

# **NPG TRANSELECTRICA SA**

**Two-Tier Company**

**Consolidated Financial Statements  
on the date and for the financial year concluded on  
December 31st, 2019**

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

*free translation*

**NPG TRANSELECTRICA SA**

Consolidated Statement of Financial Position for the period concluded on December 31st, 2019

*(All amounts are expressed in RON, unless otherwise indicated)*

	<b>Note</b>	<b>December 31st, 2019</b>	<b>December 31st, 2018</b>
<b>Assets</b>			
<b>Fixed assets</b>			
Tangible assets	<b>5</b>	3,518,276	3,043,346
Intangible assets		30,258	23,152
Financial assets		29,769	34,843
Assets of the usage rights for leased assets - buildings	<b>6</b>	6,329	-
<b>Total fixed assets</b>		<b>3,584,632</b>	<b>3,101,342</b>
<b>Current assets</b>			
Inventories	<b>7</b>	47,412	54,085
Trade receivables and other receivables	<b>8</b>	710,334	1,069,938
Other financial assets		85,000	
Cash and cash equivalents	<b>9</b>	339,630	505,494
<b>Total current assets</b>		<b>1,182,377</b>	<b>1,629,517</b>
<b>Total assets</b>		<b>4,767,009</b>	<b>4,730,858</b>
<b>Shareholders' equity and liabilities</b>			
<b>Equity</b>			
Share capital		733,031	733,031
Share premium		49,843	49,843
Legal reserve		129,096	123,742
Revaluation reserve		955,201	551,185
Other reserves		15,813	66,705
Retained earnings		1,414,339	1,315,729
<b>Equity attributable to the owners of the Group</b>	<b>10</b>	<b>3,297,323</b>	<b>2,840,236</b>
Non-controlling interests	<b>27</b>	19,748	1,335
<b>Total equity</b>		<b>3,317,071</b>	<b>2,841,571</b>
<b>Long-term debt</b>			
Long term deferred income	<b>11</b>	360,641	411,155
Loans	<b>12</b>	122,835	143,866
Deferred tax liabilities	<b>14</b>	145,380	61,016
Employee benefits obligations	<b>13</b>	76,357	65,986
<b>Total non-current liabilities</b>		<b>705,214</b>	<b>682,023</b>

The accompanying notes form an integral part of the consolidated financial statements.

**NPG TRANSELECTRICA SA**

Consolidated Statement of Financial Position for the period concluded on December 31st, 2019

*(All amounts are expressed in RON, unless otherwise indicated)*

	<b>Note</b>	<b>December 31st, 2019</b>	<b>December 31st, 2018</b>
<b>Current debt</b>			
Trade payables and other payables	<b>14</b>	561,864	1,018,348
Other loans and assimilated liabilities - Leasing of building		6,329	-
Other taxes and social insurance liabilities	<b>18</b>	10,875	11,578
Loans	<b>12</b>	58,917	61,149
Provisions	<b>15</b>	70,990	96,494
Short term deferred income	<b>11</b>	37,749	19,329
Income tax to be paid		(2,001)	367
<b>Total current liabilities</b>		<b>744,724</b>	<b>1,207,264</b>
<b>Total liabilities</b>		<b>1,449,938</b>	<b>1,889,287</b>
<b>Total shareholders' equity and liabilities</b>		<b>4,767,009</b>	<b>4,730,858</b>

This Consolidated Financial Statements has been approved by the Company's management on March 20, 2020 and has been signed on its behalf by:

Directorate,

<b>Catalin NITU</b>	<b>Andreea-Mihaela MIU</b>	<b>Ionut-Bogdan GRECIA</b>	<b>Corneliu-Bogdan MARCUS</b>	<b>Adrian MOISE</b>
President	Member	Member	Member	Member

**Ana-Iuliana DINU**  
Manager  
Economic, Financial & Administrative Unit

**Cristiana Zirnovan**  
Manager Budgeting and Management Reporting  
Department

The accompanying notes form an integral part of the consolidated financial statements.

**NPG TRANSELECTRICA SA**

Consolidated Statement of Profit and Loss for the period concluded on December 31st, 2019

*(All amounts are expressed in RON, unless otherwise indicated)*

	Note	December 31st, 2019	December 31st, 2018
<b>Revenues</b>			
Revenues from electricity transmission		1,081,982	1,069,837
Revenues from system services		741,693	701,622
Revenues on the balancing market		523,104	903,865
Other incomes		94,743	50,281
<b>Total revenues</b>	<b>19</b>	<b>2,441,522</b>	<b>2,725,605</b>
<b>Operating expenses</b>			
System Operating Expenses	<b>20</b>	(351,741)	(308,872)
Balancing market expenses	<b>20</b>	(523,104)	(903,865)
Expenses with the technological system services	<b>20</b>	(676,468)	(677,725)
Depreciation		(287,346)	(306,967)
Expenses for staff	<b>21</b>	(268,840)	(248,804)
Expenses for repair and maintenance		(68,746)	(62,466)
Expenses for materials and consumables		(53,693)	(28,312)
Other operating expenses	<b>22</b>	(102,116)	(89,635)
<b>Total operating expenses</b>		<b>(2,332,054)</b>	<b>(2,626,647)</b>
<b>Operational profit</b>		<b>109,468</b>	<b>98,957</b>
Financial revenues		10,023	16,020
Financial expenses		(18,709)	(25,758)
<b>Net financial result</b>	<b>23</b>	<b>(8,686)</b>	<b>(9,738)</b>
<b>Profit before tax</b>		<b>100,782</b>	<b>89,219</b>
Profit tax	<b>16</b>	(12,077)	(13,839)
<b>Result for the year from continuing operations</b>		<b>88,705</b>	<b>75,380</b>
<b>RESULT FOR THE YEAR</b>			
Attributable to:			
Owners of the Group		88,779	78,110
Non-controlling interests		(74)	(2,730)
<b>Basic and diluted lost/earnings per share (lei/share)</b>	<b>17</b>	<b>1.21</b>	<b>1.03</b>

The accompanying notes form an integral part of the consolidated financial statements.

**NPG TRANSELECTRICA SA**

Consolidated Statement of Profit and Loss for the period concluded on December 31st, 2019

*(All amounts are expressed in RON, unless otherwise indicated)*

	Nota	December 31st, 2019	December 31st, 2018
<b>Result of the financial year</b>		<b>88,705</b>	<b>75,380</b>
<b>Other comprehensive income</b>			
Elements which will not be reclassified in the profit and loss account, out of which:			
- Effect of taxation on revaluation reserve		(86,443)	(36,607)
- Surplus from the revaluation of tangible assets		542,389	119,080
- Actuarial losses on defined benefit plans		(9,465)	(2,958)
<b>Other comprehensive income (AERG)</b>		<b>446,480</b>	<b>79,515</b>
<b>Total comprehensive income for the year</b>		<b>535,185</b>	<b>154,895</b>
<b>Attributable to:</b>			
Owners of the Group		525,492	78,110
Non-controlling interests		9,692	(2,730)

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President	Member	Member	Member	Member

**Ana-Iuliana DINU**  
Manager  
Economic, Financial & Administrative Unit

**Cristiana Zirnovan**  
Manager Budgeting and Management Reporting  
Department

**NPG TRANSELECTRICA SA**

Consolidated Statement of Changes in Shareholders' Equity for the period concluded on December 31st, 2019

(All amounts are expressed in RON, unless otherwise indicated)

	Registered capital	Share premium	Legal reserve	Revaluation reserve	Other reserves	Retained earnings	Attributable to the owners of the group	Non controlling interests	Total
<b>Balance on January 1st, 2019</b>	<b>733,031</b>	<b>49,843</b>	<b>123,742</b>	<b>551,185</b>	<b>66,705</b>	<b>1,315,731</b>	<b>2,840,237</b>	<b>1,335</b>	<b>2,841,572</b>
<b>Comprehensive income for the year</b>									
Result for the year	-	-	-	-	-	88,779	88,779	(74)	<b>88,705</b>
Other comprehensive income									
Defined benefit plan actuarial loss	-	-	-	-	-	(10,573)	(10,573)	1,108	(9,465)
Surplus from revaluation of tangible assets	-	-	-	533,731	-	-	533,731	<b>8,658</b>	542,389
Deferred tax liability generated by revaluation reserve	-	-	-	(86,443)	-	-	(86,443)	-	(86,443)
<b>Total other comprehensive income</b>	-	-	-	<b>447,287</b>	-	<b>(10,573)</b>	<b>436,714</b>	-	<b>446,380</b>
<b>Total comprehensive income for the year</b>	-	-	-	<b>447,287</b>	-	<b>78,206</b>	<b>525,493</b>	-	<b>535,185</b>
Other elements	-	-	-	(1,252)	-	-	(1,252)	-	(1,252)
Transfer of revaluation reserve to retained earnings	-	-	-	(42,019)	-	46,926	-	-	-
Increase of the legal reserve	-	-	5,354	-	-	(5,354)	-	-	-
Non-controlling interests arising from decrease of ownership in SMART SA	-	-	-	-	-	(17,256)	(17,256)	8,721	(8,535)
<b>Total other elements</b>	-	-	<b>5,354</b>	<b>(43,272)</b>	-	<b>19,409</b>	<b>(18,508)</b>	<b>8,721</b>	<b>(9,787)</b>
Derecognition of assets like public domain by registering HG 615, 682 and 683 of 2019 changing the inventory of assets from the public domain	-	-	-	-	(54,442)	-	(54,442)	-	<b>(54,442)</b>
Subsidies for the assets belonging in the state public domain (connection fee)	-	-	-	-	3,550	-	3,550	-	<b>3,550</b>
Other reserves	-	-	-	-	-	993	993	-	<b>993</b>
Special dividends according to GO 29/2017	-	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	<b>(50,892)</b>	<b>(993)</b>	<b>(49,899)</b>	-	<b>(49,899)</b>
<b>Balance on 31 December 2019</b>	<b>733,031</b>	<b>49,843</b>	<b>129,096</b>	<b>955,201</b>	<b>15,813</b>	<b>1,414,339</b>	<b>3,297,323</b>	<b>19,748</b>	<b>3,317,071</b>

Directorate,

**Catalin NITU**

President

**Andreea-Mihaela MIU**

Member

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**Corneliu-Bogdan MARCU**

Member

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**Ana-Iuliana DINU**

Manager Economic, Financial &amp; Administrative Unit

**Cristiana Zirnovan**

Manager Budgeting and Management Reporting Department

The accompanying notes form an integral part of the consolidated financial statements.

**NPG TRANSELECTRICA SA**

Consolidated Statement of Changes in Shareholders' Equity for the period concluded on December 31st, 2019

(All amounts are expressed in RON, unless otherwise indicated)

	Registered capital	Share premium	Legal reserve	Revaluation reserve	Other reserves	Retained earnings	Attributable to the owners of the group	Non controlling interests	TOTAL
<b>Balance on 01 January 2018</b>	<b>733,031</b>	<b>49,843</b>	<b>119,153</b>	<b>408,899</b>	<b>57,627</b>	<b>1,366,936</b>	<b>2,735,489</b>	<b>4,065</b>	<b>2,739,554</b>
<b>Overall result of the period</b>									
Profit of the financial year	-	-	-	-	-	75,380	75,380	-	75,380
<b>Other elements of the comprehensive income</b>									
Recognition of Actuarial Losses regarding the Determined Plan of Benefits	-	-	-	-	-	(2,958)	(2,958)	-	(2,958)
Surplus from revaluation of tangible assets	-	-	-	119,080	-	-	119,080	-	119,080
Deferred tax liability for the revaluation reserve	-	-	-	(36,607)	-	-	(36,607)	-	(36,607)
<b>Total Other Elements of the Global Result</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>82,473</b>	<b>-</b>	<b>(2,958)</b>	<b>79,515</b>	<b>-</b>	<b>79,515</b>
<b>Total Global Result of the Period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>82,473</b>	<b>-</b>	<b>72,422</b>	<b>154,895</b>	<b>-</b>	<b>154,895</b>
<b>Other items</b>							-		-
Transfer of revaluation reserve to retained earnings	-	-	-	(57,499)	-	57,499	-	-	-
Increase of the legal reserve	-	-	4,781	-	-	(4,781)	-	-	-
Non-controlling interests arising from decrease of ownership in SMART SA	-	-	-	-	-	2,730	2,730	(2,730)	-
<b>Total other items</b>	<b>-</b>	<b>-</b>	<b>4,781</b>	<b>(57,499)</b>	<b>-</b>	<b>55,448</b>	<b>2,730</b>	<b>(2,730)</b>	<b>-</b>
<b>Contributions by and distributions to owners</b>									
Reclassification of previous year's	-	-	(192)	117,312	(632)	(112,370)	4,118	-	4,118
Subsidies for the assets belonging in the state public domain (connection fee)	-	-	-	-	9,711	-	9,711	-	9,711
Distribution of dividends from the profit of the year	-	-	-	-	-	-	-	-	-
Distribution of additional dividends as per GO no. 29/2017	-	-	-	-	-	(66,706)	(66,706)	-	(66,706)
Adjustments to retained earnings	-	-	-	-	-	-	-	-	-
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>(192)</b>	<b>117,312</b>	<b>9,078</b>	<b>(179,076)</b>	<b>(52,877)</b>	<b>-</b>	<b>(52,877)</b>
<b>Balance as at 31 December 2018</b>	<b>733,031</b>	<b>49,843</b>	<b>123,742</b>	<b>551,185</b>	<b>66,705</b>	<b>1,315,731</b>	<b>2,840,237</b>	<b>1,335</b>	<b>2,841,572</b>

Directorate,

**Catalin NITU**  
President

**Andreea-Mihaela MIU**  
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**Adrian MOISE**  
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**Ana-Iuliana DINU**  
Manager Economic, Financial & Administrative Unit

**Cristiana Zirnovan**  
Manager Budgeting and Management Reporting Department

The accompanying notes form an integral part of the consolidated financial statements.

**NPG TRANSELECTRICA SA**

Consolidated Statement of Cash Flows for the period concluded on December 31st, 2019

*(All amounts are expressed in RON, unless otherwise indicated)*

	December 31st, 2019	December 31st, 2018
<b>Cash generated from operating activities</b>		
Recording loss in retained earnings from correction off accounting errors		0
Profit of the period	<b>88,705</b>	<b>75,380</b>
<b>Adjustments for:</b>		
Income tax expense	11,160	13,839
Amortisation expenses	278,907	306,967
Expenses with adjustments for trade receivables impairment	5,777	12,956
Reversal of adjustments for trade receivables impairment	(10,022)	(8,645)
Losses from various debtors	9,456	55
Net expenditures/loss with adjustments for various debtors impairment	(3,533)	(32,914)
Net expenditures with adjustments for inventories impairment	24	352
Net loss on disposal of property, plant and equipment	355	99
Net expenditures on adjustments regarding tangible assets	11,538	1,569
Net expenses/revenues of provisions for risks and expenses	(32,819)	54,051
Financial expenses regarding the adjustments for impairment of fixed assets	0	0
Interest expenses, interest revenues and unrealized revenues from exchange rate differences	9,037	8,631
<b>Cash flows before changes in the current capital</b>	<b>368,585</b>	<b>432,340</b>
<b>Changes in:</b>		
Inventories	6,098	(3,979)
Clients and assimilated accounts	350,671	(214,992)
ANAF's execution	(2,762)	0
Trade payables and other liabilities	(420,787)	277,717
Other taxes and social insurance liabilities	(1,300)	353
Deferred revenues	(28,583)	(22,974)
<b>Cash generated from operating activities</b>	<b>271,922</b>	<b>468,466</b>
Paid interests	(9,022)	(20,948)
Paid income tax	(15,823)	(12,865)
<b>Net cash from the operating activity</b>	<b>247,077</b>	<b>434,654</b>
<b>Cash flows from the investment activity</b>		
Acquisition of tangible and intangible assets	(237,518)	(173,236)
Proceeds from EC grants	-	11,646
Collected interests	5,044	9,867
Owned shareholdings at JAO / TSC NET	(1,232)	(2,207)
Collection from sales of tangible assets	8	688
Other financial assets	(85,000)	0
<b>Net cash used in the investment activity</b>	<b>(318,737)</b>	<b>(153,242)</b>

The accompanying notes form an integral part of the consolidated financial statements.

**NPG TRANSELECTRICA SA**

Consolidated Statement of Cash Flows for the period concluded on December 31st, 2019

*(All amounts are expressed in RON, unless otherwise indicated)*

	<b>December 31st, 2019</b>	<b>December 31st, 2018</b>
<b>Treasury flows used in the financing activity</b>		
Repayments of short term borrowings	29,540	0
Repayments of long term borrowings	(52,215)	(113,900)
Repayments of short term borrowings	(4,487)	(13,282)
Reimbursement of liabilities		(200,000)
Paid dividends	(67,042)	(2,610)
<b>Net cash used in financing activities</b>	<b>(94,203)</b>	<b>(329,792)</b>
Cash and cash equivalents as of 1 January	505,494	553,875
<b>Net decrease of cash and cash equivalents</b>	<b>(165,864)</b>	<b>(48,381)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>339,630</b>	<b>505,494</b>

This Consolidated Financial Statements has been approved by the Company's management on March 20, 2020 and has been signed on its behalf by:

Directorate,

**Catalin  
NITU**

Președinte Directorat

**Andreea-Mihaela  
MIU**

Membru Directorat

**Ionut-Bogdan  
GRECIA**

Membru Directorat

**Corneliu-Bogdan  
MARCUS**

Membru Directorat

**Adrian  
MOISE**

Membru Directorat

**Ana-Iuliana DINU**

Manager  
Economic, Financial & Administrative Unit

**Cristiana Zirnovan**

Manager Budgeting and Management Reporting  
Department

**1. DESCRIPTION OF THE ACTIVITY AND GENERAL INFORMATION**

The main activity of CNTEE Transelectrica SA ("The Company") consists of: electricity transmission services and system service, operator of the balancing market, administrator of the bonus type support scheme, other related activities. These activities take place according to the provisions of the business license no. 161/2000 issued by ANRE, updated through the Decision ANRE no. 641/25.04.2018, of the General Conditions associated to the license approved through the ANRE Order no. 104/2014 and of the final certification of the Company as a transport operator and system of the National Power System according to the model of separating the property ("ownership unbundling") based on ANRE Order no. 164/07.12.2015.

Adresa sediului social este: Bdul General Gheorghe Magheru nr. 33, Bucuresti, sectorul 1. In prezent, The registered headquarters are located in: 33 General Gheorghe Magheru Blvd., Bucharest, district 1. The Company's executive activity currently takes place at the working point in 2-4 Olteni street, district 3, Bucharest.

The consolidated financial report as of 31 December, 2018, drafted according to the Order of the Ministry of Public Finances no. 2844/2016 on the approval of the Accounting arrangements pursuant to the International Financial Reporting Standards as subsequently amended, is available at the Company's offices from 2-4 Olteni street, district 3, Bucharest.

Starting with 2006, the Company's shares are traded on the Bucharest Stock Exchange under the symbol TEL.

According to the Decision of the Extraordinary General Assembly of Shareholders from 18 July, 2012, the Company switched from one-tier to two-tier Company in order to perform a clear separation of the management activities from the controlling activities. Thus, the Company is managed by a Directorate under the supervision of a Board of Supervisors.

***Establishment of the Company***

In accordance with Government Decision ("GD") no. 627 on the reorganization of the National Power Company - SA (the "Predecessor Entity") issued on July 31st, 2000 by the Government of Romania, the National Power Company was split into four newly created legal entities ("Successor Entities"). The sole shareholder of the Successor Entities was the Romanian State, through the Ministry of Economy ("ME"). CNTEE Transelectrica SA was established as a result of this reorganization as a joint-stock company which has as main activity the electricity transmission, dispatching of electricity, organization and management of the electricity market.

As provided in Note 11, on 31 December 2019 the shareholders of the Company are: the Romanian State represented by the Secretariat General of the Government, holding 43,020,309 shares (58.69%), NN Group NV holding 4,458,060 shares (6.08%), DEDEMAN SA having 4,503,567 shares (6.14%), other legal person shareholders holding 15,525,909 shares (21.18%) and other natural person shareholders having 5,795,297 shares (7.91%).

In accordance with the 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.

GD no. 47/2013 on the organization and operation of the Ministry of Economy was amended and supplemented accordingly by GD no. 41/2015.

On 14.11.2019 the Central Depository SA registered the transfer of 43,020,309 shares (representing 58.68% of the share capital) issued by CNTEE Transelectrica SA from the Romanian State's account through the Ministry of Economy into the Romanian State's account represented by the Government through the Secretariat General of the Government, following application of the provisions from Governmental Emergency Ordinance 68/2019 establishing certain measures for public central administration and amending and adding certain norms.

## NPG TRANSELECTRICA SA

Notes to the consolidated financial statements as at December 31st, 2019  
(All amounts are in "thousand LEI", unless stated otherwise)

### THE MISSION OF THE GROUP

The main subsidiaries of the Group that enter into the consolidation scope as well as the percentage of the shares held by the Company are presented below:

Entity	The country of origin	December 31st, 2019	December 31st, 2018
		% of share	% of share
SMART SA	Romania	70	70
TELETRANS SA	Romania	100	100

### SMART SA

SMART SA, with registered office at 33 Magheru Blvd., district 1, Bucharest, and head office located at the work B-dul Gheorghe Sincai nr. 3, "Formenerg" Building, 1floor, district 4 Bucharest, has as main activities the provision of maintenance services for the transmission-dispatch system. It was established under GD 710/19.07.2001 on 1 November 2001. The share capital as of December 31st, 2018 amounted to 55,036, of which 38,529 is subscribed and fully paid up by the Company.

By Decision no. 14/10.12.2014, the Extraordinary General Assembly of Shareholders of SC Smart SA approved the company's share capital increase by in-kind contribution with the land plots value for which the certificate authenticating the ownership rights was obtained.

On December 30th, 2014, the Trade Registry Office attached to the Bucharest Court settled the application to register the share capital increase of SC Smart SA and, consequently, as of December 31st, 2015, the shareholding of SC Smart SA was the following:

NPG Transelectrica SA	- shares 3.852.860 - participation in profit and loss: 70,005%
Romanian State through the General Secretariat of the Government	- shares 1,650,770 - participation in profit and loss: 29.994%

On January 25, 2016, the amendment regarding the change of the shareholder structure of SC Smart SA was processed at the National Trade Registry Office, namely the mention regarding the administration of State's assets, amendment required by Art. 10 of GEO no. 86/2014, as amended and revised.

\*) On the docket of the courts there was a litigation - file no. 32675/3/2015 - involving the annulment of Resolution of the Designated Person No. 154954/December 30th, 2014, pronounced in file no. 449314/December 23rd, 2014, under which the Trade Register attached to the Bucharest Court has registered the share capital increase of the subsidiary SC Smart SA with contribution in kind and amended the Articles of Association according to Decision no. 12375/December 22nd, 2014 of the Chairman of the Board of Directors of the subsidiary and according to Board Decision no. 19/December 22nd, 2014. The Company also requested the competent court for the annulment of the two aforementioned decisions and the suspension of the enforcement of deeds whose annulment is requested, until the resolution of the promoted action.

In the file no. 32675/3/2015, the Bucharest Court – Section VI Civil pronounced the civil sentence no. 6468/November 16th, 2015, through which it ordered the following: "Admits the exception of inadmissibility. Dismisses the application for summons filed by the plaintiff Transelectrica against the defendants: the subsidiary Company for electricity transmission grid maintenance services SMART SA, the Romanian State and ONRC, as inadmissible. Appeal right within 30 days from notification. The appeal shall be lodged at the Bucharest Court - Civil Section VI. Pronounced in open court today, November 16th, 2015". CNTEE Transelectrica SA lodged an appeal, which was registered on the docket of the Court of Appeal, the case being settled at the hearing from May 23rd, 2016, when the Court of Appeal Bucharest ruled the civil decision no. 903/23.05.2016, deciding as follows: "Rejects the appeal as ill-founded. Admits the notification of the Constitutional Court.

Pursuant to Article 29 (4) of Law no. 47/1992, notifies the Constitutional Court to resolve the exception of unconstitutionality of Article 114 (3) of Law no. 31/1990 in relation to the provisions of Article 16, Article 21 and Article 44 of the Constitution, exception invoked by the appellant. Final."

In accordance with ONRC registrations, Decision 12375/22.12.2014 of the BA Chairman of the Subsidiary

## **NPG TRANSELECTRICA SA**

Notes to the consolidated financial statements as at December 31st, 2019  
(All amounts are in "thousand LEI", unless stated otherwise)

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Company for Maintenance Services to the Electric Transmission Grid SMART SA (whereby the share capital of Smart SA was increased by 16,507,700 Lei representing contribution in kind of the Romanian State, which thus acquired the participation quota of 29.994% to benefits and losses and diminishing accordingly the participation quota to benefits and losses of the National Power Grid Company Transelectrica SA from 100% to 70.005%) and based on which mentions 449314 of 23.12.2014 was registered, was cancelled by the 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 request to cancel the mention, in view of returning to the 100% quota, constituting file 37718/3/2019 on the docket of Bucharest Tribunal, hearing term on 02.04.2020.

The main object of activity of the SC SMART SA subsidiary is reviewing and repairing of live apparatus and equipment, transformers and autotransformers, as well as the 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.

The mission for which SMART SA was set up is to provide preventive maintenance, special works and corrective maintenance of the Transmission Electricity Network (RET), starting from the primary objective of Transelectrica: to ensure the transport of electricity in the national transport network in safety and stability conditions.

As general strategic objectives, at least the following shall be considered:

- ✓ Ensuring high availability of assets in the RET
- ✓ Increasing flexibility in operation
- ✓ Decreasing intervention times
- ✓ Coordination of maintenance services/works with the National Energy Dispatcher (DEN)

## **TELETRANS SA**

Subsidiary TELETRANS SA was established under AGA Decision no. 13/04.12.2002 of Transelectrica, pursuant to Law no. 31/1990 and the Orders no. 3098 and no. 3101 of 23.10.2002 issued by the Ministry of Industry and Trade. Teletrans shares are 100% owned by Transelectrica

Based on the Articles of Association and the applicable legislation, Teletrans holds the ANCOM certificate for networks or electronic communications service provider since 2002 (GEO no. 679/2002), allowing it the right to provide the following electronic communications services:

- Public electronic communications networks (starting with November 11th, 2004);
- Publicly available electronic communications services: (i) Leased line services and (ii) Electronic communications services other than telephony and leased lines (as of 01.07.2003);
- Private electronic communications networks and services (starting with January 15th, 2003).
- The TELETRANS staff also holds certifications relevant for the operation and management of IT&C systems dedicated to critical infrastructures.

Share capital on 31.12.2019 amounted to 6,874 mill Lei (687,443 shares, 10 Lei nominal value each), Transelectrica being single shareholder

Teletrans's results are consolidated with the Company's financial results.

Besides the two subsidiaries that go into the consolidation the Company comprises three more subsidiaries, Romanian legal persons, organised as joined-stock companies of which it is the only shareholder, namely Formenerg, and Icemenerg Service (found under bankruptcy procedure on the date of these financial statements).

Formenerg and Icemenerg-Service have not been included in the consolidation because, in accordance with the applicable accounting legislation, the impact of their activities is considered insignificant for consolidation purposes, while OPCOM, the last subsidiary in this list, is subject to ANRE rules and holds an independent position on the energy market.

**FORMENERG Subsidiary** is a company whose main object of activity is the initial and continuous professional training in all fields of activity of the personnel with attributions in the energy field of all sectors of the national economy and of other beneficiaries, among them Transelectrica, GDF SUEZ Energy Romania, Romgaz, Transgaz Mediaş, Nuclearelectrica and Hidroelectrica.

**ICEMENERG SERVICE – SA Subsidiary** is focused on the design, manufacture and distribution of metering, running and control apparatuses meant for the power system, having got ISO 9001 and IQ NET certification

from SRAC ROMANIA, ANRE licensed. On the date of June 9th 2017, the Bucharest Court, Civil Division VII, ordered the bankruptcy procedure through the simplified procedure of the debtor, ICEMENERG SERVICE SA, designating Solvendi SPRL as a provisional liquidator.

**OPCOM SA** was established according to GD 627/2000 on the reorganisation of the National Electricity Company SA as subsidiary, whose sole shareholder is Transelectrica .

According to the provisions of the primary and secondary legislation in force, the Company Operatorul Pieteii de Energie Electrica si Gaze Naturale OPCOM SA performs the role of electricity market administrator, providing an organized, viable and efficient framework for commercial transactions in the wholesale electricity market and conducting centralized gas market management activities under conditions of consistency, fairness, objectivity , independence, equidistance, transparency and non-discrimination.

Transelectrica does not exercise actual direct control over the decision making mechanisms of OPCOM, whose administration is performed according to ANRE regulations.

### ***The mission of the Group***

The mission of the Group is to ensure safety and security in the functioning of the National Power System (NPS) by complying with the standards and the performance stipulated by the technical regulations in force, providing a public service for all users of the electricity transmission grids, ensuring transparency, non-discrimination and fairness for all the market participants.

### ***Other information relating to the Group's activity***

The participation of European transmission system operators (TSO) in ENTSO-E is regulated by the European legislation in force (Regulation no. 714/2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No 1228/2003): “All transmission system operators shall cooperate at Community level through the ENTSO for Electricity, in order to promote the completion and functioning of the internal market in electricity and cross-border trade and to ensure the optimal management, coordinated operation and sound technical evolution of the European electricity transmission network.”

The ENTSO-E membership of CNTEE Transelectrica SA is a prerequisite for the access to the decision-making process on the relevant European strategy and legislation and to protect and support the Company's interests in the activities/projects undertaken at the association and the European Commission level.

ENTSO-E was established in 2009 as a non-profit organization headquartered in Brussels, reuniting European TSO associations organized according to synchronically interconnected regions (UCTE, ETSO, BALTSO, NORDEL, UKTSOA, ATSOI). Transelectrica has been a member of UCTE and ETSO as of October 2004 - the Romanian power transmission system is included in the Continental Europe Regional Group.

The Company is an affiliate member to the following international organizations:

- ENTSO – E - European Network of Transmission System Operators for Electricity;;
- CIGRE - International Council on Large Electric Systems;
- LWA - Live Work Association;

On 23 September 2019 the credit rating agency Moody's Investors Service published their updated credit opinion assessing the current and future capability of Transelectrica to meet its payment liabilities to creditors. The current credit opinion maintains the Company's rating of the previous year, namely Ba1.

In this assessment the rating of Transelectrica is only one notch below the country's rating (Baa3 stable), thus recognising the Company's improved financial performance and sound operational results, which provide premises of future funding under optimum terms in order to perform the investments assumed in the fourth regulatory period under the best conditions.

On 19 December 2019 the international credit rating agency Fitch Ratings reconfirmed the Company's long-term rating at the level of the one registered in 2018, namely 'BBB', stable outlook, which mirrored the sound business profile of Transelectrica as transmission system operator, whose revenues are sustained by the regulated asset base (RAB), and by the prudent responsible approach to operational activities.

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

At the same time in December 2019 Fitch Ratings withdrew the rating granted to the Company for commercial considerations.

***Legislative environment***

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

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

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

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

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

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

***Final certification of Transelectrica as TSO of the NPS, according to the ownership unbundling model***

In accordance with the provisions of Law no. 123/2012 regarding electricity and natural gas, as subsequently amended and supplemented, the Romanian Energy Regulatory Authority (ANRE) approved, via Order no. 164/07.12.2015, the certification of the National Power Grid Company "Transelectrica" SA as transmission system operator of the National Power System according to the ownership unbundling model.

The ownership unbundling model has become available to the Company based on Law no. 123/2012 regarding electricity and natural gas which transposes Directive 2009/72/EC.

ANRE Order no. 164/07.12.2015 accompanied by European Commission Approval no. C (2015) 7053 final/12.10.2015, as integral part of the Order, was published in Official Journal no. 908/08.12.2015 and together with the Approval Report thereof is communicated by ANRE to the European Commission.

This order enforces the provisions of the European Union and the national legislation regarding the certification of transmission system operators.

The certification notification was sent to the European Union, which published it in the Official Journal of the EU of 08.01.2016, in accordance with Art. 10 paragraph (2) of Directive 2009/72/EC.

***Tariffs for the electricity transmission and system service***

Electricity transmission is a general interest activity in the field of electricity, authorized and monitored by a public authority (public service), in the form of a natural monopoly. The tariffs charged by the Company for transmission and system services are established and approved by ANRE (Note 20).

***Regulated assets base ("RAB")***

The transmission tariff is set, among others, based on the regulated asset base. The regulated asset base includes the carrying amount of property, plant and equipment and intangible assets which correspond to the private patrimony of the Company and the carrying amount of the State's public patrimony assets that were financed through the Company's sources, recognized by ANRE and used in providing the electricity transmission service.

Assets resulting from additional investments made with the approval of the regulatory authority, due to exceptional circumstances as compared to the investment program initially approved at the beginning of the regulatory period are inserted in the RAB in the specific period if in the regulation period savings amounts were

registered and only within the limits thereof, or will be included in the RAB at the beginning of the next regulatory period, by the amount remaining depreciated if a valuable saving was not made.

In 2019 the regulated rate of return of assets for electricity transmission activities had the following values:

- 7.7%, value established by ANRE for the third regulatory period and applied in 01 January 2019 - 29 March 2019;
- 6.9%, value established in the Electricity and natural gas law (according to the amendments made by OUG 19/2019) and applied in 30 March - 31 December 2019.

At the end of 2019 the value of BAR associated to electricity transmission activities, as established by ANRE based on the investments made by CNTEE Transelectrica SA in the third regulatory period and based on an estimation of investments made during the transitional tariff interval, is about 2,599 million.

### ***Inclusion of Transelectrica in the local stock exchange indexes***

Beginning with 29.08.2006 the shares issued by Transelectrica are transacted on the regulated market managed by the BVB, in category I under TEL symbol. Transelectrica shares are included in the BET index [showing the development of the 10 most transacted Companies on the regulated market managed by BVB, excluding the financial investment companies (SIF-s)].

The Company has been also included in the local BET-XT, BET-NG, BET-XT-TR, BET Plus, BET-TR, BET-BK, and ROTX indexes.

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

### ***The Group's revenues***

The main revenue generating activities of the Company are represented by the provision of the following services:

- Electricity transmission service;
- System services (the technical operational management of the NPS);
- Balancing market operator.

### ***Electricity transmission service***

The transmission service consists in ensuring the electricity transmission between two or more points of the power transmission grid ("PTG"), under conditions of efficiency and safety, whilst observing the applicable performance standards.

The Company ensures the non-discriminatory access to the transmission grid of all electricity market participants. The transmission activity is carried out through eight branches located in: Bucharest, Bacau, Cluj, Craiova, Constanta, Pitesti, Sibiu and Timisoara.

The transmission service provided by Transelectrica consists in ensuring the technical conditions and maintaining the PTG parameters during the injection/extraction of energy in/from PTG

### ***System services***

The Company's responsibility is to maintain the National Power System operating uninterruptedly under safe conditions while complying with the quality standards provided in the technical code of the electricity transmission grid. To this effect, the Company uses its own resources called functional system services and purchases technological system services from electricity producers.

The Company provides such services by using dispatcher management systems based on a tariff regulated and approved by ANRE, which is applied to the same base - electricity delivered to consumers - and it includes the system service tariff, which includes

- the functional system services tariff

*Technological system services* are purchased from energy producers at the request of the Company pursuant to a competitive procedure regulated by ANRE, upon request of CNTEE Transelectrica SA for maintaining the operational safety of the NPS as well as the quality of electricity transmitted at the parameters required by the applicable legislation. CNTEE Transelectrica SA re-invoices the entire amount of system services purchased from producers (except for the active energy component which covers the PTG losses) to electricity suppliers licensed by ANRE which are the end beneficiaries of such services.

*The functional system services* pertain to the dispatch services provided by CNTEE Transelectrica SA and consist of planning and operationally managing the NPS, as well as the other activities of CNTEE Transelectrica SA in order to balance production against consumption in real time, in order to safely cover the electricity consumption at minimum costs whilst maintaining the operational safety level of the NPS.

**Balancing market operator**

In accordance with the provisions of the Commercial Code of the Wholesale Electricity Market, the balancing market was introduced and started functioning in Romania in July 2005. Starting September 1, 2018, the operation of the balancing market is regulated by the Rules on the calculation and settlement of imbalances of parties in charge with balancing and by the Rules on the organization and settlement of the balancing market, approved by Order of the ANRE President no. 31/31.01.2018, published in the Official Gazette of Romania issue 166bis/22.02.2018. The purpose of this market is to maintain the balance between production and consumption in real time, using resources offered in a competitive system.

Transelectrica SA is the balancing market operator which, based on procedures and regulations approved by ANRE, must approve the registration of licensed participants on the national electricity market, collect, verify and process all the bids and perform the clearing procedures.

**High-efficiency cogeneration**

Starting April 1st, 2011, Transelectrica SA is the administrator of the support scheme for high-efficiency cogeneration. The purpose of this support scheme is to promote highly efficient systems cogenerating heat and power, with the advantage of a more environmentally friendly electricity production. It aims to provide easy access on the market for electricity produced in high-efficiency cogeneration plants via a cogeneration bonus granted if the total electricity and heat production costs generated by such cogeneration plants exceed the market prices of the two types of energy. The support scheme targets electricity and heat producers owning or operating high-efficiency power plants, so as to encourage new investments in cogeneration, as well as the refurbishment of existing facilities. The support scheme was effectively enforced in Romania as of April 1st 2011, after the Romanian Energy Regulatory Authority (ANRE) adopted the regulating framework for the implementation of this scheme.

The support scheme for the promotion of high efficiency cogeneration is one of the mechanisms developed at the level of the European Union (EU) so that each member state could reach its greenhouse gas (GHG) emission reduction targets (by reducing the amount of primary electricity required to generate the same amounts of processed energy - electricity and heating - compared to separate production).

The bonus support scheme was established in Romania by GD no. 219/2007 on the promotion of cogeneration based on useful heating energy (transposition of EC Directive no. 8/2004) and implemented by GD no. 1215/2009 on the determination of criteria and conditions for the implementation of the support scheme to promote high efficiency cogeneration based on useful heating energy demand, for producers with an installed electrical capacity of more than 1 MW.

The support mechanism was authorized by the European Commission Decision C(2009)7085, amended by Decision C(2016)7522 final. Based on these decisions, state aid is of an operating type, to cover the difference between electricity production costs and revenues in high-efficiency cogeneration, ensuring a profitability of no more than 9%.

The bonus-type support scheme is thus aimed at supporting and promoting electrical and heating power production systems in high-efficiency cogeneration, so as to ensure new investments in cogeneration technology, as well as the performance of works for the replacement/refurbishment of existing installations.

The scheme applies to electrical and heating power producers in cogeneration who demanded ANRE for the bonus for electricity manufactured in high-efficiency cogeneration and delivered into the NPS, for the cogeneration capacities included in the list of high-efficiency cogeneration electricla and heating power manufacturers by December 31, 2016. The manufacturers benefit from the support scheme for no more than 11 consecutive years, without exceeding 2023, the year by whose end the scheme is terminated. The bonus, granted on demand, represents the amount (in RON) received by the manufacturers for each MWh produced in high-efficiency cogeneration and delivered into NPS networks, is established by ANRE on an annual basis and is calculated as a difference between the total manufacture costs of an equivalent cogeneration power plant, with high efficiency electricity production, and the revenues likely to be obtained by it using the market price of electricity and the unit cost of heating power resulted for an equivalent heat plant respectively. This difference is related to the electricity delivered to the NPS by the cogeneration plant.

Government Decision no. 1215/2009 establishes the legal framework according to the European Union regulations necessary for implementing the bonus support scheme for promoting high-efficiency cogeneration

based on the demand for thermal energy, in order to cover the difference between high-efficiency cogeneration production costs and sale prices. ANRE approved the reference bonus values per megawatt an hour ("MWh") of electricity produced and delivered in the grid from high-efficiency cogeneration plants. The beneficiaries of the scheme are the producers that meet certain criteria established by ANRE.

According to provisions of Article 14 of Government Decision no. 1215/2009, CNTEE Transelectrica SA is designated as responsible for the administration of the support scheme. The main tasks of the Company as the administrator of the support scheme are: collecting the contribution from the suppliers of the electricity consumers in a bank account distinct from the core activity; paying the bonus to the high-efficiency cogeneration electricity and heat producers; concluding contracts with suppliers in order to collect the contribution and with producers that will be the beneficiaries of the scheme; verifying the value of the contribution collected; issuing invoices to suppliers; refunding the high-efficiency cogeneration contribution to the suppliers who import in Romania energy produced in high-efficiency cogeneration in other member states of the European Union; monitoring and reporting to ANRE the way of administration of the support scheme; paying the bonus to energy producers that are the beneficiaries of the scheme; paying late penalties to the producers for not paying the bonus on the due date.

The Company acts as an agent of the State in the monthly collection of the cogeneration contribution and the monthly payment of the bonus and under such circumstances, the operations associated to the support scheme do not influence the income and expense accounts, except for the own administration costs recognized by ANRE to run the support scheme, which are self-invoiced.

On December 8th, 2016, by Government Decision no. 925, the amendment and supplement have been adopted for GD no. 1215/2009 on setting the necessary criteria and conditions to implement the support scheme for promoting the high efficiency cogeneration based on the effective heat demand. The main amendments refer to the following:

- to receive the bonus, producers are requested not to generate liabilities to the administrator of the support scheme or to conclude conventions for the settlement of liabilities and receivables;
- the over-compensation is recovered according to the national legislation and the legislation of the European Union in the field of State aid;
- the undue over-compensation/bonus remaining to be paid by producers, for which all the legal actions have been taken, will be recovered by including the amount in the cogeneration contribution, according to the methodology issued by ANRE;
- the ANRE decisions regarding the amount of the over-compensation and/or the undue bonus are mandatory for producers and are enforced for recovering the amount by issuing a decision by the scheme administrator in accordance with the legislation in the field of State aid;
- the financial closing of the support scheme is made in the first semester of 2024, according to the regulatory framework drawn up by ANRE.

Until the date of these consolidated financial statements ANRE has not elaborated the regulatory framework for the scheme financial closure according to item 11 of HG 925/2016 amending and adding Governmental Decision 1.215/2009 establishing the criteria and conditions necessary to implement the support scheme to promote high efficiency cogeneration based on the demand of useful thermal power.

GD no. 129/2017 on the supplementation of art. 8 of Government Decision no. 1215/2009 stipulates that the cogeneration bonus for the current support scheme may be awarded for no more than 11 consecutive years, but no later than 2023.

GD no. 846/2018 amending and supplementing Government Decision no. 1215/2009 stipulates that reference bonuses and reference prices for heating power are adjusted on a semi-annual basis, and values approved for the following year are also applied in November-December of the current year (compared to the previous case, when reference bonuses were approved on an annual basis). Thus, starting 2019, the overcompensation analysis will be based on the orders on the approval of the values of reference bonuses for electricity manufactured in high-efficiency cogeneration and of the reference prices for heating and power produced in cogeneration; such orders are issued by ANRE for several periods (January-June, July-October, November-December).

### ***Electricity markets price coupling mechanism***

On November 19, 2014, the „4M Market Coupling” project became operational, which provides the connection of Day Ahead electricity markets (Day Ahead Market) in Romania, Hungary, The Czech Republic and Slovakia.

In terms of the internal regulatory framework,, the roles and responsibilities of the operators involved, i.e.,

Transelectrica SA and SC OPCOM SA as well as the operations carried out within the market coupling processes are provided in the Regulation for the Organization and Operation of the Day-Ahead Electricity Market, approved by ANRE Order no. 82/2014 (the Regulation), by observing the price coupling mechanism of markets and amending certain legal acts that regulate the day-ahead electricity market.

The target model for the day ahead market, based on the principle of price coupling of regions (PCR - Price Coupling of Regions) uses a single algorithm to correlate bids and set the price.

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

Art. 138 of the Regulation provides that, during the post-coupling process, the transmission system operators (TSOs) act as shipping agents for the electricity resulted from the coupling algorithm as being shipped between two adjacent bidding zones.

Within the price coupling mechanism of day-ahead markets, the electricity exchanges correlate, based on auctions, the day-ahead electricity trades depending on the interconnection capacity made available by TSOs through which it is implicitly allocated.

The Company acting as TSO, transfers the electricity both in physical and commercial terms to the neighboring TSOs (MAVIR-Hungary) and manages the congestion income on the respective interconnection (Article 139 from ANRE Order no. 82/2014), while in relation to SC OPCOM SA it acts as Implicit Participant on the Day-Ahead Market.

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

Thus, within the price coupling mechanism of regional markets, CNTEE Transelectrica SA:

- fulfils the role of implicit participant on the DAM and acts as shipping agent;
- provides the interconnection capacity for the physical supply of electricity traded on the DAM, namely the transfer of power from one bidding zone to another through the interconnection lines, limited to the available transfer capacity of such lines.

Congestion income is divided on a monthly basis between transmission system operators and foreign exchange differences are withheld or covered by TSOs, as the case may be.

The Company approved that the transactions related to the price coupling mechanism of regional markets will not influence the income and expense accounts, except for income from congestion management across interconnection lines, for income/expenses from foreign exchange differences and for expenses with bank fees resulting from clearing transactions carried out by the Company as shipping agent.

## **2. BASES OF ELABORATION**

### ***The Compliance Statement***

The consolidated financial statements ("financial statements") were drafted according to the Order of the Ministry of Public Finances no. 2844/2016 approving the Accounting arrangements pursuant to the International Financial Reporting Standards with subsequent amendments and additions ("OMFP no. 2844/2016"). Within the meaning of Order no. 2844/2016, the International Financial Reporting Standards mean the standards adopted according to the procedure provided by Regulation (EC) no. 1.606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards ("EU IFRS").

The Group applies the International Financial Reporting Standards as approved by the European Union upon the preparation of the consolidated financial statements for 2018 in accordance with OMF no. 881/2012, as subsequently amended and supplemented.

### ***Basis of assessment***

The consolidated financial statements are prepared at historical cost, except for property, plant and equipment other than the ones in progress, which are assessed at revaluated value, while the liabilities related to cash settled share-based payment transactions are assessed at fair value.

***Functional and presentation currency***

The consolidated financial statements are presented in Romanian Lei ("LEI" or "RON") according to the applicable accounting regulations, which is the Group's functional currency.

***Use of estimates and judgements***

The preparation of consolidated financial statements in accordance with EU IFRS requires management to use professional judgment, estimates and assumptions that impact the application of accounting policies and the recognized value of assets, liabilities, income and expenses, assumptions regarding the fair value, commitments and contingencies, the recognition of non-refundable funds to be received, the provision for impairment of receivables (see Note 8), the liabilities related to cash settled share-based payment transaction and the liabilities for defined benefit plans.

Actual results may differ from these estimates. Estimates and assumptions are revised periodically. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future impacted periods.

Information about assumptions and estimates due to significant uncertainties are included in the following notes:

- Note 11 - the Company's management estimate related to the existence of a reasonable assurance that the conditions regarding non-refundable funds will be fulfilled and the funds will be received;
- Note 13 - assessment of liabilities for defined benefit plans;
- Note 24 - recognition and assessment of provisions, commitments and contingencies; key assumptions regarding the probability and magnitude of an outflow of resources;
- Note 25 - assessment of liabilities related to cash settled share-based payment transactions.

Information regarding the accounting policy rationale pertaining to the service concession agreements is presented in the following paragraphs.

In 2004 the Group (operator) concluded a service concession agreement with the Ministry of Economy (grantor) according to which the Company has the right to use public patrimony assets which mainly include the electricity transmission grid and the land on which it is located, in exchange for providing electricity transmission services (see Note 3 (b)). Taking into consideration that the majority of the Company's shares are held by the State, the Company's management considers it to be a public-sector company and therefore out of the scope of IFRIC 12 "Service Concession Arrangements". With no other specific international financial reporting standard pertaining to service concession agreements, the Company considered whether IFRIC 12 should nevertheless be applied, based on the hierarchy set out in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", which requires to first consider the requirements of other IFRSs dealing with similar issues.

In determining whether IFRIC 12 is applicable, the Company considered if the following features of a public-to-private service concession agreement are to be applied to the concession agreement concluded with the Ministry of Economy, as of the date on which IFRIC 12 is required to be adopted:

- the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price;
- the grantor controls — through ownership, beneficial entitlement or otherwise — any significant residual interest in the infrastructure at the end of the term of the arrangement: 49 years;
- the contractual agreement would include the same terms if entered into with a private-sector company.

The analysis of the characteristics of the concession agreements of public-private services reveals as follows:

- the services provided by the Company are regulated by ANRE, therefore the Grantor – the relevant ministry – does not control or regulate the type of services that the Company must provide;
- at the end of the contractual period, the residual interest in infrastructure is approximately nil, and most of the goods belonging to the State public domain are completely depreciated;
- there are currently no other similar contracts, the Company holds the monopoly in the electricity transmission sector.

The Group concluded that accounting for the concession agreement under IFRIC 12 would not reflect the economic substance of the transaction, as the Company pays an annual fee as royalty for the use of the assets under the concession agreement of 1/1000 of the total annual revenue from electricity transmission services, computed based on the actual transmitted quantity, a fee that is significantly lower than the amount of the depreciation that the Company would have recorded for these assets, had the concession agreement not been signed. As a result, IFRIC 12 is not applicable, and the Company applied the accounting policies as explained in Notes 3 (a) and (b).

### **3. ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for those aspects disclosed in Note 3 letter (x) which discloses the changes in accounting policies.

#### **(a) Basis of consolidation**

##### **(i) Subsidiaries**

Subsidiaries are entities controlled by the Group. The group has control over an entity when it is exposed to, or is entitled to variable gains resulting from its involvement in the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

On the date of this report The Company has five subsidiaries in its structure, Romanian legal entities, organised as joint stock companies, namely: Formenerg, OPCOM, Teletrans, Smart and Icemenerg Service (is at the date of the report in bankruptcy procedure).

Among the Company's subsidiaries, only Smart and Teletrans are included in the Group's financial consolidation perimeter. Formenerg and Icemenerg-Service have not been taken into consideration for the consolidation because according to the applicable accounting legislation, the impact of their activities is considered as being insignificant for the purpose of the consolidation, while OPCOM is subject to ANRE regulations and holds an independent position on the energy market, and therefore Transelectrica does not have control over it.

##### **(ii) Loss of control**

Loss of control On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

##### **(iii) Transactions eliminated on consolidation**

Transactions eliminated on consolidation Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equityaccounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### **(b) Tangible assets**

##### ***Owned assets***

Property, plant and equipment, except for the ones in progress, are stated at their revalued value, less any accumulated depreciation and accumulated impairment losses. Property, plant and equipment in progress are stated at cost. The cost of assets built by the Company includes cost of materials, direct salaries, initial estimate, where applicable, of costs with dismantling and relocating items and restoring the site, plus a share of indirect costs.

##### ***Recognition***

Property, plant and equipment are initially valued at cost.

The cost includes the costs that are directly attributable to the acquisition. The cost of constructed assets by the entity includes:

- cost of materials and direct staff costs;
- other costs directly attributable to bringing the asset to the location and condition/stage necessary for the intended use; and
- capitalized loan costs.

Impairment adjustment are recorded for the idle or obsolete tangible assets.

Value adjustments for unused or used tangible assets are recorded in the consolidated financial statements when these items are identified.

#### *Subsequent expenditure*

The Group recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be reliably measured. All other costs are recognized in the income statement, as occurred.

#### *Depreciation*

Property, plant and equipment items are depreciated using the linear method over their useful lifetimes, as follows:

	<b>Normal duration of operation (years)</b>
Buildings and special facilities	40 – 60
Plant and equipment	15 – 40
Metering and control devices	7 – 12
Vehicles	5 – 8
Other tangible fixed assets	3 – 5

Land is not depreciated. Where parts of an item of property, plant and equipment have different useful lives, these are accounted for as separate items of property, plant and equipment (major components). Depreciation methods, useful lifetimes and residual values are revised and adjusted, if the case, at the end of each reporting period.

#### *Reassessment*

The Group chose to disclose property, plant and equipment at revalued value, except for advances and property, plant and equipment in progress, presented at historical cost.

Revaluations are performed by independent appraisers, with sufficient regularity so that the book value does not differ significantly from the value which can be determined based on the fair value as at the reporting date.

#### **(c) Public assets**

As stipulated by Law no. 213/1998, the electricity transmission grids represent the State's public patrimony goods.

Government Decision no. 627/2000 establishes in Annex no. 8 the State public patrimony fixed assets which are under the Company's administration since August 1st, 2000, and which are subject to inventory count and are updated whenever necessary, through a legal act (GD).

Prior to signing the concession agreement described below, public patrimony assets were treated as contribution in kind of the Romanian state through its representative, the Ministry of Economy, as the Company did not have to pay any tax for using the assets.

In November 1998, Law no. 213/1998 was issued, which regulates the status of public patrimony. The law stipulates that the State or local authorities have ownership of the State public patrimony and that they can rent or grant use of such assets. According to the provisions of Law no. 213/1998 and Law no. 219/1998, the Ministry of Economy has signed, on behalf of the State, a concession agreement pertaining to the energy transmission grid (high voltage electricity lines and electrical substations) and the land on which they are built.

Concession agreement no. 1 was concluded on June 29th, 2004 between the Ministry of Economy and the Company for all public tangible assets in balance as of December 31st, 2003 and is in effect for 49 years.

Following the execution of the concession agreement with the Ministry of Economy on behalf of the Romanian State, on June 29th, 2004, the nature of the relationship between the Ministry and the Company changed and thus the Company derecognized public patrimony assets, including the public patrimony reserve included in equity. Subsequent to the conclusion of the concession agreement, the Company accounts as operating lease the assets over which it has been granted a right of use. The payments for the concession agreement (royalty) are accounted for by the Company as expenses in the profit or loss account during the year.

Concession agreement no. 1/2004 was published in the Official Gazette of Romania no. 298 bis of April 30th, 2015.

Between 2005 and 2013, seven addenda were entered to the concession contract. Therefore, assets from the public patrimony obtained out of the development fee after June 29th, 2004 have been derecognized.

Taking into account the provisions of Government Decision no. 1009/2012 and of Government Decision no. 984/2012, approving the amendment of Appendix no. 7 to Government Decision no. 1705/2006 approving the centralized inventory of the goods in the public patrimony that were transferred to the Company under concession, and following the inventory procedure of the assets under public patrimony in 2012 and the revaluation/valuation of these goods, on 14.02.2013, Addendum no. 7 to Concession agreement no. 1/29.06.2004 was signed with the Ministry of Economy.

Government Decision no. 1032 from December 11th, 2013, published in the Official Journal no. 22 from January 13th, 2014, approved the amendment and supplementing of Appendix no. 7 to Government Decision no. 1705/2006 approving the centralized inventory of the assets under public patrimony, following the 2012 inventory of the assets under public patrimony.

The main terms of the concession contract are as follows:

- The Ministry of Economy has legal ownership over the assets within the scope of the agreement;
- The Company has the right of use over these assets for a period of 49 years from June 1st, 2004 until May 31st, 2053;
- The annual fee paid by the Company in the form of royalty for use of the assets is set by the Ministry of Economy and represents 1/1000 of the total revenue gained from the electricity transmission services, based on the actual capacity transmitted;
- The assets will be returned to the Ministry of Economy upon termination or expiration of the agreement; the contract can be unilaterally terminated by either party;
- The Group has the obligation to use the assets according to the provisions of the concession agreement and pursuant to the operating license.

The amount that the Company paid under the concession agreement for the period January 1st – December 31st, 2014 is significantly lower than the amount of the depreciation that the Company would have recorded for such assets had the concession agreement not been concluded. However, the Company has not recorded into the financial statements any amount related to this potential benefit, as the Company is unable to determine the amount that a third party would pay for the use of the assets in an arm's length transaction.

Self-funded investments made by the Company regarding the assets from the concession contract are capitalized and depreciated over the remaining useful lifetime of the assets. After the recovery of the investment depreciation, they will be included in the inventory of goods belonging to the State's public domain. In the case of assets representing self-funded finished non-current assets, they will be included in the inventory of goods belonging to the State's public domain after recovering the depreciation of the investment, namely upon the expiry of the normal period of utilization, of the concession or lease contract, according to the legal provisions in force, based on a normative act adopted in this regard.

#### **(d) Intangible assets**

The intangible assets purchased by the Company are stated at cost less any accumulated depreciation and accumulated impairment losses. The depreciation is recognized in the profit and loss account based on the

straight-line method over the estimated useful life of the intangible asset. Most intangible assets recorded by the Company consist of intangibles in progress and customized software. These are depreciated on a linear basis over 3 years.

Asset depreciation methods and useful lives are revised and adjusted, if necessary, at the end of each reporting period.

#### *Subsequent expenditure*

Subsequent expenditures are capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

### **(e) Foreign currency transactions**

Monetary assets and liabilities expressed in foreign currencies at the end of the period are converted to LEI at the exchange rates applicable on that date. Exchange gains and losses, realized or unrealized, are included in the profit and loss account for that year. Any gains and losses from exchange rate differences shall be recorded in the profit and loss statement for such year. The exchange rates at December 31, 2019 and December 31, 2018 are as follows:

<b>Currency</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
1 EUR	4,7793	4,6639
1 USD	4,2608	4,0736

Non-monetary assets and liabilities denominated in foreign currencies are measured at fair value, at the exchange rate at the date of the transaction.

### **(f) Receivables**

Trade receivables are initially recognized at fair value and subsequently assessed using the effective interest method, less the value losses. A value loss is established when there is clear evidence that the Company will not be able to collect all amounts due within the agreed deadline. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganization and late payments (over 180 days) are considered indications that these trade receivables might be impaired.

A value loss corresponding to an asset is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced via the use of a value loss, and the amount of the loss is recognized in profit or loss account under "Other operating expenses".

### **(g) Inventories**

Inventories consist of:

- raw materials, materials, spare parts that do not meet the definition of PPE and other consumables that are to be used during the performance of the basic activity of the Company;
- security and intervention stock needed for fast repairs of the failures occurred in the PTG installations in order to assure the safe functioning of the NPS. These materials are recorded as inventories when purchased and then expensed when consumed or capitalized, as the case may be.

Inventories are assessed at the lowest value between the cost and net realizable value. The cost of inventories consumed is determined based on the FIFO method and includes expenditures with acquisition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion, if any, and selling expenses.

The Group's policy is to write off a loss of value of 100% for current inventories older than 365 days and that are not expected to be used in the future.

### **(h) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, in current accounts and bank deposits with original maturities of 3 months or less that are subject to an insignificant risk of change in fair value.

**(i) Revaluation reserves**

After the recognition as an asset, an item of property, plants and equipment whose fair value can be measured reliably is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not significantly differ from that which would be determined using the fair value at the balance sheet date.

If an asset's carrying amount is increased as a result of a revaluation, this increase is recorded directly in equity under the heading of revaluation reserve. However, the increase is recognized in the profit and loss account to the extent that it reverses a revaluation decrease for the same asset previously recognized in the profit and loss account.

If the carrying amount of property, plant and equipment decreases as a result of a revaluation, such decrease is recognized in the profit or loss account. However, the decrease is made by decreasing revaluation reserves, if there is any credit balance existing in the revaluation surplus in respect of such property, plant and equipment.

Revaluation reserve included in equity related to an item of property and equipment is transferred directly to retained earnings as the revalued item is depreciated and when the item is derecognized.

Starting with May 1st, 2009, the reserves from the revaluation of property, plant and equipment, including land plots, recorded after January 1st, 2004, which are deducted when calculating taxable income through tax depreciation expenses or transferred and/or ceased assets expenses, are taxed simultaneously with the tax depreciation deduction, namely when the assets are disposed, as the case may be.

The Group registered deferred tax for the liability pertaining to the reserves from the revaluation of fixed assets, including land plots, recorded after January 1st, 2004.

Reserves from the revaluation of property, plant and equipment, including land plots, recorded before December 31st, 2003, as well as the portion of the revaluation performed after January 1st, 2004 and related to the period before April 30th, 2009 will not be taxed when transferred to retained earnings.

The Group did not register deferred tax for the liability pertaining to the reserves from the revaluation of fixed assets, including land plots, recorded until December 31st, 2003.

Reserves from the revaluation of property, plant and equipment are taxable in the future, in case of changing the destination of reserves in any form, in case of liquidation, merger of the Company, including using the reserves for covering the Company's losses, except for the transfer in the retained earnings after May 1st, 2009 of revaluation reserves when the revaluation was performed after January 1st, 2004, which are taxed at the same time with the deduction of tax depreciation.

**(j) Impairment of non-financial assets**

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets, are revised at each reporting date to determine whether there is any evidence pertaining to an impairment. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

The recoverable amount of an asset or cash generating unit is the greater value between the value of use and the fair value less selling costs. In assessing the value of use, the estimated future cash flows are updated in order to determine the presented value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continued use that are largely independent of the cash inflows of other assets or groups of assets ("cash generating unit").

Impairment losses are recognized in the profit or loss account. Impairment losses recognized in respect of cash generating units are primarily allocated to reduce the carrying amount of the goodwill allocated to cash generating units (group of cash generating units), as the case may be, and then to reduce the carrying amount of other assets in the cash generating unit (group of cash generating units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, the impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

**(k) Registered capital**

Ordinary shares are classified as part of equity. Incremental costs directly attributable to the issue of new shares and shares options are recognized as a deduction in equity at the value net from tax effects.

**(l) Dividends**

Dividends are recognized as a liability when the shareholder's right to payment is established.

**(m) Trade payables and other payables**

Trade accounts payables and other payables are recorded at depreciated cost and include the value of invoices issued by suppliers of goods, executed works and provided services.

**(n) Interest-bearing loans**

Interest-bearing loans are initially recognized at fair value net of attributable transaction costs. Subsequent to the initial recognition, interest-bearing loans are recorded at depreciated cost with any difference between cost and redemption value being recognized in the profit and loss account over the period of the loan based on the effective interest rate.

**(o) Recognition and de-recognition of the non-derivative financial instruments***Non-derivative financial assets*

The Group initially recognizes receivables on the date when they originated. All other financial assets are initially recognized on the trading date when the Company becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset upon the expiry of the contractual rights on the cash flows generated by the asset, or upon the transfer of the rights to collect the contractual cash flows generated by the financial asset in a transaction in which all the risks and rewards associated with the ownership of the financial asset are significantly transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company's non-derivative financial assets are mainly represented by trade and other receivables and cash and cash equivalents.

*Non-derivative financial liabilities*

The Company initially recognizes debt securities issued and subordinated liabilities on the date they originated. All other liabilities (including liabilities designated at fair value through the profit or loss account) are initially recognized on the trade date when the Company becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities comprise loans, trade and other payables.

**(p) Corporate income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the profit or loss account except for the extent that it relates to a business combination or items directly recognized in equity or in other elements of comprehensive income.

**(i) Current tax**

Current tax is the expected tax payable or receivable on the fiscal profit or loss for the current year, using tax rates enacted or substantively enacted at the reporting date, as well as any adjustment to income tax payable in respect of previous years. Current income tax also includes any tax liability arising from declared dividends.

**(ii) Deferred tax**

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base used for taxation purposes.

Deferred tax is not recognized for:

- temporary differences that occur at the initial recognition of assets and liabilities in a transaction that is not a business combination and that impact neither accounting nor fiscal profit or loss;
- temporary differences related to investments in subsidiaries or jointly controlled entities to the extent that it is probable that they will not be reversed in the foreseeable future; and
- temporary differences occurring at the initial recognition of goodwill

The assessment of deferred tax reflects the tax consequence that would ensue from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is calculated based on the tax rates that are expected to be applied to temporary differences at the moment of their reversal, pursuant to the enacted legislation or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset current tax liabilities and assets, and if they relate to taxes levied by the same tax authority for the same taxable entity, or for different tax entities which intend to settle current tax assets and liabilities with the current tax on a net basis or whose tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused fiscal losses, tax credits and deductible temporary differences, only to the extent that it is probable that future taxable profits are possible to be used for covering the fiscal loss. Deferred tax assets are reviewed on each reporting date and are reduced to the extent that it is no longer probable that the related fiscal benefit will be realized.

**(iii) Income tax exposure**

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities may affect tax expense in the period when such determination is made.

**(q) Employee benefits*****Other long-term employee benefits***

The Company's net obligation in respect of long-term employee benefits, other than pension plans, is the value of future benefits that employees have earned in return for their service in the current and prior periods. Such benefit is updated to determine its fair value, and the fair value of any related asset is deducted. Such benefits are estimated using the projected unit credit method. Any actuarial gains or losses are recognized in other elements of the comprehensive income in the period in which they arise. Other long-term employee benefits are represented by anniversary premiums.

*Cash settled share-based payment transactions*

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities over the period during which employees become unconditionally entitled to payment. Until the liability settlement date, the Company must reassess the fair value of the liability at each reporting date and at the settlement date, and any changes in the fair value are recognized in the profit or loss account of the period.

As the employees render their service, the Company recognizes the services received and a liability to pay for those services. Certain share appreciation rights vest immediately and the employees are therefore not required to complete a specified period of service in order to become entitled to the cash payment. In such cases, the Company recognizes the entire value of the right as an expense, at the date of granting.

*Short-term employee benefits*

Short-term employee benefit obligations are assessed on a non-updated basis and are recognized as the related service is provided. A provision is recognized for the amount estimated to be paid for short-term benefits as premiums or profit sharing plans only if the Company has a present legal or implicit obligation to pay this amount as a result of past service provided by employees and the obligation can be reliably estimated. The short-term employee benefits are represented mainly by salaries.

The Company, in the normal course of business, makes payments to the pension funds on behalf of its employees. All employees of the Company are members of the Romanian State pension plan. These payments are expensed as the related services are provided by the employees.

**(r) Revenues**

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and the associated costs can be estimated reliably. Revenues comprise mainly the value of electricity transmission service, system service and balancing market computed based on the volume of energy supplied to consumers. The tariffs for transmission and system services are regulated by ANRE. Revenues include also the transactions on the balancing market as described in Note 1.

The Romanian State, via ANRE, regulates the prices charged by the Company for electricity transmission system operator services. The Romanian State has a number of roles to fulfil, apart from being the majority shareholder, and might thus have broader goals and objectives than an investor, whose main concern is return on investment.

As mentioned in Note 1, the Company is also the administrator of the bonus support scheme for promoting high-efficiency cogeneration. The Company acts as agent because it is involved in the collection and distribution of money.

In addition, the Company and SC OPCOM SA are involved in the price coupling mechanism of regional markets based on ANRE Order no. 82/2014 (see Note 1).

Thus, within the price coupling mechanism of regional markets, CNTEE Transelectrica SA:

- fulfils the role of implicit participant on the DAM and acts as shipping agent;
- provides the interconnection capacity for the physical supply of electricity traded on the DAM, namely the transfer of power from one bidding zone to another through the interconnection lines, limited to the available transfer capacity of such lines.

*Connection fees*

IFRIC 18 "Transfers of Assets from Customers" applies to contracts with customers in which the Company receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant or equipment and the Company must then use the item of property, plant or equipment to connect customers to the network.

According to Art. 25(1) of Law no. 123/2012 on electricity and natural gas, as subsequently amended and supplemented, the "access to power grids of public interest shall be a mandatory service provided under regulated conditions, which the transmission system operator, as well as the distribution operator, must ensure".

The connection tariff is a regulated fee which represents the expense incurred by a network operator to perform the works for connecting a demand and/or production facility of a user to the power grid.

If the connection of a customer to the power transmission grid does not represent a separate component of the connection contract, then the connection tariffs are recognized in the profit and loss account on a systematic basis throughout the useful life of the asset.

The Group recognizes the cash received from the connection tariff as a credit under the account "Deferred income" in the statement of financial position in order to subsequently reverse it under "Other income" in the profit and loss account on a systematic basis over the useful life of the asset.

**(s) Net financing costs**

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, except for borrowings costs capitalized to qualifying assets, dividend income, foreign exchange gains and losses, commitment fees and risk commissions.

In accordance with revised IAS 23 "Borrowing Costs", invoking the optional exception from the retrospective application according to IFRS 1 "First-time adoption of IFRS" the Group capitalizes the borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale for which financing was obtained after January 1, 2011, the date of transition to IFRS.

Interest revenues are recognized in the income statement as they accrue, using the effective interest method. Dividend revenues are recognized in the income statement as at the date when the Group's right to receive dividends is recognized.

**(t) Subsidies**

Subsidies pertaining to assets are initially recognized as "deferred income" at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the subsidies, and then the subsidies shall be recognized in the profit and loss account as other operating revenues over the useful life of the asset. Non-refundable funds are recognized as assets when there is reasonable assurance that they will be received and the conditions corresponding will be met.

**(u) Provisions**

A provision is recognized when, and only when the following conditions are met: the Company has a current obligation (legal or implicit) as a result of a past event; it is probable (i.e. more likely than not) that an outflow of resources representing economic benefits will be required to settle the obligation; a reliable estimate for the value of the obligation can be made. Where the effect of the time value of money is significant, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

**(a) Result per share**

Pursuant to IAS 33, "Earnings per share", the earnings per share are calculated by dividing the profit or loss allocated to the Company's shareholders by the weighted average of ordinary shares outstanding during the period.

The weighted average number of ordinary shares outstanding during the period is the number of shares outstanding at the beginning of the period, adjusted by the number of shares issued during the period multiplied by the number of months when the shares were outstanding during the year.

Dilution is a reduction in earnings per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, or that ordinary shares are issued upon the satisfaction of specified conditions. The objective of diluted earnings per share is consistent with that of basic earnings per share, namely to provide a measure of the interest of each ordinary share in the performance of an entity.

**(b) Contingencies**

Contingent liabilities are not recognized in the accompanying financial statements. They are disclosed only when an outflow of resources embodying economic benefits is possible, but not probable.

A contingent asset is not recognized in the accompanying financial statements, but disclosed when an inflow of economic benefits is probable.

**(c) Operating segments**

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);

- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which distinct financial information is available.

The Group activities are taking place in different parts of Romania with each location being involved in both transmission and dispatch activities. The Company's management considers all activities together, as "a single segment".

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments.

**(d) Implications of the New International Financial Reporting Standards (EU IFRS)**

The following new standards and amendments of existing standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) *have not been enforced yet* for the annual financial reporting ended on 31 December 2019 and have not been applied in the execution of these financial statements:

<b>Norm/Interpretation</b> [IAS 8.31 (a), 8.31 (c)]	<b>Kind of imminent amendment of accounting policy</b> [IAS 8.31 (b)]	<b>Possible impact on the financial statements</b> [IAS 8.31 (e)]
Amendments to IAS 1 "Presentation of Financial Statements", IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (in force for annual intervals beginning on or after 1 January 2020)	The amendments for IAS 1 and IAS 8 are meant to clear up the definition of the term "significant" in order to facilitate an evaluation of the significant characteristic companies and for a relevant increase for the information presented in the note on the financial statement.	The impact of the first time application of such standards is under assessment.
Modifications of references to the general conceptual framework in IFRS standards (in force for annual intervals beginning on or after 1 January 2020)	The purpose of the changes is to update existing references to previous frameworks, replacing them with references to the revised conceptual general framework, from several standards and interpretations (IFRS 2 "Share-based payment", IFRS 3 "Business combinations", IFRS 6 "Exploration and evaluation of mineral resources", IAS 1 "Presentation of financial statements", IAS 8 "Accounting policies, changes in accounting estimates and errors", IAS 34 "Interim financial reporting", IAS 37 "Provisions, contingent liabilities and contingent assets", IAS 38 "Intangible fixed assets", IFRIC 12 "Service concession commitments", IFRIC 19 "Financial debt settlement with equity instruments", IFRIC 20 "Discovery costs during the production of a surface mine", IFRIC 22 " Foreign exchange transactions and prepayments ", SIC 32" Intangible assets - Costs associated with creation of websites "	The impact of the first time application of such standards is under assessment.
Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial instruments: recognition and measurement", IFRS 7 "Financial instruments: information to be provided" (in force for annual intervals beginning on or after 1 January 2020)	The amendments provide for temporary and limited derogations from the hedge accounting provisions set out in IAS 39, IFRS 9, IFRS 7.	The impact of the first time application of such standards is under assessment.

**NPG TRANSELECTRICA SA**

Notes to the consolidated financial statements as at December 31st, 2019

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

<b>Norm/Interpretation</b> <i>[IAS 8.31 (a), 8.31 (c)]</i>	<b>Kind of imminent amendment of accounting policy</b> <i>[IAS 8.31 (b)]</i>	<b>Possible impact on the financial statements</b> <i>[IAS 8.31 (e)]</i>
IFRS 16 "Leasing Contracts" <i>(in force for annual periods beginning on or after 1 January 2019)</i>	IFRS 16 aims to improve the financial reporting of leasing contracts.	At the date of the transition to IFRS 16 (01.01.2019), the company transferred the lease of the headquarters according to the new standard.
Amendments to IFRS 9 "Financial instruments" <i>(in force for annual periods beginning on or after 1 January 2019)</i>	The amendments are intended to clarify the classification of certain financial assets with prepayment when applying IFRS 9.	Adopting the amendments to IFRS 9 had no impact over the stand-alone financial statements of 2019.
IFRIC 23 "Uncertainty related to tax treatment" <i>(in force for annual periods starting on or after 1 January 2019)</i>	IFRIC 23 specifies the way in which the uncertainty in the accounting related to the profit tax must be reflected.	Adopting IFRIC 23 had no impact over the stand-alone financial statements of 2019
Amendments to IAS 28 "Investments in associates and joint ventures" <i>(in force for annual periods beginning on or after 1 January 2019)</i>	The purpose of the amendments to IAS 28 is to clarify that the impairment requirements of the International Financial Reporting Standard (IFRS) 9 Financial Instruments apply to long-term investments in associates and joint ventures.	Adopting the amendments to IAS 28 had no impact over the stand-alone financial statements of 2019, as this standard is not applicable at the time of the preparation of these financial statements.
Amendments to IAS 19 "Employee benefits" <i>(in force for annual periods beginning on or after 1 January 2019)</i>	The purpose of the amendments is to clarify that, after a change, reduction or settlement of the defined benefit plan, an entity should apply the actuarial assumptions resulting from the revaluation of the net debt (net assets) regarding the determined benefits for the rest of the reporting period.	Adopting the amendments to IAS 19 had no impact over the stand-alone financial statements.
Amendments to various standards „Improvements of IFRS (2015-2017 cycle)“ resulting from the annual project to improve IFRS (IAS 12 "Profit tax", IAS 23 "Debt costs", IFRS 3 "Business combinations", IFRS 11 "Common commitments" <i>(in force for annual intervals beginning on or after 1 January 2019)</i>	The purpose of these changes is to simplify and clarify standards.	Adopting these amendments had no impact over the stand-alone financial statements.

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

#### 4. DETERMINATION OF FAIR VALUE

Certain accounting policies and information disclosures of the Company require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the assets and liabilities that are not based on observable market data.

The fair values were determined in order to measure and / or disclose information based on the methods described below:

The accompanying notes form an integral part of the consolidated financial statements.

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Notes to the consolidated financial statements as at December 31st, 2019

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

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(i) *Tangible assets*

The fair value of items of property, plant and equipment are based primarily on the cost method considering the particularities of the Company's property, plant and equipment, except for assets in progress, which are accounted for under the cost model.

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Notes to the consolidated financial statements as at December 31st, 2019

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

**5. TANGIBLE ASSETS**

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

	Land and land planning	Buildings and special installations	Plant and equipment	Metering and control devices	Vehicles	Other tangible fixed assets	Tangible assets in progress	Total
<b>COST</b>								
<b>Balance on 01 January 2019</b>	<b>55,010</b>	<b>1,379,348</b>	<b>3,228,809</b>	<b>516,486</b>	<b>65,164</b>	<b>290,193</b>	<b>340,692</b>	<b>5,875,702</b>
Inflows	(50)	(11,613)	15,180	(7,811)	11	0	260,730	256,445
Increase / decrease of revaluation reserve	34,064	3,046	472,018	19,627	1,753	(117)	0	530,392
Transfers from tangible assets in progress	14	43,335	109,370	11,115	3,585	3,713	(171,132)	0
Reclass between assets accounts	0	0	7	(7)	0	0	(187)	(187)
Outflows	0	(7)	(7,379)	(1,258)	(1,972)	(4,095)	(281)	(14,991)
Impact of revaluation	0	(11,252)	(2,257,880)	(395,521)	(13,005)	(74)	0	(2,677,732)
<b>Balance on 31 December 2019</b>	<b>89,038</b>	<b>1,402,857</b>	<b>1,560,126</b>	<b>142,631</b>	<b>55,537</b>	<b>289,620</b>	<b>429,822</b>	<b>3,969,63</b>
<b>Balance on 31 December 2018</b>	<b>55,010</b>	<b>1,379,348</b>	<b>3,228,809</b>	<b>516,486</b>	<b>65,164</b>	<b>290,193</b>	<b>340,692</b>	<b>5,875,702</b>
<b>Accumulated depreciation</b>								
<b>Balance on 01 January 2018</b>	<b>138</b>	<b>177,078</b>	<b>1,927,021</b>	<b>358,903</b>	<b>10,160</b>	<b>199,396</b>	<b>0</b>	<b>2,672,697</b>
Depreciation expense	-	86,257	157,157	23,119	2,433	27,576	-	296,543
Accumulated depreciation of outflows	-	(61)	(5,371)	(110)	(1,084)	(1,249)	-	(7,876)
Impact of revaluation	0	(263,274)	0	0	0	0	0	(263,274)
<b>Balance on 31 December 2018</b>	<b>138</b>	<b>2,641</b>	<b>2,113,286</b>	<b>411,954</b>	<b>48,622</b>	<b>235,471</b>	<b>0</b>	<b>2,812,112</b>
<b>Balance on 01 January 2019</b>	<b>138</b>	<b>2,641</b>	<b>2,113,286</b>	<b>411,954</b>	<b>48,622</b>	<b>235,471</b>	<b>0</b>	<b>2,812,112</b>
Depreciation expense	0	90,389	170,136	12,588	3,133	20,168	0	296,414
Accumulated depreciation of outflows	0	(6)	(7,067)	(1,258)	(1,972)	(4,095)	0	(14,398)
Impact of revaluation	0	(11,252)	(2,257,880)	(395,521)	(13,005)	(74)	0	(2,677,732)
<b>Balance on 31 December 2019</b>	<b>138</b>	<b>81,773</b>	<b>18,474</b>	<b>27,764</b>	<b>36,778</b>	<b>251,470</b>	<b>0</b>	<b>416,397</b>

The accompanying notes form an integral part of the consolidated financial statements.

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Notes to the consolidated financial statements as at December 31st, 2019

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

**DEPRECIATION ADJUSTMENTS**

<b>Balance on 01 January 2018</b>	-	14436	-	-	113	-	19,238	33,787
Expenditures with impairment adjustments	-	-368	-	-	115	-	1,021	768
<b>Balance on 31 December 2018</b>	<b>0</b>	<b>14,068</b>	<b>0</b>	<b>0</b>	<b>115</b>	<b>0</b>	<b>20,259</b>	<b>34,442</b>
Expenditures with impairment adjustments	0	0	0	0	-115	0	632	516
<b>Balance on 31 December 2019</b>	<b>0</b>	<b>14,068</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20,890</b>	<b>34,959</b>

**NET ACCOUNTING VALUE**

<b>Balance on 01 January 2018</b>	<b>52,614</b>	<b>1,171,085</b>	<b>1,190,180</b>	<b>97,867</b>	<b>11,356</b>	<b>82,371</b>	<b>438,893</b>	<b>3,044,365</b>
<b>Balance on 31 December 2018</b>	<b>54,872</b>	<b>1,376,707</b>	<b>1,115,523</b>	<b>104,532</b>	<b>16,427</b>	<b>54,722</b>	<b>320,433</b>	<b>3,043,216</b>
<b>Balance on 31 December 2019</b>	<b>88,900</b>	<b>1,307,016</b>	<b>1,541,652</b>	<b>114,868</b>	<b>18,759</b>	<b>38,150</b>	<b>408,932</b>	<b>3,518,276</b>

The accompanying notes form an integral part of the consolidated financial statements.

The total net value of tangible assets increased on 31 December 2019 compared to 31 December 2018 against the background of a higher amounts of tangible assets in progress and the registration of revaluation made to non-current assets of group 2.

In 2019 tangible assets in progress are mainly represented by investments into high voltage substations and lines as follows:

- Refurbishment of the 400/110/20 kV substation Domnesti – 40,705,799;
- Connecting the 400 kV OHL Isaccea - Varna and the Isaccea - Dobrudja OHL in the 400 kV substation Medgidia Sud – 25,127,597;
- Refurbishment of the 220/110 kV substation Turnu Severin Est (BA Decision 10 / 08.09.2009) – 22,197,137;
- 110 kV, 220 kV and 400 kV mobile bays – 19,334,213;
- Upgrading the 220/110/20 kV substation Arefu – 13,823,490;
- Upgrading the 110kV Bacau Sud and Roman Nord of the 400 kV axis Moldova – 12,469,639;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - stage I – 400 kV simple circuit OHL Portile de Fier - (Anina) – Resita – 11,956,498;
- Upgrading the 220/110/20 kV substation Laurenii – 9,744,490;
- Upgrading the 220/110 kV substation Dumbrava – 9,646,606;
- Refurbishment of the 220/110/20 kV substation Ungheni – 9,257,321;
- Upgrading the 110kV and 400(220 kV) installations of substation Focsani Vest – 9,108,648;
- Refurbishment of the 400 kV substation Isaccea - stage I - Replacing shunt reactors, related bays and the 400 kV bay Stupina – 7,453,535;
- Refurbishment of the 220/110 kV substation Hasdat – 7,305,939;
- Replacing the 220 / 110 kV AT2 in substation Gheorgheni – 6,068,174;
- Refurbishment of the 220 kV substation Otelarie Hunedoara – 6,426,457;
- Refurbishment of the 220/110 kV substation Craiova Nord – 5,610,310;
- Research & development centre of live work technologies and fast intervention into SEN - Centre building (Decision 491/ 09.05.2011 of CNTEE) – 4,834,207;
- Upgrading the 400 (220)/110/20 kV substation Munteni – 4,272,277;
- Replacing autotransformers (AT) and transformers in electric substations - stage 2, step 2 - LOT 1 - LOT 2 – 3,986,793;
- Upgrading the remote protection and telecommunication system in substation Cernavoda – 3,202,094;
- Motor cars to complete the car fleet of CNTEE Transelectrica SA - LOT2 – 2,776,800;
- Refurbishment of the 400/110/20 kV substation Smardan – 2,534,980;
- Changes to the 400, 220, 110 kV OHL-s to achieve the penetration objective Blvd N.Grigorescu - Splai Dudescu – 1,991,933;
- Replacing the 400/400/160 MVA 400/231/22 kV AT 3 - ATUS-SF of the 400/220 kV substation Portile de Fier – 1,612,923;
- Refurbishment of the 220/110 kV substation Iaz – 1,395,415;
- Building the remote protection system to the 220 kV OHL Tg Jiu Nord-Urechesti and to the 400 kV OHL Urechesti – Tantareni – 1,204,249;
- Extending the 400 kV substation Cernavoda - stage I+II, replacing 2 shunt reactors, connection of new lines – 1,158,582;
- Relocating the 220 kV HV networks, Sebes -Turda motorway, lot 1, km 0 + 000 – km 17+ 000 - Section C – km 0 + 300 – 1,148,687;
- Relocating the HV networks, Brasov-Targu Mures-Oradea motorway, Section 2A: Ogra-Campia Turzii, Lot 2 Iernut-Chetani, km 3+600+21+500 – 220 kV OHL Iernut-Capia Turzii, km 13+580 – 1,039,566;
- Modernising the office building of DET Timisoara – 1,080,245.

In 2019 the greatest transfers from tangible assets in progress to tangible assets are mainly represented by the commissioning of investment projects such as:

- Refurbishment of the 220/110 kV substation Turnu Severin Est (BA Decision 10/08.09.2009) – 42,712,348;
- Refurbishment of the 400/110/20 kV substation Domnesti – 35,791,417;

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Notes to the consolidated financial statements as at December 31st, 2019

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

- Refurbishment of the 400 kV substation Isaccea - stage I - Replacing shunt reactors, related bays and the 400 kV bay Stupina – 30,612,836;
- Refurbishment of the 400/220/110/20 kV substation Bradu – 12,277,242;
- Upgrading the 110kV & 400(220 kV) installations of substation Focsani Vest – 7,889,800;
- 110 kV, 220 kV and 400 kV mobile bays – 7,125,921;
- Upgrading the 110 kV substations Bacau Sud and Roman Nord of the 400 kV axis Moldova – 6,924,634;
- Replacing the 220/110 kV AT2 in substation Gheorgheni – 6,090,030;
- Motor cars to complete the car fleet of CNTEE Transelectrica SA - LOT2 – 2,776,800;
- Replacing autotransformers and transformers in electric substations - stage 2, step 2 - LOT 1 - LOT 2 – 2,554,035;
- Hardware and Software computation technique, Desktop PC – 1,935,750;
- Security solution to implement security measures for classified information – 1,529,182;
- Building the remote control system for the 220 kV OHL Tg Jiu Nord-Urechesti and the 400 kV OHL Urechesti – Tantareni- 1,240,878;
- Relocating the 220 kV HV networks, Sebes - Turda motorway, lot 1, km 0 + 000 – km 17+ 000 - Section C – km 0 + 300 – 1,148,687;
- Relocating HV networks, Brasov - Targu Mures - Cluj – Oradea motorway, section 2A Ogra- Campia Turzii, lot 2 Iernut - Chetani, km 3 + 600 km 21 + 500 - 400 kV OHL Iernut - Sibiu Sud – 1,061,469;
- Relocating HV networks, Brasov - Targu Mures - Cluj – Oradea motorway, section 2A Ogra- Campia Turzii, lot 2 Iernut - Chetani, km 3 + 600 km 21 + 500 - LEA 400 kV Iernut - Sibiu Sud – 1,061,469;
- Relocating HV networks, Brasov-Targu Mures - Oradea motorway, Section 2A: Ogra-Campia Turzii, Lot 2 Iernut - Chetani, km 3+600+21+500 - 220 kV OHL Iernut - Capia Turzii, km 13+580 – 1,039,566;
- Connecting the 400/110 kV substation Rahmanu to RET – 989,359;
- Replacing circuit breakers in electric substations – 738,380;
- Furniture specific for dispatchers in DET Bacau, DET Cluj, DET Craiova and DET Timisoara – 590,957;
- Replacing the diesel units 1 & 2 in the 400/110 kV substation Darste – 473,592;
- Accumulator batteries for Bacau Sud, Roman Nord, FAI – 426,204;
- Replacing tower 826 of the 400 kV OHL Urechesti Domnesti – 421,093;
- Hydrocarbon (oil) separators for concreted platforms in substation Medgidia Sud – 380,430;
- Furniture specific for dispatchers in DET Bacau, DET Cluj, DET Craiova and DET Timisoara – 365,257;
- Connecting the 110 kV substation Ulmi to RED (distribution network), belonging to the Electricity Distribution Co. Muntenia Nord SA making the related work in the 110 kV OHL bay Targoviste - Titu (Ulmi) of the 220/110 kV substation Targoviste belonging to CNTEE Transelectrica SA – 310,680;
- Providing coexistence conditions between the 220 kV OHL Alba Iulia - Sugag and Alba Iulia - Galceag and the interior road – 263,815;
- Water installation in the 110/220 kV substation Suceava – 259,805;
- Special intervention towers type Universal Guyed Portal for 220-400 kV levels, including prefabricated foundations – 259,747;
- Hydrocarbon (oil) separator for concreted platforms in substation Lacu Sarat – 222,940;
- Remote protection for the 400 kV OHL Arad (Romania) – Sandorfalva (Hungary) – 202,233;
- Hydrocarbon (oil) separators for concreted platform of the 1250 MVA 400/110 kV & 2250 MVA 400/110 kV transformers in the 400/110 kV substation Constanta Nord – 190,945;
- UTV for fast intervention into areas of difficult access and car platform – 168,990;
- Replacing the accumulator battery no. 2 in the 220/110 kV substation Pitesti Sud – 159,965.

The balance of tangible assets in progress of execution on 31 December 2019 is represented by ongoing projects, of which the most significant are provided below:

- Connecting the 300 MW WPP Ivesti, the 88 MW WPP Falciu 1 and the 18 MW WPP Falciu 2 to RET through the new (400)/220/110 kV substation Banca – 46,884,983;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - stage I – 400 kV

The accompanying notes form an integral part of the consolidated financial statements.

- simple circuit OHL Portile de Fier - (Anina) – Resita – 39,420,765;
- Connecting the 400 kV OHL Isaccea - Varna and the Isaccea - Dobrogea OHL in the 400 kV substation Medgidia Sud – 35,020,417;
- Upgrading the 220/110/20 kV substation Arefu – 16,789,133;
- Refurbishment of the 400/110/20 kV substation Domnesti (BA Decision 5 / 19.05.2010) – 14,858,627;
- Extending the business continuity and post-disaster recovery in the Executive branch -14,413,918;
- Refurbishment of the 220/110 kV substation Hasdat – 14,410,890;
- 110 kV, 220 kV and 400 kV mobile bays – 14,296,873;
- Upgrading the 220/110/20 kV substation Raureni – 13,032,920;
- The 400 kV double circuit OHL Cernavoda - Stalpu and connection in substation Gura Ialomitei – 12,943,645;
- Refurbishment of the 220 kV substation Otelarie Hunedoara – 11,565,472;
- Upgrading the 220/110 kV substation Dumbrava – 11,541,300;
- Replacing the components of EMS SCADA AREVA – software and Hardware components – 11,444,853;
- Refurbishment of the 220/110/20 kV substation Ungheni – 9,753,377;
- Upgrading the 110 kV substations Bacau Sud and Roman Nord of the 400 kV axis Moldova – 8,162,925;
- Integrated security system within electric substations, stage IV – 8,022,510;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - stage I - the 400/220/110 kV substation Resita – 6,627,560;
- Refurbishment of the 220/110 kV substation Craiova Nord – 6,464,369;
- The 400 kV OHL Gadalin - Suceava, including SEN interconnection – 6,041,923;
- HVDC Link 400 kV (Romania – Turkey submarine cable) – 5,853,759;
- Research & development centre of live work technologies and fast intervention into SEN - Centre building – 4,834,207;
- Upgrading the 400 (220)/110/20 kV substation Munteni – 4,753,073;
- The 400 kV OHL Suceava - Balti, for the project segment on Romania's territory – 4,439,120;
- The 400 kV double circuit OHL Gutinas – Smardan – 3,944,808;
- Replacing circuit breakers in electric substations - 3,518,056;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - stage II, the 400 kV double circuit OHL Resita - Timisoara – Sacalaz – 3,343,480;
- Upgrading the remote protection & telecommunication system in substation Cernavoda – 3,202,094;
- Extending the control system and IT account of access into the objectives of CNTEE Transelectrica SA with new functions – 3,200,918;
- Connecting the 136 MW WPP Platonesti, Ialomita County to RET by building a 110 kV line bay in the 400/110 kV substation Gura Ialomitei – 2,889,337;
- Integrated security system within electric substations, stage III – 2,798,024;
- By-passing the 110 kV OHL Cetate 1 and 2 near the 110/20/6 kV substation Ostrovul Mare – 2,578,438;
- Connecting the 99 MW WPP Dumesti and the 30 MW WPP Romanesti, Iasi County to RET by building a 110 kV line bay in the 220/110 kV substation FAI – 2,545,853;
- Refurbishment of the 400/110/20 kV substation Smardan – 2,534,980;
- Changes to the 400, 220, 110 kV OHL-s to achieve the penetration objective Blvd N.Grigorescu - Splai Dudescu – 1,991,933;
- Upgrading the 110 kV and 400(220 kV) installations of substation Focsani Vest – 1,985,122;
- Replacing the 400/400/160 MVA 400/231/22 kV AT 3 - ATUS-SF of the 400/220 kV substation Portile de Fier -1,651,119;
- Consolidation, upgrade and extension of CNTEE Transelectrica offices, the Executive branch – 1,627,393;
- Replacing autotransformers and transformers in electric substations, stage 2 – 1,601,837;
- The 220 kV double circuit OHL Ostrovu Mare - RET (BA Decision 17/2007) – 1,547,834;
- Refurbishment of the 220/110 kV substation Iaz – 1,509,186;

- Extending the 400 kV substation Cernavoda - stage I+II, replacing 2 shunt reactions, new lines connection – 1,158,582;
- Integrated security system in the new 400/220/110 kV substation Banca – 1,133,202;
- Achieving optical fibre communication between the 220/110/20 kV substation Pitesti Sud and the installations remote control and supervision centre of TB Pitesti (SF) – 1,115,805;
- Upgrading the office building of DET Timisoara – 1,108,663;
- The 400 kV OHL Oradea - Beckescsaba – 1,007,372.

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

The following projects from the balance of tangible assets in progress are financed from the connection fee, however they did not comply with the technical conditions to draw up the commissioning minutes:

- RET connection of the 56 MW WPP Bogdanesti, the 112.5 MW WPP Deleni, the 20.8 MW WPP Viisoara Nord 1, the 52.8 MW WPP Viisoara Nord 1, the 47.5 MW WPP Viisoara Sud, in the area of certain localities from Vaslui County by the new 400/220/110 kV substation Banca - the work was completed, there are work completion minutes 34759/14.11.2013; the contract is valid until 31.12.2022; total value of investment in progress – 48,018,186;

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

Such valuation was performed using the fair value under assumption of continued activities using the tangible assets in the existing structure. There is no valuation for:

On 31 December 2018 the Company acknowledged net surplus from the revaluation of special buildings and installations amounting to 99,431,462, of which 100,361,122 into the credit of the revaluation reserves account and (929,660) was registered in the year's profit and loss account.

Special buildings and installations are provided at their net value in the financial statements. On 31 December 2015 the Company changed the method of revaluation registration and it passed from the gross to the net method in order to provide a clearer, more concise and relevant image to the users of financial statements, without influence given by an artificial denaturation of the gross accounting value and amortisement.

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

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

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

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

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

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

On 31 December 2019 and 31 December 2018 the Company had no pledged or mortgaged assets.

**Fair value of property, plant and equipment**

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

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

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

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

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

Information about the fair value hierarchy on 31 December 2019 and 31 December 2018:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair value as of December 31, 2019</b>
Land and land planning	-	-	73,208	73,208
Buildings and special facilities	-	-	1,245,036	1,245,036
Plant and equipment	-	-	1,534,326	1,534,326
Metering and control devices	-	-	104,409	104,409
Vehicles	-	-	13,954	13,954
Other tangible fixed assets	-	-	42,803	42,803
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair value as of December 31, 2018</b>
Land and land planning	-	-	54,872	54,872
Buildings and special facilities	-	-	1,376,706	1,376,706
Plant and equipment	-	-	1,115,522	1,115,522
Metering and control devices	-	-	104,533	104,533
Vehicles	-	-	16,542	16,542
Other tangible fixed assets	-	-	54,721	54,721
Tangible assets in progress	-	-	320,449	320,449

Both in 2019 and in 2018 there have been no transfers between the fair value levels.

The cost value of tangible asset elements on 31 December 2019 and 31 December 2018, net of amortisement expense and cumulated depreciation is provided below:

	<b>Value at cost December 31,2019</b>	<b>Value at cost December 31,2018</b>
Land and land planning	7,632	8,844
Buildings and special facilities	783,536	720,628
Plant and equipment	1,019,828	1,193,842
Metering and control devices	83,126	100,113
Vehicles	11,515	10,494
Other tangible assets	42,770	95,456
<b>TOTAL</b>	<b>1,948,407</b>	<b>2,129,377</b>

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

**6. INTANGIBLE ASSETS**

On 31 December 2019 and 31 December 2018 the Company's intangible assets were as follows:

	Licenses and software	Intangible assets in progress	Assets rel. to usage rights for leased assets-(buildings)	Total
<b>Cost</b>				
				-
<b>Balance on 01 January 2019</b>	<b>65,522</b>	<b>17,894</b>	<b>-</b>	<b>83,416</b>
Inflows	135	3,017	14,767	17,919
Transfers from intangible assets in progress	55	(55)		-
Transfers form capital assets in progress	354			354
Outflows	(1,292)			(1,292)
<b>Balance on 31 December 2019</b>	<b>64,775</b>	<b>20,856</b>	<b>14,767</b>	<b>100,397</b>
<b>Balance on 1 January 2019</b>	<b>59,652</b>	<b>0</b>	<b>0</b>	<b>59,652</b>
Depreciation expense	2,988		8,438	11,426
Accumulated depreciation of outflows	(1,292)			(1,292)
<b>Balance on 31 December 2019</b>	<b>61,348</b>	<b>0</b>	<b>8,438</b>	<b>69,786</b>
<b>DEPRECIATION ADJUSTMENTS</b>				
<b>Balance on 1 January 2018</b>	<b>0</b>	<b>351</b>	<b>0</b>	<b>351</b>
Expenditures with impairment adjustments	-	-		-
<b>Balance on 31 December 2018</b>	<b>-</b>	<b>351</b>		<b>351</b>
Expenditures with impairment adjustments	1	-		1
<b>Balance on 31 December 2019</b>	<b>2</b>	<b>351</b>	<b>0</b>	<b>352</b>
<b>NET ACCOUNTING VALUE</b>				
<b>Balance on 31 December 2018</b>	<b>5,610</b>	<b>17,543</b>	<b>0</b>	<b>23,153</b>
<b>Balance on 31 December 2019</b>	<b>3,425</b>	<b>20,504</b>	<b>6,329</b>	<b>30,258</b>

In 2019 the greatest transfers from intangible assets in progress to intangible assets are mainly represented by the commissioning of investment objectives as follows:

- Upgrade existent antimalware solution – 55,371;
- Software applications with licence for SCADA-the 220/110 kV substation Turnu Severin Est – 139,926;
- Windows Server 2019 licence (24 core) 6 pieces – 30,005.

Under intangible assets in progress the largest entries of 2019 were:

- Replacing the EMS SCADA AREVA - software and Hardware components – 2,961,714.

The balance of intangible assets in progress of execution on 31 December 2019 is represented by ongoing projects, the most significant of which are provided below:

- Replacing the EMS SCADA AREVA - software and Hardware components – 14,770,522;

The accompanying notes form an integral part of the consolidated financial statements.

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Notes to the consolidated financial statements as at December 31st, 2019

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

- Implementing an electronic archiving and document management system in CNTEE Transelectrica SA – 5,474,290;
- Extending the business continuity and post-disaster recovery in the Executive branch – 351,208.

The increase of intangible assets on 31 December 2019 is mainly represented by the recognition of the utilization right amounting to 6,328,098 for the spaces the Company rented in the Platinum office building (contract C217/2015 concluded with Dagesh Rom SRL), according to the provisions of IFRS 16 – Leasing contracts.

Under this contract the Company pays a monthly quantum of 14 Euro/m2 for rental of office spaces, resulting an annual amount of about 1.5 mill. Euros.

**FINANCIAL ASSETS**

The financial assets include the value of the shares held by the Group in entities other than the consolidated ones, in amount of 29.769 on 31 december 2019 and 34.843 of 31 december 2018.

The increase of financial assets on 31 December 2019 compared to 31 December 2018 was determined by the Company's affiliation to the shareholders of the Joint Allocation Office SA (JAO), European Centre allocating cross-border capacities, which was approved by the Shareholders' General Extraordinary Assembly of CNTEE Transelectrica by HAGEA 10/10.08.2018. Justifying note 39007/19.09.2019 of the Company's Directorate approved transferring 259,325 Euros, which represented the subscription of CNTEE Transelectrica to JAO's shareholders.

In Transelectrica SA were implemented regional initiatives regarding the application of Regulation (EU) 2016/1719, therefore the need was acknowledged to affiliate to this European body.

**7. INVENTORIES**

On 31 December 2019 and 31 December 2018 the inventories (at net value) were presented as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Spare parts	26,498	22,719
Consumables and other materials	6,930	8,279
Auxiliary materials	12,107	13,819
Other inventories	1,877	9,269
<b>Total</b>	<b>47,412</b>	<b>54,085</b>

As of December 31st, 2019 and December 31st, 2018, the inventories impairment adjustments are presented as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Adjustments for impairment of consumables	7,960	8,360
Adjustments for impairment of other materials	2,352	2,137
Adjustments for impairment of packaging	219	156
<b>Total</b>	<b>10,531</b>	<b>10,652</b>

As of December 31st, 2019 and December 31st, 2018, the evolution of inventories impairment adjustments are presented as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Balance on 01 January 2018</b>	<b>10,652</b>	<b>10,259</b>
Inventories impairment adjustments	1,505	1,154
Reversal of inventories impairment adjustments	(1,626)	(761)
<b>Balance on 31 December 2019</b>	<b>10,531</b>	<b>12,174</b>

During 2019, the expenditures incurred with materials and spare parts consumption are presented as follows:

The accompanying notes form an integral part of the consolidated financial statements.

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Notes to the consolidated financial statements as at December 31st, 2019

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	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Expenditures on spare parts	46,452	19,892
Expenditures on consumables	3,468	4,302
Expenditures on other materials	1,042	1,218
Expenditures on auxiliary materials	240	235
Expenditures on fuel	2,491	2,665
<b>Total</b>	<b>53,693</b>	<b>28,312</b>

**8. TRADE AND OTHER RECEIVABLES**

On 31 December 2019 and 31 December 2018 trade and other receivables were as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Trade receivables	749,491	1,047,228
Other receivables	119,376	89,327
Down payments to suppliers	28,699	52,627
VAT to be recovered	7,659	82,774
Adjustments for impairment of uncertain trade receivables	(139,282)	(143,013)
Adjustments for impairment of other receivables	(55,610)	(59,005)
<b>Total</b>	<b>710,334</b>	<b>1,069,938</b>

The structure of trade receivables is as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Clients on the electricity market, of which:	743,236	1,038,273
- Clients - operational activity - energy	434,981	438,570
- Clients - balancing market	133,210	400,554
- Clients – bonus type support scheme to promote high efficiency cogeneration	175,046	199,150
Clients from other activities	6,254	8,955
<b>Total trade receivables</b>	<b>749,491</b>	<b>1,047,228</b>

Group operates based on the Operating License No. 161/2000 issued by ANRE, as updated by the Decision of ANRE Chairman no. 641/25.04.2018, for the transmission of electricity, the provision of the system service and for the management of the balancing market.

On 31 December 2019 clients on balance from operational activities and the balancing market registered decrease compared to 31 December 2018, mainly determined by:

- In January 2020 the trade receivables were collected relating to the invoices issued for the electricity market in December 2019;
- In November and December 2019 the amount of transactions on the balancing market decreased compared to the same interval of 2018, determining a decrease of trade receivables on balance on 31 December 2019 against 31 December 2018;

The main clients on balance from the electricity market are represented by: RAAN, Electrica Furnizare SA, Enel Energie Muntenia SA, E.ON Energie Romania SA, Enel Energie SA, OPCOM SA, MAVIR, MET Romania Energy SA, Alro SA and Petprod. The share of main clients on the electricity market is about 47.26% in total trade receivables.

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

On 31 December 2019 the Company registered trade receivables from the bonus type support scheme to

promote high efficiency cogeneration of about 23% (31 December 2018: 19%) of the total trade receivables.

Clients under the bonus type support scheme to promote high efficiency cogeneration registered on 31 December 2019 a decrease in trade receivables, mainly determined by the collection of the trade receivable amounting to 56,680,387 corresponding to ANRE decision regarding overcompensation of 2016 cogeneration activities, issued in March 2017 for Electrocentrale Bucuresti SA, by acknowledging the intervention of lawful compensation validated by the judiciary administrator of Electrocentrale Bucuresti SA (BPI 20461/ 29.10.2019).

On 31 December 2019 the Company registered trade receivables amounting to 175,045,577, represented by issued invoices 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;
- Cogeneration contribution not collected from the suppliers of electricity consumers amounting to 21,252 namely from: Transenergo Com – 5,882, Petprod – 4,391, Romenergy Industry – 2,681, RAAN- 2,386, UGM Energy – 1,814, CET Govora – 901, KDF Energy – 888 and others.

Until the date of these financial statements the Company has fully cashed the trade receivables associated to the overcompensation of activities under the 2018 support scheme (8,787), by means of bank transactions from Electrocentrale Bucuresti.

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, Electrocentrale Bucharest, 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.

- On the docket of Mehedinti Tribunal, Section II Civil of Administrative & Fiscal Disputes file 9089/101/2013/a140 was registered pertaining to "claims in amount of 86,513,431", where the Company is claimant and the **Autonomous Authority for Nuclear Activities – RAAN** is defendant.

The law court summons filed by Transelectrica SA requested the instance to compel defendant RAAN to pay 86,513,431.

On 19.05.2016 Mehedinti Tribunal, Section II Civil of Administrative & Fiscal Disputes pronounced hearing conclusion and ordered as follows: "In accordance with article 413 pt. 1 Civil Procedure 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 that the hearing conclusion of 18.09.2013 issued by Mehedinti Tribunal under file 9089/101/2013 pronounced opening the general insolvency procedure against debtor Autonomous Authority for Nuclear Activities RA (RAAN)

Judgment 387/20.03.2014 of Mehedinti Tribunal confirmed the reorganisation plan of debtor Autonomous Authority for Nuclear Activities, proposed by the judiciary administrator Tudor&Asociatii SPRL and voted by the General Assembly of Creditors according to the minutes of 28.02.2014.

In the intermediate decision 10/28.01.2016 pronounced by Mehedinti Tribunal, Section II Civil of Administrative & 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.

Decision 563/14.06.2016 of the Appeal Court Craiova, Section II Civil denied the appeals filed against the intermediary decision 10/28.01.2016, pronounced by Mehedinti Tribunal, Section II Civil of Administrative & 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

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Notes to the consolidated financial statements as at December 31st, 2019

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date. Transelectrica SA was recoded with 11,264,777 Lei in the table of debtor RAAN, in the category of receivables resulting from the debtor's uninterrupted activity, the actual amount the Company requested being 89,360,986 Lei, but 78,096,208.76 Lei were not registered in the preliminary receivable table because "*such sum was not recorded as owed liability in RAAN's accounting books*". Moreover the judiciary liquidator considered the request to record 78,096,209 Lei was made late since it pertained to 2011 – 2013, for which reason the receivable statement should have been submitted when the insolvency procedure began, namely on 18.09.2013.

As a result of partly recording the total amount requested by Transelectrica in quantum of 89,360,986.06 Lei and letter 4162/03.10.2016, whereby the judiciary liquidator informed us only the sum of 11,264,777.30 Lei was recorded in the additional table in the trade receivables category resulting from the debtor's continued activity, and the rest of 78,096,208.76 Lei was denied a legal contestation was submitted to the additional Table of trade receivables was filed in due time.

On the hearing date of 14.02.2019 Mehedinti Tribunal decided joining file 9089/101/2013/a152 to file 9089/101/2013/a140 (pertaining to claims, payment request). The file judgment was postponed because the court considered it is useful for the cause settlement to submit Civil ruling 2969/26.09.2018, pronounced by the High Court for Cassation and Justice under file 3014/2/2014, and pertaining to cancelling decision 743/2014 of ANRE president.

Settlement of Mehedinti Tribunal: „It admits the exception of decline. It partly admits the main issue and associated contestation. It compels defendant RAAN to pay to claimant Transelectrica the amount of 16,950,117.14 Lei accrued during the procedure, judging to record it in the creditors' table constituted against debtor RAAN by this sum. The other associated demands are denied. In accordance with article 453 para 2 from the Civil Procedural Code it compels the defendant to pay 1000 Lei law court expenses to the claimant. Appeal right is granted. It was pronounced on 20.06.2019 at public hearing". Document: Ruling 163/2019 / 20.06.2019.

Transelectrica filed appeal within legal term. Appeal Court Craiova established the first hearing term on 30.10.2019. The appeal was denied as groundless. Transelectrica filed review request for contrary decisions, 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 for Cassation and Justice for competent settlement.

In the bankruptcy file 9089/101/2013 Mehedinti Tribunal decided hearing term on 26.03.2020 to continue the procedure.

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

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

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

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

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

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

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

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the Company.

Transelectrica was registered in the Preliminary and final receivables table with total amount of 28,200,440.31, of which 25,557,189.98 relate to the support scheme. As regards the receivable amounting to 21,962,243.71 Lei representing principal and penalties related to invoice 8116/08.04.2016, it is registered under the suspensive condition of pronouncement of a final juridical decision in favour of ANRE under file 2428/2/2014 on the docket of the Appeal Court Bucharest, pertaining to cancelling ANRE decision 738/28.03.2014.

On the term of 18.07.2018 Valcea Tribunal pronounced the following settlement:

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

By Ruling 766/03.12.2018 the Appeal Court Pitesti cancelled the amount of 28,013,984.83, representing liability the Company had recorded in the Creditors' table (file 1396/90/2016).

Under such circumstances the Company included the amount of 22,188,224.16 from the support scheme in the sundry debtors' account, which is analytically distinct - ANRE, and impacts the net position of the support scheme. In accordance with pt. 11 of HG 925/2016 amending and adding HG 1.215/2009 establishing the criteria and conditions necessary to implement the support scheme to promote high efficiency cogeneration based on the useful heat demand, ANRE is going to elaborate the regulatory framework for the financial closure of this scheme.

The amount of 22,188,224.16 represents receivable payable by CET Govora under the support scheme, in sum of 25,557,189.98, corrected with the bonus amounting to 3,368,965.82 the Company withheld according to article 17 para 5 of Order 116/2013 of ANRE President.

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

### *Other receivables*

On 31 December 2019 other trade receivables amounting to 113,376 include mainly:

- Sundry debtors (106,001), representing:
  - Late payment penalties calculated to defaulting clients and amounting to 70,000 (of which 35,305 represent penalties under the support scheme). The greatest delay penalties were registered by the following clients: RAAN (16,901, CET Govora (9,607), Electrocentrale Bucuresti (9,409), Eco Energy SRL (8,910), Petprod SRL (8,895), Total Electric Oltenia (3,289), ICPE Electrocond Technologies (1,004). Allowances were registered for the penalties calculated for late payment of trade receivables from operational activities;
  - Negative difference between the invoices issued to collect the cogeneration contribution and the bonus granted according to ANRE decision (27,076);
  - Compensations owed by suppliers for non-delivery of electricity (Arelco Power 987,555 and Enol Grup 2,541). Allowances were registered for the compensations owed by suppliers from operational activities;
  - Receivable collectable from OPCOM amounting to 4,517 representing the VAT for the contribution in kind to the subsidiary's share capital;
- Deferred expenses amounting to 1,053 mainly represented by down payments under the contracts concluded with electricity suppliers, as necessary to cover one's technological consumption for future OPCOM tariffs for 2020, indemnity fee for BEI 25710 credit, RCA policies, rents ;
- Other intangible receivables amounting to 4,256, of which 4,199 represent securities for temporary land occupation, calculated and withheld in accordance with article 39 para (1), para (2) and para (5) of Law 46/2008 on the Forestry Code, in view of achieving the investment objective for the 400 kV OHL Resita – Pancevo (Serbia);
- Other social trade receivables amounting to 1,253 representing medical leaves the employer paid to employees and will be recovered from the National Health Insurance House, according to applicable legislation.

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

*Down payments to suppliers*

On 31 December 2019 down payments to suppliers are represented by supplier-debtors for provided services amounting to 28,667,925 and mainly represent amounts from the transactions related to the price-coupling mechanism (4MMC and SIDC). The price coupling mechanism was applied beginning with 19 November 2014, date when the '4 Markets Market Coupling' project providing connection of the day-ahead electricity markets (DAM) from Romania, Hungary, Czech Republic and Slovakia became operational. Such price coupling mechanism of day-ahead markets means the electricity exchanges correlate the electricity transactions for the following day based on bids, taking into account the interconnection capacity made available by the TSO, whereby it is implicitly allocated. CNTEE Transelectrica SA as TSO transfers electricity both in physical and commercial terms to the neighbouring TSO (MAVIR, Hungary) and manages the congestion revenues on the respective interconnection (article 139 from ANRE Order 82/2014), and in relation to OPCOM SA it is Implicit Participant to the Day-Ahead Market.

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

On 19 November 2019 was launched the second go-live under the single European solution of coupling intraday markets (SIDC – *Single Intraday Coupling*), with first deliveries on 20 November. Seven countries - Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania and Slovenia joined the other fourteen countries - Austria, Belgium, Denmark, Estonia, Finland, France, Germany, Latvia, Lithuania, Norway, the Netherlands, Portugal, Spain and Sweden, which have already operated under coupling since June 2018.

The single mechanism coupling intraday markets provides permanent harmonisation of sale and purchase offers from market participants of one bidding zone with sale and purchase offers from inside one's own bidding zone and from any other bidding zone where cross-border capacity is available.

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

*Adjustments for depreciation of trade receivables, of uncertain trade receivables and of other uncertain receivables*

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

The greatest impairment allowances on 31 December 2019, were calculated for trade receivables and their associated penalties, which were registered for CET Govora (25,182), Eco Energy SRL (24,736), Petprod SRL (23,540), Arelco Power (15,533), Total Electric Oltenia SA (14,186), Romenergy Industry (13,513), Elsaco Energy (9,276), RAN (8,517), Opcom (5,811), CET Braosv (4,665). To recover the liabilities under impairment allowances the Company took the following measures: taking the matter to court, registration in the creditors' table, requesting explanations from ANAF (for collectable VAT from Opcom) etc.

The exposure to the collection risk and value allowances for trade receivables are all provided in Note 27.

Since EU adopted IFRS 9 „Financial instruments” applicable to annual intervals beginning on or after 1 January 2018 has no significant impact over the Company's financial statements in the initial application period.

**9. CASH AND CASH EQUIVALENTS**

On 31 December 2019 and 31 December 2018 cash and cash equivalents were as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Current bank accounts and deposits of which:	<b>339,461</b>	505,353
- cash from high efficiency cogeneration	-	41,705
- cash from revenues related to the allocation of interconnection capacities used for investments in the grid	72,217	133,729
- cash from the connection fee	14,967	18,426
- European funds	11,970	-
Petty cash	<b>167</b>	141
Other cash equivalents	<b>2</b>	1
<b>Total</b>	<b>339,630</b>	<b>505,494</b>

The accompanying notes form an integral part of the consolidated financial statements.

Bank deposits with maturity below 90 days constituted from monetary availabilities found in current accounts (including cogeneration deposits) amounted to 102,285,469 on 31 December 2019 and to 309,135,805 on 31 December 2018.

## 10. SHAREHOLDERS' EQUITY

### *Share capital*

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

In accordance with the provisions of article 2 from OUG 55/19 November 2015 establishing certain reorganisation measures for public central administration and amending other norms, the Ministry of Economy, Trade and Business Environment Relations (MECRMA) was established by reorganising and taking over the activities of the Ministry of Economy, Trade and Tourism that was cancelled while the Ministry of Energy, Small & Medium Sized Enterprises and Business Environment took over the activities and structures in the SME domain.

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

On 14.11.2019 the Central Depositary SA registered the transfer of 43,020,309 shares (representing 58.69% of the share capital) issued by CNTEE Transelectrica SA from the Romanian State's account through the Ministry of Economy into the Romanian State's account represented by the Government through the Secretariat General of the Government, following application of the provisions from Governmental Emergency Ordinance 68/2019 establishing certain measures for public central administration and amending and adding certain norms.

On 31 December 2019 the shareholders of CNTEE Transelectrica SA are: the Romanian State represented by the Secretariat General of the Government holding 43,020,309 shares (58.69%), NN Group NV holding 4,007,688 shares (5.47%), DEDEMAN SA holding 4,503,567 shares (6.14%), other legal person shareholders holding 15,976,281 shares (21.8%) and other natural person shareholders holding 5,795,297 shares (7.90%). At the end of each reporting period the Company's share capital subscribed and fully paid amounting to 733,031,420 is divided into 73,303,142 ordinary shares of 10 Lei/share nominal value each, corresponding to that registered with the Office of the Trade Register.

The shareholder structure on 31 December 2019 and 31 December 2018 was the following:

Shareholder	December 31, 2019		December 31, 2018	
	Number of shares	% of the share capital	Number of shares	% of the share capital
Romanian State by SGG	43,020,309	58.69%	43,020,309	58.69%
Other shareholders – legal persons	15,976,281	21.80%	20,157,347	27.50%
DEDEMAN SRL	4,503,567	6.14%	4,503,567	6.14%
NN Group N.V	4,007,688	5.47%	-	-
Other natural person shareholders	5,795,297	7.90%	5,621,919	7.67%
<b>Total</b>	<b>73,303,142</b>	<b>100.00%</b>	<b>73,303,142</b>	<b>100.00%</b>

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The Group recognises the changes in the share capital under the terms provided in applicable legislation, only after their approval in the Shareholders' General Extraordinary Assembly and registration in the Office of the Trade Register.

On 31 December 2019 and 31 December 2018 share capital was as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Share capital (nominal value)	733,031	733,031
<b>Share capital balance</b>	<b>733,031</b>	<b>733,031</b>

Shareholders are entitled to dividends and each share confers one voting right at Company assemblies.

The value of dividends paid in January 2019, distributed from the retained earnings according to AGA Decision 15/14.12.2018 amounted to 66.706 and they were paid by means of the Central Depositary beginning with 25 January 2019.

Unpaid dividends found on balance on 31 December 2019 amount to 616 .

*Share premium*

All shares issued under the share capital increase that took place by means of the initial primary public offer from 2006 were fully subscribed and paid at issuance price. Share premium amounting to 49.843, namely the difference between the issuance price of shares and their nominal value was registered into the Company's reserve account.

*Legal reserve*

Legal reserves amounting to: 129,096,113 on 31 December 2019 and to 123.742 on 31 December 2018 represent reserves legally constituted according to applicable legislation and they cannot be distributed.

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

*Revaluation reserve*

Revaluation reserves amounted to 955.201 on 31 December 2018 and to 922,454,926 on 31 December 2019. The last revaluation of technical installations and transportation means was made on 31 December 2019 by SC JPA Audit & Consultanta SRL, independent evaluator licensed by the National Union of Licensed Evaluators in Romania.

*Other reserves*

On 31 December 2019 other reserves amounted to 15.813 (66.705 on 31 December 2018), represent the derecognition of assets like public domain goods by registering HG 615, 682 and 683 / 2019 whereby the inventory of public domain goods was changed, and the value of lands which ownership certificates were obtained for. As provided in Note 23, lands which ownership certificates have been obtained for are recognised at fair value on account of reserves, being following by share capital increase after registration with the Office of the Trade Register.

*Retained earnings*

On 31 December 2019 retained earnings amounted to 1.414.339.

On 31 December 2019 the Company registered positive retained earnings from the surplus of revaluation reserves amounting to 525.101, of which 2.307 surplus achieved from non-taxable revaluation reserves when their destination was changed and 527.408 surplus achieved from taxable revaluation reserves when destination was changed..

On 31 December 2019 the actuarial loss registered in the retained earnings amounted to 10.573. This amount resulted from the application of IAS 19 – Employees' benefits (Note 14).

- Out of the profit achieved on 31 December 2019 amounting to 96.031, the amount of 90.677 is distributed into "Other reserves", of which:

The accompanying notes form an integral part of the consolidated financial statements.

- 51.752, represent the profit amount distributed into reserves, which benefitted of profit tax exemption, except for the part of the legal reserve beginning with 1 July 2014, according to the provisions of article 22 from Law 227/2015 on the Fiscal Cod, with later amendments and additions;

- 38.925, represent the partial distribution of net revenues from the allocation of interconnection capacities achieved in 2019, within the limit of the net profit achieved on 31 December 2019.

In accordance with Regulation (EC) 714/2009 and ANRE Order 53/2013 the revenues from the allocation of interconnection capacities are used to make investments in the electricity transmission network in view of maintaining or increasing such interconnection capacities. Under such circumstances the revenues achieved in 2019 from the allocation of interconnection capacities (net of the income tax and legal reserve) were partially distributed to the destination provided in article 1 let. d) of OG 64/2001 „Other law-provided distributions”, within the limit of net profit achieved on 31 December 2019.

In 2019 revenues achieved from the allocation of interconnection capacities amounted to 84.242.

*The distribution of net profit as at 31 December 2019*

The accounting profit of 96.031 distributed to legal destinations after deduction of the income tax on 31 December 2019 was as follows:

	<b>December 31, 2019</b>
<b>Destination</b>	
Accounting profit after deducting the income tax on December 31st, 2019	96,031
<i>Distribution of accounting profit on the following destinations:</i>	
Legal reserve (5%)	5,354
Other law provided distributions – tax exemption for reinvested profit	51,752
Other law provided distributions - revenues achieved in 2018 from the allocation of the interconnection capacity (net of income tax and legal reserve) - partially, within the accounting profit remaining after deducting income tax on December 31, 2019	38,925
Not allocated profit	

The accounting profit remaining after deduction of the income tax on 31 December 2019 was calculated for distribution in accordance with the provision of applicable legislation, namely:

- OG 64/2001 regarding profit distribution into national societies, national and trading companies with full or majority state capital and to independent authorities, approved with amendments by Law 769/2001, with later amendments and additions;
- Law 227/2015 on the Fiscal Code, with later amendments and additions;
- Regulation (EC) 714/2009 of the European Parliament and Council of 13 July 2009 regarding network access for cross-border electricity exchanges and cancelling Regulation (EC) 1228/2003;
- ANRE Order 53/2013, with later amendments and additions approving the Methodology establishing the tariffs for electricity transmission services;
- Report *Data considered by ANRE when calculating the tariffs approved for transmission and system services* transmitted by ANRE with letter 59924/08.07.2019.

Thus the 2019 accounting profit remaining after income tax deduction is distributed to the following destinations:

- a) - Legal reserve amounting to 5.354, determined at 5% according to the provisions of article 26 para (1) let. a) from Law 227/2015 on the Fiscal Code, with later amendments and additions;
- b) - Other reserves representing law-provided fiscal facilities amounting to 51.752 represented by taxation exemption of reinvested profit, in accordance with the provisions of article 22 of Law 227/2015 on the Fiscal Code, with later amendments and additions;
- c) - Other law-provided distributions amounting to 38.925, represented by the revenues achieved in 2018 from the allocation of interconnection capacities (amounts net of the income tax and legal reserve), distributed according to the provisions of article 1 let. d) of OG 64/2001 regarding profit distribution into national societies, national and trading companies with full or majority state capital and to independent authorities, with later amendments and additions, corroborated with the provisions of Regulation (CE) 714/2009 and of ANRE Order 53/2013 both providing utilisation of revenues from the allocation of interconnection capacities into network investments, in order to maintain or increase such interconnection capacities.

In 2019 revenues amounting to 84,241 were achieved from the allocation of interconnection capacities. When the revenues achieved in 2019 from the allocation of interconnection capacities were distributed to „other law-provided distributions” a positive correction of the regulated revenue was taken into account amounting to 11,576 as correction item coming from the 1 July 2017 - 30 June 2018 interval, applied by ANRE when determining the average tariff for electricity transmission in the tariff interval 1 July 2019 – 31 December 2019. Thus the amount of 11,576 becomes financing source to maintain and/or increase the cross-border interconnection capacity of Romania's transmission grid.

Under such circumstances the revenues achieved in 2019 from the allocation of interconnection capacities (amounts net of the income tax and legal reserve), to be distributed for reserve constitution in view of maintaining or increasing interconnection capacities, according to Regulation (EC) 714/2009 and ANRE Order 53/2013, amount to 76,462. The 2019 accounting profit remaining after income tax deduction enabled distribution of only 38,925 to „Other reserves” in order to make network investments and maintain or increase interconnection capacities, within the limits of the net profit achieved. Thus reserves have to be constituted amounting to 37,537 from the surplus of revaluation reserves (non-taxable and taxable when their destination is changed) for the amounts related to achieved revenues left uncovered from the 2019 profit.

## 11. DEFERRED REVENUES

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

On 31 December 2019 the deferred revenues statement was as follows:

	December 31, 2019	Of which: short term part on 31.12.2019	December 31, 2018	Of which: short term part on 31.12.2018
Deferred revenues – allocation of interconnection capacity	5,757	5,757	7,896	7,896
Deferred revenues - European funds	2,754	2,754	2,219	2,219
Connection fee funds	263,163	20,553	285,749	4,394
European funds	98,796	7,474	106,018	3,674
Other subsidies	27,381	1,211	28,602	1,146
<b>Total</b>	<b>397,851</b>	<b>37,749</b>	<b>430,484</b>	<b>19,329</b>

Short term deferred revenues were in 2019 as follows:

	December 31, 2019	December 31, 2018
Opening balance	19,329	40,881
Cash in advance related to interconnection capacity	81,580	95,112
Collections from European funds	1,228	90
Transfer of long-term deferred income	19,485	(23,312)
Revenues from use of the interconnection capacity	(83,719)	(93,014)
Revenues from European funds	(154)	(429)
<b>Balance on 31 December</b>	<b>37,749</b>	<b>19,329</b>

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During 2019 long term deferred revenues were as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Opening balance	411,155	410,642
Connection subsidies	1,176	(2,676)
Grants	(14)	11,627
Grants to be repaid	-	15
Transfer to short-term deferred income	(21,836)	23,312
Release of deferred income	(29,839)	(31,765)
<b>Balance on 31 December</b>	<b>360,641</b>	<b>411,155</b>

**12. LOANS***Long-term loans*

La datele de 31 decembrie 2019 si 31 decembrie 2018 sumele datorate institutiilor de credit intr-o perioada mai mare de un an sunt urmatoarele:

<b>Description</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
NIB PIL No 02/18 (a)		0
BIRD 7181 (b)	1,545	10,926
BEI 25709 (i)	69,034	78,595
BEI 25710 (i)	76,847	86,252
BRD-ING (j)	0	19,588
<b>Total long-term borrowings from credit institutions, of which:</b>	<b>147,426</b>	<b>195,362</b>
<b>Less: Current part of long-term borrowings</b>	<b>(24,590)</b>	<b>(51,496)</b>
<b>Total long-term loans net of current installments</b>	<b>122,835</b>	<b>143,866</b>

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**LOANS**

The statement of non-current borrowings on 31.12.2019

No.	Name Loan	Date of award	Value Loan (currency)	Balance on December 31, 2019 (currency)	Balance on December 31, 2019 (RON)	Interest rate	Maturity date as per loan
1	BIRD 7181	15.07.2003	71,623 EUR	3,232 EUR	1,545	ultima comunicata 0%	15.01.2020
2	BEI 25709	05.08.2010	32,500 EUR	14,444 EUR	69,034	3.60%	10.09.2025
3	BEI 25710	05.08.2010	32,500 EUR	16,079 EUR	76,847	3.856% si 2.847%	11.04.2028
4	ING+BRD	26.07.2012	42,000 EUR	-	-	EURIBOR 6M+2.75%	13.02.2019
<b>TOTAL</b>					<b>122,835</b>		

The accompanying notes form an integral part of the consolidated financial statements.

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Long-term loans are detailed as follows:

*a) Loan no. 7181 from IBRD*

The loan was provided by IBRD on 15 July 2003 for the «Electricity Market» objective. The amount owed on 31 December 2019 was of 323,237 EUR. The interest rate is notified by IBRD depending on the financing cost. The interest rate of the last instalment was 0%. Repayment is done half-yearly (on 15 January and 15 July each year) beginning with 15 July 2008, last repayment being on 15 January 2020. The loan agreement includes certain financial clauses: (i) the index covering the debt service should be at least 1.3 and (ii) the ratio between current assets and current liabilities should be at least 1.2.

*b) Loans no. 25709 and no. 25710 from EIB*

Loans EIB 25709 and EIB 25710 were provided by EIB on 5 August 2010 in order to finance the upgrade and refurbishment of the Electricity Transmission Grid of Romania. Each loan amounts to 32,500,000 EUR. Loan 25709 has not been secured, while loan 25710 has got security from CitiBank Europe PLC Dublin, Romania Branch. The repayment interval is of 15 years, grace period of 2 years. Repayment began in 2012 and lasts until 2025 for loan EIB 25709 (on 10 March and 10 September each year) and it began in 2013 to last until 2028 for loan EIB 25710 (on 11 April and 11 October every year). Interest rate is 3.596% for loan EIB 25709 and 3.856% & 2.847% for loan EIB 25710.

The amount owed on 31 December 2019 under loan EIB 25709 is of 14,444,445 EUR and under loan EIB 25710 is of 16,079,060 EUR.

The loan agreement EIB 25709 includes certain financial clauses: (i) the ratio between EBITDA and the interest relating to non-current borrowings paid during the year should be at least 4.2; (ii) the ratio between non-current liabilities and shareholders' equities should not exceed 0.95; (iii) the ratio between the total net debt and EBITDA should be maximum 3.5.

Loan EIB 25710 is secured by CitiBank Europe PLC Dublin, Romania Branch. The contract provides indemnity fee of 0.35% per year calculated at 115% of the credit amount left to repay. The security contract concluded on 26 January 2011 includes certain financial clauses: (i) the ratio between consolidated EBITDA and net consolidated financial expenses should be at least 4.2; (ii) the ratio between the total net debt and the value of shareholders' equities should not exceed 0.95.

*c) Loan from ING Bank N.V., Amsterdam (Bucharest branch) and BRD – Groupe Société Générale SA*

The loan granted on 26 July 2012 by a consortium comprising ING Bank NV Amsterdam, Bucharest Branch and BRD – Group Societe Generale SA was meant to finance the following investments: upgrading the 400/200/110/20 kV electric substation Lacu Sarat, upgrading the 220/110 kV substation Mintia, integrated security systems within substations, and replacement of autotransformers and transformers in electric substations. Repayment period is of 84 months, with 24 months grace period and equal half-yearly repayments starting in August 2014. The loan has got variable EURIBOR at 6 months and 2.75% margin. The loan is 100% secured by means of accounts receivable pledging. The amount owed on 31 December 2019 is zero, the last instalment was paid on 13.02.2019.

The contract includes certain financial clauses: i) the ratio between EBITDA and financial expenses should be minimum 4.2; ii) the ratio between the total net debt and EBITDA should be maximum 3.5.

On 31 December 2019 financial indicators associated to the credit contracts were complied with

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Between 1 and 2 years	23,045	23,997
Between 2 and 5 years	69,136	67,467
More than 5 years	30,654	52,402
<b>Total</b>	<b>122,835</b>	<b>143,866</b>

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

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All long-term borrowings, except for EIB 25709 and EIB 25710, bear variable interest and consequently the fair value of non-current loans is similar to their accounting value.

On 31 December 2019 the non-current borrowing secured by the Romanian Government by means of the Ministry of Public Finance is IBRD 7181.

The loan from ING and BRD was initially guaranteed by accounts receivable pledging, which the Company had to collect from SC E.ON Energie Romania SA, SC E-Distributie Muntenia SA, SC Alpiq Romindustries SRL, SC Electromagnetica SA, SC Met Romania Energy Marketing SRL and by means of chattel mortgage on the accounts for investment activities opened with ING and an account for investment activities opened with BRD SMCC.

Beginning with November 2016 the loan is secured by assigning the trade receivables the Company has to collect from SC EON Energie Romania SA and SC Enel Distributie Muntenia SA and by means of chattel mortgage on the accounts for investment activities opened with ING and an account for investment activities opened with BRD SMCC.

The guarantee contract concluded with CitiBank Europe PLC is secured by assigning the trade receivables the Company has to collect from SC Enel Energie Muntenia SA.

*Short term borrowings*

Short-term borrowings are detailed as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Current share of long-term loans	54,131	51,496
Overdraft SMART	3,350	7,837
Interest on long and short-term loans	1,436	1,816
<b>Total short-term borrowings</b>	<b>58,917</b>	<b>61,149</b>

*Loans contracted for current activities*

The Company concluded the credit contract C55/01.03.2018 with Raiffeisen Bank for 12 months in order to finance the bonus type support scheme for high efficiency cogeneration as account overdraft amounting to 100,000,000 and interest rate calculated depending on the reference ROBOR 1M rate, which is added a negative margin of 0.35%. In case the reference ROBOR 1M rate is below 0.35%, the applied interest rate is 0%. The contract ended on 27.03.2019.

It was secured by means of:

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

On 04 April 2019 Transelectrica concluded the credit contract C733 with Banca Transilvania for 12 months in order to finance the bonus type support scheme for high efficiency cogeneration as account overdraft amounting to 150,000,000 with interest rate calculated depending on the reference ROBOR 1M rate, which is added 0.50% margin.

Addendum 1 to the contract was concluded on 24.04.2019 whereby the credit line was added 25,000,000 namely from 150,000,000 to 175,000,000.

On 31 December 2019 proceeds were taken from the credit line amounting to 29,540,187.

The credit line has been secured by:

- 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, Enel Energie Muntenia SA.

In December 2019, SMART SA concluded a new credit facility with Libra Bank in the amount of 10,000 thousand lei for financing the current activity, for a period of 12 months with maturity on December 23, 2020 with an interest calculated according to the reference date. ROOM 3M to which is added a margin of 4.7 pp

**13. OBLIGATIONS REGARDING EMPLOYEE BENEFITS**

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

Also in accordance with the collective labour contract the Company provides long term benefits both to employees, depending on their working seniority within the Company and to former employees when they retire. The benefits granted to employees holding managerial positions are provided in Note 25 *Remuneration of Company managers*.

The long term benefits the Company provide include the following:

- Retirement prizes going from 1 to 5 basic gross monthly wages depending on the years' seniority in the Company on retirement date;
- Jubilee prizes from 1 to 5 basic gross monthly wages depending on the years' seniority in the Company;
- Free electricity of 2,000 kWh/year after retirement, according to the provisions of the collective labour contract;

Actuarial calculations regarding post hiring benefits and other long term benefits were determined by a licensed actuary under the service contract concluded with SC VIREO SRL.

Obligations regarding employee benefits are as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Benefits pertaining to anniversary premiums to be granted to current employees	33,564	22,629
Benefits pertaining to retiree premiums of current employees	15,683	19,494
Benefits pertaining to the counter value of electricity to be paid to current employees after retirement	27,110	23,753
Benefits pertaining to premiums granted for the labor agreement termination	0	93
Benefits pertaining to maternity premiums to be granted to current employees	0	17
<b>Total</b>	<b>76,357</b>	<b>65,986</b>

On 31 December 2019 and 31 December 2018 the Company had obligations regarding long term employee benefits amounting to 76.357 and to 65.986.

Out of the total value of the constituted provision, namely 76.357:

- 5.062 represent short term provision constituted for future payments of benefits granted for age limit retirement and jubilee benefits.
- the difference of 71.295 031 represent long term provision constituted for future payments of benefits granted for age limit retirement and jubilee benefits.

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**OBLIGATIONS REGARDING EMPLOYEE BENEFITS**

	<b>December 31, 2018</b>	<b>Cost of interest</b>	<b>Cost of current service</b>	<b>Payments from provisions</b>	<b>Actuarial loss for the period</b>	<b>31 Decembrie 2019</b>
Benefits pertaining to anniversary premiums to be granted to current employees	22,629	990	1,326	(2,953)	11,571	33,564
Benefits pertaining to maternity premiums to be granted to current employees	17	-	-		(17)	-
Benefits pertaining to retiree premiums of current employees	19,495	547	829	(1,496)	(3,691)	15,683
Benefits pertaining to premiums granted for the labor agreement termination	93	-	-	-	(93)	-
Benefits pertaining to the counter value of electricity to be paid to current employees after retirement	9,622	391	541	-	672	11,225
Benefits pertaining to the counter value of electricity paid to current retirees	14,132	235	-	(613)	2,131	15,885
<b>Total</b>	<b>65,987</b>	<b>2,163</b>	<b>2,696</b>	<b>(5,062)</b>	<b>10,573</b>	<b>76,357</b>

The accompanying notes form an integral part of the consolidated financial statements.

**14. TRADE AND OTHER PAYABLES**

On 31 December 2019 and 31 December 2018 trade and other liabilities were as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Providers - electricity market	390,221	780,292
Suppliers of assets	73,460	30,651
Suppliers of other activities	27,212	22,565
Sums owed to employees	7,607	8,590
Other payables	69,694	176,250
<b>Total</b>	<b>568,194</b>	<b>1,018,347</b>

On 31 December 2019 and 31 December 2018 liabilities on balance from the electricity market amounted to 390,220,768, namely to 780,292,021 and showed the following structure:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Suppliers on the electricity market, out of which:		
- suppliers – operational activity – energy	142,743	188,915
- suppliers - balancing market	77,631	383,389
- suppliers in the bonus support scheme for the promotion of high-efficiency cogeneration	169,847	207,988
<b>Total</b>	<b>390,221</b>	<b>780,292</b>

The suppliers on the electricity market are mainly represented by: SC Hidroelectrica SA, Mavir, Complex Energetic Oltenia, Electrocentrale Bucuresti, OPCOM, Complex energetic Hunedoara, Romgaz, Ciga Energy, Veolia Energie Prahova, Electrocentrale Galati. On 31 December 2019 their share was about 85% in the total number of electricity suppliers.

- The reduced balance of liabilities related to the balancing market was determined by paying the payment obligations on balance on the electricity market on 31 December 2018;
- Lower liability balance relating to the balancing market was determined by paying the payment obligations on balance on the electricity market on 31 December 2018 on their due date in January 2019 and by a reduced volume of transactions on the balancing market in Q IV 2019 compared to Q IV 2018.
- Lower liabilities related to the support scheme to suppliers (generators) were mainly determined by payment of the liability corresponding to the monthly bonus withheld amounting to 56,680,387 for Electrocentrale Bucharest SA, since lawful compensation was ascertained to occur, validated by the judiciary administrator of Electrocentrale Bucharest SA (BPI 20461/ 29.10.2019).

On 31 December 2019 payment liabilities are registered to suppliers (producers) amounting to 546 (RAAN – 512 and CET Govora SA – 34), representing monthly cogeneration bonus, ante-overcompensation for 2014 and 2015, unpaid bonus in 2015 and 2016. The amounts the Company owed 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 obligations to the Company under the bonus type support scheme.

The Company requested the suppliers (generators) that did not pay the overcompensation invoices their agreement to compensate mutual liabilities at their 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.

Generators (RAAN, Electrocentrale Bucharest, and CET Govora) did not agree with this manner of extinguishing mutual receivables and liabilities, therefore the Company has applied and further applies (for RAAN and CET Govora) 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 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

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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.

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 of May 2014 – October 2015 amounting to 40,507,669, withheld by applying the provisions of article 17 para 5 of ANRE President's Order 116/2013 and the Agreement provisions.

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

Civil ruling 2430/05.10.2016 of the High Court of Cassation and Justice admitted the appeal filed by ANRE against civil ruling 3185/27.11.2015, partly cancelled the sentence appealed against and denied the suspension request of CET Govora. 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 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.

- The increased balance of asset suppliers on 31 December 2019 compared to 31 December 2018 was owed to the procurements of equipment, work and services for investment projects.
- Liabilities to suppliers of other activities are mainly represented by liabilities for the services provided by third parties, which have not reached their due date, which decreased compared to 31 December 2018.

The liability structure under „other liabilities" is the following:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Various creditors	1,693	25,055
Clients – creditors	44,639	71,021
Payable dividends	616	67,658
Other payables	22,747	12,516
<b>Total</b>	<b>69,695</b>	<b>176,250</b>

Sundry creditors amounting to 1.696 la 31.12.2019, on 31.12.2019 mainly represent participation bonds for auctions amounting to 503, , royalty of Q IV 248, study contracts 227, green certificates amounting to 168 and performance bonds 97.

"Client creditors" on 31 December 2019 amounted to 44.639, of which 14.905 represent amounts cashed in advance from MAVIR, 24.360 amounts cashed in advance from OPCOM and 5.025 amounts cashed from IBEX under transactions relating to the price-coupling mechanism 4MMC (4M Market Coupling) and SIDC (Single Intraday Coupling).

On 31 December 2019 dividends owed to Company shareholders but unpaid amounted to 616. Such amounts are at the shareholders' disposal by means of the payment agent.

Other liabilities amounting to 22.747 are mainly represented by the payment securities for the contracts on the electricity market concluded by CNTEE Transelectrica SA amounting to 14.987.

The accompanying notes form an integral part of the consolidated financial statements.

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Notes to the consolidated financial statements as at December 31st, 2019

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

**15. PROVISIONS**

On 31 December 2019 and 31 December 2018 the provision statement was as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Provisions for litigations	33,884	62,440
Provisions for mandate contracts	33,132	33,132
Fund for employees' profit sharing	45	55
Other provisions	3,929	866
<b>Total</b>	<b>70,990</b>	<b>96,494</b>

Provisions on balance on 31 December 2019 were as follows

	<b>Provisions for litigations</b>	<b>Share-based payment provisions</b>	<b>Fund for employees' profit sharing</b>	<b>Other provisions</b>
<b>Balance on 01 January 2019</b>	<b>62,440</b>	<b>33,132</b>	<b>55</b>	<b>866</b>
Additions in provisions (profit and loss account)	2,988	39	-	3,514
Reversal of provisions (profit and loss account)	(31,544)	(39)	(10)	(451)
<b>Balance on 31 December 2019</b>	<b>33,884</b>	<b>33,132</b>	<b>45</b>	<b>3,929</b>

Provisions for disputes found on balance on 31.12.2019, amounting to 33.884, are mainly represented by provisions constituted for the following disputes:

On 02.11.2018 on the docket of Bucharest Tribunal, Section VI civil a new suing was registered as filed by Conaid Company SRL, under file 36755/3/2018, whereby the claimant requested the court to compel Transelectrica SA to "repair the prejudice caused to the claimant for culpable non-execution of defendant's obligations, in quantum of 17,216,093.43 Lei, consisting of loss actually incurred and non-achieved benefit, provisionally estimated to 100,000 Euro... considering the unjustified refusal of Transelectrica SA to conclude and sign an addendum to Contract C154/27.04.2012, and in case the court finds that in formal terms the obligation of suspensive conditions cannot be considered met by the claimant, such non-execution is owed to the exclusive guilt of Transelectrica SA, the defendant preventing its compliance with the conditions". Hearing term: 09.04.2019 (see Note 24).

- Case file no. 2494/115/2018\* is pending with the Caras Severin Court. Through its summons the claimant Resita City requests that defendant CNTEE Transelectrica SA should be compelled to pay the following amounts:

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

The company constituted a provision for the litigation with Resita City of 6,389,298.

- File no. 2434/115/2018\* re-registered with the Court of Bucharest, Civil Section VI. In its lawsuit, the plaintiff Regia Nationala a Padurilor Romsilva - Caras Severin Forest Management Department asks defendant CNTEE Transelectrica SA to be compelled paying the following amounts:

- 2,433,609.52 annual lease for the temporary occupation of the land in the national forest fund + late payment penalties from the due date of the lease 31.01.2018 until actual full payment;
- 304,298.47, equivalent value of the final land disposal from the national forest fund, equivalent value of the loss in the enhanced exploitation of wood + late payment penalties from 10.05.2015 until actual full payment.

The case was seen in file 2434/115/2018, pending with the Court of Caras Severin.

On 29.11.2018 Caras Severin Tribunal pronounced sentence 3326/2018, ordering the following: "To admit the exception for territorial non-competence of the Caras Severin Tribunal. To refer the competence for solving the

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Notes to the consolidated financial statements as at December 31st, 2019

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demand filed by the plaintiff RNP - Romsilva, Caras Severin Forest Management Department against the defendants National Power Grid Company Transelectrica SA and National Power Grid Company Transelectrica SA - Timisoara Transmission Branch. Final. Ruled in open court on 29.11.2018".

The file was registered with the Court of Bucharest, Civil Section IV, no. 2434/115/2018, which on 22.01.2019 pronounced the following settlement: "To admit the exception of functional non-competence. The file should be submitted to Civil Section VI of the Bucharest Tribunal, for settlement. No appeal. Ruled in open court on 22.01.2019".

The file was re-registered with the Bucharest Tribunal, Civil Section VI, no. 2434/115/2018\*, which, on 13.02.2019, pronounced the following settlement: "To admit the exception of the fundamental non-competence of the Bucharest Tribunal, Civil Section VI, invoked automatically. To decline jurisdiction in favour of Bucharest Tribunal, Civil Section IV, to which the file shall be immediately submitted. Ascertains a negative conflict of competence, suspends the judgment of the case and submits the file to the Appeal Court of Bucharest, for settlement. No appeal. Ruled in open court on 13.02.2019".

The Company constituted a provision amounting to 2,737,907 for the dispute with the National Forest Authority Romsilva, Forestry Division Caras Severin.

- The dispute with OPCOM Branch of 2,670,029 for the fine set pursuant to the EU investigation.

On 24.11.2014 Subsidiary SC OPCOM SA summoned CNTEE Transelectrica SA in order to force it to pay the amount of 582,086,31 Euro (2,585,161 Lei at the NBR exchange rate on 24.11.2014), representing the amount paid by it as fine, from the total of the fine amounting to 1,031,000 Euro applied to the subsidiary OPCOM SA by the European Commission, in the context in which SC OPCOM SA subsidiary paid the entire fine established by the European Commission.

Also SC OPCOM SA subsidiary requested the court to order the Company to pay the amount of 84,867 as lawful interest related to the period between 11.06.2014 – 24.11.2014, plus legal expenses amounting to 37,828 (see Note 24 iii).

Other provisions amounting to 3,513,812 are represented by provisions registered for non-executed vacations and payable VAT estimated for the fiscal audit in progress, Endorsement F-MC-326/13.11.2019\_TVA 2014-2016 period amounting to 1,369,494 Lei and provision for ANAF's Decision on fiscal obligations accessories to profit in 2012 – 2016, amounting to 2,133,283 Lei.

On 31 December 2019 the Company registered a provision amounting to 33,132,184 (38,498,154 on 31 December 2018) for the annual variable component owed to Directorate and Supervisory Board members (see Note 27).

The provision amounting to 44,799 is mainly represented by the provision constituted for the employees' participation to profit in the financial years 2013, 2015 and 2016, amounts not granted by 31.12.2019.

**16. INCOME TAX**

The 2019 and 2018 income taxes were as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Current income tax expense	(14,084)	(14,741)
Net income from deferred income tax	2,007	902
<b>Total</b>	<b>(12,077)</b>	<b>(13,839)</b>

The Company's current and deferred income tax in 2019 and 2018 was determined at 16% statutory rate, applicable in 2019 and in 2018.

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

**INCOME TAX**

The movement regarding deferred tax liability in 2019 and 2018 was as follows:

Elements	Balance on January 1, 2018	Recognised in profit and loss	Recognised directly in AERG	Balance on December 31, 2018	Recognised in profit and loss	Recognised directly in AERG	Balance on December 31, 2019
Property, plant and equipment – lifetimes	4,807	1,285	-	6,092	279		6,371
Property, plant and equipment – revaluation reserves	36,187	(6,683)	36,607	70,325	(5,297)	86,443	151,471
Property, plant and equipment financed by subsidies	(1,190)	(272)	-	(1,462)	(278)		(2,665)
Obligations regarding employee benefits	(4,712)	2,223	-	(3,963)	2,133		(1,830)
Interconnection estimate	(989)	(394)	-	(2,158)	968		(1,190)
Provisions	(6,777)	-	-	(6,892)	115		(6,777)
Other elements	925			(925)			
<b>Tax (assets)/liabilities</b>	<b>27,263</b>	<b>(3,842)</b>	<b>36,607</b>	<b>61,016</b>	<b>(2,080)</b>	<b>85,439</b>	<b>145,380</b>

The deferred tax consists of:

	Asset		Liability		Net	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Property, plant and equipment – lifetimes	(2,872)	(1,791)	9,243	7,883	6,371	6,093
Property, plant and equipment – revaluation reserves	(5,097)	(4,226)	156,568	71,334	151,471	67,108
Property, plant and equipment financed by subsidies	(591)	(2,695)	(2,074)	2,479	(2,665)	(215)
Obligations regarding employee benefits	(1,830)	(3,035)	-	-	(1,830)	(3,035)
Interconnection estimate	(1,190)	(2,158)	-	-	(1,190)	(2,158)
Provisions	(6,777)	(6,775)	-	-	(6,777)	(6,777)
Other elements	-	-	-	-	-	-
<b>Net tax (assets)/liabilities</b>	<b>(18,357)</b>	<b>(20,680)</b>	<b>163,737</b>	<b>81,696</b>	<b>145,380</b>	<b>61,016</b>

The accompanying notes form an integral part of the consolidated financial statements.

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**17. EARNINGS PER SHARE**

On 31 December 2019 and 31 December 2018 the result per share was:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Result of the financial exercise</b>	<b>88,705</b>	<b>75,380</b>
Number of ordinary shares at the beginning and at the end of the period	73,303,142	73,303,142
<b>Basic and diluted lost/earnings per share (lei/share)</b>	<b>1.21</b>	<b>1.03</b>

**18. OTHER TAX AND SOCIAL SECURITY LIABILITIES**

On 31 December 2019 and 31 December 2018 such liabilities included:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Contribution to social security funds	7,652	8,429
Payable VAT	180	11
Salary tax	1,521	1,906
Other tax payable	1,522	1,232
<b>Total</b>	<b>10,875</b>	<b>11,578</b>

On 31 December 2019 the Company registered payment liabilities for the contributions to social security funds, salary tax and other taxes, which were paid in January 2020.

**19. OPERATING REVENUES**

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

Tariffs approved by ANRE for services provided on the electricity market are as follows:

	<b>Average price for the transmission service</b>	<b>Average price for the technological system services</b>	<b>Average price for the functional system services</b>
Order no. 108/20.06.2018 for 01 July – 31 December 2019	17.68	13.05	1.84
Order no. 122/19.12.2017 for 01 Jan – 30 June 2019	18.13	10.44	1.11
Order no. 48/22.06.2017 for 01 July – 31 December 2018	18.13	10.44	1.11
Order no. 27/22.06.2016 for 01 Jan – 30 June 2018	16.86	12.06	1.11

The average electricity transmission tariff has two components: tariff for electricity introduction in the network ( $T_G$ ) and tariff for electricity extraction from the network ( $T_L$ ).

Zone tariffs of transmission services to introduce electricity in the network ( $T_G$ ) and to extract electricity from the network ( $T_L$ ) were approved by ANRE Order 108/2018, beginning with 01 July 2018.

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

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
The amount of electricity delivered to consumers (MWh)	55,343,389	55,775,645

The revenues obtained in 2019 and 2018 are as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Revenues from electricity transmission	986,485	973,613
Revenues from the allocation of the interconnection capacity	84,242	81,713
Revenues from reactive energy	1,227	5,499
Revenues from transactions with own technological consumption	2,033	5,913
Inter TSO Compensation (ITC) revenues	7,995	3,098
<b>Transmission Revenues - total</b>	<b>1,081,982</b>	<b>1,069,837</b>
Functional system service revenues	81,451	61,943
Technological system service revenues	654,095	637,497
Revenues from unplanned exchanges on DAM	6,147	1,908
Income from emergency aids	-	274
<b>Total revenues from system services</b>	<b>741,693</b>	<b>701,622</b>
Revenues on the balancing market	523,104	903,865
Other incomes	94,743	50,281
<b>Total revenues</b>	<b>2,441,521</b>	<b>2,725,605</b>

*Revenues from electricity transmission*

Since the electricity quantity delivered to consumers decreased 0.77% in 2019 compared to 2018, namely by 432,256 MWh, transmission revenues increased 12,872,104, determined by higher average tariff for transmission services approved by ANRE (as per the previously shown table of ANRE-approved tariffs for the studied intervals). Thus the tariff calculated as average value of 2019 tariffs – 17.90 Lei/MWh was 2.28% higher than the tariff calculated as average value of 2018 tariffs – 17.50 Lei/MWh.

*Revenues from the allocation of the interconnection capacity*

In 2019 revenues from the allocation of interconnection capacities increased in comparison with 2018 and amounted to 2,528,126, corresponding to the utilisation degree of available interconnection capacities by traders on the electricity market.

The market allocating the interconnection capacities is fluctuating, and its prices are developed depending on demand and on the electricity market participants' need to procure interconnection capacities.

The mechanism for the allocation of interconnection capacities consist of annual, monthly, daily and intradaily auctions. The annual, monthly and intradaily are explicit - as only the transmission capacity is auctioned, while the daily ones with Hungary are implicit - with simultaneous allocation of capacity together with energy by the coupling mechanism.

The establishment beginning with 19 November 2014 of the regional energy exchange by Romania, Hungary, the Czech Republic and Slovakia requires that these four countries reach to a unique price of electricity traded on the spot markets. The capacity allocation between Romania and Hungary, the only country of the 3 which Romania has a border with, is made by the carriers: Transelectrica and MAVIR, using a common mechanism based on a bilateral agreement.

Beginning with 2016 the UIOSI principle has been implemented on the border with Bulgaria, and starting with 2017 on the border with Serbia as well. According to this principle the participants not using the capacity won at annual and monthly auctions are compensated (by Transelectrica) for such capacity. The spare capacity is

subsequently sold in the daily auctions. On the Hungarian border the direction is reversed, meaning that MAVIR compensates the participants for unused capacities.

The net revenues from the allocation of interconnection capacities are used in accordance with the provisions of ANRE Order 171/2019 and of Regulation (EU) 943/2019 on the internal electricity market, as financing source for investments into upgrading and developing interconnection capacities with neighbouring countries.

#### *Revenues from reactive energy*

In 2019 revenues from reactive energy amounting to 4,272,121 decreased in comparison with 2018, because the consumption of reactive electricity absorbed from RET by Arcelor Mittal Hunedoara decreased because a SVC (Static Var Compensator) type piece of equipment was commissioned (in the steel works), which compensates reactive energy. Thus decreased revenues from reactive energy are owed to Arcelor Mittal Hunedoara that took local measures to improve the power factor, reducing the power taken from RET and implicitly reducing invoices for reactive energy payment.

#### *Revenues from OTC (one's own technological consumption)*

Revenues from OTC transactions were mainly obtained from excess electricity sale on the Intraday Market managed by OPCOM and under BRP CIGA Energy on the Balancing Market. At the end of November 2019 the coupled operation of the intraday market was launched in Europe under the XBID/SIDC project, which provided higher liquidity of this market and diversified the transacted products.

Such revenues were higher in 2019 by 2,080,568 compared to 2018, because the imbalances of Transelectrica were contrary to the imbalances of the BRP CIGA ENERGY and thus the sale of excess energy was more beneficial with the BRP than selling on the Balancing Market.

#### *Revenues from functional system services*

Revenues from functional system services increased 19,508,372 in 2019 compared to 2018, determined by higher tariff approved by ANRE for such services (as per the previously shown table of ANRE-approved tariffs for the studied intervals), although the electricity quantity delivered to consumers decreased 0.77%, namely 432,256 MWh.

#### *Technological system service revenues*

Revenues from technological system services increased 16,599, in 2019 compared to 2018, determined by higher tariff approved by ANRE for such services (as per the previously shown table of ANRE-approved tariffs for the studied intervals), although the electricity quantity delivered to consumers decreased 0.77%, namely 432,256 MWh.

In 2019 the revenues from technological system services were 22,372 smaller than the expenses made to procure technological system services. This diminishes the Company's gross profit registered on 31 December 2019.

#### *Revenues on the balancing market*

Revenues achieved on the balancing market decreased 380,761 in 2019 compared to 2018, mainly determined by the following aspects:

- Greater negative imbalance registered with electricity suppliers on the balancing market in January 2019 compared to the same month of 2018 and reduced negative imbalance registered with electricity suppliers on the balancing market in February-December 2019;
- The contracting method on the markets before the balancing market and low participation of electricity producers on the day-ahead market and intraday electricity market;
- The development of hydraulicity;
- High unpredictability and volatility of output from renewable sources (especially wind);
- The development of the average deficit price registered on the balancing market;
- Increase of electricity demand because of a milder winter than in 2018.

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

**20. EXPENSES FOR OPERATING THE SYSTEM AND FROM THE BALANCING MARKET**

System operation expenses and balancing market expenses were in 2019 and 2018 as follows:

	December 31, 2019	December 31, 2018
Expenses on own technological consumption	283,908	252,675
Congestion expenses	1,657	8,218
Electricity consumption in ETG stations	20,450	17,235
Expenses regarding the functional system services	32,735	15,463
Expenses on Inter TSO Compensation (ITC)	12,991	15,281
<b>Total operational expenses</b>	<b>351,741</b>	<b>308,872</b>
Expenses with the technological system services	676,468	677,725
Balancing market expenses	523,104	903,865
<b>Total</b>	<b>1,551,313</b>	<b>1,890,463</b>

*Expenses on own technological consumption*

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

In 2019 expenses for technological consumption were 31,233 greater than those recorded in 2018, mainly because the average price of electricity procurement to cover OTC within RET was increased.

*Congestion expenses*

Congestions (network restrictions) are demands of electricity transmission beyond the grid's technical capacity limits and corrective actions are required from the transmission operator; they occur when, upon operation scheduling or during real time operation the power circulation between two system nodes or areas leads to incompliance with the safe operational parameters of a power system.

In 2019 congestion expenses amounting to 1,657 were registered, determined by:

- Provision of N-1 safety criterion when the 220 kV OHL Fantanele – Gheorgheni was unavailable because of bad meteorological conditions;
- Provision of N-1 safety criterion in section 4, when the 400 kV OHL Iernut – Sibiu Sud was outaged according to schedule;
- The need to curtail the wind output of Dobrogea region in order to observe the N – 1 safety criterion when disconnecting the 400 kV OHL Constanta Nord – Tariverde, requested by the ISU teams in order to avoid electric accidents.

*Expenses regarding electricity consumption in RET substations*

In view of providing electricity transmission in electric substations and operation of the National Power System under safe conditions, CNTEE Transelectrica SA has to procure electricity to cover the consumption related to auxiliary services in high voltage electric substations managed by the Company.

Such expenses increased 3,214 in 2019 compared to 2018, determined by the rising trend of electricity prices and especially by the higher firm prices compared to last year, which were included in the contracts of electricity supply in 2019 concluded on the competitive market.

*Expenses regarding the functional system services*

Such expenses represent the non-contracted international exchanges of electricity with the neighbouring countries and the expenses on unplanned exchanges on the Day-Ahead Market (DAM).

Such expenses increased in 2019 compared to 2018 amounting to 17,274,124, mainly determined by higher expenses on the balancing market regarding unplanned electricity exchanges with the neighbouring countries which are interconnected to SEN.

#### *Expenses on Inter TSO Compensation (ITC)*

ITC expenses amounting to 12,991 represent the monthly payment obligations / collection rights of each transmission system operator (TSO). They are established under the compensation / settlement mechanism for the effects of using the electricity transmission grid (RET) for electricity transits between TSO from 35 countries that adhered to this ENTSO-E mechanism. In 2019 such expenses were 2,290 smaller than in 2018.

#### *Expenses with the technological system services*

Technological system services are purchased by the Company from producers in order to comply with the operational security limits of the SEN and with the quality of electricity transmitted at the parameters required by the technical norms in force.

Such services are contracted as follows:

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

In 2019 technological system services were procured under regulated regime according to ANRE Decisions 1440/2018 and 1203/1551/2019 (from Societatea Hidroelectrica SA), ANRE Decision 2047/2018 (from Co. Energy Complex Hunedoara SA), ANRE Decisions 1911/2018 and 1851/2019 (from Co. Electrocentrale Galati SA), as well as according to HG 773/27.09.2018 approving the "Measures regarding the safety and security level for the operation of the National Power System from 1 November 2018 to 31 March 2019".

Expenses regarding technological system services diminished in 2019 compared to 2018, amounting to 1,257,549 and mainly determined by procurement prices of technological system services for slow tertiary control (RTL) which were lower on the competitive market than in 2018, because higher competition was around this reserve. At the same time procurement prices for technological system services were maintained around the 2018 values for secondary control (RS) and fast tertiary control (RTR). Another important influence over the STS procurement price on the competitive market came from the very high market concentration of such services for secondary control (RS) and fast tertiary control (RTR) during the studied interval.

The Company reinvoices the value of technological system services procured from producers to the ANRE-licensed suppliers of electricity that benefit of such services in the end.

#### *Balancing market expenses*

Expenses regarding the balancing market made in 2019 amounted to 523,104 and had the development provided in *Revenues on the balancing market*. Such expenses result from participants' notifications / achievements on this market, being fully covered by balancing market revenues.

## **21. OTHER OPERATING EXPENSES**

	<b>2019</b>	<b>2018</b>
Staff expenses	268,840	248,804
- of which expenses with staff salaries	229,276	218,048

Personnel expenses incurred in 2019 recorded an increase compared to 2018, mainly determined by the increase in 2019 of staff salaries, social expenses, insurance and social protection expenses, etc.

	<b>2019</b>	<b>2018</b>
Average number of employees		
Transelectrica SA	2,027	2,102
Smart SA	609	674
Teletrans SA	230	235

**22. OTHER OPERATING EXPENSES**

	December 31, 2019	December 31, 2018
Other expenses on third party services	79,909	34,824
Postal and telecommunication expenses	1,193	1,292
Rent	3,246	10,854
Operating (net) operating expenses on depreciation allowances for current assets	(7,754)	2,930
Other expenses	25,523	39,735
<b>Total</b>	<b>102,116</b>	<b>89,701</b>

**23. NET FINANCIAL RESULT**

	December 31, 2019	December 31, 2018
Interest income	5,658	9,962
Revenues from foreign currency exchange	4,184	6,003
Other financial incomes	182	55
<b>Total financial income</b>	<b>10,024</b>	<b>16,020</b>
Interest expenses	(10,419)	(19,828)
Expenses from foreign currency exchange	(8,276)	(5,921)
Other financial expenses	(15)	0
<b>Total financial expenses</b>	<b>(18,710)</b>	<b>(25,749)</b>
<b>Net financial result</b>	<b>(8,686)</b>	<b>(9,729)</b>

On 31 December 2019 the Group registered net financial result (loss) amounting to 8,686, 1,043 higher than in 2018. This was mainly influenced by the exchange rate of the national currency against the foreign currencies the Company has contracted bank loans to finance its investment programmes (Euro), in the context of diminished interest expenses.

The national currency's average exchange rate registered in 2019 compared to that of 2018 is as follows:

Currency	2019	2018
Lei / Euro	4.7793	4.7452
Lei / Dolar SUA	4.2608	4.2379

**24. THE LEGISLATIVE AND FISCAL FRAMEWORK**

The legislative-fiscal framework of Romania and its practical implementation changes regularly and is subject to different interpretations by various Ministries of the Government. Income tax returns are subject to review and correction by the tax authorities, in general for a period of five years after their submission. The management believes that it has adequately provided for tax liabilities in the accompanying financial statements; however, the risk remains that tax authorities could take differing positions with regards to the interpretation of these issues. Their impact could not be estimated at this time.

**25. COMMITMENTS AND CONTINGENCIES***Commitments*

On 31 December 2019 the Company had commitments amounting to 1,040,008,008 representing contracts in progress for investment projects meant to upgrade and refurbish the transmission network.

#### *Land plots used by the Group*

In accordance with Company policy the financial statements include only the value of lands ownership certificates were obtained for on the date of these financial statements.

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

For the time being the external legal opinion received by the Company management following the acquisition of legal consultancy, assistance and/or representation services needed for the share capital increase states that in the absence of other changes or clarifications in the legal framework, the general legal provisions applicable to the companies are contradictory with regards to the increase provisions for companies regulated by the privatisation law. Taking into consideration the steps undertaken by the Company for the share capital increase by the value of the lands which ownership certificates were obtained for, OPSPi communicated to the Company that in their opinion, the share capital increase should be performed after the changes in the legal framework.

The Shareholders' General Assembly approved by Decision 16/21.12.2018 the principle increase in the share capital of CNTEE Transelectrica SA with the in kind contribution represented by the value of 17 lands the Company obtained ownership certificates for and submitting to the Office of Trade Register from Bucharest Tribunal the proposal to designate JPA Audit and Consultanta SRL in the capacity of evaluator licensed by ANEVAR to evaluate the in-kind contribution that was proposed for share capital increase, in accordance with legal terms.

As a result of ORCTB's validation for the proposal of the Shareholders' general assembly on the expert, JPA Audit and Consultanta SRL in the capacity of evaluator licensed by ANEVAR elaborated and transmitted to the Company the *Valuation report 21278/10.05.2019* establishing the fair value on 31.03.2019 of the 17 lands the Company obtained ownership certificates for and belonging to the Company. Taking into account we are faced with contradictory opinions about the **application / interpretation of incident legislation, namely the privatisation and capital market legislation**, CNTEE Transelectrica SA is found in the objective impossibility to increase the share capital with the value of the 17 lands the Company obtained ownership certificates which the expert JPA Audit and Consultanta SRL established fair value for.

#### *Pending disputes*

The management regularly analyses the ongoing disputes, and after consulting with its legal representatives decides the need to create provisions for the amounts involved or their presentation in the financial reports.

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

- **AUTONOMOUS AUTHORITY FOR NUCLEAR ACTIVITIES (RAAN)**

On the docket of Mehedinti Tribunal, Civil Section II, Administrative and Fiscal Disputes Section file 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 the defendant, the plaintiff being the Independent Authority for Nuclear Activities – RAAN.

Civil ruling 127 pronounced on 10.10.2014 by Mehedinti Tribunal admitted the request filed by plaintiff RAAN and ordered CNTEE Transelectrica SA to pay the amount of 1,090,831.70 Lei, constituting the value of invoice 1300215/31.12.2013.

The Company filed appeal and requested the court by the decision it would take to allow the appeal as it was filed and reverse the judgment and sentences under appeal and referring the case to the trial court in the territorial jurisdiction for judgement, and stating the compliance with the requirements of Articles 1616 and 1617 of the Civil Code, reason for which it is also required to declare the occurrence of mutual debts compensation and their redemption up to the amount of the smallest of them, namely the total amount requested by the plaintiff in the application for summons, ordering the appeal - plaintiff to pay the expenses made with this appeal.

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

Ruling 124/2017 of the Appeal Court of Craiova admitted the appeal filed by Transelectrica and cancelled

sentence 127/2014 pronounced by Mehedinti Tribunal, while the case was referred for retrial to Bucharest Tribunal, Section VI Civil. On the docket of the Bucharest Tribunal the case was registered under no. 40444/3/2017 which by civil ruling 4406/04.12.2017 admitted the request filed by RAAN and ordered Transelectrica to pay the amount of 1,090,831.70 Lei. The sentence was appealed. 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 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 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.

The subject of file 9089/101/2013/a152 is objection against the Additional liability table of debtor RAAN, the disputed amount being 89,360,986 Lei.

Transelectrica SA was recoded with 11,264,777 Lei in the table of debtor RAAN, in the category of receivables resulting from the debtor's uninterrupted activity, the actual amount the Company requested being 89,360,986 Lei, but 78,096,208.76 Lei were not registered in the preliminary receivable table because "such sum was not recorded as owed liability in RAAN's accounting books". Moreover the judiciary liquidator considered the request to record 78,096,209 Lei was made late since it pertained to 2011 – 2013, for which reason the receivable statement should have been submitted when the insolvency procedure began, namely on 18.09.2013. The contestation of the additional liability table as Mehedinti Tribunal admitted the accounting expertise evidence.

On the contestation judgment term 14.06.2018 the decision was taken to suspend it until settlement of file 3014/2/2014 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 deferred because the court considered it useful to settle the case by submitting Civil ruling 2969/26.09.2018, pronounced by the High Court of Cassation and Justice under file 3014/2/2014, pertaining to cancelling Decision 743/2014 of ANRE's president.

Settlement of Mehedinti Tribunal by Ruling 163 / 20.06.2019: It admits the exception of decline. It partly admits the main issue and associated contestation. It compels the defendant to pay to the claimant the amount of 16,950,117.14 Lei accrued receivable during the procedure, judging to record it in the creditors' table constituted against debtor RAAN by this sum. The other associated demands are denied. In accordance with article 453 para 2 from the Civil Procedural Code it compels the defendant to pay 1000 Lei law court expenses to the claimant. Appeal right is granted. It was pronounced at public hearing. Document: Ruling 163/20.06.2019.

On the 06.11.2019 hearing date the Appeal Court Craiova decided rejecting the appeal of Transelectrica as groundless; final decision. Ruling 846/06.11.2019.

Transelectrica filed appeal within the legal term. The Appeal Court Craiova established the first hearing on 30.10.2019. the appeal was denied as groundless.

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

In the bankruptcy file of RAAN registered under no. 9089/101/2013, Mehedinti Tribunal established the term on 26.03.2020 to continue the procedure.

## • COURT OF AUDIT

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

On 13.06.2018 the claimant's case is partly admitted. It partly cancels the defendant-issued conclusion 7/20.02.2014, decision 37/9.12.2013 and the control report 35521/6.11.2012 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 pct. II.13, meaning to remove the phrase "including what has been found about the invoices issued by FLOREA ADMINISTRARE IMOBILIARA SRL". The court rejects the remainder of the claimant's request as groundless. It approves the electricity technical expertise report drafted by Toaxen Vasile as expert; compels the defendant to pay 121,375 Lei law suit expenses to the claimant (partially expert fees and judiciary stamp tax). Appeal right granted within 15 days from notification. The appeal will be referred to the Bucharest Court of Appeal, Section VIII, Administrative and Fiscal Disputes Section; ruled in open court on 13.06.2018. Document ruling 2771/13.06.2018.

Transelectrica filed appeal on 14.06.2019. The following term was set on 28.10.2021

After a control carried in 2017 the Court of Audit decided on certain measures to be implemented by the Company following certain deficiencies found upon such control. CNTEE Transelectrica SA expressed 8 contestations against the measures decided by Romania's Court of Audit (CCR) in Decision 8/27.06.2017,

requesting its cancellation and against conclusion 77/03.08.2017, registered in the Company under no 29117/08.08.2017, as well as the Audit report 19211/26.05.2017.

Contestations are under settlement on the docket of the Appeal Court Bucharest and of the High Court of Cassation and Justice they have terms in the period immediately after 2019, namely 2020-2021.

- **ANRE**

Transelectrica SA filed complaint against Order 51/ 26.06.2014 of ANRE president registered with ANRE under no. 47714 / 04.08.2014 and contestation with the Appeal Court Bucharest, registered under file **4921/2/2014**, whereby it requests amending the fore-mentioned order either by issuing a new one recalculating the RRR at 9.87% (recalculated using a  $\beta$ ) coefficient of 1.0359, according to the internal analysis of Transelectrica) or should this request be rejected, using the same percentage 8.52% established by ANRE for 2013 and semester I 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 cancellation of 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<sup>1</sup>) 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 term of 27.03.2018 the expert fee placed on behalf of the claimant was paid and a letter will be decided to the expert in order to conduct and submit the entrusted expertise report to the file.

On the 25.09.2018 term the settlement in brief decided to resort again to the expert letter, in view of conducting the expertise report and submit it to the file, mentioning to prove the impossibility to submit the expertise report until hearing term in which case the case will be postponed.

On the 22.01.2019 hearing term the court provided principle agreement with the request of accessory intervention in the defendant's interest (ANRE), expressed by intervenient ALRO SA, with appeal at the same time with the principal issue. On 25.06.2019 the case is postponed in order to enable the parties to acknowledge the content of the expertise report and a new hearing term is set on 10.09.2019.

On 10.09.2019 taking into account the request of the claimant's representative to know the content of objections filed by the intervenient and to enable it answer to such objections, also retaining the claimant submitted meeting notes with writs requiring translation, it admits the case deferral and decides granting a new hearing term on 03.12.2019.

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

On 03.12.2019 it decides postponing the case and setting a new hearing term in order to send another letter to the expert for his submission to the file of the objection answer, mentioning to come to court on the next hearing date. It will notify the expert to send a copy of his answer to both parties before the following hearing term.

The following term is set on 17.03.2020.

- **OPCOM**

On 24.11.2014 subsidiary SC OPCOM SA summoned CNTEE Transelectrica SA in order to compel it paying the amount of 582,086 Euro (2,585,162 Lei), representing the amount paid by it as fine, from the total fine amount of 1,031,000 Euro, such request being included in file 40814/3/2014.

Previously the Shareholders' General Assembly of subsidiary SC OPCOM SA, at their meeting of 10.06.2014 decided upon full payment of 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 the Decision AT 39984 in the antitrust case.

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

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

In the court session of 24.07.2015 the court admitted the application for summons filed by claimant Romanian Gas and Electricity Market Operator OPCOM SA in contradiction with defendant National Power Grid Company Transelectrica SA and ordered the defendant to pay the amount of 582,086.31 Euro to the claimant, representing the amount paid by it in the defendant's stead from the fine amounting to 1,031,000 Euro, charged by the Decision of the European Commission on 5.03.2014 in the case AT.39984 and the legal interest related

<sup>1</sup> RRR - Regulated Rate of Return is found in specific literature under the acronym WACC – Weighted Average Cost of Capital, and the formula of the two indicators is similar:  $RRR = WACC = \frac{CCP}{1 - T} + CCI \times Ki$

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to the amount of 582,086 Euro, calculated as of 11.06.2014 and up to the actual payment date. The court compels the defendant to pay the amount of 37,828 Lei as legal expenses to the claimant. Appeal right granted within 30 days from notification. Transelectrica SA filed appeal against ruling 4275/2015, pronounced under the above-mentioned file, which was registered on the docket of the Appeal Court Bucharest.

The Appeal Court's settlement in brief: Admits the appeal. Changes entirely the civil ruling appealed against, meaning it denies as groundless the suing. It compels the recurrent-claimant to pay law suit expenses amounting to 16,129 to the defendant, representing judiciary stamp fee. Appeal right within 30 days from notification. It was pronounced at public hearing on 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: Admits the appeal filed by the recurrent-claimant Romanian Gas and Electricity Market Operator OPCOM SA against decision 1517/10.10.2016 pronounced by the Appeal Court Bucharest, Section V Civil. It cancels the appealed decision and sends the case for new judgment to the appeal instance; final.

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

On 27.11.2018 CNTEE Transelectrica SA filed appeal, which is under filtering with the ICCJ.

The Company registered in 2014 a provision amounting to 2,670,029 Lei for the dispute with Subsidiary OPCOM SA.

The object of file 17765-3-2019 is compelling defendant OPCOM SA to pay 4,517,460 Lei pertaining to invoice TEL 16 AAA 19533/29.07.2016, representing VAT amount corresponding to the contribution of CNTEE Transelectrica SA to the share capital of OPCOM SA, issued under the Loan Contract 7181RO/2003, a commitment to finance the investment project "Electricity Market Project", compelling OPCOM SA to pay 1,293,778.27 Lei under invoices TEL 19 T00 17/28.01.2019 and TEL 19 T00 131/10.07.2019 representing legal penalty interest, calculated for not paying invoice TEL 16 AAA 19533/29.07.2016.

The amount of 4,517,460 Lei, principal debit under complaint 1 of this action represents VAT pertaining to the share capital increase of OPCOM SA by contribution in kind and substantiated in intangible assets received corresponding to stage I A and to stage II of contracts P081406-O-C78, P081406-C125 and P081406-C300.

On the hearing date 27.09.2019 the inadmissibility exception and the prescription exception are denied as groundless. It denies the request as groundless. Appeal right within 10 days from notification to be submitted to Bucharest Tribunal, Section VI Civil.

On 22.11.2019, file 34249/3/2019, settlement in brief: as against the provisions of article 94 para 3 from the Internal Regulation of Judiciary Instances approved by CSM under no. 1375/2015, according to which the appeal ways stated against the same ruling are settled by the initial court and taking into account both the creditor and debtor filed cancellation requests against hearing conclusion of 27.09.2019 pronounced by Bucharest Tribunal, Section VI Civil under file 17765/3/2019, pertaining to payment ordinance, it decides referring this file for settlement to the first court entrusted to settling an appeal against the hearing conclusion of 27.09.2019 pronounced by Bucharest Tribunal, Section VI Civil under file 17765/3/2019, namely the Panel of judges 11 AO, initially dealing with file 34022/3/2019, pertaining to cancellation request. Cancellation requests were registered under file 34022/3/2019, with hearing term on 11.03.2020.

### **• ASITO KAPITAL SRL**

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

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

Settlement in brief: It admits the request and orders the debtor to pay 2,237,750.83 Euro within 20 days from receipt of this decision (equivalent of 9,948,592.64 Lei at the exchange rate 1 Euro = 4.4458 Lei) representing unreturned down payment secured under the security letter BR-1500544/18.11.2015 as well as 4,821,022.53 Euro (equivalent of 21,233,265.32 Lei at the exchange rate 4.4041 Lei / Euro) representing unreturned down payment secured under the security letter BR-1500520/29.07.2015; 200 Lei as law suit expenses. Cancellation request right is granted in 10 days from notification.

Ruling 4067/07.11.2017 was drafted and notified to both parties on 17.10.2018.

On 01.11.2018 Ruling 4067/07.11.2017 was legalised and transmitted to BEJ Raileanu in order to execute the enforcement title.

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

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

Under file 35865/3/2018 (former file 24552/3/2017) the hearing term was set on 19.02.2019 to settle the cancellation request for the payment ordinance providing return of 31.2 mill. Lei; deferred pronouncement on:

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20.03.2019.

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

Denies the request with respect to reversing the enforcement as inadmissible.

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

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

Document: Ruling 743/2019 /20.03.2019.

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

On 04.10.2019 Asito Kapital filed appeal against civil sentence 3840/19.12.2018, the file being referred to the Bucharest Appeal Court to settle the appeal, no hearing term set for the time being. Transelectrica filed objection within the legal term, and the hearing term is to be established.

On 11.11.2019 the case was postponed. Settlement in brief: it admits the request. Spreads out the judiciary stamp tax owed by the claimants under the case, in quantum of 185,790.30 Lei, into 3 equal monthly instalments, due on the 20<sup>th</sup> day of each month beginning with November 2019, in quantum of 61,930.10 Lei each. Re-examination request granted within 15 days from notification.

The next term under **file 28445/3/2017** (3055/2019 ) is on 18.05.2020.

### **• CONAID COMPANY SRL**

In 2013 Conaid Company SRL sued CNTEE Transelectrica for its unjustified refusal to sign an addendum to the connection contract or a new connection contract and requested compensations for the expenses incurred to that date amounting to de 17,419,508 Lei and unrealised profits in 2013-2033 amounting to 722,756,000 Euro. So far the Company concluded no addendum to the connection contract since the suspensive conditions of the contract have not been 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 on the docket of the High Court of Cassation and Justice. The Administrative and Fiscal Disputes section pertained to an obligation to issue administrative deed, case stage- appeal, hearing term on 09.12.2015. On this term the High Court of Cassation and Justice admitted the appeals in principle and set the substance term of appeals on 08 April 2016. Judge panel 4, summoning the parties.

Case judgment was deferred until 17.06.2016, when the court postponed pronouncement to 29.06.2016, when Decision 2148/2016 was issued whereby it decided as follows: "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. Pronounced at public hearing on 29 June 2016.

The file was registered under no. 12107/3/2017 on the docket of Bucharest Tribunal. By civil ruling 4364/23.11.2017 the Tribunal admits the exception of inadmissibility and denies the request as inadmissible. It also denies the intervention request in the claimant's interest. Appeal right granted within 30 days from notification. Appeal was filed to the Appeal Court Bucharest and placed at the parties' disposal by the court clerk office on 23.11.2017.

On 02.11.2018 on the docket of Bucharest Tribunal, Section VI Civil a new suing request was 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 15.10.2019 it denies as groundless the exceptions of absence of active procedural quality and absence of interest. It joins the case with the prescription exception. Appeal right granted with the first case. Pronounced by placing the settlement to the parties' disposal by means of the court's clerk office.

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Term is granted on 26.11.2019 to continue with case research, summoning the parties. Appeal right granted with the first case. Pronounced by placing the settlement to the parties' disposal by means of the court's clerk office.

It is postponed to provide the expertise evidence and term is established on 21.01.2020.

On 21.01.2020 the case was postponed for expertise and a new term is set on 31.03.2020.

### **• FF WIND ENERGY INTERNAȚIONAL SRL**

SRL requests in contradiction with CNTEE Transelectrica SA: - cancelling the one-sided statement to denounce the RET connection contract 85/14.03.2011 issued on 02.03.2016 under no. 8295, - compelling the Company to pay 32,777,167.35 Lei as prejudice following contract termination as well as 45,000,000 Euro, representing the devaluation quantum of Company FF Wind Energy International SRL by hindering its purpose. File stage: under preliminary procedure of case notification and contest filing.

On 28.12.2018 hearing term the court denied the suing as filed as groundless. It acknowledged the defendant did not request law court expenses, appeal right within 30 days from notification. According to 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. The court clerk office notified it on 28.12.2018. Document: Ruling 3891/ 28.12.2018.

Company FF Wind Energy International SRL filed appeal, which was heard on 18.06.2019, while pronouncement was deferred on 23.07.2019, when the settlement in brief was: "It denies the appeal as groundless. Appeal right within 30 days from notification. Appeal requests to be submitted to the Appeal Court Bucharest, Section VI Civil, pending the nullity sanction".

Pronounced at public hearing. Document: Ruling 1191/23.07.2019

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

### **• ELECTROCENTRALE BUCUREȘTI SA**

By appealing the decision of the judicial administrator to refuse to answer the payment request subject to file no. 6642/3/2018 registered with the Bucharest Tribunal Transelectrica asked that Electrocentrale Bucuresti SA, a debtor under the insolvency procedure, should be compelled to pay 56,680,387 RON, i.e. the equivalent value of the over-compensation, based on Decision 476/30.03.2017 of ANRE President.

Settlement in brief of Bucharest Tribunal: It rejects as unfounded the exception for the late appeal invoked by the defendant ELCEN in the appeal. It admits the appeal filed against the measure of the judicial administrator. It compels the debtor to pay the appellant the amount of 56,680,387 RON, i.e. the non-paid difference for the Overcompensation decision no. 476/30.03.2017 and the invoice series TEL17COG no. 17948/30.03.2017. It admits the request that the debtor should be compelled to pay legal expenses.

It compels the debtor to pay the appellant 2500 RON as legal expenses, representing a stamp fee and a provisional expertise fee. Appeal right within 7 days from notification. Appeal to be submitted to Bucharest Tribunal, Section VII Civil. Ruled at public hearing on 21.12.2018. Document: Ruling 7834/21.12.2018.

Elcen filed appeal, which was denied as groundless on 11.06.2019.

### **• ROMENERGY INDUSTRY**

File 2088/107/2016 on the docket of Alba Tribunal pertains to "Bankruptcy - Request to be added in the creditors' list".

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

Settlement in brief: Establishing the term on 14.10.2019 to continue the bankruptcy procedure by capitalising the goods and recovering receivables. The judiciary liquidator will execute and submit to the file: - on each 15<sup>th</sup> day of the months for the previous months the monthly activity reports provided in para 1 of article 59 Law 85/2014; - for the verification term, 5 days before it the synthetic report of 120 days, provided in the final part of para 3 of article 59 Law 85/2014.

On 27.01.2020 the verification date is set on 11.05.2020 – room 5, 9:00 h, taking into account Decision 2/22.01.2020 of the General Assembly of judges from Alba Tribunal, whereby the suspension of judgement was decided.

### **• DAGESH ROM**

File 17284/3/2015 on the docket of Bucharest Tribunal / Appeal Court. Through its summons claimant Dagesh Rom request compelling CNTEE Transelectrica SA to pay 2,784,950 Lei, representing rent indexation and delay penalties for rent indexation + 168,500 Lei, representing the difference of service fee and delay penalties. Settlement of TMB

1. It admits the write-off exception with respect to the claims represented by: - rent difference requested for 04.03.2012 - 12.05.2012; related penalties requested as rent difference calculated for 04.03.2012 - 12.05.2012;

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service fee difference asked for the interval 04.03.2012 - 12.05.2012; related penalties requested as service fee difference calculated for 04.03.2012 - 12.05.2012. It denies such claims as being written-off.

2. It denies the other claims as groundless.

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

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

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

Both parties filed appeal, judged on 12.11.2019. The settlement pronounced by the High Court of Cassation and Justice: It denies as groundless the appeals filed by the recurrent-claimant SC DAGESH ROM SRL and by the recurrent-defendant National Power Grid Company Transelectrica SA against civil ruling 810A/2018 of 20 April 2018, pronounced by the Appeal Court Bucharest, Section VI Civil. It denies the requests filed by the recurrent-claimant SC DAGESH ROM SRL and by the recurrent-defendant National Power Grid Company Transelectrica SA with respect to granting law court expenses; final.

### **• MUNICIPALITY OF REȘITA**

File 2494/115/2018\*, registered on the docket of Caras Severin Tribunal pertains to suing whereby claimant Resita City requests that the defendant CNTEE Transelectrica SA should be compelled to pay the following amounts:

- 2,129,765.86 Lei representing rent for the land temporarily taken up from the forest fund in 2015;

- 2,129,765.86 Lei representing land rent for 2016;

- 2,129,765.86 Lei representing land rent for 2018;

- Legal penalty interest from due date until actual payment.

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

On 25.10.2019 hearing term the territorial incompetence of Bucharest Tribunal was admitted. It declines the case settlement competence in favour of Caras-Severin Tribunal. It ascertains the occurrence of the negative competence conflict between Bucharest Tribunal and Caras-Severin Tribunal. It suspends the case and refers the file to the High Court of Cassation and Justice, in view of settling the negative competence conflict. No appeal right is granted. Pronouncement to be made by placing the settlement to the parties' disposal by the court clerk. Ruling 2376/25.10.2019.

### **• NAFA**

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, 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, District 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 20.09.2011 which estimated the amount of collected VAT for a number of 123 unused invoices identified as missing.

The Company contested within legal terms, according to OG 92/2003 of the Fiscal Procedural Code, Taxation decision F-MC 439/30.06.2017.

ANAF issued the enforcement title 13540/22.08.2017 based on which the additional payment obligations

established under the Taxation decision F-MC 439/30.06.2017 were executed.

The Company requested the Appeal Court to cancel the enforcement title 13540/22.08.2017 in file 7141/2/2017. Settlement in brief: Admits the exception of the material incompetence of the Appeal Court Bucharest, SCAF. It declines the case settlement competence in favour of Law Court of Bucharest District 1. No appeal. Such was ruled in open court on 08.02.2018. Document: Ruling 478/2018 of 08.02.2018.

After declining the jurisdiction, the casefile 8993/299/2018 is pending with the 1st District Court through which the Company disputed the enforcement started on the grounds of enforcement order no. 13540/22.08.2017 which is based on the Notice of assessment F-MC 439/30.06.2017.

Upon Company's contestation of the fiscal administrative document - Decision F-MC 439/30.06.2017, ANAF notified the Company its Decision 122/13.03.2018 through which it rejects, as groundless, the contestation filed by CNTEE Transelectrica SA; the decision was received on 16.03.2018, after filing the application for summons which is subject to casefile 1802/2/2018.

Settlement in brief: It admits the request of judgment suspension filed by the appellant. On the grounds of Article 413 (1) (1) of the Civil Procedure Code, judgement is suspended until the final settlement of case file no. 1802/2/2018, pending with the Court of Appeal Bucharest, Section VIII Administrative and Fiscal Disputes.

Appeal right during the entire suspension; appeal to be submitted to the Law Court of Bucharest 1. It was ruled in open court. Document: Conclusion - Suspension 17.04.2018.

On the docket of the Appeal Court is the case file **1802/2/2018** through which the Company contested the fiscal administrative document - Decision F-MC 439/30.06.2017.

On the session term 06.11.2018 the court admitted the administration of the expertise evidence, in the accounting – fiscal specific domain. On 21.01.2020 the case was postponed in order to receive the answer to objections, next term being on 28.04.2020.

#### • **OTHERS**

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

The Company recorded value allowances for clients and for other disputed receivables and for bankrupt clients as well.

At the same time the Company is involved in disputes with former Directorate and Supervisory Board members with respect to the mandate contracts concluded between them and the Company.

The Company's managerial team considers it likely not to have situations requiring resource output to settle ongoing disputes.

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

The Company is also involved in:

#### **I. Litigations with the subsidiary SMART SA**

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

*File subject: CNTEE Transelectrica SA request by such suit compelling SMART SA to:*

- Return to our company 7,652,449 Lei, which is added VAT, as prejudice borne by our company because of the defendant's enrichment without a just cause, in the first place and as undue payment in the second;
- Compelling the defendant to pay the unrealised benefits associated to the amount paid as enrichment title without a just cause in the first place and as undue payment in the second, calculated from the date when the subscribed has made undue payments to the defendant until the notification date of the law court, in quantum of 2,773,364.48 Lei, as well as to further pay unrealised benefits until actual repayment by the defendant of the amount representing the main debt.

*File status:* Settlement in brief: In accordance with article 413 para 1 pt.1 of the Civil procedural code, decides suspending the case until final settlement of file 6577/2/2017 on the docket of CAB, Section II of Administrative and Fiscal Disputes. Appeal right granted during the entire suspension period to be submitted to Bucharest Tribunal, Section VI Civil. It was pronounced at public hearing on 24.04.2018.

Document: Conclusion - Suspension 24.04.2018

*Remarks on the circumstances of suit initiation:*

In 16.01.2017 - 26.05.2017 the Company was subject to an audit from Romania's Court of Audit performed by a team of external public auditors from Department IV, Court of Audit. After such control an Audit report was elaborated registered under no. 19211 on 26.05.2017 in our Company, which report was contested by us and subsequently the CCR (Audit Court) issued Decision 8/27.06.2017

On page 116-117 of the Audit report in item 9 the Court of Audit's team records that in 2014, under contract C57/31.01.2012 the Transmission Branches Bucharest, Pitesti, Sibiu and Constanta of CNTEE Transelectrica SA based on orders for replacement of 220 kV, 110 kV and 245 kV circuit breakers, have accepted for payment invoices (which were attached payment statements certified by Transmission Branches and by Smart branches) and reports executed by Smart Branches where an entry of materials included circuit breakers procured at over-rated prices, which were added 30% indirect expenses and 5% profit and thus led to inefficient use of monetary sources amounting to 7,652,449 Lei.

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

*File subject:*

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

*File status:*

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

- *File 7763/2/2018 – Court of Appeal Bucharest*

*File subject:* cancelling Decision 19/22.12.2014 taken by the Board of Administration of Subsidiary Company for Maintenance Services to Electricity Transmission Networks SMART SA and Decision 12375/22.12.2014 of the BA chairman of Subsidiary Company for Maintenance Services to Electricity Transmission Networks SMART SA.

*Circumstances of dispute initiation:*

Decision 12375/22.12.2014 of the BA chairman of Subsidiary Company for Maintenance Services to Electricity Transmission Networks SMART SA established increasing the company's share capital by 16,507,700 Lei, representing contribution in kind, changing the shareholder structure accordingly and the Secretariat General of the Government seated in Bucharest 1, Piata Victoriei 1, was granted 1,650,770 shares of 10 Lei nominal value each, which were attributed to the Romanian State through the Secretariat General of the Government that acquired 29.994% participation quota to benefits and losses, amending the Articles of Association and mandating Mr. Florin Rosu to take care of the publicity and ORCB registration formalities.

The documents that were used for the share capital increase of subsidiary Smart SA and issuance of the Designated Person Resolution 154954/30.12.2014, namely Decision 19/22.12.2014, taken by the Board of Administration of Subsidiary Company for Maintenance Services to Electricity Transmission Networks Smart SA, as well as Decision 12375/22.12.2014 of the BA chairman of Subsidiary Company for Maintenance Services to Electricity Transmission Networks Smart SA.

Decision 14/10.12.2014 of the Shareholders' general extraordinary assembly of Subsidiary Smart SA decided as follows:

- Rejecting in accordance with article 219 of the Company law 31/1990 the decision to increase the share capital of Subsidiary Company for Maintenance Services to Electricity Transmission Networks Smart SA by 14,378,940 Lei, representing the value of lands which ownership certificates were obtained for, according to Note 10860/14.11.2014
- Approving the increase in the share capital of Subsidiary Company for Maintenance Services to Electricity Transmission Networks Smart SA by contribution in kind consisting in the lands which according to privatisation legislation ownership certificates were issued for, lands mentioned in Note 10860/14.11.2014, and bringing to the attention of managerial structures from the Subsidiary Company for Maintenance Services to Electricity Transmission Networks Smart SA to carry on in expeditious manner all legally provided procedures necessary to increase the share capital of SMART SA and amending the articles of association, including as well licensed appraisal of lands constituting contribution in kind in December 2014, so as to be able to comply with law terms;

## **II. Litigations with the subsidiary TELETRANS SA**

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

### *File subject:*

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

### *File status:*

Brief settlement of Bucharest Tribunal: It denies the request as filed as groundless. Appeal right 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.

Brief settlement of the Bucharest Court of Appeal: It admits the appeal; changes the sentence appealed against in the sense that: it partly admits the summons; it compels the defendant to pay the claimant 4,632,187.61 Lei. It denies as groundless the request to compel the defendant paying legal interest. It compels the defendant to pay 49,926.87 Lei law suit fundamental matter expenses. It compels the respondent defendant to pay the claimant 24,963.43 Lei law suit expenses for appeal. Appeal right granted within 30 days from notification, to be submitted to the Court of Appeal Bucharest, Section VI Civil, pending nullity sanction. It was pronounced at public hearing on 17.12.2019. Document: Ruling 2119/2019 / 17.12.2019

### *Remarks on the circumstances of suit initiation:*

In accordance with the opinion of Transelectrica the performance bond can be returned only if the following conditions are met cumulatively: the provider has complied with all contractual obligations and the purchaser had not issued claims over the GBE (performance bond), within the limits of caused prejudice.

On expiry date of Contract C243/2010 (30.06.2014) the services constituting contractual subject were met under good conditions, except for three investment projects still found under implementation, which have not been completed so far.

Such issues pertaining to Teletrans's incompliance with contractual obligations were also noticed by Romania's Court of Audit in the 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 & 8, maintained by Conclusion 77/03.08.2017.

Transelectrica has contested the audit documents issued by the Court of Audit. Such objection was included in file 6576/2/2017 on the docket of the Court of Appeal Bucharest, with **25.02.2020** as next hearing term.

Report 931/VIII-1/2015 regarding execution of contract C243/2010 is currently performed in the DNA

- *File 16216/3/2017 registered at Bucharest Tribunal, Section VI Civil*

### *File subject:*

By its summons Teletrans SA asks the court

- To ascertain fully the services pertaining to contract 03/2007, as added;
- In subsidiary to ascertain such services under contract 03/2007, as added, have been provided and partially accepted;
- To compel Transelectrica paying 4,649,266.12 Lei, which are added VAT amounting to 883,360.56 Lei, representing the amounts under invoices 115/2017, 123/2017 up to 143/2017;
- To compel Transelectrica paying 214,355.40 Euro where VAT will be added, at the exchange rate of the invoice issuance date, representing the value of provided services and partially accepted for the contractual interval May 2014 – November 2016, "in subsidiary if point II of the request is admitted and not point I";

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*File status:*

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

*Remarks on the circumstances of suit initiation:*

Following control performed in January - March 2017 at Teletrans' the Court of Audit found Teletrans has not recovered or cashed from Transelectrica the monetary amount requested in the above file.

Contact C03/2007 has conditioned the issuance and payment acceptance of invoices on the confirmation of services mentioned in each claimant-issued minutes by the Company representatives from the executive team and subsidiaries.

As a result of improper execution by Teletrans SA of services contracted under C03/2007, most Transmission Branches refrained from endorsing the local minutes of work acceptance, for which reason the Divisions dealing with contract C03/2007 the monthly centralising acceptance minutes.

**Guarantees**

At December 31, 2019 and December 31, 2018, the Group's guarantees are presented as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Guarantees granted, of which:</b>	<b>317,955</b>	<b>278,850</b>
- letters of guarantee issued – production	54,582	51,330
- letters of guarantee issued – investments	88,374	123,186
- other guarantees granted	175,000	104,334
<b>Guarantees received, of which:</b>	<b>529,052</b>	<b>579,809</b>
- letters of guarantee received – production	228,251	267,635
- letters of guarantee received – investments	252,706	263,085
- other guarantees received	48,094	49,089

*Guarantees granted*

In accordance with Licence 161/2000 updated by ANRE Decision 802/18.05.2016 on the provision of electricity transmission and system services and the administration of the balancing market, the Company has the obligation to establish and maintain a financial guarantee of 1% of the turnover related to the licence activities, which enables the Company to continue its licence activities, considering the major risks that may impact these activities and which covers any potential damages that may be incurred according to the concluded contractual clauses. In order to comply with this obligation, the Company entered a loan agreement on 21.12.2018 with Banca Comerciala Romana to grant a ceiling to issue bank letters of indemnity amounting to 30,150,240 valid between 01.01.2019-31.12.2019.

On 20.12.2019 addendum 1 was concluded to the credit contract concluded with the Banca Comerciala Romana to grant a ceiling to issue bank letters of indemnity whereby the ceiling value diminished to 26,791,592 and the validity was extended until 31.12.2020.

The other guarantees are mainly represented by bank letters of indemnity issued for the contracts concluded on the centralised markets managed by OPCOM – the Centralised Market of bilateral contracts for electricity by extended bid (PCCB-LE), the Day-Ahead Market (DAM) and the Intraday Market (PI), as well as granted commitments / guarantees related to the loan contracts in progress for investment activities.

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Other granted securities are the contracts assigned to secure the credit line contracted for the support scheme.

*Received guarantees*

These are mainly represented by letter of bank indemnity under contracts concluded on the electricity market, the performance bond indemnity letters and down payment guarantees under investment contracts as well as other securities received under the contracts financed from the connection fee.

*Revaluation reserves as of December 31st, 2019*

On 31 December 2019 revaluation reserves amounted to 1,065,328,811 (on 31 December 2018: 586,881,749). Beginning with 1 May 2009 revaluation reserves from non-current assets, including lands, performed after 1 January 2004, which are deducted from the calculation of taxable profit by means of fiscal amortisement or of expenses regarding yielded and/or dismantled assets, are taxed at the same time with the fiscal amortisement deduction, namely when such non-current assets are taken out from registration, as the case may be.

Achieved reserves are taxable in the future, in case the destination of such reserves changes in any form, in case of liquidation, company merger including its utilisation to cover financial losses, except for the transfer after 1 May 2009 of reserves mentioned in the previous paragraph.

*Tariffs for the electricity transmission and system service*

The tariff for electricity transmission is set based on the "revenue cap" methodology. Using this methodology, ANRE sets an initial annual target revenue calculated by summing up the regulated costs and the regulated return of recognised assets. Certain costs included in the base of regulated costs are subject to efficiency requirements limiting the level of expenses that may be recovered through the regulated tariff (controllable operating and maintenance costs, own technological consumption). The annual target revenues calculated for a regulatory period are redirected through a linearization procedure aiming at softening any severe increases/decreases of revenues from one tariff year to the next. The revenues redirected in this way are annually adjusted by the price consumption index.

Certain changes in the tariff mechanism may have a significant impact on the recovery of the regulated depreciation of fixed assets included in the regulated assets base.

The third regulatory period lasted five years (01 July 2014-30 June 2019), comprising five tariff years (the tariff year begins on 01 July and it lasts 12 months). Thus in 2019 the third regulatory period for tariffs ended on 30 June. The second semester of 2019, namely the six months from 01 July 2019 to 31 December 2019, constituted a transitory interval until the beginning of a new multiannual regulatory period. In this transitory period ANRE approved a transmission tariff based on a general tariff-setting methodology including rules establishing the tariff for this time interval, rules aligned with the general tariff-setting principles applied in the period of 01 July 2014-30 June 2019.

During the third regulatory period regulated tariffs applied were approved by ANRE based on tariff-setting methodologies specific for transmission activities (methodology approved by ANRE Order 53/2013, with later amendments and additions) and system services (methodology approved by ANRE Order 87/2013 and methodology approved by ANRE Order 45/2017). The regulated transmission tariff of this transitory period was approved by ANRE based on the tariff-setting methodology specific for transmission activities which was approved for this six months' transitory interval (methodological provisions approved by ANRE Order 57/2019). The tariffs for the transmission of electricity and system services are adjusted annually by the total corrections resulting from the previous tariff period's corrections (actual data for 8 months and estimated data for 4 months) and the corrections of the second last tariff period (actual data).

Service	Applied tariff First semester I 2019 (approved by ANRE Order no. 108/2018)	Applied tariff Second semester II 2019 (approved by ANRE Order no. 81/2019)
	lei/MWh	lei/MWh
Electricity transmission service	18.13	17.68
Functional system services	1.11	1.84
Technological system services	10.44	13.05

### *Contingencies*

Control activities are performed in the Company offices as follows:

The fiscal inspection of the Ministry of Public Finance, ANAF – DGAMC, an inspection that began on 20.12.2019 and has as objectives:

- Verify the legality and conformity of fiscal returns and / or of relevant operations for fiscal inspection; the accuracy and exactness of fulfilled obligations to establish the taxation bases and the main fiscal obligations regarding the value added tax in 01.01.2014 - 31.12.2016.

In 2019 the following control activities were completed in the Company:

• The fiscal inspection of the Ministry of Public Finance, ANAF – DGAMC, an inspection that began on 20.09.2018 and ended on 06.12.2019, date of the final discussion with Transelectrica SA, which had as objectives:

- Verify the legality and conformity of fiscal returns and / or of relevant operations for fiscal inspection; the accuracy and exactness of fulfilled obligations to establish the taxation base and the main income tax fiscal obligations in 01.01.2012 - 31.12.2016;
- Verify the compliance with the provisions of fiscal and accounting legislation;
- Verify other relevant issues for taxation, if they are of interest to apply the fiscal and accounting legislation;

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

The Company filed contestation against the Taxation Decision F-MC 427/19.12.2019 and the Fiscal Inspection Report 307/19.12.2019 used as a base for the taxation decision and requested cancelling the taxation decision and the Fiscal Inspection Report which established as additional taxable base of 01.01.2012-31.12.2016 the amount of 17,261,688 Lei and consequently established 2,761,870 Lei as "tax charge, contribution established additionally for payment / Accessory fiscal obligations".

The additional fiscal obligation payable established by ANAF amounting to 2,761,870 Lei represents profit tax for 2012 amounting to 1,929,684 Lei and profit tax for 2013, amounting to 832,186 Lei.

The Company contested by administrative means the Inspection Report, the Taxation Decision of accessories and penalties.

• The unforeseen control of the Ministry of Public Finance, ANAF – DGAMC began on 11.02.2019 and ended on 11.03.2019 by concluding Minutes 7147. Such fiscal inspection targeted the transactions on the balancing market, namely the framework agreements the Company concluded with SC CIGA Energy SA. There were no measures.

• Control executed by ANRE in 2019 and pertained to verifying the achievement of the 2018 investment programme. Minutes 99451 registered in CNTEE Transelectrica SA under no. 48008/15.11.2019 of ANRE decided applying a fine from 20,000 up to 400,000 Lei to the Company, with possible payment of half the minimum fine provided in the norm, namely 10,000 Lei.

• On 31 December 2018, Teletrans SA, a Company subsidiary, had a control in progress on 29.05.2015 performed by the General Directorate of Economic-Financial Inspection of the Ministry of Public Finance, verification targeting the interval 01.01.2010-31.12.2014 according to working order 82/27.05.2015 and 01.01.2015- to date according to working order 38/31.05.2017, the objectives of such economic-financial inspection being:

- Foundation and execution of the revenue and expense budget;
- Compliance with budgetary, economic-financial and accounting discipline;
- Compliance with legal provisions regarding the assets from the state's public and private domain and from the administrative-territorial units;
- The organisation and exercise of the mandatory internal / managerial control;
- Verify the compliance with the provisions of OG 26/2013 on enhancing financial discipline at economic operators where the state or the administrative-territorial units are single or majority shareholders or directly or indirectly have majority participation, in 2015 – to date;
- The draft Economic-financial inspection report elaborated on 21 February 2018 specifies that the state budget was prejudiced in total amount of 88,778,158 Lei, representing cashed sums that were not transferred to the state budget in 2006-2016 following rental of assets from the state public domain (capacities and infrastructure elements from the public telecommunication network) and the

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Company's and Teletrans' representatives did not comply with the provisions of articles 14, 15 and 16 of Law 213/1998 regarding the public property assets.

- Letter 13443 / 26.03.2018 of Teletrans informed Transelectrica as follows:

- From 21.02.2018 to 10.03.2018 several meetings were organised between Teletrans and the representatives of Ministry's control team, following which they established the calculation base used in the draft report was wrong, since it took into account only the recorded revenues without the expenses made (total amortisement of the network elements procured, human resources and total indirect costs of such activities) and without fully understanding the commercial and juridical relations between Transelectrica and Teletrans;

- Consequently the control team together with the management of the General Directorate for Economic-Financial Inspection in the Finance Ministry granted Teletrans a new deadline by which the reviewed situation should be submitted with additional information for the inspected interval, changing the initial date of 27.02.2018 to 30.03.2018.

As regards the legality of operating the excess of optical fibre the arguments on the juridical nature of the contractual relation took into account the legal opinion issued by Bostina&Asociatii according to which the previous contract C45/2006 was qualified as mandate contract without representation pertaining to "Teletrans SA concluding contracts in its own name but on behalf of the public telecommunication network of Transelectrica in order to trade its capacity and infrastructure elements". Such qualification of the juridical deed enabled concluding Convention C111/2014, while keeping the juridical relations between parties.

Letter 42553 / 17.10.2018 of CNTEE Transelectrica SA transmitted to Teletrans SA the analysis of revenues collected and expenses incurred from June 2006 to November 2017, which analysis pertained to the excess optical fibre capacity and requested subsidiary Teletrans to take care and send the Company's view to the Economic-Financial Inspection of the MFP accompanied by the analysis, before they elaborate the final Economic-financial inspection report.

Thus in view of determining the possible effect of the result included in the draft economic-financial inspection report elaborated on 21 February 2018, the Company analysed the revenues collected by Transelectrica from Teletrans and the expenses incurred by Transelectrica from June 2006 to November 2017 for the excess optical fibre capacity, of which a difference of 3,047,441 resulted between cashed revenues and expenses made.

Consequently we deem that until the date of these consolidated financial statements of 31 December 2019, the Company has finalised the necessary analysis in order to determine the possible effect of the result of the draft economic-financial inspection report issued on 21 February 2018.

At present there are disputes on the docket with the Court of Audit about their controls performed in 2013 and 2017. Taking into account the Court of Audit's findings recorded in its 2013 and 2017 decisions it is likely to result additional fiscal obligations which cannot be accurately determined now according to the terms provided in Standard IAS 37 provisions.

An thus, taking into consideration all the above, on 31 December 2019 the Company's management has not had the information necessary to make pertinent analysis in view of determining the effect the results from such draft report over the consolidated financial statements on 31 December 2019.

## **26. REMUNERATION OF THE COMPANY'S MANAGEMENT**

Salaries paid to employees hired under Collective labour contract (CIM) in managerial positions for the services provided comprise mainly the basic pay, benefits at the end of the labour contract and post-employment, as well as a fixed component and a variable component for Directorate and Supervisory Board members.

They are detailed as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<u>Management employed based on IEC Short-Term Benefits</u>		
Short-term benefits	18,578	13,772
Other long term benefits	225	144
<u>Members of the Management Board and the Board of Supervisors</u>		
Supervisors	0	0
Fixed component	2,330	2,228

The accompanying notes form an integral part of the consolidated financial statements.

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Variable component	0	0
<b>Total</b>	<b>21,133</b>	<b>16,144</b>

In 2013 the 4 years' mandate was approved for Supervisory Board and Directorate members. The Shareholders' General Assembly of 6 November 2013 approved the mandate contract for Supervisory Board members and the variable component of their remuneration, beginning with the week-day immediately following the approval date of the 2013-2017 Administration Plan of CNTEE Transelectrica SA elaborated by the Supervisory Board, namely on 01.10.2013.

AGOA Decision 1 of 23.03.2015 approved by items 3.3 and 3.4 the general limits of the fixed indemnification granted to Supervisory Board members of CNTEE Transelectrica SA as well as the general limits of the variable component in their remuneration. On 31.12.2018, in accordance with Company-issued certificates the number of Options per Virtual Shares of Transelectrica (OAVT) granted to the Supervisory Board members of Transelectrica is:

<b>Package</b>	<b>No. of OAVTs</b>	<b>Date granted</b>	<b>Expiry date</b>	<b>Weighted average price for the month prior to granting as per the mandate</b>
Package 1 15 November 2013	644,545	15.11.2013	15.11.2016	13.1484 lei/share
Package 2 15 November 2014	571,561	15.11.2014	15.11.2017	26.6040 lei/share
Package 3 15 November 2015	355,640	15.11.2015	15.11.2018	25.9986 lei/share
Package 4 15 November 2016	415,274	15.11.2016	15.11.2019	29.0861 lei/share

On 31.12.2019, in accordance with Company-issued certificates the number of Options per Virtual Shares of Transelectrica (OAVT) granted to Directorate members of Transelectrica is:

<b>Package</b>	<b>No. of OAVTs</b>	<b>Date granted</b>	<b>Expiry date</b>	<b>Weighted average price for the month prior to granting as per the mandate</b>
Package 1 15 May 2014	567,978	15.05.2014	15.11.2016	13.1484 lei/share
Package 2 15 November 2014	657,973	15.11.2014	15.11.2017	26.6040 lei/share
Package 3 15 November 2015	522,418	15.11.2015	15.11.2018	25.9986 lei/share
Package 4 15 November 2016	394,345	15.11.2016	15.11.2019	29.0861 lei/share
Package 5 15 November 2017	79,752	15.11.2017	15.11.2020	28.5501 lei/share

Details about the calculation model of OAVT-s:

	<b>Package 1</b>	<b>Package 2</b>	<b>Package 3</b>	<b>Package 4</b>	<b>Package 5</b>
Validity	3 ani	3 ani	3 ani	3 ani	3 ani
Exercise method	1/3 din pachetul acordat in fiecare an				
Weighted average price for the month prior	13.1484 lei/share	26.6040 lei/share	25.9986 lei/share	29.0861 lei/share	28.5501 lei/ share

On 31 December 2018 the Company registered a provision amounting to 33,132,184 (38,498,154 on 31 December 2017) for the annual variable component owed to Directorate and Supervisory Board members for the fair value of the Company's virtual shares at the end of the financial year.

**27. NON-CONTROLLING INTERESTS**

	December 31, 2019	December 31, 2018
<b>Balance at the beginning of the year</b>	1,335	4,065
Share of profit for the year	(74)	(2,730)
Additional non-controlling interests	18,487	0
<b>Balance at the end of the year</b>	<b>19,748</b>	<b>1,335</b>

**28. FINANCIAL INSTRUMENTS***Financial risk management*

The Company is exposed to the following risks coming from financial instrument: market risks (interest rate and hard currency risk), crediting and liquidity risks. The Company's overall management relies on the unforeseen nature of the financial market and aims a minimising the contrary effects of the Company's financial performance. The market risk is generating changes over market prices, such as the exchange rate and the interest rate, which will impact the revenues of the Company or the value of financial instrument holdings.

The Group has no formal commitments to fight financial risks. Nevertheless financial risks are monitored at managerial level and emphasis is placed on the Company's needs to efficiently compensate the opportunities and threats.

This Note provides information about the Group's exposure to the fore-mentioned risks, about the objectives, policies and processes associated to risk measurement and management, as well as about the Group's capital management.

*Interest rate risk*

The Company's operational cash flows are impacted by interest rate variations, mainly after the non-current loans in foreign currency contracted from external financing banks. The Company has got significant non-current loans with variable interest, which expose it to a cash flow risk.

On the balance date the ratio between the Company's financial instruments with fixed interest an those with variable interest rate are provided below:

	December 31, 2019	December 31, 2018
<b>Fixed rate instruments</b>		
Financial liabilities	148,862	166,473
<b>Variable rate instruments</b>		
Financial liabilities	32,890	38,542

The cash flow risk determined by the interest rate is the possibility for the interest and its related expense to fluctuate in time. The Company has significant non-current loans with variable interest rates, which might expose the Company to the cash flow risk

*Sensitivity analysis of interest rate*

An appreciation by 100 percentage points of the interest rate associated to loans with variable interest on the elaboration date of this financial statement would have decreased the gross profit of the year with the amounts given below. Such analysis presupposes all the other variables, mainly the exchange rates, stay constant.

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

	<b>Loss December 31, 2019</b>	<b>Loss December 31, 2018</b>
RON	-	-
EUR	(590)	(8,951)
USD	(0)	(235)
<b>Total</b>	<b>(590)</b>	<b>(9,186)</b>

A 100 depreciation in percentage points of the interest rate from loans with variable interest on the elaboration date of this financial statement would have increased the gross profit of the year with the amounts provided below. Such analysis presupposes all the other variables, mainly the exchange rates, stay constant.

	<b>Profit December 31, 2019</b>	<b>Profit December 31, 2018</b>
RON	-	-
EUR	590	8,951
USD	0	235
<b>Total</b>	<b>590</b>	<b>9,186</b>

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

*Exchange rate risk*

The Group can be exposed to the fluctuations in the exchange rate by cash and cash equivalents, non-current loans or trade liabilities expressed in hard current.

The Company's functional currency is the Romanian Leu. The Company is exposed to the hard currency risk in the cash and cash equivalents, procurements and loans taken in other currency than the functional one. The currencies that expose the Company to such risk are mainly the Euro, but also the USD. Hard currency loans and liabilities are later on expressed in Lei at the exchange rate on the balance sheet date, notified by Romania's National Bank. The resulting differences are included in profit and loss account, but they do not impact the cash flow until the liability is extinguished.

The Group's exposure to foreign currency risk, expressed in RON, is as follows:

<b>December 31, 2019</b>	<b>Value</b>	<b>RON</b>	<b>EUR</b>	<b>USD</b>
<b>Monetary assets</b>				
Cash and cash equivalents	320,769	277,421	-	-
Other financial assets	85,000	85,000	-	-
Receivables	706,350	642,780	63,571	-
<b>Gross exposure</b>	<b>1,112,119</b>	<b>1,005,201</b>	<b>106,917</b>	<b>-</b>
<b>Monetary liabilities</b>				
Providers and other obligations	571,558	456,782	114,776	0
Loans	178,402	29,540	148,862	0
<b>Gross exposure</b>	<b>749,960</b>	<b>486,322</b>	<b>263,638</b>	<b>-</b>
<b>Net balance sheet exposure</b>	<b>362,159</b>	<b>518,879</b>	<b>(156,720)</b>	<b>-</b>
<b>December 31, 2018</b>	<b>Valoare</b>	<b>RON</b>	<b>EUR</b>	<b>USD</b>
<b>Monetary assets</b>				
Cash and cash equivalents	505,494	466,570	38,899	25
Other financial assets	-	-	-	-
Receivables	825,949	760,501	65,148	-
<b>Gross exposure</b>	<b>1,379,824</b>	<b>1,259,464</b>	<b>120,043</b>	<b>16</b>

The accompanying notes form an integral part of the consolidated financial statements.

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Notes to the consolidated financial statements as at December 31st, 2019

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

**Monetary liabilities**

Providers and other obligations	704,574	638,725	65,849	-
Loans	533,369	224,989	308,380	-
<b>Gross exposure</b>	<b>1,237,943</b>	<b>863,714</b>	<b>374,229</b>	<b>3,435</b>
<b>Net balance sheet exposure</b>	<b>141,881</b>	<b>395,750</b>	<b>(254,186)</b>	<b>(3,420)</b>

Trade and other receivables such as suppliers and other obligations, less the suppliers of assets are expressed only in RON.

The following exchange rate have been applied:

	<b>Average exchange rate</b>		<b>Exchange rate as of</b>	
	<b>2019</b>	<b>2018</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
RON/ EURO	4.7452	4.6535	4.7793	4.6639
RON/ USD	4.2379	3.9416	4.2608	4.0736

*Sensitivity analysis of currency risk*

A 10% appreciation of the Romanian Leu against the following foreign currencies on 31 December 2018 and 31 December 2019 would have increased the gross profit with the amounts below. Such analysis assumes all the other variables stay constant.

	<b>Profit December 31, 2019</b>	<b>Profit December 31, 2018</b>
EUR	15,672	19,212
USD	-	-
<b>Total</b>	<b>15,672</b>	<b>19,210</b>

A 10% depreciation of the Romanian Leu against the following foreign currencies on 31 December 2018 and 31 December 2019 would have had a similar effect but of contrary direction on the amounts above, assuming all the other variables stayed constant.

	<b>Loss December 31, 2019</b>	<b>Loss December 31, 2018</b>
EUR	15,672	19,212
USD	-	-
<b>Total</b>	<b>15,672</b>	<b>19,210</b>

*The credit risk*

The credit risk is the one by which the Company bears a financial loss from the incompletion with a client's contractual obligations or a counterpart's from a financial instrument. This risks results mainly from trade receivables and from cash and cash equivalents.

The counterparty's risk treatment relies on success factors internal and external to the Company. External success factors – with effect over systematic risk mitigation are: decentralising the energy sector where generation, transmission, distribution and supply are distinct activities, and the client's interface is represented by the supplier; electricity is traded on the Romanian market by two segments: the regulated and the competitive market. Internal success for the treatment of the counterparty's risk include: diversification of the clients' portfolio and diversifying the number of services provided on the electricity market.

Financial assets that might submit the Company to the collection risk are mainly trade receivables and cash and cash equivalents. The Company has applied some policies making sure services are sold towards clients with proper collection, by including a clause in trading contracts compelling them to constitute financial

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securities. The amount of receivables, net of allowances for value losses represents the maximum amount exposed to the collection risk

The collection risk associated to these trade receivables is limited because the amounts are owed mainly to state-owned companies.

Cashed has been placed with financial institutions, which are considered to provide minimum risks. Deposits on 31.12.2019 are placed in Banca Comerciala Romana and CITI Bank.

The maximum exposure to the collection risk on the reporting date was:

	<b>Net value</b>	<b>Net value</b>
	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Financial Assets</b>		
Net trade receivables	339,630	904,215
Cash and cash equivalents	85,000	505,494
Other net receivables and down payments to suppliers	610,210	30,322
VAT to be recovered	63,766	82,774
Other financial assets	7,659	0
<b>Total</b>	<b>1,106,265</b>	<b>1,522,805</b>

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

	<b>Gross value</b>	<b>Provision</b>	<b>Gross value</b>	<b>Provision</b>
	<b>December 31, 2019</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>	<b>December 31, 2018</b>
Not due	517,678		744,341	2,264
Maturity exceeded 1 – 30 days	10,450		7,717	0
Maturity exceeded 31 – 90 days	1,613		1,270	169
Maturity exceeded 90 – 180 days	224		74	37
Maturity exceeded 180 – 270 days	2,579		941	932
Maturity exceeded 270 – 365 days	2,146		2,101	2,105
More than a year	214,800	139,281	290,785	137,506
<b>Total</b>	<b>749,491</b>	<b>139,281</b>	<b>1,047,228</b>	<b>143,013</b>

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

	<b>Gross value</b>	<b>Provision</b>	<b>Gross value</b>	<b>Provision</b>
	<b>December 31, 2019</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>	<b>December 31, 2018</b>
Not due	72,588		68,022	3,626
Maturity exceeded 1 – 30 days	429		4	0
Maturity exceeded 31 – 90 days	325		46	8
Maturity exceeded 90 – 180 days	9,934		868	0
Maturity exceeded 180 – 270 days	127		153	153
Maturity exceeded 270 – 365 days	1,084		79	26
More than a year	34,890	55,610	72,783	55,193
<b>Total</b>	<b>119,376</b>	<b>55,610</b>	<b>141,955</b>	<b>59,005</b>

The accompanying notes form an integral part of the consolidated financial statements.

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

The greatest depreciation allowances on 31 December 2019, calculated for trade receivables and their penalties were registered for Eco Energy SRL (24,736), Petprod SRL (23,540), Arelco Power (15,533), Total Electric Oltenia SA (14,186), Romenergy Industry (13,513), Elsaco Energy (9,276), Opcom (5,811), CET Brasov (4,665), CET Govora (25,182).

The depreciation allowances for other doubtful receivables are as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Balance on 01 January</b>	<b>143,014</b>	<b>124,988</b>
Recognition of adjustments for impairment	6,396	26,479
Reversal of adjustments for impairment	10,128	8,454
<b>Balance at the end of the period</b>	<b>139,282</b>	<b>143,014</b>

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Balance on 01 January</b>	<b>59,005</b>	<b>82,913</b>
Recognition of adjustments for impairment	1,228	10,436
Reversal of adjustments for impairment	4,623	34,344
<b>Balance at the end of the period</b>	<b>55,610</b>	<b>59,005</b>

*Liquidity Risk*

This risk according to which the Company may be faced with difficulties to comply with its obligations associated to financial liabilities which are settled in cash or by transferring other financial asset.

A prudent policy managing the liquidity risk involves keeping a sufficient amount of cash and cash equivalents, and financing availability by means of proper credit facilities.

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Assets</b>		
Monetary assets in RON	1,028,047	1,474,755
Monetary assets in foreign currency	106,918	110,661
	<b>1,134,965</b>	<b>1,585,415</b>
<b>Debts</b>		
Monetary liabilities in RON	(896,637)	(863,714)
Monetary liabilities in foreign currency	(377,664)	(377,664)
	<b>(1,274,301)</b>	<b>(1,241,378)</b>
<b>Net monetary position in RON</b>	<b>131,410</b>	<b>611,041</b>
<b>Net monetary position in foreign currency</b>	<b>(270,746)</b>	<b>(267,003)</b>

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The following table provides the contractual maturity of financial liabilities, including interest rate payment:

<b>December 31, 2019</b>	<b>Net value</b>	<b>Contractual value</b>	<b>&lt;12 months</b>	<b>1 – 2 years</b>	<b>2 – 5 years</b>	<b>&gt; 5 years</b>
<b>Financial liabilities</b>						
Providers and other obligations	(568,204)	(589,029)	(138,215)	(15,551)	(10)	0
Other tax and social security liabilities	(8,752)	(8,752)	(8,752)		0	0
Loans	(181,752)	(656,311)	(55,567)	(23,045)	(69,136)	(30,653)
<b>Total</b>	<b>(758,708)</b>	<b>(1,254,092)</b>	<b>(202,534)</b>	<b>(38,597)</b>	<b>(69,136)</b>	<b>(30,653)</b>

  

<b>December 31, 2018</b>	<b>Net value</b>	<b>Contractual value</b>	<b>&lt;12 months</b>	<b>1 – 2 years</b>	<b>2 – 5 years</b>	<b>&gt; 5 years</b>
<b>Financial liabilities</b>						
Providers and other obligations	(1,018,348)	(1,058,089)	(6,353)	(6,790)	(9,687)	0
Other tax and social security liabilities	(11,578)	(10,052)	0	0	0	0
Loans	(205,015)	(833,078)	(53,311)	(23,997)	(67,467)	(52,402)
<b>Total</b>	<b>(1,234,940)</b>	<b>(1,901,220)</b>	<b>(59,665)</b>	<b>(30,787)</b>	<b>(77,154)</b>	<b>(52,402)</b>

**Fair value of financial instruments**

The fair value is an amount at which the financial instrument can change in the habitual transactions performed under objective conditions between stakeholder and knowingly, others than those determined by liquidation or forced sale. Fair values are obtained from the quoted market prices or from cash flow models, as the case may be. On 31 December 2019 and 31 December 2018 the management considered the fair values of cash and cash equivalents, trade and other receivables, trade liabilities, loans and other current liabilities approximate their accounting value. The accounting value of loans is the amortised cost.

**December 31, 2019**

	<b>Carrying amount</b>	<b>Fair value</b>	<b>Level</b>
<b>Financial Assets</b>			
Net trade receivables	610,210	610,210	Level 1
Cash and cash equivalents	339,630	339,630	Level 1
Other net receivables	63,766	63,766	Level 1
VAT to be recovered	7,659	7,659	Level 1
Other financial assets	85,000	85,000	Level 1
<b>Total</b>	<b>1,106,265</b>	<b>1,106,265</b>	
<b>Non-current financial liabilities</b>			
Borrowings, except for bonds	122,835	122,835	Level 1
Bonds	0	0	Level 1
<b>Total</b>	<b>122,835</b>	<b>122,835</b>	
<b>Current financial liabilities</b>			
Trade payables and suppliers of non-current assets	568,193	568,193	Level 1
Borrowings, except for bonds	58,914	58,914	Level 2
Bonds	0	0	Level 1
Liabilities towards employees and other liabilities	10,875	10,875	Level 1
<b>Total</b>	<b>637,982</b>	<b>637,982</b>	

The accompanying notes form an integral part of the consolidated financial statements.

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**December 31, 2018**

	<b>Carrying amount</b>	<b>Fair value</b>	<b>Level</b>
<b>Financial Assets</b>			
Net trade receivables	904,215	904,215	Level 1
Cash and cash equivalents	505,494	505,494	Level 1
Other net receivables	30,322	30,322	Level 1
VAT to be recovered	82,774	82,774	Level 1
Other financial assets	0	0	Level 1
<b>Total</b>	<b>1,522,805</b>	<b>1,522,805</b>	
<b>Non-current financial liabilities</b>			
Borrowings, except for bonds	143,866	143,866	Level 1
Bonds	0	0	Level 1
<b>Total</b>	<b>143,866</b>	<b>143,866</b>	
<b>Current financial liabilities</b>			
Trade payables and suppliers of non-current assets	1,018,348	1,018,348	Level 1
Borrowings, except for bonds	61,149	61,149	Level 2
Bonds	0	0	Level 1
Amounts owed to employees and other debts	11,578	11,578	Level 1
<b>Total</b>	<b>1,091,074</b>	<b>1,091,074</b>	

*Categories of financial assets*

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Financial Assets</b>		
Cash and bank equivalents	339,630	505,494
Receivables	710,334	1,069,938
<b>Financial liabilities</b>		
Depreciated cost	(758,708)	(1,234,940)

*Personnel risk and the salary scheme*

On 31 December 2019 the average age in the Company is high. It is possible in the future the Company can be faced with scarcity of personnel because employees are leaving for natural reasons.

Another personnel risk is the possibility of highly qualified personnel leaving to private companies that might offer salary packages and compensations above the current level the Company provides.

The salary policy imposed by the Romanian State in the Company where it is majority shareholder can lead to major fluctuation of the specialised labour offer.

*Capital risk management*

The Group's policy is to maintain a strong capital base in order to maintain investors, creditors and a confident market as well as to sustain the future business development.

*Indebtedness*

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Short and long-term loans	181,752	205,015
Cash and bank equivalents	(339,630)	(505,494)
Other financial assets	85,000	0
	<b>(72,878)</b>	<b>(300,479)</b>

The accompanying notes form an integral part of the consolidated financial statements.

Equity	3,297,323	2,841,571
Indebtedness	-	-

## 29. FEES CHARGED BY EACH STATUTORY AUDITOR OR AUDIT FIRM

The fees perceived by every statutory auditor or audit company for the statutory audit of annual financial statements and the total fees charged by each statutory auditor or audit company for other insurance services, for fiscal consultancy services and other services than audit, according to pt. 38 of Annex 1 to OMFP 2844/2016 with later amendments and additions, associated to the 2018 financial year, are as follows:

- **BDO Audit SRL** - Contract C111/28.01.2019 – auditing services for the stand-alone and consolidated financial statements, issuing the conformity report over the compliance of Directorate's Report with the the stand-alone and consolidated financial statements, audit services with respect to meeting the financial terms specified in loan contracts concluded with commercial banks / international financial institutions, in the contracts on bonds issuance, audit report in accordance with article 82 of Law 24/2017, audit services regarding the revenues achieved from supply of telecommunication networks - fees associate to 2019 financial year amounting to 213,000, which is added VAT;

- **Ceaulescu&Partners SRL** - Contract C473/12.12.2018 - services for execution of Transfer price file for CNTEE Transelectrica SA as practiced under transactions performed between CNTEE Transelectrica SA and its subsidiaries in 2018 amounting to 8,200, which is added VAT.

**KDCL CONCEPT SRL** - Contract 2050/26.02.2020 concluded with the company having as object statutory audit services for the financial year 2019, the value of the contract is 7500 EUR without VAT.

**DBF Expert Audit SRL** concluded with the Association and Cabinet Expertise and Audit Manolescu Florin through association leader DBF Expert Audit SRL, annual value 17.280 lei without VAT

## 30. SUBSEQUENT EVENTS

### *Appointment of provisional Supervisory Board member*

On 06 January 2020 the Supervisory Board decided appointing Mr. Ciprian Constantin DUMITRU as provisional Supervisory Board member, his appointment becoming effective on 07 January 2020, once signing the acceptance statement before the notary public.

### *Resignation of provisional Directorate member*

On 08 January 2020 Mr. Ioan FOLESCU gave up the entrusted mandate of provisional Directorate member in the Company.

### *Appointment of provisional Directorate member*

The Company's Supervisory Board decided on the 09 January 2020 meeting to designate Mr. Corneliu-Bogdan MARCU as provisional Directorate member beginning with 09 January 2020 until 20 April 2020. The appointment of Mr. Corneliu-Bogdan MARCU became effective on 10 January 2020, once signing the acceptance statement before the notary public.

### *Completing the membership of Consultative Committees from the Supervisory Board*

The Supervisory Board, having met on 13.01.2020 designated Mrs. Luiza Popescu as Chairperson of the Nomination and remuneration committee of the Supervisory Board and Mr. Ciprian Constantin DUMITRU as member in the Nomination and remuneration committee and in the Energy security committee of the Supervisory Board.

Thus the membership of consultative committees from the Supervisory Board is the following on the report date:

- Nomination and remuneration committee: Luiza POPESCU – chairperson, Adrian GOICEA – member, Jean – Valentin COMANESCU – member, Oleg BURLACU – member, Ciprian Constantin DUMITRU – member, Jean BADEA –member
- Audit committee: Jean – Valentin COMANESCU – chairman, Adrian GOICEA – member, Luiza POPESCU – member
- Energy security committee: Oleg BURLACU – chairman, Ciprian Constantin DUMITRU – member, Adrian GOICEA – member, Luiza POPESCU – member, Jean – Valentin COMANESCU – member, Jean BADEA – member

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*ANRE tariff to provide electricity transmission services*

The Official Gazette 28/16.01.2020 published ANRE Order 10/2020 amending ANRE Order 218/2019 approving average tariffs for transmission services, of components in the transmission tariff for electricity injection into the network (TG) and for electricity extraction from the network (TL), the tariff for system services and the regulated price of reactive electricity practiced by the Company. Consequently the regulated tariffs applicable beginning with 16 January 2020 are as follows:

Service	Tariff applicable from January 01, 2020	Tariff applicable from January 16, 2020	Differences
	lei/MWh	lei/MWh	%
I. Electricity transmission (average tariff)	18.33	17.97	-1.96
Transport tariff (TG)	1.30	1.30	-
Transport tariff (TL)	17.03	16.67	-2.11
II. Functional system services	1.84	1.84	-
III. Technological system services	13.05	13.05	-

Mention should be made the reduced value of the average electricity transmission tariff was determined by a reduced level of Company contribution to ANRE's 2020 budget from 2% to 0.2% of the Company's turnover (ANRE Order 1/2020).

*Giving up the mandate of provisional Supervisory Board member*

Mr. Jean BADEA gave up his mandate of provisional Supervisory Board member in the Company beginning with 04 February 2020.

*Appointment of provisional Supervisory Board members*

On 07 February 2020 the Supervisory Board decided appointing Mrs. Mihaela CONSTANTINOVICI as provisional Supervisory Board member. The mandate term is 29 March 2020 but no later than the election date of a Supervisory Board member by the Shareholders' General Assembly.

On 11 February 2020 the Supervisory Board decided appointing Mr. Mircea Cristian STAICU as provisional Supervisory Board member. The mandate term is 29 March 2020 but no later than the election date of a Supervisory Board member by the Shareholders' General Assembly.

*Completing the membership of Consultative Committees from the Supervisory Board*

The Supervisory Board having met on 13.02.2020 designated Mr. Mircea Cristian STAICU as member in the Nomination and remuneration committee and in the Energy security committee from the Supervisory Board and Mrs. Mihaela CONSTANTINOVICI as member in the Nomination and remuneration committee, the Energy security committee as well as in the Audit committee from the Supervisory Board.

Thus the membership of consultative committees from the Supervisory Board is the following on the financial statements' date:

- Nomination and remuneration committee: Luiza POPESCU – chairperson, Adrian GOICEA – member, Jean –Valentin COMANESCU – member, Oleg BURLACU – member, Ciprian Constantin DUMITRU – member, Mircea Cristian STAICU – member, Mihaela CONSTANTINOVICI – member
- Audit committee: Jean – Valentin COMANESCU – chairman, Adrian GOICEA – member, Luiza POPESCU – member, Mihaela CONSTANTINOVICI - member
- Energy security committee: Oleg BURLACU – chairman, Ciprian Constantin DUMITRU – member, Adrian GOICEA – member, Luiza POPESCU – member, Jean – Valentin COMANESCU – member, Mircea Cristian STAICU – member, Mihaela CONSTANTINOVICI – member

*ANRE sanction*

On 19 February 2020 ANRE issued Ascertaining and sanctioning minutes 14107/2020, whereby it finds CNTEE Transelectrica SA violated the provisions of article 34 para (2) of the Electricity and natural gas law 123/2012, as a result of the Decision 30 taken by the Shareholders' general ordinary assembly on 26 November 2019 approving the appointment of Mrs. Stan-Olteanu Manuela Petronela as provisional

**NPG TRANSELECTRICA SA**

Notes to the consolidated financial statements as at December 31st, 2019

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

Supervisory Board member while she still held the position of non-executive member with an economic operator performing electricity generation activities.

CNTEE Transelectrica SA contested the sanction of ANRE given as warning according to the provisions of OG 2/2001 on the juridical regime of offences, approved by Law 180/2002, taking into account Decision 30 of 26 November 2019 taken by the Shareholders' general ordinary assembly produced no effects. We reiterate the Company disseminated a current report on 12 December 2019 by means of the capital market institutions informing the investor public the designated member did not accept a mandate in the Supervisory Board.

*Cancellation of ANRE sanction*

After examining the arguments provided by the Company, it was ascertained Decision 30/26.11.2019 Decision 30 of 26 November 2019 taken by the Shareholders' general ordinary assembly was not registered with the Office of the Trade Register and neither was it published in Romania's Official Gazette, Part IV, consequently such decisions bore no juridical effects and the fact whose perpetration was retained by the ascertaining and sanctioning minutes 14107/19.02.2020 did not exist.

*Coronavirus impact and measures*

Given the potential impact on the macroeconomic environment generated by the protection measures taken by the Romanian state, we expect a short-term economic activity to slow down. Thus, we start from the premise that all economic sectors will be affected and consequently, and the amount of energy transported will decrease in the short term.

At present, we cannot estimate the impact of the Coronavirus effect on the Company's profitability for 2020.

In terms of personnel, the Company has taken all the necessary measures to minimize the spread of the virus by ensuring proper hygiene and providing increased sanitary protection.

In addition, according to the instructions transmitted on all channels, an action plan was implemented regarding the continuity of the activity in case of crisis situations that affect and/or may affect the workforce within the company, including the organization in the telemuncure system.

This Consolidated Financial Statements has been approved by the Company's management on March 20, 2020 and has been signed on its behalf by:

Directorate,

**Catalin  
NITU**

**Andreea-Mihaela  
MIU**

**Ionut-Bogdan  
GRECIA**

**Corneliu-Bogdan  
MARCUS**

**Adrian  
MOISE**

Presedinte

Membru

Membru

Membru

Membru

**Ana-Iuliana DINU**  
Director Unitatea Economică și Financiar  
Administrativă

**Cristiana Zirnovan**  
Manager Departament Bugetare și Raportare  
Managerială



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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of CNTEE Transelectrica S.A  
33 General Gheorghe Magheru Street, Bucharest-1, Romania

Registration: RO 13328043

### Qualified Opinion

We have audited the consolidated financial statements of CNTEE Transelectrica S.A. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

The consolidated financial statements as at and for the year ended 31 December 2019 are identified as follows:

- Net assets/Total equity: 3,317,071 thousand RON
- Net profit for the year: 88,705 thousand RON

In our opinion, except for the possible effect of the matter described in the paragraph **Basis for qualified opinion**, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016 for the approval of the accounting regulations compliant with International Financial Reporting Standards.

### Basis for qualified opinion

As of December 31, 2018, Tangible assets included equipment that were revalued as of December 31, 2012 by an independent evaluator, while additions between 31 December 2012 and 31 December 2018 were recorded at cost of acquisition. As of 31 December 2018, the carrying value of those equipment was in amount of 1,219 million RON. Given the period of 6 years from the last valuation, the audit report issued as of December 31, 2019 was modified due to the fact that equipment carrying amount could have been different from the reported amount without an updated valuation performed by an authorized valuer. Based on an independent valuer report, as of December 31, 2019 the Company reflected the revaluation of equipment on the individual financial statements.

Our audit opinion on the consolidated financial statements of the current period is modified due to the possible effect of the aspect mentioned above on the level of comparability of the

current figures with the corresponding figures and on depreciation expenses recorded during 2019, without affecting the financial position as of December 31, 2019.

We conducted our audit in accordance with International Standards on Auditing (ISAs), UE Regulation no. 537/2014 of the European Parliament and of the Council („The Regulation”) and Law no. 162/2017 („The Law”). Our responsibilities under those standards and regulations are further described in the **Auditor’s Responsibilities for the Audit of the Financial Statements** section of our report. We are independent of the Group in accordance with International Ethics Standards Board of Accountants Code of Ethics for Professional Accountants (“IESBA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in Romania, including the Regulation and the Law, and we have fulfilled out other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### Emphasis of matters

We draw attention to the Note 25 of the consolidated financial statements, which describe the fact that during 2018 the General Direction for Economic and Financial Inspection of the Ministry of Public Finance finalized the audit performed for the period 2010-2014 within Teletrans S.A., a subsidiary of the Group. The draft inspection report issued on February 21, 2018 specifies that, as a result of the lease of assets belonging to the State public domain (capacity and infrastructure elements from the public telecommunication network), without complying with the provisions of art. 14, art. 15 and art. 16 of Law no. 213/1998 regarding the public property by the representatives of CNTEE Transelectrica S.A. and Teletrans S.A., the state budget was damaged with an amount of RON 88,778 thousand RON, representing amounts collected and not delivered to the state budget in the period 2006-2016. The Group has conducted an analysis to determine the possible effect of the outcome of this draft inspection report on the consolidated financial statements, resulting an amount of approximately 3 million RON. As of now, the Final Fiscal Decision was not issued, so the impact on the consolidated financial statements cannot be estimated at this date.

As mentioned in Note 8 Trade receivables and other receivables, as of 31 December 2018 the consolidated financial statements include receivables resulted from the activity of managing the support scheme for promoting high-efficiency cogeneration, out of which 185 million RON are due from debtors with financial difficulties (bankruptcy or reorganization). According to the provisions of the ANRE Order, the remaining amounts not paid by the producers of electric and thermal cogenerated energy that access the support scheme, for which all legal steps for collecting the amounts have been taken, will be recovered by including them in the cogeneration contribution as per the methodology issued by ANRE; the financial closure of the support scheme will be made in the first semester of 2024. We mention that until now the methodology for the recovery of these debts has not been issued.

As presented in Note 30, the COVID-19 pandemic involves additional challenges and risks for the Company's operations. The coronavirus pandemic fear and the emergency measures taken by the affected states to reduce its spread will put increasing pressure on the economic environment. The company has already taken specific measures to ensure the health and safety

of its employees. Besides the human risk, the pandemic also presents an economic risk for the future operations of the Company. Our audit opinion is not modified with respect to the matters mentioned above.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a consolidated opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Revenue recognition</b></p> <p>Please see Note 19 Revenue</p> <p>Revenue recognition policy is described in Note 3 "Accounting Policies - Revenues".</p> <p>In accordance with International Standards on Auditing, there is an implicit risk on revenue recognition due to the pressure on management in obtaining the planned results.</p> <p>The Group's main revenue streams are represented by: the electricity transmission service, the system services and the balancing market operator activity.</p> <p>Electricity transmission is an activity of general interest in the field of electric power, regulated by a public authority, having a natural monopoly character. Tariffs applied for transmission and system services are established and approved by ANRE (National Energy Regulatory Authority).</p> <p>The Group is the administrator of the balancing market. The activity is regulated ANRE. The purpose of this market is to ensure the balance of electricity production and consumption in real time using resources from a competitive environment.</p>	<p>Our audit procedures included, among other:</p> <ul style="list-style-type: none"> <li>- We obtained an understanding of the revenue recognition policy for the main revenue streams;</li> <li>- We performed substantive tests on a sample of sales transactions recorded during the year;</li> <li>- We performed audit procedures for testing that revenues were recorded in the appropriate period.</li> <li>- Testing a sample of receivables by sending direct confirmation letters.</li> </ul>

### **Other information - Administrators' Report and the Non-financial representation (Non-financial consolidated Report)**

Administrators are responsible for the preparation and presentation of Other information. The Other information comprise the Administrator's report and the Non-financial representation (Non-financial consolidated Report), but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other information and, in doing so, consider whether the Other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Administrator's report and the Non-financial representation (Non-financial consolidated Report), we read and report whether those have been prepared, in all material respects, in accordance with the Order of Minister of Public Finance no 2844/2016, articles 15-19, respectively 39-42 of the accounting regulations in accordance with International Financial Reporting Standards.

Based solely on the work required to be undertaken in the course of the audit of the consolidated financial statements, in our opinion:

- a) The information given in the Administrators' for the financial year for which the consolidated financial statements are prepared, is consistent, in all material respects, with the consolidated financial statements;
- b) The administrators' Report and the Non-financial representation (Non-financial consolidated Report) have been prepared, in all material respects, in accordance with OMFP no. 2844/2016, points 15-19, respectively 39-42, of the accounting regulations compliant with the International of Financial Reporting Standards.

In addition, based on our knowledge and understanding of the entity and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Administrators' report. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements**

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the Order of the Minister of Public Finance no. 2844/2016. and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on other legal and regulatory requirements**

We were appointed by the General Shareholders' Meeting on 21 January 2019 to audit the financial statements of the Group for the years ended 31 December 2018, 2019 and 2020. Our total uninterrupted period of engagement is of two years, covering period ending 31 December 2018 and 31 December 2019.

We confirm that:

- Our audit opinion is consistent with the additional report presented to the Audit Committee of the Company, which is issued with the same date as the current report. We also remain independent of the audited entity in conducting the audit.
- We have not provided to the Group the prohibited non-audit services referred to in article 5 (1) of EU Regulation no 537/2014.



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## Other matters

This report of the Independent Auditor is addressed exclusively to the Company's shareholders, as a body. Our audit was undertaken in order to report to the Company's shareholders all those aspects that we are required to state to them in a financial audit report and for no other purposes whatsoever. To the extent permitted by law, we do not accept or take responsibility to anyone other than the Company and its shareholders, as a body, for our audit work, for the report on the financial statements and the report on the Administrators' Report, or for the opinion we have formed.

For and behalf of BDO Audit SRL

Registered in the Public Electronic Report of financial auditors and  
audit firms with no. FA18

Partner's name: Vasile Bulata

Registered in the Public Electronic Report of financial auditors and  
audit firms with no. AF1480

Bucharest, Romania

Autoritatea pentru Supravegherea Publică  
a Activității de Audit Statutar (ASPAAS)

Firma de Audit: BDO AUDIT SRL

Registru Public Electronic: FA18

Autoritatea pentru Supravegherea Publică  
a Activității de Audit Statutar (ASPAAS)

Auditor financiar: VASILE BULATA

Registru Public Electronic: AF1480

20 March 2020

Note: This is the English translation of the Romanian version of the auditor's report. In case of any discrepancies the Romanian version will prevail.