

CNTEE Transelectrica SA
Company managed under two-tier system

Stand-alone financial statements
as of and for the financial year ended on
31 December 2019

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

CNTEE Transelectrica SA

Stand-alone financial position statement on 31 December 2019

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

	<u>Note</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
Assets			
Non-current assets			
Tangible assets	5	3,439,577,805	2,988,303,101
Intangible assets	6	23,437,440	22,752,925
Financial assets	6	81,500,833	80,245,910
Assets of the usage rights for leased assets - buildings	6	6,328,685	-
Total non-current assets		3,550,844,763	3,091,301,936
Current assets			
Inventories	7	37,519,731	34,768,678
Trade and other receivables	8	706,350,248	1,063,594,025
Other financial assets	10	85,000,000	
Cash and cash equivalents	9	320,768,647	482,158,679
Total current assets		1,149,638,626	1,580,521,382
Total assets		4,700,483,389	4,671,823,318
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital, of which:		733,031,420	733,031,420
- Subscribed share capital		733,031,420	733,031,420
Share premium		49,842,552	49,842,552
Legal reserves		129,096,113	123,742,090
Revaluation reserves		922,454,926	522,585,647
Other reserves		15,771,718	66,664,045
Retained earnings		1,433,931,608	1,313,139,735
Total shareholders' equity	11	3,284,128,337	2,809,005,489
Non-current liabilities			
Long term deferred revenues	12	360,641,212	411,154,678
Borrowings	13	122,835,499	143,866,115
Deferred tax liability	16	136,853,805	56,100,417
Employee benefits obligations	14	63,711,459	52,411,509
Total non-current liabilities		684,041,975	663,532,719

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

CNTEE Transelectrica SA

Stand-alone financial position statement on 31 December 2019

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

	<u>Note</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
Current liabilities			
Trade and other liabilities	15	556,477,615	1,020,793,710
Other loans and assimilated liabilities - Leasing of building		6,328,098	-
Other tax and social security liabilities	18	8,752,115	10,052,456
Borrowings	13	55,566,735	53,311,446
Provisions	15	70,017,850	95,557,513
Short term deferred revenues	12	37,209,745	19,329,257
Income tax payable	16	-2,039,081	240,728
Total current liabilities		732,313,077	1,199,285,110
Total liabilities		1,416,355,052	1,862,817,829
Total shareholders' equity and liabilities		4,700,483,389	4,671,823,318

These stand-alone financial statements were approved by the Company's management on 19 March 2020 and signed on its behalf by:

DIRECTORATE,

Chairman	Member	Member	Member	Member
Catalin NITU	Andreea-Mihaela MIU	Ionut-Bogdan GRECIA	Corneliu-Bogdan MARCUS	Adrian MOISE

Director, Economic-Financial and Administrative Unit**Ana-Iuliana DINU****f. Manager, Accounting Department****Georgiana-Beatrice STEFAN – Head of BCC**

CNTEE Transelectrica SA

Stand-alone profit and loss account for the financial year ended on 31 December 2019

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

	Note	2019	2018
Revenues			
Transmission revenues		1,081,980,781	1,069,837,016
Revenues from system services		741,693,479	701,621,717
Revenues regarding the balancing market		523,104,001	903,865,423
Other revenues		50,932,248	46,371,626
Total revenues	19	2,397,710,509	2,721,695,782
Operational expenses			
System operation expenses	20	(351,742,734)	(308,872,049)
Expenses regarding the balancing market	20	(523,104,001)	(903,865,423)
Expenses regarding technological system services	20	(676,467,560)	(677,725,109)
Amortisement		(280,042,435)	(298,297,896)
Personnel expenses	21	(209,931,878)	(188,548,757)
Repairs and maintenance		(101,597,713)	(90,840,558)
Materials and consumables	22	(8,520,744)	(11,667,003)
Other operational expenses	22	(130,474,874)	(140,561,153)
Total operational expenses		(2,281,881,939)	(2,620,377,948)
Operational profit		115,828,570	101,317,834
Financial revenues		9,722,480	16,898,339
Financial expenses		(18,470,590)	(25,151,844)
Net financial result	23	(8,748,110)	(8,253,505)
Result before income tax		107,080,460	93,064,329
Income tax	16	(11,049,503)	(11,760,956)
Result of the year		96,030,957	81,303,373
Basic result and diluted per share (Lei/share)	16	1.310	1.109

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

CNTEE Transelectrica SA

Stand-alone profit and loss account for the financial year ended on 31 December 2019

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

	Note	2019	2018
Result of the year		96,030,957	81,303,373
Other comprehensive revenue			
Elements which will not be reclassified into profit and loss account, of which:			
- Taxation effect related to the revaluation reserve	16	(83,677,369)	(33,611,852)
- Surplus from revaluation of tangible assets	5	525,101,307	100,361,123
- Actuarial gains/losses of the defined benefit plan	14	(11,439,728)	316,395
Other comprehensive revenue (AERG)		429,984,210	67,065,666
Total comprehensive result		526,015,167	148,369,039

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DIRECTORATE,

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Catalin	Andreea-Mihaela	Ionut-Bogdan	Corneliu-Bogdan	Adrian
NITU	MIU	GRECIA	MARCU	MOISE

Director, Economic-Financial and Administrative Unit**Ana-Iuliana DINU****f. Manager, Accounting Department****Georgiana-Beatrice STEFAN – Head of BCC**

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

CNTEE Transelectrica SA

Stand-alone statement of changes into shareholders' equity for the financial year ended on 31 December 2019

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

	Share capital	Share premium	Legal reserves	Revaluation reserves	Other reserves	Retained earnings	Total
Balance on 1 January 2018	733,031,420	49,842,552	118,961,487	499,921,435	56,953,728	1,258,921,369	2,717,631,766
Profit of the year	-	-	-	-	-	81,303,373	81,303,373
Other comprehensive revenue, of which:							
Recognition of actuarial losses of the defined benefit plan	-	-	-	-	-	316,395	316,395
Surplus from revaluation of tangible assets				100,361,123			100,361,123
Deferred tax liability related to the revaluation reserve				(33,611,852)			(33,611,852)
Total other comprehensive revenue	-	-	-	66,749,271	-	316,395	67,065,666
Total comprehensive revenue of the period	-	-	-	66,749,271	-	81,619,768	148,369,039
Other elements							
Transfer of revaluation reserves into retained earnings	-	-	-	(44,085,059)	-	44,085,059	-
Indexation of legal reserve	-	-	4,780,602	-	-	(4,780,602)	-
Other elements	-	-	-	-	-	-	-
Total other elements	-	-	4,780,602	(44,085,059)	-	39,304,457	
Contributions from and distributions to shareholders							
Subsidies for assets in the state public domain	-	-	-	-	9,710,542		9,710,542
Distribution of dividends from the 2016 profit	-	-	-	-	-		
Distribution of special dividends acc. to OG 29/2017					-	(66,705,859)	(66,705,859)
Total contributions from and distributions to shareholders	-	-	-	-	9,710,542	(66,705,859)	(56,995,317)
Balance on 31 December 2018 acc. to AGA Decision 12 of 24.04.2019	733,031,420	49,842,552	123,742,090	522,585,647	66,664,045	1,313,139,735	2,809,005,489

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Corneliu-Bogdan MARCU**Member**
Adrian MOISE**Director, Economic-Financial and Administrative Unit**
Ana-Iuliana DINU**f. Manager, Accounting Department**
Georgiana-Beatrice STEFAN – Head of BCC

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

CNTEE Tranelectrica SA

Stand-alone statement of changes into shareholders' equity for the financial year ended on 31 December 2019

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

	<u>Share capital</u>	<u>Share premium</u>	<u>Legal reserves</u>	<u>Revaluation reserves</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
Balance on 1 January 2019 acc. to AGA Decision 6 of 30.04.2019	733,031,420	49,842,552	123,742,090	522,585,647	66,664,045	1,313,139,735	2,809,005,489
Comprehensive result of the period							
Profit of the year	-	-	-	-	-	96,030,957	96,030,957
Other comprehensive revenue, of which:							
Recognition of actuarial profit of the defined benefit plan	-	-	-	-	-	-11,439,728	-11,439,728
Surplus from revaluation of tangible assets				525,101,307			525,101,307
Deferred tax liability related to the revaluation reserve				(83,677,369)			(83,677,369)
Total other comprehensive revenue	-	-	-	441,423,938	-	-11,439,728	429,984,210
Total comprehensive revenue of the period	-	-	-	441,423,938	-	84,591,229	526,015,167
Other elements							
Transfer of revaluation reserve into retained earnings	-	-	-	(41,554,660)	-	41,554,660	-
Indexation of legal reserve	-	-	5,354,023	-	-	(5,354,023)	-
Other elements						7	7
Total other elements	-	-	5,354,023	(41,554,660)	-	36,200,643	7
Contributions from and distributions to shareholders							
Derecognition of assets like public domain by registering HG 615, 682 and 683 of 2019 changing the inventory of assets from the public domain					(54,442,106)		(54,442,106)
Subsidies for the assets belonging in the state public domain	-	-	-	-	3,549,779		3,549,779
Distribution of additional dividends acc. to OG 29/2017	-	-	-	-	-		
Total contributions from and distributions to shareholders	-	-	-	-	(50,892,326)		(50,892,326)
Balance on 31 December 2019	733,031,420	49,842,552	129,096,113	922,454,926	15,771,718	1,433,931,608	3,284,128,337

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Ionut-Bogdan GRECIA**Member**
Corneliu-Bogdan MARCU**Member**
Adrian MOISE**Director, Economic-Financial and Administrative Unit**
Ana-Iuliana DINU**f. Manager, Accounting Department**
Georgiana-Beatrice STEFAN – Head of BCC

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

CNTEE TRANSELECTRICA SA

Stand-alone cash flow statement for the financial year ended on 31 December 2019

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

	2019	2018
Cash flows from operational activities		
	-	
Profit of the period	96,030,957	81,303,373
Allowances for:		
Income tax expense	11,049,503	11,760,956
Amortisement expenses	271,604,189	298,297,896
Allowances for impairment of trade receivables	5,886,952	12,079,488
Reversal of allowances for impairment of trade receivables	(10,022,239)	(8,321,693)
Losses from sundry debtors	9,348,236	27,178
Net revenues with allowances for impairment of sundry debtors	(3,532,594)	(32,913,828)
Net expense with allowances for impairment of inventories	23,533	351,675
Profit/loss from sales of tangible assets, net	355,075	(117,107)
Net expenses with allowances regarding tangible assets	10,379,746	1,570,038
Net expenses/revenues regarding provisions for risks and expenses	(27,573,150)	53,952,535
Interest expense, interest revenue and unachieved foreign exchange gains	8,963,825	8,301,350
Cash flows before changes in the current capital	372,514,033	426,291,861
Changes in:		
Clients and assimilated accounts - energy and other activities	64,518,111	(79,657,662)
Clients - balancing	267,343,351	(157,006,028)
Clients - cogeneration	24,101,041	20,232,183
Inventories	(2,751,053)	(2,754,026)
Trade and other liabilities - energy and other activities	(73,072,832)	110,320,134
Liabilities - balancing	(305,758,251)	178,468,702
Liabilities - cogeneration	(38,140,600)	(15,213,960)
Liabilities paid as per ANAF's taxation decision	(2,761,870)	
Other tax and social security liabilities	(1,300,341)	1,364,264
Deferred revenues	(29,083,200)	(22,974,374)
Cash flows from operational activities	275,608,389	459,071,094
Interest paid	(8,855,144)	(20,343,942)
Income tax paid	(15,624,705)	(12,458,907)
Net cash generated by operational activities	251,128,540	426,268,245
Cash flows used in investments		
Procurements of tangible and intangible assets	(241,681,743)	(170,635,134)
Proceeds from EC grant	-	11,645,602
Cashed interest	4,965,912	9,866,977
Participation titles held with Joint Allocation Office SA	(1,231,923)	
Participation titles held with TSC NET	-	(2,207,160)
Proceeds from disposal of tangible assets	12,001	688,136
Dividends cashed	133,774	1,148,000
Other financial assets	(85,000,000)	
Net cash used for investments	(322,801,979)	(149,493,579)

CNTEE Transelectrica SA

Stand-alone statement of cash flows in the financial year ended on 31 December 2019

*(All amounts are expressed in LEI, unless otherwise provided)***Cash flows used in financing**

Repayment of non-current loans	(52,214,572)	(113,900,205)
Repayment of bonds	-	(200,000,000)
Utilisation of cogeneration credit line	29,540,187	-
Dividends paid	(67,042,208)	(1,462,282)
Net cash used in financing	(89,716,593)	(315,362,487)
Net diminution of cash and cash equivalents	(161,390,032)	(38,587,821)
Cash and cash equivalents on 1 January	482,158,679	520,746,500
Cash and cash equivalents at year-end	320,768,647	482,158,679

These stand-alone financial statements were approved by the Company's management on 19 March 2020 and signed on its behalf by:

DIRECTORATE,**Chairman****Catalin
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MIU****Member****Ionut-Bogdan
GRECIA****Member****Corneliu-Bogdan
MARCUS****Member****Adrian
MOISE****Director, Economic-Financial and Administrative Unit****Ana-Iuliana DINU****f. Manager, Accounting Department****Georgiana-Beatrice STEFAN – Head of BCC**

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

1. DESCRIPTION OF ACTIVITY AND GENERAL INFORMATION

The main activity of CNTEE Transelectrica SA („Company”) consists in: provision of electricity transmission services and of system services, operator of the balancing market, administrator of the bonus type support scheme, other associated activities. They are performed in accordance with the provisions of operational licence 161/2000 issued by ANRE, updated by ANRE Decision 641/25.04.2018, with the General terms associated to the licence, approved by ANRE Order 104/2014 and with the final Company certification as transmission and system operator of the National Power System, according to the ownership unbundling model under ANRE Order 164/07.12.2015.

The headquarters are located in: Blvd. General Gheorghe Magheru no. 33, Bucharest 1. For the time being the Company's executive branch performs in the working location situated in Str. Olteni no. 2-4, Bucharest 3.

The stand-alone financial statements of 31 December 2019 elaborated in accordance with Order 2844/2016 of the Minister of Public Finance approving the Accounting regulations compliant with the International Financial Reporting Standards with later amendments, are available at the Company's working location in Str. Olteni no. 2-4, Bucharest 3.

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

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

Company establishment

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

As provided in Note 11, on 31 December 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 4,458,060 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.

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

Company mission

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

1. DESCRIPTION OF ACTIVITY AND GENERAL INFORMATION (continued)***Other information related to Company activities***

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

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

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

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

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

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

On 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.

1. DESCRIPTION OF ACTIVITY AND GENERAL INFORMATION (continued)

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

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

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

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

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

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

Tariffs for electricity transmission and system services

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

The third regulatory period of tariffs lasted five years (01 July 2014-30 June 2019), consisting of five tariff years (a tariff year begins on 01 July and lasts for 12 months). Thus in 2019 on 30 June ended the third regulatory period for tariffs. The second half-year 2019, namely the six months elapsed from 01 July 2019 to 31 December 2019 constituted a transitional tariff period until the beginning of a new multi-annual regulatory interval. For this transitory period ANRE approved a transmission tariff based on a dedicated methodology providing tariff-setting rules in this time interval, rules aligned with the general tariff-setting principles applied in the regulatory period 01 July 2014-30 June 2019.

Regulated asset base ("RAB")

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

In 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.

1. DESCRIPTION OF ACTIVITY AND GENERAL INFORMATION (continued)***Transelectrica was included in the local and international 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)].

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

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

Company revenues

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

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

Electricity transmission services

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

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

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

System services

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

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

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

Operator of the balancing market

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

1. DESCRIPTION OF ACTIVITY AND GENERAL INFORMATION (continued)

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

High efficiency cogeneration

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

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

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

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

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

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

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

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

1. DESCRIPTION OF ACTIVITY AND GENERAL INFORMATION (continued)

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

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

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

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

HG 129/2017 adding article 8 of Governmental Decision 1.215/2009 provides the cogeneration bonus under the current support scheme can be granted for maximum 11 consecutive years, but not beyond 2023.

HG 846/2018 amending and adding Governmental Decision 1.215/2009 provides half-yearly adjustment of reference bonuses and prices for heat, while the values approved for the following year are also applied in November-December of the current year (in comparison with the previous situation when reference bonuses were approved annually). Thus beginning with 2019 overcompensation will be analysed using the orders approving the amounts of reference bonuses for electricity produced under high efficiency cogeneration and the reference prices of electricity and heat produced under cogeneration, orders issued by ANRE for several time intervals (January – June, July – October, November – December).

Price-coupling mechanism of electricity markets

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

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

Price-coupling mechanism of electricity markets (continued)

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

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

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

1. DESCRIPTION OF ACTIVITY AND GENERAL INFORMATION (continued)

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

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

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

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

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

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

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

2. ELABORATION BASE**Statement of conformity**

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

The Company is applying the International Financial Reporting Standards adopted by the European Union when elaborating the stand-alone financial statements of 2019 in accordance with OMF 881/2012, with later amendments and additions.

Bases of evaluation

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

Functional and presentation currency

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

Utilisation of estimations and opinions

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

2. ELABORATION BASE (continued)

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

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

Nota 12 - estimation of the Company management with respect to there being sufficient assurance the terms attached to non-reimbursable funds will be complied with and funds will be received;

Nota 14 - valuation of liabilities under the defined benefit plans;

Nota 25 - recognition and assessment of provisions, commitments and contingencies, key assumptions about the likelihood and extent of a resource output;

Nota 28 - valuation of liabilities regarding transactions with share payment and cash settlement;

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

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

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

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

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

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

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

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

The Company concluded its accounting of the concession contract as per the provisions of IFRIC 12 will not mirror the economic substance of the transaction because the Company pays annual fee as royalty for the utilisation of assets mentioned in the concession contract amounting to 1/1000 of the annual revenue achieved from electricity transmission activities, calculated depending on the actual transmitted quantity, a fee which is significantly lower than the amortisement the Company would have registered for such assets had the concession contract not been signed.

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

3. ACCOUNTING POLICIES

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

(a) Tangible assets

One's own assets

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

Recognition

Tangible assets are initially valued at their cost.

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

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

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

Later expenses

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

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

Amortisement

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

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

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

Revaluation

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

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

3. ACCOUNTING POLICIES (continued)**(b) Public domain**

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

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

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

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

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

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

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

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

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

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

The main terms of the concession contract are the following:

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

3. ACCOUNTING POLICIES (continued)

The fee paid by the Company according to the concession contract in 1 January – 31 December 2019 is significantly lower than the amortisation the Company would have registered had this contract been non-existent. Nevertheless the Company did not register any amount relating to this possible benefit in the financial statements because it cannot estimate what sum is paid by a third party for the use of such assets under a transaction with objective price determination.

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

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

(c) Intangible assets

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

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

Later expenses

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

(d) Transactions in hard currency

Hard currency transactions are expressed in LEI by applying the exchange rate of the transaction date. Monetary assets and liabilities expressed in hard currency at year end are expressed in LEI at the exchange rate of that day. Gains and losses of the exchange rate differences, achieved or unachieved, are registered in the year's profit and loss account. The exchange rates of 31 December 2019 and of 31 December 2018 are the following:

Currency	31 December 2019	31 December 2018
1 EUR	4.7793	4.6639
1 USD	4.2608	4.0736

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

(e) Trade receivables

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

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

3. ACCOUNTING POLICIES (continued)**(f) Inventories**

They consist of:

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

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

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

(g) Cash and cash equivalents

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

(h) Revaluation reserves

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

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

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

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

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

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

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

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

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

3. ACCOUNTING POLICIES (continued)**(i) Depreciation of non-financial assets**

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

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

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

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

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

(j) Share capital

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

(k) Dividends

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

(l) Trade and other liabilities

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

(m) Interest-bearing loans

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

(n) Recognition and derecognition of non-derived financial instruments***Non-derived financial assets***

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

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

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

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

Non-derived financial liabilities

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

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

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

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

(o) Income tax

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

(i) Current tax

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

(ii) Deferred tax

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

Deferred tax is not recognised for:

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

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

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

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

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

3. ACCOUNTING POLICIES (continued)**(iii) Exposure with respect to the income tax**

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

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

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

Transactions with share payment and cash settlement

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

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

Short term employee benefits

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

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

(q) Revenues

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

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

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

3. ACCOUNTING POLICIES (continued)

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

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

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

Connection tariffs

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

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

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

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

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

(r) Net financing costs

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

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

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

(s) Subsidies

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

(t) Provisions

A provision is recognised when and only when the following conditions are complied with: the Company has a current (legal or implicit) obligation following a past event; it is likely (that is, more likely than unlikely) that resource output representing economic benefits can be necessary in order to settle such obligation when accurate estimation can be made with respect to the amount of the fore-mentioned obligation. Whenever the effect of time value of money is significant the value of one provision is the present value of expenses foreseen to be necessary to settle the obligation.

3. ACCOUNTING POLICIES (continued)

(u) Result per share

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

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

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

(u) Contingencies

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

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

(w) Operational segments

An operational segment is a component of an entity:

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

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

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

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

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

Norm / Interpretation [IAS 8.31 (a), 8.31 (c)]	Nature of imminent change in the accounting policy [IAS 8.31 (b)]	Possible impact over financial statements [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	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	The impact of the first time application of such standards is under assessment.

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

CNTEE Tranelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2019

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

IFRIC 23 "Uncertainty related to fiscal treatments" <i>(in force for annual intervals beginning on or after 1 January 2020)</i>	"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 "	
Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial instruments: recognition and measurement", IFRS 7 "Financial instruments: information to be provided" <i>(in force for annual intervals beginning on or after 1 January 2020)</i>	The amendments provide for temporary and limited derogations from the hedge accounting provisions set out in IAS 39, IFRS 9, IFRS 7.	The impact of the first time application of such standards is under assessment.

The following standards and amendments of existing ones issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) (UE) *have come in force during the current period:*

Norm / Interpretation	Nature of imminent change in the accounting policy	Possible impact over financial statements
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 of 2019.

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

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2019

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

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 of 2019.
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The company foresees the application of such standards and amendments to existing standards will have no significant impact over the Company's financial statements during the initial application period.

4. DETERMINATION OF FAIR VALUE

Certain accounting policies of the Company and requirements to submit information need determining the fair value both for assets and financial liabilities, as well as for non-financial ones. :

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

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

(i) Tangible assets

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

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2019

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

5. TANGIBLE ASSETS

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

	Lands and land develop.	Special buildings & installations	Outfits and equipment	Instrumentati on and control	Vehicles	Other tangible assets	Tangible assets in progress	Total
COST								
Balance on 1 January 2018	52,751,991	1,348,530,644	3,117,200,809	456,769,615	21,516,094	281,767,718	457,999,550	5,736,536,421
Inputs	-	(1,140,151)	1,154,694	-	-	-	144,183,214	144,197,758
Increase /decrease of the revaluation reserve		99,431,462						99,431,462
Transfers from tangible assets in progress	54,070	126,364,223	89,092,372	20,916,727	2,751,975	4,398,132	(243,577,499)	-
Reclassifications between asset accounts	-	-	-	-	-	-	(711,921)	(711,921)
Outputs	-	(395,920)	(5,607,974)	(109,574)	(1,084,367)	(1,248,854)	(1,225,302)	(9,671,991)
Impact from revaluation		(263,274,076)						(263,274,076)
Balance on 31 December 2018	52,806,061	1,309,516,182	3,201,839,901	477,576,768	23,183,702	284,916,996	356,668,043	5,706,507,653
Balance on 1 January 2019	52,806,061	1,309,516,182	3,201,839,901	477,576,768	23,183,702	284,916,996	356,668,043	5,706,507,653
Inputs	(50,487)	(11,613,468)	14,996,426	(7,858,512)			260,506,866	255,980,825
Increase /decrease of the revaluation reserve	20,575,888	-	473,085,512	19,876,407	1,698,498			515,236,305
Transfers from tangible assets in progress	14,307	43,335,205	108,669,166	11,114,808	3,388,842	3,713,163	(170,235,491)	-
Reclassifications between asset accounts	-	-	6,951	(6,951)	-	-	(186,809)	(186,809)
Outputs	-	(6,490)	(6,659,427)	(1,258,005)	(1,971,701)	(4,089,426)	(280,868)	(14,265,917)
Impact from revaluation		-	(2,257,612,548)	(395,035,698)	(12,345,302)	-	-	(2,664,993,548)
Balance on 31 December 2019	73,345,768	1,341,231,429	1,534,325,981	104,408,817	13,954,039	284,540,773	446,471,741	3,798,278,509
Cumulated amortisement								
Balance on 1 January 2018	138,179	177,078,198	1,927,020,836	358,902,935	10,160,423	199,396,355	-	2,672,696,925
Amortisement expense	-	86,257,317	157,157,224	23,119,152	2,433,129	27,576,422	-	296,543,244
Cumulated amortisement of outputs	-	(61,439)	(5,371,427)	(109,574)	(1,084,367)	(1,248,854)	-	(7,875,661)
Impact from revaluation		(263,274,076)	-	-				(263,274,076)
Balance on 31 December 2018	138,179	-	2,078,806,633	381,912,513	11,509,185	225,723,923	-	2,698,090,433
Balance on 1 January 2019	138,179	-	2,078,806,633	381,912,513	11,509,185	225,723,923	-	2,698,090,433
Amortisement expense	-	96,201,396	185,107,995	14,381,191	2,807,819	20,103,090	-	318,601,491
Cumulated amortisement of outputs	-	(5,760)	(6,302,080)	(1,258,006)	(1,971,702)	(4,089,426)	-	(13,626,974)
Impact from revaluation	-		(2,257,612,548)	(395,035,698)	(12,345,302)	-	-	(2,664,993,548)
Balance on 31 December 2019	138,179	96,195,636	-	-	-	241,737,587	-	338,071,402

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

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2019

*(All amounts are expressed in LEI, unless otherwise provided)***5. TANGIBLE ASSETS (continued)**

	Lands and land developments	Special buildings & installations	Outfits and equipment	Instrumenta tion and control	Vehicles	Other tangible assets	Tangible assets in progress	Total
DEPRECIATION ALLOWANCES								
Balance on 1 January 2018	-	367,593	-	-	-	-	19,106,587	19,474,180
Expense with depreciation allowances	-	(367,593)	-	-	114,949	-	892,583	639,939
Balance on 31 December 2018	-	-	-	-	114,949	-	19,999,170	20,114,119
Expense with depreciation allowances	-	-	-	-	(114,949)	-	630,132	515,183
Balance on 31 December 2019	-	-	-	-	-	-	20,629,302	20,629,302
ACCOUNTING VALUE								
Balance on 1 January 2018	52,613,812	1,171,084,853	1,190,179,973	97,866,680	11,355,671	82,371,363	438,892,963	3,044,365,315
Balance on 31 December 2018	52,667,882	1,309,516,182	1,123,033,268	95,664,256	11,559,567	59,193,073	336,668,873	2,988,303,101
Balance on 31 December 2019	73,207,590	1,245,035,793	1,534,325,981	104,408,817	13,954,039	42,803,146	425,842,439	3,439,577,805

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

5. TANGIBLE ASSETS (continued)

The total net value of tangible assets increased on 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 Raureni – 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;

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2019

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

- 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;
- 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 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

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

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2019

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

- 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;

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CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2019

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

- 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 tangible assets

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

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

This method is recommended for properties when sufficient secure data exist on transactions or sale offers with similar properties in the area. The analysis of transaction prices or the prices asked or offered for comparable properties is followed

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

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2019
(All amounts are expressed in LEI, unless otherwise provided)

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:

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

	Level 1	Level 2	Level 3	Fair value on 31 December 2018
Lands and land developments	-	-	52,667,882	52,667,882
Special buildings and installations	-	-	1,309,516,182	1,309,516,182
Outfits and equipment	-	-	1,123,033,269	1,123,033,269
Instrumentation and control	-	-	95,664,256	95,664,256
Vehicles	-	-	11,559,568	11,559,568
Other tangible assets	-	-	59,193,073	59,193,073

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:

	Cost value 31 December 2019	Cost value 31 December 2018
Lands and land developments	7,631,802	8,843,786
Special buildings and installations	783,535,762	720,627,638
Outfits and equipment	1,019,828,013	1,193,842,483
Instrumentation and control	83,125,668	100,113,467
Vehicles	11,515,278	10,493,724
Other tangible assets	42,770,033	95,455,882
TOTAL	1,948,406,556	2,129,376,980

CNTEE Traselectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2019
(All amounts are expressed in LEI, unless otherwise provided)

6. INTANGIBLE ASSETS AND FINANCIAL ASSETS**i) Intangible assets**

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

	Licences and software	Intangible assets in progress	Assets rel. to usage rights for leased assets- (buildings)	Total
COST				
Balance on 1 January 2018	57,599,855	12,897,075	0	70,496,930
Inputs, of which:		8,233,016	-	8,233,016
Transfers from intangible assets in progress	3,495,785	(3,495,785)	-	0
Transfers from tangible assets in progress	711,921	-	-	711,921
Outputs	(205,332)	-	-	(205,332)
Balance on 31 December 2018	61,602,228	17,634,306	0	79,236,534
Balance on 1 January 2019	61,602,228	17,634,306	0	79,236,534
Inputs		3,017,085	14,766,931	17,784,015
Transfers from intangible assets in progress	55,371	(55,371)	-	0
Transfers from tangible assets in progress	186,809	-	-	186,809
Outputs	(1,032,837)	-	-	(1,032,837)
Balance on 31 December 2019	60,811,571	20,596,020	14,766,931	96,174,522
CUMULATED AMORTISEMENT				
Balance on 1 January 2018	54,582,497	0	0	54,582,497
Amortisement expense	1,754,798	-	-	1,754,798
Cumulated amortisement of outputs	(205,332)	-	-	(205,332)
Balance on 31 December 2018	56,131,963	0	0	56,131,963
Balance on 1 January 2019	56,131,963	0	0	56,131,963
Amortisement expense	2,519,817	-	8,438,246	10,958,063
Cumulated amortisement of outputs	(1,032,837)	-	-	-
Balance on 31 December 2019	57,618,943	-	8,438,246	66,057,189
DEPRECIATION ALLOWANCES				
Balance on 1 January 2018	0	351,208	0	351,208
Expense with depreciation allowances	439	-	-	439
Balance on 31 December 2018	439	351,208	-	351,647
Expense with depreciation allowances	(439)	-	-	(439)
Balance on 31 December 2019	0	351,208	0	351,208
ACCOUNTING VALUE				
Balance on 1 January 2018	3,017,358	12,545,867	0	15,563,225
Balance on 31 December 2018	5,469,827	17,283,098		22,752,925
Balance on 31 December 2019	3,192,628	20,244,812	6,328,685	29,766,125

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

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2019
(All amounts are expressed in LEI, unless otherwise provided)

6. INTANGIBLE ASSETS AND FINANCIAL ASSETS (continued)

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;
- 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.

ii) Financial assets

Financial assets include the shares held by the Company amounting to 80,238,910 on 31 December 2018 and to 81,500,833 on 31 December 2019 (Note 26).

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 CNTEE 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 inventories (net value) were as follows:

	31 December 2019	31 December 2018
Spare parts	28,986,555	25,352,273
Consumables and other materials	6,930,120	8,278,701
Auxiliary materials	657,948	529,079
Other inventories	945,108	608,625
Total	37,519,731	34,768,678

On 31 December 2019 and 31 December 2018 allowances for inventories depreciation were as follows:

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2019

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

	31 December 2019	31 December 2018
Allowances for depreciation of consumables	5,471,419	5,726,021
Allowances for depreciation of other materials	2,352,305	2,136,847
Allowances for the depreciation of package materials	218,572	155,895
Total	8,042,296	8,018,763

On 31 December 2019 and 31 December 2018 allowances for inventories depreciation were as follows:

	31 December 2019	31 December 2018
Balance on 1 January	8,018,763	7,667,092
Allowances registered for inventories depreciation	1,505,628	789,417
Reversal of allowances for inventories depreciation	(1,482,095)	(437,746)
Balance at year-end	8,042,296	8,018,763

During 2019 expenses made for consumptions of materials and spare parts were as follows:

	2019	2018
Spare part expenses	3,874,586	5,940,217
Expenses regarding other consumables	951,217	1,727,750
Expenses regarding other materials	963,866	1,098,596
Expenses with auxiliary materials	240,016	235,229
Fuel expenses	2,491,060	2,665,141
Total	8,520,745	11,667,003

8. TRADE AND OTHER RECEIVABLES

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

	31 December 2019	31 December 2018
Trade receivables	745,163,708	1,040,797,078
Other trade receivables	113,282,179	83,495,790
Down payments to suppliers	28,667,925	52,627,078
Recoverable VAT	7,240,202	82,507,514
Allowances for impairment of uncertain trade receivables	(135,508,897)	(139,644,236)
Allowances to depreciate other trade receivables	(52,494,870)	(56,189,199)
Total	706,350,248	1,063,594,025

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CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2019
(All amounts are expressed in LEI, unless otherwise provided)

8. TRADE AND OTHER RECEIVABLES (continued)

The structure of trade receivables is as follows:

	31 December 2019	31 December 2018
Clients on the electricity market, of whom:	743,236,309	1,038,272,786
- Clients - operational activities – energy	434,980,507	438,569,602
- Clients - balancing market	133,210,225	400,553,575
- Clients - bonus type support scheme to promote high efficiency cogeneration	175,045,577	199,149,609
Clients from other activities	1,927,399	2,524,292
Total trade receivables	745,163,708	1,040,797,078

• CNTEE Transelectrica SA carries out its operational activities under Operational licence 161/2000 issued by ANRE, updated by Decision 641/25.04.2018 of ANRE President, to provide electricity transmission, system services and balancing market administration.

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.

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

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 76,702,140, namely from RAAN – 63,467,054 and CET Govora SA – 13,235,086;
- 2014 undue bonus amounting to 3,914,960, namely from RAAN – 1,981,235, CET Govora – 1,933,725;
- 2015 undue bonus amounting to 563,899, namely from CET Govora – 534,377, Interagro – 29,523;
- Cogeneration contribution not collected from the suppliers of electricity consumers amounting to 21,252,450, namely from: Transenergo Com – 5,882,073, Petprod – 4,391,193, Romenergy Industry – 2,680,620, RAAN- 2,385,922, UGM Energy – 1,814,175, CET Govora – 900,864, KDF Energy – 887,527 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 (8,786,766), by means of bank transactions from Electrocentrale Bucuresti.

8. TRADE AND OTHER RECEIVABLES (continued)

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 date. Transelectrica SA was recorded with 11,264,777 Lei in the table of debtor RAAN, in the category of receivables resulting from the debtor's uninterrupted activity, the actual amount the Company requested 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.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2019
(All amounts are expressed in LEI, unless otherwise provided)

8. TRADE AND OTHER RECEIVABLES (continued)

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 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.

8. TRADE AND OTHER RECEIVABLES (continued)

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 trade receivables

On 31 December 2019 other trade receivables amounting to 113,282,179 include mainly:

- Sundry debtors (106,001,226), representing:
 - Late payment penalties calculated to defaulting clients and amounting to 70,000,411 (of which 35,304,554 represent penalties under the support scheme). The greatest delay penalties were registered by the following clients: RAAN (16,901,449), CET Govora (9,606,504), Electrocentrale Bucuresti (9,409,174), Eco Energy SRL (8,909,843), Petprod SRL (8,894,655), Total Electric Oltenia (3,288,967), ICPE Electrocond Technologies (1,003,678). 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 (27,075,932);
 - Compensations owed by suppliers for non-delivery of electricity (Arelco Power 987,555 and Enol Grup 2,541,312). Allowances were registered for the compensations owed by suppliers from operational activities;
 - Receivable collectable from OPCOM amounting to 4,517,460 representing the VAT for the contribution in kind to the subsidiary's share capital;
- Deferred expenses amounting to 1,052,559 mainly represented by down payments under the contracts concluded with electricity suppliers, as necessary to cover one's technological consumption for future periods (7,629), ro-vignets (14,006), OPCOM tariffs for 2020 (52,800), indemnity fee for BEI 25710 credit (54,217), RCA policies (86,214), rents (720,274);
- Other intangible receivables amounting to 4,256,181, of which 4,199,505 represent securities for temporary land occupation, calculated and withheld in accordance with article 39 para (1), para (2) and para (5) of Law 46/2008 on the Forestry Code, in view of achieving the investment objective for the 400 kV OHL Resita – Pancevo (Serbia);
- Other social trade receivables amounting to 1,252,702 representing medical leaves the employer paid to employees and will be recovered from the National Health Insurance House, according to applicable legislation.

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.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2019
(All amounts are expressed in LEI, unless otherwise provided)

8. TRADE AND OTHER RECEIVABLES (continued)

Allowances for depreciation of trade receivables, doubtful trade receivables and other doubtful receivables

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

The greatest impairment allowances on 31 December 2019, were calculated for trade receivables and their associated penalties, which were registered for CET Govora (25,181,712), Eco Energy SRL (24,736,066), Petprod SRL (23,539,650), Arelco Power (15,533,047), Total Electric Oltenia SA (14,185,577), Romenergy Industry (13,512,997), Elsaco Energy (9,276,118), RAAN (8,516,707), Opcom (5,811,238), CET Braosv (4,664,627). 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

Cash and cash equivalents include cash balances, demand-funds and deposits of initial maturity up to 90 days from their constitution date, which register insignificant exposure to the risk of changing their fair value and the Company uses them to manage non-current commitments.

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

	31 December 2019	31 December 2018
Current bank accounts and deposits, of which:	320,649,313	482,089,074
- Cash and deposits from high efficiency cogeneration	-	41,705,447
- Cash from the revenues related to the allocation of interconnection capacities used for network investments	72,217,359	133,729,367
- Cash from the connection fee	14,967,097	18,426,374
- European funds	11,969,848	11,680,827
Pay desk	119,284	69,605
Other cash equivalents	50	-
Total	320,768,647	482,158,679

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. OTHER FINANCIAL ASSETS

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

On 31 December 2019 and 31 December 2018 the other financial assets statement was as follows:

	31 December 2019	31 December 2018
Bank deposits with maturity for more than 90 days (constituted from revenues related to the allocation of interconnection capacities used for network investments)	85,000,000	-
Total	85,000,000	-

Bank deposits of initial maturity beyond 90 days constituted from monetary availabilities of current accounts amounted to 85,000,000 on 31 December 2019.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2019
(All amounts are expressed in LEI, unless otherwise provided)

11. SHAREHOLDERS' EQUITIES

Registered 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 Depository SA registered the transfer of 43,020,309 shares (representing 58.69% of the share capital) issued by CNTEE Transelectrica SA from the Romanian State's account through the Ministry of Economy into the Romanian State's account represented by the Government through the Secretariat General of the Government, 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:

Actionar	31 December 2019		31 December 2018	
	Number of shares	% of share capital	Number of shares	% of share capital
Romanian State through SGG	43,020,309	58.69%	43,020,309	58.69%
Other legal person shareholders	15,976,281	21.80%	20,157,347	27.50%
DEDEMAN SRL	4,503,567	6.14%	4,503,567	6.14%
NN Group NV	4,007,688	5.47%	-	-
Other natural person shareholders	5,795,297	7.90%	5,621,919	7.67%
Total	73,303,142	100.00%	73,303,142	100.00%

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

CNTEE Tranelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2019
(All amounts are expressed in LEI, unless otherwise provided)

11. SHAREHOLDERS' EQUITIES (continued)***Registered capital (continue)***

The Company 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:

	31 December 2019	31 December 2018
Share capital (nominal value)	733,031,420	733,031,420
Balance of share capital	733,031,420	733,031,420

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 66,705,859 Lei, and they were paid by means of the Central Depository beginning with 25 January 2019.

Unpaid dividends found on balance on 31 December 2019 amount to 615,702.

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 49,842,552, namely the difference between the issuance price of shares and their nominal value was registered into the Company's reserve account.

Legal reserves

Legal reserves amounting to: 129,096,113 on 31 December 2019 and to 123,742,090 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 reserves

Revaluation reserves amounted to 522,585,647 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 15,771,718 (66,664,045 on 31 December 2018), of which 54,442,104 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 3,549,779 represent the value of lands which ownership certificates were obtained for. As provided in Note 25, 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 1,433,931,608.

On 31 December 2019 the Company registered positive retained earnings from the surplus of revaluation reserves amounting to 525,101,307, of which 2,306,515 surplus achieved from non-taxable revaluation reserves when their destination was changed and 527,407,822 surplus achieved from taxable revaluation reserves when destination was changed.

On 31 December 2019 the actuarial loss registered in the retained earnings amounted to 11,439,728. This amount resulted from the application of IAS 19 – Employees' benefits (Note 14).

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

11. SHAREHOLDERS' EQUITIES (continued)

Out of the profit achieved on 31 December 2019 amounting to 96,030,957 the amount of 90,676,934 is distributed into "Other reserves", of which:

- 51,752,203 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;
- 38,924,731 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 84,241,521.

Distribution of net profit on 31 December 2019

The accounting profit of 96,030,957 Lei distributed to legal destinations after deduction of the income tax on 31 December 2019 was as follows:

Destination	Amount
Accounting profit left after deducing the income tax on 31 December 2019	96,030,957
<i>Distribution of accounting profit to the following destinations:</i>	
Legal reserve (5%)	5,354,023
Other reserves representing law-provided fiscal facilities - tax exemption for reinvested profit	51,752,203
Other law-provided distributions - revenues achieved in 2018 from the allocation of interconnection capacities (net of the income tax and legal reserve) – partial distribution within the limits of the accounting profit left after deducing the income tax on 31 December 2019	38,924,731
Undistributed 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 5,354,023, 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 51,752,203 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 38,924,731, 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 84,241,521 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 11,575,635 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 11,575,635 Lei 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 76,462,090. The 2019 accounting profit remaining after income tax deduction enabled distribution of only 38,924,731 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 37,537,359 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.

12. 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:

	31 December 2019	Of which: the short term part on 31.12.2019	31 December 2018	Of which: the short term part on 31.12.2018
Deferred revenues – allocation of interconnection capacity	5.756.780	5.756.780	7.896.067	7.896.067
Deferred revenues – European funds	2.754.235	2.754.235	2.219.181	2.219.181
Funds from connection fees	263.162.627	20.553.019	285.748.510	4.393.799
European funds	98.796.239	6.934.299	106.017.816	3.674.067
Other subsidies	27.381.076	1.211.412	28.602.362	1.146.144
Total	397.850.957	37.209.745	430.483.936	19.329.257

Short term deferred revenues were in 2019 as follows:

	31 December 2019	31 December 2018
Balance at the beginning of the year	19,329,257	40,881,064
Deferred proceeds from interconnection capacity	81,579,661	95,112,435
Proceeds from European funds	1,228,070	90,227
Transfer from long term deferred revenues	19,484,720	(23,311,754)
Revenues from the use of interconnection capacity	(83,718,947)	(93,013,534)
Revenues from European funds	(693,016)	(429,181)
Total	37,209,745	19,329,257

During 2019 long term deferred revenues were as follows:

	31 December 2019	31 December 2018
Balance at the beginning of the year	411,154,679	410,642,185
Connection subsidies	1,175,621	(2,675,827)
Non-reimbursable funds	(14,307)	11,626,793
Non-reimbursable funds to return	-	14,544
Transfer into short term deferred revenues	(21,835,962)	23,311,755
Subsidies returned to revenues	(29,838,819)	(31,764,772)
Total	360,641,212	411,154,679

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2019
(All amounts are expressed in LEI, unless otherwise provided)

13. BORROWINGS*Non-current borrowings*

On 31 December 2018 and 31 December 2019 the amounts owed to credit institutions for intervals above a year are as follows:

Description	31 December 2019	31 December 2018
IBRD 7181 (b)	1,544,844	10,925,879
EIB 25709 (i)	69,034,334	78,595,352
EIB 25710 (i)	76,846,651	86,252,253
ING+BRD (j)	0	19,588,380
Total non-current loans from credit institutions, of which:	147,425,829	195,361,864
Less: the current portion of non-current loans	(24,590,329)	(51,495,749)
Total non-current loans, net of current instalments	122,835,499	143,866,115

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

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2019

*(All amounts are expressed in LEI, unless otherwise provided)***13. BORROWINGS (continued)**

The statement of non-current borrowings on 31.12.2019

No.	Loan name	Granted on	Loan amount (currency)	Balance on 31.12.2019 (currency)	Balance on 31.12.2019 (Lei)	Interest rate	Maturity as per the loan
1	BIRD 7181	15.07.2003	71,622,715.47 EUR	323,236.57 EUR	1,544,844	Latest notified 0%	15.01.2020
2	BEI 25709	05.08.2010	32,500,000.00 EUR	14,444,444.50 EUR	69,034,334	3.596%	10.09.2025
3	BEI 25710	05.08.2010	32,500,000.00 EUR	16,079,059.81 EUR	76,846,651	3.856% & 2.847%	11.04.2028
4	ING+BRD	26.07.2012	42,000,000.00 EUR	0 EUR	0	EURIBOR 6M+2.75%	13.02.2019
TOTAL					147,425,829		

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

13. BORROWINGS (continued)

Non-current borrowings are detailed below as follows:

a) Loan 7181 provided by 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) and c) Loans EIB 25709 and EIB 25710

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.

d) Loan granted by ING Bank NV, Amsterdam, Bucharest Branch and BRD – Groupe Societe Generale 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:

	31 December 2019	31 December 2018
From 1 to 2 years	23,045,485	23,996,576
From 2 to 5 years	69,136,455	67,467,099
In more than 5 years	30,653,559	52,402,440
Total	122,835,499	143,866,115

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2019
(All amounts are expressed in LEI, unless otherwise provided)

13. BORROWINGS (continued)

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

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.
All these securities ended their validity once the last credit instalment was repaid (12.03.2019).

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.

Current borrowings

Current loans are detailed as follows:

	31 December 2019	31 December 2018
Current portion of non-current loans	24,590,329	51,495,749
Overdrafts	29,540,187	
Interest rates of non-current and current loans	1,436,219	1,815,697
Total current borrowings	55,566,735	53,311,445

- *Loans contracted for current activities*

Transelectrica 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.

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

14. OBLIGATIONS REGARDING EMPLOYEES' 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 27 *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:

	31 December 2019	31 December 2018
Jubilee prizes	29,460,567	20,407,159
Retirement prizes	13,578,488	13,690,525
Free electricity to current and retired employees	20,672,404	18,225,573
Benefits for terminating the labour contract	0	7,9791
Maternity bonuses	0	8,461
Total	63,711,459	52,411,509

On 31 December 2019 and 31 December 2018 the Company had obligations regarding long term employee benefits amounting to 63,711,459 and to 52,411,509.

Out of the total value of the constituted provision, namely 63,711,459:

- 4,098,428 represent short term provision constituted for future payments of benefits granted for age limit retirement and jubilee benefits.
- The difference of 59,613,031 represent long term provision constituted for future payments of benefits granted for age limit retirement and jubilee benefits.

CNTEE Tranelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2019

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

	31 December 2018	Cost of interest	Cost of current service	Payments from the provision	Actuarial loss of the period	31 December 2019
Benefits for jubilees to be granted to current employees	20,407,159	849,788	1,104,223	(2,558,512)	9,657,909	29,460,567
Benefits of maternity leaves to be granted to current employees	8,461				(8,461)	-
Benefits for prizes on the retirement of current employees	13,690,525	475,247	651,406	(1,204,518)	(34,172)	13,578,488
Benefits for premiums granted for terminating one's labour contract	79,791				(79,791)	-
Benefits regarding the value of electricity paid to current employees when they retire	7,857,802	314,162	374,122	0	429,978	8,976,064
Benefits regarding the value of electricity paid to current retired employees	10,367,771	92,724	-	(238,420)	1,474,265	11,696,340
	52,411,509	1,731,921	2,129,751	(4,001,450)	11,439,728	63,711,459

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

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2019
(All amounts are expressed in LEI, unless otherwise provided)

15. TRADE AND OTHER LIABILITIES

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

	31 December 2019	31 December 2018
Suppliers - electricity market	390,220,768	780,292,021
Asset suppliers	73,456,090	44,513,840
Suppliers of other activities	24,171,846	29,309,948
Amounts owed to employees	6,165,643	6,729,336
Other liabilities	68,791,366	159,948,565
Total	562,805,713	1,020,793,710

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:

	31 December 2019	31 December 2018
Suppliers on the electricity market, of whom:		
- Suppliers – operational activity - energy	142,742,539	188,914,941
- Suppliers - balancing market	77,630,918	383,389,169
- Suppliers from the bonus type support scheme to promote high efficiency cogeneration	169,847,311	207,987,911
Total	390,220,768	780,292,021

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 54.6 mill. Lei (RAAN – 51.2 mill. Lei and CET Govora SA – 3.4 mill. Lei, 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 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.

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

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2019
(All amounts are expressed in LEI, unless otherwise provided)

15. TRADE AND OTHER LIABILITIES (continue)

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 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:

	31 December 2019	31 December 2018
Sundry creditors	1,618,176	24,983,402
Client-creditors	44,624,968	55,729,127
Dividends to pay	615,702	67,657,910
Other liabilities	21,932,520	11,578,126
Total	68,791,366	159,948,565

Sundry creditors amounting to 1,618,176 on 31.12.2019 mainly represent participation bonds for auctions amounting to 503,499, royalty of Q IV 247,644, study contracts 226,829, green certificates amounting to 168,449 and performance bonds 96,795.

“Client creditors” on 31 December 2019 amounted to 44,624,968, of which 14,904,552 represent amounts cashed in advance from MAVIR, 24,359,895 amounts cashed in advance from OPCOM and 5,025,159 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 615,702. Such amounts are at the shareholders' disposal by means of the payment agent.

Other liabilities amounting to 21,932,520 are mainly represented by the payment securities for the contracts on the electricity market concluded by CNTEE Transelectrica SA amounting to 14,986,747.

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2019
(All amounts are expressed in LEI, unless otherwise provided)

15. TRADE AND OTHER LIABILITIES (continued)**Provisions**

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

	31 December 2019	31 December 2018
Provisions for disputes	33,251,874	62,297,305
Provisions for mandate contracts	33,132,184	33,132,184
Provisions for employees' participation to profit fund	44,799	44,799
Other provisions	3,588,993	83,225
TOTAL	70,017,850	95,557,513

Provisions on balance on 31 December 2019 were as follows:

	Provisions for disputes	Provisions for payment based on shares	Provisions employees fund particip to profit	Other provisions
Balance on 1 January 2019	62,297,304	33,123,184	44,799	83,225
Increase of provisions (profit and loss account)	2,444,409	-	-	3,513,812
Decrease of provisions (profit and loss account)	(31,489,839)	-	-	(8,044)
Increase of provisions (AERG)	-	-	-	-
Decrease of provisions (AERG)	-	-	-	-
Balance on 31 December 2019	33,251,874	33,132,184	44,799	3,588,993

Provisions for disputes found on balance on 31.12.2019, amounting to 33,251,874, 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;

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2019
(All amounts are expressed in LEI, unless otherwise provided)

15. TRADE AND OTHER LIABILITIES (continue)

- 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 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 provision for 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:

	2019	2018
Expense with current income tax and deferred tax	(17,437,580)	(14,308,670)
Net revenue from the deferred profit tax	6,388,077	2,547,714
Total	(11,049,503)	(11,760,956)

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

CNTEE Traselectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2019
(All amounts are expressed in LEI, unless otherwise provided)

16. INCOME TAX (continued)

Reconciliation of the actual taxation quota:

	2019	2018
Income tax at 16% statutory rate	17,600,710	15,297,927
Effect of non-deductible expenses	9,829,229	17,983,972
Effect of non-taxable revenues	(10,027,262)	(10,620,640)
Taxable revaluation reserve	5,180,345	3,308,216
Legal reserve	(856,644)	(764,896)
Exempted income tax	(8,716,160)	(8,947,753)
Other effects	963,265	(1,948,156)
Total	(13,973,483)	(14,308,670)

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

CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on 31 December 2019

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

16. INCOME TAX (continued)

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

Elements	Balance on 1 January 2018	Recognised in profit and loss	Directly recognised in AERG	Balance on 31 December 2018	Recognised in profit and loss	Directly recognised in AERG	Balance on 31 December 2019
Tangible assets - lifecycles	4,807,123	1,284,842	-	6,091,965	278,530	-	6,370,495
Tangible assets – revaluation reserves	33,970,206	(3,217,205)	33,611,851	64,364,853	(5,096,992)	83,677,369	142,945,229
Tangible assets financed from subsidies	(2,115,670)	(271,637)	-	(2,387,307)	(277,813)	-	(2,665,120)
Obligations regarding employees' benefits	(3,085,426)	50,623	-	(3,034,803)	1,204,446	-	(1,830,356)
Estimation of interconnection	(1,763,200)	(394,338)	-	(2,157,538)	967,849	-	(1,189,689)
Provisions	(6,776,753)	-	-	(6,776,753)	-	-	(6,776,753)
Tax (asset)/liability	25,036,280	(2,547,714)	33,611,851	56,100,417	(2,923,980)	83,677,369	136,853,805

The deferred tax is constituted of:

	Asset		Liability		Net	
	31-dec-19	31-dec-18	31-dec-19	31-dec-18	31-dec-19	31-dec-18
Tangible assets - lifecycles	(2,872,576)	(1,790,574)	9,243,071	7,882,539	6,370,495	6,091,965
Tangible assets – revaluation reserves	(5,096,992)	(4,225,723)	148,042,221	68,590,575	142,945,229	64,364,852
Tangible assets financed from subsidies	(590,815)	(2,694,746)	(2,074,305)	307,439	(2,665,120)	(2,387,307)
Obligations regarding employees' benefits	(1,830,356)	(3,034,803)	-	-	(1,830,356)	(3,034,803)
Estimation of interconnection	(1,189,689)	(2,157,538)	-	-	(1,189,689)	(2,157,538)
Provisions	(6,776,753)	(6,776,753)	-	-	(6,776,753)	(6,776,753)
Net tax (asset)/liability	(18,357,181)	(20,680,135)	155,210,986	76,780,552	136,853,805	56,100,417

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

CNTEE Transelectrica SA

Note la situatiile financiare separate intocmite on 31 decembrie 2018

(Toate sumele sunt exprimate in LEI, daca nu este indicat altfel)

17. RESULT PER SHARE

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

	2019	2018
Result of the financial year	96,030,957	81,303,373
Number of ordinary shares at the beginning & end of the period	73,303,142	73,303,142
Basic result and diluted per share (Lei/share)	1.310	1.109

18. OTHER TAX AND SOCIAL SECURITY LIABILITIES

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

	31 December 2019	31 December 2018
Contribution to social security funds	6,154,664	7,290,426
Salary tax	1,136,736	1,591,088
Other payable taxes	1,460,715	1,170,942
Total	8,752,115	10,052,456

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. OPERATIONAL 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:

	Average tariff of transmission services	Tariff of technological system services	Tariff of functional system services
Order 108/20.06.2018 for 01 July – 31 December 2019	17.68	13.05	1.84
Order 122/19.12.2017 for 01 January – 30 June 2019	18.13	10.44	1.11
Order 48/22.06.2017 for 01 July – 31 December 2018	18.13	10.44	1.11
Order 27/22.06.2016 for 01 January – 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.

CNTEE Transelectrica SA

Note la situatiile financiare separate intocmite on 31 decembrie 2018

(Toate sumele sunt exprimate in LEI, daca nu este indicat altfel)

19. OPERATIONAL REVENUES (continued)

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

	2019	2018
Electricity quantity delivered to consumers (MWh)	55,343,389	55,775,645

Operational revenues achieved in 2019 and 2018 were as follows:

	2019	2018
Transmission revenues	986,485,036	973,612,932
Revenues from allocation of interconnection capacities	84,241,521	81,713,395
Revenues from reactive energy	1,227,271	5,499,392
Revenues from Inter TSO Compensation (ITC)	2,033,188	3,098,100
Revenues from CPT transactions	7,993,765	5,913,197
Revenues from transmission services - total	1,081,980,781	1,069,837,016
Revenues from functional system services	81,451,308	61,942,936
Revenues from technological system services	654,095,442	637,496,564
Revenues with unplanned exchanges on the DAM	6,146,729	1,907,911
Revenues from failure aids		274,306
Revenues from system services - total	741,693,479	701,621,717
Revenues on the balancing market	523,104,001	903,865,423
Other revenues	50,932,248	46,371,626
Total revenues	2,397,710,509	2,721,695,782

Transmission revenues

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 interconnection capacities

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.

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

19. OPERATIONAL REVENUES (continued)*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 CPT transactions

Revenues from CPT 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.

Revenues from technological system services

Revenues from technological system services increased 16,598,878 in 2019 compared to 2018, cu suma, 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 22,372,118 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 380,761,422 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 TO OPERATE THE SYSTEM AND FROM THE BALANCING MARKET

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

	2019	2018
Expenses regarding one's own technological consumption	283,908,352	252,675,187
Congestion expenses	1,656,528	8,217,678
Expenses regarding electricity consumption in RET substations	20,449,563	17,235,276
Expenses regarding functional system services	32,737,511	15,463,387
Expenses with Inter TSO Compensation (ITC)	12,990,780	15,280,521
Total operational expenses	351,742,734	308,872,049
Expenses regarding technological system services	676,467,560	677,725,109
Expenses regarding the balancing market	523,104,001	903,865,423
Total	1,551,314,295	1,890,462,581

Expenses regarding one's own technological consumption

They represent expenses to procure electricity from the free electricity market, namely the Centralised Market of Bilateral Contracts (PCCB), 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 31,233,165 greater than those recorded in 2018, mainly because the average price of electricity procurement to cover CPT 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 1,656,528 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 3,214,287 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 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.

20. EXPENSES TO OPERATE THE SYSTEM AND FROM THE BALANCING MARKET (continued)*Expenses with Inter TSO Compensation (ITC)*

ITC expenses amounting to 12,990,780 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 2,289,741 smaller than in 2018.

Expenses regarding 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.

CNTEE Transelectrica SA 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.

Expenses regarding the balancing market

Expenses regarding the balancing market made in 2019 amounted to 523,104,001 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. PERSONNEL EXPENSES*i) Personnel expenses*

	2019	2018
Expenses with employees' salaries	176.868.761	164.536.038
Social expenses	8.552.762	8.001.575
Expenses with tickets provided to employees	10.212.150	9.019.044
Expenses regarding employees' participation to last year's profit	0	0
Expenses of the mandate contract and of other committees, commissions	2.338.140	2.228.191
Expenses regarding social insurance and protection	12.676.074	9.029.974
Provisions constituted for salary expenses and assimilated	(1.868.709)	(5.287.276)
Other expenses	1.152.700	1.021.211
Total	209.931.878	188.548.757

Personnel expenses made in 2019 registered increase compared to 2018, mainly determined by the 2019 increase of personnel salary expenses, social expenses, expenses with tickets granted to employees and social insurance and protection, and provisions constituted for salary expenses and assimilated ones.

ii) Average number of employees

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

CNTEE Transelectrica SA

Note la situatiile financiare separate intocmite on 31 decembrie 2018

(Toate sumele sunt exprimate in LEI, daca nu este indicat altfel)

On 31 December 2019 and 31 December 2018 the average number of employees with individual labour contract for undetermined period was as follows:

	2019	2018
Average number of employees	2,027	2,102

22. OTHER OPERATIONAL EXPENSES

	2019	2018
Other expenses with services provided by third parties	62,124,519	55,963,806
Postal expenses and telecommunication fees	898,349	931,711
Rental expenses	1,385,551	8,599,282
(Net) operational expenses regarding allowances to impair current assets	(7,644,348)	2,376,500
Other expenses, of which:	73,710,803	74,689,853
- (Net) expenses with provisions for other operational expenses	(25,189,696)	28,699,330
- Expenses for taxes and charges (natural monopoly tax, other local taxes and fees)	50,858,985	19,090,145
- Losses from trade receivables and sundry debtors	9,348,236	27,178
- Travel expenses	5,422,944	6,405,278
- International subscription expenses	4,582,980	4,600,619
- Studies and research expenses	788,830	2,479,400
- Expenses for electricity procured for administrative consumption	3,000,874	2,269,288
- Merchandise expenses	3,388,928	2,193,533
- Personnel transportation expenses	1,115,565	1,112,768
- Bank service expenses and assimilated	544,715	1,047,165
- (Net) expenses from revaluation of tangible assets	9,865,002	929,660
- Expenses regarding natural gas procured	1,030,250	886,293
- Environmental protection expenses	937,409	518,294
- Expenses with delay penalties owed to the state budget	1,615,421	0
- Other operational expenses	6,400,360	4,430,603
Total	130,474,874	140,561,153

Variation of certain expense elements such as:

- Registration of certain (net) expenses regarding provisions for other operational expenses mainly because of cancelling the provision amounting to 31,180,858 constituted for the dispute with ASITO KAPITAL SA;
- Higher expenses with taxes and charges because the quantum of the annual ANRE fee was increased to 2% of the turnover of CNTEE Transelectrica SA compared to 0.1% applied the previous year as per OUG 114/2018;
- Increase of (net) expenses from the revaluation of tangible assets;
- Increase of other expenses for services provided by third parties because in 2019 basic services for data exchanges were registered, calculations coordinated by TSCNET Services, including the costs generated by the Company's affiliation to the shareholders of TSCNET, greater expenses for civil protection and guard, merchandise expenses, other operational expenses etc.

23. NET FINANCIAL RESULT

	2019	2018
Revenues from interest rates	5,388,526	9,722,435
Revenues from exchange rate differences	4,168,303	5,974,924
Other financial revenues	165,651	1,200,980
Total financial revenues	9,722,480	16,898,339
Interest expense	(10,207,588)	(19,264,897)
Expenses from exchange rate differences	(8,263,002)	(5,886,947)
Other financial expenses	0	0
Total financial expenses	(18,470,590)	(25,151,844)
Net financial result	(8,748,110)	(8,253,505)

On 31 December 2019 the Company registered net financial result (loss) amounting to 8,748,110, 494,605 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	4.7452	4.6534
Lei / US dollar	4.2379	3.9416

24. FISCAL LEGISLATIVE 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*i) 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.

ii) Lands used by the Company

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.

25. COMMITMENTS AND CONTINGENCIES (continued)

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.

iii) Disputes in progress

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:

• INDEPENDENT AUTHORITY OF NUCLEAR ACTIVITIES

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

25. COMMITMENTS AND CONTINGENCIES (continued)

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**

CNTEE 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 β) 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 (RRR¹) 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.

¹ 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: $RRR = WACC = CCP/(1 - T) + CCI \times Ki$

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

25. COMMITMENTS AND CONTINGENCIES (continua)

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 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.

25. COMMITMENTS AND CONTINGENCIES (continuate)

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

Document: Ruling 743/2019 /20.03.2019.

The court clerk office certificate issued on 18.04.2019 by Bucharest Tribunal, Section VI Civil, 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 20th 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

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

25. COMMITMENTS AND CONTINGENCIES (continua)

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.

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 INTERNATIONAL SRL**

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

25. COMMITMENTS AND CONTINGENCIES (continua)**• ELECTROCENTRALE BUCHAREST 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 15th 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; 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.

• RESITA CITY

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.

25. COMMITMENTS AND CONTINGENCIES (continued)

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.

- **ANAF**

At the offices of Transelectrica SA a general fiscal inspection took place targeting the interval December 2005 – December 2010. Such general fiscal audit began on 14.12.2011 and ended on 26.06.2017, date of the final discussion with Transelectrica SA.

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

25. COMMITMENTS AND CONTINGENCIES (continued)

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.

iv) Guarantees

On 31 December 2019 and 31 December 2018 guarantees were as follows:

	2019	2018
Granted securities, of which:	317.955.410	278.849.594
- Granted letters of indemnity – production	54.581.762	51.329.640
- Granted letters of indemnity – investments	88.373.648	123.185.857
- Other guarantees granted	175.000.000	104.334.097
Received securities, of which:	529.051.979	579.808.823
- Received letters of indemnity – production	228.251.496	267.634.955
- Received letters of indemnity – investments	252.706.050	263.084.734
- Other received guarantees	48.094.433	49.089.134

Granted securities

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.

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

Received securities

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.

v) Revaluation reserves la 31 December 2019

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

Beginning with 1 May 2009 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.

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

25. COMMITMENTS AND CONTINGENCIES (continued)

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.

vi) Tariff for electricity transmission and system services

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	Tariff applied in sem. I 2019 (approved by ANRE Order 108/2018)	Tariff applied in sem. II 2019 (approved by ANRE Order 81/2019)
	Lei/MWh	Lei/MWh
Electricity transmission services	18.13	17.68
Functional system services	1.11	1.84
Technological system services	10.44	13.05

vii) 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:

25. COMMITMENTS AND CONTINGENCIES (continuare)

- 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 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

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

CNTEE Transelectrica SA

Note la situatiile financiare separate intocmite on 31 decembrie 2018

(Toate sumele sunt exprimate in LEI, daca nu este indicat altfel)

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 stand-alone interim 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 stand-alone financial statements on 31 December 2019.

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, contingent liabilities and assets.

26. AFFILIATED PARTIES

i) Subsidiaries held by the Company

Entity	Country of origin	31 December 2019	31 December 2018
		% of shares	% of shares
SMART SA *)	Romania	70.005	70.005
TELETRANS SA	Romania	100	100
ICEMENERG SA **)	Romania	-	-
OPCOM SA	Romania	97.84	97.84
FORMENERG SA	Romania	100	100
ICEMENERG SERVICE SA	Romania	100	100

The value of Company-held shares in its subsidiaries amounted to 78,038,750 on 30 June 2019 and to 78,038,750 on 31 December 2018.

The gross value of Company participations in its subsidiaries is as follows:

SMART SA

Company SMART SA seated in Blvd Magheru 33 Bucharest 1 with headquarters in the working location of Blvd Gheorghe Sincai 3, “Formenerg” Building, 1st floor, Bucharest 4 and has as main business the provision of maintenance to the transmission-dispatcher system. It was established under HG 710/19.07.2001 on 1 November 2001. The share capital on 31 December 2018 was of 55,036,300, of which 38,528,600 fully subscribed and paid by the Company.

The Shareholders’ General Extraordinary Assembly of SC Smart SA approved by Decision 14/10.12.2014 to increase the share capital of SC Smart SA by contribution in kind with the value of lands which ownership certificates have been obtained for.

CNTEE Transelectrica SA

Note la situatiile financiare separate intocmite on 31 decembrie 2018

(Toate sumele sunt exprimate in LEI, daca nu este indicat altfel)

26. AFFILIATED PARTIES (continued)

On 30.12.2014, the Office of the Trade Register from Bucharest Tribunal settled the request to register the share capital increase of SC Smart SA. On 31 December 2015 the structure of shareholders in SC Smart SA was the following:

CNTEE Transelectrica SA	- Number of shares 3,852,860 - Participation to benefits and losses: 70.005%
Romanian State through the Secretariat General of the Government	- Number of shares 1,650,770 - Participation to benefits and losses: 29.994%

Beginning with 25.01.2016, the change in the shareholder structure of SC Smart SA was operated in the National Office of the Trade Register, namely the mention about the management of the state's portfolio, change required according to article 10 of OUG 86/2014, amended and updated.

*) On the docket of law courts there was a dispute under file 32675/3/2015 pertaining to cancelling the Designated Person's decision 154954/30.12.2014 pronounced under file 449314/23.12.2014, based on which the Office of the Trade Register from Bucharest Tribunal registered the increase of the share capital of subsidiary SC Smart SA by contribution in kind and the concordant amendment of the articles of association according to Decision 12375/22.12.2014 of the Chairman of the Board of Administration in this subsidiary and to BA Decision 19/22.12.2014. The Company also requested the competent court to cancel the two fore-mentioned decisions and suspend the application of deeds cancellation is requested for, until settlement of this case.

In file 32675/3/2015 Bucharest Tribunal, Section VI Civil pronounced civil ruling 6468/16.11.2015 deciding as follows: "It admits the exception of inadmissibility. It denies as inadmissible the suing filed by claimant Transelectrica in contradiction with defendants Subsidiary Company for maintenance services to the electric transmission grid SMART SA, the Romanian State and ONRC. Appeal right within 30 days from notification; appeal to be submitted to Bucharest Tribunal, Section VI Civil. Pronounced at public hearing on 16 November 2015". CNTEE Transelectrica SA filed appeal registered on the docket of the Appeal Court Bucharest, file settled on the 23 May 2016 hearing term when the Appeal Court Bucharest pronounced civil decision 903/23.05.2016 deciding: "It denies the appeal as groundless. It admits the notification of the Constitutional Court.

In accordance with article 29 para 4 of Law 47/1992 it notifies the Constitutional Court to settle the unconstitutionality exception of provisions from article 114 para 3 if Law 31/1990 against the provisions of articles 16, 21 and 44 of the Constitution, an exception claimed by the appellant; final."

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

TELETRANS SA

Company TELETRANS SA seated in Blvd Hristo-Botev 16-18, Bucharest 3 and headquarters in the working location of Str. Polona 68-72 Business Centre, Bucharest 1 has as main business the maintenance services for process and managerial informatics, specific telecommunication and information technology services within RET, telephony, and data transmission, being established by AGA Decision 3/2002. On 31 December 2019 its share capital was of 6,874,430 fully subscribed and paid.

ICEMENERG SA

Subsidiary Company Energy Research and Modernising Institute ICEMENERG SA with headquarters in Blvd. Energeticienilor 8, Bucharest 3, has as main business the research and development of physical and natural sciences, innovation, studies, development strategies, design, urbanism, engineering and other technical services, being established by HG 1065/04.09.2003. In the Company's accounting books on 31 December 2018 the share capital of Subsidiary Icemenerg SA is of 1,083,450 fully subscribed and paid.

**) On 07.04.2014 the National Office of the Trade Register admitted file 121452/03.04.2014 pertaining to cancelling the Subsidiary Energy Research and Modernising Institute ICEMENERG SA Bucharest. Order 123/13.03.2014 (registration

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CNTEE Transelectrica SA

Note la situatiile financiare separate intocmite on 31 decembrie 2018

(Toate sumele sunt exprimate in LEI, daca nu este indicat altfel)

26. AFFILIATED PARTIES (continued)

deed also licensing the operation) enabled recording the 'National Energy Research-Development Institute Bucharest' with the Trade Register (HGR 925/2010). The Company filed complaint against the ORC director's resolution enabling registration of cancellation for Subsidiary ICEMENERG SA Bucharest in the trade register.

Bucharest Tribunal, Section VI Civil by ruling 3569/14.07.2014 pronounced under file 15483/3/2014, where the Company was in contradiction with defendants Energy Research and Modernising Institute Icemenerg SA Bucharest and the National Energy Research-Development Institute Icemenerg Bucharest, denied the Company's complaint on grounds that HG 925/2010 was not abrogated until the cancellation date with the ORC. The Appeal Court notified on 24.02.2015 the settlement pronounced under file 15483/3/2014 namely Decision 173/2015, denying the appeal of CNTEE Transelectrica SA as groundless, such decision being final.

Transelectrica SA filed cancellation contestation against decision 173/2015 pronounced by the Appeal Court Bucharest, under file 1088/2/2015 found on the docket of the Appeal Court Bucharest, Section VI Civil, with hearing term on 13.05.2015. On 13.05.2015 Decision 777/2015 of the Appeal Court Bucharest denied as groundless the cancellation contestation, such decision being final.

At its reunions of 28.03.2016 and 30.08.2016 AGEA did not approve reducing the share capital of CNTEE Transelectrica SA by 1,084,610 Lei, representing the share capital subscribed and paid of Subsidiary ICEMENERG SA Bucharest, by diminishing the Romanian State's participation to the share capital of CNTEE Transelectrica SA, in the application of provisions from HG 925/2010.

In 2015 the Company registered depreciation allowance amounting to 1,083,450 for the shares held with the Energy Research and Modernising Institute ICEMENERG SA Bucharest, which was cancelled.

OPCOM SA

Company OPCOM SA seated in Blvd Hristo Botev 16-18 Bucharest 3 has legal personality and its main business is to organise, manage and supervise the energy market; it was established under HG 627/2000. The share capital on 31 December 2018 was of 31,366,090, of which 8,778,790 represent share capital fully subscribed and paid. The share capital difference amounting to 22,587,300 is represented by the Company's contribution in kind, namely by intangible assets - "Commercial electricity exchange OPCOM" and the "Regional electricity exchange OPCOM", financed from the Company's own sources and from IBRD funds, valued according to the Valuation Report 786/15.03.2016 issued by JPA Audit & Consultanta SRL. The amendment in the articles of association of OPCOM SA, based on AGEA Decision 6/15.06.2016, was made with ONRC according to the certificate registering mentions of 11.07.2016. On 31.12.2018 the share capital represented by the increase of the Company's contribution in kind amounting to 22,587,300 is registered in the financial statements submitted for AGA approval by OPCOM, being provided as share capital subscribed but not fully paid.

On 13.02.2018 the Shareholders' general extraordinary assembly of Subsidiary OPCOM SA approved increasing the share capital of the Electricity and Natural Gas Market Operator OPCOM SA ("OPCOM SA") by 678,790 Lei contribution in kind represented by the value of the land which the company obtained Certificate M03 12899/27.02.2014 issued by the Ministry of Economy ascertaining the ownership right. The contribution in kind was evaluated by an evaluator expert designated by ONRC. In exchange for such in kind contribution to the share capital the company issued to the new shareholder the Romanian State through the Ministry of Economy, exercising on the date of the AGEA decision the attributions of involved person, a number of 67,879 new nominative shares of 10 Lei nominal value each. On 20.03.2019 the National Office of the Trade Register from Bucharest Tribunal settled the registration request for the share capital increase of OPCOM SA. On 31 December 2019 the share capital of OPCOM SA was of 31,366,090 Lei, representing a number of 3,136,609 nominative shares of 10 Lei nominal value each and a participation quota to benefits and losses of CNTEE Transelectrica SA of 97.84%.

FORMENERG SA

Company FORMENERG SA seated in Blvd Gh.Sincai 3, Bucharest 4, with legal personality has as main business the initial and permanent professional training in all domains for the personnel in the energy domain, as well as other beneficiaries and was established under AGA Decision 33/2001. On 31 December 2019 the share capital was 1,948,420 fully subscribed and paid.

ICEMENERG SERVICE SA

Company ICEMENERG SERVICE SA seated in Bucharest, Blvd. Energeticienilor 8, Bucharest 3 has as business the design, manufacture, implementation, repair, upgrade and market in the country and abroad apparatuses, equipment, and specific installations. HG 2294/09.12.2004 approved transferring a package of shares held by the Trading Company Subsidiary "Energy Research and Modernising Institute - ICEMENERG" SA Bucharest to the Trading Company Subsidiary

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

CNTEE Transelectrica SA

Note la situatiile financiare separate intocmite on 31 decembrie 2018

(Toate sumele sunt exprimate in LEI, daca nu este indicat altfel)

"ICEMENERG-SERVICE" - SA Bucharest to the National Power Grid Company Transelectrica SA. On 31 December 2019 the share capital was 493,000 fully subscribed and paid.

On 09.06.2017 Bucharest Tribunal, Section VII Civil decided initiation of bankruptcy by simplified procedure of debtor Subsidiary Company ICEMENERG SERVICE SA, designating Solvendi SPRL as provisional judiciary liquidator.

The Company registered in 2016 a depreciation allowance amounting to 493,000 for the shares held with Subsidiary SC ICEMENERG SERVICE SA.

ii) Affiliated parties – main economic-financial indicators achieved by Company subsidiaries on 31.12.2018

The main economic-financial indicators achieved by the Company's subsidiary on 31 December 2018 (last financial year when the financial statements were approved) are as follows:

Indicator	SMART	TELETRANS	OPCOM	FORMENERG	ICEMENERG SERVICE
Turnover	71,534,435	35,396,008	28,662,031	2,622,636	444,110
Profit/(loss), gross	(5,961,958)	697,481	140,188	(1,885,519)	(1,104,645)
Paid share capital	55,036,300	6,874,430	8,778,790	1,948,420	493,000
Unpaid share capital	-	-	22,587,300	-	-
Reserves	4,232,189	20,609,846	8,962,191	1,721,952	12,709
Shareholders' equity - total	69,614,738	34,276,153	46,406,590	9,734,474	2,306,945

iii) Affiliated parties – transactions with Subsidiaries held by the Company

On 31 December 2019 and 31 December 2018 the balances of Company-held subsidiaries are detailed as follows:

Affiliated entity	Trade receivables		Trade liabilities	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
SMART SA	639,163	15,975,004	13,573,414	6,609,697
TELETRANS SA	199,327	273,466	8,222,806	9,282,984
FORMENERG SA	-	-	-	28,703
OPCOM SA	38,279,294	69,433,519	31,982,492	62,030,701
TOTAL	39,117,784	85,681,989	53,778,712	77,952,086

Transactions performed in 2019 and 2018 with its subsidiaries are detailed as follows:

Affiliated entity	Sales		Purchases	
	2019	2018	2019	2018
SMART SA	(15,019,348)	705,014	90,655,863	65,250,988
TELETRANS SA	956,652	2,203,942	36,812,360	39,633,087
FORMENERG SA	-	-	91,392	99,720
OPCOM SA	506,140,123	287,048,429	284,323,844	360,443,304
TOTAL	492,077,427	289,957,385	411,883,458	465,427,099

Dividends collected by the Company in 2019 from its subsidiaries are provided below:

- TELETRANS SA – 132,581 (1,148,000 in 2018).
- BRM – 1,193.

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

CNTEE Transelectrica SA

Note la situatiile financiare separate intocmite on 31 decembrie 2018

(Toate sumele sunt exprimate in LEI, daca nu este indicat altfel)

iv) Affiliated parties – transactions with other state-owned companies

The Company is an entity with majority state capital.

The value of the Company's transaction with State controlled entities or over which the State has significant influence account for an important share of sales and purchases registered in the year ended on 31 December 2019.

As also shown in Note 1 ("Legislative environment"), Company activities are regulated by ANRE. At the same time as shown in Note 3 (b), in accordance with the Concession contract an annual royalty is paid, calculated as 1/1000 from the transmission revenues.

27. REMUNERATION OF COMPANY 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:

	2019	2018
<u>Hired under CIM in managerial positions</u>		
Short term benefits	18,577,707	13,771,926
Other long term benefits	225,204	143,644
<u>Directorate and Supervisory Board members</u>	0	0
Fixed component	2,330,059	2,228,191
Variable component	0	0
Total	21,132,970	16,143,761

27. REMUNERATION OF COMPANY MANAGEMENT (continued)

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:

Package	Number of OAVT-s	Granting date	Expiry date	Weighted average price in the month before granting the cf. mandate contract
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:

CNTEE Transelectrica SA

Note la situatiile financiare separate intocmite on 31 decembrie 2018

(Toate sumele sunt exprimate in LEI, daca nu este indicat altfel)

Package	Number of OAVT-s	Granting date	Expiry date	Weighted average price in the month before granting the cf. mandate contract
Package 1 15 mai 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:

	Package 1	Package 2	Package 3	Package 4	Package 5
Validity	3 years	3 years	3 years	3 years	3 years
Mode of exercise	1/3 of the package granted every year				
Weighted average price of the previous month	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.

28. FINANCIAL INSTRUMENTS***Management of financial risk***

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 Company 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 Company's exposure to the fore-mentioned risks, about the objectives, policies and processes associated to risk measurement and management, as well as about the Company' 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:

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

CNTEE Transelectrica SA

Note la situatiile financiare separate intocmite on 31 decembrie 2018

(Toate sumele sunt exprimate in LEI, daca nu este indicat altfel)

	31 December 2019	31 December 2018
Financial instruments with fixed interest rate		
Financial liabilities	148,862,047	166,472,726
Financial instruments with variable interest rate		
Financial liabilities		30,704,834

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 the 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.

	Loss of 2019	Loss of 2018
RON	-	-
EUR	(590)	(8,951)
USD	0	(235)
Total	(590)	(9,186)

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.

Analiza de senzitivitate a ratei dobanzii (continua)

	Profit 2019	Profit 2018
RON	-	-
EUR	590	8,951
USD	0	235
Total	590	9,186

The Company has not concluded hedging contracts with respect to its liabilities in foreign currency or its exposure to the interest rate risk.

Hard currency risk

The Company 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.

CNTEE Transelectrica SA

Note la situatiile financiare separate intocmite on 31 decembrie 2018

(Toate sumele sunt exprimate in LEI, daca nu este indicat altfel)

The Company's exposure to the hard currency risk, expressed in Lei, has been as follows:

31 December 2019	Value	LEI	EUR	USD
Monetary assets				
Cash and cash equivalents	320,768,647	277,421,414	43,346,975	258
Other financial assets	85,000,000	85,000,000	-	-
Trade receivables	706,350,248	642,779,740	63,570,508	
Gross exposure	1,112,118,895	1,005,201,154	106,917,483	258
Monetary liabilities				
Suppliers and other obligations	571,557,828	456,781,954	114,775,874	
Borrowings	178,402,234	29,540,187	148,862,047	
Gross exposure	749,960,062	486,322,141	263,637,921	
Net exposure in the financial position statement	362.158.833	518.879.013	(156.720.438)	258
31 December 2018	Value	RON	EUR	USD
Monetary assets				
Cash and cash equivalents	482,158,679	444,001,963	38,137,778	18,938
Other financial assets	-	-	-	-
Trade receivables	1,063,594,025	991,857,001	71,737,024	-
Gross exposure	1,545,752,704	1,435,858,964	109,874,802	18,938
Monetary liabilities				
Suppliers and other obligations	1,030,846,166	926,026,503	104,819,663	-
Borrowings	197,177,560		197,177,560	
Gross exposure	1,228,023,726	926,026,503	301,997,223	
Net exposure in the financial position statement	317,728,978	509,832,461	(192,122,421)	18,938

Trade and other receivables such as suppliers and other obligations, less the suppliers of assets are expressed only in LEI.

The following exchange rate have been applied:

	Average rate		Exchange rate on	
	2019	2018	31 December 2019	31 December 2018
LEI/ EURO	4.7452	4.6535	4.7793	4.6639
LEI/ USD	4.2379	3.9416	4.2608	4.0736

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CNTEE Transelectrica SA

Note la situatiile financiare separate intocmite on 31 decembrie 2018

*(Toate sumele sunt exprimate in LEI, daca nu este indicat altfel)***Sensitivity analysis of the hard 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.

	Profit 2019	Profit 2018
EUR	15,672,044	19,212,242
USD		-1,894
JPY	-	-
Total	15,672,044	19,210,348

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.

	Loss 2019	Loss 2018
EUR	(15,672,044)	(19,212,242)
USD	-	1,894
JPY	-	-
Total	(15,672,044)	(19,210,348)

Credit risk

The credit risk is the one by which the Company bears a financial loss from the incompliance 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 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:

	31 December 2019	31 December 2018
Financial assets		
Trade receivables, net	609,654,811	901,152,842
Other net trade receivables and down payments to suppliers	89,455,235	79,933,669
VAT to recover	7,240,202	82,507,514
Cash and cash equivalents	320,768,647	482,158,679
Other financial assets	85,000,000	-
Total	1,112,118,895	1,545,752,704

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

CNTEE Transelectrica SA

Note la situatiile financiare separate intocmite on 31 decembrie 2018

(Toate sumele sunt exprimate in LEI, daca nu este indicat altfel)

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

	Gross value 31 December 2019	Provision 31 December 2019	Gross value 31 December 2018	Provision 31 December 2018
Not reached to maturity	520,061,564	536,693	755,702,939	2,264,233
Due date exceeded 1 – 30 days	882,361	25,011	2,149,726	-
Due date exceeded 31 – 90 days	94,693	26,405	279,687	169,230
Due date exceeded 90 – 180 days	143,816	54,486	61,807	37,271
Due date exceeded 180 – 270 days	2,604,290	2,556,880	928,448	932,223
Due date exceeded 270 – 365 days	1,530,831	1,165,906	2,101,062	2,104,637
More than a year	219,846,152	131,143,516	279,573,409	134,136,642
Total	745,163,708	135,508,897	1,040,797,078	139,644,236

Credit risk (continued)

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

	Gross value 31 December 2019	Provision 31 December 2019	Gross value 31 December 2018	Provision 31 December 2018
Not reached to maturity	71,938,460	405,892	65,288,686	3,625,818
Due date exceeded 1 – 30 days	368,771	-	4,125	-
Due date exceeded 31 – 90 days	227,021	-	46,024	7,542
Due date exceeded 90 – 180 days	9,839,636	261,586	867,662	5
Due date exceeded 180 – 270 days	54,327	5,245	153,106	153,106
Due date exceeded 270 – 365 days	1,078,400	1,078,284	78,870	26,216
More than a year	65,683,690	50,651,630	69,684,397	52,376,512
Total	149,190,305	52,402,638	136,122,870	56,189,199

Transelectrica'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 (24.736.066), Petprod SRL (23.539.650), Arelco Power (15.533.047), Total Electric Oltenia SA (14.185.577), Romenergy Industry (13.512.997), Elsaco Energy (9.276.118), Opcom (5.811.238), CET Brasov (4.664.627), CET Govora (25.181.712). Pentru recuperarea trade receivableslor ajustate pentru depreciere, Company a luat urmatoarele masuri: actionare in instanta, inscriere la masa credala, solicitare clarificari de la ANAF (pentru TVA de incasat de la Opcom) etc.

The depreciation allowances for other doubtful receivables are as follows:

	31 December 2019	31 December 2018
Balance on 1 January	139,644,236	122,650,719
Recognition of depreciation allowances	5,887,535	25,315,210
Reversal of depreciation allowances	10,022,874	8,321,693
Balance at the year end	135,508,897	139,644,236

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

CNTEE Tranelectrica SA

Note la situatiile financiare separate intocmite on 31 decembrie 2018

*(Toate sumele sunt exprimate in LEI, daca nu este indicat altfel)***28. FINANCIAL INSTRUMENTS (continued)**

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

	31 December 2019	31 December 2018
Balance on 1 January	56,189,199	80,291,308
Recognition of depreciation allowances	1,189,039	10,395,305
Reversal of depreciation allowances	4,883,369	34,497,414
Balance at year end	52,494,869	56,189,199

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.

	31 December 2019	31 December 2018
Assets		
Monetary assets in LEI	1,005,201,154	1,435,858,965
Monetary assets in foreign currency	106,917,741	109,893,739
	1,112,118,895	1,545,752,704
Liabilities		
Monetary liabilities in LEI	(486,322,141)	(926,026,503)
Monetary liabilities in foreign currency	(263,637,921)	(301,997,223)
	(749,960,062)	(1,228,023,726)
Net monetary position in LEI	518,879,013	509,832,461
Net monetary position in foreign currency	(156,720,438)	(192,103,483)

CNTEE Transelectrica SA

Note la situatiile financiare separate intocmite on 31 decembrie 2018

*(Toate sumele sunt exprimate in LEI, daca nu este indicat altfel)***28. FINANCIAL INSTRUMENTS (continued)**

The following table provides the contractual maturity of financial liabilities, including interest rate payment:

31 December 2019	Net value	Contractual value	< 12 months	1 – 2 years	2 – 5 years	> 5 years
Financial liabilities						
Suppliers and other obligations	(562,805,713)	(562,805,713)	(111,991,968)	(15,551,099)		
Other tax and charges for social protection	(8,752,115)	(8,752,115)	(8,752,115)			
Borrowings	(178,402,234)	(652,960,944)	(55,566,737)	(23,045,485)	(69,136,455)	(30,653,034)
Total	(749,960,062)	(1,224,518,772)	(176,310,820)	(38,596,584)	(69,136,455)	(30,653,034)
 31 December 2018	 Net value	 Contractual value	 < 12 months	 1 – 2 years	 2 – 5 years	 > 5 years
Financial liabilities						
Suppliers and other obligations	(1,020,793,710)	(1,020,793,710)	(6,353,309)	(6,790,135)	(9,686,967)	
Other tax and charges for social protection	(10,052,456)	(10,052,456)		-	-	
Borrowings	(197,177,560)	(833,078,483)	(53,311,445)	(23,996,576)	(67,467,099)	(52,402,440)
Total	(1,228,023,726)	(1,863,924,649)	(59,664,754)	(30,786,711)	(77,154,066)	(52,402,440)

Notele atasate fac parte integranta din aceste situatii financiare separate

CNTEE Transelectrica SA

Note la situatiile financiare separate intocmite on 31 decembrie 2018

(Toate sumele sunt exprimate in LEI, daca nu este indicat altfel)

28. FINANCIAL INSTRUMENTS (continued)*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.

31 December 2019	Accounting value	Fair value	Level
Financial assets			
Net trade receivables	609,654,811	901,152,842	Level 1
Other net trade receivables	89,455,235	79,933,669	Level 1
VAT to recover	7,240,202	82,507,514	Level 1
Cash and cash equivalents	320,768,647	482,158,679	Level 1
Other financial assets	85,000,000		
	1,112,118,895	1,545,752,704	

31 December 2019	Accounting value	Fair value	Level
Non-current financial liabilities			
Loans, less bonds	122,835,499	143,866,115	Level 1
Bonds	-	-	Level 1
	122,835,499	143,866,115	
Current financial liabilities			
Suppliers, including asset suppliers	554,184,468	1,024,116,830	Level 1
Loans, less bonds	55,566,735	53,311,445	Level 2
Bonds	-	-	Level 1
Amounts owed to employees and other liabilities	17,373,360	6,729,336	Level 1
	627,124,563	1,084,157,611	

31 December 2018	Accounting value	Fair value	Level
Financial assets			
Trade receivables	901,152,842	901,152,842	Level 1
Other net trade receivables	79,933,669	79,933,669	Level 1
Cash and cash equivalents	82,507,514	82,507,514	Level 1
Other financial assets	482,158,679	482,158,679	Level 1
	1,545,752,704	1,545,752,704	

31 December 2017	Accounting value	Fair value	Level
Non-current financial liabilities			
Loans, less bonds	143,866,115	143,866,115	Level 1
Bonds	-	-	Level 1
	143,866,115	143,866,115	

Notele atasate fac parte integranta din aceste situatii financiare separate

CNTEE Transelectrica SA

Note la situatiile financiare separate intocmite on 31 decembrie 2018

*(Toate sumele sunt exprimate in LEI, daca nu este indicat altfel)***28. FINANCIAL INSTRUMENTS (continued)***Fair value of financial instruments (continued)*

	Accounting value	Fair value	Level
Current financial liabilities			
Suppliers, including asset suppliers	1.024.116.830	1.024.116.830	Level 1
Loans, less bonds	53.311.445	53.311.445	Level 2
Bonds			
Amounts owed to employees and other liabilities	6.729.336	6.729.336	Level 1
	1.084.157.611	1.084.157.611	

Categories of financial instruments

	31 December 2019	31 December 2018
Financial assets		
Monetary availabilities	320,768,647	482,158,679
Trade receivables	706,350,248	1,063,594,025
Financial liabilities		
Amortised cost	749,960,062	1,228,023,726

Personnel and salary system risks

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 Company'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.

Indicator of leverage

	31 December 2019	31 December 2018
Non-current and current loans	197,177,560	197,177,560
Monetary availabilities	320,768,647	482,158,679
Other financial assets	85,000,000	-
	(208,591,087)	(284,981,119)
Shareholders' equities	3,284,128,337	2,820,737,776
Leverage	-	-

29. FEES PERCEIVED BY EACH STATUTORY AUDITOR OR AUDIT COMPANY

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;
- **Ceausescu&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. These services were paid in 2019.

30. LATER 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

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:

CNTEE Transelectrica SA

Note la situatiile financiare separate intocmite on 31 decembrie 2018

(Toate sumele sunt exprimate in LEI, daca nu este indicat altfel)

Service	Tariff applicable from 01 Jan 2020	Tariff applicable from 16 Jan 2020	Differences
	<i>Lei/MWh</i>	<i>Lei/MWh</i>	%
I. Electricity transmission (average tariff)	18.33	17.97	-1.96
Transmission tariff (TG)	1.30	1.30	-
Transmission 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 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

Notele atasate fac parte integranta din aceste situatii financiare separate

CNTEE Transelectrica SA

Note la situatiile financiare separate intocmite on 31 decembrie 2018

(Toate sumele sunt exprimate in LEI, daca nu este indicat altfel)

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 telecommunication system.

These stand-alone financial statements were approved by the Company's management on 19 March 2020 and signed on its behalf by:

DIRECTORATE,**Chairman****Catalin
NITU****Member****Andreea-Mihaela
MIU****Member****Ionut-Bogdan
GRECIA****Member****Corneliu-Bogdan
MARCUS****Member****Adrian
MOISE****Director, Economic-Financial and Administrative Unit****Ana-Iuliana DINU****f. Manager, Accounting Department****Georgiana-Beatrice STEFAN – Head of BCC**

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 separate financial statements of CNTEE Transelectrica S.A. (the Company), which comprise the separate statement of financial position as at December 31, 2019, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

The separate financial statements as at and for the year ended 31 December 2019 are identified as follows:

- | | |
|----------------------------|-------------------|
| • Net assets/Total equity: | 3,284,128,337 RON |
| • Net profit for the year: | 96,030,957 RON |

In our opinion, except for the possible effect of the matter described in the paragraph **Basis for qualified opinion**, the accompanying separate financial statements give a true and fair view of the financial position of the Company 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 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 Company in accordance with International Ethics Standards Board of Accountants Code of Ethics for Professional Accountants (“IIESBA 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 separate 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 Company. 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 Company has conducted an analysis to determine the possible effect of the outcome of this draft inspection report on the separate 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 separate financial statements cannot be estimated at this date.

As mentioned in Note 8 Trade receivables and other receivables, as of 31 December 2019 the separate financial statements include receivables resulted from the activity of managing the support scheme for promoting high-efficiency cogeneration, out of which 165 million RON are due from debtors with financial difficulties or partners that have not confirmed the balances (185 million RON as of 31 December 2018). 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 separate 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 separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition</p> <p>Please see Note 19 Revenue</p> <p>Revenue recognition policy is described in Note 3-q "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 Company'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 company is the administrator of the balancing market. The activity is regulated</p>	<p>Our audit procedures included, among other:</p> <ul style="list-style-type: none"> - We obtained an understanding of the revenue recognition policy for the main revenue streams; - We performed substantive tests on a sample of sales transactions recorded during the year; - We performed audit procedures for testing that revenues were recorded in the appropriate period. - Testing a sample of receivables by sending direct confirmation letters.

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.	
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Other information - Administrators' Report and Non-financial representation (Sustainability 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 (Sustainability Report) but does not include the separate financial statements and our auditor's report thereon.

Our opinion on the separate 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 separate financial statements, our responsibility is to read the Other information and, in doing so, consider whether the Other information is materially inconsistent with the separate 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 (Sustainability Report), we read and report whether those are 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 separate financial statements, in our opinion:

- a) The information given in the Administrators' for the financial year for which the separate financial statements are prepared, is consistent, in all material respects, with the separate financial statements;
- b) The administrators' Report and the Non-financial representation (Sustainability 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 separate Financial Statements

Management is responsible for the preparation of the separate 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 separate financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 Company'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 Company'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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 separate 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 Company 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 Company 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
Registrul Public Electronic: FA18

Autoritatea pentru Supravegherea Publică
a Activității de Audit Statutar (ASPAAS)

Auditor financiar: VASILE BULATA
Registrul 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.