



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 Oficiul 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

12413 / 19.03.2021

NOTE

regarding the approval by the Shareholders' General Assembly of the consolidated financial statements of CNTEE Transelectrica SA for the financial year ended on 31.12.2020

Pursuant to art. 14, para. (1) letter a) of CNTEE Transelectrica SA's Articles of association, updated by SGEA Decision no. 12/21.12.2020, **we submit for approval by the Shareholders' General Assembly the Consolidated financial statements of CNTEE Transelectrica SA for the financial year 2020**, taking into account the following aspects:

- ✓ In accordance with the provisions of MFP Order no. 881/2012, starting with the financial year 2012, trading companies whose securities are admitted to trading on a regulated market (the capital market) apply the International Financial Reporting Standards (IFRS) as adopted by the European Union (IFRS - EU) when drafting stand-alone annual statements.
- ✓ MFP Order no. 2844/2016 for approving the Accounting Regulations in accordance with the International Financial Reporting Standards, provides in Section 4.1., Art. 21 - "Drafting the consolidated annual financial statements" the following:
"An entity, consolidating parent company (entity, Romanian legal entity, with one or more subsidiaries, which consolidates the financial statements of the group it's part of), must draw up consolidated financial statements and a consolidated report of the administrators under the conditions laid down by IFRS".

The consolidated financial statements of CNTEE Transelectrica SA have been drawn up according to International Accounting Standard (IAS) 27 "Consolidated financial statements and accounting for investments in subsidiaries".

A subsidiary is an entity controlled by another entity, known as the parent company, as defined by IAS 27. In accordance with IAS 27, it is assumed that there is control when the parent company owns more than half of the voting rights of an entity, unless, in exceptional situations, it can be clearly demonstrated that this form of ownership does not ensure control. The control is the authority to manage the financial and operational policies of an entity, in order to obtain benefits from its activity.

CNTEE Transelectrica SA included in the Consolidated financial statements drawn up as of December 31, 2020 the following subsidiaries: Smart SA and Teletrans SA.

Formenerg SA and Icenerg Service SA subsidiaries are considered insignificant in terms of consolidation, and Opcom SA subsidiary cannot be consolidated because this subsidiary, through its main activity, has an independent position on the electricity market.

Intra-group balances and transactions, as well as internal dividends, are eliminated when drafting the consolidated financial statements.

Following the above-mentioned information, pursuant to art. 14, para. (1) letter a) of CNTEE Transelectrica SA's Articles of association, updated by SGEA Decision no. 12/21.12.2020, **we submit for approval by the Shareholders' General Assembly the Consolidated financial statements of CNTEE Transelectrica SA for the financial year 2020**, as follows:

- statement of financial positions;
- profit and loss account and statement of comprehensive income;
- statement of changes in equity;
- statement of cash flows;
- explanatory notes to the annual financial statements.

Chairman
Cătălin NIȚU

Member
Andreea-Mihaela
MIU

Member
Ovidiu
ANGHEL

Member
Corneliu-Bogdan
MARCU

Member
Marius-Viorel
STANCIU

Ana - Iuliana DINU
UEFA Director

Cristiana ZÎRNOVAN
DBRM Manager

ENDORSED,

Adina DAVID
DJC Director

Alina Elena FILIPOIU
DCSJ Manager

NPG TRANSELECTRICA SA

Two-Tier Company

**Consolidated Financial Statements
as of and for the financial year ended on
December 31st, 2020**

**Drawn up according to the
Order of the Ministry of Public Finance no. 2844/2016
as subsequently amended and supplemented
on the approval of accounting regulations
in line with the International Financial Reporting Standards**

free translation

NPG TRANSELECTRICA SA
Consolidated Statement of Financial Position for the period concluded on December 31st, 2020
(All amounts are expressed in thousand LEI, unless otherwise provided)

	Note	December 31, 2020	December 31, 2019
Assets			
Non-current assets			
Tangible assets	5	3,636,262	3,518,276
Assets rel to usage right for assets under leasing - buildings	6	37,773	6,329
Intangible assets	6	7,310	30,258
Financial assets		36,340	29,769
Total non-current assets		3,717,685	3,584,632
Current assets			
Inventories	7	47,640	47,412
Trade and other receivables	8	854,250	710,334
Recoverable income tax	16	1,222	-
Other financial assets		-	85,000
Cash and cash equivalents	9	569,847	339,630
Total current assets		1,472,959	1,182,377
Total assets		5,190,644	4,767,009
Shareholders' equities and liabilities			
Shareholders' equities			
Share capital		733,031	733,031
Share premium		49,843	49,843
Legal reserves		137,533	129,096
Revaluation reserves		872,379	955,201
Other reserves		17,482	15,813
Retained earnings		1,609,680	1,414,339
Total shareholders' equities attributable to Group owners	10	3,419,948	3,297,323
Minority interests	27	-	19,748
Total equity		3,419,948	3,317,071
Non-current liabilities			
Non-current deferred revenues	11	352,029	360,641
Borrowings	12	101,671	122,835
Other loans and assimilated liabilities – Building leasing	14	30,532	-
Deferred tax liability	14	125,893	145,380
Liabilities for employees' benefits	13	87,200	76,357
Total non-current liabilities		697,325	705,214

The attached notes are integrant part of these consolidated financial statements.

NPG TRANSELECTRICA SA

Consolidated Statement of Financial Position for the period concluded on December 31st, 2020

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

	Note	December 31, 2020	December 31, 2019
Current liabilities			
Trade and other liabilities	14	878,850	561,864
Other loans and assimilated liabilities – Building leasing		7,417	6,329
Other tax and social security liabilities	18	25,052	10,875
Borrowings	12	33,574	58,917
Provisions	15	99,008	70,990
Current deferred revenues	11	29,393	37,749
Payable income tax		77	-2,001
Total current liabilities		1,073,371	744,724
Total liabilities		1,770,696	1,449,938
Total shareholders' equities and liabilities		5,190,644	4,767,009

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

Directorate,

**Catalin
NITU**
Chairman

**Andreea-Mihaela
MIU**
Member

**Ovidiu
ANGHEL**
Member

**Corneliu-Bogdan
MARCU**
Member

**Marius-Viorel
STANCIU**
Member

Ana-Iuliana DINU
Director, Economic & Financial Administrative Unit

Cristiana Zirnovan
Manager, Budgeting and Managerial Reporting
Department

The attached notes are integrant part of these consolidated financial statements.

NPG TRANSELECTRICA SA
Consolidated Statement of Profit and Loss for the period concluded on December 31st, 2020
(All amounts are expressed in thousand LEI, unless otherwise provided)

	Note	31 December 2020	31 December 2019
Operational revenue			
Transmission revenues		1,035,250	1,081,982
System service revenues		795,026	741,693
Balancing market revenues		494,999	523,104
Other revenues		67,626	94,743
Total operating revenues	19	2,392,901	2,441,522
Operational expenses			
System Operating Expenses	20	(309,846)	(351,741)
Balancing market expenses	20	(494,999)	(523,104)
Technological system services expenses	20	(566,016)	(676,468)
Depreciation and amortization		(274,917)	(287,346)
Personnel expenses	21	(344,886)	(268,840)
Repairs and maintenance expenses		(75,971)	(68,746)
Materials and consumables		(26,700)	(53,693)
Other operational expenses	22	(129,253)	(102,116)
Total operational expenses		(2,222,588)	(2,332,054)
Operating result		170,313	109,468
Financial revenues		10,083	10,023
Financial expenses		(15,354)	(18,709)
Net financial result	23	(5,271)	(8,686)
Result before income tax		165,042	100,782
Income tax	16	(28,205)	(12,077)
Year's result from continuous operations		136,837	88,705
RESULT OF THE YEAR			
Attributable to:			
Owners of the Group		137,604	88,779
Minority interests		(767)	(74)
Basic result and diluted pershare (Lei/share)	17	1.87	1.21

The attached notes are integrant part of these consolidated financial statements.

NPG TRANSELECTRICA SA**Consolidated Statement of Profit and Loss for the period concluded on December 31st, 2020***(All amounts are expressed in thousand LEI, unless otherwise provided)*

	Note	31 December 2020	31 December 2019
Result of the year		136,837	88,705
Other comprehensive revenue			
Elements which will not be reclassified into profit or loss account, of which:			
- Taxation effect related to the revaluation reserve:		-	(86,443)
- Surplus/(reduction) from revaluation of tangible assets		(1,069)	542,389
- Actuarial loss/gain of the defined benefit plan		419	(9,465)
Other comprehensive income (AERG)		(650)	446,480
Total overall result		136,187	535,185
Attributable to:			
Owners of the Group		136,954	525,492
Minority interests		(767)	9.692

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

Directorate,

**Catalin
NITU**
Chairman

**Andreea-Mihaela
MIU**
Member

**Ovidiu
ANGHEL**
Member

**Corneliu-Bogdan
MARCU**
Member

**Marius-Viorel
STANCIU**
Member

Ana-Iuliana DINU

Director, Economic and Financial Administrative Unit

Cristiana Zirnovan

Manager, Budgeting and Managerial Reporting
Department

NPG TRANSELECTRICA SA

Consolidated Statement of Changes in Shareholders' Equities for the period concluded on December 31st, 2020

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

	Share capital	Share premium	Legal reserve	Revaluation reserves	Other reserve	Retained result	Attributable to the group	Minority interests	Total
Balance on January 1, 2020	733,031	49,843	129,096	955,201	15,813	1,414,339	3,297,323	19,748	3,317,071
Comprehensive result of the year									
Result of the year	-	-	-	-	-	137,604	137,604	(767)	136,837
Other comprehensive revenue items									
Recognising the actuarial loss/profit of the benefit plan	-	-	-	-	-	419	419	-	419
Surplus from revaluation of tangible assets	-	-	-	(1,069)	-	-	(1,069)	-	(1,069)
Transfer of revaluation reserves into retained result*)	-	-	-	(82,288)	-	82,288	-	-	-
Liability regarding deferred tax associated to the revaluation reserve	-	-	-	534	-	(534)	-	-	-
Total other comprehensive revenue items	-	-	-	(82,822)	-	82,172	(650)	-	(650)
Total comprehensive result of the year	-	-	-	(82,822)	-	219,776	136,954	(767)	136,187
Legal reserve indexation	-	-	8,437	-	-	(8,437)	-	-	-
Minority interests from smaller participation to SMART SA	-	-	-	-	-	18,981	18,981	(18,981)	-
Other items						207	207		207
Total other items	-	-	8,437	-	-	10,751	19,188	(18,981)	207
Derecognition of assets like public domain by registering HGs 615, 682 and 683 of 2019 changing the inventory of assets from the public domain	-	-	-	-	-	-	-	-	-
Subsidies associated to public domain assets	-	-	-	-	1,670	-	1,670	-	1,670
Other reserves	-	-	-	-	-	-	-	-	-
Dividends distribution						(35,186)	(35,186)		(35,186)
Total transactions with owners	-	-	-	-	1,670	(35,186)	(33,516)	-	(33,516)
Balance on December 31, 2020	733,031	49,843	137,533	872,379	17,482	1,609,680	3,419,948	-	3,419,948

*) the submission of revaluation differences has been reviewed

**Catalin
NITU**
Chairman

**Andreea-Mihaela
MIU**
Member

Directorate,
**Ovidiu
ANGHEL**
Member

**Corneliu-Bogdan
MARCU**
Member

**Marius-Viorel
STANCIU**
Member

Ana-Iuliana DINU
Director, Economic and Financial Administrative Unit

Cristiana Zirnovan
Manager, Budgeting and Managerial Reporting Department

The attached notes are integrant part of these consolidated financial statements.

NPG TRANSELECTRICA SA

Consolidated Statement of Changes in Shareholders' Equities for the period concluded on December 31st, 2020

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

	<i>Share capital</i>	<i>Share premium</i>	<i>Legal reserves</i>	<i>Revaluation reserve</i>	<i>Other reserves</i>	<i>Retained result</i>	<i>Attributabl e to the group</i>	<i>Related to minority interest</i>	<i>TOTAL</i>
Balance on January 1, 2019	733,031	49,843	123,742	551,185	66,705	1,315,731	2,840,237	1,335	2,841,572
Comprehensive result of the year									
Result of the year	-	-	-	-	-	88,779	88,779	(74)	88,705
Other comprehensive revenue items									
Recognising the actuarial loss/profit of the benefit plan	-	-	-	-	-	(10,573)	(10,573)	1,108	(9,465)
Surplus from revaluation of tangible assets	-	-	-	533,731	-	-	533,731	8,658	542,389
Liability regarding deferred tax associated to the revaluation reserve	-	-	-	(86,443)	-	-	(86,443)	-	(86,443)
Total other comprehensive revenue items	-	-	-	447,287	-	(10,573)	436,714	-	446,380
Total comprehensive result of the year	-	-	-	447,287	-	78,206	525,493	-	535,185
Other items	-	-	-	(1,252)	-	-	(1,252)	-	(1,252)
Transfer of revaluation reserve into retained result	-	-	-	(42,019)	-	46,926	-	-	-
Legal reserve indexation	-	-	5,354	-	-	(5,354)	-	-	-
Minority interests from smaller participation to SMART SA	-	-	-	-	-	(17,256)	(17,256)	8,721	(8,535)
Total other items	-	-	5,354	(43,272)	-	19,409	(18,508)	8,721	(9,787)
Derecognition of assets like public domain by recording HGs 615, 682 and 683 / 2019 changing the inventory of assets from the public domain		-	-	-	(54,442)	-	(54,442)	-	(54,442)
Subsidies associated to the state public domain assets	-	-	-	-	3,550	-	3,550	-	3,550
Other reserves	-	-	-	-	-	993	993	-	993
Distribution of special dividends acc. to OG 29/2017									
Total transactions with owners	-	-	-		(50,892)	(993)	(49,899)	-	(49,899)
Balance on December 31, 2019	733,031	49,843	129,096	955,201	15,813	1,414,339	3,297,323	19,748	3,317,071

**Catalin
NITU**
Chairman

**Andreea-Mihaela
MIU**
Member

Directorate,
**Ovidiu
ANGHEL**
Member

**Corneliu-Bogdan
MARCU**
Member

**Marius-Viorel
STANCIU**
Member

Ana-Iuliana DINU
Director, Economic and Financial Administrative Unit

Cristiana Zirnovan
Manager, Budgeting and Managerial Reporting Department

The attached notes are integrant part of these consolidated financial statements.

NPG TRANSELECTRICA SA
Consolidated Statement of Cash Flows for the period concluded on December 31st, 2020
(All amounts are expressed in thousand LEI, unless otherwise provided)

	December 31, 2020	December 31, 2019
Cash flows from operational activities		
Net profit/loss	136,837	88,705
Allowances for:		
Income tax expense	28,205	11,160
Amortisement expenses	274,992	278,907
Impairment allowances for trade receivables	1,369	5,777
Reversal of provisions for impairment allowances of trade receivables	(2,327)	(10,022)
Losses of sundry debtors	-	9,456
Net revenues with allowances for impairment of sundry debtors	4,364	(3,533)
Net expenses with allowances for impairment of inventories	4,388	24
Profit/loss from sales of tangible assets, net	407	355
Net expenditures on adjustments of value regarding tangible assets	8,953	11,538
Expenses/revenues regarding provisions for risks and expenses, net	34,726	(32,819)
Financial expenses regarding allowances for value loss of assets	0	0
Interest expense, interest revenue and unrealised exchange rate gains	5,811	9,037
Cash flows before changes to working capital	497,725	368,585
Changes into:		
Inventories	(512)	6,098
Clients and assimilated accounts	(151,398)	350,671
Trade and other liabilities	295,234	(420,787)
Other loans and assimilated liabilities – Building leasing	31,242	
Other tax and social security liabilities	8,259	(1,300)
Deferred revenues	(15,276)	(28,583)
Cash flows from operational activities	665,274	271,922
Interests paid	(7,368)	(9,022)
Income tax paid	(47,632)	(15,823)
Net cash generated from operational activities	610,274	247,077
Cash flows used for investments		
Acquisition of tangible and intangible assets	(377,140)	(237,518)
Participation titles with SELENE CC Societe Anonyme	(242)	-
Cashed interests	7,153	5,044
Participation titles with JAO/TSC NET	-	(1,232)
Proceeds from sales of tangible assets	-	8
Dividends cashed /paid	2	
Other financial assets	85.000	(85.000)
Net cash used for investments	(285,227)	(318,737)

The attached notes are integrant part of these consolidated financial statements.

NPG TRANSELECTRICA SA**Consolidated Statement of Cash Flows for the period concluded on December 31st, 2020***(All amounts are expressed in thousand LEI, unless otherwise provided)*

	December 31, 2020	December 31, 2019
Cash flows used for financing		
Drawings from current borrowings	(24,008)	29,540
Repayments of non-current loans	(24,858)	(52,215)
Repayments of current loans	-	(4,487)
Payment of building leasing	(10,394)	
Dividends paid	(35,610)	(67,042)
Net cash used for financing	(94,871)	(94,203)
Cash and cash equivalents on 1 January	339,630	505,494
Net diminution of cash and cash equivalents	230,217	(165,864)
Cash and cash equivalents at the end of the period	569,847	339,630

This Consolidated Financial Statements has been approved by the Company's management on March 19, 2021 and has been signed on its behalf by:

Directorate,

**Catalin
NITU**
Directorate Chairman

**Andreea-Mihaela
MIU**
Directorate Member

**Ovidiu
ANGHEL**
Directorate Member

**Corneliu-Bogdan
MARCU**
Directorate Member

**Marius-Viorel
STANCIU**
Directorate Member

Ana-Iuliana DINU
Director, Economic and Financial Administrative Unit

Cristiana Zirnovan
Manager, Budgeting and Managerial Reporting
Department

1. DESCRIPTION OF ACTIVITIES AND GENERAL INFORMATION

The main activity of NPG Transelectrica SA ("Company") and of its subsidiaries (called with the Company, "Group") 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 perform in the working location situated in Str. Olteni 2-4, Bucharest 3.

The Group's consolidated financial statements of 31 December 2020 elaborated in accordance with the International Financial Reporting Standards adopted by the European Union are available at the Company's working location in Str. Olteni 2-4, Bucharest 3.

Company shares have been transacted on the Bucharest Stock Exchange under TEL symbols since 2006.

In accordance with the Decision of the Shareholders' General Extraordinary Assembly of 18 July 2012 the Company changed from the unitary 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"). NPG 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 12, on 31 December 2020 the shareholders of NPG Transelectrica SA are: the Romanian State represented by the Secretariat General of the Government, holding 43,020,309 shares (58.69%), PAVAL HOLDING having 4,753,567 shares (6.48%), NN Pensions SAFAP SA holding 4,007,688 shares (5.47%), other legal person shareholders holding 16,305,068 shares (22.24%) and other natural person shareholders having 5,216,510 shares (7.12%).

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 Depositary SA registered the transfer of 43,020,309 shares (representing 58.68% of the share capital) issued by NPG 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.

THE MISSION OF THE GROUP

The main Group subsidiaries included in the consolidation and the percentage of shares held by the Company are provided below:

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

NPG TRANSELECTRICA SA

Notes to the consolidated financial statements as at December 31st, 2020

(All amounts are in thousand LEI, unless stated otherwise)

SMART SA

SMART SA seated in Blvd Magheru 33, Bucharest 1 and central headquarters in Blvd. Gheorghe Sincai, Formenerg Building, 1st floor, Bucharest 4 has the reviews and repairs of energised instrumentation and equipment, transformers and auto-transformers as main business. It was established under HG 710/19.07.2001 on 1 November 2001. On 31 December 2020 share capital amounted to 38,529 thousand Lei, of which 38,529 subscribed and fully paid by the Company as single shareholder.

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

On 30.12.2014 the Trade Register Office from Bucharest Tribunal settled the request to register the share capital increase of Smart SA and consequently on 31 December 2015 the shareholder structure of Smart SA was the following:

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

Beginning with 25.01.2016 the National Office of the Trade Register performed the change in the shareholder structure of Smart SA, namely mention regarding state portfolio administration, 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 Trade Register Office 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". NPG 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 the date of these financial statements the share capital of Company SMART SA is fully subscribed and paid by NPG Transelectrica SA as single shareholder.

Subsidiary SMART SA has as main business revisions and repairs to energised instrumentation and equipment, transformers and autotransformers, remedy of incidents in electric installations, and micro-

production of electric equipment. The Company has 8 subsidiaries with no legal personality, situated in the same locations as Transelectrica's branches.

The mission which SMART SA was established for has been and still is to provide preventive maintenance, special work and corrective maintenance to the Electricity Transmission Grid (RET) starting from the primordial objective of Transelectrica: to provide electricity transmission in the national transmission network under safe steady state conditions.

The following issues are at least taken into account as general strategic objectives:

- ✓ Providing high availability of RET assets
- ✓ Increasing the operational resilience
- ✓ Diminishing the intervention times
- ✓ Coordinating the maintenance services / work with the outage schedule of the National Power Dispatcher (DEN)

TELETRANS SA

Teletrans SA was established by AGA Decision 13/04.12.2002 of Transelectrica, according to Law 31/1990 and Orders 3098 and 3101 / 23.10.2002 of the Minister of Industry and Trade. TELETRANS shares are 100% held by Transelectrica.

In accordance with its by-laws and applicable norms Teletrans holds the ANCOM certificate of networks supplier or of electronic communication services as of 2002 (OUG 679/2002), whereby it benefits of the right to provide the following electronic communication services:

- Public networks of electronic communications (beginning with 11.11.2004);
- Electronic communication services dedicated to the public: (i) Services of leased lines and (ii) Services of electronic communications, others than phone and leased lines (beginning with 01.07.2003);
- Private networks and electronic communications services (beginning with 15.01.2003).
- Also the personnel of TELETRANS benefit of certifications relevant for the operation and administration of IT&C systems dedicated to critical infrastructures;

The share capital on 31.12.2020 was of 6,874 thousand Lei (687,443 shares, 10 Lei nominal value), Transelectrica being single shareholder. Teletrans results are consolidated with the Company's.

Besides these two subsidiaries comprised in the consolidation the Company has three more subsidiaries, Romanian legal persons, organised as joint-stock companies; it is single shareholder of Formenerg and Icemenerg Service (the later being under bankruptcy procedure on the date hereof).

Formenerg and Icemenerg-Service have not been taken into account for consolidation because, according to applicable accounting legislation their activities' impact is considered insignificant for consolidation, while OPCOM, the last subsidiary of this list, complies with ANRE rules and holds independent position on the energy market.

Subsidiary FORMENERG is a Company with the main business of the initial and permanent professional training in all domains of the personnel with attributions in the power domain from all sectors of national economy and of other beneficiaries, which clients include Transelectrica, ENGIE Romania, Romgaz, Transgaz Medias, Nuclearelectrica and Hidroelectrica.

Subsidiary ICEMENERG SERVICE SA focused on the design, manufacture and distribution of metering, management and control instrumentation meant for the power system, having ISO 9001 and IQ NET certification by SRAC ROMANIA, ANRE licensed. On 09.06.2017 Bucharest Tribunal, Section VII Civil, decided the initiation of bankruptcy by simplified procedure of debtor ICEMENERG SERVICE SA, designating Solvendi SPRL as provisional judiciary liquidator.

OPCOM SA was established by HG 627/2000 through reorganisation of the National Electricity Company SA, as subsidiary whose single shareholder was Transelectrica.

In accordance with the provisions of the applicable primary and secondary legislation the Operator of the Electricity and Natural Gas Market Operator OPCOM SA acts as administrator of the electricity market providing organised viable efficient framework to perform trade transactions on the wholesale electricity market and provides administration of centralised markets in the natural gas sector under terms of consistency, fairness, objectivity, independence, equidistance, transparency and non-discrimination.

Transelectrica does not exercise actual direct control over the decision-making mechanisms of OPCOM, which

is managed in accordance with regulations established by ANRE.

Group mission

The mission of this Group is to provide secure operation of the National Power System (SEN) while complying with the norms and performance provided in applicable technical regulations and to provide public services to all users of electricity transmission networks, under transparent non-discriminating equidistant conditions for all market participants.

Other information relating to Group activities

The participation of European Transmission System Operators (TSO) to ENTSO-E is regulated by the applicable European legislation (Regulation 943/2019 regarding the internal electricity market (reforming Regulation 714/2009 regarding network access terms for cross-border electricity exchanges)): *"All transmission system operators cooperate community-wide by means of ENTSO-E for electricity, with a view to promote the completion and operation of the internal electricity market and inter-area trade, as well as in order to provide optimum management, coordinated operation and sound technical development of the European electricity transmission network"*.

The Company's capacity of ENTSO-E member is a prerequisite for its access to decision-making with respect to European strategy and legislation in this domain and to defend and sustain Company interests in the activities /projects performed in the association and in the European Commission.

ENTSO-E was established in 2009 as non-profit association seated in Brussels by uniting the associations of European TSOs organised according to synchronously interconnected regions (UCTE, ETSO, BALTSO, NORDEL, UKTSOA, and ATSOI). Transelectrica has been UCTE and ETSO member since October 2004, the Romanian electric power system being included in the Continental Europe Regional Group.

Transelectrica SA is affiliated member in the following international organisations:

- ENTSO-E - European Network of Transmission System Operators for Electricity;
- CIGRE - International Council of large high voltage electricity networks;
- LWA - International Live Work Association;

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 Ba1 (Corporate Family Rating) with positive outlook.

The valuation of the Company's rating is found just one notch below the country's (Baa3 stable), thereby acknowledging the Company's improved financial performance and sound operational results, thus providing premises of optimum cost conditions for future funding of investments assumed for the fourth regulatory period.

Obtaining Ba1 rating with positive outlook strengthens a favourable position regarding the Company's capacity to meet its current and future financial commitments, showing that Transelectrica has got sound financial profile with low indebtedness and strong stable predictable financial values.

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 571/08.04.2020 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;

Final certification of Transelectrica in the capacity of TSO for NPS, 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/CE.

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/CE.

Tariffs of 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), of natural monopoly nature. Tariffs charged by the Company for its transmission and system services are established and approved by ANRE (see Note 20).

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 methodologic 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.

As far as the fundamental aspects of the methodology are concerned (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).

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 regulations and applied between 1 May - 12 May 2020.
- 6.39% established by ANRE regulations 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 NPG 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.

Including Transelectrica into the local and international stock indexes

Beginning with 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)] with 1.94% share on 31 December 2020 (31 December 2019: 1.42%), providing the following stock exchange capitalisation on 31 December 2020: 1,876,560,435 (31 December 2019: 1,447,737,054). 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 has been included in Premium category of the regulated market managed by BVB.

In international terms beginning with December 2020 Transelectrica shares have been included in the structure of MSCI 100 Frontier Markets index, showing the development of the greatest and most liquid one hundred companies on the share markets considered as frontier ones according to the criteria of MSCI American company.

The Group's revenues

The main activities generating revenues for the Group are represented by 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.

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.

The Company 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:

- o Tariffs of functional system services;

Technological system services are procured from producers in accordance with a competitive procedure regulated by ANRE, upon request of NPG Transelectrica SA in order to maintain the safe operation of SEN and the quality of transmitted electricity, at parameters provided in applicable legislation. The Company re-invoices the entire value of system services procured from generators (except for the active electricity 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 NPG Transelectrica SA consisting in the operational planning and management of SEN, as well as the other activities performed by NPG 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.

Balancing market operator

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.

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 NPG Transelectrica SA has been the administrator of the support scheme to promote high efficiency cogeneration. The objective of such support scheme is to promote electricity generation systems under high efficiency cogeneration, having the benefit of electricity generated with low pollutant

emissions. The purpose is to facilitate market access 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 power 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) and implemented by HG 1215/2009 establishing the criteria and conditions necessary to implement the support scheme to promote high efficiency cogeneration in accordance with 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.

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, NPG 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; bonus payment to generators benefitting of the scheme; paying delay penalties to producers for the failure to pay the bonus within due dates.

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 consolidated 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).

Electricity markets price coupling mechanism

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, the Company 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.

The Company 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 the Company has the commercial task to settle the electricity transacted between SC OPCOM SA and MAVIR.

Thus under the price-coupling mechanism of regional markets the Company:

- 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.

1. BASES OF ELABORATION

The Compliance Statement

These consolidated 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 Group is applying the International Financial Reporting Standards adopted by the European Union when elaborating the consolidated financial statements of 2020 in accordance with OMF 881/2012, with later amendments and additions.

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 consolidated financial statements are elaborated in Romanian LEI("LEI") in accordance with applicable accounting regulations, this also being the Group'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, the commitments and contingencies, the recognition of receivable non-reimbursable funds, regarding provisions for value losses of receivables, regarding obligations associated to transactions based on share payment settled in cash and regarding the obligations associated to the defined benefit plans.

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 assumptions and estimations involving significant incertitude is included in the following notes:

- Note 11-Group's management estimation about a reasonable assurance existent for compliance with the terms attached to non-reimbursable funds and for funds reception;
- Note 13 - Assessing the obligations associated to the defined benefit plans;
- Note 24 - Recognition and assessment of provisions, commitments and contingencies; key assumptions regarding the likelihood and extent of any resource output;
- Note 25- Assessing the obligations regarding transactions with payment in shares to be settled by cash;

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

The Group (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;

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

- The Group-provided services are regulated by ANRE, therefore the Conceder – competent Ministry – does not control or regulate the type of services the Group has to provide;
- At the end of the contractual period the residual interest in infrastructure is about zero, most assets belonging in the state public domain being amortised;
- For the time being there are no similar contracts, the Group holding 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 its accounting policies as described in Note 3, items a) and b).

2. 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) Bases of consolidation

(i) Subsidiaries

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

On the elaboration date of these consolidated financial statements the Company comprises five subsidiaries, Romanian legal persons organised as joint-stock companies: Formenerg, OPCOM, Teletrans, Smart and

Icemenerg Service (this last one under bankruptcy procedure for the time being).

From among Company subsidiaries only companies Smart and Teletrans are included in the Group's financial consolidation. Formenerg and Icemenerg-Service have not been taken into account for consolidation because, in accordance with applicable accounting legislation, the impact of their activities is considered insignificant for consolidation, while OPCOM is subject to ANRE rules and has independent position .

(ii) Loss of control

When losing control the Group derecognises the subsidiary's assets and liabilities, any interest that is not controlling other components of own capitals attributable to the subsidiary. Any surplus or deficit resulting from loss of control is recognised in the profit or loss account. If the Group maintains any interest in its former subsidiary, then such interest is appraised at fair value from the date when control is lost onward. Subsequently such interest is accounted by the equivalence method, or as available financial asset for sale, depending on the extent of influence kept.

(iii) Transactions eliminated from consolidation

Balances and transactions performed within the Group and any unrealised revenues or expenses resulting from Group transactions are removed when elaborating the consolidated financial statements. Unrealised profits associated to transactions with affiliated entities and accounted by the equivalence method are removed as counterpart of the investment in the affiliated entity, to the extent of the Group's interest for associated entities. Unrealised losses are eliminated similarly to unrealised gains, however only to the extent in which there are no value depreciation indexes.

(b) 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 of indirect expenses.

Recognition

Tangible assets are initially assessed at cost value.

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; and
- Costs of capitalised indebtedness;

Impairment allowances are registered for tangible assets.

Value allowances for unused or used tangible assets are registered in the consolidated financial statements, whenever such items are identified.

Subsequent expenditure

The Group 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, and its cost can be assessed in credible manner. All the other costs are recognised in the profit or loss account when they occur.

Depreciation

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

	Normal operational period (years)
Special buildings and installations	40 – 60
Outfits and equipment	15 – 40
Instrumentation and control	7 – 12
Vehicles	5 – 8
Other tangible assets	3 – 5

Lands are not amortised. Whenever the items of some tangible asset have different lifecycles they are registered as separate items (major components) of an asset. Asset amortisation methods, useful lifecycles and residual values are reviewed on each reporting date and adjusted, if need be.

Reassessment

The Group has selected description of tangible assets at their revalued value, except for down payments and tangible assets in progress of execution, which are provided at historical cost.

Revaluations are performed independent valuator experts, at sufficiently regular time so that accounting values should not differ significantly from the value which can be determined using the fair value on reporting date.

(c) Public domain

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

Governmental Decision 627/2000 established in annex 8 the inventory of real estates that form the state public domain taken under Group administration beginning with 1 August 2000; they are inventoried and updated by legislative deed (HG) whenever necessary.

Before signing the concession contract, which is detailed in the following paragraph, the public domain has been treated as contribution in kind of the Romanian State by its representative, the Ministry of Economy since the Group should not pay any fee for asset utilisation.

Law 213/1998 was issued in November 1998 and regulated the public domain. This law specifies the property right over public inventories belongs to the state or to local authorities that can rent or assign the goods under public property. In accordance with the provisions of Law 213/1998 and Law 219/1998 the Ministry of Economy has conceded on the state's behalf the transmission network to the Group (high voltage electric lines and substations) and the lands it is located on. Thus on 29 June 2004 concession contract 1 was concluded between the Ministry of Economy and the Group for all tangible assets of the public domain on balance on 31 December 2003 for 49 years.

Following concession contract signature with the Ministry of Economy on behalf of the Romanian State on 29 June 2004 the relationship between it and the Company changed and consequently the Company resorted to derecognising the public domain assets, including the public domain reserve from its own shareholders' equities. After concluding the concession contract the Company has treated the assets which it holds utilisation right over as operational leasing. The Company recognises payments under the concession contract (royalty) during the year in the profit or loss account.

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

All through 2005-2013 seven addendums have been concluded to the concession contract. 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 assets in the public state domain assigned to the Company, after the 2012 inventory of goods in the state public domain and the revaluation of such goods, on 14.02.2013 addendum 7 was signed with the Ministry of Economy to the Concession Contract 1/29.06.2004.

Governmental Decision 1032 of 11 December 2013 published in Romania's Official Gazette 22 of 13 January 2014 approved the amendment and addition to annex 7 of Governmental Decision 1705/2006 approving the centralised inventory of assets in the public state domain, after the inventory of state public domain assets in 2012.

The main terms of the concession contract are the following:

- The Ministry of Economy has got the ownership title over the assets under the contract;
- The Group is entitled to use such assets for 49 years, from 1 June 2004 to 31 mai 2053;
- The annual fee the Group pays as royalty for the use of such assets is established by the Ministry of Economy and it represents 1/1000 of the revenues achieved from electricity transmission services for the quantity actually transmitted;
- Assets will return to ME's possession upon contract termination or expiry; the contractul can be one-sidedly terminated by any party;
- The Group is obliged to use the assets in accordance with the provisions of the concession contract and with the operational licence;

The fee the Company pays in accordance with the concession contract for the 1 January – 31 December 2014 interval is significantly lower than the amortisement the Group could have registered for such assets if there had been no such contract. Nevertheless the Group has not recorded any amount regarding such possible benefit deoarece in the financial statements because it cannot estimate what is the sum paid for the utilisation of these assets by a third party in a transaction with objective price.

The investments the Company perform from one's own financing sources to the assets under the concessio contract are capitalised and amortised during the remaining asset lifecycle. When the investment amortisement has been recovered they will be included in the inventory of goods in the state public domain.

In case of goods representing completed assets, obtained from one's own financing sources, they will be included in the inventory of goods in the state public domain when the investment amortisement has been recovered, or upon expiry of the normal utilisation time, or of the concession or leasing contract, according to the applicable legislative provisions, based on normative passed to this effect.

(d) Intangible assets

The intangible assets the Group has procured are provided at cost less cumulated amortisement and cumulated losses from the depreciation of intangible assets. Amortisement is recognised in the profit or loss account based on the linear method during the estimated life of intangible assets. Most intangible assets registered by the Group are represented by intangible assets under execution and dedicated IT applications. They are amortised during 3 years using the linear method.

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

Subsequent expenses

Later expenses are capitalised only if it is likely the Group can generate future economic benefits associated to such later expenses.

(e) Foreign currency transactions

Hard currency transactions are expressed in LEI by applying the exchange rate of the transaction date. Monetary assets and liabilities expressed in hard currency are provided in LEI at year end using the exchange rate of that date. Realised or unrealised gains and losses from exchange rate differences are registered in the profit or loss account of the respective financial year. The exchange rates on 31 December 2020 and 31 December 2019 are provided below:

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

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

(f) Receivables

Trade receivables are initially registered at fair value and later on assessed using the actual interest method, less value losses. The value loss is recognised when there is clear evidence the Groupul will not be able to

collect receivables on the established term. The debtor's significant financial difficulties, the likelihood of his entering bankruptcy or going under financial reorganisation, payment delays (beyond 180 days) are considered clues such receivables can require value allowances.

A value loss associated to an asset is the difference between its accounting value and the current value of future forecasted updated cash flows using the asset's actual initial interest rate. The accounting value is reduced by using a value loss account, while the loss is registered in the profit or loss account under "Other operational expenses".

(g) Inventories

Inventories consist of:

- Raw materials, materials, spare parts that do not correspond to the definition of intangible asset and other consumables to be used for the basic Company activities;
- Security and intervention inventories dedicated to quick remedial of defects occurring in RET installations with a view to provide safe SEN operation; such materials are registered as inventories when procured and pass to expenses upon consumption or they are capitalised, as applicable;

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

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

(h) Cash and cash equivalents

They include cashier desk, current accounts and bank deposits with initial maturity within 3 months, which are under insignificant risk of changing their fair value.

(i) Revaluation reserves

After recognition as asset a tangible asset item whose fair value can be reliably assessed is accounted at revaluated value, which is its fair value on the revaluation date minus any amortisement accrued later and any losses accumulated from depreciation. Revaluations are performed at sufficiently regular intervals in order to make sure the accounting value does not significantly differ from what could have been determined by using the fair value on the balance date.

If the accounting value of a tangible asset is increased after revaluation, such increase is directly registered in shareholders' equities in revaluation reserves. Nevertheless the growth is recognised in the profit or loss account to the extent in which it compensates a decrease from the revaluation of the same asset previously recognised in the profit or loss account.

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

The revaluation reserve included in shareholders' equities associated to a tangible asset item is directly transferred into retained result to the extent of the amortisement of the revaluated tangible asset and when the asset is derecognised.

Beginning with 1 May 2009 reserves from revaluation of tangible assets, lands included, performed until 1 January 2004 and are deducted when calculating taxable profit by means of fiscal amortisement or of expenses regarding assigned and/or dismantled are taxed at the same time with the deduction of fiscal amortisement or when such non-current assets are discharged from management, whichever is applicable.

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

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

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

Reserves from the revaluation of tangible assets are taxable in the future in case the reserve destination changes in any form, in case of Group liquidation, merger, including its usage to cover accounting losses, except for transferring into retained result, after 1 May 2009, the reserves associated to revaluations made after 1 January 2004, which are taxable at the same time with the fiscal deduction.

(j) Impairment of non-financial assets

Accounting values of the Group's non-financial assets, others than inventories and receivables regarding deferred tax are reviewed on every reporting date in order to determine whether there is evidence about any depreciation. A loss from depreciation 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. Whenever the utilisation value is determined the forecasted future cash flows are updated in order to determine the present value, using an updating rate before tax which provides the current market valuations for the time value of money and the specific risks of an asset.

In order to test depreciation, assets that cannot be tested individually are grouped in the smallest asset cluster generating cash inputs by uninterrupted utilisation and are to a great extent independent of the cash inputs generated by other assets or groups of assets ("cash generating unit").

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

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

(a) Registered capital

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

(b) Dividends

Dividends are recognised as liability when the shareholder's right to receive payment has been established.

(c) Trade and other liabilities

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

(d) Interest-bearing loans

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

(e) Recognition and de-recognition of underived financial instruments*Underived financial assets*

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

The Group derecognises a financial asset upon expiry of contractual rights over the cash flows generated by such asset or when transferring the rights to collect contractual cash flows rights of the financial asset by a transaction whereby risks and benefits of the property right over the asset are transferred significantly. Any interest in the transferred financial asset created or kept by the Group is recognised separately as an asset or a liability.

Financial assets and liabilities are compensated and the financial position statement will submit the net value only when the Company has the legal right to compensate values and intends either settling them in net base or achieving the asset and simultaneously extinguishing the liability.

Underived Company financial assets are mainly represented by trade receivables and other receivables, and by cash and cash equivalents.

Underived financial liabilities

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

The Group derecognises a financial liability when contractual obligations are paid or cancelled or expired.

The Group classifies underived financial liabilities into other financial liabilities. Such financial liabilities are initially recognised at fair value minus any transaction costs directly attributable. After initial recognition such financial liabilities are assessed at amortised cost using the actual interest method.

Other underived financial liabilities include borrowings, trade liabilities and other liabilities.

(a) Corporate income tax

Income tax expense comprises the current tax and the deferred tax. The current and deferred tax are recognised in the profit or loss account, excet when they are associated to enterprise combinations or to items directly recognised in shareholders' equities or in other retained result items.

(i) Current tax

It represents the tax estimated to be paid or received for the fiscal profit or loss achieved in the current year, using taxation quotas adopted or to a great extent adopted on the report date, as well as any allowance regarding payment obligations of the income tax associated to previous years. The owed current income tax also includes the tax on owed stated dividends.

(ii) Deferred tax

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

The deferred tax is not recognised for:

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

Deferred tax assessment shows the fiscal consequence which might ensue from the manner in which the Group expects to recover or settle the accounting value of its assets and liabilities at the end of the reporting period.

Deferred tax is calculated using the taxation quotas forecasted to be applied to temporary differences when resumed, according to the adopted legislation or to a great extent adopted on the report date.

Receivables and liabilities with deferred tax are compensated only if there is legal right to compensate liabilities and receivables with the current tax and if they pertain to taxes charged by the same fiscal authority for the same entity submitted to taxation or for different fiscal entities, but which intend settling receivables and liabilities with the current tax on net base or whose taxation assets and liabilities will be achieved simultaneously.

A receivable with deferred tax is recognised for unused fiscal losses, fiscal credits and deductible temporary differences, only to the extent in which it is probable to achieve future taxable revenues to be used for fiscal loss coverage. Receivables with deferred tax are reviewed upon each reporting date and diminished to the extent in which the achievement of the associated fiscal benefit is no longer probable.

(iii) Exposure with respect to income tax

The Group consider the tax position impact as uncertain and if additional taxes and interest rates can be owed-when determining the amount of the current and deferred tax. Such assessment relies on estimations and assumptions and can involve a number of professional reasoning about future events. New information can become available and determine the Company to change its professional reasoning with respect to the adequacy of existent fiscal obligations; such changes of fiscal obligations can impact the income tax expense during the period of such determination.

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

The Group's net obligation with respect to long-term benefits granted to employees, other than pension plans, is the value of future benefits which the employees have earned in exchange of services provided in the current and previous time intervals. Such benefit is updated to determine its fair value, and the fair value of any associated asset is deducted. These benefits are estimated using the method of the designed credit factor. Any actuarial gains or losses are recognised in other comprehensive result items in their occurrence period. Other long-term employee benefits are represented by jubilee bonuses.

Transactions with share payment to be settled in cash

The fair value of liability to employees with respect to rights of share appreciation which is settled in cash is recognised as expense in correspondence with a liability increase in the period when employees obtain unconditional right of payment. Until the liability settlement time the Company has to revalue the fair value of such liability on every reporting date and settlement date, any changes of the fair value being recognised in the profit and loss account of this period.

The Company recognises the services received and a payable liability for such services as the employees are providing the services. Certain rights regarding share appreciation go immediately to rights and therefore employees are not asked to complete a certain service period to be entitled to cash payment. In such circumstances the Company recognises the entire bonus value as expense on granting date.

Short-term employee benefits

Short-term benefit obligations are assessed on un-updated base and are recognised as expenses as the services are provided. A provision is recognised with the estimated value to be paid for short-term benefits as prizes or employees' participation to profit, only in case the Company has present 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 mainly represented by salaries.

During normal performance of activities the Group makes payments to the pension fund on behalf of its employees. All Group employees are members in the pension plan of the Romanian State. Such payments become expense as the employees provide services.

(g) Revenues

The revenue is recognised when significant risks and benefits have been transferred to the purchaser, it is likely to obtain economic benefits, and associated costs can be fairly estimated. Revenue consist mainly of transmission service, system service and balancing market revenues, calculated depending the electricity amount delivered to consumers. Transmission and system service tariffs are regulated by ANRE. Revenues also include the value of transactions performed on the balancing market, as shown in Note 1.

The Romanian State regulates by means of ANRE the tariffs the Group charges for electricity transmission and system operator services. The Romanian State plays many parts besides that of majority shareholder and consequently could have more comprehensive objectives and goals than an investor whose main interest is the investment return.

As mentioned in Note 1 the Company is also the administrator of the bonus type support scheme to promote high efficiency cogeneration. The Company acts as agent since it is involved in collecting and distributing money.

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 regional market price-coupling mechanism the Company:

- It performs as implicit DAM participant and is transfer agent;
- It provides the interconnection capacity for physical delivery of electricity transacted on the DAM, namely passing the electricity from one bidding area to another by means of interconnection lines, being limited by their available transfer capacity;

Connection fees

IFRIC 18 "Assets transfers from clients" are applied to the contracts with clients where the Company collects monetary availability from a client when such availability should be used only for construction or procurement of a tangible asset item and the Group should then use such tangible asset to connect clients to the network.

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

The connection fee is regulated and it represents expense made by a network operator to perform connection work for a consumption and/or generation place of an electricity network user.

In case a client's connection to the electricity transmission grid does not represent separate component of the connection contract, connection fees are systematically recognised in the profit or loss account during the useful life of an asset.

The Company recognises monetary availability collected from the connection fee in the credit of the "Deferred revenues" account within the financial position statement and later on it recognises the revenue under "Other revenues" from the profit and loss account, systematically during the useful asset life.

(h) Net financing costs

Net financing costs include interest rates of borrowings calculated by the actual interest rate method, less the capitalised indebtedness costs as part of asset costs with long manufacturing times, dividend revenues, favourable and unfavourable exchange rate differences, fees and risk commissions.

In accordance with the reviewed SIC 23 "Costs of indebtedness" and claiming the optional exception from the retroactive application according to IFRS 1 "First time application of IFRS", the Group capitalises loan costs relating to assets requiring long time intervals for commissioning or sale, which financing was obtained for after 1 January 2011, transition date to IFRS.

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

(i) Subsidies

Asset-associated subsidies are initially recognised as "deferred revenues" at fair value when there is reasonable assurance they will be received and the Group will comply with the conditions associated to subsidies, then subsidies are recognised in the profit and loss account as other operational revenues during the useful asset life it pertains to. Non-returnable funds are recognised as assets when there is reasonable assurance they will be received by removing associated conditions.

(j) Provisions

A provision is recognised if and only if the following conditions are met: the Group has current (legal or implicit) obligation after a past event; it is probable (namely, more likely than unlikely) a resource output representing economic benefits can be necessary to settle the obligation; when fair estimation can be made with respect to the amount of such obligation. Whenever the effect of the time value of money is significant the value of a provision is the present value of expenses foreseen as necessary to settle the obligation.

(k) Result per share

In accordance with SIC 33 "Result per share", it is calculated by dividing the profit or loss attributed to Group shareholders to the weighted average of ordinary shares in such period.

The weighted average of current shares during the year represent the number of shares from the beginning of the period, adjusted by the number of shares issued, multiplied with the number of months when the shares were floating during the year.

Dilution means reduction of the result per share or increased losses per share resulted under the assumption that convertible instruments have been converted, or as ordinary shares they are issued after fulfilment of specified conditions. The object of diluted result per share is similar to that of the basic result per share, namely to assess the interest of every ordinary share within an entity's performance.

(l) Contingencies

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

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

(m) Operational segments

The operational segment is a component of an entity:

- Engaging in activities by which it can obtain revenues and by which it can make expenses (including revenues and expenses associated 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 about resource allocation by segment and assessing its performance; and
- Which distinct financial information is available for;

The Group carry out operations in many locations of Romania, which are engaged both in transmission and in dispatching activities. Group management consider all operations, overall, as "a single segment".

Operational segments are provided in consequent manner with internal reporting provided to the main decision-maker of the entity with a view to take decisions on resource allocations by segments and assessing its performance.

(n) Implications of the new International Financial Reporting Standards (IFRS UE)

The following new standards and amendments of existing standards issued by the International Accounting Standards Board (IASB) adopted by the European Union (EU) *have not been enforced yet* for the annual financial reporting ended on 31 December 2020 and have not been applied in the elaboration of these financial statements:

Norm / Interpretation [IAS 8.31 (a), 8.31(c)]	Type of imminent change of accounting policy [IAS 8.31 (b)]	Possible impact on financial statements [IAS 8.31 (e)]
Amendments to IFRS 17 & IFRS 4 "Insurance contracts" <i>(applicable for annual periods as of or around 1 January 2021)</i>	Such amendments defer the application date of IFRS 17 by two years, namely beginning with 1 January 2023 and change the date regarding temporary exception from the application of IFRS 9 "Financial instruments" under IFRS 4.	The impact of changes over the financial statements is under assessment
Amendamente to IFRS 7, IFRS 4 & IFRS 16 – Changing the reference on interest rate – stage 2 <i>(applicable for annual periods as of or around 1 January 2021)</i>	Amendments in stage 2 address issues ensuing from reform implementation, including alternatives to replace current references	The impact of changes over the financial statements is under assessment
Amendments to IAS 1 "Submitting financial statements" on liability classification <i>(applicable for annual periods as of or around 1 January 2022)</i>	Amendments to IAS 1 "Submitting financial statements" clear liability submission as being for the short- and for the long-term at the end of the reporting period. Such classification is not impacted by later events after the reporting date (e.g. receiving exemption with respect to trespassing contractual terms)	The impact of changes over the financial statements is under assessment

Amendments to IFRS 3, IAS 16, IAS 17 and annual changes to IFRS 1, IFRS 9, IAS 41 & IFRS 16. (applicable for annual periods as of or around 1 January 2022)	Amendments to IFRS 3 "Enterprise combinations" regarding changes to the Conceptual Financial Reporting Framework without changing the accounting requirements of IFRS 3 "Business Combinations". Amendments to IAS 16, "Tangible assets" forbid decreasing the amounts received from sale of articles produced for the assets produced for provided utilisation from the cost of tangible assets. In exchange companies will recognise such revenues from sales and associated costs in the profit or loss account. Annual improvements bring minor changes to IFRS 1, "First application of IFRS", IFRS 9, "Financial instruments", IAS 41, "Agriculture" and illustrative examples accompanying IFRS 16, "Leasing".	The impact of changes over the financial statements is under assessment
IFRS 17 "Insurance contracts" (applicable for annual periods as of or around 1 January 2023)	This standard replaces IFRS 4, which currently enables large variety of practice in the accounting of insurance contracts. IFRS 17 will fundamentally change accounting records on insurance and investment contracts. IFRS 17 marks new approach for accounting records of insurance contracts.	The impact of changes over the financial statements is under assessment
Amendments to IFRS 10 "Consolidated financial statements" & IAS 28 "Investments in associated entities & participation associations" ((application date was deferred indefinitely, until research will be finished on the equivalation method)	Asset sale or contribution between an investor and associated entities or its participation associations and later amendments	The impact of changes over the financial statements is under assessment

The following standards and amendments of existing standards issued by the International Accounting Standards Board (IASB) adopted by the European Union (EU) *have become applicable in the current period*:

Norm / Interpretation [IAS 8.31 (a), 8.31(c)]	Type of imminent change of accounting policy [IAS 8.31 (b)]	Possible impact on financial statements [IAS 8.31 (e)]
Amendments to IFRS 3 "Enterprise combinations" – definition of an enterprise (applicable for annual periods as of or around 1 January 2020)	The objective of such changes aims at simplifying and explaining the standards.	Adopting the amendments to IFRS 3 had no impact over financial statements
Amendments to IAS 1 and IAS 8 - Definition of materiality (applicable for annual periods as of or around 1 January 2020)	The objective of such changes aims at simplifying and explaining the standards.	Adopting the amendments to IAS 1 & IAS 8 had no impact over financial statements
Amendments to IFRS 9, IAS 39 & IFRS 7 (applicable for annual periods as of or around 1 January 2020)	Changes to IFRS 9, IAS 39 & IFRS 7 – changes of references on interest rate. References pertain to coverage accounting for risks, with effect in the interbank reference rate which should never cause cessation of risk coverage accounting.	Adopting the amendments to IFRS 9, IAS 39 și IFRS 7 had no impact over financial statements

Amendments to IFRS 16 "Leasing contracts" <i>(applicable for annual periods as of or around 1 June 2020)</i>	In consequence of (Covid-19) coronavirus pandemic rent concessions were granted to inhabitants. Such concessions can be varied, including paid vacations and deferred leasing payments. On 28 May 2020 IASB published an amendment to IFRS 16, providing an optional practical instrument for inhabitants to assess whether the rent concession in the Covid-19 context is a change of the leasing contract. Inhabitants can choose to account such rent concessions as if there were no changes of rental contracts. In most cases this will lead to concession accounting like variable leasing payments in the period (periods) when the event or condition triggering low payment occurs.	Adopting the amendments to IFRS 16 had no impact over financial statements
--	---	--

The Group anticipate the adoption of such standards and amendments to existing standards will not have significant impact over the Group's financial statements in the initial application period.

3. DETERMINING THE FAIR VALUE

Certain accounting policies of the Group and requirements of information submission need determination of fair value both for financial assets and liabilities, but also for the non-financial ones. When determining the fair value of assets and liabilities the Group use noticeable market values as much as possible. Fair values are classified by several levels in the fair value hierarchy based on input data used in assessment techniques as follows:

- Level 1: Quoted (unadjusted) prices on asset markets for identical assets and liabilities;
- Level 2: Input data, others than 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: Input data for assets and liabilities which do not rely on noticeable market data;

Fair values have been determined for assessment purpose and/or submitting information based on the methods described below:

(i) *Tangible assets*

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

NPG TRANSELECTRICA SA
Notes to the consolidated financial statements as at December 31st, 2020
(All amounts are in thousand LEI, unless stated otherwise)

4. TANGIBLE ASSETS

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

	Lands and land developments	Special buildings and installations	Outfits and equipment	Instrumenta- tion & control	Vehicles	Other tangible assets	Tangible assets in progress	Total
COST								
Balance on January 1, 2019	55,010	1,379,348	3,228,809	516,486	65,164	290,193	340,692	5,875,702
Inputs	(50)	(11,613)	15,180	(7,811)	11	0	260,730	256,447
Increase/decrease of revaluation reserve	34,064	3,046	472,018	19,627	1,753	(117)	0	530,391
Transfers from tangible assets in progress	14	43,335	109,370	11,115	3,585	3,713	(171,132)	0
Reclassifications between asset accounts	0	0	7	(7)	0	0	(187)	(187)
Outputs	0	(7)	(7,379)	(1,258)	(1,972)	(4,095)	(281)	(14,992)
Revaluation impact	0	(11,252)	(2,257,880)	(395,521)	(13,005)	(74)	0	(2,677,732)
Balance on December 31, 2019	89,038	1,402,857	1,560,125	142,631	55,536	289,620	429,822	3,969,629
Balance on January 1, 2020	89,038	1,402,857	1,560,125	142,631	55,536	289,620	429,822	3,969,629
Inputs	0	406	77	774	210	1,257	377,779	380,504
Transfers from tang ass in progress	16	27,214	101,478	42,782	12	4,728	(176,228)	0
Reclassifications between asset accounts	0	(22)	32	(11)	0	0	14,533	14,533
Outputs	0	(6,436)	(526)	(498)	(458)	(198)	(2,683)	(10,799)
Revaluation impact	(477)	0	0	0	0	0	0	(477)
Balance on December 31, 2020	88,577	1,424,019	1,661,185	185,679	55,300	295,407	643,223	4,353,390
Cumulated amortisement								
Balance on January 1, 2019	138	2,641	2,113,286	411,954	48,622	235,471	-	2,812,112
Depreciation expese	-	90,389	170,136	12,588	3,133	20,168	-	296,414
Cumulated amortisement of outputs	-	(6)	(7,067)	(1,258)	(1,972)	(4,095)	-	(14,398)
Revaluation impact	-	(11,252)	(2,257,880)	(395,521)	(13,005)	(74)	-	(2,677,732)

NPG TRANSELECTRICA SA
Notes to the consolidated financial statements as at December 31st, 2020
(All amounts are in thousand LEI, unless stated otherwise)

Balance on December 31, 2019	138	81,772	18,475	27,763	36,778	251,470	0	416,396
Balance on January 1, 2020	138	81,772	18,475	27,763	36,778	251,470	0	416,396
Depreciation expense	0	76,415	145,440	25,673	5,018	11,913	-	264,459
Cumulated amortisement of outputs	0	(6,284)	(260)	(495)	(397)	(198)	-	(7,634)
Revaluation impact	0	0	0	0	0	0		0
Balance on December 31, 2020	138	151,903	163,655	52,941	41,399	263,185	-	673,221
IMPAIRMENT ALLOWANCES								
Balance on January 1, 2019	0	14,068	(4)	0	115	0	20,259	34,438
Impairment allowance expense	0	-	0	-	(115)	-	632	517
Balance on December 31, 2019	0	14,068	(4)	0	0	0	20,891	34,955
Balance on January 1, 2020	0	14,068	(4)	0	0	0	20,891	34,955
Impairment allowance expense	0	0	(2)	0	0	0	8,953	8,951
Balance on December 31, 2020	0	14,068	(4)	0	0	0	29,844	43,906
ACCOUNTING VALUE								
Balance on December 31, 2019	88,900	1,307,017	1,541,654	114,868	18,758	38,150	408,931	3,518,276
Balance on December 31, 2020	88,439	1,258,048	1,497,534	132,738	13,901	32,222	613,379	3,636,262

The total net value of tangible assets increased on 31 December 2020 compared to 31 December 2019 against a background of higher amounts of tangible assets in progress.*)

In 2020 tangible assets in progress are mainly represented by investment projects in high voltage electric lines and substations 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 Hasdat – 26,627,581;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage I – 400 kV simple circuit OHL Portile de Fier - (Anina) – Resita – 22,574,585;
- Replacing transformers and AT 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, Bucharest & 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 and 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 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;
- Freeing the location and providing coexistence conditions with the 400 kV installations of NPG TRANSELECTRICA SA in villages 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: 400 kV substation Timisoara – 4,198,140;
- 400 kV simple circuit OHL Oradea Sud - Nadab - Bekescsaba, final stage: segment between towers 1-42 (48) of the 400 kV OHL Oradea Sud – Nadab – 3,700,020;
- Upgrading the 220/110/20 kV substation Raureni – 3,402,689;
- Upgrading the 220/110/20 kV substation Vetis, primary equipment – 3,177,511;
- Installing the 250 MVA 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 shunt reactors in the 400 kV substations Bradu & Sibiu Sud – 2,799,930;
- Moving and protecting HV electric networks (220 kV – 400 kV), BRASOV-CLUJ-BORS MOTORWAY SECTION 1C – SIGHISOARA-Tg. Mures - SUBSECTIONS 2 & 3 Tg. Mures-Ungheni I - Ogra – 2,359,773;
- Changes to 400/220/110 kV OHLs to achieve break-through of Blvd Nicolae Grigorescu - Splai Dudescu – 1,978,069;
- Integrated security system in electric substations, stage IV – 1,952,568;
- Upgrading the remote control & telecommunication system in Substation Cernavoda – 1,738,552;
- By-passing 400 kV OHL on segment 2, lot 2, situated in Olt County to build express road Craiova-Pitesti, 400 kV simple circuit OHL Slatina-Bucharest Sud – 1,688,976;
- Computation technique, hardware and software, desktop PC – 1,600,540;
- Replacing the shunt reactor of Substation Arad – 1,396,486;
- Upgrading the 220 kV OHL Cetate – Calafat – 1,168,394;
- Replacing the 400/400/160MVA 400/231/22kV AT 3 ATUS-SF 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 were mainly represented by commissioning the investment projects as follows:

- 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 substation Domnesti – 19,359,722;
- Replacing transformers and AT 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, Bucharest & Bradu – 13,348,581;
- Refurbishing the 220/110 kV substation Otelarie Hunedoara – 11,827,848;
- Refurbishing the 220/110/20 kV substation Ungheni – 9,434,462;
- LW Research-development centre and fast intervention to 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 – 4,972,350;
- Refurbishing the 220/110 kV substation Iaz – 4,507,848;
- Changes to 400/220/110 kV OHLs to achieve break-through of Blvd Nicolae Grigorescu - Splai Dudescu – 3,970,002;
- Upgrading the 400/220/110/20 kV substation Munteni – 3,871,497;
- Upgrading the remote control & 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, situated in Olt County to build express road Craiova – Pitesti - 400 kV simple circuit OHL Slatina-Bucharest Sud – 1,688,976;
- Computation technique, hardware and software, desktop PC – 1,639,910;
- Upgrading the 220 kV OHL Cetate – Calafat – 1,168,394;
- Consolidating the towers of panel 381 - 390 of 400 kV OHL Bradu - Brasov – 975,097;
- Air conditioning installations for server rooms of UNO-DEN – 924,015;
- Developing the space for CTSI relocation & upgrade, ground floor industrial building 2, UTT Timisoara – 819,555;
- Replacing circuit breakers in electric substations – 733,921;
- Changes to the 400 kV OHL Urechesi - Domnesti to provide coexistence conditions – 580,386;
- Trial and testing equipment – 426,600;
- Guyed Portal Universal intervention towers, 220 - 400 kV, plus prefabricated foundations – 400,161;
- Safe supply of 220 V dc auxiliary services in Substation Fantanele by replacing the condenser batteries and resizing the capacity of condenser battery 2 – 375,989;
- Upgrading the hardware & software platforms of SCADA in Substation Stuparei – 362,713;
- Aluminium parts production hall in locality Bradu, village Geamana, str. Drumul 23, no. 44, Arges County – 333,042;
- Upgrading the 220/110 kV substation Dumbrava – 285,671;
- 400 kW gas-fired fully automated thermal plant for the building in Blvd Hristo Botev 16-18, Bucharest 3 – 279,000;
- Thermal rehabilitation of Annex Control Centre of Substation Isaccea – 256,013;
- Replacing the 220 V condenser battery 1 of the 220/110 kV substation Mintia – 252,431;
- Upgrading the communal road system, Str. Fortului, commune Domnesti, 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 IT&C technical rooms of DETs Bacau, Cluj & Craiova – 138,444;
- UPS direct current supply source, 2 pc., 14.5 kW - 2 buc., air drying units - 1 pc – 120,000.

The balance of tangible assets under execution on 31 December 2020 was represented by ongoing projects of which the most significant are provided below:

- 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 - 400 kV simple circuit OHL Portile de Fier - (Anina) – Resita – 61,995,350;
- RET connection of the 300 MW WPP Ivesti, 88 MW WPP Falciu 1 and the 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 in the Executive -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;
- 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 and 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 transformers and AT in electric substations, stage 2, faza 2, LOT 1 & LOT 2 – 7,118,680;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage - the 400/220/110 kV substation Resita – 6,627,961;
- The 400 kV OHL Gadalin - Suceava, including SEN interconnection – 6,043,182;
- 400 kV HVDC Link (Submarine cable Romania - Turcia) – 5,853,759;
- Freeing the location and providing coexistence conditions with the 400 kV installations of NPG Transelectrica SA in villages 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: 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 part in Romania – 4,439,120;
- The 400 kV double circuit OHL Gutinas – Smardan – 4,182,625;
- Installing the 250 MVA T3 in the 400/110 kV substation Sibiu Sud – 3,963,111;
- The 400 kV simple circuit OHL Oradea Sud - Nadab - Bekescsaba, final stage: segment between towers 1-42 (48) of 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, 400 kV double circuit OHL Resita - Timisoara – Sacalaz – 3,343,480;
- Replacing circuit breakers in electric substations – 3,316,850;
- Upgrading the 220/110/20 kV substation Vetis, primary equipment – 3,352,149;
- Adding new functions to the control and access IT supervision in objectives of NPG TRANSELECTRICA SA – 3,200,918;
- RET connection for the 136 MW WPP Platonesti, Ialomita County, by building a 110 kV bay in the 400/110 kV Gura Ialomitei – 2,889,337;
- 400 kV mobile bays to connect shunt reactors in 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 400/400/160 MVA 400/231/22 kV AT 3 ATUS - SF in the 400/220 kV substation Portile de Fier – 2,683,820;
- By-passing the 110 kV OHL Cetate 1 & 2 near the 110/20/6 kV substation Ostrovul Mare – 2,578,438;
- RET connection of the 99 MW WPP Dumesti and the 30 MW CEE Romanesti, Iasi County, by building a 110 kV line bay in the 220/110 kV substation FAI – 2,545,853;
- Relocating and protecting HV networks (220 kV – 400 kV) – BRASOV Highway - CLUJ - BORS Section 1C – SIGHISOARA – Tg. Mures Subsections 2 and 3 Tg. Mures – Ungheni I - Ogra – 2,359,773;
- The 400 kV OHL Oradea – Beckescsaba – 1,826,964;
- Providing optical fibre communication between Substation Pitesti Sud and the Remote control & installation supervision centre of UTT Pitesti (FS) – 1,714,424;
- The 220 kV double circuit OHL Ostrovu Mare - RET (BA Dec. 17/2007) – 1,569,673;
- Consolidation, upgrade and extension of NPG Transelectrica Executive offices – 1,627,393;
- Replacing the shunt reactor, Substation Arad – 1,396,486;
- The 400 kV substation Stalpu – 1,109,440;

*) Amounts are provided in Lei.

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

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 1, the 52.8 MW WPP Viisoara Nord 1, the 47.5 MW WPP Viisoara Sud, in the area of localities from Vaslui County by means of the new 400/220/110 kV substation Banca*” has completed the work and issued Minutes 34759/14.11.2013, however the conditions were not met to issue commissioning minutes. The contract is valid until 31.12.2022, total investment underway – 48,018.

Special buildings and installations are provided at net value in financial statements. The Company has changed the registration method of revaluation on 31 December 2015 passing from the gross to the net method in order to provide clearer picture, more concise and relevant for the users of financial statements, without any influence from artificial denaturation of the gross accounting value and amortisement.

Special buildings and installations mainly consist of transformer substations and high voltage electric lines. Outfits and equipment mainly consist of transformers and bays for SEN at 110 kV, 220 kV, 400 kV and 750 kV.

In case of goods in the state public domain representing completed assets, achieved from one's own financing sources, they will be included in the inventory of assets in the state public domain when such own financing sources have been recovered, when the inventory of assets in the state public domain is approved by Governmental Decision.

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

Valuation was performed at fair value under assumption of continued activity using the tangible assets in their existent structure.

On 31 December 2019 special installations, outfits and equipment, instrumentation and control and vehicles were revaluated by SC JPA Audit & Consultanta SRL, independent valuator licensed by the National Union of Licensed Valuers of Romania (ANEVAR). Such assets were revaluated, mainly using the cost-based method. Under this method the gross replacement cost was established using the indirect method. The cost-based method was used for considerations of asset specialisation, which information is insufficient on the market and/or there is no asset market.

On 31 December 2019 the Company recognised a net surplus from revaluation of special installations, outfits and equipment, instrumentation and control and vehicles amounting to 494.660, of which 503,355 in the revaluation reserve account while (8,694) was registered in the year's profit and loss account.

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

Lands were revaluated on 31 December 2019 using the market method; the Company recognised a net surplus of such revaluation amounting to 20,576, of which 21,747 in the revaluation reserve account while (1,171) was registered in the profit and loss account at the end of 2019.

In 2020 corrections were made to the areas of two lands belonging to UTT Sibiu, which were wrong on the 31 December 2019 revaluation.

By Erratum to the Revaluation Report 1781/08.09.2020 on lands JPA Romania established the new value of the following lands:

- Offices of CE Mures Str. Tamas Erno 3 – incorrect area 1,115 mp - correct being 557.5 mp
- Offices of Alba Iulia Str. Ferdinand 83 – incorrect area 334.52 mp - correct being 325.49 mp

Thus the land value was diminished 477 on behalf of the revaluation reserve account.

Fair value of tangible assets

The Group's tangible assets, others than tangible assets in progress, are provided at revaluated value in financial statements because they provide the fair value on the valuation date, less accrued amortisement and impairment allowances.

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

Such method is recommended for properties whent there are sufficient certain data regarding transactions or there are sale offers with similar properties in the area. The analysis of transaction prices, or of the prices asked or offered for comparable properties is followed by their price correction, with a view to quantify differences between the prices paid, required or offered, caused by differences between the specific characteristics of each individual property called comparison elements.

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

It presupposes the maximum value of an asset for an informed buyer is the amount necessary to procure or to build a new asset of equivalent utility. When the asset is not new all depreciation forms that can be attributed to it shall be deducted from the current gross price until valuation date.

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

	Level 1	Level 2	Level 3	Fair value as of December 31, 2020
Lands and land developments	-	72,746	-	72,746
Special buildings & installations	-	-	1,199,608	1,199,608
Outfits and equipment	-	-	1,490,699	1,490,699
Instrumentation and control	-	-	122,803	122,803
Vehicles	-	-	9,927	9,927
Other tangible assets	-	-	35,667	35,667
	Level 1	Level 2	Level 3	Fair value as of December 31, 2019
Lands and land developments	-	73,208	-	73,208
Special buildings & installations	-	-	1,245,036	1,245,036
Outfit and equipment	-	-	1,534,326	1,534,326
Instrumentation and control	-	-	104,409	104,409
Vehicles	-	-	13,954	13,954
Other tangible assets	-	-	42,803	42,803

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

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

NPG TRANSELECTRICA SA
Notes to the consolidated financial statements as at December 31st, 2020
(All amounts are in thousand LEI, unless stated otherwise)

	Cost value on 31 December 2020	Cost value on 31 December 2019
Lands and land developments	7,652	7,632
Special buildings and installations	768,365	783,536
Outfits and equipment	1,041,299	1,019,828
Instrumentation and control	108,641	83,126
Vehicles	8,565	11,515
Other tangible assets	35,667	42,770
TOTAL	1,970,183	1,948,407

5. INTANGIBLE ASSETS

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

	Licences and software	Intangible assets in progress	Assets relating to usage right of leased assets- (buildings)	Total
Cost				-
Balance on January 1, 2019	65,522	17,894	-	83,416
Inputs	135	3,017	14,764	17,916
Transfers from intangible assets in progress	55	(55)	-	-
Transfers from tangible assets in progress	354	-	-	354
Outputs	(1,292)	-	-	(1,292)
Balance on December 31, 2019	64,774	20,856	14,764	100,394
Balance on January 1, 2020	64,775	20,856	14,767	100,394
Inputs	94	3	39,761	39,858
Transfers from intangible assets in progress	237	(237)	-	0-
Transfers from tangible assets in progress	-	(14,533)	-	(14,533)
Outputs	(179)	(23)	(14,767)	(14,969)
Balance on December 31, 2020	64,927	6,065	39,761	110,754
CUMULATED AMORTISEMENT				
Balance on January 1, 2019	59,652	-	-	59,652
Amortisement expense	2,988	0	8,438	11,426
Cumulated amortisement of outputs	(1,292)	-	-	(1,292)
Balance on December 31, 2019	61,348	-	8,438	69,786
Balance on January 1, 2020	61,348	-	8,438	69,786
Amortisement expense	1,831	2	8,317	10,150
Cumulated amortisement of outputs	(179)	(23)	(14,767)	(14,969)
Balance on December 31, 2020	63,000	(21)	1,988	64,966

IMPAIRMENT ALLOWANCES

Balance on January 1, 2019	-	-	-	-
Impairment allowances expense	-	351	-	351
Balance on December 31, 2019	-	351	-	351
Impairment allowances expense	0	351	0	351
Balance on December 31, 2020	2	702	-	704

ACCOUNTING VALUE

Balance on December 31, 2019	3,426	20,505	6,326	30,257
Balance on December 31, 2020	1,925	5,384	37,773	45,083

In 2020 the greater inputs into intangible assets underway were represented by:

- Connecting the 400 kV OHL Isaccea - Varna and 400 kV OHL Isaccea - Dobrudja in the 400 kV substation Medgidia Sud, stage I - Extending the 400 kV substation Medgidia Sud – 3.

In 2020 the greater transfers from intangible assets in progress to intangible assets were represented by:

- Upgrading the hardware & software platforms of SCADA system in Substation Stuparei – 146;
- Upgrading the BITDEFENDER antivirus licences – 54;
- Software and licence for on-line monitoring system of 200 MVA AT1 – 37.

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

- Implementing an Electronic Archiving and Document Management system in NPG Transelectrica SA – 5.474;
- Extending the business continuity and post-disaster recovery services to the Executive part – 351;
- Connecting the 400 kV OHL Isaccea - Varna and 400 kV OHL Isaccea - Dobrudja in the 400 kV substation Medgidia Sud, stage I - Extending the 400 kV substation Medgidia Sud – 3.

The decrease of intangible assets on 31 December 2020 compared to 31 December 2019 was mainly represented by the reclassification of "Replacing the EMS SCADA AREVA system components - software hardware component" project from intangible into tangible assets.

ii) Financial assets

Financial assets comprise the value of Company-held assets amounting to 81,743 on 31 December 2020 and to 81,501 on 31 December 2019 (Note 26).

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

Decision 3 / 6 March 2020 of the Shareholders' General Extraordinary Assembly approved Company participation as founder owner to the establishment capital of the Regional Centre coordinating operational securities in the coordinated calculation regions of cross-border exchange capacities SEE (Bulgaria, Greece, Romania) and GRIT (Greece-Italy).

iii) Assets associated to usage rights of assets under leasing - buildings

Intangible assets associated to the usage rights of assets under leasing - buildings represents the utilisation right of spaces the Company rented in the Platinum office building (contract C217/2015 concluded with Dagesh Rom SRL), conform prevederilor IFRS 16 – Contracte de leasing.

Beginning with 01.10.2020 the new leasing contract became effective (contract C232 concluded with Dagesh Rom SRL), amounting to 9,000,000 Euro for 5 years.

On 31 December 2020 the net value of the utilisation right for spaces rented by the Company in the Platinum office building was 37,773.

6. INVENTORIES

On 31 December 2020 and 31 December 2019 inventories (at net value) were the following:

	December 31, 2020	December 31, 2019
Spare parts	24,088	26,498
Consumables and other materials	9,106	6,930
Auxiliary materials	11,491	12,107
Other inventories	2,955	1,877
Total	47,640	47,412

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

	December 31, 2020	December 31, 2019
Impairment allowances of consumable materials	10,047	7,960
Impairment allowances of other materials	4,592	2,352
Impairment allowances of packages	220	219
Total	14,859	10,531

On 31 December 2020 and 31 December 2019 the development of impairment allowances for inventories was the following:

	December 31, 2020	December 31, 2019
Balance on 1 January 2019	10,652	10,652
Inventories impairment adjustments	4,524	1,505
Reversal of inventories impairment adjustments	(196)	(1,626)
Balance on 31 December 2020	14,860	10,531

Throughout 2019 expenses made for consumption of materials and spare parts were as follows:

	December 31, 2020	December 31, 2019
Expenses regarding spare parts	19,536	46,452
Expenses regarding other consumable materials	3,517	3,468
Expenses regarding other materials	1,518	1,042
Expenses with auxiliary materials	219,351	240
Fuel expenses	1,910	2,491
Total	26,700	53,693

7. TRADE AND OTHER RECEIVABLES

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

	December 31, 2020	December 31, 2019
Trade receivables	856,465	749,491
Other receivables	117,571	119,376
Down payments to suppliers	44,854	28,699
Recoverable VAT	34,349	7,659
Impairment allowances for doubtful trade receivables	(138,971)	(139,282)
Allowances to impair other doubtful receivables	(60,019)	(55,610)
Total	854,250	710,334

The structure of trade receivables was the following:

	December 31, 2020	December 31, 2019
Clients – the energy market, of whom:	847,744	743,236
- Clients - operational activity – energy	474,770	434,981
- Clients - balancing market	177,925	133,210
- Clients - bonus type scheme to promote high efficiency cogeneration	195,049	175,046
Clients of other activities	8,721	6,254
Total trade receivables	856,465	749,491

The Group performs operational activities under Operational Licence 161/2000 issued by ANRE, updated by Decision 571/08.04.2020 of ANRE president, to provide electricity transmission services, system services and balancing market administration.

On 31 December 2020 clients on balance from operational activities and the balancing market registered increase compared to 31 December 2019, mainly determined by higher volume of transactions on the balancing market in quarter IV 2020 compared to quarter IV of 2019, determining higher receivables on balance on 31 December 2020 compared to 31 December 2019;

The main clients on balance on the electricity market are represented by: Electrica Furnizare SA, RAAN, OPCOM, MAVIR, E.ON Energie 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% of the total trade receivables.

The Company as administrator under the bonus type support scheme to promote high efficiency cogeneration in accordance with the provisions of HGR 1215/2009 with later amendments and additions, “the main attributions being of monthly collection of cogeneration contributions and bonus payments every month”.

On 31 December 2020 the Company registered about 23% (31 December 2019: 23%) collectable receivables from the bonus type support scheme to promote high efficiency cogeneration, out 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 higher invoiced values for collection of monthly contributions.

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

- 2011-2013 overcompensation amounting to 76,702, namely from RAAN – 63,467 and CET Govora SA – 13,235;
- 2014 undue bonus amounting to 3,915, namely from RAAN – 1.981, CET Govora – 1.934;
- 2015 undue bonus amounting to 564, namely from CET Govora - 534, Interagro - 30;
- Uncollected cogeneration contribution from the suppliers of electricity consumers amounting to 21,194, namely from: Transenergo Com – 5.882, Petprod - 4.391, Romenergy Industry – 2.681, RAAN- 2.386, UGM Energy – 1.504, CET Govora – 901, KDF Energy – 888 and others;

By the date of this financial reporting the Company fully cashed the receivables associated to the 2019 overcompensated support scheme activities (32,340) by bank transactions from Electrocentrale Bucharest, as well as the 2019 undue bonus amounting to 15,492 established under ANRE Decisions, 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 generated by overcompensation and undue bonus the Company requested the generators qualified under the support scheme to make mutual compensations. In case of generators that did not agree with this manner to extinguish mutual receivables and liabilities (RAAN and CET Govora) the Company has applied and further applies the provisions of article 17 para 5 from Order 116/2013 of ANRE President approving the Regulation establishing the collection mode of the contribution for high efficiency cogeneration and the bonus payment for the electricity generated under high efficiency cogeneration: “*in case the generator did not make the payment in full to the support scheme administrator for its payment obligations resulted in accordance with the provisions of this Regulation, the support scheme administrator pays to the producer the difference between the producer invoices and its payment obligations under the support scheme, with explicit mention of the respective amounts on the payment document*” and withheld from payment the due

amounts under the respective support scheme.

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

Transelectrica SA by its summons requested compelling defendant RAAN to pay 86,513.

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

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

Sentence 387/20.03.2014 of Mehedinti Tribunal confirmed the reorganisation plan of debtor Independent 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 admits the exception of decline. It partly admits the main issue and associated contestation. It compels defendant RAAN to pay to claimant Transelectrica the amount of 16,950,117.14 Lei as liability accrued during the procedure, judging to record it in the creditors' table constituted against debtor RAAN. The other associated requests are denied. In accordance with article 453 para 2 from the Civil Procedural Code it compels the defendant to pay 1000 Lei law court expenses to the claimant. Appeal right is granted. It was pronounced on 20.06.2019 at public hearing. Document: Ruling 163/2019 / 20.06.2019. Transelectrica filed appeal within the legal term. The Appeal Court Craiova established the first hearing term on 30.10.2019. The appeal was denied as groundless. Transelectrica filed review request for contradictory decisions, registered under file 1711/54/2019, with hearing term on 25.03.2020 at the Appeal Court Craiova, which will refer the file to the High Court for Cassation and Justice for competent settlement.

Under bankruptcy file no. 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 capitalisation of the debtor's assets. The next term was established on 03.06.2021 to continue the procedure, assess all inventories, elaborate sales regulations, sell the goods and recover receivables. Document: Hearing conclusion 04.02.2021.

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

In accordance with such Agreement the Company's receivables collectable from CET Govora SA were compensated with its liabilities to CET Govora SA, represented by cogeneration bonus for May 2014 – October 2015 amounting to 40,508, withheld by applying the provisions of article 17 para 5 of ANRE President's Order 116/2013 and the Agreement provisions.

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

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

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

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

Under such circumstances the Company applied the provisions of article 17 para 5 of ANRE Order 116/ 2013 for mutual receivables and liabilities occurred after the insolvency procedure, namely withholding the bonus due to CET Govora SA up to the concurrence of amounts related to the support scheme that were not paid to the Company. Transelectrica a fost înscrisă în Tabelul preliminar și în cel definitiv cu o creanță în valoare totală de 28.200 of which suma de 25.557 este aferenta schemei de sprijin. Transelectrica was registered in the Preliminary and final receivables table with total amount of 28,200, of which 25,557 relate to the support scheme. Mention should be made this receivable amounting to 21,962 Lei representing principal and penalties related to invoice 8116/08.04.2016, was registered under the suspensive condition of pronouncement of a final juridical ruling in favour of ANRE under file 2428/2/2014 on the docket of the Appeal Court Bucharest, pertaining to cancelling ANRE decision 738/28.03.2014.

On the 18.07.2018 date Valcea Tribunal pronounced the following settlement:

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

Ruling 766/03.12.2018 of the Appeal Court Pitesti cancelled the amount of 28,014 representing a liability the Company registered in the Creditors' Table (File 1396/90/2016).

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

The sum of 22,188 represents receivables collectable from CET Govora under the support scheme (amounting

to 25,557), corrected with the bonus of 3,369 the Company withheld according to article 17 para 5 from Order 116/2013 of ANRE President.

Taking into account the provisions of HG 925/2016 with later amendments and additions, provided abote in Note 1, the Company does not register allowance expenses for clients under the support scheme; the unrecovered amount of such receivables will be included in the cogeneration contribution.

Other receivables

On 31 December 2020 other receivables amounting to 117,571 mainly include:

- Sundry debtors (83,076), of which:
 - Late payment penalties calculated to default clients amounting to 74,741 (of which 35,305 represents penalties under the support scheme). The greatest payment delay penalties were registered by the following clients: RAAN (16,901), CET Govora (9,607), Electrocentrale Bucharest (9,409), Eco Energy SRL (8,910), Petprod SRL (8,895), Romelectro (3,951), Total Electric Oltenia (3,289), ISPE Design & Consultance (1,600). 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 988) and Enol Group (2,541). 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;
- Deferred expenses amounting to 1,068 mainly represented by: rent and office building maintenance (730); RCA and CASCO policies (31), down payments under contracts concluded with electricity suppliers, as necessary to cover one's own technological consumption in future periods (54) and others;
- Other non-current receivables amounting to 4,258, of which 4,200 represent securities for temporary land occupation, as calculated and withheld in accordance with article 39 para (1), para (2) and para (5) of Law 46/2008 on the Forestry Code, with a view to carry out the investment of the 400 kV OHL Resita – Panchevo (Serbia);
- Other social receivables amounting to 2,972 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 44,850, 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. NPG Transelectrica SA in its TSO capacity transfer 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 NPG 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 NPG Transelectrica SA has the commercial task to settle the electricity transacted between OPCOM SA, MAVIR and IBEX.

Recoverable VAT

It amounted to (33,961), which has not been recovered by the elaboration date of these financial statements.

Impairment allowances for trade receivables, doubtful trade receivables and other doubtful receivables

The Group's policy 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 Group 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 penalties were registered for CET Govora (25.012), Eco Energy SRL (24.736), Petprod SRL (23.540), Arelco Power (15.217), Total Electric Oltenia SA (14.186), Romenergy Industry (13.513), Elsaco Energy (9.276), RAAN (8.517), Opcom (6.277), and CET Brasov (4.665). The Company took the following steps to recover such receivables adjusted for depreciation: court proceedings, registration in the creditors' table, requesting explanations from ANAF (for the VAT amount to be cashed from Opcom) etc.

Note 27 provides the collection risk exposure and the value allowances for trade receivables.

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.

8. CASH AND CASH EQUIVALENTS

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

	December 31, 2020	December 31, 2019
Current bank accounts and deposits, of which:	569,699	339,461
- Cash and deposits from high efficiency cogeneration	120,580	-
- Cash from revenues associated to allocation of interconnection capacity used for network investments	103,175	72,217
- Cash from the connection fee	17,811	14,967
- European funds	12,074	11,970
Cash	148	167
Other cash equivalents	-	2
Total	569,847	339,630

Bank deposits with maturity within 90 days constituted of monetary availability found in current accounts amounted to 266,292 on 31 December 2020 and to 102,285 on 31 December 2019.

OTHER FINANCIAL ASSETS

Other financial assets include bank deposits with an initial maturity of more than 90 days.

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

	31 December 2020	31 December 2019
Bank deposits with a maturity of more than 90 days (consisting of revenues related to the allocation of interconnection capacities used for network investments)	-	85,000,000
Total	-	85,000,000

At December 31, 2019, bank deposits with an initial maturity of more than 90 days were established in the amount of 85,000,000, bank deposits that expired on March 30, 2020.

9. SHAREHOLDERS' EQUITIES*Share capital*

In accordance with the provisions of OUG 86/2014 on establishing reorganisation measures for public central administration and adding certain norm on 20 February 2015 the Company's Shareholder Register recorded

NPG TRANSELECTRICA SA**Notes to the consolidated financial statements as at December 31st, 2020***(All amounts are in thousand LEI, unless stated otherwise)*

the transfer of 43,020,309 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 Depositary SA registered the transfer of 43,020,309 shares (representing 58.69% of the share capital) issued by NPG 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 NPG Transelectrica SA were: Romanian State represented by the Secretariat General of the Government, holding 43,020,309 shares (58.69%), NN Pensii SAFAP SA with 4,007,688 shares (5.47%), PAVAL HOLDING holding 4,753,567 shares (6.48%), other legal person shareholders with 16,305,068 shares (22.24%) and other natural person shareholders with 5,216,510 shares (7.12%).

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 31 December 2019 was the following:

Shareholder	December 31, 2020		December 31, 2019	
	Number of shares	% of share capital	Number of shares	% of share capital
Romanian State by SGG	43,020,309	58.69%	43,020,309	58.69%
Other legal person shareholders	16,305,068	22.24%	15,976,281	21.80%
PAVAL HOLDING	4,753,567	6.48%	4,503,567	6.14%
NN Pensii SAFAP SA	4,007,688	5.47%	4,007,688	5.47%
Other natural person sharehold.	5,216,510	7.12%	5,795,297	7.90%
Total	73,303,142	100.00%	73,303,142	100.00%

The Group 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 recorded in the Trade Register Office.

On 31 December 2020 and 31 December 2019 share capital was the following:

	December 31, 2020	December 31, 2019
Share capital (nominal value)	733,031	733,031
Share capital balance	733,031	733,031

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

The value of 2019 dividends, distributed according to AGA Decision 5/28.04.2020, amounted to 35,185. They were paid by means of the Central Depositary 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 49,843 namely the difference between the share issuance price and their nominal value was registered in the Company's reserve account.

Legal reserves

Legal reserves amounting to: 137,533 on 31 December 2020 and to 129,096 on 31 December 2019 represent legal reserves constituted in accordance with applicable legislation and they cannot be distributed.

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

Revaluation reserves

They amounted to 872,379 on 31 December 2020 and to 955,200 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 Valuators of Romania.

Other reserves

On 31 December 2020 other reserves amounted to 17,483 compared to 15,813 on 31 December 2019. The 1,670 increase mainly represents subsidy to by-pass an asset of the public domain, namely the 400 kV OHL Slatina – Bucharest Sud (towers 17 N and 18 N).

Result carried forward

On 31 December 2020 the retained result amounted to 1,609,680.

On 31 December 2020 the Company registered positive retained result mainly due to the transfer of revaluation reserves as non-current assets have been amortised in the result carried forward amounting to 80,222.

On 31 December 2020 actuarial profit recorded in the retained result amounted to 308. Such amount resulted from the application of IAS 19 provisions – Employee benefits (Note 14).

The amount **92,281** is distributed to “**Other reserves**” out of the net accounting profit accomplished on 31 December 2020 amounting to 139,893, of which:

- 52,079 represent 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 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;

Net profit distribution on 31 December 2020

The accounting profit registered by NPG Transelectrica SA on 31 December 2020, which is proposed for distribution amounted to 149,808, higher by 9,915 than the net accounting profit because 9,915 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 149,808 Lei, is the following:

Destination	Amount
Accounting profit remaining after income tax deduction on 31 December 2020 (includes the provision for employees' participation to profit)	149,808
<i>Distribution of accounting profit to the following destinations:</i>	
Legal reserve (5%)	8,437
Other reserves representing fiscal facilities – tax exemption of reinvested profit	52,079
Other law-provided distribution - revenues achieved in 2020 from the allocation of interconnection capacities (net of income tax and legal reserve)	40,202
Employees' participation to profit (2020 provision expense)	9,915

Dividends owed to shareholders and other reserves constituted as financing sources	39,175
Undistributed profit	-

The proposed distribution of accounting profit remaining after deduction of income tax on 31 December 2020 was executed 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 regarding certain accounting regulations applicable to economic agents;
- Law 227/2015 on the Fiscal Code, with later amendments and additions;
- Regulation (EC) 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 of 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 NPG Transelectrica SA, valid as of 1 January 2020, transmitted by ANRE with letter 110892/23.12.2019;
- Revenue and expense budget approved by AGA Decision 2/06.03.2020;

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

a) Legal reserve amounting to 8,437 - 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 - 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 - 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 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 8,347 was taken into consideration as correction 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 8,347 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), amount to 40,202 Lei, being used to maintain or increase interconnection capacities according to Regulation (EC) 714/2009 and ANRE Order 171/2019.

d) Employees' participation to profit amounting to 9,915 – 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 144/2205 approving the Specifications to determine amounts used in profit distribution according to OG 64/2001.

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 amounting to 39,175 – they will be distributed in accordance with the Decision of 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, namely 73,303,142 shares, while the gross dividend per share will be established taking into consideration three decimal numbers after the point.

10. DEFERRED REVENUES

They are mainly represented by: connection fee, other subsidies for investments, non-returnable European funds from the Ministry of European Funds and by revenues from the utilisation of interconnection capacities. On 31 December 2020 deferred revenues were as follows:

	December 31, 2020	Of which the current part on 31.12.2020	December 31, 2019	Of which the current part on 31.12.2019
Deferred revenues - allocation of interconnection capacities	2,673	2,673	5,757	5,757
Deferred revenues - European funds	1,411	1,411	2,754	2,754
Funds of the connection fee	258,087	16,999	263,163	20,553
European funds	92,135	6,948	98,796	7,474
Other subsidies	27,116	1,362	27,381	1,211
Total	381,422	29,393	397,851	37,749

Current deferred revenues were as follows in 2020:

	December 31, 2020	December 31, 2019
Opening balance	37,210	19,329
Deferred proceeds related to interconnection capacities	53,932	81,580
Proceeds from European funds	311	1,228
Transfer from non-current deferred revenues (connection fee)	(3,930)	19,485
Revenues from utilisation of interconnection capacities	(57,016)	(83,719)
Revenues from European funds	(1,114)	(154)
Balance on 31 December	29,393	37,749

Non-current deferred revenues were as follows in 2020:

	December 31, 2020	December 31, 2019
Opening balance	360,641	411,155
Connection subsidies	6,673	1,176
Non-returnable funds	(33)	(14)
Repayable non-returnable funds	0	-
Transfer into current deferred revenues	7,393	(21,836)
Resuming subsidies to revenues	(22,645)	(29,839)
Balance on 31 December	352,029	360,641

11. BORROWINGS*Non-current loans*

On 31 December 2020 and 31 December 2019 amounts owed to credit institutions in a period beyond a year were as follows:

Description	December 31, 2020	December 31, 2019
IBRD 7181 (a)	-	1,545
EIB 25709 (b)	58,613	69,034
EIB 25710 (c)	66,438	76,847
Total non-current loans from credit institutions, of which:	125,151	147,426
Less: current part of non-current borrowings	(23,480)	(24,590)
Total non-current loans, net of current instalments	101,671	122,835

On 31.12.2020 non-current borrowings were the following:

No.	Loan name	Grant date	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	3.596%	10.09.2025
2	EIB 25710	05.08.2010	32,500,000.00 EUR	13,664,530 EUR	66,538	3.856% & 2.847%	11.04.2028
TOTAL					125,151		

Non-current loans are detailed as follows:

a) Loan 7181 granted by IBRD

IBRD granted this loan on 15 July 2003 for the «Electricity Market» project. The amount owed on 31 December 2020 was zero. The interest rate was 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 return being on 15 January 2020.

The loan agreement includes also certain financial covenants: (i) debt coverage index should be at least 1.3 and (ii) the ratio between current assets and current liabilities should be at least 1.2.

b) & c) Loan granted by the European Investment Bank (EIB)

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

Loan 25709 has not been secured, while loan 25710 was secured by BNP Paribas SA Bucharest Branch. Repayment interval is 15 years with 2 years' grace period. Reimbursement began in 2012 to continue until 2025 for EIB loan 25709 (10 March and 10 September each year) and it began in 2013 to go on until 2028 for EIB loan 25710 (11 April and 11 October each year). Interest rate is 3.596% under EIB 25709, and 3.856% & 2.847% for EIB 25710.

The amount owed on 31 December 2020 for EIB 25709 was 12,037,037 EUR and 13,664,530 EUR for EIB 25710.

EIB loan agreement 25709 includes certain financial covenants: (i) the ratio between EBITDA and interest rates of non-current loans paid during the year should be at least 4.2; (ii) the ratio between non-current liabilities and shareholders' equities should not exceed 0.95; (iii) the ratio between total net liability and EBITDA should be maximum 3.5.

EIB loan agreement 25710 was secured by BNP Paribas SA Bucharest Branch. The indemnity contract was concluded on 20.12.2019 for 3 years. This contract provides 0.40% per annum indemnity fee calculated at 115% upon the credit amount remaining to be repaid.

On 31 December 2020 financial indicators of credit contracts have been fulfilled.

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

	December 31, 2020	December 31, 2019
From 1 to 2 years	23,480	23,045
From 2 to 5 years	70,440	69,136
More then 5 years	7,752	30,654
Total	101,671	122,835

The Company did not cover against risks associated to its hard currency liabilities or its exposure to the interest rate risk.

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

IBRD non-current loan 7181 secured by Romania's Government through the Ministry of Finance was fully repaid on 15.01.2020.

Current loans

They are detailed as follows:

	December 31 2020	December 31 2019
Current portion of non-current credits	23,480	54,131
SMART credit line	8,864	3,350
Interest rates related to non-current and current loans	1,230	1,436
Total current loans	33,574	58,917

- *Borrowings contracted for current activities*

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

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

On 12.03.2020 Transelectrica concluded credit contract C52 with Banca Transilvania for 12 months as overdraft account 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 credit line has not been used.

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;

In December 2019 SMART SA concluded a new credit facility with Libra Bank in sum of 10,000 thousand Lei to finance current activities, for 12 months and due date on 23 December 2020; interest rate was calculated depending on the ROBOR 3M reference rate, which is added 4.7 pp margin.

Addendum 2/21.01.2020 extended the credit line for one year from addendum signature and its value was supplemented up to 12,000.

12. OBLIGATIONS REGARDING EMPLOYEES' BENEFITS

In accordance with HG 1041/2003 and HG 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 25 *Salaries of Company management*.

Long-term benefits provided by the Company include as follows:

- 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.

NPG TRANSELECTRICA SA**Notes to the consolidated financial statements as at December 31st, 2020***(All amounts are in thousand LEI, unless stated otherwise)*

Obligations regarding employees' benefits are as follows:

	December 31, 2020	December 31, 2019
Jubilee awards	32,207	33,564
Retirement bonuses	19,893	15,683
Free electricity granted to current and retired employees	35,294	27,110
Benefits for labour contract termination		0
Maternity prizes	80	0
Total	87,474	76,357

On 31 December 2020 and 31 December 2019 the Company has obligation amounting to 87,200 namely to 76,357 regarding long-term benefits granted to employees.

Out of the total provision amount, namely 9,494

- 4,552 represent current provision constituted for future payments of benefits granted upon age retirement and jubilee benefits;
- The difference of 4,942 represent non-current provision constituted for future payments of benefits granted upon age retirement and jubilee benefits;

NPG TRANSELECTRICA SA

Notes to the consolidated financial statements as at December 31st, 2020

(All amounts are in thousand LEI, unless stated otherwise)

OBLIGATIONS REGARDING EMPLOYEES' BENEFITS

	December 31, 2019	Cost of interest	Cost of current service	Provision out- payments	Actuarial loss of the period	December 31, 2020
Jubilee benefits to be granted to current employees	33,564	1,350	9,906	(4,552)	(8,060)	32,207
Benefits for maternity leaves to be granted to current employees	-	4	13	(638)	702	80
Benefits relating to bonuses granted upon current employees' retirement	15,683	1,833	1,281	(2,673)	3,769	19,893
Benefits relating to electricity amounts to be paid to current employees after retirement	11,225	456	919	-	2,067	14,666
Benefits relating to electricity amounts to be paid for currently retired employees	15,885	727	4,434	(1,631)	938	20,353
Total	76,357	4,369	16,552	(9,494)	(584)	87,200

13. TRADE AND OTHER LIABILITIES

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

	December 31, 2020	December 31, 2019
Suppliers on the energy market	468,111	390,221
Asset suppliers	112,438	73,460
Suppliers of other activities	18,450	27,212
Amounts owed to employees	11,303	7,607
Other liabilities	306,508	69,694
Total	916,810	568,194

On 31 December and 31 December 2019 liabilities on balance on the electricity market amounted to 468,111, namely 390,221 and provided the following structure:

	December 31, 2020	December 31, 2019
Suppliers on the electricity market, of which:		
- Suppliers – operational activity – energy	178,659	142,743
- Suppliers - balancing market	140,354	77,631
- Suppliers of the bonus type support scheme to promote high efficiency cogeneration	149,098	169,847
Total	468,111	390,221

Suppliers on the electricity market are mainly represented by: SC Hidroelectrica SA, OPCOM, Mavir, Electrocentrale Bucharesti, 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 payment obligations were registered to suppliers (producers) amounting to 54,553 (RAAN – 51,184 and CET Govora SA – 3,369), 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.

Transelectrica SA concluded with CET Govora SA an agreement to compensate and spread out the payment

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

In accordance with such Agreement the Company's receivables collectable from CET Govora SA were compensated with its liabilities to CET Govora SA, represented by cogeneration bonus for May 2014 – October 2015 amounting to 40,508, withheld by applying the provisions of article 17 para 5 from Order 116/2013 of ANRE President and the Agreement provisions.

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

Liability structure under "other liabilities" was the following:

	December 31, 2020	December 31, 2019
Sundry creditors	162,823	1,693
Client-creditors	66,358	44,639
Payable dividends	191	616
Other liabilities / building leasing	37,948	22,747
Total	39,187	69,695

"Sundry creditors" amounting to 162,823 on 31.12.2020 mainly represented:

- The net position of the support scheme regarding high efficiency cogeneration, a liability position, amounted to 159,625;

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 studies on the synchronous interconnection between the power systems of Ukraine and Republic Moldova with the European Continental system, royalty Q IV 693, other study contracts 331, bid participation bonds 243 and others;

"Client creditors" on 31 December 2020 amounted to 66,358, of which 65,218 represent deferred amounts collected from MAVIR (25,057) OPCOM (38,195) and IBEX (1,966) 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. 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, of which:
 - Current liability: 7,417;

- Non-current liability: 30,532.

- Other liabilities amounting to 38,207 are mainly represented by payment securities for contracts on the electricity market concluded by NPG Transelectrica SA in sum of 16,823, non-requestable VAT of 20,557 during the reporting interval, and others.

14. PROVISIONS

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

	December 31, 2020	December 31, 2019
Provisions for disputes	51,144	33,884
Provisions for mandate contracts	33,233	33,132
Provisions, fund of employees' participation to profit	9,970	45
Other provisions	4,661	3,929
Total	99,008	70,990

Dispute provisions on balance on 31.12.2020 amounted to 51,144 and were mainly represented by the provisions constituted for the following disputes:

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

On 02.11.2018 on the docket of Bucharest Tribunal, Section VI Civil a renewed court suing was filed by Conaid Company SRL under file 36755/3/2018, whereby the claimant asked the court to compel Transelectrica SA to "remedy the prejudice caused to the claimant as result of the defendant's culpable non-execution of liabilities, in quantum of 17,216 Lei, representing loss actually incurred and unrealised benefit, preliminarily estimated to 100 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.

The new hearing term was established on 11.05.2021 – for expertise evidence submission.

- Files 105/2/2017 and 2494/115/2018* (10.649) - claimant Resita City

Through its summons the claimant requested compelling defendant NPG Transelectrica SA to pay the following amounts:

- 2,130 Lei, representing rent for the land temporarily taken up from the forest fund in 2015;
- 2.130 Lei, representing land rent in 2016;
- 2.130 Lei, representing land rent in 2018;
- 2.130 Lei, representing land rent in 2019;
- 2.130 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 NPG Transelectrica SA, setting a new hearing term on 08.02.2021. On the 08.02.2021 term the case was deferred and admitted the deferral requests expressed by the parties' representatives to study the writs submitted in the case file.

The new hearing term was established on 22.03.2021.

- File 2434/115/2018* - claimant National Forest Authority Romsilva, Forestry Division Caras Severin (2,738)

The file was re-registered on the docket of Bucharest Tribunal, section VI Civil. Through its summons the claimant requested compelling defendant NPG Transelectrica SA to pay the following amounts:

- 2,434, as annual rent for temporary land occupation from the national forestry fund + delay penalties from rent due date 31.01.2018 until full payment;
- 304, for final taking up a land area of the national forestry fund and the loss of timber mass for operation + delay penalties calculated as of 10.05.2015 until their full actual payment;

The case was included in file 2434/115/2018, 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 established on 23.03.2021.

- Dispute with subsidiary OPCOM amounting to 2,670 for the fine established by EU investigation

On 24.11.2014 Subsidiary Co. OPCOM SA summoned NPG Transelectrica SA in order to compel it paying the amount of 582 Euro (2,585 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 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 85 as legal interest for 11.06.2014 – 24.11.2014, which is added law court expenses amounting to 38.

On 24.07.2015 Bucharest Tribunal pronounced sentence 4275/2015 whereby it decided as follows: "It admits the request filed by claimant Electricity and Natural Gas Operator OPCOM SA in contradiction with defendant National Power Grid Company Transelectrica SA. It compels the defendant to pay the claimant 582 Euro, representing the amount the claimant paid instead of the defendant from the 1,031 Euro fine charged by European Commission's Decision of 05.03.2014 in case AT.39984, as well as legal interest for 582 Euro, calculated from 11.06.2014 until actual payment. It compels the defendant to pay the claimant 38 Lei as law suit expenses; appeal right granted within 30 days from notification, to be submitted to Bucharest Tribunal, Section VI Civil".

Transelectrica 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 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 / 10.10.2016.

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). Transelectrica filed appeal on 27.11.2018.

The case is under screening with the High Court of Cassation and Justice. Hearing term to be established;

- File 3083/3/2020 - claimant NUCLEARELECTRICA SA (1,473)

On 26.06.2020 Nuclearelectrica sued the Company to pay 1,291 Lei representing negative imbalance and 182 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 1,291 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 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 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)

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

- File 704/1285/2020 – claimant ENERGOBIT SA (1.754)

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 Lei, representing manual labour difference + 101 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 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 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 pay the claimant 101 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 pay the claimant 41 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)

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 Lei, representing manual labour difference + 50 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 will be established.

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

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 Lei, representing manual labour difference + 379 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 (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. The appeal and its reasons will be submitted to the Specialised Cluj Tribunal. Settlement will be pronounced by placing the ruling at the parties' disposal by the court clerk. Document: Ruling 405/2021 / 01.03.2021.

- File 3104/117/2020 - claimant ELM Electromontaj Cluj (812)

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 Lei, representing manual labour difference + 179 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.

On the 18.02.2021 term the Specialised Cluj Tribunal deferred the case with the following settlement: it denied as objectless the exception of absent processual usage capacity of Elm Electromontaj by UTT Sibiu claimed by defendant Transelectrica. It notified the defendant to submit to the file, 5 days at least before the next hearing term, firm position whether it confirm the accuracy of mathematical calculation and in case it does not agree with the calculation accuracy it should submit the mathematical demonstration to the file and punctually show where are the errors, providing direct submission of a copy to the opposite party, within the same term. It informed the claimant that, in case it wants and be able to prove invoices concurrence with requested sums from defendant in the summons, to submit them to the file at least 5 days before the next hearing term, providing direct submission of a copy to the opposite party, within the same term. It deferred case settlement for 11 March 2021. On 11.03.2021 the case was deferred for 25.03.2021.

Other provisions amounting to 4,661 are mainly represented by payable VAT provision estimated for the fiscal inspection completed in February 2021 (pertaining to 2014-2016), in amount of 3,847lei.

The amount of 9,970 mainly (9,915) 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 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.

15. INCOME TAX

In 2020 and 2019 this tax was the following:

	December 31, 2020	December 31, 2019
Expense of current income tax	(48,487)	(14,084)
Net revenue from deferred income tax	20,282	2,007
Total	(28,205)	(12,077)

The Group's 2020 and 2019 current and deferred income tax was determined at statutory 16% rate, applicable in 2020 and 2019.

Reconciliation of the actual taxation rate:

	2020	2019
Income tax at statutory 16% rate	26,407	16,125
Effect of non-deductible expenses	28,194	9,829
Effect of non taxable revenues	(7,416)	(10,027)
Taxable revaluation reserve	23,777	5,180
Legal reserve	(1,350)	(857)
Exempted income tax	(8,771)	(8,716)
Other effects	(13,291)	963
Total	(47,550)	(12,497)

NPG TRANSELECTRICA SA
Notes to the consolidated financial statements as at December 31st, 2020
(All amounts are in thousand LEI, unless stated otherwise)
DEFERRED INCOME TAX

The development table of liabilities regarding deferred taxes in 2020 and 2019 is the following:

Elements	Balance on January 1, 2019	Reognised in profit and loss	Directly recognised in AERG	Balance on December 31, 2019	Reognised in profit and loss	Directly recognised in AERG	Balance on December 31, 2020
Tangible assets - lifecycles	6,092	279		6,371	19,543		25,914
Tangible assets - revaluation reserves	70,325	(5,297)	86,443	151,471	(22,093)	534	129,912
Tangible assets financed from subsidies	(1,462)	(278)		(2,665)	(1,264)		(3,929)
Obligations for employees' benefits	(3,963)	2,133		(1,830)	(12,276)	110	(13,996)
Employees' participation to profit	-	-	-	-	(1,586)		(1,586)
Estimated of interconnection	(2,158)	968		(1,190)	902		(288)
Provisions	(6,892)	115		(6,777)	(1,294)		(8,071)
Mandate contracts					(89)		(89)
Adjustments of inventories					(1,974)		(1,974)
Other elements	(925)	-		-	-		-
Tax (asst)/liability	61,016	(2,080)	86,443	145,380	(20,131)	644	125,893

The deferred tax consists of:

	Asset		Liability		Net	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Tangible assets - lifecycles	(1,300)	(2,872)	27,214	9,243	25,914	6,371
Tangible assets - revaluation reserves	(23,755)	(5,097)	153,667	156,568	129,912	151,471
Tangible assets financed from subsidies	(1,285)	(591)	(2,644)	(2,074)	(3,929)	(2,665)
Obligations for employees' benefits	(13,996)	(1,830)	-	-	(13,996)	(1,830)
Employees' participation to profit	(1,586)				(1,586)	
Estimated of interconnection	(288)	(1,190)		-	(288)	(1,190)
Provisions	(8,071)	(6,777)	-	-	(8,071)	(6,777)
Mandate contracts	(89)				(89)	
Adjustments of inventories	(1,974)				(1,974)	
Other elements	-				-	
Net tax (asset)/liability	(52,344)	(18,357)	178,237	163,737	125,893	145,380

16. RESULT PER SHARE

On 31 December 2020 and 31 December 2019 the result per share was:

	December 31, 2020	December 31, 2019
Consolidated result of the financial year	136,837	88,705
Number of ordinary shares at year beginning and end	73,303,142	73,303,142
Basic result and diluted per share (Lei/share)	1,87	1,21

17. OTHER TAX AND SOCIAL SECURITY LIABILITIES

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

	December 31, 2020	December 31, 2019
Contribution to social security funds	15,633	7,652
Payable VAT	5502	180
Salary tax	2,850	1,521
Other payable taxes	1,067	1,522
Total	25,052	10,875

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

18. OPERATIONAL REVENUES

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

ANRE-approved tariffs for services provided on the electricity market are the following:

	Average tariff, transmission services	Tariff of technologic 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:

	December 31, 2020	December 31, 2019
Electricity quantity delivered to consumers (MWh)	53,849,411	55,343,389

Operational revenues achieved in 2020 and 2019 were as follows:

	December 31, 2020	December 31, 2019
Transmission revenues	963,063	986,485
Revenues from allocation of interconnection capacities	58,725	84,242
Revenues from reactive electricity	654	1,227
Revenues of OTC transactions	3,518	2,033
Inter TSO Compensation (ITC) revenues	9,290	7,995
Transmission revenues – total	1,035,250	1,081,982
Revenues from functional system services	117,017	81,451
Revenues from technological system services	674,057	654,095
Revenues with unplanned PZU / DAM exchanges	3,952	6,147
Revenues of failure aids	-	-
Revenues from system services – total	795,025	741,693
Revenues regarding the balancing market	494,999	523,104
Other revenues	67,625	94,743
Total revenues	2,392,901	2,441,521

Transmission revenues

Such revenues registered decrease amounting to 23,422 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 capacity

Such revenues registered decrease amounting to 25,516 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 allocating 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.

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 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 OTC 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 OTC transaction were higher by 1.296 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 it on the Balancing Market.

Revenues from functional system services

Such revenues registered increase by 35,565 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), while electricity quantities delivered to consumers diminished 2.70%, namely 1,493,978 MWh.

Revenues from technological system services

These revenues registered increase by 19,962 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 108,041 compared to the expenses made to procure technological system services. This amount increases the Company's gross profit registered on 31 December 2020.

Revenues regarding the balancing market

Such revenues registered diminution by 28,105 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.

19. EXPENSES TO OPERATE THE SYSTEM AND THE BALANCING MARKET

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

	December 31, 2020	December 31, 2019
Expenses regarding one's own technological consumption	251,865	283,908
Congestion expenses	2	1,657
Expenses regarding electricity consumed in RET substations	16,230	20,450
Expenses regarding functional system services	30,492	32,735
ITC (Inter TSO Compensation) expenses	11,256	12,991
Total expenses to operate the system	309,846	351,741
Expenses regarding technological system services	566,016	676,468
Expenses regarding the balancing market	494,999	523,104
Total	1,370,861	1,551,313

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 (OTC) within RET.

These expenses pertaining to own technological consumption were lower by 32,044 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 NPG 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 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 2,245 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 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 1,735 compared to 2019.

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 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;

NPG 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

Cheltuielile privind piața de echilibrare în anul 2020 au fost în sumă de 494.999, urmând evoluția prezentată la capitolul *Venituri pe piața de echilibrare*. Aceste cheltuieli rezultă în urma notificărilor/realizărilor participanților pe această piață, fiind acoperite integral de veniturile din piața de echilibrare.

20. PERSONNEL EXPENSES

	2020	2019
Personnel expenses	344,886	268,840
- of which expenses for employees' salaries	274,357	229,276

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 4,256 representing the entity's contributions to social security associated to OAVTs paid under enforceable court rulings received by the Company;
- 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.).

	2020	2019
Average number of employees		
Transelectrica SA	2,021	2,027
Smart SA	603	609
Teletrans SA	226	230

21. OTHER OPERATIONAL EXPENSES

	December 31, 2020	December 31, 2019
Other expenses with services provided by third parties	85,174	79,909
Postal expenses and telecommunication fees	1,074	1,193
Rent expenses	3,264	3,246
Net operational (revenues) / expenses regarding impairment allowances for current assets	8,276	(7,754)
Other operational expenses	31,465	25,523
Total	129,253	102,116

In 2020 such expenses registered increase of 27.137 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 31,181 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.;
- 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 NPG 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.;

22. NET FINANCIAL RESULT

	December 31, 2020	December 31, 2019
Interest revenues	7,050	5,658
Revenues from exchange rate differences	2,735	4,184
Other financial revenues	287	182
Total financial revenues	10,072	10,024
Interest expenses	(10,278)	(10,419)
Expenses from exchange rate differences	(5,055)	(8,276)
Other financial expenses	(9)	(15)
Total financial expenses	(15,343)	(18,710)
Net financial result	(5,271)	(8,686)

On 31 December 2020 the Group registered net financial result (loss) amounting to 5,271, lower by 3,415 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 average exchange rate of the national currency registered in 2020 compared to that recorded in 2019 was the following:

Currency	2020	2019
Lei / Euro	4.8694	4.7793

23. THE LEGISLATIVE AND FISCAL FRAMEWORK

The legislative-fiscal framework of Romania and its practical application changes frequently 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.

24. COMMITMENTS AND CONTINGENCIES

Commitments

On 31 December 2020 the Company had commitments amounting to 1,027,932 representing ongoing contracts for investments made in order to upgrade and refurbish the transmission network.

Lands used by the Group

In accordance with Group 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 NPG 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**, NPG 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.

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 NPG 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 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.

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 against debtor RAAN, the litigated amount being 89,360,986 Lei.

Transelectrica SA was recorded in the table of debtor RAAN with only 11,264,777 Lei, under receivables resulting from continued activities of such debtor but the amount the Company requested was 89,360,986 Lei. The sum of 78,096,209 Lei was not registered in the preliminary receivables table because “it does not appear as owed amount in the accounting books of RAAN”. Moreover the judiciary liquidator considered the request to register in the table the sum of 78,096,209 Lei has been executed 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 appeal within the legal term. The Appeal Court Craiova established the first hearing temr on 30.10.2019. The appeal was denied as groundless.

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

On 26.03.2020 the hearing term was changed, the following being 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 03.02.2021.

On the hearing term of 03.02.2021 ICCJ admitted the exception of tardive review request and did no longer pronounce on its inadmissibility.

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 **03.06.2021**.

- **COURT OF AUDIT**

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

On 13.06.2018 the claimant's suit 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.

At the public session on 21.10.2020 the appeals filed by the claimant and by the defendant against sentence 2771 of 13 June 2018 of CAB, Section VIII Administrative and fiscal disputes were denied as groundless; final.

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. NPG Transelectrica SA filed 8 contestations against the measures decided by Romania's Court of Audit (CCR) by Decision 8/27.06.2017, requesting their cancellation as well as cancelling the Conclusion 77/03.08.2017, registered in the Company under number 29117/08.08.2017, and the Audit Report 19211/26.05.2017. Contestations are under settlement – on the docket of the Appeal Court Bucharest (2 files: 6576/2/2017 on cancelling the findings from items 7.1, 7.2 and 8, as well as the measure decided in item II.10, term on 20.01.2021, settlement: the inadmissibility exception of the contestation are denied, the request is denied as groundless, and file 6581/2/2017 on cancelling the findings from item 6, and the measure decided in item II.9, hearing term on 23.04.2021); on the docket of the High Court of Cassation and Justice (4 files: 6577/2/2017 on cancelling the findings from item 13, and the measure decided in item II.13, which became file 1614/1/2020, hearing term set on 27.01.2022; file 6578/2/2017 on cancelling the findings from item 9 and the measure decided in item II.11, hearing term set on 08.06.2022; 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 6574/2/2017 on cancelling the findings regarding item 5.2 and the measure decided in item II.8, term on 20.04.2021). Three files were settled for final by the Appeal Court Bucharest's denial of the cancellation request and denying the appeals came from the High Court of Cassation and Justice (file 6583/2/2017 on cancelling the findings from item 5.1 and the measure decided in items II.7 and II.8; file 6582/2/2017 on cancelling the findings from item 11 and the measure decided in item I.5; file 6580/2/2017 on cancelling the findings in item 10 and the measure decided in II.12)

- **ANRE**

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.

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

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 the 11.01.2021 term it admitted the request to complete the device. Completion of the device for civil sentence 362/06.10.2020 was decided with the decision made on the accessory intervention request, meaning that: it admitted the accessory intervention request of intervenient ALRO SA to support defendant ANRE; appeal right within 15 zile days from notification, to be submitted to the Appeal Court Bucharest.

• **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 de 10.10.2016. Document: Ruling 1517/2016 of 10.10.2016.

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

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

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

On 27.11.2018 NPG Transelectrica SA filed appeal, which is under screening procedure with the ICCJ.

Settlement of ICCJ on 30.06.2020: the parties will be notified the report about the principle admissibility of the appeal filed by Transelectrica against ruling 1813/2018 of 1 October 2018, pronounced by the Appeal Court Bucharest, Section V Civil, specifying they are entitled to submit opinion about the report within 10 days from notification.

On the 10.11.2020 term the settlement of ICCJ: it admitted in principle the appeal filed by Transelectrica against ruling 1813/2018 of 1 October 2018, pronounced by the Appeal Court Bucharest.

On the 16.03.2021 term the appeal initiated by Transelectrica was denied as groundless, final settlement.

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 NPG Transelectrica SA to the share capital of OPCOM SA, issued under Loan Contract 7181RO/2003, a commitment to finance the investment 'Electricity Market Project'; compelling OPCOM SA to pay 1,293,778.27 Lei according to invoices TEL 19 T00 17/28.01.2019 and TEL 19 T00 131/10.07.2019 representing penalty legal interest calculated for the failure to pay in due term invoice series TEL 16 AAA 19533/29.07.2016.

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

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

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

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

Settlement of TMB for the cancellation request: on the 17.11.2020 term it denied both cancellation requests as groundless. It denied the requests of both parties to oblige each other paying law suit expenses, as groundless; final. It was pronounced by placing the settlement to the parties' disposal by the court clerk. Document: Ruling 2221/2020 / 17.11.2020.

• **ASITO KAPITAL SRL**

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

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. Pronouncement was deferred on 20.03.2019.

On the 19.02.2019 term when the juridical inquiry ended and the floor was given to the parties for exceptions, evidence and the case 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 contestor-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.

On 17.02.2020 the case was deferred taking into account Ruling 3/06.02.2020 of the Judges' General Assembly of the Appeal Court Bucharest, whereby it was decided to continue the protest forms used previously, consisting of suspension of activity beginning with 22.01.2020, except for urgent civil cases.

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** submitted cancellation request for file 35865/3/2018 review. On the 02.12.2020 term the review was denied as groundless; final. Ruling 2428/02.12.2020

• **CONAID COMPANY SRL**

In 2013 Conaid Company SRL summoned NPG 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 founded 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.

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 the file was suspended during the entire emergency state.

A new hearing term was established on **11.05.2021** – to submit the expertise evidence.

- **FF WIND ENERGY INTERNATIONAL SRL**

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

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

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

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

On the hearing term of 12.05.2020 the parties were 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 NPG 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.

The new hearing term was established on 30.03.2021.

- **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 18.01.2021 term the case was deferred. Settlement in brief: Report 1334 on the liquidation funds obtained from the debtor's assets and Plan 1335 to distribute the funds were approved. A term was set on **24.05.2021** to continue the bankruptcy procedure by capitalising the assets and recovering the receivables.

- **DAGESH ROM**

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

Settlement of TMB

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

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.

It denied the appeals as groundless; 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 NPG 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; final.

File **2494/115/2018****. Term: 16.11.2020 at Caras Severin Tribunal. Settlement in brief: the deferral request was admitted filed by the claimant's representative to study the writs submitted on this term by the defendant's representative.

On the 08.02.2021 the case was deferred and the parties' deferral requests were admitted in order to study the writs submitted to the case file.

The new hearing term was established on 22 March 2021.

- **NAFA**

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.

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 of 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 NPG Transelectrica SA, such decision being received on 16.03.2018, after submitting the summons under file 1802/2/2018.

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

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 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 NPG 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 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.

Control to the Subsidiaries of NPG Transelectrica SA (in 2020)

• **TELETRANS SA**

Romania's Court of Audit

From 13.01.2020 to 22.05.2020 Romania's Court of Audit performed inspection to 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 thereof.

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 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 in 2018-2019"*.

When the control ended Report 7599/15.10.2020 was issued (no. ANAF MC_IEF_638/06.10.2020), without decision on measures.

• **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 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.

Control ANAF-DGAMC

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;

At the same time the Company has been involved in:

I. Disputes in contradiction with Subsidiary SMART SA

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

File object: NPG Transelectrica SA requests by suit to compel SMART SA to:

- Restitute to our company 7,652,449 Lei, which is added VAT, as prejudice incurred by our company as a result of defendant's enrichment without just cause, in the main, and as undue payment, in the second place;
- Compelling the defendant to pay the unrealised benefits associated to the amount paid as enrichment with no just cause, in principal and as undue payment in the secondary, calculated from the date when the undersigned made the undue payments to the defendant until notifying the law court, in quantum of 2,773,364.48 Lei, as well as compelling the defendant to further pay the unrealised benefits until the defendant's actual repayment of the amount representing the principal debt.

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

Document: Conclusion - Suspension / 24.04.2018

Remarks about the circumstances that initiated the proceedings:

In perioada 16.01.2017 - 26.05.2017 our Company was subject to a control of Romania's Court of Audit, performed by a team of external public auditors from the Court of Audit's Department IV. After such control they issued the Audit Report recorded in the Company under no. 19211 of 26.05.2017, which our Company contested; later on CCR issued Decision 8/27.06.2017

On pages 116-117 of the Audit Report, pt. 9, the Court of Audit's control team retained that in 2014, based on contract C57/31.01.2012, Transmission Branches: Bucharesti, Pitesti, Sibiu and Constanta of NPG Transelectrica SA, according to the work orders to replace the 220 kV, 110 kV and 245 kV circuit breakers, accepted invoices for payment (with payment statements attached certified by the Transmission Branches and Smart Branches) with work statements elaborated by Smart Branches where breakers procured at overvaluated prices were included under materials, which were added 30% indirect expenses and 5% profit, which led to inefficient utilization of monetary funds in estimated amount of 7,652,449 Lei.

- **File 40958/3/2016 – Bucharest Tribunal**

File object:

Transelectrica in its capacity of claimant requests compelling SMART SA to pay 2,797,095.21 Lei, including VAT + 1,211,694.26 Lei, representing accessories.

File stage:

In accordance with article 413 para 1 pt. 1 NCPC it suspended judging the case until final settlement of file 1658/3/2014 in contradiction with CCR; appeal right granted during the entire suspension. It was pronounced at public hearing on 07.06.2017. Document: Conclusion - Suspension / 07.06.2017.

II. Disputes in contradiction with Subsidiary TELETRANS SA

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

File object:

Teletrans SA requested compelling NPG Transelectrica SA to pay 4,634,841.31 Lei, the performance bond amount constituted under contract C243/2010, which is added 293,496.69 Lei, legal interest calculated from due date until file initiation, 31.05.2017.

File stage:

Settlement of Bucharest Tribunal in brief: It denied the request as filed as groundless. Appel right was granted within 30 days from notification, to be submitted to Bucharest Tribunal, Section VI Civil. It was pronounced at

public hearing on 18.05.2018. Document: Ruling 1505/2018 / 18.05.2018.

Appeal Court Bucharest's settlement in brief: It admitted the appeal. It changed the sentence appealed against, namely: It partly admitted the summons. It compelled the defendant to pay the claimant 4,632,187.61 Lei. It denied as groundless the request petition to compel the defendant to pay legal interest. It compelled the defendant to pay the claimant 49,926.87 Lei law court expenses for principal. It compelled the intimated defendant to pay the appellant claimant 24,963.43 Lei law court expenses for appeal. Appeal right was granted within 30 days from notification, to be submitted to the Appeal Court Bucharest, Section VI Civil, pending nullity. It was pronounced at public hearing on 17.12.2019. Document: Ruling 2119/2019 / 17.12.2019
Transelectrica filed appeal, which is under screening procedure.

Remarks about the circumstances that led to the dispute:

In the opinion of Transelectrica the performance bond (GBE) is restituted only if the following conditions are met cumulatively: the provider has fulfilled its contractual obligations and the purchaser has not issued claims over the GBE, within the limits of incurred prejudice.

On the expiry date of Contract C243/2010 (30.06.2014), the services under the contract were provided under good terms, except for three investment projects which were in progress and have not been completed to date.

Such facts pertaining to Teletrans' incompliance with contractual obligations were also ascertained by Romania's Court of Audit in the Audit Report 19211/26.05.2017 (item 3.3.1, pages 51-60, item 3.3.2, pages 60-66 and item 3.4, pages 66-72) and in Decision 8/27.06.2017, items 7 and 8, maintained by Conclusion 77/03.08.2017.

Transelectrica contested the control documents issued by the Court of Audit. Such contestation is under file **6576/2/2017** on the docket of the Appeal Court Bucharest.

DNA is investigating paper 931/VIII-1/2015 on the execution of contract C243/2010.

• **File 16216/3/2017 registered with Bucharest Tribunal, Section VI Civil**

File object:

By its summons Teletrans SA requested the court:

- To ascertain as fully provided the services under contract 03/2007, as added;
- In subsidiary to ascertain that services under contract 03/2007, as added, were provided and partially accepted;
- To oblige Transelectrica to pay 4,649,266.12 Lei, which is added VAT in amount of 883,360.56 Lei, representing the amounts of invoices 115/2017, 123/2017 up to 143/2017;
- To oblige Transelectrica to pay 214,355.40 Euro which is added VAT, at the exchange rate of the invoice issuance dates, representing the amounts of services provided and partially accepted in the contractual period May 2014 – November 2016, "in subsidiary if request petition II is admitted and not request petition I";

File stage:

Settlement in brief: It admitted the exception of prescription of the material right to the suit regarding fiscal invoices for February – March 2014. It denied the request pertaining to invoices 115/01.03.2015 and 123/01.03.2017 as written off. It denied the remaining request items as groundless; appeal within 30 days from notification, to be submitted to Bucharest Tribunal, Section VI Civil. It was pronounced at public hearing on 22.04.2019. Document: Ruling 1064/2019 / 22.04.2019

Remarks about the circumstances that led to the dispute:

After the control performed in January–March 2017 at Teletrans' the Court of Audit found that Teletrans has not recovered and cashed from Transelectrica the amount of money requested as above.

Contact C03/2007 conditions invoice issuance and acceptance for payment by our Company's representatives from branches and the executive part confirming the mentioned services in each minutes issued by the claimant.

As a result of the improper execution by Teletrans SA of services contracted under C03/2007, the local Minutes of work acceptance were not endorsed by most Transmission Branches, for which reason the Divisions developing contract C03/2007 have not accepted either the centralising monthly Minutes of work acceptance.

Hearing term with the Appeal Court Bucharest: 09.11.2020. Section VI Civil declined its settlement competence for the Administrative and Fiscal Disputes Section.

Hearing term with the Appeal Court Bucharest: 11.03.2021. Section VI Civil declined its settlement competence for the Administrative and Fiscal Disputes Section, and this latter declined back to S VI Civil and ascertained a negative conflict of competence, and referred the file to ICCJ to establish the competence.

Guarantees

On 31 December 2020 and 31 December 2019 the Group guarantees were mainly as follows:

	December 31, 2020	December 31, 2019
Guarantees granted, of which:		
	317,705	317,955
- Letters of indemnity – production	59,426	54,582
- Letters of indemnity – investments	83,279	88,374
- Other guarantees granted	175,000	175,000
Guarantees received, of which:		
	499,010	529,052
- Letters of indemnity – production	161,190	228,251
- Letters of indemnity – investments	289,687	252,706
- Other guarantees granted	47,943	48,094

Guarantees granted

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 (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.

Revaluation reserves on December 31, 2019

On 31 December 2019 revaluation reserves amounted to 955,200 (on 31 December 2018: 551,185).

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 applicable.

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.

Tariffs of electricity transmission services 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 large 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 years 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 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 according to 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

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.

- Romania's Court of Audit**

In January-July 2020 Romania's Court of Audit was in control in all Territorial Transmission Units of NPG 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 NPG 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.

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.

On 09.11.2020 Romania's Court of Audit issued Decision 15 by means of Department IV containing 10 measures, completion term on 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.

25. REMUNERATION OF THE COMPANY'S MANAGEMENT

Salaries paid to employees under Individual Labour Contract (CIM) with managerial positions for provided services mainly comprise the basic salary, benefits when the labour contract ends 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	22,444	18,578
Other long-term benefits	208	225
<u>Directorate and Supervisory Board members</u>		
Fixed component	3,128	2,330
Variable component	-	-
Total	25,780	21,133

In 2020 the Company completed the selection of Supervisory Board and Directorate members in the Company according to 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 in accordance with OUG 109/2011 and their mandate contract was approved for 4 years.

The Shareholders' General Ordinary Assembly of 28 September 2020 issued Decision 10 which approved the mandate contract and the remuneration of Supervisory Board members, contract being 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 limits of remuneration and other benefits granted to Directorate members, including fixed indemnification, variable component and other gratifications provided to them;

26. MINORITY INTERESTS

	December 31, 2020	December 31, 2019
Opening balance	19,748	1,335
Loss share during the year	(767)	(74)
Additional minority interests	18,981	18,487
Balance of year end	0	19,748

27. AFFILIATED PARTIES

i) 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 subsidiaries' financial statements were approved) were as follows:

Indicators	SMART	TELETRANS	OPCOM	FORMENERG	ICEMENERG SERVICE
Turnover	94,980	34,464	35,354	2,932	431
Gross profit/(loss)	(3,368)	(4,578)	6,647	(1,598)	(62)
Paid share capital	55,036	6,874	8,779	1,948	493
Unpaid share capital	-	-	22,587	-	-
Reserves	4,232	20,742	9,309	1,722	13
Shareholders' equities					
- total	94,678	28,077	50,715	8,104	1,328

ii) Affiliated parties – transactions with Company-owned Subsidiaries

On 31 December 2020 and 31 December 2019 the balances of Company-held subsidiaries which are not adjusted in consolidation are detailed as follows:

Affiliated entity	Trade receivables		Trade liabilities	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
FORMENERG SA	-	-	-	-
OPCOM SA	63,087	38,279	55,154	31,982
TOTAL	63,087	38,279	55,154	31,982

Transactions made in 2020 and 2019 with its subsidiaries which are not adjusted in consolidation are detailed as follows:

Affiliated entity	Sales		Procurements	
	2020	2019	2020	2019
FORMENERG SA	-	-	286	91
OPCOM SA	335,755	506,140	359,740	284,324
TOTAL	335,755	506,140	360,026	284,415

In 2020 the Company has not cashed dividends from its subsidiaries.

iii) 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 significant part of sales and purchases registered in the year ended 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, 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).

iv) Affiliated parties – companies where NPG Transelectrica holds participations

The European power sector is undergoing transformation, emphasis being laid on the transition from the preponderantly national development of the energy sector to an integrated development model coordinated at European level, which shall provide uniform development continent-wide but will also enable tailoring national specificities and targeting the legitimate interests of European states.

In this context the Company is affiliated to the following entities:

- **TSCNET**
- **JAO**
- **SEE RSC**

TSCNET (TSCNET Services GmbH)

It has been established with a view to serve the Transmission System Operators (TSO) in the eastern-central-western region of Europe (CORE region) for the coordinated implementation of European network codes. The Centre, with the statute of Regional Security Centre - RSC, operates in accordance with the provisions of Regulation (EU) 1485/2017 establishing a guideline regarding operation of the electricity transmission system (SO GL - System Operation Guideline), articles 76 and 77.

Affiliation is achieved by participating to the shareholders of TSCNET by means of share purchase transaction within the company.

AGEA Decision 9 of 05 June 2018 s- approved the Company's affiliation to the Security Coordination Centre in CORE region, TSCNET by participating to its share capital with a 470,500 Euro contribution (1 share – 2.50

EUR). Thus Transelectrica is one of the 15 shareholders of TSCNET Services GmbH, holding 6.67% participation of the share capital. Of the 15 shareholders, 14 are represented by affiliated TSO that are Centre members (and beneficiaries of its services), and the 15th shareholder is TSCNET Services GmbH itself.

The main services provided by TSCNET are:

- Elaborating Europe-wide the common grid model for CORE capacity calculation region for the CENTRAL operation region;
- Coordinated calculation of the cross-border exchange capacity in CORE region;
- Coordinated calculation of operational security applying the CSA methodology - Coordinated Security Assessment;
- Assessing the short-term adequacy of CORE region and of CENTRAL operation region;
- Coordinated operational planning of outages within CORE and the CENTRAL operation region;

Complex information platforms (applications) are being developed in order to provide such services, of which the most important is AMICA platform, currently used.

A complex transition process follows in the next years and the centre will change its statute of RSC to that of Regional Coordination Centre (RCC), in accordance with obligations included in Regulation (EU) 943/2019 regarding the internal electricity market. Such change means considerable growth in the number of services (activities) the centre will develop (at least 13) and exponential development of operational cooperation and coordination with the other regional coordination centres of Europe (CORESO, SELENE-CC, NORDIC, and BALTIC).

JAO (Joint Allocation Office)

Beginning with 2019 auctions allocating long-term capacities have been performed in coordinated manner by JAO, which was designated Operator of the Single Allocation Platform (SAP).

Transelectrica was invited by JAO to join its shareholders.

AGEA Decision 10 of 20 August 2018 approved the Company's affiliation to the shareholders of the Joint Allocation Office (JAO) by cash subscription amounting to 259,325 Euro, being allocated 50 shares. Participating to JAO's shareholders Transelectrica joined the great family of European TSOs in establishing common governance structures, thus the Company's and the Romanian power system's interests are directly represented in pan-European organisations. JAO shareholders comprise 22 TSOs.

Besides its main activity of long-term allocation for cross-border capacities, JAO also developed other activities / instruments derived from European regulations, such as: short-term allocation of cross-border capacity, shadow capacity allocation for coupled markets, settlement for coupled markets, documents archiving and project management. Thus enlarging its activity portfolio JAO got advantage because TSOs can jointly benefit of JAO's IT instruments and knowledge, therefore no more individual development by TSO of such instruments and resources for respective activities, while also providing reduced development and operation costs for such activities/instruments.

SEE RSC (Centre Coordinating the Electricity Network of South-Eastern Europe)

In accordance with the provisions of European electricity legislation (EU Regulations 2017/1485, 2015/1222 and ACER decisions defining Europe-wide the coordinated calculation regions of inter-zonal exchange capacity), a regional centre was established in south-eastern Europe which coordinates operational security for the operation of electric power systems.

By means of the Romanian - Bulgarian frontier Romania belongs to the coordinated calculation region for cross-border transfer capacities South-East Europe (SEE). In terms of such regional operational security coordination services this region will be served by the newly established entity, which is independent and will be the regional centre coordinating operational security (hereinafter called SEE RSC).

Company affiliation to the shareholders of SEE RSC became effective beginning with 22.05.2020 in accordance with its own by-laws provisionos (articles of association, HAGEA 6/2020 and HD 107/2020), by means of 50 Euro cash subscription, being allocated 50,000 shares.

Together with the transmission system operators for electricity (TSO) of Bulgaria, Greece and Italy Transelectrica holds 1/4 capital and voting right quota, and the distribution of voting rights being equal for all associated shareholders in this entity.

Operationalisation of the regional centre includes a number of stages on several tiers, beginning with establishing the functional capacity in juridical terms by establishing an independent entity with legal personality and shareholder structure containing the TSOs of the serviced region (stage completed according to the above) and then constituting the functional capacity in operational terms by drawing human resources and developing the IT instruments for centre operations, with a view to carry out the functions entrusted by

specific European legislation (partially completed stage, in progress) and establishing the formal contractual framework to be used for service provisions and their settlement.

28. FINANCIAL INSTRUMENTS

Management of 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 Group has no formal commitments to fight financial risks. Nevertheless the management monitor financial risks with emphasis placed on the Group's needs to efficiently compensate opportunities and threats.

This note provides information about the Group's exposure to the above-mentioned risks, about the objectives, policies and processes related to risk assessment and management, as well as about the Group'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:

	December 31, 2020	December 31, 2019
Financial instruments with fixed interest rate		
Financial liabilities	126,381	148,862
Financial instruments with variable interest rate		
Financial liabilities	-	32,890

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.

	Loss on December 31, 2020	Loss on December 31, 2019
RON	-	-
EUR	-	(590)
USD	-	(0)
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 on December 31, 2020	Profit on December 31, 2019
RON	-	-
EUR	-	590
USD	-	0
Total	-	590

The Group has not concluded hedging contracts for its foreign currency liabilities or for its exposure to the interest rate risk.

Hard currency risk

The Group can be exposed to fluctuations of exchange rates under cash and cash equivalents, non-current loans or trade liabilities expressed in foreign currency.

The Group's functional currency is the Romanian Leu. The Group 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 Group 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 Group's exposure to the hard currency risk, expressed in LEI has been:

December 31, 2020	Value	LEI	EUR	USD
Monetary assets				
Cash and cash equivalents	569,847	524,893	44,954	-
Other financial assets	-	-	-	-
Receivables	854,250	745,951	108,299	-
Gross exposure	1,424,097	1,270,884	153,253	-
Financial liabilities				
Suppliers and other liabilities	942,937	734,304	208,633	0
Borrowings	135,245	8,864	126,381	0
Gross exposure	1,078,182	743,164	335,014	-
Net exposure in financial position statement	345,915	527,720	(181,761)	-
December 31, 2019	Value	LEI	EUR	USD
Monetary assets				
Cash and cash equivalents	320,769	277,421	-	-
Other financial assets	85,000	85,000	-	-
Receivables	706,350	642,780	106,917	-
Gross exposure	1,112,119	1,005,201	106,917	-
Financial liabilities				
Suppliers and other liabilities	571,558	456,782	114,776	-
Borrowings	178,402	29,540	148,862	-
Gross exposure	749,960	486,322	263,638	-
Net exposure in financial position statement	362,159	518,879	(156,720)	-

Trade and other receivables, as well as other obligations, except the asset suppliers are expressed only in LEI.

The following exchange rates have been applied:

	Average rate		Exchange rate on	
	2020	2019	December 31, 2020	December 31, 2019
LEI/ EURO	4.8371	4.7452	4.8694	4.7793
LEI/ USD	4.2440	4.2379	3.9660	4.2608
			Profit on December 31, 2020	Profit on December 31, 2019
EUR			18,176	15,672
USD			-	-
Total			18,176	15,672

Credit risk

The credit risk means that under which the Group incurs 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 treatment relies on Group 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 takes 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 Group to the collection risk are mainly trade receivables and cash and cash equivalents. The Group has applied a number of policies providing that 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:

	Net value	Net value
	December 31, 2020	December 31, 2019
Financial assets		
Net trade receivables	717,494	339,630
Cash and cash equivalents	569,847	85,000
Other net receivables	103,629	610,210
Recoverable VAT	34,349	63,766
Other financial assets	0	7,659
Total	1,425,319	1,106,265

NPG TRANSELECTRICA SA
Notes to the consolidated financial statements as at December 31st, 2020
(All amounts are in thousand LEI, unless stated otherwise)

The age of trade receivables on the elaboration date of the financial position statement was:

	Gross value December 31, 2020	Provision December 31, 2020	Gross value December 31, 2019	Provision December 31, 2019
Not reached to maturity	633,610	367	517,678	
Maturity exceeded 1 – 30 days	351	10	10,450	
Maturity exceeded 31 – 90 days	881	0	1,613	
Maturity exceeded 90 – 180 days	34	3	224	
Maturity exceeded 180 – 270 days	161	17	2,579	
Maturity exceeded 270 – 365 days	95	9	2,146	
More than one year	221,333	138,564	214,800	139,281
Total	856,465	138,971	749,491	139,281

The age of other receivable on the elaboration date of the financial position statement was:

	Gross value December 31, 2020	Provision December 31, 2020	Gross value December 31, 2019	Provision December 31, 2019
Not reached to maturity	96,945	28	72,588	
Maturity exceeded 1 – 30 zile	4,076	275	429	
Maturity exceeded 31 – 90 zile	6,156	24	325	
Maturity exceeded 90 – 180 zile	1,383	249	9,934	
Maturity exceeded 180 – 270 zile	4,924	3,136	127	
Maturity exceeded 270 – 365 zile	715	641	1,084	
More than one year	83,798	55,666	34,890	55,610
Total	197,997	60,019	119,376	55,610

The Group policy consists in registering 100% value loss allowances 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 (25,012), Eco Energy SRL (24,736), Petprod SRL (23,540), Arelco Power (15,217), Total Electric Oltenia SA (14,186), Romenergy Industry (13,513), Elsaco Energy (9,276), RAAN (8,517), Opcom (6,277), and CET Brasov (4,665).

To recover the impairment allowances the Company took the following measures: suing, recording in the creditors' list, asing explanations from ANAF (for the collectable VAT from Opcom) etc.

Allowances to impair clients developed as follows:

	December 31, 2020	December 31, 2019
Balance on January 1st	139,282	143,014
Recognition of impairment allowances	713	6,396
Resuming impairment allowances	1,501	10,128
Balance at year end	138,494	139,282

Impairment allowances for other receivables developed as follows:

	December 31, 2020	December 31, 2019
Balance on January 1st	55,610	59,005
Recognition of impairment allowances	3,538	1,228
Resuming impairment allowances	740	4,623
Balance at year end	60,019	55,610

Liquidity risk

This is the risk according to which the Group 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.

	December 31, 2020	December 31, 2019
Assets		
Monetary assets in LEI	1,248,687	1,028,047
Monetary assets in foreign currency	153,253	106,918
	1,401,940	1,134,965
Liabilities		
Monetary liabilities in LEI	(514,383)	(896,637)
Monetary liabilities in foreign currency	181,761	(377,664)
	(332,622)	(1,274,301)
Net monetary position in LEI	734,304	131,410
Net monetary position in foreign currency	335,015	(270,746)

The following table shows the contractual maturity of the financial debts, including the payment of interest:

December 31, 2020	Net value	Contractual value	<12 months	1–2 years	2–5 years	>5 years
Financial liabilities						
Suppliers and other obligations	(916,810)	(916,810)	(821,775)	(64,503)	(30,532)	0
Other tax and social security liabilities	(25,052)	(25,052)	(25,052)	0	0	0
Loans	(127,828)	(127,828)	(26,157)	(23,480)	(70,440)	(7,752)
Total	(1,069,690)	(1,069,690)	(872,984)	(87,983)	(100,972)	(7,752)
December 31, 2019	Net value	Contractual value	<12 months	1–2 years	2–5 years	>5 years
Financial liabilities						
Suppliers and other obligations	(568,204)	(589,029)	(138,215)	(15,551)	(10)	0
Other tax and social security liabilities	(8,752)	(8,752)	(8,752)		0	0
Loans	(181,752)	(656,311)	(55,567)	(23,045)	(69,136)	(30,653)
Total	(758,708)	(1,254,092)	(202,534)	(38,597)	(69,136)	(30,653)

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.

December 31, 2020

	Accounting value	Fair value
Financial assets		
Net trade receivables	855,472	855,472
Cash and cash equivalents	569,847	569,847
Other net receivables	13,291	13,291
Recoverable VAT	34,349	34,349
Other financial assets	-	-
Total	1,472,959	1,472,959
Non-current financial liabilities		
Borrowings, except bonds	165,777	165,777
Bonds		
Total	165,777	165,777
Current financial liabilities		
Suppliers, including asset suppliers	886,268	886,268
Borrowings	33,574	33,574
Bonds	-	-
Amounts owed to employees and other liabilities	25,052	25,052
Total	944,894	944,894

December 31, 2019

	Accounting value	Fair value
Financial assets		
Net trade receivables	610,210	610,210
Cash and cash equivalents	339,630	339,630
Other net receivables	63,766	63,766
Recoverable VAT	7,659	7,659
Other financial assets	85,000	85,000
Total	1,106,265	1,106,265
Non-current financial liabilities		
Borrowings, except bonds	122,835	122,835
Bonds	0	0
Total	122,835	122,835
Current financial liabilities		
Suppliers, including asset suppliers	568,193	568,193
Borrowings	58,914	58,914
Bonds	0	0
Amounts owed to employees and other liabilities	10,875	10,875
Total	637,982	637,982

Categories of financial instruments

	December 31, 2020	December 31, 2019
Financial assets		
Monetary availability	569,847	339,630
Receivables	855,473	710,334
Financial liabilities		
Amortised cost	(1,069,318)	(758,708)

Personnel risk 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 Group 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

	December 31, 2020	December 31, 2019
Non-current and current loans	126,381	181,752
Monetary availability	554,004	(339,630)
Other financial assets		85,000
	(427,622)	(72,878)
Shareholders' equities	3,419,948	3,297,323
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 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, to which VAT is added;
- **Ceausescu&Partners SRL** - Contract C1007/23.12.2019 - services to execute the File of transfer prices for NPG Transelectrica SA charged in the transactions performed between NPG Transelectrica SA and its subsidiaries in 2019 amounting to 13.4, 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' settlment 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 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.

Distribution to 'Other reserves' of net revenues from the allocation of cross-border interconnection capacity achieved in 2020

On 01 March 2021 the Company informed the investor public that total revenues obtained in 2020 from the allocation of cross-border capacity, an amount of preliminary nature of 40,202 (net of income tax and legal reserve) will be distributed to 'other reserves' when the Shareholders' General Assembly has approved the net profit distribution on 31 December 2020.

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%".

Directorate,

**Catalin
NITU**
Chairman

**Andreea-Mihaela
MIU**
Member

**Ovidiu
ANGHEL**
Member

**Corneliu-Bogdan
MARCUS**
Member

**Marius-Viorel
STANCIU**
Member

Ana-Iuliana DINU
Director, Economic & Financial Administrative Unit

Cristiana Zirnovan
Manager, Budget and Managerial Reporting
Department