

**NPG TRANSELECTRICA SA**

**Two-Tier Company**

**Condensed Consolidated Interim Financial Statements**  
as of and for the six months' period ending on  
**30 June 2020**

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

*free translation*

**NPG TRANSELECTRICA SA**  
**CONSOLIDATED FINANCIAL POSITION AS OF JUNE 30, 2020**  
*(All amounts are presented in thousand RON, unless otherwise indicated)*

	Note	30 june 2020	31 december 2019
<b>Assets</b>			
<b>Non-current assets</b>			
Tangible assets	4	3,498,624	3,518,276
Intangible assets	4	30,001	30,258
Financial assets		34,240	29,769
Assets rel. to utilisation rights of assets under leasing - buildings		2,100	6,329
<b>Total fixed assets</b>		<b>3,564,965</b>	<b>3,584,632</b>
<b>Current assets</b>			
Inventories		51,765	47,412
Trade and other receivables	5	616,716	710,334
Other financial assets	6	92,000	85,000
Cash and cash equivalents	7	444,882	339,630
<b>Total current assets</b>		<b>1,205,363</b>	<b>1,182,377</b>
<b>Total assets</b>		<b>4,770,328</b>	<b>4,767,009</b>
<b>Shareholder's equity and liabilities</b>			
<b>Shareholders' equity</b>			
Share capital		733,031	733,031
Share premium		49,843	49,843
Legal reserve		129,096	129,096
Revaluation reserve		913,113	955,201
Other reserves		15,813	15,813
Retained earnings		1,528,137	1,414,339
<b>Total shareholders' equities attributable to Group owners</b>	8	<b>3,369,033</b>	<b>3,297,323</b>
Non-controlling interests		16,934	19,748
<b>Total equity</b>		<b>3,385,967</b>	<b>3,317,071</b>
<b>Non-current liabilities</b>			
Long term deferred revenues	9	360,971	360,641
Long term Borrowings	10	112,780	122,835
Deferred tax liabilities		143,052	145,380
Employee benefits obligations		76,357	76,357
<b>Total non-current liabilities</b>		<b>693,160</b>	<b>705,214</b>

**NPG TRANSELECTRICA SA**  
**CONSOLIDATED FINANCIAL POSITION AS OF JUNE 30, 2020**  
*(All amounts are presented in thousand RON, unless otherwise indicated)*

	Note	30 june 2020	31 december 2019
<b>Current liabilities</b>			
Trade and other liabilities	11	415,992	561,864
Other loans and assimilated liabilities - Building leasing		2,100	6,329
Other tax and social security liabilities	13	14,410	10,875
Current Borrowings	10	148,898	58,917
Provisions	12	70,880	70,990
Short term deferred revenues	9	29,786	37,749
Income tax payable		9,136	-2,001
<b>Total current liabilities</b>		<b>691,202</b>	<b>744,724</b>
<b>Total liabilities</b>		<b>1,384,362</b>	<b>1,449,938</b>
<b>Total shareholders' equity and liabilities</b>		<b>4,770,328</b>	<b>4,767,009</b>

The Consolidated Financial Statements were been approved by the Company's management on August 13, 2020 and signed on its behalf by the:

Directorate,

Cătălin NIȚU	Andreea-Mihaela MIU	Ionuț-Bogdan GRECIA	Corneliu-Bogdan MARCUS	Marius-Viorel STANCIU
Chairman	Member	Member	Member	Member

**Ana-Iuliana DINU**  
 Director  
 Economic - Financial and Administrative Unit

**Cristiana ZIRNOVAN**  
 Manager  
 Budgeting and Management Reporting Department

**NPG TRANSELECTRICA SA**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT STATEMENT ON JUNE 30, 2020**  
*(All amounts are presented in thousand RON, unless otherwise indicated)*

	Note	30 june 2020	30 june 2019
<b>Operating revenues</b>			
Transmission revenues		507,258	552,137
System service revenues		392,469	327,757
Balancing market revenues		166,064	279,930
Other revenues		30,110	17,369
<b>Total operating revenues</b>	<b>15</b>	<b>1,095,901</b>	<b>1,177,193</b>
<b>Operating expenses</b>			
System Operating Expenses	<b>16</b>	(142,897)	(179,816)
Balancing market expenses	<b>16</b>	(166,064)	(279,930)
Technological system services expenses	<b>16</b>	(298,216)	(353,131)
Depreciation and amortization		(145,391)	(147,333)
Personnel expenses		(138,638)	(132,023)
Repairs and maintenance expenses		(27,060)	(30,666)
Materials and consumables		(11,781)	(9,322)
Other operational expenses	<b>17</b>	(31,374)	(16,574)
<b>Total operating expenses</b>		<b>(961,421)</b>	<b>(1,148,795)</b>
<b>Operating result</b>		<b>134,480</b>	<b>28,398</b>
Financial revenues		5,084	5,796
Financial expenses		(7,078)	(10,360)
<b>Net finance result</b>	<b>18</b>	<b>(1,994)</b>	<b>(4,564)</b>
<b>Profit before income tax</b>		<b>132,486</b>	<b>23,834</b>
Income tax	<b>14</b>	(27,405)	(4,673)
<b>Result for the year from continuing operations</b>		<b>105,081</b>	<b>19,162</b>
<b>Profit of the period</b>			
Attributable to:			
Owners of the Group		107,969	20,761
Non-controlling interests		(2,888)	(1,599)
<b>Basic and diluted earnings per share (lei/share)</b>		<b>1.43</b>	<b>0.26</b>

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GRECIA

Member

Corneliu-Bogdan  
MARCU

Member

Marius-Viorel  
STANCIU

Member

**Ana-Iuliana DINU**

Director

Economic - Financial and Administrative Unit

**Cristiana ZIRNOVAN**

Manager

Budgeting and Management Reporting Department

**NPG TRANSELECTRICA SA**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY ON JUNE, 30 2020**

*(All amounts are presented in thousand RON, unless otherwise indicated)*

	Registered capital	Share premium	Legal reserve	Revaluation reserve	Other reserves	Retained earnings	Attributable to the owners of the group	Non controlling interests	Total
<b>Balance on January 1st, 2019</b>	<b>733,031</b>	<b>49,843</b>	<b>123,742</b>	<b>551,185</b>	<b>66,705</b>	<b>1,315,731</b>	<b>2,840,237</b>	<b>1,335</b>	<b>2,841,572</b>
<b>Comprehensive income for the year</b>									
Result for the year	-	-	-	-	-	88.705	88.779	(74)	<b>88.705</b>
Other comprehensive income									
Defined benefit plan actuarial loss	-	-	-	-	-	(10.573)	(10.573)	1.108	(9.645)
Surplus from revaluation of tangible assets	-	-	-	533.731	-	-	533.731	8.658	542.389
Deferred tax liability generated by revaluation reserve	-	-	-	(86.443)	-	-	(86.443)	-	(86.443)
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>447.287</b>	<b>-</b>	<b>(10.573)</b>	<b>436.714</b>	<b>9.766</b>	<b>446.380</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>447.287</b>	<b>-</b>	<b>78.206</b>	<b>525.493</b>	<b>9.692</b>	<b>535.185</b>
Other elements	-	-	-	-	-	-	-	-	-
Transfer of revaluation reserve to retained earnings	-	-	-	(42.019)	-	42.019	-	-	-
Other reserves	-	-	-	(1.252)	-	-	(1.252)	-	(1.252)
Increase of the legal reserve	-	-	5.354	-	-	(5.354)	-	-	-
Non-controlling interests arising from decrease of ownership in SMART SA	-	-	-	-	-	(17.256)	(17.256)	8.721	(8.535)
<b>Total other items</b>	<b>-</b>	<b>-</b>	<b>5.354</b>	<b>(43.272)</b>	<b>-</b>	<b>19.409</b>	<b>(18.508)</b>	<b>8.721</b>	<b>(9.787)</b>
<b>Contributions by and distributions to owners</b>									
Derecognition of assets like public domain by registering HG 615, 682 and 683 of 2019 changing the inventory of assets from the public domain	-	-	-	-	(54.442)	-	(54.442)	-	<b>(54.442)</b>
Subsidies for the assets belonging in the state public domain (connection fee)	-	-	-	-	3.550	-	3.550	-	<b>3.550</b>
Adjustments to retained earnings						993	993	-	<b>993</b>
<b>Total transactions with owners</b>					<b>(50.892)</b>	<b>993</b>	<b>(49.899)</b>	<b>-</b>	<b>(49.899)</b>
<b>Balance as at 31 December 2019</b>	<b>733.031</b>	<b>49.843</b>	<b>129.096</b>	<b>955.201</b>	<b>15.813</b>	<b>1.414.339</b>	<b>3.297.323</b>	<b>19.748</b>	<b>3.317.071</b>

The Consolidated Financial Statements were been approved by the Company's management on Augus 13, 2020 and signed on its behalf by the:  
 Directorate,

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 Chairman

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 Member

Ionuț-Bogdan GRECIA  
 Member

Corneliu-Bogdan MARCU  
 Member

Marius-Viorel STANCIU  
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 Director  
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 Manager  
 Budgeting and Management Reporting Department

**NPG TRANSELECTRICA SA**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY ON JUNE, 30 2020**

*(All amounts are presented in thousand RON, unless otherwise indicated)*

	Register edcapital	Share premium	Legal reserve	Revaluatio n reserve	Other reserves	Retained earnings	Attributable to the owners of the group	Non controlling interests	TOTAL
<b>Balance on 01 January 2020</b>	<b>733.031</b>	<b>49.843</b>	<b>129.096</b>	<b>955.201</b>	<b>15.813</b>	<b>1.414.339</b>	<b>3.297.323</b>	<b>19.748</b>	<b>3.317.071</b>
<b>Overall result of the period</b>									
Profit of the financial year	-	-	-	-	-	105.081	105.081	(2.888)	102.192
Other comprehensive income									
Defined benefit plan actuarial loss	-	-	-	-	-	-	-	-	-
Surplus from revaluation of tangible assets	-	-	-	-	-	-	-	-	-
Deferred tax liability generated by revaluation reserve	-	-	-	-	-	-	-	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>105.081</b>	<b>105.081</b>	<b>-</b>	<b>105.081</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>105.081</b>	<b>105.081</b>	<b>(2.888)</b>	<b>102.192</b>
Other elements	-	-	-	-	-	-	-	-	-
Transfer of revaluation reserve to retained earnings	-	-	-	(44.881)	-	44.881	-	-	-
Other reserves	-	-	-	(2.793)	-	(904)	1.889	-	1.889
Increase of the legal reserve	-	-	-	-	-	-	-	-	-
Non-controlling interests arising from decrease of ownership in SMART SA	-	-	-	-	-	(74)	(74)	74	-
<b>Total other items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(42.088)</b>	<b>-</b>	<b>43.903</b>	<b>1.815</b>	<b>74</b>	<b>1.889</b>
Derecognition of assets like public domain by registering HG 615, 682 and 683 of 2019 changing the inventory of assets from the public domain	-	-	-	-	-	-	-	-	-
Subsidies for the assets belonging in the state public domain (connection fee)	-	-	-	-	-	-	-	-	-
Distribution of additional dividends	-	-	-	-	-	(35.185)	(35.185)	-	(35.185)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(35.185)</b>	<b>(35.185)</b>	<b>-</b>	<b>(35.185)</b>
<b>Balance as at 30 june 2020</b>	<b>733.031</b>	<b>49.843</b>	<b>129.096</b>	<b>913.113</b>	<b>15.813</b>	<b>1.528.137</b>	<b>3.369.033</b>	<b>16.934</b>	<b>3.385.967</b>

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**CONSOLIDATED STATEMENT OF CASH FLOWS ON JUNE, 30 2020**  
*(All amounts are presented in thousand RON, unless otherwise indicated)*

	<b>30 june 2020</b>	<b>30 june 2019</b>
<b>Cash flows from operational activities</b>		
<b>Profit of the period</b>	<b>105,081</b>	<b>19,162</b>
<b>Ajustari pentru:</b>		
Income tax expense	27,858	4,673
Amortisement expense	141,889	140,787
Expenses with adjustments for trade receivables impairment	715	3,784
Revenues from reversal of adjustments for trade receivables impairment	(1,492)	(2,524)
Losses from various debtors	-	186
Net revenues with adjustments for various debtors impairment	882	(690)
Net expenditures with adjustments for inventories impairment	176	117
Net profit/ loss on sale of tangible assets	15	(0)
Net expenditures on adjustments of value regarding tangible assets	548	1,491
Expenses/Revenues regarding provisions for risks and expenses, net	(100)	(31,564)
Interest expense, interest revenue and unrealised exchange rate gains	2,294	4,817
<b>Cash flows before changes in the current capital</b>	<b>277,866</b>	<b>140,240</b>
<b>Changes in:</b>		
Inventories	(4,305)	(5,623)
Clients and assimilated accounts	95,994	243,485
Trade payables and other liabilities	(161,025)	(448,202)
Other taxes and social insurance liabilities	656	(942)
Deferred revenues	(7,703)	(13,174)
<b>Cash flows from operational activities</b>	<b>201,483</b>	<b>(84,215)</b>
Paid interests	(4,371)	(4,661)
Paid income tax	(19,567)	(5,485)
<b>Net cash generated from operational activities</b>	<b>177,545</b>	<b>(94,361)</b>
<b>Cash flows from the investment activity</b>		
Acquisition of tangible and intangible assets	(111,727)	(101,281)
Proceeds from EC grants	(242)	-
Received Interests	3,689	2,213
Participation titles held in TSC NET	-	-
Proceeds from sale of tangible assets	-	11
Dividends received	2	-
Other financial assets	(7,000)	(50,000)
<b>Net cash used in the investment activity</b>	<b>(115,278)</b>	<b>(149,058)</b>
<b>Cash flows used in financing activities</b>		
Repayments of non-current borrowings	(13,163)	(39,521)
Use of credit line	120,873	160,674
Repayments of current borrowings	(29,540)	-
Dividends paid	(35,185)	(66,400)
<b>Net cash used in financing activities</b>	<b>42,985</b>	<b>54,752</b>
Cash and cash equivalents as of 1 January	339,630	505,494
<b>Net diminution of cash and cash equivalents</b>	<b>105,252</b>	<b>(188,667)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>444,882</b>	<b>316,827</b>

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Chairman	Member	Member	Member	Member

**Ana-Iuliana DINU**  
 Director Economic - Financial and Administrative Unit

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 Manager Budgeting and Management Reporting Department

## 1. General information

The main activity of NPG Transelectrica SA ("Company") and of its subsidiaries (together with the Company called "Group") consists in: providing electricity transmission and system services, balancing market operator, administrator of the bonus type support scheme, and other related activities. They are performed in accordance with Operational Licence 161/2000 issued by ANRE, updated under ANRE Decision 571/08.04.2020, with the General terms associated to the licence approved by ANRE Order 104/2014 and with the final Company certification as transmission and system operator of the National Power System, according to the ownership unbundling model.

The headquarters' address: Blvd General Gheorghe Magheru 33, Bucharest 1. At present the activities of the Company's executive branch are carried out in the working location of Str. Olteni 2-4, Bucharest 3.

The Group's consolidated financial statements of 30 June 2020 elaborated in accordance with the International Financial Reporting Standards adopted by the European Union are available at the Company's working location found in St. Olteni 2-4, Bucharest 3 and on the Company's site.

The Group's consolidated financial statements elaborated on 30 June 2020 have not been audited.

Beginning with 2006 Company shares have been transacted on the Bucharest Stock Exchange under TEL symbol. In accordance with the Decision / 18 July 2012 of the Shareholders' General Extraordinary Assembly the Company passed from the one-tier administration system to the two-tier one. Thus the Company is managed by a Directorate under the supervision of a Supervisory Board.

The main Group companies and the percentage of Company-held shares are provided below:

Entity	Country of origin	30 June 2020	31 December 2019
		% of shares	% of shares
SMART SA	Romania	70	70
TELETRANS SA	Romania	100	100

### SMART SA

SMART SA with headquarters in Blvd Magheru 33, Bucharest 1 and head office located at the work B-dul Gheorghe Sincai nr. 3, "Formenerg" Building, 1floor, district 4 Bucharest, has as main business maintenance operations provided to the transmission-dispatcher system. It was established in accordance with HG 710/19.07.2001 on 1 November 2001. The share capital is 55,036 (38,529 are subscribed and fully paid by the Company).

The Shareholders' General Extraordinary Assembly of Smart SA approved under Decision 14/10.12.2014 increasing the share capital of Smart SA by contribution in kind, with the value of lands ownership certificates have been obtained for.

Beginning with 25.01.2016 the National Office of the Trade Register performed the amendment in the shareholders' structure of Smart SA, namely the mention about the administration of the state portfolio, amendment required according to article 10 of OUG 86/2014, amended and updated.

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

Bucharest Tribunal, Section VI Civil under file 32675/3/2015 pronounced civil ruling 6468/16.11.2015, deciding as follows: "It admits the exception of inadmissibility. It denies the suing filed by claimant Transelectrica in contradiction with defendants the Subsidiary Company for maintenance services to the electricity transmission network SMART SA, the Romanian State and ONRC, as inadmissible. Appeal right is granted within 30 days from notification. Appeal right will be submitted to Bucharest Tribunal, Section VI Civil. It was pronounced at public hearing on 16 November 2015". NPG Transelectrica SA filed appeal, which was registered on the docket of the Appeal Court Bucharest and the file was settled on the



hearing term 23 May 2016, when the Appeal Court Bucharest pronounced civil ruling 903/23.05.2016, deciding as follows: "It denies the appeal as groundless. It admits the request to notify the Constitutional Court.

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

In accordance with ONRC registrations, Decision 12375/22.12.2014 of the BA Chairman of the Subsidiary Company for Maintenance Services to the Electric Transmission Grid SMART SA (whereby the share capital of Smart SA was increased by 16,508 Lei representing contribution in kind of the Romanian State, which thus acquired the participation quota of 29.994% to benefits and losses and diminishing accordingly the participation quota to benefits and losses of the National Power Grid Company Transelectrica SA from 100% to 70.005%) and based on which mentions 449314 of 23.12.2014 was registered, was cancelled by the 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 the juridical deed – review request. Transelectrica SA filed request to cancel the mention, in view of returning to the 100% quota, constituting file 37718/3/2019 on the docket of Bucharest Tribunal. On 11.06.2020, the exception of the lack of passive legal standing of the defendant Romanian State was admitted, the request for deregistration in contradiction with the defendant Romanian State was rejected as being formulated against a person without passive legal standing. At the same time, the request for deregistration was admitted and it was ordered the deletion from the trade register of mention no. 449314/23.12.2014 regarding the registration of the amendments to the Articles of association of defendant SMART SA, included in the Decision of the Chairman of the Board of Directors no. 12375/30.12.2014. Right of appeal within 30 days.

The main object of activity of the SC SMART SA subsidiary is reviewing and repairing of live apparatus and equipment, transformers and autotransformers, as well as the remedy of incidents in electric installations and micro-production of electric equipment.

The mission for which SMART SA was set up is to provide preventive maintenance, special works and corrective maintenance of the Transmission Electricity Network (RET), starting from the primary objective of Transelectrica: to ensure the transport of electricity in the national transport network in safety and stability conditions.

#### **TELETRANS SA**

Subsidiary TELETRANS SA was established under AGA Decision no. 13/04.12.2002 of Transelectrica, pursuant to Law no. 31/1990 and the Orders no. 3098 and no. 3101 of 23.10.2002 issued by the Ministry of Industry and Trade. Teletrans shares are 100% owned by Transelectrica.

Based on the Articles of Association and the applicable legislation, Teletrans holds the ANCOM certificate for networks or electronic communications service provider since 2002 (GEO no. 679/2002), allowing it the right to provide the following electronic communications services:

- Public electronic communications networks (starting with November 11th, 2004);
- Publicly available electronic communications services: (i) Leased line services and (ii) Electronic communications services other than telephony and leased lines (as of 01.07.2003);
- Private electronic communications networks and services (starting with January 15th, 2003).
- The TELETRANS staff also holds certifications relevant for the operation and management of IT&C systems dedicated to critical infrastructures.

Share capital on 30.06.2020 amounted to RON 6,874 mn (687,443 shares, RON 10 nominal value each), Transelectrica being single shareholder.

**FORMENERG Subsidiary** is a company whose main object of activity is the initial and continuous professional training in all fields of activity of the personnel with attributions in the energy field of all sectors of the national economy and of other beneficiaries, among them Transelectrica, Engie Romania, Romgaz, Transgaz Mediaş, Nuclearelectrica and Hidroelectrica.

**ICEMENERG SERVICE – SA Subsidiary** is focused on the design, manufacture and distribution of metering, running and control apparatuses meant for the power system, having got ISO 9001 and IQ NET certification from SRAC ROMANIA, ANRE licensed. On the date of June 9th 2017, the Bucharest Court, Civil Division VII, ordered the bankruptcy procedure through the simplified procedure of the debtor, ICEMENERG SERVICE SA, designating Solvendi SPRL as a provisional liquidator.

**OPCOM SA** was established according to GD 627/2000 on the reorganisation of the National Electricity Company SA as subsidiary, whose sole shareholder is Transelectrica.

According to the provisions of the primary and secondary legislation in force, the Company Operatorul Pietei de Energie Electrica si Gaze Naturale OPCOM SA performs the role of electricity market administrator, providing an organized, viable and efficient framework for commercial transactions in the wholesale electricity market and conducting centralized gas market management activities under conditions of consistency, fairness, objectivity, independence, equidistance, transparency and non-discrimination.

Transelectrica does not exercise actual direct control over the decision making mechanisms of OPCOM, whose administration is performed according to ANRE regulations.

### ***The mission of the Group***

The mission of the Group is to ensure safety and security in the functioning of the National Power System (NPS) by complying with the standards and the performance stipulated by the technical regulations in force, providing a public service for all users of the electricity transmission grids, ensuring transparency, non-discrimination and fairness for all the market participants.

### **Bases of consolidation**

#### ***(i) Subsidiaries***

Subsidiaries are entities controlled by the Group. The Group holds control over an entity whenever it is exposed or is entitled to variable gains resulting from its involvement in the entity and has the capacity to impact these gains by the power over such entity. Financial statements of subsidiaries are included in the consolidated financial statements from the time of control starts until it ends.

On the elaboration date of these consolidated financial statements the Company comprises five subsidiaries, Romanian legal persons, organised as joint-stock companies: Formenerg, OPCOM, Teletrans, Smart and Icemenerg Service (now found under bankruptcy procedure).

From among Company subsidiaries only Smart and Teletrans are included in the Group's financial consolidation area. Formenerg and Icemenerg-Service have not been taken into calculation for consolidation because, in accordance with applicable accounting legislation the impact of their activities is considered insignificant for consolidation, while OPCOM is subject to ANRE rules and holds independent position on the energy market, consequently Transelectrica exercises no control over it.

#### ***(ii) Loss of control***

When losing control the Group derecognises the subsidiary's assets and liabilities, any interests which do not control other components of shareholders' equities attributable to the subsidiary. Any surplus or deficit resulting from loss of control is recognised in the profit and loss account. If the Group maintains any interest in the former subsidiary then such interest is assessed at its fair value as of the date when control is lost. Later on such interest is accounted for using the equivalence method or as a financial asset available for sale, depending on the degree of influence maintained.

#### ***(iii) Transactions removed from consolidation***

Balances and transactions within the Group as well as any unrealised revenues or expenses resulting from Group transactions are removed when elaborating the consolidated financial statements. Unrealised profits relating to the transactions with associated entities, accounted using the equivalence method are removed in counterpart with the investment into the associated entity, to the extent of the Group's interest in such entity. Unrealised losses are removed the same way as unrealised gains, however only to the extent in which there are no value depreciation clues.

## **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 of 20 march 2020 and for the financial period ended on 31 december 2019.

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

The significant reasoning that the governance 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 20 march 2020 and for the financial period ended on 30 december 2019.

## **3. Significant accounting policies**

The accounting policies applied to these stand-alone interim simplified financial statements are the same with those used for the Company's stand-alone financial statements as of and for the financial year ended on 31 December 2019, except for the implementation of new applicable standards as of 1 January 2020.

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

The total value of tangible assets diminished on 30 June 2020 compared to 31 December 2019, which was determined by the registration of assets amortisement.

In semester I 2020 the value of tangible assets underway mainly represented by investments made to the high voltage substations and lines increased as follows:

- The 400 kV double circuit OHL Cernavoda-Stalpu and connection into Gura Ialomitei – 19,760;
- Refurbishing the 400/110/20 kV substation Domnesti – 14,308;
- 100 MVAR, 400 kV shunt reactors for the 400 kV substations Arad, Bucharest and Bradu – 12,629;
- Refurbishing the 220/110 kV substation Craiova Nord – 10,872;
- Replacing AT and transformers in electric substations, stage 2, step 2 - Lot 1 & Lot 2 – 10,132;
- 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 – 9,540;
- Refurbishing the 220/110 kV substation Hasdat – 8,655;
- Refurbishing the 220/110 kV substation Iaz – 6,841;
- Extending the 400 kV substation Cernavoda, stage I+II: Replacing 2 shunt reactors, connecting new lines – 4,323;
- Upgrading the 110 kV substations Bacau Sud and Roman Nord of the 400 kV axis Moldova – 3,687;
- Installing the 400 MVA, 400/231/22 kV AT2 precum and associated bays in Substation Iernut and upgrading the command control system of the 400/220/110/6 kV substation Iernut – 3,243;
- Installing the 250 MVA transformer T3 in the 400/110 kV substation Sibiu Sud – 2,319;
- Changes to 400, 220, 110 kV OHL-s to achieve the Breakthrough of Blvd N. Grigorescu - Splai Dudescu -1,978;
- Upgrading the 110kV and 400 (220) kV installations in Substation Focsani Vest – 1,760;
- Computation technique, hardware & software, desktop PC – 1,601;
- Refurbishing the 220/110/20 kV substation Ungheni – 1,579;
- Upgrading the 220 kV OHL Cetate - Calafat – 1,168;

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

- Refurbishing the 220/110 kV substation Otelarie Hunedoara – 11,819;
- Refurbishing the 220/110/20 kV substation Ungheni – 9,435;
- 100 MVAR 400 kV shunt reactors for the 400 kV substations Arad, Bucharest and Bradu – 8,890;
- Replacing autotransformers and transformers in electric substations, stage 2, step 2 - Lot 1 & Lot 2 – 5,086;
- Changes to 400/220/110 kV OHL to achieve the Breakthrough of Blvd N. Grigorescu - Splai Dudescu – 3,970;
- Upgrading the 400/220/110/20 kV substation Munteni – 3,872;
- Upgrading the remote protection & telecommunications system in Substation Cernavoda – 3,756;
- Computation technique, hardware & software, desktop PC – 1,623;
- Upgrading the 220 kV LEA substation Cetate - Calafat – 1,168;
- Changes to the 400 kV OHL Urechesti - Domnesti to achieve the coexistence conditions – 580;
- Providing safe supply of 220 V dc auxiliary services from Substation Fantanele by replacing the accumulator batteries and resizing the capacity of accumulator battery no. 2 – 376;
- Upgrading the 220/110 kV substation Dumbrava – 286;
- 400 kW fully automated gas-fired thermal power plant for the building situated in Blvd. Hristo Botev 16-18, Bucharest 3 – 279;
- Thermal rehabilitation of the annex building of the Control Block in Substation Isaccea – 256;
- Replacing the 220 V accumulator battery no. 1 from the 220/110 kV substation Mintia – 252;
- Upgrading the road system of the communal road, Fortului Street, village Domnesti, Ilfov County – 219;
- Videoconference terminal for the TSCNET network to be installed in the headquarters of UNO-DEN – 160;
- Hydrocarbon (oil) separator for the concreted platform of Substation Tulcea Vest – 152;
- Professional air conditioning devices for the IT&C technologic halls from DET-s Bacau, Cluj and Craiova – 138.

The balance of tangible assets under execution on 30 June 2020 is represented by projects in progress, of which the most significant are provided below:

- 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 – 48,961;
- Connecting to RET the 300 MW WPP Ivesti, 88 MW WPP Falciu 1 and 18 MW WPP Falciu 2 by the new (400)/220/110 kV substation Banca – 46,885;
- Connecting the 400 kV OHL Isaccea - Varna and Isaccea - Dobrudja OHL in the 400 kV substation Medgidia Sud – 35,338;
- The 400 kV double circuit OHL Cernavoda-Stalpu and connection in Gura Ialomitei – 32,703;
- Refurbishing the 400/110/20 kV substation Domnesti (BA Dec. 5 / 19.05.2010) – 29,167;
- Refurbishing the 220/110 kV substation Hasdat – 23,065;
- Refurbishing the 220/110 kV substation Craiova Nord – 17,337;
- Upgrading the 220/110/20 kV substation Arefu – 15,505;
- Extending the business continuity and post-disaster recovery services to the Executive team – 14,414;
- 110 kV, 220 kV and 400 kV mobile bays – 14,297;
- Upgrading the 220/110/20 kV substation Raureni – 11,877;
- Upgrading the 110 kV substations Bacau Sud and Roman Nord of the 400 kV axis Moldova – 11,850;
- Replacing the EMS SCADA AREVA system's software and hardware components – 11,507;
- Upgrading the 220/110 kV substation Dumbrava – 11,256;
- Refurbishing the 220/110 kV substation Iaz – 8,350;
- Integrated security system in electric substations, stage IV – 8,023;
- Replacing autotransformers and transformers in electric substations, stage 2, step 2 - Lot 1 & Lot 2 – 6,649;

The accompanying notes form an integral part of the consolidated financial statements

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- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage I - the 400/220/110 kV substation Resita – 6,628;
- The 400 kV OHL Gadalin - Suceava, including its interconnection to SEN – 6,042;
- 400 kV HVDC Link (submarine cable Romania - Turkey) – 5,854;
- Research & development centre of LW technologies and fast intervention to SEN - Centre building – 5,185;
- Extending the 400 kV substation Cernavoda, stage I+II: Replacing 2 shunt reactors, connecting new lines – 5,482;
- 100 MVAR, 400 kV shunt reactors for the 400 kV substations Arad, Bucharest and Bradu – 4,510;
- The 400 kV OHL Suceava - Balti for the project segment on Romanian territory – 4,439;
- The 400 kV double circuit OHL Gutinas - Smardan – 4,158;
- Replacing circuit breakers in electric substations – 3,749;
- Upgrading the 110 kV and 400 (220) kV installations from Substation Focsani Vest – 3,745;
- Installing the 400 MVA, 400/231/22 kV AT2 and associated bays in Substation Iernut and upgrading the command control system of the 400/220/110/6 kV substation Iernut – 3,683;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage II, the 400 kV double circuit OHL Resita - Timisoara - Sacalaz – 3,344;
- Installing the 250 MVA transformer T3 in the 400/110 kV substation Sibiu Sud – 3,303;
- Adding new functions to the control system and IT supervision of access in the objectives of CNTEE Transelectrica SA – 3,201;
- Connecting to RET the 136 MW WPP Platonesti, Ialomita County by building a 110 kV bay in the 400/110 kV substation Gura Ialomitei – 2,889;
- Integrated security system in electric substations, stage III (BA Dec. 2/2008) – 2,798;
- Refurbishing the 400/110/20 kV substation Smardan – 2,656;
- By-passing the 110 kV OHL-s Cetate 1 & 2 near the 110/20/6 kV substation Ostrovul Mare – 2,578;
- Connecting to RET the 99 MW WPP Dumesti and the 30 MW WPP Romanesti, Iasi County, by building a 110 kV line bay in the 220/110 kV substation FAI – 2,546;
- Replacing the 400/400/160MVA 400/231/22kV AT 3 ATUS SF of the 400/220 kV substation Portile de Fier – 1,914;
- Refurbishing the 220/110/20 kV substation Ungheni – 1,867;
- Upgrading the 400/220/110/20 kV substation Munteni – 1,748;
- Consolidation, upgrade and extension of offices of CNTEE Transelectrica, the Executive team – 1,627;
- Upgrading the building of DET Timisoara – 1,579;
- The 220 kV double circuit OHL Ostrovul Mare - RET – 1,556;
- The 400 kV OHL Oradea - Beckescsaba – 1,486;
- Integrated security system to the new 400/220/110 kV substation Banca – 1,133;
- Achieving optical fibre communication between the 220/110/20 kV substation Pitesti Sud and the remote control and installation supervision centre of UTT Pitesti (FS) – 1,116;
- Upgrading the 220/110/20 kV substation Vetis - primary equipment – 1,064;
- The 400 kV substations Stalpu – 1,060.

The balance of intangible assets under execution on 30 June 2020 is represented by ongoing projects, of which the most significant are provided below:

- Replacing the EMS SCADA AREVA system's software and hardware components – 19,787;
- Implementing an Electronic Archive and Document Management system in CNTEE Transelectrica SA – 5,474;
- Extending the business continuity and post-disaster recovery services to the Executive team – 351.

The assets associated to the utilisation rights of assets under leasing- buildings represent the usage right for spaces rented by the Company in the Platinum office building (contract C217/2015 concluded with Dagesh Rom SRL), according to the provisions of IFRS 16 – Leasing contracts.

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On 30 June 2020 the accounting value of the utilisation right for spaces the Company rented in the Platinum office building amounted to 2,110.

For this contract the Company pays a monthly quantum of 14 Euro/m<sup>2</sup> as rent for office spaces, thus resulting an annual value of about Euro 1.5 mn.

**5. Trade and other receivables**

On 30 June 2020 and 31 December 2019 trade and other receivables were as follows:

	<u>30 june 2020</u>	<u>31 december 2019</u>
Trade receivables	653,804	749,491
Other receivables	135,990	119,376
Down payments to suppliers	19,664	28,699
VAT to recover	2,376	7,659
Impairment allowances for doubtful receivables	(138,490)	(139,282)
Impairment allowances for other receivables	(56,628)	(55,610)
<b>Total</b>	<b><u>616,716</u></b>	<b><u>710,334</u></b>

The structure of trade receivables was as follows:

	<u>30 june 2020</u>	<u>31 december 2019</u>
Clients on the electricity market, of whom:	648,349	743,236
- Clients - operational activity – energy	361,448	434,981
- Clients - balancing market	111,716	133,210
- Clients - bonus type support scheme to promote high efficiency cogeneration	175,185	175,046
Clients from other activities	5,455	6,254
<b>Total trade receivables</b>	<b><u>653,804</u></b>	<b><u>749,491</u></b>

- The Company 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 30 June 2020 clients on balance from operational activities and the balancing market 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 semester I 2020 compared to semester II 2019, which determined reduced receivables on balance on 30 June 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, Enel Energie SA, OPCOM SA, Petprod SRL, Alro, Enel Energie Muntenia SA, and CET Govora. Such main clients on the electricity market account for about 45.35% of the 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 30 June 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 increase on 30 June 2020, mainly determined by higher values invoiced for the collection of monthly contribution.

On 30 June 2020 the Company registered collectable receivables amounting to 175,185 represented by the invoices issued under the bonus-type support scheme to promote high efficiency cogeneration, of which:

- 2011-2013 overcompensation amounting to 76,702 from RAAN – 63,467 and CET Govora SA – 13,235;
- 2014 undue bonus amounting to 3,915 from RAAN – 1,981 and CET Govora – 1,934;
- 2015 undue bonus amounting to 564 from CET Govora – 534 and Interagro – 30;
- Cogeneration contribution not cashed from the suppliers of electricity consumers amounting to 21,200 from: Transenergo Com – 5,882; Petprod – 4,391; Romenergy Industry – 2,681; RAAN – 2,386; UGM Energy – 1,504; CET Govora – 901; KDF Energy – 888 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 32,340) by bank transactions from Electrocentrale Bucharest, as well as the undue bonus established by ANRE decisions for 2019 amounting to 15,492 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, Colony Cluj Napoca energy 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 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”, where the Company was claimant and the **Autonomous Authority for Nuclear Activities, RAAN** was the defendant.

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 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 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.

Ruling 563/14.06.2016 of the Appeal Court Craiova, Section II Civil denied the appeals filed against the intermediate ruling 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 recoded with RON 11,265 in the table of debtor RAAN, in the category of receivables resulting from the debtor’s uninterrupted activity. The actual amount the Company requested was RON 89,361, but RON 78,096 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 RON 78,096 was made late

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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 RON 89,361 was registered and according to letter 4162/03.10.2016 whereby the judiciary liquidator notified us only RON 11,265 were recorded in the additional table in the receivables column resulting from the debtor's continued activity, and RON 78,096 were denied, we filed contestation to 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 the High Court for Cassation and Justice under file 3014/2/2014, pertaining to cancelling 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 RON 16,950 as liability accrued during the procedure, judging to record it in the creditors' table constituted against debtor RAAN. The other associated requests are denied. In accordance with article 453 para 2 from the Civil Procedural Code it compels the defendant to pay RON 1 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. Mehedinti Tribunal established a term on 26.03.2020 to continue the procedure under the bankruptcy file 9089/101/2013.

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 40,508, 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 which had determined the 2011-2013 overcompensation was suspended by court civil judgment 3185/27.11.2015 CET Govora SA had 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, namely 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.



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Transelectrica was registered in the Preliminary and final receivables table with total amount of 28,200, of which 25,557 relate to the support scheme. Mention should be made this receivable amounting to RON 21,962 representing principal and penalties related to invoice 8116/08.04.2016, was registered under the suspensive condition of pronouncement of a final juridical ruling 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 Co. 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 28,014 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 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 represents receivable payable by CET Govora under the support scheme amounting to 25,557, corrected with the bonus of 3,369 the Company withheld according to article 17 para 5 from Order 116/2013 of ANRE President. Taking into account the provisions of HG 925/2016 with later amendments and additions, the Company does not register allowance expenses for clients under the support scheme; the unrecovered amount of such receivables will be included in the cogeneration contribution.

**Other receivables**

On 30 June 2020 amounting to 158,030 included mainly:

- Sundry debtors (114,212), of which:
  - Payment delay penalties calculated to defaulting clients and amounting to 71,686 (of which 35,305 represent penalties under the support scheme). The greatest payment delay penalties were registered by the following clients: RAAN (16,901), CET Govora (9,607), Electrocentrale Bucharest (9,409), Eco Energy SRL (8,910), Petprod SRL (8,895), Total Electric Oltenia (3,289) and ICPE Electrocond Technologies (1,008). Impairment 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 (30,057);
  - Compensations owed by suppliers for not delivering electricity (Arelco Power 988 and Enol Group 2,541). Impairment allowances were registered in case of compensations owed by suppliers from operational activities;
  - Receivable to recover from OPCOM representing the VAT amounting to 4,518 for the in-kind contribution to the subsidiary's capital.
- Deferred expenses amounting to 8,681 mainly represented by: ENTSO-E international subscription for 2020 (2,651), annual ANRE contribution for 2020 (2,457), down payments under contracts concluded with the suppliers of electricity necessary to cover one's own technological consumption (losses) in future periods (1,453), rent to DAGESH ROM SRL (628) and others;
- Other intangible receivables amounting to 4,258, of which 4,200 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 1,403 and representing medical leaves the employer paid to employees, which will be recovered from the National Health Insurance House according to applicable legislation.
- VAT to recover (1,985), amount which was recovered by the elaboration date of these financial statements.

The accompanying notes form an integral part of the consolidated financial statements

### **Down payments to suppliers**

On 30 June 2020 down payments to suppliers are represented by supplier-debtors for provided services amounting to 19.664 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 2<sup>nd</sup> 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.

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

### *Impairment allowances of 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 30 June 2020, calculated for trade receivables and their associated penalties were registered for CET Govora (24,862), Eco Energy SRL (24,736), Petprod SRL (23,540), Arelco Power (15,217), Total Electric Oltenia SA (14,186), Romenergy Industry (13,513), Elsaco Energy (9,276), RAAN (8,517), Opcom (6,049) and CET Brasov (4,665). 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. Other financial assets**

On 30 June 2020 and 31 December 2019 other financial assets were as follows:

	<u>30 june 2020</u>	<u>31 december 2019</u>
Bank deposits with maturity beyond 90 days	92,000	85,000
<b>Total</b>	<b>92,000</b>	<b>85,000</b>

Bank deposits with initial maturity beyond 90 days constituted from monetary availabilities of current accounts amounted to 92,000 on 30 June 2020 and amounted to 85,000 on 31.12.2019.

## **7. Cash and cash equivalents**

On 30 June 2020 and 31 December 2019 cash and cash equivalents were as follows:

	<u>30 june 2020</u>	<u>31 december 2019</u>
Current bank accounts and deposits, of which:	<b>444,709</b>	<b>339,461</b>
- Cash and high efficiency cogeneration deposits	-	-

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- Cash from revenues obtained from the allocation of interconnection capacities used for grid investments	66,586	72,217
- Cash from the connection fee	22,252	14,967
- European funds	12,07	11,970
Cash desk	<b>167</b>	<b>167</b>
Other cash equivalents	<b>6</b>	<b>2</b>
<b>Total</b>	<b>444,882</b>	<b>339,630</b>

Bank deposits with initial maturity within 90 days constituted from monetary availabilities found in current accounts amounted to 100,691 on 30 June 2020 and to 102,286 on 31 December 2019.

## 8. Shareholders' equity

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 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 30 June 2020 the shareholders of CNTEE Transelectrica SA are: the Romanian State represented by the Secretariat General of the Government that holds 43,020,309 shares (58.69%), NN Group NV holding 4,007,688 shares (5.47%), DEDEMAN SA holding 4,503,567 shares (6.14%), other legal person shareholders holding 16,183,821 shares (22.07%) and other natural person shareholders holding 5,587,757 shares (7.63%).

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

The shareholders' structure on 30 June 2020 and 31 December 2019 was the following:

Shareholder	30 june 2020		31 december 2019	
	Number of shares	% of share capital	Number of shares	% of share capital
Romanian State by the SGG	43,020,309	58.69%	43,020,309	58.69%
Other legal person shareholders	16,183,821	22.08%	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	5,587,757	7.62%	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>

## 9. Deferred revenues

They are mainly represented by: the connection fee, other investment subsidies, non-reimbursable European funds cashed from the Ministry of European Funds, and revenues from the utilisation of interconnection capacities. On 30 June 2020 deferred revenues were the following:

	<b>30 june 2020</b>	<b>Of which: current part on 30.06.2020</b>	<b>31 December 2019</b>	<b>Of which: current part on 31.12.2019</b>
Deferred revenues – allocation of the interconnection capacity	4,791	4,791	5,757	5,757
Deferred revenues – European funds	2,448	2,448	2,754	2,754
Funds from the connection fee	260,556	14,546	263,163	20,553
European funds	95,986	7,053	98,796	7,474
Other subsidies	26,976	949	27,381	1,211
<b>Total</b>	<b>390,757</b>	<b>29,786</b>	<b>397,851</b>	<b>37,749</b>

The development of current deferred revenues in January - June 2020 was the following:

	<b>30 june 2020</b>	<b>31 december 2019</b>
Opening balance	37,749	19,329
Deferred proceeds regarding the interconnection capacity	30,122	81,580
Proceeds from European funds	88	1,228
Transfer from non-current deferred revenues	(6,691)	19,485
Revenues from use of the interconnection capacity	(31,167)	(83,719)
Revenues from European funds	(315)	(154)
<b>Total</b>	<b>29,786</b>	<b>37,749</b>

The development of non-current deferred revenues in January - June 2020 was the following:

	<b>30 june 2020</b>	<b>31 december 2019</b>
Opening balance	360,641	411,155
Connection subsidies	(5,278)	1,176
Non-reimbursable funds	0	(14)
Non-reimbursable funds to return	0	-
Transfer to current deferred revenues	17,249	(21,836)
Resuming subsidies to revenues	(11,640)	(29,839)
<b>Total</b>	<b>360,971</b>	<b>360,641</b>

## 10. Borrowings

### • Non-current loans

On 30 June 2020 the value of non-current loans diminished in comparison with 31 December 2019, mainly due to repayments made under the existing loan agreements. In January - June 2020 there were no proceeds from loans.

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Borrowings in the six months' interval ended on 30 June 2020 developed as follows:

	<b>Hard currency</b>	<b>Interest rate</b>	<b>Accounting value</b>	<b>Due date</b>
<b>Balance on 1 January 2020</b>			147,426	
<b>New proceeds</b>			<b>0</b>	
<b>Repayments, of which:</b>			<b>(13,163)</b>	
IBRD 7181	EUR	0% last notification	(1,545)	15-Jan-2020
EIB 25709	EUR	3.596%	(5,793)	10-Sep-2025
EIB 25710	EUR	3.856%+2.847%	(5,826)	11-Apr-2028
<b>Exchange rate difference on repayment date</b>			<b>1,867</b>	
<b>Balance on 30 June 2020</b>			<b>136.129</b>	

On 30 June 2020 and 31 December 2019 the balances of non-current loans contracted from credit institutions were as follows:

<b>Description</b>	<b>30 june 2020</b>	<b>31 december 2019</b>
IBRD 7181	-	1,545
EIB 25709	64,116	69,034
EIB 25710	72,014	76,847
<b>Total non-current loans from credit institutions, of which:</b>	<b>136,129</b>	<b>147,426</b>
<b>Current part of non-current borrowings</b>	<b>(23,349)</b>	<b>(24,590)</b>
<b>Total non-current loans, net of current instalments</b>	<b>112,780</b>	<b>122,835</b>

The non-current part of loans will be repaid as follows:

	<b>30 june 2020</b>	<b>31 december 2019</b>
From 1 to 2 years	23,350	23,045
From 2 to 5 years	70,048	69,136
More than 5 years	19,382	30,654
<b>Total</b>	<b>112,780</b>	<b>122,835</b>

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

All non-current loans, contracts EIB 25709 and EIB 25710, are bearer of fixed interest rate.

• *Current loans*

These are detailed as follows:

	<b>30 june 2020</b>	<b>31 december 2019</b>
Current portion of non-current borrowings	23,349	54,131
Smart credit lines	6,827	3,350
Interest related to the non-current and current loans	1,325	1,436
Overdraft for cogeneration activities	117,397	-
<b>Total current borrowings</b>	<b>148,898</b>	<b>58,917</b>

• *Loans contracted for cogeneration activities*

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

On 24.04.2019 Addendum 1 to the contract was signed supplementing the credit line by 25,000, namely from 150,000 to 175,000. The contract was completed on 13.03.2020.

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It has been secured by means of:

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

Taking into account the maturity of the fore-mentioned credit the Company concluded on 12.03.2020 a new credit contract no. C52 with Banca Transilvania for 12 months in order to finance the bonus-type support scheme for high efficiency cogeneration in form of account overdraft, amounting to 175,000 with interest calculated depending on the reference ROBOR 1M rate, which is added negative 0.35% margin. In case the reference ROBOR 1M rate is below 0.35% the interest rate applied is 0%.

On 30 June 2020 proceeds amounting to 117,397 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 the high efficiency cogeneration contribution contracts concluded with Cez Vanzare SA, E.ON Energy Romania SA, Enel Energie SA, Tinmar Energy SA, and Enel Energie Muntenia SA.

Subsidiary SMART SA has contracted a credit line from Libra Internet Bank, with variable interest rate, granted for a period of 12 months to finance the company's current activity.

The credit line operates in revolving system by successive withdrawals and repayments from/to the account assigned to it.

As of June 30, 2020, the subsidiary used 6,827.

## 11. Trade and other liabilities

On 30 June 2020 and 31 December 2019 trade and other liabilities were the following:

	<u>30 june 2020</u>	<u>31 december 2019</u>
Suppliers - electricity market	242,787	390,221
Asset suppliers	82,970	73,460
Suppliers of other activities	23,975	27,212
Amounts owed to employees	8,997	7,607
Other liabilities	59,363	69,694
<b>Total</b>	<b><u>418,092</u></b>	<b><u>568,194</u></b>

On 30 June and 31 December 2019 the liabilities on balance from the power market amounted to 242,787, namely 390,221 and provided the following structure:

	<u>30 june 2020</u>	<u>31 december 2019</u>
Suppliers on the electricity market, of whom:		
- Suppliers – operational activities - energy	100,496	142,743
- Suppliers - the balancing market	58,403	77,631
- Suppliers from the bonus-type support scheme to	83,888	169,847
<b>Total</b>	<b><u>242,787</u></b>	<b><u>390,221</u></b>

Suppliers on the electricity market are mainly represented by: Hidroelectrica SA, Electrocentrale Bucharest, OPCOM, Mavir, Energy Complex Oltenia, Energy Complex Hunedoara, Veolia Energie Prahova, Veolia Energie Iasi, Termoficare Oradea and CET Govora. On 30 June 2020 their share was about 81% in the total electricity suppliers.

The lower liability balance of operational activities was mainly determined by paying the liabilities on balance from the electricity market on 31 December 2019.

The lower liability balance of the balancing market was determined by paying the liabilities on balance from the electricity market on 31 December 2019 on due date and by the reduce volume of transactions

on the balancing market in semester I 2020 compared to semester II 2019.

The lower liabilities under the support scheme to suppliers (producers) was mainly determined by the reduced monthly bonus paid in June 2020 compared to the monthly bonus of December 2019.

On 30 June 2020 payment liabilities to suppliers (producers) are registered amounting to 54,554 (RAAN – 51,184 and CET Govora SA – 3,369), representing the monthly cogeneration bonus, ante-overcompensation for 2014 și 2015, the unpaid bonus in 2015 and 2016. Amounts representing the Company's liabilities under the support scheme to RAAN and CET Govora were withheld base on article 17 para 5 of Order 116/2013 of ANRE president, because suppliers (producers) register payment 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.

Producers (RAAN 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 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 40,508, 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 had 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 higher asset suppliers' balance on 30 June 2020 compared to 31 December 2019 was owed to a greater volume of investments invoiced by asset suppliers.

- Liabilities to the suppliers of other activities are mainly represented by liabilities associated to services provided to third parties that did not reach maturity, liabilities that increased in comparison with 31 December 2019.
- On 30 June 2020 the Company did not register outstanding liabilities to the state budget or to locale institutions.

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The structure of liabilities registered under “other liabilities” was the following:

	<u>30 june 2020</u>	<u>31 december 2019</u>
Sundry creditors	1,537	1,693
Client-creditors	30,029	44,639
Payable dividends	616	616
Other liabilities	27,181	22,747
<b>Total</b>	<b><u>59,363</u></b>	<b><u>69,695</u></b>

„Sundry creditors” amounting to 1,537 on 30.06.2020 mainly represent: Q II royalty in sum of 211, study contracts 363, green certificates amounting to 168, bid participation bonds and others.

“Client creditors” on 30 June 2020 amounted to 30,029, of which 29,134 represent deferred amounts cashed from MAVIR (9,399), OPCOM (17,376) and IBEX (2,358) under transactions of the price coupling mechanisms 4MMC (4M Market Coupling) and SIDC (Single Intraday Coupling).

On 30 June 2020 dividends owed to Company shareholders still unpaid amounted to 616. Such amounts are at the shareholders’ disposal by means of the payment agent.

Other liabilities amounting 27,181 are mainly represented by:

- Performance bonds of electricity market contracts concluded by CNTEE Transelectrica SA amounting to 15,742;
- Payable VAT amounting to 536;
- Non-requestable VAT during the reporting period, amounting to 9,270 and others.

## 12. Provisions

On 30 June 2020 and 31 December 2019 provisions were as follows:

	<u>30 june 2020</u>	<u>31 december 2019</u>
Provisions for disputes	33,884	33,884
Provisions for mandate contracts	33,132	33,132
Provisions, employees’ participation to profit fund	45	45
Other provisions	3,818	3,929
<b>Total</b>	<b><u>70,880</u></b>	<b><u>70,990</u></b>

Dispute provisions on balance on 30.06.2020 amounting to 33,884 are mainly represented by provisions constituted for the 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 the 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 Lei, representing loss actually incurred and unrealised benefit, preliminarily estimated to Euro 100,000 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. TERM: 13.10.2020.
- 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:
  - RON 2,130 , representing rent for the land temporarily taken up from the forest fund in 2015;
  - RON 2,130 , representing land rent in 2016;
  - RON 2,130 , representing land rent in 2018;
  - Legal penalty interest from due date until actual payment;
  - Law court expenses.



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

- 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:

- 2,434 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 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 included in file 2434/115/2018 found 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 the negative competence conflict as occurred, 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 constituted a provision amounting to 2,738 for the dispute with the National Authority of Forests Romsilva, Forestry Division Caras Severin.

- Dispute with subsidiary OPCOM amounting to 2,670 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 Euro 582 (RON 2,585 at the National Bank of Romania's exchange rate of 24.11.2014), representing the amount paid by it as fine, from the total fine amount of Euro 1,031 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 85 as legal interest for 11.06.2014 – 24.11.2014, which is added law court expenses amounting to 38.

- Other provisions amounting to 3,818 are represented by provisions registered for employee holidays not taken and VAT payable provision estimated for the fiscal audit underway, Endorsement F-MC-326/13.11.2019\_TVA period 2014-2016 in sum of RON 1,370 and provision for ANAF's Decision regarding accessory fiscal liabilities income tax for 2012-2016 amounting to RON 2,133.

Also on 30 June 2020 the Company had constituted a provision amounting to 33,132 for the annual variable component owed to Directorate and Supervisory Board members.

The amount of 45 represents mainly a provision constituted for the employees' participation to the profit of financial years 2013, 2015 and 2016, sums unpaid by 30.06.2020.

### **13. Other tax and social security liabilities**

On 30 June 2020 and 31 December 2019 other tax and social security liabilities include:

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	<u>30 june 2020</u>	<u>31 december 2019</u>
Contribution to social insurance funds	8,190	7,652
Payable VAT	2,712	180
Salary tax	1,529	1,521
Other payable taxes	1,979	1,522
<b>Total</b>	<b><u>14,410</u></b>	<b><u>10,875</u></b>

On 30 June 2020 the Company registered payment liabilities for the contributions to social security funds, salary tax and other taxes, which were outstanding and paid in July 2020.

#### 14. Income tax

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

The income tax expense in H2 2020 and H2 2019, and the income tax on 30 June 2020 and 30 June 2019 are provided below:

	<u>30 june 2020</u>	<u>30 june 2019</u>
Expenses with current income tax	30,704	7,183
Net income from deferred income tax	(3,299)	(2,510)
<b>Total</b>	<b><u>27,405</u></b>	<b><u>4,673</u></b>

#### 15. Operational revenues

Operational revenues include the revenues achieved by the Company by providing transmission and system services on the electricity market, by allocating the interconnection capacity, balancing market operation services and other revenues.

ANRE-approved tariffs for services provided on the electricity market in semester I 2020 and semester I 2019 were as follows:

	<u>Average tariff for transmission services</u>	<u>Tariff of technologic system services</u>	<u>Tariff of functional system services</u>
Order 10/15.01.2020 for 16 January – 30 June 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 – 30 June 2019	18.13	10.44	1.11

The average electricity transmission tariff has two components: tariff of electricity input into the grid ( $T_G$ ) și tariff of electricity output from the grid ( $T_L$ ).

Zone tariffs of transmission services for electricity input to the grid ( $T_G$ ) and for electricity extraction from the grid ( $T_L$ ) were approved by ANRE Order 10/2020, beginning with 16 January 2020.

The electricity quantity delivered to consumers which was applied the tariff for services provided on the electricity market was the following:

	<u>30 june 2020</u>	<u>30 june 2019</u>
Electricity quantity delivered to consumers (MWh)	26,255,754	27,920,433

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Revenues achieved in semester I 2020 and semester I 2019 were the following:

	<b>30 june 2020</b>	<b>30 june 2019</b>
Transmission revenues	470,186	504,075
Revenues from allocation of interconnection capacity	31,333	42,032
Revenues from reactive power	132	711
Revenues from CPT transactions	1,938	4,624
Revenues from Inter TSO Compensation (ITC)	3,670	695
<b>Transmission service revenues – total</b>	<b>507,258</b>	<b>552,137</b>
	-	
Revenues from functional system services	48,311	30,992
Revenues from technological system services	343,375	295,487
Revenues with unplanned exchanges on the PZU	782	1,278
Revenues from failure aids	-	0
<b>System service revenues – total</b>	<b>392,469</b>	<b>327,757</b>
	-	
Revenues on the balancing market	166,064	279,930
Other revenues	30,110	18,061
<b>Total revenues</b>	<b>1,095,901</b>	<b>1,177,885</b>

*Transmission service revenues*

They decreased by 33,889 in semester I 2020 compared to semester I 2019 determined by 5.96% diminished electricity quantity delivered to consumers, namely by 1,664,679 MWh and by reduced tariff approved by ANRE for transmission services (according to the previous table of ANRE-approved tariffs in the studied periods).

*Revenues from the allocation of interconnection capacities*

In semester I 2020 such revenues decreased by 10,699 compared to semester I 2019, corresponding to the utilisation degree of available interconnection capacities by the traders on the electricity market.

*Revenues from Inter TSO Compensation (ITC)*

Such revenues were higher by 1,243 in semester I 2020 compared to semester I 2019 because the imported / exported / transited electricity was higher than last year, and the import/export/transit tariff applied raised in 2020.

*Revenues from CPT transactions*

Such revenues were lower by 955 in semester I 2020 compared to semester I 2019 because the electricity quantity sold in semester I 2020 was about 800 MWh smaller than in semester I 2019, and the average sale price on the balancing market was about 30% lower because of the Covid-19 pandemy.

*Revenues from functional system services*

They increased by 17,319 in semester I 2020 compared to semester I 2019, determined by higher ANRE-approved tariff for such services (according to the previous table of ANRE-approved tariffs in the studied periods), when the electricity quantity delivered to consumers decreased 5.96%, namely by 1,664,679 MWh.

*Revenues from technological system services*

They increased by 47,889 in semester I 2020 compared to semester I 2019, as determined by higher ANRE-approved tariff of such services (according to the previous table of ANRE-approved tariffs in the studied periods), when the electricity quantity delivered to consumers decreased 5.96%, namely by 1,664,679 MWh.

In semester I 2020 technological system service revenues were higher with 45,160 compared to the expenses made to procure technological system services. This amount increased the Company's gross profit registered on 30 June 2020.

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*Revenues on the balancing market*

They diminished by 113,866 in semester I 2020 compared to semester I 2019, mainly determined by the following issues:

- Reduced negative imbalance registered with electricity suppliers on the balancing market;
- The contracting manner on the markets before the balancing one;
- The development of hydraulicity;
- The development of the average deficit price registered on the balancing market;
- Reduced electricity demand and consumption because the winter was milder;
- 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.

**16. Expenses to operate the system and on the balancing market**

Expenses made in semester I 2020 compared to semester I 2019 were the following:

	<b>30 june 2020</b>	<b>30 june 2019</b>
Expenses regarding one's own technological consumption	113,354	145,118
Congestion expenses	0	1,652
Expenses regarding electricity consumed in RET substations	8,891	10,690
Expenses regarding functional system services	12,561	18,454
Expenses with Inter TSO Compensation (ITC)	8,091	3,903
<b>Total operational expenses</b>	<b>142,897</b>	<b>179,816</b>
Expenses regarding technological system services	298,216	353,131
Expenses regarding the balancing market	166,064	279,930
<b>Total</b>	<b>607,177</b>	<b>812,876</b>

*Expenses regarding one's own technological consumption*

They represent expenses to procure electricity from the free electricity market, namely the Centralised Market of Bilateral Contracts (PCCB), the Day-Ahead Market (DAM), the Balancing Market (PE) and the Intraday Market (PI) to cover one's own technological consumption (CPT) within RET.

Expenses regarding one's own technological consumption decreased 31,764 in semester I 2020 compared to semester I 2019.

*Expenses regarding the electricity consumption within RET substations*

With a view to perform electricity transmission activities within electric substations and to operate the National Power System under safe operational terms CNTEE Transelectrica SA has to procure electricity and cover the consumption of auxiliary services from high voltage electric substations managed by the Company, namely the consumption of internal services from 81 electric substation, for each consumption place.

Such expenses decreased 1,798 in semester I 2020 compared to semester I 2019 because of lower electricity procurement prices which were used in the electricity supply contracts concluded in 2020.

*Expenses regarding functional system services*

They decreased by 5,893 in semester I 2020 compared to semester I 2019, mainly determined by reduced expenses on the balancing market regarding unplanned electricity exchanges with neighbouring countries interconnected to SEN.

*Expenses with Inter TSO Compensation (ITC)*

ITC expenses represent monthly payment liabilities / collection rights of each transmission & system operator (TSO). They are established under the compensation / settlement mechanism for the effects of

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using the electricity transmission grid (RET) for electricity transits in-between TSO of the 35 countries that adhered to such mechanism within ENTSO-E. In semester I 2020 such expenses increased 4,188 compared to the same period of last year, the difference resulting from regularised estimations of expenses.

*Expenses regarding technological system services*

The Company procures technological system services from producers in view of maintaining the safe operation of SEN and the quality of electricity transmitted according to the parameters provided in applicable technical norms.

These 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);
- By means of competitive mechanisms.

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

Expenses regarding technological system services decreased by 54,915 in semester I 2020 compared to semester I 2019, mainly impacted by the following factors:

- Procurement prices of technological system services on the competitive market for the replacement reserve (RTL) in semester I 2020 were lower in comparison with procurement prices of the same period of 2019, since competition was higher for this reserve;
- Procurement prices of technological system services on the competitive market maintained in semester I 2020 around the values recorded in the same period of 2019 for the secondary reserve (RS) and fast tertiary reserve (RTR);
- In semester I 2020 there was high concentration of the technological system service market by secondary reserve (RS) and fast tertiary reserve (RTR) types of services.

CNTEE Transelectrica SA re-invoices the value of technological system services procured from producers to electricity suppliers licensed by ANRE that benefit of such services in the end.

*Expenses regarding the balancing market*

In the first semester of the current year such expenses amounted to 166,064, developing as shown in the *Revenues on the balancing market* chapter.

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

**17. Other operational expenses**

	<u>30 june 2020</u>	<u>30 june 2019</u>
Other expenses with services provided by third parties	40,242	16,759
Postal expenses and telecommunication fees	526	602
Royalty and rent expenses	1,383	1,849
(Net) operational expenses regarding impairment allowances of current assets	280	688
Other expenses	(11,057)	(3,324)
<b>Total</b>	<u><b>31,374</b></u>	<u><b>16,574</b></u>

In semester I 2020 these expenses increased and amounted to 14,800 compared to semester I 2019, determined by the variation of certain expense items such as:

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- Higher (net) expenses regarding provisions for other operational expenses, taking into account the provisions registered in semester I 2020 compared to cancelling the provision of 31,181 constituted in semester I 2019 for the dispute with ASITO KAPITAL SA;
- Diminished expenses regarding taxes and charges due to reduced quantum of the annual ANRE fee: 0.2% of the turnover of CNTEE Transelectrica SA as against 2% applied last year, according to ANRE Order 1/2020 approving the tariffs and monetary contributions charged by the National Regulatory Authority in the Energy domain in 2020;
- Higher expenses with services provided by third parties, civil protection and guard etc.;
- Expenses generated by the Covid-19 pandemy (food, medicines, hygiene, protection), extraordinary expenses in the current context of the public health crisis (Covid-19 pandemy), the emergency state instituted by authorities and the measures established by the Company according to its own business continuity plans.

**18. Net financial result**

	<u>30 june 2020</u>	<u>30 june 2019</u>
Interest revenue	3,860	2,613
Revenue from exchange rate differences	1,182	3,146
Other financial revenue	42	36
<b>Total financial revenues</b>	<b><u>5,084</u></b>	<b><u>5,796</u></b>
Interest expense	(4,285)	(4,539)
Expense with exchange rate differences	(2,791)	(5,813)
Other financial expenses	(2)	(8)
<b>Total financial expenses</b>	<b><u>(7,078)</u></b>	<b><u>(10,360)</u></b>
<b>Net financial result</b>	<b><u>(1,994)</u></b>	<b><u>(4,564)</u></b>

On 30 June 2020 the Company registered net financial result (loss) amounting to 1,994, smaller by 2,570 than that registered in the same period of 2019. It was mainly influenced by the development of the national currency's exchange rate in against the foreign currency which the Company has contracted bank loans to finance its investments (Euro).

The exchange rate of the national currency on 30 June 2020 compared to that of 30 June 2019 was the following:

<b>Currency</b>	<u>30 june 2020</u>	<u>30 june 2019</u>
Lei / Euro	4.8423	4.7351

**19. Disputes and contingencies**

*Note of disputes and contingencies: To facilitate reading and understanding all sums in this chapter are given in Lei*

**i) Disputes**

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 mention in the financial statements.

Taking into account the existing information, the Company's management believes 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, Section II Civil of Administrative and Fiscal Disputes file 3616/101/2014 was registered pertaining to "claims in the amount of 1,090,831.70 Lei, value of invoice 1300215/31.12.2013", a file in which the Company is defendant and claimant is the Autonomous Authority for Nuclear Activities RAAN.

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By civil ruling 127 pronounced on 10.10.2014 Mehedinti Tribunal judged admitting the request filed by claimant RAAN and compelling the Company to pay 1,090,831.70 Lei, the value of invoice 1300215/31.12.2013.

The Company filed appeal whereby it requested the court, by the ruling to be pronounced, to decide admitting the appeal as filed, cancel the ruling and the contested sentences and refer the case to the territorial competent instance for judgment, ascertaining the compliance with the requirements of articles 1616-1617 of the Civil Code, reason for which it was also requested to ascertain the occurrence of mutual debts compensation and their redemption up to the smallest amount thereof, namely the total amount requested by the claimant in the summons, ordering the appeal-plaintiff to pay the expenses incurred 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.

Ruling 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 Bucharest Court of Appeal's resolution: it denied the appeal as groundless; final. It was ruled in open court on 13.12.2018.

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

Under such circumstances RAAN calculated penalties for its not cashing in due time the cogeneration bonus due to it amounting to 3,496,914 Lei, which the Company withheld from payment on behalf of uncollected receivables. The Company refused paying 3,496,914 Lei and it did not register the sum 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 11,264,777 Lei in the category of receivables resulting from the debtor's continued activity, but the Company actually requested 89,360,986 Lei. The difference of 78,096,209 Lei was not recorded in the preliminary receivables table because "it did not appear as owed debt in the accounting books of RAAN". Moreover, the judiciary liquidator considered our request to include the sum of 78,096,209 Lei was expressed late as it was associated with the 2011-2013 interval, for which reason the receivable statement should have been submitted when the insolvency procedure was launched, namely on 18.09.2013. The contestation to the additional Receivables Table was submitted within the legal term, and Mehedinti Tribunal admitted the evidence of accounting expertise.

On the 14.06.2018 term case judgment was suspended until settlement of file 3014/2/2014 found on the docket of ICCJ, 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. The other 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 163/20.06.2019.

On the 06.11.2019 term the Appeal Court Craiova denied the appeal of Transelectrica as groundless; final; 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 contrary rulings, registered under file number 1711/54/2019, with

hearing term on 25.03.2020 in the Appeal Court Craiova that will refer the file to the High Court of Cassation and Justice for competent settlement.

On 26.03.2020 the hearing term was changed, the next one being on 21.05.2020.

On 21.05.2020 the case was taken out of the docket by the following settlement: the material incompetence exception of the Appeal Court Craiova was admitted and the case was referred to ICCJ, Administrative and Fiscal Disputes Section; Ruling 140/21.05.2020.

Under RAN's bankruptcy file 9089/101/2013 Mehedinti Tribunal established on 11.06.2020 the next term on 08.10.2020 to continue the liquidation procedure, namely capitalise the assets and collect the receivables.

#### • **COURT OF AUDIT**

Following an inspection 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 against 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 pt. II.13, meaning to remove the phrase "including what has been found about the invoices issued by FLOREA ADMINSTRARE IMOBILIARĂ SRL". The court rejected 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 compelled 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 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 cancelling 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 as follows:

- On the docket of the Appeal Court Bucharest (2 files: 6576/2/2017 on cancelling the findings regarding items 7.1, 7.2 and 8, as well as the measure decided in item II.10, hearing term on 15.09.2020 and file 6581/2/2017 on cancelling the findings regarding item 6, and the measure decided in item II.9, hearing term on 09.10.2020),

- On the docket of the High Court of Cassation and Justice (5 files: 6577/2/2017 on cancelling the findings regarding item 13, and the measure decided in item II.13, no hearing term established; file 6578/2/2017 on cancelling the findings regarding item 9 and the measure decided in item II.11, no hearing term established; file 6580/2/2017 on cancelling the findings regarding item 10 and the measure decided in item II.12, term on 04.02.2021; file 6582/2/2017 on cancelling the findings regarding item 11 and the measure decided in item I.5, term on 29.09.2020; file 6574/2/2017 on cancelling the findings regarding item 5.2 and the measure decided in item II.8, term on 20.04.2021), and a file with final settlement: the cancellation request denied by the Appeal Court Bucharest and appeal denied by the High Court of Cassation and Justice (file 6583/2/2017 on cancelling the findings regarding item 5.1 and the measure decided in item II.7).

#### • **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 afore-mentioned Order or the issuance of a new one, which should recalculate the RRR value at 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 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.

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 10.09.2019 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 decided setting a new hearing term established on 03.12.2019.

On 03.12.2019 the decision was to postpone the case and set a new hearing term in order to resend a letter to the expert to submit his answers to the objections made to the file; mention should be also made he was to appear in court 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.

On the 12.05.2020 term the file was suspended during the entire emergency period.

On 23.06.2020 the case was deferred to enable the parties to get acquainted with the answer to objections. Also on the 21.07.2020 term the case was deferred with this settlement: letter to the expert to show up in court.

The next term was set on 22.09.2020.

Mention should be made this dispute did not impact the relation with ANRE nor the Company's financial results.

- **OPCOM**

On 24.11.2014 the Romanian Gas and Electricity Market Operator OPCOM SA summoned the Company in order to compel it paying 582,086 Euro (2,585,162 Lei at the National Bank of Romania's 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 10.06.2014 to pay fully 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 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 law suit initiated by OPCOM SA was included in file 40814/3/2014 on the docket of Bucharest Tribunal, Section VI Civil, pertaining to material claims, dispute 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 of 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.

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The Appeal Court's settlement in brief: It admitted the appeal, changing entirely the civil ruling appealed against, meaning it denied the summons as groundless. It compelled 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 ICCJ: 13.03.2018. ICCJ settlement in brief: It admitted 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 cancelled the decision appealed against and referred 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 with the ICCJ.

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

File 17765-3-2019 pertains to compelling defendant OPCOM SA to pay 4,517,460 Lei according to TEL invoice series 16 AAA 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 27.09.2019 hearing term 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.

On 06.05.2020 the file was suspended because of the emergency state.

• **ASITO KAPITAL**

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 of 31,180,857.96 Lei) representing security policies for down payments BR 1500544/18.11.2015 and BR 1500520/29.07.2015.

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

Settlement in brief: It admitted the request. It ordered the debtor to pay 2,237,750.83 Euro within 20 days from receipt of this ruling (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

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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 security letter BR-1500520/29.07.2015; as well as 200 Lei as law suit expenses. Cancellation request right is granted in 10 days from notification.

Ruling 4067/07.10.2017 was elaborated and notified to both parties on 17.10.2018.

On 01.11.2018 Ruling 4067/07.10.2017 was legalised and submitted to BEJ Raileanu in view of applying the enforcement title.

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

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

In case of file 35865/3/2018 (former file 24552/3/2017) the hearing term was established on 19.02.2019 in order to settle the cancellation request for the payment ordinance providing return of 31.2 mill Lei. Pronouncement was deferred: 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 main matter the instance deferred pronouncement twice until 20.03.2019. After deliberation Bucharest Tribunal pronounced the following settlement in brief:

It denied the request to reverse the enforcement as inadmissible.

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

It denied 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 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 Ruling 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 interval and the hearing term has to be set.

On the 11.11.2019 term the case was deferred. Settlement in brief: It admitted the request; it spread 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 with November 2019, in quantum of 61,930.10 Lei each. Re-examination request right was granted within 15 days from notification.

On the 18.05.2020 hearing term the appeal was denied as groundless; appeal right within 30 days; Ruling 287/18.05.2020.

- **CONAID COMPANY**

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 to summon the parties.

Case judgement was deferred to 17.06.2016, when the court postponed pronouncement to 29.06.2016, when it pronounced Ruling 2148/2016 whereby it decided as follows: "It denies 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 admits 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 cancels the contested conclusion and partly the ruling and refers 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 maintains the other ruling provisions as regards the claimant's suit against the National Regulatory Authority in the Energy domain. It denies 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 denies 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 denied the request as inadmissible. It also denied 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 process 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.

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 perform the expertise and the next term was set on 31.03.2020.

On the 31.03.2020 term the file was suspended during the entire emergency period.

The new hearing term was established on 13.10.2020.

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

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 acknowledged 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.

On the 12.05.2020 term the parties are notified the report about the principle admissibility of the appeal filed by claimant FF Wind Energy International SRL by its judiciary administrator Aktiv Lex Insolvency SPRL against civil ruling 1191 of 23 July 2019, pronounced by the Appeal Court Bucharest, Section VI Civil, mentioning they are entitled to submit an opinion with respect to the report in 10 days from notification.

- **ROMENERGY INDUSTRY**

File 2088/107/2016 on the docket of Alba Tribunal pertains to "Bankruptcy, Request to be included in the creditors' list".

Transelectrica submitted request to be registered with the amount of 16,112,165.18 mill Lei, which was admitted as receivable 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 27.01.2020 the verification term is set on 11.05.2020, room 5, at 9:00 h, taking into account Decision 2/22.01.2020 of the General Assembly of judges from Alba Tribunal deciding suspension of judgment activities.

Term: 05.10.2020 to continue the bankruptcy procedure by capitalising the assets and recovering the receivables.

- **DAGESH**

- 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 to the defendant as law suit expenses.

4. Appeal right 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 by the recurrent-defendant the 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 pertained to the summons whereby claimant Resita City requested compelling defendant Transelectrica SA to pay the following amounts:

- 2,129,765.86 Lei representing rent for the land temporarily taken 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;
- Penalty legal 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.

On the 16.07.2020 term the High Court of Cassation and Justice by ruling 1578 established the case settlement competence in favour of Caras Severin Tribunal, Section I Civil.

- **ANAF**

In 2017 a general Fiscal Inspection was completed which began in Transelectrica SA on 14.12.2011 and targeted the December 2005 – December 2010 period. The general fiscal inspection began on 14.12.2011 and ended on 26.06.2017, date of the final discussion with Transelectrica SA.

When the audit has ended 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, Bucharest 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 contested within legal terms the Taxation Decision F-MC 439/30.06.2017 in accordance with OG 92/2003 regarding the Fiscal Procedural Code.

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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 din 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 performed according to 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) pt. 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 1. It was ruled in open court. Document: Conclusion - Suspension 17.04.2018.

File 1802/2/2018 is on the docket of the Appeal Court whereby the Company contested the administrative fiscal Decision F-MC 439/30.06.2017.

On the 06.11.2018 hearing term the expertise evidence was admitted in accounting - fiscality. On 21.01.2020 the case was deferred in order to notify the answer to objections.

On 30.07.2020 the case was returned on the docket for additional explanations.

The next term was established on 22.09.2020.

- **COMPANY MENAROM PEC SA GALATI**

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

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

The receivable will be examined by the judiciary administrator of Co. Menarom PEC until 15 June 2020.

No answer has been received from the judiciary administrator until the elaboration date of these financial statements.

- **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, National 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).

The Company registered value loss allowances for clients and other disputed 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 with respect to the mandate contracts the Company concluded with them.

The Company's management considers it likely not to have situations requiring resource output 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.

At the same time the Company is involved in:

*I. Disputes in contradiction with Subsidiary **SMART SA***

- File **40958/3/2016** registered with Bucharest Tribunal, Section VI Civil, pertaining to:

Compelling SMART SA to pay 2,797, VAT included + 1,212 as accessories calculated to 2,872. Smart has wrongly understood the sum of 2,872 represents accessories (interest).

**File stage:** on the 07.06.2017 term in accordance with article 413 para 1 pt. 1 NCPC the court suspended judging the case until final settlement of file 1658/3/2014 on the docket of the Appeal Court of Bucharest in contradiction with the Court of Audit; appeal granted during the entire suspension.

- File **48509/3/2017** registered with Bucharest Tribunal, Section VI Civil, pertaining to:

Transelectrica SA requested compelling SMART SA to:

a) Return 7,652 to our Company, which is added VAT, as prejudice incurred by our company because of the defendant's enrichment without just cause, in the main, and as undue payment in the second place;

b) Compel the defendant to pay the unrealised benefits associated to the sum paid as enrichment with no just cause, in the main, and as undue payment in the second place, calculated from the date when the undersigned made the undue payments to the defendant until notifying the law court, in quantum of 2,773, as well as compelling the defendant to further pay the unrealised benefits until the day of actual repayment by the defendant of the amount representing the principal debit.

**File stage** In accordance with article 413 para 1 pt. 1 Civil Procedural Code it decided suspending the case until final settlement of file 6577/2/2017 on the docket of CAB, Section II of Administrative and Fiscal Disputes. Appeal right granted during the suspension to be submitted to Bucharest Tribunal, Section VI Civil. It was pronounced at public hearing on 24.04.2018.

*II. Disputes in contradiction with Subsidiary **TELETRANS SA***

- File **20223/3/2017** registered with Bucharest Tribunal, Section VI Civil, pertaining to:

Teletrans SA requested compelling Transelectrica SA to pay 4,635 as value of the performance bond constituted under contract C243/2010, which was added 293 as legal interest calculated from due date until law suit opening day - 31.05.2017.

**File stage:** on the 18.05.2018 hearing term the request was denied as filed as groundless; file stage: appeal.

Settlement in brief of the Appeal Court: It admitted the appeal. It changed the sentence appealed against, namely: it partly admitted the summons; it compelled the defendant to pay 4,632,187.61 Lei to the claimant. It denied as groundless the request with respect to compelling the defendant to pay legal interest. It compelled the defendant to pay 49,926.87 Lei to the claimant as law suit expenses, main issue. It compelled the intimated defendant to pay 24,963.43 Lei to the appellant claimant as appeal expenses. Appeal right granted in 30 days from notification, to be submitted to the Appeal Court of Bucharest, Section VI Civil, pending nullity. It was pronounced at public hearing on 17.12.2019. Document: Ruling 2119/2019 / 17.12.2019

- File **16216/3/2017** registered with Bucharest Tribunal, Section VI Civil, pertaining to:

In the summons Teletrans SA requested the law court:

- To ascertain as fully complied with the services under contract 03/2007, as added;

- In subsidiary to ascertain the services under contract 03/2007, as added, have been provided and partially accepted;

- To compel Transelectrica to pay 4,649, to which VAT of 883 is added, representing the value of invoices 115/2017 and 123/2017 up to 143/2017;

- To compel Transelectrica to pay 214,355.40 Euro plus VAT at the hard currency exchange rate on the invoice date, representing the value of provided services which were partially accepted for the contractual period May 2014 – November 2016, "in subsidiary if the second request is admitted not the first";

**File stage:** on the 22.04.2019 term the exception is admitted of prescription for the material right to action with respect to the fiscal invoices for February – March 2014. It denied the request pertaining to invoices 115/01.03.2015 and 123/01.03.2017 as written-off. It denied the rest of the law suit as groundless; file stage: main issue.



**ii) Contingencies**

Audit inspections are ongoing in the Company 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 from 01.01.2014 - 31.12.2016.
- Beginning with January 2020 the Romania's Court of Audit performed control in the Territorial Transmission Units of CNTEE Transelectrica. Such control was completed in the following secondary offices by 30 June 2020: TTU Bucharest, TTU Cluj, TTU Constanta, TTU Craiova, TTU Pitesti, TTU Bacau and TTU Timisoara.

In July the control of TTU Sibiu was also completed.

The audit targeted the administration of the state's public and private stocks and the legality of revenues achievement mode and of expenses made in 2017 -2019" .

- On 25.05.2020 the inspection of Romania's Court of Audit through its Department IV began also in the Company's executive offices. Such audit targeted the administration of the state's public and private stocks as well as the legality of revenues achievement mode and of expenses made in 2017 -2019" . The audit inspection is ongoing to date.

- Also in quarter II 2020 the Romanian Court of Audit's inspection by its Department IV was completed, which had the mission to "Control the management of public resources during the emergency state" from 16.03 to 14.05.2020.

Following such control two deviations were found, which were remedied during the inspection.

Thus the Audit Report 24225/26.06.2020 has not ascertained deficiencies and no measures were decided.

Similarly in 2019 the following audits were performed in the Company offices:

- Fiscal inspection of the Ministry of Public Finance, ANAF – DGAMC, which began on 20.09.2018 and ended on 06.12.2019, date of the final discussion with Transelectrica SA, and had the following objectives:

- Checking the legality and conformity of fiscal returns and/or operations relevant for fiscal inspections, 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 fiscal and accounting legislation;
- Checking other issues relevant for taxation if they are of interest for the application of fiscal and accounting legislation.

On 19.12.2019 MFP-ANAF executed the Fiscal Inspection Report 2004 and 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 Inspection Report 307/19.12.2019 which was used in order to issue the taxation decision and requested cancelling the taxation decision and the Fiscal Inspection Report which established the sum of 17,261,688 Lei as additional taxable base for 01.01.2012 - 31.12.2016, and consequently the sum of 2,761,870 Lei was set as "tax charge, contribution established as payment supplement / accessory fiscal liabilities".

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

The Company contested by administrative means the Inspection Report, the Taxation Decision and the Decision on accessories and penalties.

Audits notified by Subsidiaries

### **TELETRANS SA**

• On 31 December 2018 Teletrans SA, a Company subsidiary, was under control initiated 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 the Working Order 82/27.05.2015 and the interval 01.01.2015 - to date according to the 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 the budgetary, economic-financial and accounting discipline;
- Compliance with legal provisions regarding the assets from the state's public and private domain and from that of administrative territorial units;
- The organisation and exercise of the mandatory internal / managerial control;
- Checking 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, from 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 articles 14, 15 and 16 of Law 213/1998 regarding public property assets.

By letter 13443 of 26.03.2018 Teletrans informed Transelectrica as follows:

- 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 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 sent to Teletrans SA analysed the 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.

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

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- The Court of Audit's inspection of 13.01.2020 - 22.05.2020 entitled "Control on the condition, evolution and administration mode of the state's public and private stocks, the legality of revenue achievement methods and of expenses made" in 2017 - 2019 at TELETRANS SA was completed. CCR Report 3930/22.05.2020 was elaborated and Decision 7/2020 of the Court of Audit was issued. Subsidiary Teletrans filed Contestation to the Report.

- Inspection of MFP, Economic-financial Inspection Department entitled "Checking the compliance with the provisions of OG 26/2013 enhancing financial discipline of economic operators where the state or the administrative-territorial units are single or majority shareholders or they directly or indirectly hold majority participation in 2008-2019".

Status: The inspection is still underway.

**SMART S.A**

- The Court of Audit's inspection of 13.01-22.05.2020 pertaining to "Control on the condition, evolution and administration mode of the state's public and private stocks, the legality of revenue achievement methods and of expenses made" in 2018 - 2019 at SMART SA was completed. CCR Report 215/09.06.2020 was elaborated and Decision 8/2020 of the Court of Audit was issued. Subsidiary Smart SA filed Contestation to the 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 additional fiscal obligations will result which cannot be accurately determined now according to the terms provided in Standard IAS 37 Provisions, contingent liabilities and assets.

**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.

The counterpart risk is treated using factors inside and outside the Company. The external success factors which systematically influence risk reduction are: decentralising the energy sector making the generation, transmission, distribution and supply as 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 their obligation to constitute financial securities in trading contracts. 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>Net value</b>	<b>Net value</b>
	<b>30 june 2020</b>	<b>31 june 2019</b>
<b>Financial assets</b>		
Net trade receivables	515,314	339,630
Cash and cash equivalents	444,882	85,000
Other net receivables	79,362	610,210
VAT to recover	2,376	63,766
Other financial assets	85,000	7,659
<b>Total</b>	<b>1,126,934</b>	<b>1,106,265</b>

**NPG TRANSELECTRICA SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT JUNE, 30 2020**  
*(All amounts are presented in thousand RON, unless otherwise indicated)*

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

	<b>Gross value 30 june 2020</b>	<b>Impairment allowance 30 june 2020</b>	<b>Gross value 31 december 2019</b>	<b>Impairment allowance 31 december 2019</b>
Not reached to maturity	428,565	261	517,678	
Maturity exceeded from 1 to 30 days	634	0	10,450	
Maturity exceeded from 31 – 90 zile	200	18	1,613	
Maturity exceeded from 90 – 180 zile	111	79	224	
Maturity exceeded from 180 – 270 zile	61	33	2,579	
Maturity exceeded from 270 – 365 zile	227	55	2,146	
Mai mult de un an	224,007	138,044	214,800	139,281
<b>Total</b>	<b>653,804</b>	<b>138,490</b>	<b>749,491</b>	<b>139,281</b>

The age of other receivables on the elaboration date of this financial position was:

	<b>Gross value 30 june 2020</b>	<b>Impairment allowance 30 june 2020</b>	<b>Gross value 31 december 2019</b>	<b>Impairment allowance 31 december 2019</b>
Not reached to maturity	65,951	302	72,588	
Maturity exceeded from 1 to 30 days	352	5	429	
Maturity exceeded from 31 – 90 zile	5,120	99	325	
Maturity exceeded from 90 – 180 zile	687	312	9,934	
Maturity exceeded from 180 – 270 zile	329	233	127	
Maturity exceeded from 270 – 365 zile	10,067	580	1,084	
Mai mult de un an	73,148	55,097	34,890	55,610
<b>Total</b>	<b>155,653</b>	<b>56,627</b>	<b>119,376</b>	<b>55,610</b>

The greatest depreciation allowances on 30 June 2020, calculated for trade receivables and their penalties were registered for CET Govora (24,862), Eco Energy SRL (24,736), Petprod SRL (23,540), Arelco Power (15,217), Total Electric Oltenia SA (14,186), Romenergy Industry (13,513), Elsaco Energy (9,276), RAAN (8,517), Opcom (6,049), and CET Brasov (4,665). 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.

Group 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.

The impairment allowances for doubtful receivables were as follows:

	<b>30 june 2020</b>	<b>31 december 2019</b>
<b>Balance on 1 January</b>	<b>139,282</b>	<b>143,014</b>
Recognition of impairment allowances	712	6,396
Reversal of impairment allowances	1,503	10,128
<b>Balance at the end of the period</b>	<b>138,490</b>	<b>139,282</b>

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

	<b>30 june 2020</b>	<b>31 december 2019</b>
<b>Balance on 1 January</b>	<b>55,610</b>	<b>59.005</b>
Recognition of impairment allowances	883	1.228
Reversal of impairment allowances	4	4.623
<b>Balance at the end of the period</b>	<b>56,627</b>	<b>55.610</b>

Financial assets that might subject the Company to the collection risk are mainly 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 their obligation to constitute financial securities in trading contracts. 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 these amounts are mainly owed by state-owned companies.

Cash is placed in financial institutions considered to provide minimum risk.

## 21. Later events

- *Regulated tariffs applicable as of 01 July 2020*

Order 142 amending Order 218/2019 of ANRE president approving the average tariff of transmission services, the transmission tariff components for electricity introduction to the grid (TG) and electricity extraction from the grid (TL), the tariffs of system services and the regulated price for reactive electricity charged by the Company was published in the Official Gazette 567/30.06.2020.

Tariff of system services valid beginning with 01 July 2020 are the following:

Service	Tariff applicable as of 01 July 2019	Tariff applicable as of 1 July 2020	Difference
	<i>lei/MWh</i>	<i>lei/MWh</i>	%
<b>Tariff for system services, of which</b>	<i>14.89</i>	<i>14.45</i>	<i>-2.96%</i>
<i>I. Functional system services</i>	<i>1.84</i>	<i>2.49</i>	<i>+35.32%</i>
<i>II. Technological system services</i>	<i>13.05</i>	<i>11.96</i>	<i>-8.32%</i>

- *Letter of expectation for Transelectrica SA*

On 15 July 2020 the Secretariat General of the Government in its capacity of superior public authority transmitted to the Company a Letter of expectations establishing the shareholders' desires regarding the performance of CNTEE Transelectrica SA and the Supervisory Board's and the Directorate's for four years after completing the agenda of the Shareholders' general ordinary assembly convened on 31 July 2020 / 03 August 2020.

- *Transelectrica, founder TSO of the Electricity Network Coordination Centre in South-Eastern Europe*

On 27 July 2020 the Transmission and System Operators of Greece (IPTO), Italy (TERNA SpA), Romania (Transelectrica) and Bulgaria (ESO-EAD) announced the establishment of the Electricity Network Coordination Centre in South-Eastern Europe ("CC SEleNe") in Thessalonik, Greece. The four TSO participate equally to the share capit of the new Company.

- *Resuming the work to the Oradea – Nadab section*

On 29 July 2020 the Company signed the work execution contract to complete the Oradea Sud – Nadab segment, part of the 400 kV OHL Oradea - Bekescsaba. The work amounts to over 4 million Lei and will

be carried out within 12 months by Electromontaj SA.

- *Decision 8 of AGOA / 31 July 2020*

In accordance with Decision 8 / 31 July 2020 of AGOA approval was given to launch the selection procedure for members in the Company's Supervisory Board while applying the provisions of article 29 para (1), para (2) and para (5) from the Emergency Governmental Ordinance 109/2011 on the corporative governance of public enterprises, approved with amendments and additions by Law 111/2016, of the Supervisory Board's profile and that of candidates for member positions in the Supervisory Board.

*This Report use a free translation from Romanian, which is the official and binding version, and will prevail, in the event of any discrepancies with the English version.*