



NPG TRANSELECTRICA SA

**SUPERVISORY BOARD
REPORT ON THE
ADMINISTRATION ACTIVITY**

January – June 2020

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Review of the stand-alone financial statements by the Board of Supervisors

The Supervisory Board is based on corporate governance principles, which require a responsible, professional and objective attitude of the Company in relation to the interested parties. The Board analyses the Company's strategy and the environment premises in which it operates in order to plan its evolution and performance, ensuring a rigorous formulation of the objectives.

Raportul semestrial al Consiliului de Supraveghere, elaborat în conformitate cu cerințele legislației pieței de capital, a fost revizuit de membrii Consiliului de Supraveghere. Raportul semestrial oferă o imagine fidelă și corectă asupra rezultatelor Companiei pentru semestrul I al anului 2020.

The Audit Committee assists the Supervisory Board in fulfilling its supervisory responsibilities for the financial and management reporting processes, internal control system, audit process and organizational process for monitoring the compliance with laws, regulations and the code of conduct.

The simplified stand-alone interim financial statements on the date and for the six-month period ended June 30, 2020, were prepared in accordance with International Accounting Standard 34 – “Interim Financial Reporting” and were verified by the Supervisory Board's Audit Committee in the meeting of August 14, 2020.

Sincerely,

Adrian GOICEA	Luiza POPESCU	Jean-Valentin COMĂNESCU	Oleg BURLACU	Ciprian Constantin DUMITRU	Mihaela CONSTANTINOVICI	Mircea Cristian STAICU
Supervisory Board Chairman	Member of the Supervisory Board	Member of the Supervisory Board	Member of the Supervisory Board	Member of the Supervisory Board	Member of the Supervisory Board	Member of the Supervisory Board



Corporate Structure

SUPERVISORY BOARD

National Power Grid Company Transelectrica SA ("NPG Transelectrica SA", "Transelectrica" or "Company") is a joint-stock company, which is organised and operates in accordance with the laws of Romania, being administered in a two-tier system, according to the Shareholders' General Extraordinary Assembly decision of July 18, 2012, by a Directorate (consisting of 5 members) under the supervision of a Supervisory Board (consisting of 7 members).

At the date of this report, this is the composition of Transelectrica's Supervisory Board ("SB" or "Board"):

- **Adrian GOICEA – Chairman of the Supervisory Board**

With vast experience in power engineering, as of 2006, Mr. Adrian Goicea is the Director of a consultancy company in the energy sector and he conducted various projects for Romania during his professional career, among which the mammoth project of Iberdrola Renewables (1200 MW), as well as other development projects for wind power in Romania.

In 2001 – 2003, Mr. Adrian Goicea was Director General of OPCOM SA, a subsidiary of NPG Transelectrica SA, promoting this company in the international associations of power exchanges and energy market operators, APEX (worldwide) and EUROPEX (Europe-wide), contributing to higher renown of OPCOM to the level of the most praised entities in this domain. In 1979 – 1985, Mr. Adrian Goicea was active in diplomacy as Diplomat Secretary II, being responsible of economic and consular issues in relation with the DPR Korea.

Mr. Adrian Goicea is an economics graduate, having attended the courses of the Economic Science Academy (1972-1977), having also participated to specific training courses in accounting and renewable energy.

- **Luiza POPESCU – Member of the Supervisory Board**

Having acquired a wide-scale managerial experience in oil and natural gas, after working 8 years (2010-2018) in the oil industry of the United Arab Emirates as Sales Manager and business development in oil, gas and energy, Mrs. Luiza Popescu holds at present the position of Senior Engineer with ELCEN Romania.

Mrs. Luiza Popescu attended a master's degree programme with the Polytechnic University of Bucharest, as well as other professional training courses in countries such as: Switzerland, the Netherlands, Czech Republic, Ontario - Canada, France, Denmark, United Arab Emirates and the UK.

- **Jean-Valentin COMĂNESCU – Member of the Supervisory Board**

As an economist, specialised in business administration, Mr. Jean-Valentin Comănescu has experience both in the economic-financial field as well as in public procurement and investment. Also, Mr. Comănescu holds the title of diplomate engineer in agrotourism management.

Currently, he holds the position of economist for public procurement with the Autonomous Authority the Romanian Auto Register, being also NPG Transelectrica SA Supervisory Board member since November 2019.

For more than ten years, Mr. Comănescu has been working within the Romanian Auto Register, where he carries out and monitors procurement and investment processes, within the entire Company. Mr. Comănescu has consolidated his expertise in the public procurement field through numerous specialisation and training courses completed during 2013-2018. Also, Mr. Comănescu has developed his professional skills, following the courses of a training program in the public internal audit field (2008).

Mr. Comănescu graduated the Economic Studies Faculty of the Nicolae Titulescu University, Bucharest (2014 – 2017) and the Agricultural-Touristic Management Faculty, profile Economic Engineering, specialisation Engineering and Management in Public Alimentation and Agrotourism of Bioterra University, Bucharest (2004 – 2009). Mr. Comănescu graduated post-graduate advanced studies in economics (Faculty of Finance - Accounting, Specialisation in Public Finance and National and Community Fiscal Policies, Nicolae Titulescu University – 2009 – 2011), as well as in the technical field (Faculty of Materials Science and Engineering - Specialisation Processing metallic materials by special processes, Polytechnic University of Bucharest – 2009 – 2011).

• **Oleg BURLACU – Member of the Supervisory Board**

Mr. Oleg BURLACU has got sound experience in the juridical domain, consolidated in over 19 years' experience as a lawyer and juridical counsellor.

In 2000 he began his professional career as Juridical Counsellor with Bytel SRL (2000-2003), and in 2003 was appointed Director General of CONT LEX SRL until 2005. In 2007-2014 he was Coordinator Lawyer with SCA Burlacu & Associates, and since 2014 he has been Coordinator Lawyer with SCPA Burlacu & Partners.

Mr. Oleg Burlacu has completed his professional experience by writing over 12 specialised articles featured in publications specific to the field of activity and also by attending significant conferences, as a speaker.

Licentiate of the Law Faculty from the University of Bucharest, Mr. Oleg Burlacu graduated the master's degree courses of Political Science in Titu Maiorescu University of Bucharest, and currently he is doctor candidate in Institutional, Public and European Law.

• **Ciprian Constantin DUMITRU – Member of the Supervisory Board**

Having a great managerial experience in the private domain, Mr. Ciprian Constantin Dumitru has had different positions in multinational organisations.

As of 2015, he is director general of Co. New Challenge Marketing Research, having been previously active in human resources management for different private companies.

Mr. Ciprian Constantin Dumitru graduated the Law School of the Romanian-American University (2000), the post-graduate courses of the Police Academy A. I. Cuza, speciality "International Relations".

Also Mr. Dumitru attended specific training courses such as: "Business Leadership Practices Course" (2003), "Basic and Methods in Offensive Marketing" (2003), "Operations Training Workshop" with MSPA Europe Berlin (2008).

• **Mihaela POPESCU (CONSTANTINOVICI) – Member of the Supervisory Board**

Mrs. Mihaela Constantinovici has acquired wide managerial experience both in the private and in the public sector, in time holding various top-management positions.

From 2017 to date, Mrs. Constantinovici has been member in the Board of Administration of CASA OPSNAJ. Also, in March - November 2019, Mrs. Constantinovici has been Member in the Supervisory Board of NPG Transelectrica SA.

Graduate of the Academy of Economic Studies Bucharest, Management Faculty, Mrs. Constantinovici attended the Post-Graduate Public Administration and Good Governance Course of the Babes Bolyai University under a partnership with Michigan State University and has got a Master degree in Political Sciences and Criminalistics. Mrs. Mihaela Constantinovici has also followed several courses in: National Security, Good Governance and Diplomacy.

• **Mircea Cristian STAICU – Member of the Supervisory Board**

Mr. Mircea Cristian Staicu has got sound experience in the public central administration domain.

In time he had several positions in governmental issues: personal counsellor of the Minister of Transportation (July - December 2016), Deputy Secretary General in the Ministry of Transport and Infrastructure (October 2010 - June 2012), Secretary General in the Ministry of Culture, Cults and National Patrimony (April 2009 - October 2010), as well as personal counsellor of the Minister of Culture (December 2008 - April 2009).

Mr. Mircea Cristian Staicu graduated the Political Science Faculty within the National Political & Administrative Science School (2000), the Faculty of Juridical and Administrative Science from Dimitrie Cantemir University, speciality Juridical Science (2000), and attended the Master degree courses in Political Science and Public Communication of the SNSPA.

SUPERVISORY BOARD ADVISORY COMMITTEES

At the date of this report, the Supervisory Board advisory committees have the following powers and composition:

Audit committee

Members of this committee are Jean - Valentin COMĂNESCU (Chairman), Adrian GOICEA, Luiza POPESCU, Ciprian-Constantin DUMITRU, Mihaela CONSTANTINOVICI.

Among the audit committee's duties there are: monitoring the effectiveness of internal control, internal audit and risk management systems within Transelectrica, verifying and monitoring the independence of the external auditors, statutory audit activity of the annual financial statements and the approaches proposed by external auditors, while coordinating their activity with the internal audit.

The audit committee monitors the financial reporting and management processes, as well as the financial plan and the elaboration of the annual financial statements and the consolidated annual financial statements; it monitors and analyses the achievement of transmission system performance indicators and of the economic – financial performance indicators of the company's activity.

The audit committee plays an important role in verifying the efficiency of the monitoring system for the compliance with the laws and regulations applicable to the Company's activity and the results of the management's inquiries in non-compliance cases.

At the same time, it assists the Supervisory Board in fulfilling its supervising responsibilities to elaborate and update the company's general development strategy; it assists the Supervisory Board in identifying the major development directions in the field.

Observing the principles of corporate governance established by the Corporate Governance Code of the Bucharest Stock Exchange represents a continuous commitment made by the Supervisory Board. Through the Audit Committee, the Supervisory Board intends to increase the transparency regarding the activities of Company organisational entities by implementing new internal regulations for internal public audit, as well as for the significant risk management within NPG Transelectrica SA.

Nomination and remuneration committee

Members of this committee are Luiza POPESCU (Chairman), Adrian GOICEA, Jean-Valentin COMĂNESCU, Oleg BURLACU, Ciprian-Constantin DUMITRU, Mircea Cristian STAICU, Mihaela CONSTANTINOVICI.

Regarding the nomination area, the Nomination and remuneration committee coordinates the appointing of Directorate members and makes recommendations regarding both the position of Directorate member and filling the vacancies in the Supervisory Board.

The Nomination and remuneration committee establishes the requirements for occupying a certain position in the Company's management and permanently updates the professional skills of the Directorate members.

Regarding the remuneration area the Nomination and remuneration committee elaborates the remuneration policy for the Directorate and Supervisory Board members and submits it to the Shareholders' General Assembly for approval.

The Nomination and remuneration committee presents in the annual report the total amount of direct and indirect remuneration of the Directorate and Supervisory Board members, respecting the principle of its proportionality with the responsibility and time dedicated to the performance of their duties.

Energy Security Committee

Members of this committee are Oleg BURLACU (Chairman), Ciprian-Constantin DUMITRU, Adrian GOICEA, Luiza POPESCU, Jean-Valentin COMĂNESCU, Mircea Cristian STAICU, Mihaela CONSTANTINOVICI.

The Energy security committee monitors and advises the Supervisory Board, the Directorate and the Company's specialised departments in the implementation of the strategic objectives on system operation and energy security for the National Power System ("NPS"), PTG energy security, energy security and protection of critical infrastructure.

Another task it is engaging in, under the mandate of the Supervisory Board, together with the Directorate, is the dialogue with public authorities with responsibilities and competence in energy security (Ministry of Energy Economy and Business Environment, Parliament Specialised Committees).



Board of Supervisors' Activity

SUPERVISORY BOARD ACTIVITY

During the first semester of 2020, the Supervisory Board members met in 19 meetings, out of which we present below a selection of the discussion points on the agenda.

The following topics were addressed as a priority:

- the Company's investment programme for 2020 and the estimated investment expenditures for 2021 and 2022;
- the Company's income and expense budget for 2020 as well as for 2021 and 2022;
- implementation of the Annual Investment Programme and the Annual Programme for Sectoral Procurement in 2019;
- stand-alone and consolidated financial statements together with the Reports of the date and for the financial year ended on December 31, 2019, prepared according to OMFP 2844/2016, with later amendments and additions, for the approval of Accounting Regulations in accordance with the International Financial Reporting Standards together with the Financial Reporting of the financial year ended on December 31, 2019;
- the measures ordered by the Company's Directorate in the epidemiological context generated by the COVID-19 pandemic in order to protect employees and reduce the risk to develop the disease but also measures ordered to ensure business continuity in the context of COVID-19 cases among operational staff;
- the simplified stand-alone interim financial statements together with the related Reports of the date and for the three-month period ended on March 31, 2020;
- the rules of organisation and operation of the Company's Supervisory Board and the internal Rules of the Company's Directorate with the date of entry into force starting with June 10, 2020;

At the same time, the Supervisory Board agreed with initiating the procurement procedure for 5 major investment projects, with total estimated value of about RON 483 mn.

On 29 May 2020 Supervisory Board members of NPG Transelectrica SA took an operational visit to the 400/110/20 kV electric transformer substation Domnesti where one of the Company's most important investment objectives of the Capital City area is performed.

In 05 - 13.02.2020 the Supervisory Board discussed with the programme / project directors of the Investment Division. At the end of such discussions a report was elaborated, which comprises the findings of the talks and the Supervisory Board's recommendations to improve the investment process;

In the first semester the **Nomination and Remuneration Committee** organised 4 meetings where they examined the Company's organisational structure, the personnel remuneration policy, the procurement and investment activities performed in the Executive part and in the Teritorial Transport Units. Proposals and recommendations have been also elaborated for the provisional Directorate members.

During the same period, 2 (two) meetings of the **Audit Committee** took place, where they verified the 2020 Annual investment plan of NPG Transelectrica SA and the investment expenses for 2021 & 2022; the 2020 Revenue and expense budget and the 2021-2022 estimations were verified. There were also discussions about achieving the Plan of audit missions of 2019, the stage of implementing the recommendations made after the 2019 audit missions and they acknowledged the 2020 Plan of internal public audit missions. The Audit Committee's 2019 Report of the Supervisory Board of NPG Transelectrica SA was elaborated, including also the internal control and management systems for the significant Company risks, and the 2019 stand-alone / consolidated interim simplified financial statements of Transelectrica were verified, as well as the financial auditor's Report.

The **Energy Security Committee** held 5 (five) meetings in the first half of 2020 where they examined the problems / risks identified with respect to energy security; proposals and solving methods for such problems / risks and remuneration insufficiency as security problem in the Company; the organisational structure was analysed and the activities performed by the Departments of Critical Infrastructure and Classified Information.

They have also debated the measures applied by the Company for SEN security during the pandemy period.

Another issue addressed was the situation of Transelectrica's buildings in terms of fire safety .

The topics discussed in the SB meetings of the first semester are presented in detail in the following:

- In the meeting of **06.01.2020**, the Supervisory Board appointed Mr. Ciprian Constantin Dumitru as a provisional Supervisory Board member, term of office until March 29, 2020, but not later than the appointment date of a Supervisory Board member by the Shareholders' General Assembly;

- In the meeting of **09.01.2020**, the Supervisory Board took note of the resignation of the Company's provisional Directorate member Mr. Ioan Folescu starting with 09.01.2020, - appointed Mr. Corneliu-Bogdan Marcu as a provisional member of the Directorate, starting with 09.01.2020, until April 20, 2020, the mandate will not exceed the date of completion of the selection procedure of the Company's Directorate members under GEO 109/2011, if the procedure will be completed within this interval.

- In the meeting of **13.01.2020**, the Supervisory Board appointed Mr. Ciprian Constantin Dumitru as a member of the Nomination and Remuneration Committee and of the Energy Security Committee within the SB.

- appointed Mrs. Luiza Popescu as chairperson of the Nomination and Remuneration Committee and of the Energy Security Committee of the SB,

- agreed with the initiation of the procurement procedure having as object "220/110 kV Fîleşti substation refurbishment",

- requested the Directorate to present reports, presentations, financial results and statements.

- At the meeting of **21.01.2020**, the Supervisory Board verified the Company's Investment Programme for 2020 and the estimated investment expenditures for 2021 and 2022 (PAI),

- requested from the Directorate an information regarding the correspondence with State institutions.

- In the meeting of **28.01.2020**, members of the Supervisory Board verified the Company's Investment Programme for 2020 and the estimated investment expenditures for 2021 and 2022,

- verified the Company's Income and Expense Budget for 2020, the estimates for 2021 and 2022,

- finalised the note for convening the SGA in order to modify the form of the mandate contract approved by the SGOA and requested the Directorate to introduce it on the agenda of the next SGA meeting.

- In the meeting of **05.02.2020**, the Supervisory Board took note of the resignation of provisional SB member Mr. Jean Badea, starting with 04.02.2020.

- In the meeting of **07.02.2020**, the Supervisory Board appointed Mihaela Constantinovici as a provisional SB member, mandate duration until March 29, 2020, but not later than the appointment date of a SB member by the SGA.

- In the meeting of **11.02.2020**, the Supervisory Board appointed Mr. Mircea Cristian Staicu as a provisional SB member, mandate duration until March 29, 2020, but not later than the appointment date of a SB member by the SGA.

- In the meeting of **13.02.2020**, the Supervisory Board appointed Mr. Mircea Cristian Staicu, as a member of the Nomination and Remuneration Committee and of the Energy Security Committee within the SB,

- appointed Mihaela Constantinovici as a member of the Nomination and Remuneration Committee, the Energy Security Committee and the SB Audit Committee,

- audited the Preliminary Stand-alone Financial Statements of the date and for the financial year ended on December 31, 2019 (unaudited),

- took note of the preliminary report for the fourth quarter and January - December 2019 on the Company's economic and financial activity, prepared in accordance with the provisions of the capital market requirements,

- took note of the Directorate's activity report regarding the preliminary results for the fourth quarter and January - December 2019.

- In the meeting of **02.03.2020**, the Supervisory Board agreed with the procurement on the awarding the sectoral works contract "Converting the axis Porțile de Fier - Reșița - Timișoara - Săcălaz - Arad/400/220/110 kV Reșița substation to 400 kV",

- took note of the implementation of the Annual Investment Programme in 2019,

- took note of the implementation of the Annual Programme for Sectoral Procurement in 2019,

- established the final form of the Supervisory Board Report regarding the Investment Division's activity.

- In the meeting of **25.03.2020**, the Supervisory Board verified the stand-alone financial statements of the date and for the financial year ended December 31, 2019, the consolidated financial statements of the date and for the financial year ended December 31, 2019,

- took note of the Independent Auditor's Report on the stand-alone financial statements for the financial year ended December 31, 2019, the Independent Auditor's Report on the consolidated financial statements for the financial year ended December 31, 2019,

- verified the Annual Report on the Company's stand-alone financial statements for the financial year ended December 31, 2019, the Annual Report on the Company's consolidated financial statements for the financial year ended December 31, 2019,

- took notice of the note on the approval by the SGA of the establishment of reserves related to the revenues from the allocation of transmission capacity on the interconnection lines in 2019 from the surplus realised from revaluation reserves non-taxable and taxable upon change of destination,
- took note of net profit distribution as of December 31, 2019,
- took note of the proposal to cover the loss arising from the actuarial losses from the surplus realised from revaluation reserves taxable upon change of destination,
- took notice of the note on the prescription of the shareholders' right to dividends of 2016,
- approved the final form of the H2 2019 Supervisory Board Activity Report,
- took note of the 2019 Sustainability Report,
- took note of the 2019 Consolidated Non-Financial Report,
- took note of the 2018 Report of the Supervisory Board Audit Committee on the internal control and significant risk management systems within the Company,
- took note of the 2019 Report of the Nomination and Remuneration Committee,
- requested the submission of the Auditor's Additional Report to the Audit Committee assumed through signature signed by it,
- requested the Directorate to provide information on measures taken in the epidemiological context of the new coronavirus pandemic to protect employees and reduce the risk for COVID 19 disease and information on measures taken to ensure continuity in the event of COVID 19 cases among operational personnel.
- In the meeting of **08.04.2020**, the Supervisory Board took note of the expiry on April 20, 2020 of the mandate of provisional Directorate member, Mr. Adrian Moise,
 - decided to extend for a period of 2 months, starting with 21.04.2020, until 20.06.2020, the mandates of the following provisional Directorate members: Cătălin Nițu, Ionuț-Bogdan Grecia, Andreea-Mihaela Miu and Bogdan Marcu,
 - appointed Mr. Marius Viorel Stanciu as a provisional Directorate member, for a mandate of 2 months starting with 21.04.2020, until 20.06.2020,
 - elected as Directorate Chairman, alternatively called Executive Director General or Chief Executive Officer - "CEO" of the Company, Mr. Cătălin Nițu,
 - took note of the conclusion of the works contract "Connection of 400 kV OHL Isaccea - Varna and 400 kV OHL Isaccea-Dobrudja to the 400 kV Medgidia Sud substation Stage I - Extension of the 400 kV Medgidia Sud substation",
 - recommended to the Directorate the analysis of the opportunity of a loyalty and reward policy for the

operational personnel within the Company (essential positions) and the establishment of clear obligations and tasks that they must fulfill in critical situations, so as not to endanger the proper operation of NPS,

- recommended to the Directorate the analysis of the opportunity of some thermal scanning systems to be installed at the entrance to the important sites of the Company.

- In the meeting of **23.04.2020**, the Supervisory Board agreed to close the secondary offices without legal personality of the Transmission Branches and to establish the secondary offices without legal personality of the Territorial Transmission Units, to convene the SGEA in order to approve the corresponding amendment of the Articles of association.

- In the meeting of **13.05.2020**, the Supervisory Board agreed to initiate the procurement operation having as object the award of the sectoral works contract "400 kV d.c. OHL Gutinaș - Smârdan",
 - agreed with the issuance by the Directorate of a Decision on ensuring the financial flow for the implementation of the investment project "400 kV d.c. OHL Gutinaș - Smârdan" and the coverage of the value of expenses, other than those of financing from non-reimbursable European funds, including VAT,
 - agreed with the initiation of the procurement operation having as object the award of the sectoral works contract "Modernisation of the 220/100/20 kV Arefu substation",
 - audited the simplified stand-alone interim financial statements of the date and for the three-month period ended March 31, 2020,
 - took note of the Directorate's Activity Report on the results for Q1 2020,
 - took note of the Quarterly Report for Q1 2020 on the Company's economic and financial activity,
 - took note of the implementation state of the Annual Programme for Sectoral Procurement for Q1 2020,
 - requested the Directorate to take the necessary measures to unblock the procurement procedures and speed up the procurement process,
 - requested to be informed by the Directorate regarding the cancellation of each procurement procedure in the period January-March 2020.

- In the meeting of **02.06.2020**, the Supervisory Board members elected Mr. Adrian Goicea as Supervisory Board Chairman.

- have appointed the following persons as members of the Nomination and remuneration committee:
 - Luiza POPESCU - chairman
 - Adrian GOICEA - member
 - Jean – Valentin COMĂNESCU - member
 - Oleg BURLACU - member
 - Ciprian Constantin DUMITRU – member

- Mircea Cristian STAIKU – member
- Mihaela CONSTANTINOVICI – member
- have appointed as members of the Audit Committee of the Supervisory Board:
 - Jean – Valentin COMĂNESCU - chairman
 - Adrian GOICEA - member
 - Luiza POPESCU - member
 - Ciprian Constantin DUMITRU – member
 - Mihaela CONSTANTINOVICI – member
- have appointed as members of the Energy Security Committee of the Supervisory Board:
 - Oleg BURLACU - chairman
 - Ciprian Constantin DUMITRU - member
 - Adrian GOICEA - member
 - Luiza POPESCU – member
 - Jean – Valentin COMĂNESCU – member
 - Mircea Cristian STAIKU – member
 - Mihaela CONSTANTINOVICI – member
- In the meeting of **09.06.2020**, the Supervisory Board appointed the following persons as provisional Directorate members: Cătălin Nițu, Ionuț-Bogdan Grecia, Andreea-Mihaela Miu, Bogdan Marcu and Marius Viorel Stanciu, with a mandate of 4 months, starting with 21.06.2020 with the possibility of extension, for reasonable grounds, for another two months, but without exceeding the completion date of the selection procedure of the members of the Company's Directorate, if the procedure will be completed within this period.
- approved the form of the mandate contract, and the remuneration of the Directorate members,
- elected Mr. Cătălin Nițu as Directorate Chairman, alternatively called Executive Director General or Chief Executive Officer - "CEO" of the Company,
- approved the "Rules of Organisation and Operation of the Supervisory Board of National Power Grid Company Transelectrica SA", entry into force on 10.06.2020.
- approved the "Internal Rules of the Company's Directorate", entry into force on 10.06.2020.
- agreed with the initiation of the procurement operation of a credit contract to grant a ceiling for issuing bank guarantee letters of payment, amounting to 33,000,000 RON, valid for 12 months,
- agreed with the initiation of the procurement operation regarding the award of the sectoral works contract "400/110 kV Pelicanu transformer substation refurbishment".



Financial Data

The summary of the financial results on H1 2020 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.

Separate statement of profit or loss		
[RON mn]	H1 2020	H1 2019
Charged energy volume [TWh]	26.26	27.92
ALLOWED PROFIT ACTIVITIES		
Operating revenues	581	609
Operating expenses	344	369
EBITDA	236	239
Depreciation	136	142
EBIT	100	97
ZERO PROFIT ACTIVITIES		
Operating revenues	509	575
Operating expenses	464	633
EBIT	45	(58)
ALL ACTIVITIES (WITH PROFIT ALLOWED AND ZERO-PROFIT)		
Operating revenues	1,090	1,184
Operating expenses	809	1,002
EBITDA	281	182
Depreciation	136	142
EBIT	145	40
Net finance result	(2)	(4)
EBT	143	35
Income tax	28	5
Net profit	116	30

Separate statement of financial position		
[RON mn]	H1 2020	2019
Non-current assets		
Tangible assets	3.429	3.440
Intangible assets	27	23
Financial assets	82	82
Assets of the usage rights for leased assets - buildings	2	6
Total non-current assets	3.540	3.551
Current assets		
Inventories	42	38
Trade and other receivables	613	706
Other financial assets	92	85
Cash and cash equivalents	428	321
Total current assets	1.174	1.150
Total assets	4.715	4.700
Shareholders' Equity		
Non-current liabilities		
Long term borrowings	113	123
Other non-current liabilities	559	561
Total non-current liabilities	672	684
Current liabilities		
Other loans and assimilated liabilities - Leasing of building	2	6
Short-term borrowings	142	56
Other current liabilities	535	670
Total current liabilities	679	732
Total liabilities	1.351	1.416
Total shareholders' equity and liabilities	4.715	4.700

Note: For reading facility and result understanding, certain figures provided in graphs and/or tables use RON million 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.

OPERATIONAL RESULTS

Charged volume of energy

Between January – June 2020, the total charged energy volume for the services performed on the energy market (26.26 TWh) registered a decrease of 6% compared to the first semester of 2019 (the difference between the two periods being -1.66 TWh).

Operational revenues

The total operational revenues of the first semester of 2019 registered a 8% decrease compared to the similar period of the previous year (RON 1,184 mn in H1 2019, from RON 1,090 mn in H1 2020), mainly due to the operational revenues related to the zero-profit activities (balancing market), but also due to reducing the amount of delivered electricity.

The **allowed profit activities** segment registered a 5% decrease in revenues (RON 609 mn in H1 2019, compared to RON 581 mn in H1 2020), mainly due to the 8% decrease in transmission revenues and other energy market revenues (RON 552 mn in H1 2019, compared to RON 507 mn in H1 2020), following the decrease in the amount of electricity delivered to consumers and the decrease in the average tariff for the transmission service approved by ANRE, decrease due, last but not least, to the impact generated by the COVID-19 pandemic.

Since mid-March 2020, EU Member States have taken restrictive measures to slow the spread of COVID 19. These measures have included the closure of factories, schools, restaurants, cafes, hotels and forcing the population to stay home.

Many companies have reduced their production levels due to lack of demand or interruption of their supply chain. These measures were in force in European countries throughout April 2020, in Romania the state of emergency ceased to take effect on May 15, 2020.

The energy sector has also felt the impact of the coronavirus crisis, with negative effects in particular in the renewable energy sector, which is heavily dependent on the import of components, especially from China.

As a Transmission System Operator (TSO), Transelectrica has implemented emergency measures to mitigate the impact of COVID-19, such as additional protection measures to minimise the effects on the health and safety of employees, to ensure business continuity in conditions of safety and ensure the continuity of the Company's objectives.

In H1 2020, revenues from the interconnection capacity allocation registered a 25% decrease compared to last year's same period, in the amount of 10.7 million RON,

corresponding to the level of use of the interconnection capacity availability by electricity market traders.

The mechanism for the allocation of interconnection capacity consists in organising annual, monthly, daily and intra-daily bids. The annual, monthly and intra-day auctions are explicit – only the transmission capacity is bid on, and the daily ones with Hungary are implicit – are allocated simultaneously with the energy and capacity via the coupling mechanism.

The establishment of the regional energy exchange as of November 19, 2014, by Romania, Hungary, Czech Republic and Slovakia means that these four countries should reach the same electricity price for the volumes traded on spot markets. Capacity allocation between Romania and Hungary, the only one of the 3 countries Romania has a border with, is performed by transmission operators: Transelectrica and MAVIR, using a common mechanism based on a bilateral agreement.

Starting with 2016, the UIOSI principle has been implemented at the border with Bulgaria, and starting with 2017 at the border with Serbia as well. According to this principle, the participants not using the capacity won at the annual and monthly auctions are compensated (by Transelectrica) for that capacity. The spare capacity is subsequently sold in the daily auctions. On the Hungarian border the direction is reversed, meaning that MAVIR compensates the participants for the unused capacities.

The market for interconnection capacity allocation is fluctuating as prices evolve depending on demand and on the needs of participants on the electricity market to purchase interconnection capacity.

Starting with November 2019, the launch of the second wave within the European Single Intraday Coupling (SIDC) solution took place.

The single intraday market coupling mechanism ensures the continuous harmonization of sale and purchase offers of market participants in a bidding area with sale and purchase offers within its own bidding area and in any other bidding area where cross-border capacity is available. Thus, there are explicit intraday tenders only on the border with Serbia, while on the borders with Bulgaria and Hungary they are implicit (within SIDC).

Using the net incomes from the interconnection capacity allocation is achieved in accordance with the provisions of ANRE order no. 171/2019, updated, and EU Regulation no. 2019/943 of June 5, 2019 on the internal electricity market, as a financing source for the upgrade and development of the interconnection capacity with the neighbouring systems.

The revenues from Inter TSO Compensation (ITC) registered an increase in the first half of 2020 compared to the first half of 2019 by the amount of 1.2 million RON due to the fact that the amount of imported/exported/transited energy was higher than in the previous year, and the applied import/export/transit tariff increased in 2020 compared to 2019.

The revenues from the energy trading for OTC were mainly obtained from the sale of the surplus energy on the Intra-day Market managed by OPCOM and within the PRE CIGA Energy, on the Balancing Market.

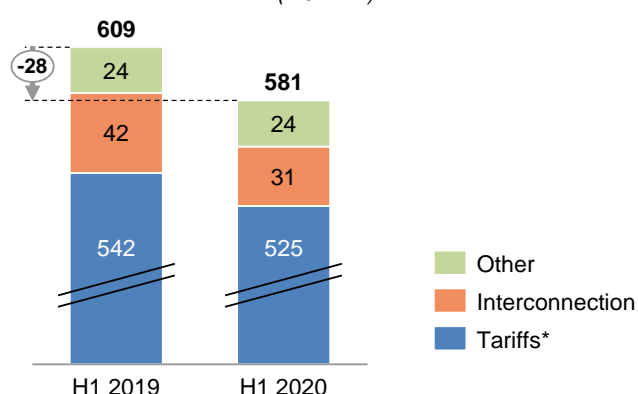
At the end of November 2019, the coupled operation of the intraday market was launched at European level, within the XBID/SIDC project, insuring greater liquidity and a diversity of traded products.

The revenues from OTC transactions were lower in the analysed period of 2020 compared to that of 2019 with a percentage of 21% (from RON 4.6 mn in the first half of 2019 to RON 3.7 mn in the first half of 2020) as the amount of energy sold in H1 2020 was about 800 MWh lower than in H1 2019, and the average selling price on the balancing market was 30% lower due to the Covid-19 pandemic.

Revenues from functional system services and unplanned electricity exchanges recorded an increase of 52% in the first half of 2020 compared to the first half of 2019 determined by the tariff increase approved by ANRE for these services, taking into account the decrease in the amount of electricity delivered to consumers by 6%, respectively 1.66 TWh.

Operating revenues from allowed profit activities

(RON mn)



*transmission tariff, functional system services, reactive energy, unplanned exchanges DAM, ITC, OTC transactions

Revenues from zero-profit activities registered a decrease of 11% (RON 509 mn as of June 30, 2020 compared to RON 575 mn as of June 30, 2019) mainly due to the decrease of the revenues on the balancing market by 41% (from RON 280 mn as of June 30, 2019 to RON 166 mn as of June 30, 2020).

Revenues on the balancing market decreased by RON 114 mn compared to the same period of the previous year as a result of:

- the decrease of the negative imbalance registered within the electricity suppliers on the balancing market;
- the way of contracting on the markets prior to the balancing market;
- evolution of hydraulics;
- the evolution of the average deficit price registered on the balancing market;
- lower electricity demand during a milder winter;
- reduction of electricity consumption, following the regulations issued by the Central Public Administration to prevent the spread of Covid-19.

During the first half of 2020, revenues from technological system services increased by 16% compared to the same period of 2019 (RON 343 mn as of June 30, 2020 compared to RON 295 mn as of June 30, 2019), determined by the tariff increase approved by ANRE for these services, taking into account the decrease by 6% in the amount of electricity delivered to consumers.

- In the first semester of 2020, the revenues from technological system services were higher by the amount of RON 45 mn compared to the expenses regarding the purchase of technological system services. This amount increases the Company's gross profit as of June 30, 2020.

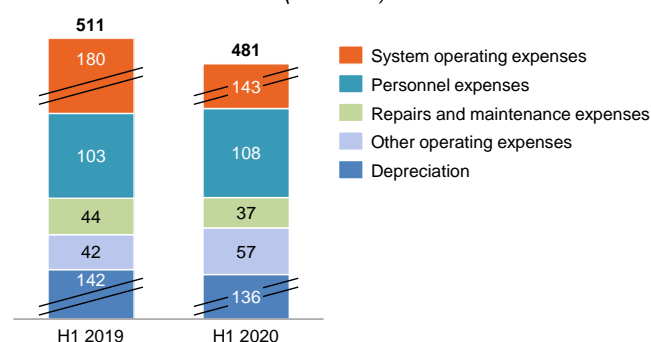
Operational expenses

The total operational expenses (including depreciation) registered in the first semester of 2020 a decrease by 17% compared to the same period of the previous year (RON 945 mn versus RON 1,144 mn in H1 2019).

In the segment of **profit-allowed activities**, expenses (including depreciation) decreased by 6% (RON 481 mn in H1 2020 compared to RON 511 mn in H1 2019).

Operating expenses from allowed profit activities

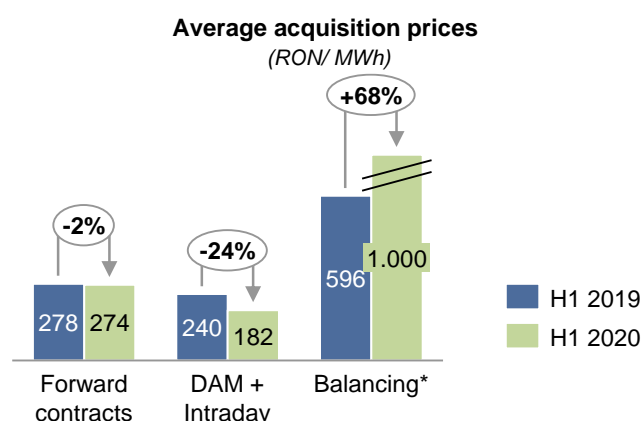
(RON mni)



OTC: In the first half of 2020, the expenses regarding the own technological consumption were lower by 22%

(RON 31.8 mn) compared to the first half of 2019, due to the following aspects:

- the average price of the contracts concluded on CMBC with delivery in the first semester of 2020 was 273.74 RON, 2% lower than the price in the first semester of 2019;
- the average price on DAM had an accentuated decreasing tendency starting with January, reaching a minimum of 120.32 RON in May;
- in the epidemiological context generated by the spread of Covid-19, the average price was about 28% lower than in the same period of the previous year;
- the own technological consumption registered in the analysed period was about 50 GWh (10%) lower than in 2019.



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

Electricity consumption expenses in PTG substations: decreased by 17% in the first half of 2020 compared to the same period last year (RON 8.89 mn in January-June 2020 compared to RON 10.7 mn in January-June 2019) due to lower electricity purchase prices, with which the electricity supply contracts for 2020 were concluded.

In order to carry out the activity of electricity transmission in substations and for the safe operation of the National Power System, Transelectrica must purchase electricity to cover the consumption of internal services in high voltage power stations under the Company's administration, respectively the consumption related to internal services from the 81 power stations, for each demand facility.

Functional system services: The related expenses registered a decrease by 32% (RON 12.6 mn in H1 2020 compared to RON 18.5 mn in H1 2019), mainly due to the decrease of the expenses on the balancing market and on the day-ahead market regarding unplanned electricity exchanges with neighbouring countries interconnected to NPS.

These expenses represent the international non-contracted electricity exchanges with the neighbouring countries and the expenses with the unplanned exchanges on the day-ahead market.

Expenses with Inter TSO Compensation (ITC):

The monthly payment obligations/collecting rights for each transmission system operator (TSO) are set within the mechanism of netting/settling the effects of the use of the power transmission grid (PTG) for the electricity transit between TSOs of the 35 countries that have joined this mechanism within ENTSO-E.

In H1 2020, these expenses were higher by RON 4.2 mn compared to the same period of the previous year, the difference resulting from the regularisation of the expenditure estimates made.

The segment of **zero-profit activities** registered a 27% decrease in costs (RON 464 mn as of June 30, 2020 versus RON 633 mn as of June 30, 2019), mainly determined by the decrease of the expenses on the balancing market.

Technological system services are purchased by the Company from the producers in order to ensure the operational security of NPS and the quality of the power transmitted at the parameters required by the technical norms in force.

These services are contracted:

- under a regulated regime, based on Government Decisions and Decisions of the National Energy Regulatory Authority (ANRE);
- through competitive mechanisms.

The value of the expenses regarding the technological system services in H1 2020, registered a decrease of 16% compared to those of the similar period in 2019 (RON 298 mn in H1 2020 compared to RON 353 mn in H1 2019).

The cost value with the TSS acquisition for January – June 2020 was mainly determined by the following factors:

- the purchase prices of the technological system services on the competitive market for the slow tertiary control reserve (STCR) in the first half of 2020 were lower compared to the purchase prices from the same period of 2019, due to a greater competition on this type of reserve;
- the purchase prices of the technological system services on the competitive market in H1 2020 have been floating around the values registered in H1 2019 for the secondary reserve (SR) and the fast tertiary control reserve (FTCR);

- a high level of concentration of the technological system services market on the types of secondary reserve (SR) and fast tertiary control reserve (FTCR) services in H1 2020.

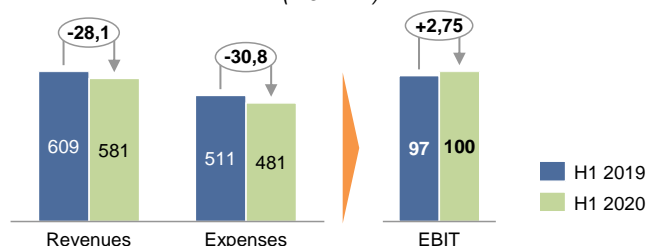
The company re-invoices the value of the TSS purchased from the producers to the electricity suppliers licensed by ANRE, who ultimately benefit from these services.

For the next period of 2020, it is estimated that the regulations to be implemented in national legislation in accordance with the provisions of Regulation (EU) 943 of the European Parliament and of the Council – June 5, 2019, and how the COVID-19 outbreak will be handled, will have a significant impact on the evolution of costs with the purchase of system services within the Company.

Operational result

The **profit-allowed activities** registered a positive result of RON 100 mn in the first half of 2020, increasing by a percentage of 3% compared to the one registered in the same period last year.

Allowed profit activities EBIT structure
(RON mn)



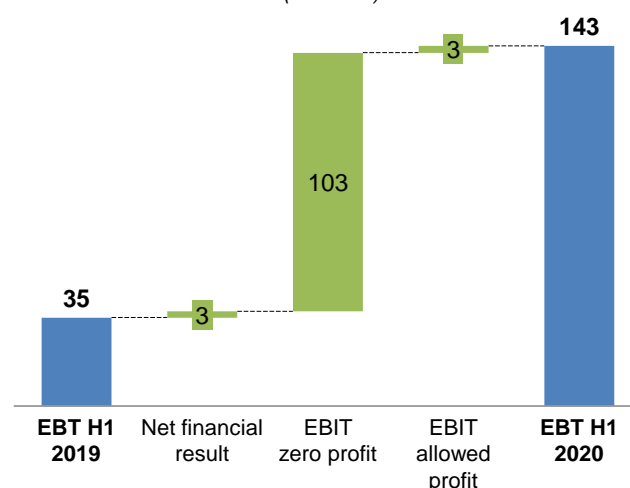
The **EBIT** generated by the **zero-profit activities** registered a positive result of RON 45 mn compared to the loss of RON 58 mn registered in the same period last year.

Gross result (EBT)

The gross profit registered a significant increase of RON 108 mn, from RON 35 mn in the first semester of 2019 to RON 143 mn in the first semester of 2020.

The dynamics between the profit registered in H1 2020 compared to H1 2019, broken down into the constituent parts of the profit, is presented in the following chart:

Dynamics of EBT elements
(RON mn)



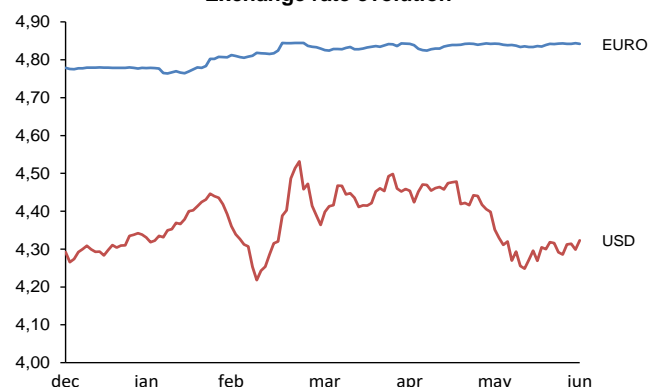
Financial result

The net financial result registered in H1 2020 was negative, amounting to RON 2 mn. It is mainly influenced by the evolution of the exchange rate of the national currency in relation to the Euro, currency in which the Company has contracted bank loans to finance investment programs.

[RON mn]	H1 2020	H1 2019	Δ	Δ (%)
Financial income	5	6	-1	(14%)
- income from financial assets	0,0018	0,13	-0	(99%)
- interest income	3,74	2,47	1	51%
- income from exchange rate differences	1,18	3,13	-2	(62%)
- other incomes	0,03	0,03	-0	(2%)
Financial expenses	7	10	-3	(33%)
- interest expenses	4,06	4,38	-0	(7%)
- expenses from exchange rate differences	2,79	5,80	-3	(52%)
- other financial expenses	0,00	0,00	0	n/a
Net financial result	-2	-4	3	57%

The development of the RON/Euro and RON/USD exchange rates in semester I of 2020 is provided in the graph below.

Exchange rate evolution



Net result

The net profit registered an increase in the analysed period, reaching RON 116 mn in the first half of 2020, compared to RON 30 mn in the first half of 2019.

FINANCIAL POSITION

Non-current assets

Fixed assets registered an insignificant decrease of approximately 0.3% between January – June 2020 compared to 2019, amid the decrease in tangible assets caused by the recording of depreciation.

Current assets

Current assets increased by 2% as of June 30, 2020 (RON 1,174 mn) compared to the value recorded as of December 31, 2019 (RON 1,150 mn).

Trade receivables and other receivables decreased by 13% (RON 613 mn as of June 30, 2020 from RON 706 mn as of December 31, 2019), mainly due to:

- collection of receivables related to invoices issued for the electricity market;
- decrease in the volume of transactions on the balancing market in the first half of 2020 compared to the end of 2019, which led to a decrease in receivables on balance as of June 30, 2020 compared to December 31, 2019.

The main clients on balance on the electricity market are represented by: RAAN, Electrica Furnizare SA, E.ON Energie Romania SA, Enel Energie SA, OPCOM, Petprod SRL, Alro SA, Enel Energie Muntenia SA, CET Govora. The percentage of the main clients in the electricity market is about 45% in all trade receivables.

Of all trade receivables, **receivables to be collected from the bonus-type support scheme** for the promotion of high-efficiency cogeneration are in proportion of 27% as of June 30, 2020 (23% as of December 31, 2019).

The company carries out activities related to the bonus-type support scheme for the promotion of high-efficiency cogeneration, as administrator of the support scheme, in accordance with the provisions of GD no. 1215/2009, "the main tasks being monthly collection of the contribution for cogeneration and monthly payment of bonuses".

Clients in the bonus-type support scheme for the promotion of high-efficiency cogeneration register on June 30, 2020 an increase, mainly due to the increase of the invoiced value for the collection of the monthly contribution.

As of June 30, 2020, the Company registers receivables to collect in the amount of RON 175 mn, represented by the invoices issued under the bonus-type support scheme for the promotion of high-efficiency cogeneration, of which:

- overcompensation of RON 76.7 mn 2011-2013, respectively from RAAN – RON 63.46 mn and CET Govora SA – RON 13.23 mn;
- undue bonus for 2014 in the amount of RON 3.91 mn, from RAAN – RON 1.98 mn, and CET Govora – RON 1.93 mn;
- undue bonus for 2015 amounting to RON 0.56 mn, namely from CET Govora – RON 0.53 mn, Interagro – RON 0.03 mn;
- contribution for cogeneration uncollected from the suppliers of electricity consumers and amounting to RON 21.20 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.

Until the date of this financial report, the Company has fully collected the receivables related to the overcompensation of the activity regarding the support scheme for 2019 (amount of RON 32.3 mn), through banking transactions, from Electrocentrale București, as well as the undue bonus established by ANRE Decisions for 2019, amounting to RON 15.5 mn, from the following producers: Complexul Energetic Oltenia, Electrocentrale Bucuresti, CET Govora, Complexul Energetic Hunedoara, Bepco SRL, Modern Calor SA, Soceram SA, Electrouilaj SA, CET Arad, Polytechnic University of Bucharest, Colonia Cluj Napoca energie SRL and Vest Energo SA.

In order to discharge the receivables generated by the overcompensation and the undue bonus, the Company requested the mutual compensations from the qualified producers in the support scheme. For producers (RAAN, CET Govora) that have not agreed to this way of discharging the mutual receivables and debts, the Company has applied and continues to apply the provisions of Article 17 (5) of the Order of ANRE Chairman no. 116/2013 approving the Regulation on determining the way to collect the contribution for high-efficiency cogeneration and payment of the bonus for the electricity produced in high-efficiency cogeneration.

Othe receivables as of June 30, 2020, amounting to RON 150.9 mn, mainly include:

- various debtors (RON 114.2 mn), of which:
 - interest on late payments computed for clients in default of payment, amounting to RON 71.7 mn (of which the amount of RON 35.3 mn represents interest related to the support scheme). The biggest interest on late payment were registered by clients: RAAN (RON 16.9 mn), CET Govora (RON 9.6 mn), Electrocentrale București (RON 9.4 mn), Eco Energy SRL (RON 8.9 mn), Petprod SRL (RON 8.9 mn), Total Electric Oltenia

(RON 3.3 mn), ICPE Electrocond Technologies (RON 1 mn). Allowances were recorded for the interest calculated for the late payment of receivables from the operational activity;

- the negative difference between the invoices issued for the collection of the contribution for cogeneration and the bonus granted according to ANRE decisions (RON 30 mn);

- compensations owed by suppliers for the failure to deliver electricity amounting to RON 3.5 mn (Arelco Power – RON 1 mn and Enol Grup – RON 2.5 mn). Allowances were recorded for the compensation owed by suppliers from the operational activity;

- receivables from OPCOM amounting to RON 4.5 mn representing VAT for the contribution in kind to the subsidiary's equity;

- deferred expenses amounting to RON 8.7 mn represented mainly by: ENTSO-E international contribution for 2020 (RON 2.6 mn), ANRE annual contribution for 2020 (RON 2.5 mn), advances to contracts concluded with the electricity suppliers necessary to cover the own technological consumption for future periods (RON 1.5 mn), DAGESH ROM SRL rent (RON 0.62 mn) and others;

- other receivables amounting to RON 4.3 mn, of which RON 4.2 mn represent guarantees for temporary occupation of the land calculated and retained in accordance with art. 39 para. (1), para. (2) and para. (5) of Law no. 46/2008 regarding the Forestry Code, in order to achieve the investment objective 400 kV OHL Reșița – Pancevo (Serbia).

- other social receivables in the amount of RON 1.4 mn representing sick leave paid by the employer to the employees that is to be recovered from the National Health Insurance House, according to the legislation in force.

Liabilities

Long-term liabilities amounting to RON 672 mn as of June 30, 2020 registered a decrease of only 2% compared to the value recorded on December 31, 2019.

At the same time, **short-term liabilities** also decreased by 8% (from RON 732 mn as of December 31, 2019 to RON 678 mn as of June 30, 2020), mainly due to the decrease in the volume of transactions on the balancing market, simultaneously with the decrease of the value of the monthly bonus related to the support scheme for June 2020 compared to the one related to December 2019.

As of June 30, 2020, compared to December 31, 2019, **the liabilities on balance on the energy market**

amount to RON 242.8 mn compared to RON 390.2 mn, being influenced by:

- *the decrease of the balance of liabilities related to the balancing market* which was determined by the payment of the payment obligations on balance on the electricity market as of December 31, 2019 at the due date and by the decrease of the volume of transactions on the balancing market in the first half of 2020 compared to the second half of 2019.

The suppliers on the electricity market are mainly represented by: Hidroelectrica, Electrocentrale București, OPCOM, MAVIR, Complexul energetic Oltenia, Complexul energetic Hunedoara, Veolia Energie Prahova, Veolia Energie Iasi, Termoficare Oradea, CET Govora. As of June 30, 2020, their share in the total transactions of the energy market suppliers is about 81%.

- *the decrease of the balance of liabilities related to the operational activity*, mainly determined by the payment in the first quarter of 2020 of the payment obligations on balance on the electricity market as of December 31, 2019;

- *the decrease of liabilities regarding the support scheme* to suppliers (producers), mainly determined by the payment of the debt corresponding to the monthly bonus for June 2020 compared to the monthly bonus related to December 2019.

On June 30, 2020, payment obligations are recorded to suppliers (producers) in the amount of RON 54.6 mn (RAAN – RON 51.2 mn, and CET Govora SA – RON 3.4 mn, representing the monthly cogeneration bonus, ante-overcompensation for 2014 and 2015, the ungranted bonus for 2015 and 2016.

Withholding the payment of the amounts representing the Company's liabilities related to the support scheme to RAAN and CET Govora based on art. 17 para.5 of the Order of ANRE Chairman no. 116/2013, as the suppliers (producers) register payment obligations towards the Company on the bonus support scheme.

- other liabilities in the amount of RON 26.3 mn are represented, mainly, by the payment guarantees of the contracts on the electricity market concluded by NPG Transelectrica SA in the amount of RON 15.5 mn.

- unpaid dividends due to the Company's shareholders as of June 30, 2020 amount to RON 0.6 mn, being available to shareholders through the paying agent.

Provisions registered a linear evolution, from RON 70.017 mn as of December 31, 2019 to RON 70.01 mn as of June 30, 2020, mainly determined by the provisions constituted for the disputes with Conaid Company SRL, Resita Municipality, Romsilva National

Forests Authority, litigation with OPCOM subsidiary and other provisions represented by provisions recorded for unperformed rest leave, estimated VAT payment provision for the ongoing tax inspection action Endorsement no. F-MC-326/13.11.2019_VAT period 2014-2016, provision for ANAF Decision on ancillary tax obligations for income tax period 2012 - 2016 and a provision for the variable annual component due to the members of the Directorate and the Supervisory Board.

Interest-bearing liabilities

As of June 30, 2020, the value of long-term loans decreased compared to December 31, 2019 mainly due to repayments made under existing loan agreements.

Shareholders' equity

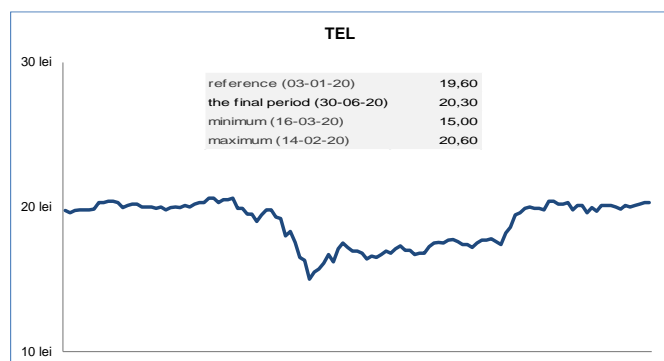
Equity registered an increase of 2% mainly determined by the registration in the net profit retained earnings, in the amount of RON 116 mn, achieved as of June 30, 2020.

DEVELOPMENT OF SHARES

(01-Jan-2020 la 30-June-2020)

2020 started with a trading price of 19.60 RON/share. At the end of the period, the stock market capitalisation was 1,488 million RON, the share price amounting to 20.30 RON/share. The minimum transaction price was registered on 16.03.2020, 15.00 RON/share, the maximum of 20.60 RON/share being reached on 14.02.2020.

We mention that the capital market in Romania was impacted towards the end of the analysed period by the COVID-19 pandemic, implicitly by the economic effects generated by it, a fact reflected in the stock market indices and the evolution of shares of listed companies.



In the first semester of 2020, the trading of TEL shares on the Romanian capital market registered 8,341 transactions with an average number of 68.37 transactions/day and 2,526,815 traded shares, with a total value of 50,598 thousand RON.

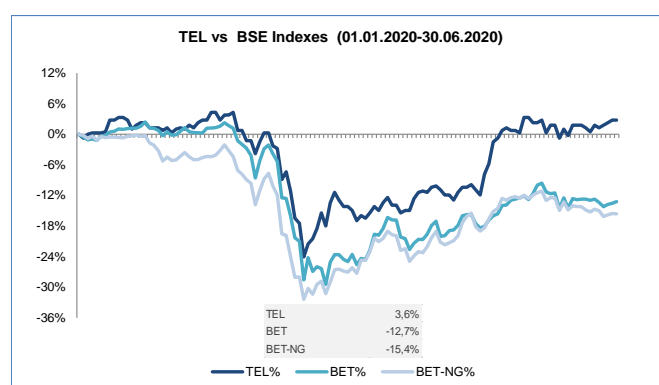
Transelectrica shares are part of the structure of the following stock indices: BET, BET-BK, BET-NG, BET-TR, BET-XT, BET-XT-TR, BETPlus.

Of these, the most representative for the Company are:

- BET index (Bucharest Exchange Trading - the benchmark index of the capital market that reflects the evolution of the 16 most liquid companies listed on the BSE regulated market);
- BET-NG index (Bucharest Exchange Trading Energy & Related Utilities - sectoral index that reflects the evolution of energy companies and related utilities listed on the BSE regulated market).

According to the last adjustment date registered on 12.06.2020, TEL shares hold 1.66% in the BET index and 4.50% in the BET-NG index.

The evolution of the TEL share in relation to the two indices is shown in the chart below:



MAIN RISKS AND UNCERTAINTY

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.

Within Transelectrica risks are periodically systematically analysed for the development of activities and the Risk Register has been established for detected risks, with the proper Action Plan meant to delimit the possible consequences of such risks in accordance with legal provisions.

Among the elements that can influence the Company's liquidity are the following:

- Interest rate fluctuation,
- Exchange rate variation,
- Provisions from financing agreements: financing contracts include clauses with respect to observing certain financial indicators, changes occurring in the control over the Company, and pari passu clauses.
- Breaching such clauses can entail, based on preliminary notification and a reasonable amount of

time, anticipated payment of the credit; certain credits have penalising clauses in case of anticipated repayment. To date the Company has never received a notification of anticipated repayment for its failure to comply with assumed obligation,

- 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 complying with the assumed obligations under the indemnity instruments they have issued,
- The fiscalism level, including the introduction of new taxes and charges.

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. At the same time as provided by standards periodical review of risks leads to re-allocation of resources in compliance with changed hierarchical classifications and implicitly - priorities.

The Company pays proper attention to analysing the risk environment and detects in due time the possible risks that might occur in the future and their approach should be prepared beforehand.

In January-June 2020 the Company has not faced impossible situations preventing it to comply with financial obligations.

Therefore there are no risks and uncertainties for the following months of 2020 financial year, other than those previously described which might impact the Company's liquidity.

From the point of view of receipts in the first half, there were no delays, but there are specific requests from suppliers who have come across liquidity problems, to make payments earlier than the deadline.

The Company was not at any time in the situation of not fulfilling its financial obligations, on the contrary, it enjoys a very good liquidity.

In the first semester, no problems were encountered in the relationship with the banking partners. On 03.02.2020, the "First Demand Guarantee Agreement" guarantee was issued by BNP Paribas in favour of the EIB, according to contract C997/20.12.2019 signed between Transelectrica and BNP Paribas for the guarantee of the EIB loan 25710/2010, for a period of 3 years .

In conclusion, the treasury activity was not affected by the impact generated by the epidemiological context following the COVID-19 outbreak, moreover, one can notice that the net profit obtained increased, being higher than the budget for the current year.

At the same time, the Company obtained for the third consecutive year, the Ba1 rating (Corporate Family Rating) with a positive outlook, from the Moody's Investors Service agency.

Achieving the Ba1 rating with a positive outlook strengthens a favourable position regarding the Company's ability to meet its present and future financial obligations, showing that Transelectrica has a solid financial profile, with a low level of indebtedness and strong, stable and predictable financial values.

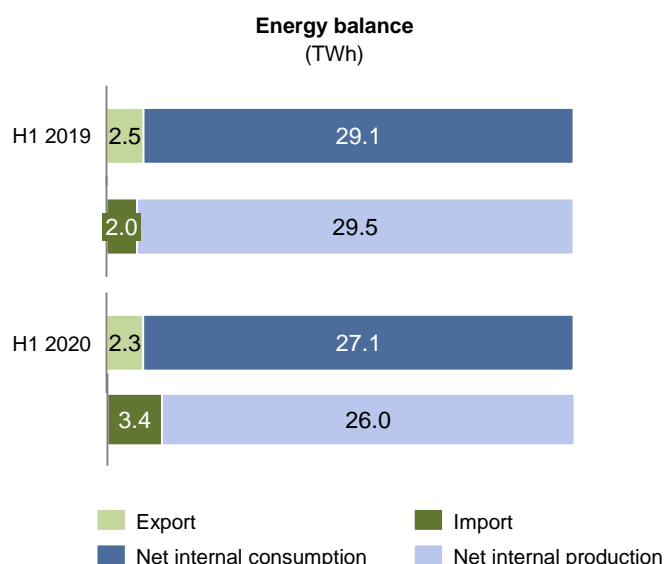


Operational Data

ENERGY BALANCE WITHIN NPS

Analysing the evolution of the energy balance components, during January - June 2020 compared to the same period of the previous year, net domestic consumption¹ decreased by 6.7% and net energy production decreased by 12%.

Cross-border physical exports decreased by 7.5% compared to the same period in 2019, while cross-border import flows increased by 67.6%.

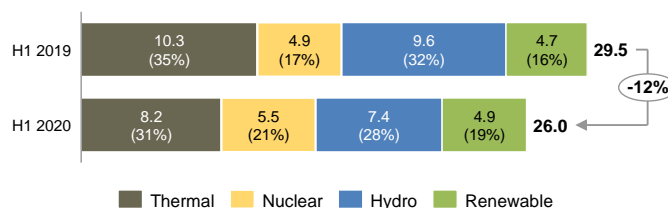


GENERATION MIX

In the structure of the production mix, between January and June 2020 compared to the similar period of 2019, there was a decrease in the share of the thermal component of about 20.4%, of the hydro component by 23.2%. The contribution from renewable and nuclear sources increased by 4.4% and 11.8%, respectively.

Examining the component shares of the net generation mix for the period January - June 2020, one can notice that the highest share (31.5%) is represented by the thermal component followed by the hydro component (28.4%), while the electricity generated from renewable and nuclear sources have a share of about 19% and 21.2%, respectively.

Net electricity production mix evolution (TWh)

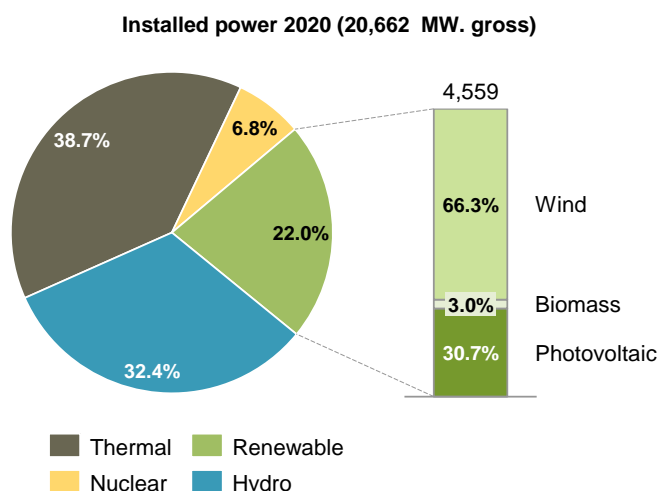


NATIONAL GENERATION FLEET

The installed capacity on renewable-energy power plants increased by about 0.3%, from 4,546 MW installed as of June 30, 2019, to 4,559 MW installed as of June 30, 2020.

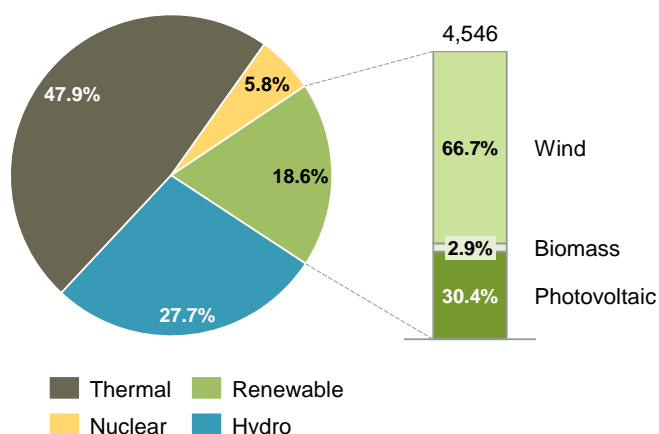
The installed capacity within the National Power System of approximately 24,600* MW did not reflect the reality because in many power plants there were unavailable units, unable to function anymore for reasons such as: high technological obsolescence, non-compliance with environmental requirements, low efficiency, high production costs, respectively financial difficulties faced by the entities that own them.

The dynamics of installed capacities associated to the time interval January – June 2020 versus January – June 2019 is provided below:

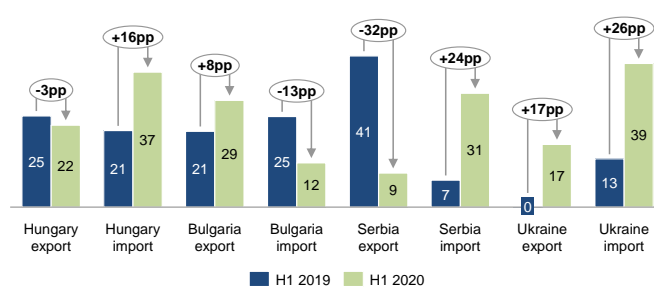


¹ Values do not include the consumption of auxiliary services from electricity generating plants; the net consumption value includes the losses of transmission and distribution networks as well as the consumption of pumps from pumping storage hydropower substations

Installed power 2019 (24,406* MW. gross)



Usage rate of total allocated capacity (%)



The utilisation rate of total capacity rights on a border and direction represents the ratio expressed in percentage between the electricity from the commercial exchanges made (notified) during a month and the electricity corresponding to the total capacity rights.

If we are to compare the allocated capacity utilisation rate for import in the second quarter of 2020, where the impact generated by the COVID pandemic had a significant influence, we notice that compared to the second quarter of 2019, there was an increase in the allocated capacity utilisation rate for import, ie an increase of 180% in trade in imports and 120% of transit energy, due to the low hydraulicity recorded during this period at national level and in terms of lower electricity consumption at European level compared to the similar period in 2019, which led to lower electricity prices on European and national electricity markets and thus to a reduction in price differences between countries, which led to more intense cross-border trading.

ONE'S OWN TECHNOLOGIC CONSUMPTION

Compared to January - June 2019, in January - June 2020 OTC within PTG decreased by approx. 11.3%, while OTC percentage dropped from 2.38% to 2.16%.

Factors that significantly influenced OTC between January – June 2020, such as precipitation and distribution of physical cross-border flows, are not under Transelectrica's control.

OTC DEVELOPMENT FACTORS

In January 2020 OTC in absolute value decreased 9.4% compared to January 2019 because of favourable import / export physical flows and a better distribution of output, which have led to reduced electricity transmission at long distance from sources, but also due to better meteorological conditions as regards precipitation, which determined lower corona losses. The percentage of losses compared to the electricity input into PTG outline decreased from 2.31% in 2019 to 2.05% in 2020. The electricity input into the outline increased 2.1% in January 2020 (87.341 GWh) compared to the similar period of 2019 because of about 2.7% (85.7 GWh) increase of electricity received from producers connected to PTG and about 9% (61.7 GWh) of the imported one, against the background of about

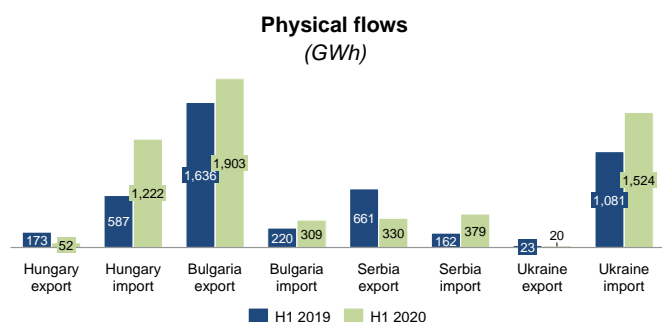
CROSS-BORDER FLOWS

The distribution of physical flows of import/export on interconnection lines in the H1 2020 compared to the same period of 2019 is as follows:

- export decreased on the borders with Serbia, Hungary and Ukraine and increased on the border with Bulgaria and import increased on all borders, with significant values along the interconnection lines located in the deficit areas of electricity production (on the borders with Hungary and Ukraine), but also an increase of 134% along the interconnection line located in the surplus area of electricity production, namely the border with Serbia.

Specifically, compared to H1 2019, physical export flows decreased with Serbia (50% -330 GWh), Hungary (70% -121 GWh) and Ukraine (15% -3 GWh); they increased with Bulgaria (16% +268 GWh) at the same time as the significant increase of the physical import flows along all interconnection lines with Serbia (134% +217 GWh), Hungary (108% +636 GWh), Ukraine (41% +444 GWh), and Bulgaria (41% -89 GWh).

The physical flows of both import and export on each border are presented below:



Between January and June 2020, the total allocated capacity utilisation rate along the export interconnection lines decreased compared to the same period of 2019 on the borders with Serbia and Hungary.

23.4% (60 GWh) reduced amount of electricity received from RED. Meteorological conditions were good and the precipitation amount registered was lower than last year, contributing to reduced corona losses.

In February 2020 OTC in absolute value decreased 8.8% compared to February 2019 because of better import/export physical flows, which have led to reduced electricity transmission to long distance from sources. The percentage of losses compared to the electricity input into PTG outline decreased from 2.34% in 2019 to 1.97 in 2020. The electricity input into the outline increased 8.27% (286.32 GWh) in February 2020 compared to the similar period of 2019, against the background of 4.25% reduced electricity received from producers connected directly to PTG (122.475 GWh) and the electricity received from RED by 4.04% (11.021 GWh), while import increased 136.11% (419.816 GWh). Meteorological conditions were bad and the quantity of precipitation registered was higher than last year, determining higher corona losses.

In March 2020 OTC in absolute value decreased about 1.6% compared to March 2019, especially because of better import/export flows, which have led to reduced electricity transmission at long distance from sources. The percentage of losses compared to the electricity input into PTG outline decreased from 2.40% in 2019 to 2.38% in 2020. The electricity input into the outline decreased 0.66% (23.719 GWh) in March 2020 compared to the similar period of 2019, against the background of 5.34% reduced electricity received from producers directly connected to PTG (156.824 GWh) when import grew 32.16% (108.903 GWh) and the electricity received from RED – 7.93% (24.202 GWh). Meteorological conditions were bad as the amount of precipitation registered was higher than last year, determining higher corona losses.

In April 2020, the absolute value of the OTC decreased compared to April 2019 by 24.9%, due to the reduction of transmitted energy following the decrease in energy consumption as a result of the coronavirus pandemic, the slightly more advantageous distribution of production that led to a decrease of the energy transmission remotely from the source, but also due to more favourable weather conditions in terms of rainfall, which determined the decrease of Corona losses. The losses percentage reported at the PTG-input energy decreased from 2.39% in 2019 to 2.07% in 2020. The contour input energy decreased by 13% in April 2020 (435.3 GWh) compared to the similar period of 2019, as a result of the decrease by approx. 19.2% (525.5 GWh) in energy received from the producers connected to PTG and the approx. 5.6% (15.6 GWh) in energy received from PDG, amid the increase by approx. 31.3% (105.7 GWh) in energy received from imports. The weather conditions

were favourable, the amount of precipitation recorded being much lower than in the previous year and contributing to the reduction of losses due to the corona effect.

In May 2020, the absolute value of the OTC decreased compared to May 2019 by 13.8%, due to the reduction of transmitted energy following the decrease in energy consumption as a result of the coronavirus pandemic, the more advantageous physical import/export flows along the lines of northwest NPS and the slightly more advantageous distribution of production that led to a decrease of the energy transmission remotely from the source, but also due to more favourable weather conditions in terms of rainfall, which determined the decrease of Corona losses. The losses percentage reported at the PTG-input energy decreased from 2.49% in 2019 to 2.21% in 2020. The contour input energy decreased by 2.8% (91 GWh) in May 2020, compared to the similar period in 2019, amid the decrease in energy received from the producers directly connected to PTG by 9.95% (249.8 GWh) and in energy received from PDG by 45.3% (211.8 GWh), following the increase by 153.2% (370.6 GWh) in energy received from imports. The weather conditions were favourable, the amount of precipitation recorded being much lower than in the previous year and contributing to the reduction of losses due to the corona effect.

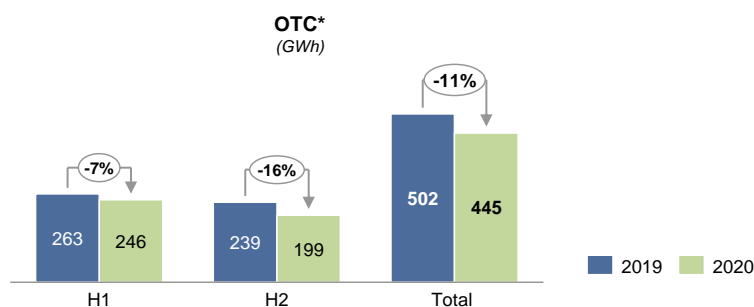
In June 2020, the absolute value of the OTC decreased compared to June 2019 by approx. 10.5%, mainly due to the reduction of transmitted energy following the decrease in energy consumption as a result of the coronavirus pandemic, the more advantageous physical import/export flows along the lines of northwest NPS and the slightly more advantageous distribution of production that led to a decrease of the energy transmission remotely from the source. The losses percentage reported at the PTG-input energy decreased from 2.38% in 2019 to 2.34% in 2020. The contour input energy decreased by 8.7% (285.2 GWh) in June 2020 compared to the similar period from 2019, amid the decrease in energy received from the producers directly connected to PTG by 19.5% (534.8 GWh) and in energy received from PDG by 16.7% (68.5 GWh), following the increase by 230.6% (318.1 GWh) in energy received from imports. The weather conditions were similar, as were the losses due to the corona effect.

The decrease in consumption registered values between -14.7% in April, -11.9% in May, respectively -7.7 (provisional value) in June 2020, compared to 2019.

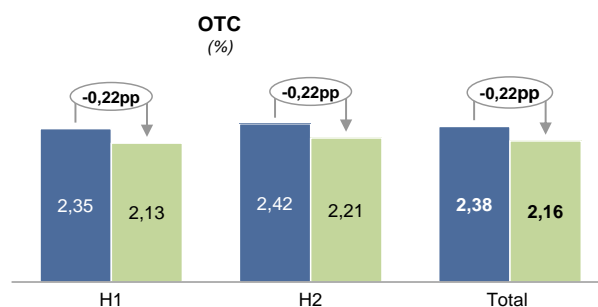
Electricity production also decreased compared to 2019, with values of -17.5% in April, -22.3% in May and -19.4% (provisional value) in June.

In the first half of 2020, electricity consumption decreased by -7.2% compared to the same period of the

previous year, while production decreased by -13.8% (provisional values).



* OTC physical value= OTC purchased value - OTC value sold



In conclusion, in Q1 2020, OTC within PTG decreased by approx. 6.6% compared to the same period in 2019, mainly due to the more advantageous physical import/export flows that led to a decrease of the energy transmission remotely from the source and due to the more favourable weather conditions in January 2020 which led to the reduction of corona losses. Compared to the contour input energy, the losses decreased from 2.35% to 2.13%.

In Q2 2020, OTC within PTG decreased by approx. 16.4% compared to the same period in 2019, mainly due to the reduction of transmitted energy following the decrease in energy consumption as a result of the coronavirus pandemic, the more advantageous physical import/export flows along the lines of northwest NPS and the slightly more advantageous distribution of production that led to a decrease of the energy transmission remotely from the source and due to more favourable weather conditions which led to a reduction in corona losses.

Compared to the contour input energy, the losses decreased from 2.42% to 2.21%.



Investments

NON-CURRENT ASSETS REGISTERED IN ACCOUNTING BOOKS

The decrease in the total value of tangible assets as of June 30, 2020 compared to December 31, 2019 was determined by the recording of the depreciation of these fixed assets.

The value of fixed assets recorded in accounting in the first half of 2020 is RON 52.7 mn (ron 18.6 mn in the first half of 2019), increasing by RON 34.1 mn.

In H1 2020, the largest transfers from ongoing tangible assets to tangible assets are mainly represented by the commissioning of investment objectives, as follows:

- Refurbishment of 220/110 kV Otelarie Hunedoara substation – RON 11.8 mn;
- Refurbishment of 220/110/20 kV Ungheni substation – RON 9.4 mn;
- 100 MVAR, 400 kV shunt reactors for 400 kV Arad, Bucharest and Bradu substations – RON 8.9 mn;
- Replacement of AT and Transformer in power stations - Stage 2, phase 2 - LOT 1 - LOT 2 – RON 5 mn;
- 400/220/110 kV OHL modifications to achieve the objective Breakthrough N. Grigorescu Blvd. - Splai Dulescu – RON 4 mn;
- Modernisation of 400/220/110/20 kV Munteni substation – RON 3.9 mn;
- Upgrade of the tele-protection and telecommunications system in Cernavodă substation – RON 3.8 mn;
- Computation technique - hardware & software - Desktop PC – RON 1.6 mn;
- Modernisation of 220 kV OHL Cetate - Calafat – RON 1.2 mn;
- 400 kV OHL Urechești – Domnești modifications to fulfil the coexistence conditions – RON 0.6 mn;
- Achieving safety in the supply of 220Vdc internal services of Fântânele substation by replacing the accumulator batteries and resizing the capacity of Accumulator battery no. 2 –RON 0.4 mn;
- Modernisation of the 220/110 kV Dumbrava substation – RON 0.3 mn;
- Fully automated 400 kW thermal power plant on gaseous fuel, for the building located in Hristo Botev Blvd. no. 16-18, district 3 – RON 0.3 mn;
- Thermal rehabilitation of the Control Block Annex Building in Isaccea substation – RON 0.3 mn;
- No. 1 220 V accumulator battery replacement in 220/110 kV Mintia substation – RON 0.3 mn;
- Modernisation of the road system, local road, Fortului street, Domnești, Ilfov county – RON 0.2 mn;
- Videoconferencing terminal for the TSCNET network that will be installed in the UNO-DEN headquarters – RON 0.2 mn;
- Hydrocarbon (oil) separator for concrete platform in Tulcea Vest substation – RON 0.2 mn;
- Professional air conditioners for IT&C technology rooms in DET Bacău, Cluj and Craiova – RON 0.1 mn.

PROCUREMENT OF ASSETS

Procurement of tangible and intangible assets between January and June 2020 amounts to RON 111.6 mn, showing an increase compared to the same period of 2019 when the acquisitions were in the amount of RON 100.8 mn.

The balance of tangible and intangible assets in progress as of June 30, 2020 is represented by ongoing projects, the most significant being listed below:

- Converting the Porțile de Fier - Reșița - Timișoara - Săcălaz - Arad axis to the 400 kV voltage - stage I – 400 kV Porțile de Fier – (Anina) – Reșița OHL s.c. - Resita – RON 49 mn;
- PTG connection of the Ivesți 300 MW WPP, Fălcu 1 88 MW WPP and Fălcu 2 18 MW WPP via the new Banca (400)/220/110 kV substation – RON 46.9 mn;
- Connecting 400 kV Isaccea - Varna OHL and Isaccea – Dobrudja OHL in 400 kV Medgidia Sud substation – RON 35.3 mn;
- 400 kV Cernavodă – Stâlpu OHL d.c. and connection in Gura Ialomiței – RON 32.7 mn;
- Refurbishing 400/110/20 kV Domnești substation (CA Decision no. 5/19.05.2010) – RON 29.2 mn;
- Refurbishment of 220/110 kV Hășdat substation – RON 23.1 mn;
- Refurbishment of 220/110 kV Craiova Nord substation – RON 17.3 mn;
- Modernisation of 220/110/20 kV Arefu substation – RON 15.5 mn;
- Executive – Extending the services providing business continuity and recovery after disasters – RON 14.4 mn;

- 110 kV, 220 kV and 400 kV mobile bays – RON 14.3 mn;
- Modernisation of 220/110/20 kV Râureni substation – RON 11.9 mn;
- Modernisation of 110kV Bacău Sud and Roman Nord substations related to the 400 kV Moldova axis – RON 11.9 mn;
- Replacement of EMS SCADA AREVA system components - software component, hardware component – RON 11.5 mn;
- Modernisation of 220/110 kV Dumbrava substation – RON 11.3 mn;
- Refurbishment of 220/110 kV Iaz substation – RON 8.4 mn;
- Integrated security system at power stations, stage IV – RON 8 mn;
- Replacement of AT and Transformer in power stations - Stage 2, phase 2 - LOT 1 - LOT 2 – RON 6.7 mn;
- Converting the Porțile de Fier - Reșița - Timișoara - Săcălaz - Arad axis to the 400 kV voltage - stage I – - 400/220/110 kV Reșița substation – RON 6.6 mn;
- 400 kV OHL Gădălin - Suceava, including NPS interconnection – RON 6 mn;
- 400 kV HVDC link (Romania - Turkey submarine cable) – RON 5.9 mn;
- Technology research and development centre for working with live equipment (LST) and rapid intervention in the NPS – centre building – RON 5.2 mn;
- Extending 400 kV Cernavodă substation - Stage I+II, replacing 2 shunt reactors, Connecting new lines – RON 5.5 mn;
- 100 MVAR, 400 kV shunt reactors for 400 kV Arad, Bucharest and Bradu substations – RON 4.5 mn;
- 400 kV Suceava - Bălți OHL, for the part of the project on Romanian territory – RON 4.4 mn;
- 400 kV Gutinaș - Smârdan OHL d.c. – RON 4.2 mn;
- Replacing breakers in electrical substations – RON 3.8 mn;
- Modernisation of 110 kV and 400 (220 kV) installations in Focșani Vest substation – RON 3.8 mn;
- Installing AT2 400 MVA, 400/231/22 kV and related bay in Iernut substation and upgrading the command-control system of 400/220/110/6 kV Iernut substation – RON 3.7 mn;
- Converting the Porțile de Fier - Reșița - Timișoara - Săcălaz - Arad axis to the 400 kV voltage - stage II, 400 kV Reșița - Timișoara – Săcălaz OHL d.c. – RON 3.3 mn;
- Installation of T3 transformer - 250 MVA in 400/110 kV Sibiu Sud substation – RON 3.3 mn;
- Extending the control system with new functions and IT registration of access in the objectives of NPG Transelectrica SA – RON 3.2 mn;
- Connecting the 136 MW WPP Platonești, Ialomița county, to the PTG by constructing a 110 kV bay in 400/110 kV Gura Ialomiței substation – RON 2.9 mn;
- Integrated security system in electric substations, stage III (CA Decision no. 2/2008) – RON 2.8 mn;
- Refurbishment of 400/110/20 kV Smârdan substation – RON 2.7 mn;
- Diverting 110 kV Cetate 1 and 2 OHL near 110/20/6 kV Ostrovul Mare substation – RON 2.6 mn;
- Connecting the 99 MW WPP Dumești and 30 MW WPP Românești, Iași county, to the PTG through a 110 kV line bay in 220/110 kV FAI substation – RON 2.6 mn;
- Replacing Autotransformer 3 - ATUS-SF 400/400/160 MVA 400/231/22kV, in 400/220kV Porțile de Fier substation – RON 1.9 mn;
- Refurbishment of 220/110/20 kV Ungheni substation – RON 1.9 mn;
- Modernisation of 400/220/110/20 kV Munteni substation – RON 1.7 mn;
- Executive: Consolidation, upgrade and extension of NPG Transelectrica offices – RON 1.6 mn;
- Modernisation of DET Timișoara building – RON 1.6 mn;
- 220 kV Ostrovu Mare OHL d.c. - PTG - RON 1.6 mn;
- 400 kV Oradea - Beckescsaba OHL – RON 1.5 mn;
- Integrated security system in new 400/220/110 kV Banca substation – RON 1.1 mn;
- Deploying an optical fiber line between 110 kV Pitești Sud substation and the remote control and installation supervision center of Pitești TTU (SF) – RON 1.1 mn;
- Modernisation of 220/110/20kV Vetîș substation - primary equipment – RON 1 mn;
- Stâlpu 400 kV substation – RON 1 mn;

CONTRACTUAL ASPECTS

The most important investment contracts signed between January and June 2020 are:

- Connection of 400 kV Isaccea-Varna OHL and 400kV Isaccea-Dobrudja OHL in 400 KV Medgidia Sud substation, stage I - Extension of 400 kV Medgidia Sud substation - RON 22.4 mn;
- Modernisation of 220/110 kV Râureni substation – RON 13,7 mn;
- Extension of the 400 kV Gura Ialomiței substation with two bays: 400 kV Cernavoda 2 and 3 OHL, purchase of equipment, installation and services – RON 5.3 mn.



Other issues

TARIFFS

The factors with significant contribution to changing the tariffs at the last review operated by ANRE for tariffs* applicable as of 01.01.2020 until 15.01.2020, according to ANRE Order 218/11.12.2019 are detailed below:

Index	Tariff	m.u.	Approved value 1 Jul-31 Dec 2019	Approved value 1 Jan-15 Jan 2020*	Approved value 16 Jan-31 Dec 2020**	Difference %
A	Electricity transmission	RON/MWh	17.68	18.33	17.97	+3.68%
B	Functional system services	RON/MWh	1.84	1.84	1.84	-
C	Technological system services	RON/MWh	13.05	13.05	13.05	-

*Note: Transmission tariff** reduction by 1.96% beginning with 16.01.2020 (compared to the tariff* approved on 1 January 2020) is owed to the reduced monetary contribution owed by NPG Transelectrica SA to ANRE's budget in 2020, from 2.0% to 0.2%, according to ANRE Order 10/15.01.2020*

Electricity transmission services

Tariff* increase (+3.68%) is explained by the influence of the 3% inflation forecasted in 2020 and by 0.6% increase of the regulated revenues calculated after applying the corrections provided in the methodology.

When establishing the regulated revenue for 2020 ANRE achieved corrections according to applicable regulations and accepted increased forecast of regulated costs and the reduction of the quantity that can be billed forecasted by Transelectrica. The following factors have been taken into calculation to establish the regulated revenue:

1. Ex-post corrections – applied in order to compensate the differences between the forecasted values used for tariff calculation in the previous tariff years and the actual values recorded, namely:

a) Final corrections associated to the difference between the estimated costs and revenues and those achieved for year 1 July 2018 - 30 June 2019, amounting to +35,310,432.00 RON;

b) Half result of corrections associated to the difference between the estimated and achieved values for year 1 July 2017 - 30 June 2018, amounting to +9,476,609 RON;

c) Recalculating the correction in the uncontrollable operation and maintenance costs associated to the tariff year 1 July 2017 - 30 June 2018 amounting to +11,443,780 RON.

2. Ex-post corrections – applied to the investment plan approved by ANRE, the output of non-current assets,

the non-current assets under conservation and those leased to third parties for the 3rd regulatory period. The value of such ex-post corrections is -216,006,453.00 RON.

3. Ex-post corrections – applied relating to the difference between the forecasted controllable operation and maintenance, which do not represent efficiency gain amounting to -164,220,587 RON.

4. The annual forecast of recognised costs in the initial target revenue (before applying the corrections) approved for 2020 is 7.6% higher in nominal terms of 2019 than the annual cost forecast included in the previous tariff for semester II 2019.

5. The quantity of electricity that can be billed upon grid extraction was reduced from 56 TWh in semester II 2019 (28 TWh*2) to 55.6 TWh in 2020). In the scenario where the quantity of electricity that can be billed upon grid extraction would be recognised by ANRE for 2020 with the same value as that in semester II 2019 (28 TWh * 2) its impact over the tariff is +0.6%.

Note that, given the application of the lineal factor the effect of corrections in the determination of applicable tariff (provided previously in items 1, 2 and 3) diminished, being only „distributed” during the entire 4th regulatory period. Taking into account the 3% inflation rate forecasted for 2020 and the electricity quantity of 55.6 TWh forecasted to be taken out of networks, a 2020 tariff follows (in nominal terms) of 18.33 RON/MWh.



Annexes

ANNEX 1: Stand-alone statement of financial position

[mn RON]	H1 2020	2019	Δ	Δ (%)
	1	2	3=1-2	4=1/2
ASSETS				
Non-current assets				
Tangible assets	3,429	3,440	(11)	(0%)
Intangible assets	27	23	4	17%
Financial assets	82	82	0	0%
Assets of the usage rights for leased assets - buildings	2	6	(4)	(67%)
Total non-current assets	3,540	3,551	(11)	(0,3%)
Current assets				
Inventories	42	38	4	11%
Trade and other receivables	613	706	(94)	(13%)
Other financial assets	92	85	7	8%
Cash and cash equivalents	428	321	107	33%
Total current assets	1,174	1,150	25	2%
Total assets	4,715	4,700	14	0%
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' Equity				
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	129	129	0	0%
Revaluation reserves	880	922	(42)	(5%)
Other reserves	16	16	0	0%
Retained earnings	1,556	1,434	122	8%
Total shareholders' equity	3,364	3,284	80	2%
Non-current liabilities				
Long term deferred revenues	361	361	0	0%
Long term borrowings	113	123	(10)	(8%)
Deferred tax liability	135	137	(2)	(2%)
Employee benefits liabilities	64	64	(0)	(0%)
Total non-current liabilities	672	684	(12)	(2%)
Current liabilities				
Trade and other liabilities	417	556	(140)	(25%)
Other loans and assimilated liabilities - Leasing of building	2	6	(4)	(67%)
Other tax and social security liabilities	9	9	1	8%
Short-term borrowings	142	56	87	156%
Provisions	70.0	70.0	(0)	(0%)
Short-term deferred revenues	29	37	(8)	(21%)
Income tax payable	9	(2)	11	n/a
Total current liabilities	679	732	(54)	(7%)
Total liabilities	1,351	1,416	(66)	(5%)
Total shareholders' equity and liabilities	4,715	4,700	14	0%

ANNEX 2: Stand-alone profit or loss statement

[mn RON]									
Indicator	2019	2018	H1 2020	H1 2019	Budgeted H1 2020	Achieved 2020 vs 2019	Achieved 2020 vs 2019 (%)	Achieved vs Budgeted 2020	Achieved vs Budgeted 2020 (%)
0	1	2	3	4	5	6=3-4	7=3/4	8=3-5	9=3/5
Operating revenues									
Transmission revenues	1,082	1,070	507	552	532	(45)	(8%)	(25)	(5%)
System services revenues	742	702	392	328	412	65	20%	(20)	(5%)
Balancing market revenues	523	904	166	280	332	(114)	(41%)	(165)	(50%)
Other revenues	51	46	24	24	28	(0)	(0%)	(4)	(13%)
Total operating revenues	2,398	2,722	1,090	1,184	1,304	(94)	(8%)	(214)	(16%)
Operating expenses									
System operating expenses	352	309	143	180	183	(37)	(21%)	(40)	(22%)
Balancing market expenses	523	904	166	280	332	(114)	(41%)	(165)	(50%)
Technological system services expenses	676	678	298	353	374	(55)	(16%)	(76)	(20%)
Depreciation and Amortisation	280	298	136	142	131	(6)	(4%)	5	4%
Personnel expenses	212	189	108	103	125	5	5%	(17)	(13%)
Repairs and maintenance expenses	102	91	37	44	40	(8)	(17%)	(3)	(8%)
Materials and consumables	9	12	3	3	7	0	0%	(4)	(52%)
Other operating expenses	118	141	53	39	72	14	36%	(19)	(26%)
Total operating expenses	2,271	2,620	945	1,144	1,264	(200)	(17%)	(319)	(25%)
Operating profit	126	101	145	40	40	106	267%	105	265%
Finance income	10	17	5	6	4	(1)	(14%)	1	14%
Finance expenses	17	25	7	10	7	(3)	(33%)	(1)	(7%)
Net finance result	(7)	(8)	(2)	(4)	(3)	3	57%	1	37%
Profit before income tax	119	93	143	35	37	108	307%	106	290%
Income tax	15	12	28	5	5	23	462%	23	439%
Net profit	104	81	116	30	32	85	282%	84	265%

ANNEX 3: Stand-alone cash flow statement

[mn RON]	H1 2020	H1 2019	Δ	2020 vs 2019 (%)
Cash flows from operational activities				
Profit of the period	115.5	30.2	85	282%
Income tax expense	27.7	4.9	23	462%
Amortisement expense	131.9	135.5	(4)	(3%)
Expenses with adjustments for trade receivables impairment	0.7	3.8	(3)	(81%)
Revenues from reversal of adjustments for trade receivables impairment	(1.5)	(2.4)	1	38%
Net revenues with adjustments for various debtors impairment	0.9	(0.7)	2	228%
Net expenditures with adjustments for inventories impairment	0.2	0.1	0	51%
Net profit/ loss on sale of tangible assets	0.02	0.0	0	n/a
Net expenditures on adjustments of value regarding tangible assets	0.6	1.4	(1)	(57%)
Expenses/Revenues regarding provisions for risks and expenses, net	(0.0)	(31.3)	31	100%
Interest expense, interest revenue and unrealised exchange rate gains	2.2	4.7	(2)	(53%)
Cash flows before changes to working capital	278.2	146.3	132	90%
Changes in:				
Clients and assimilated accounts - energy and other activities	72.1	(6.1)	78	n/a
Clients – balancing	21.5	253.6	(232)	(92%)
Clients – cogeneration	(0.1)	(7.2)	7	98%
Inventories	(4.0)	(4.7)	1	15%
Trade and other liabilities - energy and other activities	(49.0)	(95.3)	46	49%
Liabilities - balancing	(19.2)	(289.8)	271	93%
Liabilities - cogeneration	(86.0)	(64.7)	(21)	(33%)
Other taxes and social insurance liabilities	0.7	(1.8)	2	136%
Deferred revenues	(7.6)	(13.2)	6	42%
Cash flows from operational activities	206.5	(82.9)	289	349%
Interests paid	(4.2)	(4.6)	0	10%
Income tax paid	(19.4)	(5.3)	(14)	(267%)
Net cash generated from operational activities	182.9	(92.9)	276	297%
Cash flows from the investment activity				
Acquisition of tangible and intangible assets	(111.6)	(100.8)	(11)	(11%)
Shareholdings in SELENE CC Societe Anonyme	(0.2)	0.0	(0)	n/a!
Received Interests	3.7	2.2	1	67%
Other financial assets	(7.0)	(50.0)	43	86%
Net cash used in the investment activity	(115.1)	(148.6)	33	23%
Cash flows used in financing activities				
Repayments of non-current borrowings	(13.2)	(39.5)	26	67%
Utilisation of the credit line for cogeneration	117.4	161.8	(44)	(27%)
Bond repayment	(29.5)	0.0	(30)	n/a
Dividends paid	(35.2)	(66.4)	31	47%
Net cash used in financing activities	39.5	55.8	(16)	(29%)
Net increase/decrease in cash and cash equivalents	107.3	(185.6)	293	158%
Cash and cash equivalents as at January 1st	320.8	482.2	(161)	(33%)
Cash and cash equivalents at the end of the period	428.1	296.5	132	44%

ANNEX 4: Economic-financial indicators of the reporting period

Indicators	Formula	H1 2020	2019
Current liquidity ratio (x)	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.73	1.57
Indebtedness indicators (x):			
(1) Indebtedness indicator	$\frac{\text{Debt capital} \times 100}{\text{Shareholder's equity}}$	7.6%	5.4%
(2) Indebtedness indicator	$\frac{\text{Debt capital} \times 100}{\text{Committed capital}}$	7.0%	5.2%
Clients' turnover (days)	$\frac{\text{Average client balance}^* \times \text{no. days}}{\text{Turnover}}$	75.08	98.46
Non-current assets turnover (x)	$\frac{\text{Turnover}}{\text{Non-current assets}}$	0.30	0.66

* 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 7 REPORT (according to HAGEA 4/29.04.2015) on the contracts signed in H1/ 2020 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
				thousand RON	thousand Euro			
0	1	2	3	4	5	6	7	8
1	C 50/2020	Installation / disassembling work to the system of emergency intervention poles	48	9.680	-	Work	Law 99/2016 + GD 394/2016	Open bid
2	SB 10/2020	Research and development centre for live work technologies (LW) and fast intervention into NPS - stage 2	24	4.274	-	Work	Law 99/2016 + GD 394/2016	Simplified procedure
3	C 140/2020	Modernisation of 220/110 kV Răureni substation	18	13.719	-	Work	Law 99/2016 + GD 394/2016	Open bid
4	C 127/2020	Extension of the 400 kV Gura Ialomiței substation with two bays: 400 kV Cernavoda 2 and 3 OHL, purchase of equipment, installation and services	12	5.603	-	Work	Law 99/2016 + GD 394/2016	Open bid
5	C 101/2020	400 kV Tâmpareni - Kozlodui 1 + 2 c.c. OHL capital repairs	48	34.425	-	Work	Law 99/2016 + GD 394/2016	Open bid
6	C 90/2020	Composite and tempered glass insulation for 110-400 kV installations (framework agreement)	18	2.917	-	Work	Law 99/2016 + GD 394/2016	Open bid
7	CT 782/2020	Optimizing the operation of Isaccea-Tulcea west OHL 400Kv and 400kV OHL Gura Ialomiței - Lacu Sărat by installing monitoring systems	24	2.847	-	Work	Law 99/2016 + GD 394/2016	Open bid
8	C 77/2020	SDH N-E Ring communication equipment	12	3.010	-	Work	Law 99/2016 + GD 394/2016	Open bid
9	C 69/2020	Connection of 400 kV Isaccea-Varna OHL and 400kV Isaccea-Dobrudja OHL in 400 KV Medgidia Sud substation, stage I - Extension of 400 kV Medgidia Sud substation	11	29.156	-	Work	Law 99/2016 + GD 394/2016	Open bid
10	C 52/2020	Bank revolving credit line necessary to provide the operation of the support scheme under optimum conditions	12	3.913	-	Services	Law 99/2016 + GD 394/2016	One's own procedure
11	C 47/2020	Technical support services associated to Oracle licenses	36	2.336	-	Services	Law 99/2016 + GD 394/2016	Open bid
12	BC 630/2020	Cleaning services within the offices of Bucharest TTU and centres	24	593	-	Services	Law 99/2016 + GD 394/2016	Open bid
13	CR 16/2020	Maintenance services for the passage ways of OHL-s in areas with tree vegetation	12	528	-	Services	Law 99/2016 + GD 394/2016	Open bid

14	C 86/2020	Cleaning services for buildings of NPGC Transelectrica SA - Executive and UNO-DEN	24	840	-	Services	Law 99/2016 + GD 394/2016	Open bid
15	C 85/2020	Specialised consultancy services for works/services in 110-750 kV overhead power lines	48	6.816	-	Services	Law 99/2016 + GD 394/2016	Open bid
16	C 75/2020	Support services for the construction and operation of electronic communications networks in order to exploit the existing optical fibre capacity surplus within Transelectrica, while maintaining control at the level of NPGC Transelectrica SA for 5 years	60	4.800	-	Services	Law 99/2016 + GD 394/2016	Negotiation without prior call
17	CR 20/2020	Specialised services for security, monitoring and rapid response at the locations of Craiova TTU for 6 months	6	1.112	-	Services	Law 99/2016 + GD 394/2016	Negotiation without prior call

