



**NPG TRANSELECTRICA SA**

**SUPERVISORY BOARD  
REPORT ON THE  
ADMINISTRATION ACTIVITY**

**January – June 2019**

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

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

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

The simplified stand-alone interim financial statements on the date and for the six-month period ended June 30, 2019, were prepared in accordance with International Accounting Standard 34 – "Interim Financial Reporting" and were verified by the Supervisory Board's Audit Committee in the meeting of August 12, 2019.

*Sincerely,*

Mircea Gheorghe Dumitru COSEA  
Supervisory Board Chairman



## Corporative Structure

### SUPERVISORY BOARD

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

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

- **Mircea Gheorghe Dumitru COSEA – Supervisory Board Chairman**

Mr. Mircea COSEA has acquired rich experience in the economic, university domain and also in the governmental sector. Besides the university career, the renowned professor Mircea COSEA held important public positions in time. Mr. COSEA has been university professor in the Academy of Economic Studies Bucharest for more than 50 years, having taught nevertheless in other Romanian universities such as Spiru Haret University of Bucharest, Tomis University of Constanta and the Christian University Dimitrie Cantemir of the Capital City, where he is also director of Master degree studies. Since 2009 Mr. Mircea COSEA has held the position of Director General in the Central Scientific Research Institute Spiru Haret and of Director General in the Professional Training Centre Spiru Haret. At the same time he is Founder President of the Foundation for Forecast and Economic Strategy Studies, as well as founding member of the Romanian Society of Economists. During his career he held important positions in the governmental sector, such as: Director General, Secretary of State with the National Administration Institute from the Ministry of Administration and Internal Affairs (2009); President Secretary of State in the National Commission for Economic Strategy and Forecast (1991-1993); Romania's First vice Prime Minister in 1993-1996. Mr. Mircea COSEA was also a deputy in the Romanian Parliament during two legislatures: 1996-2000 and 2004-2008. Abroad Mr. COSEA was observer in the European Parliament in 2005-2007, and then in 2007 he became a member in the European Parliament. He has also held the position of President of the Governmental Economic Counsellors in the UN's Economic Commission for Europe (Geneva) in 1992 – 1996. Mr. COSEA was international public officer of the UN Economic Commission for Europe in 1973-1980. Mr. Gheorghe Mircea Dumitru COSEA is doctor of economic science in the Academy of Economic Studies in

Bucharest. Mr. COSEA attended a master in the economic growth theory with Instituto di Studi per lo Sviluppo Economico of Naples, Italy.

- **Adrian MITROI – Supervisory Board Member**

Mr. Adrian MITROI has been university lecturer and Programme Director with the Academy of Economic Studies in Bucharest for almost 20 years. A member in the Supervisory Board of NPG Transelectrica SA beginning with May 2018, Mr. MITROI has acquired great experience in the economic domain and held managerial positions in financial-banking institutions and state capital companies during his career.

Licentiate of the Polytechnic Institute of Timisoara, Mechatronics and Automation Faculty (1988), Mr. Adrian MITROI also graduated the Master of Business Administration (MBA) Managerial Finance, Academy of Economic Studies (1995), and as of 2009 he is Doctor of Economic Science, Academy of Economic Studies, the Finance Faculty. Mr. MITROI has also attended several specific courses with educational institutions from Great Britain and the United States of America.

- **Alin-Sorin MITRICA – Supervisory Board Member**

Mr. Alin-Sorin MITRICA has got great professional experience in the domain of public local & central administration, along his professional career having held positions such as Public Administrator of Dolj County (2008-2013, 2015) and Secretary of State in the Ministry of European Funds (2013-2015). At the same time Mr. MITRICA has got managerial experience with the private sector as well, having been Deputy Director General of SC ANAGRAMA SRL since 2015. Mr. Alin-Sorin MITRICA is licentiate of Bucharest University, Political Science Faculty and has got a master's degree in Applied Marketing - Economic Sciences. Mr. MITRICA has also obtained the title of Doctor of history.



- **Constantin DUMITRU – Supervisory Board Member**

Constantin Dumitru has over 30 years of experience in the central public administration. Since 2017, Constantin Dumitru holds the position of State Secretary Counsellor in the Ministry of Economy. Previously, he held the position of General Secretary Counselor, the Romanian Government.

Constantin DUMITRU graduated the Air Force Academy and has got a doctor title in National Security - Ways of capitalising and using the information representing an attack to national security.

- **Virginia Mihaela TOADER – Supervisory Board Member**

Mrs. Mihaela Virginia TOADER has got sound managerial experience in public administration, acquired in more than 16 years. At present Mrs. TOADER holds the position of Secretary of State in the Ministry of European Funds, having been held since 2017. During her career Mrs. Mihaela Virginia TOADER was counsellor for European affairs in the Secretariat General of the Government (2003-2008) and director of the Public Policy Division in the same institution (2008-2013). Mrs. Toader has been active in the Ministry of European Funds since 2013, holding the director general position until 2017. Mrs. Mihaela Virginia TOADER graduated the Law Faculty of the “Nicolae Titulescu” University (2002). In 2005 she also graduated the Master's degree “Public European Space” of the National School of Political and Administrative Studies in Bucharest. Also Mrs. TOADER has attended specialisation and training courses in the juridical, European affairs and European funds domains.

- **Mihaela CONSTANTINOVICI – Supervisory Board Member**

Mrs. Mihaela Constantinovici has got over 15 years' managerial experience in the private sector, holding various managerial positions in the company boards and in their Boards of Administration. Also Mrs. Mihaela Constantinovici has got experience in public central administration, being at present member in the Board of Administration of CASA OPSNAJ since 2017. Mrs. Mihaela Constantinovici is licentiate of the Academy of Economic Studies Bucharest, Management Faculty, having also completed the Post-graduate course of Public Administration and Good Governance with Babes Bolyai University under partnership with Michigan State University; she has also obtained a Master's degree in Criminal Science & Criminology. Also Mrs. Mihaela Constantinovici attended several courses in the

following domains: National Security, Good Governance and Diplomacy.

- **Florin-Radu CIOCANELEA – Supervisory Board Member**

Mr. Florin Radu CIOCANELEA is at present state counsellor for the energy domain in the working cabinet of Romania's prime-minister and energy security coordinator with special assignments of the Inter-departmental Working Group for regional energy security issues (GLISE). Mr. CIOCANELEA has acquired over 30 years' experience in the energy sector, in time holding managerial positions with important companies of the oil and gas sector. Thus he held several management positions with PETROM: deputy Director General, International Cooperation Department (1993-1994); Director General, International Cooperation Department (1994-1997); Director General, Petrom International Department and member of the Board of Directors (1997-2004). Also in 2001-2018 Mr. Florin CIOCANELEA was member in the Boards of Administration with companies such as: Romanian Commodity Exchange, SC Petromservice SA, Foserco SA, Foserco SA Group Wheaterford and Group Petroleum Service (GSP) SA Constanta. During his career Mr. Florin CIOCANELEA provided consultancy on various topics associated to the oil & gas domain, as well as technical and business consultancy. In 2008-2009 he was consultant for Wheaterford Energy, Germany, during the taking-over of Atlas GIP Ploiesti, Service Company of well geophysics. From 2016 to 2018 he was designated Local Representative of Bankers Petroleum Canada and Director Panbridge SRL Romania, local Bankers Petroleum branch. Mr. Florin Radu CIOCANELEA graduated the Oil and Gas Institute of Ploiesti (1986), being drilling and oil & gas production engineer and holding several certifications from the National Agency of Mineral Resources.

## SUPERVISORY BOARD ADVISORY COMMITTEES

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

### Audit committee

Adrian MITROI (chairman), Mircea Gheorghe Dumitru COSEA, Virginia Mihaela TOADER, and Alin-Sorin MITRICA are the members of this committee.

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

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

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

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

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

### Nomination and remuneration committee

Constantin DUMITRU (chairman), Mihaela CONSTANTINOVICI, Adrian MITROI, Alin-Sorin MITRICA, Florin – Radu CIOCANELEA are the members of this committee.

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

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

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

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

### Energy security committee

Mircea Gheorghe Dumitru COSEA (chairman), Virginia Mihaela TOADER, Constantin DUMITRU, Mihaela CONSTANTINOVICI are the members of this committee.

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

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



## Board of Supervisors' Activity

### SUPERVISORY BOARD ACTIVITY

During the first semester of 2019, the Supervisory Board members met in 12 meetings, out of which we present below a selection of the discussion points on the agenda.

The following topics were addressed as a priority:

- The monitoring plan, debates and actions designed to lead to the implementation of the 2019 investment plan and the investment costs for 2019 and 2020;
- Stand-alone and consolidated financial statements together with the Reports of the date and for the financial year ended on December 31, 2018, prepared according to OMFP 2844/2016, with later amendments and additions, for the approval of Accounting Regulations in accordance with the International Financial Reporting Standards together with the Financial Reporting of the financial year ended on December 31, 2018;
- Concluding the work contract "Installing the 400 MVA AT2 and related bays in Iernut substation and modernising the command-control system of the 400/220/110/6 kV Iernut substation, RET connection of 430 MW CCC Iernut generation facility belonging to SNGN ROMGAZ and design-execution works of the protection systems for the connection lines of the new SPEE Iernut units";
- Initiating the procurement procedure for the "Metering and management system of power metering data on the wholesale market";
- The Company's revenue and expense budget for 2019, as well as the estimates for 2020 and 2021.

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

- In the meeting of 18.01.2019 the Supervisory Board amended article 2 of the Decision of December 20, 2018 as follows: "The Supervisory Board agrees with restarting the procurement procedure as regards "400 kV Stalpu Substation" and "Modernisation of 110 kV bays and medium voltage in Stalpu substation";
- CS verified the Company's 2019 Investment Programme and the estimated investment expenses for 2020 and 2021;
- CS took note of the Information Note on the statutory framework of the Supervisory Board's exercise to approve, as regards Directorate activities, the Directorate's internal rules, including establishing the

conditions for competence delegation within the directorate and implementing the statutory regulation;

- CS approved the modification of articles from the Directorate members' mandate contracts, the conclusion by the Company of addenda to the mandate contracts of the provisional Directorate members, pertaining to the respective modifications as well as the Directorate's Internal Rules.

• In the meeting of 01.02.2018 the Supervisory Board members agreed that the Directorate would issue a Decision approving the Feasibility Study of the investment objective "400 kV double circuit OHL Gutinas-Smardan", for the grant application of non-reimbursable European funds under the Large Infrastructure Operational Programme 2014-2020 - Specific objective 8.1: Increasing SEN capacity to incorporate energy generated by renewable resources. They agree with the Company's commitment to ensure the financial flow for the investment project implementation and to cover the value of its own contribution expenses, other than those financed from non-reimbursable European funds that are to be granted, including VAT.

• In the meeting of 14.02.2019 the Supervisory Board verified the Preliminary Stand-alone Financial Statements of the financial year ended in December 2018, the Preliminary Directorate Activity Report for Q IV of 2018, prepared according to the provisions of GEO 109/2011 on corporate governance of public enterprises and took note of the Preliminary Report for Q IV of 2018 and for January – December 2018, prepared according to article 67 of Law 24/2017 on the capital market and Regulation 5/2018 issued by the Financial Supervisory Authority;

- They took note of the information about the conclusion of a contract on a credit contracted to grant a ceiling of 30,150, 240 lei to issue bank indemnity letters in favour of ANRE, signed with BCR, the price of issuing bank indemnity letters being 15,678.12 lei;

- They verified the Company's 2019 Investment Programme and the estimated investment costs for 2020 and 2021.

• In the meeting of **01.03.2018** the Supervisory Board members took note of the information regarding

the debates during the Directorate meetings held between 21.12.2018 - 22.02.2019 and recommended the Directorate to comply with Article 11 (1) of the Internal Rules according to which “the Directorate meets at regular intervals (usually weekly), whenever necessary”;

- They took note both of the Electronic Register of the competence delegation issued by the Directorate and the delegations of representative capacity issued by each Directorate member, from 21.12.2018 to the meeting date;

- They took note of how the Company's Directorate oversees the employees fulfilling their duties, in order to avoid the damages that could occur to the Company's activity;

- They took note of the information regarding the stage reached in the Annual Programme for Sectoral Procurement between January – December 2018 and required measures from the Directorate to simplify the procurement procedures in order to reduce the time being wasted by bureaucracy, while recommending the analysis of the Commercial Division's activity in order to implement the approach towards viable solutions;

- They took note of the information regarding the conclusion of the work contract “220/110 kV IAZ substation refurbishment”.

- In the meeting of **21.03.2018** the Supervisory Board took note of:

- Stand-alone financial statements of the date and for the financial year ended on December 31, 2018, prepared according to OMFP 2844/2016, with later amendments and additions, for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards;

- Annual report on the Company's stand-alone financial statements, prepared in accordance with Law 24/2017 on issuers of financial instruments and market operations and on Annex 15 of Regulation 5/2018 issued by ASF for the financial year ended on December 31, 2018;

- The consolidated financial statements of the date and for the financial year ended on December 31, 2018, prepared according to the International Financial Reporting Standards, with later amendments and additions adopted by the European Union;

- The Annual Report on the consolidated financial statements prepared in accordance with the International Financial Reporting Standards for the financial year ended on December 31, 2018;

- CS took note of the Notice on the approval by the Shareholders' General Assembly for establishing reserves related to the revenues realised from the transmission capacity allocation on the interconnection lines in 2018 from the surplus realised from non-taxable and taxable revaluation reserves when changing their destination;

- CS took note of the Notice on the distribution of net profit on December 31, 2018;

- CS took note of the Notice on writing-off for the shareholders' right to the 2015 dividends;

- CS approved the final form of the Supervisory Board Activity Report for semester II of 2018 prepared according to the provisions of GEO 109/2011 regarding the corporate governance of public enterprises;

- CS took note of the Directorate Activity Report on the final results regarding Q IV and January – December 2018;

- CS took note of the 2018 Sustainability Report and the 2018 Consolidated Non-financial Report;

- CS took note of the 2018 Report of the Board's Audit Committee on the internal control and significant risk management systems within the Company, prepared according to the provisions of the new Corporate Governance Code of the BSE.

- In the meeting of **08.04.2018** the Supervisory Board elected **Mr. Mircea Gheorghe Dumitru COSEA** as Supervisory Board Chairman.

- CS took note of Mrs. Crisu Nina Carmen's refusal to accept the mandate of provisional member in the Company's Supervisory Board and appoints as provisional member of the Council Mr. Florin-Radu Ciocanelea, with the office term until May 29, 2019, but no later than the appointment date of a Supervisory Board member by the Shareholders' General Assembly;

- CS appointed the following persons as Nomination and Remuneration Committee members:

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

CS appointed as members of the Council's Audit Committee:

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

CS appointed as members of the Council's Energy Security Committee:

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

- The Committee verified the Company's Revenue and Expense Budget for 2019 as well as the estimates for 2020 and 2021;

- The Committee agreed with the Company's participation in the share capital increase of Smart SA with regard to the economic and financial restructuring of this Company subsidiary;

- The Committee took note of the Information Note on signing the Consortium Agreement for further



studies on the synchronous interconnection of the systems from Ukraine and the Republic of Moldova with the European Continental ENTSO-E's system;

- The Committee took note of the Information Note regarding the stage reached in the Annual Investment Programme for the first 2 months of 2019.

- In the meeting of 11.04.2019 the Supervisory Board unanimously voted to extend by 2 months, from 21.04.2019 to 20.06.2019, the mandates of provisional members of the Directorate for:

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

- CS elected Mr. Marius-Danut CARASOL as Directorate Chairman also called Executive Director General or Chief Executive Officer – CEO – of the Company for the period April 21 - June 20, 2019.

- In the meeting of 24.04.2019 the Supervisory Board agreed with concluding an addendum to the credit contract, in order to supplement by 25,000,000 lei (from 150,000,000 lei to 175,000,000 lei) the credit line for financing the high efficiency cogeneration bonus to the qualified producers not covered by the contribution receipts for high efficiency cogeneration and the establishment of additional guarantees related to the credit contract.

- CS took note of the information regarding the conclusion of the work contract "Installing 400 MVA AT2 and related bays in Iernut Substation and modernising the command-control system of the 400/220/110/6 kV Iernut Substation, RET connection of 430 MW CCC Iernut generation facility belonging to SNGN ROMGAZ and design-execution works of the protection systems for the connection lines of the new SPEE Iernut units";

- CS took note of the information regarding the conclusion of an addendum to the contract "Maintenance services for telecommunications, information technology and IT process within NPG Transelectrica".

- In the meeting of 14.05.2019 the Supervisory Board members verified the simplified stand-alone interim financial statements on the date and for the three-month period ended on March 31, 2019. They took note of the Directorate's Activity Report on the quarterly results for Q I of 2019 and, respectively, of the Quarterly Report on the Company's economic and financial activity for Q I of 2019.

- In the meeting of 16.05.2019 the Supervisory Board members took note of the information regarding the stage reached in the Annual Investment Programme between January – March 2019. They asked the Directorate to identify the investment solutions, to draw up an action plan meant to focus on achievement of the objectives proposed in the Annual Investment

Programme and to present it until the next Supervisory Board meeting. They recommended the Directorate to consider the start of negotiations with several banking companies and, possibly, the conclusion of financing framework contracts for the investments proposed in the Annual Investment Programme;

- They took note of the information regarding the stage reached in the Annual Programme for Sectoral Procurement for January – March 2019 and asked the Directorate to draw up a procurement strategy in order to expedite the investments proposed in the Annual Investment Programme. At the same time, they took note of the information regarding the addendum concluded with Banca Transilvania concerning the revolving credit line to finance the cogeneration support scheme.

- In the meeting of 04.06.2019 the Council elected Mr. Mircea Gheorghe Dumitru COSEA as Supervisory Board Chairman;

- CS took note of the term of office expiry of the provisional Directorate members: Marius-Danut Carasol, Claudia-Gina Anastase, Andreea Georgiana Florea, Adrian Savu and Constantin Saragea;

- CS appointed as provisional Supervisory Board members:

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

Four-month mandates starting from 21.06.2019, with the possibility of extension for another two months.

- CS elected Mr. Marius Danut CARASOL Directorate Chairman, also called Executive Director General or Chief Executive Officer – CEO – of the Company;

- CS agreed with the procurement concerning a framework agreement for the provision with services related to: "Medium and high voltage primary equipment";

- CS appointed as Nomination and Remuneration Committee members the following persons:

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

- CS appointed as Supervisory Board Audit Committee members:

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

- CS appointed as Supervisory Board Energy Security Committee members:

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

- In the meeting of 18.06.2019 the Supervisory Board members rejected the Note regarding the proceedings stage related to the share capital increase of Smart SA and asked the Directorate to obtain a recovery programme for July 2019 - December 2020 from the subsidiary's management;

- They asked the Directorate to present the procedures of subsidiary Smart SA for procurement and

sub-contracting (accompanied by legal comments, comparisons with similar procedures of the Company, highlighting the negative aspects) and to obtain from Smart SA's Board of Administration an activity report on the subsidiary's executive management (director general and deputy director(s) general) for the period January 2017 - June 2019;

- They agreed to initiate the procurement procedure with respect to "Metering and management system of the power metering data on the wholesale market".



## Financial Data

The summary of the financial results on H1 2019 is provided in the tables below. The financial results have not been audited, and their extended variant for the same time interval is provided in Annexes to this Report.

Separate statement of profit or loss			Separate statement of financial position		
[RON mn]	H1 2019	H1 2018	[RON mn]	H1 2019	2018
Charged energy volume [TWh]	27,92	27,96	<b>Non-current assets</b>		
<b>ALLOWED PROFIT ACTIVITIES</b>			Tangible assets	2.944	2.988
<b>Operating revenues</b>	<b>609</b>	<b>560</b>	Intangible assets	33	23
<b>Operating expenses</b>	<b>369</b>	<b>330</b>	Financial assets	80	80
<b>EBITDA</b>	<b>239</b>	<b>230</b>	<b>Total non-current assets</b>	<b>3.057</b>	<b>3.091</b>
Depreciation	142	151	<b>Current assets</b>		
EBIT	97	79	Inventories	39	35
<b>ZERO PROFIT ACTIVITIES</b>			Trade and other receivables	823	1064
<b>Operating revenues</b>	<b>575</b>	<b>673</b>	Other financial assets	50	0
<b>Operating expenses</b>	<b>633</b>	<b>640</b>	Cash and cash equivalents	297	482
EBIT	(58)	33	<b>Total current assets</b>	<b>1.209</b>	<b>1.581</b>
<b>ALL ACTIVITIES (WITH PROFIT ALLOWED AND ZERO-PROFIT)</b>			<b>Total assets</b>	<b>4.266</b>	<b>4.672</b>
Operating revenues	1.184	1.233	<b>Shareholders' Equity</b>	<b>2.841</b>	<b>2.809</b>
Operating expenses	1.002	970	<b>Non-current liabilities</b>		
<b>EBITDA</b>	<b>182</b>	<b>263</b>	Long term borrowings	135	144
Depreciation	142	151	Other non-current liabilities	483	520
<b>EBIT</b>	<b>40</b>	<b>112</b>	<b>Total non-current liabilities</b>	<b>618</b>	<b>664</b>
Net finance result	(4)	(5)	<b>Current liabilities</b>		
<b>EBT</b>	<b>35</b>	<b>107</b>	Short-term borrowings	187	53
Income tax	5	9	Other current liabilities	620	1.146
<b>Net profit</b>	<b>30</b>	<b>98</b>	<b>Total current liabilities</b>	<b>807</b>	<b>1.199</b>
			<b>Total liabilities</b>	<b>1.425</b>	<b>1.863</b>
			<b>Total shareholders' equity and liabilities</b>	<b>4.266</b>	<b>4.672</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

From January to June 2019 the total quantity of electricity charged for services provided on the electricity market (27.92 TWh) registered slight 0.1% decrease compared to the same period of 2018 (-0.04 TWh difference between the two periods).

### Operational revenues

Total operational revenues achieved in semester I of 2019 registered 4% decrease compared with the similar period of last year (RON 1,184 mn in H1 2019 against RON 1,233 mn in H1 2018), mainly determined by the operational revenues related to the zero profit activities (technological services and balancing market).

The **profit allowed activities** segment registered 9% revenue increase (RON 609 mn in H1 2019 compared to RON 560 mn in H1 2018), determined by the higher tariff valid from 01 July 2018 (in force on the report date as per ANRE order 108/2018).

In semester I of 2019 revenues from the allocation of interconnection capacities registered growth of RON 12.3 mn compared to semester I of 2018, this corresponding to the utilisation range of available interconnection capacities on the electricity market.

The allocation mechanism of interconnection capacities consists of organising annual, monthly, daily and intradaily bids. The annual, monthly and intradaily ones are explicit, as only the transmission capacity is put to auction while the daily bids with Hungary are implicit, since the capacity is simultaneously allocated together with the electricity by means of the electricity mechanism.

Beginning with 19 November 2014 the regional energy exchange was established by Romania, Hungary, the Czech Republic and Slovakia, which means these four countries should reach to a single electricity price for the quantities transacted on spot markets. The capacity allocation between Romania and Hungary, the only country of the other 3 Romania has frontier with, is performed by the transmission operators: Transelectrica and MAVIR, by means of common mechanism under a bilateral agreement.

Beginning with 2016 the UIOSI principle was implemented on the Bulgarian border, and on the Serbian one as well as of 2017. In accordance with such principle the participants that do not use the capacities they won at annual and monthly bids are remunerated (by Transelectrica) for this capacity. The unused capacity is later sold under daily bids. The sense is reversed on the Hungarian border, meaning MAVIR is remunerating the participants for unused capacities.

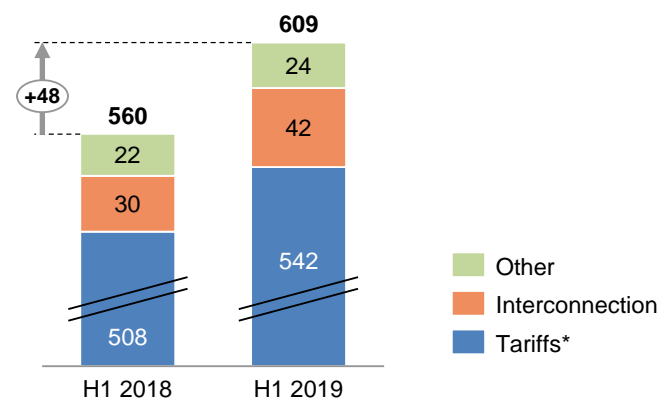
The market allocating the interconnection capacities is fluctuating, as prices evolve depending on demand and on the needs of electricity market participants to procure interconnection capacity.

Net revenues from the allocation of interconnection capacities are used in accordance with the provisions of article 22 para (4) of ANRE Order 53/2013 and article 16 para (6) of Regulation (EC) 714/2009 as financing source of investments made in order to upgrade and develop the interconnection capacity with neighbouring power systems.

Revenues from energy transactions for OTC were mainly obtained by selling the excess electricity on the Intraday Market managed by OPCOM and using PRE (BRP) CIGA Energy on the Balancing Market.

Revenues of OTC transactions were higher by RON 2.8 mn in semester I of 2019 compared to semester I of 2018 because the imbalances of Transelectrica were of contrary sense of BRP CIGA ENERGY's and thus the electricity sale using the BRP was more beneficial than the sale on the Balancing Market.

Operating revenues from allowed profit activities  
(RON mn)



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

**Revenues of zero-profit activities** registered 15% decrease (RON 575 mn in H1 2019 compared to RON 673 mn in H1 2018), mainly determined by 14% lower revenues of technological system services and by 15% lower revenues on the balancing market.

In semester I of 2019 revenues of technological system services registered RON 46.9 mn drop compared to semester I of 2018, as determined by the diminished regulated tariff.

Revenues on the balancing market dropped RON 50.9 mn compared to the same time interval of last year as a result of:

- Reduced negative imbalance registered with electricity suppliers on the electricity market since



they achieved better balancing in semester I of 2019 compared to semester I of 2018;

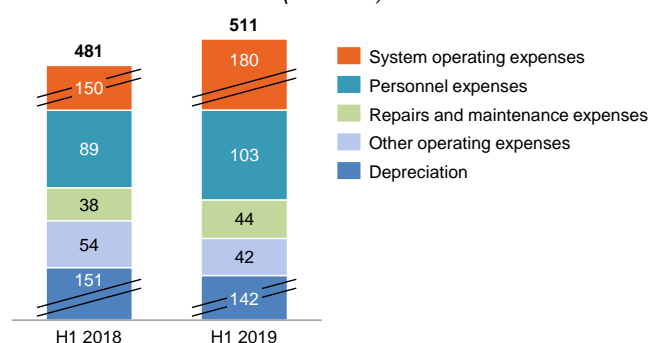
- The contracting manner on the markets previous to the balancing one and low participation of electricity generators on the day-ahead and intraday electricity markets;
- The development of hydraulicity;
- The high unpredictability and volatility of electricity output from renewable sources (especially wind);
- The development of the average deficit price registered on the balancing market;
- The development of electricity demand during a milder winter than in 2018.

### Operational expenses

Total operational expenses (including amortisement) achieved in semester I of 2019 registered 2% increase compared to the same period of last year (RON 1,144 mn against RON 1,121 mn in semester I of 2018), mainly as a result of developments in the profit allowed activity segment.

In this **profit allowed activity** segment expenses (including amortisement) registered 6% increase (RON 511 mn in H1 2019 compared to RON 481 mn in H1 2018).

#### Operating expenses from allowed profit activities (RON mni)



**OTC:** In semester I of 2019 expenses regarding one's own technological consumption increased by RON 23.6 mn compared to semester I of 2018 because the average procurement price of electricity necessary to cover ITC in the RET has been increased.

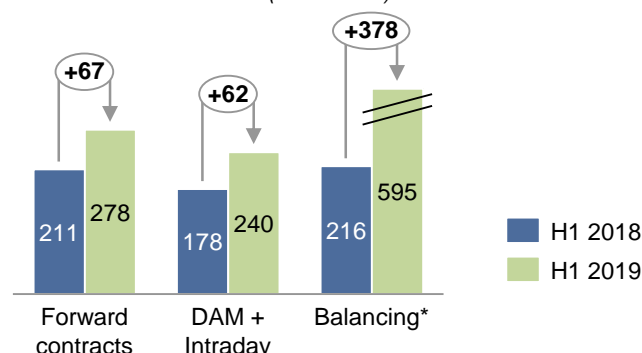
Such expenses represent electricity procurement costs on the free electricity market, namely the Centralised Market of Bilateral Contracts (PCCB), the Day-Ahead Market (PZU/DAM), the Balancing Market (PE) and the Intraday one (PI) to cover the technological consumption (OTC) in the RET.

The differences between the hourly quantities actually achieved and the ones procured after transactions on the PCCB, PZU and PI are compensated on the Balancing Market (PE) in the day of operation.

Beginning with 18.01.2018 Contract C380/06.10.2014 on "Electricity procurement to cover imbalances from

notified quantities associated to technological electricity losses within transmission grids by transferring the balancing responsibility" was concluded between NPG Transelectrica SA and CIGA ENERGY SA, whereby the procurement prices on the balancing market were reduced.

#### Average acquisition prices (RON/MWh)



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

Analysing the average price development under the forward contracts of 2018 – 2019 one can notice clear increasing rise with positive oscillation-free trend of the price registered in 2018. Moreover the electricity sale offers on the PCCB were much lower in quantitative terms than the existing purchase offers, which leads to a net higher demand than offer and thus the closure price of bids is higher.

In January 2019 higher OTC expenses were registered taking into account the average price was 287.44 Lei under the contracts concluded on the PCCB with delivery in January 2019, 36% higher than the price recorded in January 2018. This price trend was justified by 120% increased prices of the certificates issued for greenhouse-gas effect emissions (ETS) as of the beginning of 2018. From 1 January 2019 onward the "Market stability reserve" (MSR) became applicable, which requires a limited number of certificates for greenhouse gas emission. This measure impacted mostly the electricity generating plants using coal, which in many instances determine the marginal market price.

Such circumstances were mirrored in the 278 Lei average price of contracts concluded on this market with delivery in semester I of 2019, being 32% higher than the price recorded in semester I of 2018.

All over Europe prices are impacted by the separation between the Germany – Austria bidding area into two distinct zones beginning with 1 October 2018. The average price of electricity procurement on the PZU (DAM) was higher in semester I of 2019 than in the similar period of last year, against a Europe-wide background of demand exceeding the offer.

In January 2019 Romania has been predominantly electricity importer, because certain generating power plants were unavailable and this has led to significant increase of prices on the Day-Ahead Market (DAM). Thus in January 2019 a double average price was registered on the DAM compared to the price recorded in January 2018.

In the following months the trend was decreasing for the average price of the electricity procured on the DAM and on the bilateral contracts market compared to the one of January 2019. Nevertheless given there are other factors impacting the electricity procurement the OTC expenses stayed higher than those recorded in the same period of 2018.

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

In 2018 the ceilings limiting the minimum and maximum price of the deficit electricity were removed, which has led to a significant increase of the average price for procuring deficit energy.

Thus taking into consideration the total average price of all the markets a 279 Lei/MWh average price resulted for H1 2019, as compared to 198 Lei/MWh average procurement price in H1 2018.

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

Congestion expenses of RON 1.7 mn were registered in semester I of the current year, determined by the N-1 safety principle being provided while the 220 kV OHL Fantanele-Gheorgheni was unavailable because of bad meteorological conditions and of the N-1 principle provided in section 4, when the 400 kV OHL Iernut-Sibiu Sud was taken out of operation in accordance with the operational schedule.

**Expenses regarding electricity consumption in RET substations:** they increased by RON 1.7 mn in semester I of 2019 compared to semester I of 2018, as determined by the growing trend of electricity prices and moreover by higher firm prices, which were higher than last year and were used in order to conclude contracts for electricity supply in 2019.

**Functional system services:** Related expenses increased by RON 12.7 mn in H1 2019 compared to H1 2018, mainly determined by higher expenses on the balancing market and on the day-ahead market with respect to unplanned electricity exchanges with the neighbouring countries that are interconnected to the SEN.

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

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

In the first semester of the current year such expenses were smaller by RON 4.3 mn compared to the same period of last year because the expense estimates have been regularised.

The **zero-profit activities** segment registered 1% decrease of costs (RON 633 mn compared to RON 640 mn in H1 2018), mainly determined by lower expenses on the balancing market.

The Company procures **technological system services** from producers with a view to maintain the operational safety of the SEN as well as the quality of transmitted electricity at parameter values provided in applicable technical norms.

Such services are contracted as follows:

- Under regulated regime according to Governmental Decisions and the Decisions of the National Regulatory Authority in the Energy Domain (ANRE);
- Using competitive mechanisms;

Expenses regarding technological system services increased by RON 43.7 mn in semester I of 2019 in comparison with semester I of 2018, mainly determined higher procurement prices for technological system services on the competitive market, for the frequency restoration reserve and the replacement reserve compared to the procurement from the similar period of last year:

- From 66.16 Lei/hMW average price to procure the RS (frequency restoration reserve) in Q1 2018 to 80 Lei / hMW in Q1 2019, namely from 69.75 Lei/hMW in Q2 2018 to 80.27 Lei/hMW in Q2 2019,
- From 37.87 Lei/hMW average price to procure RTR (replacement reserve) in Q1 2018 to 51.31 Lei/hMW in Q1 2019, namely from 38.19 Lei/hMW in Q2 2018 to 47.09 Lei/hMW in Q2 2019.

An important influence for the higher procurement Price of STS on the competitive market was also determined by a very high concentration of the market for technological system services for the frequency

restoration reserve and replacement reserve during the studied interval, as well as by higher prices registered on the electricity market in quarter I of 2019.

In the reported period the Company has procured technological system services under regulated regime in accordance with ANRE decisions and the applicable legal regulations.

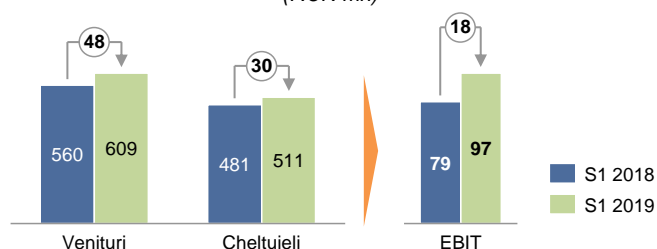
The Company is re-invoicing the technological system services procured from generators to ANRE-licensed electricity suppliers, which eventually benefit of such services.

In the following period estimations are that development trend of prices for procuring technological system services will be maintained, in compliance with the achievements from the first semester of 2019.

## Operational result

**Profit allowed activities** registered a positive result of RON 97 mn in H1 2019 compared to RON 79 mn in H1 2018 against a background of higher revenues, mainly due to the regulated average transmission tariff, which exceeded the increase of total expenses (including amortisement) during the studied time intervals.

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



**EBIT generated by zero-profit activities** registered negative result of RON 58 mn compared to the RON 33 mn profit recorded in the same period of last year.

Thus in semester I of 2019 revenues from technological system services were lower by RON 57 mn in comparison with the expenses made for procuring technological system services. Such loss was caused by the diminished regulated tariff and the increased procurement price for RS (frequency restoration reserve) and RTL (replacement reserve) on the competitive market.

This amount is diminishing the Company's gross profit registered on 30 June 2019.

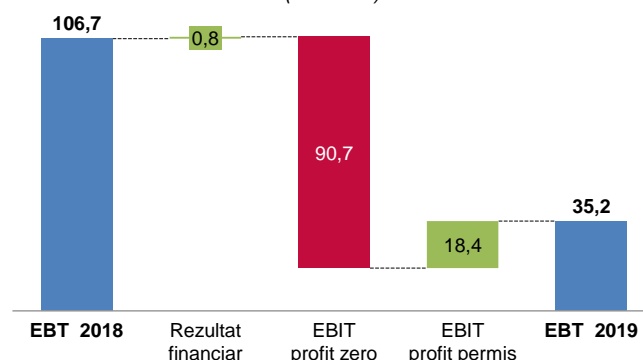
In case the electricity quantities which are applied STS and SSF tariffs will be those estimated for S2 2019, revenue increases can be registered during this time interval in accordance with the new tariffs established under ANRE Order 81/2019 (13.05 Lei/MWh for STS, namely 1.84 Lei/MWh for SSF).

## Gross result (EBT)

Gross profit decreased 67%, from RON 107 mn in H1 2018 to RON 35 mn in H1 2019.

The profit dynamics between the registrations of H1 2018 in comparison with that of H1 2019, broken down into the constitutive components of profit, is provided in the graph below:

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



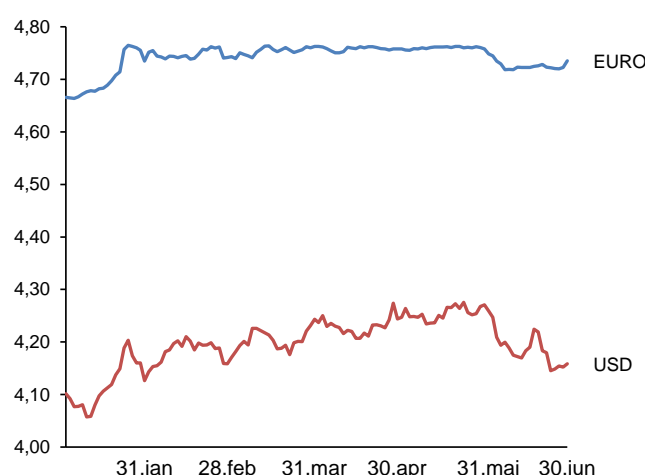
## Financial result

The net financial result registered in semester I of 2019 was negative and amounted to RON 4 mn. This was mainly influenced by the development of the national currency's exchange rate against the foreign currencies the Company has contracted bank loans in to finance its investment plans.

[RON mn]	H1 2019	H1 2018	Δ	Δ (%)
<b>Financial Income</b>	<b>6</b>	<b>7</b>	<b>(1)</b>	<b>(19%)</b>
- income from financial assets	0,13	1,28	(1)	(90%)
- interest income	2,47	3,55	(1)	(30%)
- income from exchange rate differences	3,13	2,25	1	39%
- other incomes	0,03	0,04	(0)	(23%)
<b>Financial expenses</b>	<b>10</b>	<b>12</b>	<b>(2)</b>	<b>(17%)</b>
- interest expenses	4,38	10,09	(6)	(57%)
- expenses from exchange rate differences	5,80	2,21	4	163%
- other financial expenses	0,00	0,00	0	n/a
<b>Net financial result</b>	<b>(4)</b>	<b>(5)</b>	<b>1</b>	<b>15%</b>

The development of the Leu/Euro and Leu/USD exchange rates in semester I of 2019 is provided in the graph below.

**Evoluția cursului de schimb valutar**



## Net result

Net profit registered decrease and reached to RON 30 mn in H1 2019, compared to RON 98 mn in H1 2018.

## FINANCIAL POSITION

### Non-current assets

Non-current assets registered about 1% decrease in semester I of 2019 against a background of decreased tangible assets determined by the registration of amortisement.

Intangible assets increased in H1 2019, mainly because the utilisation right was recognised for the Company-leased spaces in the Platinum office building.

### Current assets

Current assets dropped 24% on 30 June 2019 (RON 1,209 mn) in comparison with their value registered on 31 December 2018 (RON 1,581 mn), mainly determined by reduced receivables.

**Trade receivables** registered 23% reduction (RON 823 mn in semestrul I of 2019 from RON 1,064 mn at the end of 2018), mainly because of the following decreases:

- Receivables on balance on 30 June 2019, amounting to RON 146.9 mn, associated to the balancing market which registered value decrease compared to 31 December 2018 (RON 400.6 mn), as a consequence of reduced transactions on this market;
- Clients on balance from operational activities that on 30 June 2019 registered decrease in comparison with 31 December 2018, mainly determined by lower electricity quantities delivered to consumers in May and June 2019 as compared to November and December 2018.

The main clients on balance from the electricity market are represented by: RAAN, Electrocentrale Bucharest SA, Electrica Furnizare SA, Enel Energie Muntenia SA, E.ON Energie Romania SA, Enel Energie SA, MET Romania Energy SA, CEZ Vanzare, MAVIR, and Petprod SRL.

The main clients on the electricity market cover 51% share in the total trade receivables.

**Collectable receivables from the bonus type support scheme** to promote high efficiency cogeneration covered 27% of the total trade receivables in H1 2019 (19% on 31 December 2018).

The Company carries out activities associated to the bonus type support scheme to promote high efficiency cogeneration as administrator of such support scheme in accordance with the provisions of HGR 1215/2009, „the main attributions being to collect monthly the

cogeneration contribution and to pay bonuses every month”.

Clients under the bonus type support scheme to promote high efficiency cogeneration registered increase on 30 June 2019, mainly determined by a higher value of the monthly contribution, namely from 0.0105 Lei/kWh (December 2018) to 0.01186 Lei/kWh (June 2019).

On 30 June 2019 the Company registered collectable receivables amounting to RON 206.3 mn, which are 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, namely 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;
- 2016 overcompensation amounting to RON 56.68 mn, namely from Electrocentrale Bucharest;
- Cogeneration contribution amounting to RON 21.20 mn uncollected 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 1.81 mn, CET Govora – RON 0.90 mn, KDF Energy – RON 0.88 mn and others.

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

**Other receivables** amounting to RON 217.3 mn on 30 June 2019 mainly include:

- Sundry debtors (RON 180.5 mn), of which:
  - Net position of the support scheme regarding the high efficiency cogeneration registering receivable position on 30 June 2019 amounting to RON 109.1 mn (on 31 December 2018 it was a liability position amounting to



RON 23.80 mn);

- Delay penalties amounting to RON 62.7 mn calculated for payment defaulting clients (of which RON 26.01 mn represent penalties associated to the support scheme). The highest payment delay penalties were registered for the following clients: RAAN (RON 16.90 mn), CET Govora (RON 9.61 mn), Eco Energy SRL (RON 8.91 mn), Petprod SRL (RON 8.89 mn), Total Electric Oltenia (RON 3.29 mn), Enol Grup (RON 2.54 mn), and Also Energ (RON 2.12 mn). Allowances have been registered for the penalties calculated for late payment of receivables from operational activities;

- Deferred expenses amounting to RON 28.8 mn, mainly represented by the 2% contribution from turnover (OUG 114/2018) owed to ANRE for April - December 2019 (RON 17.7 mn) which will be spread out upon the 2019 operational expenses; by the down payments under the contracts concluded with the suppliers of electricity necessary to cover one's own technological consumption of future time intervals (RON 6.7 mn); by the subscriptions to national and international organisations (RON 2.3 mn), which will be spread out upon the 2019 operational expenses;
- Other non-current receivables amounting to RON 4.6 mn, of which RON 4.2 mn are securities for temporary land occupation, calculated and withheld in accordance with 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 project of the 400 kV OHL Resita – Pancevo (Serbia).

## Liabilities

**Non-current liabilities** amounting to RON 618 mn on 30 June 2019 registered 7% decrease as a result of repayments made in accordance with existing loan agreements and of diminished deferred revenues.

At the same time **current liabilities** similarly registered 33% decreases (from RON 1,199 mn on 31 December 2018 to RON 807 mn on 30 June 2019), mainly against a background of diminished trade liabilities and other liabilities as follows:

- **Liabilities on balance on the energy market** amounted to RON 353.9 mn on 30 June 2019 in comparison with 31 December 2018, when they were of RON 780.3 mn, being influenced by:

- *Reduced balance of balancing market liabilities* which was determined by paying the payment obligations found on balance on the electricity market on 31 December 2018 (RON 383 mn) and by the reduced transaction volume on the balancing market in QII 2019 in comparison with QIV 2018, impacting the volume of balancing market liabilities on balance on 30 June 2019 (RON 94 mn).

Suppliers on the electricity market are mainly represented by: Hidroelectrica, MAVIR, Electrocentrale Bucharest, Energy Complex Oltenia, OPCOM, Romgaz, Electrocentrale Galati, Energy Complex Hunedoara, Veolia Energie Prahova, and Ciga Energy. On 30 June 2019 their share was about 85% in the total electricity suppliers.

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

- *Reduced liabilities associated to the support scheme* to suppliers (producers) determined by diminished payment obligations for the monthly bonus of June 2019 in comparison with December 2018.

On 30 June 2019 payment obligations are registered to suppliers (producers) amounting to RON 111.2 mn (Electrocentrale Bucharest – RON 56.7 mn, RAAN – RON 51.2 mn and CET Govora SA – RON 3.4 mn), representing the monthly cogeneration bonus, the ex-ante overcompensation for 2014 and 2015 as well as the unpaid bonus in 2015 and 2016.

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

- **Other liabilities** significantly dropped from RON 159.9 mn in December 2018 to RON 58.2 mn on 30 June 2019, as dividends were paid in the first half of 2019 while creditor clients decreased (on 30 June 2019 they amounted to RON 30.4 mn compared to RON 55.7 mn in December 2018 and mainly represent amounts collected in advance from MAVIR and OPCOM under transactions associated to the price-coupling mechanism).

*The higher balance of asset suppliers* on 30 June 2019 compared to 31 December 2018 was owed to increased volumes of investment work invoiced by the asset suppliers.

**Provisions** registered decrease from RON 95.6 mn on 31 December 2018 to RON 64.4 mn on 30 June 2019, mainly determined by cancelling the RON 31.18 mn provision constituted for the dispute with ASITO KAPITAL SA pertaining to file 35865/3/2018 (former file 24552/3/2017), found on the docket of Bucharest Tribunal, Section VI Civil.

On the 19.02.2019 hearing term when juridical inquiry ended and the court granted the floor to the parties with respect to exceptions, evidence and the substance

matter of the case, the law court deferred pronouncement twice until the term of 20.03.2019. After deliberation Bucharest Tribunal pronounced the following settlement in brief:

- It denies the request pertaining to reversing the enforcement as inadmissible.
- It denies as groundless the request to return the stamp tax associated to the request item pertaining to the reversal of the enforcement.
- It denies as groundless the request for cancellation filed by the contestor-debtor ASITO KAPITAL SA against Civil Ruling 4067 / 07.11.2017 pronounced by Bucharest Tribunal, Section VI Civil under file 24552/3/2017, in contradiction with the recurrent-creditor the National Power Grid Company TRANSELECTRICA SA; final. It was pronounced at public hearing on 20.03.2019. Document: Decision 743/20.03.2019.

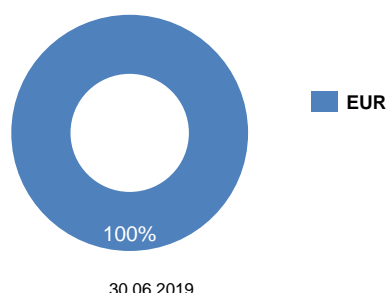
The court clerk certificate issued on 18.04.2019 by Bucharest Tribunal, Section VI Civil certifies Decision 743/20.03.2019.

### Interest-bearing liabilities

On 30 June 2019 the non-current borrowings diminished in value compared to 31 December 2018, mainly due to repayments made in accordance with the existing loan agreements.

All non-current borrowings, except for contracts BEI 25709 and BEI 25710, are bearers of variable interest and consist of only Euro, both on 31 December 2018 and on 30 June 2019.

Structure per currency



### Shareholders' equity

Shareholders' equities registered 1% increase, mainly determined by registering the net profit amounting to RON 30 mn, achieved on 30 June 2019, in the retained earnings.

On 30 June 2019 dividends owed to Company shareholders that were not paid amounted to RON 1.3 mn, of which RON 0.3 mn relate to dividends distributed from "Other reserves – One's own financing sources constituted from profit" account based on AGA decision

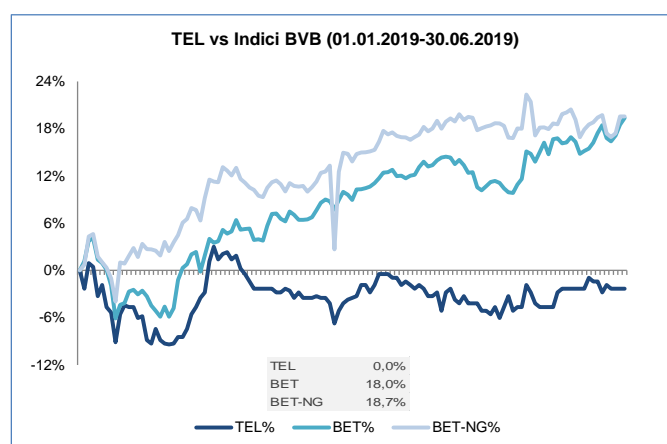
11/16.10.2017 and RON 0.4 mn relate to dividends distributed from retained earnings based on AGA Decision 15/14.12.2018.

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

### DEVELOPMENT OF SHARES

(01-Jan-2019 to 30-June-2019)

2019 a debutat began with 21 Lei/share transaction price. At the end of this period (30 June 2019) stock exchange capitalisation was of RON 1,539 mn, finding the share at 21 Lei/share price. The minimum transaction price of 19.48 Lei/share was registered on 31.01.2019, while the maximum price of 22.15 Lei/share occurred on 14.02.2018.



### MAIN RISKS AND UNCERTAINTY

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

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

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

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

- Interest rate fluctuation,
- Exchange rate variation,
- The financing agreement provisions: funding contracts include clauses with respect to complying with certain financial indicators, the change of control over the Company and *pari*

*passu* type clauses. Breaching such clauses can entail preliminary notification providing reasonable time interval, followed by anticipated credit payment; certain credits include penalising clauses in case of anticipated repayment. To date the Company has received no such notification of anticipated repayment for its failure to comply with assumed obligation,

- The credit risk: the Company bears financial loss because of a contractual partner's incapacity or refusal to perform contractual obligations. Such risk results mainly from trade receivables, cash and cash equivalents,
- Risk of not collecting securities under investment projects: the main cause of such risk results from bank or insurance companies that provide security services without complying with the assumed obligations under the indemnity instruments they have issued,
- The fiscal level, inclusive of introducing new taxes and charges,

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

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

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

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

In H1 2019 the Company has not faced impossible situations preventing it to comply with financial obligations.

Thus there are no risks and no uncertainty for the following months of 2019 to impact Company liquidity, others than what has been provided above.

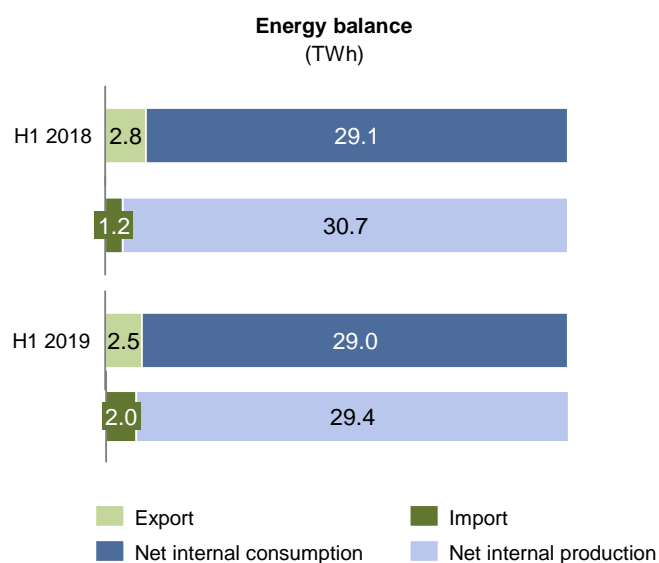


## Operational Data

### ENERGY BALANCE WITHIN SEN

Analysing the January – June 2019 development of the energy balance components in comparison with the same period of last year the net internal consumption<sup>1</sup> decreased 0.5% and the net electricity output – 4.2%.

Cross-border exporter physical exchanges dropped 11% in comparison with the similar period of 2018, and cross-border importer flows registered increase of 68.1%.



### GENERATION MIX

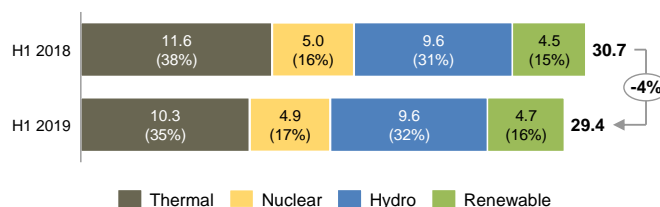
In January – June 2019 compared to the similar period of 2018 the generation mix provided about 11.8% drop of the thermal component, 1% decrease of output from nuclear sources and 0.9% decrease of the hydro component.

Renewable sources registered 4.8% increase of their contribution.

Analysing the shares of the net generation mix components in January - June 2019 one can notice the greatest share (34.9%) is covered by the thermal component followed by the hydro component (32.5%), while the electricity generated from renewable and nuclear sources provided shares of about 15.9% and 16.7% respectively.

<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

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



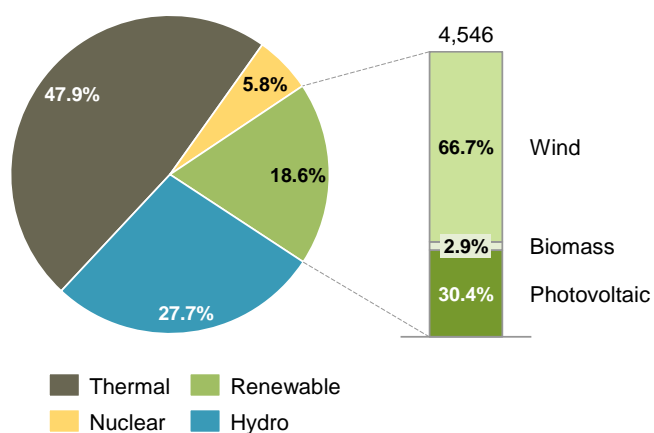
### NATIONAL GENERATION FLEET

In semester I 2019 the gross installed capacity of power plants dropped 0.5% in comparison with the same period of 2018.

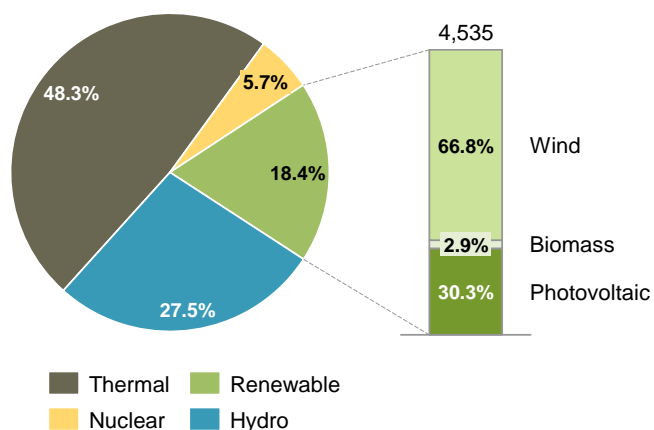
The installed capacity of renewable source power parks increased about 0.2%, from 4,535 MW installed on 30 June 2018 to 4,546 MW installed on 30 June 2019.

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

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



**Installed power 2018 (24,604 MW. gross)**





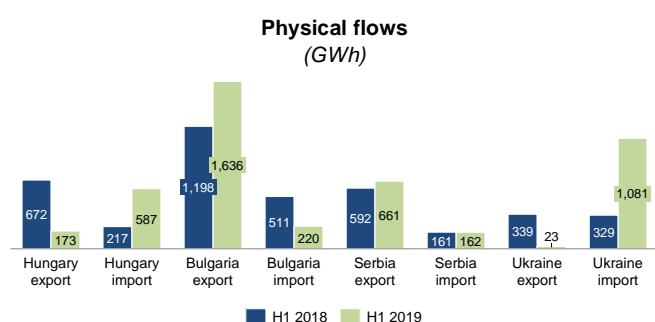
## CROSS-BORDER FLOWS

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

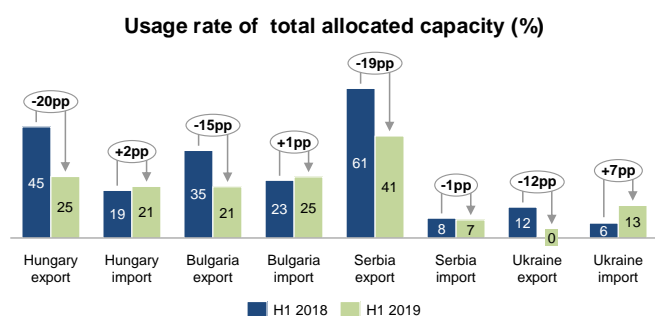
- Export decreased along the Hungarian and Ukrainian borders and increased on the Bulgarian and Serbian frontiers, while import decreased on the Bulgarian border and significantly increased on interconnection lines installed within areas of deficit electricity generation (on the Hungarian and Ukrainian borders), but there is also 0.6% increase on the interconnection line situated in the area of excess electricity output, namely the Serbian border.

In concrete terms, compared to semester I of 2018 the exporter physical flows decreased for Hungary (74.2%, –499 GWh) and Ukraine (93.2%, –316 GWh), increased with Bulgaria (36.5%, +438 GWh) and Serbia (11.6%, +69 GWh) at the same time with the significant increase of importer physical flows on interconnection lines with Hungary (170.4%, +370 GWh), Ukraine (228.3%, +751 GWh) and Serbia (0.6%, +1 GWh), while they registered decrease on the Bulgarian frontier (57%, –292 GWh).

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



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



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

## ONE'S OWN TECHNOLOGIC CONSUMPTION

In comparison with semester I of 2018, OTC within RET decreased about 16.9% in semester I of 2019 while the percentage OTC dropped from 2.76% to 2.38%.

The factors with significant influence over the OTC in semester I of 2019, for instance precipitation and the distribution of cross-border physical flows are not controlled by Transelectrica.

### OTC DEVELOPMENT FACTORS

**In January 2019** the absolute value of OTC decreased 6.7% in comparison with January 2018 because of favourable import/export physical flows that led to reduced electricity transmission at long distance from sources. The loss percentage against the electricity injected into the RET outline dropped from 2.44% in 2018 to 2.31% in 2019. The electricity injected in the outline dropped 1.6% in January 2019 (69.4 GWh) compared to the similar period of 2018, against a background of 13.7% (511.7 GWh) reduced electricity amount received from generators directly connected to RET while import increased 173.3% (433.9 GWh) and the electricity quantity received from the RED (distribution network) - 3.4% (8.3 GWh). Meteorological conditions were bad and the amount of registered precipitation was higher than last year, contributing to higher losses by corona effects.

**In February 2019** the absolute value of OTC decreased 27.1% in comparison with February 2018 as a result of beneficial import/export physical flows, which led to reduced electricity amounts transmitted to long distance from sources and due to good meteorological conditions, which determined lower corona losses. The loss percentage compared to the electricity injected in the RET dropped from 2.81% in 2018 to 2.34% in 2019. The electricity injected in the outline decreased 12.2% (480.4 GWh) in February 2019 compared to the similar period of 2018, against a background of 19.3% (687.9 GWh) lower electricity amount received from generators directly connected to RET and of 1.7% (4.8 GWh) drop in the electricity quantity received from the RED, while import increased 220.9% (212.3 GWh).

**In March 2019** the absolute value of OTC decreased about 32.9% in comparison with March 2018 due to beneficial import/export physical flows, which led to reduced electricity amounts transmitted to long distance from sources and due to good meteorological conditions, which determined low corona losses. The loss percentage compared to the electricity injected in the RET dropped from 3.26% in 2018 to 2.40% in 2019. The electricity injected in the outline decreased 8.8% (347.4 GWh) in March 2019 compared to the similar period of 2018, against a background of 12.8% (431 GWh) lower electricity amount received from generators directly connected to RET and of 15.2% (54.8 GWh)

drop in the electricity quantity received from the RED, while import increased 77.1% (147.4 GWh).

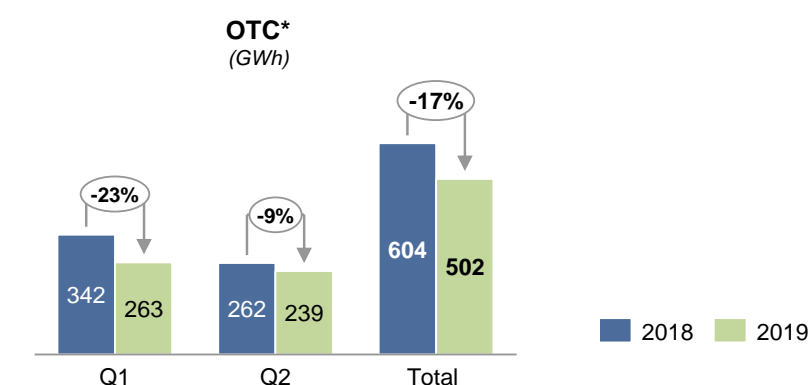
**In April 2019** the absolute value of OTC decreased 16.1% in comparison to April 2018 due to beneficial import/export physical flows, which led to reduced electricity amounts transmitted to long distance from sources. The loss percentage compared to the **electricity** injected into the RET dropped from 3.01% in 2018 to 2.39% in 2019. The electricity injected in the outline increased 5.6% in April 2019 (about 177.5 GWh) compared to the similar period of 2018, against a background of about 2.95% (about 78 GWh) higher electricity amount received from generators directly connected to RET and of about 137% (195.2 GWh) import increase, while the electricity quantity received from the RED decreased 25.7% (about 96 GWh). Meteorological conditions were bad and the registered precipitation was higher than during last year, contributing to higher losses by corona effects.

**In May 2019** the absolute value of OTC increased 0.7% in comparison with May 2018 following bad meteorological conditions characterised by abundant precipitation facilitating the increase of corona losses and cancelling the good effect of beneficial import/export physical flows. The percentage of losses in comparison with the electricity amount injected in the RET increased

from 2.48% in 2018 to 2.49% in 2019. The electricity injected in the outline increased only 0.07% (about 2.2 GWh) in May 2019 compared to the similar period of 2018, against a background of 4.76% (about 125 GWh) lower electricity amount received from generators directly connected to RET and of 16.5% (about 47.7 GWh) import drop, while the electricity quantity received from the RED increased 60% (about 175 GWh).

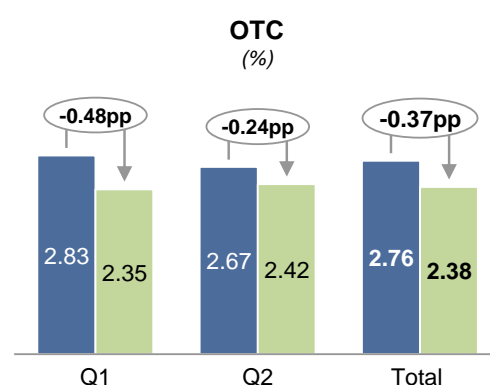
**In June 2019** the absolute value of OTC decreased about 9.4% in comparison with June 2018 due to beneficial import/export physical flows, which led to reduced electricity amounts transmitted to long distance from sources and due to better meteorological conditions, which determined low corona losses. The loss percentage compared to the electricity injected into the RET dropped from 2.53% in 2018 to 2.38% in 2019. The electricity injected in the outline dropped 3.9% (about 134.2 GWh) in June 2019 compared to the similar period of 2018, against a background of 6.9% (about 203 GWh) lower electricity amount received from generators directly connected to RET and of 44.5% (about 110.8 GWh) import decrease, while the electricity quantity received from the RED increased 77.98% (about 180 GWh).

*Mention should be made the June values are preliminary.*



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

**In conclusion** in the first quarter of 2019 the OCT within RET decreased about 23.2% in comparison with the similar period of 2018, especially due to beneficial import/export physical flows, which led to reduced electricity amounts transmitted to long distance from sources and due to good meteorological conditions, which determined reduced corona losses.



In the second quarter of 2019 the OTC within RET decreased about 8.8% in comparison with the similar period of 2018, especially because of beneficial import/export physical flows that led to reduced electricity transmission at long distance from sources.

Thus losses dropped from 2.76% in H1 2018 to 2.38% in H1 2019 compared to the electricity injected in the outline.



## Investments

### NON-CURRENT ASSETS RECORDED IN ACCOUNTING BOOKS

Investments underway have increased during the analysed period since major investment projects are found under various execution stages, and they will be accepted as non-current assets in the following regulatory period.

The value of non-current assets registered in accounting books in semester I of 2019 was RON 18.2 mn (RON 187.7 mn in H1 2018) decreasing 90%, namely RON 169.5 mn.

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

- Refurbishing the 400/220/110/20 kV substation Bradu – RON 12.3 mn;
- Security solution to implement security measures for classified information – RON 1.5 mn;
- Relocating the high voltage (HV) networks, Brasov - Targu Mures - Cluj – Oradea Motorway, section 2A Ogra - Campia Turzii, lot 2 Iernut - Chetani, km 3 + 600 km 21 + 500 - the 400 kV OHL Iernut-Sibiu Sud –RON 1.1 mn;
- Computation technique - hardware & software - desktop PC – RON 0.5 mn;
- Replacing the diesel sets nos. 1 & 2 in the 400/110 kV substation Darste – RON 0.5 mn;
- Furniture specific to dispatchers for DET Bacau, DET Cluj, DET Craiova and DET Timisoara – RON 0.4 mn;
- Connecting to RED the 110 kV electric substation Ulmi of the Electricity Distribution Company Muntenia Nord SA while also carrying out the work in the line bay associated to the 110 kV OHL Targoviste - Titu (Ulmi) in the 220 / 110 kV substation Targoviste of NPG Transelectrica SA – RON 0.3 mn;
- Providing the coexistence conditions between the 220 kV OHL Alba Iulia-Sugag and Alba-Iulia-Galceag with the interior road – RON 0.3 mn;
- Water installation in the 110/220 kV substation Suceava – RON 0.3 mn;
- Tele protection of the 400 kV OHL Arad (Romania) – Sandorfalva (Hungary) – RON 0.2 mn;
- Replacing the accumulator battery 2 in the 220/110 kV substation Pitesti Sud – RON 0.2 mn;

- Connecting the Platform of ArcelorMittal Galati to separate the installations of ArcelorMittal Galati SA from the installations of SDEE Muntenia Nord SA, in order to directly connect them to the installations of NPG Transelectrica SA – RON 0.1 mn;
- OPzV2420 accumulator battery, 105 Vetis elements – RON 0.1 mn.

### PROCUREMENT OF ASSETS

The procurement of tangible and intangible assets in semester I of 2019 amounted to RON 100.8 mn in comparison with the same period of 2018 when procurements amounted to RON 82.4 mn.

The balance of tangible and intangible assets under execution on 30 June 2019 is represented by ongoing projects, of which the most significant are provided below:

- Connecting to RET the 300 MW WPP Ivesti, the 88 MW WPP Falciu 1 and the 18 MW WPP Falciu 2 by means of the new (400)/220/110 kV substation Banca – RON 46.9 mn;
- Refurbishing the 400/110/20 kV substation Domnesti (BA decision 5 / 19.05.2010) – RON 36.6 mn;
- Refurbishing the 400 kV substation Isaccea - stage I - Replacing the shunt reactors, their associated bays and the 400 kV bay Stupina – RON 30.2 mn;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - stage I - the 400 kV simple circuit OHL Portile de Fier - (Anina) – Resita – RON 27.8 mn;
- Refurbishing the 220/110 kV substation Turnu Severin Est – RON 31.9 mn;
- Extending the business continuity and post-disaster recovery services in the Executive branch – RON 14.4 mn;
- 110 kV, 220 kV and 400 kV mobile bays – RON 21.3 mn;
- The 400 kV double circuit OHL Cernavoda - Stalpu and connection in Gura Ialomitei – RON 12.8 mn;
- Replacing the components of the EMS SCADA AREVA system - software & hardware components – RON 11.4 mn;
- Connecting the 400 kV OHL-s Isaccea - Varna and Isaccea - Dobrudja in the 400 kV substation Medgidia Sud – RON 10.9 mn;

- Refurbishing the 220 kV substation Otelarie Hunedoara – RON 8.1 mn;
- Integrated security system in electric substations, stage IV – RON 8 mn;
- Refurbishing the 220/110 kV substation Hasdat – RON 7.7 mn;
- Upgrading the 110 kV substations Bacau Sud and Roman Nord from the 400 kV axis Moldova – RON 7.6 mn;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - stage I - the 400/220/110 kV substation Resita – RON 6.6 mn;
- The 400 kV OHL Gadalin - Suceava, including SEN interconnection – RON 6 mn;
- 400 kV HVDC Link (Romania - Turkey submarine cable) – RON 5.9 mn;
- Upgrading the 110 kV & 400 (220 kV) installations of substation Focsani Vest – RON 5.1 mn;
- The 400 kV OHL Suceava - Balti for the project segment on Romania's territory – RON 4.4 mn;
- The 400 kV double circuit OHL Gutinas – Smardan – RON 3.8 mn;
- Upgrading the 220/110/20 kV substation Raureni – RON 3.3 mn;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage II, the 400 kV double circuit OHL Resita - Timisoara - Sacalaz (220/110 kV substation Timisoara) – RON 3.2 mn;
- Adding new functions and extending the control and computerised access supervision system in the objectives of NPG Transelectrica SA – RON 3.2 mn;
- Upgrading the 220/110/20 kV substation Arefu – RON 3 mn;
- Connecting to RET the 136 MW WPP Platonesti, Ialomita County, by building a 110 kV bay in the 400/110 kV substation Gura Ialomitei – RON 2.9 mn;
- Integrated security system in electric substations, stage III – RON 2.8 mn;
- By-passing the 110 kV OHL Cetate 1 & 2 near the 110/20/6 kV substation Ostrovul Mare – RON 2.6 mn;
- Connecting to RET the 99 MW Dumesti WPP and the 30 MW Romanesti WPP, Iasi County, by building a 110 kV bay in the 220/110 kV substation FAI – RON 2.5 mn;
- Research-development centre for Live Work (LW) technologies and fast intervention in the SEN - Centre building – RON 3.2 mn;
- Refurbishing the 400/110/20 kV substation Smardan – RON 2 mn;
- Upgrading the 220/110 kV substation Dumbrava – RON 2 mn;
- Refurbishing the 220/110 kV substation Craiova Nord – RON 1.9 mn;
- Upgrading the tele protection & telecommunication system in substation Cernavoda – RON 1.8 mn;
- Consolidating, modernising and extending the offices of NPG Transelectrica, Executive branch – RON 1.6 mn;
- Computation technique - hardware & software - desktop PC – RON 1.6 mn;
- Upgrading the 400 (220)/110/20 kV substation Munteni – RON 1.5 mn;
- Refurbishing the 220/110/20 kV substation Ungheni – RON 1.4 mn;
- Integrated security system in the new 400/220/110 kV substation Banca – RON 1.1 mn;
- Achieving optical fibre communication between the 220/110/20 kV substation Pitesti Sud and the remote control and installations supervision centre of TB Pitesti (SF) – RON 1.1 mn;
- Compensations for the lands needed for the 400 kV OHL Oradea – Beckescsaba – RON 1 mn;
- Relocating the HV networks, Brasov - Targu Mures - Cluj – Oradea Motorway, section 2A Ogra- Campia Turzii, lot 2 Iernut - Chetani, km 3 + 600 km 21 + 500 - 400 kV OHL Iernut - Sibiu Sud – RON 1.1 mn;
- Replacing the components of the EMS SCADA AREVA system - software & hardware components – RON 12.9 mn;
- Implementing the Electronic Archiving and Document Management system in NPG Transelectrica SA – RON 5.5 mn;
- Extending the business continuity and post-disaster recovery services in the Executive branch – RON 0.4 mn.



## CONTRACTUAL ASPECTS

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

- Refurbishing the 110 kV substation Timisoara and converting the Portile de Fier - Anina - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage II: the 400 kV substation Timisoara – RON 87.7 mn,
- Refurbishing the 220/110 kV substation Iaz – RON 54.8 mn,
- Installing the 400 MVA autotransformer and its associated bay in Iernut substation and upgrading the command-control system of the 400/220/110/6 kV substation Iernut; connecting to RET the 430 MW generating place of CCC Iernut belonging to Romgaz SA and design & execution of the protection system for the electric line connecting the new units of SPEE Iernut – RON 30.7 mn.
- Connecting the 400 kV OHL Isaccea-Varna and the 400 kV OHL Isaccea-Dobrudja in the 400 kV substation Medgidia Sud, stage I - extending the 400 kV substation Medgidia Sud, procuring the 400 kV GIS assembly, installing and commissioning the 400 kV GIS assembly – RON 24.6 mn.



## Other Issues

### TARIFFS

The ANRE-approved tariffs (Order 108/2018, namely Order 122/19.12.2017) are provided in the table below:

Index	Tariff	m.u.	Tariff applied 1 Jan-30 June 2018	Tariff applied 1 Jan-30 June 2019*	Difference %
<b>A</b>	Electricity transmission	Lei/MWh	16.86	<b>18.13</b>	<b>+7.5%</b>
<b>B</b>	Functional system services	Lei/MWh	1.11	<b>1.11</b>	-
<b>C</b>	Technological system services	Lei/MWh	12.06	<b>10.44</b>	<b>-13.4%</b>

Further are provided the factors that significantly contributed to changing the tariffs at the last ANRE review (\* tariffs that entered in force on 01.07.2018, applicable until 30.06.2019).

#### *Electricity transmission services*

The **(+7.5%)** tariff increase is mainly explained by two factors:

1. Ex-post correction – applied in order to compensate the differences between estimated values used for tariff calculations in previous years and the actual registered values (final corrections for year 1 July 2016 - 30 June 2017, preliminary corrections for year 1 July 2017 - 30 June 2018); such corrections were negative but of lower absolute value compared to those applied in the current tariff. Ex-post corrections contributed +6.5% to the increase of the new tariff approved, compared to the current one;

The most important calculation elements subjected to the ex-post corrections applied in order to calculate the newly approved tariff are: (i) electricity procurement price to cover one's own technological losses, (ii) the inflation index, (iii) using part of the revenues from the allocation of interconnection capacities as complementary source of the regulated tariff to cover regulated costs, (iv) higher electricity consumption above ANRE's forecast when it designed the tariff, (v) the partial investment correction;

2. The forecasted inflation used in the calculation of the newly approved tariff was higher than the forecasted inflation used in order to calculate the tariff of the current year (the inflation index used in the new tariff calculation is superior to the inflation index used in the calculation for the current year's tariff). The inflation index difference contributed **+4.6%** to changing the new tariff approved compared to the current one.

Besides positive corrections there have been other factors that contributed to the the new tariff value approved and applied from 01.07.2018 compared to the tariff applied until 30.06.2018:

➤ The quantity of electricity that can be billed upon grid extraction was increased from 54.0 TWh to 55.4 TWh. Such change in the billed amount of electricity contributed **-2.5%** to changing the newly approved tariff.

➤ The annual basic revenue calculated as a sum of annual regulated costs established using the 5 years' cost forecast approved by ANRE for the regulatory interval 01.07.2014 – 30.06.2019 is slightly higher than the annual basic revenue corresponding to the current tariff year. Flattening the series of annual revenues during the regulatory period led to redistributing the annual revenues of the period while maintaining the total value of the 5 years' cumulated revenue; revenues from one year to the next were impacted by a negative decreasing slope. The cumulated contribution of these two elements described in this paragraph is **-1.0%** in changing the newly approved tariff.

#### *Functional system services*

The tariff was maintained as determined by the following individual calculation elements whose net cumulated effect was zero:

➤ The ex-post negative correction included in the new tariff was lower in absolute value compared to the negative correction applied to last year's tariff. The

ex-post correction contributed **+6.0%** to changing the newly approved tariff;

➤ The annual forecast of recognised costs in the newly approved tariff is lower than the annual cost forecast included in the current year's tariff. The reduced annual cost forecast contributed **-3.4%** to changing the newly approved tariff;

➤ The quantity of electricity that can be billed upon grid extraction was increased from 54.0 TWh to 55.4 TWh. Such change in the billed amount of electricity contributed **-2.5%** to changing the newly approved tariff.

### ***Technological system services***

The **(-13.4%)** tariff decrease was determined by:

➤ The ex-post negative correction included in the newly approved tariff, set in accordance with the methodology applicable for partial compensation (up to 80%) of the profit gathered by 30.06.2017. The profit obtained during this period was mainly achieved against a significant drop in unit procurement prices for technological system services under bids compared to the unit prices forecasted by ANRE and included with anticipation in the calculation of approved tariffs. In order to mitigate the impact over the regulated tariff, upon Transelectrica's request, ANRE established a

spread-out of corrections during two tariff years, July 1, 2017 – June 30, 2018 and July 1, 2018 – June 30, 2019, based on which the newly approved tariff was applied the second correction quota applicable to July 1, 2016 – June 30, 2017 as well as the unachieved part of the first quota. The ex-post correction contributed **-18.0%** to changing the newly approved tariff;

➤ The annual forecast of recognised costs in the new tariff to procure technological system services in the tariff year 1 July 2018 - 30 June 2019 is higher than the forecast of recognised costs in semester I 2018 (semester II of tariff year 1 July 2017 – 30 June 2018). The higher cost forecast was determined by higher bid procurement prices for technological system services in the current tariff period compared to ANRE-forecasted prices. The higher annual cost forecast contributed **+5.4%** to changing the newly approved tariff;

➤ The quantity of electricity that can be billed upon grid extraction was increased from 55.0 TWh to 55.4 TWh. Such change in the billed amount of electricity contributed **-0.7%** to changing the newly approved tariff.



## **Annexes**

# ANNEX 1: Separate statement of financial position

[RON mn]	H1 2019	2018	Δ	Δ (%)
	1	2	3=1-2	4=1/2
<b>ASSETS</b>				
<b>Non-current assets</b>				
Tangible assets	2,944	2,988	(45)	(1%)
Intangible assets	33	23	10	45%
Financial assets	80	80	0	0%
<b>Total non-current assets</b>	<b>3,057</b>	<b>3,091</b>	<b>(34)</b>	<b>(1%)</b>
<b>Current assets</b>				
Inventories	39	35	5	14%
Trade and other receivables	823	1,064	(241)	(23%)
Other financial assets	50	0	50	n/a
Cash and cash equivalents	297	482	(186)	(38%)
<b>Total current assets</b>	<b>1,209</b>	<b>1,581</b>	<b>(372)</b>	<b>(24%)</b>
<b>Total assets</b>	<b>4,266</b>	<b>4,672</b>	<b>(406)</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	124	124	0	0%
Revaluation reserves	501	523	(22)	(4%)
Other reserves	68	67	1	2%
Retained earnings	1,365	1,313	52	4%
<b>Total shareholders' equity</b>	<b>2,841</b>	<b>2,809</b>	<b>32</b>	<b>1%</b>
<b>Non-current liabilities</b>				
Long term deferred revenues	377	411	(34)	(8%)
Long term borrowings	135	144	(9)	(6%)
Deferred tax liability	54	56	(2)	(4%)
Employee benefits liabilities	52	52	0	0%
<b>Total non-current liabilities</b>	<b>618</b>	<b>664</b>	<b>(45)</b>	<b>(7%)</b>
<b>Current liabilities</b>				
Trade and other liabilities	506	1,021	(515)	(50%)
Other tax and social security liabilities	8	10	(2)	(18%)
Short-term borrowings	187	53	134	252%
Provisions	64	96	(31)	(33%)
Short-term deferred revenues	39	19	20	101%
Income tax payable	2.1	0.2	1.8	758%
<b>Total current liabilities</b>	<b>807</b>	<b>1,199</b>	<b>(392)</b>	<b>(33%)</b>
<b>Total liabilities</b>	<b>1,425</b>	<b>1,863</b>	<b>(438)</b>	<b>(24%)</b>
<b>Total shareholders' equity and liabilities</b>	<b>4,266</b>	<b>4,672</b>	<b>(406)</b>	<b>(9%)</b>



**ANEXA 2: Separate statement of profit or loss**

[RON mn]									
Indicator	H1 2019	H1 2018	Budgeted H1 2019	Budgeted H1 2018	2018	Achieved 2019 vs 2018	Achieved 2019 vs 2018 %	Achieved vs Budgeted 2019	Achieved vs Budgeted 2019 %
0	1	2	3	4	5	6=1-2	7=1/2	8=1-3	9=1/3
Operating revenues									
Transmission revenues	552	505	556	510	1.070	47	9%	(4)	(1%)
System services revenues	328	375	326	365	702	(47)	(13%)	2	1%
Balancing market revenues	280	331	392	514	904	(51)	(15%)	(112)	(29%)
Other revenues	24	22	29	20	46	2	9%	(5)	(17%)
<b>Total operating revenues</b>	<b>1,184</b>	<b>1,233</b>	<b>1,303</b>	<b>1,409</b>	<b>2,722</b>	<b>(49)</b>	<b>(4%)</b>	<b>(119)</b>	<b>(9%)</b>
Operating expenses									
System operating expenses	180	150	188	133	309	30	20%	(8)	(4%)
Balancing market expenses	280	331	392	514	904	(51)	(15%)	(112)	(29%)
Technological system services expenses	353	309	307	333	678	44	14%	46	15%
Depreciation and amortisation	142	151	155	165	298	(9)	(6%)	(13)	(8%)
Personnel expenses	103	89	107	95	189	14	16%	(4)	(4%)
Repairs and maintenance expenses	44	38	53	45	91	7	18%	(9)	(16%)
Materials and consumables	3	4	6	8	12	(1)	(24%)	(3)	(44%)
Other operating expenses	39	49	87	64	141	(10)	(21%)	(48)	(55%)
<b>Total operating expenses</b>	<b>1,144</b>	<b>1,121</b>	<b>1,295</b>	<b>1,357</b>	<b>2,620</b>	<b>23</b>	<b>2%</b>	<b>(151)</b>	<b>(12%)</b>
<b>Operating profit</b>	<b>40</b>	<b>112</b>	<b>8</b>	<b>52</b>	<b>101</b>	<b>(72)</b>	<b>(65%)</b>	<b>32</b>	<b>n/a</b>
Finance income	6	7	3	3	17	(1)	(19%)	3	92%
Finance cost	10	12	11	13	25	(2)	(17%)	(1)	(7%)
<b>Net finance result</b>	<b>(4)</b>	<b>(5)</b>	<b>(8)</b>	<b>(10)</b>	<b>(8)</b>	<b>1</b>	<b>15%</b>	<b>4</b>	<b>45%</b>
<b>Profit before income tax</b>	<b>35</b>	<b>107</b>	<b>0</b>	<b>42</b>	<b>93</b>	<b>(71)</b>	<b>(67%)</b>	<b>35</b>	<b>n/a</b>
Income tax	5	9	0	7	12	(4)	(43%)	5	n/a
<b>Net profit</b>	<b>30</b>	<b>98</b>	<b>(0)</b>	<b>35</b>	<b>81</b>	<b>(68)</b>	<b>(69%)</b>	<b>31</b>	<b>n/a</b>

## ANNEX 3: Stand-alone cash flow statement

[RON mn]	H1 2019	H1 2018	Δ	2019 vs 2018 (%)
<b>Cash flows from operational activities</b>				
Profit of the period	30.2	98.0	(68)	(69%)
<b>Allowances for:</b>				
Income tax expense	4.9	8.6	(4)	(43%)
Amortisement expense	135.5	151.1	(16)	(10%)
Allowance expenses to impair trade receivables	3.8	4.2	(0)	(10%)
Reversal of allowances for trade receivables impairment	(2.4)	(3.6)	1	33%
Losses from sundry debtors	0.1	0.0	0	n/a
Net revenues with allowances for depreciation of sundry debtors	(0.7)	(2.8)	2	76%
Net revenues with allowances for inventories depreciation	0.1	0.1	0	55%
Profit/loss, net, from the sale of tangible assets	0.0	(0.4)	0	n/a
Net expenses with allowances regarding tangible assets	1.4	0.5	1	177%
Net revenues regarding provisions for risks and expenses	(31.3)	0.0	(31)	n/a
Interest expense, interest revenue and unrealised expenses and revenues from foreign exchange differences	4.7	6.5	(2)	(28%)
<b>Cash flows from operational activities</b>	<b>146.3</b>	<b>262.3</b>	<b>(116)</b>	<b>(44%)</b>
<b>Changes into:</b>				
Clients and assimilated accounts - energy and other activities	(6.1)	37.5	(44)	n/a
Clients - balancing	253.6	58.9	195	330%
Clients - cogeneration	(7.2)	9.0	(16)	n/a
Inventories	(4.7)	(2.9)	(2)	(60%)
Trade and other liabilities - energy and other activities	(95.3)	115.6	(211)	n/a
Liabilities - balancing	(289.8)	(79.0)	(211)	(267%)
Liabilities - cogeneration	(64.7)	(88.9)	24	27%
Other tax and liabilities for social security	(1.8)	(0.9)	(1)	(94%)
Deferred revenues	(13.2)	(15.7)	3	16%
<b>Cash flows from operational activities</b>	<b>(82.9)</b>	<b>295.9</b>	<b>(379)</b>	<b>(128%)</b>
Interest paid	(4.6)	(4.4)	(0)	(6%)
Income tax paid	(5.3)	(11.2)	6	53%
<b>Net cash generated from operational activities</b>	<b>(92.8)</b>	<b>280.3</b>	<b>(373)</b>	<b>(133%)</b>
<b>Cash flows from investments</b>				
Procurements of tangible and intangible assets	(100.8)	(82.4)	(18)	(22%)
Proceeds from non-reimbursable EC financing	0.0	10.2	(10)	(100%)
Interest cashed	2.2	3.0	(1)	(26%)
Participation titles held with TSC NET	0.0	(2.2)	2	n/a
Proceeds from sales of tangible assets	0.0	0.7	(1)	(100%)
Other financial assets	(50.0)	(125.0)	75	60%
<b>Net cash used in investments</b>	<b>(148.6)</b>	<b>(195.8)</b>	<b>47</b>	<b>24%</b>
<b>Cash flows used for financing</b>				
Repayments of non-current borrowings	(39.5)	(58.7)	19	33%
Using the credit line for cogeneration	161.8	0.0	162	n/a
Dividends paid	(66.4)	(1.0)	(65)	n/a
<b>Net cash used for financing</b>	<b>55.8</b>	<b>(59.7)</b>	<b>116</b>	<b>194%</b>
<b>Net diminution of cash and cash equivalents</b>	<b>(185.6)</b>	<b>24.9</b>	<b>(210)</b>	<b>n/a</b>
<b>Cash and cash equivalents on 1 January</b>	<b>482.2</b>	<b>520.7</b>	<b>(39)</b>	<b>(7%)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>296.6</b>	<b>545.6</b>	<b>(249)</b>	<b>(46%)</b>

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

Indicators	Formula	H1 2019	2018
<b>Current liquidity ratio (x)</b>	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.50	1.32
<b>Indebtness indicators (x):</b>			
(1) Indebtedness indicator	$\frac{\text{Debt capital}}{\text{Shareholder's equity}} \times 100$	11.3%	7.0%
(2) Indebtedness indicator	$\frac{\text{Debt capital}}{\text{Committed capital}} \times 100$	10.2%	6.6%
<b>Clients' turnover (zile)</b>	$\frac{\text{Average client balance}^* \times \text{no.days}}{\text{Turnover}}$	97.31	90.96
<b>Non-current assets turnover (x)</b>	$\frac{\text{Turnover}}{\text{Non-current assets}}$	0.38	0.87

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

**ANNEX 5 REPORT (as per HAGEA 4/29.04.2015) on the contracts signed in H1/ 2019 for procurements of assets, services and work amounting to over 500,000 Euro/procurement (for procurements of assets and work) and over 100,000 Euro/procurement (for services)**

No.	Contract no.	Contractual object	Term	Value		Contract type	Legal base	Procurement procedure
				Thous Lei	Tho Euro			
0	1	2	3	4	5	6	7	8
1	C 112/2019	Refurbishing the 110 kV substation Timisoara and converting the Portile de fier-Anina-Resita-Timisoara-Sacalaz-Arad axis to 400 kV, stage II: the 400 kV substation Timisoara	60	-	18,430	Work	Law 99/2016 + HG 394/2016	Open bid
2	C 8/2019	Refurbishing the 220/110 kV substation laz	34	-	11,732	Work	Law 99/2016 + HG 394/2016	Open bid
3	BC 575/2019	Guard and intervention services for TB Bucharest	36	13,724	-	Services	Law 99/2016 + HG 394/2016	Open bid
4	C 720/2019	Procuring three 100 MVAR, 400 kV shunt reactors for the 400 kV substations Arad, Bucharest South and Bradu	12	13,486	-	Supply	Law 99/2016 + HG 394/2016	Open bid
5	C 5/2019	Installing the 400/110 kV, 250 MVA transformer T3 in the 400/110 kV substation Sibiu Sud – primary equipment (T + 400/110 kV related bays)	18	13,140	-	Work	Law 99/2016 + HG 394/2016	Open bid
6	C 168/2019	Extending the 400 kV substation Cernavoda, stage II- connecting new lines	18	11,539	-	Work	Law 99/2016 + HG 394/2016	Open bid
7	CT 742/2019	Special guard, monitoring and intervention services for the objectives of TB Constanta	36	7,900	-	Services	Law 99/2016 + HG 394/2016	Open bid
8	CJ 4/2019	Upgrading the 220/110/20 kV substation Vetis - primary equipment	36	6,472	-	Work	Law 99/2016 + HG 394/2016	Open bid
9	C 96/2019	Failure remedial to tower 120 of the 220 kV OHL Fantanele-Gheorgheni	2.5	3,238	-	Work	Law 99/2016 + HG 394/2016	Negotiation, no prelim invitation
10	C 115/2019	Subsequent Contract 4 to the Framework agreement C 14/2016 - "procurement of primary equipment of medium and high voltage"	12	3,227	-	Supply	Law 99/2016 + HG 394/2016	Re-offering
11	CR 12/2019	220 kV double circuit OHL Ostrovu Mare RET (designing the execution details and technical assistance stage)	48	758	-	Services	Law 99/2016 + HG 394/2016	Open bid
12	C 111/2019	Financial audit services for 2018-2020	36	689	-	Services	Law 99/2016 + HG 394/2016	Simplified procedure
13	C 535/2019	Assessment services for the influence of transmission grid installations over air quality by monitoring the pollutant emissions in the atmosphere	36	539	-	Services	Law 99/2016 + HG 394/2016	Simplified procedure
14	CR 2/2019	Special guard, monitoring and intervention services for the objectives of TB Craiova for 3 months	3	506	-	Services	Law 99/2016 + HG 394/2016	Negotiation, no prelim invitation
15	SB 10/2019	Installing the 400 MVA, 400/231/22 kV autotransformer AT2 and bays in Iernut substation and upgrading the command-control system of the 400/220/110/6 kV substation Iernut, RET connection of the ccc 430 MW Iernut generation place belonging to SNGN ROMGAZ SA; design &	26	30,740	-	Work	Law 99/2016 + HG 394/2016	Open bid

No.	Contract no.	Contractual object	Term	Value		Contract type	Legal base	Procurement procedure
				Thous Lei	Tho Euro			
		execution of protection systems for the connecting electric lines of the new units in SPEE Iernut						
16	C 730/2019	Connecting the 400 kV OHL Isaccea-Varna and the 400 kV OHL Isaccea-Dobrudja in the 400 kV substation Medgidia Sud. Stage i- extending the 400 kV substation Medgidia Sud, procuring the 400 kV GIS assembly, installing and commissioning the 400 kV GIS assembly	10	-	5,168	Supply	Law 99/2016 + HG 394/2016	Negotiation, no prelim invitation to a competitive offering procedure
17	BC 598/2019	Changes of 110 kV, 220 kV and 400 kV electric overhead lines to achieve the objective: puncturing Blvd. Nicolae Grigorescu - Splai Durescu	7	4,863	-	Work	Law 99/2016 + HG 394/2016	Open bid
18	C 733/2019	Revolving bank credit line	12	3,313	-	Services	Law 99/2016 + HG 394/2016	One's own procedure
19	TM 43/2019	Capital repairs of the 220 kV OHL Mintia - Timisoara anti-corrosive protection of towers	24	3,146	-	Work	Law 99/2016 + HG 394/2016	Open bid
20	SB 8/2019	Maintenance services for the clearance corridor of OHL-s passing through areas with trees	36	2,391	-	Services	Law 99/2016 + HG 394/2016	Open bid
21	PT 42/7381/2019	Guard, intervention and intervention for special circumstances to the objectives of TB Pitesti	6	1,411	-	Services	Law 99/2016 + HG 394/2016	Negotiation, no prelim invitation to a competitive offering procedure
22	BA 743/2019	Maintenance services for the clearance corridor of OHL-s passing through areas with trees	36	1,353	-	Services	Law 99/2016 + HG 394/2016	Open bid
23	SB 9/2019	Mowing services and vegetation removal in view of preventing fires in electric substations managed by TB Sibiu	36	583	-	Services	Law 99/2016 + HG 394/2016	Open bid
24	BA 742/2019	Mowing services and vegetation removal in view of preventing fires in electric substations managed by TB Bacau	24	553	-	Services	Law 99/2016 + HG 394/2016	Open bid
25	CR 22/2019	Special guard and intervention services for the objectives of TB Craiova for 3 months	3	506	-	Services	Law 99/2016 + HG 394/2016	Negotiation, no prelim invitation to a competitive offering procedure



