

CNTEE Tranelectrica SA
Company managed under two-tier system

Stand-alone Interim Simplified Financial Statements
on the date and for the period of nine months ending on
30 September 2020

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

CNTEE Transelectrica SA

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

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

	Notes	30 September 2020	31 December 2019
Assets			
Non-current assets			
Tangible assets	4	3,485,821,454	3,439,577,805
Intangible assets	4	26,990,317	23,437,440
Financial assets	4	81,742,973	81,500,833
Assets rel. to utilisation rights for assets taken under leasing – buildings	4	-	6,328,685
Total non-current assets		3,594,554,744	3,550,844,763
Current assets			
Inventories		41,220,042	37,519,731
Trade and other receivables	5	655,114,415	706,350,248
Other financial assets	6	-	85,000,000
Cash and cash equivalents	7	471,741,739	320,768,647
Total current assets		1,168,076,196	1,149,638,626
Total assets		4,762,630,940	4,700,483,389
Shareholders' equities and liabilities			
Shareholders' equities			
Share capital, of which:		733,031,420	733,031,420
<i>Share capital subscribed</i>		733,031,420	733,031,420
Share premium		49,842,552	49,842,552
Legal reserves		129,096,113	129,096,113
Revaluation reserves		860,640,133	922,454,926
Other reserves		15,771,718	15,771,718
Retained earnings		1,611,864,309	1,433,931,608
Total shareholders' equities	8	3,400,246,245	3,284,128,337
Non-current liabilities			
Non-current deferred revenues	9	361,157,527	360,641,212
Borrowings	10	107,558,760	122,835,499
Deferred tax liability		136,388,603	136,853,805
Liabilities regarding employees' benefits		63,711,459	63,711,459
Total non-current liabilities		668,816,349	684,041,975
Current liabilities			
Trade and other liabilities	11	561,029,413	556,477,615
Other loans and assimilated liability- Building leasing		-	6,328,098
Other tax and social insurance liability	12	9,747,885	8,752,115
Borrowings and related interest	10	24,910,512	55,566,735
Provisions		57,574,483	70,017,850
Current deferred revenues	9	28,945,126	37,209,745
Payable income tax	13	11,360,927	(2,039,081)
Total current liabilities		693,568,346	732,313,077
Total liabilities		1,362,384,695	1,416,355,052
Total shareholders' equities and liabilities		4,762,630,940	4,700,483,389

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

CNTEE Tranelectrica SA

Contul separat de profit și pierdere pentru perioada de nouă luni încheiată la 30 septembrie 2020

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

	Note	01 July – 30 September 2020	01 July – 30 September 2019	01 January – 30 September 2020	01 January – 30 September 2019
Revenues					
Revenues from transmission services		251,527,376	257,018,803	758,784,929	809,156,043
Revenues from system services		193,159,389	202,352,607	585,627,967	530,109,314
Revenues from the balancing market		119,967,963	125,435,228	286,031,513	405,364,762
Other revenues		9,084,358	14,367,244	33,255,944	38,541,535
Total revenues	14	573,739,086	599,173,882	1,663,700,353	1,783,171,654
Operational expenses					
Expenses for system operation	15	(74,863,789)	(88,301,190)	(217,761,193)	(268,117,622)
Expenses with the balancing market	15	(119,937,963)	(125,435,228)	(286,031,513)	(405,364,762)
Expenses regarding technological system services	15	(123,344,908)	(143,681,857)	(421,560,525)	(496,812,381)
Amortisement		(66,198,885)	(67,968,813)	(202,310,973)	(209,971,449)
Salaries and other retributions	16	(67,823,710)	(55,606,878)	(176,151,210)	(158,484,470)
Repairs and maintenance		(29,380,562)	(28,545,287)	(66,057,252)	(72,854,302)
Materials and consumables		(2,362,864)	(1,807,586)	(5,743,181)	(5,184,717)
Other operational expenses	17	(35,896,847)	(38,237,587)	(89,043,369)	(77,208,581)
Total operational expenses		(519,839,528)	(549,584,426)	(1,464,659,216)	(1,693,998,284)
Operational profit		53,899,558	49,589,456	199,041,137	89,173,370
Financial revenues		3,051,246	1,848,922	7,999,584	7,608,870
Financial expenses		(3,177,159)	(3,695,150)	(10,030,243)	(13,875,853)
Net financial result	18	(125,913)	(1,846,228)	(2,030,659)	(6,266,983)
Profit before income tax		53,773,645	47,743,228	197,010,478	82,906,387
Income tax	13	(16,908,021)	(4,371,682)	(44,637,474)	(9,309,988)
Profit of the period		36,865,624	43,371,546	152,373,004	73,596,399

CNTEE Tranelectrica SA

Contul separat de profit și pierdere pentru perioada de nouă luni încheiată la 30 septembrie 2020

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

	<u>Note</u>	<u>01 July – 30 September 2020</u>	<u>01 July – 30 September 2019</u>	<u>01 January – 30 September 2020</u>	<u>01 January – 30 September 2019</u>
Profit of the period		36,865,624	43,371,546	152,373,004	73,596,399
Other comprehensive revenues		-	-	-	-
Total overall result		36,865,624	43,371,546	152,373,004	73,596,399

The stand-alone interim simplified financial statements provided here were approved by the Company's management on 09 November 2020 and signed on its behalf by:

DIRECTORATE,

Chairman
Catalin NITU

Member
Andreea-Mihaela MIU

Member
Ovidiu ANGHEL

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 Tranelectrica SA

Stand-alone statement of changes into shareholders' equities on 30 September 2020

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

	Share capital	Share premium	Legal reserves	Revaluation reserves	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 result of this period							
Profit of the period	-	-	-	-	-	96,030,957	96,030,957
Other comprehensive items, of which:							
Recognition of actuarial gains of the determined benefit plan	-	-	-	-	-	(11,439,728)	(11,439,728)
Surplus from revaluation of tangible assets	-	-	-	525,101,307	-	-	525,101,307
Liability- deferred tax rel. to revaluation reserve	-	-	-	(83,677,369)	-	-	(83,677,369)
Total comprehensive items of overall result	-	-	-	441,423,938	-	(11,439,728)	429,984,210
Total comprehensive result of the period	-	-	-	441,423,938	-	84,591,229	526,015,167
Other items							
Transfer of revaluation reserves into 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
Contrib. from & distribut. to shareholders							
Derecognition of assets such as public stocks by registering HG 615, 682 & 683 / 2019 amending the inventory of assets from the public domain	-	-	-	-	(54,442,106)	-	(54,442,106)
Subsidies for assets such as public inventories (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 result of the period							
Profit of the period	-	-	-	-	-	152,373,004	152,373,004
Alte comprehensive items, of which							
Recognition of actuarial losses of the determined benefit plan	-	-	-	-	-	-	-
Surplus from revaluation of tangible assets	-	-	-	(1,069,586)	-	-	(1,069,586)
Liability- deferred tax rel. to revaluation reserve	-	-	-	534,309	-	(534,309)	-
Total comprehensive items of overall result	-	-	-	(535,277)	-	(534,309)	(1,069,586)
Total comprehensive result of the period	-	-	-	(535,277)	-	151,838,695	151,303,418
Other items							
Transfer of revaluation reserves into retained earnings	-	-	-	(61,280,484)	-	61,280,484	-
Indexation of legal reserve	-	-	-	-	-	-	-
Other items	-	-	-	968	-	(970)	(2)
Total other changes	-	-	-	(61,279,516)	-	61,279,514	(2)
Contributions from & distributions to shareholders							
Derecognition of assets such as public inventories	-	-	-	-	-	-	-
Subsidies for assets such as public inventories (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 September 2020	733,031,420	49,842,552	129,096,113	860,640,133	15,771,718	1,611,864,309	3,400,246,245

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

CNTEE Tranelectrica SA

Stand-alone statement of cash flows on 30 September 2020

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

	9 months period ended 30 September 2020	9 months period ended 30 September 2019
Cash flows from operational activities		
Profit of the period	152,373,004	73,596,399
Allowances for:		
Income tax expense	44,637,474	9,309,988
Amortisement expense	195,982,288	203,642,764
Allowance expenses to impair trade receivables	987,129	5,153,779
Reversal of allowances to impair trade receivables	(2,050,120)	(2,865,297)
Losses from sundry debtors	-	766,923
Net revenues with allowances to impair sundry debtors	1,297,311	(1,351,447)
Net expenses with allowances to impair inventories	177,045	(44,267)
Net (profit)/loss from sale of tangible assets	219,061	320,769
Net expenses with value allowances regarding tangible assets	898,386	2,401,935
Net revenues regarding provisions for risks and expenses	(12,308,433)	(31,284,047)
Interest expense, interest revenue and unrealised benefits from exchange rate differences	2,716,907	6,290,600
Cash flows before changes into current capital	384,930,052	265,938,099
Changes into:		
Clients and assimilated accounts - energy and other activities	26,967,156	37,099,316
Clients – balancing	17,578,119	267,685,953
Clients – cogeneration	6.262.846	(23.278.684)]
Inventories	(3,700,311)	(2,801,045)
Trade and other liabilities - energy and other activities	99,824,275	(41,655,897)
Liabilities - balancing	(28,124,488)	(320,533,574)
Liabilities - cogeneration	(100,685,071)	(77,025,114)
Other tax and social security liability	995,770	(2,043,037)
Deferred revenues	(7,748,304)	(20,869,292)]
Cash flows from operational activities	396,300,044	82,516,725
Interest paid	(5,553,873)	(7,037,453)
Income tax paid	(32,295,040)	(9,791,996)
Net cash generated from operational activities	358,451,131	65,687,276
Cash flows from investments		
Procurements of tangible and intangible assets	(213,762,389)	(168,884,834)
Participation titles held with SELENE CC Societe Anonyme	(242,140)	-
Interest cashed	5,438,029	3,211,433
Dividends cashed	1,769	132,581
Other financial assets	85,000,000	(80,000,000)
Net cash used in investments	(123,564,731)	(245,540,820)
Cash flows used in financing activities		
Reimbursements of non-current loans	(18,979,260)	(46,478,736)
Utilisation of cogeneration credit line	-	82,951,925
Repayments of cogeneration credit line	(29,540,187)	-
Dividends paid	(35,393,861)	(66,966,063)
Net cash used in financing activities	(83,913,308)	(30,492,874)
Net increase/(decrease) of cash and cash equivalents	150,973,092	(210,346,418)
Cash and cash equivalents on 1 January	320,768,647	482,158,679
Cash and cash equivalents at the end of the period	471,741,739	271,812,261

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 September 2020

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

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 September 2020 have not been audited.

2. Bases of elaboration

a) Statement of conformity

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 year 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 year 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

a) Tangible assets

On 30 September 2020 in comparison with 31 December 2019 increase was registered in the value of tangible assets underway represented mainly **by investment works achieved in high voltage electric substations and lines**, as follows:

- 400 kV double circuit OHL Cernavoda-Stalpu and connection into Gura Ialomitei – 61,866,845;
- Refurbishing the 400/110/20 kV substation Domnesti – 29,111,600;
- Bobine de compensare 100 MVAR, 400 kV pentru stațiile de 400 kv Arad, București și Bradu – 13,057,755;
- Refurbishing the 220/110 kV substation Craiova Nord – 13,599,464;
- Replacing autotransformers 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 – 400 kV simple circuit OHL Portile de Fier - (Anina) - Resita – 16,906,273;
- Refurbishing the 220/110 kV substation Hasdat – 24,545,620;
- Refurbishing the 220/110 kV substation Iaz – 10,160,183;
- Extending the 400 kV substation Cernavoda, stage I+II, replacing 2 shunt reactors, connecting new lines – 7,305,023;
- Upgrading the 110 kV substations Bacau Sud and Roman Nord from the 400 kV axis Moldova – 7,469,020;

CNTEE Transelectrica SA

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

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

- Installing the 400 MVA, 400/231/22 kV autotransformer AT2 and associated bays in Substation Iernut and upgrading the command control system of the 400/220/110/6 kV substation Iernut – 5,555,565;
- Installing the 250 MVA transformer T3 in the 400/110 kV substation Sibiu Sud – 2,954,129;
- Changes to the 400, 220, 110 kV OHL-s to make the penetration of Blvd N. Grigorescu - Splai Dudescu -1,978,069;
- Upgrading the 110 kV and 400 (220 kV) installations of Substation Focsani Vest – 5,799,982;
- 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;
- Refurbishing the 110 kV substation Timisoara and converting the Portile de Fier - Anina - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage II: the 400 kV substation Timisoara – 3,896,744;

The greatest transfers from tangible assets in progress to tangible assets are mainly represented by commissioning the investment objectives as follows:

- Replacing AT and transformers in electric substations, stage 2, step 2 - LOT 1 & LOT 2 – 16,900,104;
- 100 MVAR, 400 kV shunt reactors for the 400 kV substations Arad, Bucharest and Bradu – 13,348,581;
- Refurbishing the 220/110 kV substation Otelarie Hunedoara – 11,819,328;
- Refurbishing the 220/110/20 kV substation Ungheni – 9,434,462;
- Changes to the 400/220/110 kV OHL-s to make the penetration of Blvd. N. Grigorescu - Splai Dudescu – 3,970,002;
- Upgrading the 400/220/110/20 kV substation Munteni – 3,871,497;
- Upgrading the teleprotection, telecommunication system in Substation Cernavoda – 3,756,409;
- Upgrading the building of DET Timisoara – 1,920,662;
- Computation technique, hardware & software, desktop PC – 1,623,404;
- Upgrading the 220 kV OHL Cetate - Calafat – 1,168,394;
- Air conditioning installations in the server rooms from UNO-DEN – 924,015;
- Developing the space for relocation and upgrade of CTSI at ground floor of industrial building 2 TB Timisoara – 819,555;
- Changes to the 400 kV OHL Urechesti - Domnesti to achieve the coexistence conditions – 580,386;
- Check-up and testing equipment – 426,600;
- Providing safe supply of 220 Vdc auxiliary services in Substation Fantanele by replacing the accumulator batteries and resizing the capacity of Battery 2 of condensers – 375,989;
- Manufacturing hall of aluminium parts, located in locality Bradu, village Geamana, Str. Drumul 23 np. 44, Arges County – 333,042;
- Upgrading the 220/110 kV substation Dumbrava – 285,671;
- The 400 kW fully automatic gas-fired heat plant for the building of Blvd. Hristo Botev 16-18, Bucharest 3 – 279,000;
- Thermal rehabilitation of Annex Building of Control Block in Substation Isaccea – 256,013;
- Replacing the 220 V accumulator battery 1 of the 220/110 kV substation Mintia – 252,431;
- Upgrading the road system of communal road, Street Fortului, commune 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 in Substation Tulcea Vest – 152,360;
- Professional air conditioning units for the IT&C technological rooms of DET-s Bacau, Cluj and Craiova – 138,444.

The balance of tangible assets under execution on 30 September 2020 is represented by ongoing projects, 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 – 58,574,215;
- Connecting to RET the 300 MW Ivesti WPP, the 88 MW WPP Falciu 1 and the 18 MW WPP Falciu 2 by means of the new (400)/220/110 kV substation Banca – 46,884,983;
- Connecting the 400 kV OHL Isaccea - Varna & OHL Isaccea - Dobrudja in the 400 kV substation Medgidia Sud – 35,540,132;
- The 400 kV double circuit OHL Cernavoda-Stalpu and connection in Gura Ialomitei – 74,908,918;

CNTEE Transelectrica SA

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

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

-
- Refurbishing the 400/110/20 kV substation Domnesti (BA Dec. 5 / 19.05.2010) – 43,774,148;
 - Refurbishing the 220/110 kV substation Hasdat – 38,956,510;
 - Refurbishing the 220/110 kV substation Craiova Nord – 20,063,833;
 - Upgrading the 220/110/20 kV substation Arefu – 13,997,342;
 - Extending the business continuity services and post-disaster recovery in the Executive branch -14,413,918;
 - 110 kV, 220 kV and 400 kV mobile bays – 14,296,873;
 - Upgrading the 220/110/20 kV substation Raureni – 9,234,557;
 - Upgrading the 110 kV substations Bacau Sud and Roman Nord from the 400 kV axis Moldova – 15,631,945;
 - Replacing the components of EMS SCADA AREVA system, software & hardware – 11,507,136;
 - Upgrading the 220/110 kV substation Dumbrava – 11,255,630;
 - Refurbishing the 220/110 kV substation Iaz – 11,669,369;
 - Integrated security system in electric substations, stage IV – 8,022,510;
 - Replacing AT-s and transformers in electric substations, stage 2, step 2 - LOT 1 & LOT 2 – 157,815;
 - Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage I - 400/220/110 kV substation Resita – 58,574,215;
 - The 400 kV OHL Gadalin - Suceava, including interconnection to SEN – 6,041,923;
 - The 400 kV HVDC Link (submarine cable Romania - Turkey) – 5,853,759;
 - Research&Development Centre of LW technologies and fast intervention into SEN, Centre building – 5,773,634;
 - Extending the 400 kV substation Cernavoda, stage I+II, replacing 2 shunt reactors, connecting new lines – 8,462,546;
 - 100 MVAR, 400 kV shunt reactors for the 400 kV substations Arad, Bucharest and Bradu – 479,737;
 - The 400 kV OHL Suceava - Balti for the project section 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 of Substation Focsani Vest – 7,785,103;
 - 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 – 5,892,029;
 - Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage II, 400 kV double circuit OHL Resita - Timisoara - Sacalaz – 4,567,404;
 - Installing the 250 MVA transformer T3 in the 400/110 kV substation Sibiu Sud – 3,863,505;
 - Adding new functions and extending the control system keeping IT account 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 – 2,682,271;
 - By-passing the 110 kV OHL 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 400/400/160 MVA 400/231/22 kV AT 3 ATUS-SF of 400/220 kV substation Portile de Fier – 1,929,620;
 - Refurbishing the 220/110/20 kV substation Ungheni – 6,159,363;
 - Upgrading the 400/220/110/20 kV substation Munteni – 5,643,474;
 - Consolidation, modernization and extension of CNTEE Transelectrica offices, the Executive branch – 1,627,393;
 - The 220 kV double circuit OHL Ostrovu Mare - RET – 414,702;
 - The 400 kV OHL Oradea – Beckescsaba – 1,485,902;
 - Integrated security system in the new 400/220/110 kV substation Banca – 1,133,202;
 - Optical fibre communication between the 220/110/20 kV substation Pitesti Sud and the remote control & installation supervision centre of UTT Pitesti (FS) – 1,118,150;
 - Upgrading the 220/110/20 kV substation Vetis, primary equipment – 2,017,228;
 - The 400 kV substation Stalpu – 1,109,440;

CNTEE Transelectrica SA

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

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

b) Intangible assets

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

- Replacing the components of EMS SCADA AREVA system, software & hardware – 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 in the Executive branch – 351,208.

c) Financial assets

The increase in the value of financial assets amounting to 242,140 on 30 September 2020 compared 31 December 2019 was determined by the Company's affiliation to the shareholders of SOUTHEAST ELECTRICITY NETWORK COORDINATION CENTER (SEleNe CC) SOCIETE ANONYME.

Decision 3 of 6 March 2020 of the Shareholders' General Extraordinary Assembly approved the Company's participation as founder owner to the capital for establishing the Regional Centre to coordinate operational security in the coordinated calculation regions of cross-border exchange capacities from SEE (Bulgaria, Grecia, Romania) and GRIT (Greece-Italy).

d) Assets regarding the utilisation right of assets taken under leasing- buildings

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

On 30 September 2020 the accounting value of the utilisation right for spaces rented by the Company in the Platinum office building was zero. The contract was completed on this date, a new leasing contract being under way valid for 5 years beginning with 01.10.2020 and amounting to 9,000,000 Euro (VAT free).

5. Trade and other receivables

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

	<u>30 September 2020</u>	<u>31 December 2019</u>
Trade receivables	712,874,057	745,163,708
Other receivables	96,800,179	113,282,179
Down payments to suppliers	16,824,381	28,667,925
Collectable VAT	17,038,670	7,240,202
Allowances to impair doubtful trade receivables	(134,633,823)	(135,508,897)
Allowances to impair other receivables	(53,789,049)	(52,494,869)
Total	655,114,415	706,350,248

The structure of trade receivables was as follows:

	<u>30 September 2020</u>	<u>31 December 2019</u>
Clients on the electricity market, of which:	710,791,686	743,236,309
- Clients - operational activities – energy	426,376,849	434,980,507
- Clients - balancing market	115,632,106	133,210,225
- Clients - bonus type support scheme to promote high efficiency cogeneration	168,782,731	175,045,577
Clients from other activities	2,082,371	1,927,399
Total trade receivables	712,874,057	745,163,708

• CNTEE Transelectrica SA performs 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.

CNTEE Transelectrica SA

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

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

On 30 September 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;
- Reduced volume of transactions on the balancing market in quarter III of 2020 compared to quarter IV of 2019, determining decrease of receivables found on balance on 30 September 2020 compared to 31 December 2019.

The main clients on balance from the electricity market are represented by: RAAN, Electrica Furnizare SA, MAVIR, Enel Energie Muntenia SA, Enel Energie SA, E.ON Energie Romania SA, CEZ Vanzare, Tinmar Energy, and OPCOM.

The share of main clients on the electricity market is about 50.06% in 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 monthly the contribution for cogeneration and to pay bonuses every month*”.

On 30 September 2020 the Company registered collectable receivables of about 24% (31 December 2019: 23%) from the bonus type support scheme to promote high efficiency cogeneration from the total trade receivables.

Clients under the bonus type support scheme to promote high efficiency cogeneration registered decrease on 30 September 2020, mainly determined by reduced values invoiced for the collection of monthly contribution.

On 30 September 2020 the Company registered trade receivables amounting to 168,782,731 represented by invoices issued under the bonus type support scheme to promote high efficiency cogeneration, of which:

- 2011-2013 overcompensation in sum of 76,702,140 and from RAAN – 63,467,054 & 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 amounting to 21,200,178 not cashed from the suppliers of electricity consumers, namely from: Transenergo Com – 5,882,073; Petprod – 4,391,193; Romenergy Industry – 2,680,620; RAAN- 2,385,922; UGM Energy – 1,504,046; CET Govora – 900,864; KDF Energy – 887,527 and others;

By the date of this financial reporting the Company fully collected the receivables associated to the overcompensation of activities of the 2019 support scheme (32,339,739) by means of bank transactions from Electrocentrale Bucharest, as well as the undue bonus established by ANRE Decisions for 2019 in sum of 15,491,904 from the following producers: Energy Complex Oltenia, Electrocentrale Bucharest, CET Govora, Energy Complex Hunedoara, Bepco SRL, Modern Calor SA, Soceram SA, Electrouilaj SA, CET Arad, Polytechnic University of Bucharest, Colonia Cluj Napoca energie SRL and Vest Energo SA.

To extinguish receivables from 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 amounts pertaining to the owed 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.

By its submitted summons claimant Transelectrica SA requested the defendant RAAN to be obliged to pay 86,513,431.

On 19.05.2016 Mehedinti Tribunal, Section II Civil, Administrative and Fiscal Disputes pronounced hearing conclusion and ordered: “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; pronounced on 19 May 2016”; hearing term on 06.06.2019. Mention should be made file 3014/2/2014 on the docket of the HCC Justice pertained to appeal to cancel ANRE Decision 743/28.03.2014, the parties being RAAN (claimant) and ANRE (defendant). Mention should be also made the 18.09.2013 hearing conclusion issued by Mehedinti Tribunal under file 9089/101/2013 pronounced to open the general insolvency procedure against debtor 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

CNTEE Transelectrica SA

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

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

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 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.

Under the bankruptcy file of RAAN registered under no. 9089/101/2013 Mehedinti Tribunal deferred the case on the hearing term 08.10.2020. Settlement in brief: a term was granted to continue the liquidation procedures, representing the debtor's interests in the disputed found on the docket of law courts, consolidating the creditors' claims, further applying measures in view of recovering receivables, and continuing public auctions in order to capitalise the debtor's assets.

The next term was established on **04.02.2021**.

- 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.

CNTEE Transelectrica SA

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

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

Civil ruling 2430/05.10.2016 of the HCCJ 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 hearing term 18.07.2018 Valcea Tribunal pronounced the following settlement:

It confirmed 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 denied 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 set 8 October 2018 as substantial term to continue the procedure. Appeal right within 7 days from notification performed by means of the Bulletin of Insolvency Procedures; pronounced at public hearing of 18 July 2018; Document: Ruling 1196/18.07.2018.

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

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

Other receivables

On 30 September 2020 other receivables amounting to **96,800,179** mainly include:

- Sundry debtors (84,556,793), of which:
 - Penalties for late payment calculated to defaulting clients and amounting to 75,475,434 (of which 35,304,572 represent penalties under the support scheme). The highest late payment 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), Romelectro (4,285,930) Total Electric Oltenia (3,288,967), ICPE Electrocond Technologies (1,003,678). Impairment allowances were registered for the penalties calculated for late payment of receivables from operational activities;
 - Compensations owed by suppliers for their non-delivery of electricity (Arelco Power 987,555) and Enol Group (2,541,312). Impairment allowances were registered for compensations owed by suppliers from operational activities;
 - Receivable to recover from OPCOM representing VAT for the contribution in kind to the subsidiary's capital amounting to 4,517,460;
- Deferred expenses amounting to 5,167,395 mainly represented by: international ENTSO-E subscription for 2020 (1,325,459); annual contribution to ANRE for 2020 (1,228,503); down payments to the contracts concluded with electricity suppliers, as necessary to cover one's own technological consumption in future periods (1,441,429) and others;
- Other non-current assets amounting to 4,258,181, of which 4,199,505 represent securities for temporary land occupation, calculated and withheld in accordance with article 39 para (1), para (2) and para (5) of Law 46/2008 on the Forestry Code, in view of performing the investment objective of the 400 kV OHL Resita – Pancevo (Serbia);
- Other social receivables amounting to 1,599,709 and representing medical leaves the employer paid to employees, will be recovered from the National Health Insurance House and other Social Insurance Rights according to applicable legislation.

CNTEE Transelectrica SA

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

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

Down payments to suppliers

On 30 September 2020 **down payments to suppliers** are represented by debtor suppliers for provided services amounting to **16,824,381** and mainly represent sums from transactions under the price-coupling mechanism (4MMC and SIDC). The price coupling mechanism was applied beginning with 19 November 2014, date when the '4 Markets Market Coupling (4MMC)' project providing connection of the DAM (day-ahead electricity markets) from Romania, Hungary, Czech Republic and Slovakia became operational. Such price coupling mechanism of day-ahead markets means the electricity exchanges correlate the electricity transactions for the following day based on bids, taking into account the interconnection capacity made available by the TSO, whereby it is implicitly allocated. CNTEE Transelectrica SA as TSO transfers electricity both in physical and commercial terms to the neighbouring TSO (MAVIR, Hungary) and manages the congestion revenues on the respective interconnection (article 139 from ANRE Order 82/2014), and in relation to OPCOM SA it is Implicit Participant to the Day-Ahead Market.

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

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

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

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

VAT to recover

On 30 September 2020 the Company has got VAT to recover amounting to 17,038,670.

Impairment allowances for trade receivable, 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 September 2020, calculated for trade receivables and their associated penalties were registered for CET Govora (24,874,615), 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 (6,276,563), 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.

The exposure to the collection risk and value allowances related to trade receivables are provided in Note 21.

6. Other financial assets

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

On 30 September 2020 and 31 December 2019 the situation of other financial assets was as follows:

	<u>30 September 2020</u>	<u>31 December 2019</u>
Bank deposits with maturity beyond 90 days	-	85,000,000
Total	-	85,000,000

On 31 December 2019 bank deposits were constituted with initial maturity beyond 90 days, amounting to 85,000,000. Such bank deposits expired on 30 March 2020.

CNTEE Transelectrica SA

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

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

7. Cash and cash equivalents

Cash and cash equivalents include cash balances, draft deposits and deposits with initial maturities up to 90 days from establishment, which have insignificant exposure to the risk of changing their fair value, and the Company uses them for the management of current commitments.

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

	<u>30 September 2020</u>	<u>31 December 2019</u>
Current bank accounts and deposits, of which:	471,625,261	320,649,313
- Cash and deposits from high efficiency cogeneration	23,551,170	-
- Cash from revenues related to the allocation of interconnection capacities used for network investments	132,415,909	72,217,359
- Cash from the connection fee	27,077,822	14,967,097
- European funds	12,074,745	11,969,848
Cash desk	95,768	119,284
Other cash equivalents	20,710	50
Total	<u>471,741,739</u>	<u>320,768,647</u>

Bank deposits with initial maturity within 90 days constituted from monetary availabilities found in current accounts amounted to 227,091,309 on 30 September 2020 and to 102,285,469 on 31 December 2019.

8. Shareholders' equities

In accordance with the provisions of OUG 86/2014 establishing certain 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 September 2020 the shareholders of CNTEE Transelectrica SA are: the Romanian State represented by the Secretariat General of the Government holding 43,020,309 shares (58.69%), NN Group NV holding 4,007,688 shares (5.47%), PAVAL HOLDING holding 4,503,567 shares (6.14 %), other Legal Person shareholders holding 16,334,695 shares (22.28%) and other Natural Person shareholders holding 5,436,883 shares (7.42%).

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 structure of shareholders on 30 September 2020 and 31 December 2019 was the following:

CNTEE Transelectrica SA

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

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

Shareholder	30 September 2020		31 December 2019	
	Number of shares	% of share capital	Number of shares	% of share capital
Romanian State through the SGG	43,020,309	58.69%	43,020,309	58.69%
Other legal person shareholders	16,334,695	22.28%	15,976,281	21.80%
PAVAL HOLDING	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	5,436,883	7.42%	5,795,297	7.90%
Total	73,303,142	100.00%	73,303,142	100.00%

The increase of shareholders' equities on 30 September 2020 compared to 31 December 2019 was mainly determined by registering the net profit into retained earnings on 30 September 2020.

9. Deferred revenues

Such revenues are mainly represented by: the connection fee, other subsidies for investments, non-reimbursable European funds cashed from the Ministry of European Funds, and revenues from the utilisation of interconnection capacities.

On 30 September 2020 deferred revenues were as follows:

	30 September 2020	Of which: the current portion on 30.09.2020	31 December 2019	Of which: the current portion on 31.12.2019
Deferred revenues – allocation of interconnection capacities	4,463,441	4,463,441	5,756,780	5,756,780
Deferred revenues – European funds	2,492,409	2,492,409	2,754,235	2,754,235
Funds from the connection fee	262,601,826	14,572,694	263,162,627	20,553,019
European Funds	93,772,132	6,502,878	98,796,239	6,934,299
Other subsidies	26,772,845	913,704	27,381,076	1,211,412
Total	390,102,653	28,945,126	397,850,957	37,209,745

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

	30 September 2020	31 December 2019
Opening balance	37,209,745	19,329,257
Deferred proceeds regarding the interconnection capacity	42,311,440	81,579,661
Proceeds from European funds	52,806	1,228,070
Transfer from non-current deferred revenues	(6,709,454)	19,484,720
Revenues from utilisation of interconnection capacities	(43,604,778)	(83,718,947)
Revenues from European funds	(314,633)	(693,016)
Total	28,945,126	37,209,745

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

	30 September 2020	31 December 2019
Opening balance	360.641.212	411.154.679
Connection subsidies	(10.948.281)	1.175.621
Non-reimbursable funds	-	(14.307)
Non-reimbursable funds to repay	-	-
Transfer into current deferred revenues	28.606.017	(21,835,962)
Subsidies resumed into revenues	(17,141,421)	(29,838,819)
Total	361,157,527	360,641,212

CNTEE Traselectrica SA

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

*(All amounts are provided in LEI, unless otherwise indicated)***10. Borrowings**• *Non-current loans*

On 30 September 2020 the value of non-current loans diminished in comparison with 31 December 2019, mainly due to repayments made as per the existent borrowing agreements.

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

The loan developments in the nine months' period ended on 30 September 2020 were as follows:

	Currency	Interest rate	Accounting value	Due date
Balance on 1 January 2020			147,425,829	
New drafts			-	
Repayments, of which:			(18,979,260)	
IBRD 7181	EUR	0.% last notification	(1,544,84)	15-Jan-2020
EIB 25709	EUR	3.596%	(11,608,880)	10-Sep-2025
EIB 25710	EUR	3.856%+2.847%	(5,825,536)	11-Apr-2028
Exchange rate differences on repayment date			2,594,061	
Balance on 30 September 2020			131,129,331	

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

Description	30 September 2020	31 December 2019
IBRD 7181	-	1,544,844
EIB 25709	58,617,963	69,034,334
EIB 25710	72,422,668	76,846,651
Total non-current loans from credit institutions, of which:	131,040,630	147,425,829
Current portion of non-current loans	(23,481,870)	(24,590,329)
Total non-current loans, net of current instalments	107,558,760	122,835,499

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

	30 September 2020	31 December 2019
From 1 to 2 years	23,481,870	23,045,485
From 2 to 5 years	70,445,612	69,136,455
More than 5 years	13,631,278	30,653,559
Total	107,558,760	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 borrowings, contracts EIB 25709 and EIB 25710, are bearer of fixed interest rates.

• *Current loans*

These are detailed as follows:

CNTEE Transelectrica SA

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

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

	30 September 2020	31 December 2019
Current portion of non-current credits	23,481,870	24,590,329
Interest related to non-current and current loans	1,428,642	1,436,219
Draft account for high efficiency cogeneration activities	-	29,540,187
Total current loans	24,910,512	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 as draft account amounting to 150,000,000 and interest calculated depending on the reference ROBOR 1M rate, which is added 0.50% margin.

On 24.04.2019 Addendum 1 was concluded to the contract adding the credit line by 25,000,000 from 150,000,000 to 175,000,000. The contract ended on 13.03.2020.

It was 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 Energie Romania SA, Enel Energie SA, SC Tinmar Energy SA, and Enel Energie Muntenia SA.

On 12.03.2020 Transelectrica concluded credit contract C52 with Banca Transilvania for 12 months in order to finance the bonus type support scheme for high efficiency cogeneration as draft account amounting to 175,000,000 and interest calculated depending on the reference ROBOR 1M rate, which is added a 0.35% negative margin. In case the value of the reference ROBOR 1M rate is lower than 0.35% the interest rate applied is 0%.

On 30 September 2020 the credit line has not been used.

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 Energie Romania SA, Enel Energie SA, SC Tinmar Energy SA, and Enel Energie Muntenia SA.

11. Trade and other liabilities

On 30 September 2020 and 31 December 2019 trade and other liabilities were as follows:

	30 September 2020	31 December 2019
Suppliers - the electricity market	233,661,575	390,220,768
Suppliers of assets	100,664,347	73,456,090
Suppliers of other activities	29,838,590	24,171,846
Amounts owed to employees	6,901,166	6,165,643
Other liabilities	189,963,735	68,791,366
Total	561,029,413	562,805,713

On 30 September and 31 December 2019 liabilities on balance on the electricity market amounted to 233,661,575 and namely to 390,220,768 providing the following structure:

	30 September 2020	31 December 2019
Suppliers on the electricity market, of which:		
- Suppliers - operational activity - energy	114,992,905	142,742,539
- Suppliers - balancing market	49,506,430	77,630,918
- Suppliers from the bonus type support scheme to promote high efficiency cogeneration	69,162,240	169,847,311
Total	233,661,575	390,220,768

CNTEE Transelectrica SA

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

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

Suppliers on the electricity market are mainly represented by: Hidroelectrica SA, Electrocentrale Bucharest, OPCOM, Mavir, Energy Complex Oltenia, Energy Complex Hunedoara, OMV Petrom, IBEX, Veolia Energie Prahova, and Veolia Energie Iasi. On 30 September 2020 their share was about 81% in the total number of electricity suppliers.

The reduced balance of liabilities related to operational activity was mainly determined by paying the payment liabilities on balance on the electricity market on 31 December 2019.

The reduced balance of liabilities related to the balancing market was determined by paying the payment liabilities found on balance on the electricity market on 31 December 2019 on due date and by the reduce volume of transactions on the balancing market in quarter III 2020 compared to quarter IV 2019.

The reduced liabilities under the support scheme to suppliers (producers) was mainly determined by a reduced value of the monthly bonus payable for September 2020 compared to the monthly bonus for December 2019.

On 30 September 2020 payment liabilities were registered to suppliers (producers) amounting to 54,552,802 (RAAN – 51,183,836 and CET Govora SA – 3,368,966), representing the monthly cogeneration bonus, ex-ante overcompensation for 2014 and 2015, the unpaid bonus in 2015 and 2016. The amounts representing Company liabilities under the support scheme to RAAN and CET Govora were withheld from payment according to article 17 para 5 from Order 116/2013 of ANRE president, since suppliers (producers) register payment liabilities to the Company 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, 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 increased balance of asset suppliers on 30 September 2020 compared to 31 December 2019 was due to higher volumes of investment works invoiced by asset suppliers.

CNTEE Transelectrica SA

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

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

Liabilities to suppliers from other activities are mainly represented by liabilities relating to services provided by third parties and not reached to due date, which increased in comparison with 31 December 2019.

The structure of liabilities registered under “other liabilities” were as follows:

	<u>30 September 2020</u>	<u>31 December 2019</u>
Sundry creditors	119,876,664	1,618,176
Client-creditors	42,981,705	44,624,968
Dividends to pay	407,349	615,702
Other liabilities	26,698,017	21,932,520
Total	<u>189,963,735</u>	<u>68,791,366</u>

“**Sundry creditors**” amounting to 119,876,664 mainly represented on 30.09.2020:

- ✓ The net position of the support scheme for high efficiency cogeneration, a liability position in sum of 118,482,073. The net position of the support scheme represents the difference between:
 - The value of the contribution to collect from the suppliers of electricity consumers, the overcompensated value of electricity and heat generation activities under high efficiency cogeneration, the undue bonus to cash from producers, in accordance with ANRE decision, on one hand, and
 - The value of the cogeneration bonus, the ex-ante overcompensation and unpaid bonus payable by electricity producers under high efficiency cogeneration, beneficiaries of the support scheme, on the other hand.
- ✓ Royalty associated to quarter III – 236,585; study contracts 354,560; bid participation bonds 219,532 and others.

“**Client creditors**” on 30 September 2020 amounted to 42,981,705, of which 41,185,215 represent sums collected in advance from MAVIR (28,429,161) OPCOM (12,176,984) and IBEX (579,070) under transactions pertaining to the price-coupling mechanism 4MMC (4M Market Coupling) and SIDC (Single Intraday Coupling).

On 30 September 2020 unpaid **dividends owed to** Company **shareholders** amounted to 407,349. Such amounts are at the shareholders’ disposal by means of the payment agent.

“**Other liabilities**” amounting to 26,698,017 are mainly represented by:

- Performance bonds of contracts on the electricity market concluded by CNTEE Transelectrica SA amounting to 16,879,715;
- Non-requestable VAT during the reporting period amounting to 8,887,760 and others.

Provisions

On 30 September 2020 and 31 December 2019 the situation of provisions was as follows:

	<u>30 September 2020</u>	<u>31 December 2019</u>
Provisions for disputes	33,063,956	33,251,874
Provisions for mandate contracts	20,886,273	33,132,184
Provisions, employees’ participation to profit fund	44,799	44,799
Other provisions	3,579,455	3,588,993
TOTAL	<u>57,574,483</u>	<u>70,017,850</u>

On 30 September 2020 and 31 December 2019 the situation of provisions was as follows:

Provisions for disputes on balance on 30.09.2020, amounting to 33,063,956 are mainly represented by provisions constituted for the following disputes:

- File 36755/3/2018 – claimant Conaid Company SRL (17,216,093)

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

CNTEE Transelectrica SA

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

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

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. On this term the court decided making an expertise report and set the next hearing term on 08.12.2020.

- File 2494/115/2018* - claimant Resita City (6,389,298)

By its summons the claimant 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;
- Penalty legal interest from due date until actual payment date;
- Law court expenses.

Next hearing term on: 16.11.2020

- File 2434/115/2018* - claimant National Forest Authority Romsilva, Forestry Division Caras Severin (2,737,907)

The file was re-registered on the docket of Bucharest Tribunal, section VI Civil. Through its summons claimant National Forest Authority 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, 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 settlement in brief of the Appeal Court Bucharest was: "In accordance with article 413 para (1) pt. 1 Civil Procedural Code, it suspends case settlement until final solution of file 3155/115/2018 on the docket of the High Court of Cassation and Justice. Appeal right granted during entire suspension; it was pronounced on 19.05.2020. The pronouncement will take place by placing the settlement at the parties' disposal by means of the court clerk".

- File 40814/3/2014* - claimant OPCOM SA (2,670,029)

On 24.11.2014 Subsidiary SC 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

CNTEE Transelectrica SA

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

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

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.

On 24.07.2015 Bucharest Tribunal pronounced sentence 4275/2015 deciding as follows: “It admits the summons filed by claimant Electricity and Natural Gas Market Operator OPCOM SA in contradiction with defendant National Power Grid Company Transelectrica SA. It compels the defendant to pay the claimant 582,086.31 Euro, representing the amount the claimant paid instead of the defendant from the 1,031,000 Euro fine applied by European Commission’s Decision of 05.03.2014 in the AT.39984 case as well as legal interest for 582,086 Euro, calculated as of 11.06.2014 until actual payment date. It compels the defendant to pay the claimant 37,828 Lei as law suit expenses. Appeal right granted within 30 days from notification, to be referred to Bucharest Tribunal, Section VI Civil”.

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 decided as follows: “It admits the appeal; it changes entirely the civil sentence appealed against, namely it denies as groundless the summons. It compels the respondent-claimant to pay law suit expenses to the plaintiff defendant in sum of 16,129, representing judiciary stamp tax. Appeal right granted within 30 days from notification; pronounced on 10.10.2016”. Document: Ruling 1517/2016 10.10.2016.

OPCOM SA filed appeal. The High Court of Cassation and Justice decided the following:

“On the 13.03.2018 term the appeal filed by recurrent-claimant Electricity and Natural Gas Market Operator OPCOM SA against ruling 1517/10.10.2016, pronounced by the Appeal Court Bucharest, Section V Civil is admitted. It quashes the contested ruling and sends the cause for new judgment to the appeal instance; final”.

On 01.10.2018 hearing term the Appeal Court Bucharest denied the appeal as groundless and compelled the plaintiff defendant to pay 26,070.31 Lei to the respondent claimant as law suit expenses. Appeal right granted within 30 days from notification; Transelectrica filed appeal, which is under filtering procedure with ICCJ (10.11.2020 term for the filter panel).

The decrease in the dispute provisions on 30 September 2020 compared with 31 December 2019, amounting to 187,909 was due to resuming from such provision of the sum related to law suit expenses for the disputes with former Supervisory Board and Directorate members pertaining to the value of OAVT-s (options for virtual shares).

Provisions for mandate contracts on balance on 30.09.2020, amounting to 20,886,273 represent provisions constituted for the variable component requested in court by former Supervisory Board and Directorate members.

Such provision was updated in quarter III 2020 while paying some amounts representing OAVT (options for virtual shares), payment made under enforceable decisions issued by law courts.

Other provisions amounting to 3,579,177 are represented by provisions registered for work holidays not taken and provision for payable VAT estimated for the fiscal audit underway, Endorsement F-MC-326/13.11.2019_TVA period 2014-2016.

The amount of 44,799 represents mainly a **provision constituted for employees’ participation to the profit** of 2013, 2015 and 2016 financial years, amounts not granted until 30.09.2020.

12. Other tax and social security liabilities

On 30 September 2020 and 31 December 2019 other tax and liabilities for social insurance comprise:

	<u>30 September 2020</u>	<u>31 December 2019</u>
Contribution to social insurance funds	6,995,178	6,154,664
Salary tax	1,548,779	1,136,736
Other payable taxes	1,203,928	1,460,715
Total	<u>9,747,885</u>	<u>8,752,115</u>

On 30 September 2020 the Company registered payment liabilities for contributions to social insurance funds, salary tax and other taxes, such liabilities were due and paid in October 2020.

13. Income tax

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

CNTEE Traselectrica SA

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

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

The income tax expense in quarter III 2020 and quarter III 2019, as well as the income tax on 30 September 2020 and 30 September 2019 was as follows:

	Q III 2020	Q III 2019	30 September 2020	30 September 2019
Current income tax	15,119,217	5,832,708	45,695,048	12,943,752
Deferred income tax	1,788,804	(1,461,026)	(1,057,574)	(3,633,764)
Total	16,908,021	4,371,682	44,637,474	9,309,988

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

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

Such bonifications were calculated after paying in due term the liability of the current income tax.

14. Operational revenues**Period 01 July 2020 - 30 September 2020 compared to the period 01 July 2019 - 30 September 2019**

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

The tariff approved by ANRE for services provided on the electricity market valid in quarter III 2020 and quarter III 2019 were as follows:

	Average tariff for transmission services	Tariff of technological system services	Tariff of functional system services
Order 142/29.06.2020 - for quarter III 2020	17.97	11.96	2.49
Order 81/24.06.2019 - for quarter III 2019	17.68	13.05	1.84

There are two components in the average tariff of electricity transmission services: tariff for electricity introduction into the network (T_G) and tariff of electricity extraction from the network (T_L).

Zone tariffs of transmission rates for electricity introduction into the network (T_G) and electricity extraction from the network (T_L) were approved by ANRE Order 10/2020, beginning with 16 January 2020.

The electricity quantity delivered to consumers which was applied the tariffs for services provided on the electricity market was as follows:

	01 July 2020 – 30 September 2020	01 July 2019 – 30 September 2019
Electricity quantity delivered to consumers (MWh)	13,227,781	13,370,907

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

	01 July 2020 – 30 September 2020	01 July 2019 – 30 September 2019
Transmission revenues	236,335,031	234,765,575
Revenues from allocation of interconnection capacities	12,709,838	20,400,775
Revenues from reactive energy	98,592	265,971
Revenues from Inter TSO Compensation (ITC)	178,172	128,856
Revenues from CPT transactions	2,205,743	1,457,626

CNTEE Transelectrica SA

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

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

Transmission revenues – total	251,527,376	257,018,803
Revenues from functional system services	32,937,180	24,602,396
Revenues from technological system services	158,574,455	174,972,384
Revenues from unplanned exchanges on the PZU / DAM	1,647,754	2,777,827
Revenues from failure aids	0	0
Revenues of system services – total	193,159,389	202,352,607
Revenues on the balancing market	119,967,963	125,435,228
Other revenues	9,084,358	14,367,244
Total revenues	573,739,086	599,173,882

Transmission revenues

Transmission service revenues registered increase by 1,569,456 in quarter III 2020 compared to quarter III 2019, determined by higher average tariff for transmission services approved by ANRE (according to the previous table of ANRE-approved tariffs in the studied periods), while the electricity quantity delivered to consumers diminished by 1.07%, namely 143,126 MWh.

Revenues from the allocation of interconnection capacities

In quarter III 2020 revenues from the allocation of interconnection capacities registered decrease amounting to 7,690,937 compared to quarter III 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, prices are developed according to demand and to the need of participants on the electricity market to procure interconnection capacity. Reduced revenues from the allocation of interconnection capacity registered in the studied period is owed to the participants' smaller interest to procure interconnection capacity, and electricity has been transacted more on the internal market.

The mechanism allocating the interconnection capacities consists in organising annual, monthly, daily and intraday auctions. The annual, monthly and intraday ones are explicit - as only the transmission capacity is transacted, while the daily bids are implicit - as capacity is simultaneously allocated with the electricity by the coupling mechanism.

Beginning with 19 November 2014 the regional energy exchange was established by Romania, Hungary, Czech Republic and Slovakia, which means these four countries should reach to a single electricity price as transacted on spot markets. The capacity between Romania and Hungary, the only country of the 3 Romania has frontier with is allocated by transporters: Transelectrica and MAVIR by means of common mechanism under a bilateral agreement.

Beginning with 2016 the UIOSI principle was applied on the Bulgarian border, and beginning with 2017 on the Serbian one as well. In accordance with such principle participants that do not use the capacity they win at annual and monthly bids are remunerated (by Transelectrica) 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.

Beginning with 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

Revenues from electricity transactions to cover CPT were mainly achieved by selling the excess electricity on the Intraday Market managed by OPCOM and under 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.

CNTEE Tranelectrica SA

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

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

Such revenues were higher by 748,117 in quarter III 2020 compared to quarter III 2019, taking into account the imbalances of Tranelectrica were counter-wise to the imbalances of BRP CIGA ENERGY; thus the sale of excess electricity was better under the BRP than on the Balancing Market.

Revenues from functional system services

Such revenues registered increase by 8,334,784 in quarter III 2020 compared to quarter III 2019, determined by higher tariff approved by ANRE for these services (according to the previous table of ANRE-approved tariffs in the studied periods), while the electricity quantity delivered to consumers diminished by 1.07%, namely by 143,126 MWh.

Revenues from technological system services

Such revenues registered decrease by 16,397,929 in quarter III 2020 compared to quarter III 2019 determined by reduced tariff approved by ANRE for such services (according to the previous table of ANRE-approved tariffs in the studied periods) and by the electricity quantity delivered to consumers diminished by 1.07%, namely by 143,126 MWh.

In quarter III 2020 revenues from technological system services were higher by 35,229,547 compared to the expenses made to procure technological system services.

Revenues on the balancing market

Revenues achieved on the balancing market decreased by 5,467,265 in quarter III 2020 compared to quarter III 2019, mainly determined by the following issues:

- Reduced negative imbalance registered with electricity suppliers on the balancing market;
- The contracting mode 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 according to the regulations issued by the Public Central Administration to prevent spreading Covid-19;

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

Period 01 January 2020-30 September 2020 compared to the period 01 January 2019-30 September 2019

Tariffs approved by ANRE for services provided on the electricity market during the studied intervals were as follows:

	Average transmission tariff	Tariff of technological system services	Tariff of functional system services
Order 142/29.06.2020 for 01 July – 30 September 2020	17.97	11.96	2.49
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 81/24.06.2019 for 01 July – 30 September 2019	17.68	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 from 01 January 2020 to 30 September 2020, namely from 01 January 2019 to 30 September 2019 was as follows:

	01 January 2020 – 30 September 2020	01 January 2019 – 30 September 2019
Electricity quantity delivered to consumers (MWh)	39,483,535	41,291,340

Revenues achieved in 01 January 2020-30 September 2020 and in 01 January 2019-30 September 2019 were as follows:

CNTEE Tranelectrica SA

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

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

	01 January 2020 – 30 September 2020	01 January 2019 – 30 September 2019
Transmission revenues	706,520,613	738,840,846
Revenues from allocation of interconnection capacities	44,042,820	62,432,499
Revenues from reactive energy	230,396	977,119
Revenues from Inter TSO Compensation (ITC)	2,115,802	823,926
Revenues from CPT transactions	5,875,298	6,081,653
Transmission revenues – total	758,784,929	809,156,043
Revenues from functional system services	81,248,377	55,594,119
Revenues from technological system services	501,949,769	470,458,939
Revenues with unplanned exchanges on the DAM	2,429,821	4,056,256
Revenues from failure aids	0	0
Revenues from system services – total	585,627,967	530,109,314
Revenues on the balancing market	286,031,513	405,364,762
Other revenues	33,255,944	38,541,535
Total revenues	1,663,700,353	1,783,171,654

Transmission revenues

Such revenues registered decrease of 32,320,233 in 01 January 2020-30 September 2020 compared to 01 January 2019-30 September 2019, determined by 4.38% diminished electricity quantity delivered to consumers, namely by 1,807,805 MWh, while the average tariff approved by ANRE for such services was almost equal in the 2 studied periods (according to the previous table of ANRE-approved tariffs in the studied periods).

Revenues from the allocation of interconnection capacities

Such revenues registered decrease by 18,389,679 in 01 January 2020-30 September 2020 compared to 01 January 2019-30 September 2019, corresponding to the utilisation degree of available interconnection capacity by traders on the electricity market.

Revenues from Inter TSO Compensation (ITC)

Such revenues were higher by 1,291,876 in 01 January 2020-30 September 2020 compared to 01 January 2019-30 September 2019 because the electricity imported/exported/transited was higher than last year and the import/export/transit tariff applied increased in 2020.

Revenues from CPT transactions

Such revenues were smaller by 206,355 in 01 January 2020-30 September 2020 compared to 01 January 2019-30 September 2019 because of the transactions on the Balancing Market in March-June. During this period the excess electricity was smaller than last year, the value of forecasted CPT being closer to the actual value and the electricity sale price was lower than in 2019 (average price of about 136 Lei/MWh compared to 180 Lei/MWh).

Revenues from functional system services

Such revenues registered increase by 25,654,258 in 01 January 2020-30 September 2020 compared to 01 January 2019-30 September 2019, as determined by higher tariff approved by ANRE for such service (according to the previous table of ANRE-approved tariffs in the studied periods), while the electricity quantity delivered to consumers diminished by 4.38%, namely 1,807,805 MWh.

Revenues from technological system services

Such revenues increased by 31,490,830 in 01 January 2020-30 September 2020 compared to 01 January 2019-30 September 2019, as determined by higher tariff approved by ANRE for such services (according to the previous table of ANRE-approved tariffs in the studied periods), while the electricity quantity delivered to consumers diminished by 4.38%, namely 1,807,805 MWh.

CNTEE Tranelectrica SA

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

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

From 01 January 2020 to 30 September 2020 revenues from technological system services were higher by 80,389,244 compared to the expenses made to procure technological system services. This amount increases the Company's gross profit recorded on 30 September 2020.

Revenues on the balancing market

Such revenues diminished by 119,333,249 in 01 January 2020-30 September 2020 compared to 01 January 2019-30 September 2019, mainly determined by the following issues:

- Reduced negative imbalance registered with electricity suppliers on the balancing market;
- The contracting mode on the markets before the balancing one;
- The development of hydraulicity;
- The development of the average deficit price registered on the balancing market;
- Reduced demand for electricity (consumption) because the winter season was milder;
- Reduced electricity consumption according to the regulations issued by the Public Central Administration to prevent spreading Covid-19;

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

15. Expenses to operate the system and the balancing market

Period 01 July 2020-30 September 2020 compared to the period 01 July 2019-30 September 2019

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

	01 July 2020 – 30 September 2020	01 July 2019 – 30 September 2019
Expenses regarding one's own technological consumption	60.387.669	68.244.215
Congestion expenses	1.650	0
Expenses for electricity consumption in RET substations	3.242.260	4.390.032
Expenses regarding functional system services	8.864.628	8.679.801
Expenses with Inter TSO Compensation (ITC)	2.367.582	6.987.142
Total operational expenses	74.863.789	88.301.190
Expenses regarding technological system services	123.344.908	143.681.857
Expenses regarding the balancing market	119.967.963	125.435.228
Total expenses	318.176.660	357.418.275

Expenses regarding one's own technological consumption (losses)

They represent expenses to procure electricity on the free electricity market to cover one's own technological consumption (CPT) within RET and were smaller by 7,856,546 in quarter III 2020 compared to quarter III 2019, taking into account certain issues such as:

- In the epidemiologic context generated by COVID-19 (coronavirus) spreading, the average price on the DAM was about 40% lower than in the same period of last year;
- The average price of electricity procured on the Balancing Market dropped significantly by about 25%, in the context of Tranelectrica imbalances contrary-wise to the imbalances of the BRP CIGA ENERGY, thus the balance of imbalances was about half that of last year;
- Beginning with 1 September 2020 ANRE Order 61/2020 came in force, which has led to some important changes on the balancing market, of which the possibility to register negative excess prices. In September such prices were registered in most time intervals, which has led to higher CPT cost because the excess electricity sold on the balancing market does no longer bring revenues but generates additional costs;

CNTEE Transelectrica SA

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

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

Expenses regarding electricity consumption within RET substations

With a view to perform electricity transmission activities in 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.

Such expenses recorded decrease of 1,147,772 in quarter III 2020 compared to quarter III 2019, because of lower electricity procurement prices which were included in the electricity supply contracts concluded for 2020.

Expenses regarding functional system services

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

Such expenses increased by 184,827 in quarter III 2020 compared to quarter III 2019, mainly determined by higher expenses with unplanned exchanges on the day-ahead market.

Expenses with Inter TSO Compensation (ITC)

Such expenses amounting to 2,367,582 represent the monthly payment/collection rights of each transmission and system operator (TSO). They are established under the compensation / settlement mechanism for the effects of using the electricity transmission network (RET) for electricity transits between the TSO of the 35 countries that adhered to this mechanism of the ENTSO-E. In quarter III 2020 such expenses were lower by 4,619,560 compared to the same period of last year, the difference resulting from regularised estimations of expenses.

Expenses regarding technological system services

In quarter III 2020 such expenses registered decrease by 20,336,949 in quarter III 2019 taking into account the high concentration of the market of such technological system services for secondary reserve (RS) and fast tertiary (RTR), as well as the procurement prices of technological system services being maintained on the competitive market of the frequency restoration reserve (RS) and the replacement reserve (RTR) around the values recorded in 2019 during the studied period.

Technological system services the Company procures from producers in order to maintain the safe operation of SEN and the quality of electricity transmitted at parameters requested by applicable technical norms.

Such services can be contracted as follows:

- Under regulated regime based on Governmental Decisions and the Decisions of the National Regulatory Authority in the Energy Domain (ANRE);
- By means of competitive mechanisms;

In quarter III 2020 technological system services were procured under regulated regime according to ANRE Decision 1078/2020 (from the Company Generating Electricity in Hydropower Plants Hidroelectrica SA) and to ANRE Decision 1211/2020 (from Company Energyc 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 the notifications / achievements of participants on this market, being fully covered by the revenues achieved on the balancing market. In quarter III 2020 they amounted to 119,967,963.

Period 01 January 2020-30 September 2020 compared to the period 01 January 2019-30 September 2019

Expenses made from 01 January 2020 to 30 September 2020 compared to 01 January 2019-30 September 2019 were:

	01 January 2020 – 30 September 2020	01 January 2019 – 30 September 2019
Expenses regarding one's own technological consumption	173,741,510	213,361,736
Congestion expense	1,650	1,652,204
Expenses regarding electricity consumption in RET substations	12,133,589	15,079,582
Expenses regarding functional system services	21,425,570	27,133,978
Expenses with Inter TSO Compensation (ITC)	10,458,874	10,890,122

CNTEE Transelectrica SA

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

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

Total operational expenses	217,761,193	268,117,622
Expenses regarding technological system services	421,560,525	496,812,381
Expenses regarding the balancing market	286,031,513	405,364,762
Total expenses	925,353,231	1,170,294,765

Expenses regarding one's own technological consumption

They represent expenses made to procure electricity on the free electricity market, namely the Centralised Market of Bilateral Contracts (PCCB), the Day-Ahead Market (PZU/DAM), the Balancing Market (PE) and the Intraday Market (PI) in order to cover the technological consumption (CPT) within RET.

Such expenses were lower by 39,620,226 from 01 January 2020 to 30 September 2020 compared to 01 January 2019-30 September 2019, taking into account certain issues such as:

- In the epidemiologic context generated by COVID-19 (coronavirus) spreading, the average price on the DAM provided deep decreasing trend beginning with January 2020;
- The average price of electricity procured on the Balancing Market dropped significantly, in the context of Transelectrica imbalances contrary-wise to the imbalances of the BRP CIGA ENERGY, thus the balance of imbalances was about half that of last year;

Expenses regarding electricity consumption within RET substations

Such expenses decreased by 2,945,993 from 01 January 2020 to 30 September 2020 compared to 01 January 2019-30 September 2019, because the electricity procurement prices were lower in the electricity supply contracts concluded for 2020.

Expenses regarding functional system services

Such expenses decreased by 5,708,408 from 01 January 2020 to 30 September 2020 compared to 01 January 2019-30 September 2019, mainly determined by reduced expenses on the balancing market regarding the unplanned electricity exchanges with neighbouring countries interconnected to SEN.

Expenses with Inter TSO Compensation (ITC)

ITC expenses amounting to 10,458,874 were 431,248 smaller in the studied period compared to the same period of last year.

Expenses regarding technological system services

The Company procures technological system services from producers with a view to maintain a safe operation of the SEN and the quality of electricity transmitted at parameters requested by applicable technical norms.

Such services are contracted as follows:

- Under regulated regime based on Governmental Decisions and the Decisions of the National Regulatory Authority in the Energy Domain (ANRE);
- By means of competitive mechanisms;

From 01 January 2020 to 30 September 2020 technological system services were procured under regulated regime according to ANRE Decisions 1551/2019 and 1078/2020 (from the Company Generating Electricity in Hydropower Plants Hidroelectrica SA), ANRE Decisions 2212/2019 and 1211/2020 (from Company Energy Complex Hunedoara SA), ANRE Decision 1851/2019 (from Company Electrocentrale Galati SA), as well as according to HG 593/12.08.2019 approving the "Measures regarding the safety and operational security of the National Power System from 1 November 2019 to 31 March 2020".

Such expenses registered decrease by 75,251,856 from 01 January 2020 to 30 September 2020 compared to 01 January 2019-30 September 2019, mainly influenced by the following factors:

- Procurement prices for technological system services on the competitive market from 01 January 2020 to 30 September 2020 maintained around the values registered in the same period of 2019 for frequency restoration reserve (RS) and replacement reserve (RTR);
- From 01 January 2020 to 30 September 2020 a high concentration was maintained on the technological system services market for frequency restoration reserve (RS) and replacement reserve (RTR).

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.

CNTEE Transelectrica SA

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

*(All amounts are provided in LEI, unless otherwise indicated)**Expenses regarding the balancing market*

Such expenses amounted to 286,031,513 from 01 January 2020 to 30 September 2020 following the development provided under the chapter *Revenues on the balancing market*.

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

16. Personnel expenses

	<u>01 July 2020 – 30 September 2020</u>	<u>01 July 2019 – 30 September 2019</u>
Personnel salary expenses	51,005,154	43,662,454
Social expenses	4,265,580	3,393,408
Expenses with tickets granted to employees	4,221,230	4,476,820
Expenses related to the mandate contract and other committees, commissions	768,696	575,013
Expenses regarding social insurance and protection	7,262,259	3,156,491
Provisions constituted for salary expenses and assimilated	(1,654)	(1,740)
Other expenses	302,445	344,432
Total	<u>67,823,710</u>	<u>55,606,878</u>

Personnel expenses made in quarter III 2020 compared to quarter III 2019 registered increase, mainly determined by higher expenses with personnel salaries, social expenses, expenses related to the mandate contracts (Directorate, Supervisory Board). At the same time in quarter III 2020 expenses of social insurance and protection increased by 3,627,782 as this amount represents the company's contributions to social insurance associated to the OAVT-s paid in August and September 2020 according to enforceable law court settlements.

	<u>01 January 2020 – 30 September 2020</u>	<u>01 January 2019 – 30 September 2019</u>
Personnel salary expenses	144,369,284	132,408,065
Social expenses	5,732,162	6,331,852
Expenses with tickets granted to employees	7,586,435	7,664,920
Covid-19 expenses- Food advantage, taxable	1,003,974	0
Expenses related to the mandate contract and other committees, commissions	2,285,847	1,730,372
Expenses regarding social insurance and protection	14,370,958	9,522,670
Provisions constituted for salary expenses and assimilated	(9,816)	(7,471)
Other expenses	812,366	834,062
Total	<u>176,151,210</u>	<u>158,484,470</u>

Personnel expenses made from 01 January 2020 to 30 September 2020 compared to 01 January 2019-30 September 2019 registered increase, mainly determined by higher expenses for personnel salaries, for the mandate contracts (Directorate, Supervisory Board), by registering the expenses "Covid-19- food advantage, taxable" during the studied interval of 2020 representing amounts necessary to provide food to essential personnel during isolation on the job (isolation generated by the Covid-19 pandemic), as well as higher expenses regarding social insurance and protection, taking into account in quarter III 2020 the amount of 3,627,782 was registered representing company contributions to social insurance related to OAVT-s paid according to enforceable law court settlements received by the Company.

CNTEE Transelectrica SA

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

*(All amounts are provided in LEI, unless otherwise indicated)***17. Other operational expenses**

	01 July 2020 – 30 September 2020	01 July 2019 – 30 September 2019
Other expenses with services provided by third parties	15,293,490	15,431,424
Postal expenses and telecommunication fees	207,024	237,057
Royalty and rent expenses	342,014	333,267
(Net) operational expenses regarding impairment allowances for current assets	131,132	88,447
Other expenses, of which:	19,923,187	22,147,392
- <i>(Net) expenses regarding provisions constituted for other operational expenses</i>	<i>(12,295,485)</i>	<i>(13,310)</i>
- <i>Expenses regarding OAVT-s as per law court rulings</i>	<i>20,702,848</i>	<i>0</i>
- <i>Tax expenses (ANRE fee, natural monopoly tax, other local taxes)</i>	<i>6,123,068</i>	<i>12,565,652</i>
- <i>Expenses regarding merchandise</i>	<i>187,482</i>	<i>1,412,485</i>
- <i>Expenses with internal and external travels</i>	<i>427,130</i>	<i>1,061,231</i>
- <i>Expenses generated by Covid-19 pandemic</i>	<i>59,074</i>	<i>0</i>
- <i>Other operational expenses</i>	<i>4,719,070</i>	<i>7,121,334</i>
Total	35,896,847	38,237,587

In quarter III 2020 other operational expenses registered diminution by 2,340,740 compared to quarter III 2019, determined by the variatiof of certain expense items such as:

- Decrease of (net) expenses regarding provisions constituted for other operational expenses, taking into account the provisions for OAVT-s were resumed into revenues;
- Recording the expenses for OAVT-s paid under enforceable ruling by law courts (performance bonus for OAVT Certificates granted to former Directorate and Supervisory Board members based on the mandate contracts concluded in 2013 - 2017);
- Diminished expenses regarding taxes because of reduced quantum of the annual ANRE fee to 0.2% from the turnover of CNTEE Transelectrica SA compared to 2% applied last year, according to the provisions of ANRE Order 1/2020 approving the tariffs and monetary contributions charged by the National Regulatory Authority in the Energy Domain in 2020;
- Dimished merchandise expenses, internal & external travel expenses etc.;
- Expenses were registered as generated by the Covid-19 pandemic (medicine, hygiene, protection), extraordinary expenses occurring in the current context of crisis in the public health domain (Covid-19 pandemic), the emergency / alert state instituted by authorities and the measures established by the Company based on its own business continuity plans.

	01 January 2020 – 30 September 2020	01 January 2019 – 30 September 2019
Other expenses with services executed by third parties	46,921,015	44,970,991
Postal expenses and telecommunication fees	600,573	687,373
Royalty and rent expenses	1,020,041	1,035,542
(Net) operational expenses regarding impairment allowances for current assets	411,365	892,768
Other expenses, of which:	40,090,375	29,621,907
- <i>(Net) expenses regarding provisions constituted for other operational expenses</i>	<i>(12,298,616)</i>	<i>(31,276,576)</i>
- <i>Expenses regarding OAVT-s as per law court rulings</i>	<i>20,702,848</i>	<i>0</i>
- <i>Tax expenses (ANRE fee, natural monopoly tax, other local taxes)</i>	<i>15,992,128</i>	<i>38,110,858</i>
- <i>Expenses regarding merchandise</i>	<i>327,413</i>	<i>3,257,290</i>
- <i>Expenses with internal and external travels</i>	<i>1,322,049</i>	<i>3,495,134</i>
- <i>Expenses regarding international subscriptions</i>	<i>3,984,498</i>	<i>3,416,700</i>
- <i>Expenses generated by the Covid-19 pandemic</i>	<i>1,108,088</i>	<i>0</i>
- <i>Other operational expenses</i>	<i>8,951,967</i>	<i>12,618,501</i>
Total	89,043,369	77,208,581

CNTEE Transelectrica SA

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

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

From 01 January 2020 to 30 September 2020 other operational expenses registered increase amounting to 11,834,788 in comparison with 01 January 2019 - 30 September 2019, determined by the variation of certain expense items such as:

- Increase of (net) expenses regarding provisions constituted for other operational expenses by resuming the OAVT-s provisions into revenues compared to cancelling the provision amounting to 31,180,858 in 01 January 2019-30 September 2019, constituted for the dispute with ASITO KAPITAL SA;
- Registering the OAVT expenses paid according to enforceable law court rulings;
- Diminished tax expenses because of reduced quantum of the annual ANRE fee to 0.2% from the turnover of CNTEE Transelectrica SA compared to 2% applied last year, according to the provisions of ANRE Order 1/2020 approving the tariffs and monetary contributions charged by the National Regulatory Authority in the Energy Domain in 2020;
- Increase of other expenses with services provided by third parties, expenses of civil protection and guard etc.;
- Diminished expenses regarding merchandise, reduced expenses with internal and external travels, of protocol expenses, of study and research expenses, of expenses for transportation of goods and personnel etc.;
- Registering expenses generated by the Covid-19 pandemic (food, medicine, hygiene, protection), extraordinary expenses occurring in the current context of the crisis in public health (Covid-19 pandemic), the emergency/alert state instituted by authorities and the measures established by the Company based on its own business continuity plans.

18. Net financial result

	01 July 2020 – 30 September 2020	01 July 2019 – 30 September 2019
Interest revenues	1,685,366	1,365,429
Revenues from exchange rate differences	1,123,085	481,678
Other financial revenues	242,795	1,815
Total financial revenues	3,051,246	1,848,922
Interest expense	(1,484,549)	(2,469,070)
Expenses from exchange rate differences	(1,692,610)	(1,226,080)
Total financial expenses	(3,177,159)	(3,695,150)
Net financial result	(125,913)	(1,846,228)
	01 January 2020 – 30 September 2020	01 January 2019 – 30 September 2019
Interest revenue	5,421,682	3,833,189
Revenues from exchange rate differences	2,305,929	3,613,341
Other financial revenues	271,973	162,340
Total financial revenues	7,999,584	7,608,870
Interest expense	(5,546,296)	(6,847,710)
Expenses from exchange rate differences	(4,483,947)	(7,028,143)
Total financial expenses	(10,030,243)	(13,875,853)
Net financial result	(2,030,659)	(6,266,983)

On 30 September 2020 the Company registered net financial result (loss) amounting to 2,030,659 and lower by 4,236,324 compared to the the one recorded in the similar interval of 2019. It was mainly influenced by the development of the exchange rate of our national currency against the foreign currency in which the Company has contracted bank loans to finance its investment plans (Euro).

The national currency's exchange rate registered on 30 September 2020 in comparison with that recorded on 30 September 2019 was as follows:

Currency	30.09.2020	30.09.2019
Lei / Euro	4.8698	4.7511

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:

• AUTONOMOUS AUTHORITY FOR NUCLEAR ACTIVITIES

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

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

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

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

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

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

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

File 9089/101/2013/a152 pertains to contesting the additional Receivables 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 appear as owed amount in the accounting books of RAAN". Moreover the judiciary liquidator considered the request to register in the table the sum of 78,096,209 Lei has been executed 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 suspended until settlement of file 3014/2/2014 found on the docket of the ICCJ, and on 14.02.2019 Mehedinti Tribunal decided joining file 9089/101/2013/A152 to file 9089/101/2013/a140 (pertaining to claims – payment request). Thus file judgment was postponed because the court considered it useful for case settlement to submit Civil ruling 2969/26.09.2018, pronounced by the High Court of Cassation and Justice under file 3014/2/2014, with respect to cancelling decision 743/2014 of ANRE President.

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

CNTEE Transelectrica SA

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

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

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 following one was set for 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, and new term set on 03.02.2020.

On 11.06.2020 Mehedinti Tribunal deferred the case under RAAN's bankruptcy file 9089/101/2013. Settlement in brief: a term was granted to continue the liquidation procedures, to represent the debtor's interests in the disputes found on the docket of law courts, to consolidate the creditors' amounts, to continue applying the measures in view of recovering trade receivables and to continue public auctions pertaining to capitalising the debtor's assets.

The following term was established on **04.02.2021**.

• COURT OF AUDIT

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

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

Transelectrica filed appeal on 14.06.2019. The following 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, as well as the Audit Report 19211/26.05.2017.

Contestations are under settlement as follows:

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

- On the docket of the High Court of Cassation and Justice (5 files: 6577/2/2017 on cancelling the findings regarding item 13, and the measure decided in item II.13, no hearing term established; file 6578/2/2017 on cancelling the findings regarding item 9 and the measure decided in item II.11, no hearing term established; file 6580/2/2017 on cancelling the findings regarding item 10 and the measure decided in item II.12, term on 04.02.2021; file 6582/2/2017 on cancelling the findings regarding item 11 and the measure decided in item I.5, term on 29.09.2020; file 6574/2/2017 on cancelling the findings regarding item 5.2 and the measure decided in item II.8, term on 20.04.2021), and a file with final settlement 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 I 2014.

CNTEE Transelectrica SA

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

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

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 hearing 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 term 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 of 12.05.2020 the file was suspended during the entire emergency state.

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.

On 06.10.2020 the request was denied by the following settlement in brief: the exception of inadmissibility was denied as groundless. The entire suit was denied as groundless; appeal right granted within 15 days from notification. It was pronounced by placing the settlement to the parties' disposal by means of the court clerk; ruling 362/2020.

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

• OPCOM

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

Previously the Shareholders' General Assembly of Subsidiary OPCOM SA had decided on 10.06.2014 to pay 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 AT 39984.

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.

CNTEE Transelectrica SA

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

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

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 of 10.10.2016.

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

Hearing term with the ICCJ: 13.03.2018. ICCJ settlement in brief: It admitted 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, which is under filter procedure 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 27.09.2019 hearing term the exception of inadmissibility and the exception of prescription are denied as groundless. It denied the request as groundless. It denied as groundless the creditor's request to compel the debtor paying the law suit expenses. Cancellation request granted within 10 days from notification, such cancellation request was to be submitted to Bucharest Tribunal, Section VI Civil.

On 22.11.2019 under file 34249/3/2019 the settlement in brief was the following: Taking into account the provisions of article 94 para 3 from Internal Order Regulation of Law Courts, approved by CSM decision 1375/2015, according to which the appeal modes declared against the same ruling are settled by the initial panel and taking into consideration both the creditor and the debtor filed cancellation requests against the hearing conclusion 27.09.2019 pronounced by Bucharest Tribunal, Section VI Civil under file 17765/3/2019, pertaining to payment ordinance, it decided referring this file to settlement by the first panel assigned with settling an appeal against the hearing conclusion of 27.09.2019 pronounced by Bucharest Tribunal, Section VI Civil under file 17765/3/2019, namely Panel 11 AO initially attributed file 34022/3/2019 with respect to cancellation request. Cancellation requests are registered under file 34022/3/2019 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: Ruling 06.05.2020.

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

The following term was set on **04.11.2020**.

• ASITO KAPITAL SRL

On 01.07.2017 the Company filed summons with respect to issuing payment ordinance, case under file 24552/3/2017 on the docket of Bucharest Tribunal, Section VI Civil, requesting the instance to pronounce decision compelling debtor ASITO KAPITAL SA to pay 7,058,773.36 Euro (equivalent to 31,180,857.96 Lei) representing security policies for down 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 was granted within 10 days from notification.

CNTEE Transelectrica SA

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

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

Ruling 4067/07.11.2017 was executed 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 the Company the amount of 31,181,857.96 as follows:

- The sum of 21,233,265.32 according to Civil Ruling 4067/2017 (4,821,022.53 EUR at 4.4041 / 1 LEU);
- The sum of 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 for 20.03.2019.

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

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

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

It denied the cancellation request filed by the contester-debtor ASITO KAPITAL SA against Civil ruling 4067/07.11.2017 pronounced by Bucharest Tribunal, Section VI Civil under file 24552/3/2017, in contradiction with the recurrent - creditor National Power Grid Company TRANSELECTRICA SA as groundless; final. It was pronounced at public hearing on 20.03.2019.

Document: Ruling 743/2019 / 20.03.2019.

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

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

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

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

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

A cancellation suit was submitted to review file 35865/3/2018, which was included in file 18109/3/2020; on the 24.09.2020 term the case was deferred to enable the claimant to indicate the respondent in appeal's address; term: **19.11.2020**.

• CONAID COMPANY SRL

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

Case judgement was deferred to 17.06.2016, when the court postponed pronouncement to 29.06.2016, when it pronounced Ruling 2148/2016 whereby it decided as follows: "It denies the exceptions invoked by the recurrent-claimant SC Conaid Company SRL by means of the judiciary administrator RVA Insolvency Specialists SPRL and by the recurrent-defendant the National Power Grid Company Transelectrica SA. It admits the appeal filed by the defendant National Power Grid Company Transelectrica SA against the hearing conclusion of 18 February 2014 and civil ruling 1866 of 11 June 2014 pronounced by the Appeal Court Bucharest, Section VIII of Administrative and Fiscal Disputes. It cancels the contested conclusion and partly the ruling and refers the case to Bucharest Tribunal, Section VI Civil to settle the claimant's case in contradiction with the National

CNTEE Transelectrica SA

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

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

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 to perform the expertise and the following term was set on 31.03.2020.

On the 31.03.2020 term the settlement in brief was: It was lawfully suspended according to article 42 para 6 of the Romanian President Decree 195/2020 on instituting the emergency state on Romania's territory, during the entire emergency state.

The new hearing term was established on **08.12.2020** – to administer the expertise evidence.

• FF WIND ENERGY INTERNATIONAL SRL

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

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

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

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

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.

On the 13.10.2020 hearing term the settlement was: filter – the appeal request was admitted in principle with the following details: it denied the exception of appeal nullity mentioned by the respondent in appeal Transelectrica SA by legal contest. It admitted in principle the appeal of claimant FF Wind Energy International SRL by its judiciary administrator Aktiv Lex

CNTEE Transelectrica SA

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

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

Insolvency SPRL against civil ruling 1191 of 23 July 2019 pronounced by the Appeal Court of Bucharest.

The next hearing term was established on **26.01.2021**.

• ROMENERGY INDUSTRY

File 2088/107/2016 on the docket of Alba Tribunal pertained to “Bankruptcy - Request to be recorded in the creditors’ table”.

Transelectrica submitted request to be recorded in the creditors’s table with 16,112,165.18 mill Lei, the trade receivable was admitted and registered 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 order to continue the bankruptcy procedure by capitalising the assets and recovering trade receivables. The judiciary liquidator will execute and submit to the file: - on each 15th day of the month for the previous month – the monthly reports provided in para 1 of article 59 from Law 85/2014; - for the verification term, 5 days before such term, the synthesis report at 120 days, as provided in the final part of para 3 of article 59 from Law 85/2014.

On the 11.05.2020 term judgment was lawfully suspended during the emergency state instituted on Romania’s territory.

On the 22.06.2020 term the case was deferred; settlement in brief: the report on the funds obtained by liquidating the debtor’s goods was approved, as well as the distribution plan of 03.06.2020.

On the 05.10.2020 term the case was deferred; settlement in brief: a term was set on **18.01.2021** to continue the bankruptcy procedure by capitalising the assets found in the debtor’s property. The judiciary liquidator will execute and submit to the file: - on each 15th day of the month for the previous month – the monthly reports provided in para 1 of article 59 from Law 85/2014; - for the verification term, 5 days before such term, the synthesis report at 120 days, as provided in the final part of para 3 of article 59 from Law 85/2014.

• DAGESH ROM

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

Settlement of TMB

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

2. It denied the other claims as groundless.

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

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

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

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

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

CNTEE Transelectrica SA

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

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

• 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.

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

File 2494/115/2018**, term: **16.11.2020** with the Caras Severin Tribunal.

• ANAF

A general fiscal inspection was conducted in the offices of Transelectrica SA targeting the time interval December 2005 – December 2010, which was completed in 2017.

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

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

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

ANAF's Tax inspection report mainly records the following additional payment liabilities: corporate tax amounting to 13,726,800 plus accessories, owed for a number of 123 unused invoices identified as missing (they were destroyed in the fire that broke out the night of 26-27 June 2009, at the business office from Millennium Business Centre from 2-4, Armand Calinescu Street, Bucharest 2, where the company carried out its activity), documents under special regime.

These invoices were subject to a dispute with ANAF, the latter sending a tax inspection report on 20 September 2011 which estimated the amount of collected VAT for a number of 123 unused invoices identified as missing.

The Company 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 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.

CNTEE Transelectrica SA

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

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

Settlement in brief: It admitted the judgment suspension request filed by the contestee. 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 by 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 on: 12.05.2020.

CAB deferred pronouncement on the 21.07.2020 hearing term.

On 30.07.2020 the case was placed back on the docket for additional explanations.

On the 20.10.2020 hearing term the request was partly admitted with the following settlement in brief: the suspended requests were partly admitted; it partly cancelled decision 122/13.03.2018 on settling the contestation filed against Taxation Decision F-MC 439/30.06.2017 issued by the National Agency of Fiscal Administration, General Directorate to Settle Contestations; Taxation decision F-MC 439/30.06.2017 issued on 12.07.2017 by the National Agency of Fiscal Administration, General Directorate Administering Large Tax Payers; Taxation Decision F-MC 439/30.06.2017 issued by the National Agency of Fiscal Administration, General Directorate Administering Large Tax Payers, and the Fiscal Inspection Report F-MC 222 concluded on 30.06.2017, which were used as grounds in issuing the taxation decision, meaning that: - it removed the obligation to pay the profit tax amounting to 18,522,280 Lei, the VAT amounting to 5,694,636 Lei and fiscal accessories pertaining to such main fiscal debits in quantum of 48,436,653 Lei, and the fiscal liabilities established for the 349 fiscal invoices of special regime found as missing from the claimant's management; - it cancelled the non-deductible nature of 27,001,727 Lei in the calculation of taxable income, which represent system technological services invoiced by electricity suppliers, considered as non-deductible after the fiscal audit, and it compelled payment of the main fiscal liabilities and accessories associated to such amount; - it cancelled the non-deductible nature of 343,629.91 Lei in the calculation of taxable income, representing "services for weeds removal" and it compelled payment of main fiscal receivables and accessories related to such amount; - it cancelled the non-deductible nature of 230,685,491 Lei in the calculation of taxable income, representing expenses with promotional and protocol products and the payment liability of main fiscal receivables related to such amount; - it cancelled the non-deductible nature of VAT in quantum of 46,417.1 Lei associated to 343,629,91 Lei representing "weeds removal services" and the payment liability of main fiscal receivables related to such amount; - it cancelled the non-deductible nature of VAT in quantum of 37,693.88 associated to 230,685.49 Lei, representing expenses with promotional and protocol products and the payment liability of main fiscal receivables and accessories related to such amount; - it cancelled the mention regarding the obligation of the Transmission Branch Sibiu within CNTEE Transelectrica SA to register 576,846.80 Lei as taxable revenue on 30.06.2010 at the latest, date when the verified unit was accepted to be recorded in the creditors' table by such amount, mention regarding the nature of taxable revenue when calculating the profit for 576,846.80 in accordance with the provisions of article 19 para 1 from Law 571/2003 on the Fiscal Code, with later amendments and additions, corroborated with pt. 23 let. d of HG 44/2004 including the Methodological Norms to apply Law 571/2003; the chapter regarding the income tax, namely Chapter VII Accounts operation of Order 3055 / 29 October 2009 approving the Accounting Regulations complying with European directives and the payment liability of main fiscal receivables and accessories related to such amount; - in the Minutes it cancelled the ascertainment with respect to "determining the deductible value added tax to a lower value than that registered by the claimant, thus resulting a difference in sum of 13,141 Lei" (annex 15), and the payment liability of main fiscal receivables and accessories related to such amount; - it cancelled the payment liability of delay penalties which have a sanctioning juridical regime, calculated for more than 6 months from the beginning date of fiscal inspection with respect to the main fiscal liabilities maintained by the law court in this ruling, as established by Taxation Decision F-MC 439/30.06.2017 issued on 12.07.2017 by the the National Agency of Fiscal Administration, General Directorate Administering Large Tax Payers, Taxation Decision F-MC 439/30.06.201 issued by the the National Agency of Fiscal Administration, General Directorate Administering Large Tax Payers and Decision 122/13.03.2018 on settling the contestation filed against the Taxation Decision F-MC 439/30.06.2017 issued by the National Agency of Fiscal Administration, General Directorate to Settle Contestations. It maintained the other provisions of Decision 122/13.03.2018 on settling the contestation filed against the Taxation Decision F-MC 439/30.06.2017 issued on 12.07.2017 by the the National Agency of Fiscal Administration, General Directorate Administering Large Tax Payers and Taxation Decision F-MC 439/30.06.2017 issued by the the National Agency of Fiscal Administration, General Directorate Administering Large Tax Payers. It denied the other suspended requests as groundless. It denied as groundless the request to grant law court expenses consisting of the stamp judiciary fee. It compelled the defendants to jointly pay the claimant the law court expenses amounting to 4,000 Lei, representing fee for the execution of accounting-fiscality expertise, proportional to the request admittance. **Appeal right** granted within 15 days from notification, to be submitted to the Appeal Court of Bucharest; **Ruling 382/20.10.2020.**

CNTEE Transelectrica SA

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

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

• OTHERS

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

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 has constituted provision for such disputes.

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

• Audit of ANAF-DGAMC

Audits are ongoing in the Company's offices such as Fiscal audit of the Ministry of Public Finance, ANAF - DGAMC which began on 20.12.2019 and pertains to *"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"*.

As of the current date such action has been suspended and it will be resumed on a date to be notified by ANAF.

• Court of Audit from Romania

In January-July 2020 Romania's Court of Audit was in control in the Territorial Transmission Units of CNTEE Transelectrica. On 15.05.2020 it informed the Company such verification will continue in the executive branch from 25.05 to 27.08.2020.

The audit of CCR targeted the, *"control of situations, development and mode of administration of the state's public and private heritage, as well as the legality of achieved revenues and of expenses made in 2017-2019"* in CNTEE Transelectrica SA.

The audit on the fore-mentioned topic, which began on 25.05.2020 in the executive offices of the Company was suspended by CCR on grounds of its beginning another audit pertaining to *"control on the management mode of public resources during the emergency state period"*.

Such audit began on 02.06.2020 and was completed on 26.06.2020.

No deficiencies were ascertained in the Audit Report elaborated by CCR's auditors about the *"control on the management mode of public resources during the emergency state period"*, report registered in the Company under no. 24225/26.06.2020, consequently no Decision was issued to decide measures.

When such audit was completed on 26.06.2020 the topic pertaining to *"control of situations, development and management mode of the state' public and private heritage, as well as the legality of achieved revenues and of expenses made in 2017-2019"* was resumed and completed on 06.10.2020.

Objections were elaborated and transmitted to the Audit Report issued by the CCR and registered in the Company under no. 40507/06.10.2020 and re-analysis was requested of findings recorded by CCR's auditors in their Report.

Taking into account CCR Decision has not been received until the elaboration date of these financial statements we cannot determine whether additional payable fiscal liabilities will result.

Conclusions

Disputes are on the docket with Romania's Court of Audit with respect to its audits performed in 2013 and 2017, provided in detail in the disputes chapter.

Taking into account the Court of Audit's findings registered in Decisions of 2013 and 2017, in the financial statements executed quarterly, each semester and year we have specified it is possible to have additional fiscal liabilities resulting for payment, but on the respective date, including the current on, cannot be accurately determined in accordance with the terms of IAS Standard 37 - Provisions, contingent liabilities and contingent assets.

CNTEE Transelectrica SA

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

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

Audits in the Subsidiaries of CNTEE Transelectrica S.A

➤ TELETRANS SA

Romania's Court of Audit

From 13.01.2020 to 22.05.2020 Romania's Court of Audit performed control in Subsidiary Teletrans pertaining to *"control of situations, development and mode of administration of the state's public and private heritage, as well as the legality of achieved revenues and of expenses made"* in the 2017 – 2019 interval.

Such control was completed in the subsidiaries and CCR auditors issued Report no. 3930/22.05.2020 and Decision 7/2020 of the Court of Audit.

Subsidiary Teletrans submitted report contestation and contested in court 3 measures of the 8 that were decided.

Control from the Ministry of Public Finance

The Economic-financial Inspection Department of MFP is performing audit in Subsidiary Teletrans beginning with 21.07.2020.

The topic pertains to *"checking the compliance with the provisions of OG 26/2013 on enhancing financial discipline at certain economic operators where the state or administrative-territorial units are single or majority shareholders or they directly or indirectly hold majority participation in 2018-2019"*.

Such control was completed and Report 7599/15.10.2020 was issued (no. ANAF MC_IEF_638/06.10.2020), without Decision / Injunction for measures.

The history of controls performed in Subsidiary Teletrans in January – December 2019, which to date no Final Audit Reports were received

Ministry of Public Finance, General Directorate of Economic & Financial Inspection, control which began on 26.03.2019.

The objectives of the economic-financial inspection are:

- Foundation and execution of the 2015-2017 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;

Such control constitutes extension of the previous one (the verified period being 01.01.2010-31.12.2014), according to Notice 261043/25.03.2019 from the Ministry of Public Finance, registered in Teletrans under no. 3053/26.03.2019.

By 31.12.2019 the company received minutes 5103/04.12.2019 (number in Teletrans - 11224/04.12.2019).

On the date of these financial statements the company could not determine possible fiscal obligations, as it has received no final economic-financial inspection report.

National Agency of Fiscal Administration, General Directorate Administering Large Tax Payers

The sudden control began on 18.07.2019, and the verified period is 2012 – 2016.

Such audit was completed by Minutes 168/13.08.2019 (number in Teletrans - 7600/14.08.2019).

By the current date the company could not determine possible fiscal obligations, as it has received no final economic-financial inspection report.

➤ SMART SA

Romania's Court of Audit

From 13.01 to 22.05.2020 the external auditors from Romania's Court of Audit performed control in Subsidiary SMART pertaining to *"control of situations, development and mode of administration of the state's public and private heritage, as well as the legality of achieved revenues and of expenses made in the 2018 – 2019 interval"*.

The CCR report was completed and the CCR Report 215/09.06.2020 was issued and Decision 8/2020 of the Court of Audit.

CNTEE Transelectrica SA

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

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

Subsidiary Smart SA submitted objections to the report and filed law court suit of administrative dispute against CCR's decision, in order to contest Decision 8/2020 of CCR.

Control of ANAF-DGAMC, Economic-Financial Inspection Department

The fiscal audit began on 21.07.2020 and it pertained to “checking the compliance with the provisions of OG 26/2013 on enhancing financial discipline at certain economic operators where the state or administrative-territorial units are single or majority shareholders or they directly or indirectly hold approved majority participation, with later amendments and additions, related to the financial years 2018-2019”.

Subsidiary SMART received the Fiscal Inspection Report and it has elaborated and transmitted no objections.

Control of ANAF-DGAMC

The fiscal inspection began on 28.08.2020 and it pertained to “checking the legality and conformity of fiscal returns and/or relevant operations for fiscal inspection, the correctness and exactity in achieving the liabilities related to establishing the taxation bases and main fiscal liabilities regarding:

- Value added tax from 01/01/2015 to 31/12-2016
- Income tax from 01/01/2014 to 31/12/2016
- Checking the compliance with the provisions of fiscal and accounting legislation
- Verifying other aspects significant for taxation, if they are interesting for the application of of fiscal - accounting legislation;

Such fiscal inspection is in progress on the date of these financial statements.

20. Affiliated parties

• Transactions with the Company-held subsidiaries

Entity	Country of origin	30 September 2020 % of shares	31 December 2019 % of
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 September 2020 and 78,038,750 on 31 December 2019.

The gross value of Company's participations 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 of the transmission-dispatcher system. It was established under HG 710/19.07.2001 on 1 November 2001. On 30 September 2020 the share capital was of 55,036,300, of which 38,528,600 subscribed and fully paid by the Company.

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

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

CNTEE Transelectrica SA

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

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

- Participation to benefits and losses: 70.005%

The Romanian State by the Secretariat General of the Government - Number of shares 1,650,770
- Participation 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.

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 30 September 2020.

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. The share capital of Subsidiary Icemenerg SA was of 1,083,450 subscribed and fully paid in the Company's accounting books on 30 September 2020.

***) 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

CNTEE Transelectrica SA

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

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

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 30 September 2020 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 - "Electricity trade exchange OPCOM" and "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 30 September 2020 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 established by AGA Decision 33/2001. The share capital on 30 September 2020 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 30 September 2020 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 in Subsidiary ICEMENERG SERVICE SA.

The balances of subsidiaries held by the Company were as follows:

CNTEE Transelectrica SA

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

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

AFFILIATED ENTITY	Trade receivables*)		Trade liabilities	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
SMART SA	357,638	639,163	10,334,033	13,573,414
TELETRANS SA	107,023	199,327	9,527,094	8,222,806
FORMENERG SA	-	-	-	-
OPCOM SA	28,090,313	38,279,294	22,088,000	31,982,492
TOTAL	28,554,974	39,117,784	41,949,127	53,778,712

*) Trade receivables are provided at gross value.

The transactions performed with Company subsidiaries during the reported period are detailed as follows:

AFFILIATED ENTITY	Sales			
	Quarter III 2020	Quarter III 2019	9 months 2020	9 months 2019
SMART SA	235,955	133,854	552,665	441,632
TELETRANS SA	111,954	120,069	389,919	745,559
OPCOM SA	69,383,875	192,336,285	204,145,206	412,323,907
TOTAL	69,731,784	192,590,208	205,087,790	413,511,098

AFFILIATED ENTITY	Procurements			
	Quarter III 2020	Quarter III 2019	9 months 2020	9 months 2019
SMART SA	21,131,674	34,877,532	52,297,902	60,144,460
TELETRANS SA	7,589,603	2,814,738	23,034,767	23,305,390
FORMENERG SA	-	1,217	243,212	6,707
OPCOM SA	96,448,217	38,940,360	243,088,389	204,814,921
TOTAL	125,169,494	76,633,847	318,664,270	288,271,478

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 reporting date was:

	30 September 2020	31 December 2019
Financial assets		
Net trade receivables	578,240,234	609,654,811
Other net receivables and down payments to suppliers	59,835,511	89,455,235
VAT to recover	17,038,670	7,240,202

CNTEE Tranelectrica SA

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

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

Cash and cash equivalents	471,741,739	320,768,647
Other financial assets	-	85,000,000
Total	1,126,856,154	1,112,118,895

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

	Gross value	Impairment allowance	Gross value	Impairment allowance
	30 Sept. 2020	30 Sept. 2020	31 Dec. 2019	31 Dec. 2019
Not reached to maturity	487,643,828	230,306	520,061,564	536,693
Due date exceeded from 1 to 30 days	1,061,353	2,533	882,361	25,011
Due date exceeded from 31 to 90 days	5,271	-	94,693	26,405
Due date exceeded from 90 to 180 zile	663,984	16,794	143,816	54,486
Due date exceeded, 180 – 270 days	38,448	9,349	2,604,290	2,556,880
Due date exceeded, 270 – 365 days	16,319	11,730	1,530,831	1,165,906
More than one year	223,444,854	134,363,111	219,846,152	131,143,516
Total	712,874,057	134,633,823	745,163,708	135,508,897

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

	Gross value	Impairment allowance	Gross value	Impairment allowance
	30 Sept. 2020	30 Sept. 2020	31 Dec. 2019	31 Dec. 2019
Not reached to maturity	47,019,822	307,207	71,938,460	405,892
Due date exceeded from 1 to 30 days	393,199	-	368,771	-
Due date exceeded from 31 to 90 days	960,268	249,175	227,021	-
Due date exceeded from 90 to 180 days	4,886,894	104,349	9,839,636	261,586
Due date exceeded, 180 – 270 days	662,964	398,768	54,327	5,245
Due date exceeded, 270 – 365 days	394,805	383,026	1,078,400	1,078,284
More than one year	76,696,290	52,346,524	65,683,690	50,651,630
Total	131,014,242	53,789,049	149,190,305	52,402,638

Tranelectrica’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.

On 30 September 2020 the greatest impairment allowances calculated for trade receivables and for their associated penalties were registered for CET Govora (24,874,615), 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 (6,276,563), 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.

The impairment allowances for doubtful receivables developed as follows:

	30 September 2020	31 December 2019
Balance on 1 January	135,508,897	139,644,236
Recognition of impairment allowances	987,129	5,887,535
Reversal of impairment allowances	1,862,203	10,022,874
Balance at the end of the period	134,633,823	135,508,897

CNTEE Transelectrica SA

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

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

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

	<u>30 September 2020</u>	<u>31 December 2019</u>
Balance on 1 January	52,494,869	56,189,199
Recognition of impairment allowances	1,298,762	1,189,039
Reversal of impairment allowances	4,582	4,883,369
Closing balance	53,789,049	52,494,869

The collection risk associated to such receivables is limited because these amounts are mainly owed by state-owned companies. Cash has been placed into financial institutions, which are considered as providing minimum risk.

22. Later events

• **Recruitment announcement for the position of Directorate member of Transelectrica**

On 1 October 2020 the Company announced initiating the recruitment and selection of candidates to be nominated in view of appointing the Directorate team. The recruitment announcement comprises the recruitment and selection stages for candidates, the participation conditions, the submission of candidature files, the documents necessary to submit one's candidature, the selection criteria and other information.

• **Fifth edition of the International Conference 'Regional South-East European Conference – RSEEC 2020'**

On 12 October 2020 the fifth edition was opened of the International Conference 'Regional South-East European Conference – RSEEC 2020' which was organised online from 12 to 14 October 2020.

Conference RSEEC 2020 is a bi-annual event organised by the National Romanian Committee of CIGRE (International Council of Large Electricity Systems), with the support of the National Power Grid Company Transelectrica SA and of the Polytechnic University of Bucharest, in capacity of co-organisers and it represents a major event in the energy domain, providing an opportunity for Romanian power experts and for the business environment to submit the results of their work and research.

Papers and tutorials were submitted at this event which debated seasonal topics such as the status of technology for future electricity networks, new pieces of equipment, environment and sustainability, active transmission and distribution networks, intelligent cities, key factor of electricity in view of developing the society.

• **Transelectrica – consistent contribution to equipping the SCADA laboratory of the UPB**

In the opening of the fifth edition of the International Conference 'Regional South-East European Conference – RSEEC 2020' before Mr. Antonel TANASE, Secretary General of Romanian Government with minister capacity, the first SCADA Laboratory was inaugurated in the Polytechnic University of Bucharest.

The laboratory equipment was provided by CNTEE Transelectrica SA, with the contribution of SIEMENS Energy Romania, and of other companies that are active in the energy domain such as Siemens Romania and Eneroptim in partnership with the Polytechnic University of Bucharest.

A micro-station was established within the SCADA Laboratory constituted of command – control – protection equipment with digital technology, similar to the latest installations operating currently in the outfits of CNTEE Transelectrica SA, in order to provide safe electricity transmission.

• **Extending the mandates of provisional Directorate members**

Taking into account the mandate of current provisional Directorate members reached its term on 20 October 2020, the Supervisory Board at its 12 October 2020 meeting extended the mandates of Directorate members for the current provisional members:

- Catalin NITU
- Ionut-Bogdan GRECIA
- Andreea-Mihaela MIU
- Marius-Viorel STANCIU
- Corneliu-Bogdan MARCU

by two months' period beginning with 21 October 2020. The mandate term of provisional Directorate members will not exceed the completion date of the selection procedure for Directorate members in the National Power Grid Company

CNTEE Transelectrica SA

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

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Transelectrica SA according to the provisions of OUG 109/2011, if the procedure is completed during this interval.

At the same time the Board elected Mr. Catalin NITU as Directorate Chairman, alternatively called Executive Director General or Chief Executive Officer, CEO, of the National Power Grid Company Transelectrica SA for two months, beginning with 21 October 2020.

- **Giving up the mandate of provisional Directorate member**

Mr. Ionut-Bogdan GRECIA gave up his mandate of provisional Directorate member in the Company beginning with 27 October 2020, in accordance with what has been recorded in the communication registered in the Company.

- **Appointment of provisional Directorate member**

On 29 October 2020 Mr. Ovidiu ANGHEL was appointed provisional Directorate member for a two months' mandate until 20 December 2020, his appointment becoming effective on 30 October 2020 once signing the mandate acceptance statement before the notary public.