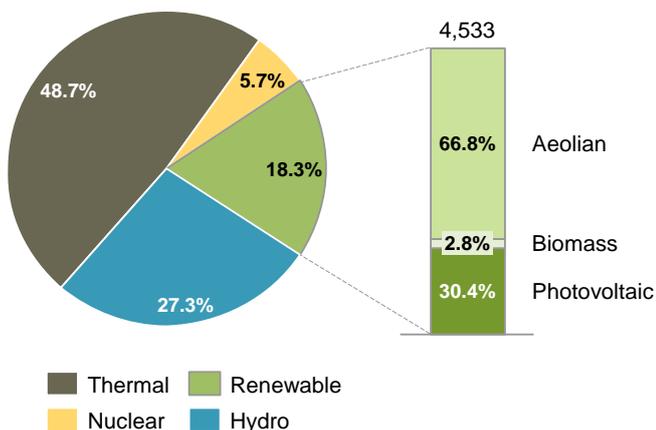


Degree of usage of the total allocated capacity (%)

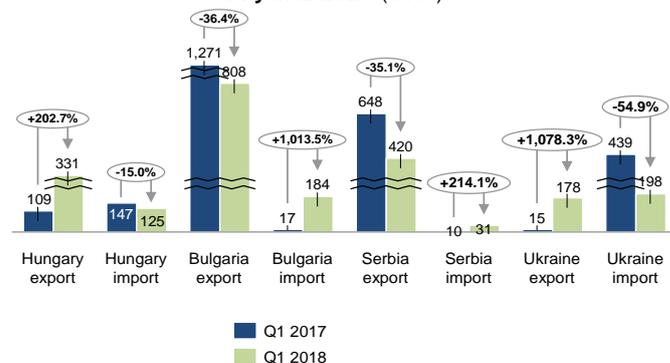


The physical flows for both import and export on each border are presented below:

Installed capacity Q1 2017 (24,726 MW, gross value)



Physical flows (GWh)



CROSS-BORDER FLOWS

The cross-border flows have registered significant evolutions in relation to Serbia, Bulgaria and Ukraine.

Thus, compared to the first quarter of 2017, the physical flows for export decreased on the Bulgarian (36.4% -463 GWh) and Serbian interconnection (35.1% -227 GWh), while increases were registered on the Hungarian and Ukrainian interconnections.

Analyzing the physical flows for import we observe increases on the Bulgarian and Serbian interconnections, while on the Hungarian and Ukrainian interconnections we observe decreases.

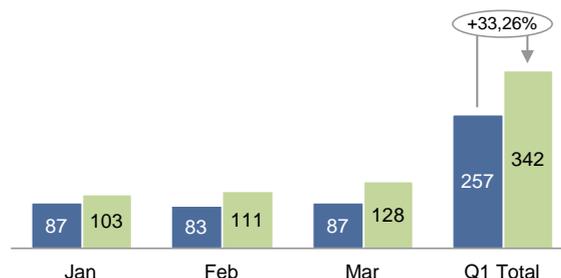
In the first quarter of 2018, the degree of usage of the total capacity allocated on the interconnection lines for export decreased compared to the first quarter of 2017 on most destinations; the interconnection with Ukraine was the only one to register an increase (+13pp).

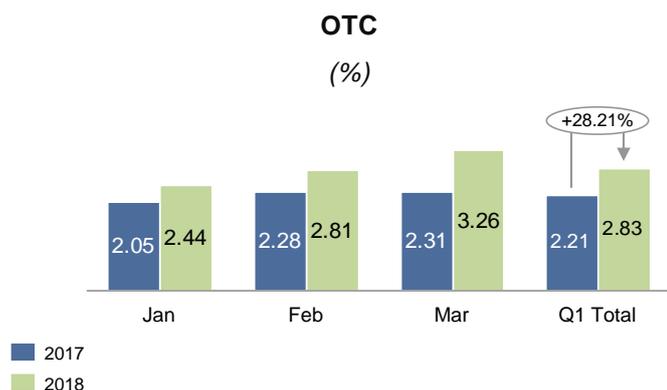
OWN TECHNOLOGICAL CONSUMPTION

In the first quarter of 2017, the OTC in PTG rose by ca. 33.26% compared to the similar period of 2017, due to the more disadvantageous physical import/export flows and the more disadvantageous distribution of production which led to the increase of the energy transmission remotely from the sources, and due to the significantly more disadvantageous weather conditions which determined the accentuated increase of Corona losses. Reported to the energy contour input, the losses increased from 2.21% to 2.83%.

Realized OTC

(GWh)





PHYSICAL OTC REDUCTION FACTORS

In January 2018, the absolute value of the OTC rose by ca. 18.51% compared to January 2017, due to the more disadvantageous physical import/export flows and the more disadvantageous distribution of production which led to the increase of the energy transmission remotely from the sources, and due to the significantly more disadvantageous weather conditions which determined the increase of Corona losses. The losses percentage reported at the PTG-input energy rose from 2.05% in 2017 to 2.44% in 2018. The net internal energy consumption was 3.16% lower compared to January 2017. The contour input energy decreased by 0.29% in January 2018, compared to the similar period of 2017. The weather conditions have been more unfavorable, the registered rainfall quantities being higher than in the previous year.

In February 2018, the absolute value of the OTC rose by ca. 33.74% compared to February 2017, due to the more disadvantageous physical import/export flows and the more disadvantageous distribution of production which led to the increase of the energy transmission remotely from the sources, and due to the significantly more disadvantageous weather conditions which determined the increase of Corona losses. The losses percentage reported at the PTG-input energy rose from 2.28% in 2017 to 2.81% in 2018. The net internal energy consumption in February 2018 was 2.6% higher compared to February 2017. The contour input energy increased by 8.34% in February 2018, compared to the similar period of 2017. The weather conditions have been more unfavorable, the rainfall quantities recorded in the South area, with the highest density in transmission lines, being much higher than in the previous year.

In March 2018, the absolute value of the OTC rose by ca. 47.56% compared to March 2017, due to the more disadvantageous physical import/export flows and the more disadvantageous distribution of production which led to the increase of the energy transmission remotely from the sources, and due to the significantly more disadvantageous weather conditions which determined the increase of Corona losses. The losses percentage reported at the PTG-input energy rose from 2.31% in 2017 to 3.26% in 2018. The net internal energy consumption in March 2018 was ca. 10.9% higher compared to March 2017. The contour input energy increased by 4.43% in March 2018, compared to the similar period of 2017. The weather conditions have been much more unfavorable, the registered rainfall quantities being much higher than in the previous year (in the Oltenia area, one of the areas with the highest density in transmission lines, the rainfall quantity was nearly four times higher compared to March 2017).

In conclusion, in the first quarter of 2018, the OTC in PTG rose by ca. 33.26% compared to the similar period of 2018, due to the more disadvantageous physical import/export flows and the more disadvantageous distribution of production which led to the increase of the energy transmission remotely from the sources, and due to the significantly more disadvantageous weather conditions which determined the accentuated increase of Corona losses. Reported to the energy contour input, the losses increased from 2.21% to 2.83%.



Investments

FIXED ASSETS REGISTERED IN THE ACCOUNTS

The value of fixed assets recorded in the accounts in the first quarter of 2018 amounted to 131.02 mil lei.

In the first quarter of 2018, the most important transfers from tangible assets in progress to tangible assets are mainly represented by the commissioning of the investment objectives, as follows:

- 400 kV OHL interconnecting Resita (Romania) - Pancevo (Serbia) – STALPII 1-206 – 98.59 mil lei;
- Upgrading the Cluj Est 400/110/10 kV station – 13.39 mil lei;
- Replacing AT and TRAF0 in electrical substations – Stage II – 5.58 mil lei;
- Reparation of the failure of the 110-120 terminals of the Bucharest Sud – Ghizdaru 220 kV OHL – 4.27 mil lei;
- Assembling the optic fiber and upgrading the system of distance protections on the 400 kV OHL d.c. Țânțăreni – Turceni and the 400 kV OHL s.c. Urechești – Rovinari – 2.12 mil lei;
- Equipment for videowall type display for the control rooms of the dispatching NPD/TPD centers – 1.98 mil lei;
- Computing and software – hardware and software – laptops – 1.09 mil lei;
- Replacing the connectors from electrical substations – 987;
- Converting the Porțile de Fier – Reșița – Timișoara – Săcălaz – Arad axis to the 400 kV voltage – stage I – Porțile de Fier – (Anina) – Reșița 400kV OHL s.c. – 0.7 mil lei;
- Regulating the coexistence between the Mintia-Sibiu 400 kV OHL, in the 6-8 opening, and the Lugoj-Deva highway, 4th lot, Iliia-Deva district, km 77+361 - km 99+500 –0.6 mil lei;
- Upgrading the 110/6 kV substation from the Peștiș 220/110/6 kV substation – 519 mil lei;

PURCHASES OF ASSETS

The purchases of tangible and intangible assets in the first quarter of 2018 amount to 42 mil lei, compared to the first quarter of 2017 when the purchases amounted to 65 mil lei.

The balance of tangible assets in progress as of March 31st, 2018 is represented by the projects in progress, the most significant being listed below:

- PTG connection of the Ivești 300 MW WPP, Fălciu 1 88 MW WPP and Fălciu 2 18 MW WPP via the new Banca (400)/220/110 kV substation – 46.88 mil lei;
- Technical upgrade of the Bradu 400/220/110/20 kV substation – Stage IV – 38.64 mil lei;
- Converting the Porțile de Fier – Reșița – Timișoara – Săcălaz – Arad axis to the 400 kV voltage – stage I – Porțile de Fier – (Anina) – Reșița 400kV OHL s.c. – 20.20 mil lei;
- Extending the services providing business continuity and recovery after disasters to the executive – 14.41 mil lei;
- Upgrading the Suceava 110 kV and 20 kV substation – 12.38 mil lei;
- Connecting the Isaccea – Varna 400 kV OHL and the Isaccea – Dobrudja 400 kV OHL in the Medgidia Sud 400 kV substation – 10.76;
- Upgrading the command-control-protection system of the Sărdănești 220/110/20 kV substation – 10.76 mil lei;
- Integrated security system in electric substations, stage IV – 10.31 mil lei;
- Cernavodă – Stâlpu 400 kV OHL d.c. and connection in Gura Ialomiței – 8.36 mil lei;
- Converting the Porțile de Fier – Reșița – Timișoara – Săcălaz – Arad axis to the 400 kV voltage – stage I – Reșița 400/220/110 kV substation – 6.57 mil lei;
- Replacing AT and TRAF0 in electrical substations – Stage II – 6.10 mil lei;
- 400 kV OHL Gădălin – Suceava, including the NPS interconnection – 6.02 mil lei;
- 400 kV HVDC Link (submarine cable Romania – Turkey) – 5.85 mil lei;
- Technical upgrade of the Hășdat 220/110 kV substation – 4.45 mil lei;
- Suceava – Bălți 400 kV OHL, for the part of the project on Romanian territory – 4.43 mil lei;
- Gutinaș – Smâdan 400 kV OHL d.c. – 3.23;
- Converting of the Porțile de Fier – Reșița – Timișoara – Săcălaz – Arad axis to the 400 kV voltage, stage II – Reșița – Timișoara –

- Săcălaz 400 kV OHL d.c. (Timișoara 220/110kV substation) – 3.22 mil lei;
- Extending the control system with new functions and IT registration of access in the objectives of CNTEE Transelectrica SA – 3.20;
 - Upgrading the Râureni 220/110/20 kV substation - 2.92 mil lei;
 - Connecting the 136 MW WPP Platonești, Ialomița county, to the PTG through constructing a 110 kV cell in the Gura Ialomiței 400/110 kV substation – 2.89 mil lei;
 - Upgrading the Arefu 220/110/20 kV substation – 2.84 mil lei;
 - Integrated security system in electric substations, stage III – 2.80 mil lei;
 - Technical upgrade of the Tulcea Vest 400/110/20 kV substation – the construction part – 2.74 mil lei;
 - By-passing the Cetate 1 & 2 110 kV OHL in the proximity of the Ostrovul Mare 110/20/6 kV substation – 2.58 mil lei;
 - Connecting the 99 MW Dumești WPP and the 30 MW Românești WPP, Iași county, to the PTG, through constructing a 110 kV cell in the FAI 220/110 kV substation – 2.55 mil lei;
 - Assembling the optic fiber on the Fundeni-Brazi Vest 220 kV OHL – 1st lot – 2.14 mil lei;
 - Upgrading the hardware and software platforms of the SCADA system in the Slatina 400/220 kV substation – 2.09 mil lei;
 - Security solution for implementing the security measures related to classified information – 2.01 mil lei;
 - Connection of the MDF factory demand facility from Arges, Oarja commune, Ceausesti village, Armata point, 5 and 46 land plots, connection to the 110 kV bus-bar of the Pitesti Sud 220/110/20 kV substation via an 110 kV UPL with a ca. 450 m length – 1.76 mil lei;
 - Consolidation, upgrading and extension of the CNTEE "Transelectrica" headquarters – 1.63 mil lei;
 - Upgrading the 110/6 kV substation from the Peștiș 220/110/6 kV substation – 1.36 mil lei;
 - Technical upgrade of the Isaccea 400 kV substation – Stage I – replacing the compensation bobbins, the corresponding cells and the Stupina 400 kV cell – 1.26 mil lei;
 - Technical update of the Turnu Severin Est 220/110 kV substation – 1.15 mil lei;
 - Integrated security system at the new Banca 400/220/110 kV substation – 1.13 mil lei;
 - Performing the optical fiber communication between the 220/110/20 kV Pitești Sud substation and the remote control and installation supervision center of ST Pitești (SF) – 1.08;
 - Upgrading the Dumbrava 220/110 kV substation – 1.01 mil lei;
 - Connecting the Stupina 400 kV substation to the PTG and connecting the Isaccea-Varna 400 kV OHL – 0.9 mil lei;
 - Research and development center for technologies for working under voltage (LST) and rapid intervention in the NPS – center building – 0.9 mil lei;
 - Ostrovu Mare 220 kV OHL d.c. – PTG – 0.8 mil lei;
 - Oradea – Beckescsaba 400 kV OHL – 0.7 mil lei;
 - Assembling the optic fiber and upgrading the system of distance protections on the 400 kV OHL d.c. Țânțăreni – Turceni and the 400 kV OHL s.c. Urechești – Rovinari – 0.7 mil lei;;
 - Converting the Brazi Vest - Teleajen - Stâlpu 220 kV OHL to 400 kV, including the purchase of the 400MVA 400/220/20 kV AT, extension works for the 400 kV and corresponding 220 kV stations, in the Brazi Vest 400/220/110kV station – 0.7 mil lei;
 - Connecting the Sarichioi, Tulcea county 33 MW WPP to the PTG, in the Zebil 110 kV cell from the Tulcea Vest 400/110 kV substation – 0,6 mil lei;
 - Stâlpu 400 kV substation – 0.6 mil lei.

CONTRACTUAL MATTERS

The most important investment contracts concluded in the first quarter of 2018 are:

- Technical upgrade of the Craiova Nord 220/110 kV substation – 9,886,804.32 Euro;
- Technical upgrade of the Oțelărie Hunedoara 220 kV substation – 12.6 mil lei;
- Technical upgrade of the Hășdat 220/110 kV substation – 49.7 mil lei;



Significant events

EVENTS OCCURRED IN JANUARY – MARCH 2018

- **DECISION NO. 1 of the General Assembly of Shareholders – Acceptance of the mandate as provisional member of the Board of Supervisors**

The Company's Ordinary General Assembly of Shareholders recalls Beatrice AMBRO from the position of provisional member of the Board of Supervisors of the Company and appoints Constantin DUMITRU as provisional member of the Board of Supervisors, with a mandate duration until March 30th, 2018, also approving the form of the mandate contract.

The appointment of Constantin DUMITRU became effective starting with January 15th, 2018, the date of signing before a notary public of the declaration of acceptance of the mandate as provisional member of the Company's Board of Supervisors.

- **Extending the Directorate mandate**

On January 15th, 2018, the Board of Supervisors decided the extension of the mandate contract of the provisional members of the Directorate, via an Addendum for a period of 2 months, namely up to March 16th, 2018. Thus, the Directorate structure is the following:

1. Georgeta – Corina POPESCU 2. Andreea – Georgiana FLOREA 3. Dan – Valeriu ARDELEAN 4. Mircea – Toma MODRAN 5. Florin - Cristian TĂTARU.

- **Public consultation regarding the Implementation Framework for the European platform for the imbalance netting process**

Pursuant to Article 22 (1) of the Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing (also available on www.transelectrica.ro under the Pan-European Codes section), within six months since the entry into force of the regulation, all TSOs develop a proposal regarding the implementation framework for the European platform for the imbalance netting process.

Thus, the Project Team Imbalance Netting work group was founded at ENTSO-E level, aiming to prepare all deliverables related to the imbalance netting process for the future European Platform, in accordance with the requirements provided in the Regulation. To date, this work group completed the Implementation Framework document and initiated the public consultation. This public consultation refers to the proposal developed by all TSOs regarding the implementation framework of an European Platform for the imbalance netting process, as per Article 22 of the Code.

The public consultation was launched on ENTSO-E's webpage on January 15th, 2018 at 12:00 o'clock, and closed on March 15th, 2018 at 12:00 o'clock.

- **Fire at the București Sud substation**

The fire started on Monday, January 22nd, 2018 at 21:23 o'clock at an equipment from the București Sud 400/220/110 kV transformation substation impacted neither the electricity supply for consumers, nor the operational security of the national power system. Firefighters extinguished the fire and there were no injuries or material damages. The equipment impacted by the fire (bucking coil) shall be investigated in order to establish the cause of the fire.

- **First consultation stage within the MARI project (Manually Activated Reserves Initiative)**

The MARI and PICASSO projects are in the final stages of analyzing the results of the public consultation. The consultation process took place in November and December 2017. A total of 65 stakeholders participated at the MARI consultation and answered a questionnaire of 45 questions pertaining to the planification of the new platform. A total of 58 stakeholders took part in the PICASSO consultation, answering 67 questions.

Two meetings took place in order to discuss the aforementioned consultations, as well as other important developments within the two projects.

The feedback provided during the consultations and workshops will be reflected in preparing the proposals for the implementation frameworks of the mFRR and aFRR platforms. The proposals for the implementation frameworks will be consulted upon this summer with the stakeholders before their completion and submission to the NRAs for approval.

- **Notification regarding the intention to amend the framework sale and purchase agreement for ancillary services**

The Company intends to amend the framework sale and purchase agreement for ancillary services between the Ancillary services supplier and the Transmission and System Operator, governed by the provisions of Order no. 21/2007 of the ANRE Chairman.

In order to identify a solution accepted by all ancillary services market participants, a public consultation will be launched pertaining to the proposals of the Company regarding the amendment of the framework sale and purchase agreement for ancillary services between the Ancillary services supplier and the Transmission and System Operator, governed by the provisions of Order no. 21/2007 of the ANRE Chairman.

- **European Commission's approval from January 25th, 2018 of the grant amounting to 27,085,000 euro for constructing the Cernavodă – Stâlpu 400 kV electrical line**

The project for the construction of the Cernavodă-Stâlpu 400 kV electrical line is the first of the six projects of common interest of Transelectrica, included on the list revised in November of last year, to receive financing from the European Commission.

The Cernavodă-Stâlpu overhead electrical line shall contribute to the increase in interconnection capacity between Romania and Bulgaria and to the integration of wind energy in the Dobrogea area.

The Cernavodă-Stâlpu line project, part of the Black Sea Corridor cluster, is one of the six major investment objectives carried out by the National Power Grid Company Transelectrica SA which are on the third list of projects of common interest (PCI) regarding the energy infrastructure, adopted last year in November by the European Commission. The total value of the six investment projects amounts to ca. one billion lei. All of these projects contribute to the construction of the 400 kV national ring, an objective included in the program for government which leads to an increase of the operational security of the PTG and to reaching an economical operational regime of the PTG.

The construction of this line is a necessity, taking into account the development perspectives of the generation park in the Dobrogea area. The Cernavodă-Stâlpu 400 kV line will have a length of ca. 160 km and in order to commission it, we must construct the Stâlpu 400 kV substation and extend the Cernavodă and Gura Ialomiței substations. As per the 10 years' development plan of CNTEE Transelectrica SA, the Cernavodă-Stâlpu 400 kV OHL will be completed in 2020.

- **DECISION NO. 3 of the Company's Ordinary General Assembly of Shareholders from March 5th, 2018**

The Company's Ordinary General Assembly of Shareholders establishes the Investment plan for the financial year of 2018 and the estimates for 2019 and 2020 and approves the Company's sets the statement of expenditure and revenue for the year of 2018, as well as the estimates for 2019 and 2020.

It also approves the purchase of consulting, assistance and/or representation legal services for the National Power Grid Company Transelectrica S.A. in connection with actual and potential litigations of the Company or, as the case may be, if the Company would be against actual/former members of the Board of Supervisors and Directorate for the execution of the mandate contracts concluded with them and the Directorate mandate for taking the necessary legal action for contracting the aforementioned consulting, assistance and/or representation legal services for the National Power Grid Company Transelectrica S.A. and for signing the contract with the law firm.

- **Appointment of provisional Directorate members**

In the meeting on March 14th, 2018, the Board of Supervisors appointed as provisional Directorate members, starting with March 17th, 2018, the following persons:

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

The mandate is granted for a 4-month period with the possibility of extension, for solid reasons, for another 2 months.

Pursuant to Art. 18 (4) of the Articles of Association of the Company, the Board of Supervisors appoints Mrs. Corina POPESCU as Directorate Chairman, alternatively called Chief Executive Officer – "CEO" – of the National Power Grid Company "Transelectrica" – SA, starting with March 17th, 2018.

The provisional members of the Directorate, appointed on March 14th, 2018 by the Board of Supervisors, signed the declaration of acceptance of their mandates on March 15th, 2018, their appointment being effective since March 17th, 2018 according to the declaration of acceptance.

- **DECISION NO. 4 of the Company's Ordinary General Assembly of Shareholders from March 29th, 2018**

The Company's Ordinary General Assembly of Shareholders appoints the following persons as provisional members of the Board of Supervisors starting with March 31st, 2018:

- Cristian Eugen RADU
- Liviu ILAȘI
- Constantin DUMITRU
- Fănel MIHALCEA
- Ion CIUCULETE
- Gheorghe OLTEANU
- Alin-Sorin MITRICĂ

- **Web service in the information platform of the balancing market**

The Company implemented the **web services** connection feature in the information platform the balancing market. Details regarding the new feature are available at: <https://markets.transelectrica.ro/wse/damasservice.aspx>.

- **DECISION NO. 5 of the Company's Ordinary General Assembly of Shareholders from March 29th, 2018**

Destination	Amount (mil lei)
Accounting profit remaining after deducting income tax as of December 31 st , 2017	28,2
Allocation of accounting profit to the following destinations:	
Legal reserve (5%)	2,6
Other allocations provided by law – exemption of reinvested income tax	12,5
Other allocations provided by law – revenues obtained in 2017 by allocating the interconnection capacity (net of income tax and legal reserve) – partial distribution, limited by the net profit	13,1
Profit not distributed	-

The Company's Ordinary General Assembly of Shareholders establishes the mandate duration for the provisional administrators to two months, starting with March 31st, 2018 and until May 30th, 2018 respectively, but no later than the conclusion of the selection procedures under G.E.O 109/2011, if the procedure will be over within this timeframe.

SUBSEQUENT EVENTS

- **Appointment of the provisional Supervisory Board Chairman**

At the meeting from April 13th, 2018, via Decision no. 30, the members of the Supervisory Board appointed Mr. OLTEANU Gheorghe to the position of Chairman of the Supervisory Board.

- **Appointment of a provisional Directorate member**

At the meeting from April 20th, 2018, the Board of Supervisors appointed Mr. Adrian – Constantin RUSU in the position of provisional Directorate member. The term of office is granted for the period left until the mandate expiration of the Directorate members in office, namely until July 16th, 2018.

The appointment of Mr. Adrian – Constantin RUSU became effective starting with the date of signing before a notary public of the declaration of acceptance of the mandate as member of the National Power Grid Company "Transelectrica" S.A. Directorate, on April 23rd, 2018, and his appointment shall enter into force as of the date of the Company's statement of notification.

- **DECISION NO. 6 of the Company's Ordinary General Assembly of Shareholders from March 30th, 2018 on the approval of the Company's stand-alone and consolidated financial statements**

The Company's Ordinary General Assembly of Shareholders approves the stand-alone and consolidated financial statements of CNTEE „Transelectrica”–SA for the financial year of 2017, amended by the registration of the loss resulted from the additional payment obligations recorded in the tax inspection report of ANAF – DGAMC, amounting to 75,7 mil lei, detailed in the Company's Memo no. 14134/March 29th, 2018, in the reported result resulted from the correction of accounting errors.

The distribution of the profit corresponding to the financial year of 2017 is approved with the following destinations:

Approval is granted for the establishment of reserves amounting to 33,9 mil lei, corresponding to the income acquired from the transmission capacity allocation on the interconnection lines, left uncovered following the profit distribution of 2017 from the surplus acquired from revaluation reserves, non-taxable upon change of destination.

Approval is granted for covering of losses generated from actuarial losses amounting to 16,6 mil lei and covering the loss generated from additional payment obligations recorded in the tax inspection report of ANAF – DGAMC amounting to 75,7 mil lei, from the surplus acquired from the revaluation reserves, non-taxable for the destination modification.

Approval is granted for the discharge of the Directorate and Board of Supervisors members for the financial year of 2017.

- **Availability of Transelectrica's sustainability report for 2017**

The sustainability report is published for the first time, developed according to the recommendations of the Global Reporting Initiative standard (GRI). This is a document which refers to 2017 and takes into account the Company's development with a clear orientation towards investments, sustainability and predictability.

The report is available online on www.transelectrica.ro, the Investor Relations and Financial Reports/Periodical Reports/Reports section.

- **Change of the Company's Directorate Chairman**

Via Decision no. 38 from May 4th, 2018, the Board of Supervisors assigns the position of Directorate Chairman, alternatively called Executive General Manager or Chief Executive Officer – "CEO" of the National Power Grid Company "Transelectrica" SA, starting with May 7th, 2018, to Mr. RUSU Adrian-Constantin. Starting with May 7th, 2018, the position of Mrs. Georgeta-Corina POPESCU as Directorate Chairman, alternatively called Executive General Manager or Chief Executive Officer – "CEO" of The National Power Grid Company "Transelectrica" SA ceases.

- **Conclusion of the agreement for financing through European funds of the project of common interest "Internal line between Cernavodă and Stâlpu" between the European Commission and Transelectrica on April 20th, 2018**

The Company collected the first installment of funds in May, amounting to 2.2 million euro, from the funds approved in January by the European Commission for

building the high-voltage internal line Cernavodă-Stâlpu, one of the projects of common interest. The total value of the grant approved by the European Commission via the Connecting Europe Facility amounts to 27 million euro. This amount covers 50% of the investment's eligible expenses, the rest of the amount will be covered through the Company's own financial sources. The deadline for completion of the investment is December 31st, 2020.

The Cernavodă – Stâlpu d.c. 400 kV line aims at strengthening the cross section between the West coast of the Black Sea (Eastern Romania) and the rest of the European system, contributing at the same time to the strengthening of the Romanian electricity transmission grid, the increase in interconnection capacity between Romania and Bulgaria and the integration of wind energy in the Dobrogea area.

The new 400 kV line will have a length of ca. 160 km and in order to commission it, we must construct the Stâlpu 400 kV substation and extend the Cernavodă and Gura Ialomiței substations.

- **Investment of over 83 million lei, Oradea-Bekescsaba 400 kV OHL**

The 400 kV Oradea-Bekescsaba Airline Electricity project, an investment of over 83 mil lei, blocked since the year 2008 due to expropriations, was

the year 2008 due to expropriations, has been unblocked following the adoption by the Romanian Government on May 10th, 2018 of a Decision allowing completion of the completion of ongoing expropriation procedures for privately owned real estate located in the expropriation corridor of the public utility project of national interest LEA 400 kV Oradea-Bekescsaba. The same Government Decision approved funds for installing a 100 MVar compensation coil at the Oradea South 400 kV station and for the acquisition of telecommunication and tele-transmission equipment for Oradea-Bekescsaba 400 kV LEA.

"This Government Decision allows the completion of the 400 kV Oradea - Bekescsaba Air Line, project that has been preserved for 10 years. This is a large-scale investment, with an updated value of over 83 million lei. The completion of this investment is of major importance for the safety of the National Electricity System, "stated the Company's Directorate.



Other Issues

SHAREHOLDERS' STRUCTURE

Shareholder's structure as of March 31st, 2018 is the following:

Shareholder name	No. of shares
The Romanian State	43,020,309
Dedeman SRL	4,208,363
Other shareholders - legal persons	20,548,351
Other shareholders - natural persons	5,526,119
Total	73,303,142

TARIFFS

The tariffs approved by ANRE (Order no. 48 / 2017) are presented in the table below:

Index	Tariff	UM	Tariff applied as of July 1 st , 2016	Tariff applied as of July 1 st , 2017	Difference %
A	Electricity transmission	lei/MWh	18.70	16.86	-9.8%
B	Functional system service	lei/MWh	1.30	1.11	-14.6%
C	Technological system service	lei/MWh	11.58	9.39	-18.9%
	Charged quantity	TWh	52.0	54.0	-

Electricity transmission service

The tariff decrease (-9.8%) is explained mainly by two factors:

1. The negative ex-post corrections - the negative corrections applied for the compensation of differences between the forecasted values used to calculate the tariff in the previous tariff years and the actual recorded values (final corrections for the year July 1st, 2015 - June 30th, 2016, preliminary corrections for the year July 1st, 2016 - June 30th, 2017).

DIRECTORATE MEMBERSHIP

On the date of issuing this report, the Directorate structure is the following:

Adrian Constantin RUSU	Chairman of the Directorate
Dan - Valeriu ARDELEAN	Directorate Member
Andreea Georgiana FLOREA	Directorate Member
Georgeta-Corina POPESCU	Directorate Member
Florin - Cristian TĂTARU	Directorate Member

The contribution of ex-post corrections to the decrease in the new approved tariff compared to the previous tariff is of -5.6%.

The most important elements of the ex-post corrections applied in calculating the new approved tariff are: (i) the price of energy purchased to cover the own technological consumption, (ii) the inflation index, (iii) using a part of the incomes resulted from interconnection capacity allocation as a complementary source for the regulated tariff in order to cover the regulated costs, (iv) the increase of energy consumption above the level forecasted by ANRE when planning the tariff;

2. The electricity volume chargeable at the extraction point was increased from 52 TWh to 54 TWh. The contribution of the change in the chargeable volume to the decrease in the new approved tariff compared to the previous tariff is of -3.7%.

In addition to the negative corrections there have been other factors which contributed to the establishment of the approved tariff value, entered into force on July 1st, 2017, compared to the tariff in force until June 30th, 2017:

- The forecasted inflation used for the calculation of the new approved tariff was higher than the forecasted inflation used for the calculation of the previous tariff (the inflation index used for the calculation of the new tariff is higher than the inflation index

used for the calculation of the tariff for the previous tariff year).

The contribution of the inflation index difference to the modification in the new approved tariff compared to the previous tariff is of +0.37%;

- The basic annual income calculated as a sum of the annual regulated costs, set forth based on the cost forecast for a period of 5 years, approved by ANRE for the regulation period July 1st, 2014 - June 30th, 2019, is slightly higher than the basic annual income corresponding to the previous tariff year. The linearization of the annual income series within the regulation period led to a redistribution of the annual income within the period, while keeping constant the total income value for 5 years, the income development from one year to the next representing a decreasing negative slope. The cumulated contribution of the two elements presented within this paragraph to the modification in the new approved tariff compared to the previous tariff is of -0.92%.

Functional system service

The tariff decrease (-14.6%) was determined by:

- The negative ex-post correction included in the new tariff is higher than the negative correction applied to the tariff for the previous year. The contribution of the ex-post correction to the decrease in the new approved tariff compared to the previous tariff is of -3.8%;
- The annual forecast for costs included in the new approved tariff is lower than the annual forecast for costs included in the tariff for the previous year. The contribution of the reduction of the annual forecast for costs to the decrease in the new approved tariff compared to the tariff in force is of -6.9%;
- The electricity volume chargeable at the extraction point was increased from 52 TWh to 54 TWh. The contribution of the change in the chargeable volume to the decrease in the new approved tariff compared to the previous tariff is of -3.8%.

Technological system service

The tariff decrease (-18.9%) was determined by:

- The negative ex-post correction included in the new approved tariff, set forth according to the methodology applicable for partial compensation (amounting to 80%) of the estimated profit to be accumulated until June 30th, 2017. The profit was mainly obtained due

to the significant reduction of unit purchasing prices via auctions for ancillary services compared to the unit prices forecasted by ANRE. In order to mitigate the impact on the regulated tariff, on Transelectrica's request, a new staging program was set forth for the application of the correction on the grounds of which 50% of the total correction was applied in the new approved tariff, following that the remaining 50% to be applied to the subsequent tariff revisions. The contribution of the ex-post correction to the decrease in the new approved tariff compared to the tariff in force is of -4.6%;

- The annual forecast for costs included in the new tariff for purchasing ancillary services in the tariff year July 1st, 2017 - June 30th, 2018 is lower than the forecast for costs included in the tariff year July 1st, 2016 - June 30th, 2017. The reduction of the forecast for costs was determined by the reduction of purchasing prices via auctions for ancillary services in the current tariff year compared to the prices forecasted by ANRE, especially in the second half of 2016. The contribution of the reduction of the annual forecast for costs to the decrease in the new approved tariff compared to the previous tariff is of -10.6%;
- The electricity volume chargeable at the extraction point was increased from 52 TWh to 54 TWh. The contribution of the change in the chargeable volume to the decrease in the new approved tariff compared to the tariff in force is of -3.7%.

The regulatory framework for the ancillary services activity (ANRE Order no. 45/2017) includes tariff adjustment mechanisms after a minimum of six months from the approval of the tariff, created to ensure the full and timely recovery of the costs incurred by the Company in purchasing such services.

Event to report after December 31st, 2017

Transelectrica requested ANRE to revise the regulated tariff for ancillary services starting with January 1st, 2018, given the following:

- the major discrepancy between the real prices paid by Transelectrica when purchasing ancillary services under competitive regime and the prices forecasted by ANRE at the moment of approval of the tariff for the 4th tariff year;
- the level of the financial loss occurred from the ancillary services activity estimated for the period July – December 2017 (the first half of the 4th tariff year) is above the negative

correction level taken into consideration by ANRE when approving the tariff for the 4th tariff year;

- supplementing the reserve quantity in the immediately subsequent period (January – March 2018)

according to the winter programme in the energy sector, approved by GD no. 760/2017, additional and unanticipated costs will be generated for the TSO at the moment of approval of the tariff enforced since July 1st, 2017.

Taking into consideration that the difference between the revenue and the justified costs of Transelectrica has exceeded 5%, ANRE established a new tariff for the first semester of 2018 (the second semester of the 4th tariff year) amounting to 12.06 lei/MWh, pursuant to the provisions of Art. 18 of the ANRE Order no. 45/2017 and on the grounds of the price estimations for the acquisition of ancillary services under

competitive regime and the hypothesis according to which the electricity quantity shall rise (by 2% compared to the electricity quantity estimated for the second semester of 2017); this new price is meant to correct the discrepancy between the TSO's costs and revenues, discrepancy which rose by 28% compared to the tariff enforced in the first semester of 2017, amounting to 9.39 lei/MWh.

With the new tariff, in the first quarter of 2018 the difference between the scheduled loss for the entire current tariff (1 July 2017 - 30 June 2018) and the loss already recorded in the second half of 2017 (the first semester of the current tariff year) was recovered. The increase of the tariff on 1 January 2018 had the effect of returning the loss recorded in the first nine months of the current tariff year (01 July 2017 - 31 March 2018) in line with the initial schedule for the whole of the tariff year.

LITIGATIONS

The most significant litigations influencing the Company are presented below:

Note: For the ease of reading and understanding, all amounts in this chapter are expressed in lei / EUR

▪ RAAN

Pending with the Mehedinți Court - Section II Civil, Administrative and Fiscal Litigation Section, the case file no. 3616/101/2014 was recorded, involving the "claims in the amount of 1,090,831.70 lei, consideration of invoice no. 1300215/31.12.2013", a case file in which the Company is the defendant, the plaintiff being the Autonomous Authority for Nuclear Activities – RAAN.

By civil sentence no. 127 ruled on October 10th, 2014, the Mehedinți Court admitted the request lodged by plaintiff RAAN and ordered the Company to pay the amount of 1,090,831.70 lei, the consideration of invoice no. 1300215/31.12.2013.

The Company filed an appeal asking the court to allow the appeal as it was filed and to reverse the judgment and sentences under appeal and to refer the case to the trial court in the territorial jurisdiction for judgment, and to declare the compliance with the requirements of Articles 1616 and 1617 of the Civil Code, reason for which it is being required to declare the intervention of the compensation of mutual debts, and their redemption up to the amount of the smallest of them, namely the total amount requested by the plaintiff in the application for summons, ordering the appellee - plaintiff to pay the expenses occurred with this appeal.

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

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

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

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

The subject matter of the case file no. **9089/101/2013/a152** is a contestation of the additional Table of receivables against debtor RAAN, the value of the matter at issue being 89,360,986.06 lei.

Transelectrica SA has been registered in the table of debtor RAAN with the amount of 11,264,777.30 lei under the category of receivables resulting from the continuation of the debtor's activity, the amount requested by our company being equal to 89,360,986.06 lei. The amount of 78,096,208.76 lei was not registered in the preliminary table because "this is not listed as owed in RAAN's accounting records." Moreover, the liquidator considered that the request regarding the registration in the table of the amount equal to 78,096,208.76 lei is tardily filed, being related to the timeframe 2011 – 2013, reason for which the receivable declaration should have been filed at the moment of commencement of the insolvency proceedings, namely on September 18th, 2013. The additional receivables table was contested within the legal deadline. The Mehedinți Court approved the accounting expertise proof. At the hearing from March 22nd, 2018 the judgement is postponed for April 5th, 2018 at the request of the Company's representative in order to submit written conclusions.

At the hearing from April 5th, 2018, the case is reinstated in order to complete the evidence. The next hearing was set for May 10th, 2018.

COURT OF AUDITORS

Following a verification conducted in 2013, the Court of Auditors issued several measures to be implemented by the Company as a result of a series of deficits identified within this verification. The decision and protocol issued by the Court of Auditors have been appealed before the Court of Appeal Bucharest, the case file no. **1658/2/2014** was thus constituted, aimed at the "annulment of the control documents" – Protocol no. 7/20.02.2014 issued by the Court of Auditors. The following ruling hearing date was set on May 16th, 2018.

CNTEE Transelectrica SA filed a total of 8 objections against the measures ruled by the Romanian Court of Auditors (CCR) via Decision no. 8/27.06.2017 requesting the annulment thereof, as well as the Decision no. 77/03.08.2017 registered with the Company's secretariat under no. 29117/08.08.2017, as well as the Control Report no. 19211/26.05.2017, as follows:

Case file no. **6578/2/2017** pertains to the annulment of the findings from point 9 and the measure ruled at point II.11; The hearing for the case file is set for May

29th, 2018, the accounting expertise proof being admitted.

Case file no. **6577/2/2017** pertains to the annulment of the findings from point 13 and the measure ruled at point II.13; The hearing for the case file is set for June 13th, 2018, the accounting expertise proof being admitted.

Case file no. 6576/2/2017 pertains to the annulment of the findings from points 7.1, 7.2 and 8 and the measure ruled at point II.10; The hearing for the case file is set for April 24th, 2018.

Case file no. 6574/2/2017 pertains to the annulment of the findings from point 5.2 and the measures ruled at point II.8; The court reserved judgement on February 8th, 2018, postponing the judgement until February 22nd, 2018, and then until March 8th, 2018 when, by Decision no. 1704/2018, it ruled the following: "Rejects the exception to the ineligibility of the claim invoked by the defendant as groundless. Rejects the request in annulment as groundless. Rejects the suspension request as groundless. Rejects the plaintiff's request to order the defendant to pay the legal costs, as groundless. With right of appeal within 5 days from notification with regard to the solution given for the suspension request, within 15 days from notification with regard to the solution given for the merits of the case and the request to appeal will be submitted to the Court of Appeal Bucharest – Section VIII Administrative and Fiscal Litigation. Ruled in open court today, March 8th, 2018."

The sentence was not communicated as of this date.

Case file no. 6581/2/2017 pertains to the annulment of the findings from point 6 and the measure ruled at point II.9; The hearing for the case file is set for May 4th, 2018.

Case file no. **6580/2/2017** pertains to the annulment of the findings from point 10 and the measure ruled at point II.12; The hearing for the case file is set for May 10th, 2018.

Case file no. **6582/2/2017** pertains to the annulment of the findings from point 11 and the measure ruled at point I.5;

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

head of the claim, which is submitted to the Court of Appeal Bucharest. Ruled on January 29th, 2018, pursuant to Art. 402 in conjunction with Art. 396 (2) of the Romanian Civil Procedure Code, notified via the registry of the court." as per the information available on the court website. Point 11 of the decision states: "acceptance for payment of construction works completed by third parties, without being based on progress reports drafted by the developer and appropriated by Transelectrica SA certifying the developer's execution of works according to the conditions under which they have been contracted and invoiced" and, as a consequence, the measure from point I.5 is ordered. Transelectrica SA filed an appeal.

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

The Bucharest Court of Appeal reserved judgement on December 7th, 2017, postponing the judgement until December 21st, 2017, and then until December 28th, 2017 when, via Decision no. 5207/2017 it ruled the following: "Rejects the exception to the ineligibility of the claim invoked by the defendant as groundless. Rejects the request in annulment as groundless. Rejects the suspension request as groundless. Rejects the plaintiff's request to order the defendant to pay the legal costs, as groundless. With right of appeal within 5 days from notification with regard to the solution given for the suspension request, within 15 days from notification with regard to the solution given for the merits of the case and the request to appeal will be submitted to the Court of Appeal Bucharest – Section VIII Administrative and Fiscal Litigation. Ruled in open court today, December 28th, 2017." as per the information available on the court website.

Point 5 of decision no. 8/27.06.2017 of the Court of Auditors states the "payments amounting to 122,004 lei plus VAT for services not provided/works settled over the contracted amount" and, as a consequence, the measures from point II.7 and point II.8 are ordered.

Point 5.1 of the decision states: "5.1. Payments amounting to 115,999 lei plus VAT for maintenance, revision and verification services, not provided."

The Court of Auditors noted that "contracted but not provided services amounting to a total of 180,476.57 lei (6.223,33 lei x 29 months) plus VAT may have been unjustifiably accepted for payment, namely the consideration of services from positions 5, 6, 8, 9 and 10 of Annex 1 to the agreement which are not included in the monthly reports of receipt and for which the entity did not provide supporting documents justifying the service provision."

Subsequently, the Court of Auditors noted that the amount of unjustified services equals 115,999 lei without VAT.

The sentence was not communicated as of this date.

▪ ANRE

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

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

The values taken into consideration for calculating the Regulated Rate on Return (RRR¹) by ANRE, according to the Methodology on establishing the tariffs for the electricity transmission service, approved by ANRE Order no. 53/2013 ("the Methodology") have determined a RRR value of 7.7%.

CNTEE Transelectrica SA considers that the enforcement of the provisions of Article 51 of the Methodology on establishing the Beta (β) parameter at the value of 0.432 shall determine the financial damage of the company by decreasing the rentability with an estimated value of 138.4 mil. lei³, having a significant impact on the financial interests of the company.

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

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

³ Value calculated compared to the RRR of 8.52%

At the hearing from December 12th, 2017, the Court postpones the case and sets a new term on January 30th, 2018. Solution in brief from January 30th, 2018: the case is postponed until March 27th, 2018 so that the plaintiff may provide proof of payment for the expertise fee. At the hearing from March 27th, 2017, the Court postpones the case and sets a new term on April 17th, 2018.

OPCOM

On November 24th, 2014, the Operator of the Electricity and Natural Gas Market – OPCOM SA sued the Company in order to force it to pay the amount of 582,086.31 euro (2,585,161.72 lei), representing the amount paid by her as fine, from the total of the fine amounting to 1,031,000 euro, the request being subject of file no. **40814/3/2014**.

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

Also, OPCOM SA requested the court to order the Company to pay the amount of 85 thousand lei as lawful interest related to the period between June 11th, 2014 and November 24th, 2014.

The action filed by OPCOM SA is subject of the file no. 40814/3/2014 on the docket of the Bucharest Court, Section VI Civil, involving claims, litigation with professionals matter.

At the hearing from July 24th, 2015, the court admitted the request for summons filed by the plaintiff the Electricity and Gas Market Operator – OPCOM S.A. in contradiction with the defendant the National Company of Electricity Transmission Transelectrica S.A. and ordered to the defendant to pay the plaintiff the sum of 582.086,31 Euros, representing the sum paid by the plaintiff instead of the defendant in the amount of 1.031.000 euro applied by Decision of The European Commission on 5th March 2014 in the case AT.39984, and of the statutory rate, on the amount of 582.086,31 Euros, calculated from 11th June 2014 until the date of the actual payment. The court also orders the defendant to pay the plaintiff the amount of 37,828.08 lei, as legal expenses, with right of appeal within 30 days from notification. Against the sentence no. 4275/2015, pronounced in the aforementioned file, Transelectrica SA formulated an appeal, which was registered before Bucharest Court of Appeal.

The settlement of the Court of Appeal, in short: changes the appealed civil sentence completely, meaning that it rejects the application for summons as ill-founded. Orders the appellee - plaintiff to pay the trial expenses to the appellant - defendant amounting to 16 thousand lei, representing legal stamp duty. The appeal was set within 30 days from notification and it was pronounced in the public hearing of October 10th, 2016. Document: Decision 1517/2016 from October 10th, 2016.

OPCOM S.A. filed an appeal which was registered with the High Court of Cassation and Justice.

Hearing with the High Court of Cassation and Justice: 13.03.2018. Solution of the High Court of Cassation and Justice, in brief: Grants the appellant-plaintiff Operatorul Pieței de Energie Electrică și Gaze Naturale – OPCOM S.A. motion against decision no. 1517/10.10.2016, ruled by the Bucharest Court of Appeal – Section V Civil. Invalidates the contested decision and refers the case to the court of appeal. Final.

ROMENERGY INDUSTRY SRL

On June 30th, 2016, the general insolvency proceedings are opened for the entire amount of 16,122 thousand lei. The receivable was admitted and registered in the preliminary table. Case file no. **2088/107/2016** is pending with the Alba Court.

The hearing is set on January 29th, 2018 for continuing the bankruptcy proceedings by capitalizing the assets and recovering the receivables. The liquidator will draft and submit to the case the monthly activity reports set forth by paragraph 1 of Article 21 of Law no. 85/2006, on the 15th of each month for the previous month. They will submit the summary report every 120 days, foreseen in the final part of paragraph 1 of Article 21 of Law no. 85/2006, for the verification term, 5 days before the term.

Solution in brief: Sets the hearing on September 17th, 2018, for continuing the bankruptcy proceedings by capitalizing the assets and recovering the receivables, as well as for the liquidator to examine the request regarding the assignment of a debt filed by the transferee B2 KAPITAL PORTOFOLIO MANAGEMENT S.R.L. The liquidator will draft and submit to the case: - the monthly activity reports set forth by paragraph 1 of Article 59 of Law no. 85/2014, on the 15th of each month for the previous month; - the summary report every 120 days, foreseen in the final part of paragraph 3 of Article 59 of Law no. 85/2014, for the verification term, 5 days before the term. Document: Hearing protocol from April 23rd, 2018.

▪ ASITO KAPITAL SRL

The object of the casefile no. **24552/3/2017** is "authorization for payment – claims", the litigation value being 31.180.857,96 lei.

At the hearing from November 7th, 2017, after deliberation, the Bucharest Court ruled the following solution in brief:

- Admits the request.
- Orders the debtor to pay, within 20 days from notification of this decision, the amount of 2,237,750.83 euro (the equivalent of 9,948,592.64 lei at the exchange rate of 4.4458 euro), representing the down payment which was not reimbursed but guaranteed via letter of guarantee no. BR-1500544/18.11.2015;
- Orders the debtor to pay, within 20 days from notification of this decision, the amount of 4,821,022.53 euro (the equivalent of 21,233,265.32 lei at the exchange rate of 4.4041 euro), representing the down payment which was not reimbursed but guaranteed via letter of guarantee no. BR-1500520/29.07.2015;
- Orders the debtor to pay, within 20 days from notification of this decision, the amount of 200 lei representing legal expenses. With right of request in annulment within 10 days from notification. Document: Decision 4067/2017 - 07.11.2017.

By the date of drafting these financial statements, Decision 4067/2017 – 07.11.2017 has not been drafted and communicated in order to be enforced.

▪ FF WIND ENERGY INTERNAȚIONAL SRL

Case file no. **47332/3/2017** on the docket of the Bucharest Court - Section VI Civil, by which the company FF Wind Energy Internațional SRL requests the following against CNTEE Transelectrica SA: - the annulment of the unilateral statement for the termination of the PTG connection agreement no. 85/14.03.2011 issued on March 2nd, 2016 under no. 8295, - ordering the Company to pay the amount of 32,777,167.35 lei as damages following the termination of the agreement and to pay the amount of 45,000,000 euro as the amount of depreciation of the company FF Wind Energy Internațional SRL caused by the impairment of its purpose.

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

At the hearing from April 12th, 2018, the Court postpones the case for taking of evidence.

▪ S.C. DAGESH ROM SRL

Case file no. **17284/3/2015** is pending with the Bucharest Court and related to claims – amounting to 2,784,950 lei, representing the rent indexation and late payment penalties for the rent indexation + 168,500 lei, representing the difference from the services fee and late payment penalties.

The solution admits the exception of the prescription regarding the claims represented by: the rent difference requested for the period 04.03.2012 - 12.05.2012, the late payment penalties for the requested amounts as rent difference for the period 04.03.2012 - 12.05.2012, the service fee difference requested for the period 04.03.2012 - 12.05.2012, the penalties for the requested amounts as service fee difference calculated for the period 04.03.2012 - 12.05.2012. The Court rejects these claims as time-barred. It also rejects the other claims as ill-founded. Orders the plaintiff to pay the defendant the amount of 2 thousand lei, as legal expenses. With appeal within 30 days from communication. The appeal is lodged at the Bucharest Court - Section VI Civil. Ruled in open court on November 15th, 2016. Decision no. 7230/2016 from November 15th, 2016.

Dagesh appealed on October 4th, 2017. Solution in brief: Admits the appeal. The contested sentence is partly changed. Admits the application for summons, meaning that it orders the defendant to pay the plaintiff the amount of 76,265.23 lei as service fee difference for the year of 2012 and the amount of 76.265,23 lei as late payment penalties. The rest of the provisions of the appealed sentence are maintained. Orders the defendant/appellant to pay to the plaintiff/appellee the amount of 31,877.45 lei as legal costs for both first instance as well as the appeal. With right of appeal within 30 days from notification. The appeal shall be lodged before the Bucharest Court of Appeal – Section VI Civil. Ruled in open court this 20th day of April, 2018.

Document: Decision no. 810/2018 from April 20th, 2018.

▪ ANAF

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

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

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

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

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

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

Within the legal deadline, the Company appealed the Note of assessment no. F-MC 439 / June 30th, 2017, according to GD no. 92/2003 on the Fiscal Procedure Code.

ANAF issued the enforceable title no. 13540 / 22.08.2017 on the basis of which the additional payment obligations established by the Tax Decision no. F-MC 439 / 30.06.2017 have been executed.

The company requested the annulment of the enforceable title no. 13540 / 22.08.2017 at the Court of Appeal - file no. 7141/2/2017. Solution in Brief: Admits the exception of the material lack of competence of the Bucharest Court of Appeal - SCAF. Declines in favor of the Bucharest Court District 1 the substantive jurisdiction to settle the case. No appeal way. Pronounced in public hearing, on February 8th, 2018. Document: Decision 478/2018 08.02.2018.

After declining jurisdiction, the file no. 8993/299/2018 has been registered, by which the Company challenged the enforcement initiated based on the enforceable title no. 13540 / 22.08.2017, which is based on the Tax Decision no. F-MC 439 / 30.06.2017.

Solution in brief: accepts the request for suspension of the case brought by the contestant. Based on art. 413 par. (1) point 1 of the Civile procedure Code, the court suspends the trial until the final settlement of file no. 1802/2/2018, in development with the Bucharest Court of Appeal, the 8th Administrative and Fiscal Section. With appeal for the entire duration of the suspension, the appeal shall be lodged with the Bucharest District Court 1. Pronounced in public hearing.

Document: Closing - Suspension 17.04.2018

As part of the preliminary ruling procedure, the case no. 1802/2/2018 by which the Company challenged the fiscal administrative act Decision no. F-MC 439 / 30.06.2017 is registered with the Court of Appeal.

Following the Company's appeal of the fiscal administrative act Decision no. F-MC 439 / 30.06.2017, ANAF communicated to the Company Decision no. 122 / 13.03.2018, by which it dismisses as ungrounded the complaint filed by CNTEE Transelectrica SA, the decision being received on March 16th, 2018, after the filing of the petition for the case file no.1802 / 2/2018. The next term in the case file was set for May 29th, 2018.

At the same time, the Company is also involved in litigations against former Directorate and Board of Supervisors members, regarding the mandate agreements concluded between the Company and themselves.



Annexes

ANNEX 1: Separate statement of the financial position - unaudited

[mil RON]	March 31 st , 2018	December 31 st , 2017, GMS decision no.6/30.04.2018	Δ	Δ (%)
ASSETS				
Fixed assets				
Property, Plant and Equipment	2,989	3,044	(55)	(2)%
Intangible assets	15	16	0	(10)%
Financial assets	78	78	0	0%
Other Fixed Assets	0	0.00	0	n/a
Total fixed assets	3,083	3,138	(55)	(2)%
Current assets				
Inventories	35	32	3	8%
Receivables	922	818	104	13%
Other financial assets	0	0	0	n/a
Cash and equivalents	499	521	(22)	(4)%
Total current assets	1,456	1,371	85	6%
TOTAL ASSETS	4,538	4,509	30	1%
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital, out of which	733	733	0	0%
<i>Subscribed share capital</i>	733	733	0	0%
Share premium	50	50	0	0%
Legal Reserves	116	116	0	0%
Revaluation reserves	489	500	(11)	(2)%
Other reserves	58	57	1	2%
Retained earnings	1,340	1,261	79	6%
Total shareholders' equity	2,787	2,717	70	3%
Long term liabilities				
Non-current deferred revenues	399	411	(11)	(3)%
Loans	162	195	(33)	(17)%
Deferred tax liabilities	24	25	(1)	(3)%
Employee benefit obligations	53	53	0	0%
Total non-current liabilities	638	684	(45)	(7)%
Current Liabilities				
Trade payables and other payables	635	700	(65)	(9)%
Other tax and social security liabilities	9	9	0	(1)%
Loans	380	317	63	20%
Provisions	42	42	0	0%
Non-current deferred revenues	39	41	(2)	(4)%
Income tax to be paid	9	0	9	n/a
Total current liabilities	1,114	1,108	5	0%
Total liabilities	1,752	1,792	(40)	(2)%
Total shareholders' equity and liabilities	4,538	4,509	30	1%

ANNEX 2: Separate account of profit and loss - unaudited

[mil RON]		FIRST QUARTER					
Indicator	Accrued 2018	Accrued 2017	Budgeted 2018	Accrued 2018 vs 2017	Accrued 2018 vs 2017 (%)	Accrued vs Budgeted 2018	Accrued vs Budgeted 2018 (%)
Operating revenues							
Transmission revenues	272	299	259	(27)	(9)%	13	5%
System service revenues	202	189	187	13	7%	15	8%
Revenues from the balancing market	200	623	360	(423)	(68)%	(160)	(44)%
Other revenues	11	14	8	(3)	(21)%	3	31%
Total operating revenues	685	1,125	814	(440)	(39)%	(129)	(16)%
Operating expenses							
System operation expenses	87	77	68	10	13%	19	28%
Expenses on the balancing market	200	623	360	(423)	(68)%	(160)	(44)%
Expenses regarding the ancillary services	158	160	170	(2)	(1)%	(12)	(7)%
Depreciation	75	78	82	(3)	(4)%	(7)	(9)%
Salaries and other retributions	43	41	47	2	5%	(4)	(9)%
Maintenance and repairs	13	14	15	(1)	(7)%	(2)	(13)%
Materials and consumables	2	2	4	0	0%	(2)	(50)%
Other operating expenses	25	39	29	(14)	(37)%	(4)	(14)%
Total operating expenses	603	1,034	775	(431)	(42)%	(172)	-22%
Operating profit	82	91	40	(8)	(9)%	43	108%
Financial revenues	2	7	1	(5)	(69)%	1	125%
Financial expenses	6	11	7	(5)	(42)%	0	(4)%
Net financial result	(4)	(4)	(6)	0	11%	2	(27)%
Profit before income tax	78	87	34	(9)	(10)%	44	131%
Income tax	10	16	5	(6)	(37)%	5	118%
Profit of the financial year	68	71	29	(3)	(4)%	39	133%

ANNEX 3: Separate statement of cash flows - unaudited

[Mil RON]	Q1 2018	Q1 2017	Δ
Treasury flows from the operating activity			
Profit of the financial year	68	71	(3)
Adjustments for:			
Income tax expense	10	16	(6)
Depreciation expenses	76	78	(3)
Net revenues with adjustments for various debtors impairment	(0)	(1)	1
Expenditures with adjustments for trade receivables impairment	2	22	(20)
Reversal of adjustments for trade receivables impairment	(2)	(5)	4
Net loss from the sale of tangible assets	0	0	(0)
Net expenditures on adjustments regarding tangible assets	1	0	0
Net revenues regarding provisions for risks and expenses	(0)	0	0
Net (revenues)/expenditures with inventory impairment adjustments	(0)	0	(0)
Interest expenses, interest revenues and foregone revenues from exchange differences	4	5	(1)
Cash flow before the changing of working capital	158	186	(28)
Changes in:			
Clients and assimilated accounts - energy and other activities	(26)	(52)	26
Clients - balancing	58	131	(73)
Clients - cogeneration	(135)	(129)	(6)
Inventories	(3)	(2)	(1)
Trade payables and other liabilities - energy and other activities	18	(21)	39
Liabilities - balancing	(76)	(172)	96
Liabilities - cogeneration	12	75	(63)
Other tax and social security liabilities	(0)	(1)	1
Deferred revenues	(11)	(4)	(7)
Treasury flows from the operating activity	(5)	10	(15)
Paid interest	(2)	(3)	1
Paid income tax			
Net cash from the operating activity	(8)	7	(15)
Cash flows for the investment activity			
Acquisition of tangible and intangible assets	(42)	(65)	23
Collected interest	1	1	(0)
Other financial assets	0	135	(135)
Net cash used in the investment activity	(41)	71	(112)
Treasury flows from the financing activity			
Repayments of long-term loans	(50)	(60)	11
Special dividends paid as per GO 29/2017	77	26	51
Paid dividends	(0)	(0)	(0)
Net cash used in the financing activity	27	(35)	62
Net decrease in cash and cash equivalents	(22)	(43)	(65)
Cash and cash equivalents on January 1st	521	934	(413)
Cash and cash equivalents at the end of the period	499	977	(478)

ANNEX 4: Economical and financial indicators corresponding to the reporting period – unaudited results

Indicators	Calculation formula	Q1 2018	Q1 2017
Current liquidity indicator (x)	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.31	1.24
Indebtedness indicators (x):			
(1) Indebtedness indicator	$\frac{\text{Debt capital} \times 100}{\text{Shareholders' Equity}}$	19.44	18.85
(2) Indebtedness indicator	$\frac{\text{Debt capital} \times 100}{\text{Capital employed}}$	16.28	15.86
Customer rotation speed (days)	$\frac{\text{Customers average balance} \times 90}{\text{Turnover}}$	74	43.57
Tangible assets rotation speed (x)	$\frac{\text{Turnover}}{\text{Fixed assets}}$	0.22	0.35

*When calculating the average balance account, the customers contributing to the turnover have been taken into consideration (energy, balancing, other customers, customer's invoices to be issued). The values corresponding to uncertain customers, cogeneration scheme and overcompensation were not included in the average balance account.

Annex 5 REPORT (according to the Decision of the Extraordinary General Assembly of Shareholders no. 4/29.04.2015) regarding the agreements signed in the first quarter of 2018 for the purchase of goods, services and works with a value greater than 500,000 euro/purchase (for purchases of goods and works) and of 100,000 euro/acquisition respectively (for services)

No.	Agreement number	Agreement Subject	Duration (months)	Value		Agreement type	Legal basis	Acquisition procedure	Acquisition initiator
				Lei	Euro				
0	1	2	3	4	5	6	7	8	9
1	C 80/2018	Technical upgrade of the Hășdat 220/110 kV substation	30	49,728,014.00	0.00	Works	Law 99/2016 + GD 394/2016	Open auction	Executive
2	C 54/2018	Technical upgrade of the Craiova Nord 220/110 kV substation	30	0.00	9,886,804.00	Works	Law 99/2016 + GD 394/2016	Open auction	Executive
3	TM 32/2018	Technical upgrade of the Oțelărie Hunedoara 220 kV substation	14	12,604,292.00	0.00	Works	Law 99/2016 + GD 394/2016	Open auction	Timișoara transmission branch
4	SB 14/2018	Major maintenance for the Alba - Șugag - Gălceag 220 kV OHL (execution)	36	9,789,238.00	0.00	Works	Law 99/2016 + GD 394/2016	Open auction	Sibiu transmission branch
5	TM 11/2018	Specialized security and intervention services for the Sibiu transmission branch objectives	36	9,224,291.00	0.00	Services	Law 99/2016 + GD 394/2016	Open auction	Timișoara transmission branch
6	C 62/2018	Computing – hardware and software – desktop PC – (framework agreement)	24	6,208,758.00	0.00	Supply	Law 99/2016 + GD 394/2016	Open auction	Executive
7	C 48/2018	Maintenance of the tele-metering system related to the wholesale electricity market	36	4,296,390.00	0.00	Services	Law 99/2016 + GD 394/2016	Open auction	Executive

8	C 21/2018	Maintenance of the local metering system at the level of the CNTEE "Transelectrica" SA electric substations	36	4,559,798.00	0.00	Services	Law 99/2016 + GD 394/2016	Open auction	Executive
9	CT 687/2018	Upgrade of the tele-protection and telecommunications system in the Cernavodă substation	22	3,958,318.00	0.00	Works	Law 99/2016 + GD 394/2016	Open auction	Constanța transmission branch
10	CT 677/2018	RC – Cernavodă - Gura Ialomiței CNE 400 kV OHL circ. 1 st. 1-64	24	2,822,830.00	0.00	Works	Law 99/2016 + GD 394/2016	Simplified procedure	Constanța transmission branch
11	CT 676/2018	RC – Cernavodă - Constanța Nord CNE 400 kV OHL st. 1-66	24	2,357,848.00	0.00	Works	Law 99/2016 + GD 394/2016	Simplified procedure	Constanța transmission branch
12	C 55/2018	Revolving credit line amounting to 100 mil lei	12	1,672,917.00	0.00	Services	Law 99/2016 + GD 394/2016	Own simplified procedure	Executive
13	TM 30/2018	Repair and maintenance services of buildings	24	748,288.00	0.00	Services	Law 99/2016 + GD 394/2016	Simplified procedure	Timișoara transmission branch
14	TM 29/2018	Converting the Porțile de Fier – Anina – Reșița – Timișoara – Săcalaz – Arad axis to the 400 kV voltage; Timișoara – Arad 400 kV OHL, (phase iii) (planning)	32	728,942.00	0.00	Services	Law 99/2016 + GD 394/2016	Open auction	Timișoara transmission branch

Annex 6 – Glossary of terms

"ANRE"	National Regulatory Authority for Energy
"ARB"	Asset regulatory base
"BSE"	Bucharest Stock Exchange, regulated market operator for trading Shares
"CEE"	European Economic Community
"Company", "CNTEE", "TEL"	National Power Grid Company Transelectrica SA
"OTC"	Own Technological Consumption
"BS"	Supervisory Board
"NPD"	National Power Dispatcher
"EBIT"	Earnings Before Interest & Tax
"EBITDA"	Earnings Before Interest, Taxes, Depreciation and Amortization
"EBT"	Earnings Before Tax
"ENTSO-E"	European Network of Transmission System Operators for Electricity
"GD"	Government Decision
"IFRS"	International Financial Reporting Standards
"JPY"	Japanese Yen , the official currency of Japan
"OHL"	Overhead Power Line
"Leu" or "Lei" or "RON"	The official currency of Romania
"MFP"	Ministry of Public Finance
"MO"	Official Journal of Romania
"GO"	Government Ordinance
"OPCOM"	Romanian Electricity Market Operator OPCOM SA
"GEO"	Government Emergency Ordinance
"DAM"	Day-Ahead Market
"PTG"	Power Transmission Grid, national and strategic interest electric grid with a nominal voltage greater than 110 kV
"NPS"	National Power System
"SMART"	Trading Company for the Electric Transport Network Maintenance SMART SA
"FSS"	Functional System Service
"TSS"	Technological System Service
"TEL"	Stock exchange symbol for Transelectrica
"TSR"	Total Shareholder Return
"EU"	European Union
"UM"	Unit of measurement
"USD" or "US dollars"	American Dollar, the official currency of the United States of America
"WACC"	Weighted Average Cost of Capital