

No. 508/19.05.2021

NOTE

Regarding the proposal to distribute the net profit of 2020 financial year,
in view of its approval by the Shareholders' General Assembly

In accordance with the provisions of OMFP 881/2012 CNTEE Transelectrica SA has applied since the financial exercise of 2012 the International Financial Reporting Standards (IFRS) when elaborating its individual (stand-alone) financial statements.

The stand-alone financial statements on 31 December 2020 were drawn up according to the Accounting Regulation compliant with the International Financial Reporting Standards approved by Order 2844/2016 of the Minister of Public Finance, with later amendments and additions.

They are accompanied by the Report of the independent auditor.

Taking into account the letters 20/10289/TGH of 29.04.2021, registered in the Company under no. 19280/04.05.2021 and 20/10221/TGH of 27.04.2021 from the Secretariat General of Government, whereby they requested convening forthwith the AGOA to reinstate item 6 on the agenda, which was established for AGOA reunion of 27 April 2021 and denied by the majority shareholder, with respect to distributing the accounting profit remaining after the income tax deduction of 31.12.2020, we submit to the Shareholders' General Assembly's approval the proposed distribution of the profit associated to the financial year ended on 31.12.2020.

The net profit of 2020 (after deducing the income tax), according to the stand-alone financial statements, amounted to **139,893,129 Lei**. The proposed distribution of the **profit from the financial year ended on 31.12.2020** is provided in the table below as follows:

No.	Destination	Sum (Lei)
1	Accounting profit after deduction of income tax on 31 December 2020	139,893,129
	<i>Distribution of accounting profit to the following destinations :</i>	
a)	Legal reserve (5%)	8,436,752
b)	Other reserves representing fiscal facilities provided – exempting from payment the reinvested profit	52,079,305
c)	Other law-provided distributions – revenues achieved in 2020 from the allocation of interconnection capacity (net of income tax and legal reserve)	40,202,063
2	<i>Profit remaining to be distributed:</i>	39,175,009
d)	Employees' participation to profit	3,917,500
e)	Dividends owed to shareholders	39,143,878
f)	Other reserves constituted as one's financing sources	31,131
g)	Profit not distributed	-
3	Total distributions (a + b + c + e + f)	139,893,129

The proposed distribution of accounting profit remaining after income tax deduction on 31 December 2020 was performed in accordance with the provisions of applicable legislation, namely:

- OG 64/2001 on profit distribution at national societies, national companies and trading societies with full or majority state capital, as well as at independent authorities, approved as amended by Law 769/2001, with later amendments and additions;
- OMFP 144/2005 – approving the Specifications to determine the amounts related to profit distribution according to OG 64/2001 on profit distribution at national societies, national companies and trading societies with full or majority state capital, as well as at independent authorities, approved as amended by Law 769/2001, with later amendments and additions;
- OMFP 128/2005 regarding certain accounting regulations applicable to economic agents;
- Law 227/2015 on the Fiscal Code, with later amendments and additions;
- Regulation (EC) 714/2009 of the European Parliament and Council of 13 July 2009 regarding network access for cross-border electricity exchanges and cancelling Regulation (EC) 1228/2003;
- ANRE Order 171/2019, with later amendments and additions approving the Methodology establishing tariffs for electricity transmission services;
- Referral paper to approve the average tariff of transmission services, the transmission tariff components for electricity injection in the grid (Tg) and for electricity extraction from the grid (TI) as well as the price of reactive electricity for CNTEE Transelectrica SA, valid since 1 January 2020, transmitted by ANRE with letter 110892/23.12.2019;
- The 2020 Revenue and expense budget of CNTEE Transelectrica SA, approved by AGA Decision 2/06.03.2020.

Consequently the accounting profit of 2020 remaining after income tax deduction is distributed to the following destinations:

a) Legal reserve amounting to 8,436,752 Lei - determined at 5% according to the provisions of article 26 para (1) let. a) of Law 227/2015 on the Fiscal Code, with later amendments and additions;

b) Other reserves representing law-provided fiscal facilities amounting to 52,079,305 Lei – represented by payment exemption of reinvested profit in accordance with the provisions of article 22 of Law 227/2015 on the Fiscal Code, with later amendments and additions (as per annex 1);

c) Other law-provided distributions amounting to 40,202,063 Lei - represented by the revenues achieved in 2020 from the allocation of interconnection capacities (sums net of the income tax and legal reserve), distributed according to the provisions of article 1 let. d) from OG 64/2001 on profit distribution at national societies, national companies and trading societies with full or majority state capital, as well as at independent authorities, with later amendments and additions, corroborated with the provisions of Regulation (EC) 714/2009 and of ANRE Order 171/2019, which provide utilisation of revenues from the allocation of interconnection capacities in order to make network investments and maintain or increase such interconnection capacities.

In 2020 revenues were achieved from the allocation of interconnection capacities amounting to 58,725,474 Lei. When distributing the 2020 revenues from the allocation of interconnection capacities to “other law-provided distributions” the negative correction of regulated revenue in sum of 8,346,949 Lei was taken into consideration, as correction item from the tariff interval 1 July 2018 - 30 June 2019, applied by ANRE to determine the average tariff of electricity transmission in 2020. Thus the amount of 8,346,949 Lei is correcting downward the revenues from the allocation of interconnection capacity achieved in 2020 and does not become financial source for investments to maintain and/or increase the cross-border interconnection capacity of Romania’s electricity transmission network.

Under such circumstances the **revenues obtained in 2020 by allocating the interconnection capacity** (sums net of income tax and legal reserve), to be distributed for reserve constitution with a view to make investments and maintain or increase the interconnection capacity according to Regulation (EC) 714/2009 and ANRE Order 171/2019, amounted to **40,202,063 Lei** (as per annex 2).

d) Employees' participation to profit amounting to 3,917,500 Lei – was determined in accordance with the provisions of OG 64/2001 on profit distribution at national societies, national companies and trading societies with full or majority state capital, as well as at independent authorities, approved as amended by Law 769/2001, with later amendments and additions, and of Order 144/2005 approving the Specifications to determine the amounts related to profit distribution according to OG 64/2001 on profit distribution at national societies, national companies and trading societies with full or majority state capital, as well as at independent authorities, approved as amended by Law 769/2001, with later amendments and additions, within the limit of 10% of the net profit, but not above the level of one average monthly salary obtained in the Company in 2020 multiplied with the average number of personnel in 2020.

The diminished amount representing employees' participation to profit does not modify the accounting profit or its distribution to legal destinations provided in OG 64/2001. The amount regarding employees' participation to profit is highlighted in accounting books according to the provisions of article 2 from Order 128/2005 regarding certain accounting regulations applicable to economic agents.

e) Dividends owed to shareholders amounting to 39,143,878 Lei – representing the gross dividend of 0.534 Lei/share.

The amount of gross dividends owed to shareholders was determined depending on the following items:

- The number of shares on the elaboration date of 2020 financial statements, namely 73,303,142 shares;
- Gross dividends per share established using three decimals after the point;

f) Other reserves, constituted as one's own finance sources amounting to 31,131 Lei – represent the profit not distributed to destinations a) – e).

In accordance with article 14 para (1) let. b) from the Articles of Association of CNTEE Transelectrica SA updated by AGEA Decision 12/21.12.2020, we **submit to the Shareholders' General Assembly's approval the distribution of net profit of 31 December 2020**, according to the above proposals.

DIRECTORATE

Chairman	Member	Member	Member	Member
Catalin NITU	Andreea-Mihaela MIU	Ovidiu ANGHEL	Corneliu-Bogdan MARCUS	Marius-Viorel STANCIU

**Director, UEFA
Ana-Iuliana DINU**

**Manager, DC
Georgiana-Beatrice STEFAN**

Distribution to reserves for reinvested profit(after fiscal facilities) in 2020

Crt. No.	Indicator	Q I 2020	Q II 2020	Q III 2020	Q IV 2020	Total 2020
1.	Gross profit for the period 2020	94,902,192	33,475,580	69,690,280	(9,965,168)	188,102,884
2.	Profit tax for 2020 (before fiscal facilities)	20,095,511	19,373,116	18,148,732	2,644,381	60,261,738
3.	Total value for investments (equipment)	8,686,544	28,922,751	17,211,027	46,322,116	101,142,437
4.	Value of asset for determing fiscal facilities (expenses incurred after July 1, 2014)	8,686,544	28,922,751	17,211,027	-	54,820,321
5.	Comparing gross profit with investment values in order to determine if gross profit (row 1) covers investments made after 1 July 2014 (row 4)	Yes	Yes	Yes	No	
6.	Profit tax exempted (row 4*16%)	1,389,847	4,627,640	2,753,764	-	8,771,251
7.	Profit tax 2020 (after fiscal facilities)(row 2- row 6)	18,705,664	14,745,475	15,394,967	2,644,381	51,490,487
8.	Legal reserve (5% calculated for row 4)	434,327	1,446,138	860,551	-	2,741,016
9.	Distribution of exempt profit to reserves (rd.4-rd.8)	8,252,217	27,476,613	16,350,475	-	52,079,305

UEFA Director
Ana-Iuliana DINU

DC Manager
Georgiana-Beatrice ȘTEFAN

Distribution of revenues from the allocation of interconnection capacity in 2020
to be allocated as financing sources of investment to increase interconnection capacity with neighboring systems
(net amounts of the income tax and legal reserve)

Crt. No.	Revenues from the allocation of interconnection capacity	Achieved 2020	Tax deductions		Revenues from the allocation of interconnection capacity to be allocated as financing sources of investment to increase interconnection capacity with neighboring systems (net amounts of the income tax and legal reserve)
			Legal reserve 5%	Income tax 16%	
0	1	2	3 = 2*5%	4 = (2-3)*16%	5 = 2-3-4
1	Revenues from the allocation of interconnection capacity	58,725,474	2,936,274	8,926,272.06	46,862,928
2	Negative correction applied by ANRE to revenues from the allocation of interconnection capacity (ANRE address no. 110892/23.12.2019)	(8,346,949)	(417,347)	(1,268,736)	(6,660,865)
3	Total (row 1 + row 2)	50,378,525	2,518,926	7,657,536	40,202,063

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