



**NPG Co. TRANSELECTRICA  
SA**

**REPORT OF THE  
SUPERVISORY BOARD ON  
THE MANAGEMENT  
ACTIVITIES**

**July – December 2020**

	<b>Corporate structure</b>	<b>1</b>
	<b>Activity of the Supervisory Board</b>	<b>4</b>
	<b>Financial data</b>	<b>8</b>
	<b>Operational data</b>	<b>18</b>
	<b>Investments</b>	<b>23</b>
	<b>Other aspects</b>	<b>27</b>
	<b>Annexes</b>	<b>30</b>

The Supervisory Board relies on the corporate governance principles, which state a responsible, professional and ethical attitude of the Company towards all stakeholders. The Board examines the Company's strategy and its environmental premises it operates in, in order to plan Transelectrica's development and its performance, thus ensuring a rigorous formulation of objectives.

The stand-alone financial statements for 2020 were presented to the Supervisory Board for review, the Company's Directorate providing detailed information on the annual results. At the meeting for the approval of the financial statements of 2020, the Audit Committee submitted to the Supervisory Board a report concerning the review of the results for the financial year 2019 and recommended to the Supervisory Board the approval of the stand-alone financial statements drafted according to OMPF no. 2844/2016.

The separate financial statements prepared on 31.12.2020 are audited, and the external auditor's opinion is unqualified, which means that all significant information reflected in the main items of the balance sheet is relevant, reliable, comparable and relevant.

At the same time, the Supervisory Board's Semestrial Report elaborated in accordance with the requirements from the capital market legislation was reviewed by Supervisory Board members. The information presented in the half-yearly report provides a true and fair view of the Company's results for semester II of 2020.

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

*With highest consideration,*

Adrian GOICEA	Luiza POPESCU	Jean-Valentin COMĂNESCU	Oleg BURLACU	Mircea Cristian STAICU	Mihaela POPESCU	Ciprian Constantin DUMITRU
SB Chairman	SB Member	SB Member	SB Member	SB Member	SB Member	SB Member



## Corporative structure

### SUPERVISORY BOARD

National Power Grid Company Transelectrica SA ("NPG Co. Transelectrica SA", "Transelectrica" or the "Company") is a joint stock company, organised and operating in accordance with the Romanian laws, being managed in a dualistic system, based on the resolution of the Shareholders' General Extraordinary Assembly, dated July 18, 2012 by a 5-member Directorate under the supervision of a Supervisory Board (consisting of 7 members).

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

- **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 de 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 Korean RPD.

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 CNTEE 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.

### • **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.

### • **Mihaela POPESCU – Member of the Supervisory Board**

Mrs. Mihaela Popescu 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. Popescu has been member in the Board of Administration of CASA OPSNAJ. Also in March - November 2019 Mrs. Popescu has been Member in the Supervisory Board of NPG Co. Transelectrica SA.

Graduate of the Academy of Economic Studies Bucharest, Management Faculty, Mrs. Popescu 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.

Also, Mrs. Popescu is a graduate of the Faculty of Legal, Economic and Administrative Sciences, Spiru Haret University.

Mrs. Mihaela Popescu has also followed several courses in: National Security, Good Governance and Diplomacy.

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

Graduate of the School of Law of the Romanian American University (2000) – with a bachelor's degree from the A.I. Cuza Police Academy (2001), most of the activity carried out by Mr. Ciprian Constantin Dumitru was in the private sector, be it in top level multinational companies such as the McDonald's Corporation or local private companies providing marketing services, market studies or business audit and development programs.

Working for the McDonald's Corporation, starting from the bottom level and reaching to top management level, Mr. Ciprian Constantin Dumitru honed his skills, starting with specific activities, in the design, analysis and monitoring of sales targets, sales analysis, and the projection, monitoring and presentation of the P&L budget. In the same corporation, he was part of the launch team for other European countries, being directly involved in the company's entry on the Ukrainian market.

Currently, as general manager of New Challenge Marketing Research, he is directly involved in setting growth targets; designing, checking and approving the company budget and its rectifications; finding business opportunities; representing the company in its dealings with suppliers, customers and other bodies/ organisations that have a real/ potential impact on company results, including the state's control authorities; appointing/ acting as company management; checking activity reports and taking the necessary measures to increase the efficiency of the management team.

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

## CONSULTATIVE COMMITTEES OF THE SUPERVISORY BOARD

At the date of this report, the consultative committees of the Supervisory Board have the following duties and composition:

### Audit Committee

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

The Audit Committee has as attributions, among others, to monitor the efficiency of internal control, internal audit and risk management systems within Transelectrica, to check and monitor the external auditors' independence, the statutory audit activities to annual financial statements as well as the approaches proposed by external auditors, while coordinating their activity with the internal audit.

The Audit Committee monitors the financial and management reporting process as well as the financial plan and the process of preparing the annual financial statements and the consolidated annual financial statements, monitors and analyses the performance indicators of the transport system and the economic and financial performance of the company's business.

The Audit Committee plays an important role in verifying the effectiveness of the compliance monitoring system with the laws and regulations applicable to the Company's business and the results of management investigations in the event of noncompliance.

At the same time, it assists the Supervisory Board in fulfilling its responsibilities for supervising and supervising the elaboration and updating of the general strategy for the development of the society, assists the Supervisory Board in identifying the major development directions in the field.

Compliance with the principles of corporate governance established by the Corporate Governance Code of the Bucharest Stock Exchange represents a continuous commitment assumed by the Supervisory Board.

Through the Audit committee, the Board of Supervisors aims at enhancing transparency with respect to the activities of organizational entities of the Company by implementing new internal regulations for the Public internal audit and the management of significant risks within NPG Transelectrica SA.

### Nomination and Remuneration Committee

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

With regard to the nomination area, the Nomination and Remuneration Committee coordinates the appointment process of the Directorate members and makes recommendations with respect to both the selection of the Directorate members and the provisional occupation of the vacancies within the Supervisory Board.

The Nomination and Remuneration Committee supervises certain positions in the Company administration and permanently updates the professional competencies of the Directorate members.

As far as the remuneration area is concerned, the Nomination and remuneration committee drafts 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 shall present in the annual report the total amount of the direct and indirect remuneration of the members of the Directorate and of the Supervisory Board, in compliance with the principle of proportionality with the responsibility and the time devoted to the performance of their duties by them.

### Energy Security Committee

Members of this committee are Luiza POPESCU (chairman), Ciprian-Constantin DUMITRU, Adrian GOICEA, Oleg BURLACU, Mihaela POPESCU.

The Energy Security Committee monitors and advises the Supervisory Board, the Directorate and the specialised departments of the Company in the implementation of strategic energy system operator and energy security objectives on the National Power System ("NPS"), energy security at PTG level and energy security and protection of critical infrastructure.

Another task is to involve, under the mandate of the Supervisory Board, along with the Directorate, in the dialogue with the public authorities with attributions and competences in the field of energy security (the Ministry of Energy, the specialised committees of the Parliament).



## Activity of the Supervisory Board

### ACTIVITY OF THE SUPERVISORY BOARD

During the second semester of 2020, the members of the Supervisory Board met in 12 sessions, out of which a selection of the discussion points on the agenda was presented below.

The following topics were discussed with priority:

- initiating the procurement having as object the award of the sectoral supply contract “Extension of Brazi Vest substation - Primary equipment, secondary equipment, SCADA integration, PDB adaptation, PT installation of primary and secondary circuits, technical assistance”
- the Company’s simplified stand-alone financial statements on the date and for the 6-month period ended on June 30, 2020, together with the related Reports on the date and for the financial year ended on June 30, 2020, prepared in accordance with the provisions of art. 54 and art. 55 of GEO no. 109/2011 on the corporate governance of public enterprises and the Half-yearly Report for the first half of 2020 on the Company’s economic and financial activity
- starting the selection procedure of the Company’s Directorate members, applying the provisions of paragraphs (4) - (8) of art. 35 of GEO no. 109/2011
- initiating the procurement procedure having as object the award of the sectoral works contract “Increasing the transmission capacity of 220 kV Stejaru-Gheorgheni-Fântânele OHL”
- the procurement having as object the awarding of the sectoral works contract “Refurbishment of 400 kV Isaccea substation – Stage II”
- appointing the Directorate members with a 4-year mandate, starting with 17.11.2020 until 16.11.2024
- the stage of accomplishing the Annual Sectoral Procurement Programme for January - September 2020
- the procurement having as object “Connecting the 400 kV Isaccea - Varna OHL and the 400 kV Isaccea – Dobrudja OHL in 400 kV Medgidia Sud substation”, Stage II – “ 400 kV OHL d.c. Connection in Medgidia Sud substation”

**The Nomination and Remuneration Committee** held 6 (six) meetings in the second semester of 2020 in which the Directorate members’ selection procedure was approved in accordance with the provisions of GEO no. 109/2011 on the corporate governance of public enterprises. Also, the selection criteria, the Directorate’s profile, the profile of the candidates for the position of Directorate members were approved as well as the

announcement for the selection of the Directorate members and its manner of publication.

Also, proposals and recommendations were made for the appointment of the provisional Directorate members, as well as for the Directorate members appointed for a 4- year mandate, according to the provisions of GEO no. 109/2011 on the corporate governance of public enterprises.

During the same period, the **Audit Committee** held 2 (two) meetings during which the Simplified stand-alone financial statements were audited on the date and for the 6-month period ended on June 30, 2020, as well as for the 9-month period ended on September 30, 2020.

In the second half of 2020, the **Energy Security Committee** held 2 (two) meetings in which the technical requirements for the connection of power units and Power Plants to the NPS were analysed, discussions took place on the preparation of facilities and networks for 2020-2021 winter season and the action plan for increasing cross-border capacity was presented.

Also, the measures taken by the Company for NPS security during the pandemic were discussed.

The topics discussed in the SB sessions in the second semester are presented in more detail below:

- At the meeting on **27.07.2020** the SB members agreed with the initiation of the procurement having as object the award of the sectoral supply contract “Extension of Brazi Vest substation - Primary equipment, secondary equipment, SCADA integration, PDB adaptation, PT installation of primary and secondary circuits, technical assistance”
- At the meeting on **13.08.2020**, the Supervisory Board took note of the:
  - the Company’s simplified stand-alone financial statements on the date and for the 6-month period ended on June 30, 2020,
  - the Half-yearly Report for the first half of 2020 on the Company’s economic and financial activity ,
  - The Activity Report of the Directorate on the results for January-June 2020, drawn up according to the

provisions of art. 54 of GEO no. 109/2011 on the corporate governance of public enterprises.

At the same time, it approved the final form of the SB Activity Report for the first semester of 2020, drawn up in accordance with the provisions of art. 55 of GEO no. 109/2011 on the corporate governance of public enterprises.

- At the meeting on **30.09.2020**, the Supervisory Board members elected Mr. Adrian GOICEA as Supervisory Board Chairman.

At the same meeting, the Supervisory Board designates as members of the Nomination and Remuneration Committee the following persons:

- Oleg BURLACU - chairman
- Adrian GOICEA - member
- Jean-Valentin COMĂNESCU - member
- Luiza POPESCU – member
- Ciprian Constantin DUMITRU - member
- Mircea Cristian STAICU - member
- Mihaela POPESCU – member

appoints as members of the Audit Committee within the Supervisory Board:

- Jean-Valentin COMĂNESCU - chairman
- Adrian GOICEA - member
- Luiza POPESCU - member
- Ciprian Constantin DUMITRU - member
- Mircea Cristian STAICU – member
- Oleg BURLACU – member

appoints as members of the Energy Security Committee within the Supervisory Board:

- Luiza POPESCU - chairman
- Ciprian Constantin DUMITRU - member
- Adrian GOICEA – member
- Oleg BURLACU - member
- Mihaela POPESCU – member

At the same time, they decided to start the selection procedure of the Company's Directorate members, applying the provisions of paragraphs (4)-(8) of art. 35 of GEO no. 109/2011, related to the provisions of paragraph (11) of art. 35 of GEO no. 109/2011 and the provisions of art. 2 points 7 and 10 of GEO 109/2011, by an independent expert, natural or legal person specialised in the recruitment of human resources, namely the expert whose services have been contracted by the Company.

They also approved the plan and selection criteria for the position of Directorate member and approved the content of the announcement on the selection of the Directorate members and

- requested the independent expert to submit to the SB Nomination and Remuneration Committee the short list of candidates for the positions of the Company's Directorate members, as well as the selection

procedure report accompanied by all related documents.

- took notice of the Note on the prescription of the shareholders' right to 2016 dividends distributed pursuant to art. II and art. III of GEO no. 27/2017.

- At the meeting on **12.10.2020**, the Supervisory Board took note of the termination on October 20, 2020 of the mandates of the following provisional Directorate members: Cătălin NIȚU, Ionuț-Bogdan GRECIA, Andreea-Mihaela MIU, Marius Viorel STANCIU, Bogdan MARCU and decided to extend them for a 2-month period, starting with 21.10.2020 until 20.12.2020, but not later than the completion of the selection procedure according to the provisions of GEO 109/2011 on the corporate governance of public enterprises, with later amendments and additions, for:

- Cătălin NIȚU
- Ionuț-Bogdan GRECIA
- Andreea-Mihaela MIU
- Marius Viorel STANCIU
- Bogdan MARCU

- took note of the information regarding the conclusion of the rental agreement having as object "Services for renting a space in an office building, namely maintenance, necessary for the functioning of the Company's Executive"

- agreed on the conclusion of the addendum to the contract having as object the increase of the cap for issuing letters of bank guarantee and the extension of the contract's validity by 12 months (from 01.01.2021 to 31.12.2021), observing the contract's value

- requested the Directorate to analyse the manner and criteria for drawing up the specifications for contracts on professional training services, in relation to the processes and procedures in force, as well as the manner in which contracts are to be awarded

- requested the Directorate to present a business plan of Formenerg SA subsidiary's management in order to highlight the measures envisaged for the efficiency of the activity.

- At the meeting on **22.10.2020**, the Supervisory Board agreed on the initiation of the procurement procedure having as object the award of the sectoral works contract "Increasing the transmission capacity of the 220 kV Stejaru-Gheorgheni-Fântânele OHL"

- postponed the decision on the procurement for the award of the sectoral contract "Strategic services/works in the facilities managed by Transelectrica", requesting additional information from the Directorate and recommended the analysis of the opportunity to conclude a framework agreement for strategic services/works in the facilities managed by the Company.



- requested from the Directorate an information notice on the preventive maintenance planned for the next 3 years.

- requested the Directorate to submit a detailed document on [www.transelectrica.ro](http://www.transelectrica.ro), including several technical information, hosting, modernisation possibilities.

- At the meeting on **27.10.2020**, the Supervisory Board members took note of the resignation of Mr. Ionuț-Bogdan GRECIA as Directorate member.

- At the meeting on **29.10.2020**, the Supervisory Board appointed Mr. Ovidiu ANGHEL as a provisional Directorate member, starting with October 30, 2020 until December 20, 2020, a mandate that will not exceed the completion date of the selection procedure of the Company's Directorate members, if the procedure will be completed within this period. The Directorate member's appointment became effective on the date when the mandate acceptance declaration was signed before the notary public.

During the same meeting, the SB members approved the remuneration and the mandate contract form of the provisional member.

- They adopted the management component of the Company's management plan, drawn up by applying the provisions of art. 30 paragraph (1) of GEO no. 109/2011.

- At the meeting on **12.11.2020**, the SB members appointed as member of the Audit Committee within the Supervisory Board Mrs. Mihaela POPESCU, the Audit Committee's membership being the following:

- Jean-Valentin COMĂNESCU - chairman
- Adrian GOICEA - member
- Luiza POPESCU - member
- Ciprian Constantin DUMITRU - member
- Mircea Cristian STAICU – member
- Oleg BURLACU – member
- Mihaela POPESCU – member

- took note of the Simplified Stand-alone Financial Statements on the date and for the 9-month period ended September 30, 2020

- took note of the Quarterly Report (FSA) on the Company's economic and financial activity according to the requirements of the capital market as of September 30, 2020

- took note of the Directorate's Activity Report on the financial results as of September 30, 2020, drawn up in accordance with the provisions of GEO no. 109/2011 on the corporate governance of public enterprises

- agreed on the procurement having as object the award of the sectoral works contract "Refurbishment of 400 kV Isaccea substation-Stage II"

- took note of the information notice regarding the signing of the contract having as object "Refurbishment of 220/110/20 kV Baru Mare substation"

- At the meeting on **16.11.2020**, the Supervisory Board, in accordance with the provisions of art. 35 paragraphs (4)-(9) and (11) of GEO no.109/2011 on the corporate governance of public enterprises, following the selection procedure of candidates for the positions of Directorate members of the Company, appointed as Directorate members, with a 4-year mandate, starting with 17.11.2020 until 16.11.2024, pursuant to art. 23 paragraphs (1) and (2) of the Company's Articles of association, the following persons:

- Cătălin NIȚU
- Andreea-Mihaela MIU
- Corneliu-Bogdan MARCU
- Marius Viorel STANCIU

and elected Mr. Cătălin NIȚU as Directorate Chairman, alternatively called Executive Director General or Chief Executive Officer - "CEO" of Transelectrica.

During the same meeting, the SB requested the Directorate members to elaborate and present a proposal for the administration plan's management component during the mandate, in order to achieve the financial and non-financial performance indicators.

- At the meeting on **02.12.2020**, the SB members approved the management component of the Company's Administration Plan and the Company's Administration Plan in its entirety.

- At the meeting on **14.12.2020**, the Supervisory Board appointed Mr. Ovidiu ANGHEL as a provisional Directorate member, for a 4-month mandate, starting with December 21, 2020, with the possibility of extension, for good reasons, for another two months, but the mandate will not exceed the completion date of the selection procedure for the Company's Directorate members, under the conditions of GEO no. 109/2011, if the procedure will be completed within this period.

At the same meeting, the SB agreed on the purchase of a revolving credit line for the administration of the support scheme for high efficiency cogeneration

- took note of the information notice on the implementation status of the Annual Sectoral Procurement Programme January – September 2020

- took note of the information notice on the signing of the contract having as object "Converting the axis Porțile de Fier - Reșița - Timișoara - Săcălaz - Arad/ 400/220/110 kV Reșița substation to 400 kV"

- agreed on the procurement having as object "Connecting the 400 kV Isaccea - Varna OHL and the 400 kV Isaccea – Dobrudja OHL in 400 kV Medgidia Sud substation", Stage II – " 400 kV OHL d.c. Connection in Medgidia Sud substation"

- took note of the information notice on the addendum no. 2 to the contract regarding “Strategic services/works in the facilities managed by Transelectrica” with SMART SA.

- At the meeting on **21.12.2020**, based on SGOA Decision no. 11/21.12.2020 on the approval of the financial and non-financial performance indicators resulting from the administration plan and on art. 36 paragraph (4) of GEO no. 109/2011, with later amendments and additions, the SB decided the approved financial and non-financial performance indicators to be annexed to the mandate contracts.

The Supervisory Board Chairman was mandated to sign the addenda to the Directorate members’ mandate contracts, which include the financial and non-financial performance indicators approved by SGOA Decision no. 11/21.12.2020.



## Financial data

The summary of the financial results on H2 2020 is provided in the tables below. Their extended variant for the same time interval is provided in Annexes to this Report.

Separate statement of profit and loss		
[RON mn]	H2 2020	H2 2019
Charged energy volume [TWh]	27.59	27.42
<b>ALLOWED PROFIT ACTIVITIES</b>		
<b>Operating revenues</b>	<b>618</b>	<b>612</b>
<b>Operating expenses</b>	<b>520</b>	<b>433</b>
<b>EBITDA</b>	<b>97</b>	<b>179</b>
Depreciation	132	138
EBIT	(34)	41
<b>ZERO PROFIT ACTIVITIES</b>		
<b>Operating revenues</b>	<b>660</b>	<b>602</b>
<b>Operating expenses</b>	<b>597</b>	<b>567</b>
EBIT	63	35
<b>ALL ACTIVITIES (PROFIT ALLOWED AND ZERO-PROFIT)</b>		
Operating revenues	1,277	1,214
Operating expenses	1,117	999
<b>EBITDA</b>	<b>160</b>	<b>214</b>
Depreciation	132	138
<b>EBIT</b>	<b>29</b>	<b>76</b>
Net finance result	(3)	(4)
<b>EBT</b>	<b>25</b>	<b>72</b>
Income tax	1	6
<b>Net profit</b>	<b>24</b>	<b>66</b>

Separate statement of financial position		
[RON mn]	2020	2019
<b>Non-current assets</b>		
Tangible assets	3,561	3,440
Intangible assets	7	23
Financial assets	82	82
Assets of the usage rights for leased assets - buildings	38	6
<b>Total non-current assets</b>	<b>3,687</b>	<b>3,551</b>
<b>Current assets</b>		
Inventories	38	38
Trade and other receivables	848	706
Other financial assets	0	85
Cash and cash equivalents	554	321
Income tax to be recovered	1	0
<b>Total current assets</b>	<b>1,442</b>	<b>1,150</b>
<b>TOTAL ASSETS</b>	<b>5,129</b>	<b>4,700</b>
<b>Shareholders' Equity</b>		
<b>Non-current liabilities</b>	<b>3,390</b>	<b>3,284</b>
Borrowings	102	123
Other non-current liabilities	573	561
<b>Total non-current liabilities</b>	<b>675</b>	<b>684</b>
<b>Current liabilities</b>		
Borrowings	25	56
Other current liabilities	1,039	677
<b>Total current liabilities</b>	<b>1,064</b>	<b>732</b>
<b>Total liabilities</b>	<b>1,738</b>	<b>1,416</b>
<b>Total shareholders' equity and liabilities</b>	<b>5,129</b>	<b>4,700</b>

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 July – December 2020, the total charged energy volume for the services performed on the energy market (27.59 TWh) registered a decrease of 1% compared to the same period of 2019 (the difference between the two periods being -0.17 TWh).

### Operational revenues

The total operational revenues of the second semester of 2020 registered a 5% increase compared to the similar period of the previous year (RON 1,277 mn in H2 2020, from RON 1,214 mn in H2 2019), mainly due to the operational revenues related to the zero-profit activities (balancing market), but also due to a slight increase, in the analysed period, of the amount of electricity delivered.

The allowed profit activities segment registered a slight 1% increase in revenues (RON 618 mn in H2 2020 compared to RON 612 mn in H2 2019, mainly determined by the 30% increase in functional system services and unplanned exchanges (RON 72 mn in H2 2020 compared to RON 55 mn in H2 2019).

The general context of 2020 was a difficult and challenging one for all activity areas due to the 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 H2 2020, revenues from the interconnection capacity allocation registered a 35% decrease compared to last year's same period, in the amount of RON 14.8 mn,

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

The decrease in revenues from interconnection capacity allocation is due to the decrease in the participants' interest in purchasing interconnection capacity, electricity being traded rather internally.

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 the following 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 H2 2020 compared to H2 2019 by the amount of RON 2.5 mn 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 BRP CIGA Energy, on the Balancing Market.

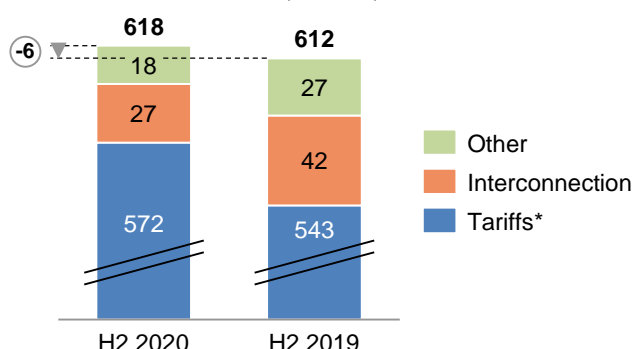
At the end of November 2019, the coupled operation of the intraday market was launched at European level, within the XBID/SIDC project, insuring greater liquidity and a diversity of traded products.

The revenues from OTC transactions were higher in the analysed period of 2020 compared to that of 2019 by 67% (from RON 3.4 mn in H2 2019 to RON 5.6 mn in H2 2020) due to the fact that Transelectrica imbalances were in the opposite direction to the BRP CIGA ENERGY imbalances and thus the sale of the surplus energy within PRE was more advantageous than the sale on the Balancing Market.

Revenues from functional system services and unplanned electricity exchanges recorded an increase of 30% in the analysed period, determined by the tariff increase approved by ANRE for these services.

#### Operating revenues from allowed profit activities

(RON mn)



**Revenues from zero-profit activities** registered a positive result of 10% compared to the same period last year (RON 660 mn as of December 31, 2020 compared to RON 602 mn as of December 31, 2019) mainly due to the increase of revenues on the balancing market by 35% (from RON 243 mn in H2 2019 to RON 329 mn in

H2 2020), but also due to the average tariff approved by ANRE.

For H2 2020, the tariffs approved by ANRE by Order 142/2020 were applied, tariffs with effect from 01.07.2020, applicable until 31.12.2020.

Compared to the same period last year, over the analysed time period (H2 2019 vs H2 2020), there was a slight increase in the transmission tariff (1.54%) and the amount of charged grid take-off electricity, increased from 27.42 TWh to 27.59 TWh.

During H2 2020, revenues from technological system services decreased by 8% compared to the same period of 2019 (RON 331 mn in H2 2020 compared to RON 359 mn in H2 2019), determined by the increase of the ANRE approved tariff for these services.

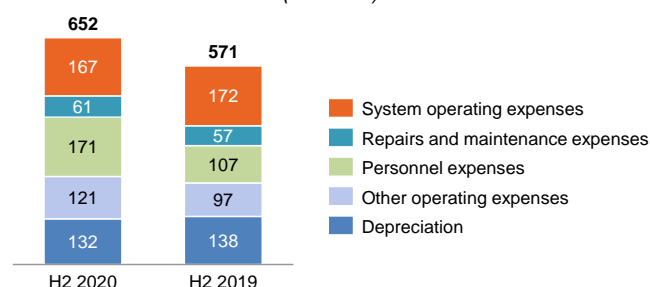
#### Operational expenses

The total operational expenses (including depreciation) registered in H2 2020 an increase by 10% compared to the same period of the previous year (RON 1,249 mn in H2 2020 versus RON 1,137 mn in H2 2019).

In the segment of **profit-allowed activities**, expenses (including depreciation) increased by 14% (RON 652 mn in H2 2020 compared to RON 571 mn in H2 2019).

#### Operational expenses from allowed profit activities

(RON mn)



**OTC:** In the second half of 2020, the expenses regarding the own technological consumption were lower by RON 0.3 mn compared to the second half of 2019, due to the following aspects:

- in the epidemiological context caused by the spread of Covid-19 (coronavirus), the DAM average price had a sharp downward trend (about 25%) starting with January 2020
- the average price of energy purchased on the Balancing Market also decreased, in the context of some imbalances of Transelectrica being opposite the imbalances of BRP CIGA ENERGY, thus the balance of imbalances being about half compared to the previous year
- starting with September 1, 2020, ANRE Order no. 61/2020 entered into force, which led to a number of important changes on the balancing market,

including the possibility of negative excess prices. In September, such prices were recorded in most time intervals, leading to an increase in the OTC cost in that the excess energy sold on the balancing market no longer brings revenue but generates additional costs.

In accordance with the European Union's Regulation 1222/2015 (CACM) – “establishing some guidelines on capacity allocation and congestion management”, one of the main obligations resulting in the context of this regulation was to join the short term electricity markets (daily and intraday), which should be met both by DEMOs – “Designated Electricity Market Operators”, and by the TSOs – “Transmission System Operators” of Europe.

To this respect, the project was initiated to couple the daily electricity markets from EU member states Romania and Bulgaria in 2020, which means coupling the daily electricity markets of the EU member states Romania and Bulgaria.

On 22.09.2020 national regulatory authorities of Austria, Germany, Poland and the 4M Market Coupling (4M MC) countries, namely the Czech Republic, Hungary, Romania and Slovakia received from the European Commission (DG ENER) guidance for the Designated Electricity Market Operators (DEMO) and the Transmission System Operators (TSO) participating to the DE-AT-PL-4M MC project (also known as “Interim Coupling Project” or “ICP”), which establishes the priority implementation of ICP in due time.

This guidance was requested by the respective national regulatory authorities after several months of discussions, as in the first quarter of 2020, blockage in the local implementation process was identified by several parties involved in the project.

This blockage is due to interdependencies between ongoing parallel projects, such as CORE FB MC, Allegro, NorNed, Polish MNA, resulting in a delay in Interim Coupling implementation activities.

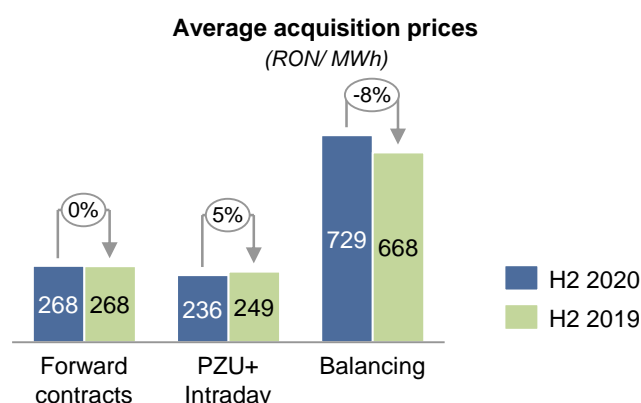
DG ENER considers a sequential implementation of the Interim Coupling and CORE Flow Based Market Coupling (Core FB MC) projects to be the best way forward, as the Interim Coupling project will facilitate the Single Day-Ahead Coupling and in particular the geographical extension to all relevant EU borders in accordance with the requirements of the CACM Regulation as soon as possible.

It will also bring the welfare of market participants. DG ENER notified as well that the Interim Coupling will bring added value by making sure the Central and Eastern European countries will not remain isolated,

even if other delays were to occur with the implementation of CORE FB.

Moreover it will enable comparison between the flow coupling testing results and the production data from the NTC coupled operation during the external parallel running of CORE FB MC project. Taking into account such guiding received, the estimated launch date of Interim Coupling is forecasted for April 2021.

The next Interim Coupling steps will focus mainly on updating the detailed project roadmap, completing the open issues and internal solution testing (planned now at the beginning of 2021) and tests with external parties.



**Expenses for electricity consumption in PTG substations:** registered a 25% drop in H2 2020 compared to the same period last year (RON 7.3 mn in July-December 2020 against RON 9.7 mn in July-December 2019) because of lower electricity procurement prices under the 2020 contracts concluded for electricity supply.

With a view to carry out electricity transmission within electric substations and to operate the National Power System, Transelectrica should procure electricity to cover the consumption for auxiliary services in high voltage electric substations managed by the Company, namely the consumption of auxiliary services in 81 substations, for each demand facility.

**Functional system services:** Associated expenses registered a 26% increase (RON 17.9 mn in H2 2020 compared to RON 14.3 mn in H2 2019) mainly determined by increased balancing market and day-ahead market expenses regarding the unplanned electricity exchanges with neighbouring countries that are interconnected to the NPS.

Such expenses represent uncontracted international exchanges of electricity with neighbouring countries and expenses with unplanned exchanges on the day-ahead market.

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

Monthly payment obligations/collection rights of each transmission system operator (TSO) are established under the compensation/settlement mechanism for the effects of using the power transmission grid (PTG) to transit electricity in-between the TSOs of the 35 countries that adhered to this ENTSO-E mechanism.

In H2 2020, these expenses were lower by RON 5.9 mn compared to the similar period of the previous year, and the difference resulted from regularised estimations of expenses made.

The **zero-profit activities** segment registered 5% cost increase (RON 597 mn at the end of H2 2020 compared to RON 567 mn at the end of H2 2019), mainly determined by increased expenses on the balancing market.

The Company procures **technological system services** from producers with a view to maintain a safe operation of NPS and the quality parameters of the electricity transmitted, at parameters required by applicable technical norms.

Such services are contracted as follows:

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

The value of the expenses regarding the technological system services in H2 2020, registered a decrease of 17% compared to those from the same period in 2019 (RON 268 mn in H2 2020 compared to RON 323 mn in H2 2019)

The costs of TSS procurement in July-December 2020 registered a value mainly determined by the following issues:

- procurement prices of technological system services on the competitive market for slow tertiary reserve (STR) in H2 2020 were lower compared to the procurement prices H2 2019, due to greater competition for this type of reserve ;
- procurement prices of technological system services were maintained on the competitive market in H2 2020 around the values recorded in H2 2019 for the secondary reserve (SR) and fast tertiary reserve (FTR);
- in H2 2020 there was a high concentration on the market of technological system services by the secondary reserve (SR) and fast tertiary reserve (FTR) service types.

The Company re-invoices technological system services procured from generators to ANRE-licensed

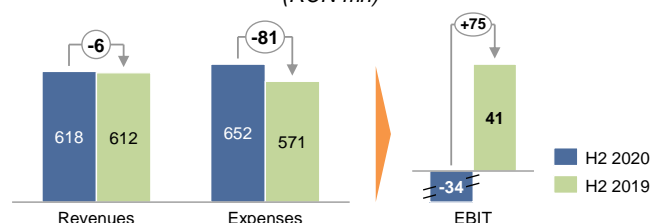
electricity suppliers that eventually benefit of such services.

For the next period of 2021, it is estimated that the regulations to be implemented in the national legislation in accordance with the provisions of Regulation (EU) 943 of the European Parliament and of the Council of June 5, 2019, and the evolution of COVID-19 will have significant impact on the evolution of procurement costs of system services within the Company.

**Operational result**

**Profit allowed activities** registered negative result of RON 34 mn in H1 2020, decreasing compared to the same period last year.

**Allowed profit activities EBIT structure**  
(RON mn)



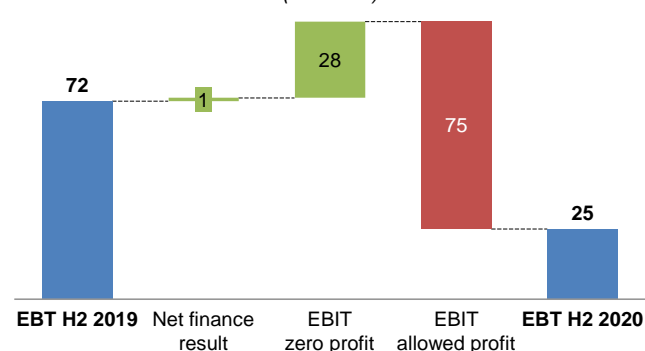
**EBIT** generated by **zero-profit activities** registered negative result of RON 34 mn compared to the same period of last year.

**Gross result (EBT)**

In the analysed period, gross profit registered a decrease of RON 46 mn, from RON 72 mn in H2 2019 to RON 25 mn in H2 2020.

The dynamics between the profit registered in H2 2020 compared to H2 2019, broken down by the constitutive profit components is provided in the graph below:

**Dynamics of EBT elements**  
(RON mn)

**Financial result**

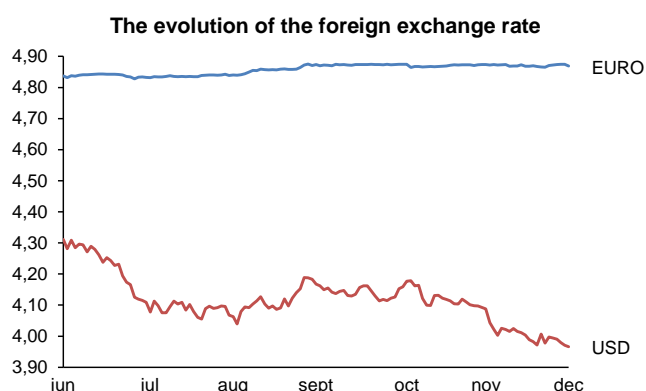
The net financial result registered in H2 2020 was RON -3 mn compared to RON -4 mn registered in H2 2019.

It has been mainly influenced by the development of the national currency's exchange rate in comparison with

Euro, currency which the Company has contracted bank loans in to finance its investment programmes.

[RON mn]	H2 2020	H2 2019	Δ	Δ (%)
<b>Financial Income</b>	<b>5</b>	<b>4</b>	<b>1</b>	<b>22%</b>
- income from financial assets	0,00	0,00	(0)	(100%)
- interest income	3,05	2,92	0	4%
- income from exchange rate differences	1,55	1,04	1	50%
- other incomes	0,24	0,00	0	n/a
<b>Financial expenses</b>	<b>8</b>	<b>8</b>	<b>(0)</b>	<b>(4%)</b>
- interest expenses	5,68	5,83	(0)	(3%)
- expenses from exchange rate differences	2,27	2,46	(0)	(8%)
- other financial expenses	0,00	0,00	0	n/a
<b>Net financial result</b>	<b>(3)</b>	<b>(4)</b>	<b>1</b>	<b>28%</b>

The development of the RON/Euro and RON/USD exchange rates in H2 2020 is provided in the graph below:

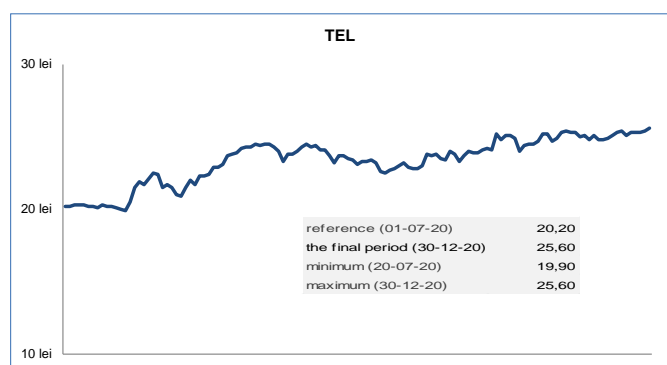


## DEVELOPMENT OF SHARES

(01-July-2020 to 31-December-2020)

The H2 2020 started with a transaction price of 20.20 RON/share. At the end of the time interval, stock exchange capitalisation was RON 1,877 mn, with 25.60 RON/share. The minimum transaction price of 19.90 RON/share was registered on 20.07.2020, while the maximum of 25.60 RON/share was reached on 30.12.2020.

Mention should be made Romania's capital market was impacted by the Covid-19 pandemic, implicitly by the economic effects generated by it, which was mirrored in the stock exchange indexes and the development of shares from stock exchange listed companies.



In H2 2020, TEL shares transacted on the Romanian capital market registered 7,251 transactions, with an average of 57 transactions/day and 2,591,995

transacted shares of total value of 60,656 thousand RON.

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

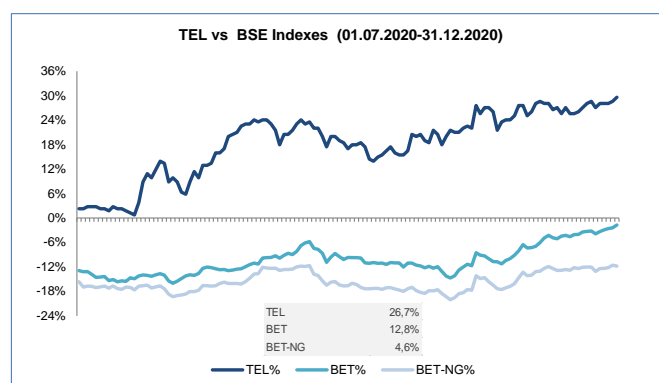
Of these the most representative for the Company are:

- BET index (Bucharest Exchange Trading - reference index of the capital market, showing the development of the most liquid 17 companies listed on the regulated market of BSE)
- BET-NG index (Bucharest Exchange Trading Energy & Related Utilities - sectorial index showing the development of energy companies and related utilities, which are listed on the regulated market of BSE).

In accordance with the latest allowance date registered on 11.12.2020, TEL shares account for 1.94% in the BET index and for 5.72% in the BET-NG index.

Beginning with December 2020, worldwide Transelectrica shares belong under the structure of MSCI 100 Frontier Markets index, following the development of the greatest most liquid one hundred companies on the share markets considered as frontier ones, under the criteria of the American company MSCI.

TEL share evolved against these two indexes as provided in the graph below:



## Net result in 2020

Net profit registered an increase of RON 44 mn in 2020 compared to 2019, reaching from RON 96 mn to RON 140 mn.

## FINANCIAL POSITION

### Non-current assets

In 2020 non-current assets registered 4% increase compared to 2019, against a background of higher tangible assets underway mainly determined by making investments in high voltage electric substations and lines, but also by recognising the utilisation right of assets under leasing – buildings, which means the usage rights of spaces the Company leased in the



Platinum office building according to the provisions of IFRS 16 – Leasing contracts.

## Current assets

Current assets grew 25% as of December 31, 2020 (RON 1,441 mn) compared to the value registered as of December 31, 2019 (RON 1,150 mn).

**Trade and other receivables** registered 20% growth in 2020 (RON 848 mn as of December 31, 2020 from RON 706 mn as of December 31, 2019), mainly because of higher volume of transactions on the balancing market and on the energy market in quarter IV of 2020 compared to quarter IV of 2019, which determined higher receivables on balance on December 31, 2020 compared to December 31, 2019;

The main clients on balance on the electricity market are represented by: Electrica Furnizare SA, RAAN, OPCOM, MAVIR, E.ON Energie România SA, CEZ Vânzare, Tinmar Energy, Enel Energie Muntenia SA, Ciga Energy and Enel Energie SA. The share of main clients on the electricity market is about 50% in the total trade receivables.

On December 31, 2020, the Company registered about 23% **collectable receivables under the bonus type support scheme to promote high efficiency cogeneration** (similar to the period ended on December 31, 2019) from the total trade receivables.

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

The clients under the bonus type support scheme to promote high efficiency cogeneration registered on December 31, 2020 growth mainly determined by higher values invoiced to collect the monthly contribution.

On December 31, 2020, the Company registered collectable receivables amounting to RON 195 mn, represented by invoices issued under the bonus type support scheme to promote high efficiency cogeneration, of which:

- 2011-2013 overcompensation amounting to RON 76.7 mn, namely from RAAN – RON 63.46 mn and CET Govora SA – RON 13.23 mn;
- 2014 undue bonus amounting to RON 3.91 mn, from RAAN – RON 1.98 mn and CET Govora – RON 1.93 mn;

- 2015 undue bonus amounting to RON 0.56 mn, namely from CET Govora – RON 0.53 mn and Interagro – RON 0.03 mn;

- cogeneration contribution in sum of RON 21.20 mn not collected from the suppliers of electricity consumers, 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.

By the date of this report, the Company fully collected the receivables associated to overcompensating the activities under the 2019 support scheme (RON 32.3 mn) by means of bank 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: Energy Complex Oltenia, Electrocentrale București, CET Govora, Energy Complex Hunedoara, Bepco SRL, Modern Calor SA, Soceram SA, Electroulaj SA, CET Arad, the Polytechnic University of Bucharest, Colonia Cluj Napoca energie SRL and Vest Energo SA.

To liquidate receivables generated by overcompensation and undue bonus, the Company requested the generators qualified under the support scheme to make mutual compensations. In case of generators (RAAN, CET Govora) that did not agree with this manner to extinguish mutual receivables and liabilities, the Company has applied and further applies the provisions of article 17 para. 5 of Order 116/2013 of ANRE president approving the Regulation on establishing the collection mode of the contribution for high efficiency cogeneration and the payment mode of the bonus for electricity generated under high efficiency cogeneration.

**Other receivables** as of December 31, 2020 amounting to RON 111.4 mn mainly include:

- sundry debtors (RON 83 mn), of which late payment penalties amounting to RON 74 mn calculated for defaulting clients (of which RON 35 mn are penalties associated to the support scheme);
- compensations owed by suppliers for their non-delivery of electricity (Arelco Power RON 0.9 mn and Enol Group RON 2.5 mn). Depreciation allowances were registered for compensations owed by suppliers from operational activities;
- receivable to collect from OPCOM representing VAT relating to the contribution in kind to the subsidiary's share capital, amounting to RON 4.5 mn;
- deferred expenses amounting to RON 1.1 mn are mainly represented by: rent and maintenance of office

building, down payments to the contracts concluded with electricity suppliers as necessary to cover one's own technological consumption in future periods;

- other intangible receivables amounting to RON 4.3 mn, of which RON 4.2 mn are securities for temporary land occupation, calculated and withheld according to article 39 para. (1), para. (2) and para. (5) of Law 46/2008 on the Forestry Code with a view to carry out the investment objective of the 400 kV Reșița – Panchevo OHL (Serbia).

- other social receivables in the amount of RON 2.9 mn representing medical leave paid by the employer to the employees and to be recovered from CNAS according to the legislation in force.

## Liabilities

**Non-current liabilities** amounting to RON 675 mn on December 31, 2020 registered 1% decrease in comparison with the value recorded on December 31, 2019, mainly based on the registration of the value of the lease contract for 5 years according to the provisions of IFRS 16.

At the same time, current liabilities registered 45% growth (from RON 732 mn on December 31, 2019 to RON 1,064 mn on December 31, 2020), mainly against a background of higher transaction volume on the balancing market at the same time with lower monthly bonus associated to the 2020 support scheme compared to 2019.

On December 31, 2020 compared to December 31, 2019, **liabilities on balance on the energy market** amounted to RON 468.1 mn against RON 390.2 mn, being influenced by:

- higher liability balance associated to operational activities mainly determined by higher payment liabilities on balance on the electricity market on December 31, 2020 (suppliers on the electricity market are mainly represented by: SC Hidroelectrica SA, Electrocentrale București, OPCOM, Mavir, Energy Complex Oltenia, Energy Complex Hunedoara, OMV Petrom, IBEX, Veolia Energie Prahova, Veolia Energie Iași and Ciga Energy)

- higher liability balance associated to the balancing market as determined by higher payment liabilities on balance on the electricity market on December 31, 2020 on due date and by higher volume of transactions on the balancing market in quarter IV 2020 compared to quarter IV 2019;

- lower liabilities associated to the support scheme to suppliers (producers) mainly determined by reduced

monthly bonus payable for December 2020 compared to the monthly bonus of December 2019.

On December 31, 2020 payment liabilities to suppliers (producers) amounting to RON 54.6 mn are registered (RAAN – RON 1.2 mn and CET Govora SA – RON 3.4 mn), representing the monthly cogeneration bonus, the 2014 and 2015 ex-ante overcompensation, bonus unpaid in 2015 and 2016.

The amounts representing Company liabilities under the support scheme to RAAN and CET Govora were withheld for payment according to article 17 para. 5 of Order 116/2013 of ANRE president because suppliers (producers) register payment liabilities to the Company under the bonus type support scheme.

- other liabilities amounting to RON 38.2 mn are mainly represented by the payment securities of contracts on the electricity market concluded by NPG Co. Transelectrica SA in sum of RON 16.8 mn; non-requirable VAT amounting to RON 20.6 mn in the reported interval.
- dividends due to the Company's shareholders as of December 31, 2020 amount to RON 191 mn, being available to shareholders through the paying agent.

**Provisions** registered growth at the end of 2020 compared to 2019 from RON 70 mn on December 31, 2019 to RON 122.4 mn on December 31, 2020, increase mainly determined by:

- the update of provisions established for litigations with former members of the Supervisory Board and the Directorate representing the equivalent value of OAVT (virtual actions for options),
- provision constituted for employees' participation to profit related to the financial year 2020,
- provision established for future payments related to the benefits granted to the retirement of employees for the age limit and benefits related to jubilees. The amounts provided for litigation representing the OAVT and post-employment benefits resulted from the actuarial calculations, which were determined by an authorized actuary,
- provisions for litigation in which the Company is sued,

## Interest-bearing liabilities

On December 31, 2020 the value of non-current borrowings diminished in comparison with December 31, 2019, mainly due to repayments made according to the existent loan agreements.

## Shareholders' equity

Shareholders' equity increased 1%, mainly determined by registering the net profit amounting to RON 114 mn into retained earnings, made on December 31, 2020 and by legal reserves calculated and distributed.

## MAIN RISKS AND UNCERTAINTIES

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

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

Within Transelectrica risks are regularly systematically analysed for the development of activities and the Risk Register has been constituted 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,
- the provisions of financing agreements: there are clauses in the finance contracts relating to the compliance with certain financial indicators, control change over the Company, *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 obligations,

- 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 level of fiscality, 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.

Throughout 2020, the Company did not find it impossible to comply with its financial liabilities.

As such there are no risks and uncertainties for the following months of 2021 financial year, others than the ones provided above, which might impact the Company's liquidity.

The Company was not a second found in the situation of not meeting its financial liabilities, but on the contrary, it benefits of very good liquidity.

During 2020, no issues occurred in its relation with bank partners. On 03.02.2020 the "First Demand Guarantee Agreement" was issued by BNP Paribas in favour of IEB according to contract C997/20.12.2019 signed between Transelectrica and BNP Paribas to secure the IEB 25710/2010 credit for 3 years.

To conclude, treasury activities were not impacted by the epidemiologic context generated by Covid-19 spreading; as a matter of fact one can notice the net profit increased by 46% compared to net profit recorded in the previous year.

On May 12, 2020, the credit rating agency Moody's Investors Service published the updated credit opinion, which assesses the Company's current and future ability to meet its payment obligations to creditors. The current credit opinion maintains the Company's rating at the level of the previous year, respectively Ba1 (Corporate Family Rating) with a positive outlook.

In the evaluation, the Company's rating is only one step below the country rating (stable Baa3), recognizing the improved financial performance and solid operational results of the Company, thus ensuring the premises for future financing in optimal cost conditions for achieving in good conditions. of the investments undertaken for the fourth regulatory period.

Obtaining a Ba1 rating with a positive outlook consolidates a favorable 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.

In 2020, the appearance of the Covid-19 virus generated a pandemic situation through which restrictions and rules were imposed with impact in all areas of activity. In this way, Transelectrica had to manage, in a short time, the implementation of a new organizational behavior within the Company. The Supervisory Board provided permanent assistance during this process, which Transelectrica transited in order to continue its activity in the energy field. We made sure from the beginning of the pandemic episode that the measures taken were in line with the requirements imposed by the authorities, so that the evolution of the Company is not destabilized.

By developing and complying with the plan imposed by the new sets of rules, Transelectrica managed to maintain a coherent evolutionary path in 2020. Our mobilization focused on the continuity of the Company's activity without hindrance and meeting investment objectives that revitalize the electricity transmission network infrastructure. At the same time, the Supervisory Board supported the Company's efforts to increase the degree of sustainability by integrating renewable energy into the transmission network. In the context of a future in which the production of energy from fossil resources is expected to decrease, for Transelectrica the importance of expanding the renewables sector has become a priority in ensuring energy security. Thus, the Supervisory Board supports the facilitation of the energy transition, ensuring the necessary corridor for a sustained collaboration between transmission and system operators, stakeholders, industry and authorities.





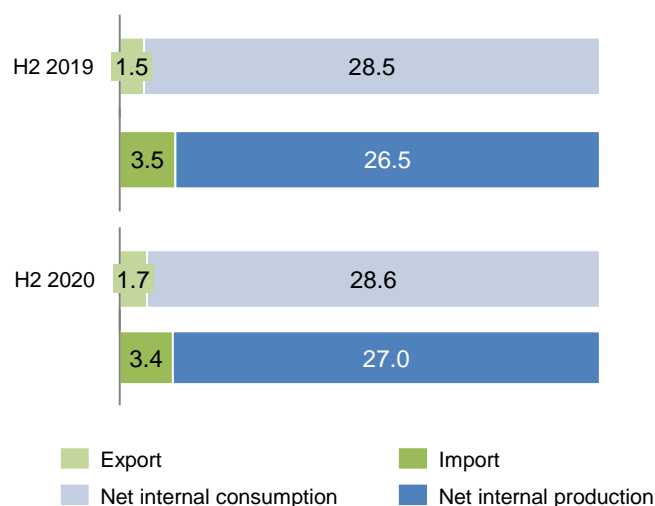
## Operational data

### ENERGY BALANCE WITHIN NPS

Studying the energy balance components evolution in July – December 2020 compared to the last year's same period, the net internal consumption<sup>1</sup> slightly increased by 0.6% and the net electricity output – 1.8%.

Cross-border physical export trade increased by 12.7% compared to the same period in 2019, while cross-border import flows decreased by 3.2%.

**Energy balance**  
(TWh)

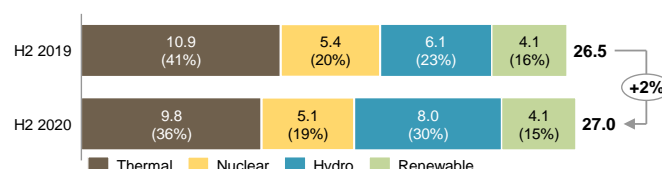


### GENERATION MIX

The generation mix structure in July-December 2020 compared to the similar period of 2019, about 9.6% drop was registered for the thermal component, 6.8% in the nuclear component and 1.3% in the renewable component. The contribution of the hydro component grew by 31.9%.

Reviewing the shares of the net generation mix components in July - December 2020, one can notice the greatest share (36.4%) is represented by the thermal component, followed by the hydro component (29.8%), while the output from renewable and nuclear sources has shares of about 15% and respectively 18.8%.

**Net electricity production mix evolution**  
(TWh)

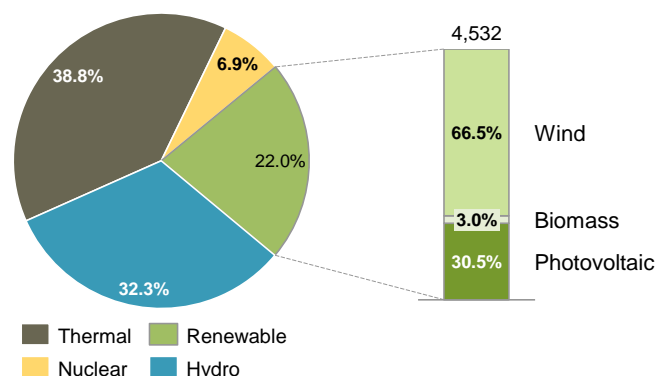


### NATIONAL GENERATION FLEET

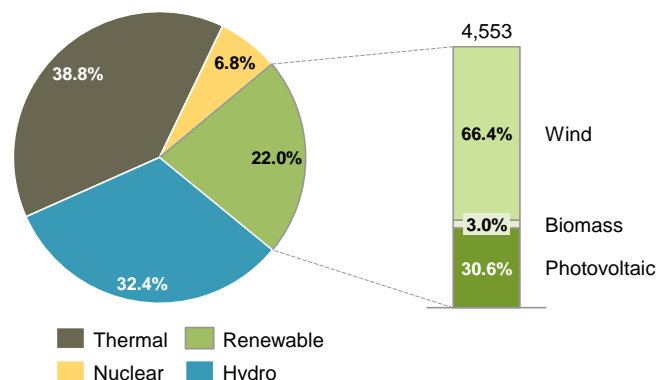
The installed capacity in power parks on renewable sources dropped about 0.4% from 4,553 MW installed as of December 31, 2019 to 4,532 MW installed as of December 31, 2020.

The installed capacity relating to July – December 2020 versus July – December 2019 is provided below:

**Installed capacity, 2020 (20,582 MW, gross)**



**Installed capacity, 2019 (20,696 MW, gross)**



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

## CROSS-BORDER FLOWS

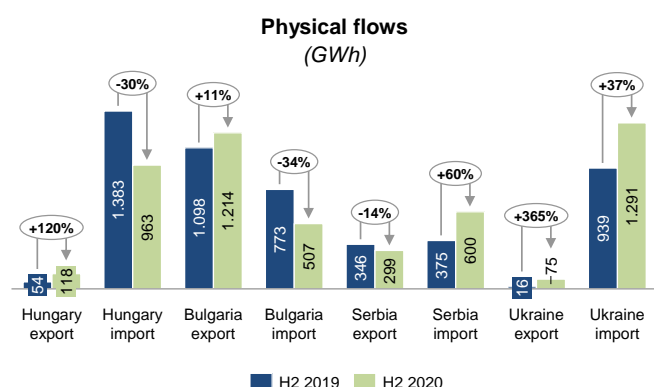
The distribution of import/export flows on interconnection lines in July-December 2020 compared to 2019 was as follows:

- export decreased on the Serbian border and increased on the Bulgarian, Hungarian and Ukrainian frontiers, while import increased on the Serbian and Ukrainian borders and decreased on the Bulgarian and Hungarian borders.

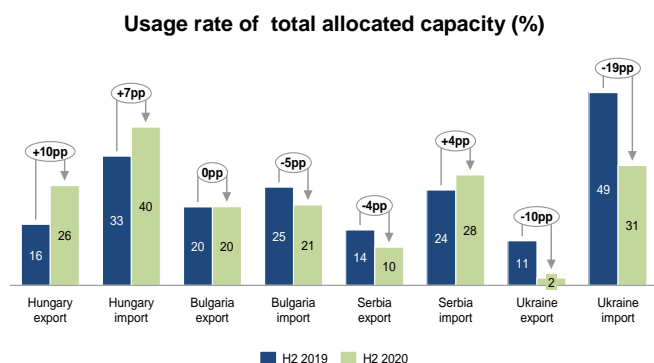
Specifically, compared to H2 2019, physical export flows decreased on the border with Serbia (-14% -47 GWh) and increased with Bulgaria (-11% +117 GWh), Hungary (120% +64 GWh) and Ukraine (365% +59 GWh).

Physical import flows increased during the analysed period on the interconnection lines with Serbia (60% +224 GWh) and Ukraine (38% +352 GWh) and decreased on the borders with Bulgaria (-34% -266444 GWh) and Hungary (-30% -420 GWh).

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



In H2 2020, the use of the capacity totally allocated on interconnection lines for export decreased compared to the same period of 2019 on the borders with Serbia and Ukraine and increased along the Hungarian and Bulgarian destinations.



*The utilisation degree 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 compare the last quarter of 2020 with the same period of last year trade exchanges for export grew 12%, the import ones 24% and transited energy 69%, against the background of a domestic higher hydraulicity in October, but lower in November and December and higher European electricity consumption in comparison with the same period of 2019 (except for October).

Nevertheless, the utilisation level of the capacity allocated for export was lower and that for import did not vary significantly compared to the same period of 2019, when the capacity allocated to import and especially to export was higher than in the last quarter of 2019.

In accordance with article 14(7) of Regulation (EU) 2019/943, the Transmission System Operator (TSO) NPG Co. Transelectrica SA reports the structural congestion identified within the bidding area Romania and between this area and the adjoining bidding areas according to Regulation (EU) 2015/1222 of July 24, 2015 establishing guidelines on capacity allocation and congestion management (hereinafter called CACM Regulation).

In the context of enforcing the general capacity allocation and congestion management principles provided in article 16(8) of the same regulation, it is provided that transmission system operators (TSO) do not limit the volume of interconnection capacity to be provided to market participants in order to solve an internal congestion within their own bidding area or as a mode to manage the flows of internal transactions of bidding areas.

The same article also provides such requirement is considered fulfilled if a minimum level is reached in the available capacity for cross-border trade. Such level is 70% of the transmission capacity (hereinafter called the 70% requirement) while observing the operational security limits.

In order to secure the compliance with the provisions of article 16(8), Transelectrica provides the results of the study on the structural congestions within NPS according to article 14(7) of Regulation (EU) 2019/943.

Such report on structural congestions is transmitted to the National Regulatory Authority for Energy (hereinafter called ANRE) for approval in accordance with article 14(7) of Regulation (EU) 2019/943.

When the report has been approved by ANRE as competent authority, the Ministry of Economy, Energy and Business Environment (hereinafter called MEEMA), according to the process provided in article 14(7) of

Regulation (UE) 2019/943 should decide the manner of solving such structural congestions.

Romania can adopt either a national or multinational action plan in accordance with article 15 of Regulation (EU) 2019/943, or review and change the configuration of its bidding area.

In case of an action plan the available capacity for cross-border trade should be gradually increased by linear trajectory in order to provide compliance latest 31.12.2025 with the minimum level of available capacity for cross-border trade (70% requirement) provided in article 16(8) of Regulation (EU) 2019/943.

By transmitting this report to ANRE Transelectrica detects the structural congestions in the electricity transmission grid in the context of applying the minimum capacity according to article 16(8) of Regulation (EU) 2019/943 and requests approval to transmit it to MEEMA.

Providing the required report is considered preliminary condition for the Romanian State to decide either establishing an action plan as per article 15, or reviewing and changing the bidding area according to article 14(8) of Regulation (EU) 2019/943.

The provisions of article 16(8) from Regulation (EU) 2019/943 se aplică pentru cele două regiuni de calcul de capacitate din care face parte Transelectrica:

- Core region with the RO – HU border and
- SEE region with the RO – BG frontier;

Structural congestions are mainly situated in the western and south-western areas of NPS. They occur both because the electricity network in this area operates mainly at 220 kV, and the cross-border exchanges are focussed in this region (there are no synchronous interconnections between the northern and eastern parts of NPS).

Structural congestions can be removed and the available capacity for cross-border trade can be increased by means of investments into RET.

Commissioning the 400 kV Nădab – Oradea Sud OHL will lead to un-looping the 110 kV zones Arad and Oradea and thus to removing the structural congestion caused by the 110 kV Salonta – Chişinău Criş OHL. It will also eliminate the structural congestion caused by the 400 MVA, 400/220 kV AT Roşiori.

The other structural congestions will be eliminated when the project converting the 220 kV axis Porţile de Fier – Reşiţa – Timişoara – Arad to 400 kV has been completed.

With a view to reach the 70% requirement according to article 16(8) of Regulation (EU) 2019/943 there is also

need for the investment projects the 400 kV double circuit Cernavodă – Stâlpu OHL with one input/output circuit in substation Gura Ialomiţei and converting the Brazi Vest – Teleajen – Stâlpu axis to 400 kV, as well as completing the 400 kV double circuit (one circuit has been equipped) Smârdan – Gutinaş OHL.

Transelectrica SA in its capacity of Transmission System Operator is investing to increase the interconnection capacity and to enable Romania to import more electricity.

Thus, beginning with January 1, 2021 it will provide significant cross-border capacity with the countries it operates interconnected with – Bulgaria, Hungary, Serbia and Ukraine – of 2,800 MW for export from Romania and 3,000 MW for import in Romania.

In the following five years such cross-border capacity will double by means of the wide investment programme assumed by the Company, which will enable developing the electricity markets coupling Europe-wide, thus contributing to reaching the European Union's objectives "Internal electricity market" and "Clean energy for all Europeans".

## ONE'S OWN TECHNOLOGICAL CONSUMPTION

In comparison with July-December 2019, in H2 2020 OTC within PTG decreased about 1.3%, while the percentage OTC increased from 2.20% to 2.23%.

The factors of significant impact over the OTC in July – December 2020, as for instance precipitation and the distribution of cross-border physical flows are beyond Transelectrica's control.

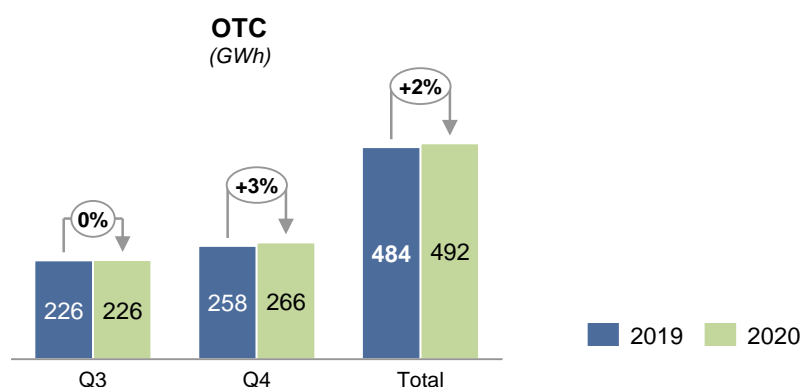
## OTC DEVELOPMENT FACTORS

**In July 2020**, OTC in absolute value increased 1.6% compared to July 2019 as a result of worse physical flows on the interconnection lines, which has led to reduced electricity transmission to distance from sources but also of worse meteorological conditions, which determined higher corona losses. The percentage of losses compared to the electricity input into PTG outline increased from 1.93% in 2019 to 2.11% in 2020. The electricity input into the outline decreased 7.2% în July 2020 (258.4 GWh) compared to the same period of 2019, after about 12.6% (376 GWh) drop in the electricity received from PTG-connected producers, against a background of around 3.5% (16,528 GWh) lower electricity amount from import and about 64.2% (100,718 GWh) of that received from the PDG (power distribution grid). Meteorological conditions were worse than last year and the greater precipitation amount determined higher corona losses.

**In August 2020**, OTC in absolute value decreased 9.3% compared to August 2019 due to better output distribution, which led to reduced electricity transmitted

to distance from sources. The percentage of losses compared to the electricity input into PTG outline decreased from 2.26% in 2019 to 2.05% in 2020. The electricity input into the outline increased 0.3% (12.5 GWh) in August 2020 compared to the same period of 2019, against a background of 6.87% (190.5 GWh) higher electricity received from producers directly connected to PTG and 17.96% (29.5 GWh) higher amount received from PDG, while import dropped 31.85% (207.5 GWh). Meteorological conditions were similar to last year; the registered amount of precipitation had no significant impact over loss variation by corona effects.

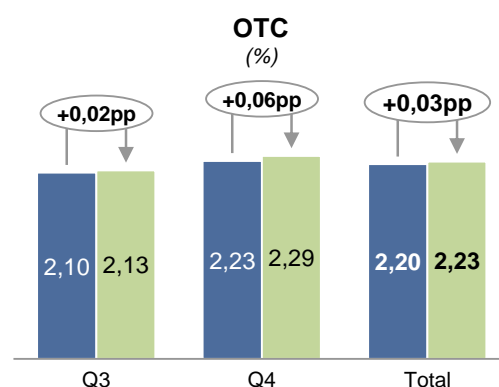
**In September 2020 OTC**, in absolute value increased about 9.4% compared to September 2019, especially



**In October 2020**, OTC in absolute value increased 19.7% compared to October 2019 as a result of worse output distribution and a more disadvantageous distribution of physical flows on interconnection lines, which led to higher electricity transmitted to distance from sources but also meteorological conditions were also worse, determining higher corona losses. The percentage of losses compared to the electricity input into PTG outline increased from 2.04% in 2019 to 2.45% in 2020. The electricity input into the outline decreased 0.4% in October 2020 (15.4 GWh) compared to the same month of 2019, as a result of about 5.9% (174.13 GWh) decrease of electricity received from PTG-connected producers, against a background of about 9.7% (63.68 GWh) higher electricity from import and about 65% (95.07 GWh) higher amount received from PDG. Meteorological conditions were worse and a greater amount of precipitation was registered, determining higher corona losses.

**In November 2020**, OTC in absolute value decreased 14.8% compared to November 2019 as a result of better distribution of the output and of physical flows on interconnection lines, which led to reduced electricity transmitted to distance from sources, and better meteorological conditions determined lower corona losses. The percentage of losses compared to the electricity input into RET outline decreased from 2.45%

after greater electricity amounts transmitted and worse meteorological conditions, which determined higher corona losses. The percentage of losses compared to the electricity input into PTG outline increased from 2.11% in 2019 to 2.22% in 2020. The electricity input into the outline increased 4.2% (148.2 GWh) in September 2020 compared to the same period of 2019, against a background of 7.7% (210.8 GWh) higher electricity received from producers directly connected to PTG and 49.3% (77.1 GWh) higher amount received from PDG, while import dropped 22.1% (139.7 GWh). The meteorological conditions were bad and determined higher corona losses.



in 2019 to 2.09% in 2020. The electricity input into the outline increased 0.2% (6.89 GWh) in November 2020 compared to the same period of 2019, while import increased 33.7% (162.07 GWh), and 3.12% (98.77 GWh) reduced electricity was received from producers directly connected to RET and 25.8% (56.41 GWh) lower amount was received from RED. Meteorological conditions were better than last year; smaller amounts of precipitation contributed to lower corona losses.

**In December 2020**, OTC in absolute value increased about 7.6% compared to December 2019 as a result of greater transmitted electricity amounts, worse distribution of the output and of physical flows on interconnection lines, which led to higher electricity transmitted to distance from sources; as well as the worse meteorological conditions, which determined higher corona losses. The percentage of losses compared to the electricity input into PTG outline increased from 2.20% in 2019 to 2.33% in 2020. The electricity input into the outline increased 1.8% (71 GWh) in December 2020 compared to the same period of 2019, against a background of 1.81% (57.67 GWh) higher electricity received from producers directly connected to PTG and 7.8% (18.86 GWh) greater amount received from PDG while import decreased 1% (5.53 GWh).



Meteorological conditions were bad and determined higher corona losses.

Overall in *quarter III 2020* OTC within PTG increased about 0.3% compared to the same period of 2019, especially as a result of higher electricity transmitted and worse meteorological conditions, which determined higher corona losses. Losses increased from 2.10% to 2.13% as compared to the electricity input into the outline.

*In quarter IV 2020* OTC within PTG increased about 3.1% compared to the same period of 2019, as a result of higher electricity transmitted, worse distribution of the output and of physical flows on interconnection lines and also owing to bad meteorological conditions, which determined higher corona losses. Losses increased from 2.23% to 2.29% as compared to the electricity input into the outline.



## Investments

### NON-CURRENT ASSETS REGISTERED IN ACCOUNTING BOOKS

The increase of the total value of tangible assets as of December 30, 2020 compared to December 31, 2019 was determined by an increase in the amounts of tangible assets in progress mainly represented by the completion of investment works in high voltage power substations and lines.

The value of non-current assets registered in accounting books in 2020 was RON 176.5 mn (RON 170.9 mn in the same period of 2019) thus increasing RON 5.6 mn.

In 2020, the greatest transfers from tangible assets in progress to tangible assets are mainly represented by the commissioning of investment objectives as follows:

- Replacing the EMS SCADA AREVA system components - software & hardware components – RON 31.86 mn;
- Refurbishing the 220/110 kV substation Craiova Nord – RON 26.55 mn;
- Refurbishing the 400/110/20 kV substation Domnești – RON 19.36 mn;
- Replacing AT and transformers in electric substations - stage 2, step 2, LOT 1 & LOT 2 – RON 16.86 mn;
- 100 MVAR, 400 kV shunt reactors for the 400 kV substations Arad, București & Brașov – RON 13.35 mn;
- Refurbishing the 220/110 kV substation Oțelărie Hunedoara – RON 11.83 mn;
- Refurbishing the 220/110/20 kV substation Ungheni – RON 9.43 mn;
- Research & development Centre of LW technologies and fast intervention into NPS - Centre Building – RON 5.77 mn;
- Integrated security system in electric substations, stage IV – RON 5.18 mn;
- Upgrading the 110 kV substations Bacău Sud & Roman Nord of the 400 kV axis Moldova – RON 4.97 mn;
- Refurbishing the 220/110 kV substation Iaz – RON 4.51 mn;
- Changes to the 400/220/110 kV OHL to achieve the Break-through project of Blvd N. Grigorescu - Splai Dudesu – RON 3.97 mn;
- Upgrading the 400/220/110/20 kV substation Munteni – RON 3.87 mn;
- Upgrading the teleprotection telecommunication system in Substation Cernavodă – RON 3.76 mn;
- Upgrading the building of DET Timișoara – RON 1.92 mn;
- By-passing the 400 kV networks on segment 2, lot 2, found in Olt County to build the express Craiova-Pitești road; the 400 kV simple circuit Slatina-București Sud OHL – RON 1.69 mn;
- Computation technique - hardware & software - Desktop PC – RON 1.64 mn;
- Upgrading the 220 kV Cetate – Calafat OHL – RON 1.17 mn;
- Consolidating towers of panel 381 - 390 from the 400 kV Brașov - Brașov OHL – RON 0.98 mn;
- Air conditioning installations for the server rooms of UNO-DEN – RON 0.92 mn;
- Space development to relocate and modernise CTSI, ground floor of industrial building 2 of Timișoara TTU – RON 0.82 mn;
- Replacing circuit breakers in electric substations – RON 0.73 mn;
- Changes to the 400 kV Urechești - Domnești OHL to achieve the coexistence terms – RON 0.58 mn;
- Check-up and test equipment – RON 0.43 mn;
- Special intervention towers type Universal Guyed Portal for 220-400 kV, including prefabricated foundations – RON 0.40 mn;
- Providing safe supply of the 220Vdc auxiliary services in Substation Fântânele by replacing condenser batteries and resizing the capacity of accumulator battery 2 – RON 0.38 mn;
- Upgrading the hardware and software platforms of SCADA system from Substation Stupărei – RON 0.36 mn;
- Production hall for aluminium parts found in locality Brașov, village Geamăna, str. Drumul 23, no. 44, Argeș County – RON 0.33 mn;
- Upgrading the 220/110 kV substation Dumbrava – RON 0.29 mn;
- The fully equipped automatic gas-fired 400 kW thermal plant for the building located in Blvd. Hristo Botev 16-18, Bucharest 3 – RON 0.28 mn;
- Thermal rehabilitation of the Annex Building, Control Block of Substation Isaccea – RON 0.26 mn;
- Replacing the 220 V accumulator battery 1 in the 220/110 kV substation Mintia – RON 0.25 mn;

- Upgrading the road system, communal route, Fort Street, Domnești commune, Ilfov County – RON 0.22 mn;
- Videoconference terminal for the TSCNET network, to be installed in UNO-DEN – RON 0.16 mn;
- Hydrocarbon (oil) separator for the concreted platform of substation Tulcea Vest – RON 0.15 mn;
- Professional air conditioning units for the IT&C technological rooms of DET-s Bacău, Cluj and Craiova – RON 0.14 mn;
- UPS-type direct electric supply source - 2 pcs., 14.5 kW air conditioning units - 2 pcs., air de-humidification unit -1 pc – RON 0.12 mn.

## PROCUREMENT OF ASSETS

The balance of tangible and intangible assets in progress as of December 31, 2020 is represented by ongoing projects, of which the most significant are:

- The 400 kV double circuit Cernavodă-Stâlpu OHL and connection in Gura Ialomiței – RON 112.06 mn;
- Converting the Porțile de Fier - Reșița - Timișoara - Săcălaz - Arad axis to 400 kV, stage I-the 400 kV simple circuit Porțile de Fier - (Anina) - Reșița OHL – RON 62.00 mn;
- Connecting to PTG the 300 MW Iwești WPP, the 88 MW WPP Fălciu 1 and 18 MW WPP Fălciu 2 by the new (400)/220/110 kV Banca substation – RON 46.88 mn;
- Connecting the 400 kV Isaccea - Varna OHL and Isaccea - Dobruja OHL in the 400 kV Medgidia Sud substation – RON 42.05 mn;
- Refurbishing the 400/110/20 kV substation Domnești (BA Dec. 5/19.05.2010) – RON 40.36 mn;
- Refurbishing the 220/110 kV substation Hășdat – RON 41.04 mn;
- Upgrading the 220/110/20 kV substation Arefu – RON 15.50 mn;
- Upgrading the 220/110/20 kV substation Răureni – RON 15.25 mn;
- Extending the business continuity and post-disaster recovery services, Executive branch – RON 14.41 mn;
- 110 Kv, 220 Kv, 400 kV mobile bays – RON 14.29 mn;
- Upgrading the 110 kV substations Bacău Sud & Roman Nord of the 400 kV axis Moldova – RON 13.87 mn;
- Upgrading the 220/110 kV substation Dumbrava – RON 11.28 mn;
- Extending the 400 kV Cernavodă substation, stage I+II, replacing 2 shunt reactors, connecting new lines – RON 11.15 mn;
- Refurbishing the 220/110/20 kV Ungheni substation – RON 10.96 mn;
- Upgrading the 400 (220)/110/20 kV Munteni substation – RON 10.63 mn;
- Refurbishing the 220/110 kV Iaz substation – RON 9.87 mn;
- Installing the 400 MVA, 400/231/22 kV AT2 and related bays in Iernut substation; upgrading the command control system of the 400/220/110/6 kV Iernut substation – RON 8.70 mn;
- Upgrading the 110 kV & 400 (220 kV) installations of Focșani Vest substation– RON 8.18 mn;
- Refurbishing the 400/110/20 kV Smârdan substation – RON 8.09 mn;
- Replacing AT and transformers in electric substations, stage 2, step 2, LOT 1 & LOT 2 – RON 7.12 mn;
- Converting the Porțile de Fier - Reșița - Timișoara - Săcălaz - Arad axis to 400 kV, stage I - 400/220/110 kV Reșița substation – RON 6.63 mn;
- The 400 kV Gădălin - Suceava OHL, including NPS interconnection – RON 6.04 mn;
- HVDC Link 400 kV (submarine cable Romania - Turkey) – RON 5.85 mn;
- Free up the location and achieving the coexistence terms with the 400 kV installations of NPG Co. Transelectrica SA in communes Letea Veche and Săucești, Bacău County (execution) – RON 5.70 mn;
- Replacing the EMS SCADA AREVA system components – software & hardware components – RON 5.07 mn;
- Refurbishing the 110 kV substation Timisoara and converting the Iron Gates - Anina - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage II: the 400 kV substation Timisoara – RON 4.87 mn;
- Integrated security system in electric substations, stage IV – RON 4.82 mn;
- The 400 kV Suceava - Bălți OHL for the project section on Romanian territory - RON 4.44 mn;
- The 400 kV double circuit Gutinaș – Smârdan OHL – RON 4.18 mn;
- Installing the 250 MVA transformer T3 in the 400/110 kV substation Sibiu Sud – RON 3.96 mn;
- The 400 kV simple circuit Oradea Sud - Nădab - Bekescsaba OHL, final stage: section in-between towers 1-42 (48) and the 400 kV OHL Oradea Sud – Nădab – RON 3.70 mn;
- Refurbishing the 110 kV substation Medgidia Sud – RON 3.50 mn;
- Converting the Porțile de Fier - Reșița - Timișoara - Săcălaz - Arad axis to 400 kV, stage II, the 400 kV double circuit Reșița - Timișoara - Săcălaz OHL – RON 3.34 mn;
- Replacing circuit breakers in electric substations – RON 3.32 mn;

- Upgrading the 220/110/20kV Vetiş substation – primary equipment – RON 3.35 mn;
- Adding new functions to the access control and IT account in the objectives of NPG Co. Transelectrica SA – RON 3.20 mn;
- Connecting to RET the 136 MW WPP Platonești, Ialomița County, by building a 110 kV bay in the 400/110 kV Gura Ialomiței subst. – RON 2.89 mn;
- 400 kV mobile bays to connect bus-bars in the 400 kV substations Bradu & Sibiu Sud – RON 2.81 mn;
- Integrated security system in electric substations, stage III (BA Dec. 2/2008) – RON 2.80 mn;
- Replacing the ATUS-SF 400/400/160 MVA 400/231/22 kV AT 3 of the 400/220 kV Porțile de Fier substation – RON 2.68 mn;
- Bypassing the 110 kV Cetate 1 & 2 OHL near the 110/20/6 kV subst. Ostrovul Mare – RON 2.58 mn;
- Connecting to RET the 99 MW WPP Dumești and the 30 MW WPP Românești, Iași County by building a 110 kV line bay in the 220/110 kV FAI substation – RON 2.55 mn;
- Moving and protecting HV electric grids (220 kV – 400 kV) – Brașov -Cluj - Borș Motorway, section 1C – Sighișoara - Târgu Mureș, sub-sections 2 & 3 Târgu Mureș – Ungheni I - Ogra – RON 2.36 mn;
- The 400 kV Oradea – Beckescsaba OHL – RON 1.83 mn;
- Optical fibre communication achieved between Pitești Sud substation and the remote control & installation supervision centre of Pitești TTU (SF) – RON 1.71 mn;
- The 220 kV double circuit Ostrovul Mare OHL - PTG (BA Dec. 17/2007) – RON 1.57 mn;
- Consolidation, upgrade and extension of offices for NPG Co. Transelectrica, Executive branch – RON 1.63 mn;
- Replacing shunt reactor, Arad substation – RON 1.40 mn
- The 400 kV Stâlp substation – RON 1.11 mn;

The increase in the net value of intangible assets as of December 31, 2020 is mainly due to the recognition of leased assets - buildings - and represent the right to use the spaces rented by the Company in the Platinum office building (contract no. C217/2015 concluded with Dagesh Rom SRL), according to the provisions of IFRS 16 - Leasing contracts, amounting to RON 41.64 mn.

In 2020, the greatest transfers from intangible assets in progress to intangible assets are represented by:

- Upgrading of the hardware and software platforms of the SCADA system in Stupărei substation – RON 0.15 mn;
- Upgrade of BITDEFENDER antivirus licenses – RON 0.05 mn;

- Software and license for online monitoring system AT1 200 MVA – RON 0.04 mn.

## 2020 Investments

### Value of investments made in 2020

No.	Types of expenses	Planned (thousand RON)	Achieved (thousand RON)
<b>Overall total (A+B)</b>		<b>384,111</b>	<b>360,738</b>
<b>A</b>	<b>Company's own expenses</b>	<b>368,284</b>	<b>345,840</b>
I	Ongoing investments	334,261	317,065
II	New investments	9,128	6,929
III	Other investment expenses	24,896	21,846
<b>B</b>	<b>Investments financed from the connection tariff</b>	<b>15,827</b>	<b>14,897</b>

### The Company's own investments: RON 346 mn

The achieved value of ongoing investments is RON 317.1 mn and represents 91% of the Company's own investment expenses.

### Investments financed from the connection tariff

Their value follows a downward trend due to the new legislation's impact on green certificates, many investors in renewable energy giving up the execution of connection works to NPS or requesting their postponement even if they have paid the connection fee.

Thus, if in the period of wind farm development (2009-2012) an average of RON 100 mn was annually achieved for this type of works, 2020 ended with a result of RON 14.9 mn, most of the works representing site releases and creating coexistence conditions with regard to other road infrastructure investment objectives.

In carrying out the projects, in general, the following difficulties were reported:

- the epidemiological context generated by the spread of Covid-19 (coronavirus) most of the general contractors within the works execution contracts sent notifications regarding the slowing down of the work or the cessation of the works. As a result, additional acts were extended to extend the execution period between 2 and 6 months.

However, from the analysis of value achievements in the analyzed period (January-December 2020), it was observed that this epidemiological crisis did not negatively influence the implementation of the Annual Investment Program for 2020.

**CONTRACTUAL ISSUES**

The most important investment contracts signed between July-December 2020 are:

- Converting the Porțile de Fier - Reșița - Timișoara - Săcălaz - Arad axis to 400 kV/the 400/220/110 kV Reșița substation – RON 103.8 mn;

- Refurbishing the 220/110/20 kV Baru Mare substation – RON 58.8 mn;
- Upgrading 220/110 Kv Dumbrava substation – RON 16.8 mn.

**Stand-alone profit or loss statement**

RON mn	2020	2019		20/19
Charged energy volume (TWh)	53.85	55.34	▼	(3%)
<b>ALLOWED PROFIT ACTIVITIES</b>				
<b>Operating revenues</b>	<b>1,198</b>	<b>1,221</b>	▼	<b>(2%)</b>
Transmission and other revenues on the electricity market	1,035	1,082	▼	(4%)
Functional system services	121	88	▲	38%
Other revenues	42	51	▼	(17%)
<b>Operating expenses</b>	<b>865</b>	<b>802</b>	▲	<b>8%</b>
System operating expenses	310	352	▼	(12%)
Repairs and maintenance expenses	98	102	▼	(4%)
Personnel expenses	279	210	▲	33%
Other expenses	178	139	▲	28%
<b>EBITDA</b>	<b>334</b>	<b>418</b>	▼	<b>(20%)</b>
Depreciation	268	280	▼	(4%)
<b>EBIT</b>	<b>66</b>	<b>138</b>	▼	<b>(52%)</b>
<b>ZERO-PROFIT ACTIVITIES</b>				
<b>Operating revenues</b>	<b>1,169</b>	<b>1,177</b>	▼	<b>(1%)</b>
Technological system services revenues	674	654	▲	3%
Balancing market revenues	495	523	▼	(5%)
<b>Operating expenses</b>	<b>1,061</b>	<b>1,200</b>	▼	<b>(12%)</b>
Technological system services expenses	566	676	▼	(16%)
Balancing market expenses	495	523	▼	(5%)
<b>EBIT</b>	<b>108</b>	<b>(22)</b>	▲	<b>n/a</b>
<b>ALL ACTIVITIES (WITH ALLOWED PROFIT AND ZERO-PROFIT)</b>				
Operating revenues	2,367	2,398	▼	(1%)
Operating expenses	1,926	2,002	▼	(4%)
<b>EBITDA</b>	<b>442</b>	<b>396</b>	▲	<b>12%</b>
Depreciation	268	280	▼	(4%)
<b>EBIT</b>	<b>174</b>	<b>116</b>	▲	<b>50%</b>
Net finance result	(5)	(9)	▲	43%
<b>EBT</b>	<b>169</b>	<b>107</b>	▲	<b>58%</b>
Income tax	29	11	▼	n/a
<b>Net profit</b>	<b>140</b>	<b>96</b>	▲	<b>46%</b>
Net result per share	1.91	1.31	▲	<b>46%</b>





## Other issues

### Performance criteria and objectives

According to SGOA Decision no. 11 of December 21, 2020, the Shareholders' General Assembly approved the financial and non-financial performance indicators resulting from the administration plan.

Beyond the total of the strategic objectives defined in the Management Component in order to fulfill both the Company's mission, the strategic objectives taken into account for granting the variable component of the Supervisory Board's remuneration, included in the Administration Plan, are the following:

The Supervisory Board considers the following performance indicators for the mandate:

#### 1. Strategic objective 4.1 - ensuring the profitability degree

Achieving at least 70% of EBITDA (gross operating income), annually calculated based on the approved Income and Expense Budget between 2020 - 2024;  
Annual minimum threshold: EBITDA achieved x 70%

#### 2. Strategic objective 4.4 - indebtedness indicators

For the mandate, under no circumstances should the Net Debt Ratio/EBITDA indicator annually exceed 4.0 where: Formula: Net Debt Ratio / EBITDA  $\leq$  4.0  
where: Net Debt Ratio = total interest-bearing loans of

minus cash from banks; EBITDA = profit before interest, taxes, depreciation and amortisation.

#### 3. Strategic objective 4.8 – ensuring PTG maintenance

During the mandate, ensuring PTG maintenance should be 90%, annually calculated based on the values provided in the Income and Expense Budget approved between 2020 - 2024;

Annual minimum threshold = approved maintenance budget x 90%

#### 4. Strategic objective 4.6 –

PTG modernisation/development

Achieving at least 70% of the annual investment plan between 2020 - 2024 (Annex 4 to the Income and Expense Budget approved by the SGA);

Annual minimum threshold = Approved investment plan x 70%

#### 5. Performance objective

Outstanding payments to the state budget between 2020-2024: "zero" thousand lei

In 2020, the performance indicators were fully realized and are presented as follows::

Index	Key performance indicators (p.a) Approved by SGOA no. 11/21.12.2020	2020 Objective Acc. to SGOA Decision no.11/21.12.2020	2020 Indicators Acc. to IEB approved by SGOA Decision no. 2/06.03.2020	Achieved 2020	Degree of achievement %	$\Delta$
		1	2	3	4=(3/2)	5=(3-1)
4.1	EBITDA (RON mn values)	265	379	442	117%	+RON 176 mn
4.4	Indebtedness degree	4	-	-1.13	100%	< 4
4.8	Ensuring PTG maintenance	84	93,5	92.6	99%	+RON 8 mn
4.6	PTG investment plan (RON mn values)	269	384	360	94%	+RON 92 mn
5	Outstanding payments to the state budget	0	-	0	100%	-

NOTE:

4.8 - Maintenance costs include PTG maintenance (major, minor), spare parts and auxiliary materials used for PTG maintenance

4.6 - Investment plan - Revision A11

## TARIFFS

During 2020 in order to implement the new package of European regulations and especially Regulation (EU) 2019/943 and Regulation (EU) 2017/2195, the methodologies establishing tariffs of electricity transmission services and system service tariffs pentru serviciul de sistem, namely the Methodology establishing the electricity transmission service tariffs, approved by Order 171/2019 of ANRE president and the Methodology establishing system service tariffs approved by Order 45/2017 of ANRE president, with later amendments, have been hamonized with the provisions of fore-mentioned European regulations.

To this effect, Order 153/2020 of ANRE president amending and adding the Methodology establishing the electricity transmission service tariffs approved by Order 171/2019 of the president of the National Regulatory Authority for Energy has integrated the component of functional system services in the transmission services, such unification being possible because of similar principles and rules when establishing revenues and tariffs.

At the same time Order 180/2020 of ANRE president on amending the Methodology establishing system service tariffs approved by Order 45/2017 of the president of the National Regulatory Authority for Energy has amended the Methodology establishing system service tariffs approved by Order 45/2017 of ANRE president, with later amendments, namely it removed the provisions on the principles and rules establishing the tariffs of functional system services, which were resumed in Order 153/2020 of ANRE president.

Thus beginning with January 1, 2021 the tariffs of system services provided by the TSO will be calculated using only the regulated revenue approved for procurement of services called technological system services.

The tariffs approved by ANRE by Order no. 142/29.06.2020, applicable in 2020 are presented in the table below:

Index	Tariff	m.u	Applied tariff Jan 01 - Jan 15, 2020	Applied tariff Jan 16 - June 30, 2020	Applied tariff July 1 - December 31, 2020
<b>A</b>	<b>Power transmission</b>	RON/MWh	<b>18.13</b>	<b>17.97</b>	<b>17.97</b>
<b>B</b>	<b>System service tariff, of which:</b>	RON/MWh	<b>14.89</b>	<b>14.89</b>	<b>14.45</b>
<b>C</b>	Functional system service	RON/MWh	1.84	1.84	2.49
<b>D</b>	Technological system service	RON/MWh	13.05	13.05	11.96

*The newly approved tariffs were calculated in accordance with the applicable methodologies.*

On March 1, 2021, the tariff for the technological system service was modified due to the significant deviation registered in H2 2020 and in the first two months of 2021, compared to the forecast that was the basis for setting the tariff approved on July 1, 2020. The new tariff level of 10.82 RON/MWh, decreasing by about 9.5% compared to the tariff previously applied starting with July 1, 2020, was set for March 1 - December 31, 2021 and is based on a partial compensation (50%) of the balance calculated on February 29, 2021 as well as a revised cost forecast and a revised tariff for electricity volume for March 1 - December 31, 2021.

The tariffs of system services are those approved under Order 142/29.06.2020 of the president of the National Regulatory Authority for Energy amending Order 218/2019 of the president of the National Regulatory Authority for Energy approving average tariffs of transmission services, the transmission tariff components introducing electricity in the grid (TG) and taking electricity out of the grid (TL), the system service tariffs and the regulated price of reactive electricity, as charged by the Company.

It was established beginning with July 1, 2020, in accordance with the provisions of the Methodology establishing system service tariffs approved by Order 45/2017 of the president of the National Regulatory Authority for Energy, with later additions.

Tariffs of electricity transmission services proposed for 2021 are provided in ANRE Order 214/09.12.2020 approving average tariffs of transmission services, the transmission tariff components introducing electricity in the grid (TG) and taking electricity out of the grid (TL), the system service tariffs and the regulated price of reactive electricity, as charged by Transelectrica.

The factors with significant contribution to changing the tariffs at the last review operated by ANRE for tariffs applied on 01.07.2020 according to ANRE Order 142/29.06.2020 are detailed as follows:

### Functional system services

Tariff growth (+35.3%) is explained through the inflation forecasted 2.9% for the *July 1, 2020 - June 30, 2021* tariff year, the 26% growth of regulated revenues and the 6.5% decrease in the forecasted billed electricity amount.

When establishing the regulated revenue of the *July 1, 2020 - June 30, 2021* tariff year, ANRE made corrections according to applicable regulations and accepted increasing the regulated costs forecast and decreasing the billed quantity forecasted by Transelectrica. The factors taken into calculation to establish the regulated revenue were as follows:

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

a) final corrections related to the difference between estimated costs and revenues and those achieved in *July 1, 2018 - June 30, 2019* amounting to + RON 15.7 mn;

b) partial corrections related to the difference between estimated costs and revenues and those achieved in *July 1, 2019 - June 30, 2020* amounting to + RON 11.6 mn;

2. Annual forecast of costs recognised in the regulated revenues approved for *July 1, 2020 - June 30, 2021* is 19% higher in nominal terms than the annual cost forecast included in the previous tariff for *July 1, 2019 - June 30, 2020*. This growth was generated by higher costs of unplanned exchanges, the costs of regulated depreciations, the costs determined by European codes implementation etc.

3. Following the economic effects generated by the Covid-19 pandemic, the electricity amount that can be billed upon grid extraction was reduced from 56 TWh in the forecast of the previous tariff year to 52.3 TWh for *July 1, 2020 - June 30, 2021*.

In case the quantity of electricity that can be billed upon grid extraction would have been recognised by ANRE for *July 1, 2020 - June 30, 2021* at the same value as that for *July 1, 2019 - June 30, 2020* (56 TWh) its impact over tariff is +6.9%.

### Technological system services

The annual forecast of costs recognised in the new tariff to procure technological system services in the *July 1, 2020 - June 30, 2021* tariff year is RON 42.1 mn smaller since the provisions of Emergency Ordinance 26/2018 on taking certain measures for safe electricity supply were outdated, which provided in article 1, para. (1) that in order to maintain a safe operation of the National Power System the Energy Complex Company Hunedoara SA is obliged to provide technological system services to the Transmission system operator at least for 400 MW electric power. Thus reserves will be procured only by bids organised by the Company.

The contribution of such changes is – 14.3% compared to the previous tariff that covered a positive ex-post correction and a correction of the revenue forecast from penalties.

2. Following the economic effects generated by the Covid-19 pandemic, the electricity amount that can be billed upon grid extraction was reduced from 56 TWh in the forecast of the previous tariff year to 52.3 TWh for *July 1, 2020 - June 30, 2021*. In case the quantity of electricity that can be billed upon grid extraction would have been recognised by ANRE for *July 1, 2020 - June 30, 2021* at the same value as that for *July 1, 2019 - June 30, 2020* (56 TWh) its impact over tariff is +5.9%.



## **Annexes**



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

[RON mn]	2020	2019	Δ	Δ (%)
	1	2	3=1-2	4=1/2
<b>ASSETS</b>				
<b>Non-current assets</b>				
Tangible assets	3,561	3,440	121	4%
Intangible assets	7	23	(16)	(70%)
Financial assets	82	82	0	0%
Assets of the usage rights for leased assets - buildings	38	6	31	n/a
<b>Total non-current assets</b>	<b>3,687</b>	<b>3,551</b>	<b>137</b>	<b>4%</b>
<b>Current assets</b>				
Inventories	38	38	1	2%
Receivables	848	706	142	20%
Other financial assets	0	85	(85)	n/a
Cash and cash equivalents	554	321	233	73%
Income tax to be recovered	1	0	1	n/a
<b>Total current assets</b>	<b>1,442</b>	<b>1,150</b>	<b>292</b>	<b>25%</b>
<b>Total assets</b>	<b>5,129</b>	<b>4,700</b>	<b>428</b>	<b>9%</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>Shareholders' Equity</b>				
Share capital, of which:	733	733	0	0%
<i>Subscribed share capital</i>	733	733	0	0%
Share premium	50	50	0	0%
Legal reserves	138	129	8	7%
Revaluation reserves	842	922	(81)	(9%)
Other reserves	17	16	2	11%
Retained earnings	1,611	1,434	177	12%
<b>Total shareholders' equity</b>	<b>3,390</b>	<b>3,284</b>	<b>106</b>	<b>3%</b>
<b>Non-current liabilities</b>				
Long term deferred revenues	352	361	(9)	(2%)
Long term borrowings	102	123	(21)	(17%)
Other loans and assimilated liabilities - Leasing of building	31	0	31	n/a
Deferred tax liability	118	137	(19)	(14%)
Employee benefits liabilities	73	64	9	14%
<b>Total non-current liabilities</b>	<b>675</b>	<b>684</b>	<b>(9)</b>	<b>(1%)</b>
<b>Current liabilities</b>				
Trade and other liabilities	888	556	331	60%
Other loans and assimilated liabilities - Leasing of building	7	6	1	17%
Other tax and social security liabilities	17	9	8	94%
Short-term borrowings	25	56	(31)	(56%)
Provisions	98	70	28	39%
Short-term deferred revenues	29	37	(8)	(22%)
Income tax payable	0	(2)	2	n/a
<b>Total current liabilities</b>	<b>1,064</b>	<b>732</b>	<b>331</b>	<b>45%</b>
<b>Total liabilities</b>	<b>1,738</b>	<b>1,416</b>	<b>322</b>	<b>23%</b>
<b>Total shareholders' equity and liabilities</b>	<b>5,129</b>	<b>4,700</b>	<b>428</b>	<b>9%</b>

ANNEX 2: Stand-alone profit or loss statement

[RON mn]									
Indicator	H2 2020	H2 2019	Budgeted H2 2020	Budgeted H2 2019	2019	Achieved H2 2020 vs H2 2019	Achieved H2 2020 vs H2 2019 (%)	Achieved vs Budgeted H2 2020	Achieved vs Budgeted H2 2020 (%)
0	1	2	3	4	5	6=1-2	7=1/2	8=1-3	9=1/3
<b>Operating revenues</b>									
Transmission revenues	528	530	556	562	1,082	(2)	(0%)	(28)	(5%)
System services revenues	403	414	462	428	742	(11)	(3%)	(60)	(13%)
Balancing market revenues	329	243	459	459	523	86	35%	(130)	(28%)
Other revenues	18	27	27	19	51	(9)	(33%)	(9)	(33%)
<b>Total operating revenues</b>	<b>1,277</b>	<b>1,214</b>	<b>1,504</b>	<b>1,468</b>	<b>2,398</b>	<b>64</b>	<b>5%</b>	<b>(226)</b>	<b>(15%)</b>
<b>Operating expenses</b>									
System operating expenses	167	172	181	181	352	(5)	(3%)	(14)	(8%)
Balancing market expenses	329	243	459	459	523	86	35%	(130)	(28%)
Technological system services expenses	268	323	366	381	676	(56)	(17%)	(99)	(27%)
Amortisation	132	138	138	151	280	(6)	(5%)	(7)	(5%)
Personnel expenses	171	107	147	109	210	64	59%	24	16%
Repairs and maintenance expenses	61	57	62	57	102	4	7%	(0)	(1%)
Materials and consumables	4	5	7	7	9	(1)	(17%)	(3)	(38%)
Other operating expenses	117	92	75	100	130	26	28%	42	57%
<b>Total operating expenses</b>	<b>1,249</b>	<b>1,137</b>	<b>1,435</b>	<b>1,444</b>	<b>2,282</b>	<b>111</b>	<b>10%</b>	<b>(186)</b>	<b>(13%)</b>
<b>Operating profit</b>	<b>29</b>	<b>76</b>	<b>69</b>	<b>23</b>	<b>116</b>	<b>(48)</b>	<b>(62%)</b>	<b>(41)</b>	<b>(59%)</b>
Financial income	5	4	4	2	10	1	22%	1	28%
Financial expenses	8	8	5	5	18	(0)	(4%)	3	48%
<b>Net financial result</b>	<b>(3)</b>	<b>(4)</b>	<b>(2)</b>	<b>(3)</b>	<b>(9)</b>	<b>1</b>	<b>28%</b>	<b>(2)</b>	<b>(97%)</b>
<b>Profit before income tax</b>	<b>25</b>	<b>72</b>	<b>68</b>	<b>20</b>	<b>107</b>	<b>(46)</b>	<b>(65%)</b>	<b>(42)</b>	<b>(62%)</b>
Income tax	1	6	11	4	(11)	(5)	(82%)	(10)	(90%)
<b>Net profit</b>	<b>24</b>	<b>66</b>	<b>57</b>	<b>16</b>	<b>118</b>	<b>(41)</b>	<b>(63%)</b>	<b>(32)</b>	<b>(57%)</b>

## ANNEX 3: Stand-alone cash flow statement

[RON mn]	2020	2019	Δ	2020 vs 2019 (%)
<b>Cash flows from operational activities</b>				
Profit of the period	139.9	96.0	44	146%
Income tax expense	28.8	11.0	18	n/a
Amortisement expense	259.5	271.6	(12)	96%
Expenses with adjustments for trade receivables impairment	1.4	5.9	(5)	23%
Revenues from reversal of adjustments for trade receivables impairment	(2.3)	(10.0)	8	23%
Losses from various debtors	0.0	9.3	(9)	0%
Net revenues with adjustments for various debtors impairment	4.4	(3.5)	8	(124%)
Net expenditures with adjustments for inventories impairment	4.4	0	4	n/a
Net profit/ loss on sale of tangible assets	0.4	0.4	0	118%
Net expenditures on adjustments of value regarding tangible assets	9.0	10.4	(1)	86%
Expenses/Revenues regarding provisions for risks and expenses, net	34.9	(27.6)	63	(127%)
Interest expense, interest revenue and unrealised exchange rate gains	5.5	9.0	(3)	62%
<b>Cash flows before changes to working capital</b>	<b>485.9</b>	<b>372.5</b>	<b>113</b>	<b>130%</b>
<b>Changes in:</b>				
Clients and assimilated accounts - energy and other activities	(85.0)	64.5	(150)	(132%)
Clients – balancing	(44.7)	267.3	(312)	(17%)
Clients – cogeneration	(20.0)	24.1	(44)	(83%)
Inventories	(0.9)	(2.8)	2	32%
Trade and other liabilities - energy and other activities	251.3	(73.1)	324	n/a
Liabilities - balancing	62.7	(305.8)	368	(21%)
Liabilities - cogeneration	(20.7)	(38.1)	17	54%
Liabilities paid according to ANAF Taxation Decision	0.0	(2.8)	3	0%
Other loans and assimilated liabilities - Leasing of building	31.2	0	31	n/a
Other taxes and social insurance liabilities	8.3	(1.3)	10	n/a
Deferred revenues	(15.3)	(29.1)	14	53%
<b>Cash flows from operational activities</b>	<b>652.8</b>	<b>275.6</b>	<b>377</b>	<b>237%</b>
Interests paid	(6.9)	(8.9)	2	78%
Income tax paid	(47.4)	(15.6)	(32)	n/a
<b>Net cash generated from operational activities</b>	<b>598.5</b>	<b>251.1</b>	<b>347</b>	<b>238%</b>
<b>Cash flows from the investment activity</b>				
Participation titles held in SELENE CC Societe Anonyme	(0.2)	0	0	n/a
Participation titles held in Joint Allocation Office SA	0.0	(1.2)	1	0%
Acquisition of tangible and intangible assets	(367.1)	(241.7)	(125)	152%
Received Interests	7.2	5.0	2	144%
Dividends cashed	0.0	0.1	0	1%
Other financial assets	85.0	(85.0)	170	(100%)
<b>Net cash used in the investment activity</b>	<b>(275.2)</b>	<b>(322.8)</b>	<b>48</b>	<b>85%</b>
<b>Cash flows used in financing activities</b>				
Drawings from long-term loans	0.0	29.5	(30)	0%
Repayments of non-current borrowings	(24.9)	(52.2)	27	48%
Repayments of current borrowings	(29.5)	0	(30)	n/a
Building leasing payments	(10.4)	0	0	n/a
Dividends paid	(35.6)	(67.0)	31	53%
<b>Net cash used in financing activities</b>	<b>(100.4)</b>	<b>(89.7)</b>	<b>0</b>	<b>100%</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>233.2</b>	<b>(161.4)</b>	<b>395</b>	<b>(145%)</b>
<b>Cash and cash equivalents as at January 1<sup>st</sup></b>	<b>320.8</b>	<b>482.2</b>	<b>(161)</b>	<b>67%</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>554.0</b>	<b>320.8</b>	<b>233</b>	<b>173%</b>

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

Indicators	Formula	2020	2019
<b>Current liquidity ratio (x)</b>	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.36	1.57
<b>Indebtedness indicators (x):</b>			
(1) Indebtedness indicator	$\frac{\text{Debt capital} \times 100}{\text{Shareholder's equity}}$	3.7%	5.4%
(2) Indebtedness indicator	$\frac{\text{Debt capital} \times 100}{\text{Committed capital}}$	3.6%	5.2%
<b>Clients' turnover (days)</b>	$\frac{\text{Average client balance}^* \times \text{no.days}}{\text{Turnover}}$	83.51	98.45
<b>Non-current assets turnover (x)</b>	$\frac{\text{Turnover}}{\text{Non-current assets}}$	0.63	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 5 REPORT (according to SGEA Decision 4/29.04.2015) on the contracts signed in H2/2020 to procure assets, services and work, which value is above 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	C165/2020	Refurbishing 220/110/20 kV Baru Mare substation	27	58,862	-	Work	Law 99/2016 + GD 394/2016	Open tender
2	C232/2020	Services for renting space in an office building, respectively maintenance, necessary for the operation of NPG Co. Transelectrica SA-Executive branch	60	-	9,000	Services	Law 99/2016 + GD 394/2016	Own procedure
3	C207/2020	Extending 400 kV Gura Ialomitei substation with two bays: 400 kV Cernavoda OHL 2 and 3, procurement of the 400 kV GIS assembly (primary and secondary circuits) and its integration in the command, control, protection, measurement and EMS-SCADA system	12	-	2,596	Supply	Law 99/2016 + GD 394/2016	Open tender
4	C203/2020	Medium and high voltage primary equipment	24	4,891	-	Supply	Law 99/2016 + GD 394/2016	Open tender
5	C166/2020	400kV OHL Oradea-Bekescsaba. installation of a 100 MVAR shunt reactor in the 400 kV Oradea Sud substation, telecommunication and teletransmission equipment for the 400 kV OHL Oradea-Bekescsaba final stage: the section between towers 1-42 (48) of the 400 kV OHL Oradea Sud-Nădab	12	4,116	-	Supply	Law 99/2016 + GD 394/2016	Open tender
6	CR42/2020-C180/2020	Specific guard & monitoring services and fast intervention to the sites of Craiova TTU for 12 months	12	2,533	-	Services	Law 99/2016 + GD 394/2016	Open tender
7	PT42/10505/2020	Specialised security services, intervention and intervention in special situations at the sites of Pitești TTU	3	778	-	Services	Law 99/2016 + GD 394/2016	Negotiation WITHOUT preliminary invitation
8	PT142/2020	Specialised security services, intervention and intervention in special situations at the sites of Pitești TTU	2	539	-	Services	Law 99/2016 + GD 394/2016	Negotiation WITHOUT preliminary invitation
9	C 293/2020	Converting the Porțile de Fier-Reșița-Timișoara-Săcălaz-Arad axis to 400 kV/the 400/220/110 kV Reșița substation	28	103,823	-	Work	Law 99/2016 + GD 394/2016	Open tender
10	C 356/2020	Upgrading the 220/110 kV Dumbrava substation	24	16,779	-	Work	Law 99/2016 + GD 394/2016	Open tender

11	C 243/2020	Pilot project - refurbishing the 220/110/20 kV Alba Iulia substation using the digital substation concept (design)	18	2,600	-	Services	Law 99/2016 + GD 394/2016	Open tender
12	CJ 15/2020	Maintenance services for OHL passage corridors in areas with tree vegetation	36	1,497	-	Services	Law 99/2016 + GD 394/2016	Open tender
13	PT 54/13717/2020	Special services of guard, intervention and particular circumstance interventions to the objectives of Pitești TTU	3	767	-	Services	Law 99/2016 + GD 394/2016	Negotiation with no preliminary invitation to competitive tender
14	C 05/2009 AA9	Addendum 9 to contract 05/2009 - "Services providing business continuity and recovery after disasters"	9	659	-	Services	Law 114/2011	Negotiation WITHOUT preliminary invitation
15	BC 378/2020	Services of tree vegetation removal from the OHL passage corridor managed by București TTU	12	531	-	Services	Law 99/2016 + GD 394/2016	Open tender
16	C 262/2020	Design services to carry out the feasibility study for the system monitoring electricity quality (PQMS), the CS and neutral PT to perform PQMS and CS for post-guarantee maintenance of PQMS	9	518	-	Services	Law 99/2016 + GD 394/2016	Open tender

