



Transelectrica®

Societate Administrată în Sistem Dualist

No. 13606/23.03.2022

Compania Națională de Transport al Energiei Electrice
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NOTE

on approving the establishment of reserves for revenues from the allocation of transmission capacity on interconnection lines in 2021,
from the surplus achieved from revaluation reserves non-taxable and taxable upon change of destination

I. General information

In accordance with the provisions of OMFP no. 881/2012, NPG Co. Transelectrica S.A. has the obligation to apply, starting with the financial year 2012, the International Financial Reporting Standards (IFRS) to the elaboration of the individual (stand-alone) annual financial statements.

In applying the provisions of art. 1 of OMFP no. 881/2012, OMFP no. 1286/2012 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market. OMFP no. 1286/2012 was repealed, being replaced by OMFP no. 2844/2016 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards, with later amendments and additions.

According to IFRS, IAS 16 - Property, Plant and Equipment, paragraph 41 "a part of the surplus may be transferred as the asset is used by the entity. In that case, the amount of the transferred surplus would be the difference between the depreciation calculated on the basis of the revalued carrying amount of the asset and the amount of the depreciation calculated based on the initial cost of the asset".

Based on the provisions of IFRS and Note no. 8919/2013, approved by the Company's Directorate, **NPG Co. Transelectrica S.A. applies the method of capitalizing the revaluation surplus as the asset is used, respectively at the time of registering the depreciation expenses related to the revaluation surplus.**

The revaluation surplus is registered as being achieved as the depreciation expense related to the increase in revalued amounts is registered and does not represent a monetary item generating cash flows, being determined only by a transfer operation from revaluation reserves to the retained earnings.

As of December 31, 2021, the Company registers **positive retained earnings from the surplus achieved from revaluation reserves** in the amount of **746,640,830 lei**, of which:

- the surplus achieved from **non-taxable revaluation reserves** upon change of destination in the amount of **101,694,229 lei**;
- the surplus achieved from **taxable revaluation reserves** upon change of destination in the amount of **644,946,601 lei**.

NPG Co. Transelectrica S.A. carries out its activity as a transmission system operator according to Operating License no. 161/2000, issued by ANRE. Among the services provided by the Company on the electricity market is the allocation of transmission capacity on the interconnection lines of the National Power System with neighbouring Power Systems, in order to

carry out import/export transactions and transit of electricity under equal, transparent and non-discriminatory conditions, through successive explicit annual, monthly, daily and intraday bids.

Regulation (EC) no. 714/2009 and ANRE Order no. 53/2013 provide for the use of revenues from the allocation of interconnection capacities in order to make investments in the network to maintain or increase interconnection capacities, as follows:

- Regulation (EC) no. 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) no. 1228/2003.

Article 16 (6) - *All revenue arising from interconnection allocation shall be used for the following purposes:*

(a) ensuring the actual availability of allocated capacity; and/or

(b) maintaining or increasing interconnection capacity through network investments, in particular investments in new interconnections.

- The provisions of Regulation (EC) no. 714/2009 of the European Parliament and of the Council of July 13, 2009 were taken over in the national legislation by ANRE Order no. 53/2013 regarding the approval of the Methodology for establishing the electricity transmission service tariffs provides in art. 22 para. (4), the following:

- *revenue achieved from the allocation of transmission capacity on the interconnection lines are used with priority in accordance with the provisions of art. 16 para. (6) of Regulation (EC) no. 714/2009;*

- *this represents the investment funding source to increase interconnection capacity with neighbouring systems, which are part of the investment plan approved by the competent authority.*

II. Justification

In accordance with the applicable accounting regulations, the revenues collected by the Company from the allocation of interconnection capacities represent revenues obtained from the services provided on the electricity market, being registered in the income accounts (distinct analytics), being implicitly found in the gross accounting result.

Net profit remaining after income tax deduction is distributed on the legal destinations in accordance with the provisions of GO no. 64/2001 regarding profit distribution to national companies and trading companies with full or majority state capital, as well as to autonomous administrations, which provides in art. 1 let. d) as a profit distribution destination “Other distributions provided by law”.

In 2021, revenues were achieved from the allocation of interconnection capacity in the amount of **64,727,434 lei**. When distributing revenues from the allocation of interconnection capacity achieved in 2021 to the destination “other distributions provided by law”, **the negative correction** was taken into account **amounting to 2,196,608 lei** of regulated income, as a correction element considered in the calculation of the transmission service tariff for tariff year 2021, communicated by ANRE through letter no. 1000068/14.12.2020.

Therefore, **the amount of 2,196,608 lei does not become an investment funding source in maintaining or increasing the cross-border interconnection capacity of the Romanian electricity transmission network.**

Thus, **the revenues to be distributed on the destination “other distributions provided by law” amount to 62,530,826 lei (64,727,434-2,196,608), for which the related legal reserve (5%) is 3,126,541 lei, and the tax on the related profit (16%) is in the amount of 9,504,686 lei (according to the annex).**

Under these conditions, the revenues achieved in 2021 from the allocation of interconnection capacity (income tax and legal reserve net amounts), to be distributed for the establishment of reserves, in order to make investments in the network to maintain or increase interconnection capacities, according to Regulation (EC) no. 714/2009 and ANRE Order no. 53/2013, amount to **49,899,599 lei** (according to the annex).

As the 2021 accounting profit remaining after income tax deduction, could not cover the distribution to the destination "Other reserves" for investments in the network to maintain or increase the interconnection capacity of the above-mentioned amount, we propose:

III. Proposals

Pursuant to art. 14, para. (1) let. a) of NPG Co. Transelectrica S.A.'s Articles of Association updated by Decision no. 12/21.12.2020 and pursuant to art. 22 para. (4) of ANRE Order no. 53/2013, **we submit to the approval of the Shareholders' General Assembly the establishment of reserves related to revenue from the allocation of transmission capacity on interconnection lines by retained earnings distribution representing the surplus achieved from revaluation reserves non-taxable** upon change of destination in the amount of **49,899,599 lei**.

DIRECTORATE

Chairman	Member	Member	Member	Member
Gabriel ANDRONACHE	Florin-Cristian TĂTARU	Ștefăniță MUNTEANU	Cătălin-Constantin NADOLU	Marius-Viorel STANCIU

NPG Co. TRANSELECTRICA S.A.

**Distribution of revenues from the allocation of interconnection capacity in 2021
to be allocated as financing sources of investment to increase interconnection capacity with neighboring systems
(net amounts of the income tax and legal reserve)**

No.	Revenues from the allocation of interconnection capacity	Achieved 2021	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	64,727,434	3,236,371	9,838,570	51,652,493
2	Negative correction applied by ANRE to revenues from the allocation of interconnection capacity (ANRE address no. 1000068/14.12.2020)	(2,196,608)	(109,830)	(333,884)	(1,752,894)
3	Total (rd. 1 + rd. 2)	62,530,826	3,126,541	9,504,686	49,899,599

UEFA Director
Ana-Iuliana DINU

DC Manager
Georgiana-Beatrice ȘTEFAN