









**NATIONAL POWER GRID  
TRANSELECTRICA SA**

**PRELIMINARY REPORT  
Q4 & January – December  
2019**

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**REPORT REGARDING THE ECONOMIC – FINANCIAL ACTIVITIES OF**

**NPG TRANSELECTRICA SA**

**according to provisions of Article 67 of Law no. 24/ 2017 on the capital market and Regulation no.5 / 2018 issued by the Financial Supervision Authority (ASF) for the period ended on 31 December 2019**

|  |   |
|--|---|
| Date of the report:                                      | February 14 <sup>th</sup> 2020  |
| Company name:  | NATIONAL POWER GRID COMPANY<br>TRANSELECTRICA SA, managed under two-tier system   |
| Registered office:                                       | Bucharest, No. 33 Gen. Gheorghe Magheru Blvd., 3 <sup>rd</sup> district, ZIP code 010325  |
| Working location:  | Bucharest, No. 2 - 4, Olteni Street, 3 <sup>rd</sup> District, ZIP code 030786  |
| Phone / fax numbers:                                     | 004 021 303 5611/ 021 303 5610  |
| Unique registration code:                                | 13328043  |
| Number in the Commercial Register:                       | J40/ 8060/ 2000   |
| RON Code (Legal Entity Identifier)                       | 254900OLXOUQC90M036   |
| Company's establishment date:                            | July 31 <sup>st</sup> , 2000 / OUG 627  |
| Share capital:   | 733,031,420 RON, subscribed and paid  |
| Regulated market where the issued securities are traded: | Bucharest Stock Exchange, Premium Category  |
| The main features of the issued securities:              | 73,303,142 shares with a nominal value of 10 RON / share, dematerialized, registered, ordinary, indivisible shares, freely tradable from August 29 <sup>th</sup> , 2006 under the TEL symbol. |
| Total market value:                                      | 1,447,737,054 RON (19.75 RON/share on 31.12.2019)   |
| Applied accounting standard:                             | International Financial Reporting Standards   |
| Audit:   | The quarterly financial statements drafted on December 31 <sup>th</sup> , 2019 are not audited  |

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

## **RESPONSIBLE PERSONS' STATEMENT**

To the best of our knowledge, the stand-alone preliminary simplified financial statements as of and for the 12 months ended on 31 December 2019 were elaborated in accordance with Minister of Public Finance's Order 2844/2016 for approval of the accountant regulations conforming to International Financial Reporting Standards and provide accurate image in compliance with the actual situation of assets, liabilities, financial position, profit and loss account of NPG Transelectrica SA.

This report comprises fair information about the economic-financial situation and activities of NPG Transelectrica SA.

**Bucharest, 14 February 2020**

**Catalin  
NITU**

**Andreea-Mihaela  
MIU**

**Bogdan-Ionut  
GRECIA**

**Adrian  
MOISE**

**Corneliu-Bogdan  
MARCU**

**Directorate  
Chairman**

**Directorate  
Member**

**Directorate  
Member**

**Directorate  
Member**

**Directorate  
Member**



## Key figures 2019

### KEY FIGURES

#### FINANCIAL HIGHLIGHTS

|     |              |    |   |              |                                |
|-----|--------------|----|---|--------------|--------------------------------|
| RON | <b>2,398</b> | mn | ▼ | <b>-12%</b>  | <b>Revenues</b>                |
|     |              |    |   | y/y          |                                |
| RON | <b>407</b>   | mn | ▲ | <b>2%</b>    | <b>EBITDA</b>                  |
|     |              |    |   | y/y          |                                |
| RON | <b>104</b>   | mn | ▲ | <b>28%</b>   | <b>Net profit</b>              |
|     |              |    |   | y/y          |                                |
| TWh | <b>55.34</b> |    | ▼ | <b>-0.8%</b> | <b>Charged energy volume**</b> |
|     |              |    |   | y/y          |                                |

#### OPERATIONAL

|              |   |   |              |    |                              |
|--------------|---|---|--------------|----|------------------------------|
| <b>2.27%</b> | * | ▼ | <b>-0.20</b> | pp | <b>OTC</b>                   |
|              |   |   | y/y          |    |                              |
| <b>43.36</b> |   | ▼ | <b>-2%</b>   |    | <b>Transported energy***</b> |
| TWh          |   |   | y/y          |    |                              |

#### INVESTMENTS

|     |               |    |   |             |  |
|-----|---------------|----|---|-------------|--|
| RON | <b>242</b>    | mn | ▲ | <b>42%</b>  | <b>Acquisition of tangible and intangible assets</b>         |
|     |               |    |   | y/y         |  |
| RON | <b>170.86</b> | mn | ▼ | <b>-31%</b> | <b>Fixed assets recorded in the accounts (commissioning)</b> |
|     |               |    |   | y/y         |  |

OTC – One's Own Technological Consumption (losses)

\* Share of one's own technological consumption in the electricity taken over by the electricity transmission grid (transmitted energy)

\*\* The charged quantity is defined by the electricity amount extracted from public interest networks (transmission and distribution networks), less the electricity exports

\*\*\* The transmitted quantity is defined by the power amount physically flowed in the transmission network

Note: For reading facility and result understanding, certain figures provided in graphs and/or tables use mn RON as measuring unit and are rounded up to it. This presentation convention might determine in certain circumstances minor differences between totalling figures and totals obtained by summing up the components.



## Financial data

The summary of the financial results on December 31<sup>th</sup>, 2019 is provided in the tables below. The financial results have not been audited, and their extended variant for the same time interval is provided in Annexes to this Report.

| Stand-alone statement of profit or loss - unaudited         |              |              |              |              |
|---|--------------|--------------|--------------|--------------|
| [mn RON]  | 31.12.2019   | 31.12.2018   | Δ            | Δ (%)        |
|   | 1            | 2            | 3=1-2        | 4=1/2        |
| Charged energy volume [TWh]                                 | 55.34        | 55.78        | (0.43)       | (0.8%)       |
| <b>ALLOWED PROFIT ACTIVITIES</b>                            |              |              |              |              |
| <b>Operating revenues</b>                                   | <b>1,220</b> | <b>1,180</b> | <b>40</b>    | <b>3%</b>    |
| Transmission and other revenues on the electricity market   | 1,082        | 1,070        | 12           | 1%           |
| Functional system services                                  | 88           | 64           | 24           | 37%          |
| Other revenues  | 51           | 46           | 4            | 10%          |
| <b>Operating expenses</b>                                   | <b>792</b>   | <b>740</b>   | <b>51</b>    | <b>7%</b>    |
| System operating expenses                                   | 352          | 309          | 43           | 14%          |
| Repairs and maintenance expenses                            | 102          | 91           | 11           | 12%          |
| Personnel expenses  | 212          | 189          | 23           | 12%          |
| Other expenses  | 126          | 152          | (26)         | (17%)        |
| <b>EBITDA</b>   | <b>429</b>   | <b>440</b>   | <b>(11)</b>  | <b>(2%)</b>  |
| Depreciation  | 280          | 298          | (18)         | (6%)         |
| EBIT  | 149          | 142          | 7            | 5%           |
| <b>ZERO PROFIT ACTIVITIES</b>                               |              |              |              |              |
| <b>Operating revenues</b>                                   | <b>1,177</b> | <b>1,541</b> | <b>(364)</b> | <b>(24%)</b> |
| Technological system services revenues                      | 654          | 637          | 17           | 3%           |
| Balancing market revenues                                   | 523          | 904          | (381)        | (42%)        |
| <b>Operating expenses</b>                                   | <b>1,199</b> | <b>1,582</b> | <b>(382)</b> | <b>(24%)</b> |
| Technological system services expenses                      | 676          | 678          | (1)          | (0%)         |
| Balancing market expenses                                   | 523          | 904          | (381)        | (42%)        |
| EBIT  | (22)         | (40)         | 18           | 44%          |
| <b>ALL ACTIVITIES (WITH PROFIT ALLOWED AND ZERO-PROFIT)</b> |              |              |              |              |
| Operating revenues  | 2,398        | 2,722        | (324)        | (12%)        |
| Operating expenses  | 1,991        | 2,322        | (331)        | (14%)        |
| <b>EBITDA</b>   | <b>407</b>   | <b>400</b>   | <b>7</b>     | <b>2%</b>    |
| Depreciation  | 280          | 298          | (18)         | (6%)         |
| <b>EBIT</b>   | <b>126</b>   | <b>101</b>   | <b>25</b>    | <b>25%</b>   |
| Net finance result  | (7)          | (8)          | 1            | 15%          |
| <b>EBT - Profit before income tax</b>                       | <b>119</b>   | <b>93</b>    | <b>26</b>    | <b>28%</b>   |
| Income tax  | 15           | 12           | 3            | 28%          |
| <b>Net profit</b>   | <b>104</b>   | <b>81</b>    | <b>23</b>    | <b>28%</b>   |

| Stand-alone statement of financial position - unaudited |              |              |              |              |
|---|--------------|--------------|--------------|--------------|
| [mn RON]  | 31.12.2019   | 31.12.2018   | Δ            | Δ (%)        |
|   | 1            | 2            | 3=1-2        | 4=1/2        |
| <b>Non-current assets</b>                               |              |              |              |              |
| Tangible assets   | 2,924        | 2,988        | (64)         | (2%)         |
| Intangible assets                                       | 30           | 23           | 7            | 31%          |
| Financial assets  | 82           | 80           | 1            | 2%           |
| <b>Total</b>  | <b>3,036</b> | <b>3,091</b> | <b>(56)</b>  | <b>(2%)</b>  |
| <b>Current assets</b>                                   |              |              |              |              |
| Inventories   | 38           | 35           | 3            | 9%           |
| Trade and other receivables                             | 706          | 1,064        | (358)        | (34%)        |
| Other financial assets                                  | 85           | -            | 85           | n/a          |
| Cash and cash equivalents                               | 321          | 482          | (161)        | (33%)        |
| <b>Total</b>  | <b>1,149</b> | <b>1,581</b> | <b>(431)</b> | <b>(27%)</b> |
| <b>Total assets</b>                                     | <b>4,185</b> | <b>4,672</b> | <b>(487)</b> | <b>(10%)</b> |
| <b>Shareholders' Equity</b>                             | <b>2,863</b> | <b>2,809</b> | <b>54</b>    | <b>2%</b>    |
| <b>Non-current liabilities</b>                          |              |              |              |              |
| Long term borrowings                                    | 123          | 144          | (21)         | (15%)        |
| Other non-current liabilities                           | 465          | 520          | (55)         | (11%)        |
| <b>Total</b>  | <b>588</b>   | <b>664</b>   | <b>(76)</b>  | <b>(11%)</b> |
| <b>Current liabilities</b>                              |              |              |              |              |
| Short-term borrowings                                   | 56           | 53           | 2            | 4%           |
| Other current liabilities                               | 679          | 1,146        | (467)        | (41%)        |
| <b>Total</b>  | <b>734</b>   | <b>1,199</b> | <b>(465)</b> | <b>(39%)</b> |
| <b>Total liabilities</b>                                | <b>1,322</b> | <b>1,863</b> | <b>(541)</b> | <b>(29%)</b> |
| <b>Total shareholder's equity and liabilities</b>       | <b>4,185</b> | <b>4,672</b> | <b>(487)</b> | <b>(10%)</b> |

| Stand-alone statement of cash flows - unaudited           |              |             |              |              |
|---|--------------|-------------|--------------|--------------|
| [mn RON]  | 31.12.2019   | 31.12.2018  | Δ            | Δ (%)        |
| Cash flows before changes to working capital              | 373          | 426         | (53)         | (13%)        |
| Cash flows from operating activities                      | 276          | 459         | (183)        | (40%)        |
| Net cash from operating activities                        | 251          | 426         | (175)        | (41%)        |
| Net cash used in investing activities                     | (323)        | (149)       | (173)        | n/a          |
| Net cash used in financing activities                     | (90)         | (315)       | 226          | 72%          |
| <b>Net decrease in cash and cash equivalents</b>          | <b>(161)</b> | <b>(39)</b> | <b>(123)</b> | <b>n/a</b>   |
| <b>Cash and cash equivalents as at 1 January</b>          | <b>482</b>   | <b>521</b>  | <b>(39)</b>  | <b>(7%)</b>  |
| <b>Cash and cash equivalents at the end of the period</b> | <b>321</b>   | <b>482</b>  | <b>(161)</b> | <b>(33%)</b> |



## OPERATIONAL RESULTS

### Charged volume of energy

In January – December 2019 the total quantity of electricity charged for services provided on the electricity market (55.34 TWh) registered slight decrease of 0.8% compared to the same period of 2018 (a -0.43 TWh difference is found between the two time intervals).

### Operational revenues

Total operational revenues achieved in 2019 decreased 12% compared to the similar interval of last year (RON 2,398 mn at 2019 compared to RON 2,722 mn 2018), mainly determined by operational revenues associated to the zero profit activities (balancing market).

The segment of **profit allowed activities** registered slight 3% revenues increase (RON 1,220 mn in 2019 compared to RON 1,180 mn in 2018), determined by the growth of the tariff valid in the reporting period. On 01.07.2019 the tariffs approved by ANRE under Order 81/24.06.2019 came into force.

In 2019 revenues from the allocation of interconnection capacity registered 3% increase amounting to RON 2.5 mn compared to 2018, corresponding to the usage degree of available interconnection capacities by traders on the electricity market.

The allocation mechanism of interconnection capacities consists in organising annual, monthly, daily and intraday bids. The annual, monthly and intraday bids are explicit – bidding only the transmission capacity, and the daily one with Hungary are implicit – the capacity is allocated simultaneously with the energy through the coupling mechanism.

Beginning with 19 November 2014 the regional power exchange established by Romania, Hungary, the Czech Republic and Slovakia means these four countries should reach to a single electricity price transacted on spot markets. The capacity allocation between Romania and Hungary, the only country of these three Romania has got frontier with, is performed by the transmission operators: Transelectrica and MAVIR, by means of a common mechanism under a bilateral agreement.

Beginning with 2016 the UIOSI principle was applied on the Bulgarian border, and beginning with 2017 on the Serbian frontier as well. In accordance with such principle participants that do not use the capacities they win at annual and monthly bids are remunerated (by Transelectrica) for such capacity. The unused capacity is later sold under daily bids. There is reverse sense on the Hungarian border, namely MAVIR remunerates the participants for unused capacities.

The market allocating the interconnection capacities is fluctuating as prices evolve depending on the demand and need of market participants to procure interconnection capacity.

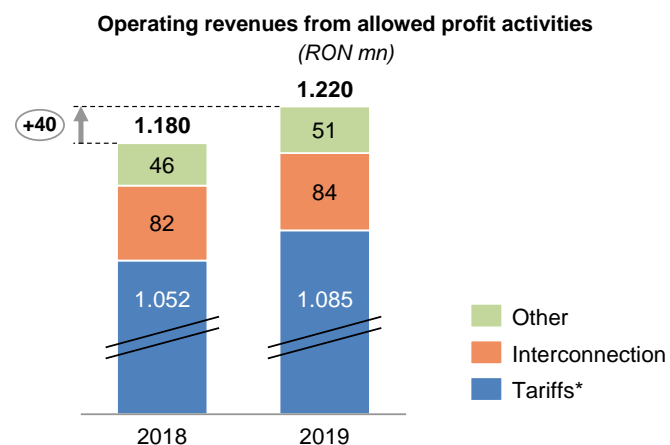
Net revenues from the allocation of interconnection capacity are used according to the provisions of ANRE Order 171/2019 and Regulation (EC) 2019/943 from June 5<sup>th</sup> 2019, as financing source for investments aimed at upgrading and developing the interconnection capacity with neighbouring systems.

Revenues from reactive power registered decrease in January - December 2018 amounting to RON 4.3 mn, because of consumption drop in reactive electricity taken out of RET by Arcelor Mittal Hunedoara, against the background of their commissioning (in the steel works) of a piece of equipment compensating the SVC (Static Var Compensator) reactive power. Thus lower revenues from reactive power are owed to Arcelor Mittal Hunedoara that took local measures to improve its power factor, reduce reactive power taken from the RET and implicitly reduce reactive power invoices.

Revenues from energy transactions for OTC were mainly obtained by selling the excess energy on the Intraday Market managed by OPCOM and under the BRP CIGA Energy, on the Balancing Market.

At the end of November 2019 the European day-ahead market coupling went live under the XBID/SIDC project, which provided higher market liquidity and diversified the transacted products.

OTC revenues were higher by ROB 2.1 mn in the studied period of 2019 compared to the same in 2018 because the imbalances of Transelectrica were opposite the imbalances of BRP CIGA ENERGY and thus it was more beneficial to sell the excess energy with the BRP than on the Balancing Market.





**Revenues from zero-profit activities** decreased 24% (RON 1,177 mn in 2019 against RON 1,541 mn in 2018), mainly determined by 42% drop of revenues on the balancing market (from RON 904 mn in 2018 to RON 523 mn in 2019)

During the 2019 revenues from technologic system services registered a slight increase by RON 17 mn compared to the same interval of 2018, determined by higher regulated tariffs approved by ANRE when the amount of electricity delivered to consumers decreased 0.8%.

Balancing market revenues decreased by RON 381 mn compared to the same period of last year as a consequence of:

- reduced negative imbalance registered for electricity suppliers on the balancing market as a result of their providing better balancing in 2019 compared 2018;
- the manner in which contracting is achieved on the markets before the balancing one and little participation of electricity generators on the day-ahead and intraday electricity market;
- the development of hydraulicity;
- highly unpredictable and volatile output from renewable sources (especially wind);
- the development of the average deficit price registered on the balancing market;
- the development of the electricity demand as winter was milder than in 2018.

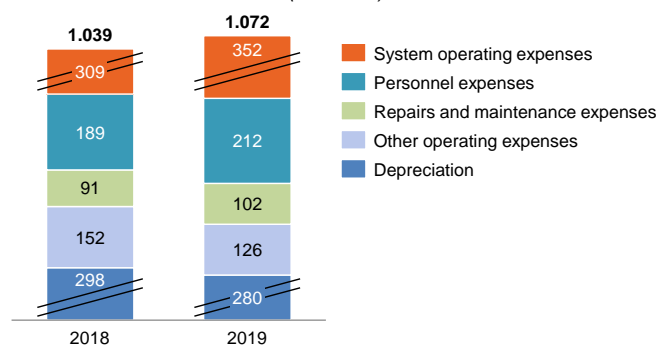
In 2020 an increase of electricity procurement price is estimated taken into account the legislative changes notified by ANRE for the electricity balancing market. Thus beginning with 1 April 2020 the balancing market will no longer be compulsory becoming optional and all price limits will be removed (meaning the electricity price on this market can fluctuate from minus 99,999 Euro to 99,000 Euro/MWh); transactions on the balancing market will be settled against the marginal price, with possible aggregation on this market including consumption points, and generators from renewable sources will further benefit of priority dispatch.

### Operational expenses

Total operational expenses (amortisement included) achieved in 2019 registered a decrease (13%) compared to the same period of last year (RON 2,271 mn against RON 2,620 mn in 2018).

As regards the **profit allowed activities** segment, expenses (amortisement included) registered 3% increase (RON 1,072 mn in 2019 compared to RON 1,039 mn in 2018).

Operating expenses from allowed profit activities  
(RON mn)



**OTC:** In 2019 expenses regarding one's own technological consumption were greater by RON 31 mn compared to the same period of 2018, because the average procurement price for electricity necessary to cover OTC within RET increased.

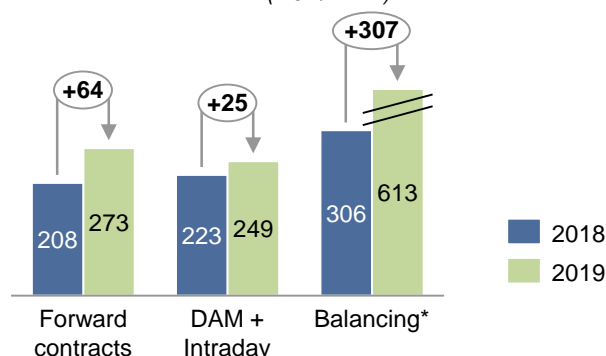
Such expenses are electricity procurement on the free electricity market, namely the Centralised Market of Bilateral Contracts (PCCB), the Day-Ahead Market (PZU), the Balancing Market (PE) and the Intraday Market (PI) in order to cover one's own technological consumption (OTC / losses) within RET.

The differences between the hourly quantities actually achieved and those procured after transacting on the PCCB, PZU and PI are compensated on the Balancing Market (PE) during the operational day.

Beginning with 18.01.2018 the Contract of "Electricity procurement to cover imbalances from notified quantities associated to technological electricity losses in electricity transmission networks by transferring the balancing responsibility" C380/06.10.2014 became effective, concluded between NPG Transelectrica SA and CIGA ENERGY SA, which reduced the procurement prices of energy on the balancing market.

Average acquisition prices

(RON/MWh)



\*Preliminary values, the average price was calculated at the net value (purchases-sales) and does not take into account the PRE services.

Analysing the average price development of forward contracts in 2018 – 2019 one can notice a clearly rising trend with positive slope, no oscillations, of the price

registered in 2018. Moreover the energy selling offers on the PCCB were much more reduced in quantitative terms against the existing purchase offers, which makes demand exceed neatly the offer and the concluding bid price - higher.

In January 2019 OTC expenses were higher because the average price of contracts concluded on the PCCB with delivery in January 2019 was of 287.44 RON, 36% higher than the price of January 2018. This price trend was justified by 120% higher prices of certificates for greenhouse gas effects (ETS) at the beginning of 2018. As of 1 January 2019 the "Market stability reserve" (MSR) became effective, which imposes a limited number of certificates for greenhouse gas effects. Such measure impacted mainly the coal-fired generating power plants, which determine the market marginal price in many cases.

This was mirrored in the average price of contracts concluded on this market with delivery in January - December 2019, which was 273 RON, 31% higher than the price of January -December 2018.

At European level prices are impacted by the separation of the bidding zone Germany – Austria into two distinct zones beginning with 1 October 2018. The average procurement price of electricity on the PZU was higher in 2019 than in the similar period of last year, against a background of demand exceeding the electricity offer all over Europe.

In January 2019 Romania was predominantly importer of electricity, because certain generating power plants were unavailable, which has led to significant price increase on the Day-Ahead Market (PZU). Thus in January 2019 the average price on the PZU was two times higher than the price recorded in January 2018.

In the following months there was a decreasing trend in the average price of electricity procured on the PZU and on the bilateral contracts market as compared to the price of January 2019. Nevertheless, given the other factors influencing electricity procurement, OTC costs remained higher than in the similar period of 2018.

The difference between the electricity actually consumed to cover the OTC and the electricity procured represents imbalances, which are automatically covered by the Balancing Market.

In 2018 the thresholds limiting the minimum and maximum price of deficit electricity were removed, which led to significant increase of the average procurement price of deficit energy.

Thus taking into consideration the total average price on all markets, a medium price of 279 RON/MWh follows in 2019, compared to the average procurement price of 224 RON/MWh at 2018.

Mention should be made that values of December 2019 are preliminary.

**Congestions:** Congestions (network restrictions) are demands of electricity transmission beyond the technical capacity limits of the grid, and corrective activities are required from the transmission and system operator; they occur whenever during operational scheduling or during real time operation the power flow between two system nodes or zones leads to trespassing the operational safety parameters of an electric power system.

In January – December 2019 congestion expenses amounting to RON 1.7 mn were registered, decreasing RON 6.6 mn (79.8%) compared to 2018, determined by the safety principle N–1 being provided when the 220 kV OHL Fantanele - Gheorgheni was unavailable because of bad meteorological conditions and by providing the N–1 safety principle in section 4, when the 400 kV OHL Iernut – Sibiu Sud was outaged according to schedule.

**Expenses with electricity consumption within RET substations:** they increased RON 3.2 mn in January - December 2019 compared to the same period of 2018, determined by the growing trend of electricity prices and especially by the higher firm prices than last year to conclude contracts on the competitive electricity market in 2019.

**Functional system services:** The associated expenses grew RON 17.3 mn in 2019 compared to 2018, mainly determined by higher expenses on the balancing market and on the day-ahead market with respect to unplanned electricity exchanges with the neighbouring countries that are interconnected to the SEN.

**Inter TSO Compensation (ITC) expenses:**

The monthly payment obligations / collection rights for each transmission and system operator (TSO) are established under the compensation / settlement mechanism for the effects of the electricity transmission grid (RET) being used for electricity transits in-between the TSO-s of the 35 countries that adopted this ENTSO-E mechanism.

In 01 January 2019 – 30 December 2019 these expenses were RON 2.3 mn lower than in the similar period of last year.

The **zero-profit activities** segment recorded 24% lower costs (RON 1,199 mn at 2019 compared to RON 1,582 mn 2018), mainly determined by the lower expenses on the balancing market.

The Company procures **technological system services** from generators SEN in view of maintaining operational safety within SEN as well as the quality of transmitted electricity at parameter values provided in applicable technical norms.

Such services are contracted as follows:

- under regulated regime according to Governmental Decisions and the Decisions of the National Regulatory Authority in the Energy Domain (ANRE);
- by means of competitive mechanisms.

The cumulated value of expenses for technological system services in 2019 is almost equal to the cumulated value of STS expenses made in 2018 (RON 676 mn in 2019 compared to RON 678 mn in 2018: 0.2% decrease).

The value of costs for STS procurement in January - December 2019 was mainly determined by the following factors:

- procurement prices for technological system services on the competitive market were higher in comparison with the procurement prices of 2018 for RS (frequency restoration reserve) and RTR (electricity high wave).
- procurement prices of technological system services for RTL (replacement reserve) on the competitive market were lower in comparison with the procurement prices of 2018, because a higher competition occurred for this kind of reserve.

An important influence for the higher procurement Price of STS on the competitive market was also determined by a very high concentration of the market for technological system services for the frequency restoration reserve and electricity high wave during the studied interval, as well as by higher prices registered on the electricity market.

During the reported period the Company procured technological system services under regulated regime according to ANRE decisions and to applicable legal regulations.

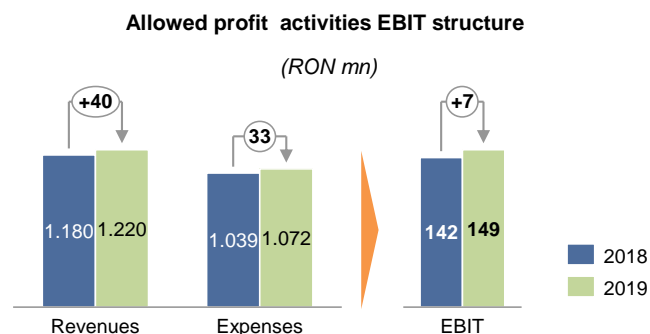
The Company is re-invoicing the technological system services procured from generators to ANRE-licensed electricity suppliers, which eventually benefit of such services.

Estimations for 2020 are that regulations which will be implemented in the national legislation in accordance with the provisions of Regulation EU 2019/943 of the European Parliament and the Council of 5 June 2019 on the electricity market will have significant impact over the costs for system services, Company-wide.

### Operational result

**Profit allowed activities** registered positive result of RON 149 mn in compared to RON 142 mn in 2018 due to revenue increase by 3% in the studied period, growth coming mainly from functional system services and unplanned exchanges, however uncompensated by the

cost 8% increase on the electricity market, and the impact of OUG 114/2018.



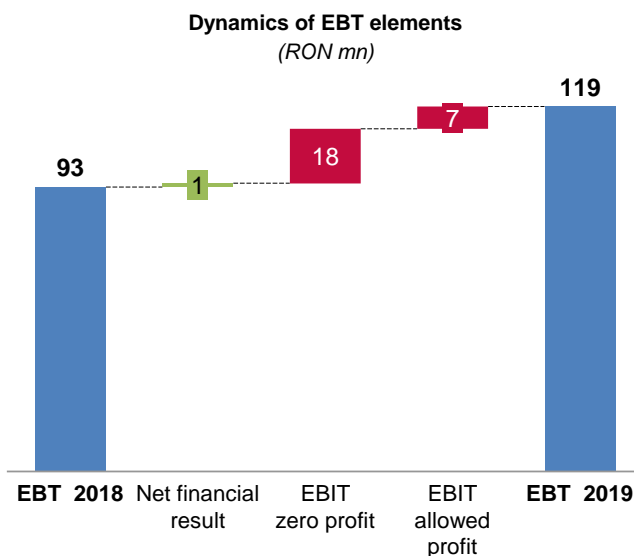
**EBIT generated by zero-profit activities** registered negative RON 22 mn result compared to the RON 40 mn loss recorded in the same period of last year.

In January - Decembrie 2019 revenues from technological system services dropped RON 22.4 mn compared to the expenses made to procure technological system services.

### Gross result (EBT)

Gross profit increased 28% from RON 93 mn in 2018 to RON 119 mn in 2019.

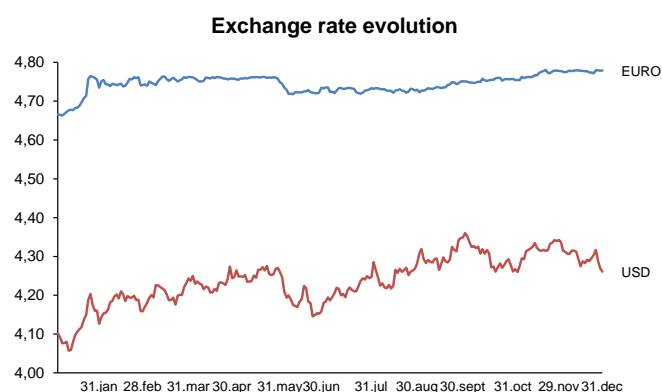
The profit dynamics between the registrations of 2018 compared to 2019, broken down into the constitutive components of profit, is provided in the graph below:



### Financial result

The net financial result registered in 2019 is negative and amounted to RON 7 mn. This was mainly influenced by the development of the national currency's exchange rate against the foreign currencies the Company has contracted bank loans in (Euro) to finance its investment plans.

The development of the RON/EURO and RON/USD exchange rates in January - December 2019 is provided in the graph below:



## Net result

Net profit increased reaching to RON 104 mn in 2019 compared to RON 81 mn in 2018.

## FINANCIAL POSITION

### Non-current assets

Non-current assets decreased about 2% in January - December 2019 against a background of tangible assets decrease, as determined by registered amortisement.

Intangible assets increased during the studied period, mainly because the utilisation right was recognised for the Company-leased spaces in the Platinum office building.

### Current assets

They diminished 27% on 31 December 2019 (RON 1,149 mn) compared to the value recorded on 31 December 2018 (RON 1,581 mn), mainly determined by decreased receivables.

**Trade receivables** diminished 34% (RON 706 mn on 31 Decemberr 2019 from RON 1,064 mn at the end of 2018), mainly because the following decreased:

- Receivables on balance on 31 December 2019 amounted to RON 134 mn and related to the balancing market, which registered value drop compared to 31 December 2018 (RON 400.6 mn), as a consequence of reduced transactions on this market.
- Clients on balance from operational activities on 31 December 2019 recorded growth against 31 Decembrie 2018, mainly determined by collecting the trade receivables under invoices issued on the electricity market relating to December 2019 under 2020 financial year in January.
- The main clients on balance on the electricity market are represented by: RAAN, OPCOM, Electrocentrale Bucharest SA, Electrica Furnizare SA, Enel Energie Muntenia SA, E.ON Energie Romania SA, EnelEnergie SA, CEZ , CEZ Vanzare, ALRO, and Petprod SRL.

The main clients on the electricity market cover 50%

share in the total trade receivables.

**Collectable receivables from the bonus type support scheme** to promote high efficiency cogeneration amounted to 23% on 31 December 2019 (19% 31 December 2018) of the total trade receivables.

The Company carries out activities associated to the bonus type support scheme to promote high efficiency cogeneration as administrator of such support scheme in accordance with the provisions of HGR 1215/2009, "the main attributions being to collect monthly the cogeneration contribution and to pay bonuses every month".

Clients from the bonus type support scheme to promote high efficiency cogeneration registered decrease on 31 December 2019 mainly determined by collecting the trade receivable related to ANRE decision to over-compensate cogeneration activities for 2016 in sum of RON 57 mn, issued in March 2017 for Electrocentrale Bucuresti SA, by ascertaining 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 receivables amounting to RON 175 mn, represented by invoices issued under the bonus type support scheme to promote high efficiency cogeneration, of which:

- 2011-2013 overcompensation amounting to RON 76.7 mn, namely from RAAN – RON 63.46 mn and CET Govora SA – RON 13.23 mn;
- 2014 undue bonus amounting to RON 3.91 mn from RAAN – RON 1.98 mn and CET Govora – RON 1.93 mn;
- 2015 undue bonus amounting to RON 0.56 mn, namely from CET Govora – RON 0.53 mn, Interagro – RON 0.03 mn;
- cogeneration contribution not collected from the suppliers of electricity consumers in sum of RON 21.25 mn, namely from: Transenergo Com – RON 5.88 mn, PetProd – RON 4.39 mn, Romenergy Industry – RON 2.68 mn, RAAN – RON 2.38 mn, UGM Energy – RON 1.50 mn, CET Govora – RON 0.90 mn, KDF Energy – RON 0.88 mn and others.

To liquidate 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 (RAAN, Electrocentrale Bucharest, and CET Govora) that did not agree with this manner to quench mutual receivables and liabilities the Company has applied and further applies the provisions of article 17 para 5 of Order 116/2013 of ANRE president approving the Regulation on 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.

**Other receivables** on 31 December 2019 amounting to RON 115.3 mn mainly include:

- Sundry debtors (RON 108 mn), of which:
  - delay penalties amounting to RON 72.1 mn calculated for payment defaulting clients (of which RON 35.3 mn represent penalties under the support scheme). The greatest delay penalties were registered by the following clients: RAAN (RON 16.9 mn), CET Govora (RON 9.6 mn), Electrocentrale Bucharest (RON 9.4 mn), Eco Energy SRL (RON 8.9 mn), Petprod SRL (RON 8.9 mn), Total Electric Oltenia (RON 3.2 mn), Enol Grup (RON 2.5 mn), Also Energ (RON 2.1 mn). Allowances were registered for the penalties calculated for late payment of receivables from operational activities;
  - compensations amounting to RON 3.5 mn owed by suppliers for their non-delivery of electricity (Arelco Power – RON 1 mn and Enol Grup – RON 2.5 mn). Allowances were registered for the compensations owed by suppliers from operational activities;
  - receivable amounting to RON 5.8 mn recoverable from OPCOM, of which RON 4.5 mn are VAT for the contribution in kind to the subsidiary's share capital, and RON 1.3 mn represent penalties;
- Deferred expenses amounting to RON 1,05 mn, of which the most relevant are: rent and maintenance paid to Dagesh Rom SRL for January 2020 (RON 0.7 mn);
- Other non-current receivables amounting to RON 4.6 mn, of which RON 4.2 mn represent securities for temporary land occupation, calculated and withheld according to article 39 para (1), para (2) and para (5) of Law 46/2008 on the Forestry Code in order to carry out the investment project for the 400 kV OHL Resita – Pancevo (Serbia).

## Liabilities

**Non-current liabilities** amounting to RON 588 mn on 31 December 2019 registered 11% decrease as a result of repayments made in accordance with existing loan agreements and of diminished deferred revenues.

At the same time **current liabilities** also recorded 39% decrease (from RON 1,199 mn on 31 December 2018 to RON 734 mn on 31 December 2019), mainly against a background of diminished trade receivables and other receivables as follows:

- On 31 December 2019 compared to 31 December 2018, **liabilities on balance on the electricity**

**market** amounted to RON 390.1 mn, namely to RON 780.3 mn and were impacted by:

- *reduced balance of balancing market liabilities* which was determined by paying the payment obligations found on balance on the electricity market on 31 December 2018 (RON 383 mn) and by the reduced transaction volume on the balancing market in Q IV 2019 compared to Q IV 2018, which impacted the liability volume of the balancing market on balance on 31 December 2019 (RON 77.5 mn).

Suppliers on the electricity market are mainly represented by: Hidroelectrica, MAVIR, Energy Complex Oltenia, Electrocentrale Bucharest, OPCOM, Romgaz, Electrocentrale Galati, Energy Complex Hunedoara, Veolia Energie Prahova, and Ciga Energy. On 31 December 2019 their share was about 85% in the total electricity suppliers.

- *reduced balance of liabilities relating to operational activities* was mainly determined by paying the payment obligations found on balance on the electricity market on 31 December 2018;

- *decrease of liabilities under the support scheme* to suppliers (generators) was mainly determined by payment of the liability related to the monthly bonus withheld, RON 57 mn for Electrocentrale Bucuresti SA, by ascertaining intervention of lawful compensation validated by the judiciary administrator of Electrocentrale Bucuresti SA (BPI 20461/ 29.10.2019). On 31 December 2019 pay obligations to suppliers (generators) were recorded amounting to RON 54.6 mn (RAAN – RON 51.2 mn and CET Govora SA – RON 3.4 mn, representing the monthly cogeneration bonus, ex-ante overcompensation for 2014 and 2015, unpaid bonus in 2015 and 2016.

The amounts representing Company liabilities associated to the support scheme to Electrocentrale Bucharest, RAAN, and CET Govora were withheld for payment in accordance with article 17 para 5 from Order 116/2013 of ANRE president because the suppliers (generators) register payment obligations to the Company under the bonus type support scheme.

- Other liabilities significantly dropped from RON 159.9 mn in December 2018 to RON 68.7 mn on 31 December 2019 against the background of dividends paid in the first part of 2019 and decrease of sundry creditors (on 31 December 2019 they amounted to RON 1.5 mn compared to RON 24.9 mn in December 2018)

Dividends owed to Company shareholders on 31 December 2019 and unpaid amount to RON 0.7 mn, being associated to 2016 and 2017.

Such amounts are at the shareholders' disposal by means of the payment agent.

**Provisions** registered decrease from RON 95.6 mn on 31 December 2018 to RON 67.9 mn on 31 December 2019, mainly determined by reversing the RON 31.18 mn provision constituted for the dispute with ASITO KAPITAL SA under file 35865/3/2018 (old file 24552/3/2017), on the docket of Bucharest Tribunal, Section VI Civil.

On the hearing term of 19.02.2019 when judiciary investigation has ended and the floor was granted to the parties for exceptions, evidence and substance matter the instance deferred pronouncement twice until 20.03.2019. After deliberation Bucharest Tribunal pronounced the following settlement in brief:

- It denies the request with respect to reversing the enforcement as inadmissible.
- It denies as groundless the request to return the stamp tax related to the request with respect to reversing the enforcement.
- It denies as groundless the request filed by 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 the National Power Grid Company TRANSELECTRICA SA; final.

It was pronounced at public hearing on 20.03.2019. Document: Ruling 743/20.03.2019.

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

On 04.10.2019 Asito Kapital filed appeal against Civil ruling 3840/19.12.2018, and the file was referred to the Appeal Court Bucharest for settlement, with no hearing term set for the time being. Transelectrica filed defence within the legal time interval, and now the hearing term is pending.

On 06.11.2018 ASITO KAPITAL SA paid the Company RON 31.2 mn as follows:

- RON 21.2 mn - according to Civil Ruling 4067/2017 (4,821,022.53 Euro at 4.4041 RON/euro exchange rate);
- RON 9.9 mn - according to Civil Ruling 4067/2017 (2,237,750.83 Euro at 4.4458 RON/euro exchange rate).

The cause was adjourned on the hearing date 11.11.2019. Settlement in brief: The court admitted the request. It spread out the stamp judiciary charge owed by the applicants in quantum of RON 185.8 mn into 3 equal monthly instalments due on the 20<sup>th</sup> day of each month beginning with November 2019, in quantum of

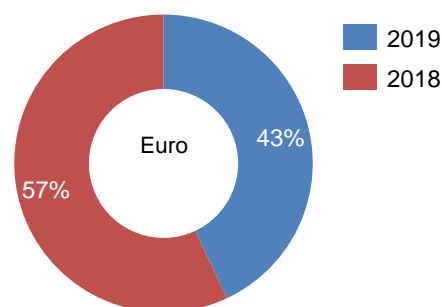
RON 61.9 mn each. They are entitled to reexamination request within 15 days from notification.

The next term was set on 17.02.2020.

### Interest-bearing liabilities

On 31 December 2019 the non-current borrowing value diminished in comparison with 31 December 2018, mainly due to repayments made in accordance with existing loan agreements.

Structure per currency



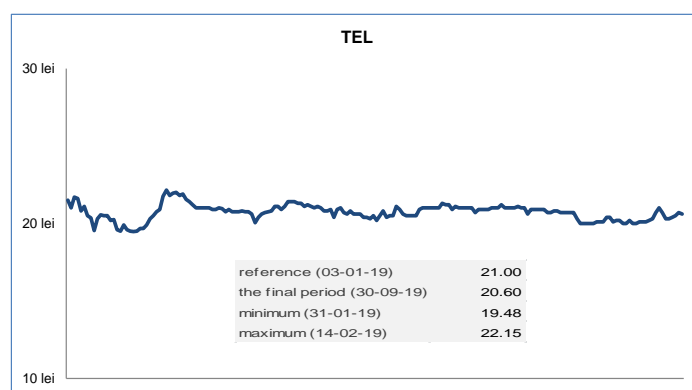
### Shareholders' equities

Shareholders' equities registered 2% increase, mainly determined by registering the distribution of the profit achieved on 31 December 2019 in the retained result.

### DEVELOPMENT OF SHARES

(01-Jan-2019 to 31-December-2019)

2019 began with 21 RON/share transaction price. At the end of this period (30 December 2019) stock exchange capitalisation was of RON 1,448 mn, finding the share at 19.75 RON/share price. The minimum transaction price of 19.48 RON/share was registered on 31.01.2019, while the maximum price of 22.15 RON/share occurred on 14.02.2019.



In the last quarter of 2019 TEL shares transacted on Romania's capital market registered 3,072 transactions, with average number of 48.76 transactions/day and 1,083,641 transacted shares, in total value of RON 21,583 mn.

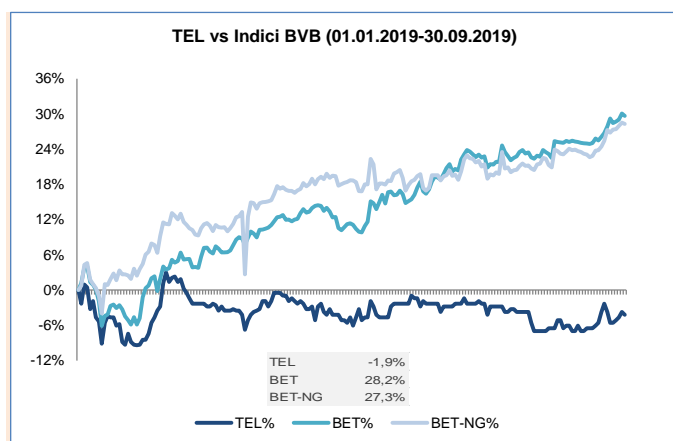
Transelectrica shares are part in the structure of the following stock exchange indexes: BET, BET-BK, BET-NG, BET-TR, BET-XT, BET-XT-TR, BET Plus.

From among these, the most representative for the Company are:

- BET index (Bucharest Exchange Trading - reference index of the capital market showing the development of the most liquid 16 companies listed on the regulated market of the BVB)
- BET-NG index (Bucharest Exchange Trading Energy & Related Utilities - sectorial index showing the development of companies in the energy sector and the associated utilities listed on the regulated market of the BVB).

In accordance with the latest adjustment date registered on 13.12.2019, TEL shares account for 1.42% in the BET index and for 4.06% in the BET-NG index.

The development of TEL shares under the fore-mentioned two indexes is provided in the graph below:



## MAIN RISKS AND UNCERTAINTIES

The environment the Company operates in provides uncertainty such as threats for objective achievement or opportunities.

Obviously, knowing such threats enables their hierarchical classification depending on their occurrence, on the magnitude of their impact over objectives and on the costs associated to the measures meant to reduce occurrence hazards or to limit unwanted consequences.

In Transelectrica risks are periodically and systematically analysed in relation to the performance of Company activities; a Register of detected risks is elaborated as well as an Action plan with measures meant to limit possible consequences of such risks, in accordance with legal provisions.

The items which might impact the Company's liquidity comprise among others:

- Interest rate fluctuation,
- Exchange rate variation,
- The financing agreement provisions: funding contracts include clauses with respect to complying with certain financial indicators, the change of control over the Company and *pari passu* type clauses.
- Breaching such clauses can entail preliminary notification providing reasonable time interval, followed by anticipated credit payment; certain credits include penalising clauses in case of anticipated repayment. To date the Company has received no such notification of anticipated repayment for its failure to comply with assumed obligation,
- The credit risk: the Company bears financial loss because of a contractual partner's incapacity or refusal to perform contractual obligations. Such risk results mainly from trade receivables, cash and cash equivalents,
- Risk of not collecting securities under investment projects: the main cause of such risk results from bank or insurance companies that provide security services without the financial capacity to comply with the obligations assumed under the issued security instruments,
- The fiscalism level, inclusive of introducing new taxes and charges.

Transelectrica benefits of very good liquidity for the time being, which is also mirrored by financial indicators.

The Company does not stop at treating the consequences of likely occurring events but it also performs reactive management, implementing measures meant to mitigate risk occurrence.

As provided by standards, periodical review of risks leads to re-allocation of resources in compliance with changed hierarchical classifications and implicitly – changed priorities.

Transelectrica pays proper attention to analysing the risk environment and to timely detecting possible risks that are likely to occur in the future, which should be approached in due time.

In January-December 2019 the Company did not meet impossible situations preventing it to comply with financial obligations.

Therefore there are no risks and uncertainties for the next months of 2020 to impact Company liquidity, others than what has been provided above.





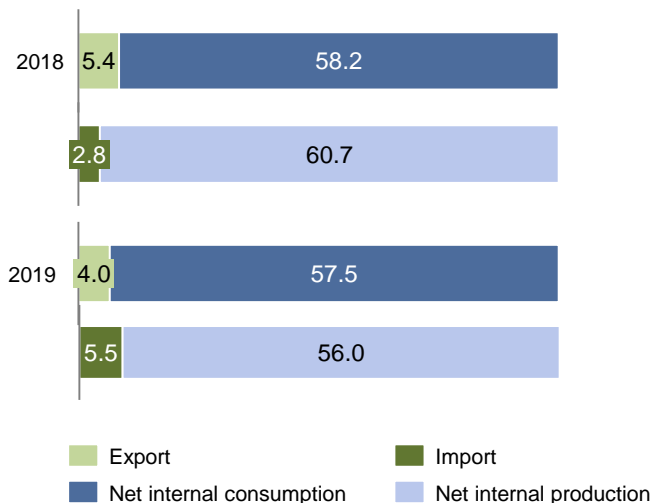
## Operational data

### ENERGY BALANCE WITHIN SEN

Analysing the January – December 2019 development of the energy balance components in comparison with the same period of last year the net internal consumption<sup>1</sup> decreased 1.1% and the net electricity output dropped 7.8%.

Cross-border exporter physical exchanges dropped 25% in comparison with the similar period of 2018, and cross-border importer flows increased 95%.

Energy balance  
(TWh)

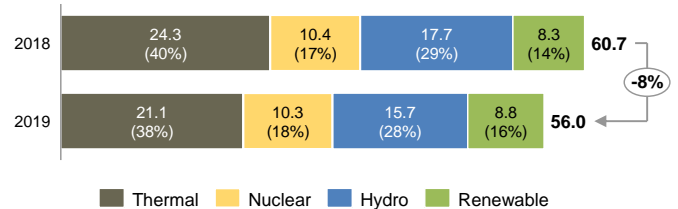


### GENERATION MIX

In January – December 2019 compared to the similar period of 2018 the generating mix structure registered about 12.9% decrease of the thermal component, a 0.9% drop of the nuclear output and a 11.4% decrease in the hydro component. The contribution of renewable sources recorded 6.2% increase.

Analysing the shares of the net generation mix components in January - December 2019 one can notice the greatest share (37.7%) is represented by the thermal component, followed by the hydro component (28%), while the electricity generated from renewable and nuclear sources cover 15.8% and 18.5%.

Net electricity production mix evolution  
(TWh)



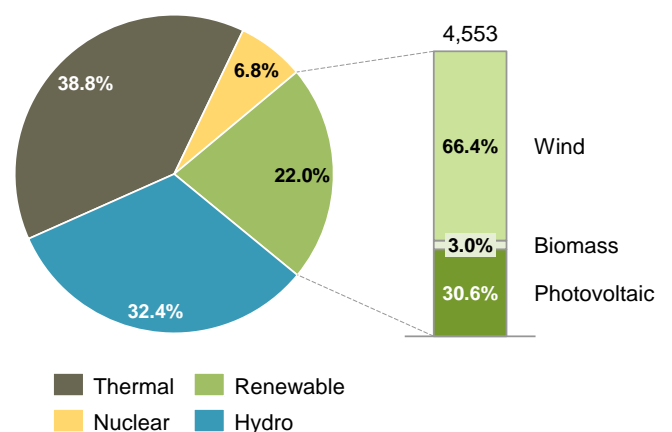
### NATIONAL GENERATION FLEET

The installed capacity of renewable power parks grew about 0.2%, from 4,546 MW installed on 31 December 2018 to 4,553 MW installed on 31 December 2019.

The installed capacity of the National Power System of about 24,600\* MW does not mirror reality because there were many unavailable units in electric power plants and could not operate for reasons such as: high technical wear, incompliance with environmental requirements, low efficiency, high production costs, as well as financial difficulties of the entities holding them.

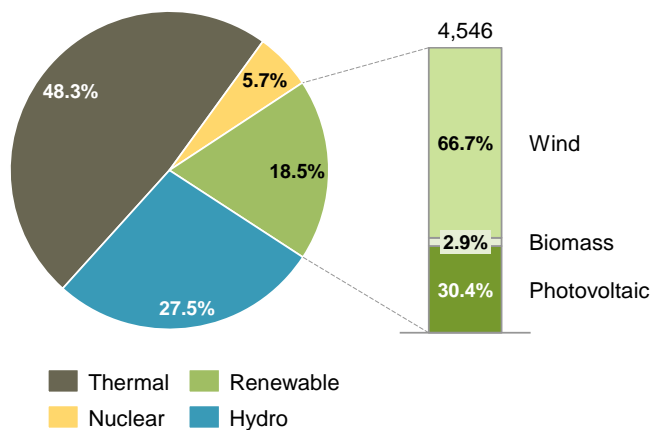
The dynamics of installed capacity in January – December 2019 versus 2018 is provided below:

Installed power 2019 (20.696 MW. gross)

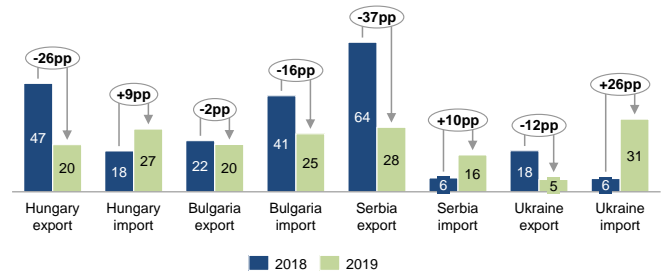


<sup>1</sup> Values do not include the consumption of auxiliary services from electricity generating plants; the net consumption value includes the losses of transmission and distribution networks as well as the consumption of pumps from pumping storage hydropower substations

Installed capacity in 2018 (24.606\* MW, gross)



Usage rate of total allocated capacity (%)



The utilisation rate of total capacity rights along one border and direction represents the ratio expressed as percentage between the energy associated to the achieved (notified) trading exchanges of one month and the energy corresponding to the total capacity rights.

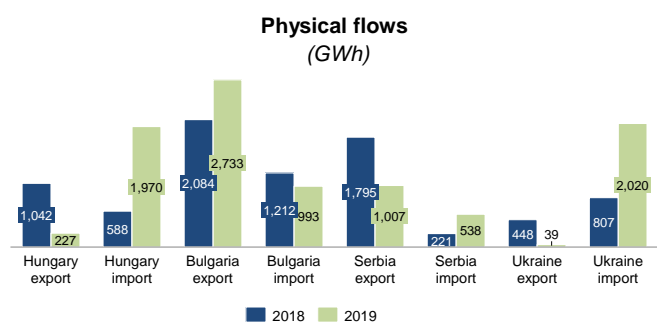
## CROSS-BORDER FLOWS

The distribution of import / export physical flows on interconnection lines in January - December 2019 compared to the same period of 2018 is the following:

- export decreased on the Serbian, Hungarian and Ukrainian borders and increased on the Bulgarian frontier, while import decreased on the Bulgarian border and significantly increased on the interconnection lines found in deficit areas of electricity generation (on the Hungarian and Ukrainian borders), but also a 143% increase was recorded on the interconnection line found in the excess area of electricity generation, namely the Serbian frontier).

In concrete terms, compared to the time interval January - December 2018, exporter physical flows decreased with Serbia (43.9%, -788 GWh), Hungary (78.2%, -815 GWh) and Ukraine (91.3%, -409 GWh) and increased with Bulgaria (31.2%, +650 GWh) at the same time with the significant increase of importer physical flows on the interconnection lines with Serbia (142.8%, +316 GWh), Hungary (235%, +1.382 GWh) and Ukraine (150.2%, +1.213 GWh), while with respect to Bulgaria they decreased (18.1%, -219 GWh).

Both import and export physical flows on each border are provided below:



In January - December 2019 the utilisation rate of the total capacity allocated on interconnection lines for export decreased in comparison with the same period of 2018 on all destinations.

## ONE'S OWN TECHNOLOGICAL CONSUMPTION

In comparison with the time interval January - December 2018, in January - December 2019 OTC within RET dropped about 10.4%, while in percentage terms OTC decreased from 2.47% to 2.27%.

The factors that significantly influenced the OTC in January – December 2019, for instance precipitation and the distribution of cross-border physical flows are beyond Transelectrica's control.

## OTC DEVELOPMENT FACTORS

**In January 2019** OTC as absolute value decreased 6.7% compared to January 2018 due to favourable import/export physical flows that led to reducing the electricity transmission to long distance from sources. The loss percentage against the RET injected electricity dropped from 2.44% in 2018 to 2.31% in 2019. The electricity injected in the outline dropped 1.6% in January 2019 (69.4 GWh) compared to the similar period of 2018, against the 13.7% lower quantity of electricity received from generators that are directly connected to RET (511.7 GWh), while import grew 173.3% (433.9 GWh) as well as the electricity received from RED by 3.4% (8.3 GWh). Meteorological conditions were bad, the amount of precipitation being greater than last year, contributing to corona losses.

**In February 2019** OTC as absolute value dropped 27.1% compared to February 2018 due to favourable import/export physical flows that led to reduced electricity transmission at long distance from sources and to good meteorological conditions that determined reduced corona losses. The loss percentage against the RET injected electricity dropped from 2.81% in 2018 to 2.34% in 2019. The electricity injected into the outline decreased 12.2% (480.4 GWh) in February 2019 compared to the similar period of 2018, against the 19.3% reduced quantity of electricity received from generators that are directly connected to RET (687.9

GWh) and 1.7% less electricity received from the RED (4.8 GWh), while import increased 220.9% (212.3 GWh).

**In March 2019** OTC as absolute value decreased about 32.9% compared to March 2018 due to favourable import/export physical flows that led to reducing the electricity transmission to long distance from sources and to good meteorological conditions that determined little corona losses. The loss percentage against the RET injected electricity dropped from 3.26% in 2018 to 2.40% in 2019. The electricity injected into the outline decreased 8.8% (347.4 GWh) in March 2019, compared to the similar period of 2018, against the 12.8% reduced amount of electricity received from generators directly connected to RET (431 GWh) and 15.2% less electricity from RED (54.8 GWh), while imports grew 77.1% (147.4 GWh).

**In April 2019** OTC as absolute value decreased 16.1% compared to April 2018 due to favourable import/export physical flows that led to reducing the electricity transmission to long distance from sources. The loss percentage against the RET injected electricity dropped from 3.01% in 2018 to 2.39% in 2019. The electricity injected into the outline grew 5.6% in April 2019 (about 177.5 GWh) compared to the similar period of 2018, against 2.95% greater quantity of electricity received from generators directly connected to RET (about 78 GWh) and 137% higher import (195.2 GWh), while the electricity received from RED dropped 25.7% (about 96 GWh). The meteorological conditions were bad as the registered amount of precipitation was higher than last year and contributed to more corona losses.

**In May 2019** OTC as absolute value decreased 0.7% compared to May 2018 because of bad meteorological conditions with abundant precipitation, which facilitated corona losses and cancelled the effect of beneficial import/export physical flows. The loss percentage against the RET injected electricity grew from 2.48% in 2018 to 2.49% in 2019. The electricity injected into the outline increased only 0.07% (about 2.2 GWh) in May 2019 compared to the similar period of 2018, against 4.76% reduced amount of electricity received from generators directly connected to RET (about 125 GWh) and 16.5% smaller import (about 47.7 GWh), while the electricity received from RED grew 60% (about 175 GWh).

**In June 2019** OTC as absolute value decreased about 9.4% compared to June 2018 because of beneficial import/export physical flows that led to reduced electricity transmission to long distance and to good meteorological conditions that determined little corona losses. The loss percentage against the RET injected electricity dropped from 2.53% in 2018 to 2.38% in 2019. The electricity injected in the outline dropped

3.9% (about 134.2 GWh) in June 2019 compared to the similar period of 2018, against the 6.9% reduced quantity of electricity received from generators directly connected to RET (about 203 GWh) and 44.5% less import (about 110.8 GWh), while the electricity received from RED grew 77.98% (about 180GWh).

**In July 2019** OTC as absolute value decreased about 13.2% compared to July 2018 due to favourable import/export physical flows that led to reducing the electricity transmission to long distance from sources and due to good meteorological conditions determining reduced corona losses. The loss percentage against the RET injected electricity dropped from 2.29% in 2018 to 1.93% in 2019. The electricity injected in the outline grew 2.8% (97 GWh) in July 2019 compared to the similar period of 2018, against a background of 525% higher import (397 GWh), of 2.3% (69 GWh) less electricity received from generators connected to RET and about 60% (231 GWh) less electricity received from RED.

**In August 2019** OTC as absolute value increased about 9% compared to August 2018, especially because of more disadvantageous generation structure and of bad meteorological conditions determining higher corona losses. The loss percentage against the RET injected electricity increased from 2.04% in 2018 to 2.26% in 2019. The electricity injected into the outline dropped about 1.6% (58 GWh) in August 2019 compared to the similar period of 2018, as a result of about 14% (441 GWh) less electricity received from generators connected to RET and about 34% (84 GWh) less electricity received from RED, while import grew 252% (467 GWh).

**In September 2019** OTC as absolute value increased about 2.4% compared to September 2018 because of unfavourable generation structure. The percentage of losses compared to the electricity injected into RET grew from 2.07% in 2018 to 2.11% in 2019. The electricity injected in the outline increased about 0.5% (16 GWh) in September 2019 compared to the similar period of 2018, since import grew 211% (429 GWh) while the electricity received from generators connected to RET dropped 12% (370 GWh) and 21% (42 GWh) less electricity was received from RED. The meteorological conditions were similar to those of last year.

**In October 2019** OTC as absolute value decreased about 1.5% in October 2018 because of better import / export physical flows leading to reduced electricity transmission at long distance from source. The loss percentage against the RET injected electricity dropped from 2.07% in 2018 to 2.04% in 2019. The electricity injected in the outline dropped about 0.02% (0.7 GWh)

in October 2019 compared to the similar interval of 2018 because the output received from RET-connected generators decreased 11.2% (371GWh) and about 25.1% (49 GWh) decrease of electricity amounts received from RED, against the background of 175.3% growth (419 GWh) of imported electricity. Meteorological conditions were bad and abundant precipitation of October 2019 determined higher corona losses compared to October 2018.

**In November 2019** OTC as absolute value increased about 0.3% compared to November 2018 especially because of disadvantageous structure of output and bad meteorological conditions determining higher corona losses, physical flows being better in 2019 compared to last year. The loss percentage against the RET-injected electricity grew from 2.35% in 2018 to 2.45% in 2019. The electricity injected in the outline decreased about 3.6% (144 GWh) in November 2019 compared to the similar time of 2018 because the output received from RET-connected generators dropped about 7.5% (252 GWh) and about 1% (2 GWh) decrease of electricity amounts received from the RED, while import grew 30% (110 GWh).

**In December 2019** OTC as absolute value dropped about 9.8% compared to December 2018 because of better physical flows on interconnection lines and meteorological conditions characterized by little precipitation. The loss percentage against the RET-injected electricity dropped from 2.34% in 2018 to 2.20% in 2019. The electricity injected in the outline dropped about 4% (169 GWh) in December 2019 compared to the similar interval of 2018, since the output received from RET-connected generators dropped about 6.5% (222 GWh) while import grew 7.5% (40 GWh) and about 5.6% (13 GWh) the electricity from RED. Meteorological conditions were better than last year.

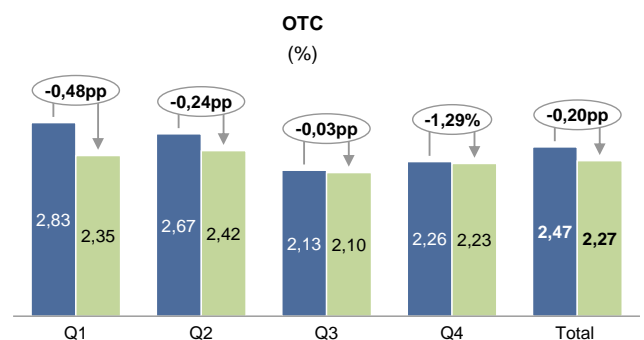
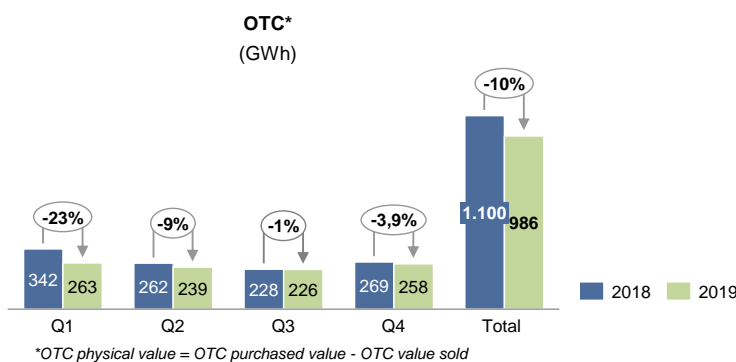
**In conclusion, in the first quarter of 2019** OTC within RET decreased about 23.2% compared to the similar period of 2018, especially because of beneficial import/export physical flows that led to reduced electricity transmission to long distance from sources and due to good meteorological conditions that determined reduced corona losses.

**In the second quarter 2019** the OTC within RET decreased about 8.8% compared to the same period of 2018, especially due to beneficial import/export physical flows that led to reduced electricity transmission to long distance from sources.

**In the third quarter of 2019** OTC within RET was only about 1% smaller than in 2018, when the three months' cumulated positive effect of physical flows was to a great extent cancelled by the negative impact of disadvantageous generation structure, while the precipitation quantities cumulated in the respective time intervals were comparable. Losses decreased from 2.13% to 2.1% in terms to electricity injected into the outline. Thus in terms of electricity injected into the outline losses dropped from 2.55% at 9M 2018 to 2.29% at 9M 2019.

**In the fourth quarter of 2019** OTC within RET was about 3.9% lower than in the similar period of 2018, because of favourable structure of physical flows on interconnection lines. Losses decreased from 2.26% to 2.23% as compared to the electricity injected in the outline.

*Mention should be made the December 2019 values are preliminary.*





## Investments

### NON-CURRENT ASSETS RECORDED IN ACCOUNTING BOOKS

During the studied period investments underway increased because major investment projects are being executed under various progress stages, and they will be accepted as non-current assets during the following regulatory period.

The non-current assets value registered in accounting books in 2019 was of RON 170.9 mn (RON 247.8 mn in 2018), decreasing 31%, namely RON 76.9 mn.

Mention should be made land revaluation is performed at present, which are tangible assets classified in Group 2 - Technical installations, transportation means and reviewing the useful lifetime of tangible assets classified in Group 1- Constructions and in Group 2 - Technical installations, transportation means on 31.12.2019.

In 2019 the greatest transfers from tangible assets underway into tangible assets are mainly represented by the commissioning of investment objectives as follows:

- Refurbish the 220/110 kV substation Turnu Severin Est (CA Decision 10/08.09.2009) – RON 42.7 mn;
- Refurbish the 400/110/20 kV substation Domnesti – RON 35.8 mn;
- Refurbish the 400 kV substation Isaccea - stage I - Replacing shunt reactors, associated bays and the 400 kV bay Stupina – RON 30.6 mn;
- Refurbish the 400/220/110/20 kV substation Bradu – RON 12.3 mn;
- Upgrade the 110 kV & 400 (220 kV) installations of substation Focsani Vest – RON 7.9 mn;
- 110 kV, 220 kV and 400 kV mobile bays – RON 7.1 mn;
- Upgrade the 110 kV subst. Bacau Sud & Roman Nord of the 400 kV axis Moldova – RON 6.9 mn;
- Replacing the 220/110 kV AT in substation Gheorgheni – RON 6.1 mn;
- Motor cars to renew the car park of NPG Transelectrica SA - LOT2 – RON 2.8 mn;
- Replacing AT and transformers in electric subst. - stage 2, step 2, Lot 1 & Lot 2, RON 2.6 mn;
- Computation technique, hardware & software - Desktop PC – RON 1.9 mn;
- Security solution to implement security measures for classified information – RON 1.5 mn;
- Building the tele-protection of 220 kV OHL Tg Jiu Nord - Urechesti and 400 kV OHL Urechesti - Tantareni – RON 1.2 mn;
- Relocating the HV 220 kV networks Motorway Sebes - Turda, lot 1, km 0 + 000 – km 17+ 000 - Section C – km 0 + 300 – RON 1.1 mn;
- Relocating the HV networks Motorway Brasov - Targu Mures - Cluj - Oradea, section 2A Ogra-Campia Turzii, lot 2 Iernut - Chetani, km 3 + 600 km 21 + 500 - 400 kV OHL Iernut - Sibiu Sud – RON 1.1 mn;
- Relocating the HV networks Motorway Braşov - Targu Mureş - Cluj – Oradea, section 2A Ogra-Campia Turzii, lot 2 Iernut - Chetani, km 3 + 600 km 21 + 500 - OHL 400 kV Iernut - Sibiu Sud – RON 1.1 mn;
- Relocating the HV networks Motorway Braşov-Targu Murea - Oradea, Secțiunea 2A: Ogra-Campia Turzii, Lot 2 Iernut - Chetani, km 3 + 600 + 21 + 500 – 220 kV OHL Iernut - Campia Turzii, km 13 + 580 – RON 1 mn;
- Connecting the 400/110 kV substation Rahmanu to RET – RON 1 mn;
- Replacing circuit breakers of electric substations – RON 0.7 mn;
- Specific furniture for dispatchers in DET Bacau, DET Cluj, DET Craiova & DET Timisoara – RON 0.6 mn;
- Replacing the diesel sets 1 & 2 in the 400/110 kV substation Darste – RON 0.5 mn;
- Accumulator batteries in Bacau Sud, Roman Nord, FAI – RON 0.4 mn;
- Replacing tower 826 of the 400 kV OHL Urechesti Domnesti – RON 0.4 mn;
- Hydrocarbon separators (oil) for concreted platforms in substation Medgidia Sud – RON 0.4 mn;
- Specific furniture for dispatchers in DET Bacau, DET Cluj, DET Craiova & DET Timisoara – RON 0.4 mn;
- Connecting the 110 kV substation Ulmi to RED, which belongs to the Electricity Distribution Co. Muntenia Nord SA while providing the work in the line bay of the 110 kV OHL Targoviste - Titu (Ulmi) in the 220/110 kV substation Targoviste of NPG Transelectrica SA – RON 0.3 mn;
- Providing the coexistence conditions between the 220 kV OHL Alba Iulia - Sugag and Alba Iulia - Galceag by inner road – RON 0.3 mn;



- Water installation in the 110/220 kV substation Suceava – RON 0.3 mn;
- Special intervention towers type Universal Guyed Portal for 220-400 kV, including prefabricated foundations – RON 0.3 mn;
- Hydrocarbon separator (oil) for concreted platforms in substation Lacu Sarat – RON 0.2 mn;
- Teleprotecție OHL 400 kV Arad (România) – Sandorfalva (Ungaria) – RON 0.2 mn;
- Hydrocarbon separators (oil) for concreted platforms, 1250 MVA 400/110 kV, 2250 MVA 400/110 kV transformers of the 400/110 kV substation Constanta Nord – RON 0.2 mn;
- Vehicle for fast intervention in areas of difficult access – UTV and car platform – RON 0.2 mn;
- Replacing the accumulator battery 2 in 220/110 kV substation Pitesti Sud – RON 0.2 mn.
- Refurbish the 220 kV substation Otelarie Hunedoara – RON 11.6 mn;
- Upgrading the 220/110 kV substation Dumbrava – RON 11.5 mn;
- Replace the EMS SCADA AREVA system components - software & Hardware components, RON 11.4 mn;
- Refurbish the 220/110/20 kV substation Ungheni – RON 9.8 mn;
- Upgrade the 110 kV Bacau Sud & Roman Nord substations of the 400 kV axis Moldova, RON 8.2 mn;
- Integrated security system in electric substations, stage IV – RON 8 mn;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage I - 400/220/110 kV substation Resita – RON 6.6 mn;
- Refurbishing the 220/110 kV substation Craiova Nord – RON 6.5 mn;
- 400 kV OHL Gadalin - Suceava, including interconnection to SEN – RON 6 mn
- HVDC Link 400 kV (submarine cable Romania - Turkey) – RON 5.9 mn;
- Research & development centre and fast SEN intervention, Centre building – RON 4.8 mn;
- Upgrading the 400 (220)/110/20 kV substation Munteni – RON 4.8 mn;
- 400 kV OHL Suceava - Blți for the project segment on Romania's territory – RON 4.4 mn;
- 400 kV double circuit OHL Gutinas - Smardan – RON 3.9 mn;
- Replacing CB-s in electric substations – RON 3.5 mn;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad to 400 kV, stage II, 400 kV double circuit OHL Resita - Timisoara – Sacalaz – RON 3.3 mn;
- Upgrading the tele-protection & telecommunications system in substation Cernavoda – RON 3.2 mn;
- Extending the control & IT access records system in the objectives of NPG Transelectrica SA – RON 3.2 mn;
- Connecting the CEE 136 MW Platonești, Ialomita County to RET by building a 110 kV bay in the 400/110 kV Gura Ialomitei substation – RON 2,9 mn;
- Integrated security system in electric substations, stage III – RON 2,8 mn;
- OHL 110 kV Cetate 1 and 2 deflection near 110/20/6 kV Ostrovul Mare substation – RON 2,6 mn;
- Connecting the 99 MW WPP Dumesti and the 30 MW WPP Romanesti, Iasi County to RET by

## PROCUREMENT OF ASSETS

In January – Decembrie 2019 the procurements of tangible and intangible assets amounted to RON 241.7 mn compared to the same period of 2018, when such procurements amounted to RON 170.6 mn.

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

- Connecting the 300 MW WPP Ivesti, 88 MW WPP Falciu 1 and 18 MW WPP Falciu 2 to RET in the new (400)/220/110 kV subst. Banca – RON 46.9 mn;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - stage I – 400 V simple circuit OHL Portile de Fier - (Anina) – Resita – RON 39.4 mn;
- Connecting the 400 kV OHL Isaccea - Varna and OHL Isaccea - Dobrudja in the 400 kV substation Medgidia Sud – RON 35 mn;
- Upgrading the 220/110/20 kV substation Arefu – RON 16.8 mn;
- Refurbish the 400/110/20 kV substation Domnesti (CA Decision 5 / 19.05.2010) – RON 14.9 mn;
- Extending the business continuity and post-disaster recovery services in the Executive –RON 14.4 mn;
- Refurbish the 220/110 kV substation Hasdat – RON 14.4 mn;
- 110 kV, 220 kV & 400 kV mobile bays – RON 14.3 mn;
- Upgrading the 220/110/20 kV substation Raureni – RON 13 mn;
- 400 kV double circuit OHL Cernavoda - Stalpu and connection into Gura Ialomitei – RON 12.9 mn;

building a 110 kV line bay in the 220/110 kV substation FAI – RON 2.5 mn;

- Refurbishing the 400/110/20 kV substation Smardan – RON 2.5 mn;
- Changes to the 400, 220, 110 kV OHL-s to perform the tunnel objective of Blvd. N. Grigorescu - Splai Dudescu – RON 2 mn;
- Upgrading the 110 kV & 400 (220 kV) installations of substation Focsani Vest – RON 2 mn;
- Replacing the 400/400/160MVA 400/231/22kV ATUS-SF AT 3 in the 400/220 kV substation Portile de Fier – RON 1.7 mn;
- Consolidation, upgrade and extension of NPG Transelectrica's Executive offices – RON 1.6 mn;
- Replacing AT & transformers in electric substations - stage 2 – RON 1.6 mn;
- 220 kV double circuit OHL Ostrovu Mare - RET (CA Decision 17/2007) – RON 1.5 mn;
- Refurbish the 220/110 kV subst. Iaz – RON 1.5 mn;
- Extending the 400 kV substation Cernavoda, stage I+II, replacing 2 shunt reactors, connecting new lines – RON 1.2 mn;
- Integrated security system within the new 400/220/110 kV substation Banca – RON 1.1 mn;
- Achieving optical fibre communication between the 220/110/20 kV substation Pitesti Sud and the installation supervision remote control of TB Pitesti (SF) – RON 1.1 mn;
- Upgrade the DET Timisoara building – RON 1.1 mn;
- 400 kV OHL Oradea - Beckescsaba – RON 1 mn;
- Replace the EMS SCADA AREVA system components, software & hardware components – RON 14.8 mn;
- Implementing an Electronic archiving & document management system within NPG Transelectrica SA – RON 5.5 mn;
- Extending the business continuity and post-disaster recovery services in the Executive – RON 0.4 mn.

## INVESTMENT ACTIVITY ON 31.12.2019

Investment expenses on 31 December 2019 are detailed according to the main chapters of the annual investment plan correlated with the main chapters from the Company's Development Plan as follows:

| No.      | Types of expenditures                               | 2019<br>Investment<br>Programme<br>(thou. RON) | Achieved<br>(thou. RON) |                |
|----------|---|--|-------------------------|----------------|
|          |   |  | 2019                    | 2018           |
|          | <b>Grand Total (A+B)</b>                            | <b>290.178</b>                                 | <b>251.285</b>          | <b>161.546</b> |
| <b>A</b> | <b>Company's own expenses</b>                       | 283.107  | 245.059                 | 148.959        |
| <b>B</b> | <b>Investments financed from the connection fee</b> | 7.072  | 6.226                   | 12.587         |

\* 2019 Annual Investment Program revision A10

On 31 December 2019 the investment plan was achieved 86.6%. In comparison with the achievements of 2018, investments grew 55.5% on 2019.

## CONTRACTUAL ASPECTS

The most important investment contracts signed in January - December 2019 are:

- 400 kV double circuit OHL Cernavodà – Stalpu and connection in subst. Gura Ialomitei – RON 287.6 mn
- Refurbishing the 110 kV substation Timisoara and converting the Portile de Fier - Anina - Resita - Timisoara - Sacalaz - Arad to 400 kV, stage II: the 400 kV substation Timisoara – RON 87.7 mn,
- Refurbish the 220/110 kV subst. Iaz – RON 54.8 mn,
- Installing the 400 MVA AT2 and related bay in substation Iernut and upgrading the command-control system of the 400/220/110/6 kV substation Iernut, RET connection of the generation place CCC 430 MW Iernut belonging to Romgaz SA and design & execution work for the protection system of the electric line connecting the new units of SPEE Iernut – RON 30.7 mn.





## Significant events

### **JANUARY - DECEMBER 2019 EVENTS**

- **Mandate acceptance, provisional directorate member**

Mr. Adrian Savu, provisional Directorate member appointed on December 21, 2018 by the Supervisory Board signed the mandate acceptance statement on 3 January 2019, his appointment becoming effective on the signature date in accordance with the mandate acceptance statement.

- **Decision 1 / 21 January 2019 of the Company's Shareholders' General Ordinary Assembly**

The Shareholders' General Ordinary Assembly of 21 January 2019 approved the appointment of BDO AUDIT SRL as the Company's financial auditor for a period of three years.

- **Full refurbishment of the 220/110 kV transformer substation Craiova Nord**

The Company has begun the complete refurbishment works of the 220/110 kV Craiova Nord transformer substation, a 9.89 mn Euro investment. The contract was signed in 2018, the completion deadline being 2020. The 220/110 kV Craiova Nord transformer substation provides electricity to the consumers in Craiova City, as well as to the industrial consumers in the region. The substation was commissioned in 1974, this being the first complete refurbishment.

- **Transelectrica continues refurbishing the 400/220/110/20 kV transformer substation Domnesti**

This is part of the extensive process of strengthening the electricity transmission grid in the Bucharest area, 144,447,000 RON is the total value of the refurbishment project for the 400/110/20 kV Domnesti substation, which began in 2018. The investment is due to be completed in 2020.

The work started in June 2018 in Domnesti Substation. At present work is executed to achieve the 400 KV GIS substation and to build the Control building. This stage involves the transition from the outdoor primary equipment with air insulation, to the indoor primary equipment located in the building of the 400 kV GIS substation.

The 400/110/20kV Domnesti substation is the last one to undergo the modernisation process, being preceded by the refurbishment of the 400/220/110/10 kV substation Bucharest South (2006-2009; 2014-2015) and the modernisation of the 220/110/10 kV substation Fundeni

(2006-2007). The 110 kV substation Domnesti was commissioned in 1980, and the 400 kV one was commissioned in 1982.

- **Finalising the repair work**

Transmission Branch Bacau completed the capital repair of the segment between towers 192 and 253 from the 220 kV overhead lines Gutinas-Munteni, a project amounting to more than one million RON.

- **Decisions 4, 5, 6, 7, 8, 9, 10 and 11 / 29 March 2019 of the Company's Shareholders' General Ordinary Assembly**

The Shareholders' General Ordinary Assembly having gathered on 29 March 2019 appointed

- Mr. Adrian MITROI
- Mr. Alin Sorin MITRICA
- Mr. Constantin DUMITRU
- Mrs. Virginia Mihaela TOADER
- Mrs. Mihaela CONSTANTINOVICI
- Mr. Mircea Gheorghe Dumitru COSEA
- Mrs. Carmen Nina CRISU

as provisional Supervisory Board members of the National Power Grid Company Transelectrica SA as of 30 March 2019, a two-months' term of office. The Shareholders' General Ordinary Assembly approved the remuneration and established the mandate contract form, while the Ministry of Economy's representative was empowered to sign the mandate contracts of the provisional Supervisory Board members.

- **Refusal to accept the mandate of provisional Supervisory Board member**

Mrs. Carmen Nina CRISU appointed as provisional Supervisory Board member in accordance with Decision 10 of 29 March 2019 of the Shareholders' General Ordinary Assembly refused accepting the mandate for incompatibility reasons.

- **Mandate acceptance as provisional Supervisory Board member**

Mr. Alin Sorin MITRICA, appointed as provisional Supervisory Board member in accordance with Decision 5 of 29 March 2019 of the Shareholders' General Ordinary Assembly signed the mandate acceptance statement on 02 April 2019, on which date his appointment becomes effective.

- **Appointing the Supervisory Board Chairman and the provisional Supervisory Board member**

The Supervisory Board having met on 08 April 2019 decided electing Mr. Mircea Gheorghe Dumitru COSEA Supervisory Board Chairman and to appoint Mr. Florin-Radu CIOCANELEA as provisional Supervisory Board member with mandate until 29 May 2019, expiry date for the mandates of Supervisory Board members in office.

- **Non-reimbursable European financing for the investment project of the 400 kV OHL Gutinas – Smardan**

The Ministry of European Funds approved a non-reimbursable European fund amounting to 31 mn Euro for the “400 kV OHL Gutinas-Smardan” Project under the Large Infrastructure Operational Programme (POIM) 2014-2020. The investment’s total value is 56.8 mn Euro. The 400 kV OHL Gutinas-Smardan will be 140 km long and cross 25 towns from 3 counties (Bacau, Vrancea and Galati). In accordance with the project implementation schedule, the investment will start this year, the commissioning deadline being December 2022.

- **Approval for the membership of Consultative committees**

On 11.04.2019 the Supervisory Board appointed the members of consultative committees from the Board as follows:

Nomination and remuneration committee:

- Constantin DUMITRU - chairman
- Mihaela CONSTANTINOVICI - member
- Adrian MITROI - member
- Alin - Sorin MITRICA - member
- Florin - Radu CIOCANELEA - member

Audit committee:

- Adrian MITROI - chairman
- Mircea Gheorghe Dumitru COSEA – member
- Virginia Mihaela TOADER - member
- Alin - Sorin MITRICA - member

Energy security committee:

- Mircea Gheorghe Dumitru COSEA- chairman
- Virginia Mihaela TOADER - member
- Constantin DUMITRU - member
- Florin - Radu CIOCANELEA – member

- **Extending the mandates of (provisional) Directorate members**

On its meeting of 11 April 2019 the Supervisory Board decided extending the mandates of provisional Directorate members:

- Marius - Danut CARASOL
- Claudia - Gina ANASTASE
- Andreea - Georgiana FLOREA
- Constantin SARAGEA
- Adrian SAVU

by 2 months, beginning with 21.04.2019 until 20.06.2019.

- **Contracting the credit line to finance the bonus type support scheme for high efficiency cogeneration**

On 04 April 2019 the Company concluded the credit contract C733 with Banca Transilvania for 12 months in order to finance the bonus-type support scheme for high efficiency cogeneration, in form of overdraft amounting to RON 150 mn, with an interest calculated according to ROBOR 1M reference rate, to which a margin of 0.50% is added. Addendum 1 was concluded on 24.04.2019, by which the credit line was supplemented with RON 25 mn, namely from 150 to RON 175 mn.

- **Indirect major holding of NN Group N.V**

NN Group NV informed the issuer by the notification registered under no. 17857/11.04.2019 in the Company that, following the transaction carried out, the percentage held in concert is 5.12% of NPG Transelectrica’s share capital.

- **Decision 12 of the Company’s Shareholders’ General Ordinary Assembly of 24 April 2019**

On 24 April 2019 the Shareholders’ General Ordinary Assembly approved the annual financial result of 2018, audited by auditor BDO Audit SRL.

- **Decision 13 of the Company’s Shareholders’ General Ordinary Assembly of 8 May 2019**

The Shareholders’ General Extraordinary Assembly having gathered on 8 May 2019 approved the Company’s participation into increasing the share capital of the Company for Maintenance Services to the Electricity Transmission Grid Smart SA, a Company subsidiary, with cash contribution of RON 24 mn maximum amount.

- **Decisions 14 and 15 of the Company’s Shareholders’ General Ordinary Assembly of 14 May 2019**

The Shareholders’ General Ordinary Assembly at its gathering of 14 May 2019 appointed

- Mr. Adrian MITROI
- Mr. Alin Sorin MITRICA
- Mr. Constantin DUMITRU
- Mrs. Virginia Mihaela TOADER
- Mrs. Mihaela CONSTANTINOVICI
- Mr. Mircea Gheorghe Dumitru COSEA
- Mr. Florin-Radu CIOCANELEA

as provisional Supervisory Board members of the National Power Grid Company Transelectrica SA beginning with 30 May 2019, four months’ mandate. It approved the remuneration, the mandate contract form and it mandated the Ministry of Economy’s representative to sign the mandate contracts of

provisional Supervisory Board members of the National Power Grid Company Transelectrica SA.

It also established the 2019 Investment plan and estimations for 2020 and 2021 and approved the Company's 2019 Revenue and Expense Budget, as well as the 2020 and 2021 estimates.

- **Building the 400 kV overhead line (OHL) Portile de Fier-Anina-Resita**

Romania's Government approved the Governmental Decision with respect to taking out of the forestry fund the lands required in order to build the 400 kV OHL Portile de Fier-Anina-Resita, component in the conversion of the Portile de Fier-Resita-Timisoara-Sacalaz-Arad axis to 400 kV, an essential project for the closure of Romania's 400 kV ring, maintaining the national energy security and increasing the interconnection capacity with neighbouring countries.

- **Increasing the share capital of subsidiary SMART SA**

The Company's Directorate approved initiating the implementation of Smart SA's share capital increase, after the subsidiary's preliminary execution of the private economic operators' (OEP) test and also beginning the proceedings needed to delegate the subsidiary's Board of Administration the competence to approve the share capital increase with a cash contribution of up to RON 24 mn as well as carrying out all the measures prior to this operation.

In September 2019 SMART SA closed the credit facility concluded with ING Bank for the loan contract of 14 April 2008, with later amendments and additions.

In December 2019 SMART SA concluded a new credit facility with Libra Bank amounting to RON 10 mn.

- **Extending the mandates of (provisional) Directorate members and appointing the Supervisory Board's Chairman**

In the context of current Directorate members' mandates reaching term on 20 June 2019 the Supervisory Board decided extending the mandates of provisional Directorate members:

- Marius - Danut CARASOL
- Claudia - Gina ANASTASE
- Andreea Georgiana FLOREA
- Alina - Elena TEODORU
- Adrian SAVU

by 4 months beginning with 21.06.2019, with possible extension by two more months.

At the same time Mr. Marius Danut CARASOL was appointed Directorate Chairman, alternatively called Executive Director General or Company CEO.

At the same gathering Supervisory Board members appointed Mr. Mircea Gheorghe Dumitru COSEA as Chairman of the Supervisory Board.

- **Stage before closing the 400 kV ring of Bucharest**

At the beginning of June the Company launched a bid to procure a study meant to find the best development solutions of the electricity network supplying the metropolitan area or Bucharest with 10 years' prospect.

- **Promulgating Law 120/2019**

The President of Romania enacted Law 120/2019 with respect to some measures required in order to carry out work and implement nationally important projects for the electricity transmission grid. The law facilitates the completion of the vital investment projects for Romania's energy security and the construction of overhead lines, the compliance with the deadlines of European-funded projects, having an essential role in the consolidation and expansion of the power transmission infrastructure in Romania.

- **Agreements to end the contracts the Company concluded with Smart SA**

On 21.06.2019 the suspensive terms were fulfilled as provided in the clauses of ending agreements the Company concluded with its subsidiary, pertaining to "Upgrading the 220/110 kV substation Dumbrava" and "Upgrading the 220/110 kV substation Raureni".

As regards the impact of terminating the fore-mentioned contracts on SEN safety, mention should be made NPG Transelectrica SA took measures in order to prevent such impact on the operational safety: - provisional work was made in substation DUMBRAVA which provides safe operation in the area; - substation RAURENI operates under normal conditions and additional maintenance services were provided.

- **New tariff applicable as of 1 July 2019**

Romania's Official Gazette 516/25.06.2019 published ANRE Order 81/24.06.2019 approving the average tariff of transmission services, the components of the transmission tariff introducing electricity in the grid (TG) and extracting electricity from the grid (TL), the system service tariffs as well as the regulated tariff for reactive electricity charged by the Company. Regulated tariffs for electricity transmission services and system services are applicable beginning with 1 July 2019.

- **The Company received the Bronze Level Recognition prize**

On 2 August Transelectrica obtained the Bronze Level Recognition prize in the top of the most sustainable companies on the local market, achieved by The Azores. The study Romania CSR Index 2019 has been elaborated by the independent consulting agency The Azores and it examines the performance and the transparency with respect to Corporate Sustainability among companies of Romania.

- **Convocation of AGEA on August 19**

The Company's management convened, in accordance with the legal provisions in force, the Shareholders' General Extraordinary Assembly in order to submit for their approval the increase in the Company's share capital, subsequent to AGEA Decision 16/21.12.2018, by issuing new shares and observing the preference right of the existing shareholders on the registration date, with a maximum amount of RON 20.2 mn, of which RON 11.9 mn represent the value determined by an expert for 17 lands for which ownership certificates have been issued to the Company.

- **ANRE sanction**

On August 27 ANRE issued minutes ascertaining and sanctioning the Company for its incompliance with 7 items provided in article 15 of Regulation (EC) 714/2009; the Company will examine the motivation of such minutes with a view to exercise its right to contest in court the possible irregularities thereof.

- **Draft letter of expectation regarding the selection procedure for CS members**

On August 29 the Ministry of Economy, in its capacity of tutelary public authority transmitted the draft letter of expectation in view of performing the selection procedure for Supervisory Board members in the Company.

- **Conference organised under partnership with CIGRE**

The Company is the partner of the National Romanian Committee of CIGRE in organising the fifth edition of the International Conference regarding Condition Monitoring, Diagnosis and Maintenance of high voltage equipment and lines 2019 - CMDM 2019. The event organised with the support of CIGRE Paris, was held on September 9-11 2019 in the Radisson Blu Hotel of Bucharest.

- **Recall and appointment of Directorate member and Chairman**

The Company's Supervisory Board decided recalling Mr. Marius Danut CARASOL from his capacities of Directorate member and Chairman and electing Mrs. Claudia-Gina ANASTASE as Directorate Chairman, alternatively called Executive Director General or Company's Chief Executive Officer - CEO.

- **Decisions 16, 17, 18, 19, 20, 21, 22 and 23 of the Company's Shareholders' General Ordinary Assembly of 20 September 2019**

In accordance with AGOA Decisions 16, 17, 18, 19, 20, 21, 22 and 23 of September 20 the following persons were designated as provisional members for two months:

- Adrian MITROI,
- Petru TARNICERU,
- Ionica BADILA,

- Mihaela Virginia TOADER,
- Mihaela CONSTANTINOVICI,
- Mircea Gheorghe Dumitru COSEA,
- Florin-Radu CIOCANELEA

their appointment becoming effective on September 30.

- **Rating Moody's Investors Service**

The International Rating Agency Moody's Investors Service reconfirms the rating granted last year to the Company, namely Ba1 positive outlook.

- **Recruitment announcement**

On September 25 the Ministry of Economy initiated the recruitment and selection of candidates to be nominated in view of appointing the Company's Supervisory Board members.

- **Signing the financing contract for the 400 kV OHL Gutinas - Smardan**

The Company signed the financing contract to build the 400 kV overhead line (OHL) Gutinas - Smardan amounting to 33.43 mn Euro. The European non-reimbursable financing was obtained under the Operational Programme Large Infrastructure (POIM) 2014-2020, Priority Axis 8 - Smart and sustainable systems of electricity transmission and natural gas transport, Specific objective 8.1 – Increasing the capacity of the National Power System to take over the electricity generated from renewable sources. The total investment value is 56.76 mn Euro.

- **Appointing the Chairman, approving the membership of consultative committees of the Supervisory Board**

The Supervisory Board having assembled on 10.10.2019 appointed Mr. Mircea Gheorghe Dumitru COSEA as Chairman and designated the consultative committee members of the Supervisory Board as follows:

Nomination and remuneration committee:

- Mihaela CONSTANTINOVICI - chairman
- Adrian MITROI - member
- Petru TARNICERU - member
- Ionica BADILA - member

Audit committee:

- Adrian MITROI - chairman
- Mircea Gheorghe Dumitru COSEA - member
- Virginia Mihaela TOADER - member
- Petru TARNICERU - member
- Ionica BADILA - member

Energy security committee:

- Mircea Gheorghe Dumitru COSEA - chairman
- Virginia Mihaela TOADER - member
- Mihaela CONSTANTINOVICI – member



- **Changes in the Company's management**

At its gathering of October 16 the Supervisory Board extended the provisional mandates of Directorate members beginning with 21 October 2019 for two months:

- Claudia - Gina ANASTASE
- Andreea Georgiana FLOREA
- Adrian SAVU

It has designated the following persons as provisional Directorate members beginning with October 21 for two months:

- Virgiliu IVAN
- Luca-Nicolae IACOBICI

It appointed Mrs. Claudia-Gina ANASTASE as Directorate Chairman, alternatively called Executive Director General or the Company's Chief Executive Officer – "CEO" – beginning with 21 October 2019, for two months.

It decided designating Mr. Florin – Radu Ciocanelea as member in the Nomination and Remuneration Committee and in the Energy Security Committee of the Company's Supervisory Board.

- **Joint Allocation Office SA (JAO)**

Beginning with 01.11.2019 Transelectrica's affiliation to the shareholders of the Joint Allocation Office (JAO) – European centre allocating cross-border transmission capacities became effective, with cash subscription amounting to 259,325 Euro, being thus allocated 50 shares.

- **Changing the entity whereby the majority shareholder exercises its rights**

Beginning with 06 November 2019 the Secretariat General of the Government exercises the rights and performs the obligations ensuing from the state's shareholder capacity in NPG Transelectrica SA.

- **Presentation of financial results of Q III 2019**

In accordance with the Company's Calendar of Financial Communication, on 15 November 2019 the presentation of financial results in Q III 2019 was organised and the Company announced obtaining a gross profit of 82.9 mn RON in the first 9 months of the year under different regulatory terms and difference covenant performance in comparison with 2018.

- **Change in Transelectrica's Shareholder Register**

On 14.11.2019 the Central Depository registered the transfer of 43,020,309 shares in the Company's Shareholder Register, representing 58.688% of the Company's share capital, from the account of the Romanian State represented by the Ministry of Economy into the Romanian State's account represented by the Government by its Secretariat General.

- **Signing the execution contracts**

The Company signed the execution contracts for 3 of the 4 components in the project of common interest "Internal line between Cernavoda and Stalpu" financed from European funds under the "Mechanism for Europe's Interconnection". The three contracts refer to:

- 400 kV OHL Cernavoda (amount of RON 287 mn)
- 400 kV substation Stalpu (amount of RON 58.4 mn)
- Extend the 400 kV subst. Cernavoda (RON 11.5 mn)

The execution term is of 24 months from the date provided in the Work starting order.

- **Sanction from ANRE**

On 15 November 2019 ANRE issued minutes 99451 of acknowledgment and sanction pertaining to the failure to achieve the 2018 annual investment plan, whereby it established penalising the Company according to article 93, para (1), pt. 4<sup>1</sup>, corroborated with the provisions of article 93, para (2), pt. 2, let. c) from the Electricity and natural gas law 123/2012, with later amendments and additions because the validity terms associated to ANRE-issued licences/permits were not complied with by fine in total quantum of 200,000 RON. Within 15 days from the minutes' notification date the Company paid half of the minimum fine specified in the norm amounting to 10,000 RON.

- **Decisions 24, 25, 26, 27, 28, 29, 30 and 31 of the Company's Shareholders' General Ordinary Assembly of 26 November 2019**

In accordance with AGOA Decisions 24, 25, 26, 27, 28, 29, 30 and 31 of 26 November 2019 the persons below were designated as provisional Supervisory Board members for four months:

- Luiza POPESCU
- Sebastian BURDUJA
- Jean BADEA
- Jean-Valentin COMĂNESCU
- Oleg BURLACU
- Adrian GOICEA
- Manuela Petronela STAN-OLTEANU

Their appointment became effective beginning with 30 November 2019.

- **Appointing the Supervisory Board Chairman and approving the membership of Consultative Committees**

The Company's Supervisory Board having met on 02.12.2019 elected Mr. Adrian GOICEA as Chairman of the Company's Supervisory Board and designated the members in the Consultative committees under the Supervisory Board as follows:

Nomination and remuneration committee:

- Sebastian – Ioan BURDUJA - chairman
- Adrian GOICEA - member

- Jean – Valentin COMĂNESCU - member
- Oleg BURLACU – member
- Luiza POPESCU – member
- Jean BADEA –member

Audit committee:

- Jean – Valentin COMANESCU – chairman
- Adrian GOICEA - member
- Luiza POPESCU – member

Energy security committee:

- Oleg BURLACU – chairman
- Sebastian – Ioan BURDUJA – member
- Adrian GOICEA - member
- Luiza POPESCU – member
- Jean – Valentin COMANESCU – member
- Jean BADEA – member

• **Refusal of mandate for provisional Supervisory Board member**

On 12 December 2019 Mrs. Manuela Petronela STAN-OLTEANU designated under HAGOA 30 of 26 November 2019 informed the Company she does not accept the mandate of provisional Supervisory Board member.

• **Regulated tariffs applicable as of 1 January 2020**

On 11.12.2019 the Official Gazette 999 published ANRE Order 218 approving the average tariff of transmission services, the components of the transmission tariff injecting electricity in the grid ( $T_G$ ) and electricity taking out of the grid ( $T_L$ ), the system service tariffs and the regulated price of reactive electricity, as charged by the Company. Consequently the regulated tariffs for electricity transmission services and system services applicable as of 1 January 2020 are as follows:

| Service                          | Tariff applicable as of 1 July 2019 | Tarif applicable as of 1 January 2020 | Diff |
|----------------------------------|-------------------------------------|---------------------------------------|------|
|                                  | RON/MWh                             | RON/MWh                               | %    |
| I. Transmission (average tariff) | 17.68                               | 18.33                                 | 3.68 |
| II. Functional system services   | 1.84                                | 1.84                                  | -    |
| III. Technologic system services | 13.05                               | 13.05                                 | -    |

• **Appointment of provisional Directorate members**

At its 13 December 2019 meeting the Company's Supervisory Board designated as provisional Directorate members beginning with 21 December 2019 the following persons:

- Catalin NITU
- Ionut-Bogdan GRECIA
- Adrian MOISE

- Ioan FOLESCU
- Andreea-Mihaela MIU

The mandate was granted for four months with possible extension of two more beginning with 21 December 2019 since on 20 December 2019 ended the mandate of Directorate members in office on that date.

Also Mr. Catalin NITU was appointed Directorate Chairman, alternatively called Executive Director General or Chief Executive Officer – “CEO” – of the Company.

• **Mandate end for a provisional Supervisory Board member**

In accordance with the notification of Mr. Sebastian BURDUJA, registered on 17 December 2019 in the Company he is no longer a provisional Supervisory Board member in Transelectrica as of this date.

**Rating Fitch Ratings**

On 19 December 2019 Fitch Ratings agency reconfirmed the Company's long-term rating to the 2018 level, namely BBB stable outlook.

Such rating is one step above the sovereign (BBB-/stable).

At the same time for commercial considerations Fitch Ratings withdrew the long-term rating awarded to the Company.

**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, when the acceptance statement was signed before the notary public.

• **Resignation of a provisional Directorate member**

On 08 January 2020 Mr. Ioan FOLESCU gave up the mandate entrusted of provisional Directorate member in the Company.

• **Appointment of provisional Directorate member**

The Company's Supervisory Board having met on 09 January 2020 decided designating 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, when the acceptance statement was signed before the notary public.

• **Completing the membership of Consultative committees of the Supervisory Board**

The Supervisory Board having met on 13.01.2020 designated Mrs. Luiza Popescu as Chairperson of the Nomination & remuneration committee of the Supervisory Board and Mr. Ciprian Constantin DUMITRU as member both in the Nominatin & remuneration committee and in the Energy security committee of the Supervisory Board.

Thus the membership of consultative committees under the Supervisory Board on this report date is the following:

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 DUNITRU – member
- Adrian GOICEA - member
- Luiza POPESCU – member
- Jean – Valentin COMANESCU - member
- Jean BADEA – member

• **ANRE tariff for provision of electricity transmission services**

The Official Gazette 28/16.01.2020 published ANRE Order 10/2020 amending ANRE Order 218/2019 approving the average tariff of transmission services, the components of the transmission tariff injecting electricity in the grid (T<sub>G</sub>) and electricity taking out of the grid (T<sub>L</sub>), the system service tariffs and the regulated price of reactive electricity, as charged by the Company. Consequently the regulated tariffs for electricity transmission services and system services applicable as of 16 January 2020 are as follows:

| Service                                      | Tariff applicable as of | Tariff applicable as of | Diff. |
|--|-------------------------|-------------------------|-------|
|  | 1 Jan 2020<br>RON/MWh   | 16 Jan 2020<br>RON/MWh  | %     |
| I. Electricity transmission (average tariff) | 18.33                   | 17.97                   | ▼1.96 |
| Transmission tariff (T <sub>G</sub> )        | 1.30                    | 1.30                    | -     |
| Tarif transport (T <sub>L</sub> )            | 17.03                   | 16.67                   | ▼2.11 |
| II. Functional system services               | 1.84                    | 1.84                    | -     |
| III. Technologic system services             | 13.05                   | 13.05                   | -     |

Mention should be made the electricity transmission average tariff drop was determined by reduced Company contribution to ANRE's 2020 budget from 2% to 0.2% of the Company's turnover (ANRE Order 1/2020).

• **Mandate giving up by provisional Supervisory Board member**

Mr. Jean BADEA gave up his mandate of provisional Supervisory Board member in the Company beginning with 04 February 2020.

• **Regular tariff – a new regulatory cycle 2020 - 2025**

In 2019 ended the five years regulatory period for transmission tariffs, lasting from 01.07.2014 to 30.06.2019.

The second semester of 2019, namely the six months' interval from 01.07.2019 to 31.12.2019 constituted a transition interval until beginning a new multi-annual regulatory period.

For this transition interval ANRE approved transmission tariffs based on dedicated methodology including the tariff establishing rules for such time interval, rules situated in line with the general tariff-setting principles applicable in the 1.07.2014 - 30.06.2019 regulatory period.

On 01.01.2020 a new regulatory period began for electricity transmission lasting five years, from 1.01.2020 to 31.12.2024. The parameters of this period were set in accordance with the tariff-setting methodology, which was reviewed in 2019.

The fundamental tariff principles remained unchanged (cost base structure recognised in the tariff, limitations and efficiency requirements associated to certain cost categories deemed controllable, approving an investment with commissioning dates within the regulatory period, recovery of capital invested into regulated assets based on regulated rate of return etc.) while the application mode was slightly amended.

The accepted level of one's own technological consumption in the electricity transmission grid was established using annual percentage ceilings ranging from 2.34% in the first year to 2.19% in the last year of the regulatory period.

The regulated asset base has been established at about 2.6 billion RON at the beginning of the 1.01.2020-31.12.2024 regulatory period.

The ANRE-approved investment plan for this regulatory period totals about 1.7 billion RON (refurbishment / upgrade of existing infrastructure and investments into new capacities), of which about 44% are estimated to be financed from European grants and by revenues that Transelectrica obtained from the allocation of cross-border transmission capacities.



In addition to the approved investment plan ANRE accepted including about 129 mn RON in the RAB during the first year of the regulatory period, representing revaluation of regulated assets. Beginning with the second quarter of 2019 the regulated rate of return (RRR) was at 6.9% per year, level established by OUG 19/2019 amending the Electricity and natural gas law 123/2012. In accordance with OUG 1/2020 the current RRR level is valid until 30 April 2020. The RRR applicable beginning with 1 May 2020 will be established by ANRE.

- **Appointment of provisional Supervisory Board member**

On 07 January 2020 the Supervisory Board decided appointing Ms. Mihaela CONSTANTINOVICI as provisional Supervisory Board member.

Mandate term is until 29 March 2020 but not later than the date of appointment new member of Supervisory Board by the Shareholders' General Assembly.



## Other Issues

### SHAREHOLDERS STRUCTURE

The Company's shareholder structure on 31.12.2019 was as follows:

| Shareholder's name                | No. of shares     | Share in total |
|-----------------------------------|-------------------|----------------|
| Romanian State                    | 43,020,309        | 58.7%          |
| Dedeman SRL                       | 4,503,567         | 6.1%           |
| Privately Managed Pension Fund NN | 4,007,688         | 5.5%           |
| Other legal person shareholders   | 15,976,281        | 21.8%          |
| Other natural person shareholders | 5,795,297         | 7.9%           |
| <b>Total</b>                      | <b>73,303,142</b> | <b>100%</b>    |

### DIRECTORATE MEMBERSHIP

On the date of this report the Directorate membership is as follows:

|                       |                      |
|-----------------------|----------------------|
| Catalin NITU          | Directorate Chairman |
| Andreea-Mihaela MIU   | Directorate Member   |
| Ionut-Bogdan GRECIA   | Directorate Member   |
| Adrian MOISE          | Directorate Member   |
| Corneliu-Bogdan MARCU | Directorate Member   |

### TARIFFS

On 01.07.2019 the tariffs approved by ANRE under Order 81/24.06.2019 are provided in the table below.

| Index    | Tariff                        | m.u.     | Charged tariff    | Charged tariff     | Difference<br>% |
|----------|-------------------------------|----------|-------------------|--------------------|-----------------|
|          |                               |          | 1 Jan-30 Jun 2019 | 1 Jul-31 Dec 2019* |                 |
| <b>A</b> | Electricity transmission      | RON/MW h | 18.13             | <b>17.68</b>       | <b>-2.5%</b>    |
| <b>B</b> | Functional system services    | RON/MW h | 1.11              | <b>1.84</b>        | <b>+65.9%</b>   |
| <b>C</b> | Technological system services | RON/MW h | 10.44             | <b>13.05</b>       | <b>+25.0%</b>   |

The factors of significant contribution to tariffs changing in the last review made by ANRE are provided further (\*tariffs becoming effective on 01.07.2019 and applicable until 31.12.2019, this being called the transitory interval from the third to the fourth regulatory period according to ANRE Order 57/08.05.2019).

#### Electricity transmission services

The tariff decrease (-2.5%) is mainly explained by two factors:

1. Ex-post corrections - as applied to compensate the differences between the forecasted values used in the tariff calculation during previous tariff years and the actual values recorded (final corrections associated to the difference between the estimated costs & revenues and those achieved in 1 July 2017 - 30 June 2018; the inflation correction used in establishing the tariff of 1 July 2017 - 30 June 2018 and the correction related to the recovery difference between the inflation used in setting the tariff for 1 July 2016 - 30 June 2017 and the

recorded one) they were positive. Ex-post corrections contributed +1.9% to increasing the newly-approved tariff compared to the applicable tariff;

Calculation items were submitted to ex-post corrections applied in the calculation of the newly-approved tariff and the most important are: (i) the electricity procurement price to cover one's own technological consumption, (ii) uncontrollable operation and maintenance costs, (iii) costs associated to electricity transmission in-between OTS-s, (iv) costs necessary to remove congestions, (v) revenues obtained from other activities using resources recognised for transmission activities (revenues from the allocation of

interconnection capacities, revenues from other provisions, revenues from reactive electricity and revenues from transits in peripheral countries);

2. Ex-post corrections - they relate to the investment programme and the efficiency gain for controllable operation and maintenance costs. By applying the provisions of ANRE Order 57/08.05.2019 the correction taken into consideration to calculate tariffs valid as of 1 July 2019 was 1/10 for the correction resulting as difference between the value of the approved investment programme and the value achieved in 01.07.2014-30.06.2018, and of 1/8 from the total value of the correction applied to the efficiency gain for controllable operation and maintenance costs. Ex-post corrections contributed **-6.6%** to changing the newly-approved tariff compared to the applied one;

Besides the fore-mentioned corrections (items 1 & 2) which impacted **-4.7%** the newly-approved tariff compared to the previous one, the annual forecast of costs recognised in the new tariff approved is higher than the annual cost forecast included in the previous tariff. The increase of the annual cost forecast contributed **+3.3%** to changing the newly-approved tariff compared to the applied one.

Another factor that contributed to establishing the value of the approved tariff applicable as of 01.07.2019 compared to the tariff valid until 30.06.2019, was the Amount of electricity chargeable upon network extraction. It was increased from 55.4 TWh per year (27.7 MWh for a semester) to 56 TWh (28 TWh for semester II 2019). The amendment of the chargeable quantity contributed **-1.1%** to changing the newly-approved tariff compared to the applied one.

#### **Functional system services**

Tariff increase was determined by the following individual calculation items:

➤ The ex-post correction applied to the regulated revenue, resulting from the closure of the 2017-2018 tariff period and the positive correction

resulting from the estimates of the 2018-2019 tariff period included in the new tariff was smaller than the negative correction applied in the tariff of last year. The ex-post correction contributed **+27.3%** to changing the newly-approved tariff compared to the applied one;

➤ The annual forecast of costs recognised in the newly-approved tariff is higher than the annual cost forecast included in the previous tariff. The increase of the annual cost forecast contributed **+40.7%** to changing the newly-approved tariff compared to the applied one;

➤ The quantity of electricity chargeable upon network extraction was increased from 55.4 TWh to 56 TWh. The changed chargeable quantity has contributed **-2.04%** to changing the newly-approved tariff.

#### **Technological system services**

The tariff increase (**25%**) was determined by:

➤ The ex-post positive correction included in the newly-approved tariff, established as per the methodology applicable to compensate the loss cumulated in 2018-2019. The ex-post correction contributed 11.7% to increasing the newly-approved tariff;

The annual forecast of costs recognised in the new procurement tariff for technological system services in the tariff period 1 July 2019 - 30 June 2020 is higher than the forecast of costs recognised in the previous tariff year. The higher cost forecast was determined by higher procurement prices of technological system services under bids during the current tariff period compared to the ANRE-forecasted prices. The decrease of the annual cost forecast contributed **14.43%** to changing the newly-approved tariff;

➤ The quantity of electricity chargeable upon network extraction was increased from 55.4 TWh to 56 TWh. The changed chargeable quantity contributed **-1.1%** to changing the newly-approved tariff in comparison to the applied one.

## SIGNIFICANT TRANSACTIONS

The legal documents concluded according to the provisions of article 82 from Law 24/2017 regarding significant transactions concluded with affiliated parties in 2019 were reported in Current Reports and include:

- Current report of April 16 – addendum 1 to contract C136/28.06.2018 with subsidiary Teletrans SA as provider.

- Current report of May 16 2019 - contract amounting to more than 50,000 Euro with subsidiary SMART SA.
- Current report of July 17 2019 - 27.06.2019 - effective date of Addendum 5 to contract C256/01.07.2014 concluded with subsidiary Teletrans SA as provider.

## DISPUTES

The most important disputes impacting the Company are provided below:

*Note: For reading facility and understanding all amounts in this chapter are expressed in RON/Euro*

### ▪ RAAN

File 3616/101/2014 was registered on the docket of Mehedinti Tribunal, Section II Civil, Administrative and Fiscal Disputes pertaining to “claims amounting to 1,090,831.70 RON, value of invoice 1300215/31.12.2013”, file in which the Company is defendant, the claimant being the Autonomous Authority for Nuclear Activities – RAAN.

Civil ruling 127 pronounced on 10.10.2014 by Mehedinti Tribunal decided admitting the request filed by claimant RAAN and compelling the Company to pay 1,090,831.70 RON, the amount under invoice 1300215/31.12.2013.

The Company filed appeal requesting the court to admit it as filed, cancel the decision and rulings appealed against and refer the case to the territorial competent court for judgment, ascertain the compliance with the requirements in articles 1616-1617, Civil Code, for which reason it requested ascertaining the lawful compensation of mutual liabilities and their quenching up to the concurrence of the least amount thereof, namely the total sum the claimant asked in the suing deed, and compel the recurrent - claimant to pay the expenses incurred with this appeal.

The appeal was registered on the docket of the High Court of Cassation and Justice that decided cancelling decision 843/2015 and refer the case for re-judgment to the same instance, the Appeal Court Craiova.

Ruling 124/2017 of the Appeal Court Craiova admitted the appeal filed by Transelectrica and cancelled decision 127/2014 pronounced by Mehedinti Tribunal, and the case was referred to Bucharest Tribunal, Section VI Civil for re-judgment. On the docket of Bucharest Tribunal the case was registered under no. 40444/3/2017, which by civil ruling 4406/04.12.2017 decided admitting the request filed by RAAN and obliged Transelectrica to pay

1,090,831.70 RON. This sentence was contested by appeal. The hearing term was set on 13.12.2018.

In 2014-2015 the Company withheld the bonus owed to RAAN under the support scheme based on the provisions of ANRE regulations, namely article 17 para 5 of Order 116/2013 of ANRE president.

Under such circumstances RAAN calculated penalties for it's not collecting the due cogeneration bonus amounting to 3,496,914 RON, withheld by the Company on behalf of uncashed receivables. The Company refused paying the amount of 3,496,914 RON, which was not registered as liability under the support scheme.

File 9089/101/2013/a152 related to contestation against the additional Receivables Table and against debtor RAAN, the disputed amount being 89,360,986 RON.

Transelectrica SA was recorded with 11,264,777 RON in the table of debtor RAAN, in the category of receivables resulting from the debtors' continued activities, although the Company requested the amount of 89,360,986 RON. But the remaining 78,096,209 RON were not registered in the preliminary receivables table on reason that “they are not found as payable liability in the accounting books of RAAN.” Moreover the judiciary liquidator considered the request to record the amount of 78,096,209 RON as being late since it related to 2011 – 2013, for which reason the receivable statement should have been expressed when the insolvency procedure was opened, namely on 18.09.2013. Contestation was submitted against the preliminary receivables table within the legal term and Mehedinti Tribunal admitted the accounting expertise evidence.

On the 14.06.2018 hearing term the case judgment was suspended until settlement of file 3014/2/2014 found on the docket of the High Court of Cassation and Justice, and on 14.02.2019 Mehedinti Tribunal decided connecting the fore-mentioned file to the one marked

9089/101/2013/a140 (about claims – payment demand). Thus case judgment was postponed since the instance considered it useful for case settlement to present Civil ruling 2969/26.09.2018, pronounced by the High Court of Cassation and Justice under file 3014/2/2014, on cancelling Decision 743/2014 of ANRE president.

The settlement of Mehedinti Tribunal by Decision 163 / 20.06.2019 is the following: It admits the exception of decline. It partly admits the main matter as well as the connected contestation. It compels the defendant to pay 16,950,117.14 RON to the claimant, receivable occurred during the procedure and decided registering this amount in the creditors' table constituted against debtor RAAN. It denies the other connected requests. In accordance with article 453 para 2 from the Civil Procedural Code it compels the defendant to pay 1000 RON to the claimant as law court expenses. Appeal right is granted. It was pronounced at public hearing. Document Decision 163/20.06.2019 was issued.

On the 06.11.2019 hearing term the appeal was denied as groundless; final decision; ruling 846/06.11.2019.

*Transelectrica filed review request for decisional contrariety, hearing date of 13.02.2020.*

#### **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, which pertained to "cancelling the control deeds" – Conclusion 7/20.02.2014 issued by the Court of Audit.

On 13.06.2018 the claimant's case was partly admitted. It cancels conclusion 7/20.02.2014, decision 37/9.12.2013 and the control report 35521/6.11.2012 elaborated by the defendant with respect to the measures included in the fore-mentioned decision in items 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 partly the measure of item II.13 meaning to remove the phrase "including what has been found about the invoices issued by FLOREA ADMINSTRARE IMOBILIARA SRL". It denies the other request of the claimant as groundless. It acknowledged the electric power technical expertise report executed for the case by expert Toaxen Vasile. It compels the defendant to pay 121,375 RON to the claimant as law court expenses (in part expert fees and judiciary stamp tax). Document decision 2771/13.06.2018 was issued.

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

Following an audit performed in 2017, 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. NPG Transelectrica SA elaborated 8 contestations against the measures decided by Romania's Court of Audit (CCR) under Decision 8/27.06.2017, requesting its cancellation and that of 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 with terms set after 2019, namely 2020-2021.*

#### **ANRE**

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

On 26.06.2014 ANRE Order 51 was issued and published in the Official Gazette 474/27.06.2014 regarding approval of the average tariff for transmission services, the system service tariffs and zone tariffs for transmission services charged by the National Power Grid Company Transelectrica SA and 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 into calculation for the regulated rate of return (RRR<sup>1</sup>) by ANRE in accordance with the Methodology establishing the tariff for electricity transmission services approved under ANRE Order 53/ 2013 ("Methodology"), have determined a RRR value of 7.7%.

On the 27.03.2018 hearing term the expert fee established on the claimant's behalf was paid and a letter will be decided to be transmitted to the expert in order to elaborate the approved expertise report and submit it to the file on the established term.

<sup>1</sup> RRR - The Regulated Rate of Return is found in specific literature under the short name of WACC – Weighted Average Cost of Capital – and the formula of the two indicators is resemblant:  $RRR = WACC = CCP + Kp/(1 - T) + CCI \times Ki$



On the 25.09.2018 hearing term the settlement in brief was to return by letter to the expert, with a view to elaborate the expertise report and submit it to the file, also mentioning it is impossible to submit the expertise report until the hearing term, which reason will decide postponing the case.

On the 22.01.2019 hearing term the instance approved in principle the accessory intervention request in the defendant's interest (ANRE), expressed by the intervenient ALRO SA, appeal granted with the substance matter. On 25.06.2019 the decision was taken to defer the case in order to enable the parties to get acquainted with the content of the expertise report, therefore a new judgment term was granted on 10.09.2019.

On the 10.09.2019 hearing term taking into account the request of the claimant's representative to get acquainted with the objections expressed by the intervenient and to be provided with the possibility to answer them, taking also into account the claimant submitted meeting notices accompanied by deeds requiring translation, it admits the case deferral request and decides granting *a new hearing term established on 03.12.2019*.

This dispute did not impact the relationship with ANRE nor the Company's financial results.

On the 03.12.2019 hearing term the decision was to defer the case and appoint a new court term to bring up a letter to the expert in order to submit the objection answer to the file, specifying to appear in court on the following term. It will notify the expert to provide a copy of such answer to objections to each party before the next hearing term.

*Next hearing term on 17.03.2020.*

- **OPCOM**

On 24.11.2014 the Electricity and Natural Gas Market Operator OPCOM SA summoned the Company in order to compel it paying the amount of 582,086 Euro (2,585,162 RON), representing the amount paid by it as fine, from the fine total amounting to 1,031,000 Euro, such request being included in file 40814/3/2014.

Previously, the Shareholders' General Assembly of the 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 OPCOM SA requested the law court to compel the Company paying 84,867.67 RON as legal interest

related to the 11.06.2014 – 24.11.2014 time interval, which was added the law court expenses amounting to 37,828 RON.

The case instituted by OPCOM SA is the subject of file 40814/3/2014, on the docket of Bucharest Tribunal, Section VI Civil, pertaining to claims, subject matter - dispute with professionals.

On 24.07.2015 during the law court session the instance admitted the suing filed by claimant Electricity and Natural Gas Operator OPCOM SA in contradiction with defendant National Power Grid Company Transelectrica SA and obliged the defendant to pay 582,086.31 Euro to the claimant which was the amount the claimant has paid instead of the defendant from the sum of the 1,031,000 Euro fine applied by Decision of the European Commission on 05.03.2014 in the case AT.39984, as well as the legal interest associated to 582,086.31 Euro, calculated from 11.06.2014 until actual payment. The instance also obliged the defendant payment 37,828 RON as law court expenses, with appeal right within 30 days from notification. Transelectrica SA filed appeal against ruling 4275/2015 pronounced under the fore-mentioned file, which was registered on the docket of the Appeal Court Bucharest.

The Appeal Court's settlement in brief: it admits the appeal, it changes entirely the civil ruling appealed against, meaning it denies the suing as groundless. It compels the recurrent-claimant to pay law suit expenses amounting to 16,129 RON 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 / 10.10.2016.

OPCOM S.A filed appeal, registered with the High Court of Cassation and Justice.

Hearing term with the High Court of Cassation and Justice: 13.03.2018. The High Court of Cassation and Justice's settlement in brief: It admits the appeal filed by the recurrent-claimant Electricity and Natural Gas Operator OPCOM SA against decision 1517/10.10.2016 pronounced by the Appeal Court Bucharest, Section V Civil. It invalidates the decision appealed against and referred the case to the appeal instance for new judgment; 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 RON as law suit expenses to the respondent in appeal-claimant. Appeal right granted within 30 days from notification.

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

In 2014 the Company registered a provision amounting to 2,670,029 RON for the dispute with Subsidiary OPCOM SA.

In file 17765-3-2019 the matter is to compel defendant OPCOM SA to pay 4,517,460 RON of invoice series TEL 16 AAA 19533/29.07.2016, representing VAT value, associated to the contribution of NPG Transelectrica SA to the share capital of OPCOM SA, issued under the Loan Contract 7181RO/2003, commitment to finance the investment of the "Electricity Market Project"; compelling OPCOM SA to pay 1,293,778.27 RON under invoices TEL 19 T00 17/28.01.2019 and TEL 19 T00 131/10.07.2019 representing legal penalising interest calculated for failure to pay in due time the invoice series TEL 16 AAA 19533/29.07.2016.

The amount of 4,517,460 RON, the main debit of petition 1 of this case represents VAT associated to OPCOM's share capital increase by contribution in kind, substantiated in intangible assets received as corresponding to phase I A and phase II of contracts P081406-O-C78, P081406-C125 and P081406-C300.

On the hearing term of 27.09.2019 the inadmissibility exception is rejected as well as the prescription exception as groundless. It denies the request as groundless. It denies the creditor's request to compel the debtor to pay law court expenses as groundless. Cancellation request granted 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: In accordance with the provisions of article 94 para 3 of the Internal Organisation Regulation of Judiciary Courts, approved by CSM Decision 1375/2015, the appeal means stated against the same ruling are settled by the initially established law court and taking into account both the debtor and the creditor requested cancelling the hearing conclusion of 27.09.2019 pronounced by Bucharest Tribunal, Section VI Civil under file 17765/3/2019, pertaining to pay ordinance, it decides referring this file for settlement to the first law court invested with settling an appeal mode against the hearing conclusion of 27.09.2019 pronounced by Bucharest Tribunal, Section VI Civil under file 17765/3/2019, namely Law court pannel 11 AO, initially invested with file 34022/3/2019, pertaining to cancellation request.

- **CONAID COMPANY SRL**

In 2013 Conaid Company SRL sued NPG Transelectrica for its unjustified refusal to sign an addendum to the connection contract or a new connection contract an requested compensations amounting to 17,419,508 RON for the expenses incurred until that date, as well as

unachieved profits in 2013-2033 amounting to 722,756,000 EUR. To date the Company has not concluded an addendum to the connection contract because the suspensive conditions included in the contract were not complied with by Conaid Company SRL. A new connection contract should have been concluded by 11 March 2014, expiry date of the technical connection endorsement. On the date of these financial statements the amounts claimed by Conaid Company SRL were considerate as contingent liabilities because it is unlikely to require resource output including economic benefit in order to settle such obligation, and the amount of such obligation cannot be assessed with sufficient credibility. File 5302/2/2013 was on the docket of the High Court of Cassation and Justice, Section of Administrative and Fiscal Disputes, pertaining to obligation to issue administrative deed; case stage - appeal with hearing term on 09.12.2015. On this term the High Court of Cassation and Justice admitted in principle the appeals and established the hearing term on 08 April 2016 for the main issue of such. Judge panel 4 ruled, with the parties summoned.

Case judgment was deferred to 17.06.2016, when the instance again deferred pronouncement until 29.06.2016, when it pronounced Decision 2148/2016 stating as follows: "It denies the exceptions claimed by the recurrent-claimant 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 National Power Grid Company Transelectrica SA against the hearing conclusion on 18 February 2014 and civil ruling 1866 / 11 June 2014, pronounced by the Appeal Court Bucharest, Section VIII of administrative & 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 sentence provisions with respect to the claimant's law suit against the National Regulatory Authority in the Energy domain. It denies the appeals filed by claimant SC Conaid Company SRL by means of the judiciary administrator RVA Insolvency Specialists SPRL and by the intervenient SC Duro Felguera SA against civil ruling 1866 of 11 June 2014, pronounced by the Appeal Court Bucharest, Section VIII of Administrative and Fiscal Disputes. It denies the appeal filed by the defendant National Power Grid Company Transelectrica SA against the hearing conclusion of 25 March 2014, pronounced by the Appeal Court Bucharest, Section VIII of Administrative and Fiscal Disputes; final. It was pronounced at public hearing on 29 June 2016.



On the docket of Bucharest Tribunal, Section VI Civil the case was registered under no. 12107/3/2017. The Tribunal's Civil ruling 4364/23.11.2017 admits the inadmissibility exception and denies the request as inadmissible. It also denies the intervention request to the claimant's interest. Appeal right is granted within 30 days from notification. Appeal was filed to Bucharest Tribunal, Section VI Civil and the court clerk office put it at the parties' disposal 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 RON, consisting of actual damage incurred and unrealised benefit, provisionally estimated at 100,000 Euro... taking into account the unjustified refusal of Transelectrica SA to conclude and sign an addendum to Contract C154/27.04.2012, and in case the instance deem in formal terms the claimant's obligation of suspensive terms cannot be considered as fulfilled, such non-execution is owed to the exclusive guilt of Transelectrica SA, as the defendant prevented the compliance with the terms".

On the hearing term of 15.10.2019 it denies as groundless the exceptions of: absence of active processual quality and absence of interest. It joins the prescription exception to the substance matter. Appeal together with substance matter. Pronounced by placing the settlement to the parties' disposal by means of the court's clerk office.

The term granted to further examining the trial is on 26.11.2019, summoning the parties. Appeal together with substance. It was pronounced by placing the settlement to the parties' disposal by the court's clerk office.

Deferred in order to provide the expertise evidence and the term was granted on 21.01.2020.

*On 21.01.2020 the case was deferred in order to perform the expertise and a new term was granted on 31.03.2020.*

#### **FF WIND ENERGY INTERNATIONAL SRL**

File 47332/3/2017 was registered on the docket of Bucharest Tribunal, Section VI Civil whereby Company FF Wind Energy International SRL requested in contradiction with NPG Transelectrica SA cancelling the one-sided statement to denounce the RET connection contract 85/14.03.2011 issued on 02.03.2016 under no. 8295, and compelling the Company to pay 32,777,167.35 RON as prejudice following contract

termination as well as 45,000,000 Euro, representing the devaluation quantum of Company FF Wind Energy International SRL by hindering its purpose.

On the 28.12.2018 hearing term the instance denied the suing as specified as being groundless. It ascertained the defendant had not requested law suit expenses. Appeal right granted 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 were submitted to Bucharest Tribunal, Section VI Civil. Document: Ruling 3891 / 28.12.2018.

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

*FF Wind filed appeal, against which Transelectrica will file opposition until 09.02.2020.*

#### **NAFA**

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 RON, ANAF – DGAMC established additional fiscal liabilities payable by the Company, amounting to 35,105,092 RON, as well as accessory fiscal ones (interest/delay indexations and penalties), amounting to 63,908,307 RON.

ANAF's Tax inspection report mainly records the following additional payment liabilities: income tax amounting to 13,726,800 RON and accessories, owed for a number of 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 of 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 the Taxation decision F-MC 439/30.06.2017, in accordance with OG 92/2003 with respect to the Fiscal Procedural Code.

ANAF issued enforcement title 13540/22.08.2017 based on which the additional payment obligations were executed in accordance with the Taxation decision F-MC 439/30.06.2017.

The Company requested cancelling the enforcement title 13540/22.08.2017 from the Appeal Court under file 7141/2/2017. Settlement in brief: It admits the exception of material incompetence of the Appeal Court Bucharest, SCAF. It declines the material competence of settling the case to the Law Court of Bucharest 1. No appeal is granted; pronounced at public hearing of 08.02.2018. Document: Ruling 478/2018 / 08.02.2018.

After such competence declining file 8993/299/2018 was registered on the docket of Law Court of Bucharest 1 whereby the Company contested the enforcement initiated according to the enforcement title 13540/22.08.2017, relying on the Taxation decision 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 NPG 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 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 pronounced at public hearing. Document: Conclusion - Suspension 17.04.2018.

File 1802/2/2018 is on the docket of the Appeal Court whereby the Company contested the administrative fiscal Decision F-MC 439/30.06.2017.

On the 06.11.2018 hearing term the court admitted administrating the expertise evidence, in the accounting-fiscalism domain.

*On 21.01.2020 the case was deferred in order to communicate the answer to objections; the following term - 03.03.2020.*

## ▪ ROMENERGY INDUSTRY

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

Transelectrica submitted request to be recorded in the creditors' list with 16,112,165.18 RON, and such receivable was admitted and registered in the preliminary table.

Settlement in brief: The term was established on 14.10.2019, in order to continue the bankruptcy procedure by capitalising the asset and recovering the receivables. The judiciary liquidator will elaborate and submit to the file: - on each 15<sup>th</sup> day of the month the monthly activity reports of the previous month as provided in para 1 of article 59, Law 85/2014; - for the verification term - 5 days before such date the synthetic report every 120 days as provided in the final part of para 3 of article 59, Law 85/2014.

*On the 27.01.2020 hearing term a verification date was set on 11.05.2020 – hall 5, 9:00 h, taking into account Decision 2/22.01.2020 of the General Assembly of judges from Alba Tribunal, which decided suspending the judgment activities.*

## ▪ DAGESH ROM

File 17284/3/2015 is found on the docket of Bucharest Tribunal / Appeal Court and it pertains to claims amounting to 2,784,950 RON, representing the indexation of rent and delay penalties for such rent indexation + 168,500 RON as difference of service fee and delay penalties.

### *Bucharest Tribunal's settlement*

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 RON as law court expenses to the defendant.

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

*Settlement of the Appeal Court Bucharest:* 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 RON as service fee difference for 2012 and 76,265.23 RON 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 RON 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, with hearing term on 12.11.2019 before the High Court of Cassation and Justice.

It denies as groundless the appeals filed by the recurrent-claimant SC DAGESH ROM SRL and the recurrent-defendant the 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 the recurrent-defendant the National Power Grid Company Transelectrica SA with respect to awarding law court expenses; final.

#### ▪ RESITA MUNICIPALITY

File 2494/115/2018\* registered on the docket of Caras Severin Tribunal pertains to suing filed by claimant Resita City that requests compelling defendant Transelectrica SA to pay the following amounts:

- 2,129,765.86 RON representing rent for the land temporarily taken up from the forest fund in 2015;
- 2,129,765.86 RON - land rent for 2016;
- 2,129,765.86 RON - land rent for 2018;
- Legal penalising interest from due date until actual payment.

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

On the 25.10.2019 term the territorial incompetence of Bucharest Tribunal was admitted. It declines the settling competence of this case in favour of Caras-Severin Tribunal. It ascertains a negative competence conflict occurred 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 is granted. Pronouncement will place the settlement at the

parties' disposal by the court's registry. Decision: 2376/25.10.2019.

#### ▪ ELCEN

Transelectrica SA filed contestation against the judiciary administrator's refusal to answer the payment request, which pertains to file 6642/3/2018 registered on the docket of Bucharest Tribunal; by such contestation Transelectrica requested compelling debtor ELCEN SA – a company under insolvency to pay 56,680,387 RON, representing the value of the overcompensation in accordance with Decision 476/30.03.2017 of ANRE president.

Bucharest Tribunal's settlement in brief: It denies as groundless the exception of late contestation claimed by the defendant ELCEN by complaint. It admits the contestation filed against the judiciary administrator's measures; it compelled the debtor to pay 56,680,387 RON, representing unpaid difference under the overcompensation decision 476/30.03.2017 and the invoice series TEL17COG no. 17948/30.03.2017. It admits the request item with respect to compelling the debtor to pay law court expenses.

It compels the debtor to pay 2,500 RON law court expenses to the contestator, representing stamp tax and expertise fee. Appeal right is granted within 7 days from notification; appeal will be submitted to Bucharest Tribunal, Section VI Civil. It was pronounced at public hearing. Document: civil ruling 7834/21.12.2018.

*Elcen filed appeal, which on 11.06.2019 was rejected as groundless.*

#### ▪ ASITO KAPITAL SA

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 of 31,180,857.96 RON) representing security policies for down payments BR – 1500544/18.11.2015 and BR – 1500520/29.07.2015.

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

Settlement in brief: It admits the request and compels the debtor to pay 2,237,750.83 Euro within 20 days from receipt of this decision (equivalent of 9,948,592.64 RON at the 4.4458 RON / Euro exchange rate) 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 RON at 4,4041 RON / Euro exchange rate) representing unreturned down

payment secured under security letter BR-1500520/29.07.2015; 200 RON as law court expenses. Cancellation request right is granted within 10 days from notification.

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

On 01.11.2018 Decision 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 RON – according to Civil Ruling 4067/2017 (4,821,022.53 Euro at 4.4041 RON / Euro);
- 9,948,592.64 RON – according to Civil Ruling 4067/2017 (2,237,750.83 Euro at 4.4458 RON / Euro).

In the casefile 35865/3/2018 (old 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 mn RON; deferred pronouncement: 20.03.2019.

On the 19.02.2019 hearing term when the juridical inquiry 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:

- It denies the request with respect to reversing the enforcement as inadmissible.
- It denies as groundless the request to return the stamp tax relating to the request with respect to reversing the enforcement.

- It denies as groundless 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 the National Power Grid Company TRANSELECTRICA SA; 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 Ruling 3840/19.12.2018, and the file was referred to the Appeal Court Bucharest for settlement, with no hearing term set for the time being. Transelectrica filed contestation within the legal term, hearing term pending.

On the 11.11.2019 term the case was deferred. Settlement in brief: It admits the request; it spreads out the stamp judiciary charge owed by the applicants under this cause, in quantum of 185,790.30 RON into 3 equal monthly instalments due on the 20<sup>th</sup> day of each month, beginning with November 2019, in quantum of 61,930.10 RON each. The rejudgment right was granted within 15 days from notification.

*The next term was set on 17.02.2020.*

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 the Company and them.



## Annexes

### ANNEX 1: Stand-alone statement of financial position - unaudited

| [Mn RON]  | 31.12.2019   | 31.12.2018   | Δ            | Δ (%)        |
|---|--------------|--------------|--------------|--------------|
|   | 1            | 2            | 3=1-2        | 4=1/2        |
| <b>ASSETS</b>                                     |              |              |              |              |
| <b>Non-current assets</b>                         |              |              |              |              |
| Tangible assets                                   | 2,924        | 2,988        | (64)         | (2%)         |
| Intangible assets                                 | 30           | 23           | 7            | 31%          |
| Financial assets                                  | 82           | 80           | 1            | 2%           |
| <b>Total non-current assets</b>                   | <b>3,036</b> | <b>3,091</b> | <b>(56)</b>  | <b>(2%)</b>  |
| <b>Current assets</b>                             |              |              |              |              |
| Inventories                                       | 38           | 35           | 3            | 9%           |
| Trade and other receivables                       | 706          | 1,064        | (358)        | (34%)        |
| Other financial assets                            | 85           | 0            | 85           | n/a          |
| Cash and cash equivalents                         | 321          | 482          | (161)        | (33%)        |
| <b>Total current assets</b>                       | <b>1,149</b> | <b>1,581</b> | <b>(431)</b> | <b>(27%)</b> |
| <b>Total assets</b>                               | <b>4,185</b> | <b>4,672</b> | <b>(487)</b> | <b>(10%)</b> |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>       |              |              |              |              |
| <b>Shareholders' Equity</b>                       |              |              |              |              |
| Share capital, of which:                          | 733          | 733          | 0            | 0%           |
| <i>Subscribed share capital</i>                   | 733          | 733          | 0            | 0%           |
| Share premium                                     | 50           | 50           | 0            | 0%           |
| Legal reserves                                    | 124          | 124          | 0            | 0%           |
| Revaluation reserves                              | 481          | 523          | (42)         | (8%)         |
| Other reserves                                    | 16           | 67           | (51)         | (76%)        |
| Retained earnings                                 | 1,459        | 1,313        | 146          | 11%          |
| <b>Total shareholders' equity</b>                 | <b>2,863</b> | <b>2,809</b> | <b>54</b>    | <b>2%</b>    |
| <b>Non-current liabilities</b>                    |              |              |              |              |
| Long term deferred revenues                       | 361          | 411          | (51)         | (12%)        |
| Long term borrowings                              | 123          | 144          | (21)         | (15%)        |
| Deferred tax liability                            | 52           | 56           | (4)          | (7%)         |
| Employee benefits liabilities                     | 52           | 52           | 0            | 0%           |
| <b>Total non-current liabilities</b>              | <b>588</b>   | <b>664</b>   | <b>(76)</b>  | <b>(11%)</b> |
| <b>Current liabilities</b>                        |              |              |              |              |
| Trade and other liabilities                       | 562          | 1,021        | (459)        | (45%)        |
| Other tax and social security liabilities         | 9            | 10           | (1)          | (13%)        |
| Short-term borrowings                             | 56           | 53           | 2            | 4%           |
| Provisions  | 68           | 96           | (28)         | (29%)        |
| Short-term deferred revenues                      | 37           | 19           | 18           | 93%          |
| Income tax payable                                | 3            | 0            | 3            | n/a          |
| <b>Total current liabilities</b>                  | <b>734</b>   | <b>1,199</b> | <b>(465)</b> | <b>(39%)</b> |
| <b>Total liabilities</b>                          | <b>1,322</b> | <b>1,863</b> | <b>(541)</b> | <b>(29%)</b> |
| <b>Total shareholders' equity and liabilities</b> | <b>4,185</b> | <b>4,672</b> | <b>(487)</b> | <b>(10%)</b> |



**ANNEX 2: Stand-alone profit or loss statement - unaudited**

| [Mn RON]                               |              |              |               |                       |                           |                           |                               |       |
|--|--------------|--------------|---------------|-----------------------|---------------------------|---------------------------|-------------------------------|-------|
| Indicator                              | 31.12.2019   | 31.12.2018   | Budgeted 2019 | Achieved 2019 vs 2018 | Achieved 2019 vs 2018 (%) | Achieved vs Budgeted 2019 | Achieved vs Budgeted 2019 (%) |       |
|  | 0            | 1            | 2             | 3                     | 4=1-2                     | 5=1/2                     | 6=1-3                         | 7=1/3 |
| Operating revenues                     |              |              |               |                       |                           |                           |                               |       |
| Transmission revenues                  | 1,082        | 1,070        | 1,118         | 12                    | 1%                        | (36)                      | (3%)                          |       |
| System services revenues               | 742          | 702          | 754           | 40                    | 6%                        | (12)                      | (2%)                          |       |
| Balancing market revenues              | 523          | 904          | 851           | (381)                 | (42%)                     | (328)                     | (39%)                         |       |
| Other revenues                         | 51           | 46           | 48            | 4                     | 10%                       | 3                         | 6%                            |       |
| <b>Total operating revenues</b>        | <b>2,398</b> | <b>2,722</b> | <b>2,771</b>  | <b>(324)</b>          | <b>(12%)</b>              | <b>(373)</b>              | <b>(13%)</b>                  |       |
| Operating expenses                     |              |              |               |                       |                           |                           |                               |       |
| System operating expenses              | 352          | 309          | 369           | 43                    | 14%                       | (17)                      | (5%)                          |       |
| Balancing market expenses              | 523          | 904          | 851           | (381)                 | (42%)                     | (328)                     | (39%)                         |       |
| Technological system services expenses | 676          | 678          | 688           | (1)                   | (0%)                      | (11)                      | (2%)                          |       |
| Depreciation and Amortisation          | 280          | 298          | 306           | (18)                  | (6%)                      | (26)                      | (8%)                          |       |
| Personnel expenses                     | 212          | 189          | 216           | 23                    | 12%                       | (4)                       | (2%)                          |       |
| Repairs and maintenance expenses       | 102          | 91           | 110           | 11                    | 12%                       | (9)                       | (8%)                          |       |
| Materials and consumables              | 9            | 12           | 13            | (3)                   | (27%)                     | (4)                       | (33%)                         |       |
| Other operating expenses               | 118          | 141          | 187           | (23)                  | (16%)                     | (69)                      | (37%)                         |       |
| <b>Total operating expenses</b>        | <b>2,271</b> | <b>2,620</b> | <b>2,739</b>  | <b>(349)</b>          | <b>(13%)</b>              | <b>(468)</b>              | <b>(17%)</b>                  |       |
| <b>Operating profit</b>                | <b>126</b>   | <b>101</b>   | <b>31</b>     | <b>25</b>             | <b>25%</b>                | <b>95</b>                 | <b>n/a</b>                    |       |
| Financial income                       | 10           | 17           | 5             | (7)                   | (42%)                     | 5                         | n/a                           |       |
| Financial expenses                     | 17           | 25           | 16            | (8)                   | (33%)                     | 1                         | 7%                            |       |
| <b>Net finance result</b>              | <b>(7)</b>   | <b>(8)</b>   | <b>(11)</b>   | <b>1</b>              | <b>15%</b>                | <b>4</b>                  | <b>35%</b>                    |       |
| <b>Profit before income tax</b>        | <b>119</b>   | <b>93</b>    | <b>20</b>     | <b>26</b>             | <b>28%</b>                | <b>99</b>                 | <b>n/a</b>                    |       |
| Income tax                             | 15           | 12           | 5             | 3                     | 28%                       | 10                        | n/a                           |       |
| <b>Net profit</b>                      | <b>104</b>   | <b>81</b>    | <b>16</b>     | <b>23</b>             | <b>28%</b>                | <b>89</b>                 | <b>n/a</b>                    |       |

**ANNEX 3: Stand-alone cash flow statement - unaudited**

| [Mn RON]   | 31.12.2019     | 31.12.2018     | Δ            | 2019 vs 2018 (%) |
|--|----------------|----------------|--------------|------------------|
| <b>Cash flows from operational activities</b>                          |                |                |              |                  |
| Profit of the period   | 104.5          | 81.3           | 23           | 28%              |
| <b>Adjustments for:</b>  |                |                |              |                  |
| Income tax expense   | 15.0           | 11.8           | 3            | 28%              |
| Amortisement expense   | 271.6          | 298.3          | (27)         | (9%)             |
| Expenses with adjustments for trade receivables impairment             | 5.9            | 12.1           | (6)          | (51%)            |
| Revenues from reversal of adjustments for trade receivables impairment | (4.0)          | (8.3)          | 4            | 52%              |
| Losses from various debtors  | 1.2            | 0.0            | 1            | n/a              |
| Net revenues with adjustments for various debtors impairment           | (1.4)          | (32.9)         | 32           | 96%              |
| Net expenditures with adjustments for inventories impairment           | (0.2)          | 0.4            | (1)          | n/a              |
| Net profit/ loss on sale of tangible assets                            | 0.4            | (0.1)          | 0            | n/a              |
| Net expenditures on adjustments of value regarding tangible assets     | 0.6            | 1.6            | (1)          | (65%)            |
| Expenses/Revenues regarding provisions for risks and expenses, net     | (27.8)         | 54.0           | (82)         | n/a              |
| Interest expense, interest revenue and unrealised exchange rate gains  | 7.2            | 8.3            | (1)          | (13%)            |
| <b>Cash flows before changes to working capital</b>                    | <b>372.8</b>   | <b>426.3</b>   | <b>(53)</b>  | <b>(13%)</b>     |
| <b>Changes in:</b>   |                |                |              |                  |
| Clients and assimilated accounts - energy and other activities         | 66.3           | (79.7)         | 146          | n/a              |
| Clients – balancing  | 266.5          | (157.0)        | 424          | n/a              |
| Clients – cogeneration   | 24.1           | 20.2           | 4            | 19%              |
| Inventories  | (3.0)          | (2.8)          | (0)          | (9%)             |
| Trade and other liabilities - energy and other activities              | (74.0)         | 110.3          | (184)        | n/a              |
| Liabilities - balancing  | (305.9)        | 178.5          | (484)        | n/a              |
| Liabilities - cogeneration   | (38.1)         | (15.2)         | (23)         | n/a              |
| Liabilities paid as per NAFA's taxation Decision                       | (2.8)          | 0.0            | (3)          | n/a              |
| Other taxes and social insurance liabilities                           | (1.3)          | 1.4            | (3)          | n/a              |
| Deferred revenues  | (29.1)         | (23.0)         | (6)          | (27%)            |
| <b>Cash flows from operational activities</b>                          | <b>275.6</b>   | <b>459.1</b>   | <b>(183)</b> | <b>(40%)</b>     |
| Interest paid  | (8.9)          | (20.3)         | 11           | 56%              |
| Income tax paid  | (15.6)         | (12.5)         | (3)          | (25%)            |
| <b>Net cash generated from operational activities</b>                  | <b>251.1</b>   | <b>426.3</b>   | <b>(175)</b> | <b>(41%)</b>     |
| <b>Cash flows from the investment activity</b>                         |                |                |              |                  |
| Acquisition of tangible and intangible assets                          | (241.7)        | (170.6)        | (71)         | (42%)            |
| Proceeds from non-reimbursable EC financing                            | 0.0            | 11.6           | (12)         | (100%)           |
| Received Interests   | 5.0            | 9.9            | (5)          | (50%)            |
| Participation titles held in TSC NET                                   | 0.0            | (2.2)          | 2            | 100%             |
| Participation titles held in Joint Allocation Office SA                | (1.2)          | 0.0            | (1)          | n/a              |
| Proceeds from sale of tangible assets                                  | 0.0            | 0.7            | (1)          | (98%)            |
| Dividends cashed   | 0.1            | 1.1            | (1)          | (88%)            |
| Other financial assets   | (85.0)         | 0.0            | (85)         | n/a              |
| <b>Net cash used in the investment activity</b>                        | <b>(322.8)</b> | <b>(149.5)</b> | <b>(173)</b> | <b>n/a</b>       |
| <b>Cash flows used in financing activities</b>                         |                |                |              |                  |
| Proceeds from non-current borrowings                                   | 29.5           | 0.0            | 30           | n/a              |
| Repayments of non-current borrowings                                   | (52.2)         | (113.9)        | 62           | 54%              |
| Bond repayment   | 0.0            | (200.0)        | 200          | 100%             |
| Dividends paid   | (67.0)         | (1.5)          | (66)         | n/a              |
| <b>Net cash used in financing activities</b>                           | <b>(89.7)</b>  | <b>(315.4)</b> | <b>196</b>   | <b>62%</b>       |
| <b>Net increase/decrease in cash and cash equivalents</b>              | <b>(161.4)</b> | <b>(38.6)</b>  | <b>(152)</b> | <b>n/a</b>       |
| <b>Cash and cash equivalents as at January 1<sup>st</sup></b>          | <b>482.2</b>   | <b>520.7</b>   | <b>(39)</b>  | <b>(7%)</b>      |
| <b>Cash and cash equivalents at the end of the period</b>              | <b>320.8</b>   | <b>482.2</b>   | <b>(191)</b> | <b>(40%)</b>     |

#### ANNEX 4: Economic-financial indicators of the reporting period - unaudited

| Indicators                             | Formula   | 31.2.2019 | 31.12. 2018 |
|--|---|-----------|-------------|
| <b>Current liquidity ratio (x)</b>     | $\frac{\text{Current assets}}{\text{Current liabilities}}$                      | 1,56      | 1,32        |
| <b>Indebtness indicators (x):</b>      |   |           |             |
| (1) Indebtedness indicator             | $\frac{\text{Debt capital} \times 100}{\text{Shareholder's equity}}$            | 6,2%      | 7,0%        |
| (2) Indebtedness indicator             | $\frac{\text{Debt capital} \times 100}{\text{Committed capital}}$               | 5,9%      | 6,6%        |
| <b>Clients' turnover (days)</b>        | $\frac{\text{Average client balance}^* \times \text{no.days}}{\text{Turnover}}$ | 98,44     | 90,96       |
| <b>Non-current assets turnover (x)</b> | $\frac{\text{Turnover}}{\text{Non-current assets}}$                             | 0,77      | 0,87        |

\*The clients contributing to the turnover (energy, balancing, other clients, and clients with invoices to issue) were taken into consideration. The values corresponding to doubtful clients, the cogeneration scheme and the overcompensation were not included in the average balance.

#### ANNEX 5: Amendment of the Articles of Incorporation of the Company in 2019

None

#### ANNEX 6: Appointment / recalling deeds in 2019

##### Directorate

- In accordance with CS Decision 20/11.04.2019
  - In the context of current Directorate members' mandates reaching term on 20 April 2019 the Supervisory Board decided extending the mandates of provisional Directorate members with 2 months. beginning with 21.04.2019 until 20.06.2019 for the following persons: Marius-Danut CARASOL, Claudia-Gina ANASTASE, Andreea Georgiana FLOREA, Constantin SARAGEA, and Adrian SAVU
- In accordance with CS Decision 21/11.04.2019
  - Mr. Marius-Danut CARASOL is elected as Directorate Chairman, alternatively called Executive Director General or the Company's Chief Executive Officer – CEO for 21 April – 20 June 2019.
- In accordance with CS Decision 30/04.06.2019
  - Supervisory Board members acknowledged the mandates of provisional Directorate members will reach their term on 20 June 2019: Marius-Danut CARASOL, Claudia-Gina ANASTASE, Andreea Georgiana FLOREA, Constantin SARAGEA, and Adrian SAVU
- In accordance with CS Decisions 31, 32, 33, 34, 35 / 04.06.2019
  - Since on 20 June 2019 the mandates of current Directorate members reached their term, the Supervisory Board decided extending the mandates of provisional Directorate members by 4 months, beginning with 21.06.2019 for the following persons: Marius - Danut CARASOL, Claudia - Gina ANASTASE, Andreea Georgiana FLOREA, Alina-Elena TEODORU, and Adrian SAVU
- In accordance with CS Decision 54/19.09.2019
  - The Supervisory Board are recalling Mr. Marius Danut Carasol from his capacities of Directorate member and Chairman

- In accordance with CS Decision 55/19.09.2019
  - The Supervisory Board are electing Mrs. Claudia-Gina ANASTASE as Directorate Chairman, alternatively called Executive Director General or Chief Executive Officer – “CEO” of the Company
- In accordance with CS (Supervisory Board) Decision 60/16.10.2019
  - Since on 20 October 2019 the mandates of provisional Directorate members reached their term, the Supervisory Board decided extending their mandates by two months, beginning with 21.10.2019 for the following persons: Claudia - Gina ANASTASE, Andreea Georgiana FLOREA, and Adrian SAVU
- In accordance with CS Decision 60/16.10.2019
  - Supervisory Board members designated Mr. Virgiliu IVAN and Mr. Luca-Nicolae IACOBICI as provisional Directorate members for two months beginning with 21.10.2019, time interval which will not exceed the completion date of the selection procedure for Directorate members
- In accordance with CS Decision 62/16.10.2019
  - The Supervisory Board elected Mrs. Claudia-Gina ANASTASE as Directorate Chairperson, alternatively called Executive Director General or Chief Executive Officer – “CEO” of the Company
- In accordance with CS Decision 74/13.12.2019
  - Supervisory Board members acknowledged the term end on 20 December 2019 of mandates for provisional Directorate members: Claudia - Gina ANASTASE, Andreea Georgiana FLOREA, Adrian SAVU, Virgiliu IVAN, and Luca-Nicolae IACOBICI
- In accordance with CS Decisions 75, 76, 77, 78, 79/13.12.2019
  - Supervisory Board members designated the following persons: Catalin NITU, Ionut-Bogdan GRECIA, Adrian MOISE, Ioan FOLESCU, and Andreea-Mihaela MIU as provisional Directorate members for four months beginning with 21.12.2019, with possible extension for sound reasons for two more months, but the mandate term will not exceed the completion date of the selection procedure,
- In accordance with CS Decision 80/13.12.2019
  - The Supervisory Board elected Mr. Catalin NITU as Directorate Chairman, alternatively called Executive Director General or Chief Executive Officer – “CEO” of the Company

## **Supervisory Board**

- In accordance with AGOA Decisions 4, 5, 6, 7, 8, 9, 10 and 11 / 29 March 2019
  - Beginning with 30 March 2019 the following were appointed provisional Supervisory Board members of the Company with two months’ mandate term: Adrian MITROI, Alin Sorin MITRICA, Constantin DUMITRU, Virginia Mihaela TOADER, Mihaela CONSTANTINOVICI, Mircea Gheorghe Dumitru COSEA, and Carmen Nina CRISU.
- In accordance with AGOA Decision 5/29 March 2019
  - Mr. Alin Sorin MITRICA, appointed as provisional Supervisory Board member signed the mandate acceptance statement on 02 April 2019, date when his appointment becomes effective.
- In accordance with AGOA Decision 10/29 March 2019
  - Mrs. Carmen Nina CRISU appointed as provisional Supervisory Board member refused accepting the mandate for incompatibility reasons.
- In accordance with Decisions 13/08.04.2019 and 14/08.04.2019
  - The Supervisory Board decided electing Mr. Mircea Gheorghe Dumitru COSEA as Supervisory Board Chairman and appointing Mr. Florin – Radu CIOCANELEA as provisional Supervisory Board member, mandate end on 29 May 2019, expiry date as well for the mandates of Supervisory Board members in office.
- In accordance with AGOA Decisions 14 & 15 / 14 May 2019
  - The mandates of provisional Supervisory Board members in the Company are extended by four months beginning with 30 May 2019.

- In accordance with AGOA Decisions 16, 17, 18, 19, 20, 21, 22 and 23 / 20 September 2019
  - The following persons: Adrian MITROI, Petru TARNICERU, Ionica BADILA, Mihaela Virginia TOADER, Mihaela CONSTANTINOVICI, Mircea Gheorghe Dumitru COSEA, and Florin-Radu CIOCANELEA were appointed as provisional Supervisory Board members in the Company beginning with 30 September 2019, with mandate term of two months,
- In accordance with CS Decision 58/10.10.2019
  - Supervisory Board members elected Mr. Mircea Gheorghe Dumitru COSEA as Chairman of the Supervisory Board.
- In accordance with AGOA Decision 24, 25, 26, 27, 28, 29, 30 and 31 / 26 November 2019
  - The following persons: Luiza POPESCU, Sebastian BURDUJA, Jean BADEA, Jean-Valentin COMANESCU, Oleg BURLACU, Adrian GOICEA, and Manuela Petronela STAN-OLTEANU were appointed as provisional Supervisory Board members in the Company beginning with 30 November 2019, with mandate term of four months until 29 March 2020
- In accordance with CS Decision 69/02.12.2019
  - Supervisory Board members elected Mr. Adrian GOICEA as Supervisory Board Chairman
- In accordance with CS Decision 81/13.12.2019
  - Mrs. Manuela Petronela STAN-OLTEANU communicated the Company her refusal to accept the mandate of provisional Supervisory Board member of Transelectrica SA
- In accordance with CS Decision 85/18.12.2019
  - In compliance with Mr. Sebastian-Ioan BURDUJA's notification, beginning with 17.12.2019 he is no longer Provisional Supervisory Board member in the Company.



**ANNEX 7 REPORT (according to HAGEA 4/29.04.2015) on the contracts signed in quarter IV/ 2019 to procure assets, services and work, which value is higher than 500,000 Euro/purchase (for assets and work) and above 100,000 Euro/purchase (for services)**

| No. | Contract number  | Contractual object   | Term | Value   |          | Contract type | Legal base                | Procurement procedure                 |
|-----|------------------|--|------|---------|----------|---------------|---------------------------|---------------------------------------|
|     |                  |  |      | Mii RON | Mii Euro |               |                           |                                       |
| 0   | 1                | 2  | 3    | 4       | 5        | 6             | 7                         | 8                                     |
| 1   | C 919/2019       | 400 kV double circuit OHL Cernavoda – Stalpu and connection in substation Gura Ialomitei   | 24   | 287.649 | -        | Works         | Law 99/2016 + HG 394/2016 | Open bid                              |
| 2   | C 920/2019       | 400 kV substation Stalpu and upgrading the 110 kV & MV bays in substation Stalpu   | 36   | 73.940  | -        | Works         | Law 99/2016 + HG 394/2016 | Open bid                              |
| 3   | C 892/2019       | 400 kV mobile bays to connect bus-bars in the 400 kV substation Bradu and Sibiu Sud  | 12   | -       | 2.446    | Supply        | Law 99/2016 + HG 394/2016 | Open bid                              |
| 4   | C 924/2019       | Motor cars to renew the car park of Transelectrica SA – city cars of capacity from 1.300 cc to 1.600 cc                                | 1    | 2.777   | -        | Supply        | Law 99/2016 + HG 394/2016 | Open bid                              |
| 5   | C 05/2009 AA7    | Addendum 7 to contract 05/2009 – „Business continuity and post-disaster recovery services”   | 12   | -       | 626      | Services      | Law 114/2011              | Negotiation, no preliminar invitation |
| 6   | C 952/2019       | Maintenance of the monitoring system for electricity quality (SMCENEL)   | 36   | 2.776   | -        | Services      | Law 99/2016 + HG 394/2016 | Open bid                              |
| 7   | C 944/2019       | Repairing the 100 MVA, 400 kV shunt reactor Bucuresti Sud  | 11   | -       | 370      | Services      | Law 99/2016 + HG 394/2016 | Open bid                              |
| 8   | PT 75/15210/2019 | Special guard, intervention, monitoring and intervention services in particular situations to the objectives of TB Pitesti             | 6    | 1.471   | -        | Services      | Law 99/2016 + HG 394/2016 | Negotiation, no preliminar invitation |
| 9   | TM 69/2019       | Services to maintain the passage corridors of OHL-s in areas of many tree vegetation   | 24   | 1.459   | -        | Services      | Law 99/2016 + HG 394/2016 | Open bid                              |
| 10  | C 997/2019       | BEI/2010 credit securing contract  | 36   | 814     | -        | Services      | Law 99/2016 + HG 394/2016 | One's own procedure                   |
| 11  | C 886/2019       | Installing two modern means to compensate reactive energy in the 400/220/110/20 kV subst. Sibiu Sud & 400/220/110/20 kV Bradu (design) | 12   | 768     | -        | Services      | Law 99/2016 + HG 394/2016 | Open bid                              |
| 12  | CR 45/2019       | Special guard, intervention, monitoring and intervention services to the objectives of TB Craiova for 4 months                         | 4    | 714     | -        | Services      | Law 99/2016 + HG 394/2016 | Negotiation, no preliminar invitation |
| 13  | C 993/2019       | Subscription for utilisation licence and technical support for an electricity market modelling software                                | 36   | -       | 142      | Services      | Law 99/2016 + HG 394/2016 | Negotiation, no preliminar invitation |
| 14  | BA 764/2019      | Cleaning services in the offices of TB Bacau and DET   | 24   | 650     | -        | Services      | Law 99/2016 + HG 394/2016 | Open bid                              |
| 15  | C 887/2019       | Subsequent contract 2 to the framework agreement C 161/2018 - "Mobile phone and mobile internet services"                              | 12   | -       | 127      | Services      | Law 99/2016 + HG 394/2016 | Reoffer                               |

| No. | Contract number  | Contractual object  | Term | Value   |          | Contract type | Legal base                | Procurement procedure |
|-----|------------------|---|------|---------|----------|---------------|---------------------------|-----------------------|
|     |                  |   |      | Mii RON | Mii Euro |               |                           |                       |
| 16  | PT 62/12745/2019 | Mowing and vegetation removal services with a view to prevent fires in electric substations managed by TB Pitesti                                     | 36   | 531     | -        | Services      | Law 99/2016 + HG 394/2016 | Open bid              |
| 17  | C 950/2019       | Subsequent contract 1 to the framework agreement C 870/2019 - " RCA & CASCO car insurance services for the motor cars owned by NPG Transelectrica SA" | 12   | 483     | -        | Services      | Law 99/2016 + HG 394/2016 | Reoffer               |

## Annex 6 – Glossary

|                         |   |
|-------------------------|---|
| „ANRE”                  | National Regulatory Authority in the Electricity domain   |
| „BAR”/RAB               | Regulated asset base  |
| „BVB”                   | Bucharest Stock Exchange. the operator of the regulated market where the shares are transacted                            |
| „CEE”/EEC               | European Economic Community   |
| „Company”. „NPG”. „TEL” | National Power Grid Company Transelectrica SA   |
| „OTC”                   | One’s own technological consumption   |
| „CS”                    | Supervisory Board   |
| „DEN”                   | National Power Dispatcher   |
| „EBIT”                  | Operational profit before interest and income tax   |
| „EBITDA”                | Operational profit before interest, income tax and amortisement   |
| „EBT”                   | Operational profit before income tax  |
| „ENTSOE”                | European Network of Transmission and System Operators for Electricity   |
| „HG”                    | Governmental decision   |
| „IFRS”                  | International Financial Reporting Standards   |
| „LEA”/ OHL              | Overhead electric lines   |
| „Leu” or „RON” or „RON” | Official currency of Romania  |
| „MFP”                   | Ministry of Public Finance  |
| „MO”                    | Romania’s Official Gazette  |
| „OG”                    | Governmental ordinance  |
| „OPCOM”                 | Operator of the Electricity and Natural Gas Market in Romania<br>OPCOM SA   |
| „OUG”                   | Governmental emergency ordinance  |
| „PZU” /DAM              | Day-ahead Market  |
| „RET”                   | Electricity Transmission Grid. the electric network of national strategic interest with nominal line voltage above 110 kV |
| „SEN”                   | National Power System   |
| “RS”                    | Secondary control (frequency restoration reserve)   |
| “RTL”                   | Slow tertiary control (replacement reserve)   |
| „SMART”                 | Trading Company for Maintenance Services to the Electricity<br>Transmission Grid SMART SA                                 |
| „SSF”                   | Functional system services  |
| „SST”                   | Technological system services   |
| „TEL”                   | Stock exchange indicator for Transelectrica   |
| „TSR”                   | Total shareholders’ return  |
| “EU”                    | European Union  |
| “m.u.”                  | Measuring unit  |
| “USD” or “US dollars”   | American dollar. the official currency of the United States of America  |
| „WACC”                  | Weighted average cost of capital  |

