

**CNTEE Tranelectrica SA**  
**Company managed under two-tier system**

Stand-alone Interim Simplified Financial Statements  
as of and for the three months' period ending on  
**31 March 2020**

Elaborated in accordance with the  
**International Accounting Standard 34 – “Interim Financial Reporting”**

**CNTEE Transelectrica SA**

Stand-alone simplified statement of financial position on 31 March 2020

*(All amounts are expressed in LEI, unless otherwise provided)*

	Note	31 March 2020	31 December 2019
<b>Assets</b>			
<b>Non-current assets</b>			
Tangible assets	4	3,425,874,123	3,439,577,805
Intangible assets	4	24,861,723	23,437,440
Financial assets		81,500,833	81,500,833
Assets related to the usage rights of assets under leasing – buildings	4	4,219,123	6,328,685
<b>Total non-current assets</b>		<b>3,536,455,802</b>	<b>3,550,844,763</b>
<b>Current assets</b>			
Inventories		38,607,203	37,519,731
Trade and other receivables	5	715,565,268	706,350,248
Other financial assets			85,000,000
Cash and cash equivalents	6	491,845,736	320,768,647
<b>Total current assets</b>		<b>1,246,018,207</b>	<b>1,149,638,626</b>
<b>Total assets</b>		<b>4,782,474,009</b>	<b>4,700,483,389</b>
<b>Shareholders' equities and liabilities</b>			
<b>Shareholders' equities</b>			
Share capital, of which:		733,031,420	733,031,420
Share capital subscribed		733,031,420	733,031,420
Share premium		49,842,552	49,842,552
Legal reserves		129,096,113	129,096,113
Revaluation reserves		900,537,380	922,454,926
Other reserves		15,771,718	15,771,718
Retained earnings		1,532,342,839	1,433,931,608
<b>Total shareholders' equities</b>	7	<b>3,360,622,022</b>	<b>3,284,128,337</b>
<b>Non-current liabilities</b>			
Long term deferred revenues	8	296,654,746	360,641,212
Borrowings	9	118,211,989	122,835,499
Deferred tax liability		135,061,879	136,853,805
Employee benefit obligations		63,711,459	63,711,459
<b>Total non-current liabilities</b>		<b>613,640,073</b>	<b>684,041,975</b>
<b>Current liabilities</b>			
Trade and other liabilities	10	456,445,081	556,477,615
Other loans and assimilated liabilities- Building leasing		4,219,123	6,328,098
Other tax and social security liabilities	11	9,158,283	8,752,115
Borrowings and related interest	9	154,771,075	55,566,735
Provisions		70,014,590	70,017,850
Short term deferred revenues	8	99,656,613	37,209,745
Payable income tax	12	13,947,149	-2,039,081
<b>Total current liabilities</b>		<b>808,211,914</b>	<b>732,313,077</b>
<b>Total liabilities</b>		<b>1,421,851,987</b>	<b>1,416,355,052</b>
<b>Total shareholders' equities and liabilities</b>		<b>4,782,474,009</b>	<b>4,700,483,389</b>

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

**CNTEE Transelectrica SA**

Stand-alone profit and loss account for the three months' period ending on 31 March 2020

*(All amounts are expressed in LEI, unless otherwise provided)*

	Note	3 months' period ended on 31 March 2020	3 months' period ended on 31 March 2019
<b>Revenues</b>			
Transmission revenues		280,971,716	290,170,469
System service revenues		214,828,510	173,314,529
Balancing market revenues		97,519,313	175,033,364
Other revenues		9,523,600	10,335,909
<b>Total revenues</b>	<b>13</b>	<b>602,843,139</b>	<b>648,854,271</b>
<b>Operational expenses</b>			
System operation expenses	<b>14</b>	(81,344,578)	(100,914,281)
Expenses with the balancing market	<b>14</b>	(97,519,313)	(175,033,364)
Expenses regarding technological system services	<b>14</b>	(165,933,308)	(184,801,227)
Amortisement		(68,455,275)	(72,294,037)
Personnel expenses	<b>15</b>	(51,873,444)	(47,766,983)
Repairs and maintenance		(15,898,583)	(19,672,279)
Materials and consumables		(1,683,650)	(1,613,598)
Other operational expenses	<b>16</b>	(26,111,732)	(3,244,197)
<b>Total operational expenses</b>		<b>(508,819,883)</b>	<b>(605,339,966)</b>
<b>Operational profit</b>		<b>94,023,256</b>	<b>43,514,305</b>
Financial revenues		2,545,824	3,030,934
Financial expenses		(4,132,850)	(7,114,205)
<b>Net financial result</b>	<b>17</b>	<b>(1,587,026)</b>	<b>(4,083,271)</b>
<b>Profit before income tax</b>		<b>92,436,230</b>	<b>39,431,034</b>
Income tax	<b>12</b>	(15,239,477)	(1,436,495)
<b>Profit of the period</b>		<b>77,196,753</b>	<b>37,994,539</b>

The stand-alone interim simplified provided here were approved by the Company's management on **11 May 2020** and signed on its behalf by the:

**DIRECTORATE,****Chairman****Catalin  
NITU****Member****Andreea-Mihaela  
MIU****Member****Ionut-Bogdan  
GRECIA****Member****Corneliu-Bogdan  
MARCU****Member****Marius-Viorel  
STANCIU****Director, Economic-financial and Administrative Unit****Ana-Iuliana DINU****f. Manager, Accounting Department****Georgiana-Beatrice STEFAN – Head of BCC**

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

**CNTEE Transelectrica SA**

Stand-alone statement of shareholders' equity changes on 31 March 2020

(All amounts are expressed in LEI, unless otherwise provided)

	Share capital	Share premiums	Legal reserves	Revaluation reserve	Other reserves	Retained earnings	Total
<b>Balance on 1 January 2019</b>	<b>733,031,420</b>	<b>49,842,552</b>	<b>123,742,090</b>	<b>522,585,647</b>	<b>66,664,045</b>	<b>1,313,139,735</b>	<b>2,809,005,489</b>
<b>Comprehensive result of the period</b>							
Profit of this period	-	-	-	-	-	96,030,957	<b>96,030,957</b>
<b>Other comprehensive revenue, of which:</b>							
Recognition of defined benefit plan actuarial gains						(11,439,728)	(11,439,728)
Surplus from revaluation of tangible assets				525,101,307			525,101,307
Deferred tax liability ass. to revaluation reserves				(83,677,369)			(83,677,369)
<b>Total other comprehensive result of the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>441,423,938</b>	<b>-</b>	<b>(11,439,728)</b>	<b>429,984,210</b>
<b>Total comprehensive result of the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>441,423,938</b>	<b>-</b>	<b>84,591,229</b>	<b>526,015,167</b>
<b>Other items</b>							
Transfer of revaluation reserves into retained earnings	-	-	-	(41,554,660)	-	41,554,660	-
Legal reserve indexation	-	-	5,354,023	-	-	(5,354,023)	-
Other items	-	-	-	-	-	7	7
<b>Total other items</b>	<b>-</b>	<b>-</b>	<b>5,354,023</b>	<b>(41,554,660)</b>	<b>-</b>	<b>36,200,643</b>	<b>7</b>
<b>Contributions from and distributions to shareholders</b>							
De-recognition of non-current assets like public stocks by registering HG-s 615, 682 & 683 / 2019 changing the inventory of public domain assets					(54,442,106)		(54,442,106)
Subsidies related to assets like public stocks (connection fee)	-	-	-	-	3,549,779		<b>3,549,779</b>
Dividend distribution	-	-	-	-	-		
<b>Total contributions from and distributions to shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(50,892,326)</b>		<b>(50,892,326)</b>
<b>Balance on 31 December 2019</b>	<b>733,031,420</b>	<b>49,842,552</b>	<b>129,096,113</b>	<b>922,454,926</b>	<b>15,771,718</b>	<b>1,433,931,608</b>	<b>3,284,128,337</b>
<b>Balance on 1 January 2020</b>	<b>733,031,420</b>	<b>49,842,552</b>	<b>129,096,113</b>	<b>922,454,926</b>	<b>15,771,718</b>	<b>1,433,931,608</b>	<b>3,284,128,337</b>
<b>Comprehensive result of the period</b>							
Profit of the period	-	-	-	-	-	77,196,753	<b>37,994,539</b>
<b>Other items of comprehensive result, of which</b>							
Recognition of defined benefit plan actuarial losses	-	-	-	-	-	-	-
<b>Total other items of comprehensive result</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive result of this period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>77,196,753</b>	<b>37,994,539</b>
<b>Other items</b>							
Transfer of revaluation reserves to retained earnings	-	-	-	(21,917,545)	-	21,917,545	-
Legal reserve indexation	-	-	-	-	-	-	-
Other items	-	-	-	-	-	(703,067)	<b>(703,067)</b>
<b>Total other changes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(21,917,545)</b>	<b>-</b>	<b>21,214,477</b>	<b>703,068</b>
<b>Contributions from and distribution to shareholders</b>							
De-recognition of assets like public domain stocks	-	-	-	-	-	-	-
Subsidies related to assets like public domain stocks (connection fee)	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	-	-	-
<b>Total contributions from and distributions to shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance on 31 March 2020</b>	<b>733,031,420</b>	<b>49,842,552</b>	<b>129,096,113</b>	<b>900,537,380</b>	<b>15,771,718</b>	<b>1,532,342,839</b>	<b>3,360,622,022</b>

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

**CNTEE Tranelectrica SA**

Stand-alone cash flow statement on 31 March 2020

*(All amounts are expressed in LEL, unless otherwise provided)*

	<b>3 months' period ended on 31 March 2020</b>	<b>3 months' period ended on 31 March 2019</b>
<b>Cash flows from operational activities</b>		
Profit of this period	77,196,753	37,994,539
<b>Allowances for:</b>		
Income tax expense	15,239,477	1,436,495
Amortisement expense	66,345,714	70,184,475
Expenses with allowances to impair trade receivables	448,798	2,912,142
Reversal of allowances to impair trade receivables	(722,053)	(1,777,597)
Net revenues with allowances to impair sundry debtors	720,498	(967,702)
Net revenues with allowances to impair stocks	(35,690)	(198,612)
Net profit/loss from the sale of tangible assets	20,516	-
Net expense with value adjustments of tangible assets	299,462	1,051,059
Net revenues regarding provisions for risks and expenses	(4,678)	(31,184,452)
Interest expense, interest revenue, expenses and unrealised foreign exchange gains	1,866,778	4,446,368
<b>Cash flows before changes in the current capital</b>	<b>161,375,575</b>	<b>83,896,715</b>
<b>Changes into:</b>		
Clients and assimilated accounts - energy and other activities	(28,246,168)	(78,671,728)
Clients – balancing	25,491,796	289,333,983
Clients – cogeneration	(7,240,216)	(23,370,145)
Inventories	(1,087,472)	(152,057)
Trade and other liabilities - energy and other activities	(42,678,839)	(74,915,016)
Liabilities - balancing	(44,106,740)	(341,583,285)
Liabilities - cogeneration	(12,930,220)	3,246,611
Other tax and social security liabilities	406,168	(2,098,349)
Deferred revenues	(1,539,598)	(8,367,907)
<b>Cash flows from operational activities</b>	<b>49,444,286</b>	<b>(152,681,178)</b>
Interest paid	(2,098,127)	(1,784,656)
Income tax paid	(1,719,209)	(2,431,496)
<b>Net cash generated from operational activities</b>	<b>45,626,950</b>	<b>(156,897,330)</b>
<b>Cash flows from investments</b>		
Procurements of tangible and intangible assets	(54,710,658)	(48,794,626)
Interest cashed	2,080,403	1,190,030
Other financial assets	85,000,000	
<b>Net cash used in investments</b>	<b>32,369,745</b>	<b>(47,604,596)</b>
<b>Cash flows used in financing activities</b>		
Repayment of non-current borrowings	(7,337,909)	(33,770,968)
Utilisation of credit line for cogeneration	129,977,889	-
Repayments of cogeneration credit line	(29,540,187)	
Dividends paid	(19,399)	(66,296,994)
<b>Net cash used in financing</b>	<b>93,080,394</b>	<b>(100,067,962)</b>
<b>Net increase / decrease of cash and cash equivalents</b>	<b>171,077,089</b>	<b>(304,569,888)</b>
<b>Cash and cash equivalents on 1 January</b>	<b>320,768,647</b>	<b>482,158,679</b>
<b>Cash and cash equivalents at the end of this period</b>	<b>491,845,736</b>	<b>177,588,791</b>

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

## **CNTEE Transelectrica SA**

Notes to the stand-alone interim statements on 31 March 2020

(All amounts are expressed in LEI, unless otherwise provided)

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### **1. General information**

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

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

The stand-alone interim financial statements elaborated on 31 March 2020 have not been audited.

### **2. Elaboration bases**

#### **a) Statement of compliance**

These stand-alone interim simplified financial statements have been elaborated in accordance with IAS 34 *Interim financial reporting*. They do not include all the information necessary for a complete set of financial statements in accordance with the International Financial Reporting Standards (IFRS). Nevertheless some explanatory notes have been included to explain the events and transactions significant for understanding the changes occurred in the Company’s financial position and performance since the last annual stand-alone financial statements of the date and for the financial period ended on 31 December 2019.

#### **b) Professional reasoning and estimations**

The significant reasoning that the governing team has used in applying the Company’s accounting policies and the main uncertainty sources regarding estimations were the same with those applied to the stand-alone financial statements as of and for the financial period ended on 31 December 2019.

### **3. Significant accounting policies**

Accounting policies applied to these stand-alone simplified interim financial statements are the same with those applied to the Company’s stand-alone financial statements as of and for the financial period ended on 31 December 2019.

### **4. Tangible and intangible assets**

The total value of tangible assets diminished on 31 March 2020 compared to 31 December 2019, mainly determined by the registration of such assets’ amortisement.

In quarter I 2020 the value of tangible assets in progress represented mainly by investments into the high voltage substations and lines increased as follows:

- Refurbishing the 400/110/20 kV substation Domnesti – 10,474,332;
- Replacing autotransformers and transformers in electric substations, stage 2, step 2 - LOT 1 & LOT 2 – 9,861,288;
- 100 MVAR, 400 kV shunt reactors for the 400 kV substations Arad, Bucharest and Bradu – 8,403,573;
- Refurbishing the 220/110 kV substation Hasdat – 5,165,944;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage I - 400 kV simple circuit OHL Portile de Fier - (Anina) - Resita – 4,306,905;
- Refurbishing the 220/110 kV substation Craiova Nord – 3,405,471;
- Changes to the 400, 220, 110 kV OHL-s to achieve piercing the Blvd N.Grigorescu - Splai Dudescu – 1,978,069;
- Computation technique - hardware & software - desktop PC – 1,600,540;
- Refurbishing the 220/110 kV substation Iaz – 1,548,174;
- Upgrading the 110 kV substations Bacau Sud and Roman Nord of the 400 kV axis Moldova – 1,484,069;
- Installing the 250 MVA transformer T3 in the 400/110 kV substation Sibiu Sud – 1,264,750.

## CNTEE Transelectrica SA

Notes to the stand-alone interim statements on 31 March 2020

*(All amounts are expressed in LEI, unless otherwise provided)*

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In Q I 2020 the greatest transfers from tangible assets in progress to tangible assets are mainly represented by commissioning the investment objectives as follow:

- 100 MVAR, 400 kV shunt reactors for the 400 kV substations Arad, Bucharest and Bradu – 4,325,388;
- Upgrading the 400 (220)/110/20 kV substation Munteni – 3,871,497;
- Computation technique - hardware & software - desktop PC – 713,152;
- Changes to the 400 kV OHL Urechesi - Domnesti to carry out the coexistence conditions – 580,386;
- Providing safe supply of 220 V dc auxiliary services in substation Fantanele by replacing the accumulator batteries and resizing the capacity of accumulator battery no. 2 – 375,989;
- Upgrading the road system for communal route, Fort street, commune Domnesti, Ilfov County – 218,673;
- Videoconference terminal for the TSCNET network to be installed in UNO-DEN offices – 160,300.

The balance of tangible assets in progress of execution on 31 March 2020, amounting to 430,554,156 Lei, is represented by projects underway, of which the most significant are provided below:

- Connecting to RET the 300 MW WPP Ivesti, the 88 MW WPP Falciu 1 and the 18 MW WPP Falciu 2 by means of the new (400)/220/110 kV substation Banca – 46,884,983;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage I - the 400 kV simple circuit OHL Portile de Fier - (Anina) – Resita – 43,727,670;
- Connecting the 400 kV OHL Isaccea - Varna and the OHL Isaccea - Dobrogea in the 400 kV substation Medgidia Sud – 35,329,122;
- Refurbishing the 400/110/20 kV substation Domnesti (BA Decision 5 / 19.05.2010) – 25,332,960;
- Refurbishing the 220/110 kV substation Hasdat – 19,576,834;
- Upgrading the 220/110/20 kV substation Arefu – 15,504,833;
- Extending the business continuity and post-disaster recovery services in the Executive branch -14,413,918;
- 110 kV, 220 kV and 400 kV mobile bays – 14,296,873;
- Upgrading the 220/110/20 kV substation Raureni – 13,032,920;
- The 400 kV double circuit OHL Cernavoda - Stalpu and connection in Gura Ialomitei – 12,943,645;
- Refurbishing the 220 kV substation Otelarie Hunedoara – 11,769,500;
- Upgrading the 220/110 kV substation Dumbrava – 11,541,300;
- Replacing the EMS SCADA AREVA components - software, hardware – 11,507,136;
- Replacing autotransformers and transformers in electric substations, stage 2, step 2, LOT 1 & 2 – 11,463,125;
- Refurbishing the 220/110/20 kV substation Ungheni – 10,022,756;
- Refurbishing the 220/110 kV substation Craiova Nord – 9,869,840;
- Upgrading the 110 kV substations Bacau Sud and Roman Nord of the 400 kV axis Moldova – 9,646,994;
- Integrated security system into electric substations, stage IV – 8,022,510;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage I - the 400/220/110 kV substation Resita – 6,627,560;
- The 400 kV OHL Gadalina - Suceava, including SEN interconnection – 6,041,923;
- 400 kV HVDC Link (submarine cable Romania - Turkey) – 5,853,759;
- Upgrading the 400 (220)/110/20 kV substation Munteni – 5,069,211;
- Research & development centre for Live Work technologies and fast SEN intervention, Centre building – 4,928,146;
- The 400 kV OHL Suceava - Balti, for the project segment on Romania's territory - 4,400,349;
- The 400 kV double circuit OHL Gutinas – Smardan – 4,141,898;
- Changes to the 400, 220, 110 kV OHL-s to pierce Blvd. N.Grigorescu - Splai Dudesco – 3,970,002;
- Upgrading the remote protection, telecommunication system in the 400 kV substation Cernavoda – 3,704,909;
- Replacing circuit breakers in electric substations – 3,654,811;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage II, the 400 kV double circuit OHL Resita - Timisoara - Sacalaz – 3,343,480;

## CNTEE Transelectrica SA

Notes to the stand-alone interim statements on 31 March 2020

*(All amounts are expressed in LEI, unless otherwise provided)*

- Adding new functions and extending the control system and computerised access in the objectives of CNTEE Transelectrica SA – 3,200,918;
- Refurbishing the 220/110 kV substation Iaz – 3,057,360;
- Connecting to RET the 136 MW WPP Platonesti, Ialomita County by achieving a 110 kV bay in the 400/110 kV substation Gura Ialomitei – 2,889,337;
- Integrated security system into electric substations, stage III – 2,798,024;
- By-passing the 110 kV OHL Cetate 1 & 2 near the 110/20/6 kV substation Ostrovul Mare – 2,578,438;
- Refurbishing the 400/110/20 kV substation Smardan – 2,562,127;
- Connecting to RET the 99 MW WPP Dumesti and the 30 MW WPP Romanesti, Iasi County by making a 110 kV line bay in the 220/110 kV substation FAI – 2,545,853;
- Installing the 250 MVA transformer T3 in the 400/110 kV substation Sibiu Sud – 2,243,455;
- Upgrading the 110 kV & 400 (220 kV) installations of substation Focsani Vest – 2,084,414;
- Replacing the 400/400/160 MVA, 400/231/22 kV AT 3 ATUS - SF of the 400/220 kV substation Portile de Fier – 1,909,696;
- Consolidating, upgrading and extending the offices of CNTEE Transelectrica, the Executive branch – 1,627,393;
- Extending the 400 kV substation Cernavoda, stage I+II, replacing 2 shunt reactors, connecting new lines – 1,590,525;
- Upgrading the building of DET Timisoara – 1,578,481;
- The 220 kV double circuit OHL Ostrovu Mare - RET – 1,547,834;
- Integrated security system to the new 400/220/110 kV substation Banca – 1,133,202;
- Achieving optical fibre communication between the 220/110/20 kV substation Pitesti Sud and the remote control and installation supervision of TB Pitesti (SF) – 1,115,805;
- The 400 kV substation Stalpu – 1,060,126;
- The 400 kV OHL Oradea – Beckescsaba – 1,007,599.

The balance of intangible assets in progress of execution on 31 March 2020, amounting to 22,551,269 Lei, is represented by projects underway, of which the most significant are provided below:

- Replacing the EMS SCADA AREVA software and hardware components – 16,723,053;
- Implementing an Electronic Archiving & Document Management system in CNTEE Transelectrica SA – 5,474,290;
- Extending the business continuity and post-disaster recovery services in the Executive branch – 351,208.

Assets related to the usage rights of assets under leasing – buildings represents the utilisation right for the space the Company leased in the Platinum office building (contract C217/2015 concluded with Dagesh Rom SRL), according to the provisions of IFRS 16 – Leasing contracts.

On 31 March 2020, the accounting value of the usage right for Company leased spaces in Platinum office building amounted to 4,219,123.

The Company pays each month a quantum of 14 Euro/m<sup>2</sup> under this contract to lease office space, resulting an annual value of about 1.5 mill Euro.



**CNTEE Transelectrica SA**

Notes to the stand-alone interim statements on 31 March 2020

*(All amounts are expressed in LEI, unless otherwise provided)***5. Trade and other receivables**

On 31 March 2020 and 31 December 2019 trade and other receivables were as follows:

	<b>31 March 2020</b>	<b>31 December 2019</b>
Trade receivables	684,391,105	745,163,708
Other receivables	204,800,484	113,282,179
Down payments to suppliers	8,795,000	28,667,925
VAT to recover	6,028,270	7,240,202
Allowances to impair doubtful trade receivables	(135,235,642)	(135,508,897)
Allowances to impair other doubtful trade receivables	(53,213,949)	(52,494,869)
<b>Total trade and other receivables</b>	<b>715,565,268</b>	<b>706,350,248</b>

The structure of trade receivables is the following:

	<b>31 March 2020</b>	<b>31 December 2019</b>
Clients on the electricity market, of which:	682,700,940	743,236,309
- Clients - operational activity	392,696,718	434,980,507
- Clients - balancing market	107,718,429	133,210,225
- Clients - bonus type support scheme to promote high efficiency cogeneration	182,285,793	175,045,577
Clients from other activities	1,690,165	1,927,399
<b>Total trade receivables</b>	<b>684,391,105</b>	<b>745,163,708</b>

• CNTEE Transelectrica SA carries out its operational activities under the Operational Licence 161/2000 issued by ANRE, updated under Decision 571/08.04.2020 of ANRE president for the provision of electricity transmission services, system services and balancing market administration.

On 31 March 2020 clients on balance from operational and balancing market activities registered decrease compared to 31 December 2019, mainly determined by:

- Collecting the receivables under invoices issued for the electricity market;
- Lower volume of transactions on the balancing market in quarter I of 2020 compared to Q IV of 2019, determining decrease of receivables on balance on 31 March 2020 compared to 31 December 2019.

The main clients on balance from the electricity market are represented by: RAAN, Electrica Furnizare SA, E.ON Energie Romania SA, CEZ Vanzare, MAVIR, Enel Energie SA, Enel Energie Muntenia SA, Tinmar Energy SA, Petprod SRL, and OPCOM SA. Such main clients from the electricity market account for about 46.72% in total trade receivables.

• CNTEE Transelectrica SA carries out the activities under the bonus type support scheme to promote high efficiency cogeneration in its capacity of support scheme administrator, in accordance with the provisions of HGR 1215/2009 with later additions and amendments, the „*main attributions being to collect each month the contribution for cogeneration and to pay monthly the bonus*”.

On 31 March 2020 the Company registered collectable receivables from the bonus type support scheme to promote high efficiency cogeneration of about 27% (31 December 2019: 23%) from the total trade receivables.

Clients under the bonus type support scheme to promote high efficiency cogeneration registered on 31 March 2020 receivables increase, mainly determined by higher amounts invoiced for the collection of monthly contribution.

On 31 March 2020 the Company registered collectable receivables amounting to 182,285,793 represented by invoices issued under the bonus type support scheme to promote high efficiency cogeneration, of which:

- 2011-2013 overcompensation amounting to 76,702,140, namely from RAAN – 63,467,054 and CET Govora SA – 13,235,086;
- 2014 undue bonus amounting to 3,914,960, namely from RAAN – 1,981,235, CET Govora – 1,933,725;
- 2015 undue bonus amounting to 563,899, namely from CET Govora – 534,377, Interagro – 29,523;
- Cogeneration contribution not collected from the suppliers of electricity consumers amounting to 21,200,172, namely from: Transenergo Com – 5,882,073, Petprod – 4,391,193, Romenergy Industry – 2,680,620, RAAN-2,385,922, UGM Energy – 1,504,046, CET Govora – 900,864, KDF Energy – 887,527 and others.

Until the date of this financial report the Company fully cashed the receivables associated to the overcompensation of activities under the 2019 support scheme (sum of 32,339,739) by means of bank transactions from Electrocentrale

## CNTEE Transelectrica SA

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Bucharest, as well as the undue bonus established by ANRE decisions for 2019 amounting to 15,491,904 from the following producers: Energy Complex Oltenia, Electrocentrale Bucharest, CET Govora, Energy Complex Hunedoara, Bepco SRL, Modern Calor SA, Soceram SA, Electrouilaj SA, CET Arad, Polytechnic University of Bucharest, Colonia Cluj Napoca energie SRL and Vest Energo SA.

To extinguish receivables generated by overcompensation and undue bonus the Company requested the generators qualified under the support scheme to make mutual compensations. In case of generators that did not agree with this manner to extinguish mutual receivables and liabilities (RAAN, Electrocentrale Bucharest, and CET Govora) the Company has applied and further applies the provisions of article 17 para 5 from Order 116/2013 of ANRE President approving the Regulation establishing the collection mode of the contribution for high efficiency cogeneration and the bonus payment for the electricity generated under high efficiency cogeneration: “in case the generator did not make the payment in full to the support scheme administrator for its payment obligations resulted in accordance with the provisions of this Regulation, the support scheme administrator pays to the producer the difference between the producer invoices and its payment obligations under the support scheme, with explicit mention of the respective amounts on the payment document” and withheld from payment the due amounts under the respective support scheme.

- File 9089/101/2013/a140 was registered on the docket of Mehedinti Tribunal, Section II Civil of Administrative and Fiscal Disputes pertaining to “claims in sum of 86,513,431”, where the Company was claimant and the **Autonomous Authority for Nuclear Activities, RAAN** was the defendant.

The law court summons filed by Transelectrica SA requested the instance to compel defendant RAAN to pay 86,513,431.

On 19.05.2016 Mehedinti Tribunal, Section II Civil of Administrative and Fiscal Disputes pronounced hearing conclusion and ordered as follows: “In accordance with article 413 pt. 1 Civil Procedural Code decides suspending the case until settlement of file 3014/2/2014 found on the docket of the High Court for Cassation and Justice. Appeal right is valid during the entire suspension term; pronounced on 19 May 2016 at public hearing”; hearing term on 06.06.2019. Mention should be made file 3014/2/2014 on the docket of the High Court for Cassation and Justice pertained to appeal in order to cancel ANRE Decision 743/28.03.2014, the parties being RAAN (claimant) and ANRE (defendant).

Mention should be also made that the hearing conclusion of 18.09.2013 issued by Mehedinti Tribunal under file 9089/101/2013 pronounced to open the general insolvency procedure against debtor Autonomous Authority for Nuclear Activities RA (RAAN).

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

By means of the intermediate ruling 10/28.01.2016 pronounced by Mehedinti Tribunal, Section II Civil of Administrative and Fiscal Disputes, the syndic judge decided initiating the debtor’s bankruptcy procedure based on article 107 para 1 let. C of Law 85/2006, as well as breaking up the debtor and cancelling its administration right.

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

Once submitting the receivable statement under RAAN’s bankruptcy procedure Transelectrica SA can resort to the provisions of article 52 from Law 85/2006, applicable to RAAN’s bankruptcy procedure, provisions resumed in article 90 of Law 85/2014 on the creditor’s right to invoke compensation for its receivables with its debtor’s to it, whenever the law-provided conditions for legal compensation are complied with on the procedure opening date. Transelectrica SA was recorded with 11,264,777 Lei in the table of debtor RAAN, in the category of receivables resulting from the debtor’s uninterrupted activity, the actual amount the Company requested being 89,360,986 Lei, but 78,096,208.76 Lei were not registered in the preliminary receivable table because “such sum was not recorded as owed liability in RAAN’s accounting books”. Moreover the judiciary liquidator considered the request to record 78,096,209 Lei was made late since it pertained to 2011 – 2013, for which reason the receivable statement should have been submitted when the insolvency procedure began, namely on 18.09.2013.

Since only a part of the total amount requested by Transelectrica in quantum of 89,360,986.06 Lei was registered and according to letter 4162/03.10.2016 whereby the judiciary liquidator notified us only 11,264,777.30 Lei were recorded in the additional table in the column of receivables resulting from the debtor’s continued activity, and 78,096,208.76 Lei were denied, we filed contestation of the Additional receivable table within the legal term.

On the hearing term 14.02.2019 Mehedinti Tribunal decided joining file 9089/101/2013/a152 and file 9089/101/2013/a140 (pertaining to claims – payment request). File judgment was postponed because the court deemed it useful for case settlement to submit Civil ruling. 2969/26.09.2018, pronounced by High Court for Cassation and Justice under file 3014/2/2014, pertaining to cancel Decision 743/2014 of ANRE president.

Settlement of Mehedinti Tribunal: „It admits the exception of decline. It partly admits the main issue and associated contestation. It compels defendant RAAN to pay to claimant Transelectrica the amount of 16,950,117.14 Lei accrued during the procedure, judging to record it in the creditors’ table constituted against debtor RAAN by this sum. The other

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associated demands are denied. In accordance with article 453 para 2 from the Civil Procedural Code it compels the defendant to pay 1000 Lei law court expenses to the claimant. Appeal right is granted. It was pronounced on 20.06.2019 at public hearing. Document: Ruling 163/2019 / 20.06.2019.

Transelectrica filed appeal within the legal term. The Appeal Court Craiova established the first hearing term on 30.10.2019. The appeal was denied as groundless. Transelectrica filed review request for contradictory decisions, registered under file 1711/54/2019, with hearing term on 25.03.2020 at the Appeal Court Craiova, which will refer the file to the High Court for Cassation and Justice for competent settlement.

Under the bankruptcy file 9089/101/2013 Mehedinti Tribunal established a term on 26.03.2020 to continue the procedure. In accordance with article 63 para 11 of Decree 240/2020 the file was lawfully suspended.

- CNTEE Transelectrica SA concluded with **CET Govora SA** an agreement to compensate and spread out the payment of amounts representing receivables from the 2011-2013 overcompensation and the 2014 undue bonus (Agreement C 135/30.06.2015 and Addendum 1/04.08.2015). The Agreement term was about 1 year (July 2015-August 2016) and it provided the Company's right to calculate and cash penalties during payment spread-out.

In accordance with such Agreement the Company's receivables collectable from CET Govora SA were compensated with its liabilities to CET Govora SA, represented by cogeneration bonus for May 2014 – October 2015 amounting to 40,507,669, withheld by applying the provisions of article 17 para 5 of ANRE President's Order 116/2013 and the Agreement provisions.

Since ANRE Decision 738/28.03.2014 was suspended by court civil judgment 3185/27.11.2015, which had determined the 2011-2013 overcompensation, CET Govora SA has no longer complied with the Agreement terms.

Beginning with 9 May 2016 the general insolvency procedure was initiated for CET Govora. In view of recovering the receivables accrued before opening the insolvency procedure the Company followed the specific procedures specified by the Insolvency Law 85/2014 and requested the court to admit its receivables, as per legal provisions.

Taking into account the above, beginning with 9 May 2016 the Company ceased applying the provisions of article 17.5 from Order 116/2013 of ANRE President approving the Regulation establishing the collection mode of the contribution for high efficiency cogeneration and the bonus payment for electricity generated by high efficiency cogeneration and paid monthly the cogeneration bonus to CET Govora.

Civil ruling 2430/05.10.2016 of the High Court of Cassation and Justice admitted the appeal filed by ANRE against civil ruling 3185/27.11.2015, partly cancelled the sentence appealed against and denied the suspension request of CET Govora, such decision being final. Thus beginning with 05.10.2016 the effects of ANRE Decision 738/28.03.2014 are no longer suspended, bearing full effects.

Under such circumstances the Company applies the provisions of article 17 para 5 of ANRE Order 116/ 2013 for mutual receivables and liabilities occurred after the insolvency procedure, meaning withholding the bonus due to CET Govora SA up to the concurrence of amounts related to the support scheme that were not paid to the Company.

Transelectrica was registered in the Preliminary and final receivables table with total amount of 28,200,440.31, of which 25,557,189.98 relate to the support scheme. As regards the receivable amounting to 21,962,243.71 Lei representing principal and penalties related to invoice 8116/08.04.2016, it is registered under the suspensive condition of pronouncement of a final juridical decision in favour of ANRE under file 2428/2/2014 on the docket of the Appeal Court Bucharest, pertaining to cancelling ANRE decision 738/28.03.2014.

On the 18.07.2018 term Valcea Tribunal pronounced the following settlement:

It confirms the reorganisation plan of SC CET Govora SA proposed by the judiciary administrator EURO INSOL SPRL, submitted on 25 May 2018 to the file and printed in the Bulletin of Insolvency Procedures 11924 of 13 June 2018. It denies the contestations submitted by creditors: Energy Complex Oltenia SA, SNTFM CFR Marfa SA, Solek Project Delta SRL, Solek Project Omega SRL, Clean Energy Alternativ SRL and Solar Electric Curtisoara SRL. It sets 8 October 2018 as substantial term to continue the procedure. Appeal right within 7 days from notification performed by means of the Bulletin of Insolvency Procedures; pronounced at public hearing of 18 July 2018; Document: Ruling 1196/18.07.2018.

Ruling 766/03.12.2018 of the Appeal Court Pitesti cancelled the amount of 28,013,984.83 representing a liability the Company registered in the Creditors' Table (File 1396/90/2016).

Under such circumstances the Company included the amount of 22,188,224.16 from the support scheme in the sundry debtors' account, which is analytically distinct - ANRE, and impacts the net position of the support scheme. In accordance with pt. 11 of HG 925/2016 amending and adding HG 1.215/2009 establishing the criteria and conditions necessary to implement the support scheme to promote high efficiency cogeneration based on the useful heat demand, ANRE is going to elaborate the regulatory framework for the financial closure of this scheme.

The sum of 22,188,224.16 represents receivable payable by CET Govora under the support scheme amounting to 25,557,189.98, corrected with the bonus of 3,368,965.82 the Company withheld according to article 17 para 5 from Order

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116/2013 of ANRE President.

In accordance with the provisions of HG 925/2016 with later amendments and additions, the Company has not registered allowance expenses for clients under the support scheme; the unrecovered amount of such receivables will be included in the cogeneration contribution.

### ***Other receivables***

On 31 March 2020 other receivables amounting to 204,800,484 include mainly:

- Sundry debtors (187,169,176) representing:
  - Payment delay penalties calculated to defaulting clients and amounting to 70,981,472 (of which 35,304,572 represent penalties under the support scheme). The greatest payment delay penalties were registered by the following clients: RAAN (16,901,449), CET Govora (9,606,504), Electrocentrale Bucharest (9,409,174), Eco Energy SRL (8,909,843), Petprod SRL (8,894,655), Total Electric Oltenia (3,288,967), ICPE Electrocond Technologies (1,003,678). Allowances were registered for the penalties calculated for late payment of receivables from operational activities;
  - Negative difference between the invoices issued for collecting the cogeneration contribution and the bonus granted according to ANRE decisions (107,817,576);
  - Compensations owed by suppliers for not delivering electricity (Arelco Power 987,555 and Enol Group 2,541,312). Impairment allowances were registered in case of compensations owed by suppliers from operational activities;
  - Receivable to recover from OPCOM representing the VAT amounting to 4,517,460 for the in kind contribution to the company's capital.
- Deferred expenses amounting to 11,011,138 mainly represented by: international ENTSO-E subscription for 2020 (3,976,376); annual contribution to ANRE for 2020 (3,685,508); down payments under contracts concluded with electricity suppliers, as necessary to cover one's own technological consumption (losses) for future intervals (524,916); rent to DAGESH ROM SRL (545,489) and others;
- Other intangible receivables amounting to 4,256,181, of which 4,199,505 represent securities for temporary land occupation, as calculated and withheld in accordance with article 39 para (1), para (2) and para (5) of Law 46/2008 on the Forestry Code, with a view to carry out the investment of the 400 kV OHL Resita – Pancevo (Serbia);
- Other social receivables amounting to 1,730,216 and representing medical leaves the employer paid to employees, which will be recovered from the National Health Insurance House according to applicable legislation.

### ***Down payments to suppliers***

- On 31 March 2020 down payments to suppliers are represented by supplier-debtors for provided services amounting to 8,795,000 and mainly represent amounts from the transactions associated to the price coupling mechanism (4MMC and SIDC). The price coupling mechanism was applied beginning with 19 November 2014, date when the '4 Markets Market Coupling (4MMC)' project providing connection of the DAM (day-ahead electricity markets) from Romania, Hungary, Czech Republic and Slovakia became operational. Such price coupling mechanism of day-ahead markets means the electricity exchanges correlate the electricity transactions for the following day based on bids, taking into account the interconnection capacity made available by the TSO, whereby it is implicitly allocated. CNTEE Transelectrica SA as TSO transfers electricity both in physical and commercial terms to the neighbouring TSO (MAVIR, Hungary) and manages the congestion revenues on the respective interconnection (article 139 from ANRE Order 82/2014), and in relation to OPCOM SA it is Implicit Participant to the Day-Ahead Market.

In its capacity of Transfer Agent and Implicit Participant CNTEE Transelectrica SA has the commercial task to settle the electricity transacted between OPCOM SA and MAVIR.

- On 19 November 2019 the 2nd wave was launched under the single European intraday markets coupling (SIDC – *Single Intraday Coupling*), with first deliveries on 20 November. Seven countries: Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania and Slovenia joined the fourteen states: Austria, Belgium, Denmark, Estonia, Finland, France, Germany, Latvia, Lithuania, Norway, the Netherlands, Portugal, Spain and Sweden that have been already operating under coupled regime since June 2018.

The single intraday coupling mechanism provides uninterrupted matching of sale and purchase offers made by market participants from a bidding zone with the sale and purchase offers from within one's own bidding zone and from any other bidding zone with available cross-border capacity.

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In its capacity of Transfer Agent CNTEE Transelectrica SA has the commercial task to settle the energy transacted between OPCOM SA, MAVIR and IBEX.

### *Allowances to impair trade receivables, doubtful trade receivables and other doubtful receivables*

The policy of Transelectrica provides registration of allowances for value losses amounting to 100% for clients under disputes, under insolvency and bankruptcy and to 100% of trade receivables and other receivables not cashed within more than 180 days, except for outstanding receivables generated by the support scheme. The Company also makes case by case analysis of trade receivables and other uncollected receivables.

The greatest impairment allowances on 31 March 2020, calculated for trade receivables and their associated penalties were registered for CET Govora (25,076,013), Eco Energy SRL (24,736,066), Petprod SRL (23,539,650), Arelco Power (15,533,047), Total Electric Oltenia SA (14,185,577), Romenergy Industry (13,512,997), Elsaco Energy (9,276,118), RAAN (8,516,707), Opcom (6,049,055), and CET Brasov (4,664,627).

The Company took the following steps to recover such receivables adjusted for depreciation: court proceedings, registration in the creditors' table, requesting explanations from ANAF (for the VAT amount to be cashed from Opcom) etc.

## 6. Cash and cash equivalents

Cash and cash equivalents include cash balances, sight deposits and deposits with initial maturities up to 90 days from establishment, which have insignificant exposure to the risk of changing their fair value and are used by the Company to manage the current commitments.

On 31 March 2020 and 31 December 2019 cash and cash equivalents were as follow:

	<u>31 March 2020</u>	<u>31 December 2019</u>
Current accounts with banks and deposits, of which:	294,868,068	320,649,313
- Cash and deposits from high efficiency cogeneration	-	-
- Cash - revenues from the allocation of interconnection capacities used for network investments	169,669,630	72,217,359
- Cash from the connection fee	15,149,377	14,967,097
- European funds	11,964,655	11,969,848
Cashier desk	191,006	119,284
Other cash equivalents	3,000	50
<b>Total</b>	<u><b>491,845,736</b></u>	<u><b>320,768,647</b></u>

Bank deposits with initial maturity within 90 days constituted from monetary availabilities from current accounts amounted to 229,285,904 on 31 March 2020 and to 102,285,469 on 31 December 2019.

### **Other financial assets**

Other financial assets include bank deposits with initial maturity beyond 90 days.

On 31 March 2020 and 31 December 2019 other financial assets were as follows:

	<u>31 March 2020</u>	<u>31 December 2019</u>
Bank deposits with maturity beyond 90 days (constituted by revenues from the allocation of interconnection capacities used for network investments)	-	85,000,000
<b>Total</b>	<u>-</u>	<u><b>85,000,000</b></u>

On 31 December 2019 there have been bank deposits with initial maturity beyond 90 days constituted from monetary availabilities found in current accounts, amounted to 85,000,000. These bank deposits have expired on 30 March 2020.

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### 7. Shareholders' equities

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

In accordance with the provisions of article 2 from OUG 55/19 November 2015 establishing reorganisation measures for public central administration and amending and adding certain norms, the Ministry of Economy, Trade and Business Environment Relations (MECRMA) was established by reorganising and taking over the activities of the Ministry of Economy, Trade and Tourism that was cancelled while the Ministry of Energy, Small & Medium Sized Enterprises and Business Environment took over the activities and structures in the SME domain.

In compliance with the provisions of HG 27/12 January 2017 on the organisation and operation of the Ministry of Economy the Company operated under the Ministry of Economy's authority until 5 November 2019.

In accordance with the Governmental Emergency Ordinance (OUG) 68/2019 establishing measures for public central administration and amending and adding certain norms, published in Romania's Official Gazette 898/06.11.2019, beginning with 6 November 2019 the Secretariat General of the Government has exercised the rights and performed the obligations ensuing from the state capacity of shareholder for the National Power Grid Company Transelectrica SA.

On 14.11.2019 the Central Depository SA registered the transfer of 43,020,309 shares (representing 58.69% of the share capital) issued by CNTEE Transelectrica SA from the Romanian State's account through the Ministry of Economy into the Romanian State's account represented by the Government through the Secretariat General of the Government in consequence of applying the provisions of the Governmental Emergency Ordinance 68/06.11.2019 establishing measures for public central administration and amending and adding certain norms.

On 31 March 2020 the shareholders of CNTEE Transelectrica SA are: Romanian State represented by the Secretariat General of the Government, holding 43,020,309 shares (58.69%), NN Group NV with 4,007,688 shares (5.47%), DEDEMAN SA with 4,503,567 shares (6.14 %), other legal person shareholders with 16,190,049 shares (22.09%) and other natural person shareholders with 5,581,529 shares (7.61 %).

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

The shareholder structure on 31 March 2020 and 31 December 2019 was the following:

Shareholder	31 March 2020		31 December 2019	
	Number of shares	% of share capital	Number of shares	% of share capital
Romanian State by SGG	43,020,309	58.69%	43,020,309	58.69%
Other legal person shareholders	16,190,049	22.09%	15,976,281	21.80%
DEDEMAN SRL	4,503,567	6.14%	4,503,567	6.14%
NN Group NV	4,007,688	5.47%	4,007,688	5.47%
Other natural person shareholders	5,581,529	7.61%	5,795,297	7.90%
<b>Total</b>	<b>73,303,142</b>	<b>100.00%</b>	<b>73,303,142</b>	<b>100.00%</b>

The growth of shareholders' equities on 31 March 2020 compared to 31 December 2019 was mainly determined by registering into retained earnings the net profit amounting to 77,196,753, which was achieved on 31 March 2020 and by capitalising the surplus of revaluation reserves amounting to 21,917,545.

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### 8. Deferred revenues

Deferred revenues are mainly represented by: the connection fee, other subsidies for investments, non-reimbursable European funds collected from the Ministry of European Funds, and revenues from the use of interconnection capacities. On 31 March 2020 deferred revenues were as follows:

	<b>31 March 2020</b>	<b>Of which: Non-current part on 31.03.2020</b>	<b>31 December 2019</b>	<b>Of which: Non-current part on 31.12.2019</b>
Deferred revenues – allocation of interconnection capacity	4,477,910	4,477,910	5,756,780	5,756,780
Deferred revenues – European funds	2,429,917	2,429,917	2,754,235	2,754,235
Connection fee funds	265,103,689	84,997,045	263,162,627	20,553,019
European funds	97,121,511	6,689,936	98,796,239	6,934,299
Other subsidies	27,178,332	1,061,805	27,381,076	1,211,412
<b>Total</b>	<b>396,311,359</b>	<b>99,656,613</b>	<b>397,850,957</b>	<b>37,209,745</b>

The development of current deferred revenues in January - March 2020 was as follows:

	<b>31 March 2020</b>	<b>31 December 2019</b>
Balance at the beginning of the period	37,209,745	19,329,257
Deferred proceeds regarding the interconnection capacity	16,223,447	81,579,661
Proceeds from European funds	(66,379)	1,228,070
Transfer from non-current deferred revenues	64,050,056	19,484,720
Revenues from utilisation of the interconnection capacity	(17,502,316)	(83,718,947)
Revenues from European funds	(257,940)	(693,016)
<b>Total</b>	<b>99,656,613</b>	<b>37,209,745</b>

The development of non-current deferred revenues in January - March 2020 was as follows:

	<b>31 March 2020</b>	<b>31 December 2019</b>
Balance at the beginning of this period	360,641,212	411,154,679
Connection subsidies	(5,565,399)	1,175,621
Non-reimbursable funds	-	(14,307)
Non-reimbursable funds to repay	-	-
Transfer into current deferred revenues	(52,919,257)	(21,835,962)
Resuming subsidies to revenues	(5,501,810)	(29,838,819)
<b>Total</b>	<b>296,654,746</b>	<b>360,641,212</b>

### 9. Borrowings

#### • Non-current borrowings

On 31 March 2020 the amount of non-current loans decreased in comparison with 31 December 2019 mainly due to repayments made in accordance with existing loan agreements.

In January - March 2020 there were no proceeds from loans.

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During the three months' interval ended on 31 March 2020 borrowings developed as follows:

	<b>Currency</b>	<b>Interest rate</b>	<b>Accounting value</b>	<b>Due date</b>
<b>Balance on 1 January 2020</b>			<b>147,425,829</b>	
<b>New proceeds</b>			-	
<b>Repayments, of which:</b>			<b>(7,337,909)</b>	
IBRD 7181	EUR	0.0% last communication	(1,544,845)	15-Jan-2020
EIB 25709	EUR	3.596%	(5,793,064)	10-Sept-2025
EIB 25710	EUR	3.856%+2.847%	-	11-Apr-2028
<b>Exchange rate differences on repayment date</b>			<b>1,391,846</b>	
<b>Balance on 31 March 2020</b>			<b>141,479,766</b>	

On 31 March 2020 and 31 December 2019 the balances of non-current borrowings contracted from credit institutions were as follows:

<b>Description</b>	<b>31 March 2020</b>	<b>31 December 2019</b>
IBRD 7181	-	1,544,844
EIB 25709	63,891,871	69,034,334
EIB 25710	77,587,895	76,846,651
<b>Total non-current borrowings from credit institutions, of which:</b>	<b>141,479,766</b>	<b>147,425,829</b>
<b>Current portion of non-current borrowings</b>	<b>(23,267,776)</b>	<b>(24,590,329)</b>
<b>Total non-current borrowings net of current instalments</b>	<b>118,211,990</b>	<b>122,835,499</b>

The non-current portion of borrowings will be repaid as follows:

	<b>31 March 2020</b>	<b>31 December 2019</b>
From 1 to 2 years	23,267,776	23,045,485
From 2 to 5 years	69,803,329	69,136,455
Above 5 years	25,140,885	30,653,559
<b>Total</b>	<b>118,211,990</b>	<b>122,835,499</b>

The Company has not applied hedging against risks associated to its liabilities in foreign currency or to its exposure to interest rate risks.

The non-current borrowings, the contracts EIB 25709 and EIB 25710, are bearer of fixed interest rate.

- *Current borrowings*

Current borrowings are detailed as follows:

	<b>31 March 2020</b>	<b>31 December 2019</b>
Current portion of non-current borrowings	23,267,776	24,590,329
Interest for non-current and current borrowings	1,525,410	1,436,219
Account overdraft for high efficiency cogeneration	129,977,889	29,540,187
<b>Total current borrowings</b>	<b>154,771,075</b>	<b>55,566,735</b>



## CNTEE Transelectrica SA

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### • Loans contracted for current activities

Transelectrica concluded credit contract C733/04.04.2019 as overdraft account with Banca Transilvania for 12 months in order to finance the bonus of support scheme for high efficiency cogeneration, in sum of 150,000,000 and interest calculated depending on the ROBOR 1M reference rate, to which 0.50% margin is added.

On 24.04.2019 Addendum 1 was concluded to the contract, which supplemented the credit line with 25,000,000, namely from 150,000,000 to 175,000,000. The contract was completed on 13.03.2020.

It has been secured by means of:

- Chattel mortgage on the bank account opened with the bank;
- Chattel mortgage on the receivables resulting from contracts on the contribution for high efficiency cogeneration concluded with Cez Vanzare SA, E.ON Energie Romania SA, Enel Energie SA, SC Tinmar Energy SA, and Enel Energie Muntenia SA.

Taking into account the maturity of the fore-mentioned credit on 12.03.2020, the Company concluded a new credit contract C52 as overdraft account with Banca Transilvania for 12 months to finance the bonus type support scheme for high efficiency cogeneration amounting to 175,000,000 and interest calculated depending on the ROBOR 1M reference rate, to which a negative 0.35% margin is added. If the reference rate ROBOR 1M is below 0.35%, the applied interest rate is 0%.

On 31 March 2020 proceeds amounting to 129,977,889 were taken from the credit line.

The credit line has been secured by means of:

- Chattel mortgage on the bank account opened with the bank;
- Chattel mortgage on the receivables resulting from contracts on the contribution for high efficiency cogeneration concluded with Cez Vanzare SA, E.ON Energie Romania SA, Enel Energie SA, SC Tinmar Energy SA, and Enel Energie Muntenia SA.

## 10. Trade and other liabilities

On 31 March 2020 and 31 December 2019 trade and other liabilities were as follows:

	<u>31 March 2020</u>	<u>31 December 2019</u>
Suppliers on the electricity market	297,175,036	390,220,768
Suppliers of assets	70,313,281	73,456,090
Suppliers of other activities	21,692,753	24,171,846
Amounts owed to employees	8,059,360	6,165,643
Other liabilities	63,423,774	68,791,366
<b>Total</b>	<b><u>460,664,204</u></b>	<b><u>562,805,713</u></b>

On 31 March 2020 and 31 December 2019 liabilities on balance on the electricity market amounted to 297,175,036, namely 390,220,768, providing the following structure:

	<u>31 March 2020</u>	<u>31 December 2019</u>
Suppliers on the electricity market, of which:		
- Suppliers - operational activities	106,733,767	142,742,539
- Suppliers - balancing market	33,524,178	77,630,918
- Suppliers - bonus type support scheme to promote high efficiency cogeneration	156,917,091	169,847,311
<b>Total</b>	<b><u>297,175,036</u></b>	<b><u>390,220,768</u></b>

Suppliers on the electricity market are mainly represented by: SC Hidroelectrica SA, Electrocentrale Bucharest, OPCOM, Energy Complex Oltenia, Mavir, Energy Complex Hunedoara, Veolia Energie Prahova, Veolia Energie Iasi, Termoficare Oradea, and CET Govora. On 31 March 2020 their share was about 83% in the total number of electricity suppliers.

## CNTEE Transelectrica SA

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The lower liability balance from operational activities was mainly determined by paying in quarter I 2020 the payment liabilities which were on balance for the electricity market on 31 December 2019.

The lower balance of liabilities for the balancing market was determined by paying the payment liabilities found on balance for the electricity market on 31 December 2019 on due date in January 2020, and by the reduced volume of transactions on the balancing market in quarter I 2020 compared to quarter IV 2019.

The smaller liabilities under the support scheme to suppliers (producers) were mainly determined by a decreased monthly bonus payable in March 2020 in comparison with the monthly bonus of December 2019.

On 31 March 2020 payment liabilities are registered to suppliers (producers) amounting to 54.6 mill Lei (RAAN – 51.2 mill Lei and CET Govora SA – 3.4 mill Lei, representing the monthly cogeneration bonus, the 2014 and 2015 ex-ante overcompensation, the unpaid bonus for 2015 and 2016. The amounts representing the Company's liabilities under the support scheme to RAAN and CET Govora were withheld according to article 17 para 5 from Order 116/2013 of ANRE president, because the suppliers (producers) registered liabilities to the Company under the bonus type support scheme.

The Company requested the suppliers (producers) that did not pay the overcompensation invoices their agreement to compensate mutual liabilities at minimum level by means of the Institute of Management and Informatics (IMI), which is uniformly managing all information received from tax-payers according to HG 685/1999.

The producers (RAAN, Electrocentrale Bucharest, and CET Govora) did not agree with this manner of extinguishing mutual receivables and liabilities, therefore the Company has applied and further applies article 17 para 5 from Order 116/2013 of ANRE president approving the Regulation establishing the collection mode of the contribution for high efficiency cogeneration and the bonus payment for electricity generated under high efficiency cogeneration: *"in case the generator did not make the payment in full to the support scheme administrator of its payment liabilities resulted in accordance with the provisions of this Regulation, the support scheme administrator pays to the producer the difference between the producer invoices and its payment liabilities under the support scheme, with explicit mention of the respective amounts on the payment document"* and withheld from payment the due amounts under the respective support scheme.

CNTEE Transelectrica SA concluded with CET Govora SA an agreement to compensate and spread out the payment of amounts representing receivables from the 2011-2013 overcompensation and the 2014 undue bonus (Agreement C 135/30.06.2015 and Addendum 1/04.08.2015). The Agreement term was about 1 year (July 2015-August 2016) and it provided the Company's right to calculate and cash penalties during payment spread-out.

In accordance with such Agreement the Company's receivables collectable from CET Govora SA were compensated with its liabilities to CET Govora SA, represented by cogeneration bonus for May 2014 – October 2015 amounting to 40,507,669, withheld by applying the provisions of article 17 para 5 from Order 116/2013 of ANRE President and the Agreement provisions.

Since ANRE Decision 738/28.03.2014 was suspended by court civil ruling 3185/27.11.2015, which had determined the 2011-2013 overcompensation, CET Govora SA has no longer complied with the Agreement terms. Beginning with 9 May 2016 the general insolvency procedure was initiated for CET Govora. Taking into account the provisions of the Insolvency Law 85/2014 the Company ceased, beginning with 9 May 2016, to apply the provisions of article 17.5 from Order 116/2013 of ANRE President approving the Regulation establishing the collection mode of the contribution for high efficiency cogeneration and the payment mode of the bonus for electricity generated under high efficiency cogeneration and pays monthly the cogeneration bonus owed to CET Govora.

Civil ruling 2430/05.10.2016 of the High Court of Cassation and Justice admitted the appeal filed by ANRE against civil ruling 3185/27.11.2015, partly cancelled the sentence appealed against and denied the suspension request of CET Govora, such decision being final. Thus beginning with 05.10.2016 the effects of ANRE Decision 738/28.03.2014 are no longer suspended, bearing full effects.

Under such circumstances the Company applies the provisions of article 17 para 5 of ANRE Order 116 / 2013 for mutual receivables and liabilities accrued after the insolvency procedure, meaning it withheld the bonus due to CET Govora SA up to the concurrence of amounts related to the support scheme that were not paid to the Company.

The lower balance of asset suppliers on 31 March 2020 compared to 31 December 2019 was due to the procurement of equipment, work and services for investment projects.

Liabilities to suppliers of other activities are mainly represented by liabilities pertaining to services provided by third parties that had not reached their due date and decreased in comparison with 31 December 2019.

On 31 March 2020 the Company did not register outstanding liabilities to suppliers, the state budget or local institutions.

The structure of liabilities registered under 'other liabilities' is as follows:

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	<b>31 March 2020</b>	<b>31 December 2019</b>
Sundry creditors	1,625,014	1,618,176
Client-creditors	28,886,589	44,624,968
Dividends to pay	596,303	615,702
Other liabilities	32,315,868	21,932,520
<b>Total</b>	<b>63,423,774</b>	<b>68,791,366</b>

‘Sundry creditors’ amounting to 1,625,014 on 31.03.2020 mainly represent: securities for bid participation amounting to 90,130; royalty of quarter I: 258,894; study contracts 206,000 and green certificates amounting to 168.449.

On 31 March 2020 ‘client creditors’ amounted to 28,886,589, of which 21,273,866 represent amounts cashed in advance from MAVIR; 5,953,092 are amounts cashed in advance from OPCOM and 1,457,127 are sums cashed from IBEX under transactions associated to the price-coupling mechanisms 4MMC (4M Market Coupling) and SIDC (Single Intraday Coupling).

On 31 March 2020 dividends owed to Company shareholders and unpaid amounted to 596,303. Such amounts are at the shareholders’ disposal by means of the payment agent.

Other liabilities amounting to 32,315,868 are mainly represented by- performance bonds of contracts on the electricity market concluded by CNTEE Transelectrica SA in sum of 15,491,965; the usage right during the lease contract amounting to 4,218,390 Lei for the space the Company leased in Platinum office building (contract C217/2015 concluded with Dagesh Rom SRL), according to the provisions of IFRS 16 – Leasing contracts; and non-required VAT amounting to 12,087,461.

**Provisions**

On 31 March 2020 and 31 December 2019 provisions were as follows:

	<b>31 March 2020</b>	<b>31 December 2019</b>
Provisions for disputes	33,251,874	33,251,874
Provisions for mandate contracts	33,132,184	33,132,184
Provisions for the employees’ profit fund participation	44,799	44,799
Other provisions	3,585,733	3,588,993
<b>TOTAL</b>	<b>70,014,590</b>	<b>70,017,850</b>

Dispute provisions on balance on 31.03.2020 and amounting to 33,251,874 are mainly represented by those constituted for the following litigations:

- On 02.11.2018 on the docket of Bucharest Tribunal, Section VI Civil a renewed court suing was filed by Conaid Company SRL under file 36755/3/2018, whereby the claimant asked to court to compel Transelectrica SA to “remedy the prejudice caused to the claimant as result of the defendant’s culpable non-execution of liabilities, in quantum of 17,216,093.43 Lei, representing loss actually incurred and unrealised benefit, preliminarily estimated to 100,000 Euro... taking into account the unjustified refusal of Transelectrica SA to conclude and sign an addendum to Contract C154/27.04.2012, and in case the law court will consider that in formal terms the obligation regarding suspensive conditions cannot be deemed achieved by the claimant such non-execution is owed to the exclusive guilt of Transelectrica SA, as the defendant prevented complying with the conditions”. Pronouncement was deferred in order to bring the expertise evidence and a term was set on 21.01.2020. The case was also postponed in order to have the expertise performed and the next term was set on 31.03.2020. TERM: 31.03.2020 – Settlement in brief: Lawfully suspended according to article 42 para 6 from Decree 195/2020 of Romania’s President with respect to instituting the emergency state on Romanian territory during the entire time interval of such emergency.

## **CNTEE Transelectrica SA**

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*(All amounts are expressed in LEI, unless otherwise provided)*

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• File 2494/115/2018\* was registered on the docket of Caras Severin Tribunal. Through its summons claimant Resita City requested compelling defendant CNTEE Transelectrica SA to pay the following amounts:

- 2,129,765.86 Lei, representing rent for the land temporarily taken up from the forest fund in 2015;
- 2,129,765.86 Lei, representing land rent in 2016;
- 2,129,765.86 Lei, representing land rent in 2018;
- Legal penalty interest from due date until actual payment;
- Law suit expenses;

The Company has constituted a provision amounting to 6,389,298 for the dispute with Resita City.

• File 2434/115/2018\* was re-registered on the docket of Bucharest Tribunal, section VI Civil. Through its summons claimant National Authority of Forests Romsilva, Forestry Division Caras Severin requests compelling defendant CNTEE Transelectrica SA to pay the following amounts:

- 2,433,608.52 as annual rent for temporary land occupation from the national forestry fund + delay penalties from rent payment due date 31.01.2018 until their full actual payment;
- 304,298.47 for final taking up a land area of the national forestry fund and the loss of timber mass for operation + delay penalties calculated as of 10.05.2015 until their full actual payment;

The case was recorded under file 2434/115/2018, on the docket of Caras Severin Tribunal.

On 29.11.2018 Caras Severin Tribunal pronounced sentence 3326/2018, whereby it decided as follows: "It admits the territorial incompetence exception of Caras-Severin Tribunal. It declines the settlement competence for the suing filed by claimant RNP-Romsilva, Forestry Division Caras-Severin against defendants the National Power Grid Company Transelectrica SA and the National Power Grid Company Transelectrica SA, Transmission Branch Timisoara; final. It was pronounced at public hearing on 29.11.2018".

The file was registered under no 2434/115/2018 on the docket of Bucharest Tribunal, Section IV Civil which on 22.01.2019 pronounced the following conclusion: "It admits the functional incompetence exception. It decides referring the file to Section VI Civil of Bucharest Tribunal for competent settlement; no appeal. It was pronounced at public hearing on 22.01.2019".

The file was registered under no 2434/115/2018\* on the docket of Bucharest Tribunal, Section VI Civil on 13.02.2019, which pronounced the following conclusion: "It admits the exception of suit material incompetence of Bucharest Tribunal, Section VI Civil, sustained ex officio. It declines the case settlement competence in favour of Bucharest Tribunal, Section IV Civil, which will receive promptly the file. It ascertains as occurred the negative competence conflict, it suspends judging the case and refers the file to the Bucharest Court of Appeal to settle the conflict; no appeal. It was pronounced at public hearing on 13.02.2019".

The Company has constituted a provision amounting to 2,737,907 for the dispute with the National Authority of Forests Romsilva, Forestry Division Caras Severin.

• Dispute with subsidiary OPCOM in sum of 2,670,029 for the fine established after EU's investigation.

On 24.11.2014 Subsidiary Co. OPCOM SA summoned CNTEE Transelectrica SA in order to compel it paying the amount of 582,086 Euro (2,585,162 Lei at the National Bank of Romania exchange rate of 24.11.2014), representing the amount paid by it as fine, from the total fine amount of 1,031,000 Euro applied to subsidiary OPCOM SA by the European Commission, since subsidiary Co. OPCOM SA paid in full the fine established by the European Commission.

Also OPCOM SA requested the law court to compel the Company paying 84,867 as legal interest for 11.06.2014 – 24.11.2014, which is added law court expenses amounting to 37,828.

• Other provisions amounting to 3,585,733 are represented by those registered for non-executed employee holidays and payable VAT provision in sum of 1,369,494 Lei estimated for the fiscal audit underway, Notice F-MC-326/13.11.2019\_TVA period 2014-2016 and provision amounting to 2,133,283 Lei for ANAF Decision on accessory fiscal liabilities income tax for the time interval 2012 – 2016.

At the same time on 31 March 2020 the Company has constituted a provision in sum of 33,132,184 for the annual variable component owed to Directorate and Supervisory Board members.

The amount of 44,799 represents mainly a provision constituted for the employees' participation to the profit of financial years 2013, 2015 and 2016, sums unpaid until 31.03.2020.

## CNTEE Traselectrica SA

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(All amounts are expressed in LEI, unless otherwise provided)

### 11. Other taxes and liabilities for social security

On 31 March 2020 and 31 December 2019 other taxes and liabilities for social security comprise:

	<u>31 March 2020</u>	<u>31 December 2019</u>
Contribution to social security funds	6,739,169	6,154,664
Salary tax	1,182,499	1,136,736
Other payable taxes	1,236,615	1,460,715
<b>Total</b>	<b><u>9,158,283</u></b>	<b><u>8,752,115</u></b>

On 31 March 2020 the Company registered payment liabilities for the contributions to the social insurance funds, salary tax and other taxes, which were due and paid in April 2020.

### 12. Income tax

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

The income tax expense in quarter I 2020 and quarter I 2019 was as follows:

	<u>Quarter I 2020</u>	<u>Quarter I 2019</u>
Tax on current profit	17,705,439	2,605,306
Tax on deferred profit	(2,465,962)	(1,168,811)
<b>Total</b>	<b><u>15,239,477</u></b>	<b><u>1,436,495</u></b>

### 13. Operational revenues

They include the revenues achieved by the Company's provision of transmission and system services on the electricity market, allocating the interconnection capacities, balancing market operation services and other revenues.

Tariffs approved by ANRE for such services provided on the electricity market relating to quarter I 2020 and quarter I 2019 were the following:

	<u>Average tariff, transmission services</u>	<u>Tariff of technological system services</u>	<u>Tariff of functional system services</u>
Order 10/15.01.2020 for 16 January - 31 March 2020	17.97	13.05	1.84
Order 218/11.12.2019 for 01 January - 15 January 2020	18.33	13.05	1.84
Order 108/20.06.2018 for 01 January - 31 March 2019	18.13	10.44	1.11

The average electricity transmission rate has two components: tariff for electricity injection into the grid ( $T_G$ ) and tariff for electricity extraction from the grid ( $T_L$ ).

Zone tariffs of transmission services to inject electricity in the grid ( $T_G$ ) and to take electricity out of the grid ( $T_L$ ) were approved by ANRE Ordr 10/2020 beginning with 16 January 2020.

The electricity amount delivered to consumers charged with tariffs for services provided on the electricity market was as follows:

	<u>Quarter I 2020</u>	<u>Quarter I 2019</u>
Quantity of electricity delivered to consumers (MWh)	14,412,144	14,678,488

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Operational revenues achieved in quarters I 2020 and I 2019 were the following:

	<u>Quarter I 2020</u>	<u>Quarter I 2019</u>
Transmission revenues	258,894,401	264,632,670
Revenues from allocation of interconnection capacities	17,915,709	22,744,334
Revenues from reactive power	88,638	267,462
Inter TSO Compensation (ITC) revenues	1,833,346	408,021
Revenues from CPT transactions	<u>2,239,622</u>	<u>2,117,982</u>
<b>Transmission revenues – total</b>	<b><u>280,971,716</u></b>	<b><u>290,170,469</u></b>
Revenues from functional system services	26,518,837	16,293,165
Revenues from technological system services	188,252,315	156,568,331
Unplanned exchanges on the PZU / DAM revenues	57,358	453,033
Revenues of failure aids	<u>0</u>	<u>0</u>
<b>System service revenues – total</b>	<b><u>214,828,510</u></b>	<b><u>173,314,529</u></b>
Revenues on the balancing market	97,519,313	175,033,364
Other revenues	<u>9,523,600</u>	<u>10,335,909</u>
<b>Total revenues</b>	<b><u>602,843,139</u></b>	<b><u>648,854,271</u></b>

*Transmission revenues*

They registered decrease amounting to 5,738,269 in quarter I 2020 compared to quarter I 2019, determined by 1.81% smaller amounts of electricity delivered to consumers, namely 266,344 MWh and a reduced average tariff approved by ANRE for transmission services (as per the previously provided table with ANRE-approved tariffs in the studied periods).

*Revenues from the allocation of interconnection capacities*

In quarter I 2020 revenues from the allocation of interconnection capacities registered decrease amounting to 4,828,625 in comparison with quarter I 2019, corresponding to the utilisation degree of available interconnection capacities by the traders on the electricity market.

The market allocating the interconnection capacities is fluctuating and prices develop depending on the demand and need of participants on the electricity market to procure interconnection capacity. The reduced revenues from the allocation of interconnection capacities registered during the studied period are owed to smaller participants' interest to purchase interconnection capacity, and electricity was transacted more on internal markets.

The mechanism allocation of interconnection capacities consists in organising annual, monthly, daily and intraday bids. The annual, monthly and intraday bids are explicit as only the transmission capacity is auctioned, while the daily ones are implicit and capacity is simultaneously allocated with electricity through the coupling mechanism.

Since beginning with 19 November 2014 a regional power exchange was established by Romania, Hungary, the Czech Republic and Slovakia, the assumption is to have these four countries reaching to a single price of electricity transacted on spot markets. Capacity allocation between Romania and Hungary, the only country of the other 3 Romania has frontier with is carried out by transporters: Transelectrica and MAVIR by common mechanism under a bilateral agreement.

Beginning with 2016 the UIOSI principle was implemented on the Bulgarian border and from 2017 onward on the Serbian border as well. In accordance with such principle market participants that do not use the capacity won at annual and monthly bids are remunerated (by Transelectrica) for this capacity. The unused capacity is later sold at daily bids. The sense is reversed on the Hungarian border, meaning that MAVIR remunerates the participants for unused capacities.

As of November 2019 the 2nd wave was launched under the single European solution for intraday markets coupling (SIDC – Single Intraday Coupling). The single intraday markets coupling mechanism provides continuous harmonisation (matching) of sale and purchase offers from market participants of a bidding zone with the sale / purchase offers within their own bidding zones and any other bidding zone where cross-border capacity is available. Thus explicit intraday bids are performed only on the Serbian border, being implicit on the Bulgarian and Hungarian ones (within SIDC).

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The net revenues from the allocation of interconnection capacities are utilised in accordance with the provisions of ANRE Order 171/2019 and of Regulation (EU) 943/2019 regarding the internal electricity market as financing source of investments to upgrade and develop the interconnection capacities with neighbouring systems.

### *Inter TSO Compensation (ITC) revenues*

Such revenues were higher by 1,425,325 in quarter I 2020 compared to quarter I 2019, because the electricity imported / exported / transited was greater than last year and the applied import / export / transit tariff has grown from 0.6 Euro/MWh to 0.8 Euro/MWh.

### *Revenues from CPT transactions*

They were mainly achieved by selling the excess electricity on the Intraday Market managed by OPCOM and by means of the BRP CIGA ENERGY on the Balancing Market. At the end of November 2019 the coupled intraday market operation was launched Europe-wide under the XBID/SIDC project, which provided higher market liquidity and diversified the transacted products.

Such revenues were higher by 121,640 in quarter I 2020 compared to quarter I 2019, because the imbalances of Traselectrica were in contrary direction to the BRP's CIGA ENERGY imbalances and as such selling the excess electricity through the BRP was more beneficial than selling it on the Electricity Market.

### *Revenues from functional system services*

They registered increase amounting to 10,225,672 in quarter I 2020 compared to quarter I 2019, determined by higher tariff approved by ANRE for such services (as per the previously provided table with ANRE-approved tariffs in the studied periods), while the quantities of electricity delivered to consumers dropped 1.81%, namely 266,344 MWh.

### *Revenues from technological system services*

These registered increase amounting to 31,683,984 in quarter I 2020 compared to quarter I 2019 determined by higher tariff approved by ANRE for such services (as per the previously provided table with ANRE-approved tariffs in the studied periods), while the quantities of electricity delivered to consumers dropped 1.81%, namely 266,344 MWh.

In quarter I 2020 revenues from technological system services were greater by 22,319,007 in comparison with the expenses made in order to procure technological system services. This amount is increasing the Company's gross profit registered on 31 March 2020.

### *Balancing market revenues*

They registered decrease amounting to 77,514,051 in quarter I 2020 compared to quarter I 2019, mainly determined by the following issues:

- Reduced negative imbalance registered with electricity suppliers on the balancing market;
- The manner of contracting on the markets before the balancing one;
- The development of rainfalls and rivers' flow rates;
- The development of the average deficit price registered on the balancing market;
- Reduced demand of electricity and smaller consumption during a mild winter;
- Reduced electricity consumption as a result of regulations issued by the Public Central Administration to prevent spreading Covid-19.

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

## **14. Expenses to operate the system and on the balancing market**

Expenses made in quarter I 2020 compared to quarter I 2019 were as follows:

	<b>Quarter I 2020</b>	<b>Quarter I 2019</b>
Expenses regarding one's own technological consumption	64,731,332	81,104,194
Congestion expenses	0	1,639,293
Expenses for electricity consumption in RET substations	4,151,240	6,338,271
Expenses regarding functional system services	6,593,116	10,300,373
Inter TSO Compensation (ITC) expenses	5,868,890	1,532,150

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<b>Total operational expenses</b>	<b>81,344,578</b>	<b>100,914,281</b>
Expenses regarding technological system services	165,933,308	184,801,227
Expenses relating to the balancing market	97,519,313	175,033,364
<b>Total</b>	<b>344,797,199</b>	<b>460,748,872</b>

### *Expenses regarding one's own technological consumption (grid losses)*

They are electricity procurement expenses on the free electricity market, namely the Centralised Market of Bilateral Contracts (PCCB), Day-ahead Market (PZU/DAM), Balancing Market (PE) and Intraday Market (PI) to cover technological consumption (CPT) within RET.

Such expenses were smaller by 16,372,862 in quarter I 2020 compared to quarter I 2019, taking into account a number of issues such as:

- The average price of contracts concluded on the PCCB with delivery in quarter I 2020 was 273.62 Lei, 5% smaller than the price of quarter I 2019;
- The average PZU/DAM price showed marked decreasing trend beginning with January and it reached a minimum of 142.98 Lei in March. In the epidemiologic context generated by Covid-19 spreading, the average price was about 23% smaller than the same period of last year;
- One's own technological consumption registered in the studied period was about 5% smaller than in 2019;
- The average price of electricity procured on the Balancing Market decreased significantly by about 25%, in the context of Tranelectrica imbalances in contrary direction of imbalances of BRP CIGA ENERGY, thus the balance of imbalances was half that of last year.

### *Expenses for electricity consumption in RET substations*

With a view to provide electricity transmission within electric substations and to operate the National Power System under safe terms CNTEE Tranelectrica SA should procure electricity to cover the consumption of auxiliary services of high voltage electric substations managed by the Company, namely the consumption of auxiliary services from 81 electric substations, for each consumption place.

Such expenses decreased by 2,187,031 in quarter I 2020 compared to quarter I 2019 because of smaller electricity procurement prices provided in the electricity supply contracts concluded for 2020.

### *Expenses regarding functional system services*

They represent uncontracted international exchanges of electricity with neighbouring countries as well as expenses with the unplanned exchanges on the day-ahead market.

Such expenses decreased by 3,707,257 in quarter I 2020 compared to quarter I 2019, mainly determined by reduced expenses on the balancing market relating to unplanned electricity exchanges with neighbouring countries interconnected to SEN.

### *Inter TSO Compensation (ITC) expenses*

ITC expenses represent monthly payment liabilities / collection rights of each transmission and system operator (TSO). They are established within the compensation / settlement mechanism for the effects of using the electricity transmission grid (RET) for electricity transits in-between the TSO-s from the 35 countries that adopted this ENTSO-E mechanism.

In quarter I 2020 such expenses were greater by 4,336,740 compared to the same period of last year, and the difference resulted from regularising the estimated expenses in quarter I 2019.

### *Expenses regarding technological system services*

The Company procures such services from producers in order to maintain the safe operation of SEN and the quality of electricity transmitted at parameters provided in applicable technical norms.

Such services are contracted as follows:

- Under regulatory regime according to Governmental Decisions and to the Decisions of the National Regulatory Authority in the Energy domain (ANRE);



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- By means of competitive mechanisms.

In quarter I 2020 technological system services were procured under regulated regime according to ANRE Decision 1551/2019 (from the Electricity Generating Company in Hydropower plants Hidroelectrica SA), ANRE Decision 2212/2019 (from Co. Energy Complex Hunedoara SA), ANRE Decision 1851/2019 (from Co. Electrocentrale Galati SA), and according to HG 593/12.08.2019 approving the *Measures with respect to the degree of operational safety and security for the operation of the National Power System from 1 November 2019 to 31 March 2020*.

Expenses regarding technological system services registered increase amounting to 18,867,919 in quarter I 2020 compared to quarter I 2019, mainly influenced by the following factors:

- Procurement prices of technological system services on the competitive market for the replacement reserve (RTL) in quarter I 2020 were smaller in comparison with procurement prices of the same period in 2019, when there was more competition for this reserve;
- Procurement prices of technological system services on the competitive in quarter I 2020 kept around the values registered in the same period of 2019 for the frequency restoration reserve (RS) fast tertiary reserve (RTR);
- In quarter I 2020 there was a high concentration of the technological system services market for frequency restoration reserve (RS) and fast tertiary reserve (RTR) services.

CNTEE Transelectrica SA re-invoices the value of technological system services procured from producers to the suppliers of electricity with ANRE licence that are final beneficiaries of such services.

### *Expenses relating to the balancing market*

Such expenses achieved in quarter I 2020 amounted to 97,519,313 and had the development provided in chapter *Revenues on the balancing market*.

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

## 15. Personnel expenses

	<u>Quarter I 2020</u>	<u>Quarter I 2019</u>
Expenses with personnel salaries	45,178,585	42,746,519
Social expenses	552,365	246,137
Expenses with tickets granted to employees	1,662,435	1,684,275
Expenses for the mandate contracts and other committees, commissions	748,455	568,460
Insurance and social security expenses	3,509,366	2,347,990
Provisions constituted salary expenses and equivalents	(3,259)	(2,799)
Other expenses	225,497	176,401
<b>Total</b>	<b><u>51,873,444</u></b>	<b><u>47,766,983</u></b>

Personnel expenses made in quarter I 2020 registered increase compared to quarter I 2019, mainly determined by higher expenses with personnel salaries, social expenses, the mandate contract and other committees, commissions, as well as the insurance and social security expenses.

## 16. Other operational expenses

	<u>Quarter I 2020</u>	<u>Quarter I 2019</u>
Other expenses for services executed by third parties	15,039,888	14,435,103
Postal expenses and telecommunication fees	210,200	244,103
Rental expenses	363,043	367,773
(Net) operational expenses regarding allowances to impair current assets	411,553	(31,768)
Other expenses, of which:	10,087,048	(11,771,014)
- (Net) expenses regarding provisions for other operational expenses	298,043	(30,130,594)
- Taxes and fee expenses (ANRE fee, natural monopoly tax, other local taxes and fees)	4,920,556	12,897,883

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- Expenses regarding international subscriptions	1,327,251	1,137,918
- Travel expenses	710,514	1,035,463
- Merchandise expenses	97,413	780,823
- Expenses for electricity procured for administrative consumption	857,178	740,656
- Natural gas procured	396,918	517,567
- Personnel transportation expenses	268,151	270,170
- Studies and research expenses	138,750	52,250
- Expenses with bank services and equivalents	194,175	174,260
- Insurance premium expenses	192,172	170,949
- Expenses generated by Covid-19 pandemic	174,086	0
- Other operational expenses	511,841	581,641
<b>Total</b>	<b>26,111,732</b>	<b>3,244,197</b>

In quarter I 2020 such expenses registered increase amounting to 22,867,535 compared to quarter I 2019, determined by the variation of certain expense items such as:

- Increase of (net) expenses with provisions for other operational expenses, taking into account the registration of provisions in quarter I 2020, compared to cancelling the provision amounting to 31,180,858 constituted for the dispute with ASITO KAPITAL SA in quarter I 2019;
- Diminished tax and fee expenses due to a reduce percentage quantum of the annual ANRE fee to 0.2% of the turnover of CNTEE Transelectrica SA in comparison with 2% applied last year according to the provisions of ANRE Order 1/2020 approving the tariffs and monetary contributions charged by the National Regulatory Authority in the Energy domain in 2020;
- Higher expenses for services executed by third parties, greater expenses with civil protection and guard, international subscriptions etc.;
- Expenses generated Covid-19 pandemic (food, medicines, hygiene, protection), exceptional expenses occurred in the current context of the public health crisis (Covid-19 pandemic), the emergency state instituted by authorities and the measures established by the Company, using one's own business continuity plans.

**17. Net financial result**

	<b>Quarter I 2020</b>	<b>Quarter I 2019</b>
Interest revenues	1,712,388	1,085,923
Revenues from exchange rate differences	807,232	1,919,136
Other financial revenues	26,204	25,875
<b>Total financial revenues</b>	<b>2,545,824</b>	<b>3,030,934</b>
Interest expense	(2,187,318)	(1,706,081)
Expenses with exchange rate differences	(1,945,532)	(5,408,124)
<b>Total financial expenses</b>	<b>(4,132,850)</b>	<b>(7,114,205)</b>
<b>Net financial result</b>	<b>(1,587,026)</b>	<b>(4,083,271)</b>

On 31 March 2020 the Company registered net financial result (loss) in sum of 1,587,026 being 2,496,245 smaller compared to that registered in the same period of 2019. It was mainly influenced by the development of the national currency's exchange rate against the foreign currencies the Company has contracted bank loans in to finance its investment plans (Euro).

The national currency's exchange rate registered on 31 March 2020 in comparison to that registered on 31 March 2019 was the following:

<b>Currency</b>	<b>31.03.2020</b>	<b>31.03.2019</b>
Lei / Euro	4.8254	4.7628
Lei / US Dollar	4.3983	4.2434

## **18. Disputes and contingencies**

### *i) Disputes in progress*

The managerial team regularly analyses the ongoing disputes, and after consulting with legal representatives decides the need to create provisions for the amounts involved or their provision in the financial statements.

Taking into account the existing information the Company's management believes that there are no significant ongoing disputes in which the Company is defendant, except for the following ones:

#### **• AUTONOMOUS AUTHORITY FOR NUCLEAR ACTIVITIES**

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

Civil ruling 127 pronounced on 10 October 2014 by Mehedinti Tribunal admitted the request filed by plaintiff RAAN and ordered CNTEE Transelectrica SA to pay the amount of 1,090,831.70 Lei, the value of invoice 1300215/31.12.2013.

The Company filed appeal and requested the Law Court to decide in the ruling to be pronounced to admit the appeal as filed, to cancel the decision and sentences appealed against, refer the case to the territorial competent court for judgment, and to ascertain fulfilment of requirements from articles 1616-1617 of the Civil Code, reason for which it was also required to declare the occurrence of mutual debts compensation and their redemption up to the smallest amount among them, namely the total amount requested by the plaintiff in the application for summons, ordering the appeal - plaintiff to pay the expenses made with this appeal.

The appeal was registered on the docket of the High Court of Cassation and Justice that decided to reverse decision 843/2015 and to remand the case for retrial to the same court, the Appeal Court of Craiova.

Decision 124/2017 of the Appeal Court of Craiova admitted the appeal filed by Transelectrica and cancelled sentence 127/2014 pronounced by Mehedinti Tribunal, while the case was referred for retrial to Bucharest Tribunal, Section VI Civil. On the docket of the Bucharest Tribunal the case was registered under no. 40444/3/2017 which by civil ruling 4406/04.12.2017 admitted the request filed by RAAN and ordered Transelectrica to pay the amount of 1,090,831.70 Lei. The sentence was appealed against. The resolution of the Bucharest Court of Appeal: denies the appeal as groundless; final. It was ruled in open court on 13.12.2018.

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

Under such circumstances RAAN calculated penalties for late payment of the due cogeneration bonus amounting to 3,496,914, withheld from the payment by the Company on account of non-cashed receivables. The Company refused paying the amount of 3,496,914 and did not register it as liability in the support scheme.

File 9089/101/2013/a152 pertains to contesting the additional Receivables Table against debtor RAAN, the litigated amount being 89,360,986 Lei.

Transelectrica SA was recorded in the table of debtor RAAN with only 11,264,777 Lei, under receivables resulting from continued activities of such debtor but the amount the Company requested was 89,360,986 Lei. The sum of 78,096,209 Lei was not registered in the preliminary receivables table because "it does not appear as owed amount in the accounting books of RAAN". Moreover the judiciary liquidator considered the request to register in the table the sum of 78,096,209 Lei has been executed late as it pertained to 2011 – 2013, for which reason the receivable statement should have been made when the insolvency procedure had been instituted, namely on 18.09.2013. Contestation of the preliminary Receivables Table was submitted within the legal term and Mehedinti Tribunal admitted the accounting expertise evidence.

On the 14.06.2018 term case judgment was suspended until settlement of file 3014/2/2014 found on the docket of the HCCJ, and on 14.02.2019 Mehedinti Tribunal decided joining file 9089/101/2013/A152 to file 9089/101/2013/a140 (pertaining to claims – payment request). Thus file judgment was postponed because the court considered it useful for case settlement to submit Civil ruling 2969/26.09.2018, pronounced by the High Court of Cassation and Justice under file 3014/2/2014, with respect to cancelling decision 743/2014 of ANRE President.

The settlement of Mehedinti Tribunal by Ruling 163 / 20.06.2019 was: It admits the exception of decline. It partly admits the main issue and associated contestation. It compels defendant RAAN to pay to claimant Transelectrica the amount of 16,950,117.14 Lei accrued during the procedure, judging to record it in the creditors' table constituted against debtor RAAN by this sum. The other associated demands are denied. In accordance with article 453 para 2 from the Civil

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Procedural Code it compels the defendant to pay 1000 Lei law court expenses to the claimant. Appeal right is granted. It was pronounced on 20.06.2019 at public hearing. Document: Ruling 163/20.06.2019.

On the 06.11.2019 term the Appeal Court Craiova decided denying the appeal filed by Transelectrica as groundless. Final decision pronounced under ruling 846/06.11.2019.

Transelectrica filed appeal within the legal term. The Appeal Court Craiova established the first hearing term on 30.10.2019. The appeal was denied as groundless.

Transelectrica filed review request for contradictory rulings, registered under file 1711/54/2019 with hearing term on 25.03.2020 in the Appeal Court Craiova, which will refer the file to the High Court of Cassation and Justice for competent settlement.

Under RAAN's bankruptcy file 9089/101/2013 Mehedinti Tribunal established the term on 26.03.2020 to continue the procedure. The court decided suspending request judgment during the emergency state.

### **• COURT of AUDIT**

Following an audit performed in 2013, the Court of Audit issued several measures to be implemented by the Company as a result of some deficits, which were detected upon such control. The decision and protocol issued by the Court of Audit have been appealed before the Appeal Court of Bucharest, file 1658/2/2014 being constituted, pertaining to "cancellation of control deeds" – Conclusion 7/20.02.2014 issued by the Court of Audit.

On 13.06.2018 the claimant's suit is partly admitted. It cancelled a part of conclusion 7/20.02.2014, decision 37/9.12.2013 and the audit report 35521/6.11.2012 issued by the defendant with respect to the measures in the above decision indicated in points I.1, I.3, I.6, I.8, I.11, II.14, II, 15, II.17, II.18, II.20, II.21, II.22 and partially the measure of pct. II.13, meaning to remove the phrase "including what has been found about the invoices issued by Florea Administrare Imobiliara SRL". The court rejects the remainder of the claimant's request as groundless. It standardised the electric power expertise report executed for this case by expert Toaxen Vasile. It compels the defendant to pay 121,375 Lei law suit expenses to the claimant (partially expert fees and judiciary stamp tax). Document ruling 2771/13.06.2018.

Transelectrica filed appeal on 14.06.2019. The next term was established on 28.10.2021.

As result of an audit conducted in 2017 the Court of Audit issued certain measures to be implemented by the Company as it ascertained certain deficits. CNTEE Transelectrica SA filed a number of 8 contestations against the measures decided by Romania's Court of Audit (CCR) by Decision 8/27.06.2017, requesting their cancellation as well as the Conclusion 77/03.08.2017, registered in the Company under number 29117/08.08.2017, and the Audit Report 19211/26.05.2017.

Contestations are under settlement on the docket of the Appeal Court Bucharest and of the High Court of Cassation and Justice with terms after 2019, namely in 2020-2021.

### **• ANRE**

CNTEE Transelectrica SA filed complaint against Order 51/26.06.2014 of ANRE President, registered with ANRE under no. 47714/4.08.2014, and an appeal before the Appeal Court of Bucharest under file 4921/2/2014, requesting either the amendment of the aforementioned Order or the issuance of a new one, which should recalculate the RRR value at the level of 9.87% (recalculated with a  $\beta$  coefficient of 1.0359, according to the internal analyses conducted by Transelectrica) or, should this complaint be rejected, using the same percentage of 8.52% set by ANRE for 2013 and in the first semester of 2014.

On 26.06.2014 ANRE Order 51 was issued and published in the Official Gazette 474/27.06.2014 regarding approval of the average tariff for transmission services, the system service tariffs and zone tariffs for transmission services charged by the National Power Grid Company Transelectrica SA and cancelled annex 1 to Order 96/2013 of ANRE President approving the average tariff for transmission services, the system service tariffs and zone tariffs for transmission services and the tariffs for reactive electricity charged by economic operators of the electricity sector. The values taken for the calculation of the regulated rate of return (RRR) by ANRE according to the Methodology establishing the tariffs of electricity transmission services approved by ANRE Order 53/ 2013 ("Methodology") determined the RRR at 7.7%.

On the 27.03.2018 term the expert fee placed on the claimant's behalf was paid and a letter will be sent to the expert in order to execute the agreed expertise report and submit it to the file.

On the 25.09.2018 the settlement in brief was to resume the letter to the expert with a view to make the expertise report and submit it to the file, in order to prove it is impossible to submit the expertise report by the hearing term, in which respect it decided postponing the case.

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At the hearing term on 22.01.2019 the court agreed in principle the accessory intervention request to the defendant's interest (ANRE), expressed by intervenient ALRO SA, appeal granted with the principal issue. On 25.06.2019 the decision was taken to postpone the case to enable the parties to get acquainted with the content of the expertise report and a new hearing term was set on 10.09.2019.

On the 10.09.2019 term taking into account the request of the claimant's representative to get acquainted with the content of objections filed by the intervenient and to be able to answer them, considering also the claimant has equally submitted meeting notices accompanied by writs requiring translation, it admitted the case postponement request and decides setting a new hearing term established on 03.12.2019.

The dispute has not impacted the relationship with ANRE or the Company's financial results.

At the hearing term on 03.12.2019 the decision was to postpone the case and set a new hearing term in order to resend letter to the expert to submit his answers to objections to the file, mention should be made he was to appear at the next hearing term. It will draw the expert's attention to submit a copy of his answer to objectives to each party before the hearing term.

The following term is on 12.05.2020.

### **• OPCOM**

On 24.11.2014 the Romanian Gas and Electricity Market Operator OPCOM SA summoned the Company in order to compel it paying the amount of 582,086 Euro (2,585,162 Lei at the National Bank of Romania exchange rate of 24.11.2014), representing the amount paid by it as fine, from the total fine amount of 1,031,000 Euro, which was included in file 40814/3/2014.

Previously the Shareholders' General Assembly of Subsidiary OPCOM SA had decided on its 10.06.2014 meeting to pay in full 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 European Union Functioning, according to the Decision AT 39984 in the antitrust case.

Also OPCOM SA requested the court to order the Company to pay the amount of 84,867.67 Lei as legal interest related to the period 11.06.2014 – 24.11.2014, plus legal expenses amounting to 37,828 Lei.

The action filed by the subsidiary SC OPCOM SA is subject of file 40814/3/2014 on the docket of Bucharest Tribunal, Section VI Civil, involving claims, disputes with professionals.

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

The Appeal Court's settlement was as follows: Admits the appeal. Changes entirely the civil ruling appealed against, meaning it denies as groundless the summons. It compels the recurrent-claimant to pay law suit expenses amounting to 16,129 to the defendant, representing judiciary stamp fee. Appeal right granted within 30 days from notification. It was pronounced at public hearing on de 10.10.2016. Document: Ruling 1517/2016 / 10.10.2016.

OPCOM SA filed appeal, which was registered with the High Court of Cassation and Justice.

Hearing term with the HCCJ: 13.03.2018. HCCJ's settlement in brief: Admits in principle the appeal filed by the recurrent-claimant Gas and Electricity Market Operator OPCOM SA against decision 1517/10.10.2016 pronounced by the Appeal Court Bucharest, Section V Civil. It cancels the decision appealed against and refers the case for new judgment to the appeal court; final.

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

On 27.11.2018 CNTEE Transelectrica SA filed appeal, which is under screening procedure with the HCCJ.

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

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File 17765-3-2019 pertains to compelling defendant OPCOM SA to pay 4,517,460 Lei according to TEL invoice series 16 AAA no.19533/29.07.2016, representing VAT amount to the contribution of CNTEE Transelectrica SA to the share capital of OPCOM SA, issued under Loan Contract 7181RO/2003, a commitment to finance the investment 'Electricity Market Project'; compelling OPCOM SA to pay 1,293,778.27 Lei according to invoices TEL 19 T00 17/28.01.2019 and TEL 19 T00 131/10.07.2019 representing penalty legal interest calculated for the failure to pay in due term invoice series TEL 16 AAA 19533/29.07.2016.

The amount of 4,517,460 Lei is principal debit under petition 1 of this case and it represents the VAT associated to the share capital indexation of OPCOM SA by contribution in kind, substantiated by intangible assets received as corresponding to stage I A and stage II of contracts P081406-O-C78, P081406-C125 and P081406-C300.

On the hearing term of 27.09.2019 the exception of inadmissibility and the exception of prescription are denied as groundless. It denied the request as groundless. It denied as groundless the creditor's request to compel the debtor paying the law suit expenses. Cancellation request granted within 10 days from notification, such cancellation request was to be submitted to Bucharest Tribunal, Section VI Civil.

On 22.11.2019 under file 34249/3/2019 the settlement in brief was the following: Taking into account the provisions of article 94 para 3 from Internal Order Regulation of Law Courts, approved by CSM decision 1375/2015, according to which the appeal modes declared against the same ruling are settled by the initial panel and taking into consideration both the creditor and the debtor filed cancellation requests against the hearing conclusion 27.09.2019 pronounced by Bucharest Tribunal, Section VI Civil under file 17765/3/2019, pertaining to payment ordinance, it decided referring this file to settlement by the first panel assigned with settling an appeal against the hearing conclusion of 27.09.2019 pronounced by Bucharest Tribunal, Section VI Civil under file 17765/3/2019, namely Panel 11 AO initially attributed file 34022/3/2019 with respect to cancellation request. Cancellation requests are registered under file 34022/3/2019 with hearing term on 11.03.2020. Settlement in brief: lawfully suspended according to article 63 para 11 of annex 1 to the Decree 240/2020 of Romania's President regarding extension of the emergency state on Romanian territory. Document: Resolution 06.05.2020.

### **• ASITO KAPITAL SRL**

On 01.07.2017 the Company filed summons with respect to issuing payment ordinance, case under file 24552/3/2017 on the docket of Bucharest Tribunal, Section VI Civil, requesting the instance to pronounce decision compelling debtor ASITO KAPITAL SA to pay 7,058,773.36 Euro (equivalent to 31,180,857.96 Lei) representing security policies for down payment BR 1500544/18.11.2015 and BR 1500520/29.07.2015.

Taking into account the cancellation request filed by ASITO KAPITAL SA against decision 4067/2017 the Company constituted a provision for disputes amounting to 31,180,858 Lei.

Settlement in brief: It admits the request and orders the debtor to pay 2,237,750.83 Euro within 20 days from receipt of this decision (equivalent of 9,948,592.64 Lei at the exchange rate 1 Euro = 4.4458 Lei) representing unreturned down payment secured under the security letter BR-1500544/18.11.2015 as well as 4,821,022.53 Euro (equivalent of 21,233,265.32 Lei at the exchange rate 4.4041 Lei / Euro) representing unreturned down payment secured under the security letter BR-1500520/29.07.2015; 200 Lei as law suit expenses. Cancellation request right is granted in 10 days from notification.

Decision 4067/07.11.2017 was drafted and notified to both parties on 17.10.2018.

On 01.11.2018 Decision 4067/07.11.2017 was legalised and submitted to BEJ Raileanu in view of executing the enforcement title.

On 06.11.2018 ASITO KAPITAL SA paid the Company the amount of 31,181,857.96 as follows:

- 21,233,265.32 according to Civil Ruling 4067/2017 (4,821,022.53 EUR at 4.4041 / 1 LEU);
- 9,948,592.64 according to Civil Ruling 4067/2017 (2,237,750.83 EUR at 4.4458 / 1 LEU);

In case of file 35865/3/2018 (former file 24552/3/2017) the hearing term was set on 19.02.2019 to settle the cancellation request for the payment ordinance providing return of 31.2 mill Lei. Pronouncement was deferred on 20.03.2019.

On the 19.02.2019 term when the juridical inquiry ended and the floor was given to the parties for exceptions, evidence and the case substance matter the instance deferred pronouncement twice until 20.03.2019. After deliberation Bucharest Tribunal pronounced the following settlement in brief:

It denied the request with respect to reversing the enforcement as inadmissible.

It denied the request to return the stamp tax relating to the request with respect to reversing the enforcement as groundless.

Denies the cancellation request filed by the contester-debtor ASITO KAPITAL SA against Civil ruling 4067/07.11.2017 pronounced by Bucharest Tribunal, Section VI Civil under file 24552/3/2017, in contradiction with the recurrent - creditor

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National Power Grid Company TRANSELECTRICA SA as groundless; final. It was pronounced at public hearing on 20.03.2019.

Document: Ruling 743/2019 /20.03.2019.

The court clerk office certificate issued on 18.04.2019 by Bucharest Tribunal, Section VI Civil certified Decision 743/2019 /20.03.2019.

On 04.10.2019 Asito Kapital filed appeal against Civil Sentence 3840/19.12.2018 and the file was submitted to the Appeal Court Bucharest to settle the appeal; the hearing term has not been set to date. Transelectrica filed contestation within the legal term and the hearing term has to be set.

On the 11.11.2019 term the case was deferred. Settlement in brief: It admits the request; it spreads out the stamp judiciary fee owed by the complainers under this case in quantum of 185,790.30 Lei into 3 equal monthly instalments due on the 20<sup>th</sup> day of each month, beginning to November 2019, in quantum of 61,930.10 Lei each. Re-examination request right granted within 15 days from notification

The following term under file 28445/3/2017 (3055/2019) was set on 18.05.2020.

### **• CONAID COMPANY SRL**

In 2013 Conaid Company SRL summoned CNTEE Transelectrica for its unjustified refusal to sign an addendum to the connection contract or a new connection contract and requested compensations for the expenses incurred up to that date amounting to 17,419,508 Lei and for unrealised profits in 2013-2033 amounting to 722,756,000 EUR. To date the Company has not concluded an addendum to the connection contract because the suspensive terms included in the contract were not complied with by Conaid Company SRL. A new connection contract should have been concluded by 11 March 2014, expiry date of the technical connection endorsement. File 5302/2/2013 was found on the docket of the High Court of Cassation and Justice, Section of Administrative and Fiscal Disputes, and pertained to an obligation to issue an administrative deed; law court stage – appeal and hearing term on 09.12.2015. On this term the High Court of Cassation and Justice admitted in principle the appeals and set a hearing term of such appeals, for the main issue, on 08 April 2016. Panel 4 was entrusted and will summon the parties.

Case judgement was deferred to 17.06.2016, when the court postponed pronouncement to 29.06.2016, when it pronounced Decision 2148/2016 whereby it decided as follows: “It denied the exceptions invoked by the recurrent-claimant SC Conaid Company SRL by means of the judiciary administrator RVA Insolvency Specialists SPRL and by the recurrent-defendant the National Power Grid Company Transelectrica SA. It admitted the appeal filed by the defendant National Power Grid Company Transelectrica SA against the hearing conclusion of 18 February 2014 and civil ruling 1866 of 11 June 2014 pronounced by the Appeal Court Bucharest, Section VIII of Administrative and Fiscal Disputes. It cancelled the contested conclusion and partly the ruling and referred the case to Bucharest Tribunal, Section VI Civil to settle the claimant’s case in contradiction with the National Power Grid Company Transelectrica SA. It maintained the other ruling provisions as regards the claimant’s suit against the National Regulatory Authority in the Energy domain. It denied the appeals filed by claimant SC Conaid Company SRL by means of the judiciary administrator RVA Insolvency Specialists SPRL and by the intervenient SC Duro Felguera SA against civil ruling 1866 of 11 June 2014, pronounced by the Appeal Court Bucharest, Section VIII of Administrative and Fiscal Disputes. It denied the appeal filed by the defendant National Power Grid Company Transelectrica SA against the hearing conclusion of 25 March 2014, pronounced by the Appeal Court Bucharest, Section VIII of Administrative and Fiscal Disputes; final. It was pronounced at public hearing on 29 June 2016.

The file was registered under no. 12107/3/2017 on the docket of Bucharest Tribunal. The Tribunal’s civil sentence 4364/23.11.2017 admitted the exception of inadmissibility and denies the request as inadmissible. It also denies the intervention request on the claimant’s behalf. Appeal right granted within 30 days from notification. The appeal was filed to the Appeal Court Bucharest, Section VI Civil and the court clerk office notified it on 23.11.2017.

On 02.11.2018 on the docket of Bucharest Tribunal, Section VI Civil new summons were filed by Conaid Company SRL under file 36755/3/2018, by which the claimant requested the court to compel Transelectrica SA to “repair the prejudice caused to the claimant as a result of the defendant’s culpable non-execution of obligations in quantum of 17,216,093.43 Lei, consisting of actual damage incurred and unrealised benefit, provisionally estimated at 100,000 Euro... taking into account the unjustified refusal of Transelectrica SA to conclude and sign an addendum to Contract C154/27.04.2012, and in case the instance deem in formal terms the claimant’s obligation of suspensive terms cannot be considered as fulfilled, such non-execution is owed to the exclusive guilt of Transelectrica SA, as the defendant prevented the compliance with the terms”.

On the 15.10.2019 term it denied as groundless the exceptions of absence of active processual capacity and absence of interest. It joined the exception of prescription to the main issue; appeal right on the same date with the main issue. It was pronounced by placing the settlement to the parties’ disposal by means of the court clerk.

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It established the term on 26.11.2019 to continue investigating the case and summon the parties; appeal right on the same date with the main issue. It was pronounced by placing the settlement to the parties' disposal by means of the court clerk.

It was deferred in order to bring the expertise evidence and a new term was established on 21.01.2020.

On 21.01.2020 the case was deferred in order to make the expertise and the following term was set on 31.03.2020.

TERM: 31.03.2020 – Settlement in brief: lawfully suspended according to article 42 para 6 from Decree 195/2020 of Romania's president instituting the emergency state on Romanian territory, during the entire emergency state.

### **• FF WIND ENERGY INTERNATIONAL SRL**

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

On the hearing term of 28.12.2018 the court denied the summons as filed for being groundless. It acknowledges the defendant has not requested law suit expenses; appeal right granted within 30 from notification. In accordance with article 425 para 3 and article 471 para 1 of the Civil Procedural Code, the appeal and its grounds are submitted to Bucharest Tribunal, Section VI Civil. Document: Ruling 3891/ 28.12.2018.

Company FF Wind Energy International SRL filed appeal, which was judged on 18.06.2019, but pronouncement was deferred to 23.07.2019, when the settlement in brief was the following: "It denies the appeal as groundless; appeal right granted within 30 days from notification. The appeal files to be submitted to the Appeal Court Bucharest, Section VI Civil, pending nullity. It was pronounced at public hearing. Document: Ruling 1191/23.07.2019".

FF Wind filed appeal, which is under screening with the High Court of Cassation and Justice.

### **• ELECTROCENTRALE BUCHAREST SA**

By appealing the judicial administrator's decision to refuse to answer the payment request under file 6642/3/2018 registered with the Bucharest Tribunal, Transelectrica asked that Electrocentrale Bucharest SA, a debtor under the insolvency procedure, should be compelled to pay 56,680,387 Lei, i.e. the equivalent value of the over-compensation, based on Decision 476/30.03.2017 of ANRE President.

Settlement in brief of Bucharest Tribunal: It rejected as unfounded the exception for the late appeal invoked by the defendant ELCEN in the appeal. It admitted the appeal filed against the measure of the judiciary administrator. It compels the debtor to pay the appellant the amount of 56,680,387 Lei, i.e. the non-paid difference for the Overcompensation decision 476/30.03.2017 and the invoice series TEL17COG 17948/30.03.2017. It admits the request to compel the debtor to pay legal expenses.

It compels the debtor to pay the appellant 2500 Lei as legal expenses, representing a stamp fee and a provisional expertise fee. Appeal right granted within 7 days from notification. Appeal to be submitted to Bucharest Tribunal, Section VII Civil. It was ruled at public hearing on 21.12.2018. Document: civil ruling 7834/21.12.2018.

Elcen filed appeal, which was denied as groundless on 11.06.2019.

### **• ROMENERGY INDUSTRY**

File 2088/107/2016 on the docket of Alba Tribunal pertained to "Bankruptcy & request to be admitted in the creditors' list".

Transelectrica filed request to be recorded in the creditors' list with 16,112,165.18 mill Lei; the receivable was admitted and recorded in the preliminary Table.

Settlement in brief: It established the term on 14.10.2019 to continue the bankruptcy procedure by capitalising the assets and recovering the receivables. The judiciary liquidator was to execute and submit to the file: - every 15<sup>th</sup> day of the month the monthly activity reports of the preceding month as provided in para 1 of article 59 from Law 85/2014; - 5 days before the verification term the synthetic report of 120 days, provided in the final part of para 3 of article 59, Law 85/2014.

On the hearing term of 27.01.2020 the verification term was set on 11.05.2020 in room 5, 9:00 h, taking into account Decision 2/22.01.2020 of the General Assembly of judges from Alba Tribunal, which decided suspending the judgment.



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### **• DAGESH ROM**

File 17284/3/2015 on the docket of Bucharest Tribunal / Appeal Court pertained to: claims amounting to 2,784,950 Lei, representing lease indexation and delay penalties for such rent indexation + 168,500 Lei representing a difference of service fee and delay penalties.

Settlement of TMB

1. It admitted the write-off exception with respect to the claims represented by: - rent difference requested for 04.03.2012 - 12.05.2012; related penalties requested as rent difference calculated for 04.03.2012 - 12.05.2012; service fee difference asked for the interval 04.03.2012 - 12.05.2012; related penalties requested as service fee difference calculated for 04.03.2012 - 12.05.2012. It denied such claims as being written-off.

2. It denied the other claims as groundless.

3. It compelled the claimant to pay 2,250 Lei as law suit expenses to the defendant.

4. Appeal right was granted within 30 days from notification, to be submitted to Bucharest Tribunal, Section VI Civil. It was pronounced at public hearing; ruling 7230/15.11.2016.

Settlement of CAB: Dagesh filed appeal on 04.10.2017. Settlement in brief: It admitted the appeal. It partly changed the contested ruling; it partly admitted the summons, namely it compelled the defendant to pay 76,265.23 Lei as service fee difference for 2012 and 76,265.23 Lei as related delay penalties. It maintained the other ruling provisions appealed against. It compelled the recurrent defendant paying to the recurrent claimant 31,877.45 Lei as law suit expenses, for first instance and appeal; appeal right within 30 days from notification. Appeal will be submitted to the Appeal Court Bucharest, Section VI Civil. It was pronounced at public hearing. Document: Ruling 810/20.04.2018.

Both parties filed appeal which was judged on 12.11.2019. The settlement pronounced by the High Court of Cassation and Justice: it denied as groundless the appeals filed by the recurrent-claimant Co. DAGESH ROM SRL and the recurrent-defendant National Power Grid Company Transelectrica SA against civil ruling 810A/2018 of 20 April 2018, pronounced by the Appeal Court Bucharest, Section VI Civil. It denied the requests filed by the recurrent-claimant Co. DAGESH ROM SRL and the recurrent-defendant National Power Grid Company Transelectrica SA with respect to be granted law suit expenses; final.

### **• RESITA CITY**

File 2494/115/2018\* registered on the docket of Caras Severin Tribunal pertains to summons whereby the claimant Resita City requests compelling defendant Transelectrica SA to pay the following amounts:

- 2,129,765.86 Lei representing rent for the land temporarily taken up from the forest fund in 2015;

- 2,129,765.86 Lei representing land rent for 2016;

- 2,129,765.86 Lei representing land rent for 2018;

- Legal penalty interest from due date until actual payment.

Settlement in brief: It admitted the exception of territorial incompetence for Caras Severin Tribunal. It declined the settlement competence of the request filed by claimant Resita City through the mayor in contradiction with defendant CNTEE Transelectrica SA in favour of Bucharest Tribunal. No appeal according to article 132 para 3 Civil Procedural Code. It was pronounced at public hearing on 11 March 2019. Document: Ruling 313/11.03.2019

On the hearing term of 25.10.2019 the exception is admitted of territorial incompetence of Bucharest Tribunal. It declined the settlement competence of this case in favour of Caras-Severin Tribunal. It ascertains the occurrence of a negative competence conflict between Bucharest Tribunal and Caras-Severin Tribunal. It suspended the case and referred the file to the High Court of Cassation and Justice, in order to settle the negative competence conflict. No appeal was granted; pronouncement will take place by placing the settlement at the parties' disposal through the court clerk by Ruling 2376/25.10.2019.

### **• ANAF**

A general fiscal inspection was conducted in the offices of Transelectrica SA targeting the time interval December 2005 – December 2010. Such fiscal general audit began on 14.12.2011 and ended on 26.06.2017, date of the final discussion with Transelectrica SA.

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

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

ANAF's Tax inspection report mainly records the following additional payment liabilities: corporate 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 26-27 June 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 dispute with ANAF, the latter sending a tax inspection report on 20 September 2011 which estimated the amount of collected VAT for a number of 123 unused invoices identified as missing.

The Company filed contestation within the legal term according to OG 92/2003 on the Civil Procedural Code, Taxation Decision F-MC 439/30.06.2017.

ANAF issued the enforcement title 13540/22.08.2017 based on which the additional payment liabilities were executed as established under the Taxation Decision F-MC 439/30.06.2017.

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

After such declination of competence file 8993/299/2018 was registered on the docket of Law Court of Bucharest 1 whereby the Company contested the enforcement made under the enforcement title 13540/22.08.2017, based on the Taxation Decision F-MC 439/30.06.2017.

After the Company's contestation of the fiscal administrative deed Decision F-MC 439/30.06.2017 ANAF notified the Company Decision 122/13.03.2018 whereby it rejected as groundless the contestation filed by CNTEE Transelectrica SA, such decision being received on 16.03.2018, after submitting the summons under file 1802/2/2018.

Settlement in brief: It admitted the judgment suspension request filed by the contestator. In accordance with article 413 para (1) pct. 1 of the Civil Procedural Code it suspended judgment until final settlement of file 1802/2/2018, on the docket of the Appeal Court Bucharest, Section VIII Administrative and Fiscal Disputes.

Appeal right was granted during the entire suspension; appeal to be submitted to the Law Court Bucharest I. It was ruled in open court. Document: Conclusion - Suspension 17.04.2018.

On the docket the Appeal Court case file 1802/2/2018 is found through which the Company contested the fiscal administrative document - Decision F-MC 439/30.06.2017.

On the session term 06.11.2018 the court admitted the administration of the expertise evidence, in the accounting – fiscal specific domain. Hearing scheduled for: 12.05.2020.

### **• SOCIETATEA MENAROM PEC SA GALATI**

File 640/121/2020 registered on the docket of Galati Tribunal pertains to the insolvency procedure against Company Menarom PEC SA Galati.

Transelectrica requested to be recorded in the preliminary Receivables Table with total receivable of 1,195,792.13 Lei, as well as 200 Lei representing judiciary stamp tax.

The receivable will be investigated by the judiciary administrator of Menarom PEC by 15 June 2020.

### **• OTHERS**

The Company is involved in significant disputes especially to recover trade receivables (e.g. Eco Energy SRL, Petprod SRL, Total Electric Oltenia SA, Arcelormittal Galati SA, Autonomous Authority of Nuclear Activities, Romenergy Industry SRL, Energy Holding SRL, UGM Energy Trading SRL, CET Iasi, CET Bacau, CET Braila, CET Govora, CET Brasov, Elsaco Energy SRL, Elsaco Esco, Arelco Power SRL, Arelco Energy SRL, Inversolar Energy SA, Opcom, Menarom PEC SA Galati and others).

## **CNTEE Transelectrica SA**

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The Company registered allowances for value losses from clients and other disputed trade receivables, as well as for clients under bankruptcy.

At the same time the Company is also involved in disputes with former Directorate and Supervisory Board members as regards their mandate contracts concluded with the Company.

The Company's management considers it likely not to have situations requiring resource outputs to settle ongoing disputes.

In addition there are no other disputes that by either their nature or value could require providing significant contingent assets or liabilities for Company activities.

### ***ii) Contingencies***

Audits are ongoing in the Company's offices as follows:

- Fiscal audit of the Ministry of Public Finance, ANAF - DGAMC which began on 20.12.2019 and is targeting:

- Checking the legality and compliance of fiscal returns and / or relevant fiscal audit operations, the fairness and accuracy of achieved obligations regarding establishment of taxation bases and main fiscal liabilities under the value added tax in 01.01.2014-31.12.2016.

Throughout 2019 the following audits were completed in the Company's offices:

- The fiscal inspection of the Ministry of Public Finance, ANAF - DGAMC is in progress in the Company offices, an inspection that began on 20.08.2018 and ended on 06.12.2019, date of the final discussion with Transelectrica SA, which had the following objectives:

- Checking the legality and compliance of fiscal returns and / or relevant fiscal audit operations, the fairness and accuracy of achieved obligations regarding establishment of taxation bases and main fiscal liabilities under the income tax in 01.01.2012 - 31.12.2016;
- Checking the compliance with the provisions of the fiscal and accounting legislation;
- Checking other relevant taxation aspects if they are of interest in the application of the fiscal and accounting legislation;

On 19.12.2019 MFP-ANAF concluded the Fiscal Audit Report 2004 and issued the Taxation Decision F-MC 427/19.12.2019, documents submitted by the auditors' team and registered in the Company on 23.12.2019.

The Company filed contestation against the Taxation Decision F-MC 427/19.12.2019 and the Fiscal Audit Report 307/19.12.2019 which were used in order to issue the taxation decision and requested cancelling the taxation decision and the Fiscal Audit Report which established as additional taxable base for 01.01.2012-31.12.2016 the sum of 17,261,688 Lei and consequently the amount of 2,761,870 Lei was determined as "tax fee, contribution established as payment supplement / fiscal accessory liabilities".

The additional fiscal liability for payment established by ANAF amounting to 2,761,870 Lei represents 2012 income tax in sum of 1,929,684 Lei and 2013 income tax in sum of 832,186 lei.

The Company contested by administrative means the Audit Report, the Taxation Decision and the Decision of accessories and penalties.

- On 31 December 2018 Teletrans SA, a Company subsidiary, was under control began on 29.05.2015 by the General Directorate of Economic-Financial Inspection from the Ministry of Public Finance, the verified period being 01.01.2010-31.12.2014, according to working order 82/27.05.2015 and 01.01.2015- to date as per working order 38/31.05.2017, and the economic-financial inspection had the following objectives:

- Foundation and execution of the revenue and expense budget;
- Compliance with budgetary, economic-financial and accounting discipline;
- Compliance with legal provisions regarding the assets from the state's public and private domain and from the administrative-territorial units';
- The organisation and exercise of the mandatory internal / managerial control;
- Verify the compliance with the provisions of GO 26/2013 on enhancing financial discipline at economic operators where the state or the administrative-territorial units are single or majority shareholders or directly or indirectly have majority participation, in 2015 – to date;

The draft Economic-financial inspection report elaborated on 21 February 2018 specifies that the state budget was prejudiced in total amount of 88,778,158 Lei, representing cashed sums that were not transferred to the state budget in 2006-2016 following rental of assets from the state public domain (capacities and infrastructure elements from the public telecommunication network) and the Company's and Teletrans' representatives did not comply with the provisions of

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articles 14, 15 and 16 of Law 213/1998 regarding public property assets.

Letter 13443 of 26.03.2018 from Teletrans communicated Transelectrica the following:

- From 21.02.2018 to 10.03.2018 several meetings were organised between Teletrans and the representatives of Ministry's control team, following which they established the calculation base used in the draft report was wrong, since it took into account only the recorded revenues without the expenses made (total amortisement of the network elements procured, human resources and total indirect costs of such activities) and without fully understanding the commercial and juridical relations between Transelectrica and Teletrans;

- Consequently the control team together with the management of the General Directorate for Economic-Financial Inspection in the Finance Ministry granted Teletrans a new deadline by which the reviewed situation should be submitted with additional information for the inspected interval, changing the initial date of 27.02.2018 to 30.03.2018.

As regards the legality of operating the excess of optical fibre the arguments on the juridical nature of the contractual relation took into account the legal opinion issued by Bostina&Asociatii according to which the previous contract C45/2006 was qualified as mandate contract without representation pertaining to "Teletrans SA concluding contracts in its own name but on behalf of the public telecommunication network of Transelectrica in order to trade its capacity and infrastructure elements". Such qualification of the juridical deed enabled concluding Convention C111/2014, while keeping the juridical relations between parties.

Thus in view of determining the possible effect of the result included in the draft economic-financial inspection report elaborated on 21 February 2018, the Company analysed the revenues collected by Transelectrica from Teletrans and the expenses incurred by Transelectrica from June 2006 to November 2017 for the excess optical fibre capacity, of which a difference of 3,047,441 resulted between cashed revenues and expenses made.

Letter 42553 / 17.10.2018 of CNTEE Transelectrica SA transmitted to Teletrans SA the analysis of revenues collected and expenses incurred from June 2006 to November 2017, which analysis pertained to the excess optical fibre capacity and requested subsidiary Teletrans to take care and send the Company's view to the Economic-Financial Inspection of the MFP accompanied by the analysis, before they elaborate the final Economic-financial inspection report.

Until the elaboration date of these statements Subsidiary Teletrans has not received a Final Inspection Report.

At present there are disputes on the docket with the Court of Audit about their controls performed in 2013 and 2017. Taking into account the Court of Audit's findings recorded in its 2013 and 2017 decisions it is likely to result additional fiscal obligations which cannot be accurately determined now according to the terms provided in Standard IAS 37 Provisions, contingent liabilities and assets.

Beginning with January 2020 the Court of Account is in control in the Transmission Branches of CNTEE Transelectrica. Until 31 March 2020 such control was completed in the following branches: TB Bucharest, TB Cluj, TB Constanta, TB Craiova and TB Pitesti.

The audit is in the other branches and the external auditors will also come to the Company's Executive branch.

### 19. Affiliated parties

#### i) Transactions with the Company-held subsidiaries

Entity	Country of origin	31 March 2020 % of shares	31 December 2019 % of shares
SMART SA *)	Romania	70.005	70.005
TELETRANS SA	Romania	100	100
ICEMENERG SA **)	Romania	-	-
OPCOM SA	Romania	97.84	97.84
FORMENERG SA	Romania	100	100
ICEMENERG SERVICE SA ***)	Romania	100	100

The net value of shares held by the Company in its subsidiaries is of 78,038,750 on 31 March 2020 and of 78,038,750 on 31 December 2019.

The gross value of Company's participations into its subsidiaries is as follows:

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### **SMART SA**

Company SMART SA with headquarters in Blvd. Magheru 33, Bucharest 1 and central offices in the working location of Blvd. Gheorghe Sincai 3, Formenerg Building, 1st floor, Bucharest 4 has as main business execution of maintenance work for the transmission-dispatcher system. It was established under HG 710/19.07.2001 on 1 November 2001. The share capital on 31 December 2018 was of 55,036,300 of which 38,528,600 subscribed and fully paid by the Company.

The Shareholders' General Extraordinary Assembly of Co. Smart SA approved by Decision 14/10.12.2014 to increase the capital of Co. Smart SA by contribution in kind, namely the value of lands which ownership certificates were obtained for.

On 30.12.2014 the Office of the Trade Register from Bucharest Tribunal settled the request to register the indexation of share capital of Co. Smart SA. On 31 December 2015 the structure of shareholders of Co. Smart SA was the following:

CNTEE Transelectrica SA	- number of shares	3,852,860
	- Participation quota to benefits and losses:	70.005%
Romanian State through the Secretariat General of Government	- number of shares	1,650,770
	- Participation quota to benefits and losses:	29.994%

Beginning with 25.01.2016 the Office of the National Trade Register performed a change in the shareholder structure of Co. Smart SA, namely the mention about the administration of state portfolio, a change required according to article 10 of OUG 86/2014.

\*) On the docket of law courts there was a dispute under file 32675/3/2015 pertaining to cancelling the Designated Person's decision 154954/30.12.2014 pronounced under file 449314/23.12.2014, based on which the Office of the Trade Register from Bucharest Tribunal registered the increase of the share capital of subsidiary SC Smart SA by contribution in kind and the concordant amendment of the articles of association according to Decision 12375/22.12.2014 of the Chairman of the Board of Administration in this subsidiary and to BA Decision 19/22.12.2014. The Company also requested the competent court to cancel the two fore-mentioned decisions and suspend the application of deeds cancellation is requested for, until settlement of this case.

In file 32675/3/2015 Bucharest Tribunal, Section VI Civil pronounced civil ruling 6468/16.11.2015 deciding as follows: "It admits the exception of inadmissibility. It denies as inadmissible the suing filed by claimant Transelectrica in contradiction with defendants Subsidiary Company for maintenance services to the electric transmission grid SMART SA, the Romanian State and ONRC. Appeal right within 30 days from notification; appeal to be submitted to Bucharest Tribunal, Section VI Civil. Pronounced at public hearing on 16 November 2015". CNTEE Transelectrica SA filed appeal registered on the docket of the Appeal Court Bucharest, file settled on the 23 May 2016 hearing term when the Appeal Court Bucharest pronounced civil decision 903/23.05.2016 deciding: "It denies the appeal as groundless. It admits the notification of the Constitutional Court.

In accordance with article 29 para 4 of Law 47/1992 it notifies the Constitutional Court to settle the unconstitutionality exception of provisions from article 114 para 3 of Law 31/1990 against the provisions of articles 16, 21 and 44 of the Constitution, an exception claimed by the appellant; final".

In compliance with the ONRC registrations Decision 12375/23.12.2014 of the Board of administration's chairman (increasing the share capital of Smart SA by 16,507,700 Lei representing the Romanian State's contribution in kind whereby it acquired 29.994% participation quota to benefits and losses consequently diminishing the participation quota to benefits and losses of the National Power Grid Company Transelectrica SA from 100% to 70.005%) based on which mention 449314 of 23.12.2014 was registered was cancelled by final civil ruling 835/14.05.2019 pronounced by the Appeal Court Bucharest, Section VI Civil under file 7763/2/2018, pertaining to the nullity of juridical deed, review request. Transelectrica SA filed suit to erase the mention with a view to return to its 100% holding, constituting file 37718/3/2019 on the docket of Bucharest Tribunal, with hearing term on 02.04.2020.

### **TELETRANS SA**

Company TELETRANS SA with headquarters in Blvd. Hristo-Botev 16 – 18, Bucharest 3 and central offices in the working location of street Polona 68-72, Business Centre, Bucharest 1 has as main business maintenance services of process and managerial information, specific telecommunication and information technology services within RET, telephone, data transmissions and was established by AGA Decision 3/2002. The share capital on 31 December 2019 was of 6,874,430 subscribed and fully paid.

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### **ICEMENERG SA**

Company Subsidiary of the Energy Research and Modernising Institute ICEMENERG SA with headquarters in Blvd. Energeticienilor 8, Bucharest 3 has as main business the research and development in physical and natural sciences, innovation, studies, development strategies, design activities, urbanism, engineering and other technical services, being established by HG 1065/04.09.2003. In the Company's accounting books on 31 December 2018 the share capital of Subsidiary Icemenerg SA was of 1.083.450 subscribed and fully paid.

\*\*\*) On 07.04.2014 the National Office of the Trade Register admitted file 121452/03.04.2014 pertaining to cancelling the Subsidiary Energy Research and Modernising Institute ICEMENERG SA Bucharest. Order 123/13.03.2014 (registration deed also licensing the operation) enabled recording the 'National Energy Research-Development Institute Bucharest' with the Trade Register (HGR 925/2010). The Company filed complaint against the ORC director's resolution enabling registration of cancellation for Subsidiary ICEMENERG SA Bucharest in the trade register.

Bucharest Tribunal, Section VI Civil by ruling 3569/14.07.2014 pronounced under file 15483/3/2014, where the Company was in contradiction with defendants Energy Research and Modernising Institute Icemenerg SA Bucharest and the National Energy Research-Development Institute Icemenerg Bucharest, denied the Company's complaint on grounds that HG 925/2010 was not abrogated until the cancellation date with the ORC. The Appeal Court notified on 24.02.2015 the settlement pronounced under file 15483/3/2014 namely Decision 173/2015, denying the appeal of CNTEE Transelectrica SA as groundless, such decision being final.

Transelectrica SA filed cancellation contestation against decision 173/2015 pronounced by the Appeal Court Bucharest, under file 1088/2/2015 found on the docket of the Appeal Court Bucharest, Section VI Civil, with hearing term on 13.05.2015. On 13.05.2015 Decision 777/2015 of the Appeal Court Bucharest denied as groundless the cancellation contestation, such decision being final.

At its reunions of 28.03.2016 and 30.08.2016 AGEA did not approve reducing the share capital of CNTEE Transelectrica SA by 1,084,610 Lei, representing the share capital subscribed and paid of Subsidiary ICEMENERG SA Bucharest, by diminishing the Romanian State's participation to the share capital of CNTEE Transelectrica SA, in the application of provisions from HG 925/2010.

In 2015 the Company registered depreciation allowance amounting to 1,083,450 for the shares held with the Energy Research and Modernising Institute ICEMENERG SA Bucharest, which was cancelled.

### **OPCOM SA**

Company OPCOM SA with headquarters in Blvd. Hristo Botev 16-18, Bucharest 3, with legal personality has as main business the organisation, administration and supervision of the energy market and was established by HG 627/2000. The share capital on 31 December 2018 was of 31,366,090 of which 8,778,790 represent share capital subscribed and fully paid. The difference of share capital amounting to 22,587,300 is represented by the Company's contribution in kind, namely intangible assets: the 'Electricity trade exchange OPCOM' and the 'Regional electricity exchange OPCO', financed from the Company's own sources and from IBRD funds and valued according to the Valuation Report 786/15.03.2016 issued by JPA Audit & Consultanta SRL. The registration of the amendment in the articles of association of Co. OPCOM SA based on AGEA Decision 6/15.06.2016 was operated at ONRC according to the Registration Certificate of mentions on 11.07.2016. On 31.12.2018 the share capital represented by indexation with the Company's contribution in kind amounting to 22,587,300 was registered in the financial statements submitted by OPCOM to AGA's approval, being specified as share capital subscribed and not fully paid.

On 13.02.2018 the Shareholders' general extraordinary assembly of Subsidiary OPCOM SA approved increasing the share capital of Company Electricity and Natural Gas Market Operator OPCOM SA ("OPCOM SA") by 678,790 Lei by contribution in kind represented by the value of land which the company obtained for the Ownership Certificate over the lands series M03 12899/27.02.2014 issued by the Ministry of Economy. Such contribution in kind was evaluated by an expert valuator designated by the ONRC. In exchange for the contribution in kind to the share capital the company issued to the new shareholder Romanian State through the Ministry of Economy a number of 67,879 new nominative shares of 10 Lei nominal value each; on the date of AGEA decision the Ministry exercised the attributions of involved person. On 20.03.2019 the Office of the National Trade Register from Bucharest Tribunal settled the registration request of share capital increase of OPCOM SA. On 31 December 2019 the share capital of OPCOM SA was of 31,366,090 Lei, representing a number of 3,136,609 nominative shares of 10 Lei nominal value each and a participation quota of CNTEE Transelectrica SA to benefits and losses of 97.84%.

### **FORMENERG SA**

Company FORMENERG SA with headquarters in Blvd. Gh. Sincai 3, Bucharest 4, with legal has as main business the initial and continuous professional training in all domains of activity for power engineering personnel, as well as for other

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beneficiaries and it was established by AGA Decision 33/2001. The share capital on 31 December 2019 was of 1,948,420 subscribed and fully paid.

## ICEMENERG SERVICE SA

Company ICEMENERG SERVICE SA with headquarters in Bucharest City, Blvd. Energeticienilor 8, and sector 3 has as main business the concept, production, implementation, repair, modernisation and marketing in the country and abroad apparatuses, equipment, and specific installations. HG 2294/09.12.2004 approved the transfer of the package of shares held by the Trading Company Subsidiary Energy Research and Modernising Institute ICEMENERG SA Bucharest to the Trading Company Subsidiary ICEMENERG-SERVICE SA Bucharest to the National Power Grid Company Transelectrica SA. The share capital on 31 December 2019 was of 493,000 subscribed and fully paid.

On 09.06.2017 Bucharest Tribunal, Section VII Civil ordered the bankruptcy by simplified procedure of debtor Company Subsidiary ICEMENERG SERVICE SA, designating Solvendi SPRL as provisional judiciary liquidator.

In 2016 the Company registered an impairment allowance amounting to 493,000 for the shares held in Subsidiary ICEMENERG SERVICE SA.

The balances of Company-held subsidiaries are as follows:

AFFILIATED ENTITY	Trade receivables*)		Trade liabilities	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019
Co. SMART SA	594,961	639,163	5,507,282	13,573,414
Co. TELETRANS SA	126,675	199,327	4,798,804	8,222,806
Co. FORMENERG SA	0	0	0	0
Co. OPCOM SA	16,628,170	38,279,294	10,665,297	31,982,492
<b>TOTAL</b>	<b>17,349,806</b>	<b>39,117,784</b>	<b>20,971,384</b>	<b>53,778,712</b>

\*) Trade receivables are provided at gross value.

The transactions performed with the Company's subsidiaries in the reported period are detailed as follows:

AFFILIATED ENTITY	Sales		Procurements	
	Quarter I 2020	Quarter I 2019	Quarter I 2020	Quarter I 2019
Co. SMART SA	167,288	115,082	13,318,795	10,585,544
Co. TELETRANS SA	153,533	317,559	10,007,580	12,576,120
Co. FORMENERG SA	0	0	0	960
Co. OPCOM SA	67,645,640	151,069,564	106,536,734	89,782,599
<b>Total</b>	<b>67,966,461</b>	<b>151,502,205</b>	<b>129,863,109</b>	<b>112,945,223</b>

### ii) Salaries of the Company's governance teams

Salaries paid to management for their services comprise the basic salary and benefits when their labour contract ends as well as post-employment. These are detailed as follows:

	Quarter I 2020	Quarter I 2019
Short-term benefits	4,663,471	3,462,888
Other long-term benefits	27,242	10,500
<b>Total</b>	<b>4,690,713</b>	<b>3,473,388</b>

## 20. Credit risk

This is the risk by which the Company incurs financial loss for a client's failure to comply with contractual obligations or a counterpart's to a financial instrument. Such risk results mainly from trade receivables as well as cash and cash equivalents.

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The counterpart risk is treated using factors inside and outside the Company. The external success factors with systematically influence risk reduction are: decentralising the energy sector making the generation, transmission, distribution and supply distinct activities, while the supplier is the client's interface; electricity is traded on Romania's market by two segments: the regulated market and the competitive one. Internal success factors for the counterpart risk treatment include: diversification of the clients' portfolio as well as diversifying the number of services provided on the electricity market.

Financial assets that might subject the Company to the collection risk are trade receivables and cash and cash equivalents, in the main. The Company has put in practice a series of policies making sure the services are sold to clients with proper collection, by including in trading contracts their obligation to constitute financial securities. The value of receivables net of value allowances represents the maximum amount exposed to the collection risk.

The maximum exposure to the collection risk on the report date was:

	<b>31 March 2020</b>	<b>31 December 2019</b>
<b>Financial assets</b>		
Net trade receivables	549,155,463	609,654,811
Other net receivables and down payments to suppliers	160,381,535	89,455,235
Recoverable VAT	6,028,270	7,240,202
Cash and cash equivalents	491,845,736	320,768,647
Other financial assets	-	85,000,000
<b>Total</b>	<b>1,207,411,004</b>	<b>1,112,118,895</b>

The age of receivables on the elaboration date of financial position is provided below:

	<b>Gross value 31 March 2020</b>	<b>Depreciation allowance 31 March 2020</b>	<b>Gross value 31 December 2019</b>	<b>Depreciation allowance 31 December 2019</b>
Not reached to maturity	459,587,930	430,994	520,061,564	536,693
Due date exceeded 1 – 30 days	673,079	0	882,361	25,011
Due date exceeded 31 – 90 days	153,354	0	94,693	26,405
Due date exceeded 90 – 180 days	99,413	40,375	143,816	54,486
Due date exceeded 180 – 270 days	84,647	84,650	2,604,290	2,556,880
Due date exceeded 270 – 365 days	2,536,843	2,567,751	1,530,831	1,165,906
More than a year	221,255,839	132,111,873	219,846,152	131,143,516
<b>Total</b>	<b>684,391,105</b>	<b>135,235,642</b>	<b>745,163,708</b>	<b>135,508,897</b>

The age of 'Other receivables' on the elaboration date of this financial position statement is provided below:

	<b>Gross value 31 March 2020</b>	<b>Depreciation allowance 31 March 2020</b>	<b>Gross value 31 December 2019</b>	<b>Depreciation allowance 31 December 2019</b>
Not reached to maturity	59,776,055	405,892	71,938,460	405,892
Due date exceeded 1 – 30 days	247,796	-	368,771	-
Due date exceeded 31 – 90 days	77,224,963	237,816	227,021	-
Due date exceeded 90 – 180 days	250,865	147,838	9,839,636	261,586
Due date exceeded 180 – 270 days	9,884,559	579,859	54,327	5,245
Due date exceeded 270 – 365 days	79,323	22,839	1,078,400	1,078,284
More than a year	66,403,717	51,727,473	65,683,690	50,651,630
<b>Total</b>	<b>213,867,278</b>	<b>53,121,718</b>	<b>149,190,305</b>	<b>52,402,638</b>

The greatest depreciation allowances on 31 March 2020 calculated for trade receivables and their associated penalties were registered for CET Govora (25,076,013), Eco Energy SRL (24,736,066), Petprod SRL (23,539,650), Arelco Power



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(15,533,047), Total Electric Oltenia SA (14,185,577), Romenergy Industry (13,512,997), Elsaco Energy (9,276,118), RAAN (8,516,707), Opcom (6,049,055), and CET Brasov (4,664,627).

To recover the trade receivables with impairment allowances the Company took the following measures: bringing to court, registration in the creditors' list, requesting explanations from ANAF (for the collectable VAT from Opcom) etc.

Transelectrica's policy consists in registering 100% allowances for value losses with clients under dispute, insolvency and bankruptcy and 100% of trade receivables and other uncollected receivables during more than 180 days, except for outstanding receivables generated by the support scheme. The Company also performs case-by-case analysis of trade receivables and other uncollected receivables. EU's adoption of IFRS 9 'Financial Instruments' applicable to annual intervals beginning with or after 1 January 2018 has no significant additional impact over the Company's financial statements in the initial application period.

The impairment allowances for doubtful receivables were as follows:

	<u>31 March 2020</u>	<u>31 December 2019</u>
<b>Balance on 1 January</b>	<b>135,508,897</b>	<b>139,644,236</b>
Recognition of impairment allowances	448,798	5,887,535
Reversal of impairment allowances	722,053	10,022,874
<b>Balance at the end of this period</b>	<b>135,235,642</b>	<b>135,508,897</b>

The development of depreciation allowances for other doubtful receivables was as follows:

	<u>31 March 2020</u>	<u>31 December 2019</u>
<b>Balance on 1 January</b>	<b>52,494,869</b>	<b>56,189,199</b>
Recognition of impairment allowances	721,950	1,189,039
Reversal of impairment allowances	2,870	4,883,369
<b>Balance at the end of this period</b>	<b>53,213,949</b>	<b>52,494,869</b>

Financial assets that might submit the Company to the collection risk are trade receivables and cash and cash equivalents. The Company has put in practice a series of policies making sure the services are sold to clients with proper collection, by including in their trading contracts the obligation to constitute financial securities. The value of receivables net of value allowances represents the maximum amount exposed to the collection risk. The collection risk associated to such receivables is limited, because such amounts are mainly owed by state-owned companies.

Cash is placed into financial institutions considered as providing minimum risk.

## 21. Later events

### • Changes in the Directorate membership

On 08 April 2020 the Supervisory Board decided extending the mandates of provisional Directorate members with two months for the following persons:

- Catalin NITU
- Ionut-Bogdan GRECIA
- Andreea-Mihaela MIU
- Corneliu-Bogdan MARCU

It has also designated Mr. Marius Viorel STANCIU as provisional Directorate member beginning with 21 April 2020 for two months and elected Mr. Catalin NITU as Directorate Chairman beginning with 21 April 2020, for two months.

### • ANRE decision amending licence 161 for provision of electricity transmission services

On 08 April 2020 ANRE issued decision 571 with respect to amending licence 161 for provision of electricity transmission services whereby it extends its validity until 22.12.2025.

### • Reconfirmation of rating, positive outlook

On 06 May 2020 the International Rating Agency Moody's Investors Service reconfirmed the third consecutive year the Company's rating Ba1 (Corporate Family Rating) with positive outlook showing a low business risk profile. In addition the Company's individual rating (Baseline Credit Assessments) improved, rising from Ba2 to Ba1. The individual rating

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represents a company's intrinsic capacity to cope with financial commitments without governmental support.

### **• Coronavirus impact and measures**

Given the potential impact on the macroeconomic environment generated by the protection measures taken by the Romanian state, we expect a short-term economic activity to slow down. Thus, we start from the premise that all economic sectors will be affected and consequently, and the amount of energy transported will decrease in the short term.

In terms of personnel, the Company has taken all the necessary measures to minimize the spread of the virus by ensuring proper hygiene and providing increased sanitary protection.

In addition, according to the instructions transmitted on all channels, an action plan was implemented regarding the continuity of the activity in case of crisis situations that affect and/or may affect the workforce within the company, including the organization in the teleworking system.

Also, in the application of art. 5 of the Military Ordinance no. 4/2020 and by reporting to the provisions of the Continuity Plan of the activity of CNTEE Transelectrica SA in case of a pandemic, approved under no. 12524/2020, the Company's Management Board issued Decision no. 72 / 31.03.2020, which established the measures of preventive isolation at work and in specially dedicated areas, provided by the employer, starting with 01.04.2020 and until the end of the state of emergency for company's "essential staff".