



Transelectrica®
Societate Administrată în Sistem Dualist

Compania Națională de Transport al Energiei Electrice
Transelectrica SA - Punct de lucru: Str. Olteni, nr. 2-4, C.P. 030786, București
România, Număr înregistrare Oficial Registrului Comerțului J40/8060/2000,
Cod Unic de înregistrare 13328043 Telefon +4021 303 56 11, Fax +4021 303 56 10
Capital subscris și vărsat: 733.031.420 Lei
www.transelectrica.ro

No. 12082/19.03.2021

NOTE

Regarding approval of the Shareholders' General Assembly on the Stand-alone financial statements of CNTEE Transelectrica SA for the financial year 2020

In accordance with the provisions of MFP Order 881/2012, beginning with 2012 financial year trading companies whose securities are admitted for transaction on a regulated market (the capital market) apply the International Financial Reporting Standards (IFRS) as adopted by the European Union (IFRS-EU) when elaborating the annual stand-alone statements.

CNTEE Transelectrica SA has elaborated stand-alone financial statements for 2020 financial year in accordance with OMFP 2844/2016 approving the Accounting regulations compliant with the International Financial Reporting Standards, with later amendments and additions.

Annual financial statements have got the components provided in the International Accounting Standard (IAS) 1 – Submission of financial statements, and they comprise: financial position statement, profit and loss account, and global result statement, changes in shareholders' equities, cash flows and explanatory notes to the annual financial statements, in accordance with the provisions of article 6 from OMFP 2844/2016.

Taking into account the above in accordance with article 14, para (1) let. a) from the Articles of Association of CNTEE Transelectrica SA updated by AGEA Decision 12/21.12.2020, we **submit to approval** by the Shareholders' General Assembly the **Stand-alone financial statements of CNTEE Transelectrica SA for 2020 financial year**, as follows:

- Financial position statement;
- Profit and loss account and global result statement;
- Changes in shareholders' equities;
- Cash flows statement;
- Explanatory notes to the annual financial statements.

DIRECTORATE

| Chairman | Member | Member | Member | Member |
|------------------------------|---------------------------------------|------------------------------------|----------------------------------------------------------------|--------------------------|
| Catalin NITU | Andreea-Mihaela MIU | Ovidiu ANGHEL | Corneliu-Bogdan MARCU | Marius-Viorel STANCIU |
| Endorsed, | | Elaborated, | | |
| Director, DJC Adina DAVID | Manager, DCSJ Alina-Elena FILIPOIU | Director, UEFA Ana-Iuliana DINU | f. DC Manager Georgiana-Beatrice STEFAN – Head of BCC | |

CNTEE Transelectrica SA
Company managed under two-tier system

Stand-alone financial statements
as of and for the financial year ended on
December 31, 2020

Elaborated in accordance with
Order 2844/2016 of the Minister of Public Finance
with later amendments and additions
approving the Accounting Regulations
compliant with the International Financial Reporting Standards

CNTEE Transelectrica SA

Stand-alone financial position statement on December 31, 2020

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

| | <u>Note</u> | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--------------------------------------------------------------------------|-------------|--------------------------|--------------------------|
| Assets | | | |
| Non-current assets | | | |
| Tangible assets | 5 | 3,560,861,042 | 3,439,577,805 |
| Assets of the usage rights for leased assets - buildings | 6 | 37,773,137 | 6,328,685 |
| Intangible assets | 6 | 6,976,600 | 23,437,440 |
| Financial assets | 6 | 81,742,973 | 81,500,833 |
| Total non-current assets | | 3,687,353,752 | 3,550,844,763 |
| Current assets | | | |
| Inventories | 7 | 38,401,417 | 37,519,731 |
| Trade and other receivables | 8 | 847,936,655 | 706,350,248 |
| Other financial assets | 10 | - | 85,000,000 |
| Cash and cash equivalents | 9 | 554,003,528 | 320,768,647 |
| Income tax to be recovered | 16 | 1,221,663 | - |
| Total current assets | | 1,441,563,263 | 1,149,638,626 |
| Total assets | | 5,128,917,015 | 4,700,483,389 |
| Shareholders' equity and liabilities | | | |
| Shareholders' equity | | | |
| Share capital, of which: | | 733,031,420 | 733,031,420 |
| - Subscribed share capital | | 733,031,420 | 733,031,420 |
| Share premium | | 49,842,552 | 49,842,552 |
| Legal reserves | | 137,532,865 | 129,096,113 |
| Revaluation reserves | | 841,699,025 | 922,454,926 |
| Other reserves | | 17,441,687 | 15,771,718 |
| Retained earnings | | 1,610,888,457 | 1,433,931,608 |
| Total shareholders' equity | 11 | 3,390,436,006 | 3,284,128,337 |
| Non-current liabilities | | | |
| Long term deferred revenues | 12 | 352,028,637 | 360,641,212 |
| Borrowings | 13 | 101,671,268 | 122,835,499 |
| Other loans and assimilated liabilities – Building leasing – non-current | 15 | 30,531,904 | - |
| Deferred tax liability | 16 | 118,078,330 | 136,853,805 |
| Employee benefits obligations | 14 | 72,641,000 | 63,711,459 |
| Total non-current liabilities | | 674,951,139 | 684,041,975 |

The attached notes are integrant parts of these stand-alone financial statements.

CNTEE Transelectrica SA

Stand-alone financial position statement on December 31, 2020

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

| | <u>Note</u> | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-------------------------------------------------------------------------|-------------|-----------------------------|-----------------------------|
| Current liabilities | | | |
| Trade and other liabilities | 15 | 887,977,288 | 556,477,615 |
| Other loans and assimilated liabilities - Leasing of building - current | 15 | 7,416,569 | 6,328,098 |
| Other tax and social security liabilities | 18 | 17,011,429 | 8,752,115 |
| Borrowings | 13 | 24,709,805 | 55,566,735 |
| Provisions | 15 | 97,561,542 | 70,017,850 |
| Short term deferred revenues | 12 | 28,853,237 | 37,209,745 |
| Income tax payable | 16 | - | -2,039,081 |
| Total current liabilities | | <u>1,063,529,870</u> | <u>732,313,077</u> |
| Total liabilities | | <u>1,738,481,009</u> | <u>1,416,355,052</u> |
| Total shareholders' equity and liabilities | | <u>5,128,917,015</u> | <u>4,700,483,389</u> |

These stand-alone financial statements were approved by the Company's management on 19 March 2021 and signed on its behalf by:

DIRECTORATE,

| | | | | |
|-------------------------|--------------------------------|--------------------------|-----------------------------------|----------------------------------|
| Chairman | Member | Member | Member | Member |
| Catalin NITU | Andreea-Mihaela MIU | Ovidiu ANGHEL | Corneliu-Bogdan MARCUS | 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 are integrant parts of these stand-alone financial statements.

CNTEE Transelectrica SA

Stand-alone profit and loss account for the financial year ended on December 31, 2020

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

| | Note | 2020 | 2019 |
|-------------------------------------------------------|-------------|------------------------|------------------------|
| Revenues | | | |
| Transmission revenues | | 1,035,250,114 | 1,081,980,781 |
| Revenues from system services | | 795,026,206 | 741,693,479 |
| Revenues regarding the balancing market | | 494,999,492 | 523,104,001 |
| Other revenues | | 42,119,650 | 50,932,248 |
| Total revenues | 19 | 2,367,395,462 | 2,397,710,509 |
| Operational expenses | | | |
| System operation expenses | 20 | (309,845,522) | (351,742,734) |
| Expenses regarding the balancing market | 20 | (494,999,492) | (523,104,001) |
| Expenses regarding technological system services | 20 | (566,016,094) | (676,467,560) |
| Amortisement | | (267,864,639) | (280,042,435) |
| Personnel expenses | 21 | (278,965,090) | (209,931,878) |
| Repairs and maintenance | | (97,964,964) | (101,597,713) |
| Materials and consumables | 22 | (7,645,879) | (8,520,744) |
| Other operational expenses | 22 | (170,343,923) | (130,474,874) |
| Total operational expenses | | (2,193,645,603) | (2,281,881,939) |
| Operational profit | | 173,749,859 | 115,828,570 |
| Financial revenues | | 9,794,414 | 9,722,480 |
| Financial expenses | | (14,809,236) | (18,470,590) |
| Net financial result | 23 | (5,014,822) | (8,748,110) |
| Result before income tax | | 168,735,037 | 107,080,460 |
| Income tax | 16 | (28,841,908) | (11,049,503) |
| Result of the year | | 139,893,129 | 96,030,957 |
| Basic result and diluted per share (Lei/share) | 17 | 1.908 | 1.310 |

The attached notes are integrant parts of these stand-alone financial statements.

CNTEE Transelectrica SA

Stand-alone profit and loss account for the financial year ended on December 31, 2020

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

| | <u>Note</u> | <u>2020</u> | <u>2019</u> |
|---------------------------------------------------------------------------------|-------------|--------------------|--------------------|
| Result of the year | | 139,893,129 | 96,030,957 |
| Other comprehensive revenue | | | |
| Elements which will not be reclassified into profit and loss account, of which: | | | |
| - Taxation effect related to the revaluation reserve | 16 | 534,309 | (83,677,369) |
| - Surplus/(reduction) from revaluation of tangible assets | 5 | (1,069,585) | 525,101,307 |
| - Actuarial (losses)/gains of the defined benefit plan | 14 | 999,668 | (11,439,728) |
| Other comprehensive revenue (AERG) | | 464,392 | 429,984,210 |
| Total comprehensive result | | 140,357,521 | 526,015,167 |

These stand-alone financial statements were approved by the Company's management on 19 March 2021 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 are integrant parts of these stand-alone financial statements.

CNTEE Transelectrica SA

Stand-alone statement of changes into shareholders' equity for the financial year ended on December 31, 2020

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

| | Share capital | Share premium | Legal reserves | Revaluation reserves | Other reserves | Retained earnings | Total |
|------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------|--------------------|----------------------|---------------------|----------------------|----------------------|
| Balance on January 1, 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 | | | | | | | |
| Profit of the year | - | - | - | - | - | 96,030,957 | 96,030,957 |
| Other comprehensive revenue, of which: | | | | | | | |
| Recognition of actuarial losses of the defined benefit plan | - | - | - | - | - | (11,439,728) | (11,439,728) |
| Surplus from revaluation of tangible assets | | | | 525,101,307 | | | 525,101,307 |
| Deferred tax liability related to the revaluation reserve | | | | (83,677,369) | | | (83,677,369) |
| Total other comprehensive revenue | - | - | - | 441,423,938 | - | (11,439,728) | 429,984,210 |
| Total comprehensive revenue of the period | - | - | - | 441,423,938 | - | 84,591,229 | 526,015,167 |
| Alte elemente | | | | | | | |
| Transfer of revaluation reserves into retained earnings | - | - | - | (41,554,660) | - | 41,554,660 | - |
| Indexation of legal reserve | - | - | 5,354,023 | - | - | (5,354,023) | - |
| Other elements | | | | | | 7 | 7 |
| Total other elements | - | - | 5,354,023 | (41,554,660) | - | 36,200,643 | 7 |
| Contributions from and distributions to shareholders | | | | | | | |
| Derecognition of assets like public domain by registering HGs 615, 682 and 683 of 2019 changing the inventory of assets from the public domain | | | | | (54,442,106) | | (54,442,106) |
| Subsidies for assets in the state public domain | - | - | - | - | 3,549,779 | | 3,549,779 |
| Distribution of special dividends acc. to GO 29/2017 | - | - | - | - | - | - | - |
| Total contributions from and distributions to shareholders | - | - | - | - | (50,892,326) | - | (50,892,326) |
| Balance on December 31, 2019 | 733,031,420 | 49,842,552 | 129,096,113 | 922,454,926 | 15,771,718 | 1,433,931,608 | 3,284,128,337 |

These stand-alone financial statements were approved by the Company's management on 19 March 2021 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 are integrant parts of these stand-alone financial statements.

CNTEE Transelectrica SA

Stand-alone statement of changes into shareholders' equity for the financial year ended on December 31, 2020

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

| | Share capital | Share premium | Legal reserves | Revaluation reserves | Other reserves | Retained earnings | Total |
|-----------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------|--------------------|----------------------|-------------------|----------------------|----------------------|
| Balance on January 1, 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 year | - | - | - | - | - | 139,893,129 | 139,893,129 |
| Other comprehensive revenue, of which: | | | | | | | |
| Recognition of actuarial profit of the defined benefit plan | - | - | - | - | - | 999,668 | 999,668 |
| Surplus from revaluation of tangible assets | | | | (1,069,585) | | | (1,069,585) |
| Deferred tax liability related to the revaluation reserve | | | | 534,309 | | (534,309) | - |
| Transfer of revaluation reserve into retained earnings*) | - | - | - | (80,221,592) | - | 80,221,592 | - |
| Total other comprehensive revenue | - | - | - | (80,756,868) | - | 80,686,951 | (69,917) |
| Total comprehensive revenue of the period | - | - | - | (80,756,868) | - | 220,580,080 | 139,823,212 |
| Other elements | | | | | | | |
| Indexation of legal reserve | - | - | 8,436,752 | - | - | (8,436,752) | - |
| Other elements | | | | 967 | | (971) | (4) |
| Total other elements | - | - | 8,436,752 | 967 | - | 8,437,723 | (4) |
| Contributions from and distributions to shareholders | | | | | | | |
| Derecognition of assets like public domain by registering GD 615, 682 and 683 of 2019 changing the inventory of assets from the public domain | | | | | | | |
| Subsidies for the assets belonging in the state public domain | - | - | - | - | 1,669,969 | | 1,669,969 |
| Distribution of dividends | - | - | - | - | | (35,185,508) | (35,185,508) |
| Total contributions from and distributions to shareholders | - | - | - | - | 1,669,969 | (35,185,508) | (33,515,539) |
| Balance on December 31, 2020 | 733,031,420 | 49,842,552 | 137,532,896 | 841,699,025 | 17,441,687 | 1,610,888,457 | 3,390,436,006 |

*) The presentation has been revised

These stand-alone financial statements were approved by the Company's management on 19 March 2021 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 are integral parts of these stand-alone financial statements.

CNTEE TRANSELECTRICA SA

Stand-alone cash flow statement for the financial year ended on December 31, 2020

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

| | 2020 | 2019 |
|--------------------------------------------------------------------------|----------------------|----------------------|
| Cash flows from operational activities | | |
| Profit of the period | 139,893,129 | 96,030,957 |
| Allowances for: | | |
| Income tax expense | 28,841,908 | 11,049,503 |
| Amortisement expenses | 267,864,639 | 271,604,189 |
| Allowances for impairment of trade receivables | 1,364,509 | 5,886,952 |
| Reversal of allowances for impairment of trade receivables | (2,326,859) | (10,022,239) |
| Losses from sundry debtors | - | 9,348,236 |
| Net expenses/revenues with allowances for impairment of sundry debtors | 4,363,791 | (3,532,594) |
| Net expense with allowances for impairment of inventories | 4,356,234 | 23,533 |
| Profit/loss from sales of tangible assets, net | 419,547 | 355,075 |
| Net expenses with allowances regarding tangible assets | 8,952,622 | 10,379,746 |
| Net expenses/revenues regarding provisions for risks and expenses | 34,937,148 | (27,573,150) |
| Interest expense, interest revenue and unachieved foreign exchange gains | 5,539,881 | 8,963,825 |
| Cash flows before changes in the current capital | 494,206,549 | 372,514,033 |
| Changes in: | | |
| Clients and assimilated accounts - energy and other activities | (84,992,281) | 64,518,111 |
| Clients - balancing | (44,715,053) | 267,343,351 |
| Clients - cogeneration | (20,003,519) | 24,101,041 |
| Inventories | (881,686) | (2,751,053) |
| Trade and other liabilities - energy and other activities | 261,689,861 | (73,072,832) |
| Liabilities - balancing | 62,723,646 | (305,758,251) |
| Liabilities - cogeneration | (20,749,654) | (38,140,600) |
| Liabilities paid as per ANAF's taxation decision | - | (2,761,870) |
| Other loans and assimilated liabilities - Leasing of building | 31,241,689 | - |
| Other tax and social security liabilities | 8,259,314 | (1,300,341) |
| Deferred revenues | (15,299,114) | (29,083,200) |
| Cash flows from operational activities | 671,479,752 | 275,608,389 |
| Interest paid | (6,913,071) | (8,855,144) |
| Income tax paid | (47,392,337) | (15,624,705) |
| Net cash generated by operational activities | 617,174,344 | 251,128,540 |
| Cash flows used in investments | | |
| Procurements of tangible and intangible assets | (375,448,615) | (241,681,743) |
| Participation titles held with Joint Allocation Office SA | - | (1,231,923) |
| Participation titles held with SELENE CC Societe Anonyme | (242,140) | - |
| Proceeds from disposal of tangible assets | - | 12,001 |
| Cashed interest | 7,152,543 | 4,965,912 |
| Dividends cashed | 1,769 | 133,774 |
| Other financial assets | 85,000,000 | (85,000,000) |
| Net cash used for investments | (283,536,443) | (322,801,979) |

The attached notes are integrant parts of these stand-alone financial statements.

CNTEE Transelectrica SA

Stand-alone statement of cash flows in the financial year ended on December 31, 2020

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

| | | |
|---------------------------------------------------------------|----------------------|----------------------|
| Cash flows used in financing | | |
| Repayment of non-current loans | (24,858,399) | (52,214,572) |
| Utilisation of cogeneration credit line | - | 29,540,187 |
| Repayment of cogeneration credit line | (29,540,187) | - |
| Payments – Leasing of building | (10,394,399) | - |
| Dividends paid | (35,610,035) | (67,042,208) |
| Net cash used in financing | (100,403,020) | (89,716,593) |
| Net increase/(diminution) of cash and cash equivalents | 233,234,881 | (161,390,032) |
| Cash and cash equivalents on January 1 | 320,768,647 | 482,158,679 |
| Cash and cash equivalents at year-end | 554,003,528 | 320,768,647 |

These stand-alone financial statements were approved by the Company's management on 19 March 2021 and signed on its behalf by:

DIRECTORATE,**Chairman****Catalin
NITU****Member****Andreea-Mihaela
MIU****Member****Ovidiu
ANGHEL****Member****Corneliu-Bogdan
MARCUS****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 are integrant parts of these stand-alone financial statements.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

1. DESCRIPTION OF ACTIVITY AND GENERAL INFORMATION

The main activity of CNTEE Transelectrica SA ("Company") consists in: provision of electricity transmission services and of system services, operator of the balancing market, administrator of the bonus type support scheme, other associated activities. They are performed in accordance with the provisions of operational licence 161/2000 issued by ANRE, updated by ANRE Decision 571/08.04.2020, with the General terms associated to the licence, approved by ANRE Order 104/2014 and with the final Company certification as transmission and system operator of the National Power System, according to the ownership unbundling model under ANRE Order 164/07.12.2015.

The headquarters are located in: Blvd. General Gheorghe Magheru 33, Bucharest 1. For the time being the Company's executive branch performs in the working location situated in Str. Olteni 2-4, Bucharest 3.

The stand-alone financial statements of 31 December 2020 elaborated in accordance with Order 2844/2016 of the Minister of Public Finance approving the Accounting regulations compliant with the International Financial Reporting Standards with later amendments, are available at the Company's working location in Str. Olteni 2-4, Bucharest 3.

Since 2006 Company shares have been transacted on the Bucharest Stock Exchange under TEL symbol.

In accordance with the Decision of the Shareholders' General Extraordinary Assembly of 18 July 2012 the Company changed from the unilateral to the two-tier management system in order to mark clear distinction of management from control activities. Thus the Company is managed by a Directorate, under surveillance of a Supervisory Board.

Company establishment

In accordance with Governmental Decision ("HG") 627 on reorganising the National Electricity Company SA ("Predecessor entity"), issued on 31 July 2000 by Romania's Government, it has been separated into four new entities ("Successor entities"). The single shareholder of Successor entities was the Romanian State, by means of the Ministry of Economy ("ME"). CNTEE Transelectrica SA was established after such reorganisation as joint stock company with main business of electricity transmission and dispatch, organisation and management of the electricity market.

As provided in Note 11, on 31 December 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 having 4,753,567 shares (6.49%), other legal person shareholders holding 16,305,068 shares (22.24%) and other natural person shareholders having 5,216,510 shares (7.11%).

In accordance with Governmental Emergency Ordinance (OUG) 68/2019 establishing certain 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 exercise of rights and performance of duties ensuing from the state's shareholder capacity in the National Power Grid Company Transelectrica SA is performed by the Secretariat General of the Government.

On 14.11.2019 the Central Depository SA registered the transfer of 43,020,309 shares (representing 58.68% 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, following application of the provisions from Governmental Emergency Ordinance 68/2019 establishing certain measures for public central administration and amending and adding certain norms.

Company mission

The mission of the Company is to provide safe secure operation of the National Power System (SEN), while observing the norms and performance included in applicable technical regulations and provision of public services for all users of electricity transmission networks under transparent non-discriminatory balanced conditions for all market participants.

Other information related to Company activities

The participation of Transmission System Operators (TSO) from Europe under ENTSO-E is regulated in the applicable European legislation (Regulation 943/2019 on the internal electricity market (reformation of Regulation 714/2009 on the network access for cross-border electricity exchanges)): *"All transmission system operators cooperate at community level by means of ENTSO of electricity, with a view to promote the completion and operation of the internal electricity market and cross-zonal trade, as well as to have coordinated operation and sound technical development of the European electricity transmission network"*.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

1. DESCRIPTION OF ACTIVITY AND GENERAL INFORMATION (continued)

The capacity of ENTSO-E member held by CNTEE Transelectrica SA is an essential prerequisite for its access to decision-making processes regarding the European legislation in the domain and for the defence and support of Company interests by means of activities / projects carried out within the association and the European Commission.

ENTSO-E was established in 2009 as non-profit association seated in Brussels, by clustering the European TSO associations organised according to synchronously interconnected regions (UCTE, ETSO, BALTSO, NORDEL, UKTSOA and ATSOI). Since October 2004 Transelectrica has become a partner of electricity transmission companies of all Europe as member in UCTE, ETSO association and as of 2009 it is member of ENTSO-E, the Romanian power system being included in the Regional Group Continental Europe.

CNTEE Transelectrica SA is affiliated member of the following international organisations:

| | |
|---------|----------------------------------------------------------------------|
| ENTSO-E | - European Network of Transmission System Operators for Electricity; |
| CIGRE | - International Council of Large High Voltage Networks; |
| LWA | - International Live Work Association. |

CNTEE Transelectrica SA is answerable for the safe reliable efficient operation of SEN, complying with the provisions of EU Directive 54/2003, article 9.

On 12 May 2020, the credit rating agency Moody's Investors Service published their updated credit opinion assessing the current and future capability of Transelectrica to meet its payment liabilities to creditors. The current credit opinion maintains the Company's rating of the previous year, namely **positive Ba1**.

The quality of the Company's credit (positive Ba1) is supported by:

- (1) consistent implementation of key principles in a regulatory regime that supports credit rating, up to the last quarter;
- (2) its low business risk profile as a monopoly holder in Romania, being the transmission grid operator;
- (3) its sound financial profile, being able to comply with the financing agreement established by the creditor banks.

This qualification is one notch above the sovereign rating (BBB-/stable).

Transelectrica' Ba1 rating outlook is positive, mirroring Moody's expectations of continuing to consistently implement the regulatory framework over the current period and maintaining a strong financial profile of the Company.

Legislative environment

Activities in the energy sector are regulated by the National Regulatory Authority in the Energy domain ("ANRE"), public autonomous institution that is active in: elaboration, approval of and monitoring the application of all compulsory regulations nation-wide required for the operation of the electricity, heat and natural gas sector and market under efficient competitive transparent conditions, while also providing consumer protection.

ANRE has the following attributions and competence in the sector of electricity and heat produced by cogeneration: granting, suspending or withdrawing permits and licences, elaborating and approving the tariff calculation methodologies and regulated prices, approving tariffs and regulated prices, establishing framework contracts, approving technical and commercial regulations etc.

ANRE establishes tariffs for electricity transmission and for system services. Consequently the decisions taken by ANRE can have significant effects over Company activities.

The Company's operational activities are performed under licence 161/2000 issued by ANRE for electricity transmission and provision of system services, valid until 2025, updated by ANRE Decision 641/25.04.2018 and the General terms associated to the licence approved under ANRE Order 104/2014, with later amendments and additions.

Taking into account that Company activities and revenues are regulated by ANRE, the most important risks associated to this side are as follows:

- The regulatory framework is quite recent and subject to permanent changes, which can impact the Company's performance;
- ANRE decisions with respect to future tariffs to be passed can impact Company activities.

The attached notes are integrant parts of these stand-alone financial statements.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

1. DESCRIPTION OF ACTIVITY AND GENERAL INFORMATION (continued)

Final certification of Transelectrica in the capacity of TSO for SEN, according to the ownership unbundling model

In accordance with the provisions of the Electricity and natural gas law 123/2012, with later amendments and additions, the National Regulatory Authority in the Energy domain (ANRE) by Order 164/07.12.2015 approved the certification of the National Power Grid Company Transelectrica SA as transmission and system operator of the National Power System according to the ownership unbundling model.

The ownership unbundling model became available to the Company under Law 123/2012 on electricity and natural gas, which is transposing Directive 2009/72/EC.

ANRE Order 164/07.12.2015 accompanied by Notice C (2015) 7053 final/12.10.2015 of the European Commission as integral part of the Order, was published in Romania's Official Gazette 908/08.12.2015 and, together with its Approval report, is transmitted by ANRE to the European Commission.

This order applies the provisions of the European Union's and national legislation with respect to the certification of the transmission and system operator.

The certification notification was transmitted to the European Union that published it in EU's Journal on 08.01.2016, in accordance with article 10 para (2) of Directive 2009/72/EC.

Tariffs for electricity transmission and system services

Electricity transmission is an activity of general interest in the electricity domain, licensed and monitored by a public authority (public service), with natural monopoly nature. Tariffs charged by the Company for its transmission and system services are established and approved by ANRE (see Note 25).

2020 is the first in a series of five consecutive years constituting the fourth period of multiannual tariff regulation for electricity transmission (1 January 2020 - 31 December 2024). The main coordinates of this regulatory period were established by ANRE based on the specific regulatory framework, namely the methodology establishing the electricity transmission tariff. Compared to the previous methodology forms based on which the tariffs were established in the previous regulatory period (1 July 2014 - 30 June 2019) and in the transition period from the previous regulatory period to the current regulatory period (1 July 2019 - 31 December 2019), the applicable methodology setting tariffs within the fourth regulatory period has not undergone substantial changes.

Regarding the fundamental aspects of the methodology (how regulated income is constituted and its main elements, recovery of operating costs, recovery and remuneration of capital invested in regulated assets, presence and nature of incentives, how to collect regulated income), they remained unchanged ensuring the continuity and predictability of the regulatory framework. Detailed tariff settings for the entire current multi-annual regulatory period were initially set in 2019.

During 2020, in accordance with the applicable methodology, a revision of the previously approved period coordinates took place. This revision was also necessary in view of the changed tariff configuration in the sense of merging the transmission tariff with the functional services (system services) tariff. The merging of the two mentioned tariffs took place through the absorption in the transmission tariff of the tariff for functional services (system services). Thus, it was necessary to revise the initial start-up (Regulated Asset Base) and approved cost scheduling settings for the regulatory period, to include assets and costs related to functional system services in the start-up settings and in the multi-year scheduling of the fourth regulatory period. Previously, the planning of costs related to the functional system services was reviewed and annually established upon approval of the functional system services tariff, the previous methodology not providing for the establishment and approval of a multi-annual planning for these costs.

In addition to merging the two tariffs mentioned above, in the process of revising the coordinates of the regulatory period, certain elements initially approved for transmission, such as the investment plan (slightly revised downwards to correct a technical error produced in the initial establishment of the schedule - programme values were initially reported in nominal terms, to schedule being necessary to adjust the values initially reported by extracting the estimated inflation for the regulatory period), the value of the Regulated Asset Base on 1 January 2020 (revised based on investments actually made in the H2 2019), starting point and the efficiency curve required for the controllable operating and maintenance costs subject to efficiency (the starting point was revised by including the costs incurred in H2 2019 in the multi-annual historical average and by removing from the multi-annual historical average certain costs that were reclassified as uncontrollable during the fourth regulatory period, the efficiency curve was reduced from 1.5% to 1.0%), the forecast price of electricity purchase to cover technical losses in the transmission grid (revised by indexation with inflation achieved in H2 2019).

1. DESCRIPTION OF ACTIVITY AND GENERAL INFORMATION (continued)

The attached notes are integral parts of these stand-alone financial statements.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

Regulated asset base ("RAB")

The transmission tariff is determined relying, among others, on the regulated asset base. Such base includes the net value of tangible and intangible assets corresponding to the Company's private domain and the net value of assets belonging in the state public domain, fully financed from one's own sources recognised by ANRE and used in the provision of electricity transmission services.

In 2020, the regulated rate of return of assets for electricity transmission, expressed in actual terms before taxation, had the following values:

- 6.90% established in the Electricity and natural gas law (according to the amendments made by GEO 19/2019) and applied between 1 January - 30 April 2020;
- 5.66% established by ANRE and applied between 1 May - 12 May 2020;
- 6.39% established by ANRE and applied between 13 May - 31 December 2020;

In comparison with the value of 6.39% applied starting with 13 May 2020, ANRE regulations established an incentive for new investments made in the electricity transmission grid by granting a supplement - the value of the regulated rate of return, in the amount of one percentage point. Thus, the new investments made in the electricity transmission grid starting with 13 May 2020 are remunerated with a regulated rate of return in the total amount of 7.39%.

At the beginning of 2020, the RAB value related to electricity transmission (after including the assets related to the functional system services following the merging of the two tariffs), established by ANRE based on the investments made by CNTEE Transelectrica SA in the third regulatory period and based on the investments made in the transitional tariff interval - H2 2019 - is about 2,616 mill Lei. Investments made means completed investments, namely commissioned facilities and recorded as fixed assets in the Company's accounting records.

The total volume of investments approved for the fourth regulatory period is approx. 1,587 mill Lei. With regard to it, it was predicted that a part in the amount of approx. 644 mill Lei, representing about 40% of the totally approved investment volume will be financed from non-reimbursable European funds and from the revenues obtained by Transelectrica from the allocation of cross-border interconnection capacity. Thus, in the programming of the Regulated Asset Base for the fourth regulatory period, a volume of 943 mill Lei was included, representing about 60% of the totally approved investment volume, namely the part of the totally approved investment volume that is estimated not to be financed from the non-reimbursable sources mentioned above.

Transelectrica was included in the local and international stock exchange indexes

As of 29.08.2006 the shares issued by Transelectrica are transacted on the regulated market managed by the BVB, in category I under TEL symbol. Transelectrica shares are included in the BET index [showing the development of the 10 most transacted Companies on the regulated market managed by BVB, excluding the financial investment companies (SIFs)]. Transelectrica has been also included in the local BET-XT, BET-NG, BET-XT-TR, BET Plus, BET-TR, BET-BK, and ROTX indexes.

Beginning with 5 January 2015 the Company was included in the Premium category of the regulated market managed by BVB.

Company revenues

The main activities that generate revenues for the Company are represented by the provision of the following services:

- Electricity transmission services;
- System services (technical operational management of SEN);
- Operator of the balancing market.

Electricity transmission services

Transmission services consist in secured transmission of electricity under efficient safe conditions between two or more points of the electricity transmission grid ("RET"), while observing the applicable performance standards.

The Company provides non-discriminatory regulated access of all participants on the electricity market. Transmission activities are carried out by means of eight territorial transmission units seated in: Bucharest, Bacau, Cluj, Craiova, Constanta, Pitesti, Sibiu and Timisoara.

Electricity transmission activities performed by Transelectrica consist in providing technical conditions and maintaining RET parameters when electricity is injected into / taken from RET.

1. DESCRIPTION OF ACTIVITY AND GENERAL INFORMATION (continued)

The attached notes are integrant parts of these stand-alone financial statements.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

System services

The Company has the task to maintain the national power system in permanent operation under safe conditions while observing the quality standards provided in the technical code of the electricity transmission grid. To this effect the Company uses its own sources called functional system services and procures technological system services from electricity producers. CNTEE Transelectrica SA provides such services by using dispatcher management systems based on a tariff regulated and approved by ANRE, which is applied to the same base - electricity delivered to consumers - and it includes the system service tariff, which includes the one for functional system services.

Technological system services are procured from producers according to a competitive procedure regulated by ANRE, upon request of CNTEE Transelectrica SA in order to maintain the safe operation of SEN and the quality of transmitted electricity, at parameters provided in applicable legislation. CNTEE Transelectrica SA re-invoices the entire value of system services procured from producers (except for the active energy component to cover RET losses) to electricity suppliers licensed by ANRE as they benefit of such services in the end.

Functional system services refer to dispatching services provided by CNTEE Transelectrica SA consisting in the operational planning and management of SEN, as well as the other activities performed by CNTEE Transelectrica SA with a view to balance in real time the output with consumption in order to safely cover electricity consumption with least costs while maintaining the safe operation of SEN.

Operator of the balancing market

In accordance with the provisions of the Commercial code of the wholesale electricity market, the balancing market was introduced and began operating in Romania in July 2005. Beginning with 01.09.2018, the balancing market operation is regulated by the Regulation to calculate and settle imbalances of balancing responsible parties and the Regulation on the operation and settlement of the balancing market approved by ANRE Order 31/31.01.2018, published in Romania's Official Gazette 166 bis/22.02.2018. The purpose of this market is to provide a balanced electricity generation - consumption in real time, using the resources provided under a competitive system.

CNTEE Transelectrica SA is the operator of the balancing market that, based on ANRE-approved procedures and regulations should approve the registration of licence holders participating on the national electricity market, and also collect, verify and process all offers and make settlements.

High efficiency cogeneration

Beginning with 1 April 2011 CNTEE Transelectrica SA is the administrator of the support scheme to promote high efficiency cogeneration. The objective of such support scheme is to promote electricity production systems under high efficiency cogeneration, having the benefit of electricity generated with low pollutant emissions. The purpose is to facilitate market accession of systems producing under high efficiency cogeneration by providing a cogeneration bonus, since the costs of electricity and heat production in cogeneration power plants are higher than the market prices of the two forms of energy. The scheme is dedicated to the electricity and heat producers that hold or commercially operate high efficiency cogeneration centres with a view to stimulate new investments into cogeneration systems and to refurbish existing plants. The actual application of the support scheme in Romania occurred on 1 April 2011, when the National Regulatory Authority in the Energy domain (ANRE) issued the regulatory framework necessary in the application of such scheme.

The support scheme to promote high efficiency cogeneration represents one of the mechanisms developed in the European Union (EU) in order to enable each member state to reach the targets of reducing greenhouse gas emissions (by reducing the amount of primary energy necessary to generate such quantities of processed energy - electricity and heat - compared to distinct generation).

The bonus type support scheme was instituted in Romania by HG 219/2007 promoting cogeneration based on useful thermal power (transposing EC Directive 8/2004) implemented by HG 1215/2009 establishing the criteria and conditions necessary to implement the support scheme to promote high efficiency cogeneration based on the demand of useful heat, for electricity producers with installed capacity above 1 MW.

The support mechanism was endorsed by European Commission Decision C(2009)7085, amended by Decision C(2016)7522 final. In accordance with such decisions the state aid is operation type, with a view to cover the difference between costs and revenues of electricity and heat produced under high efficiency cogeneration, providing profitability of maximum 9%.

The bonus type support scheme is thus meant to sustain and promote electricity and heat production systems under high efficiency cogeneration, thus stimulating new investments into cogeneration technologies and replacement / refurbishment of existing installations.

1. DESCRIPTION OF ACTIVITY AND GENERAL INFORMATION (continued)

The attached notes are integrant parts of these stand-alone financial statements.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

The scheme is applied to electricity and heat producers under cogeneration that requested ANRE to grant them the bonus for electricity produced under high efficiency cogeneration and delivered into SEN, for the cogeneration capacities included in the list of electricity and heat producers with high efficiency cogeneration until 31 December 2016. Producers thus benefit of the support scheme for maximum 11 consecutive years but not beyond 2023, year-end when the scheme is over. The bonus is provided upon request and it represents the (Lei) quantum that generators receive for each MWh produced under high efficiency cogeneration and delivered into SEN networks, and as such is established by ANRE and calculated as the difference between total production costs of an equivalent cogeneration plant providing also high efficiency electricity output and the revenues that can be obtained by such plant using the market price of electricity, namely the unit cost of heat resulting for an equivalent thermal power plant, difference compared with the electricity delivered into SEN by the cogeneration plant.

Governmental Decision 1215/2009 establishes the legal framework in accordance with the European Union's regulations, as necessary to implement the bonus type support scheme to promote high efficiency cogeneration based on the useful heat demand, with a view to cover the difference between the electricity production cost under high efficiency cogeneration and its market sale price. ANRE approved the values of reference bonuses per mega-watt hour of electricity produced and delivered into the network from high efficiency cogeneration plants. The support scheme beneficiaries are the producers that comply with certain criteria established by ANRE.

In accordance with the provisions of article 14 from Governmental Decision 1215/2009, CNTEE Transelectrica SA has been designated as responsible for the administration of the support scheme. The main attributions of the Company in its capacity of administrator of such support scheme are represented by: collection of contributions from electricity and heat producers under high efficiency cogeneration; concluding contracts with suppliers for the collection of contributions and with the producers that will benefit from the scheme; checking the amount of the collected contribution; issuing invoices to suppliers; returning the contribution for high efficiency cogeneration to the suppliers that introduce in Romania electricity produced under high efficiency cogeneration in other member states of the European Union; monitoring and reporting to ANRE the manner in which the support scheme is managed.

The Company is also acting as state agent in the monthly collection of cogeneration contributions and monthly payment of bonuses and under such circumstances the operations associated to such support scheme do not influence the revenue and expense accounts, except for one's own administration expenses recognised by ANRE to carry on the support scheme, which are self-invoiced.

On 08.12.2016 Governmental Decision 925 was issued amending and adding HG 1215/2009 establishing the criteria and conditions necessary to implement the bonus type support scheme to promote high efficiency cogeneration based on the useful heat demand. The main amendments related to the following issues:

- To receive the bonus producers are obliged to be free of liabilities towards the support scheme administrator or they should conclude agreements compensating liabilities and trade receivables;
- Overcompensation is recovered in accordance with the national and European Union legislation in the state aid domain;
- Overcompensation / undue bonus remaining unpaid by the producers, which all legal steps have been made for will be recovered by including the amount into the cogeneration contribution, in accordance with the ANRE-issued methodology;
- ANRE decisions with respect to the quantum of the overcompensation and/or undue bonus are compulsory for producers and are applied in view of recovery by the support scheme administrator's issuing a decision in accordance with the applicable state aid legislation;
- The support scheme's financial closure will take place in the first semester of 2024, in accordance with the regulatory framework elaborated by ANRE.

Until the date of these stand-alone financial statements ANRE has not elaborated the regulatory framework to have the financial closure of the scheme in accordance with item 11 of HG 925/2016 amending and adding HG 1215/2009 establishing the criteria and conditions necessary to implement the bonus type support scheme to promote high efficiency cogeneration based on the useful heat demand.

HG 129/2017 adding article 8 of Governmental Decision 1215/2009 provides the cogeneration bonus under the current support scheme can be granted for maximum 11 consecutive years, but not beyond 2023.

HG 846/2018 amending and adding Governmental Decision 1215/2009 provides half-yearly adjustment of reference bonuses and prices for heat, while the values approved for the following year are also applied in November-December of the current year (in comparison with the previous situation when reference bonuses were approved annually). Thus beginning with 2019 overcompensation will be analysed using the orders approving the amounts of reference bonuses for electricity produced under high efficiency cogeneration and the reference prices of electricity and heat produced under cogeneration, orders issued by ANRE for several time intervals (January – June, July – October, November – December).

Price-coupling mechanism of electricity markets

The attached notes are integral parts of these stand-alone financial statements.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

On 19 November 2014 the 4M Market Coupling project which provides coupling the DAM (Day-Ahead Market) electricity markets of Romania, Hungary, the Czech Republic and Slovakia became operational.

In terms of the internal regulatory framework, the roles and responsibilities of involved entities, CNTEE Transelectrica SA and SC OPCOM SA, as well as operations performed under market coupling are provided in the Organisation and operation regulation of the day-ahead electricity market, while observing the market price-coupling mechanism and amending other norms regulating the day-ahead electricity market approved by ANRE Order 82/2014 (Regulation).

The target model for the day-ahead market relaying on the price-coupling principle for regions (PCR - Price Coupling of Regions) uses a singular algorithm matching the bids and establishing the price.

In case coupling is not possible on the 4M MC market the TSOs of Romania, Hungary, the Czech Republic and Slovakia can apply the fall-back procedures whereby the cross-border capacity is allocated.

Article 138 of the Regulation provides for the post-coupling process that Transmission System Operators (TSO) have the role of transfer agents for the electricity resulting from the coupling algorithm as being transferred between two adjacent bidding zones.

The electricity exchanges correlate the electricity transactions of the next day using auctions by means of the price-coupling mechanism of day-ahead markets, depending on the interconnection capacity provided by the TSO whereby it is implicitly allocated.

CNTEE Transelectrica SA in its capacity of TSO transfers electricity both by physical flows and commercially to the neighbour TSO (MAVIR, Hungary) and manages the congestion revenues on the respective interconnection (article 139 of ANRE Order 82/2014), while in relation to SC OPCOM SA it is Implicit Participant to the Day-Ahead Market.

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

Thus under the price-coupling mechanism of regional markets CNTEE Transelectrica SA:

- Performs the role of implicit participant on the DAM and has the capacity of transfer agent;
- Provides the interconnection capacity for physical delivery of electricity transacted on the DAM, namely electricity transfer from one bidding zone to another by means of interconnection lines, as their available transfer capacity is limited.

Revenues registered from congestions are monthly shared between transmission and system operators and the exchange rate differences are retained or are provided by the TSO, as applicable.

Company-wide a decision was taken that transactions associated to the price-coupling mechanism of regional markets should not impact the revenue and expense accounts, except for revenues from congestion management on interconnection lines, revenues / expenses with exchange rate differences and bank fee expenses resulting from the settlement of transactions made by the Company as transfer agent.

2. ELABORATION BASE

Statement of conformity

These stand-alone financial statements ("financial statements") have been elaborated in accordance with Order 2844/2016 of the Minister of Public Finance approving the Accounting regulations compliant with the International Financial Reporting Standards ("OMFP 2844/2016"), with later amendments and additions. In accordance with Order 2844/2016 the International Financial Reporting Standards represent standards adopted according to the procedure established in the European Commission Regulation 1.606/2002 of the European Parliament and Council of 19 July 2002 regarding the application of international accounting standards ("IFRS UE").

The Company is applying the International Financial Reporting Standards adopted by the European Union when elaborating the stand-alone financial statements of 2020 in accordance with OMF 881/2012, with later amendments and additions.

2. ELABORATION BASE(continued)

The attached notes are integrant parts of these stand-alone financial statements.

Bases of assessment

The financial statements are elaborated using historical costs, except for tangible assets, other than tangible assets underway which are assessed at revaluated amount, while liabilities associated to payment agreements based on shares with cash settlement are assessed at their fair value.

Functional and presentation currency

The financial statements are submitted in Romanian Lei ("LEI") in accordance with applicable accounting regulations, which is also the Company's functional currency.

Utilisation of estimations and opinions

Preparing the financial statements in accordance with EU IFRS means the management are using professional reasoning, estimations and assumptions that impact the application of accounting policies as well as the recognised values of assets, liabilities, revenues and expenses, assumptions regarding the fair value (see Note 4), the commitments and contingencies (see Note 25), the recognition of receivable non-reimbursable funds (see Note 12 Deferred revenues), regarding provisions for value losses of receivables (see Note 8), the liabilities associated to transactions with payment in shares and cash settlement (Note 28) and the liabilities under defined benefit plans (Note 14).

Actual results can be different from estimated values. Estimations and assumptions are periodically reviewed. The revisions of accounting estimations are recognised in the period when such estimations are reviewed, as well as in the future impacted intervals.

The information with respect to the assumptions and estimations involving significant uncertainty are included in the following notes:

- Note 12-estimation of the Company management with respect to there being sufficient assurance the terms attached to non-reimbursable funds will be complied with and funds will be received;
- Note 14- valuation of liabilities under the defined benefit plans;
- Note 25-recognition and assessment of provisions, commitments and contingencies, key assumptions about the likelihood and extent of a resource output;
- Note 28-valuation of liabilities regarding transactions with share payment and cash settlement.

Information about the reasoning in the accounting policy with respect to service concession agreements is provided in the paragraphs below.

The Company (concessionaire) concluded in 2004 a concession contract with the Ministry of Economy (conceder) according to which the Company is entitled to use public domain assets including the electricity transmission network and the lands it is installed on in exchange for the provision of electricity transmission services (see Note 3 - b).

Taking into account that most Company shares are held by the State, the Company management deems this is a public company and therefore is not compliant with the provisions of IFRIC 12 "Service concession agreements".

Taking into account there is no other international financial reporting standard specific for service concession agreements the Company considered whether it should nevertheless apply IFRIC 12 based on the hierarchy mentioned in SIC 8 "Accounting policies, changes and errors of accounting estimations", which provides to first take into account the provisions of other IFRS addressing similar issues.

Thus when considering whether to apply IFRIC 12 the Company examined whether the following characteristics of public-private type service concession agreements are applicable to its concession contract concluded with the ME on the date when IFRIC 12 should be passed:

- The conceder controls or regulates the kind of services the concessionaire has to provide in the infrastructure, whom it has to provide them to and at what price;
- The conceder controls - the benefit entitlement by the property right, or in another mode - any significant residual interest in the infrastructure at the end of the agreement term: 49 years;
- The contractual provisions may include the same provisions should the agreement be concluded with a private company.

2. ELABORATION BASE (continued)

Considering such characteristic features of public-private type service concession agreements one can find out as follows:

The attached notes are integral parts of these stand-alone financial statements.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

- The services provided by the Company are regulated by ANRE, consequently the conceder – the specific ministry – does not control or regulate the kind of services the Company has to provide;
- At the end of the contractual term the residual interest in the infrastructure is approximately zero, as most assets from the state public domain would have been fully amortised;
- For the time being there are no similar contracts and the Company holds monopoly position for electricity transmission.

The Company concluded its accounting of the concession contract as per the provisions of IFRIC 12 will not mirror the economic substance of the transaction because the Company pays annual fee as royalty for the utilisation of assets mentioned in the concession contract amounting to 1/1000 of the annual revenue achieved from electricity transmission activities, calculated depending on the actual transmitted quantity (until 11 November 2020), namely 4/1000 of the value of the gross revenues generated from electricity transmission and transit operations, through the national transmission systems, in the state's public property (starting with 12 November 2020), a fee which is significantly lower than the amortisement the Company would have registered for such assets had the concession contract not been signed.

Consequently IFRIC 12 is not applicable and the Company has applied the accounting policies described in Notes 3 (a) and (b).

3. ACCOUNTING POLICIES

The accounting policies provided in detail below have been consistently applied in all time intervals submitted in these financial statements, except for the issues shown in note 3 letter (x), which provide the changes into accounting policies.

(a) Tangible assets

One's own assets

Tangible assets, except for the tangible assets in progress of execution are provided at their revaluated value, less the accumulated amortisement and the accrued losses by impairment. Tangible assets in progress of execution are provided at cost value. The cost of assets built under one's own management includes materials, direct salaries, initial estimation, if any, disassembling, items removal costs and location recovery, and a quota for indirect expenses.

Recognition

Tangible assets are initially valued at their cost.

The cost includes expenses directly attributable to asset procurement. The cost of assets built by the entity includes:

- Cost of materials and direct personnel expenses;
- Other costs directly attributable to assets transportation in the place and condition / stage necessary for the foreseen utilisation;
- Capitalised costs of leverage;

Impairment allowances are registered in case of unused or used tangible assets.

Later expenses

The Company recognises the replacement cost of one part of an asset element in the accounting value of tangible asset items if at the time when such cost occurs it is probable the Company will generate future economic benefits associated to the element, which can be assessed in credible manner.

All the other costs are recognised in the profit and loss account whenever they occur.

Amortisement

Tangible assets are amortised using the linear method during their lifecycles as follows:

3. ACCOUNTING POLICIES (continued)

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

| | Normal operational time (years) |
|----------------------------------|------------------------------------------------|
| Buildings and special structures | 40-60 |
| Machinery and equipment | 15-40 |
| Instrumentation and control | 7-12 |
| Vehicles | 5-8 |
| Other tangible assets | 3-5 |

Lands are not amortised. Whenever the elements of a tangible asset have different lifecycles they are registered as distinct items (major components) of one asset. Asset amortisement methods, useful lifecycles and residual values are reviewed at each reporting date and adjusted, if need be.

Revaluation

The Company chose submitting tangible assets at revaluated value, except for down payments and tangible assets in progress of execution, which are provided with historical costs.

Revaluations are performed by independent valuator experts with sufficient periodicity so that accounting values are not significantly different from the value that can be determined using the fair value on the reporting date.

(b) Public domain

In accordance with the provisions of Law 213/1998 electricity transmission networks are assets making up the state public domain.

Governmental Decision 627/2000 establishes in annex 8 the inventory of real estates constituting the public state domain, taken under Company administration beginning with 1 August 2000 which are inventoried and updated whenever need be, by means of legislative deed (HG).

Before signing the concession contract provided in detail in the next paragraph, the public domain was addressed as a contribution in kind of the Romanian State through its representative the Ministry of Economy, since the Company had no fee to pay for asset utilisation.

In November 1998 Law 213/1998 was issued regulating the public domain status. This law provides the property right over public domain belongs to the state or to local authorities that can rent the public property goods or provide them under concession. In accordance with the provisions of Law 213/1998 and of Law 219/1998 the Ministry of Economy granted the transmission network to the Company on behalf of the state (high voltage lines and substations) and the lands it is installed on. Thus on 29 June 2004 concession contract 1 was concluded between the Ministry of Economy and the Company for all tangible assets of the public domain on balance on 31 December 2003 for 49 years.

In consequence of the concession contract signed with the Ministry of Economy on behalf of the Romanian State, on 29 June 2004 the relation between the latter one and the Company changed and therefore the Company proceeded to derecognising the public domain assets, including the public domain reserve from the shareholders' equity. After conclusion of the concession contract the Company treats the assets it has the usage right on as operational leasing items. Payments pertaining to the concession contract (royalty) are recognised as expenses in the profit and loss account by the Company, during the year.

Concession contract 1/2004 was published in Romania's Official Gazette 298 bis of 30 April 2015.

In the 2005-2013 interval seven addendums to the concession contract were signed. Consequently the public domain assets obtained from the development fee after 29 June 2004 have been derecognised.

Taking into account the provisions of Governmental Decision 1009/2012 and of Governmental Decision 984/2012 approving the amendment of Annex 7 to Governmental Decision 1705/2006 approving the centralised inventory of the state public domain assets given to the Company under concession, on 14.02.2013 addendum 7 to the Concession Contract 1/29.06.2004 was concluded with the Ministry of Economy after making the inventory of goods belonging in the state public domain in 2012 and the revaluation / valuation of such goods.

Governmental Decision 1032 of 11 December 2013, published in the Official Gazette 22 of 13 January 2014 approved the amendments and additions to Annex 7 of Governmental Decision 1705/2006 approving the centralised inventory of the state public domain assets, after making the inventory of goods belonging in the state public domain in 2012.

CNTEE Tranelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

3. ACCOUNTING POLICIES (continued)

Governmental Decision 615 of 05 September 2019, published in the Official Gazette 730 bis 2019 approved the amendments and additions to Annex 7 to Governmental Decision 1705/2006 approving the centralised inventory of the state public domain assets, after making the inventory of goods belonging in the state public domain in 2013-2017, but to date addendum 8 to the Concession contract 1/2004 has not been concluded.

The main terms of the concession contract are the following:

- The Ministry of Economy holds the property right over the assets under the contract;
- The Company has the right to use such assets for 49 years, from 1 June 2004 until 31 May 2053;
- The annual fee the Company pays as royalty for using such assets is established by the ME and it represents 1/1000 of the revenues achieved from electricity transmission activities, for the quantities actually transmitted;
- Assets will return to the ME holding when the contract is completed or expires; the contract can be one-sidedly terminated by any one of the parties;
- The Company is obliged to use such assets in accordance with the provisions of the concession contract and with those of the operational licence.

Beginning with 12 November 2020, Electricity Law 123/2012 provides in article 19, para 1¹): “the annual royalty for the concessions mentioned in para (1) is 0.4% and is paid by the electricity transmission operator from the gross revenues generated from electricity transmission and transit operations, through the national transmission systems, which are in the state’s public property.”

The fee paid by the Company according to the concession contract and Law 123/2012, with later amendments and additions, in 1 January – 31 December 2020 is significantly lower than the amortisement the Company would have registered had this contract been non-existent. Nevertheless the Company did not register any amount relating to this possible benefit in the financial statements because it cannot estimate what sum is paid by a third party for the use of such assets under a transaction with objective price determination.

The investments the Company has made from its own financial sources to the assets under the concession contract are capitalised and amortised during the remaining lifecycle of assets. When the investment amortisement is recovered such assets will be included in the inventory of state public domain goods.

In case of goods representing completed assets made from one’s own financial sources, they will be included in the inventory of state public domain goods when the investment amortisement has been recovered, namely upon expiry of the normal utilisation interval, of the concession or lease contract according to applicable legal provisions, under a norm passed to this effect.

(c) Intangible assets

Intangible assets procured by the Company are provided at their cost less the accumulated amortisement and the accrued losses by impairment of intangible assets. Amortisement is recognised in the profit and loss account using the linear method during the estimated lifecycle of such intangible assets. Most intangible assets registered by the Company are represented by intangible assets in progress of execution and dedicated IT programmes. They are amortised in linear mode during 3 years.

Asset amortisement methods and the useful lifecycles are reviewed at each reporting date and adjusted, if need be.

Later expenses

Later expenses are capitalised only if the Company is likely to generate future economic benefits relating to later expenses.

(d) Transactions in hard currency

Hard currency transactions are expressed in LEI by applying the exchange rate of the transaction date. Monetary assets and liabilities expressed in hard currency at year end are expressed in LEI at the exchange rate of that day. Gains and losses of the exchange rate differences, achieved or unachieved, are registered in the year’s profit and loss account. The exchange rates of 31 December 2020 and of 31 December 2019 are the following:

| Currency | 31 December 2020 | 31 December 2019 |
|----------|------------------|------------------|
| 1 EUR | 4.8694 | 4.7793 |
| 1 USD | 3.9660 | 4.2608 |

The attached notes are integrant parts of these stand-alone financial statements.

3. ACCOUNTING POLICIES (continued)

Non-monetary assets and liabilities expressed in foreign currency are valued at fair value and at the exchange rate of the transaction date.

(e) Trade receivables

Trade receivables are initially registered at fair value and later on are valued using the actual interest method, less value losses. The value loss is recognised when there is clear evidence trade receivables cannot be collected on the due date. The debtor's significant financial difficulties, the likelihood of his going bankrupt or under financial reorganisation, the late payments (beyond 180 days) are considered indications such trade receivables can require value allowances.

A value loss associated to one asset is the difference between its accounting value and the present value of future forecasted cash flows, updated using the initial actual interest rate of such asset. The accounting value is reduced using a value loss account, and the loss is registered in the profit and loss account under "Other operational expenses".

(f) Inventories

They consist of:

- Raw materials, materials, spare parts that cannot be defined as tangible assets and other consumable materials that will be used during the basic Company activities;
- Security and intervention inventories dedicated to the fast remedy of defects occurring to RET installations with a view to provide safe operation of the SEN. Such materials are registered as inventories upon procurement and are transferred to expenses when consumed or when they are capitalised, if need be.

Inventories are valued at the least value between cost and the net achievable value. The cost of consumed inventories is determined using the FIFO method which includes procurement expenses. The net achievable value is the sale price estimated during normal activities minus costs estimated for completion, if need be, and the sale expenses.

The Company policy provides registering 100% value loss for inventories older than 365 days, which will no longer be used in the future.

(g) Cash and cash equivalents

Cash and cash equivalents include pay desk, current accounts and bank deposits with initial maturity up to 3 months, which are subjected to insignificant risks of changes in their fair value.

(h) Revaluation reserves

When it has been recognised as asset a tangible asset element whose fair value can be reliably valued is accounted for at revaluated value, this being its fair value on the revaluation date less any amortisement cumulated subsequently and any losses accrued from depreciation. Revaluations are performed periodically enough to make sure the accounting value does not significantly differ from what can have been determined by using the fair value on the balance date.

If the accounting value of one asset is increased after revaluation such growth is directly registered in shareholders' equities, into the revaluation reserves. Nevertheless the increase is recognised in the profit and loss account to the extent in which such is compensating a diminution from the revaluation of the same asset previously recognised in the profit and loss account.

If the accounting value of one asset diminishes after revaluation, such decrease is recognised in the profit and loss account. Nevertheless the diminution is made by reducing the revaluation reserves to the extent in which there is a creditor balance in the revaluation surplus for such tangible asset.

The revaluation reserve included in shareholders' equity relating to a tangible asset element is directly transferred into retained earnings in proportion to the amortisement of the revaluated tangible asset and when the asset is derecognised.

Beginning with 1 May 2009 reserves from tangible assets revaluation, lands included, made after 1 January 2004, which are deducted when calculating the taxable profit by means of fiscal amortisement or of expenses regarding surrendered and/or dismantled assets are taxed at the same time with the deduction of the fiscal amortisement, namely when such non-current assets are discharged from accounts, as need be.

CNTEE Tranelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

3. ACCOUNTING POLICIES (continued)

The Company registered deferred tax for the liability regarding reserves from the revaluation of non-current assets, lands included, made after 1 January 2004.

Reserves from the revaluation of tangible assets, land included, made until 31 December 2003, as well as the revaluation part made after 1 January 2004 pertaining to the time interval by 30 April 2009 will not be taxed when transferred into retained earnings.

The Company did not register deferred tax for the liability regarding reserves from the revaluation of non-current assets, lands included, made until 31 December 2003.

Reserves from the revaluation of tangible assets are taxable in the future when the reserve destination is changed in any form, in case of Company liquidation, merger, including such being used to cover accounting losses, except for transferring the reserves related to the revaluations made after 1 January 2004 into retained earnings after 1 May 2009, which is taxed at the same time with the fiscal amortisement deduction.

(i) Depreciation of non-financial assets

Accounting values of Company's non-financial assets, others than inventories and deferred tax liabilities are reviewed on each reporting date in order to determine whether there is evidence about depreciation. A depreciation loss is recognised if the accounting value of an asset or of a cash generating unit exceeds the estimated recoverable value.

The recoverable value of an asset or of a cash generating unit is the maximum between the utilisation value and the fair value minus sale costs. When determining the utilisation value the estimated future cash flows are updated in order to determine the present value, using an updating rate before taxation which mirrors the current market valuations with respect to the time value of money and the risks specific to such asset.

To test depreciation assets that cannot be individually tested are clustered using the smallest asset group that generates cash entries from their uninterrupted utilisation and are to a large extent independent of the cash entries generated by other assets or asset groups ("cash generating unit").

Depreciation losses are recognised in the profit and loss account. Depreciation losses recognised about cash generating units are allocated prevalingly in order to reduce the accounting value of the commercial fund allocated to cash generating units (group of cash generating units), if any, then pro rata to reduce the accounting value of the other assets from the cash generating unit (group of cash generating units).

A loss from the depreciation of the commercial fund is not resumed. The depreciation loss of other assets is taken over only to the extent in which the accounting value of an asset does not exceed the accounting value that could have been determined, net of amortisement, had no depreciation been recognised.

(j) Share capital

Ordinary shares are classified as parts of shareholders' equity. Additional costs directly attributable to the issuance of ordinary shares and share options are recognised as reduction of shareholders' equity to the value net of fiscal effects.

(k) Dividends

Dividends are recognised as liabilities when the shareholder's right to receive payment is established.

(l) Trade and other liabilities

Liabilities to suppliers and other liabilities are registered at amortised cost and include the value of invoices issued by product suppliers, the providers of work and services.

(m) Interest-bearing loans

Borrowings are recognised initially at fair value, net of transaction costs. After initial recognition loans are registered at amortised cost, any difference between cost and the repayment value is recognised in the profit and loss account during the loan term based on the actual interest rate.

3. ACCOUNTING POLICIES (continued)**(n) Recognition and derecognition of non-derived financial instruments*****Non-derived financial assets***

The Company initially recognises the trade receivables on their initiation date. All the other financial assets are initially recognised on the transaction date, when the Company becomes part of the instrument's commercial conditions.

The Company derecognises a financial asset when the contractual rights over the cash flows generated of such asset expire or when the rights are transferred to collect the contractual cash flows of such financial asset by means of a transaction where the risks and benefits of the ownership right over such financial asset are significantly transferred. Any interest in the transferred financial asset that is created or kept by the Company is distinctly recognised as asset or liability.

Financial assets and liabilities are compensated, and the financial position statement provides the net value only when the Company is legally entitled to compensate values and intends either to settle them in the net base or to achieve the asset and quench the simultaneous obligation.

The non-derived financial assets of the Company are mainly represented by trade and other trade receivables and by cash and cash equivalents.

Non-derived financial liabilities

The Company initially recognises the issued liability instruments and subordinated liabilities on their initiation date. All the other liabilities (including those designated at fair value by the profit and loss account) are initially recognised on their transaction date, when the Company becomes part of the instrument's contractual conditions.

The Company derecognises a financial liability when contractual obligations are paid or are cancelled or they expire.

The Company classifies non-derived financial liabilities into other financial liabilities. Such financial liabilities are initially recognised at fair value minus any transaction costs directly attributable. After the initial recognition such financial liabilities are valued at their amortised cost using the actual interest method.

Other non-derived financial liabilities include borrowings, trade and other liabilities.

(o) Income tax

The income tax expense includes the current tax and the deferred one. The current and deferred taxes are recognised in the profit and loss account except when they relate to combinations of enterprises or to elements directly recognised into shareholders' equities or in other comprehensive revenue items.

(i) Current tax

The current tax is the tax estimated to be paid or received for the fiscal profit or loss achieved during the current year, using taxation rates taken or to a great extent adopted on the reporting date, as well as any allowance regarding the income tax payment obligations associated to previous years. The owed current income tax also includes the tax for stated dividends payable.

(ii) Deferred tax

The deferred tax is recognised for temporary differences occurring between the accounting value of assets and liabilities used for financial reports and the fiscal base used in tax calculation.

Deferred tax is not recognised for:

- Temporary differences occurring upon the initial recognition of assets and liabilities resulting from transactions which are not combinations of enterprises and do not impact the accounting or fiscal profit or loss;
- Temporary differences resulting from investments made into subsidiaries or into jointly controlled entities, to the extent in which it is likely they would not be resumed in the foreseeable future; and
- Temporary differences resulting from the initial recognition of the commercial fund.

3. ACCOUNTING POLICIES (continued)

The deferred tax is assessed showing the fiscal consequence that might ensue from the manner in which the Company is expecting, at the end of the reporting period, to recover or to settle the accounting value of its assets and liabilities.

The deferred tax is calculated using the taxation quotas that are foreseen to be applicable to the temporary differences when they are taken over, based on the applicable legislation that was adopted or to a great extent passed on the reporting date.

Trade receivables and deferred tax liabilities are compensated only if there is a legal entitlement to compensate liabilities and trade receivables using the current tax and if they pertain to taxes levied by the same fiscal authority for the same entity undergoing taxation or for different fiscal entities but which intend to settle trade receivables and liabilities by the current tax on net base or whose taxation assets and liabilities will be simultaneously achieved.

A trade liability with deferred tax is recognised for unused fiscal losses, fiscal credits and deductible temporary differences, only to the extent in which it is likely to achieve future taxable profits that can be used in order to cover the financial loss. Trade receivables with deferred tax are reviewed upon each reporting date and are diminished to the extent in which it is no more likely to achieve the associated fiscal benefit.

(iii) Exposure with respect to the income tax

The Company considers uncertain the impact of tax positions and in case additional taxes and interest rates are owed when determining the value of the current and deferred taxes. Such valuation relies on estimations and assumptions and can involve a series of professional reasons with respect to future events. New information can become available that determines the Company to change its professional reasoning with respect to the adequacy of existing fiscal obligations; such changes of fiscal obligations can have impacts over the income tax expense during the time when such determination is made.

(p) Employees' benefits***Other long-term employee benefits***

The net Company obligation with respect to long terms benefits given to employees, other than the pension plans, is the value of future benefits that employees earned in exchange for their provided services during the current period and the previous one. Such benefit is updated in order to determine its fair value, and the fair value of any related asset is deducted. These benefits are estimated using the method of the designed credit factor. Any actuarial gains or losses are recognised under other comprehensive revenue items during the interval of occurrence. Other long-term employee benefits are represented by jubilee prizes.

Transactions with share payment and cash settlement

The fair value of the liability to employees with respect to the rights to appreciate the shares settled in cash is recognised as expense in correspondence with a liability increase during the time interval when employees obtain the unconditional payment right. Until the time of liability settlement the Company should revalue the fair value of such liability on each reporting date and on settlement date, any changes in the fair value being recognised in the profit and loss account of that time interval.

The Company recognises the services received and a payment for such services, as long as employees provide the services. Certain rights of share appreciation come in force immediately and consequently employees are not asked to complete a specified office period in order to be entitled to cash payment. In such cases the Company recognises an expense on the date when the entire premium is granted.

Short term employee benefits

The obligations associated to short term benefits are evaluated on a non-updated base and are recognised as expenses as long as the services are provided. A provision is recognised at the estimated value to be paid for short term benefits as prizes or as employees' participation to profit, only if the Company has a current legal or implicit obligation to pay such amount for past services provided by employees, and such obligation can be estimated. Short term employee benefits are represented mainly by their salaries.

During normal activities the Company makes payments to the pension fund on behalf of its employees. All Company employees are members of the pension plan of the Romanian State. Such payments are included into expenses as long as employees provide the services.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

3. ACCOUNTING POLICIES (continued)

(q) Revenues

Revenues are recognised when significant risks and benefits have been transferred to the buyer, economic benefits are probable and associated costs can be accurately estimated. Revenues mainly consist of transmission service revenues, system services and the balancing market calculated depending on the volume of electricity delivered to consumers. Transmission and system tariffs are regulated by ANRE. Revenues also include the value of transactions performed on the balancing market, as also presented in Note 1.

The Romanian State through ANRE is regulating the tariffs charged by the Company for electricity transmission services and for system operator services. The Romanian State performs several roles besides the majority shareholder one and consequently it might have more comprehensive objectives and purposes than an investor whose main interest is the yield of his investment.

As also mentioned in Note 1, the Company is equally the administrator of the bonus type support scheme to promote high efficiency cogeneration. The Company is active as agent because it is involved in money collection and distribution.

Also the Company and SC OPCOM SA are involved in the price-coupling mechanism of regional markets according to ANRE Order 82/2014 (see Note 1).

Thus under the price-coupling mechanism of regional markets CNTEE Transelectrica SA:

- Performs the role of implicit participant on the DAM and has the capacity of transfer agent;
- Provides the interconnection capacity for physical delivery of electricity transacted on the DAM, namely electricity transfer from one bidding zone to another by means of interconnection lines, being limited by their available transfer capacity.

Connection fees

IFRIC 18 "Asset transfers from clients" are applied to the customer contracts where the Company collects monetary availabilities from a client when such monetary availabilities should be used only for the building or procurement of a tangible asset element, and the Company should then use such tangible asset in order to provide clients' connection to the network.

The electricity and natural gas law 123/2012, with later amendments and additions, provides in article 25 para (1) as follows: "*the access to electricity networks of public interest is compulsory service under regulated conditions, which the transmission system operator should comply with, as well as the distribution operator*".

The connection fee is a regulated rate representing the expense made by a network operator to perform connection work for a user's consumption and/or generation place to the electricity network.

Given that a client's connection to the electricity transmission network does not represent a separate component in the connection contract, the connection fees are systematically recognised in the profit and loss account during the useful life of such asset.

The Company recognises monetary availabilities cashed from the connection fee into the "Deferred revenues" account, in the financial position statement and later on it recognises the revenue under "Other revenues" under the profit and loss account, in systematic manner during the useful life of such asset.

(r) Net financing costs

Net financial costs include interest rates corresponding to borrowings, calculated using the actual interest rate method less the capitalised leverage costs as part of assets costs with long manufacturing cycles, dividend revenues, good or bad exchange rate differences, fees and risk charges.

In accordance with the reviewed SIC 23 "Leverage costs" and claiming the optional exception of retroactive application according to IFRS 1 "First time application of IFRS", the Company capitalises the costs of borrowings related to assets requiring a long time to commissioning or sale, which financing was obtained for after 1 January 2011, when IFRS were adopted.

Interest revenues are recognised in the profit and loss account of the occurrence year, using the actual interest rate method. Dividend revenues are recognised in the profit and loss account on the date when the Company's right to receive dividends is recognised.

3. ACCOUNTING POLICIES (continued)

The attached notes are integral parts of these stand-alone financial statements.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

(s) Subsidies

Subsidies related to assets are initially recognised under “deferred revenues” at their fair value when there is reasonable assurance they will be received, and the Company will comply with the terms associated to subsidies; then subsidies are recognised in the profit and loss account as operational revenues during the useful life of the asset they relate to. Non-reimbursable fund are recognised as assets as soon as there is reasonable assurance they will be received because the associated conditions have been complied with.

(t) Provisions

A provision is recognised when and only when the following conditions are complied with:

- The Company has a current (legal or implicit) obligation following a past event;
- It is likely (that is, more likely than unlikely) that resource output representing economic benefits can be necessary in order to settle such obligation;
- When accurate estimation can be made with respect to the amount of the fore-mentioned obligation.

Whenever the effect of time value of money is significant the value of one provision is the present value of expenses foreseen to be necessary to settle the obligation.

(u) Result per share

In accordance with SIC 33 “Result per share”, this result is calculated by dividing the profit or loss attributed to Company shareholders to the weighted average of ordinary shares from that period.

The weighted average of current shares during the financial year represents the number of shares at the beginning of such time interval, adjusted by the number of issued shares, multiplied with the number of months during which such shares were current during the year.

Dilution is a result diminishing per share or a growth of losses per share resulting under the assumption that convertible instruments are converted or they are issued as ordinary shares only when certain specified terms have been complied with. The object of the diluted share result is the same with the result per basic share, namely to assess the interest of each ordinary share under the performance of one entity.

(u) Contingencies

Contingent liabilities are not recognised in the attached financial statements. They are provided in case the resource output incorporating economic benefits is possible, not probable.

A contingent asset is not recognised in the attached financial statements, but is provided when an entry of economic benefits is probable.

(w) Operational segments

An operational segment is a component of an entity:

- Getting involved in activities whereby it can obtain revenues and following which it can incur expenses (including revenues and expenses related to transactions with other components of the same entity);
- Whose activity results are periodically reviewed by the entity’s main decision-maker in view of making decisions with respect to allocating resources to that segment and assets its performance; and
- Which distinct financial information is available for.

The Company performs operations in several locations of Romania, which are binding both in transmission activities and in dispatching ones. The Company management consider all operations in their entirety “a single segment”.

Operational segments are presented in coherent manner with the internal reporting provided by the entity’s main operational decision-maker in order to take decisions about allocating resources per segments and assessing its performance.

(x) Implications of the new International Financial Reporting Standards (EU IFRS)

The following new standards and amendments of existing ones issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) have not come into force yet for the annual financial reporting period ended on 31 December 2020 and therefore have not been applied in the elaboration of these financial statements: [IAS 8.30(a)]

| Norm / Interpretation | Nature of imminent change in the accounting | Possible impact over financial |
|-----------------------|---------------------------------------------|--------------------------------|
|-----------------------|---------------------------------------------|--------------------------------|

The attached notes are integrant parts of these stand-alone financial statements.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

| <i>[IAS 8.31 (a), 8.31(c)]</i> | policy <i>[IAS 8.31 (b)]</i> | statements <i>[IAS 8.31 (e)]</i> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Amendments to IAS 1 “Presentation of Financial Statements”, IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” <i>(in force for annual intervals beginning on or after 1 January 2020)</i> | The amendments for IAS 1 and IAS 8 are meant to clear up the definition of the term “significant” in order to facilitate an evaluation of the significant characteristic companies and for a relevant increase for the information presented in the note on the financial statement. | The adoption of the amendments to IAS 1 and IAS 8 did not have an impact on the 2020 stand-alone financial statements. |
| Amendments to IFRS 4 “Insurance Contracts” <i>(effective for annual periods beginning on or after 1 January 2021)</i> | Amendments to IFRS 4 extend the expiration of the temporary exemption from the application of IFRS 9 to 2023, to align the effective date of IFRS 9 with the new IFRS 17. | The adoption of the amendments to IFRS 4 will not have an impact on the stand-alone financial statements, as this standard is not applicable at the date when these financial statements are elaborated. |
| Amendments to IAS 39 “Financial Instruments: Recognition and Measurement”, IFRS 4 “Insurance Contracts”, IFRS 7 “Financial Instruments: information to be provided”, IFRS 9 “Financial Instruments” and IFRS 16 “Leasing Contracts” <i>(effective for annual periods beginning on or after 1 January 2021)</i> | The amendments provide for specific accounting treatment in order to defer over time changes in the value of financial instruments or leases that occur as a result of the replacement of the interest rate benchmark, which prevents a sudden impact on profit or loss and prevents unnecessary interruptions in hedging relationships, following the replacement of the interest rate benchmark. | The impact of the application of such standards is under assessment. |
| Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial instruments: recognition and measurement”, IFRS 7 “Financial instruments: information to be provided” <i>(in force for annual intervals beginning on or after 1 January 2020)</i> | The amendments provide for temporary and limited derogations from the hedge accounting provisions set out in IAS 39, IFRS 9, IFRS 7. | The adoption of amendments to IFRS 9, IAS 39 and IFRS 7 did not have an impact on the 2020 stand-alone financial statements. |
| Amendments to IFRS 3 “Business Combinations” <i>(effective for annual periods beginning on or after 1 January 2020)</i> | The amendments’ aim is to clarify the definition of an undertaking in order to facilitate its implementation. | The adoption of the amendments to IFRS 3 did not have an impact on the 2020 stand-alone financial statements, as this standard is not applicable at the date when these financial statements are elaborated. |
| Reference changes in the general conceptual framework in IFRS standards <i>(in force for annual intervals beginning on or after 1 January 2020)</i> | The purpose of the changes is to update existing references to previous frameworks, replacing them with references to the revised conceptual general framework, from several standards and interpretations (IFRS 2 “Share-based payment”, IFRS 3 “Business combinations”, IFRS 6 “Exploration and evaluation of mineral resources”, IAS 1 “Presentation of financial statements”, IAS 8 “Accounting policies, changes in accounting estimates and errors”, IAS 34 “Interim financial reporting”, IAS 37 “Provisions, contingent liabilities and contingent assets”, IAS 38 “Intangible fixed assets”, IFRIC 12 “Service concession commitments”, IFRIC 19 “Financial debt settlement with equity instruments”, IFRIC 20 “Discovery costs during the production of a surface mine”, IFRIC 22 “Foreign exchange transactions and prepayments”, SIC 32 “Intangible assets - Costs associated with creation of websites” | The adoption of these amendments did not have an impact on the 2020 stand-alone financial statements. |

The attached notes are integral parts of these stand-alone financial statements.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

| Norm / Interpretation <i>[IAS 8.31 (a), 8.31(c)]</i> | Nature of imminent change in the accounting policy <i>[IAS 8.31 (b)]</i> | Possible impact over financial statements <i>[IAS 8.31 (e)]</i> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| Amendments to IFRS 16 “Leasing Contracts” – Concessions on leases related to COVID-19 (<i>effective for annual periods beginning on or after 1 June 2020</i>). | The amendment to IFRS 16 provides temporary, optional operational support in connection with COVID-19 for tenants who enjoy periods without leasing payments, without undermining the relevance and usefulness of the financial information reported by the companies. | The adoption of the amendments to IFRS 16 did not have an impact on the 2020 stand-alone financial statements. |

The company foresees the application of such standards and amendments to existing standards will have no significant impact over the Company’s financial statements during the initial application period.

4. DETERMINATION OF FAIR VALUE

Certain accounting policies of the Company and requirements to submit information need determining the fair value both for assets and financial liabilities, as well as for non-financial ones. In order to determine the fair values of assets and liabilities, the Company uses noticeable market values as much as possible. Fair values are classified on several levels in the fair value hierarchy based on the input data used in valuation techniques, as follows:

- Level 1: quoted (unadjusted) prices on active markets for identical assets and liabilities;
- Level 2: inputs, other than the quoted prices included in level 1, which are noticeable for assets or liabilities either directly (e.g.: prices) or indirectly (e.g.: price derivatives);
- Level 3: inputs for assets and liabilities that do not rely on noticeable market data.

Fair values were determined with a view to assess and/or submit information using the methods provided below:

(i) **Tangible assets**

The fair value of tangible asset elements mainly relies on the cost method taking into account the particular features of Company-held tangible assets, except for assets in progress of execution, which are accounted in accordance with the cost-based model.

The attached notes are integrant parts of these stand-alone financial statements.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

5. TANGIBLE ASSETS

From 1 January 2019 to 31 December 2020 tangible assets developed as follows:

| | Lands and land develop. | Special buildings & installations | Machinery and equipment | Instrumentati on and control | Vehicles | Other tangible assets | Tangible assets in progress | Total |
|-----------------------------------------------|----------------------------------------|------------------------------------------------------|------------------------------------|---------------------------------------------|-------------------|--------------------------------------|--------------------------------------------|------------------------|
| COST | | | | | | | | |
| Balance on 1 January 2019 | 52,806,061 | 1,309,516,182 | 3,201,839,901 | 477,576,768 | 23,183,702 | 284,916,996 | 356,668,043 | 5,706,507,653 |
| Inputs | (50,487) | (11,613,468) | 14,996,426 | (7,858,512) | - | - | 260,506,866 | 255,980,825 |
| Increase /decrease of the revaluation reserve | 20,575,888 | - | 473,085,512 | 19,876,407 | 1,698,498 | - | - | 515,236,305 |
| Transfers from tangible assets in progress | 14,307 | 43,335,205 | 108,669,166 | 11,114,808 | 3,388,842 | 3,713,163 | (170,235,491) | - |
| Reclassifications between asset accounts | - | - | 6,951 | (6,951) | - | - | (186,809) | (186,809) |
| Outputs | - | (6,490) | (6,659,427) | (1,258,005) | (1,971,701) | (4,089,426) | (280,868) | (14,265,917) |
| Impact from revaluation | - | - | (2,257,612,548) | (395,035,698) | (12,345,302) | - | - | (2,664,993,548) |
| Balance on 31 December 2019 | 73,345,769 | 1,341,231,429 | 1,534,325,981 | 104,408,817 | 13,954,039 | 284,540,773 | 446,471,741 | 3,798,278,509 |
| Balance on 1 January 2020 | 73,345,769 | 1,341,231,429 | 1,534,325,981 | 104,408,817 | 13,954,039 | 284,540,733 | 446,471,741 | 3,798,278,509 |
| Inputs | - | - | - | - | - | - | 376,742,646 | 376,742,646 |
| Increase /decrease of the revaluation reserve | - | - | - | - | - | - | - | - |
| Transfers from tangible assets in progress | 15,575 | 27,213,749 | 101,477,509 | 42,781,725 | 11,600 | 4,728,202 | (176,228,360) | - |
| Reclassifications between asset accounts | - | (21,623) | 31,786 | (10,504) | - | 341 | 14,533,297 | 14,533,297 |
| Outputs | - | (6,436,092) | (449,670) | (71,854) | - | (102,389) | (2,525,915) | (9,585,90) |
| Impact from revaluation | (476,998) | - | - | - | - | - | - | (476,998) |
| Balance on 31 December 2020 | 72,884,346 | 1,361,987,463 | 1,635,385,606 | 147,108,184 | 13,965,639 | 289,166,887 | 658,993,409 | 4,179,491,534 |
| Cumulated amortisement | | | | | | | | |
| Balance on 1 January 2019 | 138,179 | - | 2,078,806,633 | 381,912,513 | 11,509,185 | 225,723,923 | - | 2,698,090,433 |
| Amortisement expense | - | 96,201,396 | 185,107,995 | 14,381,191 | 2,807,819 | 20,103,090 | - | 318,601,491 |
| Cumulated amortisement of outputs | - | (5,760) | (6,302,080) | (1,258,006) | (1,971,702) | (4,089,426) | - | (13,626,974) |
| Impact from revaluation | - | - | (2,257,612,548) | (395,035,698) | (12,345,302) | - | - | (2,664,993,548) |
| Balance on 31 December 2019 | 138,179 | 96,195,636 | - | - | - | 241,737,587 | - | 338,071,402 |
| Balance on 1 January 2020 | 138,179 | 96,195,636 | - | - | - | 241,737,587 | - | 338,071,402 |
| Amortisement expense | - | 72,468,13 | 144,871,834 | 24,374,742 | 4,038,546 | 11,864,363 | - | 257,617,624 |
| Cumulated amortisement of outputs | - | (6,283,913) | (184,974) | (69,182) | - | (102,390) | - | (6,640,459) |
| Impact from revaluation | - | - | - | - | - | - | - | - |
| Balance on 31 December 2020 | 138,179 | 162,379,862 | 144,686,860 | 24,305,560 | 4,038,546 | 253,499,560 | - | 589,048,567 |

The attached notes are integrant parts of these stand-alone financial statements.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

| | <u>Lands and land developments</u> | <u>Special buildings & installations</u> | <u>Machinery and equipment</u> | <u>Instrument ation and control</u> | <u>Vehicles</u> | <u>Other tangible assets</u> | <u>Tangible assets in progress</u> | <u>Total</u> |
|--------------------------------------|---------------------------------------------------|-------------------------------------------------------------|-----------------------------------------------|----------------------------------------------------|------------------------|---------------------------------------------|---------------------------------------------------|----------------------|
| DEPRECIATION ALLOWANCES | | | | | | | | |
| Balance on 1 January 2019 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>114,949</u> | <u>-</u> | <u>19,999,170</u> | <u>20,114,119</u> |
| Expense with depreciation allowances | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(114,949)</u> | <u>-</u> | <u>630,132</u> | <u>515,183</u> |
| Balance on 31 December 2019 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>20,629,302</u> | <u>20,629,302</u> |
| Expense with depreciation allowances | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>8,952,623</u> | <u>8,952,623</u> |
| Balance on 31 December 2020 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>29,581,925</u> | <u>29,581,925</u> |
| ACCOUNTING VALUE | | | | | | | | |
| Balance on 1 January 2019 | <u>52,667,882</u> | <u>1,309,516,182</u> | <u>1,123,033,268</u> | <u>95,664,256</u> | <u>11,559,567</u> | <u>59,193,073</u> | <u>336,668,873</u> | <u>2,988,303,101</u> |
| Balance on 31 December 2019 | <u>73,207,590</u> | <u>1,245,035,793</u> | <u>1,534,325,981</u> | <u>104,408,817</u> | <u>13,954,039</u> | <u>42,803,146</u> | <u>425,842,439</u> | <u>3,439,577,805</u> |
| Balance on 31 December 2020 | <u>72,746,167</u> | <u>1,199,607,601</u> | <u>1,490,698,746</u> | <u>122,802,624</u> | <u>9,927,093</u> | <u>35,667,327</u> | <u>629,411,484</u> | <u>3,560,861,042</u> |

The attached notes are integrant parts of these stand-alone financial statements.

5. TANGIBLE ASSETS (continued)

The total net value of tangible assets increased on December 31, 2020 compared to December 31, 2019 against the background of higher amounts of tangible assets in progress mainly represented by investments into high voltage substations and lines as follows:

- The 400 kV double circuit OHL Cernavoda-Stalpu and connection in Gura Ialomitei – 99,119,972;
- Refurbishing the 400/110/20 kV substation Domnesti – 45,233,513;
- Refurbishing the 220/110 kV substation Hasdat – 26,627,581;
- 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 – 22,574,585;
- Replacing AT and transformers in electric substations, stage 2, step 2, LOT 1 & LOT 2 – 22,399,329;
- Refurbishing the 220/110 kV substation Craiova Nord – 20,046,843;
- 100 MVAR, 400 kV shunt reactors for the 400 kV substations Arad, Bucuresti & Bradu – 13,090,655;
- Refurbishing the 220/110 kV substation Iaz – 12,869,423;
- Refurbishing the 220/110/20 kV substation Ungheni – 10,675,926;
- Upgrading the 110 kV substations Bacau Sud & Roman Nord of the 400 kV axis Moldova – 10,675,790;
- Extending the 400 kV substation Cernavoda, stage I+II, replacing 2 shunt reactors, connecting new lines – 9,995,579;
- Upgrading the 400 (220)/110/20 kV substation Munteni – 9,751,794;
- Installing the 400 MVA, 400/231/22 kV AT2 and related bays in substation Iernut; upgrading the command control system of the 400/220/110/6 kV substation Iernut – 8,270,208;
- Connecting the 400 kV OHL Isaccea-Varna and the 400 kV OHL Isaccea - Dobrudja in the 400 kV substation Medgidia Sud, stage I, extending the 400 kV substation Medgidia Sud – 7,026,953;
- Upgrading the 110 kV & 400 (220 kV) installations of Substation Focsani Vest – 6,195,356;
- Free up the location and achieving the coexistence terms with the 400 kV installations of CNTEE Transelectrica SA in communes Letea Veche and Saucesti, Bacau County (execution) – 5,695,650;
- Refurbishing the 400/110/20 kV substation Smardan – 5,557,971;
- 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 – 4,198,140;
- The 400 kV simple circuit OHL Oradea Sud - Nadab - Bekescsaba, final stage: section in-between towers 1-42 (48) and the 400 kV OHL Oradea Sud – Nadab – 3,700,020;
- Upgrading the 220/110/20 kV substation Raureni – 3,402,689;
- Upgrading the 220/110/20kV substation Vetis – primary equipment – 3,177,511;
- Installing the 250 MVA transformer T3 in the 400/110 kV substation Sibiu Sud – 2,984,406;
- Refurbishing the 110 kV substation Medgidia Sud – 2,928,267;
- 400 kV mobile bays to connect bus-bars in the 400 kV substations Bradu & Sibiu Sud – 2,799,930;
- Moving and protecting HV electric grids (220 kV – 400 kV) – Brasov -Cluj - Bors Motorway, section 1C – Sighisoara - Targu Mures, sub-sections 2 & 3 Targu Mures – Ungheni I - Ogra – 2,359,773;
- Changes to the 400/220/110 kV OHL to achieve the Break-through project of Blvd N, Grigorescu - Splai Dudescu – 1,978,069;
- Integrated security system in electric substations, stage IV – 1,952,568;
- Upgrading the teleprotection telecommunication system in Substation Cernavoda – 1,738,552;
- By-passing the 400 kV networks on segment 2, lot 2, found in Olt County to build the express Craiova-Pitesti road; the 400 kV simple circuit OHL Slatina-Bucuresti Sud – 1,688,976;
- Computation technique - hardware & software - Desktop PC – 1,600,540;
- Replacing shunt reactor, Substation Arad – 1,396,486;
- Upgrading the 220 kV OHL Cetate – Calafat – 1,168,394;
- Replacing the ATUS-SF 400/400/160 MVA 400/231/22 kV AT 3 of the 400/220 kV substation Portile de Fier – 1,032,701;

In 2020 the greatest transfers from tangible assets in progress to tangible assets are mainly represented by the commissioning of investment projects such as:

- Replacing the EMS SCADA AREVA system components – software & hardware components – 31,860,282;
- Refurbishing the 220/110 kV substation Craiova Nord – 26,545,529;
- Refurbishing the 400/110/20 kV Domnesti substation – 19,359,722;
- Replacing AT and transformers in electric substations, stage 2, step 2, LOT 1 & LOT 2 – 16,863,183;
- 100 MVAR, 400 kV shunt reactors for the 400 kV substations Arad, Bucuresti & Bradu – 13,348,581;
- Refurbishing the 220/110 kV substation Otetarie Hunedoara – 11,827,848;
- Refurbishing the 220/110/20 kV substation Ungheni – 9,434,462;

The attached notes are integral parts of these stand-alone financial statements.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

- Research & development Centre of LW technologies and fast intervention into SEN - Centre Building – 5,771,517;
- Integrated security system in electric substations, stage IV – 5,177,028;
- Upgrading the 110 kV substations Bacau Sud & Roman Nord of the 400 kV axis Moldova – 4972,350;
- Refurbishing the 220/110 kV substation Iaz – 4,507,848;
- Changes to the 400/220/110 kV OHL to achieve the Break-through project 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;
- By-passing the 400 kV networks on segment 2, lot 2, found in Olt County to build the express Craiova-Pitesti road; the 400 kV simple circuit OHL Slatina-Bucuresti Sud – 1,688,976;
- Computation technique - hardware & software - Desktop PC – 1,639,910;
- Upgrading the 220 kV OHL Cetate – Calafat – 1,168,394;
- Consolidating towers of panel 381 - 390 from the 400 kV OHL Bradu - Brasov – 975,097;
- Air conditioning installations for the server rooms of UNO-DEN – 924,015;
- Space development to relocate and modernise CTSI, ground floor of industrial building 2 of TTU Timisoara – 819,555;
- Replacing circuit breakers in electric substations – 733,921;
- Changes to the 400 kV OHL Urechesi - Domnesti to achieve the coexistence terms – 580,386;
- Check-up and test equipment – 426,600;
- Special intervention towers type Universal Guyed Portal for 220-400 kV, including prefabricated foundations – 400,161;
- Providing safe supply of the 220 Vdc auxiliary services in Substation Fantanele by replacing condenser batteries and resizing the capacity of accumulator battery 2 – 375,989;
- Upgrading the hardware and software platforms of SCADA system from Substation Stuparei – 362,713;
- Production hall for aluminium parts found in locality Bradu, village Geamana, str, Drumul 23, no, 44, Arges County – 333,042;
- Upgrading the 220/110 kV substation Dumbrava – 285,671;
- The fully equipped automatic gas-fired 400 kW thermal plant for the building located in Blvd Hristo Botev 16-18, Bucharest 3 – 279,000;
- Thermal rehabilitation of the Annex Building, Control Block of Substation Isaccea – 256,013;
- Replacing the 220 V accumulator battery 1 in the 220/110 kV substation Mintia – 252,431;
- Upgrading the road system, communal route, Fort Street, Domnesti commune, Ilfov County – 218,673;
- Videoconference terminal for the TSCNET network, to be installed in UNO-DEN – 160,300;
- Hydrocarbon (oil) separator for the concreted platform of substation Tulcea Vest – 152,360;
- Professional air conditioning units for the IT&C technological rooms of DET-s Bacau, Cluj and Craiova – 138,444;
- UPS-type direct electric supply source - 2 pcs., 14.5 kW air conditioning units - 2 pcs., air de-humidification unit - 1 pc – 120,000,

The balance of tangible assets in progress of execution on 31 December 2020 is represented by ongoing projects, of which the most significant are provided below:

- The 400 kV double circuit OHL Cernavoda-Stalpu and connection in Gura Ialomitei – 112,063,617;
- 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 – 61,995,350;
- Connecting to RET the 300 MW Ivesti WPP, the 88 MW WPP Falciu 1 and 18 MW WPP Falciu 2 by the new (400)/220/110 kV substation Banca – 46,884,983;
- Connecting the 400 kV OHL Isaccea - Varna and OHL Isaccea - Dobrudja in the 400 kV substation Medgidia Sud – 42,047,370;
- Refurbishing the 400/110/20 kV substation Domnesti (BA Dec, 5/19,05,2010) – 40,363,360;
- Refurbishing the 220/110 kV substation Hasdat – 41,038,471;
- Upgrading the 220/110/20 kV substation Arefu – 15,504,833;
- Upgrading the 220/110/20 kV substation Raureni – 15,254,111;
- Extending the business continuity and post-disaster recovery services, Executive branch -14,413,918;
- 110 kV, 220 kV and 400 kV mobile bays – 14,296,873;
- Upgrading the 110 kV substations Bacau Sud & Roman Nord of the 400 kV axis Moldova – 13,866,366;
- Upgrading the 220/110 kV substation Dumbrava – 11,275,023;
- Extending the 400 kV substation Cernavoda, stage I-II, replacing 2 shunt reactors, connecting new lines – 11,154,161;
- Refurbishing the 220/110/20 kV substation Ungheni – 10,963,983;

The attached notes are integral parts of these stand-alone financial statements.

5. TANGIBLE ASSETS (continued)

- Upgrading the 400 (220)/110/20 kV substation Munteni – 10,633,371;
- Refurbishing the 220/110 kV substation Iaz – 9,870,760;
- Installing the 400 MVA, 400/231/22 kV AT2 and related bays in substation Iernut; upgrading the command control system of the 400/220/110/6 kV substation Iernut – 8,697,636;
- Upgrading the 110 kV & 400 (220 kV) installations of Substation Focsani Vest – 8,180,478;
- Refurbishing the 400/110/20 kV substation Smardan – 8,092,951;
- Replacing AT and transformers in electric substations, stage 2, step 2, LOT 1 & LOT 2 – 7,118,680;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage I - the 400/220/110 kV substation Resita – 6,627,961;
- The 400 kV OHL Gadalin - Suceava, including SEN interconnection – 6,043,182;
- HVDC Link 400 kV (submarine cable Romania - Turkey) – 5,853,759;
- Free up the location and achieving the coexistence terms with the 400 kV installations of NPG Transelectrica SA in communes Letea Veche and Saucedesti, Bacau County (execution) – 5,695,650;
- Replacing the EMS SCADA AREVA system components – software & hardware components – 5,074,952;
- 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 – 4,868,800;
- Integrated security system in electric substations, stage IV – 4,816,986;
- The 400 kV OHL Suceava - Balti for the project section on Romanian territory - 4,439,120;
- The 400 kV double circuit OHL Gutinas – Smardan – 4,182,625;
- Installing the 250 MVA transformer T3 in the 400/110 kV substation Sibiu Sud – 3,963,111;
- The 400 kV simple circuit OHL Oradea Sud - Nadab - Bekescsaba, final stage: section in-between towers 1-42 (48) and the 400 kV OHL Oradea Sud – Nadab – 3,700,020;
- Refurbishing the 110 kV substation Medgidia Sud – 3,496,393;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage II, the 400 kV double circuit OHL Resita - Timisoara - Sacalaz – 3,343,480;
- Replacing circuit breakers in electric substations – 3,316,850;
- Upgrading the 220/110/20kV substation Vetis – primary equipment – 3,352,149;
- Adding new functions to the access control and IT account in the facilities 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 subst, Gura Ialomitei – 2,889,337;
- 400 kV mobile bays to connect bus-bars in the 400 kV substations Bradu & Sibiu Sud – 2,810,882;
- Integrated security system in electric substations, stage III (BA Dec, 2/2008) – 2,798,024;
- Replacing the ATUS-SF 400/400/160 MVA 400/231/22 kV AT 3 of the 400/220 kV substation Portile de Fier – 2,683,820;
- Bypassing the 110 kV OHL Cetate 1 & 2 near the 110/20/6 kV subst, 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;
- Moving and protecting HV electric grids (220 kV – 400 kV) – BRASOV - CLUJ - BORS MOTORWAY, section 1C – SIGHISOARA - TARGU MURES, SUB-SECTIONS 2 & 3 Targu Mures – Ungheni I - Ogra – 2,359,773;
- The 400 kV OHL Oradea – Beckescsaba – 1,826,964;
- Optical fibre communication achieved between substation Pitesti Sud and the remote control & installation supervision centre of TTU Pitesti (SF) – 1,714,424;
- The 220 kV double circuit OHL Ostrovu Mare - RET (BA Dec, 17/2007) – 1,569,673;
- Consolidation, upgrade and extension of offices for CNTEE Transelectrica SA, Executive branch - 1,627,393;
- Replacing shunt reactor, Substation Arad – 1,396,486;
- The 400 kV substation Stalpu – 1,109,440;

In accordance with the provisions of article 46 from ANRE Order 59/2013 approving the Regulation regarding the connection of users to electricity networks of public interest, the installations resulting from connection works and their commissioning are accepted in accordance with applicable legal provisions.

For the project financed from the connection fee “*RET connection of the 56 MW WPP Bogdanesti, the 112.5 MW WPP Deleni, the 20.8 MW WPP Viisoara Nord I, the 52.8 MW WPP Viisoara Nord I, the 47.5 MW WPP Viisoara Sud, in the area of certain localities from Vaslui County by the new 400/220/110 kV substation Banca*” - the work was completed, there are work completion minutes 34759/14.11.2013, however, the technical conditions for drawing up the commissioning minutes were not met. The contract is valid until 31.12.2022; total value of investment in progress – 48,018,186.

Special buildings and installations are provided at their net value in the financial statements. On 31 December 2015 the Company changed the method of revaluation registration and it passed from the gross to the net method in order to provide a

The attached notes are integrant parts of these stand-alone financial statements.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

clearer, more concise and relevant image to the users of financial statements, without influence given by an artificial denaturation of the gross accounting value and amortisement.

Special buildings and installations mainly consist of transformer substations and high voltage lines.

Machinery and equipment mainly consist of transformers and 110 kV, 220 kV, 400 kV and 750 kV bays for SEN.

Special buildings and installations were revaluated on 31 December 2018 by SC JPA Audit & Consultanta SRL, independent evaluator licensed by the National Union of Licensed Evaluators in Romania.

Such valuation was performed using the fair value under assumption of continued activities using the tangible assets in the existing structure.

In case of goods belonging to the state public domain representing completed assets from one's own financial sources, they will be included in the inventories of goods from the state public domain after recovery of one's own financial sources when the inventory of goods belonging to the state public domain has been approved under Governmental Decision.

On 31 December 2019 special installations, machinery and equipment, instrumentation and control and vehicles were revaluated by SC JPA Audit & Consultanta SRL, independent evaluator licensed by the National Union of Licensed Evaluators in Romania (ANEVAR). Such assets were revaluated using mainly the cost based method. Under such method the gross replacement cost was established using the indirect method. The cost-based method was used for considerations pertaining to assets specialisation, which insufficient market information and/or inexistent active market was ascertained for.

On 31 December 2019 the Company acknowledged net surplus from the revaluation of special buildings, outfits and equipment, instrumentation & control and vehicles amounting to 494,660,417, of which 503,354,614 into the revaluation reserves account and (8,694,196) were registered in the year's profit and loss account.

Special installations, outfits, equipment, instrumentation & control and vehicles are provided at net value in the financial statements. On 31 December 2019 the Company changed the method of revaluation registration passing from the gross to the net method in order to provide a clearer, more concise and relevant image to the users of financial statements, without influence given by an artificial denaturation of the gross accounting value and amortisement.

Lands were revaluated on 31 December 2019 using the market method and the Company acknowledged net surplus from their revaluation amounting to 20,575,888, of which 21,746,694 into the revaluation reserves account and (1,170,806) were recorded in the profit and loss account at the end of 2019.

In 2020, the areas for two plots of land belonging to TTU Sibiu were corrected, plots of land that were erroneously assessed at the revaluation on December 31, 2019. By Erata to the Land Revaluation Report 1781 / 08.09.2020, JPA Romania has established the new value for the following lands:

- Headquarters CE Mures 3 Tamas Erno Street - incorrect surface 1,115 sqm - correct 557.5 sqm;
- Alba Iulia headquarters, 83 Ferdinand Street - incorrect surface 334.52 sqm - correct 325.49 sqm.

Thus, the value of the lands was diminished by 476,998 on account of the revaluation reserve account.

On 31 December 2020 și 31 December 2019, the Company had no pledged or mortgaged assets.

Fair value of tangible assets

The Company's tangible assets, others than tangible assets in progress, are provided at revaluated value in the financial statements, this representing their fair value on the valuation date, less cumulated amortisement and depreciation allowances.

The fair value of Company lands was determined using the direct comparison method.

This method is recommended for properties when sufficient secure data exist on transactions or sale offers with similar properties in the area. The analysis of transaction prices or the prices asked or offered for comparable properties is followed by corrections made to their prices in order to quantify the differences between paid prices, requested or offered, caused by the differences between the specific characteristics of each property individually, called comparison items.

The fair value of buildings, equipment and metering instruments was determined using the cost approach.

This method means the maximum value of an asset for an informed buyer is the amount necessary to purchase or build a new asset with equivalent utility. When the asset is not new all forms of depreciation that can be attributed to it should be deducted from the gross current cost, until valuation date.

5. TANGIBLE ASSETS (continued)

The attached notes are integrant parts of these stand-alone financial statements.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

Information about the fair value hierarchy on 31 December 2020 and 31 December 2019:

| | Level 1 | Level 2 | Level 3 | Fair value on 31 December 2020 |
|-------------------------------------|----------------|----------------|----------------|-----------------------------------------------|
| Lands and land developments | - | 72,746,167 | - | 72,746,167 |
| Special buildings and installations | - | - | 1,199,607,601 | 1,199,607,601 |
| Machinery and equipment | - | - | 1,490,698,746 | 1,490,698,746 |
| Instrumentation and control | - | - | 122,802,624 | 122,802,624 |
| Vehicule | - | - | 9,927,093 | 9,927,093 |
| Alte imobilizări corporale | - | - | 35,667,327 | 35,667,327 |

| | Level 1 | Level 2 | Level 3 | Fair value on 31 December 2019 |
|-------------------------------------|----------------|----------------|----------------|-----------------------------------------------|
| Lands and land developments | - | 73,207,589 | - | 73,207,589 |
| Special buildings and installations | - | - | 1,245,035,795 | 1,245,035,795 |
| Machinery and equipment | - | - | 1,534,325,982 | 1,534,325,982 |
| Instrumentation and control | - | - | 104,408,816 | 104,408,816 |
| Vehicles | - | - | 13,954,039 | 13,954,039 |
| Other tangible assets | - | - | 42,803,146 | 42,803,146 |

Both in 2020 and in 2019 there have been no transfers between the fair value levels.

The cost value of tangible asset elements on 31 December 2020 and 31 December 2019, net of amortisement expense and cumulated depreciation is provided below:

| | Cost value 31 December 2020 | Cost value 31 December 2019 |
|-------------------------------------|--------------------------------------------|--------------------------------------------|
| Lands and land developments | 7,651,670 | 7,631,802 |
| Special buildings and installations | 768,364,796 | 783,535,762 |
| Machinery and equipment | 1,041,299,200 | 1,019,828,013 |
| Instrumentation and control | 108,640,590 | 83,125,668 |
| Vehicles | 8,565,223 | 11,515,278 |
| Other tangible assets | 35,667,303 | 42,770,033 |
| TOTAL | 1,970,182,782 | 1,948,406,556 |

6. INTANGIBLE ASSETS AND FINANCIAL ASSETS

The attached notes are integral parts of these stand-alone financial statements.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

On 31 December 2020 and 31 December 2019 the Company's intangible assets were as follows:

| | Licences and software | Intangible assets in progress | Assets rel. to usage rights for leased assets- (buildings) | Total |
|----------------------------------------------|----------------------------------|----------------------------------------------|-------------------------------------------------------------------------------|---------------------|
| COST | | | | |
| Balance on 1 January 2019 | 61,602,228 | 17,634,306 | - | 79,236,534 |
| Inputs, of which: | - | 3,017,085 | 14,766,931 | 17,784,016 |
| Transfers from intangible assets in progress | 55,371 | (55,371) | - | - |
| Transfers from tangible assets in progress | 186,809 | - | - | 186,809 |
| Outputs | (1,032,837) | - | - | (1,032,837) |
| Balance on 31 December 2019 | 60,811,571 | 20,596,020 | 14,766,931 | 96,174,522 |
| Balance on 1 January 2020 | 60,811,571 | 20,596,020 | 14,766,931 | 96,174,522 |
| Inputs, of which: | - | 2,717 | 39,761,197 | 39,763,914 |
| Transfers from intangible assets in progress | 237,225 | (237,225) | - | - |
| Transfers from tangible assets in progress | - | (14,533,297) | - | (14,533,297) |
| Outputs | (163,809) | - | (14,766,931) | (14,930,740) |
| Balance on 31 December 2020 | 60,884,987 | 5,828,215 | 39,761,197 | 106,474,399 |
| CUMULATED AMORTISEMENT | | | | |
| Balance on 1 January 2019 | 56,131,963 | - | - | 56,131,963 |
| Amortisement expense | 2,519,817 | - | 8,438,246 | 10,958,063 |
| Cumulated amortisement of outputs | (1,032,837) | - | - | (1,032,837) |
| Balance on 31 December 2019 | 57,618,943 | - | 8,438,246 | 66,057,189 |
| Balance on 1 January 2020 | 57,618,943 | - | 8,438,246 | 66,057,189 |
| Amortisement expense | 1,930,260 | - | 8,316,745 | 10,247,005 |
| Cumulated amortisement of outputs | (163,809) | - | (14,766,931) | (14,930,740) |
| Balance on 31 December 2020 | 59,385,394 | - | 1,988,060 | 61,373,454 |
| DEPRECIATION ALLOWANCES | | | | |
| Balance on 1 January 2019 | 439 | 351,208 | - | 351,647 |
| Expense with depreciation allowances | (439) | - | - | (439) |
| Balance on 31 December 2019 | 0 | 351,208 | - | 351,208 |
| Expense with depreciation allowances | - | - | - | - |
| Balance on 31 December 2020 | - | 351,208 | - | 351,208 |
| ACCOUNTING VALUE | | | | |
| Balance on 1 January 2019 | 5,469,827 | 17,283,098 | - | 22,752,924 |
| Balance on 31 December 2019 | 3,192,628 | 20,244,812 | 6,328,685 | 29,766,125 |
| Balance on 31 December 2020 | 1,499,593 | 5,477,007 | 37,773,137 | 44,749,737 |

6. INTANGIBLE ASSETS AND FINANCIAL ASSETS (continued)

The attached notes are integrant parts of these stand-alone financial statements.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

Under intangible assets in progress the largest entries of 2020 were:

- Connecting the 400 kV OHL Isaccea-Varna and the 400 kV OHL Isaccea - Dobrudja in the 400 kV substation Medgidia Sud, stage I, extending the 400 kV substation Medgidia Sud – 2,717.

In 2020 the greatest transfers from intangible assets in progress to intangible assets are represented by:

- Upgrading the hardware and software platforms of SCADA system from Substation Stuparei – 145,962;
- Upgrade BITDEFENDER antivirus licenses – 54,343;
- AT1 200 MVA online monitoring system software and license – 36,921.

The balance of intangible assets in progress of execution on 31 December 2020 is represented by ongoing projects, the most significant of which are provided below:

- Implementing an electronic archiving and document management system in CNTEE Transelectrica SA – 5,474,290;
- Extending the business continuity and post-disaster recovery in the Executive branch – 351,208;
- Connecting the 400 kV OHL Isaccea-Varna and the 400 kV OHL Isaccea - Dobrudja in the 400 kV substation Medgidia Sud, stage I, extending the 400 kV substation Medgidia Sud – 2,717.

The decrease of intangible assets as of December 31, 2020 compared to December 31, 2019 is mainly represented by the reclassification of the project “Replacement of EMVA SCADA AREVA system – software and hardware components” from intangible assets to tangible assets.

ii) Financial assets

Financial assets include the shares held by the Company amounting to 81,742,973 on 31 December 2020 and to 81,500,833 on 31 December 2019 (Note 26).

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

By SGEA Decision 3 of March 6, 2020, it was approved the Company’s participation as founding owner of the capital of the Regional Center for the coordination of operational security in the regions of coordinated calculation of cross-border exchange capacities SEE (Bulgaria, Greece, Romania) and GRIT (Greece-Italy).

iii) Assets related to Usage rights for leased assets - buildings

The assets related to usage rights for leased assets- buildings represent the right to use the spaces rented by the Company in the Platinum office building (contract no. C217/2015 concluded with Dagesh Rom SRL), according to IFRS 16 - Leasing contracts.

Starting with 01.10.2020, the new leasing contract (contract no. C232 concluded with Dagesh Rom SRL) came into force, valid for a 5-year period, in sum of 9,000,000 EURO (VAT excluded).

As of December 31, 2020, the net value of the right to use the spaces rented by the Company in the Platinum office building is 37,773,137.

7. INVENTORIES

On 31 December 2020 and 31 December 2019 inventories (net value) were as follows:

| | 31 December 2020 | 31 December 2019 |
|---------------------------------|-------------------------|-------------------------|
| Spare parts | 26,608,876 | 28,986,555 |
| Consumables and other materials | 9,106,262 | 6,930,120 |
| Auxiliary materials | 764,814 | 657,948 |
| Other inventories | 1,921,464 | 945,108 |
| Total | 38,401,417 | 37,519,731 |

7. INVENTORIES (continued)

The attached notes are integral parts of these stand-alone financial statements.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

On 31 December 2020 and 31 December 2019 allowances for inventories depreciation were as follows:

| | 31 December 2020 | 31 December 2019 |
|------------------------------------------------------|-------------------------|-------------------------|
| Allowances for depreciation of consumables | 7,525,152 | 5,471,419 |
| Allowances for depreciation of other materials | 4,592,487 | 2,352,305 |
| Allowances for the depreciation of package materials | 219,568 | 218,572 |
| Total | 12,337,207 | 8,042,296 |

On 31 December 2020 and 31 December 2019 allowances for inventories depreciation were as follows:

| | 31 December 2020 | 31 December 2019 |
|-----------------------------------------------------|-------------------------|-------------------------|
| Balance on 1 January | 8,042,296 | 8,018,763 |
| Allowances registered for inventories depreciation | 4,491,068 | 1,505,628 |
| Reversal of allowances for inventories depreciation | (196,157) | (1,482,095) |
| Balance at year-end | 12,337,207 | 8,042,296 |

During 2020 expenses made for consumptions of materials and spare parts were as follows:

| | 2020 | 2019 |
|--------------------------------------|------------------|------------------|
| Spare part expenses | 3,241,133 | 3,874,586 |
| Expenses regarding other consumables | 874,827 | 951,217 |
| Expenses regarding other materials | 1,400,414 | 963,866 |
| Expenses with auxiliary materials | 219,351 | 240,016 |
| Fuel expenses | 1,910,155 | 2,491,060 |
| Total | 7,645,880 | 8,520,745 |

8. TRADE AND OTHER RECEIVABLES

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

| | 31 December 2020 | 31 December 2019 |
|----------------------------------------------------------|-------------------------|-------------------------|
| Trade receivables | 849,268,696 | 745,163,708 |
| Other trade receivables | 111,446,214 | 113,282,179 |
| Down payments to suppliers | 44,849,824 | 28,667,925 |
| Recoverable VAT | 33,960,938 | 7,240,202 |
| Allowances for impairment of uncertain trade receivables | (134,733,880) | (135,508,897) |
| Allowances to depreciate other trade receivables | (56,855,137) | (52,494,869) |
| Total | 847,936,655 | 706,350,248 |

8. TRADE AND OTHER RECEIVABLES (continued)

The attached notes are integrant parts of these stand-alone financial statements.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

The structure of trade receivables was as follows:

| | 31 December 2020 | 31 December 2019 |
|-------------------------------------------------------------------------------|--------------------|--------------------|
| Clients on the electricity market, of whom: | 847,744,023 | 743,236,309 |
| - Clients - operational activities – energy | 474,769,650 | 434,980,507 |
| - Clients - balancing market | 177,925,277 | 133,210,225 |
| - Clients - bonus type support scheme to promote high efficiency cogeneration | 195,049,096 | 175,045,577 |
| Clients from other activities | 1,524,673 | 1,927,399 |
| Total trade receivables | 849,268,696 | 745,163,708 |

• CNTEE Transelectrica SA performs its operational activities under 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.

As of 31 December 2020, the clients on balance from the operational activity and the balancing market register an increase compared to 31 December 2019 mainly due to the increase in the volume of transactions on the balancing market and the energy market in Q4 2020 compared to Q4 2019, determining the increase of receivables on balance on 31 December 2020 compared to 31 December 2019.

The main clients on balance from the electricity market are represented by: Electrica Furnizare SA, RAAN, OPCOM SA, MAVIR, E.ON Energy Romania SA, CEZ Vanzare, Tinmar Energy, Enel Energie Muntenia SA, CIGA Energy, and Enel Energie SA. The share of main clients on the electricity market is about 50% in total trade receivables.

• CNTEE Transelectrica SA carries out activities associated to the bonus type support scheme to promote high efficiency cogeneration as administrator of such support scheme in accordance with the provisions of HGR 1215/2009 with later amendments and additions, “the main attributions being to collect monthly the cogeneration contributions and pay bonuses each month”.

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

Clients under the bonus type support scheme to promote high efficiency cogeneration registered increase on 31 December 2020, mainly determined by increased values invoiced for the collection of monthly contribution

As of 31 December 2020, the Company registered trade receivables amounting to 195,049,096, represented by issued invoices under the bonus type support scheme to promote high efficiency cogeneration, of which:

- 2011-2013 overcompensation amounting to 76,702,140, namely from RAAN – 63,467,054 and CET Govora SA – 13,235,086;
- 2014 undue bonus amounting to 3,914,960, namely from RAAN – 1,981,235, CET Govora – 1,933,725;
- 2015 undue bonus amounting to 563,899, namely from CET Govora – 534,377, Interagro – 29,523;
- Cogeneration contribution not collected from the suppliers of electricity consumers amounting to 21,194,313, 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 under 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, Electroulaj 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.

The attached notes are integral parts of these stand-alone financial statements.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

- 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 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 admitted the exception of decline. It partly admitted 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 were denied. In accordance with article 453 para 2 from the Civil Procedural Code it compelled the defendant to pay 1000 Lei law court expenses to the claimant. Appeal right was 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 bankruptcy file 9089/101/2013, Mehedinti Tribunal established the term on 26.03.2020 in order for the procedure to continue. Pursuant to article 63 para 11 of Decree 240/2020, the file was suspended for legal reasons.

After lifting the state of emergency and resuming the activities of the courts, at the hearing of 08.10.2020, the court granted term for the continuation of liquidation proceedings, the representation of the debtor’s interests in litigation pending before the courts, consolidating the bankruptcy mass, continuing measures to recover debts, continuing auctions having as object the capitalization of the debtor’s assets, setting the next hearing term for 04.02.2021.

At the hearing of 04.02.2021, the solution in brief: grants a term on **June 3, 2021**, at 11:00, for the procedure to continue, the

The attached notes are integrant parts of these stand-alone financial statements.

CNTEE Transelectrica SA

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evaluation of the entire patrimony, the elaboration of the sale regulations, the sale of the goods and the collection of the receivables. Document: Hearing closure 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 was suspended by court civil judgment 3185/27.11.2015, and such Decision had determined the amount of the 2011-2013 overcompensation, CET Govora SA has no longer complied with the Agreement terms.

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

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

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

Under such circumstances the Company applies the provisions of article 17 para 5 of ANRE Order 116/ 2013 for mutual receivables and liabilities occurred after the insolvency procedure, meaning withholding the bonus due to CET Govora SA up to the concurrence of amounts related to the support scheme that were not paid to the Company. Transelectrica was registered in the Preliminary and final receivables table with total amount of 28,200,440.31, of which 25,557,189.98 relate to the support scheme. As regards the receivable amounting to 21,962,243.71 Lei representing principal and penalties related to invoice 8116/08.04.2016, it is registered under the suspensive condition of pronouncement of a final juridical decision in favour of ANRE under file 2428/2/2014 on the docket of the Appeal Court Bucharest, pertaining to cancelling ANRE decision 738/28.03.2014.

On the 18.07.2018 term Valcea Tribunal pronounced the following settlement:

- It confirmed the reorganisation plan of SC CET Govora SA proposed by the judiciary administrator EURO INSOL SPRL, submitted on 25 May 2018 to the file and printed in the Bulletin of Insolvency Procedures 11924 of 13 June 2018.
- It 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.

By Ruling 766/03.12.2018 the Appeal Court Pitesti cancelled the amount of 28,013,984.83, representing liability the Company had recorded 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 amount of 22,188,224 represents receivable payable by CET Govora under the support scheme, in sum of 25,557,190, corrected with the bonus amounting to 3,368,966 the Company withheld according to article 17 para 5 of Order 116/2013 of ANRE President.

In accordance with the provisions of Governmental Decision 925/2016 with later amendments and addition, provided above in Note 1, the Company does not register expenses with allowances for impairment of clients under the support scheme, the unrecovered amount of such receivables will be included in the cogeneration contribution.

The attached notes are integrant parts of these stand-alone financial statements.

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Other receivables

On 31 December 2020 other receivables amounting to **111,446,214** mainly included:

- Sundry debtors (83,075,636), of which:
 - Late payment penalties calculated to default clients amounting to 74,741,588 (of which 35,304,572 represents penalties under the support scheme). The greatest payment delay penalties were registered by the following clients: RAAN (16,901,449), CET Govora (9,606,504), Electrocentrale Bucharest (9,409,174), Eco Energy SRL (8,909,843), Petprod SRL (8,894,655), Romelectro (3,951,352), Total Electric Oltenia (3,288,967), ISPE Design & Consultance (1,599,868). Impairment allowances were registered for the penalties calculated for late payment of receivables from operational activities;
 - Compensations owed by suppliers for not supplying electricity (Arelco Power 987,555) and Enol Group (2,541,312). Impairment allowances were registered in case of compensations owed by suppliers from operational activities;
 - Recoverable receivable from OPCOM representing VAT associated to the contribution in kind to the subsidiary's capital, amounting to 4,517,460;
- Deferred expenses amounting to 1,068,282 mainly represented by: rent and office building maintenance (729,945); RCA and CASCO policies (30,654), down payments under contracts concluded with electricity suppliers, as necessary to cover one's own technological consumption in future periods (54,012) and others;
- Other non-current receivables amounting to 4,258,181, of which 4,199,505 represent securities for temporary land occupation, as calculated and withheld in accordance with article 39 para (1), para (2) and para (5) of Law 46/2008 on the Forestry Code, with a view to carry out the investment of the 400 kV OHL Resita – Panchevo (Serbia);
- Other social receivables amounting to 2,971,927 representing medical leave the employer paid to employees, which will be recovered from the National Health Insurance House according to applicable legislation.

Down payments to suppliers

On 31 December 2020 down payments paid to suppliers were represented by debtor suppliers for service provision amounting to **44,849,824**, mainly representing amounts from the transactions under the price-coupling mechanism (MMC and SIDC). The price-coupling mechanism began being applied on 19 November 2014, when the 4 Market Market Coupling (4MMC) project providing coupling of the PZU/DAM (Day-Ahead Market) electricity markets of Romania, Hungary, Czech Republic and Slovakia became operational. By such price-coupling mechanism the electricity exchanges correlate the day-ahead electricity transactions under bids, taking into account the interconnection capacity provided by TSOs, whereby it is implicitly allocated. CNTEE Transelectrica SA in its TSO capacity 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 and Implicit Participant CNTEE Transelectrica SA has the commercial task to settle the electricity transacted between OPCOM SA, MAVIR and IBEX.

Recoverable VAT

VAT to recover (33,960,938) – amount which has not been recovered until elaboration of these financial statements.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

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

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

The greatest impairment allowances on 31 December 2020, calculated for trade receivables and their associated penalties were registered for CET Govora (25,011,846), 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 non-collection risk and value allowances related to trade receivables are provided in Note 28.

EU's adoption of IFRS 9 "Financial instruments", applicable to annual periods beginning on or around 1 January 2018, has no significant impact over the Company's financial statements in the initial application interval.

9. CASH AND CASH EQUIVALENTS

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

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

| | 31 December 2020 | 31 December 2019 |
|--------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Current bank accounts and deposits, of which: | 553,911,833 | 320,649,313 |
| - Cash and deposits from high efficiency cogeneration | 120,579,656 | - |
| - Cash from revenues of interconnection capacity allocations, used for network investments | 103,175,219 | 72,217,359 |
| - Cash from the connection fee | 17,811,107 | 14,967,097 |
| - European funds | 12,073,753 | 11,969,848 |
| Cashier desk | 91,695 | 119,284 |
| Other cash equivalents | - | 50 |
| Total | 554,003,528 | 320,768,647 |

Bank deposits with initial maturity within 90 days constituted of monetary availabilities from current accounts amounted to 266,292,161 on 31 December 2020 and to 102,285,469 on 31 December 2019.

10. OTHER FINANCIAL ASSETS

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

On 31 December 2020 and 31 December 2019 the statement of other financial assets was as follows:

| | 31 December 2020 | 31 December 2019 |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Bank deposits with maturity beyond 90 days (constituted from revenues of the allocated interconnection capacities, used for network investments) | - | 85,000,000 |
| Total | - | 85,000,000 |

On 31 December 2019 bank deposits with initial maturity beyond 90 days amounted to 85,000,000, but such bank deposits expired on 30 March 2020.

11. SHAREHOLDERS' EQUITIES**Share capital**

The attached notes are integral parts of these stand-alone financial statements.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

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

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

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

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

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

On 31 December 2020 the shareholders of CNTEE Transelectrica SA were: Romanian State represented by the Secretariat General of the Government, holding 43,020,309 shares (58.69%), NN Group NV with 4,007,688 shares (5.47%), PAVAL HOLDING holding 4,753,567 shares (6.49%), other legal person shareholders with 16,305,068 shares (22.24%) and other natural person shareholders with 5,216,510 shares (7.11%).

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

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

| Shareholder | 31 December 2020 | | 31 December 2019 | |
|-----------------------------------|-------------------|--------------------|-------------------|--------------------|
| | Number of shares | % of share capital | Number of shares | % of share capital |
| Romanian State by the SGG | 43,020,309 | 58.69% | 43,020,309 | 58.69% |
| Other legal person shareholders | 16,305,068 | 22.24% | 15,976,281 | 21.80% |
| PAVAL HOLDING | 4,753,567 | 6.49% | 4,503,567 | 6.14% |
| NN Group NV | 4,007,688 | 5.47% | 4,007,688 | 5.47% |
| Other natural person shareholders | 5,216,510 | 7.11% | 5,795,297 | 7.90% |
| Total | 73,303,142 | 100.00% | 73,303,142 | 100.00% |

The Company recognises the share capital changes according to the terms of applicable legislation and only when they have been approved by the Shareholders' General Extraordinary Assembly and registered in the Trade Register Office.

On 31 December 2020 and 31 December 2019 the share capital was as follows:

| | 31 December 2020 | 31 December 2019 |
|---------------------------------|--------------------|--------------------|
| Share capital (nominal value) | 733,031,420 | 733,031,420 |
| Balance of share capital | 733,031,420 | 733,031,420 |

11. SHAREHOLDERS' EQUITIES (continued)

Shareholders are entitled to dividends, each share conferring one voting right at Company reunions.

The attached notes are integral parts of these stand-alone financial statements.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

The value of 2019 dividends, distributed according to AGA Decision 5/28.04.2020, amounted to 35,185,508. They were paid by means of the Central Depository beginning with 25 June 2020.

Share premium

All shares issued under the share capital increase performed by the primary public initial offer in 2006 were fully subscribed and paid at issuance price. The share premium amounting to 49,842,552, namely the difference between the share issuance price and their nominal value was registered in the Company's reserve account.

Legal reserves

They amounted to 137,532,865 on 31 December 2020 and to 129,096,113 on 31 December 2019, representing legal reserves constituted in accordance with applicable legislation and cannot be distributed.

The Company transfers at least 5% of the annual accounting profit (OUG 64/2001, Law 227/2015) to legal reserves until the cumulated balance reaches 20% of the share capital paid.

Revaluation reserves

They amounted to 841,699,025 on 31 December 2020 and to 922,454,926 on 31 December 2019. The last revaluation of technical installations and transportation means took place on 31 December 2019 by SC JPA Audit & Consultance SRL, independent valuator licensed by the National Union of Licensed Valuers of Romania.

Other reserves

On 31 December 2020 other reserves amounted to 17,441,687 in comparison with 15,771,718 on 31 December 2019. The increase of 1,669,969 represents a subsidy for the diversion of an asset belonging to the public domain, respectively LEA 400kV Slatina – Bucuresti Sud (pillar no. 17N and 18N).

Result carried forward

The retained result on 31 December 2020 amounted to 1,610,888,457.

Increase of

On 31 December 2020 the Company registered a positive result mainly due to the transfer of revaluation reserves as the depreciation of fixed assets in the result carried forward in the amount of 80,221,592.

On 31 December 2020 actuarial profit registered in the result carried forward amounted to 999,668. Such amount resulted from the application of IAS 19 – Employees' benefits (Note 14) provisions.

Out of the profit achieved on 31 December 2020 amounting to 139,893,129 the **92,281,368** amount is distributed towards "Other reserves", of which:

- 52,079,305 represents distribution to reserves of profit which benefited of income tax exemption, less the legal reserve, beginning with 1 July 2014 according to the provisions of article 22 from Law 227/2015 on the Fiscal Code, with later amendments and additions;
- 40,202,063 representing the distribution of net revenues from the allocation of interconnection capacities achieved in 2020, within the limits of net profit achieved on 31 December 2020. In accordance with Regulation (EC) 714/2009 and ANRE Order 171/2019, revenues from the allocation of interconnection capacities are used in order to make investments in the electricity transmission network with a view to maintain or increase interconnection capacities;

Distribution of net profit on 31 December 2020

The accounting profit registered by CNTEE Transelectrica SA on 31 December 2020, which is proposed for distribution amounted to 149,807,813, higher by 9,914,684 than the net accounting profit because 9,914,684 represents employees' participation to profit, which was registered as provision in the 2020 expenses.

To this effect the proposed distribution to legal destinations of the net accounting profit left after income tax on 31 December 2020, amounting to 149,807,813 Lei, is the following:

| Destination | Amount |
|-----------------------------------------------------------------------------------------------|-------------|
| Accounting profit remaining after income tax on 31 December 2020 (including the provision for | 149,807,813 |

The attached notes are integral parts of these stand-alone financial statements.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------|------------|
| employees' participation to profit) | |
| <i>Distribution of accounting profit to the following destinations:</i> | |
| Legal reserve (5%) | 8,436,752 |
| Other reserves representing fiscal facilities – exempting from payment the reinvested profit | 52,079,305 |
| Other law-provided destinations - revenues achieved in 2019 from allocation of interconnection capacity (net of income tax and legal reserve) | 40,202,063 |
| Employees' participation to profit (2020 provision expense) | 9,914,684 |
| Dividends owed to shareholders and other reserves set up as own sources of financing | 39,175,009 |
| Undistributed profit | - |

The proposed distribution of accounting profit remaining after deduction of the income tax on 31 December 2020 was done in accordance with the provisions of applicable legislation, namely:

- OG 64/2001 on profit distribution in national societies, national companies and trading companies with full or majority state capital, and in independent authorities, approved with amendments by Law 769/2001, with later amendments and additions;
- OMFP 144/2005 – approving the Specifications to determine amounts used in profit distribution according to OG 64/2001 on profit distribution in national societies, national companies and trading companies with full or majority state capital, and in independent authorities, approved with amendments by Law 769/2001, with later amendments and additions;
- OMFP 128/2005 on certain accounting regulations applicable to economic agents;
- Law 227/2015 on the Fiscal Code, with later amendments and additions;
- Regulation (CE) 714/2009 of the European Parliament and the Council of 13 July 2009 regarding the network access conditions for cross-border electricity exchanges and cancelling Regulation (EC) 1228/2003;
- ANRE Order 171/2019, with later amendments and additions approving the Methodology establishing tariffs for electricity transmission services;
- Referral paper approving the average tariffs of transmission services, tariff components when introducing electricity into the grid (Tg) and when taking out electricity from the grid (TI) and the price of reactive electricity for CNTEE Transelectrica SA, valid as of 1 January 2020, transmitted by ANRE with letter 110892/23.12.2019;
- The Revenue and expense budget approved by AGA Decision 2/06.03.2020.

Thus the 2020 accounting profit remaining after income tax deduction is distributed to the following destinations:

a) Legal reserve amounting to 8,436,752 - determined at 5% according to the provisions of article 26 para (1) let. a) of Law 227/2015 on the Fiscal Code, with later amendments and additions;

b) Other reserves representing law-provided fiscal facilities amounting to 52,079,305 - represented by tax payment exemption for reinvested profit, in accordance with the provisions of article 22 of Law 227/2015 on the Fiscal Code, with later amendments and additions;

c) Other law-provided distributions amounting to 40,202,063 - represented by revenues achieved in 2020 from the allocation of interconnection capacities (amounts net of income tax and of legal reserve), distributed according to the provisions of article 1 let. d) from OG 64/2001 on profit distribution in national societies, national companies and trading companies with full or majority state capital, and in independent authorities, with later amendments and additions, corroborated with the provisions of Regulation (EC) 714/2009 and of ANRE Order 171/2019, which provide that revenues from the allocation of interconnection capacities are used in order to make network investments or to maintain or increase interconnection capacities;

In 2020 revenues were achieved from the allocation of interconnection capacities amounting to 58,725,474 Lei. When distributing such revenues from the allocation of interconnection capacities achieved in 2020 towards “other law-provided distributions” the negative correction of the regulated revenue amounting to 8,346,949 was taken into consideration as distribution element coming from the tariff interval 1 July 2018 - 30 June 2019, applied by ANRE when determining the average tariff for electricity transmission in 2020. Therefore the sum 8,346,949 does not become financing source for investments into maintaining and/or increasing the cross-border interconnection capacity of Romania's electricity transmission network.

Under such circumstances, the revenues achieved in 2020 from the allocation of interconnection capacities (amounts net of the income tax and legal reserve) amounted to 40,202,063 Lei and are to be distributed to reserve constitution in view of making network investments to maintain or increase interconnection capacities in accordance with Regulation (EC) 714/2009 and ANRE Order 171/2019.

d) Employees' participation to profit amounting to 9,914,684 – to the extent of 10% of the net profit, but no more than the level of a basic average monthly salary in the Company in 2020 multiplied by the average number of personnel in 2020, according to the provisions of OG 64/2001 on profit distribution in national societies, national companies and trading companies with full or majority state capital, and in independent authorities, approved with amendments by Law 769/2001, with later amendments and additions and the provisions of OMFP 144/2005 approving the Specifications to determine amounts used in profit distribution according to OG64/2001;

The attached notes are integrant parts of these stand-alone financial statements.

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Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

Employees' participation to profit was shown in the 2020 financial statements by constituting a provision for employees' participation to profit, according to the provisions of OMFP 128/2005 regarding certain accounting regulations applicable to economic agents and it was provided in the 2020 Revenue and expense budget approved by the Shareholders' General Assembly.

e) Dividends owed to shareholders and other reserves set up as own sources of financing amounting to 39,175,009 and will be distributed in accordance with the Decision taken by the Shareholders' General Assembly.

As regards establishing the value of gross dividends owed to shareholders the number of shares existing on the elaboration date of 2020 financial statements will be taken into account, such share number being 73,303,142 while the gross dividend per share will be established using three decimal figures after the point.

12. DEFERRED REVENUES

Non-current and current deferred revenues are mainly represented by: the connection fee, other investment subsidies, non-reimbursable European funds from the Ministry of European Funds and revenues from the allocation of interconnection capacities.

On 31 December 2020 the deferred revenues statement was as follows:

| | 31 December 2020 | Of which: current part on 31.12.2020 | 31 December 2019 | Of which: current part on 31.12.2019 |
|------------------------------------------------------------|-----------------------------|-----------------------------------------------------|-----------------------------|-----------------------------------------------------|
| Deferred revenues – allocation of interconnection capacity | 2,673,159 | 2,673,159 | 5,756,780 | 5,756,780 |
| Deferred revenues - European funds | 1,410,938 | 1,410,938 | 2,754,235 | 2,754,235 |
| Connection fee funds | 258,086,562 | 16,999,239 | 263,162,627 | 20,553,019 |
| European funds | 92,135,137 | 6,947,974 | 98,796,239 | 6,934,299 |
| Other subsidies | 26,576,078 | 821,926 | 27,381,076 | 1,211,412 |
| Total | 380,881,874 | 28,853,237 | 397,850,957 | 37,209,745 |

In 2020 current deferred revenues developed as follows:

| | 31 December 2020 | 31 December 2019 |
|---------------------------------------------------------|-------------------------|-------------------------|
| Balance at the beginning of the year | 37,209,745 | 19,329,257 |
| Deferred proceeds from interconnection capacities | 53,932,210 | 81,579,661 |
| Proceeds from European funds | 311,139 | 1,228,070 |
| Transfer from non-current deferred revenues | (3,929,590) | 19,484,720 |
| Revenues from utilisation of interconnection capacities | (57,015,831) | (83,718,947) |
| Revenues from European funds | (1,654,436) | (693,016) |
| Total | 28,853,237 | 37,209,745 |

12. DEFERRED REVENUES (continued)

In 2020 non-current deferred revenues developed as follows:

The attached notes are integral parts of these stand-alone financial statements.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

| | 31 December 2020 | 31 December 2019 |
|-----------------------------------------|-------------------------|-------------------------|
| Balance at the beginning of the year | 360,641,212 | 411,154,679 |
| Connection subsidies | 6,673,474 | 1,175,621 |
| Non-returnable funds | (33,388) | (14,307) |
| Non-returnable funds to repay | - | - |
| Transfer into current deferred revenues | 7,393,324 | (21,835,962) |
| Resuming subsidies into revenues | (22,645,985) | (29,838,819) |
| Total | 352,028,637 | 360,641,212 |

13. BORROWINGS*Non-current loans*

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

| Description | 31 December 2020 | 31 December 2019 |
|--------------------------------------------------------------------|-------------------------|-------------------------|
| IBRD 7181 (b) | - | 1,544,844 |
| EIB25709 (i) | 58,613,148 | 69,034,334 |
| EIB 25710 (i) | 66,538,062 | 76,846,651 |
| Total non-current loans from credit institutions, of which: | 125,151,210 | 147,425,829 |
| Less: Current part of non-current loans | (23,479,941) | (24,590,329) |
| Total non-current loans, net of current instalments | 101,671,269 | 122,835,499 |

Non-current borrowings statement on 31.12.2020:

| No. | Loan name | Granting date | Loan amount (hard currency) | Balance on 31.12.2020 (hard curr.) | Balance on 31.12.2020 (Lei) | Interest rate | Maturity as per loan |
|--------------|------------------|----------------------|------------------------------------|-------------------------------------------|------------------------------------|----------------------|-----------------------------|
| 1 | EIB 25709 | 05.08.2010 | 32,500,000.00 EUR | 12,037,037 EUR | 58,613,148 | 3.596% | 10.09.2025 |
| 2 | EIB 25710 | 05.08.2010 | 32,500,000.00 EUR | 13,664,530 EUR | 66,538,062 | 3.856% & 2.847% | 11.04.2028 |
| TOTAL | | | | | 125.151.210 | | |

Non-current borrowings are detailed as follows:

a) IBRD loan 7181

IBRD granted this borrowing on 15 July 2003 for the 'Electricity Market' objective. The amount owed on 31 December 2020 was zero. The interest rate has been that notified by IBRD depending on the financing cost. The interest rate of the last instalment was 0%. Repayment was made half-yearly (on 15 January and 15 July each year) beginning with 15 July 2008, last repayment being on 15 January 2020.

The loan agreement had included certain financial covenants: (i) the coverage index of indebtedness had to be at least 1.3 and (ii) the ratio between current assets and current liabilities has to be at least 1.2.

13. BORROWINGS (continued)*b) and c) Loan granted by the European Investment Bank (EIB)*

The attached notes are integral parts of these stand-alone financial statements.

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

EIB 25709 and EIB 25710 loans were granted by EIB on 5 August 2010 to finance the upgrade and rehabilitation of Romania's Electricity Transmission Grid. Each loan amounted to 32,500,000 Euro.

Borrowing 25709 has not been secured, while loan 25710 was secured by BNP Paribas SA Bucharest Branch. Repayment interval is of 15 years, with 2 years' grace period. Repayment has been done since 2012 until 2025 for EIB 25709 (on 10 March and 10 September of each year) and since 2013 until 2028 for EIB 25710 (on 11 April and 11 October of each year). Interest rate is 3.596% for EIB 25709, with 3.856% and 2.847% for EIB 25710.

The amount owed on 31 December 2020 under EIB 25709 was of 12,037,037 Euro and of 13,664,530 Euro under EIB 25710.

Loan EIB 25709 comprises certain financial covenants: (i) the ratio between EBITDA and interest rates of non-current borrowings paid during the year has to be at least 4.2; (ii) the ratio between non-current liabilities and shareholders' capitals do not have to exceed 0.95; (iii) the ratio between the net total liability and EBITDA has to be maximum 3.5.

Loan EIB 25710 has been secured by BNP Paribas SA Bucharest Branch. The indemnity contract was concluded on 20.12.2019 for 3 years. The contract provides 0.40% per annum commission, calculated at 115% on the credit value remaining to repay.

On 31 December 2020 financial indicators associated to credit contracts had been complied with.

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

| | 31 December 2020 | 31 December 2019 |
|-------------------|-------------------------|-------------------------|
| From 1 to 2 years | 23,479,942 | 23,045,485 |
| From 2 to 5 years | 70,439,826 | 69,136,455 |
| More than 5 years | 7,751,501 | 30,653,559 |
| Total | 101,671,269 | 122,835,499 |

The Company has not provided risk coverage associated to its hard currency liabilities or risk exposure associated to interest rates.

All non-current loans on balance on 31.12.2020 are bearers of fixed interest rate.

Non-current loan IBRD 7181 secured by the Romanian Government through the Ministry of Finance was fully repaid on 15.01.2020.

Current borrowings

They are detailed as follows:

| | 31 December 2020 | 31 December 2019 |
|-------------------------------------------------|-------------------------|-------------------------|
| Current part of non-current credits | 23,479,941 | 24,590,329 |
| Overdraft | - | 29,540,187 |
| Interest rates of non-current and current loans | 1,229,864 | 1,436,219 |
| Total current borrowings | 24,709,805 | 55,566,735 |

- *Loans contracted for current activities*

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

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

It has been secured by means of:

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

The attached notes are integral parts of these stand-alone financial statements.

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

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

On 31 December 2020 the creditline 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 contracts on the contribution for high efficiency cogeneration concluded with Cez Vanzare SA, E.ON Energie Romania SA, Enel Energie SA, SC Tinmar Energy SA, and Enel Energie Muntenia SA;

14. LIABILITIES REGARDING EMPLOYEES' BENEFITS

In accordance with HG 1041/2003 and 1461/2003 the Company provides benefits in kind as free electricity to employees that retired from the predecessor company.

Also in accordance with the collective labour contract the Company provides long-term benefits both to employees, depending on labour seniority and Company seniority, and to former employees after retirement. Benefits provided to employees with managerial positions are shown in Note 27 – *Salaries of Company management*.

The long-term benefits provided by the Company include the following:

- Retirement awards from 1 to 5 gross monthly salaries depending on Company seniority on retirement date;
- Jubiliary awards from 1 to 5 gross monthly salaries depending on Company seniority;
- Free electricity of 2,000 kWh/year granted after retirement according to the provisions of the collective labour contract;

Actuarial calculations regarding post-employment benefits and other long-term benefits were determined by licensed actuary under a service contract concluded with SC CASIANIS BUCURESTI SRL.

Liabilities pertaining to employees' benefits were as follows:

| | <u>31 December 2020</u> | <u>31 December 2019</u> |
|----------------------------------------------------------|--------------------------------|--------------------------------|
| Jubiliary awards | 29,008,682 | 29,460,567 |
| Retirement bonuses | 16,858,857 | 13,578,488 |
| Free electricity granted to current and former employees | 26,695,075 | 20,672,404 |
| Benefits for labour contract termination | - | - |
| Maternity bonuses | 78,376 | - |
| Total | <u>72,641,000</u> | <u>63,711,459</u> |

On 31 December 2020 and 31 December 2019 the Company's liabilities regarding long-term benefits granted to employees amounted to 72,641,000 and to 63,711,459.

Out of the total debt value constituted, namely 72,641,000:

- 4,941,995 represents current debt constituted for future payments of benefits granted upon age retirement and jubilee benefits;
- The difference of 67,699,005 represents non-current debt constituted for future payments of benefits granted upon age retirement and jubilee benefits;

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

*(All amounts are expressed in LEI, unless otherwise provided)***14. LIABILITIES REGARDING EMPLOYEES' BENEFITS(continued)**

| | 31 December 2019 | Interes rate cost | Cost of current service | Provision payments | Actuarial gainof the period | 31 December 2020 |
|-------------------------------------------------------------------------------------------|-----------------------------|------------------------------|----------------------------------------|-------------------------------|--------------------------------------------|-----------------------------|
| Jubilee benefits to be granted to current employees | 29,460,567 | 1,217,948 | 9,078,167 | (3,631,466) | (7,116,534) | 29,008,682 |
| Benefits relating to maternity leaves to be granted to current employees | - | 3,693 | 12,350 | (556,140) | 618,474 | 78,376 |
| Benefits relating to bonuses granted upon current employees' retirement | 13,578,488 | 630,803 | 856,151 | (1,654,362) | 3,447,787 | 16,858,867 |
| Benefits relating to bonuses granted for labour contract termination | - | - | - | - | - | - |
| Benefits relating to electricity amounts to be paid to current employees after retirement | 8,976,064 | 349,986 | 750,148 | - | 786,548 | 10,862,746 |
| Benefits relating to electricity amounts to be paid for current retired employees | 11,696,340 | 455,810 | 3,190,876 | (774,754) | 1,264,057 | 15,832,329 |
| | 63,711,459 | 2,658,240 | 13,887,691 | (6,616,722) | (999,668) | 72,641,000 |

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

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Explanatory notes to the financial statements for the financial year ended on 31 December 2020
(All amounts are expressed in LEI, unless otherwise provided)

15. TRADE AND OTHER LIABILITIES

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

| | 31 December 2020 | 31 December 2019 |
|-------------------------------|-------------------------|-------------------------|
| Suppliers- electricity market | 468,110,907 | 390,220,768 |
| Asset suppliers | 112,384,086 | 73,456,090 |
| Suppliers of other activities | 30,539,187 | 24,171,846 |
| Amounts owed to employees | 9,364,190 | 6,165,643 |
| Other liabilities | 305,527,391 | 68,791,366 |
| Total | 925,925,761 | 562,805,713 |

On 31 December 2020 and 31 December 2019 liabilities on balance on the electricity market amounted to 468,110,907, namely 390,220,768 and provided the following structure:

| | 31 December 2020 | 31 December 2019 |
|----------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Suppliers on the electricity market, of which: | | |
| - Suppliers- operational activities- electricity | 178,658,686 | 142,742,539 |
| - suppliers - balancing market | 140,354,564 | 77,630,918 |
| - Suppliers of the bonus type support scheme sprijin to promote high efficiency cogeneration | 149,097,657 | 169,847,311 |
| Total | 468,110,907 | 390,220,768 |

Suppliers on the electricity market are mainly represented by: SC Hidroelectrica SA, OPCOM, Mavir, Electrocentrale Bucharest, Energy Complex Oltenia, OMV Petrom SA, Energy Complex Hunedoara, IBEX, Veolia Energie Prahova, and Ciga Energy. On 31 December 2020 their share was about 81% in the total electricity suppliers.

- The greater liability balance from operational activities was mainly determined by higher payment liabilities on balance on the electricity market on 31 December 2020 upon due date in January 2021;
- The greater balance of liabilities for the balancing market was determined by higher payment liabilities on balance on the electricity market on 31 December 2020 upon due date and higher volume of transactions on the balancing market in Q IV 2020 compared to Q IV 2019;
- The lower liabilities associated to the support scheme to suppliers (producers) was mainly determined by smaller monthly bonus payable in December 2020 compared to the monthly bonus of December 2019;

On 31 December 2020 were registered pay liabilities to suppliers (producers) amounting to 54,552,802 (RAAN – 51,183,836 and CET Govora SA – 3,368,966), representing the monthly cogeneration bonus; 2014 & 2015 ex-ante overcompensation; unpaid bonus in 2015 and 2016. The amounts representing Company liabilities to RAAN and CET Govora under the support scheme were withheld according to article 17 para 5 from Order 116/2013 of ANRE president, because the suppliers (producers) registered liabilities to the Company under the bonus type support scheme.

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

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

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

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Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

15. TRADE AND OTHER LIABILITIES (continued)

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

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

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

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

The higher balance of asset suppliers on 31 December 2020 compared to 31 December 2019 was mainly owed to higher investments, especially contracts in progress which are invoiced by asset suppliers.

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

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

| | 31 December 2020 | 31 December 2019 |
|-------------------------------|-------------------------|-------------------------|
| Sundry creditors | 162,823,402 | 1,618,176 |
| Client-creditors | 66,357,754 | 44,624,968 |
| Payable dividends | 191,175 | 615,702 |
| Liabilities - buildingleasing | 37,948,473 | 6,328,098 |
| Other liabilities | 38,206,587 | 15,604,422 |
| Total | 305,527,391 | 68,791,366 |

- “Sundry creditors” amounting to 162,823,402 on 31.12.2020 mainly represented:

- The net position of the supportscheme regarding high efficiency cogeneration, a liability position, amounted to 159,624,872;

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

- The contribution to be collected from the suppliers of electricity consumers; overcompensation of electricity and heat generation under high efficiency cogeneration; the undue bonus collectable from producers according to ANRE decisions, on the one hand, and
- The cogeneration bonus, the ex-ante overcompensation and unpaid bonus to be paid to electricity producers under high efficiency cogeneration, beneficiaries of the support scheme on the other hand;

- 1,318,388 studies on the synchronous interconnection between the power systems of Ukraine and Republic Moldova with the European Continental system, royalty Q IV 693,094, other study contracts 330,594, bid participation bonds 242,712 and others;

- “Client creditors” on 31 December 2020 amounted to 66,357,754, of which 65,218,033 represent deferred amounts collected from MAVIR (25,057,089), OPCOM (38,194,596) and IBEX (1,966,349) under transactions associated to the price-coupling mechanisms 4MMC (4M Market Coupling) and SIDC (Single Intraday Coupling).

- On 31 December 2020 dividends owed to Company shareholders but unpaid amounted to 191,175. These amounts are at the shareholders' disposal by means of the payment agent.

- On 31 December 2020 the liability for the assets under the usage right of assets taken by leasing - buildings, according to the provisions of IFRS 16 – Leasing contracts amounted to 37,948,473, of which:

- Current liability: 7,416,569;
- Non-current liability: 30,531,904;

The attached notes constitute integral part of these stand-alone financial statements

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

15. TRADE AND OTHER LIABILITIES (continued)

• Other liabilities amounting to 38,206,587 are mainly represented by payment securities for contracts on the electricity market concluded by CNTEE Transelectrica SA in sum of 16,822,548, non-requestable VAT of 20,557,463 during the reporting interval, and others.

Provisions

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

| | 31 December 2020 | 31 December 2019 |
|---------------------------------------------------------------------------|-------------------|-------------------|
| Dispute provisions | 50,441,491 | 33,251,874 |
| Provisions for mandate contracts | 33,232,691 | 33,132,184 |
| Provisions for employees' participation to profit and vacations not taken | 9,970,005 | 44,799 |
| Other provisions | 3,917,355 | 3,588,993 |
| TOTAL | 97,561,542 | 70,017,850 |

Dispute provisions on balance on 31.12.2020 amounted to 50,441,491 and were mainly represented by the 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 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. On the 31.03.2020 term settlement in brief was: it lawfully suspended the case according to article 42 para 6 of Romania’s president Decree 195/2020 instituting the emergency state on Romanian territory, during the entire emergency state. TERM: 13.10.2020. On this term it decided on the provision of an expertise report and set the next term on 08.12.2020 – when the expertise evidence was to be submitted. On the 08.12.2020 term the law court deferred the case in order to have the expertise report completed and set a new term on **11.05.2021**.

- *Files 105/2/2017 and 2494/115/2018* (10,648,829) – claimant Resita City*

Through 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;
- 2,129,765.86 Lei, representing land rent in 2019;
- 2,129,765.86 Lei, representing land rent in 2020;
- Legal penalising interest from due date until actual payment;
- Law suit expenses;

On the 16.11.2020 term the law court deferred the case and granted time to study the writs submitted on this hearing term to the case file by the representative of CNTEE Transelectrica SA, setting a new hearing term on **22.03.2021**.

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

was re-registered on the docket of Bucharest Tribunal, section VI Civil. Through its summons the claimant requested 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;

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

15. TRADE AND OTHER LIABILITIES(continue)

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

Before the Appeal Court Bucharest the settlement in brief was: "In accordance with article 413 para (1) pt. 1 C.proc.civ., it suspends settling the case until final settlement of file 3155/115/2018 on the docket of the High Court of Cassation and Justice; appeal right during the entire suspension. It was pronounced on 19.05.2020. Pronouncement will be done by placing the ruling to the parties' disposal by the court clerk". A new file was set on **23.03.2021**.

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

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

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

On 24.07.2015 Bucharest Tribunal pronounced sentence 4275/2015 whereby it decided as follows: "It admits filed by claimant Electricity and Natural Gas Operator OPCOM SA in contradiction with defendant the 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 charged by European Commission's Decision of 05.03.2014 in case AT.39984, as well as legal interest for 582,086 Euro, calculated from 11.06.2014 until actual payment. 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 submitted to Bucharest Tribunal, Section VI Civil".

CNTEE Transelectrica SA filed appeal against sentence 4275/2015 pronounced under the fore-mentioned file, which was registered on the docket of the Appeal Court Bucharest. The Appeal Court's settlement was as follows: "It admits the appeal. Changes entirely the civil ruling appealed against, meaning it denies as groundless the summons. It compels the recurrent-claimant to pay law suit expenses amounting to 16,129 to the defendant, representing judiciary stamp fee. Appeal right granted within 30 days from notification. It was pronounced at public hearing on 10.10.2016". Document: Ruling 1517/2016.

OPCOM SA filed appeal. The High Court of Cassation and Justice decided as follows: "On the 13.03.2018 term it admits fully the appeal filed by the 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. It cancels the decision appealed against and refers the case for new judgment to the appeal court; final".

On the 01.10.2018 hearing term the Appeal Court Bucharest denied the appeal of Transelectrica as groundless; the appellant was compelled to pay 26,070.31 Lei law suit expenses to the respondent in appeal. (Ruling 1813/2018 01.10.2018).

On 27.11.2018 CNTEE Transelectrica SA filed appeal with the ICCJ.

On the **16.03.2021**, the appeal was denied as groundless. The appeal filed by the recurrent-defendant NATIONAL POWER GRID COMPANY TRANSELECTRICA SA against ruling 1813/2018 of 1 October 2018, pronounced by the Appeal Court Bucharest, Section V Civil. It compelled the recurrent-defendant NATIONAL POWER GRID COMPANY TRANSELECTRICA SA to pay the intimated-claimant ELECTRICITY AND NATURAL GAS MARKET OPERATOR OPCOM SA law suit expenses amounting to 8,310.71 Lei representing lawyer's fee; final.

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Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

- *File 3083/3/2020 - claimant NUCLEARELECTRICA SA (1,472,785)*

On 26.06.2020 Nuclearelectrica sued the Company to pay 1,290,533.156 Lei representing negative imbalance and 182,251.94 Lei legal interest.

After several terms of case deferral (26.06.2020, 16.10.2020, and 11.12.2020) for various reasons, on the 22.12.2020 term the court compelled the Company to pay the claimant 1,290,533.156 Lei as compensatory damages; to pay the update of such amount by the inflation rate as of 27.09.2018 until actual payment; to pay 182,251.94 Lei as penalising legal interest calculated as of 27.09.2018 until 31.01.2020, and to further pay the penalising legal interest calculated as of 01.02.2020 until actual payment. It also compelled the defendant to pay the claimant 23,441.66 Lei as law suit expenses, being judiciary stamp tax. It denied as groundless the defendant's request to be paid law suit expenses; appeal granted within 30 days from notification (Ruling 2698/2020 / 22.12.2020). Transelectrica SA filed appeal with the Appeal Court Bucharest, expecting now law court notification.

- *File 20780/3/2020- claimant ENERGOMONTAJ SA (7,092,389)*

This file is on the docket of Bucharest Tribunal under preliminary procedure.

- *File 704/1285/2020 – claimant ENERGOBIT SA (1,754,155)*

On 23.10.2020 Energobit SA sued the Company to update the contractual price of contract C18/2017 (Refurbishing the 400/110/20 kV substation Domnesti), because the minimum salary was indexed in constructions according to OUG 114/2018. To this effect it requested compelling the Company to conclude an addendum and pay 1,618,421.14 Lei, representing manual labour difference + 101,339.90 Lei, representing delay penalties.

Two hearing terms (10.11.2020 and 17.11.2020) and two deferrals pronounced (24.11.2020 and 27.11.2020); on 02.12.2020 the Specialised Cluj Tribunal pronounced civil ruling 1859/2020 whereby it decided as follows: "It admitted the case filed by claimant SC Energobit SA in contradiction with defendant Transelectrica SA. It compelled the defendant to conclude with the claimant an addendum to Work Contract C18/07.02.2017, after indexation of the national gross minimum salary guaranteed for payment in constructions. It compelled the defendant to pay the claimant 1,618,421.14 Lei, VAT free, representing difference of manual labour costs offered and executed under Work Contract C18/07.02.2017, pertaining to the work statements until September 2020, inclusive. It compelled the defendant to pay the claimant 101,339.90 Lei representing 0.02%/day delay penalties, calculated to the principal liability until 15.10.2020, as well as further 0.02%/day delay penalties until paying the principal liability. It compelled the defendant to pay the claimant 40,645.04 Lei, as law suit expenses, representing judiciary stamp tax and lawyer's fee; appeal right within 10 days from notification, to be submitted to the Specialised Cluj Tribunal".

The Company filed appeal against the sentence pronounced by the Specialised Cluj Tribunal, with first hearing term still to be established.

- *File 3186/117/2020 – claimant ENERGOBIT SA (828,098)*

On 23.10.2020 Energobit SA sued the Company to update the contractual price of contract C199/2016 (Refurbishing the 220/110 kV substation Turnu Severin Est), because the minimum salary was indexed in constructions according to OUG 114/2018. To this effect it requested compelling the Company to conclude an addendum and pay 762,310.75 Lei, representing manual labour difference + 49,550.03 Lei, representing delay penalties.

After case deferral on the 29.09.2020 term because of procedure absence with the defendant, on 27.10.2020 Cluj Tribunal invoked ex officio and admitted the exception of material processual incompetence of Cluj Tribunal's Civil Section, and it declined the request settlement competence of such summons in favour of the Specialised Cluj Tribunal.

In its turn on the first hearing term (24.11.2020) the Specialised Cluj Tribunal invoked ex officio and admitted the exception of its material incompetence, in consequence which such declining the settlement competence of the summons in favour of Cluj Tribunal, Civil Section. As it ascertained occurrence of the negative conflict of competence it decided notifying the Appeal Court Cluj, Section II Civil in order to settle the competence conflict.

On the 25.01.2021 term the Appeal Court Cluj, conferred with the settlement of the competence conflict established such settlement competence of the summons in favour of the Specialised Cluj Tribunal.

The following hearing term is to be established.

- *File 3042/117/2020- claimant ELM Electromontaj Cluj (1,344,355)*

On 06.08.2020 ELM Electromontaj Cluj SA sued the Company by UTT Cluj to update the contractual price of contract C21/28.07.2016 (Major maintenance to the 220 kV double circuit OHL Cluj Floresti – Alba Iulia: Cluj Floresti – Campia Turzii: Iernut – Campia Turzii), because the minimum salary was indexed in constructions according to OUG 114/2018. To this effect it requested compelling the Company to conclude an addendum and pay 965,015.16 Lei, representing manual labour difference + 379,340.93 Lei, representing delay penalties.

On the first hearing term on 29.09.2020 Cluj Tribunal invoked ex officio and admitted the exception of material processual incompetence of Cluj Tribunal's Civil Section, and it declined the request settlement competence of such summons in favour

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of the Specialised Cluj Tribunal.

In its turn on the first hearing term (09.12.2020) the Specialised Cluj Tribunal invoked ex officio and admitted the exception of its material incompetence, in consequence which such declining the settlement competence of the summons in favour of Cluj Tribunal, Section Civil. As it ascertained occurrence of the negative conflict of competence it decided notifying the Appeal Court Cluj, Section II Civil in order to settle the competence conflict.

On the 15.01.2021 term the Appeal Court Cluj, conferred with the settlement of the competence conflict established such settlement competence of the summons in favour of the Specialised Cluj Tribunal.

After the 17.02.2021 hearing term and two pronouncement deferrals (17.02.2020 and 22.02.2021), on 01.03.2021 the Specialised Cluj Tribunal pronounced civil ruling 405/2021 whereby it decided as follows: It denied as groundless the exception of absent interest to sustain the first request item, an exception claimed by the defendant. It admitted the case filed by claimant SC E. E. SA in contradiction with defendant C. T. SA. It compelled the defendant to conclude with the claimant an addendum to the work Contract C21/28.07.2016, pertaining to changing the contractual price because of the indexation of the gross minimum basic salary guaranteed for payment nation-wide in constructions according to OUG 114/2018. It compelled the defendant to pay in favour of the claimant 965,015.16 Lei, VAT free, representing difference between the offered manual labour and the actually executed manual labour under work Contract C21/28.07.2016, according to the work statements of February – July 2019. It compelled the defendant to pay in favour of the claimant 379,340.93 Lei, representing 0.1%/day delay penalties, calculated to the principal debt until 31.07.2020, and 0.1%/day further delay penalties until full payment of the principal debt, penalties being limited to the principal debt, plus VAT. It compelled the defendant to pay in favour of the claimant 35,519.20 Lei as law suit expenses, representing judiciary stamp tax and lawyer's fee; appeal granted within 10 days from notification".

- *File 3104/117/2020 - claimant ELM Electromontaj Cluj (812.332)*

On 11.08.2020, ELM Electromontaj Cluj SA sued the Company by UTT Cluj to update the contractual price of contract C14/09.03.2018 (Major maintenance to the 220 kV OHL Alba - Sugag - Galceag), because the minimum salary was indexed in constructions according to OUG 114/2018. To this effect it requested compelling the Company to conclude an addendum and pay 617,280.31 Lei, representing manual labour difference + 179,124.08 Lei, representing delay penalties.

On the first hearing term on 29.09.2020 Cluj Tribunal invoked ex officio and admitted the exception of material processual incompetence of Cluj Tribunal's Civil Section, and it declined the request settlement competence of such summons in favour of the Specialised Cluj Tribunal.

In its turn on the first hearing term (10.12.2020) the Specialised Cluj Tribunal invoked ex officio and admitted the exception of its material incompetence, in consequence which such declining the settlement competence of the summons in favour of Cluj Tribunal, Section Civil. As it ascertained occurrence of the negative conflict of competence it decided notifying the Appeal Court Cluj, Section II Civil in order to settle the competence conflict.

On the 15.01.2021 term the Appeal Court Cluj, conferred with the settlement of the competence conflict established such settlement competence of the summons in favour of the Specialised Cluj Tribunal.

Next hearing term: 18.02.2021. The exception of the absent usage capacity of UTT Sibiu was denied; it enjoined the defendant to submit to the file the check-up of the arithmetical calculation representing claims under item 2, and in case the calculation is incorrect to submit the mathematical demonstration. It deferred the case on 11.03.2021.

Term on 11.03.2021 – Meeting notices were submitted and verbally we sustained the need to provide judiciary expertise in the case, financial-accounting speciality in accordance with the provisions of article 254 para 2 pt. 2 NCPC. The instance denied the evidence request as useless to the case.

It raised for discussion the deferral of the case substantial issue on 25.03.2021 taking into account other causes between the same parties on the same subject are found on the docket of the Appeal Court Cluj and the Specialised Cluj Tribunal, which causes are under advanced procedures. The court deferred the case on **25.03.2021**.

Other provisions amounting to 3,917,355 are mainly represented by the payable VAT provision estimated for the fiscal audit completed in February 2021 (for 2014-2016), amounting to 3,847,123 Lei.

The amount of 9,970,005 mainly (9,914,684) represents (estimated) provision constituted for employees' participation to the profit of 2020 financial year and holidays not taken.

At the same time on 31 December 2020 the Company had constituted a provision amounting to 33,232,691 mainly representing the remuneration of executive and non-executive administrators, which consists of the variable component for the allocated OAVT packages not capitalised during the 2013-2017 mandates.

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Explanatory notes to the financial statements for the financial year ended on 31 December 2020

*(All amounts are expressed in LEI, unless otherwise provided)***16. INCOME TAX**

This tax in 2020 and 2019 was as follows:

| | 2020 | 2019 |
|--------------------------------------------|---------------------|---------------------|
| Expense of current and deferred income tax | (69,073,572) | (17,437,580) |
| Net revenue from the deferred income tax | 40,231,664 | 6,388,077 |
| Total | (28,841,908) | (11,049,503) |

In 2020 and 2019 the Company's current and deferred income tax was determined at 16% statutory rate, which was valid in 2020 and 2019.

Reconciliation of the actual taxation rate:

| | 2020 | 2019 |
|-----------------------------------|---------------------|---------------------|
| Income tax at 16% statutory rate | 27,067,465 | 17,600,710 |
| Effect of non-deductible expenses | 28,193,594 | 9,829,229 |
| Effect of non taxable revenues | (7,415,726) | (10,027,262) |
| Taxable revaluation reserve | 23,777,135 | 5,180,345 |
| Legal reserve | (1,349,880) | (856,644) |
| Exempted income tax | (8,771,251) | (8,716,160) |
| Other effects | (13,291,582) | 963,265 |
| Total | (48,209,755) | (13,973,483) |

The attached notes constitute integral part of these stand-alone financial statements

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Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

16. INCOME TAX (continued)

The development table of deferred taxes in 2020 and 2019 were as follows:

| Elements | Balance on 1 January 2019 | Recognised in profit & loss | Directly recognised in AERG | Balance on 31 December 2019 | Recognised in profit & loss | Directly recognised in AERG | Balance on 31 December 2020 |
|--------------------------------------------|---------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Tangible assets - lifecycles | 6,091,965 | 278,530 | - | 6,370,495 | 19,543,314 | - | 25,913,809 |
| Tangible assets- revaluation reserves | 64,364,853 | (5,096,992) | 83,677,369 | 142,945,230 | (23,755,356) | 534,309 | 119,724,183 |
| Tangible assets financed from subsidies | (2,387,307) | (277,813) | - | (2,665,120) | (1,263,576) | - | (3,928,696) |
| Liabilities related to employees' benefits | (3,034,803) | 1,204,446 | - | (1,830,357) | (9,792,203) | - | (11,622,560) |
| Employees' participation to profit | - | - | - | - | (1,586,349) | - | (1,586,349) |
| Estimated interconnection | (2,157,538) | 967,849 | - | (1,189,689) | 901,689 | - | (288,000) |
| Provisions for disputes | (6,776,753) | - | - | (6,776,753) | (1,293,886) | - | (8,070,639) |
| Mandate contracts | - | - | - | - | (89,465) | - | (89,465) |
| Allowances of inventories | - | - | - | - | (1,973,953) | - | (1,973,953) |
| Tax (asset)/ liability | 56,100,417 | (2,923,980) | 83,677,369 | 136,853,806 | (19,309,785) | 534,309 | 118,078,330 |

The deferred tax consists of:

| | Asset | | Liability | | Net | |
|--------------------------------------------|---------------------|---------------------|--------------------|--------------------|--------------------|--------------------|
| | 31-Dec-20 | 31-Dec-19 | 31-Dec-20 | 31-Dec-19 | 31-Dec-20 | 31-Dec-19 |
| Tangible assets - lifecycles | (1,299,324) | (2,872,576) | 27,213,133 | 9,243,071 | 25,913,809 | 6,370,495 |
| Tangible assets- revaluation reserves | (23,755,356) | (5,096,992) | 143,479,538 | 148,042,221 | 119,724,183 | 142,945,230 |
| Tangible assets financed from subsidies | (1,284,766) | (590,815) | (2,643,930) | (2,074,305) | (3,928,696) | (2,665,120) |
| Liabilities related to employees' benefits | (11,622,560) | (1,830,356) | - | - | (11,622,560) | (1,830,356) |
| Employees' participation to profit | (1,586,349) | - | - | - | (1,586,349) | - |
| Estimated interconnection | (288,000) | (1,189,689) | - | - | (288,000) | (1,189,689) |
| Provisions for disputes | (8,070,639) | (6,776,753) | - | - | (8,070,639) | (6,776,753) |
| Mandate contracts | (89,465) | - | - | - | (89,465) | - |
| Allowances of inventories | (1,973,953) | - | - | - | (1,973,953) | - |
| Net tax (asset)/ liability | (49,970,412) | (18,357,181) | 168,048,742 | 155,210,987 | 118,078,330 | 136,853,805 |

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

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Explanatory notes to the financial statements for the financial year ended on 31 December 2020
(All amounts are expressed in LEI, unless otherwise provided)

17. RESULT PER SHARE

On 31 December 2020 and on 31 December 2019 the resultat per share was:

| | 2020 | 2019 |
|------------------------------------------------------|--------------------|-------------------|
| Result of the financial year | 139,893,129 | 96,030,957 |
| Number of ordinary shares at year beginning and end | 73,303,142 | 73,303,142 |
| Basic result and diluted pershare (Lei/share) | 1.908 | 1.310 |

18. OTHER TAX AND SOCIAL SECURITY LIABILITIES

On 31 December 2020 and on 31 December 2019 other tax and social security liabilities comprise:

| | 31 December 2020 | 31 December 2019 |
|--------------------------------------|-------------------------|-------------------------|
| Contributionto social security funds | 13,542,683 | 6,154,664 |
| Salary tax | 2,465,884 | 1,136,736 |
| Other payable taxes | 1,002,862 | 1,460,715 |
| Total | 17,001,429 | 8,752,115 |

On 31 December 2020 the Company registered payment liabilities for contributions to social security funds, income tax and other taxes, which were paid in January 2021.

19. OPERATIONAL REVENUES

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

ANRE-approved tariffs for services provided on the electricity market were as follows:

| | Average tariff, transmission services | Tariff of technological system services | Tariff of functional system services |
|----------------------------------------------------------|---------------------------------------------|-----------------------------------------------|-----------------------------------------|
| Order 142/29.06.2020 for 01 July – 31 December 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 – 31 December 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 average electricity transmission rate has two components: tariff for electricity injection into the grid (T_G) and tariff for electricity extraction from the grid (T_L).

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

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

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

| | 2020 | 2019 |
|-----------------------------------------------------------------|----------------------|----------------------|
| 19. OPERATIONAL REVENUES (continued) | | |
| Electricity quantity delivered to consumers (MWh) | 53,849,411 | 55,343,389 |
| Operational revenues achieved in 2020 and 2019 were as follows: | | |
| | 2020 | 2019 |
| Transmission revenues | 963,062,873 | 986,485,036 |
| Revenues from allocation of interconnection capacities | 58,725,474 | 84,241,521 |
| Revenues of reactive electricity | 653,510 | 1,227,271 |
| Inter TSO Compensation (ITC) revenues | 3,518,246 | 2,033,188 |
| Revenues of CPT transactions | 9,290,011 | 7,993,765 |
| Transmission service revenues – total | 1,035,250,114 | 1,081,980,781 |
| Revenues of functional system services | 117,016,561 | 81,451,308 |
| Revenues of technological system services | 674,057,008 | 654,095,442 |
| Revenues from unplanned PZU / DAM exchanges | 3,952,637 | 6,146,729 |
| Revenues from failure aids | - | - |
| Revenues from system services – total | 795,026,206 | 741,693,479 |
| Revenues on the balancing market | 494,999,492 | 523,104,001 |
| Other revenues | 42,119,650 | 50,932,248 |
| Total revenues | 2,367,395,462 | 2,397,710,509 |

Transmission revenues

Such revenues registered decrease amounting to 23,422,163 in 2020 compared to 2019, determined by 2.70% diminished electricity quantity delivered to consumers, namely by 1,493,978 MWh, when the ANRE-approved tariff of such services was higher by about 0.08 Lei/MWh in 2020 compared to 2019 (as per the previously provided table with ANRE-approved tariffs in the studied periods).

Revenues from allocation of interconnection capacities

Such revenues registered decrease amounting to 25,516,047 in 2020 compared to 2019, corresponding to the utilisation degree of available interconnection capacities by the traders on the electricity market.

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

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

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

Beginning with 2016 the UIOSI principle was implemented on the Bulgarian border and from 2017 onward on the Serbian border as well. In accordance with such principle market participants that do not use the capacity they had won 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.

19. OPERATIONAL REVENUES(continued)

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

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

Inter TSO Compensation (ITC) revenues

Such revenues were higher by 1,485,058 in 2020 compared 2019 because the imported /exported /transited electricity was higher than last year's, and the applied import/export/transit tariff grew in 2020.

Revenues of CPT transactions

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

These revenues of CPT transaction were higher by 1.296.246 in 2020 compared to 2019, taking into account the imbalances of Transelectrica were contrary to the imbalances of CIGA ENERGY BRP; thus selling the excess electricity by the BRP was more beneficial than selling on the Balancing Market.

Revenues of functional system services

Such revenues registered increase by 35,565,253 in 2020 compared to 2019, determined by increased ANRE-approved tariff for these services (as per the previously provided table with ANRE-approved tariffs in the studied periods), when the electricity quantity delivered to consumers diminished 2.70%, namely 1,493,978 MWh.

Revenues of technological system services

These revenues registered increase by 19,961,566 in 2020 compared to 2019, determined by increased ANRE-approved tariff for such services (as per the previously provided table with ANRE-approved tariffs in the studied periods), when the electricity quantity delivered to consumers diminished 2.70%, namely 1,493,978 MWh.

In 2020 revenues of technological system services were higher by 108,040,914 compared to the expenses made to procure technological system services. This amount increases the Company's gross profit registered on 31 December 2020.

Revenues on the balancing market

Such revenues registered diminution by 28,104,509 in 2020 compared to 2019, mainly determined by the following issues:

- Eliminating the price limits when providing offers on the balancing market, which is applicable beginning with September 2020;
- Eliminating the obligation to participate on the balancing market, which has been applicable beginning with September 2020;
- Decrease of the negative imbalance registered by the suppliers of electricity on the balancing market;
- The contracting manner on the markets before the balancing one;
- The development of hydraulicity;
- The development of the average deficit price registered on the balancing market;
- Reduced demand (consumption) of electricity since a milder winter was the last;
- Reduced electricity consumption because of the regulations issued by the Public Central Administration to prevent Covid-19 spreading;

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

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20. EXPENSES TO OPERATE THE SYSTEM AND FROM THE BALANCING MARKET

Such expenses of system operation and on the balancing market made in 2020 and 2019 were as follows:

| | 2020 | 2019 |
|---------------------------------------------------------------|----------------------|----------------------|
| Expenses regarding one's own technological consumption | 251,864,518 | 283,908,352 |
| Congestion expenses | 1,650 | 1,656,528 |
| Expenses regarding electricity consumption in RET substations | 16,230,416 | 20,449,563 |
| Expenses regarding functional system services | 30,492,667 | 32,737,511 |
| Inter TSO Compensation (ITC) expenses | 11,256,271 | 12,990,780 |
| Total operational expenses | 309,845,522 | 351,742,734 |
| Expenses regarding technological system services | 566,016,094 | 676,467,560 |
| Expenses regarding the balancing market | 494,999,492 | 523,104,001 |
| Total expenses | 1,370,861,108 | 1,551,314,295 |

Expenses regarding one's own technological consumption

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

These expenses pertaining to own technological consumption were lower by 32,043,834 in 2020 compared to 2019, taking into account a series of issues such as:

- In the epidemiologic context generated by COVID-19 (coronavirus) spreading, the average price on the PZU / DAM was about 25% lower than the previous year's;
- The average price of the electricity procured on the Balancing Market dropped about 9%, in the context of Transelectrica imbalances contrary to the imbalances of CIGA ENERGY BRP, thus the balance of imbalances was about half that of last year's;
- Beginning with 1 September 2020 ANRE Order 61/2020 became applicable, which led to important changes on the balancing market, among which the possibility to register negative excess prices;
- One's own technological consumption registered in the studied period was about 40 GWh (4%) lower than in 2019;

Expenses regarding electricity consumption in RET substations

In order to perform electricity transmission activities within electric substations and to operate the National Power System under safe operational terms CNTEE Transelectrica SA has to procure electricity and cover the consumption of auxiliary services from high voltage electric substations managed by the Company.

Such expenses registered decrease of 4,219,147 in 2020 compared to 2019, because of lower electricity procurement prices which were used in the electricity supply contracts concluded during 2020.

Expenses regarding functional system services

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

Such expenses pertaining to functional system services registered decrease of 2,244,844 in 2020 compared to 2019, mainly determined by reduced expenses on the balancing market regarding unplanned electricity exchanges with neighbouring countries interconnected to SEN.

Inter TSO Compensation (ITC) expenses

ITC expenses amounting to 11,256,271 represent monthly payment obligations / collection rights of each transmission system operator (TSO). They are established under the compensation / settlement mechanism for the effects of using the electricity transmission network (RET) for electricity transits in-between TSO of the 35 countries that have adhered to such mechanism of ENTSO-E. In 2020 these expenses were lower by 1,734,509 compared to 2019.

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20. EXPENSES TO OPERATE THE SYSTEM AND FROM THE BALANCING MARKET (continued)

Expenses regarding technological system services

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

Such services are contracted as follows:

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

In 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), to ANRE Decisions 2212/2019 and 1211/2020 (from the Energy Complex Company Hunedoara SA), ANRE Decision 1851/2019 (from Company Electrocentrale Galati SA), and according to HG 593/12.08.2019 approving the "Measures with respect to the operational safety and security level of the National Power System for 1 November 2019 – 31 March 2020".

Expenses regarding technological system services registered decrease of 110,451,466 in 2020 compared to 2019, in mainly influenced by the following factors:

- Procurement prices of technological system services on the competitive market maintained in 2020 around the values recorded in 2019 for secondary reserve (RS) and fast tertiary reserve (RTR);
- In 2020 there was high concentration of the technological system service market by secondary reserve (RS) and fast tertiary reserve (RTR) types of services;

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

Expenses regarding the balancing market

In 2020 such expenses amounted to 494,999,492, following the development provided in chapter *Revenues on the balancing market*. They result from the notifications / achievements of participants on this market, being fully covered by the revenues from the balancing market.

21. PERSONNEL EXPENSES

i) Personnel expenses

| | 2020 | 2019 |
|---------------------------------------------------------------------|--------------------|--------------------|
| Expenses with employee salaries | 215,196,134 | 176,868,761 |
| Social expenses | 10,602,434 | 8,552,762 |
| Tickets granted to employees | 11,558,230 | 10,212,150 |
| Expenses with Covid-19- Food benefit, taxable | 1,003,974 | - |
| Expenses for the mandate contract and other committees, commissions | 3,120,020 | 2,338,140 |
| Expenses regarding social security and protection | 19,144,354 | 12,676,074 |
| Provisions constituted for salary expenses and assimilated | 17,284,662 | (1,868,709) |
| Other expenses | 1,055,282 | 1,152,700 |
| , | 278,965,090 | 209,931,878 |

Personnel expenses made in 2020 registered growth in comparison with 2019, mainly determined by the following issues:

- Higher expenses with personnel salaries, social expenses, of tickets granted to employees, expenses under mandate contracts (Directorate, Supervisory Board);
- In 2020 expenses with "Covid-19- food benefit, taxable" were registered, representing amounts necessary to provide meals to essential employees during isolation on the job (isolation generated by Covid-19 pandemic);
- Higher expenses with social security and protection, taking also into account the impact of 2020 registration for 4,255,966 representing the entity's contributions to social security associated to OAVTs paid under enforceable court rulings received by the Company (OAVT = remunerations of executive and non-executive administrators consisting of the variable component associated to the allocated OAVT packages not capitalised during the mandates executed in 2013-2017);

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- Provisions constituted in 2020 for salary expenses and assimilated (provisions for the variable component and other indemnifications according to applicable mandate contracts of Directorate and Supervisory Board members, provisions representing expenses for allocated OAVTs not capitalised during the mandates executed in 2013-2017, which disputes are on the docket for, and resuming to revenues the provisions associated to OAVT Certificates paid in 2020, provisions for employees' benefits, provision for employees' participation to Company profit etc.);

ii) *Average number of employees*

On 31 December 2020 and on 31 December 2019 the average number of employees under individual labour contract for indefinite period was as follows:

| | 2020 | 2019 |
|-----------------------------|-------------|-------------|
| Average number of personnel | 2,021 | 2,027 |

22. OTHER OPERATIONAL EXPENSES

| | 2020 | 2019 |
|----------------------------------------------------------------------------------------------|--------------------|--------------------|
| Other expenses with services provided by third parties | 65,609,395 | 62,124,519 |
| Postal expenses and telecommunication fees | 794,655 | 898,349 |
| Royalty and rent expenses | 1,826,730 | 1,385,551 |
| (Net) operational expenses regarding impairment allowances of current assets | 7,757,675 | (7,644,348) |
| Other expenses, of which: | 94,355,468 | 73,710,803 |
| - (Net) expenses regarding provisions for other operational expenses | 26,605,109 | (25,189,696) |
| - Expenses regarding OAVTs as per court rulings | 25,763,462 | - |
| - Tax and charge expenses (ANRE fee, tax on natural monopoly, other local taxes and charges) | 21,153,230 | 50,858,985 |
| - Expenses regarding international subscriptions | 5,312,664 | 4,582,980 |
| - Expenses regarding electricity procured for administrative consumption | 3,235,866 | 3,000,874 |
| - Expenses with internal travels and abroad | 2,014,978 | 5,422,944 |
| - Expenses generated by the Covid-19 pandemic | 1,183,063 | - |
| - Expenses for transportation of goods and personnel | 1,004,658 | 1,115,565 |
| - Sponsorship expenses | 1,003,823 | 713,932 |
| - Expenses for natural gas procurement | 972,326 | 1,030,250 |
| - Expenses with studies and research | 818,465 | 788,830 |
| - Expenses with insurance premiums | 636,521 | 640,944 |
| - Expenses with environmental protection | 606,057 | 937,409 |
| - Expenses regarding merchandise | 589,273 | 3,388,928 |
| - Protocol expenses | 356,793 | 657,925 |
| - (Net) expenses from revaluation of tangible assets | - | 9,865,002 |
| - Losses from receivables and sundry debtors | - | 9,348,236 |
| - Other operational expenses | 3,099,180 | 6,547,695 |
| Total | 170,343,923 | 130,474,874 |

In 2020 such expenses registered increase of 39,869,049 compared to 2019, determined by the variation of expense items such as:

- Increase of the (net) operational expenses regarding allowances to impair current assets (CET Govora SA, Romelectro SA, ISPE Design and Consultance SA, Opcom SA, etc.);
- Increase of (net) expenses regarding provisions constituted for other operational expenses, by recording provisions for disputes on the dockets of law courts (Energomontaj SA, Energobit SA, ELM Electromontaj Cluj SA etc.), the provisions for additional payable VAT according to RIF ANAF, of impairment allowances for tangible assets in progress etc., in comparison with cancellation by resuming into revenues the provision amounting to 31,180,858 in 2019, constituted for the dispute with ASITO KAPITAL SA;
- Recording the expenses of OAVTs paid under enforceable court rulings issued by law courts (performance bonus associated to OAVT Certificates granted to former executive and non-executive members and not capitalised, remuneration according to mandate contracts concluded in 2013 – 2017;
- Increase of other expenses for services provided by third parties, expenses with royalties and rent (because of higher royalty quantum from 0.1% to 0.4%, approved by Law 244/09.11.2020), of expenses regarding international subscriptions, etc.;

The attached notes constitute integral part of these stand-alone financial statements

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- Recording expenses generated by the Covid-19 pandemic (meals, medicines, hygiene, protection), extraordinary expenses occurred because of the public health crisis (Covid-19 pandemic), the emergency / alert state instituted by authorities and the measures established by the Company, based on its own business continuity plans;
- Diminished expenses regarding taxes and charges, because of reduced percentage of ANRE annual fee in quantum of 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 in 2020 by the National Regulatory Authority in the Energy domain;
- Diminished expenses regarding merchandise, the expenses with internal and external travels, protocol expenses, environmental protection, expenses for transportation of goods and personnel, etc.

23. NET FINANCIAL RESULT

| | 2020 | 2019 |
|-----------------------------------------|---------------------|---------------------|
| Interest revenues | 6,785,772 | 5,388,526 |
| Revenues from exchange rate differences | 2,735,236 | 4,168,303 |
| Other financial revenues | 273,406 | 165,651 |
| Total financial revenues | 9,794,414 | 9,722,480 |
| Interest expense | (9,743,641) | (10,207,588) |
| Expenses for exchange rate differences | (5,065,595) | (8,263,002) |
| Total financial expenses | (14,809,236) | (18,470,590) |
| Net financial result | (5,014,822) | (8,748,110) |

On 31 December 2020 the Company registered net financial result (loss) amounting to 5,014,822, lower by 3,733,288 than what was recorded in 2019. It was mainly influenced by the development of the national currency's exchange rate in against the foreign currency which the Company has contracted bank loans to finance its investments (Euro).

The exchange rate of the national currency registered on 31 December 2020 in comparison to that recorded on 31 December 2019 was the following:

| Currency | 31.12.2020 | 31.12.2019 |
|-----------------|-------------------|-------------------|
| Lei / Euro | 4.8694 | 4.7793 |

24. FISCAL LEGISLATIVE FRAMEWORK

The legislative-fiscal framework of Romania and its practical application changes frequently and and is subject to various constructions by different control bodies. Tax returns are subject to revision and corrections by fiscal authorities, in general for five years after their filling in. The management consider it registered properly fiscal liabilities in its financial statements; however there still is a risk of financial authorities taking different positions in connection with the constructions of such issues. Their impact could not be determined on this date.

25. COMMITMENTS AND CONTINGENCIES**i) Commitments**

On 31 December 2020 the Company had commitments amounting to 1,027,932,493 representing contracts underway for investment projects with respect to upgrading and refurbishing the transmission network.

25. COMMITMENTS AND CONTINGENCIES (continued)**ii) Lands used by the Company**

In accordance with Company policy the financial statements only include the value of lands which ownership certificates have been obtained for on the financial statements' date.

In accordance with Law 99/1999, in case the Company obtains the certificate specifying the ownership right for a land after its privatisation, such land will be considered contribution in kind of the Romanian State. Such lands are initially registered in other reserves. To this effect the Company will increase the share capital by the value of lands, and the beneficiary of such increase will be the Romanian State.

For the time being the external juridical opinion the Company received after procuring consultancy, assistance and/or representation juridical services necessary to increase the Company's share capital specifies that, in absence of changes or explanations of the legislative framework, the legislative provisions that are in general applicable to companies are contradictory with the provisions on increase for companies regulated under the privatisation legislation. In comparison with the steps taken to increase the share capital with the value of lands which ownership certificates were obtained for, OPSPI notified the Company that in its opinion share capital should be increased after changing the legal framework.

The Shareholders' General Extraordinary Assembly by Decision 7/28.05.2020 approved the principle increase for the share capital of CNTEE Transelectrica SA by the contribution in kind represented by the value of 17 lands which the Company obtained ownership certificates for and submitting to the Trade Register Office from Bucharest Tribunal the proposal to designate JPA Audit and Consultance SRL as valuator licensed by ANEVAR to assess the contribution in kind used for share capital increase according to legal terms.

Following ORCTB's validation of the proposal made by the Shareholders' general assembly with respect to the expert, JPA Audit and Consultance SRL as valuator licensed by ANEVAR elaborated and transmitted to the Company the *Assessment Report 21278/10.05.2019* establishing the fair value on 31.03.2019 of the 17 lands that Company obtained ownership certificates for, lands belonging to the Company. Taking into account we are faced with different opinions about the *application/interpretation of incidental legislation namely the privatisation legislation and the capital market legislation*, CNTEE Transelectrica SA is found in objective impossibility to increase its share capital with the value of the 17 lands which the Company obtained ownership certificates for and which expert JPA Audit and Consultance SRL established fair value of.

iii) Ongoing disputes

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

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

• INDEPENDENT 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 Independent 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. Hearing term was established 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.

25. COMMITMENTS AND CONTINGENCIES (continued)

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 admitted the exception of decline. It partly admitted the main issue and associated contestation. It compelled 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 were denied. In accordance with article 453 para 2 from the Civil Procedural Code it compelled the defendant to pay 1000 Lei law court expenses to the claimant. Appeal right was granted. It was pronounced on 20.06.2019 at public hearing. Document: Ruling163/20.06.2019.

On the 06.11.2019 term the Appeal Court Craiova denied the appeal of Transelectrica as groundless. Final decision pronounced under ruling 846/06.11.2019.

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

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

On 21.05.2020 the case was taken out of the docket under 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. Term on 03.02.2020.

Under RAAN’s bankruptcy file 9089/101/2013 Mehedinti Tribunal established on 11.06.2020 to defer the case. Settlement in brief: a term was granted to continue liquidation procedures, to represent the debtor’s interests in the disputes found on the dockets of law courts, to consolidate the creditors’ list, to continue measures to recover receivables, to continue public auctions pertaining to capitalising the debtor’s assets.

The following term was established on 04.02.2021. Settlement in brief: it granted term on **3 June 2021**, 11:00 h, to continue the procedure, evaluate the entire inventory, execute sale regulations, sell the assets and collect receivables.

- **COURT OF AUDIT**

Following an inspection performed in 2013, the Court of Audit issued several measures to be implemented by the Company as a result of some deficits, which were detected upon such control. The decision and protocol issued by the Court of Audit have been appealed 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 was 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

25. COMMITMENTS AND CONTINGENCIES (*continue*)

of Audit (CCR) by Decision 8/27.06.2017, requesting their cancellation as well as cancelling the Conclusion 77/03.08.2017, registered in the Company under number 29117/08.08.2017, and the Audit Report 19211/26.05.2017.

Contestations are under settlement as follows:

- On the docket of the Appeal Court Bucharest (2 files: 6576/2/2017 on cancelling the findings regarding items 7.1, 7.2 and 8, as well as the measure decided in item II.10, hearing term on 15.09.2020 and file 6581/2/2017 on cancelling the findings regarding item 6, and the measure decided in item II.9, hearing term on 09.10.2020),
- On the docket of the High Court of Cassation and Justice (5 files: 6577/2/2017 on cancelling the findings regarding item 13, and the measure decided in item II.13, no hearing term established; file 6578/2/2017 on cancelling the findings regarding item 9 and the measure decided in item II.11, no hearing term established; file 6580/2/2017 on cancelling the findings regarding item 10 and the measure decided in item II.12, term on 04.02.2021; file 6582/2/2017 on cancelling the findings regarding item 11 and the measure decided in item I.5, term on 29.09.2020; file 6574/2/2017 on cancelling the findings regarding item 5.2 and the measure decided in item II.8, term on 20.04.2021), and a file with final settlement with the cancellation request denied by the Appeal Court Bucharest and appeal denied by the High Court of Cassation and Justice (file 6583/2/2017 on cancelling the findings regarding item 5.1 and the measure decided in item II.7);

- **ANRE**

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

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

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

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

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

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

On the 03.12.2019 term 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 objections 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 objection. Also on the 21.07.2020 term the case was deferred with this settlement: letter to the expert to show up in court.

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

On 16.11.2020 the case was deferred, settlement in brief: In accordance with article 230 of the Civil Procedural Code, it changed ex officio the hearing term established on 17.11.2020 with one on 11.01.2021. It decided quoting the parties with a copy of the conclusion to change the term; appeal right together with the substance issue.

25. COMMITMENTS AND CONTINGENCIES (*continue*)

On the 11.01.2021 term settlement in brief: It admitted the request to complete the device. It decided completing the device of civil sentence 362/06.10.2020 with the settlement provided for the accessory intervention request, meaning that: It admitted the accessory intervention request filed by intervenient ALRO SA in support of defendant ANRE; appeal right within 15 days from notification, to be submitted to the Appeal Court Bucharest. It was pronounced on 11.01.2021 by placing the settlement at the parties' disposal by the court clerk.

Mention should be made this dispute has not impacted the relationship with ANRE or the Company's financial results.

• OPCOM

On 24.11.2014 the Electricity and Natural Gas 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.

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, dispute with professionals.

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

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

On 27.11.2018 CNTEE Transelectrica SA filed appeal, which is under screening 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,

25. COMMITMENTS AND CONTINGENCIES (continue)

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.

On the 06.05.2020 term settlement in brief: Lawfully suspended according to article 63 para 11 of annex 1 to Decree 240/2020 of Romania's President on extending the emergency state in Romania.

On the 17.11.2020 term settlement in brief: It denied both cancellation requests as groundless. It denied as groundless both parties' requests to compel each other paying law suit expenses; final. It was pronounced on 17.11.2020 by placing the ruling at the parties' disposal by the court clerk.

• 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.

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

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 in 10 days from notification.

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

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

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

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

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

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

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

Document: Ruling 743/2019 / 20.03.2019

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

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

On the 11.11.2019 term the case was deferred. Settlement in brief: It 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.

25. COMMITMENTS AND CONTINGENCIES (continued)

The following term in file 28445/3/2017 (3055/2019): 18.05.2020.

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

File 18109/3/2020 received submission of cancellation revision file 35865/3/2018; on the 24.09.2020 the case was deferred to enable the claimant to provide the actual address of the intimated.

On the 19.11.2020 term settlement in brief: As it needed time for deliberation it deferred the case on 02.12.2020, when settlement will be placed at the parties' disposal by the court clerk. It was pronounced at public hearing on 19.11.2020, Document: Conclusion – Initial pronouncement deferral 19.11.2020.

On the 02.12.2020 term settlement in brief: It denied the revision as inadmissible; final. On 02.12.2020 it was placed at the parties' disposal by the court clerk. Document: Ruling 2428/2020 / 02.12.2020.

- **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 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.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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

25. COMMITMENTS AND CONTINGENCIES (continued)

On 21.01.2020 the case was deferred to provide the expertise and the following term was established on 31.03.2020.

On the 31.03.2020 term settlement in brief: Lawfully suspended according to article 42 para 6 of Decree 195/2020 of Romania's president on instituting the emergency state in all Romania, during the entire emergency state.

A new hearing term was established on 08.12.2020 – to provide the expertise evidence.

On the 08.12.2020 term the law court deferred the case in order to complete the expertise report and established a new term on **11.05.2021**.

• 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 hearing term of 13.10.2020 settlement was the following: screening - it admitted in principle the appeal with the following details: the exception of appeal nullity claimed by the intimated-defendant CNTEE Transelectrica SA by contestation was denied. It admitted in principle 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.

On the hearing term of 26.01.2021 the settlement was: **It deferred the case on 30 March 2021.**

• ROMENERGY INDUSTRY

File 2088/107/2016 on the docket of Alba Tribunal pertained to "Bankruptcy & request to be admitted in the creditors' list". Transelectrica filed request to be recorded in the creditors' list with 16,112,165.18 mill Lei; the receivable was admitted and recorded in the preliminary Table.

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

On the hearing term of 27.01.2020 the verification term was set on 11.05.2020, to continue the bankruptcy procedure by capitalising the goods and recovery the assets. 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 11.05.2020 judgment was lawfully suspended during the emergency state instituted in Romania.

On the 22.06.2020 term the case was deferred. Settlement in brief: the report on the funds obtained by liquidating the debtor's assets and the 03.06.2020 distribution plan were approved.

On the 05.10.2020 term the case was deferred. Settlement in brief: a term was established on 18.01.2021 to continue the bankruptcy procedure by capitalising the debtor's assets.

25. COMMITMENTS AND CONTINGENCIES (continue)

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

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2020

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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 18.01.2021 term the case was deferred. Settlement in brief: It approved Report 1334 on the funds obtained by liquidating the debtor's assets as well as Plan 1335 of funds distribution. It established the term on **24.05.2021** 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.

• 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. 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.

• 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 penalising interest from due date until actual payment;

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

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

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

File 2494/115/2018**. Term: 16.11.2020 at Caras Severin Tribunal.

25. COMMITMENTS AND CONTINGENCIES (continued)

The attached notes constitute integral part of these stand-alone financial statements

CNTEE Transelectrica SA

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On the 16.11.2020 term the law court deferred the case and granted time to study the writs submitted on this term to the case file by the representative of CNTEE Transelectrica SA, establishing a new hearing term on **22.03.2021**.

• ANAF

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

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

When the audit has ended ANAF – DGAMC established additional fiscal obligations payable by the Company, namely income tax and VAT, as well as accessory fiscal liabilities (interest/delay indexations and penalties) with respect to technological system services (STS) invoiced by energy suppliers, which were considered non-deductible after the fiscal audit. In accordance with the taxation decision F-MC 439/30.06.2017 in total sum of 99,013,399 Lei, ANAF – DGAMC established additional fiscal liabilities payable by the Company, amounting to 35,105,092 Lei, as well as accessory fiscal ones (interest/delay indexations and penalties), amounting to 63,908,307 Lei.

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

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

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

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

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

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

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

Settlement in brief: It admitted the judgment suspension request filed by the contester. 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; 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 term: 12.05.2020.

On the hearing term of CAB on 21.07.2020 pronouncement was deferred.

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

On the 20.10.2020 term the request was partly admitted with the following settlement in brief: the litispended requests were partly admitted; Ruling 122/13.03.2018 was partly cancelled, on settling the contestation filed against Taxation Decision F-MC 439/30.06.2017 issued by the National Agency of Fiscal Administration, General Dispute Settlement Division, Taxation Decision F-MC 439/30.06.2017 issued on 12.07.2017 by the National Agency of Fiscal Administration, General Directorate Managing Large Tax-Payers, Taxation Decision F-MC 439/30.06.2017 issued by the National Agency of Fiscal Administration, General Directorate Managing Large Tax-Payers and the Tax audit report F-MC 222 concluded on 30.06.2017, which was used for the taxation decision, meaning: - it removed the paying liability of the income tax amounting to 18,522,280 Lei, VAT in sum of 5,694,636 Lei and fiscal accessories pertaining to such main fiscal debts in quantum of 48,436,653 Lei, fiscal liabilities established for the 349 fiscal invoices of special regime found as missing from the claimant's books; it removed the non-deductible nature of 27,001,727 Lei when calculating the the taxable income, sum representing technological system services invoiced by electricity suppliers, considered as non-deductible after the fiscal audit and compelling the payment of main fiscal arrears and accessories on this amount; it removed the non-deductible nature of 343,629.91 Lei when calculating the taxable income, sum representing "weed-removing services" and payment obligation for the main fiscal arrears and accessories pertaining to such sum; it removed the non-deductible nature of 230,685,49 Lei when calculating the taxable income, sum representing expenses for promotional and protocol objects and payment obligation for

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the main fiscal arrears and accessories pertaining to such sum; it removed the non-deductible nature of VAT in quantum of 46,417.1 Lei pertaining to 343,629.91 Lei, representing "weed-removal services" and payment obligations of the main fiscal arrears and accessories of this amount; it removed the non-deductible nature of VAT in quantum of 37,693.88 Lei pertaining to 230,685.49 Lei representing expenses for promotional and protocol products and payment obligation for the main fiscal arrears and accessories of such amount; it removed the mention about obliging the Transmission Branch Sibiu of CNTEE Transelectrica SA to register 576,846.80 Lei as taxable revenue on 30.06.2010 at the latest, date when the audited unit was accepted to be recorded in the creditors' table with such sum; it maintained the mention about the taxable revenue nature of 576,846.80 Lei when calculating the profit according to the provisions of article 19 para 1 of Law 571/2003 on the Fiscal Code, with later amendments and additions, corroborated with item 23 let. d of HG 44/2004 including the Methodological Norms to apply Law 571/2003, income tax chapter, namely chapter VII on the function of accounts from Order 3055 of 29 October 2009 approving the accounting regulations compliant with European directives and compelling the payment of main fiscal arrears and accessories of such sum; it removed the Minutes ascertaining the "determination of the deductible value added tax lower than that recorded by the claimant, thus resulting a difference of 13,141 Lei" (annex 15) and compelling the payment of main fiscal arrears and accessories of this amount; it removed the payment obligation for delay penalties of penalising juridical regime, calculated for more than 6 months from the inception date of the fiscal audit, regarding the main fiscal liabilities maintained by judgment in this ruling, as established by the Taxation Decision F-MC 439/30.06.2017 issued on 12.07.2017 by the National Agency of Fiscal Administration, General Directorate Managing Large Tax-Payers, Taxation Decision F-MC 439/30.06.2017 issued by the National Agency of Fiscal Administration, General Directorate Managing Large Tax-Payers and Decision 122/13.03.2018 on settling the contestation against the Taxation Decision F-MC 439/30.06.2017 issued by the National Agency of Fiscal Administration, General Dispute Settlement Division. It maintained the other provisions of Taxation Decision 122/13.03.2018 on settling the contestation against the Taxation Decision F-MC 439/30.06.2017 issued by the National Agency of Fiscal Administration, General Dispute Settlement Division, the Taxation decision F-MC 439/30.06.2017 issued on 12.07.2017 by the National Agency of Fiscal Administration, General Directorate Managing Large Tax-Payers, Taxation decision F-MC 439/30.06.2017 issued by the National Agency of Fiscal Administration, General Directorate Managing Large Tax-Payers. It denied the other litispended requests as groundless. It denied as groundless the request to grant court expenses as judiciary stamp tax. It compelled the defendants to jointly pay to the claimant the law court expenses amounting to 4000 Lei, representing fee for the accounting-fiscal expertise, in proportion to request admission. **Appeal right** was granted within 15 days from notification, to be submitted to the Appeal Court Bucharest; **Ruling 382/20.10.2020.**

• OTHERS

The Company is involved in significant disputes especially to recover trade receivables (e.g. Eco Energy SRL , Petprod SRL, Total Electric Oltenia SA, Arcelormittal Galati SA, Independent 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 these disputes.

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

iv) *Guarantees*

On 31 December 2020 and on 31 December 2019 guarantees were as follows:

| | 2020 | 2019 |
|-----------------------------------------------|--------------------|--------------------|
| Granted guarantees, of which: | 317,705,331 | 317,955,410 |
| - Letters of indemnity – production | 59,426,105 | 54,581,762 |
| - Letters of indemnity – investments | 83,279,226 | 88,373,648 |
| - Other granted guarantees | 175,000,000 | 175,000,000 |
| Received guarantees, of which: | 499,010,263 | 529,051,979 |
| - Received letters of indemnity – production | 161.190.452 | 228.251.496 |
| - Received letters of indemnity – investments | 289.686.677 | 252.706.050 |
| - Other guarantees received | 47.943.133 | 48.094.433 |
| Granted guarantees | | |

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In accordance with Licence 161/2000 to provide electricity transmission services, system services and manage the balancing market, updated by Decision 571/08.04.2020 of ANRE president, the Company is obliged to constitute and maintain financial indemnity at 1% of its turnover associated to the licenced activities, which shall provide uninterruptedly the activities under licence, taking into consideration the major risks that might impact such activities and shall cover possible damages requested according to contractual provisions. With a view to comply with this obligation on 21.12.2018 the Company concluded a credit contract with Banca Comerciala Romana pertaining to providing a cap to issue a letter of bank security amounting to 30,150,240 valid 01.01.2019-31.12.2019.

On 20.12.2019 addendum 1 was concluded to the credit contract concluded with Banca Comerciala Romana pertaining to providing a cap to issue a letter of bank security whereby the cap value was decreased to 26,791,592 and the validity was extended until 31.12.2020.

On 10.12.2020 addendum 2 was concluded to the credit contract concluded with Banca Comerciala Romana pertaining to providing a cap to issue a letter of bank security whereby the cap value increased to 27,599,580 and the validity was extended until 31.12.2021.

The other granted guarantees are mainly represented by letters of bank indemnity issued for the contracts concluded on the centralised markets managed by OPCOM: the Centralised Market of Bilateral Contracts of electricity by extended bid (PCCB-LE), the Day-ahead Market (PZU/DAM) and the Intraday Market (PI), as well as commitments/guarantees granted under loan contracts ongoing for investments.

Other guarantees were granted for concessioned contracts securing the credit line contracted for the cogeneration support scheme.

Guarantees received

Received guarantees are mainly represented by bank letters of indemnity for good payment associated to contracts concluded on the electricity market; performance bond letters; down payment letters of indemnity associated to investment contracts and other guarantees received under contracts financed from the connection fee.

v) Revaluation reserves on 31 December 2019

On 31 December 2019 revaluation reserves amounted to 1,065,328,811 (on 31 December 2018: 586,881,749).

Beginning with 1 May 2009, reserves from revaluation of non-current assets, including lands, made after 1 January 2004, which are deducted from taxable profit calculation by means of fiscal amortisement or of expenses regarding assigned and/or disassembled assets are taxed simultaneously with the deduction of fiscal amortisement, or when such assets are taken out of management, as the case may be.

Achieved reserves are taxable in the future, in case their destination is changed in any form, in case of liquidation, company merger including its use to cover accounting losses, except for transfer after 1 May 2009 of reserves mentioned in the previous paragraph.

vi) Tariffs of electricity transmission and system services

Electricity transmission tariffs are established according to a revenue cap regulatory methodology. ANRE established by it an initial annual target revenue calculated by adding up the regulated costs and regulated profitability of recognised assets. Certain costs included in the regulated cost base are under efficiency requirements limiting the level of expenses which can be recovered by regulated tariffs (controllable operation and maintenance expenses, one's own technological consumption). The series of annual target revenues calculated for a regulatory period is reprofiled by means of a linear-making procedure with a view to mitigate possible wide increases / decreases of revenue from one tariff year to another. The revenue reprofiled as such is annually adjusted with the index of consumption prices.

Certain changes of the tariff mechanism can have significant impact over the recovery of the regulated amortisement of non-current assets included in the regulated asset base.

2020 is the first in a series of five consecutive making up the fourth multiannual regulatory tariff period for electricity transmission (1 January 2020 – 31 December 2024). ANRE has established the main coordinates of this regulatory period in accordance with the specific regulatory framework, namely the methodology establishing the tariff of electricity transmission activities. In comparison with the previous form of this methodology by which tariffs were established in the previous regulatory period (1 July 2014 – 30 June 2019) and in the transition interval from the previous regulatory period to the current one (1 July 2019 – 31 December 2019), the methodology applicable when establishing tariffs for the fourth regulatory period has not undergone substantial changes.

As regards the fundamental aspects of the methodology (main elements which the regulated revenue is made of and its establishment mode, recovery of operational costs, recovery and remuneration of capital invested into regulated assets, present and the nature of stimulative items; the collection of regulated revenues), they remained unchanged, providing continuity and

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predictability of the regulatory framework. The detailed tariff settings for the entire current multiannual regulatory period were initially established in 2019.

The previously approved period coordinates were reviewed throughout 2020 in accordance with the applicable methodology. Such review was necessary in view of the changed tariff configuration in the sense of merging the transmission tariff with the functional services (system services) tariff. The merging of the two mentioned tariffs took place by absorbing the functional services tariff (system services) in the transmission tariff. Thus, it was necessary to revise the initial start-up (Regulated Asset Base) and approved cost scheduling settings for the regulatory period, to include assets and costs related to functional system services in the start-up settings and in the multi-year scheduling of the fourth regulatory period. Previously, the planning of costs related to the functional system services was reviewed and annually established upon approval of the functional system services tariff, the previous methodology not providing for the establishment and approval of a multi-annual planning for these costs.

In addition to merging the two tariffs mentioned above, in the process of revising the coordinates of the regulatory period, certain elements initially approved for transmission, such as the investment plan (slightly revised downwards to correct a technical error produced in the initial establishment of the schedule - programme values were initially reported in nominal terms, to schedule being necessary to adjust the values initially reported by extracting the estimated inflation for the regulatory period), the value of the Regulated Asset Base on 1 January 2020 (revised based on investments actually made in the H2 2019), starting point and the efficiency curve required for the controllable operating and maintenance costs subject to efficiency (the starting point was revised by including the costs incurred in H2 2019 in the multi-annual historical average and by removing from the multi-annual historical average certain costs that were reclassified as uncontrollable during the fourth regulatory period, the efficiency curve was reduced from 1.5% to 1.0%), the forecast price of electricity purchase to cover technical losses in the transmission grid (revised by indexation with inflation achieved in H2 2019).

| Service | Tariff applied in 01 – 15 January 2020 (approved by ANRE Order 218/11.12.2019) | Tariff applied in 16 January - 30 June 2020 (approved by ANRE Order 10/15.01.2020) | Tariff applied in 01 July – 31 December 2020 (approved by ANRE Order 142/2020) |
|-----------------------------------|--------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| | Lei/MWh | Lei/MWh | Lei/MWh |
| Electricity transmission services | 18,33 | 17,97 | 17,97 |
| Functional system services | 1,84 | 1,84 | 2,49 |
| Technological system services | 13,05 | 13,05 | 11,96 |

vii) Contingencies

- **ANAF-DGAMC control**

Fiscal audit of the Ministry of Public Finance, ANAF - DGAMC which began on 20.12.2019 and is targeting: *checking the legality and compliance of fiscal returns and / or relevant fiscal audit operations, the fairness and accuracy of achieved obligations regarding establishment of taxation bases and main fiscal liabilities under the value added tax for 01.01.2014 - 31.12.2016* was suspended from 25.09.2020 to 31.12.2020.

Such control was resumed on 04.01.2021 and completed on 16.02.2021 by the Fiscal Inspection Report F-MC 18/16.02.2021. When control has ended ANAF - DGAMC issued Taxation decision F-MC 22/16.02.2021 and the Provision of measures 4/16.02.2021, whereby it established additional fiscal main obligations representing its not admitting for deduction the value added tax of 01.01.2014 – 31.12.2016 interval, in quantum of 2,140,264.

- **Romania's Court of Audit**

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

CCR's control targeted the "control of the situation, development and administration of the state's public and private stocks and the legality of revenues achievement mode and of expenses made in 2017-2019" in CNTEE Transelectrica SA.

Such control began on 25.05.2020 in the Company's executive office, but was suspended by CCR because another control began pertaining to the "control on the management mode of public resources during the emergency state".

It began on 02.06.2020 and ended on 26.06.2020.

The Audit Report of CCR auditors with respect to the "control on the management mode of public resources during the emergency state", registered in the Company under no. 24225/26.06.2020, has not ascertained deficiencies, therefore no Decision was issued providing any measure.

When the fore-mentioned control ended on 26.06.2020, the control pertaining to "control of the situation, development and administration of the state's public and private stocks and the legality in achieving the revenues and making the expenses in 2017-2019" was resumed and ended on 06.10.2020.

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For the Audit Report issued by CCR and registered in the Company under no. 40507/06.10.2020 objections were executed and transmitted and a request was made to reanalyse the findings of CCR's auditors in the elaborated Report.

Also on 09.11.2020, Romania's Court of Audit, through Department IV, issued Decision no. 15 containing 10 measures, with a deadline of 31.05.2021.

Conclusions

Disputes are on the docket with Romania's Court of Audit with respect to the audits performed in 2013 and 2017, submitted in detail under Disputes.

Taking into account the Court of Audit's Findings recorded in its Decisions of 2013 and 2017, the financial statements elaborated each quarter, half-year and annually specified there is a possibility to result additional fiscal obligations for payment, but at that moment and including the time being cannot be accurately determined according to the provisions of Standard IAS 37 - Provisions, contingent liabilities and contingent assets.

Control of Subsidiaries CNTEE Transelectrica SA

• TELETRANS SA

Romania's Court of Audit

From 13.01.2020 to 22.05.2020 Romania's Court of Audit's performed inspection to the Subsidiary Teletrans pertaining to "*control on the situation, development and administration of the state's public and private stocks and the legality in achieving the revenues and making the expenses*" in 2017 – 2019.

The control was completed in the subsidiary and CCR auditors issued Report 3930/22.05.2020 and Decision 7/2020 of the Court of Audit.

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

Control of the Ministry of Public Finance

The Economic-financial Inspection Department of MFP has been in control in Subsidiary Teletrans since 21.07.2020.

Such control pertains to "*checking up the compliance with the provisions of OG 26/2013 regarding enhancement of financial discipline at certain economic operators where the state or administrative-territorial units are single or majority shareholders or hold directly or indirectly majority participation in 2018-2019*".

The control ended and Report 7599/15.10.2020 was issued (ANAF number MC_IEF_638/06.10.2020), with no Decision / Measure recommendations.

• SMART SA

Romania's Court of Audit

From 13.01 to 22.05.2020, external auditors of Romania's Court of Audit performed control in subsidiary SMART pertaining to "*control on the situation, development and administration of the state's public and private stocks and the legality in achieving the revenues and making the expenses, in 2018 – 2019*".

CCR's control ended and CCR Report 215/09.06.2020 was issued, as well as Decision 8/2020 of the Court of Audit.

Subsidiary Smart SA submitted objections to the report and filed court suit, administrative dispute against CCR's conclusion regarding contestation of CCR Decision no. 8/2020.

Control of ANAF-DGAMC- Economic-Financial Inspection Department

The fiscal inspection began on 21.07.2020 and pertained to "*checking up the compliance with the provisions of OG 26/2013 regarding enhancement of financial discipline at certain economic operators where the state or administrative-territorial units are single or majority shareholders or hold directly or indirectly majority participation approved, with later amendments and additions, for the 2018-2019 financial years*".

Subsidiary SMART received the Fiscal Inspection Report and has not elaborated or transmitted objections.

ANAF-DGAMC Control

From 28.08.2020 onward the fiscal inspection began pertaining to

- Verifying the legality and compliance of fiscal returns and/or relevant operations for fiscal inspection; the correctness and accuracy in accomplishing the obligations to establish taxation bases and main fiscal obligations regarding:

- Value added tax in 01/01/2015-31/12/2016

- Income tax in 01/01/2014-31/12/2016

- Checking the compliance with the provisions of fiscal and accounting legislation

- Checking other aspects relevant for taxation, if they are interesting for the application of fiscal accounting legislation.

The fiscal inspection is ongoing on the elaboration date of these financial statements.

26. AFFILIATED PARTIES

i) Subsidiaries held by the Company

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

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| Entity | Country of origin | 31 December 2020 % of shares | 31 December 2019 % of shares |
|----------------------|-------------------|---------------------------------|---------------------------------|
| SMART SA *) | Romania | 100 | 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 the Company holds in its subsidiaries was of 78,038,750 on 31 December 2020 and of 78,038,750 on 31 December 2019.

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

- **SMART SA**

Company SMART SA with headquarters in Blvd. Magheru 33, Bucharest 1 and central offices in the working location of Blvd. Gheorghe Sincai 3, Formenerg Building, 1st floor, Bucharest 4 has as main business the maintenance of the transmission-dispatcher system. It was established under HG 710/19.07.2001 on 1 November 2001.

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

On 30.12.2014 the Trade Register Office from Bucharest Tribunal settled the request to register the share capital indexation of Company Smart SA.

Beginning with 25.01.2016 the National Office of the Trade Register performed a change in the shareholder structure of Company 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.

Civil sentence 598/11.06.2020 pronounced in File 37718/3/2019 by Bucharest Tribunal decided cancelling mention 449314/23.12.2014, by which Decision 12375/22.12.2014 of the BA President regarding increase of share capital and amending the Articles of association were registered with the ONRCB.

Thus on 31 December 2020 the share capital of Company SMART SA was 38,528,600, divided into 3,852,860 nominative shares, each of 10 Lei, subscribed and fully paid by the Company.

On 31 December 2020 the structure of shareholders of company Smart SA was the following:

CNTEE Transelectrica SA - Number of shares 3,852,860
- Participation quota to benefits and losses: 100%

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• TELETRANS SA

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

The share capital subscribed and fully paid was of 6,874,430 on 31 December 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.

On 31 December 2020 the share capital of Subsidiary Icemenerg SA was of 1,083,450 subscribed and fully paid in the Company's accounting books.

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

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

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

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

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

• OPCOM SA

Company OPCOM SA with headquarters in Blvd. Hristo Botev 16-18, Bucharest 3, with legal personality has as main business the organisation, administration and supervision of the electricity market and was established by HG 627/2000.

main business the organisation, administration and supervision of the electricity market and was established by HG 627/2000. The share capital on 31 December 2018 was of 31,366,090 of which 8,778,790 represent share capital subscribed and fully paid. The difference of share capital amounting to 22,587,300 is represented by the Company's contribution in kind, namely intangible assets: the 'Electricity trade exchange OPCOM' and the 'Regional electricity exchange OPCOM', financed from the Company's own sources and from IBRD funds and valued according to the Valuation Report 786/15.03.2016 issued by JPA Audit & Consultanta SRL.

The registration of the amendment in the articles of association of Co. OPCOM SA based on AGEA Decision 6/15.06.2016 was operated at ONRC according to the Registration Certificate of mentions on 11.07.2016.

On 31.12.2018 the share capital represented by indexation with the Company's contribution in kind amounting to 22,587,300 was registered in the financial statements submitted by OPCOM to AGA's approval, being specified as share capital subscribed and not fully paid.

On 13.02.2018 the Shareholders' general extraordinary assembly of Subsidiary OPCOM SA approved increasing the share capital of Company Electricity and Natural Gas Market Operator OPCOM SA ("OPCOM SA") by 678,790 Lei by contribution in kind represented by the value of land which the company obtained the Ownership Certificate for series M03 12899/27.02.2014 issued by the Ministry of Economy. Such contribution in kind was evaluated by an expert valuator designated by the ONRC. In exchange for the contribution in kind to the share capital the company issued to the new shareholder Romanian State through the Ministry of Economy a number of 67,879 new nominative shares of 10 Lei nominal

The attached notes constitute integral part of these stand-alone financial statements

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value each; on the date of AGEA decision the Ministry exercised the attributions of involved person. On 20.03.2019 the Office of the National Trade Register from Bucharest Tribunal settled the registration request to increase the share capital of OPCOM SA. On 31 December 2019 the share capital of OPCOM SA was of 31,366,090 Lei, representing 3,136,609 nominative shares of 10 Lei nominal value each and a 97.84% participation quota of CNTEE Transelectrica SA to benefits and losses.

- **FORMENERG SA**

Company FORMENERG SA seated in Blvd. Gh. Sincai 3, Bucharest 4, with legal personality has as main business the initial and continuous professional training of power engineering personnel and of other beneficiaries in all domains and it was established by AGA Decision 33/2001.

The share capital on 31 December 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 31 December 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 with Subsidiary ICEMENERG SERVICE SA.

ii) Affiliated parties – main economic-financial indicators achieved by Company Subsidiaries on 31.12.2019

The main economic-financial indicators achieved by Company subsidiaries on 31 December 2019 (last financial year when the subsidiaries' financial statements were approved) were as follows:

| Indicator name | SMART | TELETRANS | OPCOM | FORMENERG | ICEMENERG SERVICE |
|------------------------------|-------------|-------------|------------|-------------|-------------------|
| Turnover | 94,980,113 | 34,463,787 | 35,354,459 | 2,932,221 | 430,983 |
| Gross profit/(loss) | (3,367,969) | (4,577,557) | 6,646,949 | (1,597,865) | (61,914) |
| Share capital paid | 55,036,300 | 6,874,430 | 8,778,790 | 1,948,420 | 493,000 |
| Unpaid share capital | - | - | 22,587,300 | - | - |
| Reserves | 4,232,189 | 20,742,425 | 9,309,071 | 1,721,952 | 12,709 |
| Shareholders' equity - total | 94,677,901 | 28,076,718 | 50,715,375 | 8,104,270 | 1,327,683 |

iii) Affiliated parties – transactions with Company-held Subsidiaries

On 31 December 2020 and on 31 December 2019 balances of Company-held subsidiaries are detailed below:

| Affiliated entity | Trade receivables | | Trade liabilities | |
|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 31 December 2020 | 31 December 2019 | 31 December 2020 | 31 December 2019 |
| SMART SA | 347,748 | 639,163 | 8,265,157 | 13,573,414 |
| TELETRANS SA | 140,261 | 199,327 | 11,531,976 | 8,222,806 |
| FORMENERG SA | - | - | - | - |
| OPCOM SA | 63,087,051 | 38,279,294 | 55,153,620 | 31,982,492 |
| TOTAL | 63,575,060 | 39,117,784 | 74,950,753 | 53,778,712 |

Transactions performed in 2020 and 2019 with its subsidiaries are detailed below:

| Affiliated entity | Sales | Procurements |
|-------------------|-------|--------------|
|-------------------|-------|--------------|

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| | 2020 | 2019 | 2020 | 2019 |
|--------------|--------------------|--------------------|--------------------|--------------------|
| SMART SA | 864,254 | (15,019,348) | 73,009,826 | 90,655,863 |
| TELETRANS SA | 934,898 | 956,652 | 31,632,606 | 36,812,360 |
| FORMENERG SA | - | - | 285,935 | 91,392 |
| OPCOM SA | 335,754,542 | 506,140,123 | 359,739,734 | 284,323,844 |
| TOTAL | 337,553,694 | 492,077,427 | 464,668,101 | 411,883,459 |

In 2020 the Company did not collect dividends from its subsidiaries.

iv) Affiliated parties – transactions with other state-owned companies

The Company is an entity with majority state capital.

The value of Company transactions with state-controlled entities or over which the state exercises significant influence represent a significant part of sales and procurements registered in the year ended on 31 December 2020.

As provided in Note 1 (“Legislative environment”), Company activities are regulated by ANRE. At the same time as provided in Note 3 (b), in accordance with the Concession Contract annual royalty is paid, calculated as 1/1000 from electricity transmission services, calculated depending on the quantity actually transmitted (by 11 November 2020), namely 4/1000 of the gross revenues achieved from electricity transmission and transit through national transmission systems found under state public property (beginning with 12 November 2020).

27. SALARIES OF COMPANY

Salaries paid to employees hired under individual Labour Contract (CIM) in managerial positions for provided services mainly comprise the basic salary and benefits at the end of their labour contract and post employment, as well as the fixed and variable components for Directorate and Supervisory Board members.

They are detailed as follows:

| | 2020 | 2019 |
|----------------------------------------------------|-------------------|-------------------|
| <u>Employees under CIM in managerial positions</u> | | |
| Short-term benefits | 22,443,701 | 18,577,707 |
| Other long-term benefits | 207,638 | 225,204 |
| <u>Directorate and Supervisory Board members</u> | | |
| Fixed component | 3,127,933 | 2,330,059 |
| Variable component | - | - |
| Total | 25,779,272 | 21,132,970 |

During 2020 the Company completed the selection of the Company’s Supervisory Board and Directorate members in accordance with the provisions of OUG 109/2011 on the corporative governance of public enterprises, with later amendments and additions.

Supervisory Board and Directorate members were appointed according to the terms of OUG 109/2011 and their mandate contract was approved for 4 years.

Decision 10 of the Shareholders’ General Ordinary Assembly of 28 September 2020 approved the mandate contract and the remuneration for Supervisory Board members, contract signed on 30 September 2020.

AGOA Decision 11 of 21 December 2020 approved the following:

- The fixed gross monthly indemnification of Supervisory Board members;
- The variable component in the remuneration of Supervisory Board members;
- The general remuneration limits and the other benefits granted to Directorate members, including the fixed indemnification, variable component and other benefits.

28. FINANCIAL INSTRUMENTS***Management of the financial risk***

The Company is exposed to the following risks ensuing from financial instruments: market risk (interest rate and hard currency risk), credit and liquidity risks. The Company's overall management is centred on the financial market's unpredictability and it aims at minimising the potential adverse effects over the Company's financial performance. The market risk is that producing changes of market prices, such as currency exchange and interest rate, which will impact Company revenues or the value of financial instruments held.

The Company has no formal commitments to fight financial risks. Nevertheless the management monitor financial risks with emphasis on the Company's needs to efficiently compensate opportunities and threats.

This note provides information about the Company's exposure to the above-mentioned risks, about the objectives, policies and processes related to risk assessment and management, as well as about the Company's capital management.

Interest rate risk

The Company's operational cash flows are impacted by the variable interest rate, mainly from the non-current loans in hard currency contracted from foreign financing banks. The Company has significant long-term loans of variable interest, which expose it to cash flow risk.

On the balance date the Company's ratio between financial instruments with fixed and variable interest rate is provided below:

| | 31 December 2020 | 31 December 2019 |
|----------------------------------------------------------|-------------------------|-------------------------|
| Financial instruments with fixed interest rate | | |
| Financial liabilities | 126,381,074 | 148,862,047 |
| Financial instruments with variable interest rate | | |
| Financial liabilities | - | - |

The cash flow risk determined by interest rates is the risk that interest and consequently its expense be fluctuant in time. The Company has significant long-term loans of variable interest rates, which can expose it to cash flow risk.

Sensitivity analysis of interest rates

Appreciation by 100 percentage points of the interest rate to loans of variable interest on the elaboration date of financial position statement would have decreased the gross profit of the financial year with the amounts provided below. This analysis assumes all other variables, especially currency exchange rates, remain constant.

| | 2020 loss | 2019 loss |
|--------------|------------------|------------------|
| LEI | - | - |
| EUR | - | (590) |
| USD | - | - |
| Total | - | (590) |

Depreciation by 100 percentage points of the interest rate to loans of variable interest on the elaboration date of financial position statement would have increased the gross profit of the financial year with the amounts provided below. This analysis assumes all other variables, especially currency exchange rates, remain constant.

| | Profit of 2020 | Profit of 2019 |
|--------------|---------------------------|---------------------------|
| LEI | - | - |
| EUR | - | 590 |
| USD | - | - |
| Total | - | 590 |

28. FINANCIAL INSTRUMENTS (continue)

The attached notes constitute integral part of these stand-alone financial statements

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The Compania has not concluded hedging contracts for its foreign currency liabilities or for its exposure to the interest rate risk.

Hard currency risk

The Company can be exposed to fluctuations of exchange rates under cash and cash equivalents, non-current loans or trade liabilities expressed in foreign currency.

The Company's functional currency is the Romanian Leu. The Company is exposed to hard currency risks under cash and cash equivalents, procurements and borrowings made in other currency than the functional one. The currencies that expose the Company to such risk are mainly EUR, but USD as well. Hard currency loans and liabilities are subsequently expressed in Lei at the exchange rate of the balance date, notified by Romania's National Bank. Resulting differences are included in the profit and loss account, but they do not impact the cash flow until the liability is liquidated.

The Company's exposure to the hard currency risk has been as follows:

| 31 December 2020 | Value | LEI | EUR | USD |
|---------------------------------------------------------|----------------------|----------------------|----------------------|------------|
| Monetary assets | | | | |
| Cash and cash equivalents | 554,003,528 | 509,049,221 | 44,954,070 | 237 |
| Other financial assets | - | - | - | - |
| Receivables | 847,936,655 | 739,637,488 | 108,299,167 | |
| Gross exposure | 1,401,940,183 | 1,248,686,709 | 153,253,237 | 237 |
| Monetary liabilities | | | | |
| Suppliers and other obligations | 942,937,190 | 734,303,580 | 208,633,610 | - |
| Borrowings | 126,381,074 | - | 126,381,074 | |
| Gross exposure | 1,069,318,264 | 734,303,580 | 335,014,684 | - |
| Net exposure in the financial position statement | 332,621,919 | 514,383,129 | (181,761,447) | 237 |
| 31 December 2019 | Value | LEI | EUR | USD |
| Monetary assets | | | | |
| Cash and cash equivalents | 320,768,647 | 277,374,932 | 43,393,457 | 258 |
| Other financial assets | 85,000,000 | 85,000,000 | - | - |
| Receivables | 706,350,248 | 642,779,740 | 63,570,508 | |
| Gross exposure | 1,112,118,895 | 1,005,201,154 | 106,917,483 | 258 |
| Monetary liabilities | | | | |
| Suppliers and other obligations | 571,557,828 | 456,781,954 | 114,775,874 | - |
| Borrowings | 178,402,234 | 29,540,187 | 148,862,047 | |
| Gross exposure | 749,960,062 | 486,322,141 | 263,637,921 | - |
| Net exposure in the financial position statement | 362,158,833 | 518,879,013 | (156,720,438) | 258 |

28. FINANCIAL INSTRUMENTS (continued)

The attached notes constitute integral part of these stand-alone financial statements

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Explanatory notes to the financial statements for the financial year ended on 31 December 2020
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Trade and other receivables, as well as other obligations, except the asset suppliers are expressed only in LEI.

The following exchange rates have been used:

| | Average rate | | Exchange rate on | |
|-----------|--------------|--------|------------------|------------------|
| | 2020 | 2019 | 31 December 2020 | 31 December 2019 |
| LEI/ EURO | 4.8371 | 4.7452 | 4.8694 | 4.7793 |
| LEI/ USD | 4.2440 | 4.2379 | 3.9660 | 4.2608 |

| | 2020 loss | 2019 loss |
|--------------|---------------------|---------------------|
| EUR | (18,176,145) | (15,672,044) |
| USD | - | - |
| JPY | - | - |
| Total | (18,176,145) | (15,672,044) |

Credit risk

The credit risk means that under which the Company supports financial loss as consequence of a client's failure to comply with contractual obligations or counterparty's to a financial instrument. This risk comes mainly from receivables and cash and cash equivalents.

The counterparty risk relies on Company internal and external success factors. External success factors, which systematically reduce this risk are: decentralising the energy sector with distinct generation, transmission, distribution and supply activities, and the client interface is represented by the supplier; electricity transactions on the Romanian market take place on two market segments: the regulated and the competitive market. Internal success factors for the treatment of the counterparty risk include: diversifying the clients' portfolio as well as the number of services provided on the electricity market.

Financial assets that might expose the Company to the collection risk are mainly receivables and cash and cash equivalents. The Company applied a number of policies providing services are sold to clients with proper collection, by including in trading contracts their obligation to constitute financial securities. The value of receivables net of value loss allowances represents the maximum amount subjected to the collection risk.

The collection risk associated to such receivables is limited since such amounts are mainly owed by state-owned companies.

Cash has been placed into financial institutions considered of minimum risk. Deposits on 31.12.2020 were placed with ING Bank, Garanti Bank, Banca Transilvania and Libra Bank.

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

| | 31 December 2020 | 31 December 2019 |
|------------------------------------------------------|----------------------|----------------------|
| Financial assets | | |
| Net trade receivables | 714,534,816 | 609,654,811 |
| Other net receivables and down payments to suppliers | 99,440,901 | 89,455,235 |
| Recoverable VAT | 33,960,938 | 7,240,202 |
| Cash and cash equivalents | 554,003,528 | 320,768,647 |
| Other financial assets | - | 85,000,000 |
| Total | 1,401,940,183 | 1,112,118,895 |

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Explanatory notes to the financial statements for the financial year ended on 31 December 2020

*(All amounts are expressed in LEI, unless provided otherwise)***28. FINANCIAL INSTRUMENTS (continued)****Credit risk (continued)**The age of **receivables** on the elaboration date of the financial position statement was:

| | Gross value 31 December 2020 | Provision 31 December 2020 | Gross value 31 December 2019 | Provision 31 December 2019 |
|----------------------------------|---------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| Not reached to maturity | 624,754,181 | 366,827 | 520,061,564 | 536,693 |
| Maturity exceeded 1 – 30 days | 241,655 | 10,280 | 882,361 | 25,011 |
| Maturity exceeded 31 – 90 days | 708,288 | 5 | 94,693 | 26,405 |
| Maturity exceeded 90 – 180 days | 4,209 | 3,244 | 143,816 | 54,486 |
| Maturity exceeded 180 – 270 days | 115,894 | 16,794 | 2,604,290 | 2,556,880 |
| Maturity exceeded 270 – 365 days | 25,501 | 9,349 | 1,530,831 | 1,165,906 |
| More than one year | 223,418,967 | 134,327,381 | 219,846,152 | 131,143,516 |
| Total | 849,268,695 | 134,733,880 | 745,163,708 | 135,508,897 |

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

| | Gross value 31 December 2020 | Provision 31 December 2020 | Gross value 31 December 2019 | Provision 31 December 2019 |
|----------------------------------|---------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| Not reached to maturity | 96,274,766 | 27,596 | 71,938,460 | 405,892 |
| Maturity exceeded 1 – 30 days | 4,024,018 | 275,198 | 368,771 | - |
| Maturity exceeded 31 – 90 days | 6,024,297 | 23,676 | 227,021 | - |
| Maturity exceeded 90 – 180 days | 1,341,947 | 249,176 | 9,839,636 | 261,586 |
| Maturity exceeded 180 – 270 days | 4,924,105 | 3,136,088 | 54,327 | 5,245 |
| Maturity exceeded 270 – 365 days | 714,798 | 641,101 | 1,078,400 | 1,078,284 |
| More than one year | 76,953,045 | 52,502,302 | 65,683,690 | 50,651,630 |
| Total | 190,256,976 | 56,855,137 | 149,190,305 | 52,402,638 |

Transelectricas's policy consists in registering 100% allowances for value losses for clients under dispute, in insolvency and bankruptcy and 100% for receivables and other receivables not collected for more than 180 days, except for the outstanding receivables generated by the support scheme. The Company also makes a case by case analysis of receivables and other uncollected liabilities.

The greatest impairment allowances on 31 December 2020, calculated for trade receivables and their penalties were registered for CET Govora (25,011,846), 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), CET Brasov (4,664,627).

To recover the impairment allowances the Company took the following measures: suing, recording in the creditors' list, using explanations from ANAF (for the collectable VAT from Opcom) etc.

Allowances to impair clients developed as follows:

| | 31 December 2020 | 31 December 2019 |
|--------------------------------------|-------------------------|-------------------------|
| Balance on 1 January | 135,508,897 | 139,644,236 |
| Recognition of impairment allowances | 1,364,509 | 5,887,535 |
| Resume impairment allowances | 2,139,526 | 10,022,874 |
| Balance at year end | 134,733,880 | 135,508,897 |

Notele atașate fac parte integrantă din aceste situații financiare separate

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Explanatory notes to the financial statements for the financial year ended on 31 December 2020

*(All amounts are expressed in LEI, unless provided otherwise)***28. FINANCIAL INSTRUMENTS (continued)**

Impairment allowances for other receivables developed as follows:

| | 31 December 2020 | 31 December 2019 |
|--------------------------------------|-------------------------|-------------------------|
| Balance on 1 January | 52,494,869 | 56,189,199 |
| Recognition of impairment allowances | 5,100,534 | 1,189,039 |
| Resume impairment allowances | 740,267 | 4,883,369 |
| Balance at year end | 56,855,137 | 52,494,869 |

Liquidity risk

This is the risk according to which the Company might meet difficulties when performing obligations associated to financial liabilities settled in cash or by transfer of another financial asset.

A prudential risk management policy means maintaining sufficient cash and cash equivalents, and finance availability by means of adequate credit facilities.

| | 31 December 2020 | 31 December 2019 |
|--------------------------------------------------|-------------------------|-------------------------|
| Assets | | |
| Monetary assets in LEI | 1,248,686,709 | 1,005,201,154 |
| Monetary assets in foreign currency | 153,253,474 | 106,917,741 |
| | 1,401,940,183 | 1,112,118,895 |
| Liabilities | | |
| Monetary liabilities in LEI | (734,303,580) | (486,322,141) |
| Monetary liabilities in foreign currency | (335,014,684) | (263,637,921) |
| | (1,069,318,264) | (749,960,062) |
| Net monetary position in LEI | 514,383,129 | 518,879,013 |
| Net monetary position in foreign currency | (181,761,447) | (156,720,438) |

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Note la situatiile financiare separate intocmite la data de 31 decembrie 2020

*(Toate sumele sunt exprimate in LEI, daca nu este indicat altfel)***28. FINANCIAL INSTRUMENTS (continued)**

The following table provides the contractual due date of financial liabilities, including interest payment:

| 31 December 2020 | Net value | Contractual value | < 12 months | 1 – 2 years | 2 – 5 years | > 5 years |
|-------------------------------------------|------------------------|--------------------------|-----------------------|---------------------|----------------------|---------------------|
| Financial liabilities | | | | | | |
| Suppliers and other obligations | (925,925,761) | (925,925,761) | (830,891,067) | (64,502,790) | (30,531,904) | |
| Other tax and social security liabilities | (17,011,429) | (17,011,429) | (17,011,429) | - | - | |
| Borrowings | (126,381,074) | (126,381,074) | (24,709,805) | (23,479,942) | (70,439,826) | (7,751,501) |
| Total | (1,069,318,264) | (1,069,318,264) | (872,612,301) | (87,982,732) | (100,971,730) | (7,751,501) |

| 31 December 2019 | Net value | Contractual value | < 12 months | 1 – 2 years | 2 – 5 years | > 5 years |
|-------------------------------------------|----------------------|--------------------------|-----------------------|---------------------|---------------------|---------------------|
| Financial liabilities | | | | | | |
| Suppliers and other obligations | (562,805,713) | (562,805,713) | (111,991,968) | (15,551,099) | | |
| Other tax and social security liabilities | (8,752,115) | (8,752,115) | (8,752,115) | | | |
| Borrowings | (178,402,234) | (652,960,944) | (55,566,737) | (23,045,485) | (69,136,455) | (30,653,034) |
| Total | (749,960,062) | (1,224,518,772) | (176,310,820) | (38,596,584) | (69,136,455) | (30,653,034) |

Notele atașate fac parte integrantă din aceste situații financiare separate

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Note la situatiile financiare separate intocmite la data de 31 decembrie 2020

(Toate sumele sunt exprimate in LEI, daca nu este indicat altfel)

28. FINANCIAL INSTRUMENTS (continued)*Fair value of financial instruments*

The fair value is that which the financial instrument can be changed at under habitual transactions performed in objective conditions between stakeholders knowingly, others than those determined by liquidation or forced sale. Fair values can be obtained from quoted market prices or cash flow models, as applicable. On 31 December 2020 and 31 December 2019 the management consider the fair value of cash and cash equivalents, trade and other receivables, trade liabilities, borrowings and other current liabilities approximates their accounting value. The accounting value of borrowings is their amortised cost.

| 31 December 2020 | Accounting value | Fair value |
|---------------------------|-------------------------|----------------------|
| Financial assets | | |
| Net trade receivables | 714,534,816 | 609,654,811 |
| Other net receivables | 99,440,901 | 89,455,235 |
| Collectable VAT | 33,960,938 | 7,240,202 |
| Cash and cash equivalents | 554,003,528 | 320,768,647 |
| Other financial assets | - | 85,000,000 |
| | 1,401,940,183 | 1,112,118,895 |

| 31 December 2020 | Accounting value | Fair value |
|------------------------------------------|-------------------------|--------------------|
| Non-current financial liabilities | | |
| Borrowings, minus bonds | 101,671,269 | 122,835,499 |
| Bonds | - | - |
| | 101,671,269 | 122,835,499 |

| 31 December 2020 | Accounting value | Fair value |
|-------------------------------------------------|-------------------------|--------------------|
| Current liabilities | | |
| Suppliers, including asset suppliers | 916,872,743 | 554,184,468 |
| Borrowings, minus bonds | 24,709,805 | 55,566,735 |
| Bonds | - | - |
| Amounts owed to employees and other liabilities | 26,064,447 | 17,373,360 |
| | 967,646,995 | 627,124,563 |

| 31 December 2019 | Accounting value | Fair value |
|---------------------------|-------------------------|----------------------|
| Financial assets | | |
| Trade receivables | 609,654,811 | 901,152,842 |
| Other net receivables | 89,455,235 | 79,933,669 |
| Cash and cash equivalents | 7,240,202 | 82,507,514 |
| Other financial assets | 320,768,647 | 482,158,679 |
| | 1,112,118,895 | 1,545,752,704 |

| 31 December 2019 | Accounting value | Fair value |
|------------------------------------------|-------------------------|--------------------|
| Non-current financial liabilities | | |
| Borrowings, minus bonds | 122,835,499 | 143,866,115 |
| Bonds | - | - |
| | 122,835,499 | 143,866,115 |

Notele ataşate fac parte integrantă din aceste situații financiare separate

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Note la situatiile financiare separate intocmite la data de 31 decembrie 2020

(Toate sumele sunt exprimate in LEI, daca nu este indicat altfel)

28. FINANCIAL INSTRUMENTS (continued)**31 December 2019**

| | Accounting value | Fair value |
|-------------------------------------------------|-------------------------|----------------------|
| Current financial liabilities | | |
| Suppliers, including asset suppliers | 554,184,468 | 1,024,116,830 |
| Borrowings, minus bonds | 55,566,735 | 53,311,445 |
| Bonds | - | - |
| Amounts owed to employees and other liabilities | 17,373,360 | 6,729,336 |
| | 627,124,563 | 1,084,157,611 |

Categories of financial instruments

| | 31 December 2020 | 31 December 2019 |
|------------------------------|-------------------------|-------------------------|
| Financial assets | | |
| Monetary availability | 554,003,528 | 320,768,647 |
| Receivables | 847,936,655 | 706,350,248 |
| Financial liabilities | | |
| Amortised cost | 1,069,318,264 | 749,960,062 |

Risk of personnel and salary system

On 31 December 2020 the Company's personnel medium age is high. There is a possibility for the Company to be faced with personnel deficit because of employees' departures for natural causes.

Another personnel risk is the possible departure of highly qualified employees to the private sector, which might provide salary packages and compensations above the current ones in the Company.

The salary policy imposed by the Romanian State to the Company, in its capacity of majority shareholder, can lead to major fluctuation of expert labour.

Capital risk management

The Company policy consists in maintaining strong capital base in order to keep the confidence of investors, creditors and of the market, as well as to sustain the future business development.

Indicator of indebtedness

| | 31 December 2020 | 31 December 2019 |
|-------------------------------|-------------------------|-------------------------|
| Current and non-current loans | 126,381,074 | 197,177,560 |
| Monetary availability | 554,003,528 | 320,768,647 |
| Other financial assets | - | 85,000,000 |
| | (427,622,454) | (208,591,087) |
| Shareholders' equities | 3,371,504,762 | 3,284,128,337 |
| Indebtedness | - | - |

29. FEES CHARGED BY EACH STATUTORY AUDITOR OR AUDIT COMPANY

The fees charged by each statutory auditor or audit company for statutory audits of annual financial statements, as well as all fees charged by each statutory auditor of audit company for other insurance services, for fiscal consultancy and other services than audit, in accordance with pt. 38 of Annex 1 to OMFP 2844/2016 with later amendments and additions, associated to 2020 financial year, have been as follows:

- **BDO Audit SRL** - Contract C111/28.01.2019 – audit services for stand-alone and consolidated financial statements, issuing report on the Directorate Report's conformity with stand-alone and consolidated financial statements; audit services with respect to the compliance with financial covenants from loan contracts concluded with commercial banks / International

Notele ataşate fac parte integrantă din aceste situații financiare separate

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Financial Institutions, from the contracts on bond issuance, audit report in accordance with article 82 of Law 24/2017, audit services regarding revenues achieved from provision of telecommunication networks - fees pertaining to 2020 financial year amounting to 213,000, which is added VAT;

- **Ceausescu&Partners SRL** - Contract C1007/23.12.2019 - services to execute the File of transfer prices for CNTEE Transelectrica SA charged in the transactions performed between CNTEE Transelectrica SA and its subsidiaries in 2019 amounting to 13,400, which is added VAT, services paid in 2020.

30. LATER EVENTS

- *Transelectrica significantly increased its cross-border capacity beginning with 1 January 2021*

NPG Transelectrica SA in its capacity of Transmission System Operator has been providing since 1 January 2021 a significant cross-border capacity for the countries it operates interconnected with, Bulgaria, Hungary, Serbia and Ukraine, of 2,800 MW for export from Romania and of 3,000 MW for import in Romania.

The wide-scale investment programme engaged by the Company in the following five years will provide double cross-border capacity, which will enable developing coupled electricity markets Europe-wide, thus contributing to accomplished objectives in the European Union, Internal electricity market and Clean energy for all Europeans.

At the beginning of 2020 the cross-border capacity provided by Romania was around 2,200 MW export/import.

- *Incident in the European electricity network*

On 8 January 2021 at 15:05 h an incident occurred in the interconnected European network, which led to tripping several pieces of equipment of transmission networks both in Romania and in other countries.

In Romania the north-western part of the country was impacted. Romania's Electricity Transmission Grid was restored to normal operation around 16:00 h, all impacted consumers being resupplied around 16:45 h.

The causes and conditions of this incident have been examined and detected by the Association of European Transmission System Operators, ENTSO-E.

- *ENTSO-E investigates the causes that led to splitting in two of the interconnected European network on 8 January 2021*

The European Association of Transmission System Operators (ENTSO-E) published on 16 January 2021 the first conclusions of the preliminary analysis on the event occurred in Europe on 8 January 2021 and impacted north-western Romania.

Thus ENTSO-E has initiated detailed inquiry with a view to clear up the conditions and causes that led to such an event in the interconnected electricity transmission network.

A final report will be submitted as soon as the full picture of the incident is obtained, in accordance with European regulations and norms.

The inquiry follows the legal framework in accordance with Commission Regulation (EU) 2017/1485 of 2 August 2017 establishing a guideline on the operation of the electricity transmission system whereby the regulatory authorities and ACER are invited to join the TSOs in the inquiry Group.

Romania through Transelectrica belongs in the specific working groups and permanently provides, together with the other European states, data which can contribute to outlining and explaining the conditions that have led to the event.

An ENTSO-E member, Romania is integrant part in the infrastructure of the European power network, and in this respect coordinated direction is followed in the European electricity infrastructure.

In case incidents occur providing disfunctions in the European transmission network the risk exposure of interconnected states should be promptly managed.

In accordance with the provisions of the System operation guide, such detailed investigation of the event includes thorough analysis of a great number of real time records from protection devices and other elements of the electricity system. ENTSO-E will publish the results of such investigation as soon as the analysis is completed.

- *15 minutes' settlement on the balancing market*

Beginning with 1 February 2021, Romania's electricity market passed from the one hour settlement interval to 15 minutes' settlement, in accordance with European Regulation 2195/2017 and European Regulation 943/2019 transposed in Romanian legislation by means of ANRE Order 63/2020.

Applying this settlement interval on the electricity market enables transactions much closer to the delivery interval.

The actions and processes necessart to pass to 15 minutes' settlement wer coordinated by Transelectrica în cooperation with ANRE, OPCOM and all electricity market participants.

- *Successful launch of the joint regional testing for DE-AT-PL-4M MC project (Interim Coupling)*

The Nominated Electricity Market Operators (NEMO) and Transmission System Operators (TSO) from Austria, Germany, Poland and the 4M Market Coupling (4M MC) countries, namely Czech Republic, Hungary, Romania and Slovakia, informed

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on 1 February 2021 they successfully began the joint regional testing of DE-AT-PL-4M MC (Interim Coupling) project on 25 January 2021.

In this first testing stage (Full Integration Testing - FIT), the project parties will perform functional end-to-end tests in the region with a view to simulate the production environment, which should demonstrate the functionality in-between all systems involved in market coupling. After the successful completion of this FIT stage, the project parties will test the operational procedures during integration tests in simulation terms (SIT). Such procedural end-to-end tests will also be conducted in a wider European context, together with all the parties of the single day-ahead coupling (SDAC).

The DE-AT-PL-4M MC project, also called Interim Coupling, aims at connecting the 4M MC borders with the Multi-Regional Coupling (MRC) by introducing implicit NTC-based capacity allocation on six frontiers (PL-DE, PL-CZ, PL-SK, CZ-DE, CZ-AT, and HU-AT).

- *Regulated tariffs applicable from 01 March 2021*

On 25 February 2021 approval was given for the average tariff of transmission services, the transmission tariff components of electricity injection in the grid (TG) and electricity extraction from the grid (TL), the tariff of system services and the regulated price of reactive electricity charged by the Company. Consequently the tariff of system services applicable beginning 1 March 2021 has been:

| Service | Tariff applicable as of 1 July 2020 | Tariff applicable as of 1 March 2021 |
|----------------------------|-------------------------------------|--------------------------------------|
| | Lei/MWh | Lei/MWh |
| Tariff of system services: | 11.96 | 10.82 |

The tariff change was determined by applying the correction of significant deviations from the forecast used for approval of applicable tariffs, in accordance with the provisions of the regulatory framework issued by the National Regulatory Authority in the Energy domain.

- *Transelectrica invests 42 million Euro into refurbishing two essential substations in closing the 400 kV ring in the western area*

On 01 March 2021 the Company communicated: "The investment project to complete the 400 kV axis Banat, part of Romania's 400 kV ring, means important progress by refurbishing two key substations: Resita and Timisoara. Such investments in total amount of about 42 million Euro will enable closing Romania's 400 kV ring in the western part, a strategic project for secure electricity supply and implicitly for consolidation of the electricity transmission network and of the interconnection with neighbouring states. Once completing the segment of the 400 kV OHL Oradea Sud-Nadab in 2020 the achievement degree of Romania's 400 kV ring has reached 70%".

These stand-alone financial statements were approved by the Company's management on 19 March 2021 and signed on its behalf by:

DIRECTORATE,

Chairman

**Catalin
NITU**

Member

**Andreea-Mihaela
MIU**

Member

**Ovidiu
ANGHEL**

Member

**Corneliu-Bogdan
MARCUS**

Member

**Marius-Viorel
STANCIU**

Director, Economic-Financial and Administrative Unit

Ana-Iuliana DINU

p. Manager, Accounting Department

Georgiana-Beatrice STEFAN – Head of BCC

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