

NPG TRANSELECTRICA SA
Company managed by two-tier system

Condensed Consolidated Interim Financial Statements
as of and for the 6 months' period ending on
30 June 2021

Elaborated in accordance with the
International Financial Reporting Standards adopted by
European Union,
International Accounting Standard 34 – “Interim Financial Reporting”

free translation

NPG TRANSELECTRICA SA

Consolidated financial position as of June 30, 2021

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

	Note	30 June 2021	31 December 2020
Assets			
Non-current assets			
Tangible assets		3,755,773	3,636,262
Assets rel. to utilisation rights of assets under leasing - buildings		33,797	37,773
Intangible assets		6,511	7,310
Financial assets		36,340	36,340
Total fixed assets	4	3,832,421	3,717,685
Current assets			
Inventories		47,178	47,640
Trade and other receivables	5	1,010,668	854,250
Recoverable income tax		-	1,248
Other financial assets	6	-	-
Cash and cash equivalents	7	474,395	569,847
Total current assets		1,532,241	1,472,985
Total assets		5,364,662	5,190,670
Shareholder's equity and liabilities			
Shareholders' equity			
Share capital, from which:		733,031	733,031
<i>Subscribed share capital</i>		733,031	733,031
Share premium		49,843	49,843
Legal reserve		137,833	137,833
Revaluation reserve		834,878	872,379
Other reserves		27,967	17,482
Retained earnings		1,687,286	1,614,444
Total shareholders' equities	8	3,470,838	3,425,012
Non-current liabilities			
Non-current deferred revenues	9	391,540	352,029
Borrowings	10	90,990	101,671
Other loans and assimilated liabilities - Building leasing – Long term	11	25,668	30,532
Deferred tax liabilities		123,236	126,852
Liabilities regarding employees' benefits		87,200	87,200
Total non-current liabilities		718,634	698,284
Current liabilities			
Trade and other liabilities	11	1,015,518	878,850
Other loans and assimilated liabilities - Building leasing – Short term	11	7,898	7,417
Other tax and social security liabilities	12	18,248	25,052
Borrowings	10	33,568	33,574
Provisions		71,332	93,011
Current deferred revenues	9	26,439	29,393
Payable income tax		2,187	77
Total current liabilities		1,175,190	1,067,374
Total liabilities		1,893,824	1,765,658
Total shareholders' equity and liabilities		5,364,662	5,190,670

NPG TRANSELECTRICA SA

Consolidated profit and loss account statement on June 30, 2021

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

	Note	30 June 2021	30 June 2020
Operational revenues			
Transmission revenues		612,467	507,258
System service revenues		321,353	392,469
Balancing market revenues		468,866	166,064
Other revenues		25,926	30,110
Total operational revenues	14	1,428,611	1,095,901
Operating expenses			
System Operation Expenses	15	(202,145)	(142,897)
Balancing market expenses	15	(456,126)	(166,064)
Expenses regarding technological system services	15	(291,462)	(298,216)
Depreciation and amortization		(132,462)	(145,391)
Personnel expenses	16	(148,649)	(138,638)
Repairs and maintenance		(23,178)	(27,060)
Materials and consumables		(11,271)	(11,781)
Other operational expenses	17	(46,825)	(31,374)
Total operating expenses		(1,312,117)	(961,421)
Operational profit		116,493	134,480
Financial revenues		3,644	5,084
Financial expenses		(5,686)	(7,078)
Net financial result	18	(2,042)	(1,994)
Profit before income tax		114,451	132,486
Income tax	13	(16,255)	(27,405)
Result for the period from continuing operations		98,196	105,081
Profit of the period			
Attributable to:			
Owners of the Group		98,196	107,969
Non-controlling interests		-	(2,888)
Basic and diluted earnings per share (lei/share)		1.34	1.43

The Consolidated Financial Statements were been signed by the Company's management on August 11, 2021 as follows:

Directorate,

Bogdan
TONCESCU

Chairman

Adrian
MORARU

Member

Ionuț-Bogdan
GRECIA

Member

Cătălin-Constantin
NADOLU

Member

Marius-Viorel
STANCIU

Member

Ana-Iuliana DINU

Director – Economic Financial and Administrative Unit

Cristiana ZIRNOVAN

Manager - Budgeting and Management Reporting Department

NPG TRANSELECTRICA SA

Consolidated statement of changes in shareholders' equity on June 30, 2021

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

	Share capital	Share premium	Legal reserve	Revaluation reserve	Other reserves	Retained earnings	Attributable to the group	Minority interests	Total
Balance on January 1st, 2020	733,031	49,843	129,096	955,201	15,813	1,414,339	3,297,323	19,748	3,317,071
Comprehensive revenue of the period									
Result for the period	-	-	-	-	-	142,668	142,668	(767)	141,901
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 reserve to retained earnings	-	-	-	(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 period	-	-	-	(82,822)	-	224,840	142,018	(767)	141,251
Legal reserve indexation	-	-	8,737	-	-	(8,737)	-	-	-
Minority interests from smaller participation to SMART SA	-	-	-	-	-	18,981	18,981	(18,981)	-
Other items	-	-	-	-	-	207	207	-	207
Total other items	-	-	8,737	-	-	10,451	19,188	(18,981)	207
Contributions & distributions to owners									
Derecognition of assets like public domain by recording HG 615, 682 and 683 of 2019 amending the inventory of public domain assets	-	-	-	-	-	-	-	-	-
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	137,833	872,379	17,482	1,614,444	3,425,012	-	3,425,012

NPG TRANSELECTRICA SA

Consolidated statement of changes in shareholders' equity on June 30, 2021

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

	Share capital	Share premium	Legal reserve	Revaluation reserves	Other reserve	Retained earnings	Attributable to the group	Minority interests	Total
Balance on January 1, 2021	733,031	49,843	137,833	872,379	17,482	1,614,444	3,425,012	-	3,425,012
Comprehensive revenue of the period									
Result of the period	-	-	-	-	-	98,196	98,196	-	98,196
Other comprehensive revenue items									
Recognising the actuarial loss/profit of the benefit plan	-	-	-	-	-	-	-	-	-
Surplus from revaluation of tangible assets									
Liability regarding deferred tax associated to the revaluation reserve	-	-	-	-	-	-	-	-	-
Total other comprehensive revenue items	-	-	-	-	-	98,196	98,196	98,196	98,196
Total comprehensive result of the year	-	-	-	-	-	98,196	98,196	98,196	98,196
Other items									
Transfer of revaluation reserves into retained earnings				(37,501)		37,501			
Legal reserve indexation	-	-	-	-	-	-	-	-	-
Minority interests from smaller participation to SMART SA	-	-	-	-	-	-	-	-	-
Other items						920	920		920
Total other items	-	-	-	(37,501)	-	38,421	920	-	920
Derecognition of assets like public domain by recording HG 615, 682 and 683 of 2019 amending the inventory of public domain assets	-	-	-	-	-	-	-	-	-
Subsidies related to assets from the state's public domain	-	-	-	-	10,485		10,485		10,485
Other reserves									
Dividends distribution						(63,774)	(63,774)		(63,774)
Total transactions with owners					10,485	(63,774)	(53,289)		(53,289)
Balance on June 30, 2021	733,031	49,843	137,833	834,878	27,967	1,687,286	3,470,838	-	3,470,838

The Consolidated Financial Statements were been signed by the Company's management on August 11, 2021 as follows:

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Ana-Iuliana DINU
Director - Economic Financial and Administrative Unit

Cristiana ZIRNOVAN
Manager - Budgeting and Management Reporting Department

NPG TRANSELECTRICA SA

Consolidated statement of cash flows on June 30, 2021

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

	30 June 2021	30 June 2020
Cash flows from operational activities		
Profit of the period	98,196	105,081
Allowances for:		
Income tax expense	17,221	27,858
Amortisement expenses	133,442	141,889
Impairment allowances for trade receivables	1,451	715
Reversal of provisions for impairment allowances of trade receivables	(1,898)	(1,492)
Losses of sundry debtors	36	-
Net expenses/revenues with allowances for impairment of sundry debtors	(340)	882
Net expenses with allowances for impairment of inventories	1,072	176
Net profit/loss from sales of tangible assets	369	15
Net expenses on adjustments of value regarding tangible assets	272	548
Net expenses/revenues regarding provisions for risks and expenses	(21,771)	(100)
Interest expense, interest revenue and unrealised exchange rate gains	2,410	2,294
Cash flows before changes to working capital	230,460	277,866
Changes into:		
Inventories	22,375	(4,305)
Clients and assimilated accounts	(179,609)	95,994
Debts paid Tax decision NAFA	(2,140)	
Trade and other liabilities	45,204	(161,025)
Other loans and assimilated liabilities - Building leasing	(4,383)	
Other tax and social security liabilities	(5,621)	656
Deferred revenues	47,032	(7,703)
Cash flows from operational activities	153,319	201,483
Interests paid	(2,519)	(4,371)
Income tax paid	(16,514)	(19,567)
Net cash generated from operational activities	134,286	177,545
Cash flows from the investments		
Procurements of tangible and intangible assets	(213,976)	(111,727)
Participation titles with SELENE CC Societe Anonime	-	(242)
Interests cashed	1,429	3,689
Dividends cashed	22	2
Other financial assets	-	(7,000)
Net cash used for investments	(212,526)	(115,278)
Cash flows used in financing		
Repayments of non-current loans	(11,813)	(13,163)
Bond repayments	-	120,873
SMART revolving credit line	(167)	
Repayments of current borrowings	-	(29,540)
Building leasing payments	(5,239)	
Dividends paid	7	(35,185)
Net cash used in financing activities	(17,213)	42,985
Cash and cash equivalents on 1 January	569,847	339,630
Net diminution of cash and cash equivalents	(95,452)	105,252
Cash and cash equivalents at the end of the period	474,395	444,882

The Consolidated Financial Statements were been signed by the Company's management on August 11, 2021 as follows:

Directorate,

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NPG TRANSELECTRICA SA

Notes to the consolidated financial statements as at June, 30 2021

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

1. General information

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

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

The Group’s consolidated financial statements of 30 June 2021 elaborated in accordance with the International Financial Reporting Standards adopted by the European Union are available at the Company’s working location found in St. Olteni 2-4, Bucharest 3 and on the Company’s site.

The Group’s consolidated financial statements elaborated on 30 June 2021 have not been audited.

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

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 8, on 30 June 2021 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 (6.49%), NN Group N.V. holding 4,007,688 shares (5.47%), other legal person shareholders holding 16,208,815 shares (22.11%) and other natural person shareholders having 5,312,763 shares (7.24%).

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

On 14.11.2019 the Central Depository SA registered the transfer of 43,020,309 shares (representing 58.68% of the share capital) issued by 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	30 June 2021	31 December 2020
		% of shares	% of shares
SMART SA	Romania	100	100
TELETRANS SA	Romania	100	100

NPG TRANSELECTRICA SA

Notes to the consolidated financial statements as at June, 30 2021

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

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.

NPG TRANSELECTRICA SA

Notes to the consolidated financial statements as at June, 30 2021

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

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 (PTG) 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 PTG 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 30.06.2021 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.

On 27.04.2021 letter 18759 from the Special Administrator of Subsidiary ICEMENERG Service SA informed that on 23.04.2021 after an auction the assets of Co. Subsidiary ICEMENERG Service SA, both the tangible and intangible assets were entirely purchased by Portland Trust Developments Five SRL.

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.

NPG TRANSELECTRICA SA

Notes to the consolidated financial statements as at June, 30 2021

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

Group mission

The mission of this Group is to provide secure operation of the National Power System (NPS) 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.

Bases of consolidation

(i) Subsidiaries

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

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

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

(ii) Loss of control

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

(iii) Transactions removed from consolidation

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

2. Elaboration bases

a) Statement of compliance

These stand-alone interim simplified financial statements have been elaborated in accordance with IAS 34 *Interim Financial Reporting*. They do not include all the information necessary for a complete set of financial statements in accordance with the International Financial Reporting Standards (IFRS). Nevertheless some explanatory notes have been included to explain the events and transactions significant for understanding the changes occurred in the Company's financial position and performance since the last annual stand-alone financial statements of the date of 20 march 2020 and for the financial period ended on 31 december 2020.

b) Professional reasoning and estimations

The significant reasoning that the governance team has used in applying the Company's accounting policies and the main uncertainty sources regarding estimations were the same with those applied to the stand-alone financial statements as of 20 march 2020 and for the financial period ended on 30 december 2020.

NPG TRANSELECTRICA SA

Notes to the consolidated financial statements as at June, 30 2021

*(All amounts are presented in thousand RON, unless otherwise indicated)***3. Significant accounting policies**

The accounting policies applied to these stand-alone interim simplified financial statements are the same with those used for the Company's stand-alone financial statements as of and for the financial year ended on 31 December 2020, except for the implementation of new applicable standards as of 1 January 2021.

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

The following new standards and amendments of existent standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) *have not yet become effective* for the annual financial reporting period ended on 30 June 2021 and were not applied when executing these financial statements:

Norm / Construction [IAS 8.31 (a), 8.31(c)]	Kind of imminent change in the accounting policy [IAS 8.31 (b)]	Possible impact over financial statements [IAS 8.31 (e)]
Amendments to IFRS 17 and IFRS 4 "Insurance contracts" <i>(in force for annual periods beginning on 1 January 2023 or after)</i>	Such amendments postpone the application date of IFRS 17 by two years beginning with 1 January 2023 and change the date regarding temporary exemption from the application of IFRS 9 "Financial instruments" within IFRS 4.	The impact of such changes on the financial statements is under assessment.
Amendments to IAS 1 "Submission of financial statements" with respect to classifying liabilities <i>(in force for annual periods beginning on 1 January 2022 or after)</i>	Amendments to IAS 1 "Submission of financial statements" explain the description of liabilities being current and non-current at the end of the reporting period. Such classification is not influenced by events after the report date (for instance receiving an exemption regarding trespassed contractual terms)	The impact of such changes on the financial statements is under assessment.
Amendments to IFRS 3, IAS 16, IAS 17 and annual changes to IFRS 1, IFRS 9, IAS 41 and IFRS 16. <i>(in force for annual periods beginning on 1 January 2022 or after)</i>	Amendments to IFRS 3 "Business combinations" pertain to changes in the Conceptual Financial Reporting Framework without modifying the accounting requirements of IFRS 3 "Business Combinations". Amendments to IAS 16 "Tangible assets" forbid subtracting the amounts obtained by sale of articles produced for provided use from the cost of tangible assets. In exchange companies will recognise such revenues from sales and associated costs in the profit and loss accounts. Annual improvements bring minor changes to IFRS 1 "Initial application of IFRS", IFRS 9 "Financial instruments", IAS 41 "Agriculture" and the illustrative examples accompanying IFRS 16 "Leasing".	The impact of such changes on the financial statements is under assessment.
IFRS 17 "Insurance contracts" <i>(in force for annual periods beginning on 1 January 2023 or after)</i>	This standard replaces IFRS 4, enabling at present a large variety of practice for insurance contracts accounting. IFRS 17 will bring fundamental changes in the accounting registrations of insurance contracts and investment contracts. IFRS 17 provides new approach for accounting registrations of insurance contracts.	The impact of such changes on the financial statements is under assessment.
Amendments to IFRS 10 „Consolidated financial statements" and IAS 28 „Investments in associated entities and participation associations" (effective date was postponed for undetermined period until completion of the research project regarding the equivalence method)	The sale of or asset contribution between an investor and its associated entities or participation associations, and later amendments	The impact of such changes on the financial statements is under assessment.

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The following new standards and amendments of existent standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) have come in force and are applicable in the current period:

Norm / Construction [IAS 8.31 (a), 8.31(c)]	Kind of imminent change in the accounting policy [IAS 8.31 (b)]	Possible impact over financial statements [IAS 8.31 (e)]
Amendments to IFRS 9, IAS 39 and IFRS 7 (in force for annual periods beginning with 1 January 2020 or after)	Changes to IFRS 9, IAS 39 and IFRS 7 in the references about the interest rate. Such references pertain to risk coverage accounting and their effect is the following: the interbank rate should not cause ending the risk coverage accounting	Adopting the amendments to IFRS 9, IAS 39 and IFRS 7 had no impact over financial statements
Amendments to IFRS 16 "Leasing contracts" (in force for annual periods beginning on 1 June 2020 or after)	As result of the coronavirus pandemic (Covid-19) dwellers were granted rent concessions. Such concessions can have different forms, including paid vacations and deferred lease payments. On 28 May 2020 IASB published an amendment to IFRS 16, which provides a practical optional instrument for dwellers to assess whether the rent concession in the context of Covid-19 is a change of the leasing contract. Dwellers can select such accounting of rent concessions in the same manner as if no changes are in the lease contracts. In most cases this will lead to concession accounting as variable parts of leasing during the period (periods) of occurrence of the event or condition triggering the reduced payment.	Adopting the amendments to IFRS 16 had no impact over financial statements

The Group anticipate adoption of such standards and amendments to existing standards will have no significant impact over the Group's financial statements in the initial application period.

4. Tangible, intangible and financial assets

a) Tangible assets

The total value of tangible assets increased on 30 June 2021 compared to 31 December 2020, which was determined by the registration of assets amortisement.

In semester I 2021 the value of tangible assets underway mainly represented by investments made to the high voltage substations and lines increased as follows:

- The 400 kV double circuit OHL Cernavoda-Stalpu and connection in Gura Ialomitei – 92,189;
- Refurbishing the 400/110/20 kV substation Domnesti – 21,687;
- Converting the Iron Gates - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage I: the 400 kV simple circuit OHL Iron Gates - (Anina) - Resita – 18,062;
- Refurbishing the 220/110 kV substation Iaz – 15,083;
- Connecting the 400 kV OHL Isaccea - Varna and the 400 kV OHL Isaccea - Dobrogea in the 400 kV substation Medgidia Sud, stage I: extending the 400 kV substation Medgidia Sud – 12,814;
- Upgrading the 400 (220)/110/20 kV substation Munteni – 11,220;
- Replacing the 400/400/160MVA 400/231/22 kV ATUS-SF AT 3 of the 400/220 kV substation Iron Gates – 11,055;
- Refurbishing the 110 kV substation Medgidia Sud – 9,670;
- 400 kV mobile bays to connect shunt reactors in the 400 kV substations Bradu & Sibiu Sud – 8,693;
- Refurbishing the 220/110 kV substation Craiova Nord – 8,122;
- Relocating the 400 kV electric networks at the cross-road with Bucharest Outskirt Motorway: km 0+00 - km 100+900, Lot 2: 69+000 - km 85 +300, of the South Belt; the 400 kV OHL Domnesti - Bucharest South and 400 kV OHL Slatina - Bucharest South – 7,088;
- Upgrading the 110 kV substations Bacau Sud & Roman Nord of the 400 kV axis Moldova – 6,800;
- Upgrading the 220/110/20 kV substation Raureni – 4,433;
- 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 – 3,971;
- Refurbishing the 220/110 kV substation Hasdat – 3,066;
- SDH communication equipment, the N-E ring – 3,035;
- Upgrading the 220/110 kV substation Dumbrava – 2,805;
- Consolidating the servers and the data storage network (private cloud) – 2,561;
- Refurbishing the 220/110/20 kV substation Baru Mare – 2,453;
- Replacing the 16 MVA transformer in Substation Pitesti Sud – 2,211;

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- Refurbishing the 220/110/20 kV substation Ungheni – 2,066;
- Upgrading the 220/110/20 kV substation Vetis - primary equipment – 2,032;
- By-passing the 400 kV networks on segment 2, lot 2, situated in Olt County to execute the Craiova-Pitesti express road; the 400 kV simple circuit OHL Slatina-Draganesti Olt – 1,663;
- Installing the 250 MVA T3 in the 400/110 kV Substation Sibiu Sud – 1,608;
- A3 multifunctional-s – 1,481;
- Refurbishing the 400/110/20 kV substation Smardan – 1,386;
- Extending the 400 kV substation Cernavoda, stage I+II- replacing 2 shunt reactors, connecting new lines – 1,020;

In semester I 2021 the greatest transfers from tangible assets in progress to tangible assets, in the amount of 62,741, are mainly represented by commissioning the investment objectives as follows:

- Replacing the 400/400/160MVA 400/231/22 kV ATUS-SF AT 3 in the 400/220 kV subst. Iron Gates – 13,739;
- Upgrading the 110 kV substations Bacau Sud & Roman Nord of the 400 kV axis Moldova – 10,051;
- Refurbishing the 220/110/20 kV substation Ungheni – 9,921;
- Replacing autotransformers (AT) and transformers in electric substations, stage 2, step 2, lot 1 - lot 2 – 7,031;
- Free up the location and providing the coexistence conditions with the 400 kV installations of Transelectrica in villages Letea Veche and Saucesti, Bacau County (execution) – 5,696;
- Refurbishing the 220/110 kV substation Iaz – 3,724;
- Moving and protecting high voltage (220 kV – 400 kV) networks, the BRASOV-CLUJ-BORS HIGHWAY, SECTION 1C – SIGHISOARA – Tg. Mures, SUBSECTIONS 2 & 3 Tg. Mures-UngheniI-Ogra – 3,045;
- Replacing circuit breakers in electric substations – 2,657;
- Replacing the 16 MVA transformer in Substation Pitesti Sud – 2,387;
- By-passing the 400 kV networks in segment 2, lot 2, situated in Olt County to execute the Craiova-Pitesti express road, the 400 kV simple circuit OHL Slatina-Draganesti Olt – 1,663;
- Providing communication way between Substation Resita and the offices of CTSI, UTT Timisoara – 1,459;
- Replacing the shunt reactor, Substation Arad – 1,396;
- Access road to Substation Fantanele from DJ 134 – 1,066;
- Thermal rehabilitation of buildings in the transformer Substation Constanta Nord – 630;
- Wi-Fi system of access by one's network and internet – 396;
- By-passes and protections for electric networks on the by-passing variant Satu Mare - 220 kV OHL Rosiori - Vetis – 342;
- Portable analysers for electricity quality – 255;
- Installing Differential Line Protection in Substation Baia Mare 3 – 219;
- Installing Differential Line Protection in the 110 kV OHL Jibou bay in 220/110 kV subst. Tihau – 216;
- IP type office phone sets – 196;
- Increasing the safety of installations from the 400/220/110/10 kV Substation Bucharest South - Replacing the 10 kV equipment, Lot II – 182;
- Installing and commissioning the Differential Line Protection in the 110 kV Zalau OHL bay in the 220/110/20 kV Substation Salaj – 143;
- UPS type DC supply, 2 pc.; 14.5 kW air conditioning units, 2 pc.; air de-humidification unit, 1 pc. – 124.

The balance of tangible assets under execution on 30 June 2021, in the amount of 814,842, is represented by projects in progress, of which the most significant are provided below:

- The 400 kV double circuit OHL Cernavoda - Stalpu and connection in Gura Ialomitei – 204,253;
- Converting the Iron Gates - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage I - the 400 kV simple circuit Iron Gates - (Anina) - Resita – 79,719;
- Refurbishing the 400/110/20 kV substation Domnesti – 62,051;
- Connecting the 400 kV OHL Isaccea - Varna & Isaccea - Dobrogea OHL in 400 kV substation Medgidia Sud – 54,862;
- Connecting to PTG the 300 MW WPP Ivesti, 88 MW WPP Falciu 1 and 18 MW WPP Falciu 2 by the new (400)/220/110 kV substation Banca – 46,885;

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- Refurbishing the 220/110 kV substation Hasdat – 44,104;
- Upgrading the 400 (220)/110/20 kV substation Munteni – 21,853;
- Refurbishing the 220/110 kV substation Iaz – 21,230;
- Upgrading the 220/110/20 kV substation Raureni – 19,687;
- Upgrading the 220/110/20 kV substation Arefu – 15,524;
- Extending the business continuity and post-disaster recovery services in the Executive branch – 14,414;
- 110 kV, 220 kV and 400 kV mobile bays – 14,297;
- Upgrading the 220/110 kV substation Dumbrava – 14,080;
- Refurbishing the 110 kV substation Medgidia Sud – 13,166;
- 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 – 12,668;
- Extending the 400 kV substation Cernavoda, stage I+II, replacing 2 shunt reactors, connect new lines – 12,175;
- 400 kV mobile bays to connect shunt reactors in the 400 kV substations Bradu and Sibiu Sud – 11,504;
- Upgrading the 110 kV substations Bacau Sud & Roman Nord of the 400 kV axis Moldova – 10,615;
- Refurbishing the 400/110/20 kV substation Smardan – 9,479;
- Upgrading the 110 kV and 400 (220 kV) installations in Substation Focsani Vest – 8,600;
- Refurbishing the 220/110 kV substation Craiova Nord – 8,122;
- Converting the Iron Gates - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage I - the 400/220/110 kV substation Resita – 7,387;
- Relocating the 400 kV electric networks at the cross-road with Bucharest Outskirt Motorway: km 0+00 - km 100+900, Lot 2: 69+000 - km 85 +300, of the South Belt; the 400 kV OHL Domnesti - Bucharest South and 400 kV OHL Slatina - Bucharest South – 7,088;
- The 400 kV OHL Gadalin - Suceava, including its SEN interconnection – 6,043;
- 400 kV HVDC Link (Romania - Turkey submarine cable) – 5,854;
- Upgrading the 220/110/20 kV substation Vetis - primary equipment – 5,571;
- Refurbishing the 110 kV substation Timisoara and converting the Iron Gates - Anina - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage II: the 400 kV substation Timisoara – 5,475;
- Upgrading the 220/110/20 kV substation Vetis - primary equipment – 5,384;
- Integrated security system in electric substations, stage IV – 4,817;
- The 400 kV OHL Suceava - Balti for the project part on Romania's territory – 4,439;
- The 400 kV double circuit OHL Gutinas – Smardan – 4,192;
- 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 – 3,824;
- Converting the Iron Gates - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage II, the 400 kV double circuit OHL Resita - Timisoara - Sacalaz – 3,343;
- Adding new function to extend the access control and IT supervision in the objectives of Transelectrica – 3,201;
- Refurbishing the 220/110/20 kV substation Ungheni – 3,109;
- SDH communication equipment, the N-E ring – 3,048;
- Connecting to PTG the 136 MW WPP Platonesti, Ialomita County by providing a 110 kV bay in the 400/110 kV substation Gura Ialomitei – 2,889;
- Integrated security system in electric substation, stage III – 2,798;
- Refurbishing the 220/110/20 kV substation Baru Mare – 2,689;
- By-passing the 110 kV OHL Cetate 1 & 2 near the 110/20/6 kV substation Ostrovul Mare – 2,578;
- Consolidating the servers and data storage networks (private cloud) – 2,561;
- Connecting to PTG of the 99 MW WPP Dumesti and the 30 MW WPP Romanesti, Iasi County by building a 110 kV bay in the 220/110 kV substation FAI – 2,546;
- The 400 kV OHL Oradea - Beckescsaba – 1,829;
- Providing optical fibre communication between Substation Pitesti Sud and the Remote control and installations supervision Centre of UTT Pitesti (FS) – 1,714;
- Consolidation, upgrade and extension of the offices of Transelectrica, Executive branch – 1,627;

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- The 220 kV double circuit OHL Ostrovu Mare - PTG – 1,574;
- A3 multifunctional-s – 1,481;
- Replacing circuit breakers in electric substations – 1,433;
- The 400 kV substation Stalpu – 1,426;
- Integrated security system in the new 400/220/110 kV substation Banca – 1,133.

b) Intangible assets

The balance of intangible assets under execution on 30 June 2021, in the amount of 5.828, is represented by ongoing projects, of which the most significant are provided below:

- Implementing an Electronic Archive and Document Management system in Transelectrica – 5,474;
- Extending the business continuity and post-disaster recovery services in the Executive branch – 351;

c) Financial assets

Financial assets comprise the value of Company-held assets amounting to 81,743 on 30 June 2021 and to 81.743 on 31 December 2020.

d) 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, according to the provisions of IFRS 16 - Leasing contracts.

Beginning with 01.10.2020 the new leasing contract became effective (contract C232 concluded with Dagesh Rom SRL), amounting to Euro 9 mn (without VAT) for 5 years.

On 30 June 2021 the accounting value of the utilisation right for spaces the Company rented in the Platinum office building amounted to 33,797.

For this contract the Company pays a monthly quantum of 16.67 euro/mp (without VAT) as rent for office spaces, thus resulting an annual value of about Euro 1,8 mn.

5. Trade and other receivables

On 30 June 2021 and 31 December 2020, trade and other receivables were as follows:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Trade receivables	946,344	856,465
Other receivables	133,614	117,571
Down payments to suppliers	50,246	44,854
Recoverable VAT	78,800	34,349
Impairment allowances to depreciate doubtful receivables	(138,528)	(138,971)
Impairment allowances to depreciate other doubtful receivables	(59,808)	(60,019)
Total	1,010,668	854,250

The structure of trade receivables was the following:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Clients – the energy market, of whom:	938,586	847,744
- Clients - operational activity – energy	503,157	474,770
- Clients - balancing market	262,113	177,925
- Clients - bonus type scheme to promote high efficiency cogeneration	173,316	195,049
Clients of other activities	7,757	8,721
Total trade receivables	946,344	856,465

The Company 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.

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On 30 June 2021, clients on balance from operational activities and the balancing market registered increase compared to 31 December 2020 mainly determined by higher volume of transactions on the balancing market in quarter II 2021 compared to quarter IV 2020, determining higher receivables on balance on 30 June 2021 compared to 31 December 2020.

The main clients on balance on the electricity market are represented by: Ciga Energy SA, MAVIR, Electrica Furnizare SA, RAAN, OPCOM, Cinta Energy SA, E.ON Energie Romania SA, Getica 95 COM SRL, CEZ Vânzare SA, Tinmar Energy SA. The share of main clients on the electricity market is about 57.11% 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 30 June 2021, the Company registered about 18% (31 December 2020: 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 a decrease of receivables on 30 June 2021, mainly determined by lower value invoiced for the collection of monthly contributions.

On 30 June 2021, the Company registered collectable receivables amounting to 173,316, 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;
- 2020 undue bonus amounting to 522, from Donau Chem;
- 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;

Until the date of this financial report the Company collected the receivables related to overcompensated activities under the 2020 support scheme (sum of 16,475) from Electrocentrale Bucharest, and 11,730 of the undue bonus amounting to 12,252 established under ANRE Decisions of 2021 from the following producers: Bepco SRL, Energy Complex Hunedoara, Energy Complex Oltenia, CET Arad, CET Govora, Contourglobal Solutions, Electrocentrale Bucharest, Electro Energy Sud, Electrouilaj SA, Polytechnic University Bucharest, Prefab, Soceram SA and Termoficare Oradea.

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

• File 9089/101/2013/a140 was registered on the docket of Mehedinti Tribunal, Section II Civil of Administrative and Fiscal Disputes pertaining to “claims in sum of 86,513”, where the Company was claimant and the **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

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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 11,265 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 89,361 Lei, but 78,096 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 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 89,361 Lei was registered and according to letter 4162/03.10.2016 whereby the judiciary liquidator notified us only 11,265 Lei were recorded in the additional table in the receivables column resulting from the debtor's continued activity, and 78,096 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 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 1 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.

On 03.06.2021 a new term was granted to carry out liquidation, assets capitalisation and collection of receivables, namely **14.10.2021**.

- 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

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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 30 June 2021, other receivables amounting to 133,614 mainly include:

- Sundry debtors (84,644), of which:
 - Late payment penalties calculated to default clients amounting to 73,019 (of which 35,352 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 București (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 7,173 mainly represented by: international ENTSO-E subscription (2,823) for 2021; annual ANRE contribution (1,832) of 2021; rent and maintenance of office building (739); down payments under contracts

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concluded with suppliers of electricity necessary to cover one's technological consumption in future periods (33); RCA & CASCO policies, 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 4,789 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 30 June 2021 down payments paid to suppliers were represented by debtor suppliers for service provision amounting to 50,246 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 transfers electricity both in physical and commercial terms to the neighbouring TSO (MAVIR, Hungary) and manages the congestion revenues on the respective interconnection (article 139 from ANRE Order 82/2014), and in relation to OPCOM SA it is Implicit Participant to the Day-Ahead Market.

In its capacity of Transfer Agent and Implicit Participant 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

On 30 June 2021 VAT to recover amounted to 78,800.

On 02.07.2021 the Company cashed 28,215 representing recoverable VAT and the value difference will be collected in the following period.

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 30 June 2021 calculated for trade receivables and their penalties were registered for CET Govora (24,995), Eco Energy SRL (24,736), Petprod SRL (23,540), Arelco Power (14,788), Total Electric Oltenia SA (14,186), Romenergy Industry (13,513), Elsaco Energy (9,276), RAAN (8,517), Opcom (6,277), CET Braosv (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.

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6. Other financial assets

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

On 30 June 2021 no bank deposits are constituted with initial maturity above 90 days.

	<u>30 June 2021</u>	<u>31 December 2020</u>
Bank deposits with maturity above 90 days	-	-
Total	<u>-</u>	<u>-</u>

7. Cash and cash equivalents

It includes cash balances, demand-funds and deposits with initial maturities within 90 days from constitution date, which have insignificant exposure to the risk of having their fair value modified, the Company using them to manage non-current commitments.

On 30 June 2021 and 31 December 2020, cash and cash equivalents were as follows:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Current bank accounts and deposits, of which:	474,185	569.699
a) Bank current accounts and deposits from current activities	292,205	-
b) Bank current accounts and deposits, of which restricted cash:	168,969	569.699
- <i>Cash and deposits from high efficiency cogeneration</i>	45,952	120.580
- <i>Cash from revenues associated to allocation of interconnection capacity used for network investments</i>	31,924	103.175
- <i>Cash from the connection fee</i>	31,199	17.811
- <i>European funds</i>	41,593	12.074
- <i>Others (securities from the electricity market and dividends)</i>	18,301	-
Cash	166	148
Other cash equivalents	43	-
Total	<u>474,395</u>	<u>569.847</u>

Company bank deposits with maturity within 90 days constituted of monetary availability found in current accounts amounted to 176,593 on 30 June 2021 and to 266,292 on 31 December 2020.

8. Shareholders' equities

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 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 Depository 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

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Romanian State's account represented by the Government through the Secretariat General of the Government in consequence of applying the provisions of the Governmental Emergency Ordinance 68/06.11.2019 establishing measures for public central administration and amending and adding certain norms.

On 30 June 2021, 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 Group N.V. with 4,007,688 shares (5.47%), PAVAL HOLDING holding 4,753,567 shares (6.49%), other legal person shareholders with 16,208,815 shares (22.11%) and other natural person shareholders with 5,312,763 shares (7.24%).

At the end of each reporting period the Company's full share capital subscribed and paid amounting to 733,031 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 30 June 2021 and 31 December 2020 was the following:

Shareholder	30 June 2021		31 December 2020	
	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	16,208,815	22.11%	16,305,068	22.24%
Paval Holding	4,753,567	6.49%	4,753,567	6.49%
NN Group N.V.	4,007,688	5.47%	4,007,688	5.47%
Other natural person sharehold.	5,312,763	7.24%	5,216,510	7.11%
Total	73,303,142	100.00%	73,303,142	100.00%

The higher shareholders' equities on 30 June 2021 compared to 31 December 2020 was mainly determined by the registration of net profit amounting to 98.196, achieved on 30 June 2021 into retained earnings.

9. 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 30 June 2021, **deferred revenues** were as follows:

	30 June 2021	Of which the current part on 30.06.2021	31 December 2020	Of which the current part on 31.12.2020
Deferred revenues - interconnection capacity allocation	2,364	2,364	2,673	2,673
Deferred revenues - European funds	1,870	1,870	1,411	1,411
Funds from connection fee	258,745	14,460	258,087	16,999
European funds	128,265	6,300	92,135	6,948
Other subsidies	26,735	1,445	27,116	1,362
Total	417,979	26,439	381,422	29,393

Current deferred revenues in january - june 2021 were as follows:

	30 June 2021	31 December 2020
Opening balance	29,393	37,210
Deferred revenues from the interconnection capacity	15,407	53,932
Proceeds from European funds	459	311
Transfer from non-current deferred revenues (connection fee)	(3,105)	(3,930)
Revenues from the use of interconnection capacity	(15,716)	(57,016)
Revenues from European funds	-	(1,114)
Total	26,439	29,393

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Non-current deferred revenues in January - June 2021 were as follows:

	30 June 2021	31 December 2020
Opening balance	352,029	360,641
Connection subsidies	(1,944)	6,673
Non-reimbursable funds	-	(33)
Non-reimbursable funds to repay	-	0
Transfer into current deferred revenues	52,385	7,393
Subsidies resumed into revenues	(10,929)	(22,645)
Total	391,540	352,029

10. Borrowings• *Non-current loans*

On 30 June 2021, the value of non-current loans diminished in comparison with 31 December 2020, mainly due to repayments made under the existing loan agreements.

In January - June 2021, there were no proceeds from loans.

Borrowings in the 6 months' interval ended on 30 June 2021 developed as follows:

	Hard currency	Interest rate	Accounting value	Due date
Balance on 1 January 2021			125,151	
New proceeds			-	
Repayments, of which:			(11,813)	
EIB 25709	EUR	3.596%	(5,867)	10-Sep-2025
EIB 25710	EUR	3.856%+2.847%	(5,946)	11-Apr-2028
Exchange rate difference on repayment date			1,408	
Balance on 30 June 2021			114,746	

On 30 June 2021 and 31 December 2020, the balances of non-current loans contracted from credit institutions were as follows:

Description	30 June 2021	31 December 2020
EIB 25709	53,373	58,613
EIB 25710	61,373	66,438
Total non-current loans from credit institutions, of which:	114,746	125,151
Current part of non-current borrowings	(23,756)	(23,480)
Total non-current loans, net of current instalments	90,990	101,671

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

	30 June 2021	31 December 2020
From 1 to 2 years	23,756	23,480
From 2 to 5 years	65,338	70,440
More than 5 years	1,895	7,752
Total	90,990	101,671

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

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

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• Current loans

These are detailed as follows:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Current portion of non-current loans	23,756	23,480
Smart credit line	8,697	8,864
Interest related to the current & non-current loans	1,115	1,230
Total current loans	33,568	33,574

• Loans contracted for current activities

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 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%.

Linia de credit este garantată prin:

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

The contract was ended on 11.03.2021.

On 02.04.2021 Transelectrica concluded the credit contract C86 as account overdraft with UniCredit Bank for 12 months with a view to finance the bonus type support scheme for high efficiency cogeneration, amounting to 175,000,000 with interest rate calculated depending on the reference rate ROBOR 1M, which is added 0% margin.

The credit line has been secured by means of:

- Chattel mortgage on the bank account opened with the bank;
- Chattel mortgage on the receivables resulting from contracts on the contribution for high efficiency cogeneration concluded with Electrica Furnizare SA, Enel Energy SA, CEZ Vanzare SA, Getica 95 Com SRL, and Enel Energy Muntenia SA;

The credit line to finance the bonus type support scheme for high efficiency cogeneration had not been used on 30 June 2021.

On 30.06.2021 Subsidiary SMART SA held a credit line type facility from Libra Internet Bank under credit contract 56640 / 13.12.2019. To finance the Subsidiary's current activities, in January 2021 the credit line type facility was extended by addendum 2 of 21.01.2021, being supplemented up to 12,000 Lei, due date on 23.12.2021.

11. Trade and other liabilities

On 30 June 2021 și 31 December 2020, trade and other liabilities were the following:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Suppliers - electricity market	497,878	468,111
Suppliers of assets	147,115	112,438
Suppliers of other activities	(697)	18,450
Amounts owed to employees	7,012	11,303
Other liabilities	397,776	306,508
Total	1,049,084	916,810

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On 30 June 2021 and 31 December 2020, the liabilities on balance from the power market amounted to 497,878, namely 468,111 and provided the following structure:

	30 June 2021	31 December 2020
Suppliers on the electricity market, of whom:		
- Suppliers – operational activities - energy	211,503	178,659
- Suppliers - the balancing market	213,464	140,354
- Suppliers from the bonus-type support scheme to	72,910	149,098
Total	497,878	468,111

” Suppliers on the electricity market are mainly represented by: Hidroelectrica SA, MAVIR, S Complexul energetic Oltenia SA, RAAN, Electrica Furnizare SA, OPCOM, IBEX, Electrocentrale Bucuresti SA, OMV Petrom SA, CIGA Energy SA. On 30 June 2021, their share was about 84% in the total electricity suppliers.

The higher balance of liabilities associated to operational activities was mainly determined by paying in quarter II of 2021 the payment liabilities found on balance on the electricity market on 30 June 2021.

The higher liabilities balance from the balancing market was determined by paying the payment liabilities on balance on the electricity market on 30 June 2021 on their due date in July 2021.

Lower liabilities under the support scheme to suppliers (generators) was mainly determined by payment the due bonus to RAAN, which has been withheld for compensation and by lower monthly bonus for high efficiency cogeneration in quarter II of 2021 compared to quarter IV of 2020.

On 30 June 2021 payment liabilities were registered to suppliers (generators) amounting to 35,549 (RAAN – 32,180 and CET Govora SA – 3,369), representing the monthly cogeneration bonus; 2014 and 2015 ante-overcompensation ; unpaid bonus in 2015. The amounts representing Company liabilities under the support scheme to RAAN and CET Govora were withheld for payment according to article 17 para 5 of Order 116/2013 of ANRE president, because suppliers (producers) register payment liabilities to the Company under the bonus type support scheme.

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

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

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

In accordance with such Agreement the Company’s receivables collectable from CET Govora SA were compensated with its liabilities to CET Govora SA, represented by cogeneration bonus for May 2014 – October 2015 amounting to 40,508, withheld by applying the provisions of article 17 para 5 from Order 116/2013 of ANRE President and the Agreement provisions. Since ANRE Decision 738/28.03.2014 was suspended by court civil ruling 3185/27.11.2015, which had determined the 2011-2013 overcompensation, CET Govora SA had no longer complied with the Agreement terms. Beginning with 9 May 2016 the general insolvency procedure was initiated for CET Govora. Taking into account the provisions of the Insolvency Law 85/2014 the Company ceased, beginning with 9 May 2016, to apply the provisions of article 17.5 from Order 116/2013 of ANRE President approving the Regulation establishing the collection mode of the contribution for high efficiency cogeneration and the payment mode of the bonus for electricity generated under high efficiency cogeneration and pays monthly the cogeneration bonus owed to CET Govora.

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

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

The higher asset suppliers' balance on 30 June 2021 compared to 31 December 2020 was owed to a greater volume of investments invoiced by asset suppliers.

Liabilities to the suppliers of other activities are mainly represented by liabilities associated to services provided to third parties that did not reach maturity, liabilities that decreased in comparison with 31 December 2020.

On 30 June 2021, the Company did not register outstanding liabilities to the state budget or to locale institutions.

The structure of liabilities registered under "other liabilities" was the following:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Sundry creditors	143,767	162,823
Client-creditors	102,834	66,358
Dividends to pay	63,950	191
Liabilities - Building leasing, short term	7,898	7,417
Liabilities - Building leasing, long term	25,668	30,532
Other liabilities	53,659	39,187
Total	<u>397,776</u>	<u>306,508</u>

- "Sundry creditors" amounted to 143,767 on 30 June 2021 and mainly represent:

The net position of the support scheme for high efficiency cogeneration, a liability position that amounted to 139,632.

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

- The value of the contribution to be collected from the suppliers of electricity consumers, the overcompensation value of electricity and heat generation under high efficiency cogeneration, the undue bonus to be collected from generators according to ANRE decisions, on the one hand, and
 - The value of the cogeneration bonus, the ex-ante overcompensation and the unpaid bonus payable to electricity generators under high efficiency cogeneration that are beneficiaries of the support scheme, on the other hand;
- 1,302 studies for synchronous interconnection of power systems from Ukraine and Republic Moldova with the European continental system; royalty 1,098 in Q2; contracts of studies 894; bid participation bonds- 239 and others.

- "Client creditors", on 30 June 2021, amounted to 102,834, of which 102,442 represent deferred amounts cashed from MAVIR (59,871), OPCOM (41,340) și IBEX (1,231) under transactions of the price coupling mechanisms 4MMC (4M Market Coupling) and SIDC (Single Intraday Coupling).

- On 30 June 2021, dividends owed to Company shareholders still unpaid amounted to 63.950. Such amounts are at the shareholders' disposal by means of the payment agent.

- On 30 June 2021 the **liability for assets related to leased assets - buildings**, according to the provisions of IFRS 16, Leasing Contracts amounted to 33,566, of which:

- Current liability: 7,898;
- Non-current liability: 25,668;

- Other liabilities amounting to 53,659 are mainly represented by performance bonds of contracts on the electricity market concluded by Transelectrica in sum of 18,760 of non-requested VAT amounting to 14,348 during the reporting period, and others.

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Provisions

On 30 June 2021 and 31 December 2020, provisions were as follows:

	30 June 2021	31 December 2020
Provisions for disputes	46,720	51,144
Provisions for mandate contracts	23,941	33,233
Provisions, employees' participation to profit fund	-	3,973
Other provisions	671	4,661
TOTAL	71,332	93,011

Dispute provisions on balance on 30.06.2021, amounting to 46,720, are mainly represented by provisions constituted for the the following litigations:

- *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 Euro 100,000 taking into account the unjustified refusal of Transelectrica SA to conclude and sign an addendum to Contract C154/27.04.2012, and in case the law court will consider that in formal terms the obligation regarding suspensive conditions cannot be deemed achieved by the claimant, such non-execution is owed to the exclusive guilt of Transelectrica SA, as the defendant prevented complying with the conditions”.

Pronouncement was deferred in order to bring the expertise evidence and a term was set on 21.01.2020. The case was also postponed in order to have the expertise performed and the next term was set on 31.03.2020. TERM: 31.03.2020 – Settlement in brief: Lawfully suspended according to article 42 para 6 from Decree 195/2020 of Romania’s President with respect to instituting the emergency state on Romanian territory during the entire time interval of such emergency. TERM: 13.10.2020. 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 **14.09.2021**.

- *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 hering 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' repr'sentatives 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

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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 09.03.2021. Settlement of ICCJ for file 3155/115/2018 is the following: It denied as groundless the appeals filed by claimant National Power Grid Company Transelectrica SA and defendant National Authority of Forests Romsilva, Forestry Division Caras - Severin against civil sentence 17 of 30 January 2020, pronounced by the Appeal Court Timisoara, Section I Civil. It decided returning the stamp judiciary tax in quantum of 19,012.3 Lei by the recurrent-claimant National Power Grid Company Transelectrica SA; final.

- *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.

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 ENERGO MONTAJ SA (7,092)*

The file pertains to claims, representing additional costs related to the growth of minimum salary in constructions and compelling to conclude an addendum to contract C54/2018. The first file term was established on **30.09.2021**.

- *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.

On the 26.04.2021 term the Specialised Cluj Tribunal denied as groundless the request filed by claimant Energobit SA in contradiction with defendant Transelectrica, with appeal right within 10 days from notification, to be submitted to the Specialised Cluj Tribunal. Energobit SA filed appeal.

- *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

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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.”

- *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.

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

Term 11.03.2021 – Meeting notes have been submitted and verbally we sustained the need to provide judiciary expertise to the case, financial - accounting domain in accordance with the provisions of article 254 para 2 pt. 2 NCPC. The instance denied such request for evidence as useless to the case.

It rose for the parties' discussion to postpone debating the substance matter on 25.03.2021 taking into account that other suits are found on the docket of the Appeal Court Cluj and of the Special Tribunal Cluj pertaining to the same issue, which files are in advanced procedural stages. As of 25.03.2021 the court successively deferred the case.

On the 22.04.2021 term the request filed by claimant ELM Electromontaj Cluj SA, in contradiction with defendant Transelectrica was denied: “It denies as groundless the claimant's request to compel the defendant to pay law court expenses; appeal right granted within 10 days from notification, to be submitted to the Specialised Cluj Tribunal”.

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“Other provisions” amounted to 128 and mainly represented medical leaves not taken.

On 30 June 2021 the Company had constituted a provision amounting to 23,941 and mainly representing the variable component of OAVT packages allocated and not capitalised during the mandates of executive and non-executive administrators executed in 2013-2017. There are summons for such variables filed by former Supervisory Board / Directorate members while provision amounts are estimated using an actuarial calculation according to applicable IFRS standards (IFRS 2) for OAVT not capitalised at the end of every financial year.

12. Other tax and social security liabilities

On 30 June 2021 and 31 December 2020, other tax and social security liabilities include:

	30 June 2021	31 December 2020
Contribution to social security funds	10,481	15,633
Payable VAT	4,171	5,502
Salary tax	1,906	2,850
Other payable taxes	1,690	1,067
Total	18,248	25,052

On 30 June 2021, the Company registered payment liabilities for the contributions to social security funds, salary tax and other taxes, which were outstanding and paid in July 2021.

13. Income tax

The Group current and deferred income tax is determined at 16% statutory rate.

The income tax expense on 30 June 2021 and 30 June 2020 are provided below:

	30 June 2021	30 June 2020
Expenses with current income tax	(19,872)	(30,704)
Net income from deferred income tax	3,617	3,299
Total	(16,255)	(27,405)

14. Operational revenues

Semester I 2021 compared to semester I 2020

ANRE-approved tariffs for services provided on the electricity market in semester I 2021 and semester I 2020, were as follows:

	Average transmission tariff	Tariff of technologic system services	Tariff of functional system services
Order 10/24.02.2021 for 01 March – 30 June 2021	20.55	10.82	-
Order 214/09.12.2020 for 01 January – 28 February 2021	20.55	11.96	-
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

The electricity quantity delivered to consumers in semester I 2021 and semester I 2020, were as follows:

	Semester I 2021	Semester I 2020
Electricity quantity delivered to consumers (MWh)	28,278,060	26,255,754

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Revenues achieved in semester I 2021 and semester I 2020 were the following:

	Semester I 2021	Semester I 2020
Transmission revenues	579,462	470,186
Revenues from allocation of interconnection capacity	20,790	31,333
Revenues from reactive electricity	288	132
Revenues from CPT transactions	908	1,938
Revenues from Inter TSO Compensation (ITC)	11,020	3,670
Transmission service revenues – total	612,467	507,258
Revenues from functional system services	-	48,311
Revenues from technological system services	318,167	343,375
Revenues with unplanned exchanges on the DAM	3,186	782
System service revenues – total	321,352	392,469
Balancing market revenues	468,866	166,064
Other revenues	25,929	30,110
Total revenues	1,428,611	1,095,901

Transmission service revenues

Taking into account the integration of the component relating to functional system services into transmission services beginning with 1 January 2021, the amount of transmission services from semester I 2020 will be cumulated to the amount of functional system services in order to be able to compare semester I 2021 to semester I 2020.

Thus transmission revenues registered increase by 60,965 in semester I 2021 compared to semester I 2020, determined by 7.70% higher electricity quantity delivered to consumers, namely 2,022,306 MWh and by the higher ANRE-approved average transmission tariff (according to the fore-mentioned table of ANRE-approved tariffs in previous time periods).

Revenues from the allocation of interconnection capacities

In semester I 2021 such revenues dropped by 10,543 in comparison with semester I 2020, 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.

Revenues from Inter TSO Compensation (ITC)

Such revenues were smaller by 1,030 in semester I 2021 compared to semester I 2020. They decreased because in the first semester of 2021 the imported / exported / transited amount of electricity was smaller than in the first semester of 2020, and the tariff applied to exchanges with adjoining countries was smaller in this interval of 2021 compared to the same period of 2020.

Revenues from CPT transactions

Revenues from electricity transactions to cover CPT (losses) were higher by 7,350 in semester I 2021 compared to semester I 2020. Such revenues were obtained by selling the excess electricity on the Intraday Market managed by OPCOM and by PRE CIGA ENERGY on the Balancing Market.

The significant growth of such revenues during the studied interval is due to the new rules on the balancing market and because the imbalances of Transelectrica were mostly contrary to the imbalances of the National Power System.

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Revenues from technological system services

They dropped by 25,208 in semester I 2021 compared to semester I 2020, determined by diminished ANRE-approved tariff for such services (according to the fore-mentioned table of ANRE-approved tariffs in previous time periods), when the electricity quantity delivered to consumers grew 7.70%, namely 2,022,306 MWh.

In semester I 2021 revenues from technological system services were greater by 26,705 compared to expenses made to procure technological system services.

The regulatory framework of technological system services contains regularisation mechanisms compensating the revenue excess or deficit against the expenses necessary to perform such activities. Thus according to ANRE regulation the revenue surplus / deficit against recognised costs resulted from such activities will be compensated by ex-post tariff (negative / positive) correction that ANRE applies to the tariff in the next years after that when such surplus / deficit was registered. The revenue surplus / deficit against the costs resulted from such activities are calculated during tariff calculation periods (usually 12 months).

Revenues on the balancing market

Balancing market revenues grew by 302,802 in semester I 2021 compared to semester I 2020, mainly determined by:

- Regulatory issues:
 - Bidding limits were removed from the balancing market according to ANRE Order 61/31.03.2020 approving the *Regulation to schedule dispatchable generating units, the dispatchable consumers and dispatchable storage installations*, the *Regulation on the operation and settlement of the balancing market*, and the *Regulation on the calculation and settlement of imbalances of balancing responsible parties*;
 - Eliminating the obligation to participate on the balancing market according to ANRE Order 213/25.11.2020 approving the *Regulation on the operation and settlement of the balancing market – single imbalance price* and amending other orders of the President of the National Regulatory Authority in the Energy domain;
 - The balancing market passed to 15 minutes' settlement interval;
 - The single settlement price was applied on the balancing market beginning with 1 February 2021;
 - Beginning with 1 June 2021 a new set of common settlement rules was applied for planned and unplanned electricity exchanges, providing a financial settlement made between Transmission System Operators, thus removing the compensations in kind determined as per the ENTSO-E methodology by the Settlement Centres of Brauweiler (Germany) and Laufenburg (Switzerland), which Transelectrica used to transact on the Day-Ahead Market and registered distinctly in the Revenue and Expense Budget with Balancing Responsible Party Unplanned Exchanges as a consequence of transacting electricity on the Day-Ahead Market;
- Market operation issues:
 - The contracting mode on the markets previous to the balancing one;
 - The development of the average deficit price registered on the balancing market;
 - Decreased negative imbalance registered by electricity suppliers on the balancing market;
 - Development of the hydraulic capacity;
 - Decrease of the electricity demand (consumption) during a mild winter;
 - Reduced electricity consumption as a result of regulations issued by the Public Central Administration to prevent spreading Covid-19;

In 2021 estimations are the regulations implemented in the national legislation in accordance with the provisions of Regulation (EU) 2019/943 of the European Parliament and Council of 5 June 2019 regarding the electricity market, the settlement at 15 minutes, the single settlement price applied on the balancing market and the country-wide management of COVID-19 spreading will have significant impact over the balancing market revenues / costs.

In semester I 2021 balancing market revenues were higher by 12,740 compared to expenses made on the balancing market.

The regulatory framework of balancing market administration contains regularisation mechanisms providing compensation for revenue excess or deficit compared to the expenses necessary for such activities. Thus according to ANRE regulations the monthly non-null balances (revenue surpluses) resulted from these activities will be compensated by ex-post tariff (negative) correction applied by ANRE into the tariff after the year when such balances were recorded.

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*(All amounts are presented in thousand RON, unless otherwise indicated)***15. Expenses to operate the system and on the balancing market****Semester I 2021 compared to semester I 2020**

Expenses made in semester I 2021 compared to semester I 2020 were the following:

	Semester I 2021	Semester I 2020
Expenses regarding one's own technological consumption	176,032	113,354
Congestion expenses	0	0
Expenses regarding electricity consumed in PTG substations	10,252	8,891
Expenses regarding functional system services	6,457	12,561
Expenses with Inter TSO Compensation (ITC)	9,404	8,091
Total operational expenses	202,145	142,897
Expenses regarding technological system services	291,462	298,216
Expenses regarding the balancing market	456,126	166,064
Total	949,733	607,177

Expenses regarding one's own technological consumption

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

Expenses regarding one's technological consumption were higher by 62,678 in semester I 2021 compared to semester I 2020, taking into account a few issues such as:

- One's technological consumption was registered about 28 GWh (32%) higher in January, namely by about 32 GWh (44%) in February compared to the same period of 2020, while about 30% growth was registered in the entire interval since the 2020 consumption was highly influenced by the Covid-19 pandemic;
- The average price of the electricity procured on the DAM was almost 80% higher in semester I 2021 compared to semester I 2020. At present the trend of the Day-Ahead Market is of continuous growth, recording much higher values than those of 2020. The same trend is noticed Europe-wide, which will have significant impact on the costs recorded for CPT coverage, taking into account on 17 June 2021 the Day-Ahead Markets of the 4M MC (Czech Republic, Slovakia, Hungary and Romania) were coupled with the regional market of Austria, Germany and Poland;
- The single settlement price was applied on the balancing market beginning with 01.02.2021, and settlements are made at 15 minutes, which led to about 8% higher average price of the electricity procured on the Balancing Market compared to the same period of last year. CPT costs on the balancing market were about 23% higher during the entire interval studied than in the same period of last year.

Expenses regarding the electricity consumption within PTG 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 grew 1,361 in semester I 2021 compared to semester I 2020, growth owed to the higher electricity procurement prices in 2021.

Expenses regarding functional system services

They decreased by 6,104 in semester I 2021 compared to semester I 2020, mainly determined by reduced balancing market expenses for unplanned electricity exchanges with the neighbouring countries interconnected to SEN.

Inter TSO Compensation (ITC) expenses

ITC expenses represent monthly payment liabilities / collection rights of each transmission & system operator (TSO). They are established under the compensation / settlement mechanism for the effects of using the electricity transmission grid (PTG) for electricity transits in-between TSO of the 35 countries that adhered to such mechanism within ENTSO-E.

In semester I 2021 such expenses were 1,312 higher than in the same period of last year.

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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, according to the needs established by the National Power Dispatcher (organisational unit of the Company) that is responsible to provide steady-state safe operation of SEN.

Such services are contracted both under competitive regime and under regulated regime (based on Decisions of the National Regulatory Authority in the Energy domain), in case of reactive electricity reserves.

Beginning with 01.02.2021 technological system services are procured under competitive regime by means of daily bids, in accordance with the provisions of Regulation (EU) 2019/943 of the European Parliament and Council of 5 June 2019.

In semester I 2021 technological system services were contracted under regulatory regime only for reactive electricity according to ANRE Decision 1078/2020, being provided by the Company Generating Electricity by Hydropower Plants Hidroelectrica SA.

Expenses for technological system services decreased by 6,754 in semester I 2021 compared to semester I 2020, mainly influenced by the following factors:

- In semester I 2021 procurement prices of technological system services on the competitive market were maintained around those recorded in 2020 for secondary reserve (RS) and fast tertiary reserve (RTR);
- In semester I 2021 there was high concentration of the market for technological system services for secondary reserve (RS).

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

In 2021 estimations are that technological system procured by daily bids and per direction performed in accordance with the provisions of Regulation (EU) 2019/943 of the European Parliament and Council of 5 June 2019, the development of ANRE's regulatory framework for the electricity market and the country-wide management of COVID-19 spreading will have significant impact on the development of procurement costs of technological system services for Transelectrica.

Expenses regarding the balancing market

Such expenses made in semester I 2021 amounted to 456,126 and were 290,062 higher than those made in semester I 2020. They result from the notifications / achievements of market participants.

16. Personnel expenses

	Semester I 2021	Semester I 2020	
Personnel expenses	148,649		138,638
- of which expenses for employees' salaries	134,776		121,101

Total Group personnel expenses made in semester I 2021 registered increase compared to semester I 2020, mainly determined by higher personnel salary expenses, social expenses, tickets granted to employees and higher expenses for social insurance and protection. Mention should be made in semester I of 2020 personnel expenses were lower compared to semester I of the current year also because of the coronavirus pandemic.

Also in semester I 2021 expenses were registered for employees' participation to the profit of 2020, and the provision constituted in 2020 for employees' participation to profit was resumed into revenues.

A part of constituted provisions was resumed to revenues simultaneously with payment made for OAVT certificates (OAVT = remunerations of executive and non-executive administrators, consisting of variable component of OAVT packages allocated and not capitalised during mandates executed in 2013-2017), payments made under enforceable court rulings received by the Company.

Average number of employees

Transelectrica SA	1,996	2,010
Smart SA	610	590
Teletrans SA	214	227

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*(All amounts are presented in thousand RON, unless otherwise indicated)***17. Other operational expenses**

	<u>Semester I 2021</u>	<u>Semester I 2020</u>
Other expenses with services provided by third parties	41,902	40,242
Postal expenses and telecommunication fees	487	526
Royalties and rent expenses	3,163	1,383
(Net) operational expenses regarding impairment allowances of current assets	286	280
Other expenses	985	(11,057)
Total	<u>46,825</u>	<u>31,374</u>

In semester I 2021 such expenses increased 15.451 compared to semester I 2020, mainly determined by the variation of certain expense items such as:

- Expenses for OAVT-s paid under enforceable court rulings were registered (performance bonus associated to OAVT Certificates granted to former executive and non-executive members and not capitalised, remuneration according to the mandate contracts concluded in 2013 – 2017);
- Higher tax and charge expenses taking into account in February 2021 a sum of 2,140 was registered representing value added tax expenses not admitted for deduction in 2014-2016, according to the Fiscal Inspection Report F-MC18/16.02.2021 and to Taxation decision F-MC 22/16.02.2020 with respect to main fiscal liabilities associated to the differences between the taxation bases established under fiscal inspections to legal persons, issued by ANAF, General Directorate for Large Tax Payers Administration. The Company constituted provision for the amount paid, which upon payment was cancelled, being resumed into revenues;
- In March 2021 a fine of 2,846 (582,086.31 Euro) and the legal penalising interest for the principal debt, calculated as of 11.06.2014 until 24.03.2021, amount paid to Subsidiary OPCOM, which we can provide the following details for: Civil ruling 614 of 16.03.2021 by the ICCJ, Section II Civil denied the appeal filed by Transelectrica against Ruling 1813/2018, pronounced by the Appeal Court Bucharest under file 40814/3/2014*, thus constituting the enforceable title; sentence 4275/24.06.2015 pronounced by Bucharest Tribunal under file 40814/3/2014 is final. Thus the Company paid 2,846 Lei (582,086.31 Euro) to subsidiary OPCOM SA, representing the amount paid by claimant OPCOM SA instead of the defendant (the Company) from the total value of the 1,031,000 Euro fine applied by European Commission Decision of 05.03.2014, with respect to a procedure initiated under article 102 of the Treaty regarding the operation of the European Union in case AT.39984. The fore-mentioned EC decision provided as such: *“Article 1 – Transelectrica and its subsidiary SC OPCOM SA have perpetrated single and continuous trespass of article 102 of the treaty from 30 June 2008 until at least 16 September 2013 in form of discrimination, since they have requested the Union traders intending to participate to Romania’s Day-Ahead Market and Intraday Market of electricity to get registered for VAT purposes in Romania. Article 2 – For the trespass mentioned in article 1, enterprises Transelectrica and OPCOM are applied 1,031,000 Euro fine, they being jointly liable to pay the entire fine...”*
The Company had constitute provision as far back as 2015 for the amount paid, which provision was cancelled on payment being resumed into revenues.
- Higher royalty and rent expenses (because the annual royalty quantum grew from 0.1% to 0.4% in accordance with the provisions of Law 244/09.11.2020 amending the Electricity and natural gas law 123/2012), higher expenses with Teletrans’ maintenance, civil protection & guard; higher travel expenses, merchandise and international subscription expenses, etc.;
- Diminished (net) expenses with provisions for other operational expenses, taking into account the provisions constituted for ANAF, OPCOM SA, ENERGOBIT SA etc. were resumed into revenues;

18. Net financial result

	<u>Semester I 2021</u>	<u>Semester I 2020</u>
Interest revenue	1,503	3,860
Revenue from exchange rate differences	2,081	1,182
Other financial revenue	60	42
Total financial revenues	<u>3,644</u>	<u>5,084</u>

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Interest expense	(2,527)	(4,285)
Expense with exchange rate differences	(3,152)	(2,791)
Other financial expenses	(7)	(2)
Total financial expenses	(5,686)	(7,078)
Net financial result	(2,042)	(1,994)

On 30 June 2021 the Company registered net financial result (loss) amounting to 2.042, being 98 smaller than that recorded in the same period of 2020. It was mainly influenced by the development of the national currency's exchange rates with the hard currencies the Company has contracted bank loans to finance its investment plans (Euro).

The exchange rate of the national currency on 30 June 2021 compared to that of 30 June 2020, was the following:

Currency	30 June 2021	30 June 2020
Lei / Euro	4.9267	4.8423
Lei / Dolar USA	4.1425	4.3233

19. Disputes and contingencies

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

i) Disputes

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

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

• AUTONOMOUS AUTHORITY FOR NUCLEAR ACTIVITIES

On the docket of Mehedinti Tribunal, 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 gainst debtor RAAN, the litigated amount being 89,360,986 Lei.

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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 late as 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 term 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 **14.10.2021**.

• **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.

In the public hearing of 21.10.2020 the appeals filed by the claimant and the defendant against ruling 2771 of 13 June 2018 from CAB, Section VIII, Administrative & 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

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ascertained certain deficits. Transelectrica 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 exceptions invoked by request were denied, the request was 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 17.09.2021); 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, turned into 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 on 08.06.2022; file 6574/2/2017 on cancelling the findings regarding item 5.2 and the measure decided in item II.8, hearing term on 19.10.2021). Three files were settled for good by the Appeal Court Bucharest's denial of the cancellation request and recourses denied by the High Court of Cassation and Justice (file 6583/2/2017 on cancelling the findings regarding item 5.1 and the measure decided in item II.7 and II.8 and file 6582/2/2017 on cancelling the findings regarding item 11, and the measure decided in item I.5; file 6580/2/2017 on cancelling the findings regarding item 10 and the measure decided in item II.12).

In January-July 2020 Romania's Court of Audit performed control to all the Territorial Transmission Units of Transelectrica, and in 25.05-27.08.2020 the check continued in the Company's executive branch. CCR's control pertained to "control of the situation, development and administration of the state's public and private domains and of the legality of revenues obtained and expenses made in 2017-2019" within Transelectrica.

Such inspection on the fore-mentioned topic began on 25.05.2020 in the Company's executive branch but CCR suspended it to initiate a different audit to "control the management of public resources during the emergency state". This began on 02.06.2020 and ended on 26.06.2020.

The Audit Report executed by CCR auditors about the "control on the management of public resources during the emergency state", registered under number 24225/26.06.2020 in the Company, ascertained no deficiency, consequently no Decision was issued with measures to be applied.

When the inspection with respect to the administration of the state's public and private domains, and to the legality of revenues obtained and expenses made in 2017-2019 ended on 06.10.2020, Audit Report 40507/06.10.2020 was issued and on 09.11.2020 Romania's Court of Audit issued Decision 15 through Department IV, which contained 10 measures to be applied by 31.05.2021.

The Company filed objections and submitted Contestation 50090/26.11.2020, registered under number 139775/26.11.2020 at the Court of Audit's, requesting cancellation of such measures. CCR auditors examined and studied the Contestation submitted by the Company and issued Conclusion 2 of 10.03.2021 admitting cancellation of one measure of the 10 decided.

The Company's Contestation is under settlement by the Appeal Court Bucharest.

• ANRE

Transelectrica 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.

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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. It was pronounced on 11.01.2021 by placing the settlement to the parties' disposal by means of the court clerk.

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

• OPCOM

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

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

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

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

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

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

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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.

• CONAID COMPANY

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 found on the docket of the High Court of Cassation and Justice, Section of Administrative and Fiscal Disputes, and pertained to an obligation to issue an administrative deed; law court stage – appeal and hearing term on 09.12.2015. On this term the High Court of Cassation and Justice admitted in principle the appeals and set a hearing term of such appeals, for the main issue, on 08 April 2016. Panel 4 was entrusted to summon the parties.

Case judgement was deferred to 17.06.2016, when the court postponed pronouncement to 29.06.2016, when it pronounced Ruling 2148/2016 whereby it decided as follows: "It denies the exceptions invoked by the recurrent-claimant SC Conaid Company SRL by means of the judiciary administrator RVA Insolvency Specialists SPRL and by the recurrent-defendant the National Power Grid Company Transelectrica SA. It admits the appeal filed by the defendant National Power Grid Company Transelectrica SA against the hearing conclusion of 18 February 2014 and civil ruling 1866 of 11 June 2014 pronounced by the Appeal Court Bucharest, Section VIII of Administrative and Fiscal Disputes. It cancels the contested conclusion and partly the ruling and refers the case to Bucharest Tribunal, Section VI Civil to settle the claimant's case in contradiction with the National Power Grid Company Transelectrica SA. It maintains the other ruling provisions as regards the claimant's suit against the National Regulatory Authority in the Energy domain. It denies the appeals filed by claimant SC Conaid Company SRL by means of the judiciary administrator RVA Insolvency Specialists SPRL and by the intervenient SC Duro Felguera SA against civil ruling 1866 of 11 June 2014, pronounced by the Appeal Court Bucharest, Section VIII of Administrative and Fiscal Disputes. It denies the appeal filed by the defendant National Power Grid Company Transelectrica SA against the hearing conclusion of 25 March 2014, pronounced by the Appeal Court Bucharest, Section VIII of Administrative and Fiscal Disputes; final". It was pronounced at public hearing on 29 June 2016.

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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 **14.09.2021** – to submit the expertise evidence.

• FF WIND ENERGY INTERNAȚIONAL

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 PTG 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 **14.09.2021**.

• 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.

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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 **27.09.2021** to continue the bankruptcy procedure by capitalising the assets and recovering the receivables.

• 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.

On 22 March 2021 the judgment of summons filed by claimant Resita City by its Mayor in contradiction with defendant Transelectrica SA, pertaining to claims in accordance with article 413 para (1) pt. 1 Civil Procedural Code; appeal right granted during file suspension, at the superior court.

• 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.

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

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

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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 Galați SA, Independent Authority of Nuclear Activities, Romenergy Industry SRL, Energy Holding SRL, UGM Energy Trading SRL, CET Iași, CET Bacău, CET Brăila, CET Govora, CET Brașov, Elsaco Energy SRL, Elsaco Esco, Arelco Power SRL, Arelco Energy SRL, Inversolar Energy SA, Opcom, Menarom PEC SA Galați 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.

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 the amount of 7,652,449 Lei to Transelectrica, which is added VAT, as prejudice incurred by the 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 Appeal term in file 1614/1/2020 was on 27.01.2022.

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.

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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. The case was replaced on the docket again; hearing term: 15.10.2021.

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 Transelectrica 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 was denied as groundless; Teletrans' appeal was also denied as groundless; final.

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.

- **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

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Teletrans a declarat apel, care are termen de judecată la data de 11.03.2021.

Teletrans filed appeal with hearing term on 11.03.2021.

The case was declined back to Section VI Civil, a negative conflict of competence was ascertained and the file was referred to ICCJ. Hearing term on 18.08.2021.

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.

ii) Contingencies

În perioada ianuarie – iunie 2021, la sediul Companiei a fost finalizată următoarea acțiune de control:

- **Control ANAF-DGAMC**

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.

Also on 15.03.2021 ANAF – DGAMC issued Decision 211 regarding accessory fiscal liabilities representing interest rates and delay penalties associated to the principal debit and amounting to 1,834.

When the Company has submitted the request to cancel the accessory payment liabilities according to OUG 69/2020, ANAF – DGAMC issued Decision 1031/08.04.2021 cancelling the accessory payment liabilities in quantum of 1,834.

There is fiscal audit underway in Subsidiary Smart from ANAF-DGAMC, pertaining to income tax (2014-2016) and VAT (2015-2016).

At present there are disputes on the docket with the Court of Audit about their controls performed in 2013, 2017 and 2020, provided in the Dispute chapter. Taking into account the Court of Audit's findings recorded in its 2013, 2017 and 2020 decisions, we specified in the financial statements executed each quarter, semester and year that additional fiscal obligations are likely to occur which on the current date cannot be accurately determined according to the terms provided in Standard IAS 37 Provisions, contingent liabilities and assets.

20. Affiliated parties

- **Transactions with Company-owned Subsidiaries**

Entity	Country	30 June 2021 % from shares	31 December 2020 % from shares
SMART SA *)	Romania	100	100
TELETRANS SA	Romania	100	100
ICEMENERG SA **)	Romania	-	-

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OPCOM SA	Romania	97.84	97.84
FORMENERG SA	Romania	100	100
ICEMENERG SERVICE SA ***)	Romania	100	100

The net value of shares held by the Company in its subsidiaries was of 78,039 on 30 June 2021 and of 78,038,750 on 31 December 2020.

The balances of Company-held subsidiaries are detailed as follows:

Affiliated Entity	Trade receivables*)		Trade liabilities	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
SMART SA	500	348	9,068	8,265
TELETRANS SA	94	140	13,249	11,532
FORMENERG SA	-	-	-	-
OPCOM SA	72,532	63,087	65,300	55,154
TOTAL	73,126	63,575	87,618	74,951

*) Trade receivables are provided at gross value.

Transactions made with its subsidiaries, are detailed as follows:

Affiliated Entity	Sales	
	Semester I 2021	Semester I 2020
SMART SA	330	421
TELETRANS SA	168	278
OPCOM SA	308,658	134,684
TOTAL	309,156	135,384

Affiliated Entity	Procurements	
	Semester I 2021	Semester I 2020
SMART SA	33,173	31,166
TELETRANS SA	16,148	17,745
FORMENERG SA	-	-
OPCOM SA	466,961	145,922
TOTAL	516,283	194,833

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- **Company financial investments**

In Europe the energy sector is under change with emphasis on the transition from a prevalingly national development model of the energy sector to an European integrated coordinated development model continental-wide, enabling also tailoring to national specific features while targeting the legitimate interests of European states.

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

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

TSCNET (TSCNET Services GmbH)

It was established to serve the Transmission System Operators (TSO) of eastern-central-western European part (CORE region) in view of coordinated implementation of European network codes. Affiliation means participating to the shareholders of TSCNET by purchasing company shares.

Decision 9 of AGEA of 05 June 2018 approved Company affiliation to the Security Coordinating Centre of CORE region, TSCNET by participating to its share capital with 470,500 Euro (1 share – 2.500 EUR).

JAO (Joint Allocation Office)

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

Transelectrica was invited by JAO to become part of its shareholders.

Decision 10 of AGEA of 20 August 2018 approved the Company's affiliation to the Joint Allocation Office (JAO) by cash subscription of 259,325 Euro, being allotted 50 shares.

SEE RSC (Centrul de Coordonare a Rețelei de Energie Electrică din Sud-Estul Europei)

Through the Romanian – Bulgarian border Romania is part of the coordinated calculation region of cross-border transfer capacities South-East Europe (SEE). In terms of regional coordination of operational safety services, this region will be served by an independent legal entity exercising the part of regional operational safety coordination centre (further called SEE RSC).

The Company's affiliation to the shareholders of SEE RSC became effective on 22.05.2020 by cash subscription of 50,000 Euro, being allotted 50,000 shares.

21. Credit risk

This is the risk by which the Group incurs financial loss for a client's failure to comply with contractual obligations or a counterpart's to a financial instrument. Such risk results mainly from trade receivables as well as cash and cash equivalents.

The counterpart risk is treated using factors inside and outside the Company. The external success factors which systematically influence risk reduction are: decentralising the energy sector making the generation, transmission, distribution and supply as distinct activities, while the supplier is the client's interface; electricity is traded on Romania's market by two segments: the regulated market and the competitive one. Internal success factors for the counterpart risk treatment include: diversification of the clients' portfolio as well as diversifying the number of services provided on the electricity market.

Financial assets that might subject the Group to the collection risk are trade receivables and cash and cash equivalents, in the main. The Company has put in practice a series of policies making sure the services are sold to clients with proper collection, by including their obligation to constitute financial securities in trading contracts. The value of receivables net of value allowances represents the maximum amount exposed to the collection risk.

	30 June 2021	31 December 2020
Financial assets		
Net trade receivables	830,680	717,494
Cash and cash equivalents	474,395	569,847
Other net receivables	50,941	103,629
VAT to recover	78,800	34,349
Other financial assets	-	0
Total	1,434,816	1,425,319

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

	Gross value	Impairment allowance	Gross value	Impairment allowance
	30 June 2021	30 June 2021	31 December 2020	31 December 2020
Not reached to maturity	713,855	350	633,610	367
Maturity exceeded from 1 to 30 days	429	-	351	10
Maturity exceeded from 31 – 90 zile	779	2	881	0
Maturity exceeded from 90 – 180 zile	191	8	34	3
Maturity exceeded from 180 – 270 zile	2	1	161	17
Maturity exceeded from 270 – 365 zile	373	756	95	9
Mai mult de un an	230,717	137,412	221,333	138,564
Total	946,344	138,528	856,465	138,971

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

	Gross value	Impairment allowance	Gross value	Impairment allowance
	30 June 2021	30 June 2021	31 December 2020	31 December 2020
Not reached to maturity	2,945	53	96,945	28
Maturity exceeded from 1 to 30 days	19,104	-	4,076	275
Maturity exceeded from 31 – 90 zile	10,988	-	6,156	24
Maturity exceeded from 90 – 180 zile	4,786	258	1,383	249
Maturity exceeded from 180 – 270 zile	3,424	292	4,924	3,136
Maturity exceeded from 270 – 365 zile	1,341	437	715	641
Mai mult de un an	91,026	58,768	83,798	55,666
Total	133,614	59,808	197,997	60,019

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

The greatest depreciation allowances on 30 June 2021, calculated for trade receivables and their penalties were registered for CET Govora (24,995), Eco Energy SRL (24,736), Petprod SRL (23,540), Arelco Power (14,788), Total Electric Oltenia SA (14,186), Romenergy Industry (13,513), Elsaco Energy (9,276), RAAN (8,517), Opcom (6,277), CET Braosv (4,665).

To recover the trade receivables with impairment allowances the Company took the following measures: bringing to court, registration in the creditors' list, requesting explanations from NAFA (for the VAT collectable from Opcom) etc.

The impairment allowances for doubtful receivables were as follows:

	30 June 2021	31 December 2020
Balance on 1 January	138,971	139,282
Recognition of impairment allowances	1,463	713
Reversal of impairment allowances	1,906	1,501
Balance at the end of the period	138,528	138,971

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

	30 June 2021	31 December 2020
Balance on 1 January	60,019	55,610
Recognition of impairment allowances	574	3,538
Reversal of impairment allowances	785	740
Balance at the end of the period	59,808	60,019

Financial assets that might submit the Group to the collection risk are trade receivables and cash and cash equivalents. The Group has put in practice a series of policies making sure the services are sold to clients with proper collection, by including in their trading contracts the obligation to constitute financial securities. The value of receivables net of value allowances

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represents the maximum amount exposed to the collection risk.

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

22. Later events

- *Acceptance of mandate for provisional Supervisory Board member*

The Company informed the interested public about Mr. Victor Florin DUMITRIU who accepted in express manner the mandate of provisional Supervisory Board member, his appointment becoming effective on 01 July 2021.

- *Disputes about the ORCTB registration of AGOA Decision 4 of 22.06.2021 and of subsequent decisions*

On 08 July 2021 the Company acknowledged Mr. Adrian Goicea and Mrs. Luiza Popescu, intervenient and former Supervisory Board members recalled by AGOA Decision 4 of 22.06.2021, submitted intervention requests based on OUG 116/2009 with respect to mention requests 393260 & 393280 of 30.06.2021; thus they asked denying such mention requests, ascertaining the nullity of certain deeds from the organization of AGOA on 22.06.2021, as well as suspending AGOA Decision 4 of 22.06.2021.

The Company will execute and sustain the necessary defences with respect to such intervenient requests before Bucharest Tribunal, Section VI civil.

- *Communiqué on the mode of payment for dividends distributed according to HAGOA 3/2021*

On 14 July 2021 the Company issued a communiqué based on Decision 3 of the Shareholders' general ordinary assembly of 22 June whereby it transmitted the payment procedure for distributed dividends.

- *Information about the stage of the dispute on ORCTB registration of AGOA Decision 4 of 22.06.2021*

The Company issued information on 16 July 2021 regarding the stage of disputes with respect to ORCTB registration of AGOA Decision 4 of 22.06.2021.

- *Change of membership in the Consultative committees of the Supervisory Board*

The Supervisory Board having assembled on 27 July 2021 decided changing the membership of consultative committees as follows: Nomination and remuneration committee: Adrian Nicolae BLAJAN – chairman, Adina-Loredana DOGARU-TULICA – member, Claudiu Constantin NASTASA – member, Mihaela POPESCU – member, Audit committee: Victor Florin DUMITRIU – chairman, Mihaela POPESCU – member, Adina-Loredana DOGARU-TULICA – member, Marius Vasile MORARIU – member, Energy security committee: Marius Vasile MORARIU – chairman, Adrian Nicolae BLAJAN – member, Claudiu Constantin NASTASA – member, Victor Florin DUMITRIU – member.

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