

CNTEE TranelectricaSA
Company managed under two-tier system

Stand-alone Interim Simplified 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”

CNTEE Transelectrica SA

Stand-alone simplified statement of financial position on 30 June 2020

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

	Note	30 June 2020	31 December 2019
Assets			
Non-current assets			
Tangible assets	4	3,429,054,978	3,439,577,805
Intangible assets	4	27,431,013	23,437,440
Financial assets		81,742,973	81,500,833
Assets rel. to utilisation rights of assets under leasing - buildings	4	2,109,562	6,328,685
Total non-current assets		3,540,338,526	3,550,844,763
Current assets			
Inventories		41,520,979	37,519,731
Trade and other receivables	5	612,647,311	706,350,248
Other financial assets	6	92,000,000	85,000,000
Cash and cash equivalents	7	428,081,298	320,768,647
Total current assets		1,174,249,588	1,149,638,626
Total assets		4,714,588,114	4,700,483,389
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital, of which:		733,031,420	733,031,420
<i>Subscribed share capital</i>		<i>733,031,420</i>	<i>733,031,420</i>
Share premium		49,842,552	49,842,552
Legal reserves		129,096,113	129,096,113
Revaluation reserves		880,284,566	922,454,926
Other reserves		15,771,718	15,771,718
Retained earnings		1,555,719,586	1,433,931,608
Total shareholders' equity	8	3,363,745,955	3,284,128,337
Non-current liabilities			
Non-current deferred revenues	9	360,971,263	360,641,212
Borrowings	10	112,780,064	122,835,499
Liabilities regarding deferred tax		134,682,651	136,853,805
Employee benefits obligations		63,711,459	63,711,459
Total non-current liabilities		672,145,437	684,041,975
Current liabilities			
Trade and other liabilities	11	416,739,399	556,477,615
Other loans and assimilated liabilities - Building leasing		2,109,562	6,328,098
Other tax and social security liabilities	12	9,408,618	8,752,115
Borrowings and associated interest rates	10	142,071,320	55,566,735
Provisions		70,009,687	70,017,850
Short-term deferred revenue	9	29,246,034	37,209,745
Income tax payable	13	9,112,102	(2,039,081)
Total current liabilities		678,696,722	732,313,077
Total liabilities		1,350,842,159	1,416,355,052
Total shareholders' equity and liabilities		4,714,588,114	4,700,483,389

The attached notes 1-22 constitute integrant part of these stand-alone interim simplified financial statements.

CNTEE Transelectrica SA

Stand-alone profit and loss account statement for the six months' period on 30 June 2020

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

	Note	01 April – 30 June 2020	01 April – 30 June 2019	01 January – 30 June 2020	01 January – 30 June 2019
Revenues					
Transmission service revenues		226,285,837	261,966,771	507,257,553	552,137,240
System service revenues		177,640,068	154,442,178	392,468,578	327,756,707
Revenues from the balancing market		68,544,237	104,896,170	166,063,550	279,929,534
Other revenues		14,647,986	13,838,382	24,171,586	24,174,291
Total revenues	14	487,118,128	535,143,501	1,089,961,267	1,183,997,772
Operational expenses					
System operation expenses	15	(61,552,826)	(78,902,151)	(142,897,404)	(179,816,432)
Expenses with the balancing market	15	(68,544,237)	(104,896,170)	(166,063,550)	(279,929,534)
Expenses regarding technological system services	15	(132,282,309)	(168,329,297)	(298,215,617)	(353,130,524)
Amortisement		(67,656,813)	(69,708,599)	(136,112,088)	(142,002,636)
Salaried and other retributions	16	(56,454,056)	(55,110,609)	(108,327,500)	(102,877,592)
Repairs and maintenance		(20,778,107)	(24,636,736)	(36,676,690)	(44,309,015)
Materials and consumables		(1,696,667)	(1,763,533)	(3,380,317)	(3,377,131)
Other operational expenses	17	(27,034,790)	(35,726,797)	(53,146,522)	(38,970,994)
Total operational expenses		(435,999,805)	(539,073,892)	(944,819,688)	(1,144,413,858)
Operational profit		51,118,323	(3,930,391)	145,141,579	39,583,914
Financial revenues		2,402,514	2,729,014	4,948,338	5,759,948
Financial expenses		(2,720,234)	(3,066,498)	(6,853,084)	(10,180,703)
Net financial result	18	(317,720)	(337,484)	(1,904,746)	(4,420,755)
Profit before income tax		50,800,603	(4,267,875)	143,236,833	35,163,159
Income tax	13	(12,489,976)	(3,501,811)	(27,729,453)	(4,938,306)
Profit of the period		38,310,627	(7,769,686)	115,507,380	30,224,853

CNTEE Tranelectrica SA

Stand-alone profit and loss account statement for the six months' period on 30 June 2020

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

	<u>Nota</u>	<u>01 April – 30 June 2020</u>	<u>01 April – 30 June 2019</u>	<u>01 January – 30 June 2020</u>	<u>01 January – 30 June 2019</u>
Profit of the period		38,310,627 (7,769,686)	115,507,380		30,224,853
Other comprehensive revenue		-	-	-	-
Total overall result		38,310,627 (7,769,686)	115,507,380		30,224,853

The stand-alone interim simplified financial statements provided here were approved by the Company's management on 07 August 2020 and signed on its behalf by the:

DIRECTORATE,

Chairman
Catalin NITU

Member
Andreea-Mihaela MIU

Member
Ionut-Bogdan GRECIA

Member
Corneliu-Bogdan MARCU

Member
Marius-Viorel STANCIU

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

f. Manager, Accounting Department
Georgiana-Beatrice STEFAN – Head of BCC

The attached notes 1-22 constitute integrant part of these stand-alone interim simplified financial statements.

CNTEE Transelectrica SA

Stand-alone statement of changes in shareholders' equity on 30 June 2020

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

	Share capital	Share premium	Legal reserves	Revaluation reserve	Other reserves	Retained earnings	Total
Balance on 1 January 2019	733,031,420	49,842,552	123,742,090	522,585,647	66,664,045	1,313,139,735	2,809,005,489
Comprehensive revenue of the period							
Profit of the period	-	-	-	-	-	96,030,957	96,030,957
Other comprehensive revenue, of which:							
Recognition of actuarial gains of the defined benefit plan	-	-	-	-	-	(11,439,728)	(11,439,728)
Surplus from revaluation of tangible assets				525,101,307			525,101,307
Deferred tax liability ass. to. revaluation reserve				(83,677,369)			(83,677,369)
Total other comprehensive revenue of the period	-	-	-	441,423,938	-	(11,439,728)	429,984,210
Total comprehensive revenue of the period	-	-	-	441,423,938	-	84,591,229	526,015,167
Other items							
Transfer of revaluation reserves to retained earnings	-	-	-	(41,554,660)	-	41,554,660	-
Indexation of legal reserve	-	-	5,354,023	-	-	(5,354,023)	-
Other items	-	-	-	-	-	7	7
Total other items	-	-	5,354,023	(41,554,660)	-	36,200,643	7
Contributions from and distributions to shareholders							
Write-off of assets such as public stocks by registering HG-s 615, 682 and 683 / 2019 amending the inventory of public domain assets					(54,442,106)		(54,442,106)
Subsidies for assets such as public stocks (connection fee)	-	-	-	-	3,549,779		3,549,779
Dividends distribution	-	-	-	-	-		
Total contributions from and distributions to shareholders	-	-	-	-	(50,892,326)		(50,892,326)
Balance on 31 December 2019	733,031,420	49,842,552	129,096,113	922,454,926	15,771,718	1,433,931,608	3,284,128,337
Balance on 1 January 2020	733,031,420	49,842,552	129,096,113	922,454,926	15,771,718	1,433,931,608	3,284,128,337
Comprehensive revenue of the period							
Profit of the period	-	-	-	-	-	115,507,380	115,507,380
Other comprehensive revenue items, of which							
Recognition of actuarial losses of the defined benefit plan	-	-	-	-	-	-	-
Total other items of the comprehensive revenue	-	-	-	-	-	-	-
Total comprehensive revenue of the period	-	-	-	-	-	115,507,380	115,507,380
Other items							
Transfer of revaluation reserves to retained earnings	-	-	-	(42,170,360)	-	42,170,360	-
Indexation of legal reserve	-	-	-	-	-	-	-
Other items	-	-	-	-	-	(704,254)	(704,254)
Total other changes	-	-	-	(42,170,360)	-	41,466,106	(704,254)
Contributions from and distributions to shareholders							
Derecognition of assets such as public stocks	-	-	-	-	-	-	-
Subsidies of assets such as public stocks (connection fee)	-	-	-	-	-	-	-
Dividends distribution	-	-	-	-	-	(35,185,508)	(35,185,508)
Total contributions from and distributions to shareholders	-	-	-	-	-	(35,185,508)	(35,185,508)
Balance on 30 June 2020	733,031,420	49,842,552	129,096,113	880,284,566	15,771,718	1,555,719,586	3,363,745,955

The attached notes 1-22 constitute integrant part of these stand-alone interim simplified financial statements.

CNTEE Transelectrica SA

Stand-alone cash flow statement on 30 June 2020

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

	6 months' period ended on 30 June 2020	6 months' period ended on 30 June 2019
Cash flows from operational activities		
Profit of the period	115,507,380	30,224,853
Allowances for:		
Income tax expense	27,729,453	4,938,306
Amortisement expense	131,892,966	135,456,036
Allowance expenses for depreciation of trade receivables	713,875	3,783,720
Reversal of depreciation allowances for trade receivables	(1,492,384)	(2,406,839)
Losses from sundry debtors	-	79,465
Net revenues with impairment allowances for sundry debtors	881,708	(689,603)
Net expenses with impairment allowances for stocks	177,034	117,043
Net (profit)/loss from the sale of tangible assets	21,042	-
Net expenses with value allowances for tangible assets	598,924	1,399,681
Net revenues regarding provisions for risks and expenses	(11,293)	(31,268,997)
Interest expense, interest revenue and unrealised foreign exchange gains	2,190,610	4,675,900
Cash flows before changes to current capital	278,209,315	146,309,565
Changes to:		
Clients and assimilated accounts - energy and other activities	72,114,697	(6,063,721)
Clients – balancing	21,494,247	253,595,182
Clients – cogeneration	(139,175)	(7,150,850)
Stocks	(4,001,248)	(4,700,039)
Trade and other liabilities - energy and other activities	(48,999,217)	(95,329,920)
Liabilities - balancing	(19,227,806)	(289,785,538)
Liabilities - cogeneration	(85,959,162)	(64,737,218)
Other tax and social security liability	656,503	(1,841,033)
Deferred revenues	(7,633,660)	(13,173,581)
Cash flows from operational activities	206,514,494	(82,877,153)
Interest rate paid	(4,172,790)	(4,646,776)
Income tax paid	(19,424,648)	(5,286,258)
Net cash generated from operational activities	182,917,056	(92,810,187)
Cash flows from investments		
Procurements of tangible and intangible assets	(111,561,787)	(100,808,103)
Participation titles held in SELENE CC Societe Anonyme	(242,140)	-
Cashed interest rates	3,689,251	2,212,530
Cashed dividends	1,769	-
Other financial assets	(7,000,000)	(50,000,000)
Net cash used in investments	(115,112,907)	(148,595,573)
Cash flows used in financing activities		
Repayments of non-current loans	(13,163,446)	(39,520,930)
Utilisation of the cogeneration credit line	117,396,877	161,759,711
Repayments under the cogeneration credit line	(29,540,187)	-
Dividends paid	(35,184,742)	(66,400,355)
Net cash used in financing activities	39,508,502	55,838,426
Net increase/(diminution) of cash and cash equivalents	107,312,651	(185,567,334)
Cash and cash equivalents on 1 January	320,768,647	482,158,679
Cash and cash equivalents at the end of the period	428,081,298	296,591,345

The attached notes 1-22 constitute integrant part of these stand-alone interim simplified financial statements.

CNTEE Transelectrica SA

Notes to the stand-alone interim financial statements on 30 June 2020

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

1. General information

The main business of CNTEE Transelectrica SA (the “Company”) consists in: providing electricity transmission and system services, balancing market operator, administrator of the bonus type support scheme and other related activities. They are carried out according to the provisions of operational licence 161/2000 issued by ANRE, updated under ANRE Decision 571/08.04.2020, of the General licence terms approved by ANRE Order 104/2014, and of the Company’s final certification as transmission & system operator of the National Power System in accordance with the ownership unbundling model.

The headquarters’ address is at Blvd. General Gheorghe Magheru 33, Bucharest 1. At present the Company’s executive part performs activities in the working location of Olteni Str. 2-4, Bucharest 3.

The stand-alone interim financial statements elaborated on 30 June 2020 have not been audited.

2. Elaboration bases

a) Statement of compliance

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

b) Professional reasoning and estimations

The significant reasoning that the 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 and for the financial period ended on 31 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.

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 – 19,759,642;
- Refurbishing the 400/110/20 kV substation Domnesti – 14,307,894;
- 100 MVAR, 400 kV shunt reactors for the 400 kV substations Arad, Bucharest and Bradu – 12,629,446;
- Refurbishing the 220/110 kV substation Craiova Nord – 10,872,304;
- Replacing AT and transformers in electric substations, stage 2, step 2 - Lot 1 & Lot 2 – 10,132,349;
- 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 – 9,540,121;
- Refurbishing the 220/110 kV substation Hasdat – 8,654,559;
- Refurbishing the 220/110 kV substation Iaz – 6,840,875;
- Extending the 400 kV substation Cernavoda, stage I+II: Replacing 2 shunt reactors, connecting new lines – 4,323,206;

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Notes to the stand-alone interim financial statements on 30 June 2020

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

- Upgrading the 110 kV substations Bacau Sud and Roman Nord of the 400 kV axis Moldova – 3,686,748;
- 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 – 3,242,903;
- Installing the 250 MVA transformer T3 in the 400/110 kV substation Sibiu Sud – 2,319,224;
- Changes to 400, 220, 110 kV OHL-s to achieve the Breakthrough of Blvd N. Grigorescu - Splai Dudescu -1,978,069;
- Upgrading the 110kV and 400 (220) kV installations in Substation Focsani Vest – 1,759,669;
- Computation technique, hardware & software, desktop PC – 1,600,540;
- Refurbishing the 220/110/20 kV substation Ungheni – 1,578,569;
- Upgrading the 220 kV OHL Cetate - Calafat – 1,168,394.

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 – 11,819,328;
- Refurbishing the 220/110/20 kV substation Ungheni – 9,434,462;
- 100 MVAR 400 kV shunt reactors for the 400 kV substations Arad, Bucharest and Bradu – 8,890,099;
- Replacing autotransformers and transformers in electric substations, stage 2, step 2 - Lot 1 & Lot 2 – 5,085,464;
- Changes to 400/220/110 kV OHL to achieve the Breakthrough of Blvd N. Grigorescu - Splai Dudescu – 3,970,002;
- Upgrading the 400/220/110/20 kV substation Munteni – 3,871,497;
- Upgrading the remote protection & telecommunications system in Substation Cernavoda – 3,756,409;
- Computation technique, hardware & software, desktop PC – 1,623,404;
- Upgrading the 220 kV LEA substation Cetate - Calafat – 1,168,394;
- Changes to the 400 kV OHL Urechesi - Domnesti to achieve the coexistence conditions – 580,386;
- 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 – 375,989;
- Upgrading the 220/110 kV substation Dumbrava – 285,671;
- 400 kW fully automated gas-fired thermal power plant for the building situated in Blvd. Hristo Botev 16-18, Bucharest 3 – 279,000;
- Thermal rehabilitation of the annex building of the Control Block in Substation Isaccea – 256,013;
- Replacing the 220 V accumulator battery no. 1 from the 220/110 kV substation Mintia – 252,431;
- Upgrading the road system of the communal road, Fortului Street, village Domnesti, Ilfov County – 218,673;
- Videoconference terminal for the TSCNET network to be installed in the headquarters of UNO-DEN – 160,300;
- Hydrocarbon (oil) separator for the concreted platform of Substation Tulcea Vest – 152,360;
- Professional air conditioning devices for the IT&C technologic halls from DET-s Bacau, Cluj and Craiova – 138,444.

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 – 48,960,886;
- 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 – 46,884,983;
- Connecting the 400 kV OHL Isaccea - Varna and Isaccea - Dobrudja OHL in the 400 kV substation Medgidia Sud – 35,338,039;
- The 400 kV double circuit OHL Cernavoda-Stalpu and connection in Gura Ialomitei – 32,703,287;
- Refurbishing the 400/110/20 kV substation Domnesti (BA Dec. 5 / 19.05.2010) – 29,166,521;
- Refurbishing the 220/110 kV substation Hasdat – 23,065,449;
- Refurbishing the 220/110 kV substation Craiova Nord – 17,336,674;
- Upgrading the 220/110/20 kV substation Arefu – 15,504,833;
- Extending the business continuity and post-disaster recovery services to the Executive team – 14,413,918;
- 110 kV, 220 kV and 400 kV mobile bays – 14,296,873;
- Upgrading the 220/110/20 kV substation Raureni – 11,876,555;

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Notes to the stand-alone interim financial statements on 30 June 2020

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

-
- Upgrading the 110 kV substations Bacau Sud and Roman Nord of the 400 kV axis Moldova – 11,849,673;
 - Replacing the EMS SCADA AREVA system's software and hardware components – 11,507,136;
 - Upgrading the 220/110 kV substation Dumbrava – 11,255,630;
 - Refurbishing the 220/110 kV substation Iaz – 8,350,061;
 - Integrated security system in electric substations, stage IV – 8,022,510;
 - Replacing autotransformers and transformers in electric substations, stage 2, step 2 - Lot 1 & Lot 2 – 6,648,722;
 - Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage I - the 400/220/110 kV substation Resita – 6,627,560;
 - The 400 kV OHL Gadalin - Suceava, including its interconnection to SEN – 6,041,923;
 - 400 kV HVDC Link (submarine cable Romania - Turkey) – 5,853,759;
 - Research & development centre of LW technologies and fast intervention to SEN - Centre building – 5,184,739;
 - Extending the 400 kV substation Cernavoda, stage I+II: Replacing 2 shunt reactors, connecting new lines – 5,481,787;
 - 100 MVAR, 400 kV shunt reactors for the 400 kV substations Arad, Bucharest and Bradu – 4,509,911;
 - The 400 kV OHL Suceava - Balti for the project segment on Romanian territory – 4,439,120;
 - The 400 kV double circuit OHL Gutinas - Smardan – 4,158,128;
 - Replacing circuit breakers in electric substations – 3,748,515;
 - Upgrading the 110 kV and 400 (220) kV installations from Substation Focsani Vest – 3,744,791;
 - 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 – 3,683,433;
 - Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage II, the 400 kV double circuit OHL Resita - Timisoara - Sacalaz – 3,343,480;
 - Installing the 250 MVA transformer T3 in the 400/110 kV substation Sibiu Sud – 3,303,396;
 - Adding new functions to the control system and IT supervision of access in the objectives of CNTEE Transelectrica SA – 3,200,918;
 - Connecting to RET the 136 MW WPP Platonesti, Ialomita County by building a 110 kV bay in the 400/110 kV substation Gura Ialomitei – 2,889,337;
 - Integrated security system in electric substations, stage III (BA Dec. 2/2008) – 2,798,024;
 - Refurbishing the 400/110/20 kV substation Smardan – 2,656,329;
 - By-passing the 110 kV OHL-s Cetate 1 & 2 near the 110/20/6 kV substation Ostrovul Mare – 2,578,438;
 - Connecting to RET the 99 MW WPP Dumesti and the 30 MW WPP Romanesti, Iasi County, by building a 110 kV line bay in the 220/110 kV substation FAI – 2,545,853;
 - Replacing the 400/400/160MVA 400/231/22kV AT 3 ATUS SF of the 400/220 kV substation Portile de Fier – 1,914,078;
 - Refurbishing the 220/110/20 kV substation Ungheni – 1,866,626;
 - Upgrading the 400/220/110/20 kV substation Munteni – 1,747,840;
 - Consolidation, upgrade and extension of offices of CNTEE Transelectrica, the Executive team – 1,627,393;
 - Upgrading the building of DET Timisoara – 1,578,481;
 - The 220 kV double circuit OHL Ostrovu Mare - RET – 1,556,258;
 - The 400 kV OHL Oradea - Beckescsaba – 1,485,762;
 - Integrated security system to the new 400/220/110 kV substation Banca – 1,133,202;
 - Achieving optical fibre communication between the 220/110/20 kV substation Pitesti Sud and the remote control and installation supervision centre of UTT Pitesti (FS) – 1,115,805;
 - Upgrading the 220/110/20 kV substation Vetis - primary equipment – 1,063,816;
 - The 400 kV substations Stalpu – 1,060,126.

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 – 19,786,770;
- Implementing an Electronic Archive and Document Management system in CNTEE Transelectrica SA – 5,474,290;
- Extending the business continuity and post-disaster recovery services to the Executive team – 351,208.

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Notes to the stand-alone interim financial statements on 30 June 2020

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

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.

On 30 June 2020 the accounting value of the utilisation right for spaces the Company rented in the Platinum office building amounted to 2,109,562.

For this contract the Company pays a monthly quantum of 14 Euro/m² as rent for office spaces, thus resulting an annual value of about 1.5 mills Euro.

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	649,859,226	745,163,708
Other receivables	129,309,356	113,282,179
Down payments to suppliers	19,597,260	28,667,925
VAT to recover	1,985,304	7,240,202
Impairment allowances for doubtful receivables	(134,730,387)	(135,508,897)
Impairment allowances for other receivables	(53,373,448)	(52,494,869)
Total	<u>612,647,311</u>	<u>706,350,248</u>

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:	648,348,633	743,236,309
- Clients - operational activity – energy	361,447,903	434,980,507
- Clients - balancing market	111,715,978	133,210,225
- Clients - bonus type support scheme to promote high efficiency cogeneration	175,184,752	175,045,577
Clients from other activities	<u>1,510,593</u>	<u>1,927,399</u>
Total trade receivables	<u>649,859,226</u>	<u>745,163,708</u>

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

On 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.

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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 175,184,752 represented by the invoices issued under the bonus-type support scheme to promote high efficiency cogeneration, of which:

- 2011-2013 overcompensation amounting to 76,702,140 from RAAN – 63,467,054 and CET Govora SA – 13,235,086;
- 2014 undue bonus amounting to 3,914,960 from RAAN – 1,981,235 and CET Govora – 1,933,725;
- 2015 undue bonus amounting to 563,899 from CET Govora – 534,377 and Interagro – 29,523;
- Cogeneration contribution not cashed from the suppliers of electricity consumers amounting to 21,200,178 from: Transenergo Com – 5,882,073; Petprod – 4,391,193; Romenergy Industry – 2,680,620; RAAN – 2,385,922; UGM Energy – 1,504,046; CET Govora – 900,864; KDF Energy – 887,527 and others.

Until the date of this financial report the Company fully cashed the receivables associated to the overcompensation of activities under the 2019 support scheme (sum of 32,339,739) by bank transactions from Electrocentrale Bucharest, as well as the undue bonus established by ANRE decisions for 2019 amounting to 15,491,904 from the following producers: Energy Complex Oltenia, Electrocentrale Bucharest, CET Govora, Energy Complex Hunedoara, Bepco SRL, Modern Calor SA, Soceram SA, Electrouilaj SA, CET Arad, Polytechnic University of Bucharest, 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 86,513,431”, 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 recorded with 11,264,777 Lei in the table of debtor RAAN, in the category of receivables resulting from the debtor’s uninterrupted activity. The actual amount the Company requested was 89,360,986 Lei, but 78,096,208.76 Lei were not registered in the preliminary receivable table because “*such sum was not recorded as owed liability in RAAN’s accounting books*”. Moreover the judiciary liquidator considered the request to record 78,096,209 Lei was made late since it pertained to 2011 - 2013, for which reason the receivable statement should have been submitted when the insolvency procedure began, namely on 18.09.2013.

Since only a part of the total amount requested by Transelectrica in quantum of 89,360,986.06 Lei was registered and according

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to letter 4162/03.10.2016 whereby the judiciary liquidator notified us only 11,264,777.30 Lei were recorded in the additional table in the receivables column resulting from the debtor's continued activity, and 78,096,208.76 Lei 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 16,950,117.14 Lei 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 1000 Lei law court expenses to the claimant. Appeal right is granted. It was pronounced on 20.06.2019 at public hearing. Document: Ruling 163/2019 / 20.06.2019.

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

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 40,507,669, withheld by applying the provisions of article 17 para 5 of ANRE President's Order 116/2013 and the Agreement provisions.

Since ANRE Decision 738/28.03.2014 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.

Transelectrica was registered in the Preliminary and final receivables table with total amount of 28,200,440.31, of which 25,557,189.98 relate to the support scheme. Mention should be made this receivable amounting to 21,962,243.71 Lei 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.

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Ruling 766/03.12.2018 of the Appeal Court Pitesti cancelled the amount of 28,013,984.83 representing a liability the Company registered in the Creditors' Table (File 1396/90/2016). Under such circumstances the Company included the amount of 22,188,224.16 from the support scheme in the sundry debtors' account, which is analytically distinct - ANRE, and impacts the net position of the support scheme. In accordance with pt. 11 of HG 925/2016 amending and adding HG 1.215/2009 establishing the criteria and conditions necessary to implement the support scheme to promote high efficiency cogeneration based on the useful heat demand, ANRE is going to elaborate the regulatory framework for the financial closure of this scheme.

The sum of 22,188,224.16 represents receivable payable by CET Govora under the support scheme amounting to 25,557,189.98, corrected with the bonus of 3,368,965.82 the Company withheld according to article 17 para 5 from Order 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 150,891,920 included mainly:

- Sundry debtors (114,211,749), of which:
 - Payment delay penalties calculated to defaulting clients and amounting to 71,685,922 (of which 35,304,572 represent penalties under the support scheme). The greatest payment delay penalties were registered by the following clients: RAAN (16,901,449), CET Govora (9,606,504), Electrocentrale Bucharest (9,409,174), Eco Energy SRL (8,909,843), Petprod SRL (8,894,655), Total Electric Oltenia (3,288,967) and ICPE Electrocond Technologies (1,003,678). 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 (30,057,196);
 - Compensations owed by suppliers for not delivering electricity (Arelco Power 987,555 and Enol Group 2,541,312). Impairment allowances were registered in case of compensations owed by suppliers from operational activities;
 - Receivable to recover from OPCOM representing the VAT amounting to 4,517,460 for the in-kind contribution to the subsidiary's capital.
- Deferred expenses amounting to 8,681,293 mainly represented by: ENTSO-E international subscription for 2020 (2,650,917), annual ANRE contribution for 2020 (2,457,005), down payments under contracts concluded with the suppliers of electricity necessary to cover one's own technological consumption (losses) in future periods (1,453,416), rent to DAGESH ROM SRL (628,156) and others;
- Other intangible receivables amounting to 4,258,181, of which 4,199,505 represent securities for temporary land occupation, as calculated and withheld in accordance with article 39 para (1), para (2) and para (5) of Law 46/2008 on the Forestry Code, with a view to carry out the investment of the 400 kV OHL Resita – Pancevo (Serbia);
- Other social receivables amounting to 1,403,372 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 (1,985,304), amount which was recovered by the elaboration date of these financial statements.

Down payments to suppliers

On 30 June 2020 down payments to suppliers are represented by supplier-debtors for provided services amounting to 19,597,260 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 Tranelectrica 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 Tranelectrica SA has the commercial task to settle the electricity transacted between OPCOM SA and MAVIR.

On 19 November 2019 the 2nd wave was launched under the single European intraday markets coupling (SIDC – *Single*

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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 (24,862,277), Eco Energy SRL (24,736,066), Petprod SRL (23,539,650), Arelco Power (15,217,210), Total Electric Oltenia SA (14,185,577), Romenergy Industry (13,512,997), Elsaco Energy (9,276,118), RAAN (8,516,707), Opcom (6,049,055) and CET Brasov (4,664,627). The Company took the following steps to recover such receivables adjusted for depreciation: court proceedings, registration in the creditors' table, requesting explanations from ANAF (for the VAT amount to be cashed from Opcom) etc.

6. Other financial assets

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

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	92,000,000	85,000,000
Total	92,000,000	85,000,000

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

7. Cash and cash equivalents

Cash and cash equivalents include cash balances, open deposits and deposits with initial maturity within 90 days from opening and having insignificant exposure to the risk of changing their fair value they are used by the Company to manage the current commitments.

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:	427,981,103	320,649,313
- Cash and high efficiency cogeneration deposits	-	-
- Cash from revenues obtained from the allocation of interconnection capacities used for grid investments	66,585,795	72,217,359
- Cash from the connection fee	22,252,495	14,967,097
- European funds	12,006,558	11,969,848
Cash desk	94,669	119,284
Other cash equivalents	5,526	50
Total	428,081,298	320,768,647

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Bank deposits with initial maturity within 90 days constituted from monetary availabilities found in current accounts amounted to 100,690,874 on 30 June 2020 and to 102,285,469 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 733,031,420 is divided into 73,303,142 ordinary shares of 10 Lei/share nominal value each and it corresponds to the one recorded with the 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	22.07%	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	7.63%	5,795,297	7.90%
Total	73,303,142	100.00%	73,303,142	100.00%

The growth of shareholders' equities on 30 June 2020 compared to 31 December 2019 was mainly determined by registering the net profit amounting to 115,507,380 into retained earnings, which was achieved on 30 June 2020.

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:

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	30 June 2020	Of which: current part on 30.06.2020	31 December 2019	Of which: current part on 31.12.2019
Deferred revenues – allocation of the interconnection capacity	4,790,705	4,790,705	5,756,780	5,756,780
Deferred revenues – European funds	2,448,022	2,448,022	2,754,235	2,754,235
Funds from the connection fee	260,556,199	14,545,599	263,162,627	20,553,019
European funds	95,446,784	6,513,160	98,796,239	6,934,299
Other subsidies	26,975,587	948,549	27,381,076	1,211,412
Total	390,217,297	29,246,035	397,850,957	37,209,745

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

	30 June 2020	31 December 2019
Opening balance	37,209,745	19,329,257
Deferred proceeds regarding the interconnection capacity	30,122,451	81,579,661
Proceeds from European funds	87,191	1,228,070
Transfer from non-current deferred revenues	(6,691,424)	19,484,720
Revenues from use of the interconnection capacity	(31,167,296)	(83,718,947)
Revenues from European funds	(314,633)	(693,016)
Total	29,246,034	37,209,745

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

	30 June 2020	31 December 2019
Opening balance	360,641,212	411,154,679
Connection subsidies	(5,278,463)	1,175,621
Non-reimbursable funds	-	(14,307)
Non-reimbursable funds to return	-	-
Transfer to current deferred revenues	17,248,349	(21,835,962)
Resuming subsidies to revenues	(11,639,835)	(29,838,819)
Total	360,971,263	360,641,212

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.

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

	Hard currency	Interest rate	Accounting value	Due date
Balance on 1 January 2020			147,425,829	
New proceeds			-	
Repayments, of which:			(13,163,446)	
IBRD 7181	EUR	0.0% last notification	(1,544,845)	15-Jan-2020
EIB 25709	EUR	3.596%	(5,793,065)	10-Sep-2025
EIB 25710	EUR	3.856%+2.847%	(5,825,536)	11-Apr-2028
Exchange rate difference on repayment date			1,866,948	
Balance on 30 June 2020			136,129,331	

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

Description	30 June 2020	31 December 2019
IBRD 7181	-	1,544,844
EIB 25709	64,115,639	69,034,334
EIB 25710	72,013,692	76,846,651
Total non-current loans from credit institutions, of which:	136,129,331	147,425,829
Current part of non-current borrowings	(23,349,267)	(24,590,329)
Total non-current loans, net of current instalments	112,780,064	122,835,499

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

	30 June 2020	31 December 2019
From 1 to 2 years	23,349,267	23,045,485
From 2 to 5 years	70,047,801	69,136,455
More than 5 years	19,382,996	30,653,559
Total	112,780,064	122,835,499

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:

	30 June 2020	31 December 2019
Current portion of non-current loans	23,349,267	24,590,329
Interest rates of non-current and current loans	1,325,176	1,436,219
Account overdraft for high efficiency cogeneration	117,396,877	29,540,187
Total current loans	142,071,320	55,566,735

- *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 150,000,000 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 25,000,000, namely from 150,000,000 to 175,000,000. The contract was completed on 13.03.2020.

It has been secured by means of:

- Chattel mortgage on the bank account opened with the bank;
- Chattel mortgage on the receivables resulting from 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.

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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 175,000,000 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 117,396,877 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.

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	242,787,356	390,220,768
Asset suppliers	82,949,975	73,456,090
Suppliers of other activities	25,444,030	24,171,846
Amounts owed to employees	7,089,283	6,165,643
Other liabilities	58,468,755	68,791,366
Total	<u>416,739,399</u>	<u>562,805,713</u>

On 30 June and 31 December 2019 the liabilities on balance from the power market amounted to 242,787,356, namely 390,220,768 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	100,496,096	142,742,539
- Suppliers - the balancing market	58,403,111	77,630,918
- Suppliers from the bonus-type support scheme to promote high efficiency cogeneration	83,888,149	169,847,311
Total	<u>242,787,356</u>	<u>390,220,768</u>

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 54,552,802 (RAAN – 51,183,836 and CET Govora SA – 3,368,966), 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

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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 40,507,669, withheld by applying the provisions of article 17 para 5 from Order 116/2013 of ANRE President and the Agreement provisions.

Since ANRE Decision 738/28.03.2014 was suspended by court civil ruling 3185/27.11.2015, which had determined the 2011-2013 overcompensation, CET Govora SA 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.

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

	<u>30 June 2020</u>	<u>31 December 2019</u>
Sundry creditors	1,509,482	1,618,176
Client-creditors	30,028,628	44,624,968
Payable dividends	616,468	615,702
Other liabilities	<u>26,314,177</u>	<u>21,932,520</u>
Total	<u>58,468,755</u>	<u>68,791,366</u>

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“Sundry creditors” amounting to 1,509,482 on 30.06.2020 mainly represent: Q II royalty in sum of 211,292, study contracts 362,767, green certificates amounting to 168,449, bid participation bonds and others.

“Client creditors” on 30 June 2020 amounted to 30,028,628, of which 29,134,067 represent deferred amounts cashed from MAVIR (9,399,414), OPCOM (17,376,343) and IBEX (2,358,310) 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 616,468. Such amounts are at the shareholders’ disposal by means of the payment agent.

Other liabilities amounting 26,314,177 are mainly represented by:

- Performance bonds of electricity market contracts concluded by CNTEE Transelectrica SA amounting to 15,742,057;
- Payable VAT amounting to 536,017;
- Non-requestable VAT during the reporting period, amounting to 9,270,443 and others.

Provisions

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

	30 June 2020	31 December 2019
Provisions for disputes	33,251,874	33,251,874
Provisions for mandate contracts	33,132,184	33,132,184
Provisions, employees’ participation to profit fund	44,799	44,799
Other provisions	3,580,830	3,588,993
TOTAL	70,009,687	70,017,850

Dispute provisions on balance on 30.06.2020 amounting to 33,251,874 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 17,216,093.43 Lei, representing loss actually incurred and unrealised benefit, preliminarily estimated to 100,000 Euro... taking into account the unjustified refusal of Transelectrica SA to conclude and sign an addendum to Contract C154/27.04.2012, and in case the law court will consider that in formal terms the obligation regarding suspensive conditions cannot be deemed achieved by the claimant, such non-execution is owed to the exclusive guilt of Transelectrica SA, as the defendant prevented complying with the conditions”. Pronouncement was deferred in order to bring the expertise evidence and a term was set on 21.01.2020. The case was also postponed in order to have the expertise performed and the next term was set on 31.03.2020. TERM: 31.03.2020 – Settlement in brief: Lawfully suspended according to article 42 para 6 from Decree 195/2020 of Romania’s President with respect to instituting the emergency state on Romanian territory during the entire time interval of such emergency. 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:

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

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

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

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

The case was 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 2,737,907 for the dispute with the National Authority of Forests Romsilva, Forestry Division Caras Severin.

• Dispute with subsidiary OPCOM amounting to 2,670,029 for the fine established after EU's investigation.

On 24.11.2014 Subsidiary Co. OPCOM SA summoned CNTEE Transelectrica SA in order to compel it paying the amount of 582,086 Euro (2,585,162 Lei at the National Bank of Romania'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 applied to subsidiary OPCOM SA by the European Commission, since subsidiary Co. OPCOM SA paid in full the fine established by the European Commission.

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

• Other provisions amounting to 3,580,830 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 1,369,494 Lei and provision for ANAF's Decision regarding accessory fiscal liabilities income tax for 2012-2016 amounting to 2,133,283 Lei.

Also on 30 June 2020 the Company had constituted a provision amounting to 33,132,184 for the annual variable component owed to Directorate and Supervisory Board members.

The amount of 44,799 represents mainly a provision constituted for the employees' participation to the profit of financial years 2013, 2015 and 2016, sums unpaid by 30.06.2020.

12. Other tax and social security liabilities

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

	<u>30 June 2020</u>	<u>31 December 2019</u>
Contribution to social insurance funds	6,442,324	6,154,664
Salary tax	1,180,580	1,136,736
Other payable taxes	1,785,714	1,460,715
Total	<u>9,408,618</u>	<u>8,752,115</u>

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.

13. Income tax

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

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

	Q II 2020	Q II 2019	30 June 2020	30 June 2019
Current profit tax	12,870,392	4,505,738	30,575,831	7,111,044
Net expenses with deferred profit tax	(9,763,998)	(1,003,927)	(12,229,960)	(2,172,738)
Total	3,106,394	3,501,811	18,345,871	4,938,306

In quarter II 2020 according to article III, para (1.1) from Emergency Ordinance 99/2020 / 25 June 2020 regarding certain fiscal measures, amending certain norms and prorogating some terms the Company benefited of 10% bonification calculated to the current tax owed for quarter II 2020 in sum of 1,430,043.

In quarter I 2020 according to article I, para (1), let. a) from Emergency Ordinance 33/2020 / 25 June 2020 certain fiscal measures and amending certain norms, the Company benefited of 5% bonification calculated to the current tax owed for quarter I 2020 amounting to 931,865.

Such bonifications were calculated when the current income tax liability has been paid.

14. Operational revenues***Quarter II 2020 compared to quarter II 2019***

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 the services provided on the electricity market in quarter II 2020 and quarter II 2019 were as follows:

	Average tariff for transmission services	Tariff of technologic system services	Tariff of functional system services
Order 10/15.01.2020 - for quarter II 2020	17.97	13.05	1.84
Order 108/20.06.2018 - for quarter II 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:

	Quarter II 2020	Quarter II 2019
Electricity quantity delivered to consumers (MWh)	11,843,610	13,241,945

Revenues achieved in quarter II 2020 and quarter II 2019 were as follows:

	Quarter II 2020	Quarter II 2019
Transmission revenues	211,291,181	239,442,601
Revenues from allocation of interconnection capacity	13,417,273	19,287,390
Revenues from reactive power	43,166	443,686
Revenues from Inter TSO Compensation (ITC)	104,284	287,049
Revenues from CPT transactions	1,429,933	2,506,045
Transmission revenues – total	226,285,837	261,966,771

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Revenues from functional system services	21,792,360	14,698,558
Revenues from technological system services	155,122,999	138,918,224
Revenues with unplanned exchanges on the PZU / DAM	724,709	825,396
Revenues from failure aids	-	-
System service revenues – total	177,640,068	154,442,178
Revenues on the balancing market	68,544,237	104,896,170
Other revenues	14,647,986	13,838,382
Total revenues	487,118,128	535,143,501

Transmission revenues

They decreased by 28,151,420 in quarter II 2020 compared to quarter II 2019, determined by 10.56% lower electricity quantity delivered to consumers, namely 1,398,335 MWh and by the reduced average tariff of transmission services approved by ANRE (according to the previous table of ANRE-approved tariffs in the studied periods).

Revenues from the allocation of interconnection capacities

In quarter II 2020 revenues amounted to 5,870,117 from the allocation of interconnection capacities decreased in comparison with quarter II 2019, corresponding to the utilisation degree of available interconnection capacity by the traders on the electricity market.

The market allocating the interconnection capacities is fluctuating and prices evolve depending on demand and on the needs of electricity market participants to procure interconnection capacity. Reduced revenues from the allocation of interconnection capacities registered during the studied period were owed to lower interest of participants to purchase interconnection capacity, and electricity was transacted more on the internal market.

The mechanism allocating the interconnection capacity consists in organising annual, monthly, daily and intraday bids. The annual, monthly and intraday bids are explicit - only the transmission capacity is offered, while the daily ones are implicit - power and capacity are allocated simultaneously through the coupling mechanism.

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

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

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

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

Revenues from CPT transactions

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

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These revenues were lower by 1,076,112 in quarter II 2020 compared to quarter II 2019 because the electricity quantity sold in quarter II 2020 was smaller than that of quarter II 2019, and the average sale price on the balancing market was lower because of the Covid-19 pandemic.

Revenues from functional system services

They increased in sum of 7,093,802 in quarter II 2020 compared to quarter II 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 10.56%, namely by 1,398,335 MWh.

Revenues from technological system services

They increased by 16,204,775 in quarter II 2020 compared to quarter II 2019, as 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 10.56%, namely by 1,398,335 MWh.

In quarter II 2020 revenues from technological system services increased by 22,840,690 compared to the expenses made to procure technological system services.

Revenues on the balancing market

These diminished by 36,351,933 in quarter II 2020 compared to quarter II 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 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.

Semester I 2020 in comparison with semester I 2019

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

	Average tariff of transmission services	Tariff of technologic system services	Tariff of functional system services
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 electricity quantity delivered to consumers in semester I 2020, namely in semester I 2019 was the following:

	Semester I 2020	Semester I 2019
Electricity quantity delivered to consumers (MWh)	26,255,754	27,920,433

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

	Semester I 2020	Semester I 2019
Transmission revenues	470,185,582	504,075,271
Revenues from allocation of interconnection capacity	31,332,982	42,031,724
Revenues from reactive power	131,804	711,148
Revenues from Inter TSO Compensation (ITC)	1,937,630	695,070

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Revenues from CPT transactions	3,669,555	4,624,027
Transmission service revenues – total	507,257,553	552,137,240
Revenues from functional system services	48,311,197	30,991,723
Revenues from technological system services	343,375,314	295,486,555
Revenues with unplanned exchanges on the PZU / DAM	782,067	1,278,429
Revenues from failure aids	-	-
System service revenues – total	392,468,578	327,756,707
Revenues on the balancing market	166,063,550	279,929,534
Other revenues	24,171,586	24,174,291
Total revenues	1,089,961,267	1,183,997,772

Transmission service revenues

They decreased by 33,889,689 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 10,698,742 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 de 1,242,560 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 954,472 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 pandemic.

Revenues from functional system services

They increased by 17,319,474 in semestrul 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 47,888,759 in semestrul 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 45,159,697 compared to the expenses made to procure technological system services. This amount increased the Company's gross profit registered on 30 June 2020.

Revenues on the balancing market

They diminished by 113,865,984 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;

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- 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.

15. Expenses to operate the system and on the balancing market*Quarter II 2020 in comparison with quarter II 2019*

Expenses made in quarter II 2020 compared to quarter II 2019 were the following:

	Quarter II 2020	Quarter II 2019
Expenses regarding one's own technological consumption	48,622,509	64,013,327
Congestion expenses	-	12,911
Expenses regarding electricity consumed in RET substations	4,740,089	4,351,279
Expenses regarding functional system services	5,967,826	8,153,804
Expenses with Inter TSO Compensation (ITC)	2,222,402	2,370,830
Total operational expenses	61,552,826	78,902,151
Expenses regarding technological system services	132,282,309	168,329,297
Expenses regarding the balancing market	68,544,237	104,896,170
Total	262,379,372	352,127,618

Expenses regarding one's own technological consumption (losses)

They are expenses made in order to procure electricity from the free power market to cover one's own technological consumption (CPT) within RET and were lower by 15,390,818 in quarter II 2020 compared to quarter II 2019, mainly because of reduced average price to procure electricity necessary to cover CPT (losses) within RET during the studied period of 2020 compared to that of 2019.

Expenses regarding functional system services

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

Such expenses decreased by 2,185,978 in quarter II 2020 compared to quarter II 2019, mainly determined by reduced expenses on the balancing market with unplanned electricity exchanges with neighbouring countries interconnected to SEN.

Expenses with Inter TSO Compensation (ITC)

ITC expenses amounting to 2,222,402 represent monthly payment liabilities / collection right for each transmission & system operator (TSO). They are established under the compensation / settlement mechanism for the effects of 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 quarter II 2020 such expenses were 148,428 compared to the same period of last year.

Expenses regarding technological system services

In quarter II 2020 such expenses decreased by 36,046,988 compared to quarter II 2019, as determined by reduced procurement prices of technological system services on the competitive market in the studied interval for the replacement reserve (RTL), because of higher competition for such reserve, and by maintained procurement prices of technological system services for the secondary reserve (RS) and fast tertiary reserve (RTR) in 2020 around the values registered in 2019.

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:

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- 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 quarter II 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) and ANRE Decision 2212/2019 (from Co. Energy Complex Hunedoara SA).

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

Such expenses result from notifications / achievements of participants on this market, being fully covered by revenues achieved on the balancing market. In quarter II 2020 they amounted to 68,544,237.

Semester I 2020 in comparison with semester I 2019

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

	Semester I 2020	Semester I 2019
Expenses regarding one's own technological consumption	113,353,841	145,117,521
Congestion expenses	-	1,652,204
Expenses regarding electricity consumed in RET substations	8,891,329	10,689,550
Expenses regarding functional system services	12,560,942	18,454,177
Expenses with Inter TSO Compensation (ITC)	8,091,292	3,902,980
Total operational expenses	142,897,404	179,816,432
Expenses regarding technological system services	298,215,617	353,130,524
Expenses regarding the balancing market	166,063,550	279,929,534
Total	607,176,571	812,876,490

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 31,763,680 in semester I 2020 compared to semester I 2019, taking into account some issues as follows:

- The average price of contracts concluded on the PCCB with delivery in semester I 2020 was 273.74 Lei, 2% lower than the price of semester I 2019;
- Beginning with January the average price on the DAM had growing decreasing trend, reaching a minimum of 120.32 Lei in May. In the epidemiologic context generated by Covid-19 spreading the price was about 28% lower than in the same period of last year;
- One's own technological consumption registered in the studied period was about 50 GWh (10%) smaller than in 2019;
- The average price of electricity procured on the Balancing Market dropped significantly by almost 25%, in the context of some Transelectrica imbalances contrary to the imbalances of the BRP CIGA ENERGY, thus the imbalancing balance was about half of the one from last year.

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 substations, for each consumption place.

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Such expenses decreased 1,798,221 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 5,893,235 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 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 4,188,312 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 54,914,907 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 166,063,550, 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.

16. Personnel expenses

	Quarter II 2020	Quarter II 2019
Personnel salary expenses	48,185,545	45,999,092
Social expenses	914,217	2,692,307
Tickets granted to employees	1,702,770	1,503,825
Expenses with Covid-19-Food benefit, taxable	1,003,974	-
Expenses for the mandate contract and other committees, commissions	768,696	586,899

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Expenses regarding social security and protection	3,599,333	4,018,189
Provisions made for salary and assimilated expenses	(4,903)	(2,932)
Other expenses	284,424	313,229
Total	56,454,056	55,110,609

Personnel expenses made in quarter II 2020 compared to quarter II 2019 increased, as mainly determined by higher personnel salary expenses, expenses for tickets granted to employees, expenses for the mandate contract and other committees, commissions, as well as “Covid-19-food benefit taxable” expenses registered in quarter II 2020, representing amounts necessary to provide food to essential personnel during isolation on the job (generated by the Covid-19 pandemy).

	Semester I 2020	Semester I 2019
Personnel salary expenses	93,364,130	88,745,611
Social expenses	1,466,582	2,938,444
Tickets granted to employees	3,365,205	3,188,100
Expenses with Covid-19-Food benefit taxable	1,003,974	-
Expenses for the mandate contract and other committees, commissions	1,517,151	1,155,359
Expenses regarding social security and protection	7,108,699	6,366,179
Provisions made for salary and assimilated expenses	(8,162)	(5,731)
Other expenses	509,921	489,630
Total	108,327,500	102,877,592

Personnel expenses made in semester I 2020 compared to semester I 2019 increased, mainly determined by higher personnel salary expenses, expenses for tickets granted to employees, expenses for the mandate contract and other committees, commissions, expenses regarding social security and protection, as well as “Covid-19-food benefit taxable” expenses registered in semester I 2020, representing amounts necessary to provide food to essential personnel during isolation on the job (generated by the Covid-19 pandemy).

17. Other operational expenses

	Quarter II 2020	Quarter II 2019
Other expenses with services provided by third parties	16,587,637	15,104,464
Postal expenses and telecommunication fees	183,349	206,213
Royalty and rent expenses	314,984	334,502
(Net) operational expenses regarding impairment allowances of current assets	(131,320)	836,089
Other expenses, of which:	10,080,140	19,245,529
- (Net) expenses regarding provisions for other operational expenses	297,750	267,011
- Tax and charge expenses (ANRE fee, tax on natural monopoly, other local taxes and charges)	4,948,504	12,647,323
- Expenses regarding merchandise	42,518	1,063,982
- Expenses generated by the Covid-19 pandemy	874,928	-
- Other operational expenses	3,916,440	5,267,213
Total	27,034,790	35,726,797

In quarter II 2020 such expenses were smaller by 8,692,007 compared to quarter II 2019, as determined by the variation of certain expense items such as:

- Decrease of (net) operational expenses regarding impairment allowances for current assets;
- Diminished expenses with taxes and charges due to reduced quantum of the annual ANRE fee: 0.2% from the turnover of CNTEE Transelectrica SA as against 2% applied during the previous 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;
- Reduced expenses regarding the merchandise;

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- Expenses generated by the Covid-19 pandemic (food, medicines, hygiene, protection), extraordinary expenses in the current context of the public health crisis (Covid-19 pandemic), the emergency state instituted by authorities and the measures established by the Company according to its own business continuity plans.

	Semester I 2020	Semester I 2019
Other expenses with services provided by third parties	31,627,525	29,539,567
Postal expenses and telecommunication fees	393,549	450,316
Royalty and rent expenses	678,027	702,275
(Net) operational expenses regarding impairment allowances of current assets	280,233	804,321
Other expenses, of which:	20,167,188	7,474,515
- (Net) expenses regarding provisions for other operational expenses	595,793	(29,863,583)
- Tax and charge expenses (ANRE fee, tax on natural monopoly, other local taxes and charges)	9,869,060	25,545,206
- Expenses generated by the Covid-19 pandemic	1,049,014	-
- Other operational expenses	8,653,321	11,792,892
Total	53,146,522	38,970,994

In semester I 2020 these expenses increased and amounted to 14,175,528 compared to semester I 2019, determined by the variation of certain expense items such as:

- 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 31,180,858 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 pandemic (food, medicines, hygiene, protection), extraordinary expenses in the current context of the public health crisis (Covid-19 pandemic), the emergency state instituted by authorities and the measures established by the Company according to its own business continuity plans.

18. Net financial result

	Quarter II 2020	Quarter II 2019
Interest revenue	2,023,928	1,381,837
Revenue from exchange rate differences	375,612	1,212,527
Other financial revenues	2,974	134,650
Total financial revenues	2,402,514	2,729,014
Interest expenses	(1,874,429)	(2,672,559)
Expenses with exchange rate differences	(845,805)	(393,939)
Total financial expenses	(2,720,234)	(3,066,498)
Net financial result	(317,720)	(337,484)

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	Semester I 2020	Semester I 2019
Interest revenue	3,736,316	2,467,760
Revenue from exchange rate differences	1,182,844	3,131,663
Other financial revenue	29,178	160,525
Total financial revenues	4,948,338	5,759,948
Interest expense	(4,061,747)	(4,378,640)
Expense with exchange rate differences	(2,791,337)	(5,802,063)
Total financial expenses	(6,853,084)	(10,180,703)
Net financial result	(1,904,746)	(4,420,755)

On 30 June 2020 the Company registered net financial result (loss) amounting to 1,904,746, smaller by 2,516,009 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:

Currency	30.06.2020	30.06.2019
Lei / Euro	4.8423	4.7351

19. Disputes and contingencies*i) Disputes in progress*

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

- **REGIA AUTONOMA PENTRU ACTIVITĂȚI NUCLEARE**

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

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

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

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

Decision 124/2017 of the Appeal Court of Craiova admitted the appeal filed by Transelectrica and cancelled sentence 127/2014 pronounced by Mehedinti Tribunal, while the case was referred for retrial to Bucharest Tribunal, Section VI Civil. On the docket of the Bucharest Tribunal the case was registered under no. 40444/3/2017 which by civil ruling 4406/04.12.2017 admitted the request filed by RAAN and ordered Transelectrica to pay the amount of 1,090,831.70 Lei. The sentence was appealed against. The 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 for payment the bonus owed to RAAN under the support scheme according to the provisions of ANRE regulations, namely article 17 para 5 from Order 116/2013 of ANRE president.

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

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

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

On the 14.06.2018 term case judgment was suspendeduntil settlement offile 3014/2/2014 found on the docket of theHCCJ, 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 waspostponed because the court considered it useful for case settlement tosubmitCivil ruling 2969/26.09.2018, pronounced by theHigh 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 decision pronounced under ruling 846/06.11.2019.

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

On 26.03.2020 the hearing term was changed and the next one was set on 21.05.2020.

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

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

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

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

As result of an audit conducted in 2017 the Court of Audit issued certain measures to be implemented by the Company as it ascertained certain deficits. CNTEE Transelectrica SA filed 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.

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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 5.2 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 with 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 aforementioned Order or the issuance of a new one, which should recalculate the RRR value at the level of 9.87% (recalculated with a β coefficient of 1.0359, according to the internal analyses conducted by Transelectrica) or, should this 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 letter to the expert to submit his answers to the objections made to the file, mention should be 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 following term, 12.05.2020, 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. On the 21.07.2020 hearing term the case was deferred and the settlement was: letter to the expert to show up in court.

Term was set on 22.09.2020.

The dispute has not impacted the relationship with ANRE or 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.

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Previously the Shareholders' General Assembly of Subsidiary OPCOM SA had decided on 10.06.2014 to pay in full the fine amounting to 1,031,000 Euro imposed by the Directorate General for Competition, European Commission for breaching of Article 102 of the Treaty on the European Union Functioning, according to Decision AT 39984 in the antitrust case.

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

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

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

The Appeal Court's settlement 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 din 10.10.2016.

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

Hearing term with the ICCJ: 13.03.2018. ICCJ settlement in brief: It admitted in principle the appeal filed by the recurrent-claimant Gas and Electricity Market Operator OPCOM SA against decision 1517/10.10.2016 pronounced by the Appeal Court Bucharest, Section V Civil. It 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, under screening with the ICCJ.

In 2014 the Company registered a provision amounting to 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 hearing term of 27.09.2019 the exception of inadmissibility and the exception of prescription are denied as groundless. It denied the request as groundless. It denied as groundless the creditor's request to compel the debtor paying the law suit expenses. Cancellation request granted within 10 days from notification, such cancellation request was to be submitted to Bucharest Tribunal, Section VI Civil.

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

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

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• ASITO KAPITAL SRL

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

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

Settlement in brief: It admitted the request and 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 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 written 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 executing the enforcement title.

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

- 21,233,265.32 according to Civil Ruling 4067/2017 (4,821,022.53 EUR at 4.4041 / 1 LEU);

- 9,948,592.64 according to Civil Ruling 4067/2017 (2,237,750.83 EUR at 4.4458 / 1 LEU).

In case of file 35865/3/2018 (former file 24552/3/2017) the hearing term was 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 substance matter the instance deferred pronouncement twice until 20.03.2019. After deliberation Bucharest Tribunal pronounced the following settlement in brief:

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

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

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

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

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 SRL

In 2013 Conaid Company SRL summoned CNTEE Transelectrica for its unjustified refusal to sign an addendum to the connection contract or a new connection contract and requested compensations for the expenses incurred up to that date amounting to 17,419,508 Lei and for unrealised profits in 2013-2033 amounting to 722,756,000 EUR. To date the Company has not concluded an addendum to the connection contract because the suspensive terms included in the contract

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were not complied with by Conaid Company SRL. A new connection contract should have been concluded by 11 March 2014, expiry date of the technical connection endorsement. File 5302/2/2013 was found on the docket of the High Court of Cassation and Justice, Section of Administrative and Fiscal Disputes, and pertained to an obligation to issue an administrative deed; law court stage – appeal and hearing term on 09.12.2015. On this term the High Court of Cassation and Justice admitted in principle the appeals and set a hearing term of such appeals, for the main issue, on 08 April 2016. Panel 4 was entrusted and will summon the parties.

Case judgement was deferred to 17.06.2016, when the court postponed pronouncement to 29.06.2016, when it pronounced 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 processual capacity and absence of interest. It joined the exception of prescription to the main issue; appeal right on the same date with the main issue. It was pronounced by placing the settlement to the parties’ disposal by means of the court clerk.

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 provide the expertise 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 the Decree 195/2020 of Romania’s president instituting the emergency state on Romanian territory, during the entire emergency period.

The new hearing term was established on 13.10.2020.

• FF WIND ENERGY INTERNAȚIONAL SRL

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

On the hearing term of 28.12.2018 the court denied the summons as filed for being groundless. It 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.

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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.

Term: 12.05.2020 - Settlement details: The parties are notified the report on 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, specifying they are entitled to submit an opinion about the report within 10 days from notification.

• ROMENERGY INDUSTRY

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

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

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

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

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

• DAGESH ROM

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

Settlement of TMB

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

2. It denied the other claims as groundless.

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

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

Soluția 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 SC DAGESH ROM SRL and by the recurrent-defendant the National Power Grid Company Transelectrica SA with respect to granting law court expenses; final.

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• RESITA CITY

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

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

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

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

Term of ICCJ: 16.07.2020.

• ANAF

A general fiscal inspection was conducted in the offices of Transelectrica SA targeting the time interval December 2005 – December 2010.

Such general fiscal audit began on 14.12.2011 and ended on 26.06.2017, date of the final discussion with Transelectrica SA.

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

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.

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Settlement in brief: It admitted the judgment suspension request filed by the contestor. 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.

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

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

CAB deferred pronouncement on the 21.07.2020 hearing term.

The next term was established on 30.07.2020.

• COMPANY MENAROM PEC SA GALATI

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

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

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

No answer has been received from the judiciary administrator until the 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 other).

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

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

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

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

ii) Contingencies

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

- Fiscal audit of the Ministry of Public Finance, ANAF - DGAMC which began on 20.12.2019 and is targeting: checking the legality and compliance of fiscal returns and / or relevant fiscal audit operations, the fairness and accuracy of achieved obligations regarding establishment of taxation bases and main fiscal liabilities under the value added tax from 01.01.2014 to 31.12.2016.

- Beginning with January 2020 Romania's Court of Audit was in control in the Territorial Transmission Units of CNTEE Transelectrica. By 30 June 2020 such audit was completed in the following secondary offices: TTU Bucharest, TTU Cluj, TTU Constanta, TTU Craiova, TTU Pitesti, TTU Bacau and TTU Timisoara.

In July the audit performed in 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 audit performed by Romania's Court of Audit by means of Department IV began also in the Company's executive offices. The audit is targeting the administration of the state's public and private stocks and the legality of revenues achievement mode and of expenses made in 2017 -2019".

To date such audit is still in progress.

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• The audit performed by Romania's Court of Audit by Department IV with the mission "Auditing the management of public resources during the emergency state" in 16.03 – 14.05.2020 was completed in quarter II 2020. During such inspection two deviations were found, which were remedied during the audit. Thus the Audit Report 24225/26.06.2020 has ascertained no deficiencies and no measures were decided.

In 2019 the following inspections were completed in the Company:

- The fiscal inspection of the Ministry of Public Finance, ANAF – DGAMC, which began on 20.08.2018 and ended on 06.12.2019, date of the final discussion with Transelectrica SA and had the following objectives:
 - Checking the legality and compliance of fiscal returns and / or relevant fiscal audit operations, the fairness and accuracy of achieved obligations regarding establishment of taxation bases and main fiscal liabilities under the income tax in 01.01.2012 - 31.12.2016;
 - Checking the compliance with the provisions of the fiscal and accounting legislation;
 - Checking other relevant taxation aspects if they are of interest in the application of the fiscal and accounting legislation.

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

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

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

The Company contested the Audit Report, the Taxation Decision and the Accessories & penalties Decision by administrative means.

Audits notified by Subsidiaries

Teletrans SA

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

- Foundation and execution of the revenue and expense budget;
- Compliance with budgetary, economic-financial and accounting discipline;
- Compliance with legal provisions regarding the assets from the state's public and private domain and from the administrative-territorial units';
- The organisation and exercise of the mandatory internal / managerial control;
- 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, in 2015 – to date.

The draft Economic-financial inspection report elaborated on 21 February 2018 specifies that the state budget was prejudiced in total amount of 88,778,158 Lei, representing cashed sums that were not transferred to the state budget in 2006-2016 following rental of assets from the state public domain (capacities and infrastructure elements from the public telecommunication network) and the Company's and Teletrans' representatives did not comply with the provisions of articles 14, 15 and 16 of Law 213/1998 regarding public property assets.

Letter 13443 of 26.03.2018 from Teletrans communicated Transelectrica the following issues:

- 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.

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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 transmitted 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 Inspection Report until the elaboration date of these financial statements.

2. 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.

3. 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 control is ongoing.

SMART SA

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. Affiliated parties

- *Transactions with the subsidiaries owned by the Company*

Entity	Country of origin	30 June 2020 % of shares	31 December 2019 % of shares
SMART SA *)	Romania	70.005	70.005
TELETRANS SA	Romania	100	100
ICEMENERG SA **)	Romania	-	-
OPCOM SA	Romania	97.84	97.84
FORMENERG SA	Romania	100	100
ICEMENERG SERVICE SA ***)	Romania	100	100

The net value of shares held by the Company in its subsidiaries was 78,038,750 on 30 June 2020 and 78,038,750 on 31 December 2019.

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The gross value of Company's participation in its subsidiaries was the following:

SMART SA

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

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

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

CNTEE Transelectrica SA - number of shares 3,852,860
- Participation quota to benefits and losses: 70.005%

Romanian State through the Secretariat General of the Government - number of shares 1,650,770
- Participation quota to benefits and losses: 29,994%

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

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

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

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

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

TELETRANS SA

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

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ICEMENERG SA

Company Subsidiary of the Energy Research and Modernising Institute ICEMENERG SA with headquarters in Blvd. Energeticienilor 8, Bucharest 3 has as main business research and development in physical and natural sciences, innovation, studies, development strategies, design activities, urbanism, engineering and other technical services, being established by HG 1065/04.09.2003. On 31 December 2018 the share capital of Subsidiary Icemenerg SA was of 1,083,450 subscribed and fully paid in the Company's accounting books.

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

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

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

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

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

OPCOM SA

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

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

FORMENERG SA

Company FORMENERG SA seated in Blvd. Gh. Sincai 3, Bucharest 4, with legal personality has as main business the initial and continuous professional training of power engineering personnel and of other beneficiaries in all domains and it was

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

ICEMENERG SERVICE SA

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

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

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

The balance of Company subsidiaries is the following:

AFFILIATED ENTITY	Trade receivables*)		Trade liabilities	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
SMART SA	511,787	639,163	10,059,420	13,573,414
TELETRANS SA	112,256	199,327	7,684,879	8,222,806
FORMENERG SA	-	-	-	-
OPCOM SA	21,950,669	38,279,294	22,263,554	31,982,492
TOTAL	22,574,712	39,117,784	40,007,853	53,778,712

*) Trade receivables are provided at gross value.

The transactions performed with Company subsidiaries in the studied period are detailed as follows:

AFFILIATED ENTITY	Sales			
	Quarter II 2020	Quarter II 2019	Semester I 2020	Semester I 2019
SMART SA	253.806	192.696	421.094	307.778
TELETRANS SA	124.481	307.931	278.014	625.490
OPCOM SA	67.038.787	68.918.057	134.684.427	219.987.622
TOTAL	64.417.074	69.418.685	135.383.535	220.920.891

AFFILIATED ENTITY	Procurements			
	Quarter II 2020	Quarter II 2019	Semester I 2020	Semester I 2019
SMART SA	17,847,435	14,681,384	31,166,230	25,266,928
TELETRANS SA	7,737,584	7,914,532	17,745,164	20,490,652
FORMENERG SA	-	4,530	-	5,490
OPCOM SA	39,384,894	76,091,961	145,921,628	165,874,561
TOTAL	64,969,913	98,692,407	194,833,022	211,637,631

- *Salaries of the Company's governance team*

The salaries paid to management for their services mainly comprise the basic salary and benefits at the end of their labour contract and post employment. They are detailed as follows:

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	Quarter II 2020	Quarter II 2019	Semester I 2020	Semester I 2019
Short term benefits	3,997,362	3,451,789	8,660,833	6,914,677
Other long term benefits	78,608	-	105,850	10,500
Total	4,075,970	3,451,789	8,766,683	6,925,177

21. 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:

	30 June 2020	31 December 2019
Financial assets		
Net trade receivables	515,128,838	609,654,811
Other net receivables and down payments to suppliers	95,533,169	89,455,235
VAT to recover	1,985,304	7,240,202
Cash and cash equivalents	428,081,298	320,768,647
Other financial assets	92,000,000	85,000,000
Total	1,132,728,609	1,112,118,895

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

	Gross value 30 June 2020	Impairment allowance 30 June 2020	Gross value 31 December 2019	Impairment allowance 31 December 2019
Not reached to maturity	425.984.842	261.143	520.061.564	536.693
Maturity exceeded from 1 to 30 days	69.748	-	882.361	25.011
Maturity exceeded from 31 – 90 zile	82.038	17.805	94.693	26.405
Maturity exceeded from 90 – 180 zile	105.624	78.512	143.816	54.486
Maturity exceeded from 180 – 270 zile	45.721	33.037	2.604.290	2.556.880
Maturity exceeded from 270 – 365 zile	94.209	55.070	1.530.831	1.165.906
Mai mult de un an	223.477.044	134.284.820	219.846.152	131.143.516
Total	649.859.226	134.730.387	745.163.708	135.508.897

Situația vechimii "Altora creanțe" la data întocmirii situației poziției financiare este prezentată mai jos:

	Gross value 30 June 2020	Impairment allowance 30 June 2020	Gross value 31 December 2019	Impairment allowance 31 December 2019
Not reached to maturity	65,644,013	301,543	71,938,460	405,892

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Maturity exceeded from 1 to 30 days	285,725	5,444	368,771	-
Maturity exceeded from 31 to 90 days	5,113,635	98,906	227,021	-
Maturity exceeded from 90 to 180 days	652,393	311,846	9,839,636	261,586
Maturity exceeded, 180 to 270 days	306,318	232,635	54,327	5,245
Maturity exceeded, 270 to 365 days	10,066,675	579,859	1,078,400	1,078,284
More than a year	66,837,856	51,750,983	65,683,690	50,651,630
Total	148,906,615	53,281,216	149,190,305	52,402,638

Transelectrica's policy consists in registering 100% allowances for value losses with clients under dispute, insolvency and bankruptcy and 100% of trade receivables and other uncollected receivables during more than 180 days, except for outstanding receivables generated by the support scheme. The Company also performs case-by-case analysis of trade receivables and other uncollected receivables.

The greatest depreciation allowances on 30 June 2020, calculated for trade receivables and their penalties were registered for CET Govora (24,862,277), Eco Energy SRL (24,736,066), Petprod SRL (23,539,650), Arelco Power (15,217,210), Total Electric Oltenia SA (14,185,577), Romenergy Industry (13,512,997), Elsaco Energy (9,276,118), RAAN (8,516,707), Opcom (6,049,055), and CET Brasov (4,664,627). To recover the trade receivables with impairment allowances the Company took the following measures: bringing to court, registration in the creditors' list, requesting explanations from ANAF (for the collectable VAT from Opcom) etc.

EU's adoption of IFRS 9 'Financial Instruments' applicable to annual intervals beginning with or after 1 January 2018 has no significant impact over the Company's financial statements in the initial application period.

The impairment allowances for doubtful receivables were as follows:

	30 June 2020	31 December 2019
Balance on 1 January	135,508,897	139,644,236
Recognition of impairment allowances	713,874	5,887,535
Reversal of impairment allowances	1,492,384	10,022,874
Balance at the end of the period	134,730,387	135,508,897

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

	30 June 2020	31 December 2019
Balance on 1 January	52,494,869	56,189,199
Recognition of impairment allowances	883,160	1,189,039
Reversal of impairment allowances	4,583	4,883,369
Balance at the end of the period	53,373,446	52,494,869

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.

22. 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:

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

- **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 SEIeNe") in Tessonik, 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.